

**OREGON DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
DIVISION OF FINANCE AND CORPORATE SECURITIES
SALEM, OREGON**

**FEDERAL DEPOSIT INSURANCE CORPORATION
WASHINGTON, D.C.**

<p>In the Matter of:</p> <p>COLUMBIA COMMUNITY BANK HILLSBORO, OREGON</p> <p>INSURED STATE NONMEMBER BANK</p>	<p>)</p> <p>)</p> <p>)</p> <p>)</p> <p>)</p> <p>)</p> <p>)</p> <p>)</p> <p>)</p> <p>)</p>	<p>No. B-09-0001 & FDIC Docket 09-084b</p> <p>ORDER TO CEASE AND DESIST</p>
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WHEREAS, Columbia Community Bank Hillsboro, Oregon ("Bank"), having been advised of its right to a NOTICE OF CHARGES AND OF HEARING detailing the unsafe or unsound banking practices alleged to have been committed by the Bank and of its right to a hearing on the alleged charges under Oregon Revised Statutes, § 706.580(2) and section 8(b)(1) of the Federal Deposit Insurance Act ("Act"), 12 U.S.C. § 1818(b)(1), and having waived those rights, entered into a STIPULATION AND CONSENT TO THE ISSUANCE OF AN ORDER TO CEASE AND DESIST ("CONSENT AGREEMENT") with the Oregon Department of Consumer and Business Services, Division of Finance and Corporate Securities ("DFCS") and with counsel for the Federal Deposit Insurance Corporation ("FDIC"), dated February 27, 2009, whereby solely for the purpose of this proceeding and without admitting or denying the alleged charges of unsafe or unsound banking practices and violations of law and/or regulations, the Bank consents to the issuance of an ORDER TO CEASE AND DESIST ("ORDER") by DFCS and the FDIC;

NOW THEREFORE, DFCS and the FDIC, having considered the matter and determined that they had reason to believe that the Bank had engaged in unsafe or unsound banking practices, hereby **ORDERS** the following:

IT IS HEREBY ORDERED, that the Bank, its institution-affiliated parties, as that term is defined in section 3(u) of the Act, 12 U.S.C. § 1813(u), and its successors and assigns, cease and desist from the following unsafe and unsound banking practices, as more fully set forth in the DFCS Report of Examination ("ROE") dated June 23, 2008:

- a) operating with management whose policies and practices are detrimental to the Bank and jeopardize the safety of its deposits;
- b) operating with a board of directors which has failed to provide adequate supervision over and direction to the active management of the Bank;
- c) operating with inadequate capital in relation to the kind and quality of assets held by the Bank;

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- 1 d) operating with an inadequate loan valuation reserve;
- 2 e) operating with a large volume of poor quality loans;
- 3 f) engaging in unsatisfactory lending and credit management practices
- 4 g) operating in violation of the following: 12 C.F.R. §323.4(d); and Part 364 of the FDIC's
5 Rules and Regulations, and its Appendix A, 12 C.F.R. Part 364; and section 706.580 of
6 the Oregon Revised Statutes (ORS), all as more fully described in the ROE dated June
7 23, 2008;
- 8 h) operating with inadequate provisions for liquidity;

9 **IT IS FURTHER ORDERED**, that the Bank, its institution-affiliated parties, and its
10 successors and assigns, take affirmative action as follows:

11 1) The Bank shall have and retain qualified management.

12 (a) Each member of management shall have qualifications and experience commensurate
13 with his or her duties and responsibilities at the Bank. Management shall include a chief
14 executive officer with proven ability in managing a bank of comparable size, and
15 experience in upgrading a low quality loan portfolio, improving earnings, and other
16 matters needing particular attention. Management shall also include a senior lending
17 officer with significant appropriate lending, collection, and loan supervision experience
18 and experience in upgrading a low quality loan portfolio. Each member of management
19 shall be provided appropriate written authority from the Bank's Board to implement the
20 provisions of this ORDER.

