(4) The mutual holding company fails to justify an employment contract incidental to the conversion, or the employment contract will be an unsafe or unsound practice or represent a sale of control. In a voluntary supervisory conversion, the Board generally will not approve employment contracts of more than one year for the existing management.

(b) Conditions the Board may impose on an approval.

(1) The Board will condition approval of a voluntary supervisory conversion application on all of the following.

(i) The conversion stock sale must be complete within three months after the Board approves the application. The Board may grant an extension for good cause.

(ii) The mutual holding company and the resulting stock holding company must comply with all filing requirements of subpart E of this part.

(iii) The mutual holding company must submit an opinion of independent legal counsel indicating that the sale of the shares complies with all applicable state securities law requirements.

(iv) The mutual holding company and the resulting stock holding company must comply with all applicable laws, rules, and regulations.

(v) The mutual holding company and the resulting stock holding company must satisfy any other requirements or conditions the Board may impose.

(2) The Board may condition approval of a voluntary supervisory conversion application on either of the following:

(i) The mutual holding company and the resulting stock holding company must satisfy any conditions and restrictions the Board imposes to prevent potential injury or detriment to the mutual holding company before and after the conversion. The Board may impose these conditions and restrictions on the mutual holding company and the resulting stock holding company (before and after the conversion), the acquiree, controlling parties, or directors and officers of the mutual holding company or the acquiree; or

(ii) The mutual holding company or the resulting stock holding company must infuse a larger amount of capital, if necessary, for safety and soundness reasons.

APPENDIX A TO PART 239—MUTUAL HOLDING COMPANY MODEL CHARTER

SECTION 1: CORPORATE TITLE. The name of the mutual holding company shall be (the “Mutual Holding Company”).

SECTION 2: DURATION. The duration of the Mutual Holding Company is perpetual.

SECTION 3: PURPOSE AND POWERS. The purpose of the Mutual Holding Company is to pursue any or all of the lawful objectives of a federal mutual savings and loan holding company chartered under section 19(j) of the Home Owners’ Loan Act, 12 U.S.C. 1467a(j), and to exercise all of the express, implied, and incidental powers conferred thereby and all acts amendatory thereof and supplemental thereto, subject to the Constitution and the laws of the United States as they are now in effect, or as they may hereafter be amended, and subject to all lawful and applicable rules, regulations, and orders of the Federal Reserve Board (“Board”).

SECTION 4: CAPITAL. The Mutual Holding Company shall have no capital stock.

SECTION 5: MEMBERS. [The content of this section shall be identical to the content of the parallel section in the charter of the reorganizing association, with the following exceptions: (A) Any provisions conferring membership rights upon borrowers of the reorganizing association shall be eliminated and replaced with provisions grandfathering those rights in accordance with 12 CFR 239.5, and (B) appropriate changes shall be made to indicate that membership rights in the mutual holding company derive from deposit accounts in and, to the extent of any grandfathering, borrowings from the resulting association. Set forth below is an example of how section 5 should appear in the charter of a mutual holding company formed by a reorganizing association whose charter conforms to the model charter prescribed for federal mutual savings associations for calendar year 1989. Additional changes to this section 5 may be required whenever a mutual holding company reorganization involves an acquiree association, or a mutual holding company makes a post-reorganization acquisition of a mutual savings association, so as to preserve the membership rights of the members of the acquired association consistent with 12 CFR 239.5.)

