

UNITED STATES OF AMERICA
Before the
OFFICE OF THRIFT SUPERVISION

_____)	
In the Matter of)	Order No.: CN 09-45
)	
)	
HIGH DESERT BANK)	Effective Date: December 29, 2009
)	
Bend, Oregon)	
OTS Docket No. 18045)	
_____)	

ORDER TO CEASE AND DESIST

WHEREAS, High Desert Bank, Bend, Oregon, OTS Docket No. 18045 (Association), by and through its Board of Directors (Board), has executed a Stipulation and Consent to the Issuance of an Order to Cease and Desist (Stipulation); and

WHEREAS, the Association, by executing the Stipulation, has consented and agreed to the issuance of this Order to Cease and Desist (Order) by the Office of Thrift Supervision (OTS) pursuant to 12 U.S.C. § 1818(b); and

WHEREAS, pursuant to delegated authority, the OTS Regional Director for the Central Region (Regional Director) is authorized to issue Orders to Cease and Desist where a savings association has consented to the issuance of an order.

NOW, THEREFORE, IT IS ORDERED that:

Cease and Desist.

1. The Association and its directors, officers, and employees shall cease and desist from any action (alone or with others) for or toward causing, bringing about, participating in or

counseling, or the aiding and abetting of the unsafe or unsound practices that resulted in the Association operating with an inadequate level of capital protection for the volume, type and quality of assets held by the Association and with an excessive level of classified loans as described in the OTS Report of Examination of the Association dated June 1, 2009 (ROE).

Capital.

2. (a) Effective immediately, the Association shall maintain, after the funding of an adequate Allowance for Loan and Lease Losses (ALLL): (i) a Tier 1 (Core) Capital Ratio of at least eight percent (8%) and (ii) a Total Risk-Based Capital Ratio of at least twelve percent (12%).

(b) The requirement in Subparagraph (a) above to meet and maintain a specific capital level means that the Association may not be deemed to be “well-capitalized” for purposes of 12 U.S.C. §1831o and 12 C.F.R. Part 565, pursuant to 12 C.F.R. §565.4(b) (1) (iv).

Business Plan.

3. (a) By February 28, 2010, the Board shall adopt and submit to the Regional Director for review and comment a revised business plan for the period beginning with the quarter ending March 31, 2010 through December 31, 2011 (Business Plan), which shall take into consideration the requirements contained within this Order and comments contained within the ROE, as well as ensuring, at a minimum, the following:
 - (i) development and implementation of operating strategies to achieve increased core deposits, realistic core earnings and net income levels, which will result in consistent profitability throughout the term of the Business Plan;

- (ii) board oversight and maintenance of adequate ALLL provisions;
 - (iii) mechanisms to ensure quarterly Board review of the risks associated with the Association's activities and where necessary, implementation of approved strategies to maintain the capital levels required by Paragraph 2 of this Order;
 - (iv) establishment of specific criteria/procedures whereby the Board will be presented with detailed information sufficient to make an informed decision as to whether to propose to the Regional Director, for approval prior to implementation, any material modification to the Business Plan, in order to take advantage of apparent business opportunities not previously anticipated;
 - (v) detailed quarterly financial projections for the period beginning with the quarter ending March 31, 2010 through December 31, 2011; and
 - (vi) detailed assumptions used for all financial projections, such as the assumed interest rate scenarios; assumptions used for noninterest income and noninterest expense; assumptions used to determine disposition of real estate owned (REO); assumptions used to determine the ALLL; assumptions for loan origination rates, using recent experience and taking into consideration current national and regional economic conditions; and assumptions supporting the cost of funds projections.
- (b) Within thirty (30) days of receipt of the Regional Director's comments, the Board shall revise the Business Plan based on such comments. The Association shall implement

and adhere to the Business Plan. A copy of the Business Plan shall be provided to the Regional Director within ten (10) days after Board approval.

(c) The Association must operate within the parameters of its Board-established Business Plan. Any proposed material deviations from or changes to the Business Plan shall be submitted for the prior, written non-objection of the Regional Director. Requests for any material deviations or changes must be submitted at least sixty (60) days before a proposed change is implemented.

(d) On a quarterly basis, beginning with the quarter ending March 31, 2010, the Board shall review written reports comparing projected operating results contained within the Business Plan to actual results (Variance Analysis Reports) within forty-five (45) days after the end of each quarter. The Board shall conduct a thorough and diligent review and assessment of the Senior Executive Officers' ¹ implementation of and the Association's compliance with the Business Plan. The Board's review of Variance Analysis Reports and compliance with the Business Plan shall be fully documented in the appropriate Board meeting minutes.

