

UNITED STATES OF AMERICA
DEPARTMENT OF THE TREASURY
COMPTROLLER OF THE CURRENCY

In the Matter of: Hometown National Bank Longview, Washington)))	AA-WE-09-41
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CONSENT ORDER

The Comptroller of the Currency of the United States of America (“Comptroller”), through his National Bank Examiner, has supervisory authority over Hometown National Bank, Longview, Washington (“Bank”).

The Bank, by and through its duly elected and acting Board of Directors (“Board”), has executed a “Stipulation and Consent to the Issuance of a Consent Order,” dated July 29, 2009, that is accepted by the Comptroller. By this Stipulation and Consent, which is incorporated by reference, the Bank has consented to the issuance of this Consent Order (“Order”) by the Comptroller.

Pursuant to the authority vested in it by the Federal Deposit Insurance Act, as amended, 12 U.S.C. § 1818, the Comptroller hereby orders that:

Article I

COMPLIANCE COMMITTEE

(1) Within thirty (30) days of this Order, the Board shall appoint a Compliance Committee of at least three (3) directors of which a majority must not consist of employees of the Bank or any of its affiliates (as the term “affiliate” is defined in 12 U.S.C. § 371c(b)(1)), or of family members of any such person. Upon appointment, the names of the members of the

Compliance Committee and, in the event of a change of the membership, the name of any new member shall be submitted in writing to the Assistant Deputy Comptroller.

(2) The Compliance Committee shall be responsible for monitoring and coordinating the Bank's adherence to the provisions of this Order and shall meet at least monthly.

(3) By no later than August 31, 2009, and by the end of every calendar month thereafter, the Compliance Committee shall submit a written progress report to the Board setting forth in detail:

- (a) a description of the action needed to achieve full compliance with each Article of this Order;
- (b) actions taken to comply with each Article of this Order; and
- (c) the results and status of those actions.

(4) The Board shall provide a summary report of the progress reached in attaining compliance with each Article of this Order to the Assistant Deputy Comptroller within twenty (20) days of the end of each calendar quarter.

(5) All reports or plans which the Bank or Board has agreed to submit to the Assistant Deputy Comptroller pursuant to this Order shall be forwarded to the:

Assistant Deputy Comptroller
San Francisco Field Office
One Front Street, Suite 1000
San Francisco, California 94111

Article II

CAPITAL AND PROFITABILITY PLAN

(1) By no later than September 30, 2009, the Bank shall achieve and thereafter maintain at all times the following minimum capital ratios:

- (a) Tier 1 capital at least equal to nine (9.00%) of adjusted total assets; and
- (b) total risk-based capital at least equal to twelve percent (12.00%) of risk-weighted assets.

(2) For purposes of this Article, “Tier 1 capital,” “total risk-based capital,” “adjusted total assets,” and “risk-weighted assets” are as defined in 12 C.F.R. Part 3.

(3) The requirement in this Order to meet and maintain a specific capital level means that the Bank is not to be deemed to be “well capitalized” for purposes of 12 U.S.C. § 1831o and 12 C.F.R. Part 6 pursuant to 12 C.F.R. § 6.4(b)(1)(iv).

(4) Effective immediately, the Bank shall only declare dividends when:

- (a) the Bank is in compliance with the Bank’s Profitability Plan as described below;
- (b) the Bank is in compliance with 12 U.S.C. §§ 56 and 60; and
- (c) the Bank has received a prior written determination of no supervisory objection from the Assistant Deputy Comptroller.

(5) Within forty-five (45) days of this Order, the Bank shall identify any prospective purchasers of, or merger candidates for, the Bank, and provide analyses of the suitability and interest of any prospective purchaser(s) or merger candidate(s) to the Assistant Deputy Comptroller.

(6) Within forty-five (45) days of this Order, the Board shall develop, implement, and thereafter ensure Bank adherence to a written Profitability Plan for the Bank covering at least the next three years, complete with specific time frames that incorporate the requirements of this Article. Copies of the Bank’s Profitability Plan shall be forwarded to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection.

