



Office of Thrift Supervision
Department of the Treasury

1700 G Street, N.W., Washington, DC 20552 • (202) 906-6000

August 11, 2010

John P. Soukenik, Esq.
Elias, Matz, Tiernan & Herrick L.L.P.
734 15th Street, N.W., 11th Floor
Washington, D.C. 20005

Re: Bank of Ruston, Ruston, Louisiana (Association),
OTS No. 03912, Conversion Application Under Part
563b and Savings and Loan Holding Company
Application by Century Next Financial Corporation,
Ruston, Louisiana (Holding Company), OTS No.
H-4739, to Acquire the Association, and Related
Applications (collectively, the Applications)

Dear Mr. Soukenik:

The Association has filed with the Office of Thrift Supervision (OTS), an 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) of the Home Owners' Loan Act (HOLA), and 12 C.F.R. Part 563b (Conversion Regulations). The Holding Company, a newly formed Louisiana corporation, has applied, pursuant to 12 U.S.C. § 1467a(e) and 12 C.F.R. § 574.3, for approval to acquire the Association in connection with the Conversion. Further, in connection with the Conversion, the Association seeks OTS approval to make a capital distribution to the Holding Company under 12 C.F.R. § 563.143.

The Conversion

The Conversion Regulations provide that OTS 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 C.F.R. Part 563b; (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 association under the Internal Revenue Code. In addition, 12 C.F.R. § 563b.200(c) provides that OTS, in reviewing an application for conversion under 12 C.F.R. Part 563b, will examine 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 OTS shall determine to be inequitable or detrimental to the applicant, its savings account holders or other savings associations or to be contrary to the public interest.¹

OTS has considered the Association's Plan of Conversion (Plan), and has concluded that the Plan contains the required provisions, and that the Plan is in accordance with the relevant regulatory requirements, provided that the Association and the Holding Company comply with the conditions described below. In particular, we conclude that the purchase priorities in the subscription offering and the provision relating to stock benefit plans are consistent with the Conversion Regulations. As discussed below, the proposed offering of stock meets the applicable approval standards.

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 Internal Revenue Code.

Based on the Association's Community Reinvestment Act (CRA) rating of "Satisfactory," and the business plan, OTS concludes that the Conversion application meets the convenience and needs requirement set forth at 12 C.F.R. § 563b.200(c).

OTS is imposing condition 4, requiring that the Association have a charter that subjects it to OTS jurisdiction for three years after the consummation of the proposed transaction, because many of the post-transaction restrictions relating to mutual-to-stock conversions continue for three years. For OTS to ensure that an institution complies with these requirements, it is appropriate to require the institution to remain subject to OTS jurisdiction for that period of time.

OTS is also imposing condition 3, requiring that the Association and the Holding Company receive written OTS approval prior to entering into negotiations with a potential acquiror for three years. OTS carefully applies the criteria set forth in 12 C.F.R. § 563b.525 in reviewing an offer or acquisition under 12 C.F.R. § 563b.525 in the first three years following conversion. Accordingly, it is appropriate for the converted entity (and its holding company) to seek OTS clearance before speaking with potential acquirors, given the possibility that the acquisition may not ultimately be approved. This condition helps ensure compliance with 12 C.F.R. § 563b.525, and helps ensure the Association's safety and soundness by reducing the possibility that the Association or the Holding Company will expend time and resources pursuing a transaction that they ultimately may not be able to complete.

The Conversion Regulations provide that a plan of conversion shall contain no provision that OTS 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 two foregoing

¹ 12 C.F.R. § 563b.130 (2010).

conditions help ensure the fairness of the conversion and help ensure that the transaction is consistent with the public interest.

Holding Company Application

The HOLA provides that OTS must approve a holding company application proposing the acquisition of one savings association by a company other than a savings and loan holding company unless OTS finds that the financial and managerial resources and future prospects of the company and the association involved are such that the acquisition would be detrimental to the association or the insurance risk of the Deposit Insurance Fund (DIF).² Consideration of the managerial resources of a company or savings association must include consideration of the competence, experience, and integrity of the officers, directors, and principal shareholders of the entity.³ OTS must deny a holding company application, however, if the transaction would have certain anticompetitive effects.⁴ In addition, 12 C.F.R. § 563e.29 requires that OTS take into account assessments under the CRA when approving savings and loan holding company applications.

With respect to managerial resources, OTS, in its role as the Association's regulator, is familiar with the Association's managerial resources, and concludes that the Association's managerial resources are consistent with approval. The board of directors of the Holding Company will consist of the present directors of the Association, and the executive officers of the Holding Company will consist of the executive officers of the Association. Accordingly, OTS concludes that the managerial resources of the Holding Company and the Association are consistent with approval.

