

# **PUBLIC FILE VERSION**

**Confidential Treatment Requested**

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**FR Y-3 APPLICATION**

**submitted by**

**CCF HOLDING COMPANY**

**to the**

**BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM**

**with copies to the**

**FEDERAL DEPOSIT INSURANCE CORPORATION**

**and to the**

**GEORGIA DEPARTMENT OF BANKING AND FINANCE**

**in connection with the**

**Business Combination Agreement and Agreement and Plan of Mergers**

**by and among**

**CCF HOLDING COMPANY,**

**HERITAGE BANCORPORATION, INC.,**

**and**

**PROVIDENCE BANK**

**March 15, 2019**

**TABLE OF CONTENTS**

REQUEST FOR CONFIDENTIAL TREATMENT..... i  
 FEDERAL RESERVE FR Y-3..... ii  
 OVERVIEW .....1  
 INFORMATION REQUIRED BY FEDERAL RESERVE FORM FR Y-3\* .....8  
 EXHIBITS

Exhibit Description	Exhibit No.	
	Public File	Confidential File
Form of Newspaper Notice	1	
Business Combination Agreement and Plan of Mergers		2
Bank Agreements and Plans of Merger (2)		3
Capitalization Tables		4
Strategic Plan		5
Parent-Only Pro Forma Balance Sheet		6
Bank-Level Pro Forma Financial and Regulatory Capital Information		7
<u>Transactional HHI Analysis by Federal Reserve Banking Market</u>		8

\* Portions have been redacted from the public file version.

Board of Governors of the Federal Reserve System



# Application to Become a Bank Holding Company and/or Acquire an Additional Bank or Bank Holding Company—FR Y-3

CCF Holding Company

Corporate Title of Applicant

101 North Main Street

Street Address

Jonesboro

GA

30236

City

State

Zip Code

Corporation

(Type of organization, such as corporation, partnership, business trust, association, or trust)

Hereby applies to the Board pursuant to:

- (1) Section 3(a)(1) of the Bank Holding Company Act of 1956, as amended, ("BHC Act"—12 U.S.C. §1842), under "Procedures for other bank acquisition proposals" as described in section 225.15 of Regulation Y;
- (2) Section 3(a)(3) of the BHC Act, under "Procedures for other bank acquisition proposals" as described in section 225.15 of Regulation Y; or
- (3) Section 3(a)(5) of the BHC Act, under "Procedures for other bank acquisition proposals" as described in section 225.15 of Regulation Y.

for prior approval of the acquisition of direct or indirect ownership, control, or power to vote at least \_\_\_\_\_ (100 %) of a class of voting shares or otherwise to control:  
Number Percent

Heritage Bancorporation, Inc.

Corporate Title of Bank or Bank Holding Company

300 South Main Street

Street Address

Hinesville

GA

31313

City

State

Zip Code

Does applicant request confidential treatment for any portion of this submission?

Yes

As required by the General Instructions, a letter justifying the request for confidential treatment is included.

The information for which confidential treatment is being sought is separately bound and labeled "Confidential."

No

Name, title, address, telephone number, and facsimile number of person(s) to whom inquiries concerning this application may be directed:

Leonard A. Moreland

Name  
 President and Chief Executive Officer

Title  
 101 North Main Street

Street Address  
 Jonesboro GA 30236

City State Zip Code  
 770-478-8881

Area Code / Phone Number

Area Code / FAX Number

Name

Title

Street Address

City State Zip Code

Area Code / Phone Number

Area Code / FAX Number

### Certification

I certify that the information contained in this application has been examined carefully by me and is true, correct, and complete, and is current as of the date of this submission to the best of my knowledge and belief. I acknowledge that any misrepresentation or omission of a material fact constitutes fraud in the inducement and may subject me to legal sanctions provided by 18 U.S.C. §1001 and §1007.

I also certify, with respect to any information pertaining to an individual and submitted to the Board in (or in connection with) this application, that the applicant has the authority, on behalf of the individual, to provide such information to the Board and to consent or to object to public release of such information. I certify that the applicant and the involved individual consent to public release of any such information, except to the extent set forth in a written request by the applicant or the individual, submitted in accordance with the Instructions to this form and the Board's Rules Regarding

Availability of Information (12 C.F.R. Part 261), requesting confidential treatment for the information.

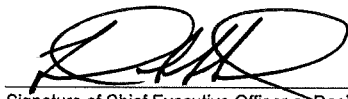
I acknowledge that approval of this application is in the discretion of the Board of Governors of the Federal Reserve System (the "Federal Reserve"). Actions or communications, whether oral, written, or electronic, by the Federal Reserve or its employees in connection with this filing, including approval if granted, do not constitute a contract, either express or implied, or any other obligation binding upon the agency, the United States or any other entity of the United States, or any officer or employee of the United States. Such actions or communications will not affect the ability of the Federal Reserve to exercise its supervisory, regulatory, or examination powers under applicable laws and regulations. I further acknowledge that the foregoing may not be waived or modified by any employee or agency of the Federal Reserve or of the United States.

Signed this 15th day of March, 2019.

Day

Month

Year



Signature of Chief Executive Officer or Designee

Leonard A. Moreland

Print or Type Name

President and CEO

Title

Board of Governors of the Federal Reserve System



**Application to Become a Bank Holding Company  
and/or Acquire an Additional Bank  
or Bank Holding Company—FR Y-3**

CCF Holding Company

Corporate Title of Applicant

101 North Main Street

Street Address

Jonesboro

GA

30236

City

State

Zip Code

Corporation

(Type of organization, such as corporation, partnership, business trust, association, or trust)

Hereby applies to the Board pursuant to:

- (1) Section 3(a)(1) of the Bank Holding Company Act of 1956, as amended, ("BHC Act"—12 U.S.C. §1842), under "Procedures for other bank acquisition proposals" as described in section 225.15 of Regulation Y;
- (2) Section 3(a)(3) of the BHC Act, under "Procedures for other bank acquisition proposals" as described in section 225.15 of Regulation Y; or
- (3) Section 3(a)(5) of the BHC Act, under "Procedures for other bank acquisition proposals" as described in section 225.15 of Regulation Y.

for prior approval of the acquisition of direct or indirect ownership, control, or power to vote at least \_\_\_\_\_ ( 100 % ) of a class of voting shares or otherwise to control: \_\_\_\_\_  
Number Percent

Providence Bank

Corporate Title of Bank or Bank Holding Company

4955 Windward Parkway

Street Address

Alpharetta

GA

30004

City

State

Zip Code

Does applicant request confidential treatment for any portion of this submission?

Yes

As required by the General Instructions, a letter justifying the request for confidential treatment is included.

The information for which confidential treatment is being sought is separately bound and labeled "Confidential."

No

Name, title, address, telephone number, and facsimile number of person(s) to whom inquiries concerning this application may be directed:

Leonard A. Moreland  
 Name  
 President and Chief Executive Officer  
 Title  
 101 North Main Street  
 Street Address  
 Jonesboro GA 30236  
 City State Zip Code  
 770-478-8881  
 Area Code / Phone Number  
 Area Code / FAX Number

Name  
  
 Title  
  
 Street Address  
  
 City State Zip Code  
  
 Area Code / Phone Number  
  
 Area Code / FAX Number

**Certification**


I certify that the information contained in this application has been examined carefully by me and is true, correct, and complete, and is current as of the date of this submission to the best of my knowledge and belief. I acknowledge that any misrepresentation or omission of a material fact constitutes fraud in the inducement and may subject me to legal sanctions provided by 18 U.S.C. §1001 and §1007.

I also certify, with respect to any information pertaining to an individual and submitted to the Board in (or in connection with) this application, that the applicant has the authority, on behalf of the individual, to provide such information to the Board and to consent or to object to public release of such information. I certify that the applicant and the involved individual consent to public release of any such information, except to the extent set forth in a written request by the applicant or the individual, submitted in accordance with the Instructions to this form and the Board's Rules Regarding

Availability of Information (12 C.F.R. Part 261), requesting confidential treatment for the information.

I acknowledge that approval of this application is in the discretion of the Board of Governors of the Federal Reserve System (the "Federal Reserve"). Actions or communications, whether oral, written, or electronic, by the Federal Reserve or its employees in connection with this filing, including approval if granted, do not constitute a contract, either express or implied, or any other obligation binding upon the agency, the United States or any other entity of the United States, or any officer or employee of the United States. Such actions or communications will not affect the ability of the Federal Reserve to exercise its supervisory, regulatory, or examination powers under applicable laws and regulations. I further acknowledge that the foregoing may not be waived or modified by any employee or agency of the Federal Reserve or of the United States.

Signed this 15th day of March, 2019.  
 Day Month Year

  
 Signature of Chief Executive Officer or Designee

Leonard A. Moreland President and CEO  
 Print or Type Name Title

## OVERVIEW

### I. Introduction

This Application is being submitted to the Board of Governors of the Federal Reserve System (the “*Federal Reserve Board*”) and the Federal Reserve Bank of Richmond (the “*Reserve Bank*,” and collectively with the Federal Reserve Board, the “*Federal Reserve*”) by CCF Holding Company (“*CCF*”).

CCF is a registered bank holding company incorporated under the laws of the State of Georgia that serves as the holding company for Heritage Bank, a Georgia state-chartered bank (“*Heritage Bank*”). CCF proposes to acquire Providence Bank, a Georgia state-chartered bank (“*Providence*”), and Heritage Bancorporation, Inc., a Georgia corporation (“*HBI*”), which serves as the holding company for its wholly-owned subsidiary, The Heritage Bank (“*HBI Bank*”). To effect the transaction, CCF, HBI and Providence have entered into a Business Combination Agreement and Agreement and Plan of Mergers dated December 20, 2018 (the “*Business Combination Agreement*”).

