

Sec. 36a-136-38. Implementation of a stock option plan or management or employee stock benefit plan

(a) With the approval of commissioner, a converted institution may implement a stock option plan or management or employee stock benefit plan not later than twelve months after the conversion if such institution meets all of the following requirements:

(1) It disclosed the plans in its proxy statement and offering circular and indicated in the offering circular that there would be a separate vote on the plans at least six months after the conversion;

(2) It does not grant stock options under its stock option plan in excess of ten per cent of the shares issued in the conversion;

(3) It does not permit the management stock benefit plans, in the aggregate, to hold more than three per cent of the shares issued in the conversion, provided if it has tangible capital of ten per cent or more following the conversion, the commissioner may permit it to establish a management stock benefit plan that holds up to four per cent of the shares issued in the conversion;

(4) It does not permit any tax-qualified employee stock benefit plan and management stock benefit plan, in the aggregate, to hold more than ten per cent of the shares issued in the conversion, provided if it has tangible capital of ten per cent or more following the conversion, the commissioner may permit the tax-qualified employee stock benefit plans and management stock benefit plans, in the aggregate, to hold up to twelve per cent of the shares issued in the conversion;

(5) No individual receives more than twenty-five per cent of the shares under any plan;

(6) Directors who are not employees do not receive more than five per cent of the shares of any plan individually or thirty per cent of the shares of any plan in the aggregate;

(7) Shareholders approve each plan by a majority of the total votes eligible to be cast at a duly called meeting before establishment or implementation of the plan. The converted institution shall not hold such meeting until at least six months after the conversion;

(8) Any proxies or related material distributed to shareholders in connection with the vote on a plan state that the plan complies with Connecticut statutes and regulations and that the commissioner does not endorse or approve the plan in any way. The converted institution shall not make any written or oral representation to the contrary;

(9) The converted institution does not grant stock options at less than the market price at the time such options are granted;

(10) The converted institution does not use stock issued at the time of conversion to fund management or employee stock benefit plans;

(11) The plan does not begin to vest earlier than one year after the shareholders approve the plan and does not vest at a rate exceeding twenty per cent per year;

(12) The plan permits accelerated vesting only for disability or death or if there is a change of control; and

(13) The plan provides that officers or directors shall exercise or forfeit their options if the institution becomes critically undercapitalized under applicable federal law, is subject to an enforcement action by the commissioner or receives a capital directive from the commissioner.

(b) Not later than five calendar days after the shareholders approve the plan, the

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converted institution shall file a copy of the approved stock option plan or management or employee stock benefit plan with the commissioner and certify to the commissioner, in writing, that the plan approved by the shareholders is the same plan that the converted institution filed with and disclosed in the proxy materials distributed to shareholders in connection with the vote on the plan.

(c) The converted institution may provide dividend equivalent rights or dividend adjustment rights to allow for stock splits or other adjustments to the stock in stock option plans or management or employee stock benefit plans under this section.

(d) If the plan is amended more than one year following the conversion, any material deviations to the requirements in subsection (a) of this section shall be ratified by the shareholders.

(Adopted effective September 7, 2007)