

OFFICE OF THRIFT SUPERVISION

APPROVAL OF APPLICATIONS FOR MUTUAL HOLDING COMPANY REORGANIZATION, HOLDING COMPANY ACQUISITION AND RELATED APPLICATIONS

Order No.: 98-83

Date: August 13, 1998

Sound Federal Savings and Loan Association, Mamaroneck, New York (the "Savings Association"), has filed notice (the "Notice") of its intent to reorganize into a mutual holding company to be known as Sound Federal, MHC (the "Mutual Holding Company"), pursuant to section 10(o) of the Home Owners' Loan Act ("HOLA"), 12 U.S.C. § 1467a(o), and 12 C.F.R. § 575.3. In addition, Sound Federal Bancorp, Mamaroneck, New York (the "Stock Holding Company") seeks approval of the Office of Thrift Supervision ("OTS"), pursuant to 12 U.S.C. §§ 1467a(e) and 1467a(o) and 12 C.F.R. §§ 574.3 and 574.14, to acquire the Savings Association (the "Application"). The Notice and the Application together seek OTS approval of the Savings Association's reorganization into a mutual holding company structure, along with all of the constituent elements of such a reorganization.

The OTS has considered the Notice and Application, and the transactions described therein, under the factors set forth in 12 U.S.C. §§ 1467a(e) and 1467a(o) and the transactions described therein, and 12 C.F.R. §§ 574.7, 575.4 and 575.14, under the Community Reinvestment Act, 12 U.S.C. §§ 2901, et seq., and the OTS regulations thereunder at 12 C.F.R. Part 563e, and other applicable statutes and regulations. In addition, the OTS has considered a digest by the OTS Northeast Regional Office, an analysis by Corporate Activities, and a legal opinion issued by the Business Transactions Division (collectively, the "Staff Memoranda"). For the reasons set forth in the Staff Memoranda, the OTS has determined that the reorganization and acquisition would be in compliance with all of the applicable standards and criteria, with the exception of 12 C.F.R. §§ 575.6(a) and 575.6(b), provided the conditions set forth below are satisfied. Pursuant to 12 C.F.R. § 575.1(b), the OTS hereby waives the applicability of 12 C.F.R. §§ 575.6(a) and 575.6(b).

Accordingly, the Notice and Application, and the component steps of the reorganization described therein, are hereby approved, provided that the following conditions are complied with in a manner satisfactory to the Northeast Regional Director, or his designee ("Regional Director"):

1. The Mutual Holding Company and the Stock Holding Company must receive all required regulatory approvals prior to consummation of the reorganization and acquisition with copies of all such approvals supplied to the Regional Director;

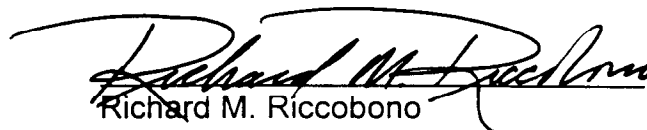
2. The reorganization and acquisition must be consummated within 120 calendar days of the date of the approval order;
3. On the business day prior to consummation of the reorganization, the Savings Association must submit to the Regional Director a certification stating that the reorganization has been approved by the majority of the total votes eligible to be cast at the special meeting of members of the Savings Association called to vote on the transaction;
4. On the business day prior to the date of consummation of the reorganization and acquisition, the chief financial officers of the Mutual Holding Company, the Stock Holding Company and the Savings Association must certify in writing to the Regional Director that no material adverse events or material adverse changes have occurred with respect to the financial condition or operations of the Mutual Holding Company, the Stock Holding Company or the Savings Association since the date of the financial statements submitted with the Notice and Application;
5. Upon completion of the organization of the interim federal savings banks, the board of directors of the interim federal savings banks, the Mutual Holding Company, the Stock Holding Company, and the Savings Association must ratify the Amended Plan of Reorganization from Mutual Savings Association to Mutual Holding Company and Stock Issuance Plan;
6. No later than 5 calendar days from the date of consummation of the reorganization and acquisition, the Mutual Holding Company, the Stock Holding Company and the Resulting Savings Association must file with the Regional Director, a certification by legal counsel stating the effective date of the reorganization and acquisition, the exact number of shares of stock of the Resulting Savings Association acquired by the Stock Holding Company, the exact number of shares of stock of the Stock Holding Company acquired by the Mutual Holding Company, that the interim Federal Savings Associations did not open for business, and that the reorganization and acquisition has been consummated in accordance with all applicable laws and regulations, the Notice and Application, the Agreement of Merger and Amended Plan of Reorganization, and the approval order;
7. The Resulting Savings Association's Year 2000 Project Management Program must adhere to the terms, deadlines, requirements and conditions contained in the Year 2000 guidance issued by the OTS and/or the Federal Financial Institutions Examination Council ("FFIEC") including the May 5, 1997 FFIEC Year 2000 Project Management Awareness statement, the December 17, 1997 FFIEC Safety and Soundness Guidelines Concerning the Year 2000 Business Risk, the March 17, 1998 FFIEC Guidance Concerning Institution Due Diligence in Connection with Service Provider and Software Vendor Year 2000 Readiness, the March 17, 1998

FFIEC Guidance Concerning the Year 2000 Impact on Customers, the April 10, 1998 Guidance Concerning Testing for Year 2000 Readiness, the May 13, 1998 Guidance Concerning Contingency Planning in Connection with Year 2000 Readiness, the May 13, 1998 Guidance on Year 2000 Customer Awareness Programs, and any subsequent OTS or FFIEC Year 2000 guidance, regulations or other requirements.

In addition, the OTS hereby approves the Stock Holding Company's application for a Federal charter.

Any time period specified herein may be extended by the Regional Director, for good cause, for up to 120 calendar days.

By Order of the Director of the Office of Thrift Supervision, or her designee, effective AUGUST 13TH 1998


Richard M. Riccobono
Deputy Director