Under the Business Combination Agreement, HBI will merge with and into CCF with CCF continuing as the surviving corporation (the “*HBI Merger*”), and a Georgia interim corporation formed by CCF for purposes of the Providence Merger (as defined below), and a wholly-owned subsidiary of CCF (the “*CCF Interim Sub*”), will merge with and into Providence with Providence as the surviving entity (the “*Providence Merger*” and together with the HBI Merger, the “*Mergers*”). In this application, CCF, as the surviving corporation in the Mergers, is sometimes referred to as the “*Surviving Corporation*.” At the effective time of the Mergers (the “*Effective Time*”), the Surviving Corporation will be renamed Heritage Southeast Bancorporation, Inc.

Immediately after the completion of the Mergers, and conditioned on the receipt and timing of applicable bank regulatory approvals, Providence will merge with and into Heritage Bank, with Heritage Bank as the surviving bank, and HBI Bank will merge with and into Heritage Bank, with Heritage Bank as the surviving bank (collectively, the “*Bank Mergers*”), such that Heritage Bank will become the sole bank subsidiary of CCF. The parties intend to complete the Bank Mergers immediately following the completion of the Transaction, subject to the receipt and timing of applicable bank regulatory approvals. Heritage Bank, as the surviving bank in the Bank Mergers, is sometimes referred to herein as the “*Surviving Bank*.” The Surviving Corporation, together with the Surviving Bank, is sometimes referred to herein as the “*Resultant Institution*.” We refer to the Mergers and the Bank Mergers collectively herein as the “*Transaction*.”

The proposed Transaction combines three highly compatible institutions with aligned corporate cultures and a common vision to create a dynamic and diverse banking franchise to better serve the needs of clients, address the challenges of the banking industry and create value for shareholders.

CCF hereby requests approval of the Federal Reserve for the HBI Merger, and to thereby acquire control of HBI Bank, and the Providence Merger, and to thereby acquire control of

Providence, pursuant to Sections 3(a)(3) and 3(a)(5) of the BHCA and Section 225.15 of the Federal Reserve Board's Regulation Y.

## **II. Background—Parties to the Transaction**

### **A. CCF and Heritage Bank**

CCF Holding Company is a bank holding company incorporated under Georgia law and headquartered in Jonesboro, Georgia. Heritage Bank is a Georgia commercial bank operating six branches in Clayton, Fayette and Henry Counties, Georgia. Heritage Bank, through its predecessors, commenced business in 1955. CCF's primary market area includes all of Clayton, Fayette and Henry Counties, Georgia, each of which are located in the Atlanta, Georgia Metropolitan Statistical Area.

Heritage Bank offers a range of lending services, including consumer, real estate and commercial loans, to individuals and small businesses and other organizations that are located in or conduct a substantial portion of their business in its market areas. Heritage Bank also offers a full range of deposit services, including checking accounts, savings accounts, certificates of deposit, money market accounts and IRAs, as well as a broad range of non-deposit investment services. As of December 31, 2018, CCF had total consolidated assets of approximately \$513 million, total loans of approximately \$403 million, total deposits of approximately \$428 million and shareholders' equity of approximately \$48 million.

In connection with a previous recapitalization, Mr. Kenneth R. Lehman ("**Mr. Lehman**") made a substantial investment in CCF. A capitalization table reflecting Mr. Lehman's equity ownership in CCF as of March 1, 2019 and on a pro forma basis is included in Exhibit 4 attached hereto. Mr. Lehman also serves on the boards of directors of CCF and Heritage Bank.

### **B. HBI and HBI Bank**

Heritage Bancorporation, Inc. is a bank holding company incorporated under Georgia law and headquartered in Hinesville, Georgia. HBI Bank is a Georgia state-chartered bank, which operates 17 branches throughout Georgia and northeastern Florida and began business in 1911 as The Hinesville Bank. HBI's market area includes Brantley, Bryan, Bulloch, Camden, Chatham, Clinch, Glynn, Liberty, Long, McIntosh, Pierce, Ware, and Wayne Counties, Georgia and Duval County, Florida.

HBI Bank primarily engages in the business of accepting demand deposits and savings deposits insured by the FDIC and providing commercial, consumer and mortgage loans to the general public. As of December 31, 2018, HBI had total consolidated assets of approximately \$591 million, total loans of approximately \$354 million, total deposits of approximately \$535 million and shareholders' equity of approximately \$54 million.

In connection with a previous recapitalization, Mr. Lehman made a substantial investment in HBI. A capitalization table reflecting Mr. Lehman's equity ownership in HBI as of



March 1, 2019 is included in Exhibit 4 attached hereto. Mr. Lehman also serves on the boards of directors of HBI and HBI Bank.

### **C. Providence Bank**

Providence Bank is a Georgia state-chartered branch with a single branch located in Alpharetta, Georgia, which was established in 2006. Providence's market area consists of the greater Atlanta area.

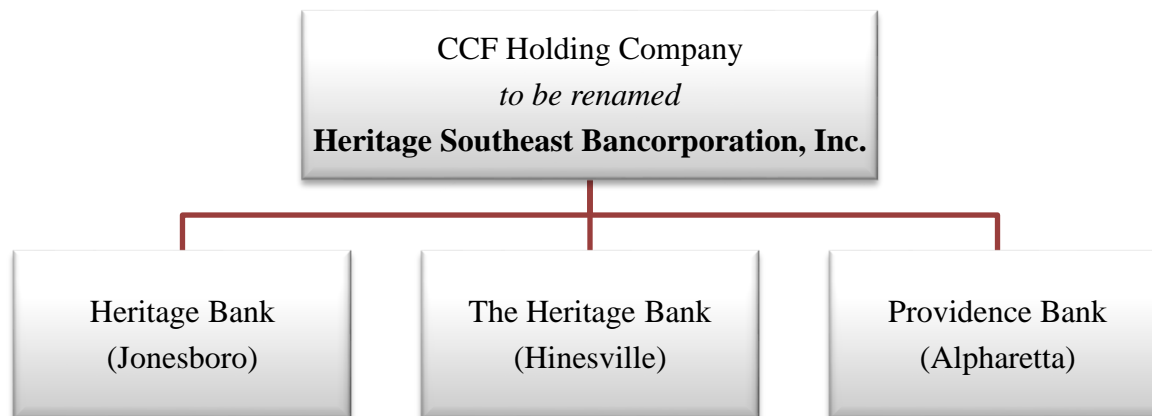
Providence offers a wide array of banking solutions that include consumer, commercial and real estate loans and lines of credit as well as personal and business deposit products. As of December 31, 2018, Providence had total assets of approximately \$90 million, total loans of approximately \$57 million, total deposits of approximately \$69 million and shareholders' equity of approximately \$14 million.

In connection with a previous recapitalization, Mr. Lehman made a substantial investment in Providence. A capitalization table reflecting Mr. Lehman's equity ownership in Providence as of March 1, 2019 is included in Exhibit 4 attached hereto

## **III. Pro Forma Entity Structure and Shareholder Ownership**

### **A. Pro Forma Entity Structure**

Upon completion of the Mergers and immediately before the Bank Mergers, the organizational structure will be as follows:



Following the Bank Mergers, Heritage Bank will be the only subsidiary of CCF.

### **B. Pro Forma Shareholder Ownership**

Following the Transaction, CCF shareholders are expected to hold approximately 44% of the total number of outstanding shares of the Surviving Corporation, shareholders of HBI are expected to hold approximately 49%, and shareholders of Providence are expected to hold

approximately 7%, each on a fully-diluted basis. A pro forma capitalization table reflecting the proposed transaction is included as Exhibit 4 hereto.

#### **IV. Strategic Plan**

The strategic plan of the Surviving Corporation with respect to the Transaction is provided at Exhibit 5. The strategic plan includes information on the business rationale for the proposed Transaction, due diligence and key findings and post-closing integration plans.

#### **V. Regulatory Factors**

In evaluating the proposed Transaction, the Federal Reserve Board, or the Reserve Bank on delegated authority, must consider the financial and managerial resources and future prospects of the existing and proposed institutions, the effect of the transaction on competition, the convenience and needs of the community to be served, including the record of performance under the Community Reinvestment Act (“*CRA*”), the effectiveness of the anti-money laundering program and the risk to the stability of the United States banking or financial system.

##### **A. Financial Resources**

The financial condition of CCF and Heritage Bank is consistent with approval of this Application. Heritage Bank will remain well-capitalized following the proposed Transaction, including maintaining a Tier 1 leverage ratio of at least 8%. Heritage Bank, HBI Bank and Providence had common equity tier 1 capital ratios of 10.46%, 11.26% and 17.19%, respectively, as of December 31, 2018.

The Surviving Corporation, on a pro forma basis, will be subject to the Federal Reserve Board’s Small Bank Holding Company Policy Statement. A pro forma balance sheet for the Surviving Corporation reflecting the Mergers is included at Exhibit 6. Pro forma and projected balance sheets and projected income statements reflecting the Bank Mergers are included at Exhibit 7, along with existing and pro forma risk-adjusted assets of Heritage Bank, and the existing and pro forma components of common equity tier 1, additional tier 1, and tier 2 capital, the existing and pro forma tier 1 and total capital ratios pursuant to the risk-based guidelines and the related leverage ratio for Heritage Bank as of December 31, 2018.

