

## FORM AC

### APPLICATION FOR CONVERSION FROM MUTUAL TO STOCK FORM

#### GENERAL INFORMATION AND INSTRUCTIONS

##### **Preparation and Use**

This application is used to effect a transaction under 12 USC 1464(i) and 12 CFR part 192 for savings associations (savings association) to convert from mutual to stock form of ownership.

All questions must be answered with complete and accurate information that is subject to verification. If the answer is “none,” “not applicable,” or “unknown,” so state. Answers of “unknown” should be explained. A pre-filing discussion with the appropriate Comptroller of the Currency (OCC) licensing office is recommended prior to filing.

The questions in the application are not intended to limit the savings association's presentation nor are the questions intended to duplicate information supplied on another form or in an exhibit. For such information, a cross reference to the information is acceptable. Any cross-reference must be made to a specific cite or location in the documents, so the information can be found easily. Supporting information for all relevant factors, setting forth the basis for savings association's conclusions, should accompany the application. The regulatory agency may request additional information.

This application form collects information that the OCC will need to evaluate a conversion from a mutual to a stock form of ownership. The OCC must consider the applicable statutory requirements, set forth above if any, as well as applicable regulatory requirements, when acting on this application. The federal savings association may contact the OCC directly for specific instruction or visit <http://www.occ.gov/>.

##### **Notice of Publication**

A savings association must publish notice of the proposed conversion from mutual to stock form in a newspaper of general circulation in the community in which the main office of the savings association is located (refer to 12 CFR 192.180 and 5.8). The savings association must simultaneously prominently post the notice in its home office and all branch offices.

##### **Confidentiality**

Any savings association desiring confidential treatment of specific portions of the application must submit a request in writing with the application. The request must discuss the justification for the requested treatment. The savings association's reasons for requesting confidentiality should specifically demonstrate the harm (for example, loss of competitive position, invasion of privacy) that would result from public release of information (5 USC

552 or relevant state law). 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." The savings association should follow the same procedure when requesting confidential treatment for the subsequent filing of supplemental information to the application. Contact the OCC for any further questions regarding requests for confidential treatment. (Refer to 12 CFR 192.160).

**FORM AC**

**APPLICATION FOR CONVERSION  
FROM MUTUAL TO STOCK FORM**

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

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(Name of savings association) (Charter No.)

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(Street address of savings association)

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(City, State and Zip Code)

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### **General Instructions**

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

Form AC is used to seek OCC approval of a conversion from the mutual to the stock form of organization under 12 CFR part 192. Indicate on the cover if the filing is using rules and regulations for a smaller reporting company and/or emerging growth company as defined in SEC Exchange Act Rule 12b-2.

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

Follow the general requirements in this section when preparing and filing this Form AC and all other forms required under 12 CFR part 192.

- (1) Method of preparation. In the applications, furnish information in item-and-answer form, and include the captions on the form. The text of items and instructions may be omitted. In a proxy statement or offering circular, the required information may be presented in any order and the captions and text of all items and instruction may be omitted. Do 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 that information be provided in tabular form, provide the information substantially in the tabular form specified in the item.

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, all information must be presented in reasonably short paragraphs or sections. Set out financial statements, including interim financial statements, in comparative form, and include all notes and the accountants' certificate or certificates. Follow SEC Regulation S-X, 17 CFR Part 210, which governs the certification, form, and content of financial statements, including the basis of consolidation.

In a proxy statement or offering circular, present all information in a clearly understandable format. The reader should not have to refer to the OCC form or 12 CFR part 192 to understand the document. Include a reasonably detailed table of contents in each proxy statement and offering circular.

In every application, 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, state where any item is inapplicable, or where an answer was omitted because it was no.

- (2) Additional information. In addition to the information required under 12 CFR part 192, include any material information necessary to make the required statements, in the light of the circumstances under which they were made, not misleading.
- (3) Information unknown or not reasonably available. Provide information to the extent the information is known or reasonably available. Required information that is not known or is not reasonably available may be omitted. Explain why such information is not known or reasonably available. 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 an affiliate. Provide all information on the subject that is possessed or can be 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 it to be included, the information may be incorporated 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, information may not be incorporated by reference unless the document containing the information is attached, summarized, or outlined. To summarize or outline a document, make a brief statement of the most important provisions of the document. In addition, particular items, sections, or paragraphs of any exhibit may be incorporated by reference, and the summary or outline may be qualified in its entirety by the reference. In an offering circular, incorporate by reference information from a proxy statement that has been delivered. It is not necessary to summarize or outline the information. If material is incorporated by reference, clearly identify the material in the reference. Expressly state that the specified matter is

