

## Appendix A

Office of Thrift Supervision

### FORM AC APPLICATION FOR CONVERSION

#### Paperwork Reduction Act Statement

The Office of Thrift Supervision will use this information to provide OTS with all necessary information to evaluate the application for conversion to meet all agency safety and soundness requirements. See Part 563b.

Public reporting burden for this collection of information is estimated to average 299 hours if not creating a foundation and 309 hours if creating a foundation, per response, including the time for reviewing instructions and completing and reviewing the collection of information. If a valid OMB Control Number does not appear on this form, you are not required to complete this form. Send comments on these information collections to Information Collection Comments, Attention: 1550-0014, by e-mail to [infocollection.comments@ots.treas.gov](mailto:infocollection.comments@ots.treas.gov); by facsimile transmission to (202) 906-6518; or by mail to Chief Counsel's Office, Office of Thrift Supervision, 1700 G Street, N.W., Washington, DC 20552. Send a copy of comments to Alexander T. Hunt, Attention: 1550-0014, by e-mail to [ahunt@omb.eop.gov](mailto:ahunt@omb.eop.gov) or by mail to him at Office of Information and Regulatory Affairs, Office of Management and Budget, New Executive Office Building, Washington, DC 20503.

## FORM AC

### APPLICATION FOR CONVERSION

[Not to be codified in the Code of Federal Regulations]

OFFICE OF THRIFT SUPERVISION  
1700 G Street, N.W., Washington, DC 20552

#### Application for Conversion

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(Name of Applicant in charter)

(Docket No.)

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(Street address of Applicant)

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(City, State and Zip Code)

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## **General Instructions**

### **A. Use of Form AC**

You must use Form AC to seek OTS approval of a conversion from the mutual to the stock form of organization under 12 CFR Part 563b. You must indicate on the cover if you are filing using Regulation S-B.

### **B. Application of Rules and Regulations**

You should follow the general requirements in this section when you prepare and file this Form AC and all other forms required under 12 CFR Part 563b.

- (1) Method of preparation. In your applications, you must furnish information in item-and-answer form, and must include the captions on the form. You may omit the text of items and instructions. In a proxy statement or offering circular, you may present the required information in any order and omit the captions and text of all items and instruction. You must not present the information in a way that obscures any of the required information or other information necessary to keep the required information from being incomplete or misleading. Where an item requires you to provide information in tabular form, you must provide the information substantially in the tabular form specified in the item.

You must set out all information in the plan of conversion, proxy statement or offering circular under appropriate headings that reasonably indicate the principal subject matter. Except for financial statements and other tabular data, you must present all information in reasonably short paragraphs or sections. You must set out financial statements, including interim financial statements, in comparative form, and must include all notes and the accountants' certificate or certificates. You must follow 12 CFR 563c.1, which governs the certification, form, and content of financial statements, including the basis of consolidation.

In a proxy statement or offering circular, you must present all information in a clearly understandable format. The reader should not have to refer to the OTS form or 12 CFR Part 563b to understand the document. You must include a reasonably detailed table of contents in each proxy statement and offering circular.

In every application, you must include a cross-reference sheet showing where the responses to each item of the appropriate form are located in the proxy statement and offering circular. In the cross-reference sheet, you must state where any item is inapplicable, or where you omitted an answer because it was no.

- (2) Additional information. In addition to the information required under 12 CFR Part 563b, you must include any material information necessary to make the required statements, in the light of the circumstances under which you have made them, not misleading.
- (3) Information unknown or not reasonably available. You must provide information to the extent you know the information or it is reasonably available to you. You may omit any required information that you do not know or is not reasonably available to you. You must explain why such information is not known or reasonably available to you. Information is not reasonably available if obtaining it would involve an unreasonable effort or expense, or if it rests peculiarly within the knowledge of another person who is not your affiliate. You must provide all information on the subject that you possess or can acquire without unreasonable effort or expense, together with the sources of the information.
- (4) Incorporation by reference. If an item in an application calls for certain information and the proxy statement or offering circular does not require you to include it, you may incorporate the information by reference from any part of the application, including exhibits, in the answer, or partial answer, to the item. In a proxy statement or offering circular, you may not incorporate information by reference unless you attach, summarize, or outline the document containing the information. To summarize or outline a document, you must make a brief statement of the most important provisions of the document. In addition, you may incorporate by reference particular items, sections, or paragraphs of any exhibit, and your summary or outline may be qualified in its entirety by the reference. In an offering circular, you may incorporate by reference information from a proxy statement that you have delivered. You do not need to summarize or outline the information. If you incorporate material by reference you must clearly identify the material in the reference. You must expressly state that the specified matter is

- incorporated by reference at the particular place in the application where the information is required. You may not incorporate information by reference if the incorporation would render the statement incomplete, unclear or confusing.
- (5) Signatures Required. The following individuals must manually sign at least two copies of every application and every amendment to an application that you file with OTS:
- (a) Your duly authorized representative.
  - (b) Your principal executive officer.
  - (c) Your principal financial officer.
  - (d) Your principal accounting officer.
  - (e) At least two-thirds of your directors.
- (6) Consents of persons about to become directors. If you indicate in a proxy statement or offering circular that a person is about to become a director, and that person has not signed your application, you must file that person's written consent to the application with the appropriate form.
- (7) Consents of experts. If you indicate that an accountant, attorney, investment banker, appraiser, or other professional prepared, reviewed, passed upon, or certified any part of an application, or any report or valuation used in connection with the application, you must file the written consent of that person to use their name in connection with the stated action with the application. If you quote or summarize any portion of a report of an expert in any filing under 12 CFR Part 563b, you must file a written consent of the expert that expressly states that the expert consents to the quotation or summarization. All written consents must be dated and signed manually by the expert. You must file a list of consents with the application. If the expert's report contains his or her consent, you must refer to the report containing the consent in your list. You must file a new consent for any accounting amendment.
- (8) Date of filing. Your documents are filed as of the date the last OTS office where they are filed receives them, and you paid any applicable fee.
- (9) Amendments. You must file all amendments to any application with an appropriate facing sheet. You must number your amendments consecutively in the

order in which you file them. You must comply with all regulations applicable to the original application.

**Item 1. Form of Application**

You must include the following form in your application for approval of the plan of conversion. You must set out the names and titles of the officers and directors below their signatures:

The undersigned applies for approval to convert into a stock association. We have attached a statement of the proposed plan of conversion and other information and exhibits as required by 12 CFR Part 563b.

In submitting this application, we understand and agree that, if OTS requires further examinations or appraisals, OTS will conduct or approve the examination or appraisal at our expense. We will pay the costs as computed by OTS.

At least two-thirds of the board of directors approved the application. By filing this application, the undersigned officers and directors severally represent that: (1) Each person read this application; (2) Each person adequately examined and investigated this application and concluded that this application complies with 12 CFR Part 563b.

Attest:

\_\_\_\_\_  
(Duly Authorized Representative)

\_\_\_\_\_  
(Principal Executive Officer)

\_\_\_\_\_  
(Principal Financial Officer)

\_\_\_\_\_  
(Principal Accounting Officer)

\_\_\_\_\_  
(Director)

\_\_\_\_\_  
(Director)

\_\_\_\_\_  
(Director)

\_\_\_\_\_  
(Director)

(Signatures of at least two-thirds of the Board of Directors)

## **Item 2. Plan of Conversion**

You must furnish the complete written plan that your board of directors adopted for the conversion to the stock form. You must prepare the plan of conversion in accordance 12 CFR 563b.320 through 563b.395. OTS will base its approval on the terms of this plan. You must distribute the approved plan as an attachment to the proxy statement.

## **Item 3. Proxy Statement and Offering Circular**

You must furnish preliminary copies of the proxy statement and offering circular. You must prepare the proxy statement and offering circular in accordance with Forms PS and OC, respectively.

## **Item 4. Form of Proxy**

You must furnish preliminary copies of the form of proxy that your management will distribute to your members.

## **Item 5. Additional Information Required for Conversion with a Charitable Contribution**

If your conversion application includes a charitable contribution, you must include the following information in your application:

- (a) Your reasons for concluding that the proposed contribution is reasonable.
- (b) The impact of the proposed contribution on the appraised valuation.
- (c) A description of the charitable organization.
- (d) The exhibits required under Exhibit 9.

