

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

In the Matter of

KALEY BRYNNE GREGORY, individually,
and as an institution-affiliated party of

VOLUNTEER STATE BANK,
PORTLAND, TENNESSEE

(INSURED STATE NONMEMBER BANK)

NOTICE OF INTENTION
TO PROHIBIT FROM
FURTHER PARTICIPATION,
FINDINGS OF FACT,
CONCLUSIONS OF LAW, AND
NOTICE OF HEARING

FDIC-13-0326e

The Federal Deposit Insurance Corporation (“FDIC”) has determined that KALEY BRYNNE GREGORY (“Respondent”), individually, as an institution-affiliated party of Volunteer State Bank, Portland, Tennessee (“Bank”), violated laws and regulations and/or engaged or participated in unsafe or unsound banking practices; that the Bank suffered financial loss and Respondent received a benefit as a result of such violations and practices; that such violations and practices demonstrate Respondent’s personal dishonesty or willful or continuing disregard for the safety or soundness of the Bank; and that Respondent was unjustly enriched in connection with her violations and practices.

The FDIC, therefore, institutes this proceeding for the purpose of determining whether an appropriate order of prohibition should be issued against Respondent pursuant to the provisions of 12 U.S.C. § 1818(e), prohibiting Respondent from further participation in the conduct of the affairs of the Bank and any other insured depository institution or organization listed in 12 U.S.C. § 1818(e)(7)(A), without the prior written consent of the FDIC and such other appropriate

Federal financial institutions regulatory agency, as that term is defined in 12 U.S.C. § 1818(e)(7)(D).

The FDIC hereby issues this NOTICE OF INTENTION TO PROHIBIT FROM FURTHER PARTICIPATION ("NOTICE TO PROHIBIT") pursuant to the provisions of 12 U.S.C. § 1818(e); FINDINGS OF FACT, CONCLUSIONS OF LAW, AND NOTICE OF HEARING ("NOTICE OF ASSESSMENT") pursuant to 12 C.F.R. Part 308; and alleges as follows:

I.

FINDINGS OF FACT

1. At all times pertinent to the charges herein, the Bank was a corporation existing and doing business under the laws of the State of Tennessee, having its principal place of business in Portland, Tennessee.
2. At all times pertinent to the charges herein, the Bank has been an insured State nonmember bank, as defined in 12 U.S.C. § 1813(e) and, as such, is subject to the Federal Deposit Insurance Act ("Act"), 12 U.S.C. § 1811 *et seq.*, the Rules and Regulations of the FDIC, 12 C.F.R. Chapter III, and the laws of the State of Tennessee.
3. At all relevant times, Respondent was an employee of Volunteer State Bank and acted as head teller of the Bank's branch in Gallatin, Tennessee.
4. At all times pertinent to the charges herein, Respondent was an "institution-affiliated party" as that term is defined in section 3(u) of the Act, 12 U.S.C. § 1813(u), and for purposes of sections 8(e)(7), 8(i) and 8(j) of the Act, 12 U.S.C. §§1818(e)(7), 1818(i) and 1818(j).

5. The FDIC has jurisdiction over the Bank, Respondent, and the subject matter of this proceeding.

6. Beginning in or around September 2009, and until in or around May 2013, Respondent willfully, fraudulently, and without authority, removed more than \$264,000 in cash from the Bank vault, the Teller Currency Dispenser ("TCD"), and one or more teller cash drawers at the Bank's branch in Gallatin, Tennessee, and converted this cash to her own use.

7. Respondent used the funds she embezzled from the Bank to pay for her own personal expenses, including retail purchases, travel, and paying bills.

8. Respondent entered false and fraudulent entries in the Bank's electronic system in order to conceal her embezzlement and the resulting cash shortfall and in order to manipulate audits conducted by the Bank.

9. Respondent misused her position as head teller to improperly maintain exclusive control over the TCD of the Gallatin Bank branch, contrary to Bank policy and instructions, in order to conceal her removal of cash and the resulting shortfall.

10. In embezzling funds from the Bank and in attempting to conceal her embezzlement, Respondent acted willfully and with intent to injure and defraud the Bank.

11. The amount of loss suffered by the Bank as a result of Respondent's embezzlement and the corresponding gain to Respondent was at least \$264,000.

12. On October 29, 2013, the U.S. Attorney's Office for the Middle District of Tennessee filed an Information charging Respondent with violating Title 18, United States Code, Section 656.

13. In a plea agreement signed by Respondent on January 3, 2014 ("Plea Agreement"), Respondent pled guilty to bank embezzlement in violation of Title 18, United States Code, Section 656.

