

## OFFICE OF THRIFT SUPERVISION

### Approval of Voluntary Supervisory Conversion Application

**Order No.:** 2009-08  
**Date:** January 29, 2009  
**Re:** OTS No. 06571

Canisteo Savings and Loan Association, Canisteo, New York (Association) seeks the Office of Thrift Supervision's (OTS) approval to undertake a voluntary supervisory conversion, pursuant to sections 5(i) and 5(p) of the Home Owners' Loan Act (HOLA), and the voluntary supervisory conversion provisions of the OTS Mutual-to-Stock Conversion Regulations (Conversion Regulations), 12 C.F.R. Part 563b, Subpart B. In the proposed transaction, the Association will merge directly into Steuben Trust Company, Hornell, New York (Steuben).

#### **The Parties**

The Association is a Deposit Insurance Fund (DIF)-insured, New York-chartered mutual savings association. The Association had total assets of approximately \$7 million as of September 30, 2008. The Association is subject to an Individual Capital Maintenance Requirement (IMCR) that requires the Association to maintain core capital of ten percent. As of December 31, 2008, the Association had core capital of 8.07 percent.

Steuben is a New York-chartered commercial bank with assets of approximately \$335 million. Steuben is wholly owned by a bank holding company. Steuben is well capitalized under applicable regulatory standards.

#### **The Proposed Transaction**

The Association proposes to undertake a voluntary supervisory conversion, pursuant to sections 5(i) and 5(p) of the HOLA, and OTS's Conversion Regulations.<sup>1</sup> In connection with the voluntary supervisory conversion, the Association will merge directly into Steuben, with Steuben being the surviving depository institution.<sup>2</sup> Upon consummation of the voluntary supervisory conversion, Steuben will remain well capitalized.

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<sup>1</sup> 12 U.S.C. §§ 1464(i) and 1464(p); 12 C.F.R. Part 563b, Subpart B (2008).

<sup>2</sup> Steuben has filed a merger application with the Federal Deposit Insurance Corporation (FDIC), pursuant to 12 U.S.C. § 1828(c). The FDIC is the appropriate Federal banking agency with respect to the merger application. See 12 U.S.C. §§ 1828(c)(2) and 1813(q). In addition, the Association has filed a notification with the OTS Northeast Regional Office, pursuant to 12 C.F.R. § 563.22(b)(1)(i) (2008), with respect to the proposed merger into Steuben.

### Voluntary Supervisory Conversion

Section 5(i)(2)(A) of the HOLA provides that no savings association may convert from the mutual to the stock form except in accordance with OTS regulations. The Conversion Regulations provide that a savings association may conduct a voluntary supervisory conversion by merging into an existing depository institution, subject to other applicable laws and regulations.<sup>3</sup> Accordingly, the form of the proposed transaction, that is, the proposed merger of the Association directly into Steuben, is consistent with the Conversion Regulations.

Pursuant to 12 C.F.R. § 563b.625(a)(2), a savings association is eligible to engage in a voluntary supervisory conversion if severe financial conditions threaten the savings association's stability and the voluntary supervisory conversion is likely to improve its financial condition. The Association is subject to an IMCR that requires the Association to have core capital of ten percent. Currently, the Association has core capital of only 8.07 percent. The Association has no way to raise the additional capital necessary to meet the requirements of the IMCR (absent the supervisory conversion). Given the Association's small size, marginal condition, and current market conditions, raising funds in a standard conversion is not a feasible option for the Association. Accordingly, OTS concludes that severe financial conditions threaten the Association's stability.

Upon consummation of the proposed supervisory conversion, the surviving depository institution, Steuben, will remain well capitalized. Accordingly, OTS concludes that the voluntary supervisory conversion is likely to improve the Association's financial condition.

In addition, OTS has reviewed the transaction and concludes that there is no basis for objection to the transaction under 12 C.F.R. §§ 563b.670.

Accordingly, the proposed voluntary supervisory conversion of the Association meets the applicable statutory and regulatory standards for approval.

The parties have requested that OTS not require publication regarding the proposed transaction under 12 C.F.R. § 563b.180. The Conversion Regulations, at 12 C.F.R. § 563b.5(c), provide that OTS may waive any requirement of the conversion regulations.<sup>4</sup> The proposed conversion will resolve severe financial conditions regarding the Association. Accordingly, OTS concludes that there is good cause to waive, and hereby waives, the publication requirements of Subpart A with respect to the proposed transaction.

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<sup>3</sup> 12 C.F.R. § 563b.605(d) (2008).

<sup>4</sup> The publication requirement in 12 C.F.R. § 563b.180 is not set forth in any statute.


**Conclusion**

Based on the applications and the foregoing analysis, OTS concludes that the application satisfies the applicable approval standards, provided that the following conditions are complied with in a manner satisfactory to the Northeast Regional Director or his designee (Regional Director). Accordingly, the application is hereby approved, subject to the following conditions:

1. The proposed transaction must be completed within 30 calendar days of the date of this order; and
2. Steuben must, within 5 calendar days after the effective date of the proposed transactions: (a) advise the Regional Director in writing of the effective date of the proposed transactions; and (b) advise the Regional Director in writing that the transactions were consummated in accordance with all applicable laws and regulations, the applications and this Order.

The Regional Director may, for good cause, extend any time period herein for up to 120 days.

By order of the Director of the Office of Thrift Supervision, or his designee, effective January 29, 2009.

  
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Grovetta N. Gardineer  
Managing Director  
Corporate & International Activities