## **Item 6. Sequence and Timing of the Plan**

You must describe the expected chronological order of the events for your conversion. Begin with the filing of this application and end with the sale of all the stock under the plan. Estimate the timing of any requisite approvals by state or other regulators other than OTS. Indicate the proposed timing of all aspects of the subscription offering. If a selling agent will assist in the community offering, or if an underwriter will offer shares in the public offering, indicate the proposed timing of all aspects of the community offering and public offering.

### Item 7. Record Dates

If the eligibility record date in your plan of conversion is more than one year before your board of directors adopted the plan of conversion, you must state why you selected the earlier date.

You must indicate what circumstances may require you to use a supplemental eligibility record date.

### Item 8. Expenses Incident to the Conversion

You must estimate the expense of your conversion in the tabular form indicated below:

Legal	\$
Postage and Mailing	
Printing	
Escrow or Agent Fees	
Underwriting Fees	
Appraisal Fees	
Transfer Agent Fees	
Auditing and Accounting	
Proxy Solicitation Fees	
Advertising	
Other Expenses	
<b>Total</b>	\$

#### Instructions.

1. Expenses that you incur in the conversion must be reasonable.
2. You may exclude salaries and wages of regular employees and officers, if you state that you excluded these items. You must state solicitation costs by specially engaged employees or paid solicitors under paragraph (b) of item 3 of Form PS under "Proxy Solicitation Fees" in this item.
3. You may not include any category of expense exceeding \$10,000 in "Other Expenses." If an expense exceeds \$10,000 and is not specified above, you must itemize the expense under an appropriate category.
4. If your management does not conduct the solicitation, you must provide the information under "Proxy Solicitation Fees" for the cost of the solicitation.



## **Item 9. Indemnification**

If you will insure or indemnify any underwriter, appraiser, lawyer, accountant or expert, or director or officer against any liability which he or she may incur in his or her capacity under any charter provisions, bylaw, contract, arrangement, statute, or regulation, you must state the general effect of the charter provision, bylaw, contract, arrangement or regulation.

## **Item 10. Federally Chartered Stock Savings Associations**

You must state whether you are applying to amend your charter and bylaws to comply with 12 CFR Part 552.

## **Exhibits**

You must attach the following exhibits to this Form.

### **Exhibit 1. Resolution of Board of Directors**

You must include a certified copy or copies of your board of directors' resolution or resolutions: (1) adopting the plan of conversion; and (2) authorizing this application. Two-thirds of your board of directors must approve the plan of conversion and authorize this application.

### **Exhibit 2. Copies of Documents, Contracts and Agreements**

You must furnish the following documents, contracts, and agreements.

- (a) Proposed certificates for shares.
- (b) Proposed order forms with respect to the subscription rights.
- (c) Proposed charter (including a liquidation account provision) and bylaws.
- (d) Any proposed stock option plan, form of stock option agreement, and management or employee stock benefit plan.
- (e) Any proposed management employment contracts.
- (f) Any contract described in response to item 6 of Form PS.
- (g) Contracts or agreements with paid solicitors described in response to item 3(b) of Form PS.

- (h) Any material loan agreements relating to your borrowing other than from a Federal Home Loan Bank and other than subordinated debt securities approved by OTS.
- (i) Any appraisal agreement or proposed agreement, underwriting contract, agreement among underwriters, or selling agent agreement.
- (j) Any required undertaking or affidavits by officers or directors purchasing shares in the conversion stating that they are acting independently.
- (k) Any documents referred to in the answer to item 9 of Form AC.
- (l) Any trustee agreements or indentures.
- (m) Any agreements for the making of markets or the listing on exchanges of your conversion stock.
- (n) Proposed marketing materials.

If you furnish any document, contract, or agreement in draft form under this exhibit, you must furnish the final form immediately after the meeting of your members to consider the plan of conversion. You may provide documents required by subsection (i) above, that by their nature cannot be practically expected until a later time, in substantially final form.

### **Exhibit 3. Opinion of Counsel**

You must furnish an opinion of counsel discussing each of the following matters:

- (a) The legal sufficiency of your proposed certificates and order forms for any shares.
- (b) State law requirements that apply to the plan of conversion. The opinion must cite to applicable state law and address whether the plan will fulfill the requirements.
- (c) The legal sufficiency of your bylaws.
- (d) The type and extent of each class of voting rights after conversion. The opinion must discuss any state law that requires you to provide savings account holders or borrowers with voting rights.
- (e) A certification or statement that the proposed charter and bylaws conform to 12 CFR Part 552 of this chapter.
- (d) The legal sufficiency of your marketing materials.

You must discuss the matters listed in subdivisions (b), (c) and (d) of this Exhibit only if you are converting to a state-chartered stock association.

#### **Exhibit 4. Federal and State Tax Opinions or Ruling**

- (a) You must furnish an opinion of your tax advisor or an Internal Revenue Service ruling on the federal income tax consequences of the plan of conversion. The opinion or ruling must address the tax consequences to you and to the various account holders who receive nontransferable subscription rights to purchase shares.

**Instruction.** OTS may require you to obtain a ruling from the Internal Revenue Service if the IRS has not issued a favorable ruling to plans of conversion that are substantially similar to your plan. OTS also may require you to obtain a ruling if your plan of conversion contains novel provisions or raises questions with federal income tax consequences.

- (b) You must furnish an opinion of your tax advisor or, if applicable, a ruling from the appropriate state taxing authority on any tax consequences of the plan of conversion under the laws of the state where you will be located. The opinion must address the tax consequences to you and to your eligible account holders.

#### **Exhibit 5. Valuation Materials**

You must furnish the materials required under 12 CFR 563b.200(b) regarding the valuation of your shares. You are not required to file the materials if you will not begin to offer shares before your members' meeting to vote on the plan of conversion.

#### **Exhibit 6. Notice to Members**

You must furnish evidence that you have notified your members as required by 12 CFR 563b.135 and 563b.180.

#### **Exhibit 7. Other Materials**

- (a) If you do not provide information required by an appropriate form because you do not know the information or the information is not reasonably available, you must:
- (1) show that you will incur unreasonable effort or expense to obtain the information; or
  - (2) indicate that you have no affiliation with the person who has the information, state that you have requested the person to provide the information, and indicate the result of that request.

- (b) You must furnish all required consents.
- (c) If anyone has signed an application or any amendment to an application using a power of attorney, you must furnish four copies of the power of attorney. Two copies must be manually signed.
- (d) You must furnish the cross-reference sheet.
- (e) If you request a waiver under 12 CFR 563b.5(c), you must furnish the materials required by that section.

**Exhibit 8. Business Plans**

- (a) You must furnish a consolidated business plan as required by 12 CFR 563b.105. You must detail how you will use the capital that you acquire in the conversion. You should not project stock repurchases, returns of capital or payment of extraordinary dividends in your business plan. OTS views a return of capital to shareholders as a material deviation from the business plan that requires the prior written approval of the Regional Director.
- (b) You must follow 12 CFR 563b.160 if you wish OTS to deem any portion of your business plan confidential.

**Exhibit 9. Conversion Application that Includes a Charitable Organization**

If your conversion includes a contribution to a charitable organization you must provide:

- (a) The current and proposed charter and bylaws (or trust agreement) for the charitable organization.
- (b) The proposed gift instrument.
- (c) A three year operating plan for the charitable organization, including the following:
  - (1) Pro-forma financial statements, including a balance sheet and income statement.
  - (2) Plans and expenses for any office space, employees, office equipment, supplies, and other items.

- (3) A description and the estimated annual value of any contributed office space, personnel, furniture, equipment, and supplies and the name of the organization that will make the contribution.
  - (4) Any director, officer, and employee requirements and job descriptions.
  - (5) The terms of employment and any expected compensation for the directors (or trustees), officers, and employees.
  - (6) The charitable causes that the charitable organization will support, including their location and a description of how the activities will aid the local community.
  - (7) Plans, policies, and procedures for soliciting and accepting grant applications.
  - (8) Decision standards for grant approval.
  - (9) The anticipated number and dollar amount of grants the charitable organization will make each year for the three years after it is established.
  - (10) Projected sources of revenues, including whether the operations and grant activities will be funded by dividends, stock sales, or additional contributions.
  - (11) An explanation of how the charitable organization will select directors (or trustees) and how much experience the directors (or trustees) will have with local community charitable organizations and grant making.
- (d) A conflicts of interest policy for the charitable organization that prohibits grants to your officers, directors, and employees, your affiliates' officers, directors, and employees, and members of their immediate families.
- (e) A legal opinion from independent counsel discussing whether the charitable organization's proposed charter and bylaws (or trust agreement), including the required pro-rata voting provision discussed in 12 CFR 563b.575, comply with applicable state law.
- (f) A tax opinion from an independent accountant or independent tax counsel discussing whether the proposed contribution and any other contributions during the same year are deductible under federal and state law. The tax opinion must address deductibility for the year that you will make the contribution and for a five-year carry forward period.