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

- 22 (i) comply with the requirements of this ORDER;
- 23 (ii) operate the Bank in a safe and sound manner;
- 24 (iii) comply with applicable laws and regulations; and
- 25 (iv) restore all aspects of the Bank to a safe and sound condition, including
26 asset quality, capital adequacy, earnings, management effectiveness,
liquidity, and sensitivity to market risk.

27 (c) During the life of this ORDER, the Bank shall notify the Administrator of DFCS
28 ("Administrator") and the Regional Director of the FDIC's San Francisco Regional Office
29 ("Regional Director") in writing when it proposes to add any individual to the Bank's
30 Board or employ any individual as a senior executive officer. The notification must be
31 received at least 30 days before such addition or employment is intended to become
32 effective and should include a description of the background and experience of the
33 individual or individuals to be added or employed. Nomination of a Board member or
34 senior executive officer must be acceptable to the Administrator and the Regional
35 Director.

36 2) Within 60 days from the effective date of this ORDER, the Bank's Board shall increase
its participation in the affairs of the Bank, assuming full responsibility for the approval of
sound policies and objectives and for the supervision of all of the Bank's activities,
consistent with the role and expertise commonly expected for directors of banks of
comparable size. This participation shall include meetings to be held no less frequently
than monthly at which, at a minimum, the following areas shall be reviewed and
approved: reports of income and expenses; new, overdue, renewal, insider, charged-off,
and recovered loans; investment activity; operating policies; and individual committee

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1 actions, and concentrations of credit. The Bank's Board minutes shall document these
2 reviews and approvals, including the names of any dissenting directors.

3 3. Within 90 days from the effective date of this ORDER the Bank shall develop a Capital
4 Plan in a form and manner acceptable to the Administrator and the Regional Director as
5 determined at subsequent examinations. Such Capital Plan shall set minimum Capital
6 levels as described in the FDIC's Statement of Policy on Risk-Based Capital contained in
7 Appendix A to Part 325 of the FDIC's Rules and Regulations, 12 C.F.R. Part 325,
8 Appendix A and in accordance with the following provisions of this ORDER.

9 (a) Within 90 days from the effective date of this ORDER the Bank shall have and thereafter
10 maintain its Tier 1 Leverage capital in such an amount as to equal or exceed 8.0 percent
11 of the Bank's total assets.

12 (b) Within 90 days from the effective date of this ORDER the Bank shall have and thereafter
13 maintain its Tier 1 Risk-Based capital in such an amount as to equal or exceed 10.0
14 percent.

15 (c) Within 120 days from the effective date of this ORDER the Bank shall have and
16 thereafter maintain its Total Risk-Based capital in such an amount as to equal or exceed
17 12.0 percent.

18 (d) The level of Tier 1 leverage capital to be maintained during the life of this ORDER
19 pursuant to Subparagraph 3(a) shall be in addition to a fully funded allowance for loan
20 and lease losses, the adequacy of which shall be satisfactory to the Administrator and the
21 Regional Director as determined at subsequent examinations and/or visitations.

22 (e) Any increase in Tier 1 leverage capital necessary to meet the requirements of Paragraph 3
23 of this ORDER may be accomplished by the following:
24 i. the sale of non-cumulative perpetual preferred stock; or
25 ii. the direct contribution of cash by the Bank's Board and/or shareholders of the
26 Bank; or
27 iii. any other means acceptable to the Administrator and the Regional Director; or
28 iv. any combination of the above means, however any increase in Tier 1 leverage
29 capital necessary to meet the requirements of Paragraph 3 of this ORDER
30 may not be accomplished through a deduction from the Bank's allowance
31 for loan and lease losses.

