

FOSTER PEPPER



**10th Annual
Bankers Briefing**

PRESENTATION MATERIALS
May 21, 2015

FOSTER PEPPER PLLC
1111 Third Avenue, Suite 3400
Seattle, Washington 98101-3299
www.foster.com

BANKERS BRIEFING AGENDA

MODERATED BY JOHN BLEY, FOSTER PEPPER

THURSDAY, MAY 21, 2015

1:00 p.m. **Registration**

1:30 p.m. **Futurist Panel**

The State of Pacific Northwest Banks and Banking in the Year 2025

Tom Cleveland, Access Business Finance, LLC

Jim Pishue, Washington Bankers Association

Bob Rogowski, Wedbush Securities, Inc., PCS Investment Banking,

Community Banking Group

Foster Pepper Panel Discussions

Commercial Lending Trends and Hot Button Issues for 2015

Julie Seidenstein, Foster Pepper

Ben Seeger, Foster Pepper

Top 3 Employment Law Issues for 2015 That Should Keep You Up at Night

Steve Peltin, Foster Pepper

3:15 p.m. **Break**

Bankers Panel

Navigating Pacific Northwest Banking in 2015

Brian Vance, Heritage Financial Corporation

Denise Portman, Bank of the Pacific

Jim Haley, Thurston First Bank

Closing Remarks

The State of the State in 2015

Scott Jarvis, Washington State Department of Financial Institutions

5:00 p.m. **Reception**

10th Annual Bankers Briefing Attendee List

Thursday, May 21, 2015

Name	Company
Greg Meadows	ALX Consulting, Inc.
Jay Wernz.....	Bank of Fairfield
Douglas Biddle.....	Bank of the Pacific
Walker Evans	Bank of the Pacific
Bruce MacNaughton	Bank of the Pacific
Brian Garrett	Banking Consultant
Brent Orrico	Banner Corporation
DeeDee Anderson	Cashmere Valley Bank
Jenny Cravens	Cashmere Valley Bank
Aaron Strong.....	Cashmere Valley Bank
Jim Tinker	Cashmere Valley Bank
Kortney Todd	Cashmere Valley Bank
Craig Tall	CET Capital Partners
Robert Weisel.....	Columbia Bank
Mark MacDonald	Community Bankers of Washington
Ralph Chiocco, Jr.....	Elliot Cove Capital Management
Conrad Wouters	Evergreen Home Loans
Eric Jensen	Federal Home Loan Bank of Seattle
Mele Hunter	First Citizens Bank
Robert Powell.....	First Citizens Bank
Ben Crowl	First Sound Bank
Patrick Fahey	First Sound Bank
Bruce Tretzen.....	First Sound Bank
Amanda Bley	Freimund Jackson & Tardif, PLLC
Michael Powell	Harborstone Credit Union
Jeffrey Deuel.....	Heritage Bank
Elizabeth Baker.....	HomeStreet Bank
Thomas Prohaska	Idaho Trust Bank
Sherm Losee.....	Islanders Bank
Susan Alterman.....	Kell, Alterman & Runstein, L.L.P.
Yong Lee.....	KeyBank
Mark Weed.....	Main Street Equity Partners
Peter Marchel	Marchel & Associates Risk Consulting
Christie Bakker	McGladrey LLP
Robert Best.....	McGladrey LLP
Liz Kiley	McLagan
Scott Boyer.....	Mountain Pacific Bank
Bryant Stewart	Mountain Pacific Bank

Name	Company
Daniel Lowell.....	Northrim Bank
Eddie Eugenio.....	Payne West Insurance
Rick Zelinski.....	Payne West Insurance
Mike Paul.....	Plaza Bank
Sean Brennan.....	Puget Sound Bank
Jim Mitchell.....	Puget Sound Bank
Skip Rowley.....	Rowley Properties, Inc.
Steve Barker.....	Seattle Bank
John Blizzard.....	Seattle Bank
Benjamin Noble.....	Sound Banking Company
Matt Deines.....	Sound Community Bank
Terry Benish.....	Special Assets
Len Cereghino.....	The Cereghino Group
Brandon Kowsky.....	U.S. Bank
Jon Jones.....	Washington Business Bank
Gordon Osberg.....	Washington Business Bank
Rick Collette.....	Washington Federal
Sean Mizokawa.....	Washington Federal
Brian Rogowski.....	Washington Federal
Joseph Vincent.....	Washington State Department of Financial Institutions
Bruce Clawson.....	Wells Fargo
Tran Meyers.....	Wells Fargo

Presenter Name	Company
Tom Cleveland.....	Access Business Finance, LLC
Denise Portman.....	Bank of the Pacific
John Bley.....	Foster Pepper
Steve Peltin.....	Foster Pepper
Ben Seeger.....	Foster Pepper
Julie Seidenstein.....	Foster Pepper
Brian Vance.....	Heritage Financial Corporation
Jim Haley.....	Thurston First Bank
Jim Pishue.....	Washington Bankers Association
Scott Jarvis.....	Washington State Department of Financial Institutions
Bob Rogowski.....	Wedbush Securities, Inc.



10th Annual Bankers Briefing

Futurist Panel

The State of Pacific Northwest Banks and Banking in the Year 2025

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Jim Pishue, Washington Bankers Association
Bob Rogowski, Wedbush Securities, Inc.

Presentation for:



FOSTER PEPPER PLLC
ATTORNEYS AT LAW

Foster Pepper PLCC *The Future of Banking Seattle, Washington*
May 21, 2015

Robert J. Rogowski, Managing Director, PCS Investment Banking

WEDBUSH

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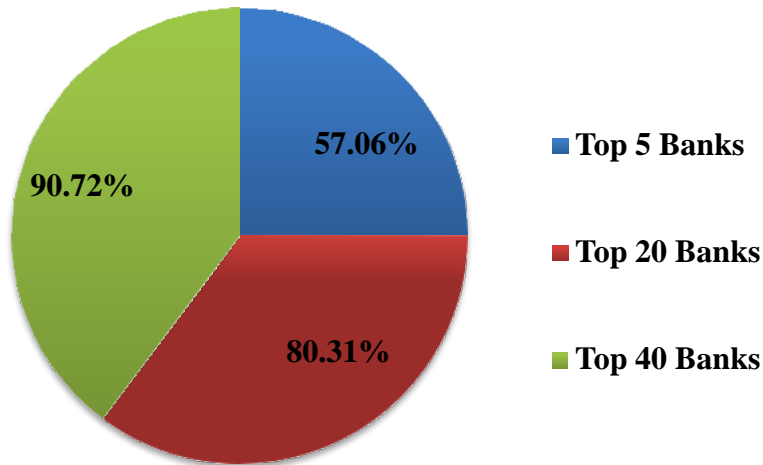
I. Current Operating Environment

A. WA Deposit Market Share Data at June 30, 2014

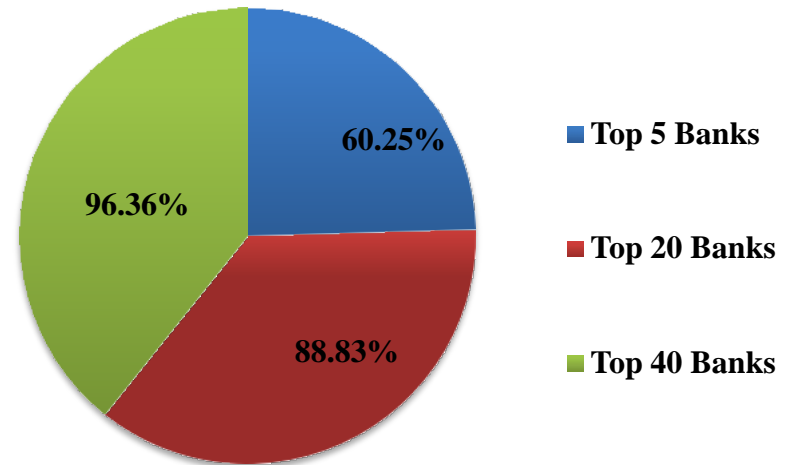
Washington Deposit Market Share at June 30, 2014		Inside of Market				
Institution Name	No. of Offices	Deposits \$	Market Share	Subtotal	Total	
Bank of America	189	25,422,347	20.67%			
Wells Fargo Bank	161	14,569,387	11.85%			
U.S. Bank	189	12,940,872	10.52%			
JPMorgan Chase Bank	211	12,235,289	9.95%			
KeyBank	162	8,935,023	7.26%	60.25%	60.25%	
Umpqua Bank	113	5,101,869	4.15%			
Washington Federal	83	4,916,698	4.00%			
Banner Bank	97	3,824,596	3.11%			
Columbia State Bank	79	3,644,783	2.96%			
Washington Trust Bank	26	3,192,886	2.60%	16.82%	77.07%	
Union Bank	42	3,098,038	2.52%			
Heritage Bank	69	2,853,726	2.32%			
Banner Bank	62	2,673,135	2.17%			
HomeStreet Bank	26	1,905,969	1.55%			
Yakima Federal Savings and Loan Association	10	1,367,785	1.11%			
Peoples Bank	24	1,179,743	0.96%			
Cashmere Valley Bank	11	1,148,312	0.93%			
Opus Bank	24	1,070,464	0.87%			
East West Bank	4	1,008,752	0.82%			
Kitsap Bank	21	846,053	0.69%	13.94%	91.01%	
The Commerce Bank of Washington (Zions)	1	727,672	0.59%			
Skagit Bank	11	686,204	0.56%			
Riverview Community Bank	14	618,304	0.50%			
First Federal Savings and Loan Assoc. of Port Angeles	10	602,816	0.49%			
Timberland Bank	22	598,670	0.49%			
Bank of the Pacific	16	585,507	0.48%			
First Savings Bank Northwest	1	582,464	0.47%			
HSBC Bank USA	4	485,763	0.39%			
Olympia Federal Savings and Loan Association	7	460,100	0.37%			
Baker-Boyer National Bank	7	438,737	0.36%	4.70%	95.71%	
Subtotals for Top 30 Banks	1,696	117,721,964	95.71%			
Remaining 58 Banks	136	5,269,500	4.29%			