## **Appendix B**

Office of Thrift Supervision

### **FORM PS PROXY STATEMENT**

#### **Paperwork Reduction Act Statement**

The Office of Thrift Supervision will use this information to provide mutual members with information necessary for voting on the transaction. See Part 563b.

Public reporting burden for this collection of information is estimated to average 50 hours, per response, including the time for reviewing instructions and completing and reviewing the collection of information. If a valid OMB Control Number does not appear on this form, you are not required to complete this form. Send comments on these information collections to Information Collection Comments, Attention: 1550-0014, by e-mail to [information.comments@ots.treas.gov](mailto:information.comments@ots.treas.gov); by facsimile transmission to (202) 906-6518; or by mail to Chief Counsel's Office, Office of Thrift Supervision, 1700 G Street, NW, Washington, DC 20552. Send a copy of comments to Alexander T. Hunt, Attention: 1550-0014, by e-mail to [ahunt@omb.eop.gov](mailto:ahunt@omb.eop.gov) or by mail to him at Office of Information and Regulatory Affairs, Office of Management and Budget, New Executive Office Building, Washington, DC 20503.

**FORM PS**  
**PROXY STATEMENT**

**[Not to be codified in the Code of Federal Regulations]**

OFFICE OF THRIFT SUPERVISION  
1700 G Street, N.W., Washington, DC 20552

**Proxy Statement**

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(Name of Applicant in charter)

(Docket No.)

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(Street address of Applicant)

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(City, State and Zip Code)

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### **General Information**

If OTS requests information on your directors, officers, or other persons holding specified positions or relationships during a specified period, you must give the information for every person who held the positions or relationships any time during the period. You do not have to include information for any portion of the period when a person did not hold any position or relationship. You must state, however, that you did not include this information.

### **Item 1. Notice of meeting**

You must include the following information on the cover page of your proxy statement:

- (a) notice of the members' meeting to vote on the conversion;
- (b) the meeting date, time and place;
- (c) a brief description of each matter that will be voted at the meeting;
- (d) the date of record for determining which members are entitled to vote at the meeting;
- (e) the date of the proxy statement; and
- (f) your mailing address, zip code, and telephone number.



## **Item 2. Revocability of proxy**

- (a) You must state that a member may revoke his or her proxy before it is exercised.
- (b) You must briefly describe the procedures a member must follow to revoke his or her proxy.
- (c) You must describe any charter provision, bylaw, or federal or state law that limits voting by proxy.
- (d) You must state that the proxy is solicited for the meeting and any adjournment of the meeting, and that you will not vote the proxy at any other meeting.

## **Item 3. Persons making the solicitation**

- (a) You must state whether your management is soliciting the proxy. If any director informs you in writing that he or she intends to oppose any action, you must name the director and indicate the action he or she intends to oppose.
- (b) You must describe the method that you will use to solicit proxies, unless you solicit by mail. If specially engaged employees or paid solicitors will solicit proxies, you must state the material features of any contract or arrangement and must identify the parties.
- (c) If your management is not soliciting the proxies, you must name the persons on whose behalf the solicitation is made. You do not have to respond to items 5 through 16 for such solicitations, but must comply with § 563b.285 on false and misleading statements and other prohibited matters.

## **Item 4. Voting rights and vote required for approval**

- (a) You must describe briefly:
  - (1) the voting rights of each class of your members,
  - (2) the approximate total number of votes entitled to be cast at the meeting,
  - (3) the approximate number of votes to which each class is entitled.
  - (4) the voting rights of beneficiaries of accounts held in a fiduciary capacity, such as IRA accounts.
- (b) You must give the record date for members entitled to vote at the meeting.

(c) You must state the vote required for approval of each matter that you will submit to a vote of members.

(d) You may not use previously executed proxies to vote on the conversion.

#### **Item 5. Directors and executive officers**

(a) You must furnish the information on directors and executive officers and certain relationships and related transactions required in items 401 and 404 of Regulation S-K, 17 CFR 229.401 and 404, and item 6 of Regulation 14A, 17 CFR 240.14a-101. Unless the context otherwise requires, the words "registrant" and "issuer" in those regulations refer to you and the word "Commission" refers to OTS.

(b) If your conversion application includes a charitable contribution, you must disclose:

- (1) The proposed number of directors (or trustees) and officers of the charitable organization.
- (2) The name and background of each person proposed as a director (or trustee) or officer of the charitable organization.
- (3) The position, if any, that each proposed director (or trustee) and officer holds with you.

(c) You must state whether anyone will exercise control through the use of proxies and describe the nature of the control.

#### **Item 6. Management compensation**

You must furnish the information on executive compensation required in item 402 of Regulation S-K, 17 CFR 229.402, and item 7 of Regulation 14A, 17 CFR 240.14a-101. Unless the context otherwise requires, the words "registrant" and "issuer" in those regulations refer to you and the word "Commission" refers to OTS.

#### **Item 7. Business**

(a) Narrative description of business.

- (1) You must discuss briefly your organizational history, including the year of organization, the identity of the chartering authority, and any material charter conversions.

- (2) You must describe the business that you and your subsidiaries conduct and intend to conduct. You must describe how your business and any predecessor(s) business developed over the past five years. If you have been engaged in business less than five years, you must provide information from when you began operations. You must disclose this information for earlier periods if the information is material to understand how your business developed. You must discuss material changes in the way you conduct business.

**Instruction.** If you are filing under Regulation S-B, you must include audited comparative balance sheets for the two most recent fiscal years.

- (3) You must describe your historical lending practices, including the average remaining term to maturity of your portfolio of mortgage loans. You must state your plans for lending. You must address whether you will offer real estate or other types of loans, the nature of security you will receive, the terms of loans you will offer, whether the loans will carry fixed or variable interest rates, and whether you will retain the loans or resell them in secondary mortgage markets. You must identify the magnitude of various activities.

- (4) You must explain whether any material acquisitions have had or will have significant impact on you, and the nature of the impact.

(b) Selected financial data. You must furnish a summary of your selected financial data. You must provide this information in columns that permit the comparison of data in each of the last five fiscal years. You must provide data for any additional fiscal years, if the data is necessary to keep the summary from being misleading.

**Instructions.**

1. The purpose of this summary is to supply selected data highlighting significant trends in your financial condition and results of operations in a convenient and readable format.
2. You must include the following items in the summary: Total interest income; total interest expense; income (loss) from continuing operations; net income; total loans; total investments; total assets; total deposits; total borrowings; total retained earnings; total shareholders' equity; total regulatory capital; and total number of customer service facilities, indicating the number which provide full service. You may vary this data if the variance is appropriate to conform to the nature of your business. You may include additional items if you believe the items would enhance understanding and highlight trends in your financial condition and results of operations. You must briefly describe factors that materially affect the comparability of the financial data, such as accounting changes, business combinations, or dispositions of business operations. You may describe such factors by a cross reference to other discussions in the proxy statement. You must also discuss any material uncertainties that may cause the data not to be indicative of your future financial condition or results of operations.

3. If you elect to provide five-year summary information in accordance with the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 89 ("SFAS 89") "Financial Reporting and Changing Prices," you may combine this information with the selected financial data required in this item.

4. If you include interim-period financial statements, or you are required to include interim-period financial statements under item 14, you must update the selected financial data for the interim period to reflect any material change in the trends indicated. If updating information is necessary, you must provide the information on a comparative basis, unless the comparison is not necessary to understand the updating information. You must provide a management statement of presentation for the required interim-period financial data reported.

5. "You" in the summary and in these instructions refers to you and your consolidated subsidiaries.

(c) Management's discussion and analysis of financial condition and results of operations.

(1) You must discuss your financial condition, changes in financial condition, and results of operations. You must discuss the information in paragraphs (i), (ii), and (iii) of this paragraph (c) with respect to liquidity, capital resources, and results of operations. You must also provide all other information necessary to understand your financial condition, changes in your financial condition, and results of your operations. You must discuss significant business combinations. You may combine the discussion of liquidity and capital resources, if the two topics are interrelated. If a discussion of the subdivisions of your business is appropriate to understand your business, you must focus your discussion on each relevant, reportable segment or other subdivision of the business, and on your business as a whole.

