

---

# General Instructions

## INSTRUCTIONS FOR PREPARATION OF

# Proxy Statement (FR MM-Form PS)

### Who May Use This Form

This form should be used to file information with the Federal Reserve System (the “Federal Reserve”) pursuant to 12 CFR Part 239, regarding certain transactions, including reorganizations, stock issuances and conversions. By using this form, mutual members will receive information necessary in order to vote on a particular transaction.

### Applicability of Regulation LL and MM

The Board’s Regulations LL and MM (12 CFR Parts 238 and 239) apply to savings and loan holding companies in mutual form (each, a “mutual holding company”). An applicant should consult these regulations, copies of which are available on the Board’s public website or from any one of the Reserve Banks of the Federal Reserve (“Reserve Bank”). Additional filing information is also available on the Board’s public website.<sup>1</sup> An applicant may submit a pre-filing before filing an application.<sup>2</sup>

### Preparation of the Application

Inquiries regarding the preparation and filing of applications should be directed to the Reserve Bank of the Federal Reserve district in which the company’s banking operations are principally conducted, as measured by total domestic deposits in its subsidiary savings association on the date it became, or will become, mutual holding company (the “appropriate Reserve Bank”). Applicants are encouraged to contact Federal Reserve staff as soon as possible for assistance in identifying the specific type of information that should be provided in the application.

The applicant must submit the information required by this form to the appropriate Reserve Bank. Applicants are

strongly encouraged to submit their applications electronically through the Federal Reserve System’s web-based application E-Apps.<sup>3</sup> Additional information on E-Apps may be found on the Board’s public website.<sup>4</sup> Alternative formats to this form, if used, must provide all requested information. In order to be considered properly filed in accordance with the requirements of HOLA and Regulations LL and MM, the application must be substantially complete and responsive to each item of information requested (including an indication that the answer is “not applicable” or “none” if such is the case).

The appropriate Reserve Bank will review the submitted application to determine if it is substantially complete. If the application is considered complete, an acknowledgement letter will be sent indicating the date that the application has been formally accepted for processing. If the application is not considered complete, the application will be returned to the applicant. As necessary to complete the record, a request for additional information may be sent to the contact person named in the application. Under certain circumstances, name check and financial information related to individuals involved in a proposed transaction may be required. Such information for individuals must be submitted on the Interagency Biographical and Financial Report (FR 2081c; OMB No. 7100-0134), and may be submitted in advance of the application. Contact the appropriate Reserve Bank for further information.

If any information initially furnished in the application changes significantly during processing of the application, these changes must be communicated promptly to the appropriate Reserve Bank.

---

<sup>1</sup> See <https://www.federalreserve.gov/apps/reportforms/>

<sup>2</sup> See SR letter 12-12 at <https://www.federalreserve.gov/supervisionreg/srletters/sr1212.htm>

<sup>3</sup> The application may alternatively be submitted in paper form.

<sup>4</sup> See [https://www.federalreserve.gov/supervisionreg/afi/eapps\\_contacts.htm](https://www.federalreserve.gov/supervisionreg/afi/eapps_contacts.htm)

---

# General Instructions

## Confidentiality

Under the provisions of the Freedom of Information Act (the “FOIA” – 5 U.S.C. § 552), the application is a public document and available to the public upon request. Once submitted, an application becomes a record of the Board and may be requested by any member of the public. Board records generally must be disclosed unless they are determined to fall, in whole or in part, within the scope of one or more of the FOIA exemptions from disclosure. See 5 U.S.C. § 552(b)(1)-(9).

The exempt categories include (but are not limited to) “trade secrets and commercial or financial information obtained from a person and privileged or confidential” (exemption 4), and information that, if disclosed, “would constitute a clearly unwarranted invasion of personal privacy” (exemption 6). An applicant may request confidential treatment for any information, submitted in or in connection with the application, that the applicant believes is exempt from disclosure under the FOIA. For example, if the applicant is of the opinion that disclosure of commercial or financial information would likely result in substantial harm to its competitive position or that of its subsidiaries, or that disclosure of information of a personal nature would result in a clearly unwarranted invasion of personal privacy, confidential treatment of such information may be requested.

