

**Conditional Approval #1329**  
**December 2024**

*Via email: [beth@sftlaw.com](mailto:beth@sftlaw.com)*

November 8, 2024

Gerald F. Heupel, Jr., Esq.  
Beth A. Freedman, P. C., Partner  
Silver, Freedman, Taff & Tiernan LLP  
3299 K Street, N.W., Suite 100  
Washington, D.C. 20007

Subject: Mutual Savings and Loan Association, Metairie, Louisiana, Charter No. 700165  
Mutual-to-Stock Conversion Application Under 12 USC 1464(i)(2) and 12 CFR 192;  
Capital Distribution Under 12 CFR 5.55  
OCC Control Number: 2024-MutualToStock-338141

Dear Mr. Heupel and Ms. Freedman:

The Office of the Comptroller of the Currency (OCC) hereby conditionally approves the applications filed on behalf of Mutual Savings and Loan Association, Metairie, Louisiana (Association) to convert to a federally chartered stock savings association; to make a capital distribution; to waive 12 CFR 192.345(a) and 192.395 to the extent the Association has requested; and to approve the 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, amendments, and other information available to the OCC, including commitments and representations made in the applications by representatives of the Association during the application process, and are subject to the condition set forth herein. The OCC also hereby does not object to the proposed loan to the Employee Stock Ownership Plan (ESOP).

**I. Background**

The Association has filed an application (Conversion Application) with the OCC 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 Association has created Magnolia Bancorp, Inc. (Holding Company), a Louisiana-chartered corporation, which will hold all the stock of the Association at the conclusion of the transaction. The Holding Company will offer shares of its common stock based on the appraised value of the Association. The 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.

The Association has requested that the OCC waive 12 CFR 192.345(a) to allow the Association to prohibit payment by cash in the offering and to prohibit payment by personal

checks in the event of a re-solicitation of the offering and to waive the requirement pursuant to 12 CFR 192.395 to change the allocation of shares in the event of a syndicated offering.

## **II. Conversion Application**

The Conversion Regulations provide that the OCC may approve an application for conversion only if: (i) the plan of conversion (Plan) 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 is in accordance with 12 CFR 192 and all relevant regulatory requirements, with the exception of the provisions for which the Association has requested a waiver. In particular, the OCC concludes that the waiver of payment by cash for all orders in the offering and by personal check in the event of a re-solicitation as well as waiver of purchase priorities in the event of a subscription offering 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 Association complies with the post-approval requirements of the Conversion Regulations and to help ensure the safe and sound operation of the Association following the Conversion.

With respect to the remaining approval criteria, the Conversion would not cause the 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 Association under the IRC. Based on the 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 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 Association requests a waiver of 12 CFR 192.345(a) so that the Association may prohibit payment by cash for all orders in the offering and by personal check in the event of any re-solicitation in connection with the offering. The Association seeks to prohibit physical cash payments because the Association does not plan to have an on-site stock information center and it is inadvisable for subscribers to send cash through the mail. During 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. Under both sets of circumstances, subscribers will be permitted to make payments by means such as bank check, money order, or withdrawal from a savings account or certificate of deposit. Because subscribers will have alternate means to make payments under both sets of circumstances and because the waiver will facilitate the timely closing of the offering in the event of a re-solicitation, the OCC concludes that the waiver is equitable, not detrimental to the Association, its account holders, or other savings associations, and is consistent with the public interest.

The Association also requests a waiver of 12 CFR 192.395, regarding the allocation of shares in any syndicated offering. Section 192.395 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 when dealing with the type of investors expected to purchase in that part of the offering. The 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, 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 Association, its account holders, or other savings associations, and is consistent with the public interest.

### **IV. Capital Distribution**

The Association requests OCC approval, pursuant to 12 CFR 5.55, to make a capital distribution to the Holding Company of between \$2.4 million (minimum offering) and \$3.5 million (maximum) and \$4.1 million (adjusted maximum 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 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 Association's capital distribution is consistent with approval.

## **V. Loan to ESOP**

The Association also requests OCC non-objection for the Holding Company to loan funds to the Association'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.<sup>1</sup>

## **VI. 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 Association shall enter into a written Operating Agreement with the OCC on terms and conditions acceptable to the OCC. The 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.

## **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 transaction. 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 Association 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 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 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 nonobjection to the consummation of the transaction;

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<sup>1</sup> The Holding Company also requested the non-objection of the Federal Reserve Bank of Atlanta (Federal Reserve Bank) to loan funds to the ESOP.

- Promptly after the completion of the sale of all the shares of capital stock to be sold in connection with the Conversion, the Association must submit to the OCC Licensing Analyst: (a) a certification by the 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 Association's federal stock charter, the appropriate form of bylaws as prescribed by 12 CFR 5.22, and a certification by the Association's secretary that the copies are in conformity with the proposal of the board of directors adopted by the Association's members; and (c) a statement by the Association'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 Association's total pro forma market value at the time of sale; and
- The 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. 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 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.

If you have any questions, you may contact Senior Licensing Analyst Laurie Powell at (212) 790-4055 or [laurie.powell@occ.treas.gov](mailto:laurie.powell@occ.treas.gov).

Sincerely,

/s/

Carolina M. Ledesma  
Director for Licensing

cc: Michael L. Hurley, President and Chief Executive Officer  
Mutual Savings and Loan Association

OCC

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