(i) Liquidity. You must identify any known trends or any known demands, commitments, events, or uncertainties that are reasonably likely to cause your liquidity to materially increase or decrease. If you identify a material deficiency, indicate what you have done or will do to remedy the deficiency. You must identify and separately describe internal and external sources of liquidity, and briefly discuss any material unused sources of liquid assets. You must comment on maturity imbalances between assets and liabilities, and planned activities in the secondary mortgage market.

(ii) Committed resources. You must describe your material commitments for funding loans or other expenditures as of the end of the latest fiscal period. You must indicate the general purpose of the commitments and the anticipated source of funds to fulfill the commitments. You must describe known material trends, favorable or unfavorable, in your committed resources. You must indicate any expected material changes in the mix and the relative cost of the resources. You must

discuss changes between deposits, equity, debt, and any off-balance-sheet financing arrangements.

(iii) Results of operations.

- (A) You must describe any unusual or infrequent events or transactions or any significant economic changes that materially affected the amount of reported income from continuing operations. In each case, you must indicate the extent to which these events, transactions, or changes affected income. In addition, you must describe any other significant components of revenues or expenses necessary to understand your results of operations.
- (B) You must describe any known trends or uncertainties that have had, or will have, a materially favorable or unfavorable impact on net sales or revenues or income from your continuing operations. If you know of events which will cause a material change in the relationship between costs and revenues you must disclose the change in the relationship.
- (C) If your financial statements disclose material increases in interest expense, you must discuss the extent to which the increases are attributable to increases in rates or to increases in volume.
- (D) For your three most recent fiscal years, or for those fiscal years in which you have been engaged in business, whichever period is shorter, you must discuss the impact of inflation and changing prices on your revenues and on income from continuing operations.
- (E) For the most recent financial statement, you must discuss any unusual risk characteristics in your assets, including real estate development, significant amounts of commercial real estate held as loan collateral, and significant increases in amounts of nonaccrual, past due, restructured, and potential problem loans (see Securities and Exchange Commission's Securities Act Industry Guide 3, section III C).

- (iv) You must provide a qualitative and quantitative discussion of your market risk analysis.

**Instructions.**

1. Your discussion and analysis must address your financial statements and other statistical data that will enhance a reader's understanding of your financial condition, changes in

your financial condition, and results of your operations. Generally, you must discuss the three-year period covered by the financial statements and use year-to-year year comparisons or other formats to enhance a reader's understanding. However, where trend information is relevant, you should refer to the five-year selected financial data appearing in item 7(b) above.

2. Your discussion and analysis should provide investors and other users with relevant information to assess your financial condition and results of operations, based on the user's evaluation of the amounts and certainty of cash flows from operations and from outside sources. You must only provide information that you may obtain without undue effort or expense, and that does not clearly appear in your financial statements.
3. Your discussion and analysis must specifically focus on material events and uncertainties known to you which would cause reported financial information not to be indicative of future operating results or of future financial condition. You should describe (a) matters that would affect future operations, but have not affected reported operations, and (b) matters that have affected reported operations, but would not affect future operations.
4. If the consolidated financial statements reveal material changes from year to year in one or more line items, you must state the causes for the changes if the causes are necessary to understand your business as a whole. If the causes for a change in one line item also relate to other line items, you do not have to repeat the explanation. You do not have to provide a line-by-line analysis of the financial statements as a whole. You do not have to recite the amounts of changes from year to year, if the reader may readily compute these changes from the financial statements. You must not merely repeat numerical data contained in the consolidated financial statements.
5. "Liquidity," as used in paragraph (c)(1)(i) of this item 7, refers to your ability to generate adequate amounts of cash to meet your cash needs. You must identify the balance sheet conditions or income or cash flow items that indicate your liquidity condition. You must discuss liquidity in the context of your own business or businesses. Liquidity means more than "liquid assets," as defined in OTS liquidity regulations at 12 CFR Part 566.
6. OTS encourages you, but does not require you, to supply forward-looking information. You must disclose known data that will have an impact upon future operating results, such as known future increases in rates or other costs. If you provide any forward-looking information, you may have a safe-harbor from liability for the projections under 12 CFR 563d.3b-6.
7. If you disclose narrative explanations of supplementary information in accordance with SFAS 89, you may combine these explanations with your discussion and analysis required under this provision or you may supply the information separately. If you combine the information, you must place it reasonably near the discussion and analysis. If you do not combine the information, you may omit the required discussion of the impact of inflation and cross reference the explanations provided under SFAS 89.
8. If you do not disclose explanations of supplementary information in accordance with SFAS 89, you may discuss the effects of inflation and changes in prices in an appropriate manner. OTS encourages you to voluntarily comply with SFAS 89. However, you must include a brief textual presentation of management's views. You do not have to present specific numerical financial data.
9. "You" in the discussion and in these instructions means you and your consolidated

subsidiaries.

(2) If you include interim-period financial statements, you must provide management's discussion and analysis of the financial condition and results of operations. This discussion and analysis must enable the reader to assess material changes in your financial condition and results of operations between the periods specified in subdivisions (i) and (ii) of this paragraph. Your discussion and analysis must address material changes in the items specifically listed in paragraph (c)(1) of this item 7. However, you do not have to address the impact of inflation and changing prices on operations for interim periods.

(i) Material changes in financial condition. You must discuss any material changes in financial condition from the end of the preceding fiscal year to the date of the most recent interim balance sheet that you provide. If you provide an interim balance sheet as of the corresponding interim date of the preceding fiscal year, you must discuss any material change in financial condition from that date to the date of the most recent interim balance sheet that you provide. You may combine any discussion of changes from the end, and the corresponding interim date, of the preceding fiscal year.

(ii) Material changes in results of operations. You must discuss any material changes in your results of operations from the most recent fiscal year-to-date period for which you provide an income statement to the corresponding year-to-date period of the preceding fiscal year. If you provide an income statement for the most recent fiscal year quarter, you must discuss material changes with respect to that fiscal quarter and the corresponding fiscal quarter in the preceding fiscal year. In addition, if you provide an income statement for the 12-month period ended as of the date of the most recent interim balance sheet you provide, you must discuss material changes with respect to that 12-month period and the 12-month period ended as of the corresponding interim balance sheet date of the preceding fiscal year.

**Instructions.**

1. If you present interim financial statements and financial statements for full fiscal years, you must discuss the interim financial information under paragraph (c)(2) and the full fiscal year information under paragraph (c)(1) of this item 7. You may combine the discussions.

2. In your discussion and analysis required by paragraph (c)(2), you must focus on material changes. If your interim financial statements reveal material change from period to period in one or more significant line items, you must describe the causes for the changes, unless you have already disclosed these causes. You do not have to repeat the description if the causes for a change in one line item relate to other line items. You do not have to recite the amounts of changes from period to period, if a reader may

readily compute the amounts from the financial statements. You must not merely repeat numerical data from the financial statements. You must only provide information that you may obtain without undue effort or expense, and that does not clearly appear in your interim financial statements.

3. In your discussion of material changes in results of operations, you must identify significant elements of your income or loss from continuing operations that do not arise from or are not necessarily representative of your ongoing business.
4. You are encouraged, but not required, to supply forward-looking information. You must disclose known data that will have an impact upon future operating results, such as known future increases in rates or other costs. If you provide any forward-looking information, you may have a safe-harbor from liability for the projections under 12 CFR 563d.3b-6.

(d) Lending activities.

- (1) You must briefly describe federal and state restrictions on your lending activities and laws affecting mortgage lending or other lending. You must also briefly describe your general policy on loan-to-value ratios; your customary methods of obtaining loan originations, (e.g., the use of loan consultants or brokers); your general policy on approval of properties as security for loans; your use of a loan committee, if any; and your title, fire, and casualty insurance requirements on security properties. You must indicate your future plans for secondary mortgage market activities, such as transactions with Freddie Mac or other secondary mortgage agency. You must identify significant loan service fee income as a percentage of net interest income for the years required by item 14(b).
- (2) You must describe briefly (i) the areas where you normally lend; and (ii) any areas where you have a material concentration of loans. You may include maps illustrating these areas. You must estimate the housing vacancy rates in areas where you have a concentration of loans, if practicable.
- (3) You must describe briefly your long-term investments in mortgage loans, and the effect of these investments on your earnings spread. You must provide the normal maturity of loans that you made on the security of single family dwellings and estimate the average length of time these loans are outstanding.
- (4) For each of the periods required by item 14(b), you must provide the following information in tabular form. You may exclude fees that are not adjustments of yield.
  - (i) Average yield during the period on: (A) your loan portfolio, (B) your investment portfolio, (C) other interest-earning assets, and



(D) all interest-earning assets. You must compute average yield at least monthly.

