FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

OREGON DIVISION OF FINANCIAL REGULATION

SALEM, OREGON

In the Matter of MBANK GRESHAM, OREGON (INSURED STATE NONMEMBER BANK)	STIPULATION TO THE ISSUANCE OF A CONSENT ORDER FDIC-16-0157b

Subject to the acceptance of this Stipulation to the Issuance of a Consent Order ("Stipulation") by the Federal Deposit Insurance Corporation ("FDIC") and the Oregon Division of Financial Regulation ("ODFR"), it is hereby stipulated and agreed by and between a representative of the Legal Division of FDIC, a representative of the ODFR, and MBank, Gresham, Oregon ("Bank"), as follows:

1. The Bank has been advised of its right to receive a Notice of Charges and of Hearing ("Notice") detailing the unsafe or unsound banking practices and violations of law and/or regulations alleged to have been committed by the Bank and of its right to a public hearing on the alleged charges under section 8(b)(1) of the Federal Deposit Insurance Act ("Act"), 12 U.S.C. § 1818(b)(1), and Oregon Revised Statutes § 706.580(2) ("ORS"), and has waived those rights.

2. The Bank, solely for the purpose of this proceeding and without admitting or denying any of the alleged charges of unsafe or unsound banking practices and any violations of law and/or regulations, hereby consents and agrees to the issuance of a Consent Order ("Order")

by the FDIC and the ODFR. The Bank further stipulates and agrees that such Order will be deemed to be an order which has become final under the Act and the ORS, and that said Order shall become effective upon its issuance by the FDIC and the ODFR, and fully enforceable by the FDIC and the ODFR pursuant to the provisions of the Act and the ORS.

3. In the event the FDIC and the ODFR accept the Stipulation and issue the Order, it is agreed that no action to enforce said Order in the United States District Court will be taken by the FDIC, and no action to enforce said Order in State Superior Court will be taken by the ODFR, unless the Bank or any institution-affiliated party, as such term is defined in section 3(u) of the Act, 12 U.S.C. § 1813(u), has violated or is about to violate any provision of the Order.

4. The Bank hereby waives:

(a) The receipt of a Notice;

(b) All defenses in this proceeding;

(c) A public hearing for the purpose of taking evidence on such alleged charges;

(d) The filing of Proposed Findings of Fact and Conclusions of Law;

(e) A recommended decision of an Administrative Law Judge;

(f) Exceptions and briefs with respect to such recommended decision; and

(g) The right to appeal.

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Dated: August 11, 2016

FEDERAL DEPOSIT INSURANCE CORPORATION, LEGAL DIVISION
BY:

Jennifer M.G. Longman
Senior Regional Attorney

OREGON DIVISION OF FINANCIAL REGULATION
BY:

~~Senior Counsel~~ JACOB P. MUNDADEN
PROGRAM MANAGER
OREGON DIVISION OF
FINANCIAL REGULATION

MBANK
GRESHAM, OREGON
BY:

Jeffrey A. Baker

Erinn M. Jaksich

Fred W. Bruning

Stanley C. Morris

Gary J. Delorit

Mark A. New

Comprising the Board of Directors of
MBank
Gresham, Oregon

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

OREGON DIVISION OF FINANCIAL REGULATION

SALEM, OREGON

In the Matter of MBANK GRESHAM, OREGON (INSURED STATE NONMEMBER BANK)	CONSENT ORDER FDIC-16-0157b

The Federal Deposit Insurance Corporation ("FDIC") is the appropriate Federal banking agency for MBank, Gresham, Oregon ("Bank") under Section 3(q) of the Federal Deposit Insurance Act ("FDI Act"), 12 U.S.C. § 1813(q)(3). The Oregon Division of Financial Regulation ("ODFR") is the appropriate State banking agency for the Bank under Title 53 of the Oregon Revised Statutes.