32 (f) If all or part of the increase in Tier 1 leverage capital required by Paragraph 3 of this
33 ORDER is accomplished by the sale of new securities, the Bank's Board shall forthwith
34 take all necessary steps to adopt and implement a plan for the sale of such additional
35 securities, including the voting of any shares owned or proxies held or controlled by them
36 in favor of the plan. Should the implementation of the plan involve a public distribution
37 of the Bank's securities (including a distribution limited only to the Bank's existing
38 shareholders), the Bank shall prepare offering materials fully describing the securities
39 being offered, including an accurate description of the financial condition of the Bank
40 and the circumstances giving rise to the offering, and any other material disclosures
41 necessary to comply with the Federal securities laws. Prior to the implementation of the
42 plan and, in any event, not less than 15 days prior to the dissemination of such materials,



1 the plan and any materials used in the sale of the securities shall be submitted to the
2 FDIC, Registration and Disclosure Unit, Washington, D.C. 20429 and to DFCS, for
3 review. Any changes requested to be made in the plan or materials by DFCS and the
4 FDIC shall be made prior to their dissemination. If the increase in Tier 1 capital is
5 provided by the sale of non-cumulative perpetual preferred stock, then all terms and
conditions of the issue, including but not limited to those terms and conditions relative to
interest rate and convertibility factor, shall be presented to the Administrator and the
Regional Director for prior approval.

6 (g) In complying with the provisions of Paragraph 3 of this ORDER, the Bank shall provide
7 to any subscriber and/or purchaser of the Bank's securities, a written notice of any
8 planned or existing development or other changes which are materially different from the
9 information reflected in any offering materials used in connection with the sale of Bank
10 securities. The written notice required by this paragraph shall be furnished within 10 days
11 from the date such material development or change was planned or occurred, whichever
12 is earlier, and shall be furnished to every subscriber and/or purchaser of the Bank's
13 securities who received or was tendered the information contained in the Bank's original
14 offering materials.

15 (h) For the purposes of this ORDER, the terms "Tier 1 leverage capital" and "total assets"
16 shall have, the meanings ascribed to them in Part 325 of the FDIC's Rules and
17 Regulations, 12 C.F.R. §§ 325.2(v) and 325.2(x).

18 4. Within 60 days from the effective date of this ORDER, the Bank's Board shall revise and
19 update its existing policy for determining the adequacy of the Allowance for Loan and
20 Lease Losses (ALLL) to address recent and continuing developments and evolving
21 market conditions, in accordance with Generally Accepted Accounting Practices
22 (GAAP) for the United States. For the purpose of this determination, the adequacy of the
23 ALLL shall be determined after the charge-off of all loans and other items classified
24 "Loss." The policy shall provide for a review of the ALLL at least once each calendar
quarter. Said review shall be completed after the end of each quarter, in order that the
findings of the Bank's Board with respect to the ALLL may be properly reported in the
quarterly Reports of Condition and Income. The review should focus on the results of the
Bank's internal loan review, loan loss experience, trends of delinquent and non-accrual
loans, an estimate of potential loss exposure of significant credits, concentrations of
credit, and present and prospective economic conditions. A deficiency in the ALLL shall
be remedied in the calendar quarter it is discovered, prior to submitting the Report of
Condition, by a charge to current operating earnings. The minutes of the Bank's Board
meeting at which such review is undertaken shall indicate the results of the review. Upon
completion of the review, the Bank shall increase and maintain its ALLL consistent with
the ALLL policy adopted by the Board. Such policy and its implementation shall be
satisfactory to the Administrator and the Regional Director as determined at subsequent
examinations and/or visitations.

25 5. The Bank shall maintain its loan policies, procedures and accounting practices in
26 accordance with the following provisions of this ORDER.

(a) Within 30 days from the effective date of this ORDER, the Bank shall eliminate from
its books, by charge-off or collection, all assets classified "Loss" in the ROE dated



