

OFFICE OF THRIFT SUPERVISION

Approval of Charter and Bylaw Amendments

Order No.: 2005-36
Date: September 16, 2005
Docket No.: 03870

Iroquois Federal Savings and Loan Association, Watseka, Illinois (Association), has filed, pursuant to 12 C.F.R. §§ 544.2 and 544.5, an application with the Office of Thrift Supervision (OTS) to amend its charter and bylaws. The text of all of the proposed amendments is set forth in the application. The Association's proposed charter amendments include, among other things, an amendment to establish supermajority voting for certain matters and an amendment to the Association's current charter provision addressing redemptions. The Association's proposed bylaw amendments include, among other things, amendments that will increase the percentage of member votes necessary to call a special meeting to 20 percent of the Association's voting capital, and require that members of the board of directors reside within a county in which the Association or one of its subsidiaries has an office, or a county contiguous to such county.

Charter Amendments

OTS has previously approved supermajority voting provisions for federal stock associations. In this case, the Association, a federal mutual association, proposes to add a supermajority voting requirement for: certain business combinations; distribution of earnings; and certain amendments to the charter. The proposed provisions are unlikely to affect the Association or its members materially, because the changes do not affect the likelihood of a hostile takeover being successful. The Association has asserted that these provisions are permissible under Illinois law. Therefore, OTS has no objection to the proposed provisions.

The Association's charter permits it to redeem accounts, by lot or otherwise on June 30 or December 31 of each year. The Association has requested permission to modify its current charter provision on redemptions to allow it to redeem accounts at any time, provided it gives 30 days notice. The proposed change merely enables the Association to make redemptions more frequently than it can now. Thus, OTS concludes that the proposed amendment to the redemption provision is unobjectionable.

The remaining proposed charter amendments, including changes to the provision on capital, surplus and distribution of earnings, and the addition of a provision on mutual capital certificates do not raise anti-takeover or safety and soundness issues, and are not objectionable.

Bylaw Amendments

OTS has previously considered board qualification requirements such as the ones proposed. OTS has routinely allowed federal savings associations to adopt board qualification requirements that imposed the board composition requirement applicable to *de novo* federal savings associations, at 12 C.F.R. § 543.3(d)(1), which requires that a majority of the board of directors be representative of the state where the proposed association is located. OTS has also approved bylaws that required a board member to reside in only certain counties within a state, where those counties included a major metropolitan area.¹

The proposed qualification requirement here limits the area in which a board member may reside to counties where the association has an office, or any of its subsidiaries have an office, or counties that are contiguous to such counties. The counties in question include three cities, and at least one major university, from which board members may be drawn. Therefore, there should be an adequate number of qualified persons residing within the territory encompassed by the proposed bylaw. In addition, the proposed bylaw amendment will assist the institution in ensuring that its management has knowledge of the Association's local community. Accordingly, OTS does not find the proposed amendment objectionable.

The Association is also proposing a bylaw amendment that increases the percentage of members needed to call a special meeting, to those holding 20 percent of the Association's voting capital. In this case, the Association has supplied information that such a provision is permissible under the law of the state where the Association is located. Moreover, OTS has routinely permitted federal stock associations to amend their charters to provide that shareholders may call a special meeting only if holders of at least 20 percent of the association's stock request such a meeting. Accordingly, OTS does not object to the proposed bylaw amendment.

The Association's other requested bylaw amendments, including the addition of provisions on age limitations, integrity of directors, emergency preparedness and indemnification are either standard or preapproved, and OTS does not object to such amendments.

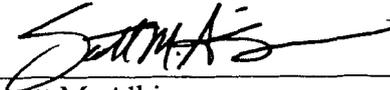
Conclusion

Based on the foregoing, OTS concludes that the proposed charter and bylaw amendments satisfy all applicable approval standards and criteria. Accordingly, the Association's application to amend its charter and bylaws is hereby approved, provided that the proposed charter amendments are approved by the Association's members at a meeting called

¹ See, e.g., OTS approval letter, April 22, 2005, Peoples Federal Savings Bank, Brighton, Massachusetts.

for that purpose, and the proposed supermajority provisions are approved by at least the percentage of capital that the provisions themselves establish.

By order of the Director of the Office of Thrift Supervision, or his designee, effective September 16, 2005.



Scott M. Albinson
Managing Director
Office of Examinations, Supervision
and Consumer Protection