incorporated by reference at the particular place in the application where the information is required. Do 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 is filed with the OCC:
  - (a) savings association's duly authorized representative
  - (b) savings association's principal executive officer
  - (c) savings association's principal financial officer
  - (d) savings association's principal accounting officer  
at least two-thirds of savings association's directors
- (6) Consents of persons about to become directors. If it is indicated in a proxy statement or offering circular that a person is about to become a director, and that person has not signed the application, file that person's written consent to the application with the appropriate form.
- (7) Consents of experts. If 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, the written consent of that person to use their name in connection with the stated action with the application must be filed. To quote or summarize any portion of a report of an expert in any filing under 12 CFR part 192, 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. File a list of consents with the application. If the expert's report contains his or her consent, refer to the report containing the consent in the list. File a new consent for any accounting amendment.
- (8) Date of filing. The documents are filed as of the date the last OCC office where they are filed receives them, and any applicable fee has been paid.
- (9) Amendments. All amendments to any application must be filed with an appropriate facing sheet. Number the amendments consecutively in the

order in which they are filed. Comply with all regulations applicable to the original application.

**Item 1. Form of Application**

Include the following form in the application for approval of the plan of conversion and 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 192.

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

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 192.

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**

Furnish the complete written plan that the savings association's board of directors adopted for the conversion to the stock form. Prepare the plan of conversion in accordance 12 CFR 192.125 through 192.140. The OCC will base its approval on the terms of this plan. The approved plan must be distributed as an attachment to the proxy statement.

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

Furnish preliminary copies of the proxy statement and offering circular prepared in accordance with Forms PS and OC, respectively.

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

Furnish preliminary copies of the form of proxy that will be distributed to the savings association's members.

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

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

- (a) The 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**

Describe the expected chronological order of the events for the 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 the OCC. 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 the plan of conversion is more than one year before the savings association’s board of directors adopted the plan of conversion, state why the earlier date was selected.

Indicate what circumstances may require the use of a supplemental eligibility record date.

**Item 8. Expenses Incident to the Conversion**

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

### **Item 9. Indemnification**

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

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

State whether the filing includes an amendment to the federal savings association's charter and bylaws to comply with 12 CFR 5.22.

### **Exhibits**

Attach the following exhibits to this form.

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

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

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

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 the savings association's borrowing other than from a Federal Home Loan Bank and other than subordinated debt securities approved by the OCC.
- (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 the conversion stock.
- (n) Proposed marketing materials.

If any document, contract, or agreement in draft form is furnished under this exhibit, furnish the final form immediately after the meeting of the savings association's members to consider the plan of conversion. 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**

Furnish an opinion of counsel discussing each of the following matters:

- (a) The legal sufficiency of the 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 the bylaws.
- (d) The type and extent of each class of voting rights after conversion. The opinion must discuss any state law that requires the savings association 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 5.22 of this chapter.
- (d) The legal sufficiency of the savings association's marketing materials.

Discuss the matters listed in subdivisions (b), (c) and (d) of this exhibit only if the savings association is converting to a state-chartered stock association.

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

- (a) Furnish an opinion of the savings association's tax advisor or an Internal Revenue Service (IRS) ruling on the federal income tax consequences of the plan of conversion. The opinion or ruling must address the tax consequences to the savings association and to the various account holders who receive nontransferable subscription rights to purchase shares.

**Instruction.** The OCC may require a ruling from the IRS if the IRS has not issued a favorable ruling to plans of conversion that are substantially similar to the plan. The OCC also may require a ruling if the savings association's plan of conversion contains novel provisions or raises questions with federal income tax consequences.

- (b) Furnish an opinion of the savings association's 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 the savings association will be located. The opinion must address the tax consequences to the savings association and to its eligible account holders.

**Exhibit 5. Valuation Materials**

Furnish the materials required under 12 CFR 192.200(b) regarding the valuation of the shares. It is not necessary to file the materials if shares will not be offered before the members' meeting to vote on the plan of conversion.

**Exhibit 6. Notice to Members**

Furnish evidence that members have been notified as required by 12 CFR 192.135.

**Exhibit 7. Other Materials**

- (a) If information is not provided as required by an appropriate form because the information or the information is not known or reasonably available:
- (1) show that unreasonable effort or expense will be incurred to obtain the information; or
  - (2) indicate that there is no affiliation with the person who has the information, state that the information has been requested, and indicate the result of that request.

- (b) Furnish all required consents.
- (c) If anyone has signed an application or any amendment to an application using a power of attorney, furnish four copies of the power of attorney. Two copies must be manually signed.
- (d) Furnish the cross-reference sheet.
- (e) If a waiver is requested under 12 CFR 192.5(c), furnish the materials required by that section.