CCF will incur up to \$5.0 million of additional debt, in the form of an unsecured revolving line of credit, and will use the proceeds of such debt, together with available CCF cash (which CCF anticipates to increase as a result of the exercise of CCF warrants that otherwise expire on July 28, 2019 and have an exercise price of \$5.00 per share or approximately \$4.2 million in the aggregate),<sup>1</sup> to contribute \$5 million to the capital of Heritage Bank on or before the date of the Bank Mergers and thereby provide additional common equity tier 1 capital for Heritage Bank. As of 12/31/18, CCF had \$3.4 million outstanding on a \$4.5 million revolving line of credit, and this revolving line of credit limit will be increased to \$10.0 million in order to provide the up to \$5.0 million of additional debt.

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<sup>1</sup> The warrants have a net exercise feature, so the amount of cash to be received will depend on the number of warrants net-exercised and those exercised for cash.

## **B. Managerial Resources**

CCF has a team of seasoned bankers with extensive experience operating financial institutions, and their competence and experience support approval of this Application. In addition, as a result of the transaction, CCF will retain certain members of the HBI and Providence management teams.

At the closing of the Transaction, the following individuals will serve as executive officers of the Surviving Corporation:

- Leonard Moreland, the current President and Chief Executive Officer of CCF, will become and serve as Chief Executive Officer of the Surviving Corporation. Mr. Moreland has been President and CEO of CCF since January 2017 and CEO of Heritage Bank since 2007. He also served as President of Heritage Bank from 2006 to November 2016. Mr. Moreland has been a director of CCF since 1999 and of Heritage Bank since 1996, when he joined Heritage Bank as Executive Vice President.
- Brian Smith, the current President and Chief Executive Officer of HBI, will become and serve as President and Chief Operating Officer of the Surviving Corporation. Mr. Smith has been president and Chief Executive Officer of HBI and HBI Bank since 2012. He began his banking career at HBI Bank in 1978, and began serving as an Executive Vice President of HBI Bank in 1996. Mr. Smith has been a director of HBI since 2002 and of HBI Bank since 1996, and served as chairman of both boards from 2012 through 2016.
- Philip Resch, the current Chief Financial Officer of HBI, will become and serve as the Senior Vice President and Chief Financial Officer of the Surviving Corporation. Mr. Resch has been Chief Financial Officer of HBI and HBI Bank since 2010, following more than 25 years of experience in the financial services industry
- Brad Serff, the current President and Chief Executive Officer of Providence, will become and serve as Executive Vice President of the Surviving Corporation. Mr. Serff has been President and Chief Executive Officer of Providence since serving as a founding director when it was chartered in 2006. Prior to starting Providence, Mr. Serff was President and a member of the board of Exchange Bank in Milledgeville, Georgia. He began his banking career in 1988 with Citizens & Southern Bank in Atlanta, Georgia.

## **C. Effects on Competition**

The proposed transaction will not result in a monopoly or have the effect of lessening competition in any market. The only market in which the parties have overlapping branches is in the Atlanta, Georgia banking market. Following consummation of the proposed transaction, total deposits held at the parties' offices in the Atlanta, Georgia banking market would represent

less than 1% of total deposits in that banking market. See the Herfindahl-Hirschman Index (“*HHI*”) analysis attached hereto as Exhibit 8.

#### **D. Convenience and Needs of the Community**

CCF believes that consummation of the proposed transaction would meet the convenience and needs of the communities served by Heritage Bank, HBI Bank and Providence. Each of Heritage Bank, HBI Bank and Providence received a “Satisfactory” rating on its most recent CRA examination. The proposed transaction will meet the convenience and needs of the community by making the resources of Heritage Bank available to provide loans and other products and services to the communities served by Heritage Bank, HBI Bank and Providence and by expanding the retail outlets available to the present customers of each. Heritage Bank, HBI Bank and Providence offer a number of banking services and products and each product has a number of features. Deposit products of the three banks reflect varying combinations of interest rates, service charges, minimum balances and funds availability. Loan products also involve different features. Heritage Bank, HBI Bank and Providence are in the process of evaluating the loan and deposit products and services offered by Heritage Bank, HBI Bank and Providence to determine the differences between the various offerings and what, if any, adjustments will be made. No final decisions have been made but, in any event, CCF does not expect any material discontinuations in products or services or material increases in customer fees resulting from the proposed Transaction.

#### **E. Effectiveness of the Anti-Money Laundering Program**

CCF is committed to a strong and conservative Bank Secrecy Act (“*BSA*”) and anti-money laundering (“*AML*”) program, and Heritage Bank has a proven record of organizational emphasis on compliance with BSA and AML regulations. The BSA compliance program at Heritage Bank includes policies, procedures, and internal controls designed to ensure ongoing compliance; the designation of individuals responsible for coordinating, monitoring, and ensuring day-to-day compliance; training for appropriate personnel; and independent reviews to monitor program effectiveness. HBI Bank and Providence have similar BSA and AML compliance programs.

As part of the integration planning activities, each bank’s BSA/AML compliance program will be assessed carefully to ensure a consolidated compliance program that is appropriate for the risk profile of the Resultant Institution. Specifically, systems, processes, staffing, and controls will be assessed and plans will be determined to make adjustments, as needed. The Resultant Institution will combine the best of each bank’s policies and procedures as they pertain to the selected core operating system and transitioning the BSA/AML transaction monitoring system.

#### **F. Financial Stability**

CCF believes that the proposed transaction does not raise concerns about financial stability. None of the federal banking agencies, including the Federal Reserve, has issued or proposed regulations further defining how the agencies would take financial stability considerations into account in reviewing a bank acquisition. Through approvals of bank holding company and bank merger applications, however, the Federal Reserve and other agencies have

identified several factors and metrics intended to capture the systemic risk “footprint” of the resulting banking organization and the incremental effect of a proposal on the systemic risk footprint of the acquiring banking organization. For example, the Federal Reserve’s approval order in February 2012 of the acquisition by Capital One Financial Corporation of ING Bank, fsb (“*Capital One Order*”)<sup>2</sup> provides relevant guidance. In the Capital One Order, the Federal Reserve indicates that “certain types of transactions likely would have only a *de minimis* impact on an institution’s systemic footprint and, therefore, are not likely to raise concerns about financial stability. For example, a proposal that involves an acquisition of less than \$2 billion in assets, results in a firm with less than \$25 billion in total assets, or represents a corporate reorganization may be presumed not to raise financial stability concerns absent evidence that the transaction would result in a significant increase in interconnectedness, complexity, cross-border activities, or other risk factor.”<sup>3</sup> More recently, the Federal Reserve stated that its experience suggests that proposals involving less than \$10 billion in assets, or that result in a firm with less than \$100 billion in total assets, are not likely to pose a systematic risk.<sup>4</sup> Accordingly, the Federal Reserve presumes that a proposal does not raise material financial stability concerns if the assets involved fall below either of these increased size thresholds, absent evidence that the transaction would result in a significant increase in interconnectedness, complexity, cross-border activities, or other risk factors.”<sup>5</sup>

The proposed Transaction involves the acquisition of approximately \$680 million in assets, which is well below the \$10 billion that the Federal Reserve presumes results in no financial stability risk concern. In addition, CCF will not have anywhere near \$25 billion in total assets as a result of the proposed Transaction (see pro forma financial information included at Exhibits 6 and 7). In addition, the proposed Transaction will not materially increase the interconnectedness of the U.S. banking or financial system. None of Heritage Bank, HBI Bank or Providence currently engages, and as a result of the proposed Transaction would not engage, in business activities or participate in markets to a degree that would pose significant risk to other institutions in the event of financial distress at the Resultant Institution. In addition, none of Heritage Bank, HBI Bank or Providence has any locations or material operations outside the United States, nor do they otherwise engage in any significant cross-border activities.

Consequently, the proposed Transaction can be safely presumed not to pose any risk to financial stability in the United States.

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<sup>2</sup> *Capital One Financial Corporation*, FRB Order No. 2012-2 (Feb. 14, 2012).

<sup>3</sup> *Id.* at 30.

<sup>4</sup> *People’s United Financial, Inc.*, FRB Order 2017-08 (March 16, 2017).

<sup>5</sup> *Associated Banc-Corp*, FRB Order No. 2018-03 at 27-28 (January 23, 2018) (citing the Peoples United Order, 25-26); see also *Independent Bank Group, Inc.*, FRB Order No. 2018-11 (May 2, 2018); *National Bank Holdings Corporation*, FRB Order No. 2017-34 (Nov. 28, 2017).

## **INFORMATION REQUIRED BY FEDERAL RESERVE FORM FR Y-3**

### **Proposed Transaction**

- 1. Describe the transaction’s purpose. Identify any changes to the business plan of the Bank/Bank Holding Company to be acquired or the Resultant Institution. Identify any new business lines.**

***Purpose.*** The purpose of the proposed Transaction is to combine three highly compatible institutions with aligned corporate cultures and a common vision to create a dynamic and diverse banking franchise to better serve the needs of their respective clients, address the challenges of the banking industry and create value for shareholders.

***Business Plan.*** For additional information regarding the business plan and strategy of the Resultant Institution, please see the strategic plan at Exhibit 5.

***New Business Lines.*** The parties do not currently anticipate engaging in any new business lines not currently engaged in by each of Heritage Bank, HBI Bank or Providence as a result of the proposed Transaction.

- 2. Provide the following with respect to the Bank/Bank Holding Company to be acquired:**

- a. Total number of shares of each class of stock outstanding;**

#### **HBI:**

As of March 1, 2019, HBI had 3,760,621 shares of common stock, no par value (“*HBI Common Stock*”) issued and outstanding, including 113,335 shares of restricted stock.