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 August 11, 2016, that is accepted by the FDIC and the ODFR. With the Stipulation, the Bank has consented, without admitting or denying any charges of unsafe or unsound banking practices relating to capital maintenance, asset quality, management, earnings, or the Bank's Bank Secrecy Act ("BSA") and Anti-Money Laundering ("AML") programs to the issuance of this Consent Order ("Order") by the FDIC and the ODFR pursuant to Section 8(b)(1) of the FDI Act, and Oregon Revised Statutes § 706.580 ("ORS").

Having determined that the requirements for issuance of an order under Section 8(b) of the FDI Act, 12 U.S.C. § 1818(b), and ORS have been satisfied, the FDIC and the ODFR hereby order 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 Regional Director of the FDIC's San Francisco Regional Office ("Regional Director") and the Administrator of the Oregon Division of Financial Regulation ("Administrator"), in writing, of the resignation or termination of any of the Bank's directors or senior executive officers. Prior to the addition of

any individual to the Board or the employment of any individual as a senior executive officer, the Bank shall comply with the requirements of section 32 of the Act, 12 U.S.C. § 1831i, and Subpart F of Part 303 of the FDIC Rules and Regulations, 12 C.F.R. §§ 303.100–303.104 and any requirement of the State of Oregon for prior notification and approval.

2. (a) During the life of this Order the Bank shall maintain its Tier 1 capital in such an amount to ensure that the Bank's leverage ratio equals or exceeds 9 percent.

(b) Within 60 days from the effective date of this Order, the Bank shall develop and adopt a plan to maintain the 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. Such plan and its implementation shall be in a form and manner acceptable to the Regional Director and the Administrator as determined at subsequent examinations and/or visitations.

(c) The level of capital to be maintained during the life of this Order 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. Any increase in Tier 1 capital necessary to meet the requirements of this paragraph may not be accomplished through a deduction from the Bank's allowance for loan and lease losses.

(d) For the purposes of this Order, the terms "leverage ratio, "Tier 1 capital" and "total risk-based capital ratio" shall have the meanings ascribed to them in Part 325 of the FDIC's Rules and Regulations, 12 C.F.R. §§ 325.2(m), 325.2(v), 325.2(y), and Appendix A.

3. The Bank shall not pay cash dividends or make any other payments to its shareholders without the prior written consent of the Regional Director and the Administrator.

4. (a) Within 60 days from the effective date of this Order, the Bank shall develop or revise, adopt, and implement written lending and collection policies to provide effective guidance and control over the Bank's lending function. Such policies and their implementation shall be satisfactory to the Regional Director and the Administrator as determined at subsequent examinations and/or visitations.

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

(i) provisions which ensure that all exceptions to the Board-approved loan policy are identified, reported to, and approved by the Board;

(ii) provisions which improve credit administration practices to ensure credit oversight is consistent with policies and procedures that include, but are not limited to, overseeing the administration and monitoring of credits, monitoring collateral values, ordering appraisals, monitoring covenants, maintaining credit files, and impairment testing;

(iii) provisions which require complete loan documentation, realistic repayment 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 that specify that all appraisal and evaluations engagement letters are to be retained in the credit files;

(v) 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 Board in accordance with section 215.4(b)

of Regulation O of the Board of Governors of the Federal Reserve System ("Regulation O"), 12 C.F.R. § 215.4(b).

(c) The Board shall adopt procedures whereby compliance with the revised loan policy is monitored and responsibility for exceptions thereto assigned. The procedures adopted shall be reflected in minutes of a Board meeting at which all members are present and the vote of each is noted.

5. Within 60 days of the effective date of this Order, the Bank shall identify all insiders of the bank itself and collect records of all extensions of credit to those insiders, including the amount and terms of each such extension of credit. Thereafter, the Bank shall identify and maintain records of extensions of credit to insiders in accordance with section 215.8 of Regulation O, 12 C.F.R. § 215.8. For purposes of this Order, the terms "insider" and "extension of credit" shall have the meanings ascribed to them in Regulation O, 12 C.F.R. Part 215.

6. Within 60 days from the effective date of this Order, the Bank shall eliminate and/or correct all violations of law and contraventions of policy statements, as more fully set forth in the Joint FDIC and ODFR Report of Examination dated November 3, 2015. In addition, the Bank shall take all necessary steps to ensure future compliance with all applicable laws and regulations.

