

The FDIC, therefore, institutes this proceeding to determine whether an order should be issued against Yates under 12 U.S.C. § 1818(e) (“Section 8(e)”), prohibiting her 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 approval of the FDIC or such other appropriate Federal financial institutions regulatory agency, as that term is defined in 12 U.S.C. § 1818(e)(7)(D). The FDIC institutes this proceeding for the assessment of civil money penalties pursuant to 12 U.S.C. § 1818(i)(2)(B) (“Section 8(i)”).

The FDIC hereby issues this NOTICE OF INTENTION TO PROHIBIT FROM FURTHER PARTICIPATION (“NOTICE TO PROHIBIT”) pursuant to Section 8(e), and this NOTICE OF ASSESSMENT OF CIVIL MONEY PENALTIES, FINDINGS OF FACT AND CONCLUSIONS OF LAW, ORDER TO PAY, and NOTICE OF HEARING (“NOTICE OF ASSESSMENT”) pursuant to Section 8(i), and the FDIC Rules of Practice and Procedure, 12 C.F.R. Part 308, and alleges as follows:

I. PRELIMINARY ALLEGATIONS

1. The FDIC has jurisdiction over the Bank, Yates, and the subject matter of this proceeding pursuant to 12 U.S.C. § 1813(q)(2).
2. At all relevant times, the Bank was a corporation existing and doing business under the laws of the State of Oregon, having its principal place of business at Lake Oswego, Oregon.
3. At all relevant times, the Bank was an insured State nonmember bank, subject to 12 U.S.C. §§ 1811-1831y; 12 C.F.R. Chapter III; and the laws of the State of Oregon.
4. Yates served as the Bank’s Chief Financial Officer (“CFO”) from January 2004 until her resignation in March 2012.

5. At all relevant times, Yates was a voting member of the Bank's Internal Loan Committee ("ILC"). Since at least 2010, Yates also served as the Secretary to the Bank's Board of Directors ("Board").

6. At all relevant times, Yates was an "institution-affiliated party" as defined in 12 U.S.C. § 1813(u), for purposes of Section 8(e) and Section 8(i).

7. At all relevant times and as the Bank's CFO, Yates was responsible for:

- (a) Supervising development of the Bank's financial plans;
- (b) Administering the Bank's investment portfolio;
- (c) Supervising the management of the Bank's cash and liquidity positions;
- (d) Leading and administering overall asset liability management efforts; and
- (e) Overseeing the following functional operations at the Bank including:

operations, personnel, accounting, audit, investments, management information systems, building, security, technology and operating system, and electronic banking.

8. At all relevant times, Yates was responsible for the management and monitoring of the Bank's correspondent banking account at Pacific Coast Banker's Bank, Walnut Creek, California ("PCBB Account").

II. YATES MISCONDUCT SUPPORTS SECTION 8(e) PROHIBITION ORDER AND SECTION 8(i) CIVIL MONEY PENALTY

A. Yates Approved the Use of \$675,000 in Bank Funds to Imprudently Pay for a Customer's Wire Transfer and Facilitated a \$1.7 Million Loan to Cover such Transfer

9. On or about July 23, 2010, Customer X requested a \$675,000 wire transfer from the Bank and provided wiring instructions.

10. The request for outgoing wire transfer directed that the \$675,000 would be funded from Customer X's account at the Bank and wired to a business account at Union Bank of California, San Francisco, California.

11. At the time of the wire transfer, Customer X did not have sufficient funds in the account to cover the \$675,000 wire transfer.

12. On or about July 26, 2010, Yates approved the \$675,000 wire transfer, which was executed that same day.

13. Also on July 26, 2010, Yates told Bank personnel that Customer X would pay \$675,000 the next day. As a consequence, the \$675,000 would be an outstanding item in the account reconciliation statement on the Bank's PCBB Account, which serves as the clearing house for Bank transactions.

14. On or about July 26, 2010, \$675,000 wire transfer funds were taken from the Bank's PCBB Account and not offset from Customer X's Bank account.