No other shares of capital stock are issued or outstanding.

#### **Providence:**

As of March 1, 2019, Providence had 4,083,573 shares of common stock, \$1.00 par value (“*Providence Common Stock*”) issued and outstanding and 212,740 shares of Providence Common Stock reserved for issuance pursuant to outstanding stock options.

No other shares of capital stock are issued or outstanding.

- b. Number of shares of each class now owned or under option by Applicant, by subsidiaries of Applicant, by principals of Applicant,<sup>6</sup> by trustees for the**

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<sup>6</sup> The term principal as used herein means any individual or corporation that (1) owns, directly or indirectly, 10 percent or more of the outstanding shares of any class; (2) is a director, trustee, partner, or executive officer; or (3) with or without ownership interest, participates, or has the authority to participate in major policy-making functions,

**benefit of Applicant, its subsidiaries, shareholders, and employees as a class, or by an escrow arrangement instituted by Applicant;**

As of the date of this Application, neither CCF, its subsidiaries nor any of its or their principals, except for Mr. Lehman as shown in Exhibit 4, owns, or has under option, any shares of HBI or Providence, or any of their respective subsidiaries.

- c. Number of shares of each class to be acquired by cash purchase, the amount to be paid, per share and in total; and the source of funds to be applied to the purchase;**

Not applicable. The HBI Merger and Providence Merger will each be all-stock transactions.

- d. Number of shares of each class to be acquired by exchange of stock, the exchange ratio, and the number and description of each class of Applicant's shares to be exchanged; and**

**HBI Merger:**

*Treatment of HBI Common Stock.* At the Effective Time of the HBI Merger, each share of HBI Common Stock (other than certain excluded shares and shares with respect to which dissenters' rights have been exercised) will be converted into the right to receive 0.9504 shares of CCF Common Stock (the "*HBI Exchange Ratio*"). Cash will be paid in lieu of fractional shares.

*Treatment of HBI Stock Options.* At the Effective Time of the HBI Merger, each outstanding option to purchase HBI Common Stock will be assumed by the Surviving Corporation substantially in accordance with the terms of the HBI Stock Plans and the related award agreement with the number of underlying shares and per share exercise price adjusted to reflect the HBI Exchange Ratio.

*Treatment of HBI Restricted Stock.* At the Effective Time of the HBI Merger, each unvested share of HBI restricted stock will cease to represent a right with respect to shares of HBI Common Stock and will be converted into a restricted stock award of the Surviving Corporation on the same terms and conditions as were applicable under the HBI Stock Plan (but taking into account any changes thereto, including any acceleration of vesting thereof or change of performance-based vesting to time-based vesting, provided for in the HBI Stock Plan or in the related award agreement) with the number of underlying shares and per share exercise price adjusted to reflect the HBI Exchange Ratio.

**Providence Merger:**

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whether or not the individual has an official title or is serving without compensation. If Applicant believes that any such individual should not be regarded as a principal, Applicant should so indicate and give reasons for such opinion.

***Treatment of Providence Common Stock.*** At the Effective Time of the Providence Merger, each share of Providence Common Stock (other than certain excluded shares and shares with respect to which dissenters' rights have been exercised) will be converted into the right to receive 0.1225 shares of CCF Common Stock (the "***Providence Exchange Ratio***"). Cash will be paid in lieu of fractional shares.

***Treatment of Providence Stock Options.*** At the Effective Time of the Providence Merger, each outstanding option to purchase Providence Common Stock will be assumed by CCF substantially in accordance with the terms of the Providence Bank 2006 Stock Option Plan and the related award agreement with the number of underlying shares and per share exercise price adjusted to reflect the Providence Exchange Ratio.

- e. **A copy of the purchase, operating, shareholder, trust or other agreements associated with the proposed transaction. Also, provide the expiration dates of any contractual arrangement between the parties involved in this application and a brief description of any unusual contractual terms, especially those terms not disclosed elsewhere in the application. Note any other circumstances that might affect timing of the proposal. Note any other circumstances that might affect timing of the proposal.**

A copy of the Business Combination Agreement is provided at Exhibit 2.

Under the terms of the Business Combination Agreement, if the Mergers have not been consummated by January 1, 2020, any party to the Business Combination Agreement may elect to terminate the agreement; provided, that, if the only remaining condition left to close the Transaction is receipt of regulatory approval, the termination date will be extended to April 1, 2020.

CCF does not believe that there are any unusual contractual terms in the Business Combination Agreement.

3. **If the proposed transaction is an acquisition of assets and assumption of liabilities, indicate the total price and the source of funds that Applicant intends to use for the proposed purchase, and discuss the effect of the transaction on the operations of Applicant.**

Not applicable.

4. **If the proposed transaction involves the acquisition of an unaffiliated banking operation or otherwise represents a change in ownership of established banking operations, describe briefly the due diligence review conducted on the target operations by Applicant. Indicate the scope of and resources committed to the review, explain any significant adverse findings, and describe the corrective action(s) to be taken to address those weaknesses.**



A description of the due diligence review and key findings is provided in the strategic plan at Exhibit 5.

**5. Provide a list of all regulatory approvals and filings required for the proposed transaction and the status of each filing.**

***FDIC Application.*** Heritage Bank filed an application with the Federal Deposit Insurance Corporation (the “***FDIC***”), pursuant to Section 18(c)(2)(C) of the Federal Deposit Insurance Act, 12 U.S.C. § 1828(c)(2)(C), and the FDIC’s implementing regulations thereunder, for approval of the Bank Mergers.

***Georgia Department of Banking and Finance.*** Concurrent with this Application, CCF and Heritage Bank submitted applications to the Georgia Department of Banking and Finance for approval of the Mergers and the Bank Mergers, pursuant to § 7-1-606 and § 7-1-533, respectively, of the Official Code of Georgia Annotated.

**6. Provide a copy of any findings, orders, approvals, denials or other documentation regarding the proposed transaction issued by any regulatory authority.**

CCF will provide the Federal Reserve copies of any such documentation when it is received.

**7. For applications filed pursuant to section 3(a)(1) of the BHC Act, if the proposed transaction would result in an organization other than a shell one-bank holding company, submit a pro forma organization chart showing Applicant’s percentage of ownership of all banks and companies, both domestic and foreign, in which it directly or indirectly will own or control more than 5 percent of the outstanding voting shares.**

Not applicable.

**Financial and Managerial Information**

**8.**

- a. For an applicant that is not or would not be subject to consolidated capital standards following consummation of the proposed transaction<sup>7</sup>, provide parent company balance sheet as of the end of the most recent quarter, showing separately each principal group of assets, liabilities, and capital accounts; debit and credit adjustments (explained by detailed footnotes) reflecting the proposed transaction; and the resulting pro forma balance sheet. The pro forma balance sheet should reflect the adjustments required under business combination and fair value accounting standards;**

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<sup>7</sup> This type of applicant includes a company or similar organization that on a pro forma basis would be subject to the Board’s Small Bank Holding Company Policy Statement.

The requested financial information is provided in Exhibit 6.

- b. For an applicant that is or would be subject to consolidated capital standards following consummation of the proposed transaction<sup>8</sup>, provide parent company and consolidated balance sheets as of the end of the most recent quarter, showing separately each principal group of assets, liabilities, and capital accounts; debit and credit adjustments (explained by detailed footnotes) reflecting the proposed transaction; and the resulting pro forma balance sheets; and**

**the financial information provided should be prepared in accordance with GAAP, and be in sufficient detail to reflect any:**

- **Common equity and preferred stock;**
- **Other qualifying capital;<sup>9</sup>**
- **Long —and short—term debt;**
- **Goodwill and all other types of intangible assets;**
- **Material changes between the date of the balance sheet and the date of the application (explained by footnotes).**

Not applicable.

- c. Provide a broad discussion on the valuation of the target entity and any anticipated goodwill and other intangible assets. Also discuss the application of fair value and any election to apply push-down accounting adjustments, as appropriate.**

CCF, HBI and Providence believe that the Transaction presents significant opportunities for improved operational efficiencies and soundness and customer product offerings for the combined companies and respective shareholders. Based on CCF's closing share price on December 19, 2018, the day before the announcement of the Business Combination Agreement, this all-stock Transaction is valued at \$24.24 per HBI share and \$3.12 per Providence share, or approximately \$105 million in the aggregate. The valuations of HBI and Providence were arrived at after careful consideration by CCF, HBI and Providence along with their outside financial advisers.

The Transaction is projected to deliver long-term earnings-per-share accretion to CCF shareholders by 2020, with a tangible book value earn-back period of 4.5 years (based on each company's stand-alone projections, estimated combined

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<sup>8</sup> This type of applicant includes a company or similar organization that on a pro forma basis would not be subject to Board's Small Bank Holding Company Policy Statement.

<sup>9</sup> Other qualifying capital includes, but is not limited to, trust preferred securities.

company cost synergies, anticipated purchase accounting adjustments, and the expected Transaction closing time-frame). In addition, the transaction is expected to generate approximately \$4.3 million in annual run-rate cost synergies by 2021.

HBI and Providence's assets and liabilities will be recorded at fair value at the Effective Time. For purposes of preparing pro forma condensed combined financial information included within this Application, the fair value of HBI and Providence's assets and liabilities as of December 31, 2018 were estimated based upon available information and certain assumptions considered reasonable. However, such estimates may be revised as additional information becomes available.

