

WASHINGTON DEPARTMENT OF FINANCIAL INSTITUTIONS
OLYMPIA, WASHINGTON

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In the Matter of)	
)	CONSENT ORDER
COASTAL COMMUNITY BANK)	
EVERETT, WASHINGTON)	09-12-CD
)	
(INSURED STATE MEMBER BANK))	
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The Bank, by and through its duly elected and acting Board of Directors (“Board”), has executed a Stipulation to the Issuance of a Consent Order (“Stipulation”), dated January 19, 2010, that is accepted by the Washington Department of Financial Institutions (WDFI). With the Stipulation, the Bank has consented, without admitting or denying any charges of unsafe or unsound banking practices or violations of law and/or regulation relating to weaknesses in capital, asset quality, management, and earnings, to the issuance of this Consent Order (“Order”) by the WDFI.

Having determined that the requirements for issuance of an order under Section 8(b) of the Act, 12 U.S.C. § 1818(b), and Section 30.04.450 of the Revised Code of Washington, Wash. Rev. Code Ann. § 30.04.450, have been satisfied, the WDFI hereby orders that:

1. The Bank shall have and retain qualified management.

(a) Each member of management shall have qualifications and experience commensurate with his or her duties and responsibilities at the Bank. Management shall include the following: (i) a chief executive officer with proven ability in managing a bank of comparable size and risk profile; (ii) a chief financial officer with proven ability in all aspects of financial

management; and (iii) a senior lending officer with significant lending, collection, and loan supervision experience and experience in upgrading a low quality loan portfolio. Each member of management shall be provided appropriate written authority from the Board to implement the provisions of this Order.

(b) The qualifications of management shall be assessed on its ability to:

- (i) comply with the requirements of this Order;
- (ii) operate the Bank in a safe and sound manner;
- (iii) comply with applicable laws and regulations; and
- (iv) restore all aspects of the Bank to a safe and sound condition,

including asset quality, capital adequacy, earnings, management effectiveness, liquidity, and sensitivity to market risk.

(c) During the life of this Order, the Bank shall notify the Director of Banks of the Washington Department of Financial Institutions (“Director of Banks”) in writing when it proposes to add or replace any individual on the Board, or to employ any individual to serve as a senior executive officer, or to change the responsibilities of any existing senior executive officer to include the responsibilities of another senior executive officer position. The notification shall include a completed Interagency Biographical and Financial Report and Interagency Change in Director or Senior Executive Officer and must be received at least 30 days before the addition, employment or change of responsibilities is intended to become effective. The Director of Banks shall, under the authority of this Order, have the power to disapprove the addition, employment or change of responsibilities of any proposed officer or director.

2. By December 31, 2009, the Bank's board of directors shall submit to the WDFI a written plan to strengthen board oversight of the management and operations of the Bank. The plan shall, at a minimum, address, consider, and include:

(a) The actions that the board of directors will take to improve the Bank's condition and maintain effective control over, and supervision of, the Bank's major operations and activities, including but not limited to, credit risk management, earnings, and liquidity; and

(b) a description of the information and reports that will be regularly reviewed by the board of directors in its oversight of the operations and management of the Bank, including information on the Bank's adversely classified assets, allowance for loan and lease losses, capital, earnings, and liquidity.

3. During the life of this Order, the allowance for loan and lease losses ("ALLL") will be fully funded, the adequacy of which shall be satisfactory to the Federal Reserve Bank and the Director of Banks as determined at subsequent examinations and/or visitations. Any increase in Tier 1 capital necessary may not be accomplished through a deduction from the Bank's ALLL.

4. The Bank shall not pay cash dividends or make any other payments or distributions to its shareholders without the prior written consent of the Federal Reserve Bank and the Director of Banks.

5. (a) During the life of this Order, the Bank shall take all necessary actions to improve asset quality and reduce adversely classified assets.

(b) Reduction of these assets through proceeds of other loans made by the Bank is not considered collection for the purpose of this paragraph. As used in this paragraph the word "reduce" means:

(i) to collect;

(ii) to charge-off; or

(iii) to sufficiently improve the quality of assets adversely classified to warrant removing any adverse classification, as determined by the FDIC and the WDFI.