(7) The Bank's Profitability Plan shall provide specific plans to return the Bank to sustained profitability and include projections for the Bank's overall risk profile, earnings performance, growth expectations, balance sheet mix, off-balance sheet activities, liability structure, and capital and liquidity adequacy that the Bank intends to achieve, and at a minimum, address or include:

- (a) specific plans to establish responsibilities and accountability for the strategic planning process, new products, and proposed changes in the Bank's operating environment;
- (b) goals and quantifiable measures with specific implementation dates regarding the Bank's operating performance;
- (c) identification of the major areas and means by which the Board and management will seek to improve earnings performance, that focuses in particular on items contributing to Bank interest income, cost of funds, and non-interest expenses;
- (d) a financial forecast to include projections for major balance sheet and income statement accounts and desired financial ratios over the next three years that shall address or include consideration of the requirements of this Article that is incorporated into or replaces the Bank's budgeting process;
- (e) an evaluation of the Bank's internal operations, staffing requirements, Board and management information systems and policies and procedures for their adequacy and contribution to the accomplishment of the goals and objectives developed pursuant to this Article;
- (f) identification of potential sources of capital to support the Bank's risk

profile and ensure compliance with Paragraph (1) of this Article; and

- (g) systems to monitor the Bank's progress in meeting the Bank's Profitability Plan's goals and objectives, including at a minimum, quarterly Board reporting and a comparison of projected performance to actual.

(8) Upon receiving a written determination of no supervisory objection from the Assistant Deputy Comptroller, the Board shall immediately implement and thereafter ensure adherence to the Bank's Profitability Plan.

(9) If the OCC determines in its sole judgment that the Bank's Profitability Plan is unacceptable, or if the Bank fails to implement or adhere to the Bank's Profitability Plan for which the OCC has made a written prior determination of no supervisory objection, then within thirty (30) days of receiving written notice from the OCC of such fact, the Bank shall develop and submit to the OCC for its review and prior determination of no supervisory objection, a Disposition Plan to either: (i) sell or merge the Bank, or (ii) liquidate the Bank in conformance with 12 U.S.C. § 181.

(10) If the Disposition Plan proposes a sale or merger of the Bank, the Disposition Plan, at a minimum, shall address the steps that will be taken and the associated timeline to ensure that a definitive agreement for the sale or merger is executed not later than ninety (90) days after receipt of the Assistant Deputy Comptroller's written determination of no supervisory objection to the Disposition Plan. If the Disposition Plan proposes a liquidation of the Bank, the Disposition Plan shall detail the appropriate actions to accomplish the liquidation in conformance with 12 U.S.C. §§ 181-82, and the dates by which each step of the liquidation shall be completed, including the date by which the Bank will terminate its national bank charter. In the event of a proposed liquidation, the Bank shall hold a shareholder vote pursuant to 12 U.S.C.

§ 181, and commence liquidation, within thirty (30) days of receiving the Deputy Comptroller's written determination of no supervisory objection to the Disposition Plan.

(11) Upon the Assistant Deputy Comptroller's notifying the Bank in writing of no supervisory objection to the Disposition Plan, the Board shall immediately implement, and thereafter ensure Bank adherence to, the terms of the Disposition Plan.

Article III

LIQUIDITY MANAGEMENT

(1) Within sixty (60) days of this Order, the Board shall develop and submit for a prior written determination of no supervisory objection, a written liquidity program to ensure the Bank maintains liquidity at a level that is sufficient to sustain the Bank's current operations and to withstand any anticipated or extraordinary demand against its funding base, to include at a minimum:

- (a) measures to maintain sufficient on-balance sheet liquidity;
- (b) measures to ensure limited reliance upon non-core funding sources, including brokered deposits and credit-sensitive wholesale borrowings;
- (c) the establishment of additional back-up funding sources;
- (d) policies and procedures to ensure the implementation of adequate liquidity planning tools, to include:
 - (i) a review of administrative policies and procedures to ensure they are consistent with the Board's guidance and risk tolerances;
 - (ii) specific balance sheet liquidity targets that are consistent with the tools used to measure performance;