Any request for confidential treatment must be submitted in writing concurrently with the filing of the application (or subsequent related submissions), and must discuss in detail the justification for confidential treatment. Such justification must be provided for each portion of the application (or related submissions) for which confidential treatment is requested. Applicant’s reasons for requesting confidentiality must specifically describe the harm that would result from public release of the information. A statement simply indicating that the information would result in competitive harm or that it is personal in nature is not sufficient. (A claim that disclosure would violate the law or policy of a foreign country is not, in and of itself, sufficient to

exempt information from disclosure. The applicant must demonstrate that disclosure would fall within the scope of one or more of the FOIA exemptions from disclosure.) The applicant must follow the steps outlined immediately below, and certify in the application (or related submissions) that these steps have been followed.

Information for which confidential treatment is requested should be: (1) specifically identified in the public portion of the application (by reference to the confidential section); (2) separately bound; and (3) labeled “CONFIDENTIAL.”

With respect to applications that include information regarding an individual or individuals associated with the proposed transaction, the Board expects the applicant to certify that it has obtained the consent of the individual(s) to public release of such information prior to its submission to the Board or, in the absence of such consent, to submit (or ensure that the individual(s) submit(s)) a timely request for confidential treatment of the information in accordance with these instructions. Information submitted directly by an individual or individuals will become part of the relevant application record, and, accordingly, will be a Board record subject to being requested by any member of the public under FOIA.

The Federal Reserve will determine whether information submitted as confidential will be so treated and will advise the applicant of any decision to make available to the public information labeled “CONFIDENTIAL.” However, it shall be understood that, without prior notice to the applicant, the Board may disclose or comment on any of the contents of the application in an Order or Statement issued by the Board in connection with its decision on the application. The Board’s staff normally will notify the applicant in the course of the review process that such information may need to be disclosed in connection with the Board’s action on the application.

For further information on the procedures for requesting confidential treatment and the Board’s procedures for addressing such requests, consult the Board’s Rules Regarding Availability of Information, 12 CFR Part 261, including 12 CFR 261.15, which governs requests for confidential

---

# General Instructions

treatment.

## **Supporting Information**

The Federal Reserve specifically reserves the right to require the filing of additional statements and information. The questions in the application are not intended to limit an applicant's presentation. An applicant bears the full burden for presenting and documenting a case that meets the statutory criteria for approval. Supporting information may accompany the application, even if this information is not required under the applicable law, rule, or reporting form.

## **Compliance**

The applicant is expected to comply with all commitments made in connection with the application, and the Board may condition approval of the application on the applicant's compliance with any commitments. The applicant should immediately contact the appropriate Reserve Bank if there is any change in compliance with such commitments or any change with respect to the representations made in the application.

DRAFT

---

# General Instructions

## Requested Information

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

The Applicant must include the following information on the cover page of the 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) The Applicant's mailing address, zip code, and telephone number.

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

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

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

- (a) The Applicant must state whether its management is soliciting the proxy. If any director informs the Applicant in writing that he or she intends to oppose any action, the Applicant must name the director and indicate the action any such director intends to oppose.
- (b) The Applicant must describe the method that it will use to solicit proxies, unless it solicits by mail.

- (c) If the Applicant's management is not soliciting the proxies, it must name the persons on whose behalf the solicitation is made. The Applicant does not have to respond to items 5 through 16 for such solicitations.

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

- (a) The Applicant must describe briefly:
- (1) the voting rights of each class of its members;
  - (2) the approximate total number of votes entitled to be cast at the meeting; and
  - (3) the voting rights of beneficiaries of accounts held in a fiduciary capacity, such as IRA accounts.
- (b) The Applicant must give the record date for members entitled to vote at the meeting.
- (c) The Applicant must state the vote required for approval of each matter that will be submitted 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) The Applicant 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 the Applicant and the word "Board" refers to the Board of Governors of the Federal Reserve System.
- (b) If the Applicant's conversion application includes a charitable contribution, it 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; and
  - (3) The position, if any, that each proposed director (or trustee) and officer holds with the Applicant.

- (c) The Applicant must state whether anyone will exercise control through

the use of proxies and describe the nature of the control.

## **Item 6. Management compensation**

The Applicant 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 the Applicant and the word “Board” refers to the Board of Governors of the Federal Reserve System.

