



Special Supervision Division
400 7th St. SW, Suite 3E-218
Mail Stop 8E-12
Washington, DC 20219

**Supervisory Condition 2014-06
September 2014**

September 12, 2013

Via E-mail and First Class Mail

Board of Directors
High Desert Bank
1000 SW Disk Drive
Bend, OR 97702

Re: Notification of No Supervisory Objection to Strategic Business Plan.

Dear Members of the Board:

The Office of the Comptroller of the Currency ("OCC") is in receipt of the High Desert Bank ("Bank") Strategic Business Plan ("Plan") that was submitted on February 8, 2013 as part of the requirements of Paragraph 3 under the December 29, 2009 Cease and Desist Order, CN-09-45("Order"). More specifically, pursuant to Paragraph 3 of the Order, the Board was required to submit a written Strategic Business Plan acceptable to the Regional Director¹. The Bank updated the February 8, 2013 Plan with the most recent revision occurring September 10, 2013.

The OCC has no supervisory objection to the proposed Strategic Business Plan subject to the following conditions:

- Effectively immediately, the Bank may not significantly deviate from the Plan or materially change the Plan without the assigned OCC Supervisory Office's prior written determination of no supervisory objection. The Bank must provide the OCC at least sixty (60) days advance, written notice of its intent to deviate significantly from the Plan or materially change the Plan, along with an assessment of the impact of such changes on the Bank's condition, including a profitability analysis and an evaluation of the adequacy of the Bank's organizational structure, staffing, management information systems,

¹ On July 21, 2011 ("transfer date"), pursuant to § 312 of the Dodd-Frank Act, 12 U.S.C. § 5412(b)(2){B}(i) (2010), all functions of the OTS relating to Federal savings associations (including the Bank) were transferred to the OCC. As a result, on July 21, 2011, the OCC assumed responsibility for the ongoing examination, supervision, and regulation of Federal savings associations (including the Bank). The Dodd-Frank Act continues in effect all OTS orders, resolutions, determinations, agreements, regulations, interpretive rules, other interpretations, guidelines, procedures and other advisory materials in effect the day before the transfer date, and allows the OCC to enforce these issuances with respect to Federal savings associations, unless the OCC modifies, terminates, or sets aside such guidance or until superseded by the OCC, a court, or operation of law. Dodd-Frank Act § 316(b), 12 U.S.C. § 5414.

internal controls, and written policies and procedures to identify, measure, monitor, and control the risks associated with the change in the Plan. Changes that may constitute a significant deviation from the Plan include, but are not limited to, any significant deviations from marketing strategies, products and services, marketing partners, or acquisition channels; underwriting practices or standards; credit administration, account management strategies or test programs; collection strategies, partners, or operations; fee structure, pricing, or fee application methods; accounting processes or practices; funding strategy; or any other changes in personnel, operations, or external factors that may have a material impact on the Bank's operations or financial performance. A determination of a material impact on the Bank's operations or financial performance may include a single change or changes in aggregate.

The condition of this no supervisory objection 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 U.S.C. § 1818. As such, the condition is enforceable under 12 U.S.C. § 1818.

This letter does not amend, suspend, waive, or terminate any provisions of the Order. Additionally, this letter does not amend, suspend, waive, or terminate any provisions of the Stipulation and Consent to the Issuance of Order to Cease and Desist dated December 29, 2009.

This letter and the activities and communications by OCC employees in connection with the Bank's request, 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. The foregoing may not be waived or modified by any employee or agent of the OCC or the United States.

A copy of this letter must be provided to each member of the Bank's Board. This letter must be discussed at the next board meeting of the Bank and the discussion shall be noted in the minutes for that meeting.

Should you have questions regarding the above, please contact Problem Bank Specialist Brian C. Messett or me at (202) 649-6450.

Sincerely,

/s/

James R. Moore
Director for Special Supervision