**Exhibit 8. Business Plans**

- (a) Furnish a consolidated business plan as required by 12 CFR 192.105 detailing how the capital acquired in the conversion will be used. Do not project stock repurchases, returns of capital or payment of extraordinary dividends in the business plan. The OCC views a return of capital to shareholders as a material deviation from the business plan that requires the prior written approval of the Deputy Comptroller.
- (b) Follow 12 CFR 192.160 if any portion of the business plan is to be deemed confidential.

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

If the conversion includes a contribution to a charitable organization 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 the savings association's officers, directors, and employees, 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 192.575, 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 the contribution will be made and for a five-year carry forward period.

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

The Office of the Comptroller of the Currency will use this information to provide mutual members with information necessary for voting on the transaction. Refer to part 192.

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

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

**Proxy Statement**

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(Name of savings association)

(Charter No.)

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(Street address of savings association)

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(City, State and Zip Code)

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### **General Information**

If the OCC requests information on the savings association's directors, officers, or other persons holding specified positions or relationships during a specified period, provide the information for every person who held the positions or relationships any time during the period. It is not necessary to include information for any portion of the period when a person did not hold any position or relationship. State, however, that this information was not included.

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

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 savings association's mailing address, zip code, and telephone number.

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

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

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

- (a) State whether the savings association's management is soliciting the proxy. If any director advises in writing that he or she intends to oppose any action, must name the director and indicate the action he or she intends to oppose.
- (b) Describe the method to be used to solicit proxies, unless they will be solicited by mail. If specially engaged employees or paid solicitors will solicit proxies, state the material features of any contract or arrangement and must identify the parties.
- (c) If management is not soliciting the proxies, name the persons on whose behalf the solicitation is made. It is not necessary to respond to items 5 through 16 for such solicitations, but 12 CFR 192.285 must be complied with regarding false and misleading statements and other prohibited matters.

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

- (a) Describe briefly:
  - (1) the voting rights of each class of 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) Give the record date for members entitled to vote at the meeting.

(c) State the vote required for approval of each matter that will be submitted to a vote of members.

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

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

(a) 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 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 savings association and the word "Commission" refers to the OCC.

(b) If the conversion application includes a charitable contribution, 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 the savings association.

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

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

Furnish the information on executive compensation required in item 402 of Regulation S-K, 17 CFR 229.402, and item 8 of Regulation 14A, 17 CFR 240.14a-101. Unless the context otherwise requires, the words "registrant" and "issuer" in those regulations refer to the savings association and the word "Commission" refers to the OCC.

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

(a) Narrative description of business.

- (1) Discuss briefly the savings association's organizational history, including the year of organization, the identity of the chartering authority, and any material charter conversions.

- (2) Describe the business that the savings association and its subsidiaries conduct and intend to conduct. Describe how the business and any predecessor(s) business developed over the past five years. If the savings association has been engaged in business less than five years, provide information from when it began operations. Disclose this information for earlier periods if the information is material to understand how the business developed. Discuss material changes in the way the savings association conducts business.

**Instruction.** If filing using the rules and regulations of smaller reporting companies as defined by SEC Regulation 17CFR229.10(f)(1), include audited comparative balance sheets for the two most recent fiscal years. Also, smaller reporting companies may satisfy its obligations under this item by describing the development of its business during the last three years. See SEC Regulation 17CFR 229.101(h).

- (3) Describe the savings association's historical lending practices, including the average remaining term to maturity of the portfolio of mortgage loans. State plans for lending. Address whether the savings association will offer real estate or other types of loans, the nature of security to be received, the terms of loans to be offered, whether the loans will carry fixed or variable interest rates, and whether the loans will be retained or resold in secondary mortgage markets. Identify the magnitude of various activities.
- (4) Explain whether any material acquisitions have had or will have significant impact on the savings association, and the nature of the impact.

(b) Selected financial data. Furnish a summary of the savings association's selected financial data. Provide this information in columns that permit the comparison of data in each of the last five fiscal years. 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 the savings association's financial condition and results of operations in a convenient and readable format.
2. 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. This data may be varied if the variance is appropriate to conform to the nature of the savings association's business. Include additional items if the items would enhance understanding and highlight trends in the savings association's financial condition and results of operations. Briefly describe factors that materially affect the comparability of the financial data, such as accounting changes, business combinations, or dispositions of business operations. Such factors may be described by a cross reference to other discussions in the proxy statement. Also discuss any material uncertainties that may cause the data not to be

indicative of future financial condition or results of operations.

3. If the savings association is an emerging growth company as defined in SEC Rule 405 of the Securities Act or Rule 12b-2 of the SEC Exchange Act, it need not present selected financial data prior to the earliest audited financial statement presented in the filing. A savings association that qualifies as a smaller reporting company as defined by Section 229.10(f)(i) is not required to provide the selected financial data required by regulation 17 CFR 229.301.

4. If the election is made to provide the effect of changing prices disclosure information as discussed in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 255-Changing Prices, that information may be combined with the selected financial data required in this item.