- (iii) reasonable risk limits to control the level of liquidity risk that incorporate forward-looking risk measurements and liability concentration limits such as limits on the amount of funds that may be sourced from any individual customer or groups of customers, or liability concentration limits by instrument; and
- (e) a contingency funding plan that ensures the Bank can remain liquidity solvent through stressed environments and that includes, at a minimum:
 - (i) management's best estimate of balance sheet changes that may result from a liquidity or credit event;
 - (ii) specific terms or events that trigger enactment of the plan;
 - (iii) necessary management information systems and reporting criteria for use in crises situations;
 - (iv) management responsibilities for enacting the plan and for taking specific actions once enacted; and
 - (v) prioritization of all sources of funding for the various scenarios including asset side funding, liability side funding, and off-balance sheet funding.

(2) Upon receiving a written determination of no supervisory objection from the Assistant Deputy Comptroller, the Board shall immediately implement, and shall thereafter ensure adherence to the program required by this Article.

Article IV

LOAN PORTFOLIO RISK MANAGEMENT

(1) Within sixty (60) days of this Order, the Board shall prepare and submit, to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection, revisions to the Bank's loan policy, as well as any necessary procedures, to address weaknesses in the Bank's loan portfolio risk management, that, at a minimum, include:

- (a) the establishment of loan concentration management practices that comply with the *Comptroller's Handbook* on "Loan Portfolio Management," pp. 28-30, and OCC Bulletin 2006-46, Concentration in Commercial Real Estate Lending, Sound Risk Management Practices (dated December 6, 2006), to include at a minimum:
 - (i) concentration limits stratified by type, locality and other meaningful measures;
 - (ii) monthly monitoring of concentration reports that stratify the loan portfolio by product type, locality and other meaningful measures; and
 - (iii) strategies and procedures to manage and reduce concentrations to conform with established limits set in Subparagraph (a) of this Article;
- (b) the establishment of minimum file documentation and analysis standards by loan type;

- (c) maintenance of proper collateral margins in loans made for the purpose of constructing or developing commercial real estate, including but not limited to, procedures for ensuring that:
 - (i) periodic, meaningful, well-documented, inspections are performed on all construction projects;
 - (ii) draw requests are advanced in accordance with construction progress and budgets;
 - (iii) documentation of project completion versus amount advanced is maintained;
 - (iv) lien waivers are obtained from contractors and sub-contractors; and
 - (v) borrower's hard equity is tracked by project;
- (d) standards for when loan policy exceptions are appropriate, what factors should exist to mitigate exceptions, and how the level and trend of exceptions should be tracked and reported to the Board;
- (e) requirements to ensure participations purchased are consistent with sound banking practices and OCC guidelines; and
- (f) standards for appraisal ordering and review processes.

(2) Upon receiving a written determination of no supervisory objection from the Assistant Deputy Comptroller, the Board shall immediately implement and thereafter ensure adherence to the program, policies and procedures required by this Article.

Article V

CREDIT UNDERWRITING AND ADMINISTRATION

(1) Effective as of the date of this Order, the Board shall ensure that all lending officers comply with all laws, rules, regulations, Bank policies and procedures, safe and sound banking practices, and fiduciary duties.

(2) Effective as of the date of this Order, the Bank may not grant, extend, renew, alter or restructure any loan or other extension of credit totaling one-hundred thousand dollars (\$100,000) or above, without:

- (a) documenting the specific reason or purpose for the extension of credit;
- (b) identifying the expected source of repayment in writing;
- (c) structuring the repayment terms to coincide with the expected source of repayment;
- (d) obtaining current and satisfactory credit information, including performing and documenting analysis of credit information and a detailed cash flow analysis of all expected repayment sources;
- (e) determining and documenting whether the loan complies with the Bank's Loan Policy and if it does not comply, providing identification of the exception and ample justification to support waiving the policy exception;
- (f) making and documenting the determinations made regarding the customer's ability to repay the credit on the proposed repayment terms;
- (g) providing an accurate risk assessment grade as further described in Article VII; and

(h) documenting, with adequate supporting material, the value of collateral and properly perfecting the Bank's lien on it where applicable.

(3) Effective immediately, the Board shall take the necessary steps to obtain current and satisfactory credit information on all loans lacking such information, including those listed in the ROE, in any subsequent Report of Examination, in any internal or external loan review, or in any listings of loans lacking such information provided to management by the National Bank Examiners at the conclusion of any examination.

