

**FDIC**

Federal Deposit Insurance Corporation
550 17th Street, NW, Washington, DC 20429

Division of Supervision

January 7, 1999

Board of Directors
Ridgewood Savings Bank of New Jersey
55 North Broad Street
Ridgewood, New Jersey 07450

Board of Directors:

The notice of intent to convert from mutual to stock form filed on behalf of Ridgewood Savings Bank of New Jersey, Ridgewood, New Jersey has been reviewed by the Federal Deposit Insurance Corporation ("FDIC") pursuant to the FDIC regulation at 12 C.F.R. Sections 303.163 and 333.4. Based on the information and representations presented, the FDIC poses no objection to the proposed conversion transaction.

Please notify our New York Regional Office in writing when the proposed transaction has been consummated.

Sincerely,

/s/

James L. Sexton
Director

cc: Samuel J. Malizia, Esq.
Malizia, Spidi, Sloane & Fisch, P.C.
1301 K Street, N.W., Suite 700 East
Washington, D.C. 20005

FEDERAL DEPOSIT INSURANCE CORPORATION

Ridgewood Savings Bank of New Jersey
Ridgewood, Bergen County, New Jersey

Application for Consent to Merge
to facilitate a conversion from a
Mutual Savings Bank to a Stock Savings Bank

ORDER AND BASIS FOR CORPORATION APPROVAL

Pursuant to Section 18(c) and other provisions of the Federal Deposit Insurance Act ("FDI Act"), an application has been filed on behalf of Ridgewood Savings Bank of New Jersey, Ridgewood, New Jersey ("Ridgewood"), a New Jersey chartered mutual savings bank for the FDIC's consent to merge with an interim New Jersey chartered stock savings bank ("Stock Bank"). Ridgewood is currently a Savings Association Insurance Fund ("SAIF") member, with total assets of \$242,780,000 and total deposits of \$199,530,000 as of June 30, 1998.

This transaction is the result of the "Ridgewood Savings Bank of New Jersey Plan of Reorganization From a Mutual Savings Bank to a Mutual Holding Company and Stock Issuance Plan" ("Plan"). Pursuant to the Plan, Ridgewood will: (i) convert to a New Jersey chartered stock savings bank ("Stock Bank") that will succeed to all the rights and obligations of Ridgewood; (ii) establish a middle-tier New Jersey stock holding company, Ridgewood Financial, Inc. ("RFI"), which will own 100 percent of the common stock of the Stock Bank; and (iii) establish a New Jersey mutual holding company, Ridgewood Financial, MHC, ("MHC"), which will own at least a majority of RFI's common stock. Concurrent with the reorganization, RFI intends to offer for sale up to 47 percent of its common stock on a priority basis to qualifying depositors and an Employee Stock Ownership Plan. The proposed transaction per se will not alter the competitive structure of banking in the market currently served by Ridgewood. Ridgewood's principal office will remain at 55 North Broad Street, Ridgewood, New Jersey. Notice of the proposed transaction, in a form approved by the FDIC, has been published pursuant to the FDI Act.

A review of available information, including the Community Reinvestment Act ("CRA") Statement of Mutual Institution discloses no inconsistencies with the purposes of the CRA. Ridgewood is expected to continue to meet the credit needs of its entire community, consistent with safe and sound operation of the institution.

In connection with the application, the FDIC has taken into consideration the financial and managerial resources and future prospects of the resultant Stock Bank, and the convenience and needs of the community to be served. Having found favorably on these statutory factors and having considered other relevant information, including any reports on the competitive factors furnished by the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Office of Thrift Supervision, or the Attorney General of the United States, it is the FDIC's judgement that the application should be and hereby is approved, subject to the following conditions:

- (1) The proposed transaction may not be consummated unless the Plan receives prior approval by an affirmative vote of a majority of the votes eligible to be cast at a special meeting of Ridgewood's voting participants;
- (2) The proposed transaction may not be consummated unless and until the FDIC issues a non-objection letter to the Plan filed on behalf of the applicant pursuant to 12 C.F.R. Sections 303.160 – 303.164 of the FDIC's Rules and Regulations concerning the mutual-to-stock conversion portion of the transaction;
- (3) The proposed transaction may not be consummated unless and until the resultant Stock Bank has authority to conduct a banking business, and that its establishment and operation as a stock savings bank have been fully approved by the New Jersey Department of Banking and Insurance, and that the applications by the mutual holding company and the middle-tier stock holding company to become bank holding companies are approved by the Board of Governors of the Federal Reserve System;
- (4) Any changes in proposed management, including the board of directors or proposed ownership (10 percent or more of the stock and new acquisitions of or subscriptions to 10 percent or more of the stock), will render this approval null and void unless such proposal is approved by the Regional Director (Supervision) of the FDIC's New York Regional Office prior to the consummation of the proposed transaction;
- (5) The transaction being consummated not less than fifteen calendar days after the date of this Order or later than six months after the date of the Order, unless such period is extended for good cause by the FDIC;
- (6) Prior to a sale, transfer, or disposition of any shares of Ridgewood by the MHC to any person (including any Employee Stock Ownership Plan), or a conversion of the mutual holding company to stock form, MHC will provide written notification to the FDIC and provide the FDIC with copies of all documents filed with state and federal banking and /or securities regulators in connection with any such sale, transfer, disposition, or conversion;
- (7) That, should any shares of the stock of RFI or the Stock Bank be issued to persons other than MHC, any dividends waived by MHC must be retained by RFI or the Stock Bank and segregated, earmarked, or otherwise identified on the books and records of RFI or the Stock Bank: such amounts must be taken into account in any valuation of the institution and factored into the calculation used in establishing a fair and reasonable basis for exchanging shares in any subsequent conversion of MHC to stock form: such amounts shall not be available for payment to or the value thereof transferred to minority shareholders, by means including through dividend payments or at liquidation.

- (8) Until the proposed transaction is consummated, the FDIC has the right to alter, suspend, or withdraw its approval should any interim development be deemed to warrant such action;

Pursuant to delegated authority.

Dated Washington, D.C., this 12th day of November, 1998

/S/

Nicholas J. Ketcha Jr.,
Director
Division of Supervision