7. Within 60 days of the effective date of this Order, the Bank shall comply in all material respects with the BSA and its rules and regulations.

8. Within 60 days of the effective date of this Order, the Bank shall develop, adopt, and implement a written customer due diligence program. Such program and its implementation shall be in a manner acceptable to the Regional Director and the Administrator as determined at

subsequent examinations and/or visitations of the Bank. At a minimum, the customer due diligence program shall provide for the following:

(a) a risk focused assessment of the customer base of the Bank to determine the appropriate level of enhanced due diligence necessary for those categories of customers that the Bank has reason to believe pose a heightened risk of illicit activities at or through the Bank; and

(b) for those customers whose transactions require enhanced due diligence, procedures to:

(i) determine the appropriate documentation necessary to confirm the identity and business activities of the customer;

(ii) understand the normal and expected transactions of the customer; and

(iii) reasonably ensure the identification and timely, accurate, and complete reporting of known or suspected criminal activity against or involving the Bank to law enforcement and supervisory authorities, as required by the suspicious activity reporting provisions of Part 353 of the FDIC's Rules and Regulations, 12 C.F.R. Part 353.

9. Within 60 days of the effective date of this Order, the Bank shall develop, adopt, and implement a written due diligence program to monitor employee, director, and shareholder accounts. Such program and its implementation shall be in a manner acceptable to the Regional Director and the Administrator as determined at subsequent examinations and/or visitations of the Bank. At a minimum, the program shall provide for a risk focused assessment of the employee and directors accounts of the Bank to the following:

(a) identify the routine and usual nature of their banking activities;

(b) determine the appropriate level of enhanced due diligence necessary for those employee or directors accounts that the Bank has determined have unusual activity; and

(c) reasonably ensure the identification and timely, accurate and complete reporting of known or suspected criminal activity against or involving the Bank to law enforcement and supervisory authorities, as required by the suspicious activity reporting provisions of Part 353 of the FDIC's Rules and Regulations, 12 C.F.R. Part 353.

10. (a) Within 60 days of the effective date of this Order, the Bank shall establish and implement policies and procedures to advise the Bank's Board of Significant Suspicious Activity Reports ("SARs"). At a minimum, the Bank's Board shall be advised in detail of all SARs involving employees, contractors, officers, and directors. The policies and procedures shall also include guidelines to determine what SARs are significant.

(b) The Bank shall establish and implement policies and procedures to ensure that Suspicious Activity Reports ("SARs") are filed within 30 days of identifying a suspect or unusual and suspicious activity (or a total of 60 days if a suspect is unknown or once per quarter for ongoing transactions). Such a program must also ensure that timely identification of suspicious activity occurs; that timely investigation into unusual activity is undertaken; that related accounts are considered and discussed in the SARs filing; and that a detailed, accurate, comprehensive, and readable narrative description of the activity is included in the SARs filing.

11. Within 60 days from the effective date of this Order, the Bank shall develop or revise, 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 Regional Director and the Administrator as determined at subsequent examinations and/or visitations.

12. 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.

13. Following the effective date of this Order, the Bank shall provide a copy of the Order or otherwise furnish a description of the Order to its shareholder(s) in conjunction with:

(a) the Bank's next shareholder communication; and

(b) the 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, Division of Risk Management Supervision, Accounting and Securities Disclosure Section, 550 17th Street, N.W., Washington, D.C. 20429, at least 20 days prior to dissemination to shareholders. Any changes requested to be made by the FDIC 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 ODFR, 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 FDI Act, 12 U.S.C. § 1813(u).

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

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 ODFR.

Issued pursuant to delegated authority.

Dated this 15th day of August, 2016.

Joseph A. Meade
Acting Deputy Regional Director
Division of Risk Management Supervision
San Francisco Region
Federal Deposit Insurance Corporation

Laura N. Cali
Administrator
Oregon Division of Financial Regulation