(4) Effective immediately, the Board shall ensure proper collateral documentation is maintained on all loans and correct each collateral exception for any loan listed in the ROE, in any subsequent Report of Examination, in any internal or external loan review, or in any listings of loans lacking such information provided to management by the National Bank Examiners at the conclusion of any examination.

Article VI

PROBLEM LOAN MANAGEMENT

(1) Effective as of the date of this Order, the Board shall take immediate and continuing action to protect its interest in those assets criticized in the ROE, in any subsequent Report of Examination, by internal or external loan review, or in any list provided to management by the National Bank Examiners during any examination.

(2) Within sixty (60) days of this Order, the Board shall prepare and submit to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection, a written program designed to reduce the Bank's criticized assets (the "Problem Assets Program"). The Problem Assets Program shall include or address the following matters:

- (a) aggregate reporting of criticized asset levels by type to the Board or a designated committee thereof every month;
- (b) specific plans for the reduction of criticized assets by asset type with target reductions by month; and
- (c) procedures for the monthly review and preparation of written determinations by the Board or a designated committee thereof regarding the effectiveness of the responsible officer's efforts to eliminate the weaknesses in each criticized credit relationship or Other Real Estate ("ORE") totaling one-hundred thousand dollars (\$100,000) or above.

(3) The Board's compliance with Paragraph (3) of this Article shall include the development of procedures for the monthly submission and review of problem asset reports for all criticized credit relationships and ORE totaling one-hundred thousand dollars (\$100,000) or above, that require, at a minimum, analysis and documentation of the following:

- (a) an identification of the expected sources of repayment;
- (b) the appraised value of supporting collateral and the position of the Bank's lien on such collateral where applicable as well as other necessary documentation to support the collateral valuation;
- (c) an analysis of current and satisfactory credit information, including cash flow analysis where loans are to be repaid from operations;
- (d) the proposed action to eliminate the basis of criticism and the time frame for its accomplishment;
- (e) trigger dates for positive borrower actions or for loan officers to reassess the strategy and enact collection plans;

- (f) specific action plans and trigger dates for risk rating changes and documentation of the analysis and reasoning to support the current risk rating;
- (g) for criticized relationships of one-hundred thousand dollars (\$100,000) or above that were made for the purpose of constructing or developing commercial real estate, the reports shall also include:
 - (i) the initial scheduled maturity date of the loan, number of extensions and/or renewals, and current maturity date;
 - (ii) project development status;
 - (iii) a comparison of development costs to the budgeted amount;
 - (iv) a comparison of sales activity to the original sales projections;
 - (v) current market conditions and activity;
 - (vi) amount and source of initial interest reserve and the amount and source of any subsequent additions to the reserve;
 - (vii) an assessment of the borrower's global cash flow;
 - (viii) an assessment of the guarantor's ability to support the project; and
 - (ix) any other significant information relating to the project; and
- (g) a determination of whether the loan is impaired and the amount of the impairment, consistent with FASB Statement of Financial Accounting Standards No. 114, Accounting by Creditors for Impairment of a Loan.

(4) Upon receiving a written determination of no supervisory objection from the Assistant Deputy Comptroller, the Board shall immediately implement and thereafter ensure adherence to the program required by this Article.

(5) A copy of each problem asset report relating to criticized credit relationships and ORE totaling one-hundred thousand dollars (\$100,000) or above, along with any Board comments regarding the effectiveness of the effort to eliminate the weaknesses in each credit or to dispose of the ORE, shall be submitted to the Assistant Deputy Comptroller by no later than October 15, 2009, and within fifteen (15) days of each calendar quarter end thereafter.