15. The \$675,000 entry in the Bank's PCBB Account did not clear until September 30, 2010, when the Bank funded a new \$1.7 million line of credit to Customer X.

16. In an ILC meeting, Yates voted to approve the \$1.7 million loan to Customer X and thereafter, the recommendation was sent to the Bank's Board for further approval.

17. Between July 26, 2010 and September 30, 2010, Yates received regular notifications from Bank staff that the PCBB Account was out of balance due to Customer X's failure to fund the \$675,000 wire transfer.

18. On or about September 30, 2010, the Bank approved a loan to Customer X in the amount of \$1.7 million.

19. On September 30, 2010, Yates ordered that \$675,000 of the \$1.7 million loan proceeds be used to pay off the outstanding wire transfer and reconcile the deficiency in the Bank's PCBB Account.

20. Yates failed to disclose to either the Bank's ILC or the Board that the PCBB Account was out of balance due to an unpaid wire transfer of Customer X, and that \$675,000 of the \$1.7 million loan was to fund that unpaid wire transfer.

B. Yates Aided and Abetted an Improper Straw Buyer Transaction

21. On or about November 1, 2007, the Bank approved a \$325,000 home equity line of credit ("HELOC") to Customer Y for property located in Lake Oswego, Oregon ("HELOC Property") secured by a second lien position behind a \$274,350 first lienholder.

22. In April 2009, with more than \$298,000 outstanding on the HELOC, Customer Y fell behind on the payments and the HELOC went into default.

23. On or about October 4, 2010, the first lienholder foreclosed on the HELOC Property and transferred its ownership interest to the Federal National Mortgage Association ("Fannie Mae") for \$280,935.30.

24. On or about October 27, 2010, after internal write-downs and charge-offs the Bank transferred the remaining balance of \$99,000 to its Other Real Estate Owned ("OREO") account.

25. The foreclosure and transfer of the HELOC Property to Fannie Mae eliminated the Bank's legal interest in the property.

Yates Aided and Abetted a Straw Buyer to Purchase Bank OREO with Bank Funds and thereby Caused the Bank to Engage in an Unpermitted Activity in Violation of 12 C.F.R. § 362

26. In November 2010, the Bank discovered that the HELOC Property was foreclosed on by the first lienholder and that the HELOC Property was transferred to Fannie Mae.

27. Bank staff contacted Fannie Mae seeking to purchase the HELOC Property.

28. In December 2010, Bank staff learned that Fannie Mae would not sell the HELOC Property to investor entities, such as the Bank, until the expiration of a "first look" period for potential owner-occupants.

29. In January 2011, Yates and Bank staff commenced a scheme to use a straw buyer posing as an interested owner-occupant to purchase the HELOC Property from Fannie Mae with Bank funds in violation of 12 C.F.R. § 362.3.

30. As part of that scheme in January 2011, a Bank employee falsely represented to Fannie Mae that he was a potential owner-occupant, when in fact he was a straw buyer for the Bank ("Straw Buyer").

31. On January 23, 2011, Fannie Mae notified the Straw Buyer via email that his offer to purchase the HELOC Property for \$265,000 was accepted.

32. On January 24, 2011, the Straw Buyer forwarded Fannie Mae's purchase offer acceptance emails with attachments to Yates.

33. On January 25, 2011, Yates authorized a \$26,500 cashier's check to be drawn from Bank funds and issued to a title company for the Straw Buyer's HELOC Property escrow account.

34. On January 25, 2011, Yates caused the Bank's records to reflect a \$26,500 debit to the HELOC Property OREO account.

35. On January 31, 2011, Yates authorized a \$241,227.89 cashier's check drawn on Bank funds, to be issued to a title company for the Straw Buyer's HELOC Property escrow account.

36. On January 31, 2011, Yates caused the Bank's records to reflect a \$241,227.89 debit to the HELOC Property OREO account.

