FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

OREGON DIVISION OF FINANCE AND CORPORATE SECURITIES

SALEM, OREGON

In the Matter of PINNACLE BANK BEAVERTON, OREGON (INSURED STATE NONMEMBER BANK)	ORDER TO CEASE AND DESIST Docket FDIC-08-126b

Pinnacle Bank, Beaverton, 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 section 8(b)(1) of the Federal Deposit Insurance Act ("Act"), 12 U.S.C. § 1818(b)(1), and section 706.580(2) of the Oregon Revised Statutes, and having waived those rights, entered into a STIPULATION AND CONSENT TO THE ISSUANCE OF AN ORDER TO CEASE AND DESIST ("CONSENT AGREEMENT") with counsel for the Federal Deposit Insurance Corporation ("FDIC") and with a representative for the Oregon Division of Finance and Corporate Securities (“ODF&CS”), dated May 27, 2008, 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 consented to the issuance of an ORDER TO CEASE AND DESIST ("ORDER") by the FDIC and the ODF&CS.

The FDIC and the ODF&CS considered the matter and determined that they had reason to believe that the Bank had engaged in unsafe or unsound banking practices. The FDIC and the ODF&CS, therefore, accepted the CONSENT AGREEMENT and issued the following:

ORDER TO CEASE AND DESIST

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 Joint FDIC and ODF&CS Report of Examination ("Joint ROE") dated October 15, 2007:

(a) operating with inadequate capital in relation to the kind and quality of assets held by the Bank;

(b) operating with an inadequate loan valuation reserve;

(c) operating with a large volume of poor quality loans; and

(d) operating in such a manner as to produce operating losses.

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

1. The Bank shall 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) 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 ODF&CS ("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) During the life of this Order, the Bank shall maintain Tier 1 capital in such an amount as to equal or exceed 8.0 percent of the Bank's total assets.

(b) The level of Tier 1 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.

(c) 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 30 days from the effective date of this ORDER, the Bank's Board shall develop or revise, adopt and implement a comprehensive policy for determining the adequacy of the allowance for loan and lease losses (“ALLL”). Such methodology shall comply with Interagency Policy Statement on the Allowance for Loan and Lease Losses dated December

13, 2006, as well as accounting guidance including enhancing Financial Accounting Standard ("FAS") 114 and FAS 5 calculations.

(b) During the life of this ORDER, the Bank shall maintain an adequate allowance for loan and lease losses.

(c) In complying with the provisions of this paragraph, the Bank's Board shall review the adequacy of the Bank's allowance at least once each calendar quarter. The minutes of the Board meeting at which such review is undertaken shall indicate the results of the review, the amount of any increase in the allowance, and the basis for determination of the amount of the provision

4. (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" and one-half of the assets classified "Doubtful" in the Joint ROE dated October 15, 2007 that have not been previously collected or charged off. 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 30 days from the effective date of this ORDER, the Bank shall have reduced the assets classified "Substandard" or "Doubtful" in the Joint ROE dated October 15, 2007, that have not previously been charged off to not more than 80 percent of Tier 1 capital and ALLL.

(c) Within 180 days from the effective date of this ORDER, the Bank shall have reduced the assets classified "Substandard" or "Doubtful" in the Joint ROE dated October 15, 2007, that have not previously been charged off to not more than 60 percent of Tier 1 capital and ALLL.

(d) The requirements of Subparagraphs 4(a), 4(b), and 4(c) 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 4(b), and 4(c), the word "reduce" means:

(i) to collect;

(ii) to charge-off; or

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

(e) Within 60 days from the effective date of this ORDER, the Bank shall develop written asset disposition plans for each adversely classified asset greater than $500,000. The plans shall be reviewed and approved by the Bank's Board and acceptable to the Regional Director and Administrator as determined at subsequent examinations and/or visitations.

5. (a) Within 90 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 aggregate amount in relation to Tier 1 capital and the ALLL 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, as more fully set forth in the Joint ROE dated October 15, 2007.

(b) Within 90 days from the effective date of this ORDER, the Bank shall develop and adopt robust risk management practices that adhere to the joint interagency statement entitled "Guidance on Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices" dated December 12, 2006.

6. (a) Within 120 days of the effective date of this ORDER, the Bank shall develop and submit to the Regional Director a written three-year strategic plan. The plan shall outline

realistic goals and strategies, consistent with sound banking practices, for improving and sustaining Bank earnings. Such plan shall include specific goals for the dollar volume of total loans, total investment securities, and total deposits as of December 31, 2008, December 31, 2009, and December 31, 2010. For each time frame, the plan will also specify the anticipated average maturity and average yield on loans and securities; the average maturity and average cost of deposits; the level of earning assets as a percentage of total assets; and the ratio of net interest income to average earning assets. 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.

(b) The Bank shall continue to formulate and implement an annual written profit plan and budget. Following the end of each calendar quarter, the Bank's Board shall evaluate the Bank's actual performance in relation to the plan and budget 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.

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

8. (a) Upon the effective date of this ORDER, the Bank shall not increase the amount of brokered, Internet, and/or QwickRate deposits above the amount outstanding on that date without prior approval from the Regional Director and the Administrator.

(b) Within 120 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, Internet, and/or QwickRate deposits. The plan should contain details as to the current composition of such 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.

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 shall include a copy of the Bank's Report of Condition and the Bank's Report of Income and the Bank's problem asset report. 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, at least 15 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.

This ORDER will become effective upon its issuance by the FDIC and the ODF&CS. Violation of any provision of this ORDER will be deemed to be conducting business in an unsafe or unsound manner, and will subject the Bank to further regulatory enforcement action. 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 the FDIC and the ODF&CS.

Pursuant to delegated authority.

Dated at San Francisco, California, this 27th day of May, 2008.

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

Dated at Salem, Oregon, this 27th day of May, 2008.

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