

UNITED STATES OF AMERICA
Before the
OFFICE OF THRIFT SUPERVISION

_____)	
In the Matter of)	Order No.: WN-09-013
)	
SEATTLE FINANCIAL GROUP, INC.)	Effective Date: June 8, 2009
)	
Seattle, Washington.)	
OTS Docket No. H-3443)	
_____)	

ORDER TO CEASE AND DESIST

WHEREAS, Seattle Financial Group, Inc., Seattle, Washington, OTS Docket No. H-3443 (Holding Company), by and through its Board of Directors (Board) has executed a Stipulation and Consent to the Issuance of an Order to Cease and Desist (Stipulation); and

WHEREAS, Holding Company, by executing the Stipulation, has consented and agreed to the issuance of this Order to Cease and Desist (Order) by the Office of Thrift Supervision (OTS) pursuant to 12 USC § 1818(b); and

WHEREAS, pursuant to delegated authority, the OTS Regional Director for the Western Region (Regional Director), is authorized to issue Orders to Cease and Desist where a savings and loan holding company has consented to the issuance of an order.

NOW, THEREFORE, IT IS ORDERED that:

I. CEASE AND DESIST

The Holding Company shall cease and desist from engaging in all unsafe and unsound practices that have resulted in the Holding Company operating with low earnings and inadequate capital.

II. DIVIDENDS

Effective immediately, Holding Company shall pay no dividends or make any other capital distributions, as that term is defined in 12 CFR § 563.141, without receiving the prior written approval of the Regional Director. Holding Company's written request for written approval shall be submitted to the Regional Director at least thirty (30) days prior to the anticipated date of the proposed dividend payment or distribution of capital.

III. DEBT LIMITATIONS/RESTRICTIONS

Effective immediately, Holding Company shall not incur, issue, renew, repurchase, make payments on or rollover any debt, increase any current lines of credit, or guarantee the debt of any entity without receiving the prior written approval of the Regional Director. Holding Company's written request for written approval shall be submitted to the Regional Director at least thirty (30) days prior to the anticipated date of any such proposed action.

IV. OPERATIONS PLAN

A. Within sixty (60) days, Holding Company shall adopt and submit to OTS for review and approval an Operations Plan that addresses how Holding Company will meet all financial obligations for the calendar years 2009 through 2011, without reliance on dividends from its wholly owned subsidiary, Seattle Bank, Seattle, Washington. The Operations Plan shall include, at a minimum, comprehensive pro forma cash flow projections detailing all anticipated sources and uses of funds, including, but not limited to, any scheduled payment obligations of Holding Company related to outstanding debt, operating expenses, and equity issuances.

B. The Board shall approve revisions to the Operations Plan within fifteen (15) days after receiving the Regional Director's comments, if any, and implement the Operations Plan immediately upon Board approval of the final Operations Plan.

C. At least quarterly, beginning with the quarter ending September 30, 2009, the Board shall review the adequacy of the Operations Plan given the then current financial obligations of the Holding Company and actual results. The Board shall also review a written report prepared by management describing any material deviations between the projections contained in the Operations Plan and actual results (Variance Analysis Report).

D. Within twenty (20) days of the end of each quarter, the Board shall provide the Regional Director with a copy of each Variance Analysis Report, which shall include a detailed explanation of any material deviation described in the Variance Analysis Report, and the minutes from the Board meeting containing the Board's discussion of the Variance Analysis Report, including, if applicable, any Board discussion of possible modifications to the Operations Plan.

V. TRANSACTIONS WITH AFFILIATES

Holding Company shall not enter into any transaction or otherwise engage in any action that would cause its wholly owned subsidiary Seattle Bank to violate Regulation W, 12 CFR Part 223.

VI. REPORTING

The Board shall review and amend the Other Materially Important Events section of the Annual and Current Reports filed with OTS for calendar year 2008 to disclose all significant events that affected Seattle Bank, including all transactions between Holding Company and Seattle Bank in violation of Regulation W. The Board shall ensure future Annual and Current Reports filed with the OTS disclose accurately and completely all items of material importance regarding Holding Company and Seattle Bank.

VII. OPERATING RESTRICTIONS

A. Management Changes.

Effective immediately, Holding Company shall comply with the prior notification requirements for changes in directors or Senior Executive Officers set forth in 12 CFR Part 563, Subpart H.

B. Severance and Indemnification Payments.

Effective immediately, Holding Company shall not make any golden parachute payment¹ or any prohibited indemnification payment², unless, with respect to each such payment, the Association has complied with the requirements of 12 CFR Part 359.

