



**Corporate Decision #2014-06
September 2014**

August 29, 2014

James C. Stewart, Esq.
Spidi & Fisch, PC
1227 25th Street, N.W.
Suite 200 West
Washington, D.C. 20037

Re: Application for Voluntary Supervisory Conversion Under 12 C.F.R. Part 192 Submitted on Behalf of Stephens Federal Bank, Toccoa, Georgia
OCC Control No. R2-2014-0030; Charter No. 703576

Dear Mr. Stewart:

The Office of the Comptroller of the Currency (OCC) hereby approves the application for voluntary supervisory conversion (Application) filed on behalf of Stephens Federal Bank, Toccoa, Georgia (Bank). The Bank proposes to convert from a Federally chartered mutual savings association to a Federally chartered stock savings association pursuant to sections 5(i) and 5(p) of the Home Owners' Loan Act (HOLA) and 12 C.F.R. Part 192 (Supervisory Conversion Regulations).¹

This approval is granted after a thorough evaluation of the Application, other materials you have supplied, and other information available to the OCC, including commitments and representations made in the Application and by the applicant's representatives during the application process. The OCC's approval is subject to the consummation requirements set out herein.

The Transaction

The Bank, a mutual Federal savings association, is "undercapitalized" as that term is defined in the OCC's Prompt Corrective Action (PCA) regulations.² The Bank proposes to convert to a federal stock savings association in a voluntary supervisory conversion, pursuant to sections 5(i) and 5(p) of the HOLA, and the Supervisory Conversion Regulations. In the voluntary supervisory conversion, the Bank will issue all of its stock to Oconee Federal Savings and Loan

¹ 12 U.S.C. §§ 1464(i) and 1464(p); 12 C.F.R. Part 192, Subpart B.

² 12 C.F.R. § 6.4(b)(3).

Association, Seneca, South Carolina (Oconee) and immediately thereafter merge into Oconee.³ After the merger, each share of common stock of the Bank issued in the supervisory conversion will be canceled and the separate corporate existence of the Bank will cease. Oconee intends to retain the Bank's main office and branch offices as branches. Upon consummation of the voluntary supervisory conversion and merger, Oconee will remain well capitalized. Oconee is wholly owned by Oconee Federal Financial Corp. Oconee Federal, MHC owns 70.8 percent of the common stock of Oconee Federal Financial Corp. Oconee is "well capitalized" as that term is defined in the OCC's PCA regulations.⁴

Legal Authority

Section 5(i)(2)(A) of the HOLA provides that "[n]o savings association may convert from the mutual to the stock form . . . except in accordance with the regulations of the Comptroller." The Supervisory Conversion Regulations provide that a savings association may conduct a voluntary supervisory conversion by merging into an existing depository institution, subject to other applicable laws and regulations.⁵ Accordingly, the proposed form of the transaction, involving Oconee's acquisition of the Bank and the merger of the Bank into Oconee immediately thereafter, is consistent with the Supervisory Conversion Regulations.

Pursuant to 12 C.F.R. § 192.625(a)(1), a savings association is eligible to engage in a voluntary supervisory conversion if the savings association is undercapitalized for purposes of PCA,⁶ a standard conversion that would make the savings association adequately capitalized for PCA purposes is not feasible, and the savings association would be a viable entity⁷ following the conversion.

The Bank is currently undercapitalized as that term is defined in the PCA regulations.⁸ We have concluded that, in light of the Bank's current condition and other relevant factors, a standard conversion that would make the Bank adequately capitalized is not feasible. Upon consummation of the voluntary supervisory conversion, Oconee represents that the resulting institution will meet the 12 C.F.R. § 6.4(b)(1) definition of "well capitalized." Because the Bank

³ Oconee filed a Bank Merger Act application on May 8, 2014, seeking OCC approval for the merger of the Bank into Oconee. The Bank Merger Act application will be addressed separately from the Application.

⁴ 12 C.F.R. § 6.4(b)(1).

⁵ 12 C.F.R. § 192.605(d).

⁶ 12 C.F.R. § 6.4(b)(3).

⁷ See 12 C.F.R. § 192.625(b). A savings association is a viable entity following conversion if: (1) the savings association will be adequately capitalized as a result of the conversion; (2) the savings association, its conversion, and its acquirer comply with applicable supervisory policies; (3) the transaction is in the best interests of the savings association, the Deposit Insurance Fund (DIF), and the public; and (4) the transaction will not injure or be detrimental to the savings association, the DIF, or the public interest.

⁸ The Bank reported in its June 30, 2014, call report the following capital ratios: a total risk-based capital ratio of 7.07 percent; a Tier 1 risk-based capital ratio of 6.03 percent; and a Tier 1 leverage ratio of 4.01 percent. Because the Bank's total risk-based capital ratio is below 8.0 percent, the Bank is undercapitalized for purposes of PCA.

is undercapitalized and a standard conversion is not feasible, and the resulting entity will be viable, the Bank is eligible for a voluntary supervisory conversion.⁹

The OCC has reviewed the Application under the criteria contained in the Supervisory Conversion Regulations at 12 C.F.R. § 192.670. These regulations provide that the OCC will generally approve a voluntary supervisory conversion application unless it determines: (a) the savings association does not meet the eligibility requirements; (b) the transaction is detrimental to or would cause potential injury to the savings association or the DIF, or is contrary to the public interest; (c) the savings association or the acquirer, or the controlling parties of either, have engaged in unsafe or unsound practices in connection with the supervisory conversion; or (d) the savings association fails to justify an employment contract incidental to the conversion, or the employment contract will be an unsafe or unsound practice or represent a change of control.

Because there is an adequate legal basis to conclude that the eligibility standard set forth at 12 C.F.R. § 192.625(a)(1) has been satisfied, there is no basis for objection to the application under 12 C.F.R. § 192.670(a). No facts have been provided that would establish a basis for objection to the transaction under 12 C.F.R. §§ 192.670(b), (c), or (d). Accordingly, on the facts provided, the Bank meets the relevant approval standards.

The approval set forth herein is 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 the transaction.

Consummation Requirements

On the business day prior to the date of consummation of the proposed transaction, the chief financial officer of the Bank must certify in writing to the OCC that no material adverse changes have occurred with respect to the financial condition or operation of the Bank as disclosed in the application. If additional information having material adverse bearing on any feature of the application is brought to the attention of the Bank or the 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.

The Bank must, within 5 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 Application, and this approval letter. Please ensure this item is completed in a manner satisfactory to the below named Thrift Licensing Lead Expert (Lead Expert).

If the transaction is not consummated within 30 calendar days of the approval date, the approval shall automatically terminate, unless the OCC grants an extension of the time period.

⁹ 12 C.F.R. § 192.625(a)(1).

James C. Stewart, Esq.
Spidi & Fisch, PC
OCC Control No. R2-2014-0030

This approval and the activities and communications by OCC employees in connection with the filing 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. The OCC's approval is based on the Bank'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 Lead Expert Donald Dwyer at (202) 649-6347 or at donald.dwyer@occ.treas.gov.

Sincerely,

/s/

Stephen A. Lybarger
Deputy Comptroller for Licensing