AMERICA'S MUTUAL BANKS

701 8th Street NW Suite 700, Washington, D.C. 20001

Mutual Alert

Acquisition of Two More Mutuals Announced

Investor Bancorp agrees to Acquire Gateway Community
Municipal Employees Credit Union of Baltimore Agrees to Acquire Advance Bank
Advance to Liquidate and Pay a Member Distribution of its Surplus

Two mutual have announced that they are being acquired in separate and different transactions. Both transactions raise issues as to how a mutual bank's surplus is to be treated in an acquisition. Ironically the credit union transaction raises more troubling issues as to what has been established as only an inchoate right to share in a mutual bank's surplus.

Investors

Gateway Community Financial MHC, assets of $309.8 million and a tangible equity ratio of 7.94% will be acquired by Investors Bancorp MHC by merger. Investors is headquartered in Short Hills N.J. with assets of $12.7 billion. Since Gateway has no public shareholders no consideration will be paid to third parties. Investors will issue shares to Investor's MHC as consideration. Essentially Investors will pay itself and former members of Gateway will have a proportionate share of any conversion subscription rights if Investors does a second step offering. The number of shares issued will be based on the pro forma market valuation of Gateway. The merger is anticipated to take place in the third quarter of 2013.

MECU

Municipal Credit Union, (MECU) $1.2 billion in assets, will acquire Advance Bank of Baltimore, $60.9 million in assets with a tangible capital ratio of 9.4%, by a purchase and assumption agreement. Under the terms of the Agreement MECU will assume all bank related assets and liabilities of Advance. Advance will retain certain assets that will be used to fund current liabilities that will not be acquired by MECU. Upon liquidation of the liabilities Advance will surrender its charter and distribute any remaining assets to its members pursuant to a dissolution plan. Closing is expected in the fourth quarter of 2013. This will be one of the largest acquisition of a mutual thrift coupled with a member distribution. It raises a host of issues that have not been explored in the context of FDIC insured mutual banks and may signal further erosion of the heretofore inviolate principal that member distributions of a mutual's net worth are highly disfavored.

Douglas Faucette
America's Mutual Banks
701 8th Street, N.W.
Suite 700
Washington D. C. 20001
dfaucette@lockelord.com
www.americasmutualbanks.com