(e) Within forty-five (45) days of the end of each quarter, the Board shall provide the Regional Director with a copy of the Variance Analysis Report required by this Paragraph.

Contingency Plan.

4. (a) Within thirty (30) days after (i) the Association fails to meet the capital requirements prescribed in Paragraph 2, (ii) the Association fails to comply with the Business Plan prescribed in Paragraph 3, or (ii) any written request from the Regional

¹ The term "Senior Executive Officer" is defined at 12 C.F.R. § 563.555.

Director, the Board shall prepare and submit a written Contingency Plan that is acceptable to the Regional Director.

(b) The Contingency Plan shall detail the actions to be taken, with specific time frames, to achieve one of the following results by the later of the date of receipt of all required regulatory approvals or sixty (60) days after the implementation of the Contingency Plan: (i) merger with or acquisition by another federally insured depository institution or holding company thereof; or (ii) voluntary liquidation by filing an application with OTS in conformity with federal laws and regulations.

(c) Upon receipt of written notification from the Regional Director, the Association shall implement the Contingency Plan immediately. The Board shall provide the Regional Director with written status reports detailing the Association's progress in implementing the Contingency Plan by no later than the first (1st) and fifteenth (15th) of each calendar month following implementation of the Contingency Plan (Contingency Status Reports).

Asset Quality.

5. (a) Within thirty (30) days, the Board shall adopt revisions to the Association's Allowance for Loan and Lease Losses (ALLL) Policy to address the comments in the ROE and conform to regulatory guidance, including OTS CEO Memoranda No. 304 (ALLL – Observed Thrift Practices Including Sound Practices) and No. 250 (Interagency Policy Statement on ALLL).

(b) Within thirty (30) days after the end of each calendar quarter, beginning with the quarter ending March 31, 2010, the Board shall review a written report discussing; (i) the methodology of the Association's ALLL process given current economic conditions and

the Association's risk profile and (ii) the adequacy of the Association's ALLL consistent with its ALLL Policy (Quarterly ALLL Report). The Board's review of the Quarterly ALLL Report, including all qualitative factors considered in determining the adequacy of the Association's ALLL, shall be fully documented in the Board meeting minutes.

CRE Credit Concentration Limits.

6. (a) Effective immediately, the Association shall not originate or participate in any new loan or line of credit secured by commercial real estate (CRE) until the Association revises its concentration limits in compliance with Subparagraph (c) below. Before resuming CRE lending, the Board shall submit a written request to the Regional Director containing the Association's proposed concentration limits for credit secured by CRE and receive a written non-objection letter from the Regional Director.
- (b) For purposes of complying with the provisions of this Paragraph, the Association may: (i) enter into extensions, refinancings, assumptions or modifications of existing commercial real estate loans or lines that do not involve the granting of new funds provided that for any extension, refinancing, assumption, or modification of an existing loan or line, the Association shall maintain documentation sufficient to demonstrate that such a transaction was in the best interest of the Association; and (ii) make disbursements pursuant to legally binding commitments made prior to the Effective Date of this Order.
- (c) Within forty-five (45) days, the Board shall adopt revisions to the Association's credit concentration policy to include, at a minimum:
 - (i) an action plan to reduce the risk of the CRE concentrations deemed imprudent for the Association's current earnings and capital profile;

- (ii) compliance with OTS regulations and regulatory guidance, including OTS Examination Handbook Section 201, and OTS CEO Memoranda No. 311 (Risk Management: Asset and Liability Concentrations) and No. 252 (Guidance on CRE Concentration Risks) in connection with concentrations of credit;
- (iii) remediation of the comments and recommendations in the ROE; and
- (iv) establishment of specific asset concentration limits as a percentage of core capital plus the ALLL.

Problem Loans Plan.

7. (a) Within forty-five (45) days, the Board shall adopt and submit to the Regional Director specific written workout plans (Specific Workout Plans) for each problem loan² or group of problem loans to any one borrower or loan relationship of five hundred thousand dollars (\$500,000) or greater identified through the Association's internal loan review process (Problem Loan). Going forward, Specific Workout Plans shall be prepared, adopted by the Board and submitted promptly to the Regional Director for each additional Problem Loan.
- (b) Effective immediately, the Board shall review a written status report for each Specific Workout Plan (Problem Loan Status Reports). The Board's review of the Problem Loan Status Reports, assessment of the Association's reduction of its risk exposure to Problem Loans, and any corrective actions adopted by the Board shall be fully documented in the appropriate Board meeting minutes. A copy of the Problem Loan Status Reports presented to the Board shall be provided to the Regional Director within ten (10) days after the Board meeting.