B. WA Deposit Market Share in 2007 and 2014

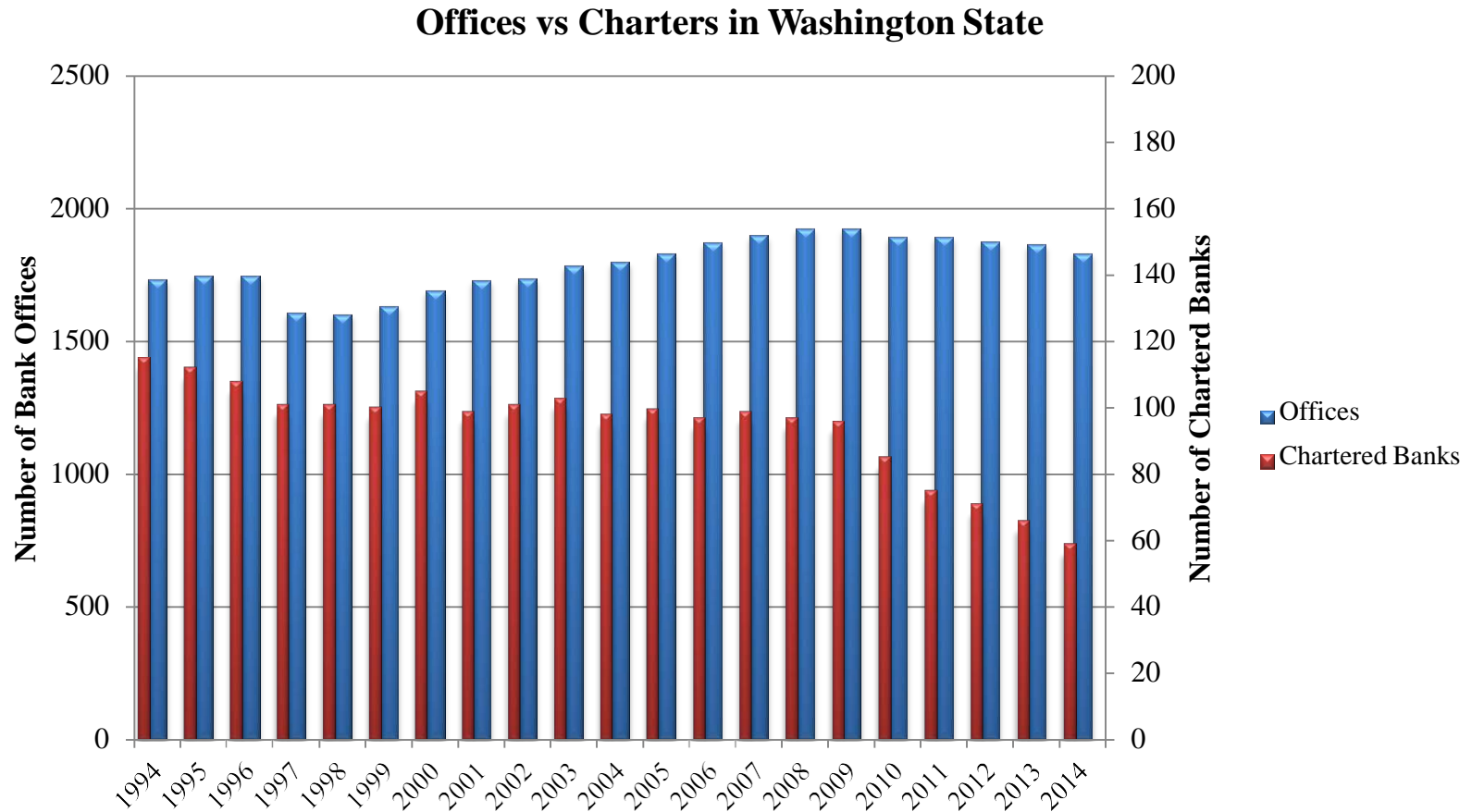
2007 Deposit Market Share by Bank Deposits as % of Total Deposits



2014 Deposit Market Share by Bank Deposits as % of Total Deposits

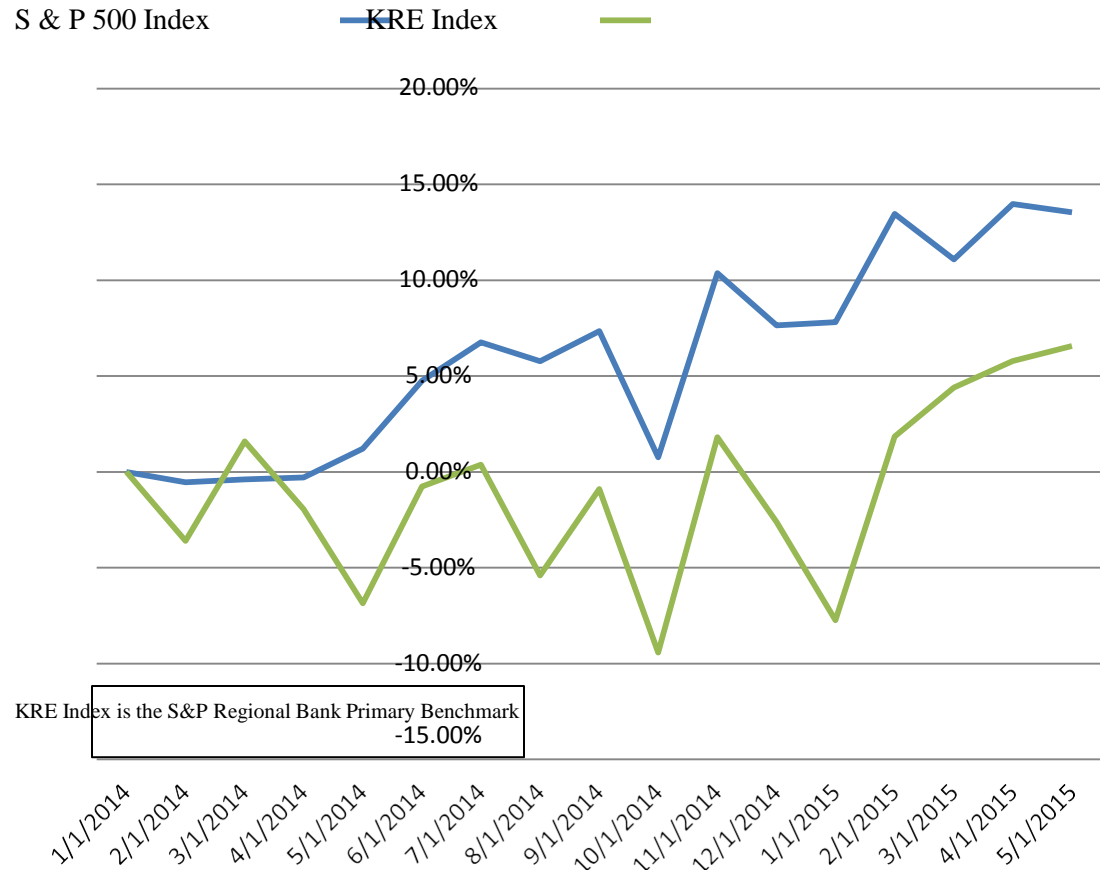


C. Number of WA State Bank Branch Offices vs Chartered Banks in 1994-2014



D. Relative Stock Price Performance of Regional Banks

Price Performance: January 15, 2014 – May 13, 2015



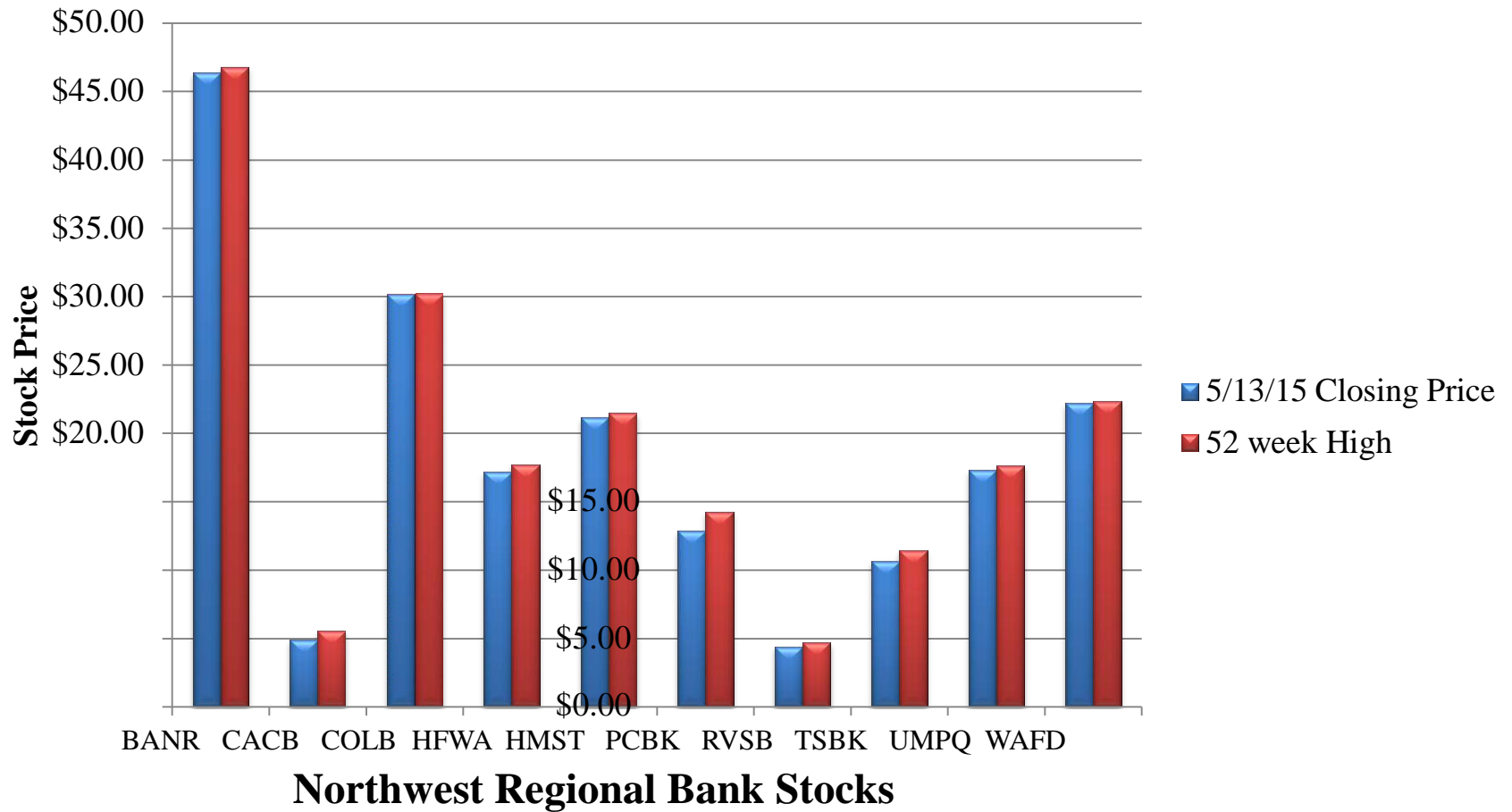
Price Change (%)

<u>Last Twelve Months</u>	
S&P 500 Index	10.59%
KRE Index	11.26%

<u>Last Six Months</u>	
S&P 500 Index	11.93%
KRE Index	15.45%

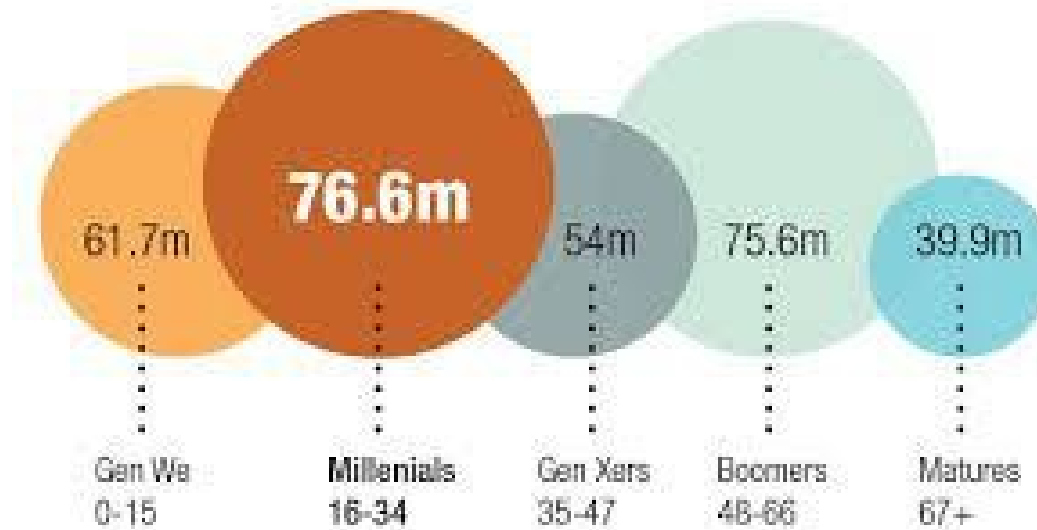
<u>Year to Date</u>	
S&P 500 Index	1.96%
KRE Index	4.95%

E. Relative Stock Price Performance of Northwest Regional Banks



II. Demographics and Starbucks

A. *What are the Numbers Now??*

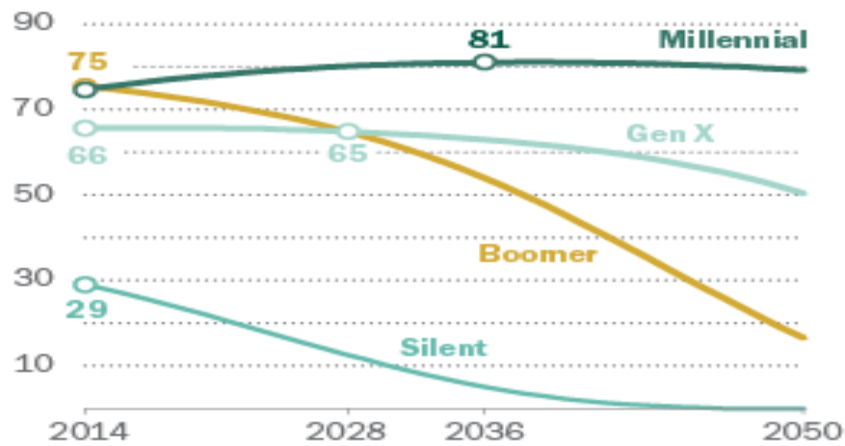


Source: Torus Marketing , July 14, 2014.