Core deposit intangible assets for purposes of preparing pro forma condensed combined financial information included within this Application have been preliminarily estimated to have an aggregate value of 2.77% of HBI and Providence's aggregate non-time customer deposits, resulting in a preliminary core deposit intangible asset of \$10.8 million. Other pro forma fair value purchase accounting adjustments, primarily consisting of fair value credit and interest discounts on HBI and Providence loans and other assets, the computation of estimated goodwill as of December 31, 2018 resulting from the Transaction, are shown in the parent company pro forma balance sheet in Exhibit 6 attached hereto.

Under purchase accounting, the fair value adjustments and recognition of goodwill will be recognized at CCF at the time of the Mergers, and at the Surviving Bank at the time of the Bank Mergers, which is currently anticipated to occur immediately following the Mergers.

- 9. For an applicant that is or would be subject to consolidated capital requirements under Regulation Q (12 CFR part 217) following consummation of the proposed transaction, provide a breakdown of the organization's existing and pro forma risk-weighted assets as of the end of the most recent quarter, showing each principal group of on and off-balance sheet assets and the relevant risk-weight. Also, identify the existing and pro forma components of common equity tier 1, additional tier 1 and tier 2 capital pursuant to the capital adequacy regulations as of the end of the most recent quarter, and provide calculations of applicant's existing and pro forma common equity tier 1 capital, tier 1 capital, total capital, and leverage ratios pursuant to the capital adequacy regulations. If applicable, also provide the applicant's existing and pro forma supplementary leverage ratio pursuant to the capital adequacy regulations.**

Not applicable.

- 10. Provide for the applicant and any other Bank(s)/Bank Holding Company(ies) that would result from the proposal:**

- a. **A description of any plans (in connection with the proposed transaction, or otherwise) to issue, incur, or assume additional common equity, preferred stock, other qualifying capital, and/or debt. As relevant, specify the amount, purpose, name and location of the issuer and/or lender; provide a copy of any loan agreement, loan commitment letter from the lender, or other underlying agreement which provides the interest rate, maturity, collateral, and proposed amortization schedule; and discuss what resources would be used to service any debt or capital instruments arising from the propose transaction; and**

### **Common Stock**

In connection with the Transaction, CCF will issue a number of shares of CCF Common Stock in satisfaction of the merger consideration being offered to HBI and Providence shareholders, as described in response to Question 1.d. above.

### **Trust Preferred Securities**

As of December 31, 2018, HBI had \$10.3 million of outstanding Junior Subordinated Debentures related to the trust preferred securities of Liberty Shares Statutory Trust II due 2036 (“*Debt Securities*”). The Debt Securities are callable at any time without penalty and have a variable interest rate of three-month LIBOR plus 1.48%. Annual debt servicing on the Debt Securities is approximately \$421,270 based on current interest rates. Under the Business Combination Agreement, at the effective time of the HBI Merger, CCF will assume the obligations to make all payments of principal and interest on the Debt Securities. The required annual principal and interest servicing will be satisfied from CCF’s cash reserves and dividends CCF receives from Heritage Bank. The Surviving Bank financial statement projections submitted by CCF included at Exhibit 6 reflect more than adequate capacity for the Surviving Bank to pay dividends to CCF to service the Debt Securities.

### **Additional Debt and Warrant Exercises**

CCF will incur up to \$5.5 million of additional debt in the form of an unsecured revolving line of credit and will use the proceeds of such debt, together with available CCF cash (which CCF anticipates to increase as a result of the exercise of CCF warrants that otherwise expire on July 28, 2019 and have an exercise price of \$5.00 per share or approximately \$4.2 million in the aggregate)<sup>10</sup>, to contribute \$5 million to the capital of Heritage Bank on or before the date of the Bank Mergers and thereby provide additional common equity tier 1 capital for Heritage Bank. As of 12/31/18, CCF had \$3.4 million outstanding on a \$4.5 million revolving line of credit, and this revolving line of credit limit will be

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<sup>10</sup> The warrants have a net exercise feature, so the amount of cash to be received will depend on the number of warrants net-exercised and those exercised for cash.

increased to \$10.0 million in order to provide the up to \$5.0 million of additional debt.

**b. Cash flow projections under the following limited circumstances;**

Not applicable.

- (i) For an Applicant that is or would be subject to consolidated capital standards following consummation of the proposed transaction and that would incur or assume any debt in the proposal such that parent company long-term debt would exceed 30 percent of parent company equity capital, provide cash flow projections for the parent company for each of the next three years, along with supporting schedules for each material cash receipt and disbursement. If an applicant projects that dividends or other payments from subsidiary banks will be used to service parent company debt and/or other obligations, provide projections of subsidiary bank(s) assets, earnings, and dividends, as well as common equity tier 1, additional tier 1, total capital, and leverage ratios (including the supplementary leverage ratio, if applicable) pursuant to the capital adequacy regulations. If the combined assets of the subsidiary banks exceed the asset threshold of the Board's Small Bank Holding Company Policy Statement, subsidiary bank data may be shown on an aggregate basis;**
- (ii) For an applicant that is not or would not be subject to consolidated capital standards following consummation of the proposed transaction and that would incur or assume any debt or other obligations in the proposal such that parent company debt<sup>11</sup> would exceed 30 percent of parent company equity capital, provide cash flow projections for the parent company for each of the next twelve years, along with supporting schedules for each material cash receipt and disbursement. These projections must clearly demonstrate the ability of the parent company to reduce the debt to equity ratio to 30 percent or less within twelve years of consummation and must take into account the schedule of principal reduction required by the parent company's creditor(s). Include projections of subsidiary bank(s) assets, earnings, dividends, and other payments to affiliates, as well as common equity tier 1 capital, tier 1 capital, total capital and leverage ratios. Explain the methods and assumptions utilized in the projections, and support all assumptions which deviate from historical performance.**

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<sup>11</sup> Including any debt issued/incurred by nonbanking subsidiaries, such as trust preferred securities.

- c. **If the proposed transaction results in a change in ownership of the company (e.g., due to an exchange of stock), provide a current and pro forma shareholders list.**

Following the Transaction, CCF shareholders are expected to hold approximately 44% of the total number of outstanding shares of the Surviving Corporation, shareholders of HBI are expected to hold approximately 49% and shareholders of Providence are expected to hold approximately 7%, each on a fully-diluted basis. A pro forma capitalization table reflecting the proposed transaction is included as Exhibit 4 hereto. Following the Transaction, Mr. Lehman will hold approximately 49.6% of the outstanding shares of the Surviving Corporation and approximately 43.6% of the Surviving Corporation on a fully diluted basis, and no other shareholder will hold more than 5% of the Surviving Corporation's common stock.

- d. **If the subject transaction will be funded in whole, or in part, through the issuance of additional stock instruments, describe the current status of the stock raising efforts. Provide copies of the prospectus, private placement memorandum, and other documents associated with the capital raise. In addition, provide copies of any stock commitments, subscription agreements, or escrow account statements evidencing capital raised. Before submitting a final application, please contact the appropriate Federal Reserve Bank to discuss the timing considerations of the capital raising efforts with regard to submission of the application.**

Not applicable.

11. **For applications filed pursuant to section 3(a)(1) of the BHC Act, provide for Applicant and Bank a list of principals (including changes or additions to this list to reflect consummation of the transaction), providing information with respect to each as follows:**

Not applicable.

- a. **Name and address (City and State/Country). If the principal's country of citizenship is different from his or her country of residence, then state the country of citizenship;**
- b. **Title or positions with Applicant and Bank;**
- c. **Number and percentage of each class of shares of Applicant and Bank owned, controlled, or held with power to vote by this individual;<sup>12</sup>**

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<sup>12</sup> Include shares owned, controlled or held with power to vote by principal's spouse, dependents and other immediate family members. Give record ownership and, to the extent information is available, beneficial ownership of shares held by trustees, nominees, or in street names.

- d. **Principal occupation if other than with Applicant or Bank; and**
  - e. **Percentage of direct or indirect ownership, if such ownership represents 10 percent or more of any class of shares, or positions held in any other depository institution or depository institution holding company.<sup>13</sup> Give the name and location of such other depository institution or depository institution holding company. (Information that has been collected or updated within the past 12 months may be submitted, unless Applicant has reason to believe that such information is incorrect.)**
  - f. **Interagency Biographical and Financial Reports (IBFRs) are required for certain individuals. Consult with the appropriate Reserve Bank for guidance on who should provide an IBFR. See SR15-8 Name Check Process for Domestic and International Applications for more details; and**
  - g. **If the principal is a corporation or partnership, provide financial statements (balance sheets and income statements) for the two most recent fiscal years and the most recent quarter end. Discuss any negative trends in the financial statements.**
- 12. For applications filed pursuant to sections 3(a)(3) or 3(a)(5) of the BHC Act, list any changes in management or other principal relationships for Applicant and the Bank(s)/Bank Holding Company(ies) that would result from the proposal. For any existing or proposed principal of Applicant or Bank/Bank Holding Company that is also a principal of any other depository institution or depository institution holding company, provide the following information:**
- a. **Name, address, and title or position with Applicant, Bank/Bank Holding Company, and the other depository institution or depository institution holding company (give the name and location of the other depository institution or depository institution holding company);**
  - b. **Number and percentage of each class of shares of Applicant and Bank/Bank Holding Company owned, controlled, or held with power to vote by this individual;<sup>14</sup>**
  - c. **Principal occupation if other than with Applicant or Bank/Bank Holding Company;**
  - d. **Percentage of direct or indirect ownership held in the other depository institution or depository institution holding company if such ownership represents 10 percent or more of any class of shares. (Information that has**

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<sup>13</sup> For purposes of this application, a “depository institution” is defined as a commercial bank (including a private bank), a savings bank, a trust company, a savings and loan association, a homestead association, a cooperative bank, an industrial bank, or a credit union.