- (ii) Average rate paid during the period on: (A) deposits, (B) borrowings and Federal Home Loan Bank advances, (C) other interest-bearing liabilities, and (D) all interest-bearing liabilities ((A), (B), and (C)). You must compute average rate paid at least monthly.
- (iii) Weighted-average yield at end of the latest required period, for items (i) and (ii) of paragraph (4).
- (iv) The net yield on average interest-earning assets (i.e., net interest earnings divided by average interest-earning assets. Net interest earnings is the difference between the amount of interest earned and interest paid).

You must determine average interest-earning assets no more frequently than monthly.

- (v) For each of the periods required by item 14(b), you must provide in tabular form: (A) The amount of change in interest income and (B) the amount of change in interest expense. For each major category of interest-earning asset and interest-bearing liability (as stated in items (i) and (ii) of paragraph (4)), you must attribute the amount of change to: (1) changes in volume (change in volume multiplied by old rate), (2) changes in rates (change in rate multiplied by old volume), and (3) changes in rate volume (change in rate multiplied by the change in volume). You must allocate the rate/volume variances consistently between rate and volume variance and disclose the basis of allocation in a note to the table.

(5) For each of the periods required by item 14(b), you must present the following:

- (i) Return on assets (net income divided by average total assets).
- (ii) Return on equity (net income divided by average equity).
- (iii) Equity-to-assets ratio (average equity divided by average total assets).

**Instruction.** You must supply any additional ratios if the ratios are necessary to explain your operations.

(6) As of the end of the latest reported fiscal year, you must present separately the amounts of loans in each category required by balance sheet item 7(b), 12 CFR 563c.102, which are due:

- (i) in each of the three years following the balance sheet,
- (ii) after three through five years,
- (iii) after five through ten years,
- (iv) after ten through fifteen years, and
- (v) after fifteen years.

In addition, you must present separately the total amount of all loans due after one year which have predetermined interest rates, and floating or adjustable interest rates.

**Instructions.**

1. You must report scheduled principal repayments in the maturity category in which the payment is due.
2. You must report demand loans, loans having no stated schedule of repayments and no stated maturity, and overdrafts as due in one year or less.
3. You must base your maturities on contract terms. If terms vary due to your "rollover policy," you must revise the maturity and briefly discuss the rollover policy.

(7) You must describe briefly the risk elements in your loan and investment portfolios, and your procedures for delinquent loans. As of the end of each of the periods covered by the statements of operation required by item 14(b)(1) and as of the date of the latest statement of financial condition required by item 14(a), you must set forth in tables the amounts and categories of nonaccrual, past due, restructured, and potential problem loans (see Securities and Exchange Commission's Securities Act Industry Guide 3, section III. C.) and the ratio of such loans to total assets. If the amount of real estate that has been in substance foreclosed, or acquired by foreclosure or by deed in lieu of foreclosure is significant, you must briefly describe the major properties. You must also estimate your probable losses, if any, on disposition of the properties.

(e) Savings activities.

(1) You must state that, if you liquidate after conversion, you will fully pay savings account holders before you pay shareholders. You also must indicate

the percentage of total savings accounts that are from out-of-state sources, if the total is significant.

- (2) You must set forth in a table the amounts of time deposit accounts categorized by interest rates on the dates of each balance sheet that you filed. You must use interest-rate categories that are not more than 200 basis points wide. As of the date of the latest balance sheet, you must set forth, in a table for each interest-rate category, the amounts of savings that will mature during each of the three years following the balance sheet date, and the total amount that will mature after three years.

**Instruction.** This information is not required for S-B filers.

- (3) You must disclose the weighted-average rate and general terms (as well as formal provisions for the extension of the maturity) of each category of short term borrowings required by Balance Sheet Caption 14, 12 CFR 563c.102. You must also disclose the maximum amount of borrowings in each category that are outstanding at any month-end during each period for which an end-of-period balance sheet is required. You must disclose the approximate average short-term borrowings outstanding during the period and the approximate weighted-average interest rate for such aggregate short-term borrowings. You must briefly describe how you computed these averages. You do not have to disclose borrowings in each category if the aggregate amount of the borrowings at the balance sheet date does not exceed one percent of assets at that date. However, if the weighted average of your borrowings outstanding during the year exceeds one percent of assets at year-end and significantly exceeds the amount of your borrowings at year-end, you must furnish this disclosure. You are not required to provide this information for any category of short-term borrowings if the average balance outstanding during the period was less than 30 percent of shareholders equity at the end of the period.

(f) Federal regulation. You must describe briefly, to the extent not otherwise covered by other items, how federal agencies regulate you and your operations. In particular, you must describe briefly how the Federal Deposit Insurance Corporation (FDIC) insures your accounts and how FDIC and OTS regulate your operations. You must describe federal regulatory capital requirements, what will happen to you if you fail to meet those capital requirements, and whether your regulatory capital position complies with those requirements. You must also describe how the FDIC and OTS charge assessments on your operations. In addition, you must describe briefly the liquidity requirements under section 6 of the Home Owners' Loan Act and OTS liquidity regulations, and state law. You must state whether you meet those liquidity requirements.

(g) Federal Home Loan Bank System. You must describe briefly the Federal Home Loan Bank (FHLB) System and state whether you are a member. If you are a member, you must describe the following:

- (1) Limitations on your borrowings,
- (2) Recent loan policies of your FHLB and the current interest rates your FHLB charges, and
- (3) FHLB share purchase requirements and the amount of FHLB stock you own.

(h) State savings association law. If you are converting to a state-chartered stock association, you must describe state law provisions that materially affect your business.

(i) Federal and state taxation.

(1) You must describe briefly applicable federal income tax laws including:

- (i) Permissible bad debt reserves;
- (ii) Your position with respect to the maximum bad debt reserve limitations as of the date of the latest statement of financial condition required under item 14(a);
- (iii) Future increases in your effective income tax rate;
- (iv) The date through which the Internal Revenue Service audited your federal income tax returns; and
- (v) How the payment of cash dividends on your capital stock after conversion will effect your federal income taxes.

(2) You must briefly describe applicable state tax laws.

(j) Competition. You must describe the material sources of competition for savings associations generally. You must indicate, to the extent practicable, your position in your principal lending and savings markets.

(k) Office and other material properties.

- (1) You must furnish the location of your home office, branch offices, and other office facilities (such as mobile or satellite offices). You must state the total net book value of all offices as of the date of the latest statement of financial condition required by item 14(a). You must state the expiration date of the lease on every leased office.

(2) You must describe briefly any undeveloped land that you own, including its location, net book value, prospective use, and holding period.

(l) Employees. You must state the number of full-time employees, including executive officers listed under item 5. You must state whether employees are represented by a collective bargaining group, and whether you have satisfactory relations with your employees. You must summarize briefly any loan, profit sharing, retirement, medical, hospitalization or other compensation plans that you provide to your employees, unless you have already included this information under item 6.

(m) Subsidiaries. You must describe briefly your investment in each subsidiary, and the major lines of the subsidiary's business (including any joint ventures) that are material to your operations.

(n) Legal proceedings. You must furnish the information on legal proceedings required by item 103 of Regulation S-K, 17 CFR 229.103. Unless the context otherwise requires, "registrant" in that regulation means you.

(o) Additional information. You may request permission to omit any information required by this item, or to substitute appropriate information of comparable character. OTS may permit you to omit or substitute information where it is consistent with the protection of account holders. OTS may also require you to furnish other additional or substitute information if the information is necessary or appropriate to adequately describe past and future business.

## **Item 8. Description of the plan of conversion**

(a) You must include the following statement in the proxy statement. You must place this statement before the information required by this item 8. "OTS has approved the plan of conversion, subject to member approval the plan and certain other conditions. OTS approval does not mean that OTS recommends or endorses the plan."