B. What are the Numbers Over Time??

Projected Population by Generation

In millions



Note: Millennials refers to the population ages 18 to 34 as of 2015.

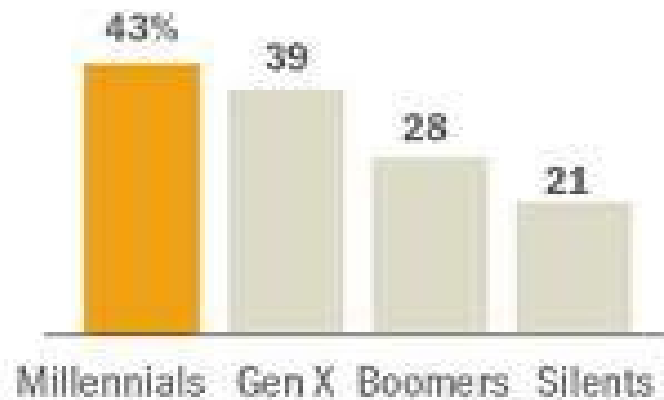
Source: Pew Research Center tabulations of U.S. Census Bureau population projections released December 2014

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C. Diversity and the Numbers!

Comparing the Racial Makeup of the Generations

% of population that is non-white



Source: US Census Bureau; non-whites include Hispanics.

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III. Known Unknowns

A. Known Unknowns

- Continuous Consolidation: 14,400 banks in January 1984 to 5,571 banks in December 2014
- Disruptive Technology Threats from New Entrants
- Heightened Regulatory Oversight
- Subdued Economic Growth

Foster Pepper Panel Discussion

Commercial Lending Trends and Hot Button Issues for 2015

Julie Seidenstein, Foster Pepper
Ben Seeger, Foster Pepper

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Upcoming Commercial Real Estate Mortgage Maturities

Not out of the water yet – a look at impending CRE Debt Maturities

Julie H. Seidenstein

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How we got here – who was busy in 2007?

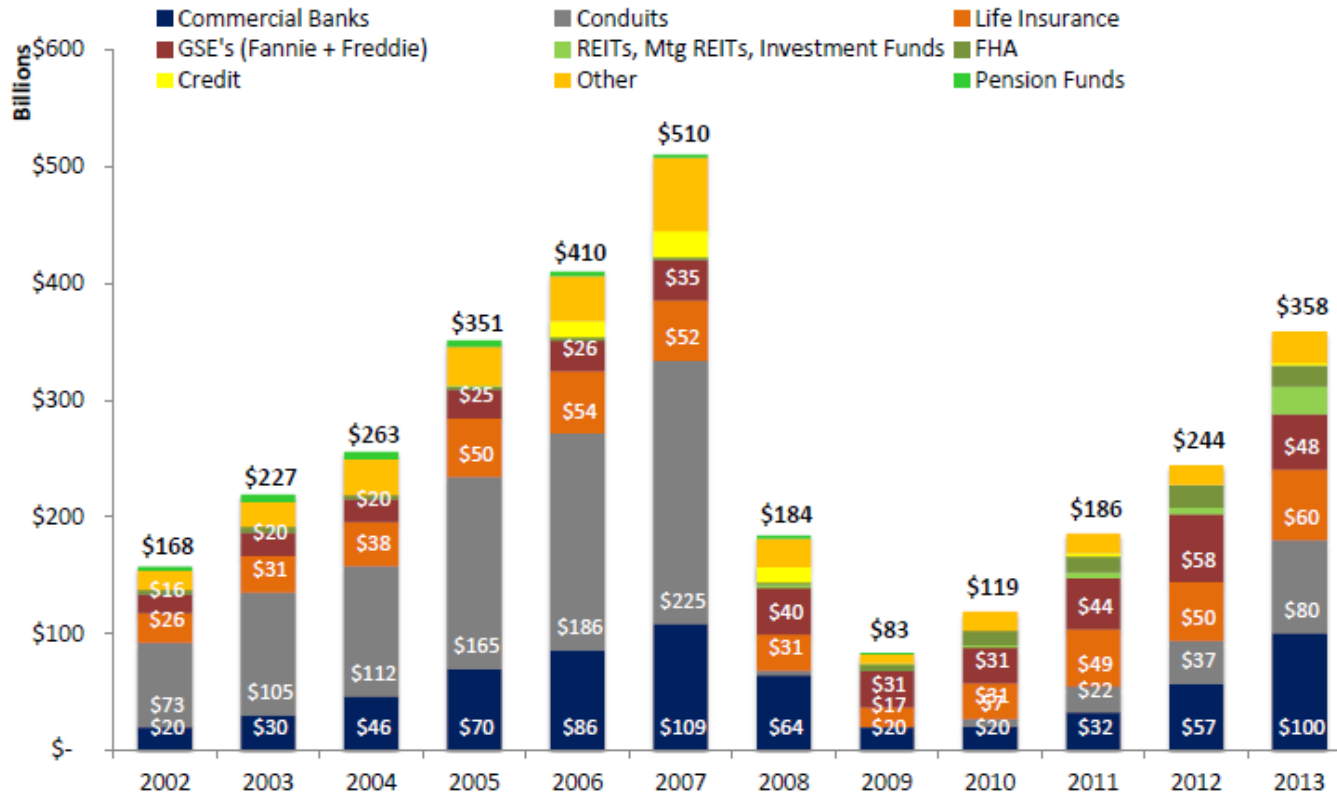
Massive originations immediately prior to economic downturn

- Overall debt origination peaked in 2007 for both CMBS and Commercial Bank lending and initial estimates were that more than \$2 trillion of commercial real estate loans would be maturing in 2017.
- Life Insurance company lending peaked in 2006 and Fannie and Freddie lending peaked in 2007.

How we got here continued...

Debt Origination Volume

2013 Originations Exceed 2005



Source: MBA. Total Debt Origination Volume is for closed loans made by dedicated commercial real estate finance firms and does not double count loans; it can be used as a gauge of the overall volume of lending activity.

How we got here continued...

Wall of Maturities:

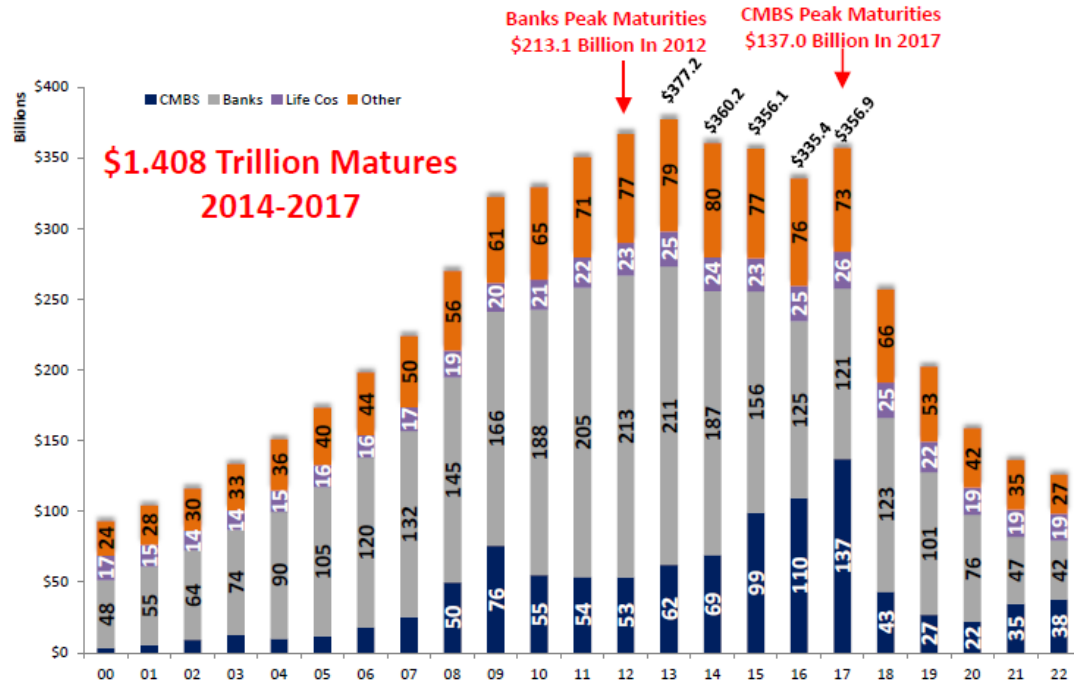
- Average CMBS Loan term originated in 2005-2007 was 10 years, which has created a wall of maturities that is expected to fuel refinancing from 2015 to 2017.
- Over the next three years, nearly \$300 billion in conduit CMBS loan balance will mature, which is more than 2.5 times the amount that matured from 2012 to 2014, according to research firm Trepp LLC.
- Average Commercial Bank loan term originated in 2007 was 5-8 years, with maturities peaking in 2013 but many still on the books.

CRE Debt Maturities; non CMBS have peaked

- Non CMBS Bank Lending peaked in 2013, although there remains a substantial number of such loans to mature in the next 3-5 years.