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

6. These instructions refer to the savings association and its consolidated subsidiaries.

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

(1) Discuss the savings association's financial condition, changes in financial condition, and results of operations. Discuss the information in paragraphs (i), (ii), and (iii) of this paragraph (c) with respect to liquidity, capital resources, and results of operations. Also provide all other information necessary to understand the savings association's financial condition, changes in the financial condition, and results of the savings association's operations. Discuss significant business combinations. The discussion of liquidity and capital resources may be combined, if the two topics are interrelated. If a discussion of the subdivisions of the savings association's business is appropriate to understand the business, focus the discussion on each relevant, reportable segment or other subdivision of the business, and on the business as a whole.

(i) Liquidity. Identify any known trends or any known demands, commitments, events, or uncertainties that are reasonably likely to cause liquidity to materially increase or decrease. If a material deficiency is identified, indicate what has been done or will be done to remedy the deficiency. Identify and separately describe internal and external sources of liquidity, and briefly discuss any material unused sources of liquid assets. Comment on maturity imbalances between assets and liabilities, and planned activities in the secondary mortgage market.

(ii) Committed resources. Describe any material commitments for funding loans or other expenditures as of the end of the latest fiscal period. Indicate the general purpose of the commitments and the anticipated source of funds to fulfill the commitments. Describe known material

trends, favorable or unfavorable, in the savings association's committed resources. Indicate any expected material changes in the mix and the relative cost of the resources. Discuss changes between deposits, equity, debt, and any off-balance-sheet financing arrangements.

(iii) Results of operations.

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

(B) 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 continuing operations. If any events are known which will cause a material change in the relationship between costs and revenues, disclose the change in the relationship.

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

(D) For the three most recent fiscal years, or for those fiscal years in which the savings association has been engaged in business, whichever period is shorter, discuss the impact of inflation and changing prices on revenues and on income from continuing operations.

(E) For the most recent financial statement, discuss any unusual risk characteristics in the savings association's 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 (refer to Securities and Exchange Commission's Securities Act Industry Guide 3, section III C).

(iv) Provide a qualitative and quantitative discussion of the savings association's market risk analysis.

## **Instructions.**

1. The discussion and analysis must address the savings association's financial statements and other statistical data that will enhance a reader's understanding of the financial condition, changes in the savings association's financial condition, and results of operations. Generally, discuss the three-year period (or the two-year period for smaller reporting companies) 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, refer to the periods of selected financial data appearing in item 7(b) above.
2. The discussion and analysis should provide investors and other users with relevant information to assess the savings association's 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. Only provide information that may be obtained without undue effort or expense, and that does not clearly appear in the financial statements.
3. Discussion and analysis must specifically focus on material events and uncertainties known which would cause reported financial information not to be indicative of future operating results or of future financial condition. 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, state the causes for the changes if the causes are necessary to understand the savings association's business as a whole. If the causes for a change in one line item also relate to other line items, it is not necessary to repeat the explanation. It is not necessary to provide a line-by-line analysis of the financial statements as a whole. It is not necessary to recite the amounts of changes from year to year, if the reader may readily compute these changes from the financial statements. Do 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 the ability to generate adequate amounts of cash to meet the cash needs of the savings association. Identify the balance sheet conditions or income or cash flow items that indicate the savings association's liquidity condition. Discuss liquidity in the context of the savings association's business or businesses. Liquidity means more than "liquid assets," as defined in OCC liquidity regulations at 12 CFR part 550.
6. The OCC encourages, but does not require, forward-looking information. Disclose known data that will have an impact upon future operating results, such as known future increases in rates or other costs. If forward-looking information is provided, the savings association may have a safe-harbor from liability for the projections under 12 CFR 194.3.
7. If narrative explanations of supplementary information is disclosed in accordance with FASB ASC Topic 255-Changing Prices, these explanations may be combined with the discussion and analysis required under this provision; or, the information may be supplied separately. If the information is combined, place it reasonably near the discussion and analysis. If the information is not combined, omit the required discussion of the impact of inflation and cross reference the explanations provided under FASB ASC Topic 255.
8. If explanations of supplementary information are not disclosed in accordance with FASB ASC Topic 255, discuss the effects of inflation and changes in prices in an appropriate manner. The OCC encourages voluntarily compliance with FASB ASC Topic 255. However, include a brief textual presentation of management's views. It is not necessary

to present specific numerical financial data.

9. These instructions refer to the savings association and its consolidated subsidiaries.

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

(i) Material changes in financial condition. 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 is provided. If an interim balance sheet is provided as of the corresponding interim date of the preceding fiscal year, discuss any material change in financial condition from that date to the date of the most recent interim balance sheet that is provided. Any discussion of changes from the end, and the corresponding interim date, of the preceding fiscal year may be combined.

