

## OFFICE OF THRIFT SUPERVISION

### Approval of Charter Amendment

**Order No. 2008-30**

**Date: August 12, 2008**

**Docket No. 08283**

Ideal Federal Savings Bank (Association), Baltimore, Maryland, has filed, pursuant to 12 C.F.R. Section 544.1, an application with the Office of Thrift Supervision (OTS) to amend its charter to enable the Association's board of directors to include as few as three directors (the Application).

#### **Background**

Section 7 of the Association's charter provides for a board of directors with as few as five to a maximum of fifteen members. OTS regulations provide that a majority of the authorized board members constitutes a quorum for the transaction of business.<sup>1</sup>

Because there have been a number of resignations from the board, currently the Association has two directors. Because the Association's charter provides for not less than five board members, the remaining board members cannot amend the bylaws to provide for a board of less than five members. In the recent past, the Association has not been able to recruit new board members.

The Association has proposed to amend its charter to enable the Association's board of directors to include as few as three directors. A special meeting of the members has been called to vote on the charter amendment.

#### **Discussion**

Section 544.1 of OTS Regulations provides that for a federal mutual savings association "[t]he authorized number of directors, as stated in the association's bylaws, shall not be fewer than five nor more than fifteen except when a greater or lesser number is approved by the Director of the Office, or his or her delegate."<sup>2</sup>

In 1996, when OTS amended its regulations to provide that it could approve a board size greater than fifteen or less than five, it intended to allow OTS to exercise discretion to respond to situations where an institution demonstrated the need for

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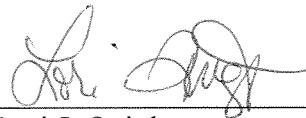
<sup>1</sup> 12 C.F.R. § 544.5(b)(9) (2008).

<sup>2</sup> 12 C.F.R. § 544.1 (Section 7) (2008).

regulatory flexibility.<sup>3</sup> Subsequently, OTS has authorized boards larger than fifteen members to facilitate certain mergers and acquisitions.<sup>4</sup>

Based on the relevant facts, OTS concludes that there is a reasonable basis for the proposed amendment of the Association's charter. Accordingly, OTS hereby approves the proposed charter amendment. In order to ensure that the Association has followed appropriate procedures in connection with the amendment, however, OTS is conditioning approval of the proposed charter amendment to require ratification of the actions taken by the Association to amend its charter, after the charter has been amended. Accordingly, within ten calendar days after all necessary approvals of the proposed charter amendment have been received, the board of directors of the Association must ratify the actions taken in order to amend the charter, and send certification of that ratification to the Regional Director.

By order of the Director of the Office of Thrift Supervision, or his designee,  
effective August 12, 2008.



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Lori J. Quigley  
Managing Director  
Examinations and Supervision - Operations

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<sup>3</sup> 61 Fed. Reg. 64007, 64013 (December 3, 1996).

<sup>4</sup> See OTS Order No. 2000-110, Dec. 13, 2000 (First FS&LA of Warren – to 16 directors, in connection with a merger) and OTS Order No. 99-67, Nov. 5, 1999 (Charter One Bank, F.S.B. – to 22 directors, in connection with a merger).