CRE Debt Maturities Peaked in 2013

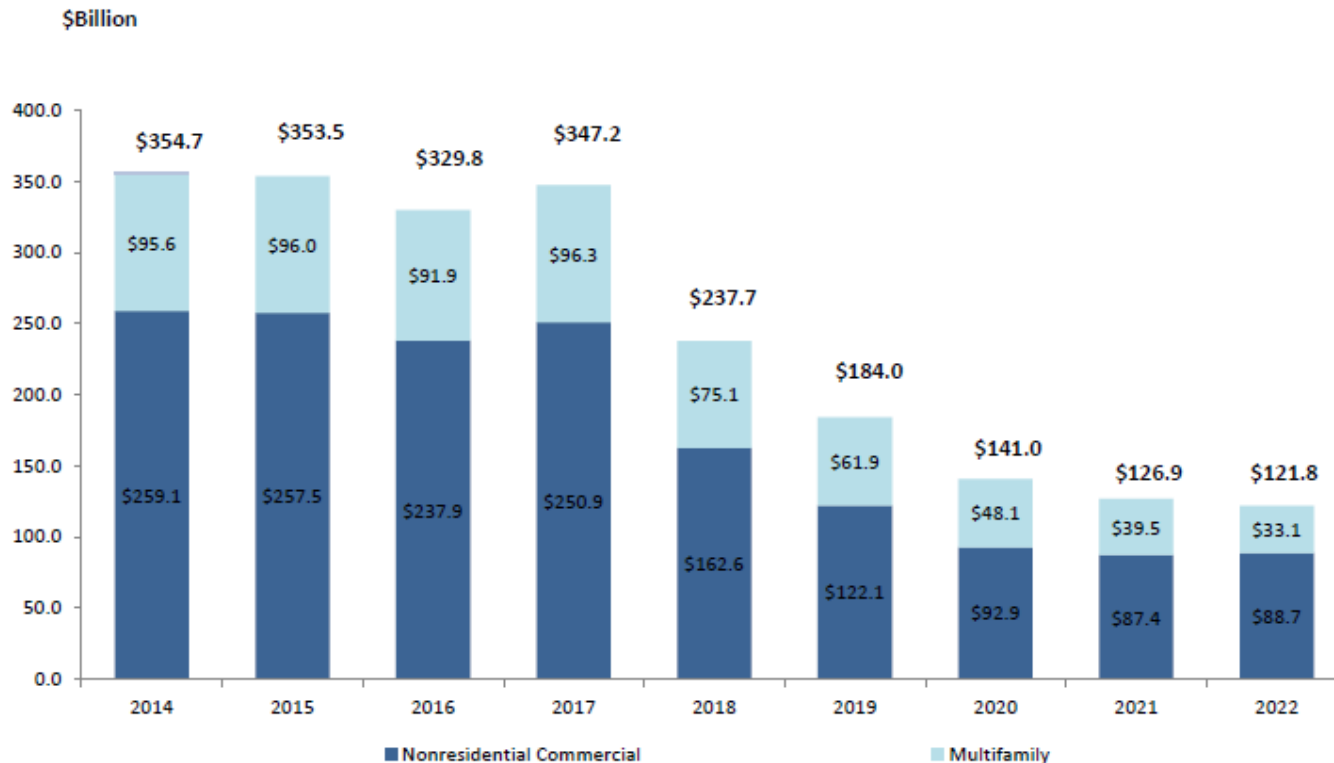
CRE Debt Maturities by Lender Type (\$B)



What types of Loans are Maturing?

- Significantly more Nonresidential Commercial than Multifamily

CRE Debt Maturities – Commercial vs. Multifamily



Source: Trepp, LLC, 1Q13 Update

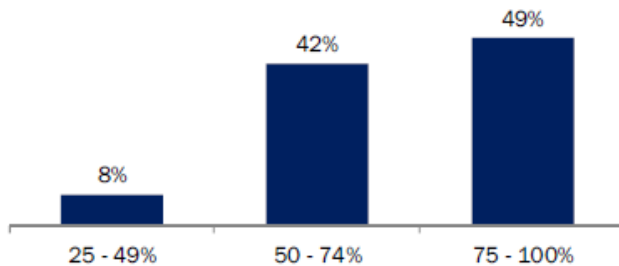
There is hope

- The CRE Finance Council 2015 Outlook Survey revealed that Commercial Real Estate Finance Leaders expect a more robust market for 2015.
- CRE Finance Council members expect loan volumes in 2015 to top those in 2014 as loan maturities rise and property fundamentals improve.
- On the lender side, demand drivers include the potential for attractive risk-adjusted returns and fundamentally sound real estate market conditions.

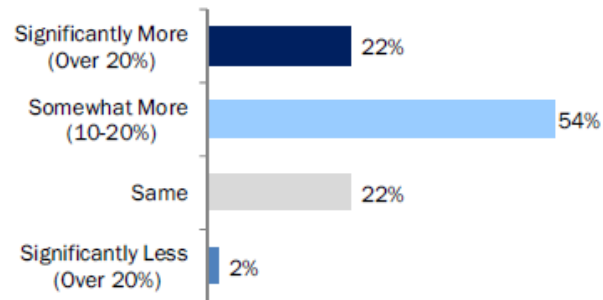
CMBS Lender expectations for the Market

CMBS Lending

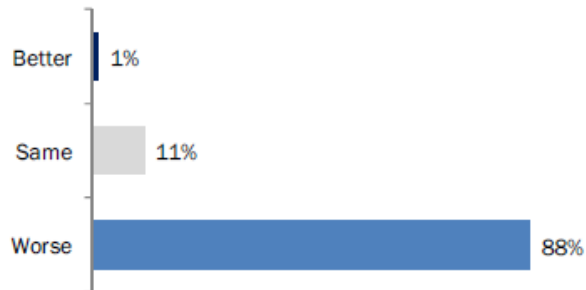
Of the more than \$100 Billion of CMBS scheduled to mature in 2015, what percentage will pay-off or refinance on schedule?



How much do you expect to lend for CMBS in 2015 relative to 2014?



What do you expect the underwriting standards will be in 2015 relative to 2014?



Opportunities for Takeout Lending

- Such massive maturities provide opportunities for Lenders to takeout maturing loans.
- There are a significant number of new conduit Lenders in the market, trying to ramp up to capture some of this huge wave of CMBS maturity and make some money over the next few years.
- According to *Commercial Mortgage Alert*, an industry newsletter, there are 36 shops that are either actively originating CMBS loans or plan to start doing so in the coming months.

What is a Lender to do if a loan cannot be paid off in full or refinanced?

The Legacy Lenders holding these loans will seek to either:

1. Grant the Borrower a loan modification or extension,
2. Offer the Borrower a discounted payoff,
3. Foreclose on the loan and sell the underlying collateral, or
4. Sell the loans at the maximum price attainable.

What is a Lender to do continued...

1. The Legacy Lender grants the Borrower a loan modification or extension
 - Depending on the current LTV, Legacy Lender can right size the loan balance at maturity through a large equity injection by the Borrower.
 - Legacy Lender can also consider raise of interest rate and other loan modifications favorable to Legacy Lender; start negotiations early.
 - Note that in the CMBS world, this would be subject to and restricted by the corresponding Pooling and Servicing Agreement terms.

What is a Lender to do continued...

2. The Legacy Lender offers the borrower a discounted payoff on the existing Loan.

- The Legacy Lender would consider this in a situation where Borrower cannot find the capital to pay off the Legacy Lender, especially with a problem asset and post-downturn increased underwriting standards, but where Legacy Lender does not want to hold the asset.
- Note that in the CMBS world, this would be subject to and restricted by the corresponding Pooling and Servicing Agreement terms.

What is a Lender to do continued...

3. The Legacy Lender forecloses on the asset and sells to a new owner:

- A new property owner would see this as a value investment, but few lenders are willing to lend on an asset that is being operated by a bank or receiver, and is underperforming, and will not cover debt service upon the inception of a new loan.
- Therefore, only cash buyers will usually purchase the now distressed asset. Constraining the buying pool to this group reduces asset pricing, and therefore the bank's ultimate recovery.
- Special consideration should be made to liquidity and net worth of payment guarantors if Legacy Lender is looking to recover a loss.

What is a Lender to do continued...

4. The Legacy Lender sells the loan at the maximum price available
 - Legacy Lenders may take this approach to achieve a quicker resolution than they might get through foreclosure and sale, to potentially preserve a banking relationship with a customer, or simply to get a bad loan quickly off the balance sheet.
 - It also allows the Legacy Lender the ability to avoid the moral hazard of providing the existing “bad” borrower a discounted payoff opportunity.

And again we go...

The CRE Finance Council 2015 Outlook Survey revealed the following about the 2015 CRE Market:

- 70% of survey respondents expect new CMBS issuance in 2015 to be in the range of \$100 - \$125 billion.
- 89% of survey respondents expect balance-sheet lenders to originate more loans in 2015 than in 2014.
- 69% of survey respondents expect private capital (nonbank) sources to originate more loans in 2015 than in 2014.

And again we go...

- Based on the expectations of underwriting valuations, 76% of survey respondents believe lenders will be “more aggressive” in 2015.
- However, 65% percent of firms expect underwriting in 2015 to use current cap rates and 76% expect underwriting and valuation to be more aggressive in the coming year.

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Upcoming Commercial Real Estate Mortgage Maturities

Not out of the water yet – a look at impending CRE Debt Maturities

Julie H. Seidenstein

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HIGH VOLATILITY COMMERCIAL REAL ESTATE (HVCRE) EXPOSURES

Acquisition, Development and Construction Loans under Basel III

Ben Seeger
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206.447.6268

BASEL III Background

- Since 1985 there have only been 4 risk weightings:
 - 0% for government obligations
 - 20% for bank obligations, e.g. deposits at other banks, CDS swaps issued by other banks
 - 50% for residential mortgages
 - 100% for commercial real estate loans and other loans

BASEL III Background

- On July 2, 2013, federal bank regulators adopted a comprehensive revision to their capital rules risk weightings, effective January 1, 2015.
- Instead of four basic risk weightings they:
 - Distinguish between obligations of U.S./state governments and banks and those of foreign sovereigns and banks
 - Distinguish between past due loans and loans that are current
 - Distinguish between loan exposures and “high volatility commercial real estate exposures”

New Risk Weightings for CRE Loans

Category	Risk Weighting	Qualifications
Multifamily loans	50%–100%	50% if specific requirements are met; all newly originated multifamily loans are weighted 100% regardless of borrower history or credit score
Non-HVCRE / non-multifamily loans	100%	All CRE loans not associated with multifamily and ADC
HVCRE loans	100%–150%	ADC loans are primarily 150% unless specific requirements are met

What is an HVCRE Loan?

- HVCRE loan is defined as “a credit facility that, prior to conversion to permanent financing, finances or has financed the acquisition, development or construction of real property.”
- Commonly referred to as ADC loans.

Exclusions from Definition of HVCRE

1. ADC Loans for 1-to-4 family residential properties
2. ADC loans that would qualify as “community development investments” by a bank.
 - Provides affordable housing (including multi-family rental housing) for low - to moderate - income individuals; or
 - Is used in the provision of community services for low-to moderate - income individuals;
 - Revitalizes or stabilizes low – to moderate – income geographies, designated disaster areas, or under-served areas determined by bank regulators based on needs of low and moderate income individuals in those areas.
3. ADC Loans for development or purchase of “agricultural land”
4. ADC Loans meeting certain criteria

Criteria to Avoid HVCRE Classification

A commercial real estate ADC loan may avoid the HVCRE classification if:

1. The loan-to-value ratio (LTV) is equal to or less than the ratio set by regulators:
 - Raw Land = 65%
 - Land Development = 75%
 - Construction for commercial, multifamily and other non-residential loans = 80%
 - Improved Property = 85%
2. The borrower contributes capital to the project in the form of cash or unencumbered, readily marketable assets (or has paid development costs out of pocket) of at least 15% of the real estate project's "as completed" appraised value; and
3. The borrower's 15% is contributed to the project before the lender advances any funds under the loan and remains in the project until the loan is converted to a permanent loan or paid off.

April FAQs – ADC Loans Prior to 2015

- **Question:** Are acquisition, development or construction (ADC) loans made prior to the effective date of the regulatory capital rule exempted from the HVCRE definition?
- **Answer:** No.

April FAQs – “As Completed” Value

- **Question:** What is the “as completed” value? Can the “as stabilized” value be used for purposes of determining whether the loan is an HVCRE exposure?
- **Answer:** No, the “as stabilized” value cannot be used for purposes of determining whether the loan is an HVCRE exposure.

April FAQs – Liabilities Toward the 15%

- **Answer:** For the purpose of measuring capital contributed by the borrower under the HVCRE definition, if Bank A has a first mortgage secured by the real estate of the project and Bank B has a second mortgage on the same real estate collateral, does the second banking organization's funding count as cash contributed by the borrower?
- **Answer:** No. A second banking organization's funding of the project is not considered to be capital contributed by the borrower. Rather, it is another loan to the project, and both loans encumber the property.

April FAQs – Value of Land

- **Question:** Can the cash paid by the borrower for the land count towards the 15% requirement? What about pledging unrelated land as collateral?
- **Answer:** Yes, land paid for in cash by the borrower does count toward the 15% requirement. However, pledging unrelated land does not.