(ii) Material changes in results of operations. Discuss any material changes in the results of operations from the most recent fiscal year-to-date period where an income statement is provided to the corresponding year-to-date period of the preceding fiscal year. If an income statement for the most recent fiscal year quarter is provided, discuss material changes with respect to that fiscal quarter and the corresponding fiscal quarter in the preceding fiscal year. In addition, if an income statement for the 12-month period ended as of the date of the most recent interim balance sheet is provided, 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 interim financial statements and financial statements for full fiscal years are provided, discuss the interim financial information under paragraph (c)(2) and the full fiscal year information under paragraph (c)(1) of this item 7. The discussions may be combined.

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



readily compute the amounts from the financial statements. Do not merely repeat numerical data from the financial statements. Only provide information that may be obtained without undue effort or expense, and that does not clearly appear in the savings association's interim financial statements.

3. In the discussion of material changes in results of operations, identify significant elements of the savings association's income or loss from continuing operations that do not arise from or are not necessarily representative of the ongoing business.
4. The OCC encourages, but does not require, forward-looking information. Disclose known data that will have an impact upon future operating results, such as known future increases in rates or other costs. If forward-looking information is provided, the savings association may have a safe-harbor from liability for the projections under 12 CFR 194.3.

(d) Lending activities.

- (1) Briefly describe federal and state restrictions on the savings association's lending activities and laws affecting mortgage lending or other lending. In addition, briefly describe the savings association's general policy on loan-to-value ratios; customary methods of obtaining loan originations, (e.g., the use of loan consultants or brokers); the general policy on approval of properties as security for loans; the use of a loan committee, if any; and the savings association's title, fire, and casualty insurance requirements on security properties. Indicate any future plans for secondary mortgage market activities, such as transactions with Freddie Mac or other secondary mortgage agency. Identify significant loan service fee income as a percentage of net interest income for the years required by item 14(b).
- (2) Describe briefly (i) the areas where the savings association normally lends; and (ii) any areas where the savings association has a material concentration of loans and include maps illustrating these areas. Estimate the housing vacancy rates in areas where the savings association has a concentration of loans, if practicable.
- (3) Describe briefly the savings association's long-term investments in mortgage loans, and the effect of these investments on the earnings spread. Provide the normal maturity of loans 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), provide the following information in tabular form. Exclude fees that are not adjustments of yield.
  - (i) Average yield during the period on: (A) the loan portfolio, (B) the investment portfolio, (C) other interest-earning assets, and

(D) all interest-earning assets. 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)). 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).

Determine average interest-earning assets no more frequently than monthly.

(v) For each of the periods required by item 14(b), 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)), 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). 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), 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.** Supply any additional ratios if the ratios are necessary to explain the savings association's operations.

(6) As of the end of the latest reported fiscal year, present separately the amounts of loans in each category required by balance sheet item 7 of SEC Regulation S-X, 17 CFR 210.9-03, , 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, 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. Report scheduled principal repayments in the maturity category in which the payment is due.
2. Report demand loans, loans having no stated schedule of repayments and no stated maturity, and overdrafts as due in one year or less.
3. Base maturities on contract terms. If terms vary due to the savings association's "rollover policy," revise the maturity and briefly discuss the rollover policy.

(7) Describe briefly the risk elements in the savings association's loan and investment portfolios, and the 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), 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, briefly describe the major properties. Estimate the savings association's probable losses, if any, on disposition of the properties.

(e) Savings activities.

(1) State that, if the savings association liquidates after conversion, the savings association will fully pay savings account holders before it pays shareholders. In addition, indicate

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

- (2) Set forth in a table the amounts of time deposit accounts categorized by interest rates on the dates of each balance sheet that was filed. Use interest-rate categories that are not more than 200 basis points wide. As of the date of the latest balance sheet, 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 Smaller reporting companies as defined by SEC regulation 17 CFR 209.10(f)(1).

- (3) 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 item 13, 17 CFR 210.9-03. 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. Disclose the approximate average short-term borrowings outstanding during the period and the approximate weighted-average interest rate for such aggregate short-term borrowings. Briefly describe how these averages were computed. It is not necessary 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 the savings association's borrowings outstanding during the year exceeds one percent of assets at year-end and significantly exceeds the amount of the borrowings at year-end, furnish this disclosure. It is not necessary 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. Describe briefly, to the extent not otherwise covered by other items, how federal agencies regulate the savings association and its operations. In particular, describe briefly how the Federal Deposit Insurance Corporation (FDIC) insures the accounts and how the FDIC and the OCC regulate the savings association's operations. Describe federal regulatory capital requirements, what will happen to the savings association if it fails to meet those capital requirements, and whether the savings association's regulatory capital position complies with those requirements. Also describe how the FDIC and the OCC charge assessments on the savings association's operations. In addition, describe briefly the liquidity requirements under section 6 of the Home Owners' Loan Act and OCC liquidity regulations, and state law and state whether the savings association meets those liquidity requirements.

