

**Conditional Approval #1306
June 2023**

May 9, 2023

Jonathan S. Hightower, Esq.
Fennimore Kay Harrison LLP
191 Peachtree St., NE, Suite 849
Atlanta, Georgia 30303

Subject: Elberton Federal Savings and Loan Association, Elberton, Georgia
Charter No. 702849
Merger Conversion Application
(OCC Control No. 2021-SO-MutualToStock-322397)

Dear Mr. Hightower:

The Office of the Comptroller of the Currency (OCC) hereby conditionally approves the application filed on behalf of Elberton Federal Savings and Loan Association, Elberton, Georgia (Elberton) to convert to a federally chartered stock savings association, to offer its stock, and to waive provisions of 12 CFR Part 192. These approvals are granted based on a thorough review and consideration of the application and other information available to the OCC, including commitments and representations made in the applications by representatives of Elberton during the application process, and are subject to the conditions set forth herein.

I. Background

Elberton 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 Part 192 (Conversion Regulations). Elberton intends to sell all of its stock to Oconee Financial Corporation, Watkinsville, Georgia (Holding Company), a bank holding company. Immediately thereafter, Elberton will merge into Oconee State Bank, Watkinsville, Georgia (Oconee Bank), a Georgia-chartered nonmember bank and wholly owned subsidiary of Holding Company. Holding Company will offer shares of its common stock based on the appraised value of Elberton to Elberton's former members, Holding Company's existing stockholders, and others.

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).¹ 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), 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 the OCC may require the savings association to delete or revise any provision in the plan of conversion if the OCC determines the provision to be inequitable; detrimental to the applicant, its savings account holders or other savings associations; or contrary to the public interest.²

The OCC has carefully reviewed and considered the plan of conversion. Following that review, the OCC has concluded that the plan of conversion contains the required provisions and is in accordance with the Conversion Regulations with the exception of the provisions set forth below for which Elberton has requested and received 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 except to the extent Elberton has requested and received a waiver.

With respect to the remaining approval criteria, the Conversion would not cause Elberton, which is currently well capitalized, to fail to meet its regulatory capital requirements, and the Conversion will not result in a taxable reorganization of Elberton under the IRC. Based on Elberton's "Satisfactory" CRA rating 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

Elberton sought waivers of several provisions of the Conversion Regulations due to the structure of the transaction as Elberton will convert to a federally chartered stock savings association, offer all of its stock to Holding Company, and immediately thereafter merge into Oconee Bank. Under 12 CFR 192.5(c), the OCC may waive any requirement of the Conversion Regulations or associated forms. To obtain a waiver, a savings association must file a written request that (i) specifies the requirements that the savings association wants the OCC to waive; (ii) demonstrates that the waiver is equitable; is not detrimental to the savings association, its account holders, or other savings associations; and is not contrary to the public interest; and (iii) includes an opinion of counsel demonstrating that applicable law does not conflict with the waiver of the requirement

¹ 12 CFR 192.200.

² 12 CFR 192.130.

or provision. Elberton has submitted an opinion of counsel regarding the requested waivers as required by the regulation.

Elberton has sought waivers of the following requirements:

- Requirements for submission of a business plan as required or contemplated by 12 CFR 192.105, 192.110, 192.115, and 192.150(a)(7);
- Requirements for submission of a plan of conversion and for offering/selling Elberton's post-conversion stock – 12 CFR 192.125, 192.130, 192.150(a)(1), 192.320, 192.325, 192.330, 192.335, 192.350, 192.355, 192.365, 192.395, 192.400, and 192.445;
- Requirements for the contents of the offering circular pursuant to 12 CFR 192.150(a)(4) and 192.300(a);
- Requirements for the contents of the proxy statement set forth in 12 CFR 192.150(a)(3), 192.270(a), and 192.275(b);
- Post-Conversion requirements set forth in 12 CFR 192.530; and
- Requirements for documents to be included in the Application set forth in 12 CFR 192.150(a).

