

Conditional Approval #1322
June 2024

Via email: vcangelosi@luselaw.com

May 10, 2024

Victor L. Cangelosi, Esq.
Thomas P. Hutton, Esq.
Luse Gorman, PC
5335 Wisconsin Avenue, N.W., Suite 780
Washington, D.C. 20015

Subject: Fifth District Savings Bank, New Orleans, Louisiana, Charter No. 700133
Mutual-to-Stock Conversion Application Under 12 USC 1464(i)(2) and 12 CFR 192;
Capital Distribution Under 12 CFR 5.55; Offers and Sales of Securities in the Office
under 12 CFR 163.76.
OCC Control Number: 2024-MutualToStock-335886

Dear Messrs. Cangelosi and Hutton:

The Office of the Comptroller of the Currency (OCC) hereby conditionally approves the applications filed on behalf of Fifth District Savings Bank, New Orleans, Louisiana (Savings Bank) to convert to a federally chartered stock savings bank; to make a capital distribution; to waive 12 CFR 192.345, 192.395, 192.330(a), 192.335, and 192.385, to the extent the Savings Bank has requested; and to approve the Savings Bank's definition of its local community in its Plan of Conversion (Plan). These approvals are granted based on a thorough review of the applications, amendments, and other information available to the OCC, including commitments and representations made in the applications by representatives of the Savings Bank during the application process, and are subject to the condition set forth herein. The OCC also hereby does not object to the proposed establishment of a stock information center and the proposed Employee Stock Ownership Plan (ESOP) loan.

I. Background

The Savings Bank has filed an application (Conversion Application) with the OCC for approval to convert from a federally chartered mutual savings bank to a federally chartered stock savings bank (Conversion) pursuant to section 5(i)(2) of the Home Owners' Loan Act and 12 CFR 192 (Conversion Regulations). The Savings Bank has created Fifth District Bancorp, Inc. (Holding Company), a Maryland-chartered corporation, which will hold all the stock of the Savings Bank at the conclusion of the transaction. The Holding Company will offer shares of its common stock based on the appraised value of the Savings Bank. The Savings Bank 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.

The Savings Bank has requested that the OCC waive 12 CFR 192.345 to allow the Savings Bank to prohibit the use of personal checks in the event of any re-solicitation in connection with the conversion offering and a waiver of 12 CFR 192.395 to waive for any syndicated offering the requirement that orders for shares of conversion stock in a community offering first be filled up to a maximum of 2 percent with any remaining shares to be allocated on an equal number of shares per order basis. The Savings Bank has also requested three waivers for the proposed charitable contribution of 100,000 shares of Holding Company common stock worth \$1 million and \$250,000 cash to The Fifth District Community Foundation, Inc. (Foundation). These waivers include: the 12 CFR 192.330(a) requirement that a converting association issue and sell its stock at a total price equal to the estimated pro forma market value of such stock and sell its stock at a uniform price; the 12 CFR 192.335 requirement that any shares of conversion stock not sold to subscribers be sold in a public offering; and the 12 CFR 192.385 requirement that provides a savings association may limit the number of shares that any person, group of associated persons, or persons otherwise acting in concert, may subscribe to up to 5 percent of the total stock sold.

II. 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 the OCC may deny or condition the application because of this review. Furthermore, in 12 CFR 192.130, 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.

The OCC has considered the Plan and concluded that the Plan contains the required provisions, and the Plan, including the definition of the "local community," is in accordance with the relevant regulatory requirements, with the exception of the provisions for which the Savings Bank 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 to ensure the Savings Bank complies with the post-approval requirements of the Conversion Regulations and to help ensure the safe and sound operation of the Savings Bank following the Conversion.

With respect to the remaining approval criteria, the Conversion would not cause the Savings Bank, 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 Bank under the IRC. Based on the Savings Bank's CRA rating of "Outstanding" 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 to ensure that the transaction is consistent with the public interest. The OCC concludes that approval, as granted herein, is consistent with this standard.

III. Waivers

The Savings Bank requests a waiver of 12 CFR 192.345 so that the Savings Bank may prohibit payment by personal check in the event of any re-solicitation in connection with the offering. In the 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 Bank, its account holders, or other savings associations, and is consistent with the public interest.

The Savings Bank 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 a widespread distribution of stock and that any remaining shares must be offered on an equal number of shares per order basis until all orders are filled. While the applicants intend to achieve a widespread 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 Bank 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, the OCC concludes that 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 Bank, its account holders, or other savings associations, and is consistent with the public interest.

In addition, the Savings Bank requests three waivers for its proposed charitable contribution to the Foundation of 100,000 shares of Holding Company stock worth \$1 million and \$250,000 cash, in connection with the Conversion. First, the Savings Bank requests a waiver of the 12

CFR 192.330(a) requirement that a converting association shall issue and sell its stock at a total price equal to the estimated pro forma market value of each stock and that all shares sold in the conversion shall be sold at a uniform price because the 100,000 shares of Holding Company common stock are to be a charitable contribution to the Foundation. Second, the Savings Bank requests a waiver of the 12 CFR 192.335 requirement that any shares of conversion stock not sold to subscribers shall be sold in a public offering because the 100,000 shares of Holding Company common stock are to be a charitable contribution to the Foundation. Third, the Savings Bank requests a waiver of the 12 CFR 192.385 requirement that provides a savings association may limit the number of shares that any person, group of associated persons, or persons otherwise acting in concert, may subscribe to up to 5 percent of the total stock sold because the Conversion provides a purchase limitation for any person or group of 50,000 shares or \$500,000 and 100,000 shares of Holding Company stock worth \$1 million are to be a charitable contribution to the Foundation.

