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ARIZONA CORPORATION COMMISSION

JAMES MATTHEWS
EXECUTIVE SECRETARY

SECURITIES DIVISION
Office: (602) 542-4242
FAX: (602) 542-3583

July 2, 1991

Ms. Laura K. Thomas, Law Clerk
Huggins & Associates, Inc.
The Crescent Center, Seventh Floor
6075 Poplar
Memphis, Tennessee 38119

RE: Timberline Community Bank
A.R.S. § 44-1844(A)(6)

Dear Ms. Thomas:

On the basis of the facts set forth in your letter of May 20, 1991, and in reliance upon Huggins & Associates, Inc.'s opinion as representatives of Timberline Community Bank, the Securities Division will not recommend enforcement action for violation of the Securities Act of Arizona should the transaction take place as set forth in your letter. This position is consistent with prior no-action letters issued by the Division. However, the Division is currently analyzing the breadth of the exemption found in A.R.S. § 44-1844(A)(6) and may take a different position on similar facts in the future.

As this position is premised upon the facts set forth in your letter, it should not be relied on for any other set of facts or by any other person. Please also note that this position applies only to the registration requirements of the Act; the anti-fraud provisions of the Act continue to be applicable.

We have attached a photocopy of your letter. By doing this we are able to avoid having to recite or summarize the facts set forth therein.

Very truly yours,

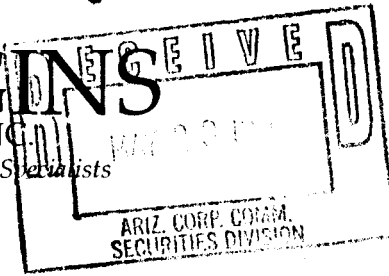
DEE RIDDELL HARRIS
Director of Securities

DRH:MGB:wjw

Attachment



HUGGINS
& ASSOCIATES, INC.
The Financial Institution Specialists



May 20, 1991

Mr. Michael Burton
General Counsel
Arizona Corporation Commission
Securities Division
1200 West Washington Street, Suite 201
Phoenix, AZ 85007

Dear Mr. Burton:

Our firm represents Timberline Community Bank, Yreka, California (the "Bank"), a state bank doing business in the State of California. For purposes of forming a bank holding company, Timberline Bancshares, Inc., (the "Holding Company"), the Board of Directors of the Bank has adopted an Agreement and Plan of Merger with the Holding Company, whereby the Bank would be acquired by the Holding Company. Shares of stock of the Holding Company will be exchanged for shares of stock in the Bank. This procedure for forming a bank holding company is expressly authorized by California Statute and is subject to approval by the California State Banking Department.

The agreement and Plan of Merger will be submitted to the shareholders of the Bank for approval on June 13, 1991. Upon approval of the Agreement and Plan of Merger by a majority of the outstanding shares of Bank stock, and a filing of certain documents with the Federal Reserve Board and the California State Banking Department, each outstanding share of Bank stock will be exchanged for one share of Holding Company stock.

Our review of the Arizona Securities Laws indicates that the above-referenced transaction will qualify for exemption pursuant to Section 44-1844(A)(6) of the Arizona Revised Statutes, as amended. This section provides that any transaction or series of transactions incident to a statutory or judicially approved reorganization, merger, triangular merger, consolidation, or sale of assets, incident to a vote by securities holders pursuant to the articles of incorporation, the applicable corporate statute or other controlling statute, partnership agreement or the controlling agreement among securities holders is exempt.

The transaction involves an exchange of shares which will be approved by the shareholders of the Bank and the Holding Company. Upon your request, we will send you a copy of the proxy materials to be provided to the shareholders. We respectfully request that you review the structure of this transaction and confirm that this transaction does qualify for the exemption described above.

Mr. Michael Burton
May 20, 1991
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We have enclosed a check for \$200 made payable to the Arizona Corporation Commission as required for issuance of a "No-Action" letter. We also enclose a copy of this letter and a self-addressed, stamped envelope to be returned to acknowledge receipt of this filing. If you have any questions, please feel free to contact Stan Huggins or me.

Sincerely,

Laura K. Thomas

Laura K. Thomas
Law Clerk

/mr
Enclosures

cc: Stanley M. Huggins
Dianne J. Thurman
W. Keith McLeod