



**Conditional Approval #1173
June 2017**

May 15, 2017

Kip Weissman, Esq.
Steven Lanter, Esq.
Luse Gorman, PC
5335 Wisconsin Avenue, N.W., Suite 780
Washington, D.C. 20015

Re: Heritage Bank of St. Tammany, Covington, Louisiana
Conversion Application Under 12 CFR 192
Capital Distribution Under 12 CFR 5.55
Charter No. 703691; OCC Control No. 2017-HQ-MutualStock-294900

Dear Messrs. Weissman and Lanter:

The Office of the Comptroller of the Currency (OCC) hereby conditionally approves the applications filed on behalf of Heritage Bank of St. Tammany (Savings Association) to convert to a federally chartered stock savings association and to make a capital distribution, to waive 12 CFR 192.345 and 192.395(b) to the extent the Savings Association has requested, and to approve the Savings Association's definition of its local community in its Plan of Conversion (Plan). These approvals are granted based on a thorough review of the applications and other information available to the OCC, including commitments and representations made in the applications 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 CFR 192 (Conversion Regulations). The Savings Association has created Heritage NOLA Bancorp, Inc., Covington, Louisiana (Holding Company), a Maryland-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 fifty percent of the net proceeds to the Holding Company, pursuant to 12 CFR 5.55. In addition, the Savings Association has requested that the OCC waive 12 CFR 192.345, to allow the Savings Association to prohibit the use of personal checks in the event of any re-solicitation in connection with the conversion offering, and 12 CFR 192.395(b), to revise the manner in which offers may be filled in any syndicated offering.

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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 CFR 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 savings association under the Internal Revenue Code (IRC). In addition, 12 CFR 192.200(c) provides that the OCC, in reviewing an application for conversion under 12 CFR 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; detrimental to the applicant, its savings account holders or other savings associations; or contrary to the public interest.¹

The OCC has considered the Plan and has concluded that the Plan contains the required provisions, and that the Plan, including the definition of "local community," is in accordance with the relevant regulatory requirements, with the exception of the provisions for which the Savings Association has requested a waiver. In particular, the OCC concludes that the purchase priorities in the subscription offering and the provisions related to stock benefit plans are consistent with the Conversion Regulations. The OCC is imposing a condition, in connection with its approval of the Conversion Application, 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.

The Savings Association requests a waiver of 12 CFR 192.345 so that the Savings Association may prohibit payment by personal check in the event of any re-solicitation in connection with the offering. In the limited circumstances of a re-solicitation, where subscribers have only a brief period to respond, the amount of time available to clear checks is very limited, particularly if payment is tendered at the end of the period. Subscribers will be permitted to make payments by means such as cash, withdrawal from a savings account, or withdrawal from a certificate of deposit or bank check. Because subscribers will have alternate means to make payments and because the waiver will facilitate the timely closing of the offering, the OCC concludes that the waiver is equitable, not detrimental to the Savings Association, its account holders, or other savings associations, and is consistent with the public interest.

¹ 12 CFR 192.130.

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The Savings Association also requests a waiver of 12 CFR 192.395(b), regarding the allocation of shares in any syndicated offering. Section 192.395(b) provides that if an institution offers its conversion stock in a public offering, it must first fill orders for its stock up to a maximum of two percent of the conversion stock on a basis that will promote widespread distribution of stock, and that any remaining shares must be offered on an equal basis until all orders are filled. While the Savings Association intends to achieve a wide distribution of stock, by sales in both the subscription offering and community offering, sales to retail and institutional investors would be expected in a syndicated offering. If the offering reaches the syndicated offering, it is not practical to continue the restrictions of section 192.395(b) when dealing with the type of investors expected to purchase in that part of the offering. The Savings Association requests the waiver to allow flexibility for those types of orders if the offering reaches a syndicated offering in order to increase the likelihood that the offering will be successful. Because orders in a syndicated offering can be rejected for any reason, granting this waiver will not significantly affect the allocation of shares in the offering. Moreover, underwriters in non-conversion offerings allocate shares at their discretion, and the rights of eligible account holders and supplemental account holders will not be compromised as a result of the requested waiver. Because the waiver will facilitate completion of the offering and because it does not adversely affect subscribers, the OCC concludes that the waiver is equitable, not detrimental to the Savings Association, its account holders, or other savings associations, and is consistent with the public interest.

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 requirement set forth at 12 CFR 192.200(c).

The Conversion Regulations provide that a plan of conversion shall contain no provision that the 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. The OCC concludes that approval, as granted herein, is consistent with this standard.

Capital Distribution

The Savings Association has requested OCC approval, pursuant to 12 CFR 5.55, to make a capital distribution to the Holding Company of between \$4.7 million at the minimum and \$6.6 million at the maximum, or \$7.7 million at the super-maximum, respectively. The OCC's

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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 and soundness concerns; or (iii) violate any statute, regulation, agreement with the OCC or condition of approval.² The OCC has considered these factors and 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(b) Condition

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

No later than three 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 USC 1818. As such, the condition is enforceable under 12 USC 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 transactions. Please submit the following information to the attention of the Senior Licensing Analyst in Washington D.C. within the stated timeframe:

- Copies of all related regulatory approvals not previously submitted, prior to consummation of the transaction;

² 12 CFR 5.55(h).

³ The Holding Company also requested the non-objection of the Federal Reserve Bank of Atlanta (Federal Reserve Bank) to loan funds to the ESOP. The Federal Reserve Bank's non-objection to the proposed loan contained certain commitments.

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- 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 financial condition or operation of the Savings Association as disclosed in the applications. If additional information having a material adverse bearing on any feature of the applications is brought to the attention of the Savings Association, or the OCC since the date of the financial statements submitted with the applications, 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 CFR 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 which 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; and
- The Savings Association must, within five calendar days after the effective date of the proposed transaction, advise the OCC 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 applications 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.

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

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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 Carla S. Holiman at (202) 649-6339 or at carla.holiman@occ.treas.gov.

Sincerely,

signed

Donald W. Dwyer
Thrift Licensing Lead Expert