April FAQs – Soft Costs Toward 15%

- **Question:** For purposes of determining the amount of a borrower's contributed capital and whether a loan would be classified as an HVCRE loan, would "soft costs" (such as brokerage fees, marketing expenses, or costs of feasibility studies) qualify as "development expenses"?
- **Answer:** Yes.

April FAQs – Government Grants

- **Question:** Projects may receive cash in the form of grants from nonprofit organizations, municipalities, state agencies, or federal agencies. Can a banking organization providing ADC financing to a project (that does not otherwise qualify as a community development investment with regard to the HVCRE exemption) consider the cash from such grants as part of the 15 percent contributed capital requirement?
- **Answer:** No, to the extent a project receives a grant, a banking organization may not consider the cash from the grant as a capital contribution because the cash did not come from the borrower. Although a third-party grant would increase the capital invested in the project, because it does not come from the borrower, it does not affect the borrower's level of investment and therefore does not ensure that the borrower maintains a sufficient economic interest in the project.

April FAQs – LTV Ratio

- **Question:** Subsequent to loan origination, if an updated appraisal or valuation on an HVCRE exposure results in a loan-to-value (LTV) ratio that no longer exceeds the maximum LTV ratio in the relevant supervisor's real estate lending standards, could the exposure then be removed from the HVCRE classification (if the exposure meets the other exemption criteria in paragraph (4) of the HVCRE definition)?
- **Answer:** No. A banking organization must consider the LTV ratio at origination when evaluating a loan against the HVCRE exemption criteria.

April FAQs – Capital Through Life of Loan

- **Question:** The definition of HVCRE includes a provision that “the capital contributed by the borrower, or internally generated by the project, is contractually required to remain in the project throughout the life of the project.” What does “contractually required” mean in this context?
- **Answer:** The loan documentation must include terms requiring that all contributed or internally generated capital remain in the project throughout the life of the project.

Remaining Uncertainties

- FAQs seemed to tackle “low hanging fruit”.
- No statements made as to the following issues:
 1. Whether a bank can recognize appreciated land value as part of the 15 percent equity requirement, given that appreciated land value will be counted in the denominator as part of the “as completed” value of the project.
 2. Whether preferred equity or mezzanine or subordinated debt financing provided by a third party can count toward the 15 percent requirement.

Incentives and Consequences of New Regulations

- Banks may be more unwilling to make ADC loans that could be classified as HVCRE loans.
- ADC borrowers will have harder time finding financing.
- ADC borrowers will have to pay higher interest rates and fees for financing.
- New loan document concerns.

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Foster Pepper Panel Discussion

Top 3 Employment Law Issues for 2015 That Should Keep You Up at Night

Steve Peltin, Foster Pepper

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Top 3 Employment Law Issues for 2015 That Should Keep You Up at Night

Steve Peltin

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www.washingtonworkplacelaw.com

Top 3

- Recruiting and Hiring
- Overtime
- Technology



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1. Recruiting and Hiring

A p p l i c a t i o n a n d B a c k g r o u n d S c r e e n i n g

- “Ban the box”
- EEOC enforcement action

Job Application

[Company Name / Logo]
 (Street) Phone: (000-000-0000)
 (City, St Zip) Fax: (000-000-0000)

Personal Information

Name	First	Last	Sex
Home address	City	St	Zip
Are you entitled to work in the United States? <input type="checkbox"/> Yes <input type="checkbox"/> No		Are you 18 or older? <input type="checkbox"/> Yes <input type="checkbox"/> No	
Have you been convicted of a felony or been incarcerated in connection with a felony in the past seven years? <input type="checkbox"/> Yes <input type="checkbox"/> No		If yes, please explain:	
Military Service? <input type="checkbox"/> Yes <input type="checkbox"/> No		Are you a Veteran? <input type="checkbox"/> Yes <input type="checkbox"/> No	
When did you last apply for?		If you have been in the past year:	
Employment Status	Reason for leaving	Do or do not list:	

Prior Work Experience

	Current or Most Recent		Prior		Prior	
	From	To	From	To	From	To
Employer						
Address						
Phone						
Name of Immediate Supervisor						
Position/Job Title						
Dates of Employment						
Pay						
Reason for Leaving						
May We Contact?	<input type="checkbox"/> Yes <input type="checkbox"/> No		<input type="checkbox"/> Yes <input type="checkbox"/> No		<input type="checkbox"/> Yes <input type="checkbox"/> No	

Education

	Name/Location	Last Year Complete				Degree	Major or Emphasis
		9	10	11	12		
High School							
College/University			1	2	3	4	
Trade School							
Other							
List any applicable special skills, training or proficiencies.							

Personal References

	Reference 1	Reference 2	Reference 3
Name			
Address			
Telephone			
Signature			

Disclaimer: Employer liability may be limited or waived in some states. In the event of any need to file a lawsuit, it is understood that the full cost of the lawsuit will be borne by the applicant. This is not an offer of insurance. The applicant will be responsible for any and all costs of the lawsuit. The applicant will be responsible for any and all costs of the lawsuit.

A p p l i c a t i o n a n d B a c k g r o u n d S c r e e n i n g (c o n t .)

- Fair Credit Reporting Act class actions



Interviewing

- Asking improper questions (WAC 162-12-140)
- Missing effective, job-related questions
- Insist on employee training



Hiring

- Classification as employee / independent contractor

Independent Contractor



Or Employee



Hiring (cont.)

- Employee / independent contractor class actions
 - Lowe's Home Centers (\$8M)
 - FedEx
 - Uber / Lyft
 - San Diego Union Tribune (\$11M)
 - The Great American Dream and King Arthur's Lounge

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2. Overtime



White Collar Exemptions

- Professional
- Executive
- Administrative



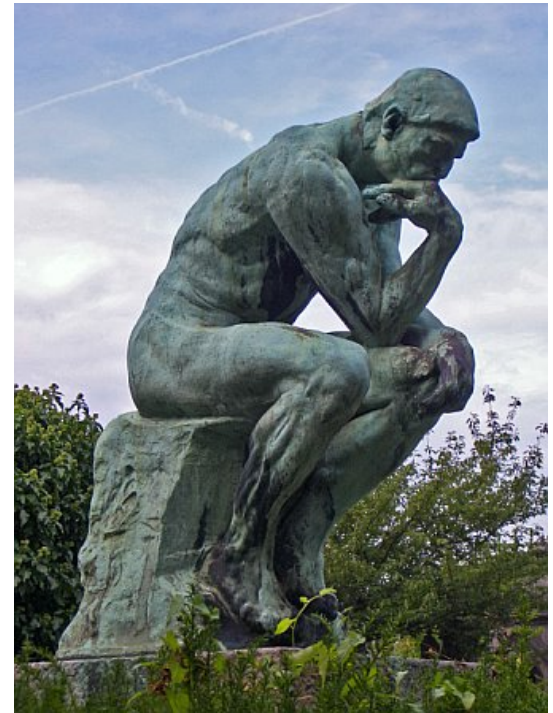
Salary Basis Test

- Minimum amount of compensation
- No reduction based on quality or quantity of work
- No improper deductions
- General rule: if employee works any part of week, must be paid for entire week



Learned Professionals Duty Test

- Primary duty
- Advanced knowledge
- Field of science or learning
- Prolonged course of specialized academic instruction



Executive Exemption Duty Test

- Primary duty: managing enterprise or customarily recognized department or subdivision
- Customarily and regularly direct work of 2+ FTEs
- Authority to hire/fire, or influence personnel decisions



Administrative Exemption Duty Test

- Primary duty: office or non-manual work directly related to management or general business operations of employer or its customers
- Requires exercise of discretion and independent judgment regarding matters of significance



Exempt Status

- Recent exempt status class actions
 - GEICO claims representatives
 - Fifth Third Bank customer service managers (\$3.25M settlement)
 - RBS Citizens mortgage loan officers (\$3M settlement)
 - BOA/ML: financial advisor trainees



Exempt Status (cont.)

- Most vulnerable bank positions
 - Financial consultants (advise vs. sales)
 - Mortgage loan officers (independence vs. document preparer)
 - Loan underwriters (same)
 - Assistant branch managers (executive vs. line duties)



Overtime Risks

- Top bank nonexempt overtime risks
 - Failure to keep accurate records
 - Supervisor pressure not to record OT
 - Preliminary/postliminary
 - Rest breaks/meal periods
 - Remote/home work



Overtime Risks (cont.)

- Recent non-exempt class actions
 - JP Morgan Chase retail banking branch employees allegedly working off clock (\$12M settlement)
 - Citibank (alleging uncompensated OT)
 - US Bank allegedly denied rest periods (\$1.9M settlement)



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3. Technology

Technology Challenges

- Three legitimate interests in peril
 - Maintaining confidentiality
 - Facilitating exemplary performance and behavior
 - Protecting bank image and brand

Technology Challenges (cont.)

- Confidentiality
 - Easier for employees to steal
 - Harder to monitor
 - Impact of BYOD



Technology Challenges (cont.)

- Performance
 - Easier for employees to disguise non-work activities
 - Harder to monitor, especially if personal device



Technology Challenges (cont.)

- Branding
 - Explosion of social media
 - Easier for employees to publicize negative or embarrassing information about bank, create confusion, or use IP
 - Right of privacy
 - NLRB

Monitoring

- Monitoring on-duty use of employer devices
- Monitoring on-duty use of personal device – harder
- NLRB



Monitoring (cont.)

- Monitoring off-duty use of employer device
 - Privacy, harassment, misconduct, wage and hour
- Monitoring off-duty use of personal device
 - Even stronger privacy interests
- NLRB

Social Media

- *Work* blog, Twitter feed, Facebook – employer can control
- *Personal* posts
 - Can monitor if using company equipment at work?
 - Prohibit posts while on duty
 - Washington Password Law - RCW 49.44.200
 - May need to respond if know / should know about harassment or other risks
- NLRB



NLRB Enforcement

- NLRA – also applies to non-union workplace
- NLRB
- Protected, concerted activity



NLRB Enforcement (cont.)

- **Improper Behavior Policy:**

- Prohibits disrespectful conduct or insubordination, including refusing to follow orders from supervisor
- Requires respect to the company, other employees, customers, partners, and competitors

- **Lawful Behavior Policy:**

- Expect employee to work in cooperative manner with management, coworkers, customers and vendors
- Prohibits being insubordinate, threatening, intimidating, disrespectful or assaulting a manager/supervisor, coworker, customer or vendor

NLRB Enforcement (cont.)

- **Improper Confidentiality Policy:** Do not discuss customer or employee information outside of work, including phone numbers and addresses.
- **Lawful Confidentiality Policy:**
 - Do not disclose confidential financial data, or other non-public proprietary company information.
 - Do not share confidential information about business partners, vendors or customers.



NLRB Enforcement (cont.)

- **Improper Online Abuse Policy:** Do not make “insulting, embarrassing, hurtful or abusive comments about other company employees online,” and “avoid the use of offensive, derogatory, or prejudicial comments.”
- **Lawful Online Abuse Policy:**
 - Do not threaten, intimidate, coerce, or otherwise interfere with job performance of fellow employees or visitors
 - No racial slurs, derogatory comments, or insults



NLRB Enforcement (cont.)

- **Improper Media Policy:** Employees not authorized to speak to print or electronic media about “company matters” unless designated by HR, and must refer “media inquiries” to company
- **Lawful Media Policy:** Company strives to anticipate and manage crisis situations to reduce disruption to employees and maintain reputation. Company will respond to news media in timely and professional manner only through designated spokespersons



NLRB Enforcement (cont.)

- **Improper Social Media IP Policy:** No use of company logos, trademarks, graphics, or advertising materials
- **Lawful IP Policy:** Respect IP laws, including copyright, fair use of copyrighted material owned by others, trademarks and other intellectual property, including employer's copyrights, trademarks and brands

NLRB Enforcement (cont.)

