FDIC
Federal Deposit Insurance Corporation
550 17th Street NW, Washington, D.C. 20429-9990
Division of Risk Management Supervision

December 20, 2024

BY ELECTRONIC DELIVERY

Kip Weissman, Esq.
Luse Gorman, PC
5335 Wisconsin Avenue, NW
Suite 780
Washington D.C. 20015
[redacted]

RE: Notice of Intent to Convert from Mutual to Stock Ownership
Security Bank, s.b., Springfield, Illinois

Dear Mr. Weissman:

The Federal Deposit Insurance Corporation (FDIC) reviewed the Notice of Intent to Convert from Mutual to Stock Ownership (Notice), filed on September 12, 2024 on behalf of Security Bank, s.b., Springfield, Illinois (Bank), pursuant to the FDIC's regulations at 12 CFR § 303.160-303.163, 12 CFR § 333.4, and other pertinent regulations. The Notice was filed in connection with the Bank's Plan of Conversion, whereby the Bank proposes to convert from an Illinois-chartered mutual savings bank to an Illinois-chartered stock savings bank. In connection with the conversion, the Bank has formed Security Midwest Bancorp, Inc. (Bancorp), a Maryland corporation, which upon completion of the conversion will own 100 percent of the Bank's common stock.

Bancorp intends to issue and offer for sale common stock on a priority basis to (i) eligible account holders (depositors who had accounts at the Bank with aggregate balances of at least $50 as of July 31, 2023); (ii) the Bank's tax-qualified employee benefit plans (including the employee stock ownership plan); (iii) supplemental eligible account holders (depositors who had accounts at the Bank with aggregate balances of at least $50 as of September 30, 2024); (iv) depositors at the close of business on the voting record date, which is to be determined; (v) employees, officers, and directors; and (vi) the general public through a community or syndicated offering.

The FDIC has relied on information provided in the Bank's Notice, the accompanying materials, and subsequent responses to information requests in reaching its decision. Based on the information provided and representations made, the FDIC poses no objection to the Notice, subject to the following conditions (certain of which must be met on an ongoing basis):

1. The Bank shall submit updated financial projections to, and obtain written non-objection from, the Chicago Regional Director prior to consummating the proposed transaction.

2. The Bank shall provide written evidence to the FDIC Chicago Regional Director that all necessary final approvals regarding the proposed transactions have been obtained from the appropriate Federal and state authorities prior to consummating the proposed transaction.

3. The Bank shall submit copies of all final disclosure materials to the FDIC's Chicago Regional Office mailroom at CHIMailRoom@fdic.gov.

4. The Bank shall provide written evidence to the FDIC Chicago Regional Director that the proposed conversion was approved by a vote of at least a majority of the bank's depositors and other stakeholders of the Bank who are entitled to vote on the conversion, unless the applicable state law requires a higher percentage, in which case the higher percentage shall be used.

5. Any change in the Bank's proposed senior executive officers or board of directors prior to the consummation of the proposed transactions will render this approval null and void, unless the Bank submits prior written notice to, and receives written non-objection from, the FDIC Chicago Regional Director prior to consummation of the proposed transaction.

6. During the three-year period after the close of the proposed transaction, the Bank shall operate within the parameters set forth in the Business Plan submitted with the Notice (Business Plan) and must provide at least 60 days' prior written notice to, and receive written non-objection from, the FDIC Chicago Regional Director prior to implementing any proposed material deviation or material change from the Business Plan (including, but not limited to, any merger, acquisition, or business combination).

7. The Bank shall provide 60 days' prior written notice to, and obtain written non-objection from, the FDIC Chicago Regional Director prior to implementing any policy or executing any agreement pursuant to the proposed transactions relating to the allocation and sharing of costs with any affiliate as defined by Federal Reserve Board Regulation W (12 C.F.R. Part 223).

8. The Bank shall advise the FDIC Chicago Regional Director of the results of the conversion offering (and the community offering and syndicated offering, as applicable), and deliver an updated appraisal that takes the results of the conversion offering into account, discusses any material events or changes during the subscription period, and explains any securities purchase orders that have been rejected (including the reason(s) for rejection).

9. During the one-year period after the close of the conversion offering, the Bank shall provide at least 60 days' prior written notice to the FDIC Chicago Regional Director of any repurchase of shares and include copies of all documents filed with other regulators.

