



**Conditional Approval #1142
December 2015**

November 12, 2015

William A. Stoltz, President and Chief Executive Officer
Central Federal Savings and Loan Association of Rolla
210 West 10th Street
Rolla, Missouri 65401

Re: Central Federal Savings and Loan Association of Rolla, Rolla, Missouri (Savings Association)
Conversion Application Under 12 C.F.R. Part 192
Capital Distribution Filing Under 12 C.F.R. § 5.55
Charter No. 705710; OCC Control No. 2015-HQ-145041

Dear Mr. Stoltz:

The Office of the Comptroller of the Currency (OCC) hereby conditionally approves the application filed on behalf of the Savings Association to convert to a Federally chartered stock savings association and to make a capital distribution. These approvals are granted based on a thorough review of the application and other information available to the OCC, including commitments and representations made in the application by representatives of the Savings Association during the application process, and are subject to the condition set forth herein.

The Savings Association has filed with the OCC an application (Conversion Application) for approval to convert from a Federally chartered mutual savings association to a Federally chartered stock savings association (Conversion), pursuant to section 5(i)(2) of the Home Owners' Loan Act, and 12 C.F.R. Part 192 (Conversion Regulations). The Savings Association has created Central Federal Bancshares, Inc. (Holding Company), a Missouri-chartered corporation, which will hold all of the stock of the Savings Association at the conclusion of the transaction. The Holding Company will offer shares of its common stock based on the appraised value of the Savings Association. The Savings Association requests approval to make a capital distribution of up to 50 percent of the net proceeds of the offering to the Holding Company, pursuant to 12 C.F.R. § 5.55.

Conversion Application

The Conversion Regulations provide that the OCC may approve an application for conversion only if: (i) the plan of conversion adopted by the savings association's board of directors complies with 12 C.F.R. Part 192; (ii) after the conversion, the savings association will meet its regulatory capital requirements; and (iii) the conversion will not result in a taxable

reorganization of the association under the Internal Revenue Code (IRC). In addition, 12 C.F.R. § 192.200(c) provides that the OCC, in reviewing an application for conversion under 12 C.F.R. Part 192, will review a savings association's compliance with the Community Reinvestment Act (CRA), and will consider the extent to which the conversion will affect the convenience and needs of the community, and may deny or condition the application on the basis of this review. Furthermore, the Conversion Regulations provide that a plan of conversion shall contain no provision that the OCC shall determine to be inequitable or detrimental to the applicant, its savings account holders or other savings associations or to be contrary to the public interest.¹

The OCC has considered the Savings Association's Plan of Conversion (Plan), and has concluded that the Plan contains the required provisions, and that the Plan is in accordance with the relevant regulatory requirements, provided the Savings Association complies with the condition set forth below, which is necessary in order to ensure the Savings Association complies with the post-approval requirements of the Conversion Regulations and to help ensure the safe and sound operation of the Savings Association following the Conversion. In particular, we conclude that the purchase priorities in the subscription offering and the provisions related to stock benefit plans are consistent with the Conversion Regulations.

With respect to the remaining approval criteria, the Conversion would not cause the Savings Association, which is currently well capitalized, to fail to meet its regulatory capital requirements, and the Conversion will not result in a taxable reorganization of the Savings Association under the IRC.

Based on the Savings Association's CRA rating of "Satisfactory," and the business plan, the OCC concludes that the Conversion Application meets the convenience and needs criterion set forth at 12 C.F.R. § 192.200(c).

The Conversion Regulations provide that a plan of conversion shall contain no provision that OCC determines to be inequitable or detrimental to the applicant, its savings account holders or other savings associations or to be contrary to the public interest. The condition set forth below helps ensure the fairness of the conversion and helps ensure that the transaction is consistent with the public interest. We conclude that approval, as granted herein, is consistent with this standard.

Capital Distribution

The Savings Association has requested OCC approval, pursuant to 12 C.F.R. § 5.55, to make a capital distribution to the Holding Company of between \$4.9 million at the minimum and \$6.9 million at the maximum, or \$8 million at the super-maximum of the range of the offering. The OCC's regulations provide that a capital distribution application may be denied if, generally, the proposed capital distribution would: (i) cause the institution to become undercapitalized; (ii) raise safety or soundness concerns; or (iii) violate any statute, regulation, agreement with the

¹ 12 C.F.R. § 192.130.

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OCC or condition of approval.² The OCC does not object to the capital distribution. The proposed distribution does not raise safety or soundness concerns, it will not violate any prohibition contained in law, agreement with the OCC, or condition of approval, and the resulting institution, the Savings Association, will remain “well capitalized” after the distribution. Accordingly, the OCC concludes that the Savings Association’s capital distribution is consistent with approval.

