

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

OREGON DIVISION OF FINANCE AND CORPORATE SECURITIES

SALEM, OREGON

_____)	
)	
IN THE MATTER OF)	
)	CONSENT ORDER
LIBERTYBANK)	
EUGENE, OREGON)	FDIC-09-376b
)	
(INSURED STATE NONMEMBER BANK))	
)	
_____)	

The Federal Deposit Insurance Corporation (“FDIC”), under 12 U.S.C. § 1813(q), is the appropriate Federal banking agency and the Oregon’s Division of Finance and Corporate Securities (“DFCS”) is the appropriate state banking agency for Liberty Bank, Eugene, Oregon (“Bank”).

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 December 23, 2009, that is accepted by the FDIC and the DFCS. With the Stipulation, the Bank has consented, without admitting or denying any charges of unsafe or unsound banking practices relating to weaknesses in capital and liquidity, to the issuance of this Consent Order (“Order by the FDIC and the DFCS).

Having determined that the requirements for issuance of an order under 12 U.S.C. § 1818(b) and Oregon Revised Statute, § 706.580(2) have been satisfied, the FDIC and the DFCS 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. Each member of management shall be provided appropriate written authority from the Bank's Board to implement the provisions of this ORDER.

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

2. (a) Within 180 days from the effective date of this ORDER, the Bank shall increase Tier 1 capital in such an amount as to equal or exceed 10.0 percent of the Bank's adjusted Part 325 total assets. Thereafter, during the life of this ORDER, the Bank shall maintain Tier 1 capital in such an amount as to equal or exceed 10.0 percent of the Bank's adjusted Part 325 total assets.

(b) Within 60 days from the effective date of this ORDER, the Bank shall develop and adopt a plan to meet and thereafter maintain the minimum risk-based capital requirements of this ORDER and to comply with the FDIC's Statement of Policy on Risk-Based Capital contained in Appendix A to Part 325 of the FDIC's Rules and Regulations, 12 C.F.R. Part 325, Appendix A. The Plan shall be in a form and manner acceptable to the Regional Director and the Administrator as determined at subsequent examinations.

(c) The level of Tier 1 capital to be maintained during the life of this ORDER pursuant to Subparagraph 2(a) shall be in addition to a fully funded allowance for loan and lease losses, the adequacy of which shall be satisfactory to the Regional Director and the Administrator as determined at subsequent examinations and/or visitations.

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

3. (a) Within 10 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 ROV dated May 4, 2009, that have not been previously collected or charged off, except for the amounts supported by subsequent appraisals provided by the Bank subsequent to the ROV dated May 4, 2009. Elimination of these assets through proceeds of other loans made by the Bank is not considered collection for the purpose of this paragraph.

(b) Within 180 days from the effective date of this ORDER, the Bank shall have reduced the level of assets classified "Substandard" and "Doubtful" in the ROV dated May 4, 2009, that have not previously been charged off to not more than \$60 million.

(c) The requirements of Subparagraphs 3(a) and 3(b) of this ORDER are not to be construed as standards for future operations and, in addition to the foregoing; the Bank shall eventually reduce the total of all adversely classified assets. 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 Subparagraphs 3(a) and 3(b) 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 DFCS and the FDIC.

4. (a) Beginning with the effective date of this ORDER, the Bank shall not extend, directly or indirectly, any additional credit to, of 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. 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 in part, "Doubtful" or "Substandard" without the prior approval of a majority of the Bank's Board or the loan committee of the Bank. The Bank's Board or the loan committee shall not approve any extension of credit, or additional credit to such borrower without first collecting in cash all past due interest.

5. (a) Within 30 days from the effective date of this ORDER, the Bank shall develop a written plan, approved by its Board and acceptable to the Regional Director and the Administrator, for systematically reducing the amount of loans or other extensions of credit advanced, directly or indirectly, to or for the benefit of, any borrowers in the "Non-Owner-Occupied Commercial Real Estate and Construction/Land Development" Concentrations. Such plan shall be in conformance with Appendix A of Part 365 of the FDIC's Rules and Regulations, 12 C.F.R. Part 365, Appendix A; and Financial Institution Letter (FIL)-104-2006, Commercial Real Estate Lending Joint Guidance, dated December 12, 2006.

(b) Within 30 days from the effective date of this ORDER, the Bank shall develop and adopt robust risk management practices that adhere to the joint interagency “Guidance on Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices” dated December 12, 2006.

6. The Bank shall not pay cash dividends without the prior written consent of the Regional Director and the Administrator.

7. (a) During the life of this ORDER, the Bank shall comply with the provisions of section 337.6 of the FDIC’s Rules and Regulations, 12 C.F.R. §337.6.

(b) Within 30 days of the effective date of this ORDER, the Bank shall submit to the Regional Director and the Administrator a written plan for reducing its reliance on brokered deposits. The plan should contain details as to the current composition of brokered deposits by maturity and explain the means by which such deposits will be paid or rolled over. The plan shall be in a form and manner acceptable to the Regional Director and the Administrator as determined at subsequent examinations and/or visitations.

8. (a) Within 60 days from the effective date of this ORDER, the Bank shall develop, adopt, and implement a written plan addressing retention of profits, reducing overhead expenses, and setting forth a comprehensive budget. The plan required by this Paragraph shall contain formal goals, strategies and benchmarks which are consistent with sound banking practices to improve the Bank’s net interest margin, increase interest income, reduce discretionary expenses, and improve and sustain earnings of the Bank. It shall also contain a thorough description of the operating assumptions that form the basis for, and adequately support, each major component of the plan. The plan policy and its implementation shall be

satisfactory to the Regional Director and the Administrator as determined at subsequent examinations and/or visitations.

(b) Following the end of each calendar quarter, the Bank's Board shall evaluate the Bank's actual performance in relation to the plan and shall record the results of the evaluation, and any actions taken by the Bank, in the minutes of the Bank's Board meeting at which such evaluation is undertaken.

9. 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 Regional Director and the Administrator 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 Regional Director and the Administrator have released the Bank in writing from making further reports.

10. Following the effective date of this ORDER, the Bank shall send to its shareholders 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 FDIC, Accounting and Securities Section, Washington, D.C. 20429, and to the Administrator, at least 15 days prior to dissemination to shareholders. Any changes requested to be made by the FDIC and/or the Administrator shall be made prior to dissemination of the description, communication, notice, or statement.

The provisions of this Order shall not bar, estop, or otherwise prevent the FDIC, the

DFSC, 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.

This Order will become effective upon its issuance by the FDIC and the DFSC.

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 FDIC and the DFSC.

Pursuant to delegated authority.

Dated at San Francisco, California, and Salem, Oregon,

This 23rd day of December, 2009.

/s/ _____
J. George Doerr
Deputy Regional Director
Risk Management
Division of Supervision and Consumer Protection
San Francisco Region
Federal Deposit Insurance Corporation

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