

Statute

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ARIZONA CORPORATION COMMISSION

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1300 West Washington  
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May 9, 1995

Shannon M. Devlin  
Malizia, Spidi, Sloane & Fisch, P.C.  
One Franklin Square  
1301 K Street, N.W., Suite 700 East  
Washington, D.C. 20005

RE: Gallup Federal Savings and Loan Association  
A.R.S. § 44-1844(A)(6)

Dear Ms. Devlin:

On the basis of the facts set forth in your letter of April 19, 1995, and in reliance upon your opinion as counsel, the Securities Division will not recommend enforcement action for violation of the Securities Act of Arizona (the "Act") should the transaction within Arizona be limited to the Subscription Offering.

As this position is premised upon the facts set forth in your letters, it should not be relied on for any other set of facts or by any other person. Please also note that this position applies only to the registration requirements of the Act; the anti-fraud provisions of the Act continue to be applicable.

We have attached a photocopy of your letter. By doing this we are able to avoid having to recite or summarize the facts set forth therein.

Very truly yours,

DEE RIDDELL HARRIS  
Director of Securities

DRH/ll  
Attachment

MALIZIA, SPIDI, SLOANE & FISCH, P.C.

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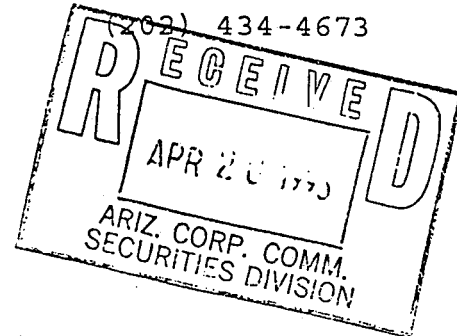
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WRITER'S DIRECT DIAL NUMBER

April 19, 1995

VIA FEDERAL EXPRESS

Dee R. Harris, Director  
Corporation Commission  
Securities Division  
1300 West Washington Street, Third Floor  
Phoenix, Arizona 85007



Re: Request for Confirmation of Exemption Regarding the Proposed Reorganization of Gallup Federal Savings and Loan Association, and the sale of Common Stock by its Holding Company, GFSB Bancorp, Inc., a Delaware corporation

Dear Ms. Harris:

On behalf of Gallup Federal Savings and Loan Association, a federal savings association ("Gallup Federal") and GFSB Bancorp, Inc. ("GFSB") we are filing a no-action request pursuant to Section 44-1861(L) of the Arizona Blue Sky Act (the "Act"). GFSB was incorporated on March 13, 1995 in order to become a savings and loan holding company for Gallup Federal. Gallup Federal will convert from a federally chartered mutual savings association to a federally chartered stock savings bank (the "Conversion") and simultaneously become the wholly-owned subsidiary of GFSB. In connection with this reorganization of Gallup Federal, between \$8,250,000 (825,000 shares at \$10.00 per share), and \$10,910,630 (1,091,063 shares at \$10.00 per share) of the common stock of GFSB, par value \$.10 per share (the "Common Stock") will be sold to certain persons, including residents of the State of Arizona.

The purpose of this letter to request that the Division of Securities confirm that, with respect to the facts and circumstances discussed herein:

- (i) The proposed sale of Common Stock of GFSB is exempt from registration in the State of Arizona pursuant to Sections 44-1844(6) of the Act. We request that this exemption apply only to depositors and certain borrowers of Gallup Federal residing in Arizona in the Subscription Offering as described below.

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- (ii) For purposes of the proposed sale of stock, officers and directors of GFSB will not be subject to registration as salesmen pursuant to Section 44-1842 due to the sale of stock being an exempt transaction pursuant to Sections 44-1844(6) of the Act.
- (iii) No filings are required to be made in connection with the proposed issuance of stock.