C. Employment Contracts and Compensation Arrangements.

Effective immediately, Holding Company shall not enter into, renew, extend, or revise any contractual arrangement relating to compensation or benefits for any senior executive officer or director of the Holding Company unless it first provides OTS with not less than thirty (30) days prior written notice of the proposed transaction. The notice to OTS shall include a copy of the proposed employment contract or compensation arrangement, or a detailed, written description of the compensation arrangement to be offered to such officer or director, including all benefits and perquisites. Holding Company shall ensure that any contract, agreement, or arrangement submitted to OTS fully complies with the requirements of 12 CFR Part 359.

VIII. EFFECTIVE DATE, INCORPORATION OF STIPULATION

This Order is effective on the Effective Date as shown on the first page. The Stipulation is made a part hereof and is incorporated herein by this reference.

¹ The term “golden parachute” is defined at 12 CFR § 359.1(f)

² The term “prohibited indemnification payment” is defined at 12 CFR § 359.1(l)

IX. DURATION

This Order shall remain in effect until terminated, modified, or suspended, by written notice of such action by OTS, acting by and through its authorized representatives.

X. TIME CALCULATIONS

A. Calculation of time limitations for compliance with the terms of this Order run from the Effective Date and shall be based on calendar days, unless otherwise noted.

B. The Regional Director, or an OTS authorized representative, may extend any of the deadlines set forth in the provisions of this Order upon written request by Holding Company that includes reasons in support for any such extension. Any OTS extension shall be made in writing.

XI. SUBMISSIONS AND NOTICES

A. All submissions, including progress reports, to OTS that are required by or contemplated by this Order shall be submitted within the specified timeframes.

B. Except as otherwise provided herein, all submissions, requests, communications, consents or other documents relating to this Order shall be in writing and sent by first-class U. S. mail (or by reputable overnight carrier, electronic facsimile transmission or hand delivery by messenger) addressed as follows:

To OTS:

C.K. Lee, Regional Director
Office of Thrift Supervision
225 E. John Carpenter Freeway, Suite 500
Irving, TX 75062-2326

With a Copy to:

Dale R. Blackburn, Assistant Director
Office of Thrift Supervision
101 Stewart Street, Suite 1010
Seattle, WA 98101-2419

To Holding Company:

Robert E. Story, Jr., President
Seattle Financial Group, Inc.
190 Queen Anne Avenue, North
Seattle, WA 98109

XII. NO VIOLATIONS AUTHORIZED

Nothing in this Order or the Stipulation shall be construed as allowing the Holding Company, its Board, officers, or employees to violate any law, rule, or regulation.

IT IS SO ORDERED.

OFFICE OF THRIFT SUPERVISION

By: _____ /s/_____
C.K. Lee
Regional Director, Western Region

Date: See Effective Date on page 1

UNITED STATES OF AMERICA
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SEATTLE FINANCIAL GROUP, INC.)	Effective Date: June 8, 2009
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STIPULATION AND CONSENT TO
ISSUANCE OF ORDER TO CEASE AND DESIST

WHEREAS, the Office of Thrift Supervision (OTS), acting by and through its Regional Director for the Western Region (Regional Director), and based upon information derived from the exercise of its regulatory and supervisory responsibilities, has informed Seattle Financial Group, Inc., Seattle, Washington, OTS Docket No. H-3443 (Holding Company) that OTS is of the opinion that grounds exist to initiate an administrative proceeding against Holding Company pursuant to 12 USC § 1818(b);

WHEREAS, the Regional Director, pursuant to delegated authority, is authorized to issue Orders to Cease and Desist where a savings and loan holding company has consented to the issuance of an order; and

WHEREAS, Holding Company desires to cooperate with OTS to avoid the time and expense of such administrative cease and desist proceeding by entering into this Stipulation and Consent to the Issuance of Order to Cease and Desist (Stipulation) and, without admitting or denying that such grounds exist, but only admitting the statements and conclusions in Paragraph 1 below concerning Jurisdiction, hereby stipulates and agrees to the following terms:

1. Jurisdiction.

a. Holding Company is a “savings and loan holding company” within the meaning of 12 USC § 1813(w)(3) and 12 USC § 1467a;

b. Pursuant to 12 USC § 1818(b)(9), the “appropriate Federal banking agency” may initiate a cease and desist proceeding against a savings and loan holding company in the same manner and to the same extent as against a savings association for regulatory violations and unsafe and unsound acts or practices.

c. Pursuant to 12 USC § 1813(q)(4), the Director of OTS is the “appropriate Federal banking agency” with jurisdiction to maintain an administrative enforcement proceeding against a savings and loan holding company. Therefore, Holding Company is subject to the authority of OTS to initiate and maintain an administrative cease and desist proceeding against a savings and loan holding company pursuant to 12 USC §§ 1818(b)(1) and (b)(9).