(g) Federal Home Loan Bank System. Describe briefly the Federal Home Loan Bank (FHLB) System and state whether the savings association is a member. If the savings association is a member, describe the following:

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

(h) State savings association law. If the savings association is converting to a state-chartered stock association, describe state law provisions that materially affect the savings association's business.

(i) Federal and state taxation.

(1) Describe briefly applicable federal income tax laws including:

- (i) Permissible bad debt reserves;
- (ii) The savings association'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 savings association's effective income tax rate;
- (iv) The date through which the Internal Revenue Service audited the savings association's federal income tax returns; and
- (v) How the payment of cash dividends on the savings association's capital stock after conversion will effect federal income taxes.

(2) Briefly describe applicable state tax laws.

(j) Competition. Describe the material sources of competition for savings associations generally. Indicate, to the extent practicable, the savings association's position in its principal lending and savings markets.

(k) Office and other material properties.

(1) Furnish the location of the savings association's home office, branch offices, and other office facilities (such as mobile or satellite offices). 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). State the expiration date of the lease on every leased office.

(2) Describe briefly any undeveloped land that the savings association owns, including its location, net book value, prospective use, and holding period.

(l) Employees. State the number of full-time employees, including executive officers listed under item 5. State whether employees are represented by a collective bargaining group, and whether the savings association has satisfactory relations with its employees. Summarize briefly any loan, profit sharing, retirement, medical, hospitalization or other compensation plans that the savings association provides to its employees, unless the information has already been included under item 6.

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

(n) Legal proceedings. 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 savings association.

(o) Additional information. Permission to omit any information required by this item, or to substitute appropriate information of comparable character may be requested. The OCC may permit the information to be omitted or substituted where it is consistent with the protection of account holders. The OCC may also require the savings association 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) Include the following statement in the proxy statement. Place this statement before the information required by this item 8. "The OCC has approved the plan of conversion, subject to member approval the plan and certain other conditions. OCC approval does not mean that the OCC recommends or endorses the plan."

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

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

(1) That the savings association's 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 the savings association's savings and borrowing members will not have voting rights after conversion. In the mutual holding company context, however, describe what voting rights, if any, the savings association's savings and borrowing members will have after reorganization;
  - (3) That the account holders have liquidation rights. Describe the liquidation account that will be established and maintained, including when the savings association will pay the account, the interest of eligible account holders and supplemental eligible account holders in the account, and the formula that will be used 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 the savings association's stock;
  - (6) That no assets other than to pay conversion expenses or to make a charitable contribution will be distributed; and
  - (7) The reasons management recommends the conversion, including any advantages to the community that the savings association serves.
- (d) Furnish the following information regarding the subscription rights of members:
- (1) The formula that will be used to determine the subscription rights of account holders to purchase shares under 12 CFR 192.320 through 192.395;
  - (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 will be used 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) Estimate the price range per share of the shares that will be sold in the public offering under the plan of conversion. It is not necessary to estimate the price range if the offering will not begin until after the members' meeting;
- (2) Indicate that the offering price will be the pro forma market value of the shares, as determined by the savings association's management and the underwriter; and
  - (3) State that the savings association must sell all of the shares.

(f) Unless the offering will not begin until after the members' meeting, discuss the following for the stock the savings association 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. 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. Clearly state all of the assumptions.

2. In computing pro forma earnings, 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 OCC may permit the use of properly supported alternative computations.

4. Explain that pro forma data may not be indicative of the savings association's actual financial position or the results of continuing operations after the conversion.

(g) State when the proposed subscription period will begin and end, and describe whether the plan of conversion permits the savings association to change or extend these dates. In addition, state the following:

- (1) A maximum subscription price will be set in the offering circular that will be used 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 savings association 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) In addition:

- (1) Describe, to the extent practicable, whether the savings association intends to list its shares on an exchange, or how the savings association 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 the savings association 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) State whether the plan of conversion permits the savings association to offer unsubscribed shares to the public directly or through underwriters. If so, provide the information, to the extent known, required by item 6 of Form OC, and indicate the estimated timing of the proposed offering.
- (j) Furnish the following information on proposed purchases of shares by the savings association's 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 the conversion application includes a charitable contribution, 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 the savings association 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) Plans for additional charitable contributions over the next three years.

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

## Item 9. Description of stock

(a) Furnish the information required in item 202 of Regulation S-K, 17 CFR 229.202. Unless the context otherwise requires, "registrant" refers to the savings association.

