



May 31, 2018

**Conditional Approval #1196
June 2018**

Nikki Lee
Nelson Mullins Riley & Scarborough LLP
104 South Main Street
Ninth Floor
Greenville, SC 29601

Re: Plan of Voluntary Liquidation submitted on behalf of High Desert Bank of Bend, Oregon
Charter No. 718045
OCC Control No. 2018-HQ-Termination-302561

Dear Ms. Lee:

The Office of the Comptroller of the Currency (OCC) hereby provides its non-objection to the Plan of Voluntary Liquidation (Liquidation Plan) pursuant to 12 CFR 5.48 and approval of the related liquidating capital distribution pursuant to 12 CFR 5.55 filed on behalf of High Desert Bank of Bend, Oregon (Bank). The Liquidation Plan would entail a sale and transfer of assets and liabilities comprising substantially all of the Bank's business operations to Mid Oregon Federal Credit Union, Bend, Oregon (Credit Union) (P&A Transaction). Upon the closing of the P&A Transaction, the Bank shall subsequently dissolve using a Liquidating Trust as described below. The non-objection and the approval are granted after a thorough evaluation of the Liquidation Plan, other materials supplied by the Bank's representatives, and other information available to the OCC, including commitments and representations made in the filing and during the processing of the submission, and are subject to the conditions set forth herein.

The Bank is subject to a Consent Order dated July 16, 2014 (Consent Order) that requires the Bank to submit a strategic plan and capital plan to the Director for Special Supervision for no supervisory objection and to seek the approval of the Director for Special Supervision before making any capital distributions. The OCC deems the Bank's submissions for a voluntary liquidation pursuant to 12 CFR 5.48 and capital distribution pursuant to 12 CFR 5.55 as satisfying the Bank's requirements to submit a strategic plan and capital plan and to request approval of any capital distributions. By this letter, as required by Article III and IV of the Consent Order, the Director for Special Supervision hereby provides its non-objection to the Bank's strategic plan and capital plan and its approval of the liquidating capital distribution, subject to the conditions set forth herein.

The Transactions

The P&A Transaction is part of a series of transactions in which the Bank, pursuant to 12 CFR 5.48, proposes to sell and transfer assets and liabilities comprising substantially all of the Bank's business operations to the Credit Union. Upon the closing of the P&A Transaction, the Bank shall liquidate its remaining assets, pay out remaining deposit liabilities, discharge other known liabilities, establish a Liquidating Trust, and distribute the remaining assets of the Bank to the Liquidating Trust to cover contingent and unknown liabilities. Reports on the status of liquidation shall then be submitted as set forth in 12 CFR 5.48. The P&A Transaction is subject to approval by the Federal Deposit Insurance Corporation pursuant to the Bank Merger Act, 12 USC 1828(c), and the National Credit Union Administration (regarding insurance of accounts that are assumed by the Credit Union).

Discussion

A. Voluntary Liquidation

The Bank submitted a notice to the OCC for non-objection of a plan of voluntary liquidation under 12 CFR 5.48. Under section 5.48(b), a Federal savings association must provide preliminary notice to the OCC followed by a notice to the OCC once a liquidation plan is definite. A Federal savings association may not begin liquidation unless the OCC has notified the savings association that the OCC does not object to the liquidation plan. Section 5.48(d) contains the standards that the OCC will consider when reviewing a proposed liquidation plan. The liquidation will be conducted in accordance with the liquidation procedures in 12 CFR 5.48. The OCC has reviewed the Liquidation Plan in accordance with applicable laws, regulations and OCC policy, and concludes that the Liquidation Plan satisfies the applicable standards, subject to the conditions set forth herein.

B. Liquidating Capital Distribution

As part of its Liquidation Plan, the Bank plans to distribute its remaining assets to the Liquidating Trust following the P&A Transaction to cover any contingent and unknown liabilities. Once all liabilities are identified and paid, the trustee will release any remaining assets in the Liquidating Trust to residual interest holders and shareholders. The Bank has sought approval for all necessary steps in conducting its liquidation, which includes approval pursuant to 12 CFR 5.55 of a liquidating capital distribution of the Bank's remaining assets to the Bank's residual interest holders and shareholders by way of the Liquidating Trust.