(6) Effective as of the date of this Order, the Bank may not extend credit, directly or indirectly, including renewals, extensions or capitalization of accrued interest, to a borrower whose loans or other extensions of credit are criticized in the ROE, in any subsequent Report of Examination, in any internal or external loan review, or in any list provided to management by the National Bank Examiners during any examination and whose aggregate loans or other extensions equal or exceed one-hundred thousand dollars (\$100,000), unless each of the following conditions is met:

- (a) the Board or a designated committee thereof finds that the extension of additional credit is necessary to promote the best interests of the Bank and that prior to renewing, extending or capitalizing any additional credit, a majority of the Board or a designated committee thereof approves the credit extension and documents in writing, the reasons that such extension is necessary to promote the best interests of the Bank; and
- (b) the Board's formal plan to collect or strengthen the criticized asset will not be compromised.

Article VII

CREDIT RISK RATINGS AND NONACCRUAL RECOGNITION

(1) Within thirty (30) days of this Order, the Board shall develop a program to ensure that the risk associated with the Bank's loans is properly reflected and accounted for on the Bank's books and records, to include, at a minimum, provisions requiring that:

- (a) the Bank's loans and other assets are appropriately and timely risk rated and charged-off by the lending officers using a loan grading system that is based upon current facts, existing repayment terms and that is consistent with the guidelines set forth in Rating Credit Risk, A-RCR, of the *Comptroller's Handbook*;
- (b) the Bank's loans and other assets are timely placed on nonaccrual by the lending officers in accordance with the guidelines set forth in the Call Report;
- (c) loan officers are accountable for failing to appropriately and timely risk rate and/or place loans on nonaccrual; and
- (d) consideration of loan officer failure to properly risk rate and/or place loans on nonaccrual in periodic performance reviews and compensation.

Article VIII

EXTERNAL LOAN REVIEW

(1) The Board shall continue to employ a qualified consultant to perform semi-annual asset quality reviews of the Bank's loan portfolio. The consultant shall be utilized until such time as an ongoing internal asset quality review system is developed by the Board, implemented, and demonstrated to be effective. The external loan review system shall provide for a written

report to be filed with the Board after each review and shall use a loan and lease grading system consistent with the guidelines set forth in Rating Credit Risk, A-RCR, of the Comptroller's Handbook. Such reports shall, at a minimum, include comments and conclusions regarding:

- (a) the identification, type, rating, and amount of problem loans and leases;
- (b) the identification and amount of delinquent and nonaccrual loans;
- (c) the identification/status of credit related violations of law or regulation;
- (d) loans not in conformance with the Bank's lending policies;
- (e) credit underwriting and documentation exceptions;
- (f) credit analysis and documentation of such;
- (g) accuracy of internal risk ratings;
- (h) overall credit administration practices; and
- (i) completeness and effectiveness of problem loan workout plans.

(2) Prior to the appointment or employment of any individual as loan review consultant or entering into any contract with any consultant, the Board shall submit the name and qualifications of the proposed consultant and the proposed scope and terms of employment to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection. After the OCC has advised the Bank that it does not take supervisory objection to the loan review consultant or the scope of the review, the Board shall immediately engage the loan review consultant pursuant to the proposed terms of the engagement.

(3) The Board or a designated committee shall review the independent loan review reports and ensure that, if appropriate, immediate, adequate, and continuing remedial action, is taken upon the findings noted in the reports.

(4) A copy of the reports submitted to the Board, as well as documentation of the actions taken by the Bank to collect or strengthen assets identified as problem credits, shall be maintained in the books and records of the Bank.

(5) The Bank shall not terminate the consultant's asset quality review services without a prior written determination of no supervisory objection from the Assistant Deputy Comptroller.

Article IX

ALLOWANCE FOR LOAN AND LEASE LOSSES

(1) Within sixty (60) days of this Order, the Board shall adopt, implement, and thereafter ensure adherence to written policies and procedures for maintaining an adequate Allowance for Loan and Lease Losses ("Allowance") in accordance with Generally Accepted Accounting Principles. The Allowance policies and procedures shall be consistent with the guidance set forth in the Federal Financial Institutions Examination Council's "Interagency Policy Statement on the Allowance for Loan and Lease Losses" dated December 13, 2006 (OCC Bulletin 2006-47), and the "Policy Statement on Allowance for Loan and Lease Losses Methodologies and Documentation for Banks and Savings Institutions" dated July 20, 2001 (OCC Bulletin 2001-37), and shall, at a minimum, include:

