

UNITED STATES OF AMERICA
BEFORE THE
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, D.C.

Written Agreement by and between

PRIME PACIFIC FINANCIAL SERVICES,
INC.
Lynnwood, Washington

and

FEDERAL RESERVE BANK OF SAN
FRANCISCO
San Francisco, California

Docket No. 09-157-WA/RB-HC

WHEREAS, Prime Pacific Financial Services, Inc., Lynnwood, Washington (“PPFSI”), a registered bank holding company, owns and controls Prime Pacific Bank, National Association, Lynnwood, Washington (the “Bank”), a national bank, and various nonbank subsidiaries;

WHEREAS, it is the common goal of PPFSI and the Federal Reserve Bank of San Francisco (the “Reserve Bank”) to maintain the financial soundness of PPFSI so that PPFSI may serve as a source of strength to the Bank;

WHEREAS, PPFSI and the Reserve Bank have mutually agreed to enter into this Written Agreement (the “Agreement”); and

WHEREAS, on December 28, 2009, the board of directors of PPFSI, at a duly constituted meeting, adopted a resolution authorizing and directing Glenn Deatsh to enter into this Agreement on behalf of PPFSI, and consenting to compliance with each and every provision of this Agreement by PPFSI and its institution-affiliated parties, as defined in

sections 3(u) and 8(b)(3) of the Federal Deposit Insurance Act, as amended (the “FDI Act”) (12 U.S.C. §§ 1813(u) and 1818(b)(3)).

NOW, THEREFORE, PPFISI and the Reserve Bank agree as follows:

Dividends and Distributions

1. (a) PPFISI shall not declare or pay any dividends without the prior written approval of the Reserve Bank and the Director of the Division of Banking Supervision and Regulation (the “Director”) of the Board of Governors of the Federal Reserve System (the “Board of Governors”).

(b) PPFISI shall not directly or indirectly take dividends or any other form of payment representing a reduction in capital from the Bank without the prior written approval of the Reserve Bank.

(c) PPFISI and its nonbank subsidiaries shall not make any distributions of interest, principal, or other sums on subordinated debentures or trust preferred securities without the prior written approval of the Reserve Bank and the Director.

(d) All requests for prior approval shall be received by the Reserve Bank at least 30 days prior to the proposed dividend declaration date, proposed distribution on subordinated debentures, and required notice of deferral on trust preferred securities. All requests shall contain, at a minimum, current and projected information on PPFISI’s capital, earnings, and cash flow; the Bank’s capital, asset quality, earnings, and allowance for loan and lease losses; and identification of the sources of funds for the proposed payment or distribution. For requests to declare or pay dividends, PPFISI must also demonstrate that the requested declaration or payment of dividends is consistent with the Board of Governors’ Policy Statement

on the Payment of Cash Dividends by State Member Banks and Bank Holding Companies, dated November 14, 1985 (Federal Reserve Regulatory Service, 4-877 at page 4-323).

Debt and Stock Redemption

2. (a) PPFSI and any nonbank subsidiary shall not, directly or indirectly, incur, increase, or guarantee any debt without the prior written approval of the Reserve Bank. All requests for prior written approval shall contain, but not be limited to, a statement regarding the purpose of the debt, the terms of the debt, and the planned source(s) for debt repayment, and an analysis of the cash flow resources available to meet such debt repayment.

(b) PPFSI shall not, directly or indirectly, purchase or redeem any shares of its stock without the prior written approval of the Reserve Bank.

Cash Flow Projections

3. Within 60 days of this Agreement, PPFSI shall submit to the Reserve Bank a written statement of PPFSI's planned sources and uses of cash for debt service, operating expenses, and other purposes ("Cash Flow Projection") for 2010. PPFSI shall submit to the Reserve Bank a Cash Flow Projection for each calendar year subsequent to 2010 at least one month prior to the beginning of that calendar year.

Compliance with Laws and Regulations

4. (a) In appointing any new director or senior executive officer, or changing the responsibilities of any senior executive officer so that the officer would assume a different senior executive officer position, PPFSI shall comply with the notice provisions of section 32 of the FDI Act (12 U.S.C. § 1831i) and Subpart H of Regulation Y of the Board of Governors (12 C.F.R. §§ 225.71 *et seq.*).

(b) PPFSI shall comply with the restrictions on indemnification and severance payments of section 18(k) of the FDI Act (12 U.S.C. § 1828(k)) and Part 359 of the Federal Deposit Insurance Corporation's regulations (12 C.F.R. Part 359).

Progress Reports

5. Within 30 days after the end of each calendar quarter following the date of this Agreement, the board of directors shall submit to the Reserve Bank written progress reports detailing the form and manner of all actions taken to secure compliance with the provisions of this Agreement and the results thereof, and a parent company only balance sheet, income statement, and, as applicable, report of changes in stockholders' equity.

Communications

6. All communications regarding this Agreement shall be sent to:

(a) Mr. Ken Szyndel
Senior Manager
Federal Reserve Bank of San Francisco
Surveillance and Analysis Unit
Banking Supervision & Regulation
101 Market Street, Mail Stop 945
San Francisco, California 94105

(b) Mr. Glenn Deutsch
Chief Executive Officer
Prime Financial Services, Inc.
4710 196th Street SW
Lynnwood, Washington 98036

Miscellaneous

7. Notwithstanding any provision of this Agreement, the Reserve Bank may, in its sole discretion, grant written extensions of time to PPFSI to comply with any provision of this Agreement.

8. The provisions of this Agreement shall be binding upon PPFSI and its institution-affiliated parties, in their capacities as such, and their successors and assigns.


9. Each provision of this Agreement shall remain effective and enforceable until stayed, modified, terminated, or suspended in writing by the Reserve Bank.

10. The provisions of this Agreement shall not bar, estop, or otherwise prevent the Board of Governors, the Reserve Bank, or any other federal or state agency from taking any other action affecting PPFSI, the Bank, any nonbank subsidiary of PPFSI, or any of their current or former institution-affiliated parties and their successors and assigns.

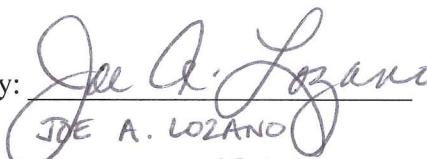
11. Pursuant to section 50 of the FDI Act (12 U.S.C. § 1831aa), this Agreement is enforceable by the Board of Governors under section 8 of the FDI Act (12 U.S.C. § 1818).

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the 30th day of December, 2009.

PRIME PACIFIC FINANCIAL SERVICES,
INC.

By: 
Glenn Deutsch, President/CEO

FEDERAL RESERVE BANK
OF SAN FRANCISCO

By: 
JOE A. LOZANO
EXAMINING OFFICER

PPFS09-16

Resolution of the Board of Directors
Of
Prime Pacific Financial Services, Inc.
At a Special Meeting
December 28, 2009

RESOLVED that Glenn Deutsch, President and CEO of Prime Pacific Financial Services, Inc. (Company) is hereby authorized and directed to execute the Written Agreement between the Company and the Federal Reserve bank of San Francisco.

CERTIFICATION

The undersigned, John Pfeifer, the Secretary of the Company certifies that the above resolution was passed by the Board of Directors at a duly constituted meeting which a quorum was present.



John R. Pfeifer, Secretary
Prime Pacific Financial Services, Inc.