



Comptroller of the Currency
Administrator of National Banks

250 E Street, SW
Washington, DC 20219
202-649-6260

Licensing Activities

February 1, 2013

Conditional Approval #1061
March 2013

James R. Wheeling
President and CEO
Shelter Financial Bank
1817 West Broadway
Columbia, Missouri 65218-0001

Re: 12 C.F.R. § 163.22 – Charter Conversion from Federal Thrift
Shelter Financial Bank, Columbia, Missouri
OCC Control No.: R4-2012-00072

12 U.S.C. § 35 - Conversion to a National Banking Association
Shelter Financial Bank, Columbia, Missouri
Proposed Title: Shelter Bank, National Association
OCC Control No.: 2012-WE-01-0003

12 C.F.R. § 5.53 - Disposition of Assets via P&A with Boone County National
Bank, Columbia, Missouri
OCC Control No.: 2012-WE-12-0198

12 U.S.C. § 215a-3 - Merger into Nonbank Affiliate
OCC Control No.: 2012-WE-12-0197

Dear Mr. Wheeling:

The Office of the Comptroller of Currency (OCC) hereby conditionally approves the above referenced applications submitted by Shelter Financial Bank, Columbia, Missouri (Shelter FSA). These approvals are granted after a thorough evaluation of the applications, other materials supplied by Shelter FSA's representatives, and other information available to the OCC, including commitments and representations made in the application and during the application process. The OCC's approvals are subject to the consummation requirements and conditions set out herein.

The Transactions

These applications are part of a series of transactions in which Shelter FSA will convert from a federal savings association to a national bank known as Shelter Bank, National Association (Shelter NA). Immediately following the conversion, Shelter NA will sell substantially all of its assets and liabilities to Boone County National Bank, Columbia, Missouri (Boone), and thereafter the operations and charter of Shelter NA will be merged with and into Shelter Financial Corporation, Columbia, Missouri (SFC) thereby terminating the charter of Shelter NA. Shelter FSA is a wholly-owned subsidiary of SFC which is wholly-owned by Shelter Mutual Insurance Company, Columbia, Missouri. As proposed, the following events will occur in sequence on the same business day:

1. Shelter FSA will convert to a national banking association with the name of Shelter Bank, National Association.
2. Shelter NA will transfer substantially all of its assets and all of its insured deposits to Boone in a purchase and assumption transaction.¹
3. Shelter NA will merge with and into SFC, terminating Shelter NA's charter.

Discussion

A. Conversion of Shelter FSA

Law and regulations permit the direct conversion of a federal savings association into a national bank.² In deciding a conversion application, OCC regulations provide that the OCC takes into account whether the institution can operate safely and soundly as a national bank in compliance with applicable laws, regulations, and policies.³ The regulations further provide that an application may be denied if a significant supervisory, Community Reinvestment Act (CRA)⁴, or

¹ Upon consummation of the purchase and assumption and notification to the Federal Deposit Insurance Corporation (FDIC) of the transfer of all insured deposits from Shelter NA to Boone, Shelter NA will no longer be FDIC insured, pursuant to 12 U.S.C. § 1818(q) and 12 C.F.R. § 307.2. Boone's participation in the purchase and assumption is subject to a separate approval by the OCC, pursuant to the Bank Merger Act, 12 U.S.C. § 1828(c).

² 12 C.F.R. § 5.24; 12 C.F.R. § 152.19. The OCC has approved many such conversions. *See, e.g.*, Decision of the Applications by TCF Financial Corp. to convert Federal Savings Banks Located in Minnesota, Michigan, Illinois, and Wisconsin into National Banks (OCC Corporate Decision No. 97-113, February 24, 1997). Section 5.24(d)(2)(ii)(E) of the OCC's regulations provides that the conversion of a federal savings association must not be in contravention of federal law. Sections 152.19 and 163.22(b)(1)(ii) require either the filing of a notification or application to the OCC. The conversion filing is being considered by the OCC to be filing of the required notification (Notification). Further, we have received confirmation from the Federal Reserve Bank of St. Louis that no bank holding company application with the Federal Reserve Board was required because the converted bank would exist only for a moment in time.