Related to the requested waivers, the Conversion Regulations to be waived, and the policies thereunder, Elberton has represented the following:

1. Elberton will provide an enhanced proxy statement disclosure that contains the same information contained in an SEC Form S-1 for an initial registration of a common stock offering.
2. There will be no bonuses paid to Elberton directors, management, or employees related to the merger conversion transaction. Moreover, the salaries of such management and employees will not exceed 115 percent (115%) of their current salaries paid by Elberton.
3. The principal shareholder group of Holding Company will not collectively purchase more than five percent (5.0%) of the stock offered in the merger conversion offering by Holding Company.
4. Advisory board director fees paid to the current directors of Elberton by Holding Company or Oconee Bank following completion of the merger conversion transaction will not exceed the current director fees paid by Elberton.
5. Elberton's President will be limited under the stock option plan and management recognition plan [for Holding Company stock] to 25 percent (25.0%) of the stock reserved for issuance under either plan (individually or in combination).
6. Each Elberton board member will be limited under the management recognition plan [for Holding Company stock] to five percent (5.0%) of the stock to be reserved for issuance under such plan.

Elberton has requested waiver of requirements related to submission of a business plan. As Elberton will not exist for more than a moment in time as a stock savings association, the OCC finds that the waiver is equitable; not detrimental to Elberton, its account holders or other savings associations; and is consistent with the public interest.

The other requested waivers reflect that Elberton will offer its stock to Holding Company, which will conduct an offering to Elberton's members and Holding Company's existing stockholders. The plan of conversion and Elberton's representations regarding Holding Company's stock offering will ensure that Elberton's members receive the protections of the substantive requirements of the Conversion Regulations in connection with Holding Company's offering, including the disclosures and the procedures for offering Holding Company's stock. Accordingly, the OCC finds that the waivers are equitable, not detrimental to Elberton, its account holders or other savings associations; and are consistent with the public interest. The OCC grants the waivers requested by Elberton.

IV. Conditions

The approval of this Application is subject to the following condition(s):

Elberton may not sell its stock to Holding Company unless Holding Company's stock offering obtains at least the minimum subscription.

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.

V. Consummation Requirements

The approvals 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, within the applicable timeframes stated below:

- 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 executive officer of Elberton 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 Elberton 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 Elberton, 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 of Elberton's stock to be sold in connection with the Conversion, Elberton's CEO must submit to the Senior Licensing Analyst: (i) a certification by Elberton's CEO stating that all the Elberton stock proposed to be sold has been sold, the price at which the stock was sold, and the date of completion of the offering; (ii) executed copies of Elberton's federal stock charter, the appropriate form of bylaws as prescribed by 12 CFR 5.22 and as approved herein, and a certification by Elberton's secretary that the copies are in conformity with the proposal of the board of

directors adopted by Elberton's members; and (iii) a statement by the 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 which would be involved in a change in the maximum subscription price) which would cause the appraiser to conclude that the sale price was not compatible with their estimate of Elberton's total pro forma market value at the time of sale;

- As soon as possible and within five calendar days after the completion of the sale of all of Holding Company's stock to be sold in connection with the Conversion, Elberton's former CEO must submit to the Senior Licensing Analyst: (i) a certification by Oconee Bank's CEO stating that all the Holding Company stock proposed to be sold has been sold, the price at which the stock was sold, and the date of completion of the offering; (ii) executed copies of Oconee Bank's articles of incorporation and bylaws, as approved herein, including the requirements for a liquidation account; (iii) a copy of the executed merger agreement between Elberton and Oconee Bank, and (iv) a statement by the 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 which would be involved in a change in the maximum subscription price) which would cause the appraiser to conclude that the sale price was not compatible with their estimate of Elberton's total pro forma market value at the time of sale; and
- Elberton must, within five calendar days after the effective date of the proposed transaction, advise the OCC in writing: (i) of the effective date of the proposed transaction and (ii) that the transaction was consummated in accordance with all applicable laws and regulations, the applications, and this approval.

This conditional 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 foregoing may not be waived or modified by any employee or agent of the OCC or the United States.

This approval is based on Elberton'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 (214) 720-7052 or laurie.powell@occ.treas.gov. A separate letter is enclosed requesting your feedback on the processing of this application. Please include the OCC Control Number on any correspondence related to this filing.

Sincerely,

/s/

Stephen A. Lybarger

Deputy Comptroller, Licensing