- 1 June 23, 2008, that have not been previously collected or charged off. Elimination of
2 these assets through proceeds of other loans made by the Bank is not considered
3 collection for the purpose of this paragraph.
- 4 (b) Within 180 days from the effective date of this ORDER, the Bank shall have reduced
5 the level of assets classified "Substandard" and "Doubtful" in the ROE dated June 23,
6 2008, that have not previously been charged off to not more than \$15,000,000.
- 7 (c) The requirements of Subparagraphs 5(a) and 5(b) of this ORDER are not to be
8 construed as standards for future operations and, in addition to the foregoing; the
9 Bank shall eventually reduce the total of all adversely classified assets. Reduction of
10 these assets through proceeds of other loans made by the Bank is not considered
11 collection for the purpose of this paragraph. As used in Subparagraphs 5(b) and 5(c)
12 the word "reduce" means:
13 i. to collect;
14 ii. to charge-off; or
15 iii. to sufficiently improve the quality of assets adversely classified to warrant
16 removing any adverse classification, as determined by the DFCS and the
17 FDIC.
- 18 (d) Within 90 days from the effective date of this ORDER, the Bank shall develop written
19 asset disposition plans for each classified asset greater than \$250,000. The plans shall
20 be reviewed and approved by the Bank's Board and acceptable to the Administrator
21 and the Regional Director as determined at subsequent examinations.
- 22 (e) Within 90 days from the effective date of this ORDER, the Bank shall adopt and
23 implement a written plan for the reduction and collection of delinquent loans. The
24 plan shall be acceptable to the Regional Director and the Administrator as determined
25 at subsequent examinations.
- 26 (f) As of the effective date of this ORDER, the Bank shall cease the origination of loans
that are outside of the Bank's defined market area, other than to medical and dental
professionals for professional practice related purposes.
6. The Bank shall refrain from granting loans prohibited by the following provisions of this
ORDER.
- (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" and is uncollected. Subparagraph 6(a) of this ORDER
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 (new money), to or for the benefit of, any borrower
who has a loan or other extension of credit from the Bank in excess of \$50,000, that
has been classified, in whole or part, "Substandard" or "Doubtful" at the June 23,

1 2008, Examination without the prior approval of a majority of the Bank's Board or the
2 loan committee of the Bank.

3 (c) The loan committee or Bank's Board shall not approve any extension of credit, or
4 additional credit to a borrower in Paragraphs (b) and (c) above without first collecting
5 in cash all past due interest.

6 7. The Bank shall ensure that its lending policies and practices comply with the following
7 provisions of the ORDER.

8 (a) Within 90 days from the effective date of this ORDER, the Bank shall revise, adopt,
9 and implement written lending and collection policies to provide effective guidance
10 and control over the Bank's lending function, which policies shall include specific
11 guidelines for placing loans on a non-accrual basis. In addition, the Bank shall obtain
12 adequate and current documentation for all loans in the Bank's loan portfolio. Such
13 policies and their implementation shall be in a form and manner acceptable to the
14 Administrator and the Regional Director as determined at subsequent examinations
15 and/or visitations.

16 (b) The initial revisions to the Bank's loan policy and practices, required by this
17 paragraph, at a minimum, shall include the following:

- 18 (i) provisions, consistent with FDIC's instructions for the preparation of Reports of
19 Condition and Income, under which the accrual of interest income is
20 discontinued and previously accrued interest is reversed on delinquent loans;
- 21 (ii) provisions which prohibit the capitalization of interest or loan related expenses
22 unless the Bank's Board supports in writing and records in the minutes of the
23 corresponding Bank's Board meeting why an exception thereto is in the best
24 interests of the Bank;
- 25 (iii) provisions which require complete loans documentation, realistic repayment
26 terms, and current credit information adequate to support the outstanding
 indebtedness of the borrower. Such documentation shall include current
 financial information, profit and loss statements or copies of tax returns and
 cash flow projections;
- (iv) provisions which incorporate limitations on the amount that can be loaned in
 relation to established collateral values. Such limitations shall be in accordance
 with the supervisory loan to value limitation of Appendix A of Part 365 of the
 FDIC Rules and Regulation;
- (v) provisions which specify the circumstances, frequency, and conditions under
 which real estate appraisals must be conducted by an independent third party;
- (vi) provisions which establish standards for unsecured credit;
- (vii) provisions which establish officer lending limits;
- (viii) provisions that require extensions of credit to any of the Bank's executive
 officers, directors, or principal shareholders, or to any related interest of such
 persons, to be approved in advance by a majority of the entire Bank's Board in
 accordance with section 215.4(b) of Regulation O of the Board of Governors of
 the Federal Reserve System, 12 C.F.R. § 215.4(b);
- (ix) provisions which prohibit the issuance of standby letters of credit unless the
 letters of credit are fully secured by readily marketable collateral and/or are
 supported by current and complete financial information;