(b) You must describe your plan of conversion. You must describe the information required by paragraphs (c) through (j) of this item. You must include any additional information necessary to accurately describe the material provisions of the plan.

(c) You must briefly describe the effects of conversion from a mutual to a stock association, including all of the following:

(1) That your savings account holders will continue to hold FDIC-insured accounts in the converted savings association, with the same dollar amount, rates of return, and general terms as existing accounts;

- (2) That your savings and borrowing members will not have voting rights after conversion. In the mutual holding company context, however, you must describe what voting rights, if any, your savings and borrowing members will have after reorganization;
  - (3) That the account holders have liquidation rights. You must describe the liquidation account you will establish and maintain, including when you will pay the account, the interest of eligible account holders and supplemental eligible account holders in the account, and the formula that you will use to adjust the account;
  - (4) That the conversion will not effect borrowers' loans, including the amount, rate, maturity, security, or other contractual terms;
  - (5) That the FDIC will not insure your stock;
  - (6) That you will not distribute any assets other than to pay conversion expenses or to make a charitable contribution; and
  - (7) The reasons management recommends the conversion, including any advantages to the community that you serve.
- (d) You must furnish the following information regarding the subscription rights of members:
- (1) The formula that you will use to determine the subscription rights of account holders to purchase shares under 12 CFR 563b.320 through 563b.395;
  - (2) The purchase priorities, total purchase limitations, total number of shares that members may purchase, and the allocation formula in the plan of conversion;
  - (3) The allocation formulas that you will use if shares are oversubscribed during the sale under the plan of conversion; and
  - (4) The use and timing of the order forms for the exercise of subscription rights.
- (e) (1) You must estimate the price range per share of the shares you will sell in the public offering under your plan of conversion. You do not have to estimate the price range if you will not begin the offering until after your members' meeting;
- (2) You must indicate that the offering price will be the pro forma market value of the shares, as determined by your management and the underwriter; and
  - (3) You must state that you must sell all of the shares.

(f) Unless you will not begin the offering until after your members' meeting, you must discuss the following for stock you will sell:

- (1) the earnings per share on a pro forma basis as of the most recent year-end and interim period required by item 14(b); and
- (2) the book value per share on a pro forma basis as of the most recent year end and interim period required by item 14(a).

**Instructions.**

1. You must provide earnings and book value per share data (a) without giving effect to the estimated net proceeds from the sale of the stock and (b) after giving effect to such proceeds. You must clearly state all of your assumptions.
2. In computing pro forma earnings, you must use the average of (i) the average yield on all interest-earning assets (item 7(d)(4)(i)(D)) and (ii) the average rate paid on deposits (item 7(d)(4)(ii)(A)).
3. If interest rates have significantly changed during the applicable periods, OTS may permit you to use properly supported alternative computations.
4. You must explain that pro forma data may not be indicative of your actual financial position or the results of continuing operations after the conversion.

(g) You must state when the proposed subscription period will begin and end, and must describe whether the plan of conversion permits you to change or extend these dates. You must also state the following:

- (1) You will set a maximum subscription price in the offering circular that you will use for the offering of subscription rights;
- (2) The actual subscription price will be the public offering price;
- (3) The actual subscription price will not exceed the maximum subscription price on the order form; and
- (4) You will refund any difference between the maximum and actual subscription prices, unless the subscriber affirmatively elects to apply the difference to the purchase of additional shares.

(h) You must also:

- (1) Describe, to the extent practicable, whether you intend to list your shares on an exchange, or how you will otherwise provide a market for the purchase and sale of shares in the future;

- (2) Describe briefly the tax effect of the conversion on you and on the various classes of account holders receiving nontransferable subscription rights in the conversion;
  - (3) State that the plan of conversion is attached as an exhibit to the proxy statement and that the reader may consult the plan for further information.
- (i) You must state whether the plan of conversion permits you to offer unsubscribed shares to the public directly or through underwriters. If so, you must provide the information, to the extent known, required by item 6 of Form OC, and indicate the estimated timing of the proposed offering.
- (j) You must furnish the following information on proposed purchases of shares by your directors and officers in a table:
- (1) The total proposed number of shares that all officers, directors and their associates as a group may purchase.
  - (2) The name and position of each officer and director in item 5(a) and the number of shares each will purchase.
  - (3) If any officer, director or his or her associate proposes to purchase one percent or more of the total number of shares that will be outstanding, the name, position, and the number of shares that the officer, director or associate will purchase.
  - (4) Indicate separately the number of shares that will be purchased in each offering category with respect to the information required by items (1), (2) and (3) of paragraph (j).
  - (5) If your conversion application includes a charitable contribution, you must disclose the following additional information:
    - (i) The amount and percentage of shares that each proposed director (or trustee) and officer of the charitable organization will purchase in the conversion.
    - (ii) The aggregate number and percentage of shares that the charitable organization and its proposed officers and directors (or trustees) will hold.
    - (iii) The number of shares and value of the contribution at the minimum, midpoint, maximum, and maximum as adjusted, of the valuation range.



- (iv) The decrease in shares that you will sell in the conversion, in number of shares and dollar amounts, at the minimum, midpoint, maximum, and maximum as adjusted, of the valuation range.
- (v) The dilution in ownership and book value per share from the proposed contribution.
- (vi) Your plans for additional charitable contributions over the next three years.

**Instruction.** You are only required to furnish information on associates of officers and directors to the extent that you know this information. If you are unable to confirm the number of shares an associate will purchase, you must disclose the number of shares the associate is given subscription rights to purchase.

## **Item 9. Description of stock**

- (a) You must furnish the information required in item 202 of Regulation S-K, 17 CFR 229.202. Unless the context otherwise requires, "registrant" refers to you.
- (b) You must undertake to use your best efforts to encourage and assist a professional market maker to establish and maintain a market for your shares.
- (c) You must discuss the trading market that you expect will exist for your shares. You must estimate the number of market makers and shareholders, and describe your plans for listing the stock.

**Instruction.** You must describe the basic requirements you must meet to list your stock.

- (d) If the rights of your stockholders will be materially limited or qualified by the rights of savings account holders or borrowers, you must describe these limitations or qualifications so that investors can understand their stock rights.

## **Item 10. Capitalization**

You must set forth the amounts of your capitalization in substantially the tabular form indicated below. You may modify the captions as appropriate.

	(A) Capitalization on most recent balance sheet date	(B) Pro forma adjustments as a result of conversion	(C) Pro forma capitalization, after giving effect to the conversion
Deposits	\$	\$	\$
FHLB Advances			
Other borrowings			
Capital Stock			
Preferred stock			
Paid-in Capital			
Retained Earnings			
Restricted			
Unrestricted			
<b>TOTAL</b>	\$	\$	\$

**Instructions.**

1. You must indicate in the table, or in a footnote to the table, the total number of shares you will authorize, the par or stated value of the shares, and the number of shares you will sell in the conversion.
2. You must estimate in the table the total amount of funds you will receive when you sell your stock. In a footnote, you must state the price per share that you used for the estimate. You must clearly indicate that the total amount and price per share are estimates.
3. In Column A, you must use the most recent balance sheet date required by item 14.

**Item 11. Use of new capital**

You must explain how you will use the new proceeds of the conversion, including the approximate amount that you will use for each purpose.

**Instruction.** You do not have to detail proposed investments. You must, for example, only briefly describe any investment or other activity that will be affected materially by availability of the proceeds. Examples of such activities include: expanded secondary market activities, larger scale lending projects, loan portfolio diversification, increased liquidity investments, repayment of debt, additional branch offices and other facilities, service corporation investments, and acquisitions.

**Item 12. New charter, bylaws, or other documents**

You must describe the material changes to your existing charter, bylaws, and other similar documents that will take effect after conversion.

**Instruction.** You only have to briefly summarize provisions that are pertinent from an investment and a voting standpoint. You do not have to provide a complete legal description of each provision.

### **Item 13. Other matters**

You must state that you will register your stock under section 12(g) of the Securities Exchange Act of 1934, and that you will not deregister the stock for three years after the date of conversion. You are subject to the proxy rules, insider trading reporting and restrictions, annual and periodic reporting and other requirements of that Act when you register your stock.

### **Item 14. Financial statements**

Subpart A of 12 CFR Part 563c governs the certification, form, and content of the financial statements, including the basis of consolidation.