37. On approximately February 8, 2011, Fannie Mae transferred the HELOC Property to the Straw Buyer.

38. Between October 2010 and February 2011, Yates made multiple adjustments to the Bank's records to inflate the HELOC Property's value from approximately \$99,000 to over \$365,000.

39. After Yates facilitated the Bank's purchase of the HELOC Property with Bank funds using the Straw Buyer, a buyer was found for the HELOC Property ("Buyer").

40. Yates underwrote the loan for the Buyer to purchase the HELOC Property.

41. On May 2, 2011, the Bank opened an escrow for the HELOC Property.

42. On May 4, 2011, Yates voted to approve a \$301,750 loan to the Buyer.

43. Yates prepared, reviewed and/or approved the documents for the Buyer's loan as if the HELOC Property was the Bank's OREO when it was really owned by the Straw Buyer.

44. On May 6, 2011, the Straw Buyer transferred the HELOC Property to the Bank for no consideration.

45. On May 9, 2011, Yates transferred the HELOC Property to the Buyer.

46. On May 17, 2011, the HELOC Property sale transaction was recorded. The warranty deeds and the Bank's deed of trust for the Buyer were recorded simultaneously.

47. With Yates' knowledge and participation, the Bank's records and OREO account were amended to reflect the sale of the HELOC Property and the corresponding loan to the Buyer.

Yates Caused to Bank to File False Call Reports in Violation of 12 U.S.C. § 1817(a)

48. Yates caused the HELOC Property to remain on the Bank's records as OREO after she learned that the Bank did not have a legal interest in the property.

49. As CFO, Yates was required to attest that the Bank's Reports of Condition and Income pursuant to 12 U.S.C. § 1817(a)(1) ("Call Reports") are true and correct.

50. Yates' actions and false entries in the Bank's records caused the Bank to overstate its OREO assets by over \$99,000 in the December 31, 2010 Call Report.

51. Yates' actions and false entries in the Bank's records caused the Bank to overstate its assets in excess of \$365,000 in the March 31, 2011 Call Report.

52. Yates caused the Bank to file false Call Reports in December 2010 and March 2011.

C. Yates Failed to Protect the Bank's Collateral Position and Failed to Disclose Material Changes in Loan Terms to Bank Management

53. On June 7, 2010, the Bank agreed to sell nine of its OREO lots to a real estate developer ("Developer") for \$188,888 per lot, or \$1.7 million total.

54. The Bank also extended a \$1,485,000 loan to the Developer for the purchase and development of these nine lots.

55. The loan terms required the Developer to make a \$215,000 down payment and pay an additional \$150,000 for interest reserves.

56. Per the loan terms, the Bank agreed to release its security interest on a lot by lot basis upon repayment of \$165,000 per lot.

57. On or about June 16, 2010, the Bank approved a \$1,485,000 loan to the Developer.

58. On June 30, 2010, Yates authorized the loan officer to “execute all deeds and documents relating to the sale of [the lots], including escrow instructions.”

59. Without the knowledge or approval of the Board, the loan officer entered into a side agreement with the Developer on June 30, 2010 (“Side Agreement”).

60. The Side Agreement reduced the lot release price from \$165,000 to \$155,400 for a difference of \$9,600 per lot.

61. The Side Agreement also obligated the Bank to repurchase up to five lots from the Developer for \$188,888 per lot upon the occurrence of certain conditions.

62. This repurchase obligation conflicts with the “transfer of risk” requirements of Financial Accounting Standard (“FAS”) 66 of Generally Accepted Accounting Practices (“GAAP”) that addresses whether a bona fide transaction occurred for accounting purposes, as noted in the January 2011 Report of Examination (“ROE”).

63. During the 2011 examination, Yates provided FDIC examiners with an agreement dated July 7, 2010, releasing the Bank from its repurchase obligations to the Developer (the “Release”). Yates also represented that the Bank’s certified public accountant would review the credit to ensure conformance with GAAP.