<sup>14</sup> As defined in footnote number 6.

been collected or updated within the past 12 months may be submitted, unless Applicant has reason to believe that such information is incorrect.); and

- e. For any new (to applicant) principal shareholders, directors, or senior executive officer, provide an IBFR including completion of all required financial information.

### **Surviving Corporation Board of Directors**

At the Effective Time, the board of directors of the Surviving Corporation will consist of nine directors initially consisting of the following individuals:

- ***From CCF:*** Leonard Moreland, the Chief Executive Officer of CCF, Kenneth Lehman (Chairman) and Roy Hall, an independent director;
- ***From HBI:*** Brian Smith, the President of HBI Bank, and Jeff Arnold, an independent director;
- ***From Providence:*** Brad Serff, the President of Providence, and John Mansour, an independent director; and
- ***Additional Independent Directors:*** John Presley and David Rupp.

### **Management of the Surviving Corporation**

At the Effective Time, the following individuals will serve as executive officers of the Surviving Corporation:

- Leonard Moreland, current President and Chief Executive Officer of CCF, will become and serve as Chief Executive Officer of the Surviving Corporation;
- Brian Smith current President and Chief Executive Officer of HBI, will become and serve as President and Chief Operating Officer of the Surviving Corporation. (an IBFR for Mr. Smith is attached hereto as Exhibit 9);
- Philip Resch, the current Chief Financial Officer of HBI, will become and serve as the Chief Financial Officer of the Surviving Corporation; and
- Brad Serff, current President and Chief Executive Officer of Providence, will become and serve as Executive Vice President of the Surviving Corporation.

### **Board of Directors of the Subsidiary Bank**

Following the closing of the Bank Mergers, the board of directors of Heritage Bank will be comprised of 11 directors, including Leonard Moreland, Kenneth Lehman, Brad Serff, Brian Smith, and 7 additional directors, which shall consist of (i) three additional directors designated by the board of directors of Heritage Bank, (ii) three additional directors designated by the board of directors of HBI Bank, and (iii) one additional director designated by the board of directors of Providence. CCF will supplement this



Application with the names of the remaining directors when they are determined, which is anticipated to be by April 1, 2019.

**Principal Relationships**

Kenneth Lehman, who serves on the boards of directors of (a) CCF (and Heritage Bank) and HBI (and HBI Bank), and (b) also owns equity in each of CCF, HBI and Providence as set forth in Exhibit 4, also serves on the board of directors of the following other insured depository institutions and depository institution holding companies and holds the following equity ownership in each as of March 5, 2019:

<b>Depository Institutions / Bank Holding Companies</b>	<b>Position/Relationship</b>	<b>Lehman Ownership</b>
Delmar Bancorp The Bank of Delmarva 910 Norman Eskridge Highway Seaford, Delaware 19973	Director	41%
Marine Bancorp of Florida, Inc. Marine Bank & Trust 571 Beachland Boulevard Vero Beach, Florida 32963	Director	44%
Village Bank & Trust Financial Corporation Village Bank 13531 Midlothian Turnpike Midlothian, Virginia 23113	Principal shareholder	50%
Virginia Partners Bank 410 William Street Fredericksburg, Virginia 22401	Director	42%
ABB Financial Group, Inc. Affinity Bank 400 Galleria Parkway SE, Suite 900 Atlanta, Georgia 30339	Director	51%

Mr. Lehman is a private investor and former banking and securities attorney.

13. **If the consolidated assets of the resulting organization are less than the asset threshold of the Board’s Small Bank Holding Company Policy Statement for each principal of the applicant who either would retain personal indebtedness or act as guarantor for any debt that was incurred in the acquisition of shares of the applicant or the Bank/Bank Holding Company, provide the following:**

Not applicable.

- a. **Name of borrower and title, position, or other designation that makes the borrower a principal of Applicant;**
  - b. **Amount of personal indebtedness to be retained;**
  - c. **A description of the terms of the borrowing, the name and location of the lender; and a copy of any related loan agreement or loan commitment letter from the lender;**
  - d. **Statement of net worth as of a date within three months of Applicant's final filing of the application. The statement of net worth should be in sufficient detail to indicate each principal group of assets and liabilities of the reporting principal, and the basis for the valuation of assets (provide supporting documentation, as appropriate). In addition to debts and liabilities, the reporting principal should state on a separate schedule, any endorsed, guaranteed, or otherwise indirect or contingent liability for the obligation of others; and**
  - f. **Statement of most current year's income. In addition to indicating each principal source of annual income, the reporting principal should list annual fixed obligations arising from amortization and other debt servicing. (If the most current year's statement is not representative of the future, the reporting principal should submit a pro forma income statement and discuss the significant changes.)**
14. **Describe any litigation or investigation by local, state, or federal authorities involving the applicant or any of its subsidiaries or the target or any of its subsidiaries that is currently pending or was resolved within the last two year.**

None

### **Competition**

**If the subject transaction is a bank holding company formation involving only one bank or an application filed pursuant to section 3(a)(3) or 3(a)(5) of the BHC Act to acquire a *de novo* bank, a response to items 14 and 15 is not required. Otherwise, Applicant should contact the appropriate Reserve Bank to determine whether a response to items 14 and 15 will be necessary. If a response is required, Applicant should obtain a preliminary definition of the relevant banking markets from the appropriate Reserve Bank. If Applicant disagrees with the Reserve Bank's preliminary definition of the banking market(s), it may in addition to supplying the information requested on the basis of the Reserve Bank's definition of the banking market(s), include its own definition of the banking market(s), with supportive data, and answer the questions based on its definition.**

**If later analysis leads Federal Reserve staff to alter the preliminary definition provided, Applicant will be so informed.**

- 15. Discuss the effects of the proposed transaction on competition considering the structural criteria specified in the Board’s Rules Regarding Delegation of Authority (section 265.11c(11)(v)). Applicant may be required to provide additional information if Federal Reserve staff determines that the proposal exceeds existing competitive guidelines. Also, if divestiture of all or any portion of any bank or nonbanking company constitutes part of this proposal, discuss in detail the specifics and timing of such divestiture.**

Section 265.11(c)(11) of Part 265 of the Federal Reserve’s Rules Regarding Delegation of Authority authorizes a Federal Reserve Bank to approve applications requiring prior approval of the Federal Reserve unless certain conditions are present. Such conditions include, under Section 265.11(c)(11)(v) with respect to bank acquisitions, the condition that in a proposed transaction involving two or more banking organizations, consummation of the proposal would result in “control over 35 percent of total deposits (including 50 percent of thrift deposits) in banking offices in the relevant geographic market, or would result in an increase of at least 200 points in the HHI in a highly concentrated market (a market with a post-merger HHI of at least 1800).”

An analysis of the proposed Transaction indicates that the only market in which the parties have overlapping branches is in the Atlanta, Georgia banking market as defined by the Federal Reserve Bank of Atlanta. The Atlanta, Georgia banking market includes Bartow, Cherokee, Clayton, Cobb, Coweta, Dawson, DeKalb, Douglas, Fayette, Forsyth, Fulton, Gwinnett, Henry, Newton, Paulding, Rockdale, and Walton Counties, Georgia; Hall County, Georgia (minus the town of Clermont); the towns of Auburn and Winder in Barrow County, Georgia; and Luthersville in Meriwether County, Georgia. Based on the transactional HHI analysis attached hereto as Exhibit 8, the pre-merger HHI (weighted deposits) for the Atlanta, Georgia market is 1546 and the post-merger HHI (weighted deposits) is unchanged at 1546. Following consummation of the proposed Transaction, total deposits held at the parties’ offices in the Atlanta, Georgia banking market would represent less than 1% of total deposits in that market. These results of the competitive analysis indicate that there are no anticipated competitive issues as a result of the Transaction.

No divestitures are contemplated as part of the Transaction.

- 16. If the proposal involves the acquisition of nonbank operations under section 4(c)(8) and 4(j) of the Bank Holding Company Act, a Form FR Y-4 should be submitted in connection with FR Y-3 filing. At a minimum, the information related to the nonbank operations should include the following:**

Not applicable.

- a. A description of the proposed activity(ies);**

- b. The name and location of Applicant’s and Bank’s direct or indirect subsidiaries that engage in the proposed activity(ies);
- c. Identification of the geographic and product markets in which competition would be affected by the proposal;
- d. A description of the effect of the proposal on competition in the relevant markets; and
- g. A list of major competitors in that market in the proposed activity.

In addition, Applicant should identify any other nonbank operations to be acquired, with brief descriptions of the activities provided.

17. In an application in which any principal of Applicant or Bank/Bank Holding Company is also a principal of any other insured depository institution or depository institution holding company, give the name and location of each office of such other institution that is located within the relevant banking market of Bank/Bank Holding Company, and give the approximate road miles by the most accessible and traveled route between those offices and each of the offices of Bank/Bank Holding Company.

CCF operates in one banking market – Atlanta, Georgia. HBI operates in eight banking markets—Brunswick area, Georgia; Bulloch County, Georgia; Camden County, Georgia; Fort Stewart area, Georgia; Savannah area, Georgia; Waycross area, Georgia; Wayne County, Georgia; and Duval County, Florida. Providence operates in one banking market—Atlanta, Georgia.

As noted in response to Question 12, above, Mr. Lehman serves on the boards of directors of ABB Financial Group, Inc., and its wholly-owned subsidiary, Affinity Bank. Affinity Bank operates in one banking market—Atlanta, Georgia—which overlaps with Providence and CCF.