2. OTS Findings of Fact.

Based on its ongoing supervision of Holding Company, OTS finds that Holding Company has engaged in unsafe and unsound practices that resulted in the Holding Company’s operation with low earnings and inadequate capital.

3. Consent.

Holding Company consents to the issuance by OTS of the accompanying Order to Cease and Desist (Order). Holding Company further agrees to comply with the terms of the Order upon the Effective Date of the Order and stipulates that the Order complies with all requirements of law.

4. Finality.

The Order is issued by OTS under 12 USC § 1818(b) and upon the Effective Date it shall be a final order, effective and fully enforceable by OTS under the provisions of 12 USC § 1818(i).

5. Waivers.

Holding Company waives the following:

- a. The right to be served with a written notice of OTS's charges against it as provided by 12 USC § 1818(b) and 12 CFR Part 509;
- b. The right to an administrative hearing of OTS's charges as provided by 12 USC § 1818(b) and 12 CFR Part 509;
- c. The right to seek judicial review of the Order, including, without limitation, any such right provided by 12 USC § 1818(h), or otherwise to challenge the validity of the Order; and
- d. Any and all claims against OTS, including its employees and agents, and any other governmental entity for the award of fees, costs, or expenses related to this OTS enforcement matter and/or the Order, whether arising under common law, federal statutes or otherwise.

6. OTS Authority Not Affected.

Nothing in this Stipulation or accompanying Order shall inhibit, estop, bar or otherwise prevent OTS from taking any other action affecting Holding Company if at any time OTS deems it appropriate to do so to fulfill the responsibilities placed upon OTS by law.

7. Other Governmental Actions Not Affected.

Holding Company acknowledges and agrees that its consent to the issuance of the Order is solely for the purpose of resolving the matters addressed herein, consistent with Paragraph 6 above, and does not otherwise release, discharge, compromise, settle, dismiss, resolve, or in any way affect any actions, charges against, or liability of Holding Company that arise pursuant to this action or otherwise, and that may be or have been brought by any governmental entity other than OTS.

8. Miscellaneous.

- a. The laws of the United States of America shall govern the construction and validity of this Stipulation and of the Order;
- b. If any provision of this Stipulation and/or the Order is ruled to be invalid, illegal, or unenforceable by the decision of any Court of competent jurisdiction, the validity, legality, and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby, unless the Regional Director in his or her sole discretion determines otherwise;
- c. All references to OTS in this Stipulation and the Order shall also mean any of OTS's predecessors, successors, and assigns;
- d. The section and paragraph headings in this Stipulation and the Order are for convenience only and shall not affect the interpretation of this Stipulation or the Order;
- e. The terms of this Stipulation and of the Order represent the final agreement of the parties with respect to the subject matters thereof, and constitute the sole agreement of the parties with respect to such subject matters; and

f. The Stipulation and Order shall remain in effect until terminated, modified, or suspended in writing by OTS, acting through its Regional Director or other authorized representative.

9. Signature of Directors/Board Resolution.

Each Director of Holding Company signing this Stipulation attests that he or she voted in favor of a Board Resolution authorizing the consent of Holding Company to the issuance of the Order and the execution of the Stipulation. This Stipulation may be executed in counterparts by the directors after approval of execution of the Stipulation at a duly called board meeting. A copy of the Board Resolution authorizing execution of this Stipulation shall be delivered to OTS, along with the executed original(s) of this Stipulation.

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WHEREFORE, Holding Company, by its directors, executes this Stipulation.

Accepted by:

SEATTLE FINANCIAL GROUP, INC.
Seattle, Washington

OFFICE OF THRIFT SUPERVISION

By: _____ /s/
Robert E. Story, Sr.
Chairman of the Board

By: _____ /s/
C.K. Lee
Regional Director, Western Region

Date: See Effective Date on page 1

_____/s/
B. Bryan Cartwright, Director

_____/s/
John D. Marshall, Director

_____/s/
Kimberly Shaplen, Director

_____/s/
Robert E. Story, Jr., Director