64. The 2011 ROE noted that the FAS 66 conflict was resolved by the Release, but found other weaknesses in the credit and it was listed as “Special Mention.”

65. On or about February 17, 2011, the loan officer emailed Yates a proposal to reinstate the Bank’s original repurchase obligations (the “Reinstated Side Agreement”). The email provided Yates with the proposed Reinstated Side Agreement containing language almost

identical to the original repurchase terms, including a reduction of the lot release price by \$9,600 per lot.

66. On February 17, 2011, Yates acknowledged and authorized the terms of the Reinstated Side Agreement by responding to the loan officer via email: "Please don't send me to jail."

67. On February 17, 2011, the FDIC completed the 2011 examination of the Bank.

68. After receiving authorization from Yates, the loan officer notified the Developer and agreed to the Reinstated Side Agreement, restoring the Bank's lot repurchase obligations and reducing the lot release price by \$9,600 per lot.

69. On March 1, 2011, the loan officer informed the Developer that the lot repurchase agreement and additional reduction of lot release price had to be "kept on the side" and could not be officially recognized or memorialized in any amended loan agreement.

70. Yates never disclosed these revised terms to the Bank's senior management or Board.

71. Yates failed to properly record the lot repurchase obligations or reduction of the lot release price in the loan file.

72. The Developer loan remained on the Bank's books with interest-only payments and no lot sales until March 2011.

73. On March 14, 2011, the loan officer signed a Credit Approval Presentation ("CAP") extending the Developer loan maturity date by one year and reducing the lot release price from \$165,000 to \$151,112. The CAP did not mention the Reinstated Side Agreement.

74. Yates reviewed and approved the CAP, despite the Reinstated Side Agreement.

75. The Developer loan was extended to December 30, 2012, and included a reduced \$151,112 lot release price. The new loan agreement did not reference the Reinstated Side Agreement. Thereafter, the Developer began to sell the lots.

76. On or about March 22, 2012, Yates resigned from the Bank.

77. By April 19, 2012, the Developer pressured the loan officer to fulfill the terms of the Reinstated Side Agreement. The Developer requested that the Bank release the lots for \$141,512, reflecting the reduced \$151,112 lot release price and the \$9,600 reduction from the original Side Agreement.

78. On April 23, 2012, the loan officer disclosed the Reinstated Side Agreement to the Bank president, who confirmed that neither he, nor the Board, was aware of the original Side Agreement.

79. The Bank elected to honor the terms of the original Side Agreement and on July 23, 2012, the Bank charged-off \$86,400 from the loan, representing the \$9,600 per lot reduction for nine lots.

D. Yates Mishandled the Sale of OREO Property, Made Misrepresentations to FDIC Examiners and Manipulated Bank Records

80. In March 2010, the Bank sold OREO located in Washington State ("Washington OREO") to a third party purchaser ("OREO Purchaser").

81. In June 2010, the Bank also sold OREO Purchaser a second piece of OREO located in Portland Oregon ("Portland OREO").

82. FDIC examiners criticized the Washington and Portland OREO transactions at the 2011 and 2012 Bank examinations.

83. In response to the criticism, Yates made material misrepresentations to examiners and manipulated the Bank records to conceal the true status of the Washington and Portland OREO transactions.

84. Yates' actions caused false entries in Bank's books and the filing of inaccurate Call Reports.

The Washington OREO Transaction

85. In October 2009, the Washington OREO was appraised "as is" for \$479,800. In March 2010, a Bank internal evaluation reflected the same appraised value.

86. In March 2010, the book value of the Washington OREO was \$427,500, with sales costs of \$22,700, for a total of \$450,200.

87. In March 2010, the Bank sold the Washington OREO for \$375,000.

88. The Bank extended a \$375,000 loan to OREO Purchaser to buy the Washington OREO, which was secured by a first deed of trust on the property.

89. The Bank also extended a \$95,000 line of credit to OREO Purchaser for the renovation and repair of the Washington OREO property, which was also secured by a second deed of trust on the property.