■ Improper Device Policy

- No taking unauthorized pictures or video on company property
- No use or possession of personal electronic equipment on employer property
- No making personal calls or viewing or sending texts while “on duty”

■ Lawful Device Policy

- No taking unauthorized pictures or video *following breach of patient privacy*
- No *news* cameras allowed in store or parking lot without prior approval



NLRB Enforcement(cont.)

- Lawful behavior?
 - Facebook complaints about work quality and staffing levels
 - Telling Facebook friends she told supervisor to “back the freak off” due to personal encounter and that company should “fire me” and “make my day”
 - Customers negatively described on Facebook
 - Facebook discussion about underpaid income tax withholding; reference to owner as “shady little man” and “a**hole”
 - Calling financial services CEO “narcissistic egomaniac” on Facebook

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Top 3 Employment Law Issues for 2015 That Should Keep You Up at Night

Steve Peltin

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www.washingtonworkplacelaw.com

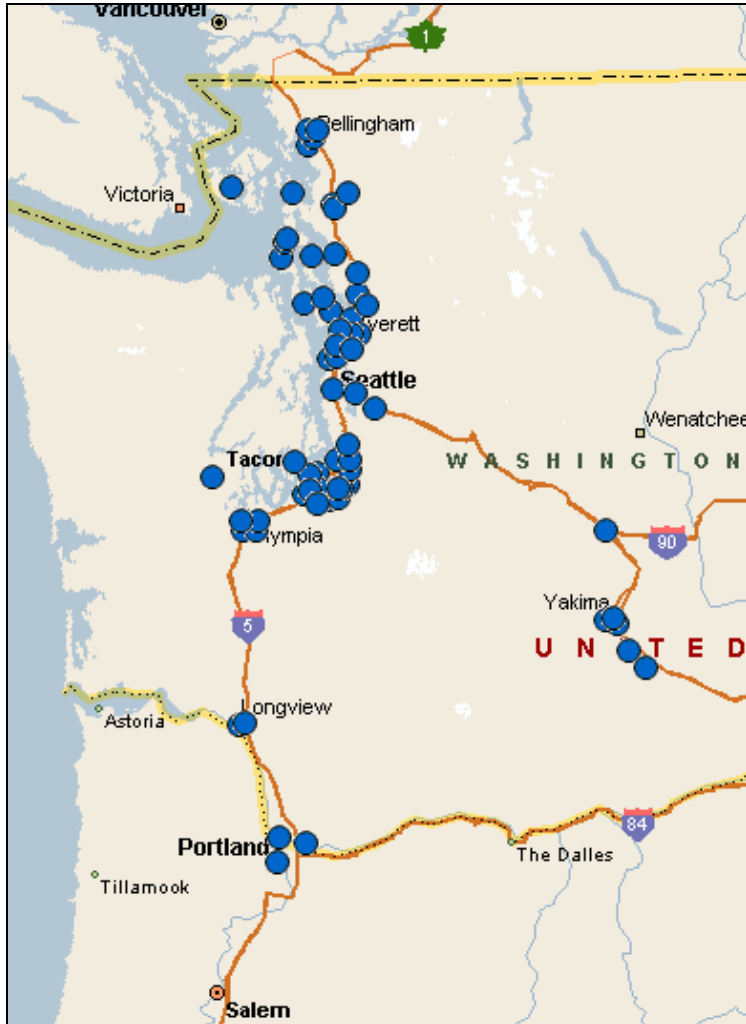
Bankers Panel

Navigating Pacific Northwest Banking in 2015

Brian Vance, Heritage Financial Corporation
Denise Portman, Bank of the Pacific
Jim Haley, Thurston First Bank

COMPANY OVERVIEW

OVERVIEW



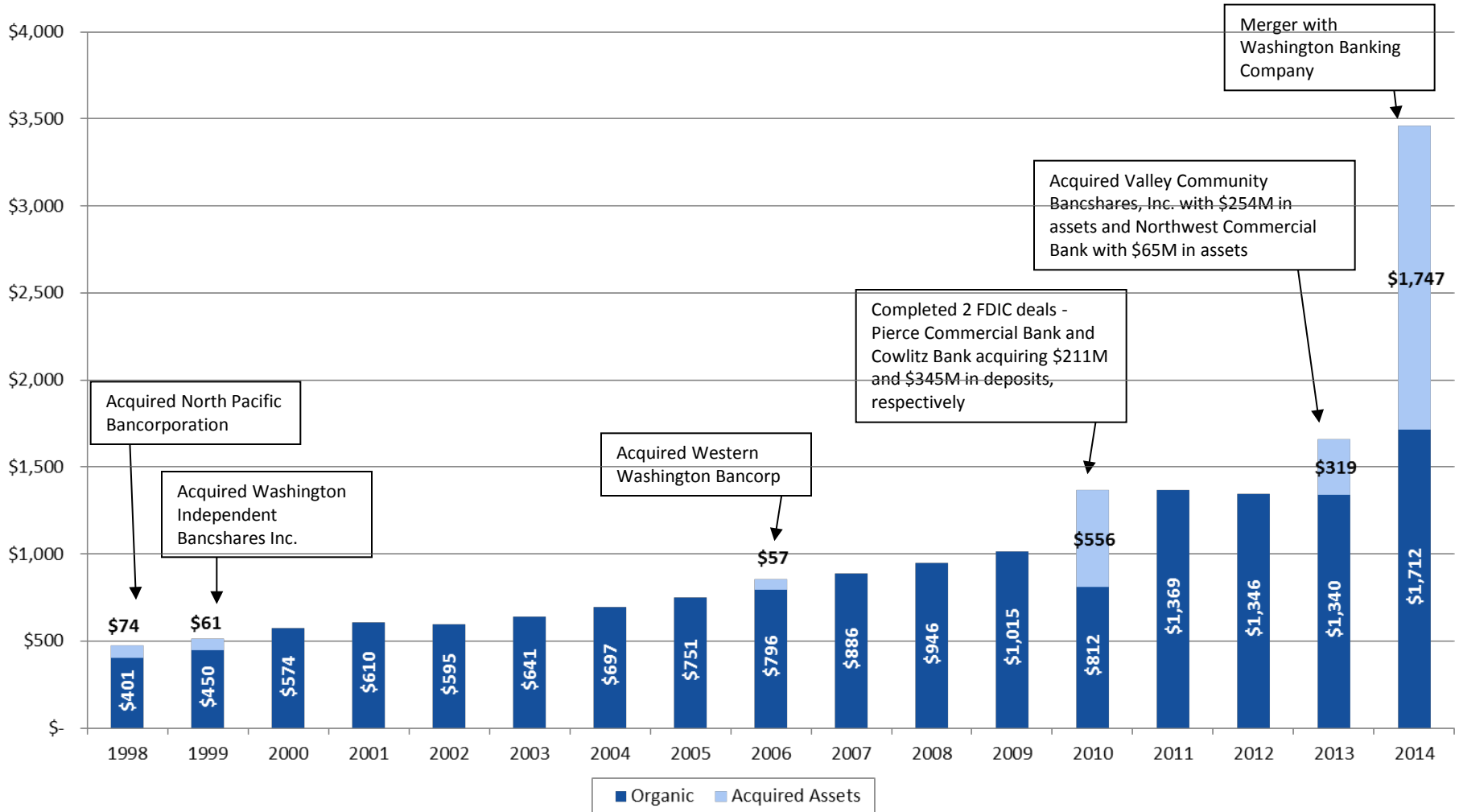
Three banks, one charter

Overview	
NASDAQ Symbol	HFWA
Market Capitalization	\$509.5 million
Institutional Ownership	76.4%
Total Assets	\$3.5 billion
Headquarters	Olympia, WA
# of Branches	66
Year Established	1927

Note: Financial information as of 3/31/2015 and market information as of 5/1/2015

HISTORICAL GROWTH – ORGANIC AND ACQUISITIVE

- In addition to organic growth, HFWA has completed 6 whole bank mergers and 2 FDIC-assisted transactions since 1998



Source: Company financials, as of 12/31/2014
 Note: All dollars in millions

TO MERGE OR NOT TO MERGE?

Tangible Book Value Growth

From the Year ending 12/31/2008 through the year ending 12/31/2013

Banking Segment	No. Of Banks	Median Assets (\$000)	GAGR 2008 to 2013
Banks < \$500MM Assets:	5,253	128,862	3.9%
Banks ≥ \$500MM < \$1 Bil. Assets:	643	665,412	6.8%
Banks ≥ \$1 Bil. < \$5 Bil. Assets:	466	1,664,812	9.2%
Banks ≥ \$5 Bil. < \$10 Bil. Assets:	68	6,688,015	12.0%
Banks ≥ \$10 Bil. Assets:	104	25,376,122	13.5%

Source: SNL Financial

Closing Remarks

The State of the State in 2015

Scott Jarvis, Washington State Department of Financial Institutions



FOSTER PEPPER'S 10TH ANNUAL BANKER'S BRIEFING

Scott Jarvis, Director, Department of Financial Institutions

May 21, 2015



AGENDA

- **About DFI**
- **Division of Banks**
- **Division of Credit Unions**
- **Division of Securities**
- **Division of Consumer Services**
- **2015 Legislation of Interest to Banks**

ABOUT DFI



MISSION, FUNCTION & FUNDING

- **Mission.** DFI regulates financial services to protect and educate the public and promote economic vitality.
- **Regulation of Financial Service Providers.** DFI provides regulatory oversight for our state's financial service providers.
- **Self-Funding.** DFI is self-supporting. DFI's operating revenues are paid by the financial service providers we regulate.



ROLES OF DFI DIVISIONS - 1

- **Division of Administration** – Supports the mission of the Agency by providing advice, fiscal, human resources, and IT support, and by offering financial education and outreach services to Washington consumers.
- **Division of Banks** – Regulates state-chartered commercial banks, trust companies, savings banks, alien banks, and SBA lenders. Protects the interests of depositors, borrowers, shareholders, and consumers through its examination and supervisory responsibilities.
- **Division of Credit Unions** – Regulates state-chartered credit unions. Protects the interests of credit union members and consumers through its examination and supervisory responsibilities.



ROLES OF DFI DIVISIONS - 2

- **Division of Securities.** Regulates securities investments, franchises, business opportunities, and off-exchange commodities sold in Washington and the firms and individuals that sell these products or provide investment advice. Handles complaints, conducts investigations, and takes appropriate enforcement actions to protect investors and combat fraud.
- **Division of Consumer Services.** Licenses and regulates consumer loan companies, mortgage servicers, mortgage brokers, escrow agents, escrow officers, check cashers, check sellers, payday lenders, and money service providers. Examines or investigates these entities for compliance with state and federal laws, handles consumer complaints against them, and takes administrative enforcement actions when appropriate.

