



September 24, 2015

**Conditional Approval #1135
October 2015**

Mr. Brent Beesley
Chairman and Chief Executive Officer
Heritage Bank
95 East Tabernacle
St. George, UT 84770

Subject: Voluntary Dissolution and Capital Distribution Applications Filed on Behalf of
Heritage Bank, Saint George, Utah
OCC Control Nos.: 2015-WE-Termination-144212 and 2015-WE-Capital&Div-144609
Charter No.: 702078

Dear Mr. Beesley:

The Office of the Comptroller of the Currency (OCC) hereby conditionally approves the Voluntary Dissolution Application and the Capital Distribution Application (collectively, as supplemented, the Applications) filed by Heritage Bank, Saint George, Utah (Bank), a federal stock savings association. The OCC received the Voluntary Dissolution Application and the Capital Distribution Application on June 5, 2015 and July 29, 2015, respectively.

The OCC reviewed the Applications in accordance with applicable laws, regulations, and OCC policy. Based on a thorough review of all available information, including the representations and commitments made in the Applications and by the Bank's representative, the OCC has concluded that the Applications satisfy the applicable approval standards, provided the Bank complies with the conditions and consummation requirements set forth herein.

The Proposed Plan of Dissolution

The Bank's Board of Directors and shareholders unanimously approved the Plan of Voluntary Dissolution (Plan) on June 2, 2015, and subsequently amended and approved the Plan on September 22, 2015. The Plan provides for, among other things, (1) winding down of the Bank's remaining assets and liabilities, (2) the termination of the Bank's corporate existence and dissolution of the Bank (Voluntary Dissolution Application), and (3) a liquidating distribution (Capital Distribution Application). The Bank will apply to the Federal Deposit Insurance Corporation (FDIC) for termination of insurance of accounts.

The Plan provides for the establishment of a Utah corporation owned by Mr. Beesley, Southwest Asset Management, Inc., (SAM), to facilitate the dissolution of the Bank. The Applications provide that SAM will assume all the liabilities and obligations of the Bank, both known and

unknown, including contingent liabilities, that exist prior to the dissolution of the Bank or that may arise during the 18 months after dissolution.

Voluntary Dissolution

The Voluntary Dissolution Application, filed pursuant to 12 CFR 146.4, requests the OCC's approval of the Plan, including the winding up of the Bank's remaining assets and liabilities, and payment of a final liquidating distribution.

12 CFR 146.4 provides that the OCC may approve a dissolution plan if the OCC believes the plan is advisable and best for all concerned. The OCC has reviewed the Bank's Voluntary Dissolution Application pursuant to the terms of 12 CFR 146.4 and concludes that approval of the Voluntary Dissolution Application is consistent with the regulations, subject to the conditions set forth herein.

Capital Distribution

The Capital Distribution Application, filed pursuant to 12 CFR 5.55, requests the OCC's approval for the Bank to pay a final liquidating distribution to its shareholders.

Pursuant to 12 CFR 5.55(h), the OCC may deny a capital distribution application in whole or in part if the proposed distribution would (i) cause the federal savings association to become undercapitalized;¹ (ii) raise safety or soundness concerns; or (iii) violate any statute, regulation, or agreement between the Bank and the OCC or Office of Thrift Supervision (OTS), or violate a condition imposed on the federal savings association by the OCC or OTS in the approval of an application or notice.

The OCC has reviewed the Bank's Capital Distribution Application pursuant to the terms of 12 CFR 5.55 and concludes that approval of the Capital Distribution Application is consistent with the regulations, subject to the conditions set forth herein.

Conditions

The OCC approves the Applications subject to the following conditions:

1. No later than three business days prior to the date of consummation of the Voluntary Dissolution, the Bank shall submit to the OCC: 1) a copy of the executed and effective Assumption Agreement, in substantially the same form as the draft submitted September 22, 2015; and 2) a copy of the executed and effective Escrow Agreement, in substantially the same form as the draft submitted on September 22, 2015.

¹ If the distribution would cause the savings association to become undercapitalized, 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).

- 2 . The Bank shall publish additional notices of its dissolution, in a local newspaper of general circulation, once a week for three consecutive weeks immediately prior to the dissolution, and furnish the OCC with proof of such publication.
- 3 . The Bank shall not complete any capital distributions until all other conditions herein are met and the OCC acknowledges the return of the Bank's charter. If the Bank seeks to make a capital distribution prior to satisfaction of all conditions, the Bank must receive the written non-objection of the OCC's Director for Western District Licensing (DDL).

The conditions of this 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 USC 1818. As such, the conditions are enforceable under 12 USC 1818.

Consummation Requirements

If additional information having a material adverse effect on any feature of the Applications is brought to the attention of the Bank or the OCC since the date of the financial statements submitted with the Applications, the Bank must not consummate the Capital Distribution or the Voluntary Dissolution, as applicable, unless the information is presented to the DDL and the DDL provides written non-objection to consummation of the Capital Distribution or the Voluntary Dissolution, as applicable.

The approvals set forth herein are granted based on our understanding that other regulatory approvals, non-objections, or waivers with respect to the proposed transactions will have been received prior to consummating the transactions. Unless a timeframe is otherwise stated below, please ensure that you submit the following information to the OCC's Western District Licensing Division (Licensing) prior to consummation of the Capital Distribution and Voluntary Dissolution:

- Copy of notification from the FDIC regarding termination of deposit insurance (Order of Termination);
- Return of Reports of Examination, or certification that Reports of Examination were properly disposed of;
- No later than five business days after the date of consummation of the Capital Distribution and Voluntary Dissolution, a certification must be filed with Licensing stating the effective date of each transaction. The certification must specify the transaction, or transactions, that were consummated and that such transactions were completed in accordance with all applicable laws and regulations, the Applications, and this letter; and
- No later than five business days after the date of consummation of the Voluntary Dissolution, all official copies of the federal charter of the Bank must be returned to

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Licensing.

If the transaction is not consummated within 120 calendar days of the approval date, the approval shall automatically terminate, unless the OCC grants an extension for good cause.

This 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 the Bank'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 the OCC handled the Applications. We would appreciate your response so we may continue to improve our service.

All correspondence regarding the Applications should reference the control number. If you have any questions, please contact Ankit Shah, Licensing Analyst, Western District Licensing Division, at (720) 475-7650.

Sincerely,

Stephen A. Lybarger

Stephen A. Lybarger
Deputy Comptroller for Licensing

Enclosure