90. On or about March 29, 2010, Yates reviewed and approved a CAP supporting the \$375,000 and \$95,000 credits to OREO Purchaser.

91. The loan terms required the OREO Purchaser to deposit \$37,500 of his own funds into an account as partial collateral ("Cash Collateral Account").

92. OREO Purchaser only deposited \$9,500 of his own funds into the Cash Collateral Account, the remaining \$28,000 deposited were proceeds drawn from the \$95,000 line of credit.

93. The 2011 ROE criticized the Washington OREO transaction for multiple reasons including, but not limited to:

(a) The OREO Purchaser made a nominal down payment, resulting in nearly 100% financing;

(b) New money was advanced without a current appraisal; and

(c) The Bank suffered a loss of \$75,200 when it sold the Washington OREO for below book value, but then logged the transaction as a \$19,700 gain. This overstated the Bank's income by \$95,000.

94. As a result of these criticisms, examiners concluded that \$95,000 of the overstated income should be classified as loss.

95. Examiners also concluded that the Bank's use of the accrual accounting method for a loan with nearly 100% financing was not appropriate, if the criticisms noted were not addressed.

96. Yates told examiners that \$470,000 ($\$375,000 + \$95,000$) was the correct purchase price, and the loans were booked improperly should have been combined as one \$470,000 loan to the OREO Purchaser.

97. Yates indicated in a January 2011 memorandum that the Bank would require and OREO Purchaser agreed to pay down the Washington OREO loan by \$70,500, which represented a 15% cash down payment and would qualify the loan for full accrual accounting method.

98. The loan documents were revised and re-executed, but the OREO Purchaser never provided the \$70,500 down payment.

99. In February 2011, Yates manipulated the Bank's book and records to increase the Washington OREO \$375,000 loan amount by \$24,500.

100. On or about February 28, 2011, Yates caused the transfer of \$70,500 from the Bank's PCBB Account to pay down the Washington OREO \$95,000 line of credit using Bank funds.

101. Yates backdated the \$70,500 transfer to December 31, 2010, causing the Bank to misstate its financials and December 31, 2010 Call Report.

102. Instead of the OREO Purchaser contributing new funds, Yates manipulated the Bank's books and records in the amount of \$24,500, and used \$70,500 from the PCBB Account to achieve the \$95,000 pay down on the line of credit.

103. Despite the examiners instruction, Yates failed to classify \$95,000 of the total loan as loss.

The Portland OREO Transaction

104. In June 2010, the Bank sold the Portland OREO to OREO Purchaser for \$325,000. The Bank also paid \$3,000 in closing costs, provided 100% financing, and advanced \$58,657 in cash to OREO Purchaser at closing.

105. Yates reviewed and voted to approve the CAP dated July 13, 2010 supporting a \$385,000 loan to OREO Purchaser.

106. In the 2011 ROE, the examiners criticized the Portland OREO transaction on multiple bases including:

- (a) OREO Purchaser made no down payment resulting in 100% financing;
- (b) New money was advanced without a current appraisal; and

(c) Inappropriate use of the accrual accounting method for a loan with 100% financing.

107. Yates again told examiners that the Bank would require, and OREO Purchaser agreed to pay down \$48,750 on the loan, which equaled a 15% down payment. Yates included these representations in a January 31, 2011 memorandum to the loan file.

108. The OREO Purchaser never paid the Bank the additional \$48,750.

109. On February 28, 2011, Yates caused \$57,750 of Bank funds to be debited from the Bank's PCBB Account and used it to pay down the Portland OREO loan.

110. Yates backdated the \$57,750 transaction to December 31, 2010 and caused the Bank to misstate its financials and December 31, 2010 Call Report.

111. Despite Yates' representations to examiners, the OREO Purchaser did not contribute any additional funds to pay down the loan.