## **Item 7. Business**

### (a) Description of business.

- (1) The Applicant must discuss briefly its organizational history, including the year of organization.
- (2) The Applicant must describe the business that it and its subsidiaries conduct and intend to conduct. The Applicant must describe how its business and any predecessor(s)' business developed over the past five years. If the Applicant has been engaged in business less than five years, the Applicant must provide information from when it began operations. The Applicant must disclose this information for earlier periods if the information is material to understand how its business developed. The Applicant must discuss material changes in the way it conducts business.
- (3) The Applicant must describe your historical lending practices, and state its plans for lending. The Applicant must address whether it will offer real estate or other types of loans, the nature of security it will receive, the terms of loans it will offer, whether the loans will carry fixed or variable interest rates, and whether it will retain the loans or resell them in secondary mortgage markets.
- (4) The Applicant must explain whether any material acquisitions have had or will have significant impact on it, and the nature of the impact.

(b) Selected financial data. The Applicant must furnish a summary of its selected financial data in tabular form. The Applicant must provide this information in columns that permit the comparison of data in each of the last three fiscal years. The Applicant must provide data for any additional fiscal years, if the data is necessary to keep the summary from being misleading. Financial data should be provided on a consolidated and/or parent-only basis as appropriate, for Applicant and for its consolidated subsidiaries.

### **Instructions.**

1. The Applicant 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. The Applicant may vary this data if the variance is appropriate to conform to the nature of its business. The Applicant may include additional items if it believes the items would enhance understanding and highlight trends in its financial condition and results of operations. The Applicant must briefly describe factors that materially affect the comparability of the financial data, such as accounting changes, business combinations, or dispositions of business operations. The Applicant may describe such factors by a cross reference to other discussions in the proxy statement. The Applicant must also discuss any material uncertainties that may cause the data not to be indicative of its future financial condition or results of operations.

2. If the Applicant elects to provide three-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," it may combine this information with the selected financial data required in this item.
3. If the Applicant includes interim-period financial statements, or it is required to include interim-period financial statements under item 14, it must update the selected financial data for the interim period to reflect any material change in the trends indicated. If updating information is necessary, it must provide the information on a comparative basis, unless the comparison is not necessary to understand the updating information. The Applicant must provide a management statement of presentation for the required interim-period financial data reported.

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

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

- (i) Liquidity. The Applicant must identify any known trends or any known demands, commitments, events, or uncertainties that are

reasonably likely to cause its liquidity to materially increase or decrease. If the Applicant identifies a material deficiency, indicate what it has done or will do to remedy the deficiency. The Applicant must identify and separately describe internal and external sources of liquidity, and briefly discuss any material unused sources of liquid assets. The Applicant must comment on maturity imbalances between assets and liabilities.

(ii) Committed resources. The Applicant must describe its material commitments for funding loans or other expenditures as of the end of the latest fiscal period. The Applicant must indicate the general purpose of the commitments and the anticipated source of funds to fulfill the commitments. The Applicant must describe known material trends, favorable or unfavorable, in its committed resources. The Applicant must indicate any expected material changes in the mix and the relative cost of the resources. The Applicant must discuss changes between deposits, equity, debt, and any off-balance-sheet financing arrangements.

(iii) Results of operations.

(A) The Applicant 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, the Applicant must indicate the extent to which these events, transactions, or changes affected income. In addition, the Applicant must describe any other significant components of revenues or expenses necessary to understand its results of operations.

(B) The Applicant must describe any known trends or uncertainties that have had, or will have, a materially favorable or unfavorable impact on revenue or net income from its continuing operations. If the Applicant knows of events that will cause a material change in the relationship between costs and revenues, it must disclose the change in the relationship.

(C) If the Applicant's financial statements disclose material increases in interest expense, it must discuss the extent to which the increases are attributable to increases in rates or to increases in volume.

(D) For the Applicant's three most recent fiscal years, or for those fiscal years in which it has been engaged in business, whichever period is shorter, the Applicant must discuss the impact of inflation and changing prices on revenue and net income from continuing operations.

(E) For the most recent financial statement, the Applicant must discuss



any unusual risk characteristics in its 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) The Applicant must provide a qualitative and quantitative discussion of its market risk analysis.