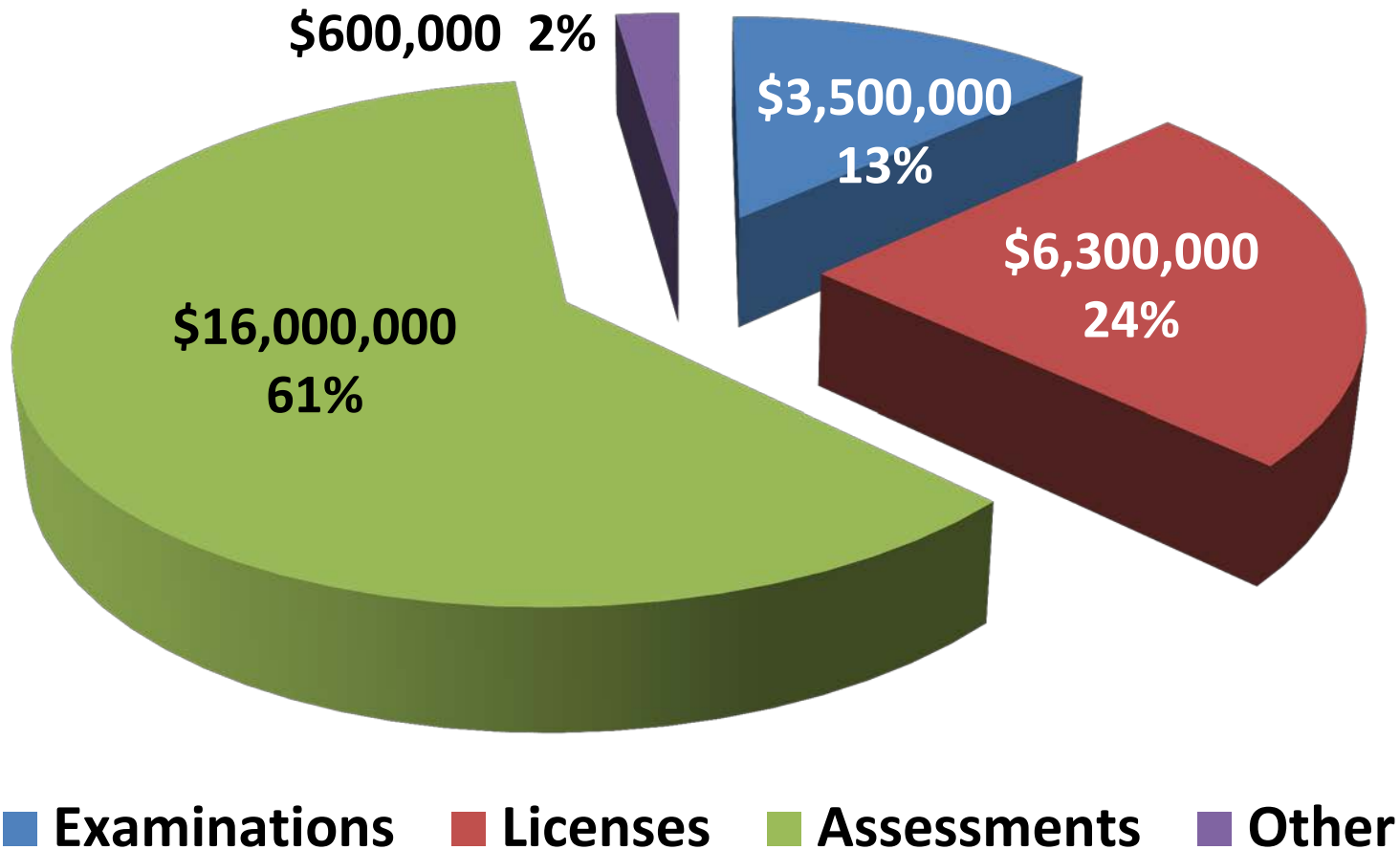


CURRENT 2013-2015 DEPARTMENT BUDGET

- **\$48.0 Million**
- **190.9 FTEs**

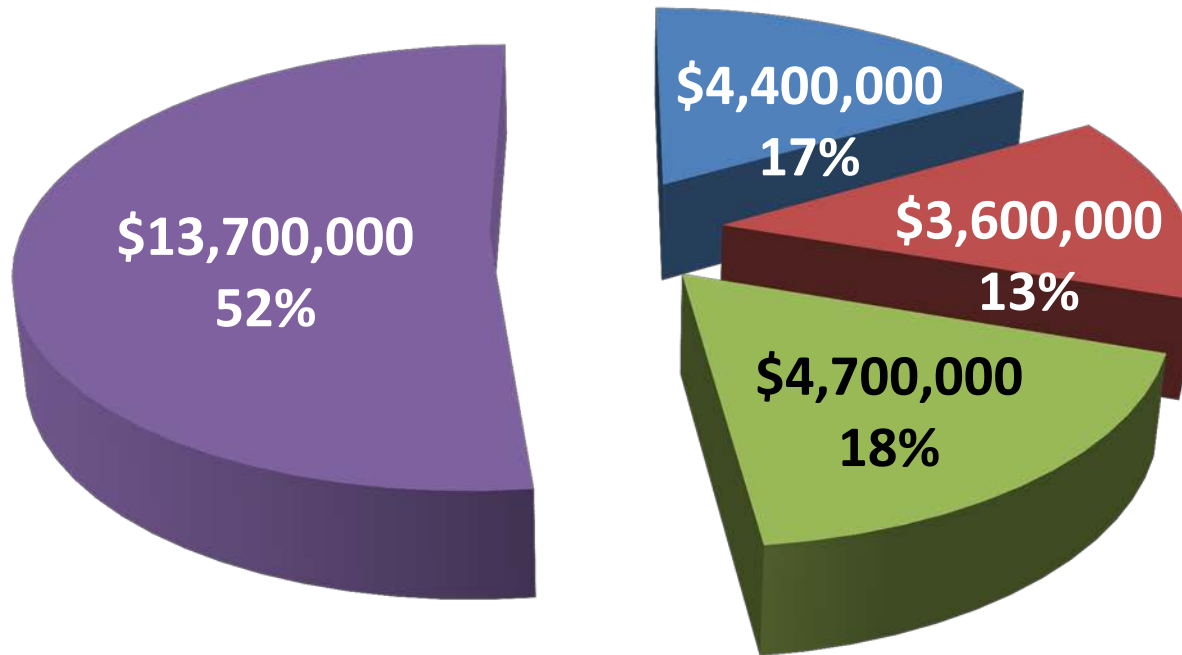


FISCAL YEAR 2014 DEPARTMENT REVENUE BY CATEGORY





FISCAL YEAR 2014 DEPARTMENT REVENUE BY DIVISION



■ Banks

■ Credit Unions

■ Securities

■ Consumer Services

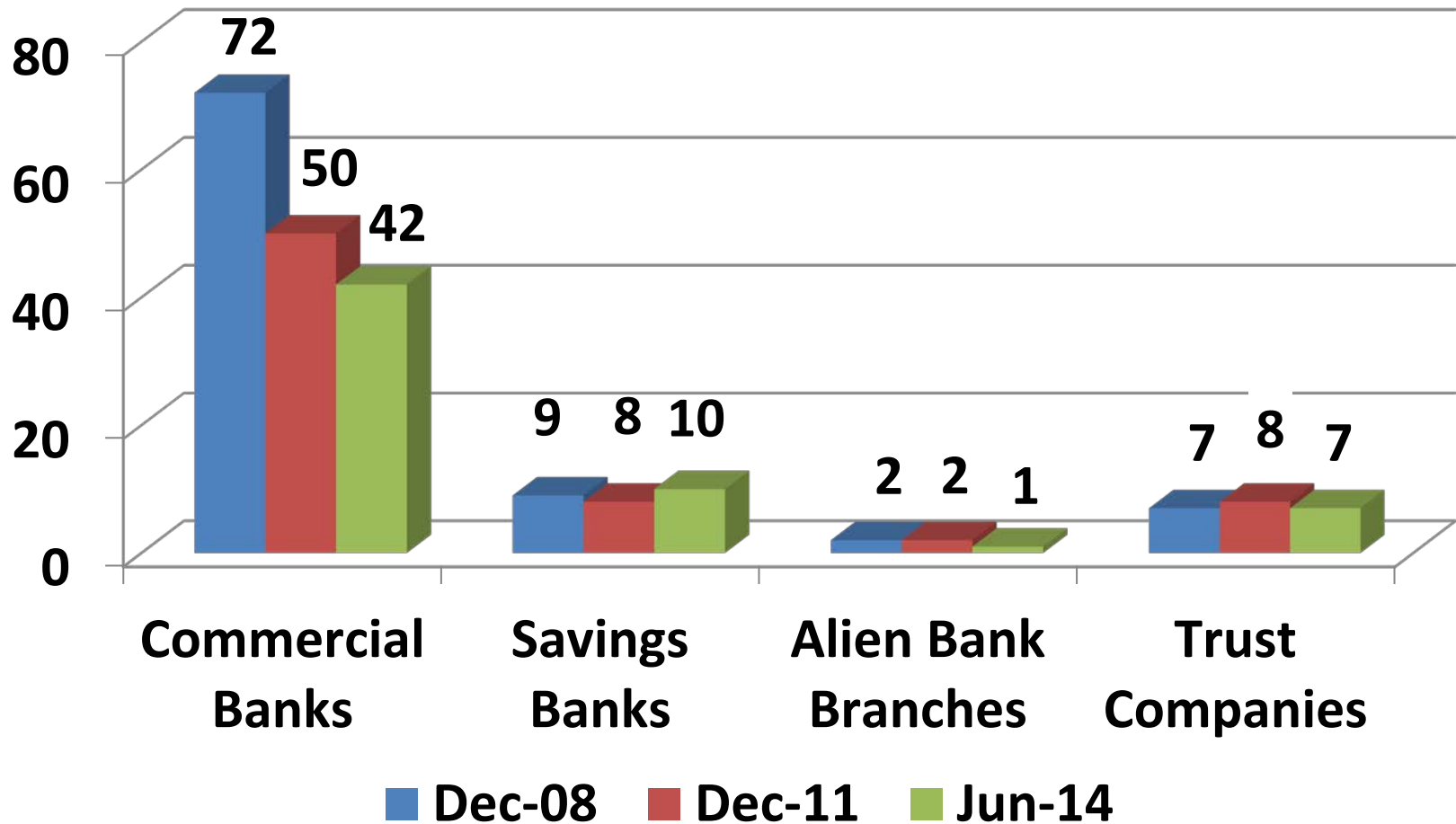


DIVISION OF BANKS – OVERVIEW



DIVISION OF BANKS

Number of Institutions: 2008-2014





DIVISION OF BANKS

Aggregate Bank Assets: 2008-2014

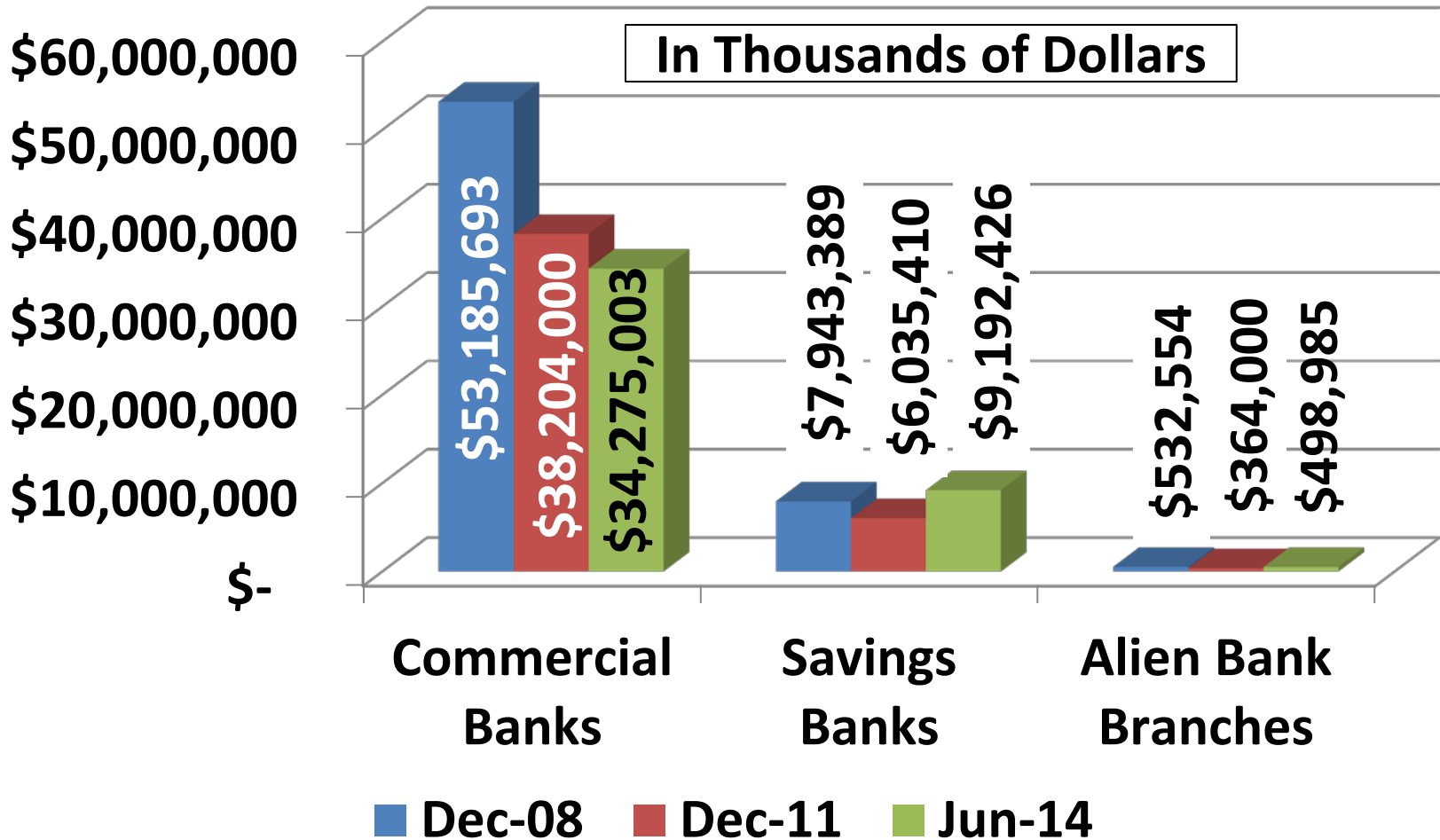
AGGREGATE TOTAL ASSETS (In Thousands of \$\$)