The Savings Bank represents that the Foundation will be dedicated exclusively to supporting charitable causes, charitable organizations, and community development activities in the communities that the Savings Bank serves. The Savings Bank represents that it will establish, fund, and operate the Foundation consistent with the requirements for contributions to charitable organizations under 12 CFR 192.550, 192.555, 192.560, 192.565, 192.570, and 192.575. In addition, the Savings Bank's members must separately vote to approve or disapprove the proposed charitable contribution. Based on the foregoing considerations, the OCC concludes that each of these three requested waivers are equitable, not detrimental to the Savings Bank, its account holders, or other savings associations, and are consistent with the public interest.

IV. Stock Information Center

The Savings Bank also requests OCC non-objection to establish a stock information center at the Savings Bank's main office. Twelve CFR 163.76(a) provides that the sale of conversion stock at an office of a federal savings association is permissible, subject to certain criteria, including that: (1) the OCC does not object on supervisory grounds; (2) non-registered savings association or affiliate employees do not receive commissions, bonuses, or other forms of compensation in connection with the sale of securities; (3) tellers or comparable persons do not participate in the stock sale process; (4) the offering activity is restricted to a designated area; (5) offers and sales are made by regular, full-time employees or by securities personnel subject to supervision by a registered broker-dealer; (6) purchasing customers must acknowledge that the securities are not an insured deposit; (7) the securities include a legend to state they are uninsured; and (8) the savings association will meet its capital requirements following the completion of the offering.

The Bank's investment advisor, Performance Trust Capital Partners, LLC (PTCP), a registered broker-dealer, will manage and staff the stock information center with PTCP employees in a separately designated area of the Savings Bank's main office premises. Any investment advice or other activities associated with the offer and sale of securities will be conducted solely by the staff of full-time PTCP employees. The Savings Bank's employees may be used only to perform ministerial functions such as delivering documents and depositing checks. The Savings Bank's request and provided representations demonstrate that the offer and sale of securities will comply

with the criteria set forth in 12 CFR 163.76. Therefore, the OCC does not object to the proposed establishment of the stock information center on the premises of the Savings Bank's main office.

V. Capital Distribution

The Savings Bank requests OCC approval, pursuant to 12 CFR 5.55, to make a capital distribution to the Holding Company of between \$24.4 million (minimum offering) and \$33.3 million (maximum) and \$38.4 million (adjusted maximum offering), which includes the Holding Company loan to the ESOP. 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 and soundness concerns; or (iii) violate any statute, regulation, agreement with the OCC or condition of approval as set forth in 12 CFR 5.55(h). The OCC has considered these factors and concludes that the Savings Bank's capital distribution is consistent with approval.

VI. Loan to ESOP

The Savings Bank also requests OCC non-objection for the Holding Company to loan funds to the Savings Bank's ESOP so that the ESOP may purchase up to 8 percent of the Holding Company's common 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.

VII. Conditions

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 Bank shall enter into a written Operating Agreement with the OCC on terms and conditions acceptable to the OCC. The Savings Bank 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.

VIII. 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 OCC Licensing Analyst, within the stated time frame:

- Copies of all related regulatory approvals not previously submitted, prior to consummation of the transaction;
- On the business day prior to the date of consummation of the proposed transaction, the

chief financial officer of the Savings Bank must certify in writing to the OCC Licensing Analyst that no material adverse changes have occurred with respect to the financial condition or operation of the Savings Bank 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 Bank, 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 nonobjection 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 Bank must submit to the OCC Licensing Analyst: (a) a certification by the Savings Bank'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 Bank'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 Bank's secretary that the copies are in conformity with the proposal of the board of directors adopted by the Savings Bank's members; and (c) a statement by the Savings Bank's independent appraiser that, to the best of their 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) that would cause the appraiser to conclude that the sale price was not compatible with their estimate of the Savings Bank's total pro forma market value at the time of sale;
- If the proposed contribution is approved by the Savings Bank's members, promptly after the completion of the contribution to the Foundation, the Savings Bank must submit to the OCC Licensing Analyst: (a) a certification by the Savings Bank'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) consistent with any representations, copies of any final Foundation and contribution documents to the extent not previously filed; and
- The Savings Bank 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. The foregoing may not be waived or modified by any employee or agent of the OCC or the United States.

Our approval is based on the Savings 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.

If you have any questions, you may contact Licensing Analyst Kaelyn Serna at 202-450-8075 or at kaelyn.serna@occ.treas.gov.

Sincerely,

/s/

Carolina M. Ledesma
Director for Licensing

cc: Brian W. North, President and Chief Executive Officer
Fifth District Savings Bank

OCC

Kaelyn Serna, Licensing
Randy Ryskamp, District Counsel, CCO South Region
Roger M. Smith, Accounting
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