³ 12 C.F.R. § 5.24(d)(1).

⁴ The CRA itself also requires that the OCC must consider a conversion applicant's record of compliance with CRA in deciding the application. 12 U.S.C. § 2903(a)(2) and 2902(3)(A); 12 C.F.R. § 25.29(a)(4). Shelter FSA's record of compliance with CRA was found to be satisfactory.

compliance concern exists with the applicant; approval is inconsistent with applicable law, regulation, or policy; or the applicant fails to provide necessary information that the OCC has requested.⁵ Finally, the regulations provide that a conversion application may be denied if the conversion would permit the applicant to escape supervisory action by its current regulator.⁶

The OCC has considered these factors and found them consistent with approval.

The OCC has also found that the Notification is consistent with the provisions of 12 C.F.R. § 163.22(h).

B. Fundamental Change in Asset Composition

Shelter FSA, on behalf of Shelter NA, applied to the OCC for prior approval of a fundamental change in its asset composition under 12 C.F.R. § 5.53. Under section 5.53(c)(1)(i), a national bank must obtain prior written approval of the OCC before changing the composition of all, or substantially all, of its assets through sales or other dispositions. In the purchase and assumption transaction with Boone, Shelter NA will sell all of its deposits and substantially all of its assets.

In deciding a change in asset composition application, OCC regulations provide that the OCC consider the purpose of the transaction, its impact on the safety and soundness of the bank, and any effect on the bank's customers. The principal purpose of adopting 12 C.F.R. § 5.53 was to address supervisory concerns raised by so called "dormant" bank charters by providing the OCC with regulatory oversight and a means to monitor them. Shelter NA plans to merge into its nonbank affiliate, SFC, immediately after the proposed transfer of assets and deposits to Boone. Thus, OCC concerns over the continuation of "dormant" charters are addressed and the transaction is consistent with the language and purpose of section 5.53

The OCC has considered these factors and found them consistent with approval.

C. Merger of Shelter NA with and into SFC.

In this merger, Shelter NA will merge into its nonbank affiliate, SFC. SFC will be the surviving entity, and Shelter NA will cease to exist.

The merger is authorized under 12 U.S.C. § 215a-3. Section 215a-3 authorizes a national bank to merge with a nonbank subsidiary or affiliate: "Upon the approval of the Comptroller, a national bank may merge with one or more of its nonbank subsidiaries or affiliates." 12 U.S.C. § 215a-3(a), as added by section 1206 of the Financial Regulatory Relief and Economic

⁵ 12 C.F.R. § 5.24(d)(1) and 513.(b). The conversion raises no issues regarding branching since Shelter NA has no branches. Moreover, no issues regarding retention of nonconforming assets or activities arise.

⁶ The primary federal regulator of Shelter FSA and Shelter NA is the OCC. Therefore, there will be no change in regulator.

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Efficiency Act of 2000 (Title XII of the American Homeownership and Economic Opportunity Act of 2000), Pub. L. No. 106-569, 114 Stat. 2944, 3034 (December 27, 2000).

The statute does not limit its scope to mergers in which the national bank is the surviving entity, and so a merger *into* a nonbank affiliate is within its scope. The OCC's implementing regulation, discussed below, expressly provides for mergers into a nonbank affiliate. However, the regulation limits these transactions to mergers involving a national bank that is not an insured bank. Shelter NA will not be an insured bank at the time of the merger.