Loan to the Employee Stock Ownership Plan

The Savings Association also requests OCC non-objection for the Holding Company to loan funds to the Savings Association’s Employee Stock Ownership Plan (ESOP) so that the ESOP may purchase up to eight percent of the stock in the conversion offering. The OCC has reviewed the proposed loan from the Holding Company to the ESOP and does not object to the loan.³

Section 1818 Condition

The approval of the Conversion Application is subject to the following condition:

No later than three (3) business days after consummation of the Conversion, the Savings Association shall enter into a written Operating Agreement with the OCC on terms and conditions acceptable to the OCC. The Savings Association shall thereafter implement and adhere to the terms of the Operating Agreement.

The condition of this approval is a condition “imposed in writing by a Federal banking agency in connection with any action on any application, notice, or other request” within the meaning of 12 U.S.C. § 1818. As such, the condition is enforceable under 12 U.S.C. § 1818.

Consummation Requirements

The approvals and non-objection set forth herein are granted based on our understanding that other regulatory approvals, non-objections or waivers with respect to the proposed transaction will have been received prior to consummation of the transaction. Please submit the following information to the attention of the Senior Licensing Analyst in Washington, DC:

- Prior to consummation of the Conversion, submit copies of all related regulatory approvals not previously submitted;
- On the business day prior to the date of consummation of the proposed transaction, the chief financial officer of the Savings Association must certify in writing to the Senior Licensing Analyst that no material adverse changes have occurred with respect to the

² 12 C.F.R. § 5.55(h).

³ The Holding Company also requested the non-objection of the Federal Reserve Bank of St. Louis (Federal Reserve) to loan funds to the ESOP. We understand that the Federal Reserve Bank’s non-objection to the proposed loan will be subject to certain commitments.

financial condition or operation of the Savings Association as disclosed in the application. If additional information having a material adverse bearing on any feature of the application is brought to the attention of the Savings Association, or OCC since the date of the financial statements submitted with the application, the transaction must not be consummated unless the information is presented to the Deputy Comptroller for Licensing (Deputy Comptroller), and the Deputy Comptroller provides written non-objection to the consummation of the transaction;

- Promptly after the completion of the sale of all the shares of capital stock to be sold in connection with the Conversion, the Savings Association must submit to the OCC's Senior Licensing Analyst: (a) a certification by the Savings Association's chief executive officer stating that all the shares proposed to be sold have been sold, the price at which they were sold, and the date of completion of the offering; (b) executed copies of the Savings Association's federal stock charter, the appropriate form of bylaws as prescribed by 12 C.F.R. § 5.22 and as approved herein, and a certification by the Savings Association's secretary that the copies are in conformity with the proposal of the board of directors adopted by the Savings Association's members; and (c) a statement by the Savings Association's independent appraiser that, to the best of his/her knowledge and judgment, nothing of a material nature has occurred (taking into account all of the relevant factors including those that would be involved in a change in the maximum subscription price) which would cause him/her to conclude that the sale price was not compatible with his/her estimate of the Savings Association's total pro forma market value at the time of sale;
- If the proposed contribution is approved by the Savings Association's members, promptly after the completion of the contribution to the Central Federal Community Foundation (Foundation), the Savings Association must submit to the OCC's Senior Licensing Analyst: (a) a certification by the Savings Association's chief executive officer stating that the cash and shares proposed to be contributed to the Foundation have been contributed and the date of the contribution; and (b) copies of final Foundation and contribution documents consistent with the representations by representatives of the Savings Association during the application process, to the extent not previously filed; and
- The Savings Association must, within five calendar days after the effective date of the proposed transaction, advise the OCC's Senior Licensing Analyst, in writing: (a) of the effective date of the proposed transaction; and (b) that the transaction was consummated in accordance with all applicable laws and regulations, the application and this approval.

If the transaction is not consummated within 120 calendar days of the approval date, the approval shall automatically terminate, unless the OCC grants an extension of the time period for good cause.

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This approval and the activities and communications by OCC employees in connection with the filings do not constitute a contract, express or implied, or any other obligation binding upon the OCC, the United States, any agency or entity of the United States, or any officer or employee of the United States, and do not affect the ability of the OCC to exercise its supervisory, regulatory and examination authorities under applicable law and regulations. Our approval is based on the Savings Association's representations, submissions, and information available to the OCC as of this date. The OCC may modify, suspend or rescind this decision if a material change in information on which the OCC relied occurs prior to the date of the transaction to which this decision pertains. The foregoing may not be waived or modified by any employee or agent of the OCC or the United States.

If you have any questions, you may contact Senior Licensing Analyst Yoo Jin Na at (202) 649-6335 or at YooJin.Na@occ.treas.gov.

Sincerely,

signed

Stephen A. Lybarger
Deputy Comptroller for Licensing