112. Yates' inappropriate use of Bank funds caused the Bank's PCBB Account to remain out of balance through June 28, 2011 by \$128,250 (\$70,500 + \$57,750) for the benefit of the OREO Purchaser.

113. On June 28, 2011, Yates instructed Bank staff to take cash from the OREO Purchaser's Cash Collateral Account and apply it to the Bank's PCBB Account. The Cash Collateral Account, however, was funded almost entirely with Bank monies from the \$95,000 line of credit for the Washington OREO property.

114. On June 29, 2011, at Yates' instruction, Bank staff applied \$37,500 from the OREO Purchaser's Cash Collateral Account to the Bank's PCBB Account, reducing the out of balance amount to \$90,750.

Yates Extends Additional Credit to Conceal her Loan Manipulations

115. In order to fully reconcile and reimburse the Bank's PCBB Account, Yates facilitated the extension of an additional \$100,000 loan to the OREO Purchaser. Yates voted to approve the December 29, 2011 CAP, which represented that the \$100,000 loan was short term funds for improvements to the Washington and Portland OREO properties.

116. On December 29, 2011, the ILC approved the \$100,000 loan.

117. On December 30, 2011, \$90,750 of the \$100,000 loan proceeds were used to reimburse the Bank's PCBB Account and reconcile it.

118. Yates caused the Bank's PCBB Account to remain out of balance from February to December 2011, a total of over ten months.

119. From February 28, 2011 through June 29, 2011, Yates exposed the Bank to a risk of loss of \$128,250 (\$70,500 + \$57,750) in Bank funds from PCBB Account credited to the OREO Purchaser's loans.

120. From June 29, 2011 through December 30, 2011, Yates exposed the Bank to a risk of loss of \$90,750 (\$128,250 - \$37,500) in Bank funds from the PCBB Account credited to the OREO Purchaser's loans.

121. Yates' misconduct caused the filing of false Call Reports for the December 2011, March 2011, June 2011, and September 2011 reporting periods.

E. Costs Incurred to Investigate Yate's Misconduct at the Bank

122. After Yates' departure in March 2012, the Bank retained the services of independent auditors and attorneys to investigate Yates' and others activities described above ("Yates Investigation").

123. Based upon the findings of the Yates Investigation, the Bank filed a bond claim in February 2013 and a supplemental bond claim in June 2013.

124. The Bank paid \$272,870 in costs related to the Yates Investigation.

III. GROUNDS FOR SECTION 8(e) PROHIBITION ORDER

125. As a result of Yates' foregoing acts, omissions, and/or practices, Yates committed violations of law and/or regulations.

126. As a result of Yates' foregoing acts, omissions, and/or practices, Yates engaged and/or participated in unsafe or unsound banking practices in connection with the Bank.

127. As a result of Yates' foregoing acts, omissions, and/or practices, Yates breached her fiduciary duty to the Bank.

128. By reason of the violations, practices, or breaches alleged herein, the Bank suffered financial loss or other damage.

129. By reason of the violations, practices, or breaches alleged herein, the interests of the Bank's depositors have been or could have been prejudiced.

130. The acts, omissions, and/or practices of Yates alleged herein show Yates' personal dishonesty and/or demonstrate a willful or continuing disregard for the safety or soundness of the Bank.

IV. GROUNDS FOR ASSESSMENT OF CIVIL MONEY PENALTIES

131. As a result of the foregoing facts and conclusions, Yates committed violations of law.

132. As a result of the foregoing facts and conclusions, Yates recklessly engaged in unsafe or unsound practices in conducting the affairs of the Bank.

133. As a result of the foregoing facts and conclusions, Yates breached her fiduciary

duty to the Bank.

134. As a result of the foregoing facts and conclusions, Yates' reckless unsafe or unsound practices and/or breaches of fiduciary duty to the Bank were part of a pattern of misconduct.

135. Further, as a result of the foregoing facts and conclusions, Yates' reckless unsafe or unsound practices and/or breaches of fiduciary duty to the Bank caused more than a minimal loss to the Bank.