(b) The savings association must undertake to use its best efforts to encourage and assist a professional market maker to establish and maintain a market for the savings association's shares.

(c) Discuss the trading market that is expected to exist for the savings association's shares. Estimate the number of market makers and shareholders, and describe the savings association's plans for listing the stock.

**Instruction.** Describe the basic requirements the savings association must meet to list its stock.

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

## Item 10. Capitalization

Set forth the amounts of the savings association's capitalization in substantially the tabular form indicated below. The captions may be modified 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. Indicate in the table, or in a footnote to the table, the total number of shares the savings association will be authorized, the par or stated value of the shares, and the number of shares that will be sold in the conversion.
2. Estimate in the table the total amount of funds the savings association will receive when the savings association sells its stock. In a footnote, state the price per share that is used for the estimate. Clearly indicate that the total amount and price per share are estimates.
3. In Column A, use the most recent balance sheet date required by item 14.

**Item 11. Use of new capital**

Explain how the savings association will use the new proceeds of the conversion, including the approximate amount that will be used for each purpose.

**Instruction.** It is not necessary to detail proposed investments. 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**

Describe the material changes to the savings association’s existing charter, bylaws, and other similar documents that will take effect after conversion.

**Instruction.** Briefly summarize provisions that are pertinent from an investment and a voting standpoint. It is not necessary to provide a complete legal description of each provision.

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

State that the savings association 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. The savings association is subject to the proxy rules, insider trading reporting and restrictions, annual and periodic reporting and other requirements of that Act when it registers its stock.

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

SEC Regulation S-X, 17 CFR part 210 governs the certification, form, and content of the financial statements, including the basis of consolidation.

(a) Consolidated balance sheets.

- (1) The savings association and its subsidiaries must furnish consolidated, audited balance sheets as of the end of each of the two most recent fiscal years, even if the savings association is filing using the provisions for smaller reporting companies and/or an emerging growth company.
- (2) If the latest balance sheets furnished under (1) of this paragraph are dated 135 days or more before the date the OCC approves the conversion, furnish an interim balance sheet dated within 135 days of OCC approval. This interim balance sheet may be unaudited.
- (3) If the latest balance sheets furnished under (1) of this paragraph are dated 105 days or more before the date the OCC approves the conversion, 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 savings association, 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. Smaller reporting companies may elect to report these financial statements for the two fiscal years preceding the date of the most recent balance sheet furnished.
- (2) In addition, 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 was filed, and (ii) for the corresponding

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

(c) Changes in stockholders' equity. Analyze the changes in each caption of stockholders' equity in the balance sheets. Present this analysis in a note or separate statement that reconciles the beginning balance with the ending balance for each period for which the savings association is required to furnish an income statement. Describe all significant reconciling items with appropriate captions. 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. Furnish the information required by 17 CFR 210.3-05 and 210.11-01 to -03 for any business that the savings association has acquired or will acquire.

(e) Separate financial statements of subsidiaries not consolidated and 50-percent- or less-owned persons. 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. The savings association may request permission to omit any of the statements required by this item, or to substitute appropriate statements of comparable character. The OCC may permit the omission or substitution of statements where it is consistent with the protection of account holders. The OCC may also require the savings association 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 savings association has previously used an audit period for its certified financial statements and this audit period does not coincide with its fiscal year, the savings association may use the audit period instead of any required fiscal year. The savings association 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.

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

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

(b) Provide a report of the independent public accountants who certified the savings association's financial statements and other matters in the proxy statement.

**Instruction.** Summarize only the provisions of the consents that are pertinent from an investment and a voting standpoint. It is not necessary to provide a complete legal description of each consent.

## **Item 16. Attachments**

Attach a copy of the plan of conversion as approved by the OCC to the proxy statement distributed to members and others. Alternatively, in a transaction that does not utilize a state-chartered holding company, the savings association may disclose in the proxy statement that it 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**

### **FORM OC OFFERING CIRCULAR**

The Office of the Comptroller of the Currency will use this information to ensure that the public receives adequate information about the savings association and the securities being offered. Refer to part 192 and part 16.

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

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

**Offering Circular**

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(Name of savings association)

(Charter No.)

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(Street address of savings association)

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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**

Date the offering circular as of the effective date. Include in the offering circular substantially the same information that must be included in the proxy statement that will be distributed to members to vote on the conversion. Information from the offering circular that was included in the proxy statement may be omitted 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 the savings association has previously furnished a copy of the proxy statement to its members, it is not necessary to include the proxy statement with the offering circular in the subscription offering. However, it must be stated in the offering circular that the savings association previously furnished a copy of the proxy statement to its members, and that it will furnish an additional copy promptly upon request. Also state the savings association's telephone number and mailing address.