² The term "Problem Loan" shall include all adversely classified assets, assets designated Special Mention, all nonperforming loans and all delinquent loans.

8. Effective immediately, the Association shall not extend, directly or indirectly, without prior written Regional Director non-objection, any additional credit to, or for the benefit of, any borrower who has a loan or other extension of credit from the Association that has been charged off or classified, in whole or in part “Loss” and is uncollected. The requirements of this Paragraph shall not prohibit the Association from renewing (after collection in cash of interest due from the borrower) any credit already extended to any borrower if the Association fully documents that such a renewal is in the best interest of the Association. The Association’s expenses incurred in connection with its real estate owned (REO), including in-substance foreclosures, are not covered by this Paragraph.

Credit Administration Policy.

9. Within sixty (60) days, the Board shall adopt and submit to the Regional Director revisions to the Association’s policies and procedures governing credit administration (Credit Administration Policy) to address all deficiencies and weaknesses and incorporate all recommended corrective actions discussed in the ROE.

Mission-Critical Contingency Plan.

10. (a) Within forty-five (45) days, the Board shall adopt and submit to the Regional Director for review and comment a written contingency plan (Mission-Critical Contingency Plan) that identifies alternative sources of or providers for the data processing, administrative, and managerial services currently provided to the Association by the Association’s affiliates. The Mission-Critical Contingency Plan shall provide guidance to Association management and employees that can be implemented immediately. At a minimum, the Mission-Critical Contingency Plan shall:

- (i) identify alternative suppliers and vendors that the Association may rely upon to supply the services that may be used in place of, and are fully compatible with, the current outsourced services; and
 - (ii) outline the circumstances under which the Association may enter into a binding agreement with a different servicer provider to provide services that may be used in place of, and are fully compatible with, the current outsourced services.
- (b) Within thirty (30) days after receiving any written comments from the Regional Director, the Board shall revise and adopt the Mission Critical Contingency Plan based on such comments. A copy of the Mission Critical Contingency Plan shall be provided to the Regional Director within (10) days after Board approval.

Lending Limits.

11. (a) Within forty-five (45) days, the Board shall adopt and submit for Regional Director review and comment a written plan to reduce the number of loans that currently exceed the lending limits of 12 C.F.R. § 560.93 as defined in 12 C.F.R. § 32.6 (Nonconforming Loans Plan). The Nonconforming Loans Plan shall require the Association to use reasonable efforts to bring each nonconforming loan into compliance with the current lending limit of the Association and include at a minimum, a requirement that:
- (i) before renewing a nonconforming loan, the Association shall attempt to have the debtor partially repay the loan;
 - (ii) the Association's attempt to obtain another institution's nonrecourse participation in each nonconforming loan; and

(iii) upon the expiration of a partially funded loan commitment, the Association may renew only the funded portion if best efforts were first made and documented to bring the loan into compliance with the lending limit.

(b) Within thirty (30) days after receiving any written comments from the Regional Director, the Board shall revise and adopt the Nonconforming Loans Plan based on such comments. A copy of the Nonconforming Loans Plan shall be provided to the Regional Director within ten (10) days after Board approval.

Management and Board Review.

12. (a) Within forty-five (45) days, the Board shall submit to the Regional Director for written non-objection the name, qualifications, and terms of engagement of an independent third party management consultant (Consultant) to conduct a management review as outlined in Subparagraph (b) below.

(b) Within sixty (60) days of receipt of the written non-objection of the Regional Director to the Consultant, the Consultant shall complete a comprehensive management review and prepare a detailed written report (Management Review) to be sent simultaneously to the Regional Director and to the Board to aid in the development of an effective Board and management structure of the Association consistent with the Association's current and long-term business plans and financial conditions. The Management Review shall consist of:

(i) the identification of present and future staffing requirements for each area of the Association, including Senior Executive Officers;

(ii) an evaluation of the performance of the Association's current Senior Executive Officers and directors, including an assessment of whether