The OCC's regulations at 12 CFR 5.55(h) provide that a capital distribution application may be denied if the proposed capital distribution would: (1) cause the institution to become undercapitalized, significantly undercapitalized, or critically undercapitalized as set forth in 12 CFR 6.4, as applicable, following the capital distribution;¹ (2) raise safety or soundness concerns; or (3) violate a prohibition contained in any statute, regulation, agreement between the

¹ If this factor is met, the OCC may still approve the capital distribution request if it determines that the capital distribution is permitted under 12 USC 1831o(d)(1)(B).

institution and the OCC or Office of Thrift Supervision (OTS), or a condition imposed on the institution in an application or notice approved by the OCC or OTS.²

The capital distribution is the final step in the implementation of the voluntary liquidation plan, and therefore, the OCC considered the Bank's application within that context. The liquidation will resolve the Bank's current critical condition and the OCC's supervisory concerns regarding the Bank, and the Bank will not be an operating institution at the conclusion of the capital distribution. After consideration of these facts and the standards set forth in 12 CFR 5.55(h), the OCC concludes that the Bank's liquidating capital distribution is consistent with approval, subject to the conditions set forth herein.

Conditions

The non-objection to the Liquidation Plan and the approval of the liquidating capital distribution are subject to the following conditions:

1. The Bank must publish notice of the planned liquidation in a local newspaper a minimum of three times over a 30 day period in the form specified in the filing and furnish the OCC with proof of such publication. The notice must include a description of how to make a claim. The first notice must be published the week that the charter is returned and the Liquidation Trust is funded. The second notice must be published one week after the first publication, and the third notice must be published no sooner than the 25th day after the first publication.
2. If the Bank is not liquidated in the manner contemplated in the voluntary liquidation plan, the Bank shall amend the liquidation plan to continue the liquidation of the Bank, obtain Licensing's written non-objection to the amended liquidation plan, and thereafter adhere to that liquidation plan.

Each condition is a "condition imposed in writing by a Federal banking agency in connection with any action on any application, notice, or other request" within the meaning of 12 USC 1818. As such, the conditions are enforceable under 12 USC 1818.

Procedural Requirements

When implementing the Liquidation Plan, the Bank shall comply with the procedures set forth in 12 CFR 5.48, in particular the filing of the (a) notice upon commencing liquidation to the OCC, and providing notice to depositors, other known creditors, and known claimants; (b) report of condition; (c) report of progress; and (d) final report.

The non-objection and approval set forth herein are granted based on our understanding that other regulatory approvals, non-objections or waivers with respect to the proposed transaction will have been received prior to consummation of the transactions.

² The OCC may determine whether to permit the capital distribution notwithstanding this prohibition or condition.

The approval, non-objections, and activities and communications by OCC employees in connection with the filing, do not constitute a contract, express or implied, or any other obligation binding upon the OCC, the United States, any agency or entity of the United States, or any officer or employee of the United States, and do not affect the ability of the OCC to exercise its supervisory, regulatory and examination authorities under applicable law and regulations. Our approvals and non-objections are based on the Bank's representations, submissions, and information available to the OCC as of this date. The OCC may modify, suspend or rescind these approvals or non-objections if a material change in the information on which the OCC relied occurs prior to the date of the transaction to which this approval or these non-objections pertain. The foregoing may not be waived or modified by any employee or agent of the OCC or the United States.

If you have any questions, please contact Senior Licensing Analyst Mark Ro at (202) 649-6341 or Mark.Ro@occ.treas.gov, or Problem Bank Specialist Lloyd Story at (205) 510-7066 or Lloyd.Story@occ.treas.gov. Please include the OCC control number on any correspondence.

Sincerely,

signed

Stephen A. Lybarger
Deputy Comptroller for Licensing