ORDER TO PAY

By reason of the reckless unsafe or unsound practices and/or breaches of fiduciary duty set forth in the NOTICE OF ASSESSMENT, the FDIC concluded that a civil money penalty should be assessed against Yates pursuant to 12 U.S.C. § 1818(i)(2). After taking into account the appropriateness of the penalties with respect to the size of financial resources, the good faith of Yates, the gravity of the reckless unsafe or unsound practices and/or breaches of fiduciary duty, and such other matters as justice may require, it is:

ORDERED, that by reason of the violations of law and reckless unsafe or unsound practices and/or breaches of fiduciary duty set forth in paragraphs 1 through 135 thereof, a penalty of \$175,000 be, and hereby is, assessed against Yates pursuant to section 8(i)(2) of the Act, 12 U.S.C. § 1818(i)(2);

FURTHER ORDERED, that the effective date of this ORDER TO PAY be, and hereby is, stayed until 20 days after the date of receipt of the NOTICE OF ASSESSMENT by Yates, during which time she may file an answer and request a hearing pursuant to 12 U.S.C. § 1818(i)(2)(H), and 12 C.F.R. § 308.19.

If Yates fails to file a request for a hearing within 20 days of receipt of this NOTICE OF ASSESSMENT, the penalty assessed against her, pursuant to this ORDER TO PAY, will be final and shall be paid within 60 days after the date of receipt of this NOTICE OF ASSESSMENT.

PRAYER FOR RELIEF

1. The FDIC prays that an Order of Prohibition pursuant to 12 U.S.C. § 1818(e) be issued against Respondent and, unless the penalty assessed against Respondent by the foregoing ORDER TO PAY becomes final and unappealable pursuant to 12 U.S.C. § 1818(i)(2)(E)(ii), that an Order to Pay Civil Money Penalty pursuant to 12 U.S.C. § 1818(i) in the amount of \$175,000 be issued against Respondent.

NOTICE OF HEARING

IT IS FURTHER ORDERED, that, if Yates requests a hearing with respect to the charges alleged in this NOTICE OF ASSESSMENT and NOTICE TO PROHIBIT, the hearing shall commence sixty (60) days from the date of receipt of this NOTICE OF ASSESSMENT and NOTICE TO PROHIBIT at Portland, Oregon, or at such other date or place upon which the parties to this proceeding and the Administrative Law Judge may agree. The purpose of the hearing will be for the taking of evidence on the charges, findings and conclusions stated herein in order to determine: (1) whether a permanent order should be issued to remove Yates from office and/or prohibit Yates from further participation in the conduct of the affairs of the Bank and 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); and (2) whether the FDIC's ORDER TO PAY should be sustained.

The hearing will be public, and in all respects conducted in accordance with the provisions of 12 U.S.C. §§ 1811-1831u, 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 to be appointed by the Office of Financial Institution Adjudication pursuant to 5 U.S.C. § 3105. The exact time and precise location of the hearing will be determined by the Administrative Law Judge.

In the event Yates requests a hearing, Yates is hereby directed to file an answer to this NOTICE TO PROHIBIT and NOTICE OF ASSESSMENT within 20 days from the date of service as provided by 12 C.F.R. § 308.19.

An original and one copy of the answer, any such request for a hearing, and all other documents in this proceeding must be filed in writing with 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. Also, 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., Washington, D.C. 20429; A. T. Dill III, Assistant General Counsel, Enforcement Section, Federal Deposit Insurance Corporation, 550 17th Street, N.W., Washington, D.C. 20429; and upon Joseph J. Sano, Regional Counsel, San Francisco Regional Office, Federal Deposit

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Insurance Corporation, 25 Jessie Street at Ecker Square, Suite 1400, San Francisco, California
94105.

Pursuant to delegated authority.

Dated at Washington, D.C. this 8th day of June, 2015.

/s/

Christopher J. Newbury
Associate Director
Division of Risk Management Supervision