Affinity Bank has one branch in the Atlanta, Georgia banking market located at 400 Galleria Parkway SE, Suite 900, Atlanta, Georgia 30339 (the “**AB Branch**”), and Providence has one branch in the Atlanta, Georgia banking market located at 4955 Windward Parkway, Alpharetta, Georgia 30004. The approximate distance between these two branches is 24 miles.

CCF operates 6 branches in the Atlanta, Georgia banking market. The following chart shows the approximated distance between each of these branches and the AB Branch

<b>CCF Branch</b>	<b>Distance from AB Branch</b>
Heritage Bank (Main Office) 101 North Main St. Jonesboro, Georgia 30236	28.9 miles

Fayetteville Branch 440 North Jeff Davis Drive Fayetteville, Georgia 30214	33.0 miles
Keys Ferry Branch 203 Keys Ferry Street McDonough, Georgia 30253	42.0 miles
Evans Street Branch 822 Main Street Forest Park, Georgia 30297	22.5 miles
McDonough Branch Office 1705 Highway 20 West McDonough, Georgia 30253	41.5 miles
Stockbridge Branch 830 Eagles Landing Parkway, Suite 100 Stockbridge, Georgia 30281	35.5 miles

**Convenience and Needs**

- 18. Describe how the proposal would assist in meeting the convenience and needs of the community(ies) to be served, including but not limited to the following:**
- a. Summarize efforts undertaken or contemplated by the applicant to ascertain and address the needs of the community(ies) to be served, including community outreach activities, as a result of the proposal.**
  - b. For the combining institutions, list any significant anticipated changes in services or products offered by the depository subsidiary (ies) of the applicant or target that would result from the consummation of the transaction.**
  - c. To the extent that any products or services of the depository subsidiary (ies) of the applicant or target would be offered in replacement of any products or services to be discontinued, indicate what these are and how they would assist in meeting the convenience and needs of the communities affected by the transaction.**
  - d. Discuss any enhancements in products or services expected to result from the transaction**

CCF believes that consummation of the proposed Transaction would meet the convenience and needs of the communities served by Heritage Bank, HBI Bank and Providence. The proposed Transaction will meet the convenience and needs of the community by making the resources of Heritage Bank available to provide loans and other products and services to the communities served by Heritage Bank, HBI Bank and Providence and by expanding the retail outlets available to the present customers of each. In addition, the potential expense-savings opportunities in connection with the Transaction, will strengthen the Resultant Institution and result in efficiency gains to permit additional ongoing investments to better support the customer experience.

Heritage Bank, HBI Bank and Providence offer a number of banking services and products and each product has a number of features. Deposit products of the three banks reflect varying combinations of interest rates, service charges, minimum balances and funds availability. Loan products also involve different features. Heritage Bank, HBI Bank and Providence are in the process of evaluating the loan and deposit products and services offered by Heritage Bank, HBI Bank and Providence to determine the differences between the various offerings and what, if any, adjustments will be made. No final decisions have been made but, in any event, CCF does not expect any material discontinuations in products or services or material increases in customer fees resulting from the proposed Transaction.

The proposed Transaction will also bring expanded product capabilities to each bank's clients. Specifically, as a result of the economies of scale achieved by the Transaction, Heritage Bank will be able to expand its depth of product offerings in commercial cash management and treasury services for corporate clients and residential mortgage offerings for individual clients. Heritage Bank will also leverage the existing expertise of each bank to provide more efficient services to its clients.

Accordingly, by leveraging the combined strengths of each organization, Heritage Bank will build a stronger and more stable franchise that benefits from greater scale and density, more geographic and customer diversity, and a broader scope of products and services and increased convenience for consumer, small business and commercial clients. This will benefit the current and future customers of the Resultant Institution through more efficient and cost-effective delivery that will allow for enhanced levels of products and services. The parties are developing a thorough plan to expeditiously integrate the three organizations with a minimum amount of disruption to current customers.

- 19. Describe how the applicant and resultant institution, including its depository subsidiary (ies) would assist in meeting the existing and anticipated needs of its community(ies) under the applicable criteria of the Community Reinvestment Act (CRA) and its implementing regulations, including the needs of low- and moderate-income geographies and individuals. This discussion should include, but not necessarily be limited to, a description of the following:**

- a. **The significant current and anticipated programs, products, and activities, including lending, investments, and services, as appropriate, of the depository subsidiary (ies) of the applicant and the resultant institution.**

Heritage Bank, HBI Bank and Providence each received an overall “Satisfactory” rating on its most recent CRA evaluation, and following the Transaction, the Resultant Institution will continue to meet the existing and anticipated needs of the communities served by Heritage Bank, HBI Bank and Providence, including the needs of low- to moderate-income (“*LMI*”) individuals and communities, under the CRA.

### **Heritage Bank**

Heritage Bank is an active participant in the communities it serves and has effective procedures in place to ensure that the bank is effectively meeting the credit needs of its Community Reinvestment Act (“*CRA*”) assessment area, including LMI individuals and geographies. Heritage Bank received an overall CRA performance rating of “Satisfactory” from the FDIC at its most recent evaluation, dated as of February 1, 2017, which included a “Satisfactory” rating for both the lending test and community development test. The review period for this CRA performance evaluation was April 1, 2014 to the evaluation date of February 1, 2017. The FDIC reviewed Heritage Bank using the CRA Examination procedures for Intermediate Small Banks. The 2017 Evaluation stated that there was no evidence of discriminatory or other illegal credit practices during the evaluation period.

In 2015, Heritage Bank established the Heritage Community Foundation (“*HCF*”), which leverages the brand of Heritage Bank to raise funds to support local non-profit organizations. In its first four years of existence, HCF has raised and distributed approximately \$500,000 within Heritage Bank’s primary trade area. Heritage Bank provides full financial support for HCF and, combined with its employees, contributes approximately 50% of HCF’s annual receipts. In 2019, HCF’s role will be expanded to include the distribution of grants for residents of low to moderate income geographies within Heritage Bank’s assessment area for home repairs. This program will be administered through the local Habit for Humanity Office and will be fully funded by Heritage Bank. Heritage Bank expects to expand this program into the service areas of HBI Bank and Providence following the Transaction.

Heritage Bank has established outreach programs that provide financial literacy education in local schools, specifically in low to moderate income areas, in order to assist with managing credit.

### **HBI Bank**

HBI Bank is an active participant in the communities it serves and has effective procedures in place to ensure that the bank is effectively meeting the credit needs of its CRA assessment area, including LMI individuals and geographies. HBI Bank received a CRA performance rating of “Satisfactory” from the FDIC at its most recent evaluation, dated as of January 16, 2018, which included a “Satisfactory” rating for both the lending test and community development test. The review period for this CRA performance evaluation was November 17, 2014 to the evaluation date of January 16, 2018. The FDIC reviewed HBI Bank using the CRA Examination procedures for Intermediate Small Banks. The 2018 Evaluation stated that there was no evidence of discriminatory or other illegal credit practices during the evaluation period.

**Providence**

Providence is an active participant in the communities it serves and has effective procedures in place to ensure that the bank is effectively meeting the credit needs of its CRA assessment area, including LMI individuals and geographies. Providence received a CRA performance rating of “Satisfactory” from the FDIC at its most recent evaluation, dated as of March 13, 2017, which included a “satisfactory” rating on the lending test. The review period for this CRA performance evaluation was July 13, 2011 to the evaluation date of March 13, 2017. The FDIC reviewed Providence using the CRA Examination procedures for Intermediate Small Banks. The 2017 Evaluation stated that there was no evidence of discriminatory or other illegal credit practices during the evaluation period.

- b. The anticipated CRA assessment areas of the depository subsidiary(ies) of the combined institution. If assessment areas of the depository subsidiary(ies) of the resultant institution would not include any portion of the current assessment area of that subsidiary, describe the excluded areas.**

**Heritage Bank**

Heritage Bank has established one assessment area, which includes portions of the following counties: Clayton, Henry, and Fayette Counties, all located within the Atlanta-Sandy Springs-Roswell, GA Metropolitan Statistical Area (Atlanta MSA).

**HBI Bank**

HBI currently has established four assessment areas throughout southeast Georgia and one in northeast Florida, as more fully described in the following table.

<b>Description of Assessment Area</b>		
<b>Assessment Area</b>	<b>Counties in Assessment Area</b>	<b># of Branches</b>
Hinesville	Liberty and Long	5



GA Non-MSA (p)	Bulloch, Camden, Clinch, Pierce, Ware, and Wayne	6
Brunswick	Brantley, Glynn, and McIntosh	3
Savannah (p)	Bryan and Chatham	2
Jacksonville (p)	Duval	1
<b>Total</b>		<hr/> 17

(p) indicates portion of MSA

### **Providence**

Providence has established one assessment area, which includes portions of the following counties: Cherokee, Cobb, Dekalb, Forsyth, Fulton, and Gwinnett, all of which are located within the Atlanta MSA.

### **Anticipated Changes to Assessment Areas**

The anticipated CRA assessment areas of the Resultant Institution are expected to include all current assessment areas of Heritage Bank, HBI Bank and Providence.

**c. The plans for administering the CRA program for the depository subsidiary (ies) of the resultant institution following the transaction.**

Following the proposed Transaction, the Resultant Institution intends to leverage the CRA and consumer protection compliance strengths of each bank to create a strong and comprehensive combined compliance program.

Each of Heritage Bank, HBI Bank and Providence have demonstrated a commitment to serving the needs of their communities and the Resultant Institution will be committed to continuing to serve the existing programs under the CRA program of each bank. CCF believes the synergies between the existing CRA programs of Heritage Bank, HBI Bank and Providence will be of benefit to the communities in the combined footprint with the Resultant Institution being well-positioned to continue providing services to LMI communities served.