10. During the one-year period after the close of the conversion offering, shares issued to directors and executive officers (insiders) in the conversion offering are restricted from resale without the prior written approval of the FDIC Chicago Regional Director, except for the following, which shall <u>not</u> require such prior approval: (1) in the event of the death of an insider, the successor in interest may sell the shares; (2) if the insider is no longer employed by or is no longer a trustee or director of either the Bank or Bancorp, he or she may sell the

shares; and (3) the insider may transfer the shares to a spouse or lineal descendant(s), or into a trust or retirement vehicle for the benefit of the insider or such spouse or descendants.

11. During the one-year period after the close of the conversion offering, the Bank shall provide at least 60 days' prior written notice to, and receive written non-objection from, the FDIC Chicago Regional Director prior to implementation of a stock-based benefit plan, except for the tax qualified employee stock ownership plan.

12. The proposed transactions may not be consummated later than six months after the date of this letter unless such period is extended in writing by the FDIC Chicago Regional Director.

13. The Bank shall notify the FDIC Chicago Regional Director as soon as it becomes aware of any material change in the facts and circumstances prior to the consummation of the proposed transactions.

14. Until the proposed transactions are consummated, the FDIC shall have the right to alter, suspend, or withdraw its approval should any interim development be deemed to warrant such action.

Request to Establish a Stock Center

On September 12, 2024, the Bank requested non-objection to the establishment of a "stock center." A savings association may not offer or sell equity securities at one of its offices except in connection with the association's conversion from the mutual to stock form of organization and only if certain criteria are satisfied, including non-objection by the appropriate Federal banking agency.[1] The FDIC does not object to the Bank establishing a stock center, provided the following requirements are satisfied:

- No commissions, bonuses, or comparable payments are made to any employee of the Bank other than to registered broker dealers;
- No sales or offers are made by tellers or at the teller counter, or by comparable employees at comparable locations;
- Sales activity must be conducted in a segregated or separately identifiable area of the Bank apart from the area accessible to the general public for the purpose of making or withdrawing deposits;
- Investment advice and assistance in completing stock order forms will only be provided by full-time employees of Performance Trust Capital Partners, LLC, a registered broker-dealer;
- Customers sign a "one page, unambiguous" certification, in the prescribed form, that the customer recognizes that the security is not a deposit, not FDIC insured or guaranteed, and that the customer has received an offering circular;

[1] *See* 12 CFR 163.76 and 12 CFR 303.163(b).

- The prescribed legend appears on the security and offering materials that it is not insured or guaranteed and is not a deposit or account with the Bank;
- The Bank will be in current compliance with its capital requirements after the conclusion of the offering; and
- Sales literature must comply with 12 CFR § 390.419 of the FDIC's regulations regarding unsafe and unsound practices.

Request to Limit the Registration of the Conversion Offering to Certain States

On November 1, 2024, the Bank submitted a request for a waiver of certain provisions of applicable regulations related to registering the sale of securities for its proposed mutual-to-stock conversion. A converting institution is required to offer conversion shares to all eligible account holders, all supplemental eligible account holders, and all other members of the converting institution.[2] The Bank contends that costs involved in registering the sale of conversion-related securities in every state where the Bank has eligible account holders poses an undue burden. After a review of the specific facts and circumstances described in the materials submitted by the Bank, the FDIC does not object to the Bank's registration plan.

Please provide documentation to support satisfaction of the conditions to the FDIC's Chicago Regional Office, as well as notify the Regional Office in writing when the proposed transaction has been consummated. Contact Case Manager Joseph DeLazzer at [redacted] or [redacted] if you have any questions.

Sincerely,

[redacted]

Patricia A. Colohan
Associate Director

cc: Board of Directors, Security Bank s.b. c/o CEO Stephan P. Antonacci
[redacted]

Collette A. Fried, Assistant Vice President, Federal Reserve Bank of Chicago
[redacted]

Susana Soriano, Acting Director, Illinois Department of Financial and Professional Regulation [redacted]

[2] *See* 12 CFR § 333.4. *See also* 12 CFR § 192.335(a), 192.355, and 192.365 (as applied to the Bank's mutual-to-stock conversion through 12 CFR § 303.163(b)).