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- 1 (x) provisions that directors first determine that the lending staff has the expertise
2 necessary to properly supervise construction loans and that adequate procedures
3 are in place to monitor any construction involved before funds are disbursed;
4 (xi) provisions which prohibit concentrations of credit in excess of the limitations
5 contained in ORS 708A.290 to ORS 708A.375 or 25 percent of the Bank's total
6 equity capital and reserves to any borrower and that borrower's related interests,
7 whichever is lower;
8 (xii) provisions which require the preparation of a loan "watch list" which shall
9 include relevant information on all loans in excess of \$50,000, which are
10 classified "Substandard" and "Doubtful" in the ROE dated June 23, 2008, or by
11 DFCS or the FDIC in subsequent Reports of Examination and all other loans in
12 excess of \$50,000, which warrant individual review and consideration by the
13 Bank's Board as determined by the loan committee or active management. The
14 loan "watch list" shall be presented to the Bank's Board for review at least
15 monthly with such review noted in the minutes; and
16 xiii) the Bank's Board shall adopt procedures whereby officer compliance with the
17 revised loan policy is monitored and responsibility for exceptions thereto
18 assigned. The procedures adopted shall be reflected in minutes of a Bank's
19 Board meeting at which all members are present and the vote of each is noted.
- 20 8. Within 90 days from the effective date of this ORDER, the Bank shall develop a written
21 plan, approved by its Board and acceptable to the Administrator and the Regional
22 Director for systematically reducing the amount of loans or other extensions of credit
23 advanced, directly or indirectly, to or for the benefit of, any borrowers in the
24 "Commercial Real Estate" Concentrations with particular emphasis on those borrowers in
25 the "Construction and Land Development" area, as more fully set forth in the ROE dated
26 June 23, 2008. Such plan shall address compliance with the provisions of the Financial
Institution Letter entitled "Commercial Real Estate Lending: Joint Guidance" FIL-104-
2006.
9. Within 120 days from the effective date of this ORDER, the Bank shall formulate and
implement a written three-year strategic business plan. This plan shall address, at a
minimum, the following:
- (a) Formal goals and strategies, consistent with sound banking practices, to improve the
Bank's net interest margin, increase interest income, reduce discretionary expenses
and maintain the Bank's earnings.
 - (b) The major areas in, and means by which, the Bank's Board will seek to improve the
Bank's operating performance;
 - (c) Realistic and comprehensive budgets;
 - (d) A budget review process to monitor the actual income and expenses of the Bank in
comparison with budgetary projections; and
 - (f) A description of the operating assumptions that form the basis for, and adequately
support, major projected income and expense components. The Bank's loan,
investment and operating policies and budget and profit plans must be revised to
insure consistency with the Bank's strategic plan. The Bank shall update and revise
the strategic business plan by December 31st of each year.