With respect to financial resources, OTS is familiar with the Association's financial resources. As of March 31, 2010, the Association's core and tangible capital ratios were 9.61 percent and the Association's risk-based capital ratio was 13.58 percent. The Holding Company will infuse 60 percent of the net offering proceeds into the Association. The only activity of the Holding Company will be its ownership of the stock of the Association and a loan to the Employee Stock Ownership Plan. Therefore, we conclude that the financial resources of the Holding Company and the Association are consistent with approval.

With respect to future prospects, we have considered the financial and managerial resources of the Holding Company and the Association, the Association's business plan, and the materials pertaining to the offering of stock in the Conversion. We conclude that the future prospects of the Holding Company and the Association are consistent with approval. Also, having reviewed the financial and managerial resources and future prospects of the Holding

² 12 U.S.C. § 1467a(e)(1)(B).

³ Id.

⁴ 12 U.S.C. § 1467a(e)(2).

Company and the Association, we conclude that the proposed acquisition will not have a detrimental effect on the insurance risk of the DIF.

The proposed acquisition will not cause the Association to become affiliated with any other operating depository institution. Accordingly, the transaction is not objectionable on competitive grounds.

With respect to the CRA, the Holding Company is a new entity that has not been subject to the CRA, and the Association has a “Satisfactory” CRA rating. OTS has received no comments objecting to the proposed transaction. Accordingly, we conclude that approval of the holding company application is consistent with the CRA.

For the reasons discussed, we conclude that the holding company application meets the standards for approval.

Capital Distribution

The Association has requested OTS approval, pursuant to 12 C.F.R. § 563.143(a)(2), to make a capital distribution of up to 40 percent of the net proceeds of the stock offering to the Holding Company. OTS’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 OTS or condition of approval.⁵

OTS concludes the proposed distribution will not raise safety and soundness concerns, violate any prohibition contained in law, agreement with OTS, or condition of approval, and the Association will remain “well capitalized” after the distribution. Accordingly, the Association’s capital distribution is consistent with approval.

Conclusions

Based on the foregoing analysis, OTS concludes that the conversion application meets the applicable approval criteria. Accordingly, the conversion application is hereby approved, subject to the following conditions:

1. 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 Western Regional Director or his designee (Regional Director): (a) a certification by the Holding Company’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

⁵ 12 C.F.R. § 563.146 (2010).

date of completion of the offering; (b) executed copies of the proposed amendments to the Association's charter, the appropriate form of bylaws as prescribed by 12 C.F.R. § 552.5 and as approved herein, 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 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 Holding Company's and the Association's total pro forma market value at the time of sale;

2. The following general principles of conversion contained in 12 C.F.R. Part 563b, as amended by successor regulations, apply to the Holding Company, and if applicable, any successor corporation, subsequent to the conversion as if they were the converting association:

563b.500, 563b.505, 563b.510, 563b.515, 563b.520, 563b.525 and 563b.530;

3. For three years following the completion of the Conversion, neither the Holding Company nor the Association may, without the prior written consent of the Managing Director, Corporate & International Activities, or her designee, take any action with a view toward a transaction which would require stockholder approval under 12 C.F.R. § 552.13(h); and
4. For three years following completion of the stock issuance, the Association must have a charter that subjects it to OTS jurisdiction.

Furthermore, based on the foregoing analysis, the holding company application and the capital distribution application are hereby approved, provided that the following conditions are complied with in a manner satisfactory to the Regional Director:

5. The proposed acquisition must be consummated within 120 calendar days after the date of this Approval Letter, unless an extension of time is granted for good cause by the Regional Director;
6. The Holding Company must comply with each of the conditions, and must submit each of the certifications, as specified in 12 C.F.R. § 574.7(a)(2) and (3), within the time frames specified therein; and

7. For three years following consummation of the transaction, the Holding Company must not take any action that would prevent its stock from being listed on a national or regional securities exchange.

The proxy soliciting material included under Items 3 and 4 of the Applications, and the stock offering materials included under Item 3 and Exhibit 2(b) of the Applications will be discussed in a separate letter.

OFFICE OF THRIFT SUPERVISION

By:

_____/s/_____
Donald W. Dwyer
Director, Applications
Corporate & International Activities

_____/s/_____
Kevin A. Corcoran
Deputy Chief Counsel for
Business Transactions

cc: Regional Director
Regional Counsel
Robert G. Gaffney
Western Regional Office

Karen Marcotte, CIA-A
Karen Bruton, BTB
David Permut, BTB