- (iii) the establishment of standards by which Senior Executive Officers' effectiveness will be measured;
 - (iv) an assessment of the adequacy of communication between Senior Executive Officers and the Board, and of the quality and timeliness of reporting to the Board;
 - (v) recommendations on whether to expand the scope, frequency and sufficiency of information provided to the Board by Senior Executive Officers;
 - (vi) an evaluation of the Board's independence and fulfillment of its oversight function and fiduciary responsibilities; and
 - (vii) the establishment of a director education program designed to ensure that the Board has the skills and abilities necessary to effectively supervise the Association.
- (c) Within forty-five (45) days, the Board shall adopt and submit to the Regional Director for review and comment a written plan to address any identified Board oversight or management, organizational structure, or staffing level weakness noted in the Management Review (Management Plan).
- (d) Within thirty (30) days after receipt of the Regional Director's written comments to the Management Plan, the Board shall revise and adopt the Management Plan based upon any comments received. The Board shall ensure that the Association implements and adheres to the Management Plan. A copy of the Management Plan shall be provided to the Regional Director within ten (10) days after the Board meeting.

Contingency Funding Plan.

13. By December 31, 2009, the Board shall revise the Association's Contingency Funding Plan to fully comply with regulatory guidance, including OTS Thrift Bulletin No. 77 (Sound Practices for Liquidity Management at Savings Associations) and comments contained in the ROE.

Remediation of ROE Comments.

14. Within thirty (30) days, the Board shall adopt specific actions to ensure that the Association addresses all Matters Requiring Board Attention and Corrective Actions noted in the ROE. The minutes of Board meetings shall document each such action adopted, the completion of each action, and the measures implemented to prevent recurrence.

Brokered Deposits and Interest Rate Restriction.

15. Effective immediately, the Association shall comply with the requirements of 12 C.F.R. § 337.6(b) and shall not: (i) accept, renew or roll over any brokered deposit, as that term is defined at 12 C.F.R. § 337.6(a)(2); or (ii) act as a deposit broker, as that term is defined at 12 C.F.R. § 337.6(a)(5).

Growth.

16. Effective immediately, the Association is subject to and shall comply with the requirements and provisions of OTS Regulatory Bulletin 3b. Without the prior written approval of the Regional Director, the Association shall not increase its total assets during any quarter beginning with the quarter ending December 31, 2009, in excess of an amount equal to net interest credited on deposit liabilities during the quarter. The growth restrictions imposed by this Paragraph shall remain in effect until the Regional Director reviews and approves the

Association's Business Plan as required under Paragraph 3 of this Order. Any growth in assets, including any growth proposed in the Business Plan, should consider:

- (a) the source, volatility and use of the funds that support asset growth;
- (b) any increase in credit risk or interest rate risk as a result of growth; and
- (c) the effect of such growth on the Association's capital.

Dividends.

17. Effective immediately, the Board shall not declare or pay dividends or make any other capital distributions, as that term is defined in 12 C.F.R. § 563.141, without receiving the prior written approval of the Regional Director. The Association's written request for written approval should be submitted to the Regional Director at least sixty (60) days prior to the anticipated date of the proposed dividend or distribution of capital.

Severance and Indemnification Payments.

18. Effective immediately, the Association shall not make any golden parachute payment³ or any prohibited indemnification payment⁴ unless, with respect to each such payment, the Association has complied with the requirements of 12 C.F.R. Part 359 and, as to indemnification payments, 12 C.F.R. § 545.121.

Directorate and Management Changes.

19. Effective immediately, the Association shall comply with the prior notification requirements for changes in directors and Senior Executive Officers set forth in 12 C.F.R. Part 563, Subpart H.

³ The term "golden parachute payment" is defined at 12 C.F.R. § 359.1(f).

⁴ The term "prohibited indemnification payment" is defined at 12 C.F.R. § 359.1(l).

Employment Contracts and Compensation Arrangements.

20. (a) Effective immediately, the Association shall not enter into, renew, extend, or revise any contractual arrangement relating to compensation or benefits for any Senior Executive Officer or director of the Association, unless it first provides the Regional Director with not less than thirty (30) days prior written notice of the proposed transaction. The notice to the Regional Director shall include a copy of the proposed employment contract or compensation arrangement or a detailed, written description of the compensation arrangement to be offered to such officer or director, including all benefits and perquisites. The Board shall ensure that any contract, agreement, or arrangement submitted to the Regional Director fully complies with the requirements of 12 C.F.R. Part 359, 12 C.F.R. §§ 563.39 and 563.161(b), and 12 C.F.R. Part 570 – Appendix A.
- (b) Effective immediately, the Association shall not increase any salaries, bonuses, or director's fees or make any other similar payments, directly or indirectly, to the Association's directors or Senior Executive Officers without prior written non-objection from the Regional Director.