On February 1, 1995, the Board of Directors of Gallup Federal adopted a Plan of Conversion, whereby Gallup Federal will convert from a federally-chartered mutual savings association to a federally-chartered stock savings bank, as a wholly-owned subsidiary of GFSB. Gallup Federal has filed with the Office of Thrift Supervision ("OTS") an Application for Approval of Conversion on Form AC for permission to convert to a stock savings bank. In connection with the Conversion of Gallup Federal from a mutual savings association to stock savings bank, Gallup Federal has proposed that all of its shares of capital stock to be issued in the Conversion will be acquired by the GFSB. GFSB has filed a Registration Statement with the Securities and Exchange Commission ("SEC") to register the shares of Common Stock sold in a Subscription and Community Offering as part of the Conversion. The pro forma market value of the Common Stock to be sold in the Conversion has been determined by an independent appraisal prepared by Capital Resources Group, Inc. Upon consummation of the Conversion, Gallup Federal will become a wholly owned subsidiary of GFSB, and, at such time, GFSB's assets shall consist solely of the stock of Gallup Federal, which it will acquire in the Conversion, GFSB's initial capitalization, and a note payable from GFSB's Employee Stock Ownership Plan which will purchase shares of Common Stock in the Conversion with funds borrowed from GFSB. The Conversion is subject to the approval of the members of Gallup Federal at a Special Meeting of Members expected to be held in May 1995.

As part of the Conversion, GFSB is conducting a Subscription Offering of the Common Stock for holders of subscription rights in the following order or priority: (i) to Gallup Federal's deposit account holders with deposits of at least \$50 as of January 31, 1994 ("Eligible Account Holders"), (ii) tax-qualified employee plans, (iii) other deposit account holders with deposits of at least \$50 as of March 31, 1995 ("Supplemental Eligible Account Holders"), and (iv) certain other depositors and certain borrowers of Gallup Federal as of the voting record date, for a special meeting of members called to vote on the Conversion ("Other Members") in a subscription offering (the "Subscription Offering").

MALIZIA, SPIDI, SLOANE & FISCH, P.C.

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All Common Stock not sold in the Subscription Offering is being offered in a Community Offering to the general public subject to the provisions in the Plan.

The OTS conversion regulations require, with certain exceptions, that all shares of the Common Stock offered in the Conversion must be sold in order for the Conversion to become effective. At least \$8,250,000 of the Common Stock must be sold in order for the Conversion to be completed. All shares of the Common Stock not sold in the Subscription Offering will be offered in the Community Offering. Regulations further require completion of the Community Offering within 45 days after the last day of the Subscription Offering period unless such period is extended by the Gallup Federal with the approval of the regulatory authorities.

We believe that the exemption pursuant to Section 44-1844(6) is applicable to these facts. The conversion of Gallup Federal to stock form, the reorganization of Gallup Federal into the holding company form of ownership, and the concurrent stock offering by GFSB must be approved by the OTS pursuant to applicable statutes and the rules and regulations of the OTS, and by the depositor and borrower members of Gallup Federal who currently hold voting rights in Gallup Federal. The members of Gallup Federal will also receive subscription rights to buy stock in the Conversion stock offering. Such members are currently the equivalent of stockholders, but if they approve the Conversion they will receive subscription rights in the Conversion and will lose their voting rights upon the successful completion of the Conversion. In effect they are exchanging their voting rights in Gallup Federal in consideration for the right to buy the Common Stock of GFSB in the Conversion stock offering.

The offering of the Common Stock of GFSB is expected to commence in mid-May, 1995 and the Conversion and sale of stock is expected to be consummated in June 1995. The offering of the Common Stock of GFSB will be carried out by the officers and directors of GFSB, who will be given no commissions or additional remuneration for their role. Gallup Federal has engaged Capital Resources, Inc., to assist in the distribution and Sale of Common Stock, on a best efforts basis in the Subscription and Community Offering.

We have enclosed a copy of Gallup Federal's Plan of Conversion and a check for \$200 to the Arizona Corporation Commission in payment of the applicable fee. We would appreciate your response on this matter, on or before May 12, 1995, if possible.

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Please contact the undersigned if you have any further questions. You may call collect if that is standard procedure.

Thank you for your assistance in this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Shannon M. Devlin". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Shannon M. Devlin

Enclosure

cc: Jerry R. Spurlin, President  
Broc Romanek, Esq.