

State of Rhode Island and Providence Plantations
DEPARTMENT OF BUSINESS REGULATION
Division of Banking
233 Richmond Street, Suite 231
Providence, Rhode Island 02903

BANKING REGULATION 2

**MUTUAL FINANCIAL INSTITUTIONS AND MUTUAL HOLDING COMPANIES
CONVERTING TO STOCK FORM OF OWNERSHIP**

Table Of Contents

| | |
|-----------|----------------|
| Section 1 | Authority |
| Section 2 | Purpose |
| Section 3 | Definitions |
| Section 4 | Provisions |
| Section 5 | Severability |
| Section 6 | Effective Date |

Section 1 Authority

This Regulation is promulgated pursuant to the authority granted in R.I. Gen. Laws § 19-2-14, 19-2-14.1 and 42-14-17.

Section 2 Purpose

The purpose of this Regulation is to set forth procedures to carry out the provisions of R.I. Gen. Laws §§ 19-2-14 and 19-2-14.1 entitled "Conversion to stock form of financial institution" and "Mutual holding companies", respectively. The actions and information required by this Regulation are hereby declared to be necessary and appropriate and in the public interest.

Section 3 Definitions

Unless otherwise provided by this Regulation or unless the context clearly requires otherwise, terms used in this Regulation shall have the same meaning as the terms as defined in Title 19 of the Rhode Island General Laws.

- A. "Board of Trustees" shall mean the governing body of the mutual savings bank, whether it be called the board of trustees or the board of directors. The terms board of trustees or board of directors, for purposes of this Regulation and R. I. Gen. Laws §§ 19-2-14 and 19-2-14.1 are interchangeable.
- B. "Eligible Depositor", for purposes of this Regulation, shall mean a depositor holding qualifying deposits, as defined in the plan of conversion, as of a date designated in the plan of conversion which is not less than one (1) year prior to the date of adoption of the plan of conversion by the board of trustees. The plan

of conversion may provide that any deposit accounts with total deposit balances of less than fifty dollars (\$50.00) shall not constitute a qualifying deposit.

Section 4 Provisions

A. General

Any mutual savings bank or mutual holding company may convert to a stock form of ownership upon complying with the provisions of state law and this Regulation. The deposits of the converting institution must remain federally insured at all times.

B. Application to Convert

To request approval from the Director to convert to a stock form of ownership, the board of trustees must file an application with the Director in such form and containing such information as the Director requires to meet the requirements of R. I. Gen. Laws §§ 19-2-14 and 19-2-14.1 as the case may be, and this Regulation. Included with such application shall be a certification form, prepared by or caused to be prepared for, the board of trustees detailing the outcome of each vote as required by law. The certification shall contain the date or dates of the voting, the total votes cast, the total votes cast in favor of the conversion, the number of votes present at a meeting called for the purpose of voting on the conversion and the total number of votes cast by proxy.

C. Contents of Application to Convert

The application to convert shall contain and include the plan of conversion, as adopted by the board of trustees. The application for conversion shall include, but not be limited to:

1. A full appraisal of the value of the converting bank or holding company, prepared by an independent appraiser which includes a complete and detailed description of the methodology employed and sufficient support for the conclusions reached; and
2. A business plan which includes a discussion of how the capital acquired through the conversion will be used.

D. Factors to be Considered

The Director shall consider, among other things, the fairness of the plan of conversion to the eligible depositors of the converting institution. Factors considered by the Director to determine fairness may include, but are not limited to:

1. the adequacy of the disclosure materials;

2. the form of the proxy statement required for the vote of the depositors on the conversion;
3. the adequacy and independence of the appraisal of the value of the converting institution;
4. the pricing of the stock in relation to the pro forma value market value of the converting institution;
5. the compensation or benefits to be obtained by officers, directors or trustees of the converting institution in connection with the conversion;
6. the extent to which the application materials submitted to the Director conform with laws, rules or regulations of the federal deposit insurer of the converting institution and the various provisions of mutual-to-stock conversion regulations of the Office of Thrift Supervision as in effect at the time of submission of the application to the Director; and
7. such other factors or information that the Director reasonably determines relevant to the conversion.

E. Liquidation Account

The liquidation account established as part of the plan of conversion shall be maintained and recalculated, if necessary, consistent with the provisions relating to liquidation accounts established pursuant to mutual-to-stock conversion regulations of the Office of Thrift Supervision as in effect at the time of liquidation.

Section 5 Severability

If any provision of this Regulation or the application thereof to any person or circumstances is held invalid or unconstitutional, the invalidity or unconstitutionality shall not affect other provisions or applications of this Regulation which can be given effect without the invalid or unconstitutional provision or application, and to this end the provisions of this Regulation are severable.

Section 6 Effective Date

This Regulation shall be effective twenty (20) days from the date of filing with the Secretary of State.

EFFECTIVE DATE: May 27, 2003.

(Predecessor Regulation Banking Regulation 98-214 effective August 9, 1998 and refiled on December 19, 2001 is simultaneously repealed on the effective date of this Regulation.)