#### **(a) Consolidated balance sheets.**

- (1) You and your subsidiaries must furnish consolidated, audited balance sheets as of the end of each of the two most recent fiscal years, even if the applicant is filing using the provisions of Regulation S-B.
- (2) If the latest balance sheets you furnish under (1) of this paragraph are dated 135 days or more before the date OTS approves the conversion, you must furnish an interim balance sheet dated within 135 days of OTS approval. This interim balance sheet may be unaudited.
- (3) If the latest balance sheets you furnish under (1) of this paragraph are dated 105 days or more before the date OTS approves the conversion, you must furnish a Recent Development section of selected financial data and a Management's Discussion and Analysis section of significant variances.

#### **(b) Consolidated statements of income and cash flows.**

- (1) You, your subsidiaries, and your predecessors must furnish consolidated, audited statements of income and cash flows for each of the three fiscal years preceding the date of the most recent balance sheet furnished.
- (2) In addition, you must furnish statements of income and cash flows (i) for any interim period between the latest audited balance sheet and the date of the most recent interim balance sheet that you file, and (ii) for the corresponding

period of the preceding fiscal year. The interim financial statements may be unaudited.

(c) Changes in stockholders' equity. You must analyze the changes in each caption of stockholders' equity in the balance sheets. You must present this analysis in a note or separate statement that reconciles the beginning balance with the ending balance for each period for which you are required to furnish an income statement. You must describe all significant reconciling items with appropriate captions. You must reconcile total generally accepted accounting principles (GAAP) capital with actual tangible, core, and risk-based capital in the notes to the financial statements.

(d) Financial statements of business acquired or to be acquired. You must furnish the information required by 17 CFR 210.3-05 and 210.11-01 to -03 for any business that you have acquired or will acquire.

(e) Separate financial statements of subsidiaries not consolidated and 50-percent- or less-owned persons. You must furnish the information required by 17 CFR 210.3-09 on separate financial statements of subsidiaries not consolidated and 50-percent- or less-owned persons.

(f) Filing of other statements in certain cases. You may request permission to omit any of the statements required by this item, or to substitute appropriate statements of comparable character. OTS may permit you to omit or substitute statements where it is consistent with the protection of account holders. OTS may also require you to include other additional or substitute statements, if the statements are necessary or appropriate to adequately present the financial condition of any person whose financial statements are required, or whose statements are otherwise necessary for the protection of account holders and others.

**Instructions.**

1. If you previously used an audit period for your certified financial statements and this audit period does not coincide with your fiscal year, you may use the audit period instead of any required fiscal year. You may use this audit period, however, only if it covers a full twelve months' operations and you have used this period consistently.

2. Interim financial statements must be comparative and reported in the same format as the audited financial statements.

**Item 15. Consents of experts and reports**

(a) You must briefly describe all consents of experts filed under the instructions in the Form AC.

(b) You must provide a report of the independent public accountants who certified your financial statements and other matters in the proxy statement.

**Instruction.** You must summarize only the provisions of the consents that are pertinent from an investment and a voting standpoint. You do not have to provide a complete legal description of each consent.

## **Item 16. Attachments**

You must attach a copy of your plan of conversion as approved by OTS to the proxy statement distributed to members and others. Alternatively, in a transaction that does not utilize a state-chartered holding company, you may disclose in the proxy statement that you will provide the plan of conversion, if a recipient requests it within a specified period by means of a postage-paid postcard or other written communication.

## Appendix C

Office of Thrift Supervision

### FORM OC OFFERING CIRCULAR

#### Paperwork Reduction Act Statement

The Office of Thrift Supervision will use this information to ensure that the public receives adequate information about the Applicant and the securities being offered. See Part 563b and Part 563g.

Public reporting burden for this collection of information is estimated to average 150 hours, per response, including the time for reviewing instructions and completing and reviewing the collection of information. If a valid OMB Control Number does not appear on this form, you are not required to complete this form. Send comments on these information collections to Information Collection Comments, Attention: 1550-0014, by e-mail to [infocollection.comments@ots.treas.gov](mailto:infocollection.comments@ots.treas.gov); by facsimile transmission to (202) 906-6518; or by mail to Chief Counsel's Office, Office of Thrift Supervision, 1700 G Street, N.W., Washington, DC 20552. Send a copy of comments to Alexander T. Hunt, Attention: 1550-0014, by e-mail to [ahunt@omb.eop.gov](mailto:ahunt@omb.eop.gov) or by mail to him at Office of Information and Regulatory Affairs, Office of Management and Budget, New Executive Office Building, Washington, DC 20503.

**FORM OC**  
**OFFERING CIRCULAR**

**[Not to be codified in the Code of Federal Regulations]**

OFFICE OF THRIFT SUPERVISION  
1700 G Street, N.W., Washington, DC 20552

**Offering Circular**

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(Name of Applicant in charter)

(Docket No.)

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(Street address of Applicant)

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(City, State and Zip Code)

**Index to Items**

Item 1. Information Required by and Use of Form OC

Item 2. Additional Current Information Required

Item 3. Statement Required in Offering Circulars

Item 4. Preliminary Offering Circular

Item 5. Information with Respect to Exercise of Subscription Rights

Item 6. Stock Selling Arrangements

## **Item 1. Information Required by and Use of Form OC**

You must date the offering circular as of the effective date. You must include in your offering circular substantially the same information that you must include in the proxy statement that you distribute to your members to vote on the conversion. You may omit information from the offering circular that you included in the proxy statement only to the extent the information is clearly inapplicable and only if the offering circular is delivered with the proxy statement.

### **Instructions.**

1. The "offering circular" is the offering circular for the subscription offering and the offering circular for any community offering or public offering, or both. It may also be called a "prospectus."
2. If you previously furnished a copy of the proxy statement to your members, you do not need to include the proxy statement with your offering circular in the subscription offering. However, you must state in the offering circular that you previously furnished a copy of the proxy statement to the members, and that you will furnish an additional copy promptly upon request. You also must state your telephone number and mailing address.

## **Item 2. Additional Current Information Required**

You must include the following additional current information in your offering circular, if the information is available and you did not already include the information in the proxy statement:

- (a) If your members' meeting took place before you mailed the Form OC, the result of the vote of your members on the conversion and any other proposals considered at the meeting.
- (b) Any recent material developments in your business or affairs.
- (c) The trading market that you expect for your conversion shares.
- (d) A summary of the results of any separate subscription offering. You must include the number of shares that you sold to eligible account holders, supplemental eligible account holders, and other voting members, the price at which you sold the shares, and the number of unsubscribed shares. You must include this summary on the outside front cover page.



(e) The information required by Items 8(e)(1) and 8(f) of Form PS.

(f) Any other information necessary to make the offering circular current, including full financial statements dated within six months before the date you mail the offering circular. You must also include, in your subscription offering circular, any more recent financial statements if, at the time you commence your subscription offering, you determine that you must include the financial statement in an offering circular in the community offering or public offering, or both.

### **Item 3. Statement Required in Offering Circulars**

If you are not forming a holding company as part of your reorganization, you must set out the following statement on the outside front cover page of every offering circular. You must set out the statement printed in bold-face Roman type at least as large as ten-point modern type:

**The Office of Thrift Supervision has not approved or disapproved these shares. The office has not passed on the accuracy or adequacy of this offering circular. Any representation to the contrary is unlawful.**

### **Item 4. Preliminary Offering Circular**

You must include the caption "Preliminary Offering Circular," the date you issue the preliminary offering circular, and the following statement on the outside front cover page of any preliminary offering circular. You must set out the statement in red ink, printed in type as large as you use generally in the body of the offering circular.

"We have filed this offering circular with the Office of Thrift Supervision, but it has not been authorized for use in final form. We may complete or amend the information in this offering circular. We may not sell or accept offers to buy the shares covered by this offering circular before the Office of Thrift Supervision declares the offering circular effective. The offering circular is not an offer to sell or the solicitation of an offer to buy. We will not sell these shares in a state that prohibits offers, solicitations or sales before registration or qualification under the securities laws of that state."

**Item 5. Information with Respect to Exercise of Subscription Rights**

In any offering circular that you will deliver to subscribers, you must describe all material terms of the offering relating to the exercise of subscription rights. You may exclude this information if you have already included this information in the proxy statement. Material terms include the expiration date, any subscription agent, method of exercising subscription rights, payment for shares, delivery of stock certificates for shares purchased, maximum subscription price, possible reduction of subscription price, relationship of subscription price to public offering price, requirement that all unsubscribed shares be sold, and any other material conditions relating to the exercise of subscription rights.