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

Include the following additional current information in the offering circular, if the information is available and it was not already included in the proxy statement:

- (a) If the savings association's members' meeting took place before the Form OC was mailed, the result of the vote of the members on the conversion and any other proposals considered at the meeting.
- (b) Any recent material developments in the savings association's business or affairs.
- (c) The trading market that is expected for the conversion shares.
- (d) A summary of the results of any separate subscription offering. Include the number of shares that the savings association sold to eligible account holders, supplemental eligible account holders, and other voting members, the price at which the savings association sold the shares, and the number of unsubscribed shares. 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 the savings association mails the offering circular. Also include, in the subscription offering circular, any more recent financial statements if, at the time the savings association commences its subscription offering, it is determined that the savings association 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 the savings association is not forming a holding company as part of the reorganization, set out the following statement on the outside front cover page of every offering circular. Set out the statement printed in bold-face Roman type at least as large as ten-point modern type:

**The Office of Comptroller of the Currency 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**

Include the caption "Preliminary Offering Circular," the date the preliminary offering circular is issued, and the following statement on the outside front cover page of any preliminary offering circular. Set out the statement in red ink, printed in type as large as is used generally in the body of the offering circular.

"We have filed this offering circular with the Office of the Comptroller of the Currency, 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 the Comptroller of the Currency 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 will be delivered to subscribers, describe all material terms of the offering relating to the exercise of subscription rights. Exclude this information if this information was already included 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 describe the material terms of the plan or plans of distribution for all shares.

(a) Include the following information in substantially the tabular form set forth below. 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, provide an offering circular. The description relating to the exercise of subscription rights required by item 5 may be omitted, unless the community offering or public offering, or both, is commenced simultaneously with the subscription offering.

(c) If any shares are sold through a community offering, indicate:

- (1) the timing for the offering,
- (2) the geographic area where the savings association will make the offering,
- (3) the method the savings association will employ to market the shares (including the frequency and nature of communications or contracts with potential purchasers),
- (4) any preferences that 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, identify the selling agent, disclose how the selling agent will offer the shares, and disclose the commissions and fees that will be paid to the selling agent.

(e) If any shares will be offered through underwriters, include in the offering circular for the public offering the names of the principal underwriters and the amounts that each will underwrite. This information for principal underwriters, other than the managing underwriters, may be omitted from the offering circular for the subscription offering if the following conditions are included: (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. Identify each principal underwriter that has a material relationship with the savings association and describe the relationship. In each offering circular, state briefly the underwriter's obligation to take unsubscribed shares.

(f) Briefly disclose in the offering circular the discounts and commissions that the savings association may allow or may pay dealers in connection with the sale of unsubscribed shares for the community or public offering, or both. This information may be omitted from the offering circular for any subscription offering, unless the subscription offering circular will be used 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. Include any cash commissions in the table. Describe other consideration that will be made to the underwriters following the table with a reference in the second column of the table. Appropriately disclose any finder's fees or similar payments.

3. 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**

### **FORM OF ORDER FORM**

The Office of the Comptroller of the Currency will use this information to ensure subscribers to savings association's stock receive adequate disclosures regarding the purchase of savings association's stock. Refer to 12 CFR part 192 and section 16.10.

**FORM OF  
ORDER FORM**

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

**Order Form for purchase of conversion shares**

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(Name of savings association)

(Charter No.)

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(Street address of savings association)

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(City, State and Zip Code)

(1) After the OCC declares the offering circular for the subscription offering effective, the savings association 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) Provide a final offering circular for the subscription offering or any community or public offerings with the order form (unless the savings association previously provided a final offering circular). Include detailed instructions explaining how to complete the order forms.

(3) State the maximum subscription price on each order form. This amount is the amount that is payable to the savings association when the subscriber returns the order form. Establish a maximum subscription price and an actual subscription price that is within the subscription price range stated in the OCC's approval and in the offering circular. If the maximum subscription price or the actual subscription price is not within the subscription

price range, the savings association must receive OCC approval to amend the range. If appropriate, the OCC may require the savings association 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, reduce the actual subscription price to correspond to the public offering price. 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) 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, 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 the subscription offering order form is mailed;
- (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, indicate that the person may withdraw the funds without penalty. If the person pays by withdrawing from a savings account or certificate of deposit, 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, the savings association may, but need not, withdraw funds from the account when the savings association receives the order form. If the person withdraws funds before the closing date of the public offering, the savings association 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. 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. Include in the instructions to the form the address where the person must send the order form and the date that the order form will be deemed received, (for instance, by date and time of actual receipt at the indicated address, or by date and time of postmark.)

(5) The savings association may state that no one may modify the order form without the savings association's consent.

(6) Include the following statements in bold print in 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) Also include the following certification on the 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 the Comptroller of the Currency District Deputy Comptroller [insert District Deputy Comptroller'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: \_\_\_\_\_