Third Party Contracts.

21. Effective immediately, the Association shall not enter into any arrangement or contract with a third party service provider that is significant to the overall operation or financial condition of the Association⁵ or outside the Association's normal course of business unless, with respect to each such contract, the Association has: (a) provided the Regional Director with a minimum of thirty (30) days prior written notice of such arrangement or contract; (b) determined

⁵ A contract will be considered significant to the overall operation or financial condition of the Association where the annual contract amount equals or exceeds two percent (2%) of the Association's total capital.

that the arrangement or contract complies with the standards and guidelines set forth in OTS Thrift Bulletin 82a; and (c) received written notice of non-objection from the Regional Director.

Effective Date, Incorporation of Stipulation.

22. This Order is effective on the Effective Date as shown on the first page. The Stipulation is made a part hereof and is incorporated herein by this reference.

Duration.

23. This Order shall remain in effect until terminated, modified or suspended, by written notice of such action by the OTS, acting by and through its authorized representatives.

Time Calculations.

24. Calculation of time limitations for compliance with the terms of this Order run from the Effective Date and shall be based on calendar days, unless otherwise noted. If the time calculation falls on a weekend day or national holiday, then the time limit will be the first business day following the weekend day or national holiday.

25. The Regional Director may extend any of the deadlines set forth in the provisions of this Order upon written request by the Association that includes reasons in support for any such extension. Any OTS extension shall be made in writing.

Submissions and Notices.

26. All submissions, including progress reports, to the OTS that are required by or contemplated by this Order shall be submitted within the specified timeframes.

27. Except as otherwise provided herein, all submissions, requests, communications, consents or other documents relating to this Order shall be in writing and sent by first class U.S. mail (or by reputable overnight carrier, electronic facsimile transmission or hand delivery by messenger) addressed as follows:

(a) **To the OTS:**

Regional Director
Office of Thrift Supervision
One South Wacker Drive, Suite 2000
Chicago, Illinois 60606
Facsimile: (312) 917-5001

(b) **To the Association:**

Chairman of the Board
High Desert Bank
1000 SW Disk Drive
Bend, Oregon 97702
Facsimile: (541) 848-4445

No Violations Authorized.

28. Nothing in this Order or the Stipulation shall be construed as allowing the Association, its Board, officers or employees to violate any law, rule, or regulation.

IT IS SO ORDERED.

OFFICE OF THRIFT SUPERVISION

By: _____/s/_____
Daniel T. McKee
Regional Director, Central Region

Date: See Effective Date on page 1

UNITED STATES OF AMERICA
Before the
OFFICE OF THRIFT SUPERVISION

_____)	
In the Matter of)	Order No.: CN 09-45
)	
)	
HIGH DESERT BANK)	Effective Date: December 29, 2009
)	
Bend, Oregon)	
OTS Docket No. 18045)	
_____)	

STIPULATION AND CONSENT TO ISSUANCE OF ORDER TO CEASE AND DESIST

WHEREAS, the Office of Thrift Supervision (OTS), acting by and through its Regional Director for the Central Region (Regional Director), and based upon information derived from the exercise of its regulatory and supervisory responsibilities, has informed High Desert Bank, Bend, Oregon, OTS Docket No. 18045 (Association) that the OTS is of the opinion that grounds exist to initiate an administrative proceeding against the Association pursuant to 12 U.S.C. § 1818(b);

WHEREAS, the Regional Director, pursuant to delegated authority, is authorized to issue Orders to Cease and Desist where a savings association has consented to the issuance of an order; and

WHEREAS, the Association desires to cooperate with the OTS to avoid the time and expense of such administrative cease and desist proceeding by entering into this Stipulation and Consent to the Issuance of Order to Cease and Desist (Stipulation) and, without admitting or denying that such grounds exist, but only admitting the statements and conclusions in Paragraphs

1 and 2 below concerning Jurisdiction, hereby stipulates and agrees to the following terms:

Jurisdiction.

1. The Association is a “savings association” within the meaning of 12 U.S.C. § 1813(b) and 12 U.S.C. § 1462(4). Accordingly, the Association is an “insured depository institution” as that term is defined in 12 U.S.C. § 1813(c).