The Resultant Institution intends to effectively merge the CRA programs of Heritage Bank, HBI Bank and Providence, adopting best practices from each bank's processes, policies and procedures to build a CRA program for the Resultant Institution that represents a further enhancement to the already strong CRA records of each bank.

**d. For a subsidiary of the applicant or target that has received a CRA composite rating of "needs to improve" or "substantial noncompliance" institution-wide or, where applicable, in a state or multi-state Metropolitan Statistical Area (MSA), or has received an evaluation of less than satisfactory performance in an MSA or in the non-MSA portion of a state in which the applicant is expanding as a result of the transaction, describe the specific**

actions, if any, that have been taken to address the deficiencies in the institutions CRA performance record since the rating.

Not applicable.

20. List all offices of the depository subsidiary (ies) of the applicant or target that (a) will be established or retained as branches, including the main office, of the target's depository subsidiary (ies), (b) are approved but unopened branch(es) of the target's depository subsidiary (ies), including the date the current federal and state agencies granted approval(s), and (c) are existing branches that will be closed or consolidated as a result of the proposal (to the extent the information is available) and indicate the effect on the branch customers served. For each branch, list the popular name, street address, city, county, state, and zip code specifying any that are in low- and moderate-income geographies.<sup>15</sup>

The following is a list of branch offices of Heritage Bank, HBI Bank and Providence that are currently operating as of the date of this Application, and will continue to be operated as branches of Heritage Bank, following the Transaction:

<b>Heritage Bank Branches</b>	
Popular Name	Location
Heritage Branch (Main office)	101 North Main St. Clayton County Jonesboro, Georgia 30236
Fayetteville Branch	440 North Jeff Davis Drive Fayette County Fayetteville, Georgia 30214
Keys Ferry Branch	203 Keys Ferry Street Henry County McDonough, Georgia 30253
Evans Street Branch	822 Main Street Clayton County Forest Park, Georgia 30297
McDonough Branch Office	1705 Highway 20 West Henry County McDonough, Georgia 30253
Stockbridge Branch	830 Eagles Landing Parkway, Suite 100

<sup>15</sup> Please designate branch consolidations as those terms are used in the Joint Policy Statement on Branch Closings [64 CFR 34844 (June 29, 1999)]

### Heritage Bank Branches

Popular Name	Location
	Henry County Stockbridge, Georgia 30281

### HBI Bank Branches

Popular Name	Location
Jacksonville Branch Office	10328 Deerwood Park Blvd. Duval County Jacksonville, Florida 32256
Blackshear Branch	228 Main Street Pierce County Blackshear, Georgia 31516
Brunswick Branch	103 Scranton Connector Glynn County Brunswick, Georgia 31525
Darien Branch	1142 North Way McIntosh County Darien, Georgia 31305
Fort Stewart Branch	32 Wurzburg St. Liberty County Fort Stewart, Georgia 31314
The Heritage Bank Branch	300 South Main Street Liberty County Hinesville, Georgia 31313
Hinesville Walmart Branch#	751 W. Oglethorpe Hwy. Liberty County Hinesville, Georgia 31313
Homerville Branch	56 East Dame Avenue Clinch County Hinesville, Georgia 31634
Jesup Branch	292 South Macon Street Wayne County Jesup, Georgia 31545
Ludowici Branch	32 McDonald Street Long County Ludowici, Georgia 31316

**HBI Bank Branches**

Popular Name	Location
Midway Branch	248 Butler Avenue Liberty County Midway, Georgia 31320
Nahunta Branch*	113 East Cleveland Street Brantley Branch Nahunta, Georgia 31553
Pembroke Branch	16 Railroad Street East Bryan County Pembroke, Georgia 31321
St Marys Branch	392 Charlie Smith, Sr. Hwy Camden County Saint Marys, Georgia 31558
Savannah Branch	620 Stephenson Avenue Chatham County Savannah, Georgia 31405
Statesboro Branch*	506 Fair Road Bulloch County Statesboro, Georgia 30458
Waycross Branch*	810 Plant Avenue Ware County Waycross, Georgia 31501

**Providence Branch**

Popular Name	Location
Providence Bank	4955 Windward Parkway Fulton County Alpharetta, Georgia 30004

\*Denotes branches in low- and moderate-income geographies.

#HBI Bank has received regulatory approval to close its Hinesville Walmart Branch on April 23, 2019. The closing of this branch is not related to the proposed transaction.

The parties do not currently contemplate closing or consolidating any existing branches as a result of the transaction.

## **Interstate Banking**

- 21. If the transaction involves the acquisition of a bank located in a State other than the home State of the applicant, please provide the following information, as applicable:**

Not applicable.

- a. Identify any host state(s) involved with this transaction that require the target to be in operation for a minimum number of years and discuss compliance with this age requirement.**
- b. Discuss compliance with nationwide and statewide deposit concentration limits to the transaction.**
- c. Discuss compliance with state-imposed deposit caps.**
- d. Discuss compliance with community reinvestment laws.**
- e. Discuss any other restrictions that the host state(s) seek to apply (including state antitrust restrictions).**

## **Financial Stability**

**If either the acquirer or the target's total assets exceeds \$10 billion as of the most recent quarter for which data is available, address the following questions**

- 22. If either the acquirer or the target conducts any cross-border activities, please describe the nature of these activities and the amounts of cross-border assets and liabilities as of the most recent quarter for which data is available.**

Not applicable.

- 23. For each financial service below, if the dollar volume related to the service provided either by the acquirer or the target exceeds \$1 billion, please report the annual volume over the past 12 months (otherwise, do not report).**

Not applicable.

<b>Financial Service</b>	<b>Acquirer</b>	<b>Target</b>
Short-term funding ( <i>e.g.</i> , in repos, fed funds)		
Underwriting services ( <i>e.g.</i> , equity, corporate bonds, commercial paper, ABS)		
Trading activities ( <i>e.g.</i> , equity, corporate bonds, derivatives)		
Payments, clearing, settlement, and custody services		

Prime brokerage  
Securities lending  
Corporate trust  
Correspondent banking  
Wealth management  
Insurance (including reinsurance)

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## Exhibit 1

### Form of Newspaper Notice

The following notice will be published on March 20, 2019 in each of *The Clayton-News Daily* (Jonesboro) and *The Coastal Courier* (Hinesville) and on March 21, 2019 in *The Alpharetta-Roswell Herald*. Proof of publication will be provided as soon as it becomes available.

### **Notice of Application for Merger of Bank Holding Companies and Acquisition of a Bank by a Bank Holding Company**

CCF Holding Company, 101 South Main Street, Jonesboro, GA 30236 intends to apply to the Federal Reserve Board for permission to (i) merge with another bank holding company, Heritage Bancorporation, Inc., 300 South Main Street Hinesville, Georgia 31313, and thereby acquire control of The Heritage Bank, a Georgia state-chartered bank and wholly-owned subsidiary of Heritage Bancorporation, Inc.; and (ii) acquire control of Providence Bank, a Georgia state-chartered bank, 4955 Windward Parkway, Alpharetta, Georgia 30004. The Federal Reserve considers a number of factors in deciding whether to approve the application, including the record of performance of banks we own in helping to meet local credit needs.

You are invited to submit comments in writing on this application to the Federal Reserve Bank of Richmond, P.O. Box 27622, Richmond, VA 23261 and to the Georgia Department of Banking and Finance, 2990 Brandywine Road, Suite 200, Atlanta, GA 30341. Comments can also be sent electronically to [comments.applications@rich.frb.org](mailto:comments.applications@rich.frb.org). The comment period will not end before April 19, 2019 and may be somewhat longer. The Board's procedures for processing applications may be found at 12 C.F.R. Part 262. Procedures for processing protested applications may be found at 12 C.F.R. 262.25. To obtain a copy of the Federal Reserve Board's procedures, or if you need more information about how to submit your comments on the application, contact Adam M. Drimer, Assistant Vice President, at (804) 697-8980. The Federal Reserve will consider your comments and any request for a public meeting or formal hearing on the application if they are received in writing by the Reserve Bank on or before the last day of the comment period.

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Exhibit 2

Business Combination Agreement

(Exhibit withheld pursuant to a request for confidential treatment under 5 U.S.C. § 552(b)(4), (6))



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Exhibit 3

Bank Merger Agreements

(Exhibit withheld pursuant to a request for confidential treatment under 5 U.S.C. § 552(b)(4), (6))

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Exhibit 4

Capitalization Table

(Exhibit withheld pursuant to a request for confidential treatment under 5 U.S.C. § 552(b)(4), (6))

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Exhibit 5

Strategic Plan

(Exhibit withheld pursuant to a request for confidential treatment under 5 U.S.C. § 552(b)(4), (6))

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Exhibit 6

Parent-Only Balance Sheet

(Exhibit withheld pursuant to a request for confidential treatment under 5 U.S.C. § 552(b)(4), (6))

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Exhibit 7

Bank-Level Pro Forma Financial Statements

(Exhibit withheld pursuant to a request for confidential treatment under 5 U.S.C. § 552(b)(4), (6))

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Exhibit 8

Transactional HHI Analysis by Federal Reserve Banking Market

(Exhibit withheld pursuant to a request for confidential treatment under 5 U.S.C. § 552(b)(4), (6))

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Exhibit 9

Interagency Biographical and Financial Report of Brian Smith

(Exhibit withheld pursuant to a request for confidential treatment under 5 U.S.C. § 552(b)(4), (6))