### **Instructions.**

1. The Applicant's discussion and analysis must address your financial statements and other statistical data that will enhance a reader's understanding of the Applicant's financial condition, changes in its financial condition, and results of operations. Generally, the Applicant must discuss the three-year period covered by the financial statements and use year-to-year comparisons to enhance a reader's understanding.
2. The Applicant's discussion and analysis should provide members with relevant information to assess its financial condition and results of operations, based on the members' evaluation of the amounts and certainty of cash flows from operations and from outside sources.
3. The Applicant's discussion and analysis must specifically focus on material events and uncertainties known to it that would cause reported financial information not to be indicative of future operating results or of future financial condition.
4. If the consolidated and/or parent-only financial statements reveal material changes from year to year in one or more line items, the Applicant must state the causes for the changes if the causes are necessary to understand its business as a whole.
5. The Board of Governors of the Federal Reserve System ("Board") encourages the Applicant, but does not require it, to supply forward-looking information. The Applicant must disclose known data that will have an impact upon future operating results, such as known future increases in rates or other costs.
6. If the Applicant discloses narrative explanations of supplementary information in accordance with SFAS 89, it may combine these explanations with its discussion and analysis required under this provision or it may supply the information separately. If the Applicant combines the information, it must place it reasonably near the discussion and analysis. If the Applicant does not combine the information, it may omit the required discussion of the impact of inflation and cross reference the explanations provided under SFAS 89.

7. If the Applicant does not disclose explanations of supplementary information in accordance with SFAS 89, it may discuss the effects of inflation and changes in prices in an appropriate manner. However, the Applicant must include a brief textual presentation of management's views. The Applicant does not have to present specific numerical financial data.

(2) If the Applicant includes interim-period financial statements, it 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 its financial condition and results of operations between the periods specified in subdivisions (i) and (ii) of this paragraph. The Applicant's discussion and analysis must address material changes in the items specifically listed in paragraph (c)(1) of this item 7. However, the Applicant does not have to address the impact of inflation and changing prices on operations for interim periods.

(i) Material changes in financial condition. The Applicant 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 it provides. If the Applicant provides an interim balance sheet as of the corresponding interim date of the preceding fiscal year, it must discuss any material change in financial condition from that date to the date of the most recent interim balance sheet that it provides.

(ii) Material changes in results of operations. The Applicant must discuss any material changes in its results of operations from the most recent fiscal year-to-date period for which the Applicant provides an income statement to the corresponding year-to-date period of the preceding fiscal year. If the Applicant provides an income statement for the most recent fiscal year quarter, it must discuss material changes with respect to that fiscal quarter and the corresponding fiscal quarter in the preceding fiscal year.

(d) Lending activities.

(1) The Applicant must describe briefly the areas where it normally lends.

(2) The Applicant must describe briefly its long-term investments in mortgage loans, and the effect of these investments on its earnings spread. The Applicant must provide the normal maturity of loans that it made on the security of single family dwellings and estimate the average length of time these loans are outstanding.

(3) For each of the periods required by item 14(b), the Applicant must provide the following information in tabular form. The Applicant may exclude fees

that are not adjustments of yield.

- (i) Average yield during the period on: (A) the Applicant's loan portfolio, (B) its investment portfolio, (C) other interest-earning assets, and (D) all interest-earning assets. The Applicant 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) 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).
  - (iv) 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.
- (4) For each of the periods required by item 14, the Applicant 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).
  - (5) The Applicant must briefly describe federal and state restrictions on its lending activities and laws affecting mortgage lending or other lending.
  - (6) The Applicant must describe briefly the risk elements in its loan and investment portfolios and its 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), the Applicant 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.

- (e) Savings Activities. The Applicant must state, if it liquidates after conversion, it will fully pay savings account holders before it pays shareholders.
- (f) Federal Regulation. The Applicant must describe briefly, to the extent not otherwise covered by other items, how federal agencies regulate it and its operations. The Applicant must describe federal regulatory capital requirements, what will happen to the Applicant if it fails to meet those capital requirements, and whether its regulatory capital position complies with those requirements.
- (g) Federal and State Taxation.
- (1) The applicant must describe briefly applicable federal income tax laws including:
- (i) Permissible bad debt reserves;
  - (ii) The applicant's 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 the applicant's effective income tax rate;
  - (iv) The date through which the Internal Revenue Service audited the applicant's federal income tax returns; and
  - (v) How the payment of cash dividends on the applicant's capital stock after conversion will effect its federal income taxes.
- (2) The applicant must briefly describe applicable state tax laws.
- (h) Competition. The Applicant must describe the material sources of competition for savings associations generally. The Applicant must indicate, to the extent practicable, its position in its principal lending and savings markets.
- (i) Office and other material properties. The Applicant must furnish the location of its home office, branch offices, and other office facilities (such as mobile or satellite offices). The Applicant 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). The Applicant must state the expiration date of the lease on every leased office. The Applicant must describe briefly any undeveloped land that it owns, including the location, net book value, prospective use, and holding period.