- (a) procedures for determining whether a loan is impaired and measuring the amount of impairment, consistent with FASB Statement of Financial Accounting Standards No. 114, Accounting by Creditors for Impairment of a Loan;

- (b) procedures for segmenting the loan portfolio and estimating loss on groups of loans, consistent with FASB Statement of Financial Accounting Standards No. 5, Accounting for Contingencies;
- (c) procedures for validating the Allowance methodology;
- (d) procedures to ensure that the estimation of credit losses considers the relevant qualitative and environmental factors, with particular focus on the following:
 - (i) trends in the Bank's internal risk ratings, delinquent and nonaccrual loans;
 - (ii) results of the Bank's external loan review;
 - (iii) concentrations of credit in the Bank, present and prospective economic conditions; and
 - (iv) applicable experience of the Bank's lending staff.

(2) The program shall provide for a process for summarizing and documenting, for the Board's review and approval, the amount to be reported in the Consolidated Reports of Condition and Income ("Call Reports") for the Allowance. Any deficiency in the Allowance shall be remedied in the quarter it is discovered, prior to the filing of the Call Report, by additional provisions from earnings. Written documentation shall be maintained indicating the factors considered and conclusions reached by the Board in determining the adequacy of the Allowance.

(3) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the policies and procedures developed pursuant to this Article.

ARTICLE X

ADMINISTRATIVE APPEALS AND EXTENSIONS OF TIME

(1) This Order becomes effective upon execution by the Assistant Deputy Comptroller. Unless otherwise specified, any time limitations set by this Order shall begin to run on the effective date of the Order.

(2) If the Bank contends that compliance with any provision of this Order would cause undue hardship to the Bank, or requires an extension of any timeframe within this Order, the Board shall submit a written request to the Assistant Deputy Comptroller asking for relief. Any written requests submitted pursuant to this Article shall include a statement setting forth in detail the special circumstances that prevent the Bank from complying with a provision, that require the Assistant Deputy Comptroller to exempt the Bank from a provision, or that require an extension of a timeframe within this Order.

(3) All such requests shall be accompanied by any supporting documentation, and, to the extent requested by the Assistant Deputy Comptroller, a sworn declaration or declarations setting forth any other facts upon which the Bank relies.

(4) The Assistant Deputy Comptroller's decision concerning a request made pursuant to this Article is subject to Article XI, Paragraph (3) of this Order, and is final and not subject to further review.

Article XI

CLOSING

(1) Although the Bank is required to submit certain proposed actions and programs for the review or prior written determination of no supervisory objection of the Deputy

Comptroller, the Board has the ultimate responsibility for proper and sound management of the Bank and the completeness and accuracy of the Bank's books and records.

(2) If, at any time, the Comptroller deems it appropriate in fulfilling the responsibilities placed upon him by the several laws of the United States to undertake any action affecting the Bank, nothing in this Order shall in any way inhibit, estop, bar or otherwise prevent the Comptroller from so doing.

(3) 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 amended, suspended, waived, or terminated in writing by the Comptroller.

(4) In each instance in this Order in which the Bank or the Board is required to ensure implementation of or adherence to, or to undertake to perform, an obligation of the Bank, the Board shall:

- (a) Authorize and adopt such actions on behalf of the Bank as may be necessary or appropriate for the Bank to perform its obligations under this Order;
- (b) Require the timely reporting by Bank management of such actions directed by the Board to be taken under the terms of this Order;
- (c) Follow up on any non-compliance with such actions in a timely and appropriate manner; and
- (d) Require corrective action be taken in a timely manner for any non-compliance with such actions.

(5) This Order is intended to be, and shall be construed to be, a final order issued pursuant to 12 U.S.C. § 1818(b), and expressly does not form, and may not be construed to form, a contract binding the Comptroller or the United States.

(6) The terms of this Order, including this paragraph, are not subject to amendment or modification by any extraneous expression, prior agreements or prior arrangements between the parties, whether oral or written.

IN TESTIMONY WHEREOF, the undersigned, authorized by the Comptroller, has hereunto set his hand on behalf of the Comptroller.