The OCC's regulations implementing 12 U.S.C. § 215a-3 set out substantive and procedural requirements for the merger of an uninsured national bank with its nonbank affiliate in which the nonbank affiliate is the resulting entity. *See* 12 C.F.R. § 5.33(g)(5). The regulation requires that the law of the state or other jurisdiction under which the nonbank affiliate is organized allow the nonbank affiliate to engage in such mergers. The regulation also imposes the following additional requirements that: (1) the bank comply with the procedures of 12 U.S.C. § 214a as if it were merging into a state bank; (2) the nonbank affiliate follow the procedures for mergers of the law of its state of organization; and (3) shareholders of the national bank who dissent from the merger have the dissenters' rights set out in 12 U.S.C. § 214a. The regulation also provides that the OCC shall consider the purpose of the transaction, its impact on the safety and soundness of the bank, and any effect on the bank's customers, and may deny a merger if it would have a negative effect in any such respect. The applicant has represented it has or will comply with these procedural requirements.

The OCC considered these factors and found them consistent with approval

Conditions

These approvals are subject to the following conditions:

1. Immediately following the conversion to a national banking association, Shelter NA shall consummate the purchase and assumption transaction whereby it will sell 100% of its insured deposits and substantially all of its assets to Boone.
2. The merger of Shelter NA into SFC shall not occur until after consummation of the purchase and assumption transaction between Shelter NA and Boone and termination of Shelter NA's FDIC insurance.
3. If the merger of Shelter NA with and into SFC does not occur within seven (7) calendar days after consummation of the purchase and assumption transaction between Shelter NA and Boone, Shelter NA shall immediately notify the OCC and submit a plan acceptable to the OCC to wind up its affairs and terminate its status as a national bank.

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These conditions of approval are “conditions 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 U.S.C. § 1818. As such, the conditions are enforceable under 12 U.S.C. § 1818.

The OCC has granted preliminary conditional approval only. Final approval and authorization for the bank to convert to a national banking association will not be granted until all pre-conversion requirements are met. Until final approval is granted, the OCC has the right to modify, suspend or rescind this preliminary conditional approval should the OCC deem any interim development to warrant such action.

You are reminded that the following items must be satisfactorily addressed on or before the effective date of the conversion:

- The board of directors must adopt and have in place policies, practices, and procedures to ensure the safe and sound operation of the bank. The board also must review those policies, practices, and procedures continually and ensure the bank’s compliance with them.
- The converting institution must ensure that all other required regulatory approvals have been obtained.
- The directors must own qualifying shares in conformance with 12 U.S.C. § 72 and 12 C.F.R. § 7.2005.
- The converting institution must notify the OCC if the facts described in the filing materially change at any time prior to consummation of the conversion. Any changes to the executive officers or directors must receive a “no objection” from the OCC.

Closing

Upon completion of all steps required to convert to a national banking association, submit the “Conversion Completion Certification” (previously supplied) certifying that you have done so. Please provide the OCC with at least 10 days advance notice of the conversion.

When the institution has satisfactorily completed all of the above steps, the OCC will issue a Conversion Completion Acknowledgment officially authorizing the institution to commence business as a national banking association.

The OCC will not issue a letter certifying the consummation of the transactions and termination of the charter until the below items are submitted to the satisfaction of the Senior Licensing Analyst listed below:

1. Written confirmation that Shelter NA is no longer FDIC-insured.

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2. Shelter FSA's charter certificate and certification that all OCC Reports of Examination have been returned to the OCC, or destroyed.
3. A copy of the final Certificate of Merger filed with the Missouri Secretary of State.
4. Secretary's Certificate certifying that shareholder approval has been obtained.
5. Copies of all required regulatory approvals.

If the conversion is not consummated within six months from the date of the decision, the approval will automatically terminate unless the OCC grants an extension of the time period. The OCC is opposed to granting extensions, except under the most extenuating circumstances and expects the conversion to occur as soon as possible.

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

A separate letter is enclosed requesting your feedback on how we handled your application. We would appreciate your response so we may improve our service.

If you have any questions, contact Senior Licensing Analyst Louis Gittleman at 720-475-7650 or at louis.gittleman@occ.treas.gov. Please include the OCC's control number on any correspondence.

Sincerely,

Stephen A. Lybarger

Stephen A. Lybarger
Deputy Comptroller, Licensing

Enclosure: Survey