- (j) Employees. The Applicant must state the number of full-time employees, including executive officers listed under item 5. The Applicant must summarize briefly any loan, profit sharing, retirement, medical, hospitalization or other compensation plans that it provides to its employees, unless it has already included this information under item 6.
- (k) Subsidiaries. The Applicant must describe briefly its investment in each subsidiary, and the major lines of the subsidiary's business (including any joint ventures) that are material to its operations.
- (l) Legal proceedings. The Applicant 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 the Applicant.
- (m) Additional information. The Applicant may request permission to omit any information required by this item, or to substitute appropriate information of comparable character. The Board may permit the Applicant to omit or substitute information where it is consistent with the protection of account holders. The Board may also require the Applicant to furnish other additional or substitute information if the information is necessary or appropriate to adequately describe past and future business.

**Items 8 through 15 below are applicable only in the case of conversion of a mutual holding company to the stock form of ownership.**

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

- (a) The Applicant must state in the proxy statement before the information required by this item 8 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.
- (b) The Applicant must describe its plan of conversion. The Applicant must describe the information required by paragraphs (c) through (j) of this item. The Applicant must include any additional information necessary to accurately describe the material provisions of the plan.
- (c) The Applicant must briefly describe the effects of conversion from a mutual to a stock form of organization, including all of the following:
  - (1) That the Applicant's savings account holders will continue to hold FDIC-insured accounts in the savings association, with the same dollar amount, rates of return, and general terms as existing accounts;
  - (2) That the Applicant's savings and borrowing members will not have voting rights after conversion. In the mutual holding company context, however, the Applicant must describe what voting rights, if any, its savings and

borrowing members will have after reorganization;

- (3) That the account holders have liquidation rights. The Applicant must describe the liquidation account it will establish and maintain, including when it will pay the account, the interest of eligible account holders and supplemental eligible account holders in the account, and the formula that it will use to adjust the account;
  - (4) That the conversion will not affect borrowers' loans, including the amount, rate, maturity, security, or other contractual terms;
  - (5) That the FDIC will not insure your stock;
  - (6) That the Applicant 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 the Applicant serves.
- (d) The Applicant must furnish the following information regarding the subscription rights of members:
- (1) The formula that the Applicant will use to determine the subscription rights of account holders to purchase shares under 12 CFR 239.59;
  - (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 the Applicant 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) The Applicant must furnish the following information regarding the price of the shares it will sell in the public offering under the plan of conversion:
- (1) The Applicant must estimate the price range per share of the shares it will sell in the public offering under its plan of conversion. The Applicant does not have to estimate the price range if it will not begin the offering until after its members' meeting;
  - (2) The Applicant must indicate that the offering price will be the pro forma market value of the shares, as determined by its management and the underwriter; and
  - (3) The Applicant must state that it must sell all of the shares.

- (f) Unless the Applicant will not begin the offering until after its members' meeting, it must discuss the following concerning stock it 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. The Applicant 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. The Applicant must clearly state all of its assumptions.
  2. In computing pro forma earnings, the Applicant 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, the Board may permit the Applicant to use properly supported alternative computations.
  4. The Applicant must explain that pro forma data may not be indicative of its actual financial position or the results of continuing operations after the conversion.
- (g) The Applicant must state when the proposed subscription period will begin and end, and must describe whether the plan of conversion permits it to change or extend these dates. The Applicant must also state the following:
- (1) The Applicant will set a maximum subscription price in the offering circular that it 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) The Applicant 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) The Applicant must also:
- (1) Describe, to the extent practicable, whether the Applicant intends to list its shares on an exchange, or how it will otherwise provide a market for the

purchase and sale of shares in the future; and

DRAFT



(2) Describe briefly the tax effect of the conversion on the Applicant and on the various classes of account holders receiving nontransferable subscription rights in the conversion.

(i) The Applicant must state whether the plan of conversion permits it to offer unsubscribed shares to the public directly or through underwriters:

(1) The Applicant must include the following information in substantially the tabular form set forth below.

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

(2) If the Applicant sells any unsubscribed shares to the public, you must indicate:

(i) The timing for the offering.

(ii) The geographic area where you will make the offering.

(iii) The method you will employ to market the shares (including the frequency and nature of communications or contracts with potential purchasers).

(iv) Any preferences that you will give to any geographic area or to any class of potential purchasers.

(v) The limitations on purchases by potential purchasers.

(3) If a selling agent assists in offering shares, the Applicant 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.