2. Pursuant to 12 U.S.C. § 1813(q), the Director of the OTS is the “appropriate Federal banking agency” with jurisdiction to maintain an administrative enforcement proceeding against a savings association. Therefore, the Association is subject to the authority of the OTS to initiate and maintain an administrative cease and desist proceeding against it pursuant to 12 U.S.C. § 1818(b).

OTS Findings of Fact.

3. Based on a June 1, 2009 comprehensive examination of the Association, the OTS finds that the Association has engaged in unsafe or unsound banking practices, including operating with an inadequate level of capital protection for the volume, type and quality of assets held by the Association and with an excessive level of classified loans as described in the OTS Report of Examination of the Association dated June 1, 2009.

Consent.

4. The Association consents to the issuance by the OTS of the accompanying Order to Cease and Desist (Order). The Association further agrees to comply with the terms of the Order upon the Effective Date of the Order and stipulates that the Order complies with all requirements of law.

Finality.

5. The Order is issued by the OTS under 12 U.S.C. § 1818(b). Upon the Effective Date, the

Order shall be a final order, effective, and fully enforceable by the OTS under the provisions of 12 U.S.C. § 1818(i).

Waivers.

6. The Association waives the following:
 - (a) the right to be served with a written notice of the OTS's charges against it as provided by 12 U.S.C. § 1818(b) and 12 C.F.R. Part 509;
 - (b) the right to an administrative hearing of the OTS's charges as provided by 12 U.S.C. § 1818(b) and 12 C.F.R. Part 509;
 - (c) the right to seek judicial review of the Order, including, without limitation, any such right provided by 12 U.S.C. § 1818(h), or otherwise to challenge the validity of the Order; and
 - (d) any and all claims against the OTS, including its employees and agents, and any other governmental entity for the award of fees, costs, or expenses related to this OTS enforcement matter and/or the Order, whether arising under common law, federal statutes or otherwise.

OTS Authority Not Affected.

7. Nothing in this Stipulation or accompanying Order shall inhibit, estop, bar, or otherwise prevent the OTS from taking any other action affecting the Association if at any time the OTS deems it appropriate to do so to fulfill the responsibilities placed upon the OTS by law.

Other Governmental Actions Not Affected.

8. The Association acknowledges and agrees that its consent to the issuance of the Order is solely for the purpose of resolving the matters addressed herein, consistent with Paragraph 7 above, and does not otherwise release, discharge, compromise, settle, dismiss, resolve, or in any

way affect any actions, charges against, or liability of the Association that arise pursuant to this action or otherwise, and that may be or have been brought by any governmental entity other than the OTS.

Miscellaneous.

9. The laws of the United States of America shall govern the construction and validity of this Stipulation and of the Order.

10. If any provision of this Stipulation and/or the Order is ruled to be invalid, illegal, or unenforceable by the decision of any Court of competent jurisdiction, the validity, legality, and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby, unless the Regional Director in his or her sole discretion determines otherwise.

11. All references to the OTS in this Stipulation and the Order shall also mean any of the OTS's predecessors, successors, and assigns.

12. The section and paragraph headings in this Stipulation and the Order are for convenience only and shall not affect the interpretation of this Stipulation or the Order.

13. The terms of this Stipulation and of the Order represent the final agreement of the parties with respect to the subject matters thereof, and constitute the sole agreement of the parties with respect to such subject matters.

14. The Stipulation and Order shall remain in effect until terminated, modified, or suspended in writing by the OTS, acting through its Regional Director or other authorized representative.

Signature of Directors/Board Resolution.

15. Each Director signing this Stipulation attests that he or she voted in favor of a Board Resolution authorizing the consent of the Association to the issuance of the Order and the execution of the Stipulation. This Stipulation may be executed in counterparts by the directors

after approval of execution of the Stipulation at a duly called board meeting.

WHEREFORE, the Association, by its directors, executes this Stipulation.

HIGH DESERT BANK
Bend, Oregon

Accepted by:

Office of Thrift Supervision

_____/s/
Thomas S. Giovanelli, Chairman

By: _____/s/
Daniel T. McKee
Regional Director, Central Region

_____/s/
Gwil T. Evans, Director

Date: See Effective Date on page 1

_____/s/
Gary L. Everton, Director

_____/s/
Gary D. Fish, Director

_____/s/
Cynthia L. Kane, Director

_____/s/
John P. Lietz, Director

_____/s/
Dr. Bruce A. McLellan, Director

_____/s/
Romy E. Mortensen, Director

_____/s/
Larry R. Snyder, Director