14. In the Plea Agreement, Respondent voluntarily agreed to the facts as referenced above in paragraph 3 and paragraphs 6 through 11

15. In the Plea Agreement, Respondent agreed to the entry of an order of forfeiture consisting of a money judgment in the amount of \$264,009.95.

II.

CONCLUSIONS OF LAW

16. The above-described misconduct relating to Respondent's embezzlement of at least \$264,000 constituted unsafe and unsound banking practices, and a violation of law.

17. By reason of Respondent's violation of law and unsafe and unsound practices the Bank lost \$264,009.95.

18. Respondent's violation of law and unsafe and unsound practices involved personal dishonesty on the part of Respondent.

19. Respondent's violation of law and unsafe and unsound practices, demonstrates willful or continuing disregard by Respondent for the safety or soundness of the Bank.

20. The above-alleged acts and omissions justify the issuance of an Order of Prohibition against the Respondent pursuant to the provisions of Section 8(e) of the FDI Act, 12 U.S.C. 1818(e).

III

PRAYER FOR RELIEF PURSUANT TO 12 U.S.C. §1818(e)

21. Based on the charges and the acts, omissions and/or practices described above, the FDIC requests an order prohibiting Respondent from participating, in any manner, in the conduct of the affairs of the Bank, or any other insured depository institution, organization or agency specified in section 8(e)(7)(A) of the Act, 12 U.S.C. § 1818 (e)(7)(A), without the prior written consent of the FDIC and/or other appropriate Federal financial institutions regulatory agency, as defined in section 8(e)(7)(D) of the Act, 12 U.S.C. § 1818(e)(7)(D).

IV.

NOTICE OF HEARING ON NOTICE OF INTENTION TO PROHIBIT FROM FURTHER PARTICIPATION

Notice is hereby given that a hearing shall commence at Nashville, Tennessee, sixty (60) days from the date of service of this NOTICE OF INTENTION TO PROHIBIT FROM FURTHER PARTICIPATION upon Respondent, or at such place or on such date as the parties to this action and the Administrative Law Judge appointed to hear this matter may agree, for the purpose of taking evidence on the charges herein specified, in order to determine: (1) whether a permanent order should be issued to prohibit Respondent from further participation in the conduct of the affairs of any insured depository institution or organization enumerated in 12 U.S.C. § 1818(e)(7)(A) without the prior permission of the FDIC and the appropriate Federal financial institutions regulatory agency, as that term is defined in 12 U.S.C. § 1818(e)(7)(D).

The hearing will be public, and in all respects conducted in accordance with the provisions of the Act, 12 U.S.C. §§ 1811 – 1831aa, the Administrative Procedure Act, 5 U.S.C.

§§ 551-559, and the FDIC Rules of Practice and Procedure, 12 C.F.R. Part 308. The hearing will be held before an Administrative Law Judge appointed by the Office of Financial Institution Adjudication pursuant to 5 U.S.C. § 3105.

Respondent is hereby directed to file an answer to the NOTICE OF INTENTION TO PROHIBIT FROM FURTHER PARTICIPATION within twenty (20) days from the date of service, as provided by 12 C.F.R. § 308.19. An original and one copy of all papers filed in this proceeding shall be served upon the Office of Financial Institution Adjudication, 3501 N. Fairfax Drive, Suite VS-D8116, Arlington, Virginia 22226-3500, pursuant to 12 C.F.R. § 308.10. Copies of all papers filed in this proceeding shall be served upon the Office of the Executive Secretary, Federal Deposit Insurance Corporation, 550 17th Street, N.W. (F-1058), Washington, D.C. 20429; A.T. Dill, III, Assistant General Counsel, Federal Deposit Insurance Corporation, 550 17th Street, N.W., MB 3020, Washington, D.C. 20429; and upon Stephen C. Zachary, Regional Counsel, Federal Deposit Insurance Corporation, 1601 Bryan Street, Dallas, Texas 75201. Pursuant to 12 C.F.R. 308.10(b)(4), all documents required to be filed, excluding documents produced in response to a discovery request pursuant to 308.25 and 308.26, shall be filed electronically with OFIA. Respondent is hereby directed to file any answer electronically with OFIA at ofia@fdic.gov. Failure to answer within the 20-day time period shall constitute a waiver of the right to appear and contest the allegations contained in this NOTICE and shall, upon the FDIC's motion, cause the Administrative Law Judge or the FDIC to find the facts in this NOTICE to be as alleged and to issue appropriate ORDERS.

Pursuant to delegated authority.

Dated this 5th day of January, 2016.

/s/

Christopher J. Newbury
Associate Director
Division of Risk Management Supervision