Signed

July 29, 2009

Brian J. Quade
Assistant Deputy Comptroller
San Francisco Field Office

Date

**UNITED STATES OF AMERICA
DEPARTMENT OF THE TREASURY
COMPTROLLER OF THE CURRENCY**

In the Matter of:)	
Hometown National Bank)	AA-WE-09-41
Longview, Washington)	

**STIPULATION AND CONSENT TO THE ISSUANCE
OF A CONSENT ORDER**

The Comptroller of the Currency of the United States of America (“Comptroller”) intends to initiate cease and desist proceedings against Hometown National Bank, Longview, Washington (“Bank”), pursuant to 12 U.S.C. § 1818(b), for unsafe and unsound banking practices relating to its Board and management oversight, profitability, loan portfolio risk management, credit administration, and contingency funding planning.

The Bank, in the interest of compliance and cooperation, consents to the issuance of a Consent Order, dated July 29, 2009 (the “Order”).

In consideration of the above premises, the Comptroller, through his authorized representative, and the Bank, through its duly elected and acting Board of Directors, hereby stipulate and agree to the following:

ARTICLE I

Jurisdiction

(1) The Bank is a national banking association chartered and examined by the Comptroller pursuant to the National Bank Act of 1864, as amended, 12 U.S.C. § 1 *et seq.*

(2) The Comptroller is “the appropriate Federal banking agency” regarding the Bank pursuant to 12 U.S.C. §§ 1813(q) and 1818(b).

(3) The Bank is an “insured depository institution” within the meaning of 12 U.S.C. § 1818(b)(1).

ARTICLE II

Agreement

(1) The Bank, without admitting or denying any wrongdoing, hereby consents and agrees to the issuance of the Order by the Comptroller.

(2) The Bank further agrees that said Order shall be deemed an “order issued with the consent of the depository institution” as defined in 12 U.S.C. § 1818(h)(2), and consents and agrees that said Order shall become effective upon its issuance and shall be fully enforceable by the Comptroller under the provisions of 12 U.S.C. § 1818(i). Notwithstanding the absence of mutuality of obligation, or of consideration, or of a contract, the Comptroller may enforce any of the commitments or obligations herein undertaken by the Bank under his supervisory powers, including 12 U.S.C. § 1818(i), and not as a matter of contract law. The Bank expressly acknowledges that neither the Bank nor the Comptroller has any intention to enter into a contract.

(3) The Bank also expressly acknowledges that no officer or employee of the Comptroller has statutory or other authority to bind the United States, the U.S. Treasury Department, the Comptroller, or any other federal bank regulatory agency or entity, or any officer or employee of any of those entities to a contract affecting the Comptroller’s exercise of his supervisory responsibilities.

ARTICLE III

Waivers

(1) The Bank, by signing this Stipulation and Consent, hereby waives:

- (a) the issuance of a Notice of Charges pursuant to 12 U.S.C. § 1818(b);

- (b) any and all procedural rights available in connection with the issuance of the Order;
- (c) all rights to a hearing and a final agency decision pursuant to 12 U.S.C. § 1818(i), 12 C.F.R. Part 19
- (d) all rights to seek any type of administrative or judicial review of the Order; and
- (e) any and all rights to challenge or contest the validity of the Order.

ARTICLE IV

Other Action

(1) The Bank agrees that the provisions of this Stipulation and Consent shall not inhibit, estop, bar, or otherwise prevent the Comptroller from taking any other action affecting the Bank if, at any time, it deems it appropriate to do so to fulfill the responsibilities placed upon him by the several laws of the United States of America.

IN TESTIMONY WHEREOF, the undersigned, authorized by the Comptroller, has hereunto set his hand on behalf of the Comptroller.

Brian J. Quade
Assistant Deputy Comptroller
San Francisco Field Office

Date

IN TESTIMONY WHEREOF, the undersigned, as the duly elected and acting Board of Directors of the Bank, have hereunto set their hands on behalf of the Bank.

Dan I. Carlson

Date

Terry Hollinger

Date

James E. Hulbert

Date

Jeanne Moksness

Date

Jeffrey P. Rauth

Date

David H. Taylor

Date

Paul J. Thielen

Date

Loren Wirkkala

Date