**Item 6. Stock Selling Arrangements**

In each offering circular you must describe the material terms of the plan or plans of distribution for all shares.

(a) You must include the following information in substantially the tabular form set forth below. You must set out this information on the outside front cover page of the offering circular.

	Price to Public	Selling Discounts and Commissions	Proceeds to Applicant
Per Share	\$	\$	\$
Total	\$	\$	\$

(b) If there is a community offering or public offering, or both, you must provide an offering circular. You may omit the description relating to the exercise of subscription rights required by item 5, unless you commence your community offering or public offering, or both, simultaneously with your subscription offering.

(c) If you sell any shares through a community offering, you must indicate:

- (1) the timing for the offering,
- (2) the geographic area where you will make the offering,
- (3) the method you will employ to market the shares (including the frequency and nature of communications or contracts with potential purchasers),
- (4) any preferences that you will give to any geographic area or to any class of potential purchasers, and
- (5) the limitations on purchases by potential purchasers.

(d) If a selling agent assists in offering shares, you must identify the selling agent, disclose how the selling agent will offer the shares, and disclose the commissions and fees you will pay to the selling agent.

(e) If you will offer any shares through underwriters, you must include in the offering circular for the public offering the names of the principal underwriters and the amounts that each will underwrite. You may omit this information for principal underwriters, other than the managing underwriters, from the offering circular for the subscription offering if you include the following conditions: (1) that all subscription rights will be exercisable by delivery of order forms to the underwriters or selling group for the public offering; and (2) that orders of persons exercising subscription rights will be filled prior to orders for stock in the direct community or public offerings, or both. You must identify each principal underwriter that has a material relationship with you and describe the relationship. In each offering circular, you must state briefly the underwriter's obligation to take unsubscribed shares.

(f) You must briefly disclose in the offering circular the discounts and commissions that you may allow or may pay dealers in connection with the sale of unsubscribed shares for the community or public offering, or both. You may omit this information from the offering circular for any subscription offering, unless you use the subscription offering circular for the community offering or public offering, or both.

**Instructions.**

1. Commissions include all cash, securities, contracts, or anything else of value, paid, to be set aside, or disposed of. Commissions also include understandings made with or for the benefit of any persons in which any underwriter or dealer is interested, in connection with the sale of the shares.

2. You must include any cash commissions in the table. You must describe other consideration you will make to the underwriters following the table with a reference in the second column of the table. You also must appropriately disclose any finder's fees or similar payments.

3. You must state whether the selling agents or underwriters are or will be committed to take and to pay for all of the shares if any are taken, or whether it is merely an agency or "best efforts" arrangement under which the selling agents or underwriters are required to take and pay for only the shares that they sell to the public.

## Appendix D

Office of Thrift Supervision

### FORM OF ORDER FORM

#### Paperwork Reduction Act Statement

The Office of Thrift Supervision will use this information to ensure subscribers to Applicant's stock receive adequate disclosures regarding the purchase of Applicant's stock. See Part 563b and Section 563.76.

Public reporting burden for this collection of information is estimated to average one hour, per response, including the time for reviewing instructions and completing and reviewing the collection of information. If a valid OMB Control Number does not appear on this form, you are not required to complete this form. Send comments on these information collections to Information Collection Comments, Attention: 1550-0014, by e-mail to [infocollection.comments@ots.treas.gov](mailto:infocollection.comments@ots.treas.gov); by facsimile transmission to (202) 906-6518; or by mail to Chief Counsel's Office, Office of Thrift Supervision, 1700 G Street, N.W., Washington, DC 20552. Send a copy of comments to Alexander T. Hunt, Attention: 1550-0014, by e-mail to [ahunt@omb.eop.gov](mailto:ahunt@omb.eop.gov) or by mail to him at Office of Information and Regulatory Affairs, Office of Management and Budget, New Executive Office Building, Washington, DC 20503.

**FORM OF  
ORDER FORM**

**[Not to be codified in the Code of Federal Regulations]**

OFFICE OF THRIFT SUPERVISION  
1700 G Street, N.W., Washington, DC 20552

**Order Form for purchase of conversion shares**

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(Name of Applicant in charter)

(Docket No.)

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(Street address of Applicant)

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(City, State and Zip Code)

(1) After OTS declares your offering circular for the subscription offering effective, you must promptly distribute order forms for the purchase of shares of stock to: (a) all eligible account holders, (b) supplemental eligible account holders, and (c) other voting members who may subscribe for shares under the plan of conversion.

(2) You must provide a final offering circular for the subscription offering or any community or public offerings with the order form (unless you previously provided a final offering circular). You must include detailed instructions explaining how to complete the order forms.

(3) You must state the maximum subscription price on each order form. This amount is the amount that is payable to you when the subscriber returns the order form. You must establish a maximum subscription price and an actual subscription price that is within the subscription price range stated in OTS's approval and in the offering circular. If the maximum subscription price or the actual subscription price is not within the subscription

price range, you must receive OTS approval to amend the range. If appropriate, OTS may require you to resolicit proxies and order forms as a condition to its approval. If the public offering price is less than the maximum subscription price on the order form, you must reduce the actual subscription price to correspond to the public offering price. You must refund the difference to those subscribers who paid the maximum subscription price, unless the subscriber affirmatively elects to apply the difference to the purchase of additional shares.

(4) You must describe in a simple, clear and intelligible manner the actions that are required or available to the persons who will receive the order form. Specifically, you must provide all of the following information:

- (i) Indicate the maximum number of shares that the person may purchase under the subscription rights;
- (ii) Indicate the time period during which the person must exercise the subscription rights. This period must be at least 20 days and not more than 45 days after you mail the subscription offering order form;
- (iii) State the maximum subscription price per share;
- (iv) Indicate any minimum share purchase requirements;
- (v) Specifically designate blank space or spaces for the person to indicate the number of shares he or she wishes to purchase;
- (vi) Indicate how the person must pay. If the person withdraws funds from a certificate of deposit, you must indicate that the person may withdraw the funds without penalty. If the person pays by withdrawing from a savings account or certificate of deposit, you must provide for the person to check a box on the order form. If a person pays by withdrawing from a savings account or certificate of deposit, you may, but need not, withdraw funds from the account when you receive the order form. If the person withdraws funds before the closing date of the public offering, you must pay interest to the account holder as if the amount remained in the account until the closing date;
- (vii) Specifically designate blank spaces for the person to date and sign the order form;
- (viii) Include an acknowledgment that the person who signed the order form received a final offering circular before he or she signed the form; and
- (ix) Indicate what will happen if the person does not properly complete and return the order form. You must state that the person may not transfer the

subscription rights to another and state that the subscription rights are void at the end of the subscription period. You must include in the instructions to the form the address where the person must send the order form and the date that you will deem the order form received, (for instance, by date and time of actual receipt at the indicated address, or by date and time of postmark.)

(5) You may state that no one may modify the order form without your consent.

(6) You must include the following statements in bold print in your order form:

(a) **“Federal Regulations prohibit any person from transferring or entering into any agreement directly or indirectly to transfer the legal or beneficial ownership of conversion subscription rights, or the underlying securities to the account of another.”**

(b) **“Under penalty of perjury, I certify that I, \_\_\_\_\_, am purchasing shares solely for my account and that there is no agreement or understanding regarding the sale or transfer of such shares, or my right to subscribe for shares.”**

(7) You must also include the following certification on your order form.

**“I ACKNOWLEDGE THAT THIS SECURITY IS NOT A DEPOSIT OR ACCOUNT AND IS NOT FEDERALLY INSURED, AND IS NOT GUARANTEED BY [insert name of savings association] OR BY THE FEDERAL GOVERNMENT.”**

If anyone asserts that this security is federally insured or guaranteed, or is as safe as an insured deposit, I should call the Office of Thrift Supervision Regional Director [insert Regional Director’s name and telephone number with area code].

I further certify that, before purchasing the [*description of security being offered*] of [*name of issuer, name of savings association and affiliation to issuer (if different)*], I received an offering circular.

The offering circular that I received contains disclosure concerning the nature of the security being offered and describes the risks involved in the investment including: [list briefly the principle risks involved and cross reference certain specified pages of the offering circular where a more complete description of the risks is made.]

Signature: \_\_\_\_\_

Date: \_\_\_\_\_