



**MINUTES OF  
AMERICA'S MUTUAL BANKS  
FEBRUARY 5, 2018 MEETING**

Chairman Boulier called the meeting to order at 1:00 pm ET. The following institutions and persons were in attendance:

Locke Lord LLP

- Doug Faucette
- Dan Weitzel

Institutions and Representatives

- Ion Bank—Chuck Boulier
- Raymond Federal Bank—John Marvin
- First Shore FS&LA—Marty Neat
- First FS&LA of San Rafael—Paul Simmons
- First Federal of Lakewood—Tom Fraser
- Newtown Savings Bank—Ken Weinstein

Topics of Discussion

1. Approval of the January 22, 2018 Meeting Minutes

Chairman Boulier asked for comments regarding the minutes of the January 22, 2018 meeting. A motion was made to approve the minutes. The motion was seconded and all voted in favor. The minutes were approved.

2. AMB Endorses Trump Nominee McWilliams to FDIC Chair in Letter to Senate Banking Committee

Chairman Boulier commented that it was a good letter and would fulfill its purpose of getting AMB in front of Ms. McWilliams. Mr. Faucette stated that over the last few years he has

met Ms. McWilliams on various occasions. AMB is not unknown to her. Mr. Faucette indicated that the letter was a way of reminding her that AMB is the primary representative of mutuals.

3. Schedule Status for Meeting with Deputy Treasury Asst. Secretary Jared Sawyer

Mr. Faucette stated that Mr. Sawyer is available for a meeting with AMB members on the 6th, 13th and 14th of February. Mr. Fraser indicated that he can make any of those dates. All others responded that they are conflicted out of those dates. Mr. Faucette suggested that Mr. Fraser also try to entice someone else to attend. Mr. Faucette said that he will also reach out to Mr. Boger's successor, Leonard Stekol, and see if he would like to attend.

4. Dynamics of Passing Community Bank Legislative Relief - Mnuchin Testimony, Joint Campaign, etc.

Mr. Faucette stated that Senator Brown did not oppose Democrats from signing on to the Community Bank bill because it was a short list of items that allowed Democrats in states with competitive races to support it. Because the bill left out several items that have House bipartisan support, efforts are underway to sponsor manager amendments. Rep. Mia Love's bill, the small bank holding company capital exemption, was resubmitted and was supposed to go to a vote today but it was delayed. There are a number of other bills that Chairman Hensarling allowed to be introduced in the Committee with bipartisan sponsors.

Mr. Faucette stated further that the Community Bank Legislative Relief bill will eventually pass but the real issue is, what will have been added to it when it passes. Treasury Secretary Mnuchin strongly supports the Community Bank bill. However, Senate politics is preventing any floor amendments even for a bill that is not very controversial other than the redefinition of SIFI banks.

Chairman Boulter asked what the position of mutuals should be. Mr. Faucette responded that there are some items that will help small banks but little for mutuals per se. Nonetheless mutual banks should continue supporting the provisions.

5. Passage by House of 5 Bills Including H.R. 1426 the Federal Charter Flexibility Act

Mr. Faucette stated that Rep. Rothfus' bill, H.R. 1426, passed 397 to 8. It gives S&L some relief. The other bills that were passed are not per se designed for small banks and do not address the systemic questions raised by community banks.

6. Non-Grandfathered MHC With Minority Shareholders Formation Increases to 8

Mr. Faucette stated that the increase is primarily due to the pent up demand and improved market conditions. Investor interest seems to be driven on the expectation of investors that there will be a second step conversion in the future. When the market is good, more banks start converting but it's actually better to convert when the market is cold; the valuations are more favorable.

Rep. Faso is all in on repeal of the mutual holding company dividend waiver prohibition and is seeking Senate support to assure its repeal. He has been a ferocious advocate.

Chairman Boulier asked what Rep. Faso's motivation is. Mr. Faucette replied that Rep. Faso has a constituent that is very committed, Greene County Savings.

7. Investors Case, Delaware Supreme Court Limits Shareholder Ratification Rule for MHC Second Step Insider Compensation

Mr. Faucette stated that the Investors Bancorp case is a prime example of questionable lawyering, and compensation advice. Approximately one year ago, the MHC had a market cap of almost \$2 billion. The MHC did a second step conversion to a fully stock owned company and received stockholder and member approval of the management equity incentive plan which provided for equity grants to directors and officers based on upper limit percentages of the plan. The plan stated that it could allocate up to 30 percent of stock allocated to the plan for the benefit of directors.. Each director was granted several million dollars worth of stock. The MHC was sued in Delaware Chancery Court and the grant was upheld. After being appealed to the Supreme Court of Delaware, the Supreme Court concluded that the numbers were exorbitant and that what was approved by the shareholders wasn't definite enough to provide ratification under Delaware law. In other words shareholders would not reasonably expect that the individual grants would be so high..

Mr. Faucette stated further that this case is important because it will have a profound impact on public companies. It revolutionizes rules regarding director compensation for all Delaware companies and will have a chilling effect on banks who are motivated by the potential insider benefits that are exorbitant. This case will be problematic for all Delaware public companies when it comes to designing director compensation.

Chairman Boulier commented further that the court seems to want more transparency. Mr. Faucette agreed and said further that this case is a classic example of a bank board being led to believe that the grants could be supported based on peer comparisons with individual percentages not the absolute dollar amounts

8. Equilar Releases Survey on 2018 Proxy Statement Disclosure on Executive Pay Ratio

Mr. Faucette stated that the SEC rules would soon require release of disclosure of the executive pay ratio to average employee pay which no doubt will attract significant press attention. In the ranking of executive pay ratios in various industries, the banking industry would probably be ranked number five. Executive pay has always been an issue for mutuals. Mr. Faucette stated further that the attitude still prevails that mutuals should be subject to higher scrutiny because they have no stockholders to regulate compensation. There will most likely be a campaign regarding pay ratios in all sectors primarily politically motivated in the coming weeks as well as media coverage.

Chairman Boulier commented that the good news is mutuals don't have to disclose such information. Mr. Faucette agreed.

9. NJ and Michigan Introduce Bills to Form State Chartered Bank

Mr. Faucette stated that New Jersey has been trying to get this done since Phil Murphy was elected governor. A similar bill was introduced in Virginia that went nowhere. If state chartered banks are ever approved, it's likely to happen in New Jersey first. Mr. Faucette advised Chairman Boulier to talk to State leaders.

Mr. Marvin commented that it is a perennial issue in the state of Washington and is brought up every year. It will pose a serious threat to mutuals if it passes.

10. Honor CU acquisition of Citizens Bank Fails

Mr. Faucette stated that Honor is a large credit union. Citizens is not a very large bank, only \$52 million in assets. The deal failed to get regulatory approval.

11. Next Meeting

Chairman Boulier moved to set the next meeting for February 26, 2018. The motion was seconded and passed unanimously.

The next AMB meeting was set for Monday, February 26, 2018 at 1:00 pm ET.

The meeting was adjourned by unanimous vote at 1:50 pm.