(c) Within 30 days of the date that any additional loan or other asset in excess of \$750,000, including OREO becomes past due as to principal or interest for more than 90 days; is on the Bank's problem loan list; or is adversely classified in any subsequent report of examination of the Bank, the Bank shall submit to the WDFI an acceptable written plan to improve the Bank's position on such loan or asset.

(d) Within 45 days after the end of each calendar quarter thereafter, the Bank shall submit a written progress report to the WDFI to update each asset improvement plan, which shall include, at a minimum, the carrying value of the loan or other asset and changes in the nature and value of supporting collateral, along with a copy of the Bank's current problem loan list, a list of all loan renewals and extensions without full collection of interest in the last quarter, and past due/non-accrual report. The board of directors shall review the progress reports before submission and shall document the review in the minutes of the board of directors' meetings.

6. (a) Beginning with the effective date of this Order, the Bank shall not extend, directly or indirectly, any additional credit to, or for the benefit of, any borrower who has a loan or other extension of credit from the Bank that has been charged off or classified, in whole or in part, "Loss" in the April 6, 2009 Target Examination Report or in any subsequent report of examination, as long as such credit remains uncollected. This paragraph shall not prohibit the Bank from renewing or extending the maturity of any credit in accordance with the Financial Accounting Standards Board Statement Number 15 ("FASB 15").

(b) Beginning with the effective date of this Order, the Bank shall not extend, directly or indirectly, any additional credit to, or for the benefit of, any borrower who has a loan or other extension of credit from the Bank that has been classified, in whole or part, “Doubtful” or “Substandard” without the prior approval of a majority of the Board or loan committee of the Bank. The Board and loan committee shall not approve any extension of credit or additional credit to such borrowers without first collecting in cash all past due interest.

7. (a) By December 31, 2009, the Bank shall submit to the WDFI a written business plan for 2010 to improve the Bank’s earnings and overall condition. The plan, at a minimum, shall provide for or describe:

(i) a realistic and comprehensive budget for 2010, including income statement and balance sheet projections; and

(ii) a description of the operating assumptions that form the basis for, and adequately support, major projected income, expense, and balance sheet components

(b) A business plan and budget for each calendar year subsequent to 2010 shall be submitted to the WDFI at least 30 days prior to the beginning of that calendar year. Such plans and their implementation shall be satisfactory to the Federal Reserve Bank and the Director of Banks as determined at subsequent examinations and/or visitations.

8. During the life of this Order, the bank shall maintain a minimum Primary Liquidity Ratio (net cash, short-term, and marketable assets divided by net deposits and short-term liabilities) of at least 15 percent.

9. Upon issuance of this Order, the bank shall provide copies to the WDFI of the plans required by the Federal Reserve’s Written Agreement dated September 25, 2009, relating to credit risk management, reducing concentrations of credit in commercial real estate, reducing

asset classifications, maintaining an adequate ALLL, maintaining sufficient capital, and improving liquidity (required by numbers 2, 3, 5, 6, 7, and 9 of the Written Agreement). Such plans and their implementation shall be acceptable to the Director of Banks as determined at subsequent examinations or visitations.

10. Within 30 days of the end of the first quarter following the effective date of this Order, and within 30 days of the end of each quarter thereafter, the Bank shall furnish written progress reports to the Director of Banks detailing the form and manner of any actions taken to secure compliance with this Order and the results thereof. Such reports may be discontinued when the corrections required by this Order have been accomplished and the Director of Banks has released the Bank in writing from making further reports.

The provisions of this Order shall not bar, estop, or otherwise prevent the WDFI, or any other federal or state agency or department, from taking any other action against the Bank or any of the Bank's current or former institution-affiliated parties as that term is defined in Section 3(u) of the Act, 12 U.S.C. § 1813(u).

This Order will become effective upon its issuance by the WDFI. The provisions of this Order shall be binding upon the Bank, its institution-affiliated parties, and any successors and assigns thereof.

The provisions of this Order shall remain effective and enforceable except to the extent that and until such time as any provision has been modified, terminated, suspended, or set aside by the WDFI.

Pursuant to delegated authority.

Dated at Tumwater, Washington, this 19th day of January, 2010.

/s/ _____
Brad Williamson
Director of Banks
Washington Department of Financial Institutions