- 1 (g) The strategic business plan required by paragraph 9 of this ORDER, upon completion,
2 shall be submitted to the Administrator and the Regional Director for their review and
3 opportunity for comment.
- 4 (h) Following the end of each calendar quarter, the Bank's Board shall evaluate the
5 Bank's actual performance in relation to the strategic business plan required by
6 Subparagraph 9 of this ORDER and shall record the results of the evaluation, and any
7 actions taken by the Bank, in the minutes of the Bank's Board meeting at which such
8 evaluation is undertaken.
- 9 10. Upon the effective date of this ORDER, the Bank shall not increase the amount of
10 brokered deposits above the amount outstanding on that date and shall comply with the
11 deposit interest rate restriction in accordance with Part 337.6 of the FDIC Rules and
12 Regulations. In addition, during the life of this ORDER, the Bank shall not solicit, retain,
13 or rollover brokered deposits unless it has applied for and been granted a waiver of this
14 prohibition by the FDIC in accordance with the provisions of Part 337 of the FDIC's
15 Rules and Regulations. For purposes of this ORDER, brokered deposits are defined as
16 described in section 337.6(a)(1) of the FDIC Rules and Regulations to include any
17 deposits funded by third party agents or nominees for depositors, including deposits
18 managed by a trustee or custodian when each individual beneficial interest is entitled to
19 or asserts a right to federal deposit insurance.
- 20 11. Within 60 days from the effective date of this ORDER, the Bank's Board shall revise,
21 adopt and fully implement at all times during the life of this ORDER, a written liquidity
22 and funds management policy and address specific contingency plans that detail actions
23 to be implemented under various liquidity scenarios. Such policy shall include specific
24 provisions to provide for a minimum primary liquidity ratio (net cash, short-term, and
25 marketable assets divided by net deposits and short-term liabilities) of at least 15
26 percent. The policy and its implementations shall be in a form and manner acceptable to
the Administrator and the Regional Director as determined at subsequent examinations
and/or visitations.
12. Within 30 days from the date of this ORDER, the Bank shall submit to the Administrator
and the Regional Director, a liquidity and funds management plan to reduce the bank's
reliance on non-core funding sources, including brokered deposits and borrowings, and
reduce the Bank's Net Non-Core Funding Dependency ratio to not more than 20.0
percent. The Plan shall be acceptable to the Administrator and the Regional Director as
determined at subsequent examinations.
13. Within 60 days from the effective date of this ORDER, the Bank shall eliminate and/or
correct all violations of law, as more fully set forth in the ROE dated June 23, 2008. In
addition, the Bank shall take all necessary steps to ensure future compliance with all
applicable laws and regulations.
14. Within 60 days from the effective date of this ORDER, the Bank shall adopt and
implement a policy for the operation of the Bank in such a manner as to provide adequate
internal routine and control policies consistent with safe and sound banking practices.
Such policy and its implementation shall be satisfactory to the Administrator and the
Regional Director as determined at subsequent examinations and/or visitations.

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- 16. The Bank shall not pay cash dividends without the prior written consent of the Administrator and the Regional Director.
- 17. Within 30 days of the end of each calendar 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 Administrator and the Regional Director detailing the form and manner of any actions taken to secure compliance with this ORDER and the results thereof. Such reports shall include a copy of the Bank's Report of Condition and the Bank's Report of Income. Such reports may be discontinued when the corrections required by this ORDER have been accomplished and the Administrator and the Regional Director have released the Bank in writing from making further reports.
- 18. Following the effective date of this ORDER, the Bank shall send to its shareholder(s) or otherwise furnish a description of this ORDER in conjunction with the Bank's next shareholder communication and also in conjunction with its notice or proxy statement preceding the Bank's next shareholder meeting. The description shall fully describe the ORDER in all material respects. The description and any accompanying communication, statement, or notice shall be sent to the Administrator and to the FDIC's, Accounting and Securities Section, Washington, D.C. 20429, at least 15 days prior to dissemination to shareholders. Any changes requested to be made by the FDIC or the Administrator shall be made prior to dissemination of the description, communication, notice, or statement.

This ORDER will become effective upon its issuance by DFCS and the FDIC. The provisions of this ORDER shall remain effective and enforceable except to the extent that, and until such time as, any provisions of this ORDER shall have been modified, terminated, suspended, or set aside by DFCS and the FDIC. Violation of, or failure to comply with, any of the terms of this ORDER may result in either DFCS, FDIC, or both DFCS and FDIC jointly initiating proceedings to enforce this Order, including seeking additional sanctions and/or civil monetary penalties, as well as seeking relief and injunction of violations in the agencies' courts of general jurisdiction.

Pursuant to delegated authority.

Dated at Salem, Oregon, this 4th day of March, 2009.

/s/

David C. Tatman
Administrator
Oregon Division of Finance and Corporate Securities

/s/

Stan Ivie
Regional Director
Division of Supervision and Consumer Protection San Francisco Region
Federal Deposit Insurance Corporation

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