All holders of the savings, demand, or other authorized accounts of (insert the name of the resulting association) (the “Association”) are members of the Mutual Holding Company. With respect to all questions
shall be entitled to equal distribution of the
balance requirements for account holders to
be eligible for distributions of earnings.
Company may establish minimum account
Board, provided that the Mutual Holding
from time to time be authorized by the
Association on such basis and in accord-
239.5].
required association consistent with 12 CFR
savings association, so as to preserve the
post-reorganization acquisition of a mutual
reorganization involves an acquiree associa-
tional changes to this section 7 may be re-
associations for calendar year 1989. Addi-
tional powers conferred thereby and by all
acts amendatory thereof and supplemental
thereto, subject to the Constitution and laws
of the United States as they are now in ef-
fect, or as they may hereafter be amended,
and subject to all lawful and applicable
rules, regulations, and orders of the Board of
Governors of the Federal Reserve System
("Board").
Section 5. Capital stock. The total number
of shares of all classes of the capital stock
that the MHC subsidiary holding company
has the authority to issue is __, all of which
shall be common stock of par [or if no par is
specified then shares shall have a stated] value
of __ per share. The shares may be
issued from time to time as authorized by
the board of directors without the approval
assets of the Mutual Holding Company, pro
rata to the value of their accounts in the As-
association, in the event of voluntary or invol-
untary liquidation, dissolution, or winding
up of the Mutual Holding Company.
Section 8. Amendment. Adoption of any
preapproved charter amendment shall be ef-
fective after such preapproved amendment
has been approved by the members at a legal
meeting. Any other amendment, addition,
change, or repeal of this charter must be ap-
proved by the Board prior to approval by the
members at a legal meeting and shall be ef-
fective upon filing with the Board in accord-
ance with regulatory procedures.
Attest:
Secretary of the Association
By:
President or Chief Executive Officer of the Association
By:
Secretary of the Board of Governors of the
Federal Reserve System
Effective Date:
APPENDIX B TO PART 239—SUBSIDIARY
HOLDING COMPANY OF A MUTUAL
HOLDING COMPANY MODEL CHARTER

FEDERAL MHC SUBSIDIARY HOLDING
COMPANY CHARTER

Section 1. Corporate title. The full cor-
porate title of the mutual holding company
("MHC") subsidiary holding company is
XXX.
Section 2. Domicile. The domicile of the
MHC subsidiary holding company shall be in
the city of __ in the State of
Section 3. Duration. The duration of the
MHC subsidiary holding company is per-
petual.
Section 4. Purpose and powers. The pur-
pose of the MHC subsidiary holding company
is to pursue any or all of the lawful objec-
tives of a federal mutual holding company
chartered under section 16(o) of the Home
Owners’ Loan Act, 12 U.S.C. 1467a(o), and to
exercise all of the express, implied, and inci-
dental powers conferred thereby and by all
acts amendatory thereof and supplemental
thereto, subject to the Constitution and laws
of the United States as they are now in ef-
flect, or as they may hereafter be amended,
and subject to all lawful and applicable
rules, regulations, and orders of the Board of
Governors of the Federal Reserve System
("Board").
Section 5. Capital stock. The total number
of shares of all classes of the capital stock
that the MHC subsidiary holding company
has the authority to issue is __, all of which
shall be common stock of par [or if no par is
specified then shares shall have a stated] value
of __ per share. The shares may be
issued from time to time as authorized by
the board of directors without the approval
all of directors may be decreased to a
number less than five or increased to a num-
ber greater than fifteen with the prior ap-
proval of the Board.
Section 7: Capital, surplus, and distribution of
earnings. [The content of this section 7 shall
be identical to the content of the parallel
section in the charter of the reorganizing as-
sociation, except for changes made to indi-
cate that distribution rights in the mutual
holding company derive from deposit ac-
counts in the resulting association, any
changes required to provide that the Board
shall be the approving authority in instances
where the charter requires regulatory ap-
proval of distributions, and any other
changes necessary to accommodate the mu-
tual holding company format. Set forth
below is an example of how section 7 should
appear in the charter of a mutual holding
company formed by a reorganizing associa-
tion whose charter conforms to the model
charter prescribed for federal mutual savings
associations for calendar year 1989. Addi-
tional changes to this section 7 may be re-
quired whenever a mutual holding company
reorganization involves an acquiree associa-
tion, or a mutual holding company makes a
post-reorganization acquisition of a mutual
earnings association, so as to preserve the
membership rights of the members of the ac-
quired association consistent with 12 CFR
239.5].
The Mutual Holding Company shall dis-
burse net earnings to account holders of the
Association on such basis and in accord-
cence with such terms and conditions as may
from time to time be authorized by the
Board, provided that the Mutual Holding
Company may establish minimum account
balance requirements for account holders to
be eligible for distributions of earnings.
All holders of accounts of the Association
shall be entitled to equal distribution of the