(4) If the Applicant will offer any shares through underwriters, it must identify the names of the principal underwriters and the amounts that each will underwrite. The Applicant must identify each principal underwriter that has a material relationship with the Applicant and describe the relationship.

(5) The Applicant must briefly disclose the discounts and commissions that it may allow or may pay dealers in connection with the sale of unsubscribed shares for the public offering.

- (j) The Applicant must furnish the following information on proposed purchases of shares by its 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).
- (k) If the Applicant's conversion application includes a charitable contribution, it must disclose the following additional information:
- (1) The amount and percentage of shares that each proposed director (or trustee) and officer of the charitable organization will purchase in the conversion.
  - (2) The aggregate number and percentage of shares that the charitable organization and its proposed officers and directors (or trustees) will hold.
  - (3) The number of shares and value of the contribution at the minimum, midpoint, maximum, and maximum as adjusted, of the valuation range.
  - (4) The decrease in shares that the Applicant 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.
  - (5) The dilution in ownership and book value per share from the proposed contribution.
  - (6) The Applicant's plans for additional charitable contributions over the next three years.

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

## Item 9. Description of stock

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

**Instruction.** The Applicant must describe the basic requirements it must meet to list its stock.

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

**Item 10. Capitalization**

The Applicant must set forth the amounts of its capitalization in substantially the tabular form indicated below. The Applicant 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>	<b>\$</b>	<b>\$</b>	<b>\$</b>

**Instructions.**

1. The Applicant must indicate in the table, or in a footnote to the table, the total number of shares it will authorize, the par or stated value of the shares, and the number of shares it will sell in the conversion.
2. The Applicant must estimate in the table the total amount of funds it will

receive when it sells its stock. In a footnote, it must state the price per share that it used for the estimate. The Applicant must clearly indicate that the total amount and price per share are estimates.

3. In Column A, the Applicant must use the most recent balance sheet date required by item 14.

### **Item 11. Use of proceeds**

The Applicant must explain how it will use the new proceeds of the conversion, including the approximate amount that it will use for each purpose. For example, use of proceeds may include expanded secondary market activities, larger scale lending projects, loan portfolio diversification, increased liquidity investments, repayment of debt, additional branch offices or other facilities, service corporation investments, and acquisitions.

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

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

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

The Applicant must state that it will register its stock under section 12(g) of the Securities Exchange Act of 1934, and that it will not deregister the stock for three years after the date of conversion.

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

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

- (1) The Applicant and its subsidiaries must furnish consolidated, audited balance sheets as of the end of each of the two most recent fiscal years, even if it is filing using the provisions of Regulation S-B.
- (2) If the latest balance sheets the Applicant furnishes under (1) of this paragraph are dated 135 days or more before the date the Board approves the conversion, it must furnish an interim balance sheet dated within 135 days of Board approval. This interim balance sheet may be unaudited.
- (3) If the latest balance sheets the Applicant furnishes under (1) of this paragraph are dated 105 days or more before the date the Board approves the conversion, it 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) The Applicant, its subsidiaries, and its 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, the Applicant 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 it files, and (ii) for the corresponding period of the preceding fiscal year. The interim financial statements may be unaudited.
- (c) Changes in stockholders' equity. The Applicant must analyze the changes in each caption of stockholders' equity in the balance sheets. The Applicant must present this analysis in a note or separate statement that reconciles the beginning balance with the ending balance for each period for which it is required to furnish an income statement. The Applicant must describe all significant reconciling items with appropriate captions. The Applicant 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. The Applicant must furnish the information required by 17 CFR 210.3-05 and 210.11-01 to -03 for any business that it has acquired or will acquire.
- (e) Separate financial statements of subsidiaries not consolidated and persons for whom its ownership is 50 percent or less. The Applicant must furnish the information required by 17 CFR 210.3-09 on separate financial statements of subsidiaries not consolidated and persons for whom its ownership is 50 percent or less.
- (f) Filing of other statements in certain cases. The Applicant may request permission to omit any of the statements required by this item, or to substitute appropriate statements of comparable character. The Board may permit the Applicant to omit or substitute statements where it is consistent with the protection of account holders. The Board may also require the Applicant 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 the Applicant previously used an audit period for its certified financial statements and this audit period does not coincide with its fiscal year, it may use the audit period instead of any required fiscal year. The Applicant may use this audit period, however, only if it covers a full twelve months' operations and it has used this period consistently.
2. Interim financial statements must be comparative and reported in the same format as the audited financial statements.

DRAFT