Dec 2008	\$61,661,636
Dec 2011	\$44,603,410
June 2014	\$43,966,414



DIVISION OF BANKS

Assets by Institution Class: 2008-2014





DIVISION OF BANKS

Trust Company Assets Under Management

- **\$45.6 Billion as of June 2014.**



DIVISION OF BANKS

Current Issues Facing State Banks – 1

- **IT Security Risks** – Not unique to banks.
- **Bank Secrecy Act** – There is increased emphasis on compliance in this arena now that asset quality has improved.
- **Interest Rate Risk** – If interest rates rise quickly, it will be challenging to manage.
- **Asset Quality** – There is competitive pressure for quality assets in bank portfolios.



DIVISION OF BANKS

Current Issues Facing State Banks – 2

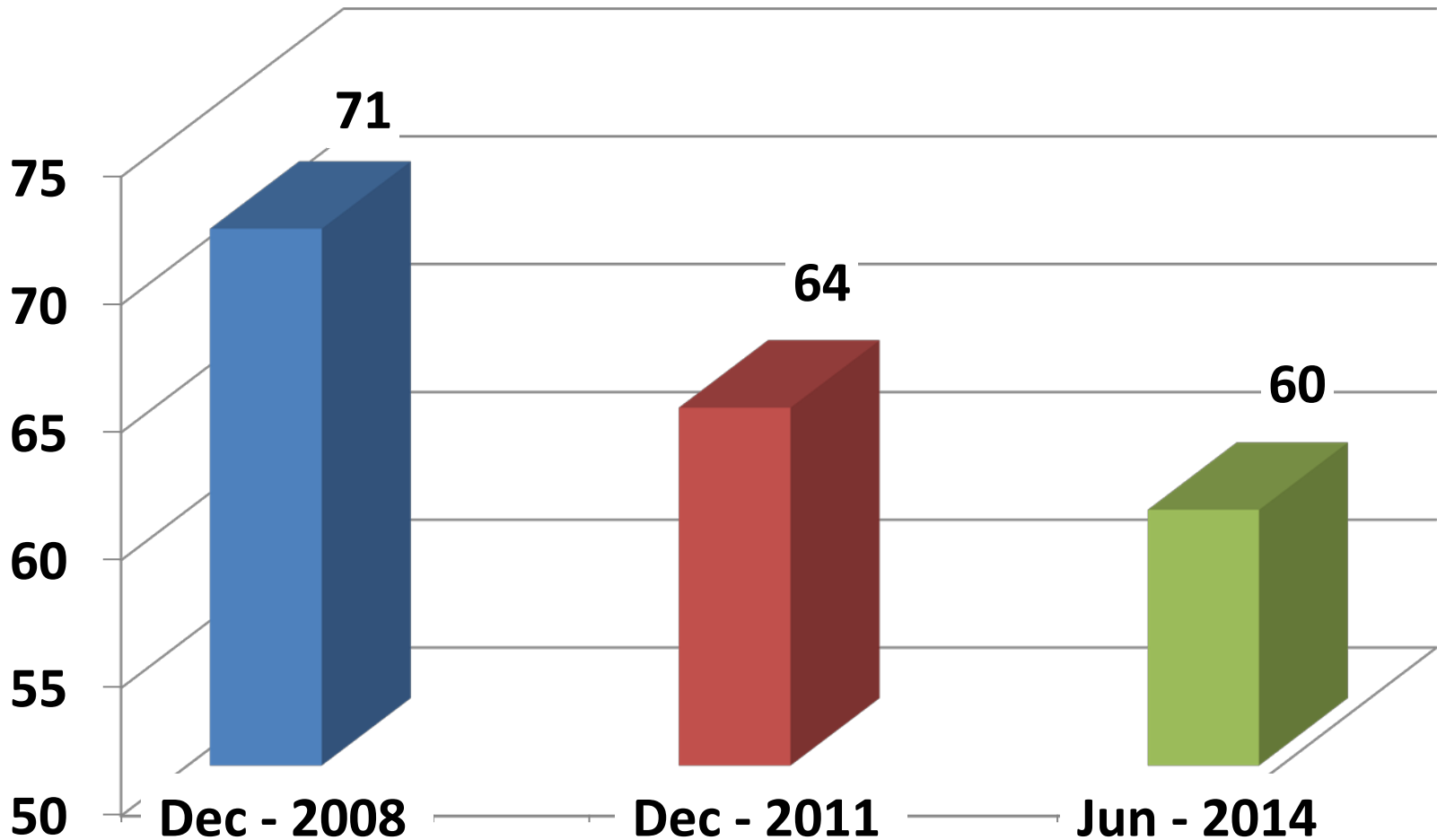
- **Banking the Marijuana Industry** – The decision to bank marijuana businesses and comply with the Cole Memo and FinCEN Guidance poses some interesting challenges.
- **Regulatory Burden** – New federal consumer protection compliance requirements are posing implementation challenges for state banks in light of “one-size-fits-all” approach.

DIVISION OF CREDIT UNIONS – OVERVIEW



DIVISION OF CREDIT UNIONS

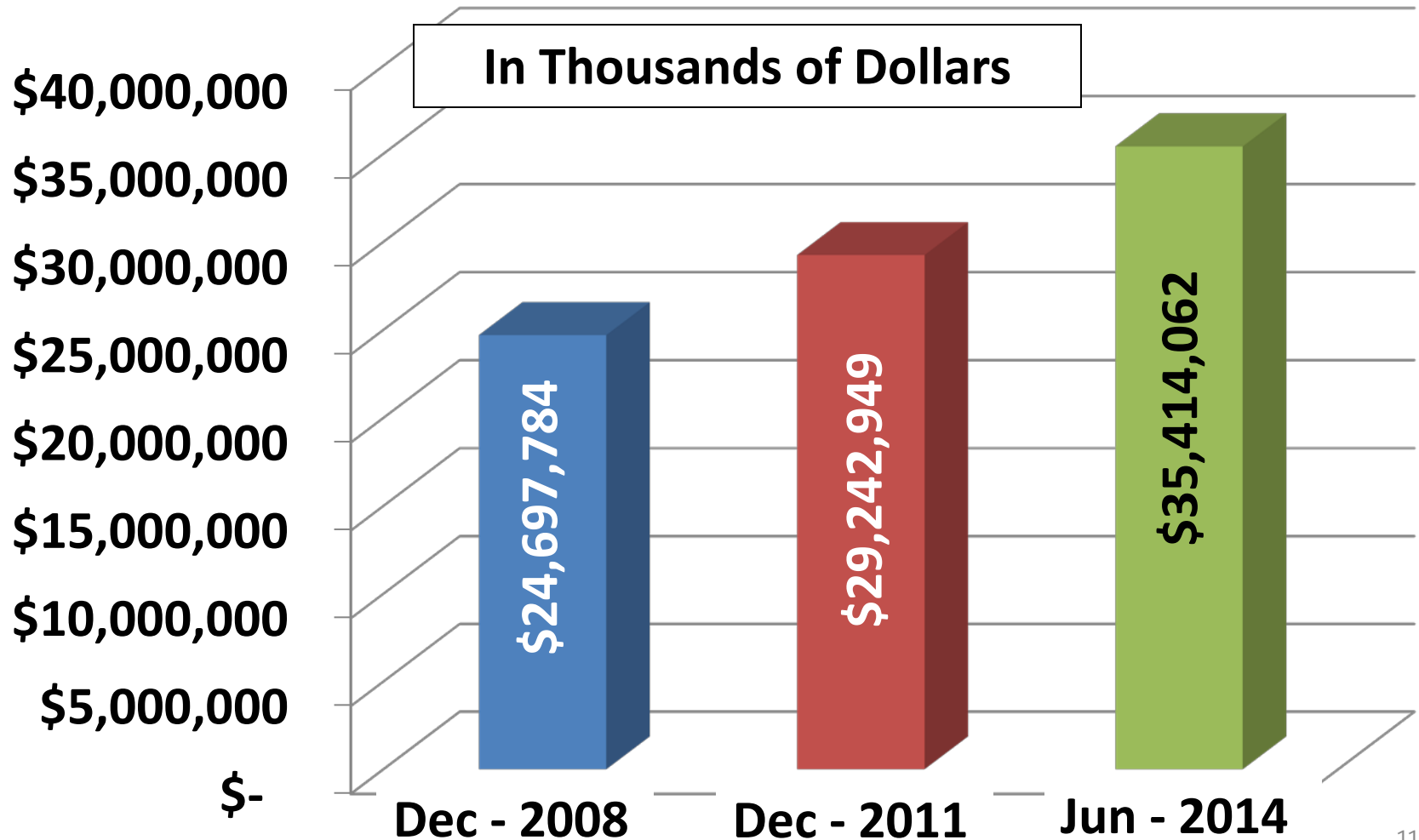
Number of Credit Unions: 2008-2014





DIVISION OF CREDIT UNIONS

Aggregate Credit Union Assets: 2008-2014





DIVISION OF CREDIT UNIONS

Status of State Credit Union Charter

- **Health of State Credit Unions**
 - The state credit unions are financially strong.
 - Earnings are satisfactory.
 - Assets have grown (see previous slide).
 - Delinquencies and loan charge-offs are very low.
- **Low-Income Credit Unions** – Our 7 low-income credit unions have 4.3% of all state credit union assets.



DIVISION OF CREDIT UNIONS

Current Issues

- **Sensitivity to Interest Rate Risk** – Monitoring growth of long-term assets and credit union plans to reduce risk.
- **Cyber-Security** – Analyzing ability to prevent, detect, and respond to cyber attacks which are becoming more frequent, sophisticated, and widespread.
- **Credit Risk Management (CRM)** – Advising an expansion of CRM tools beyond monitoring home equity lines of credit (HELOCs) and credit-card portfolios.
- **Liquidity** – Requiring better tools from credit unions with increasing loan-to-share ratios and falling liquidity.
- **Regulatory Burden** – New federal consumer protection compliance requirements are posing implementation challenges for state credit unions.



DIVISION OF SECURITIES – OVERVIEW



DIVISION OF SECURITIES

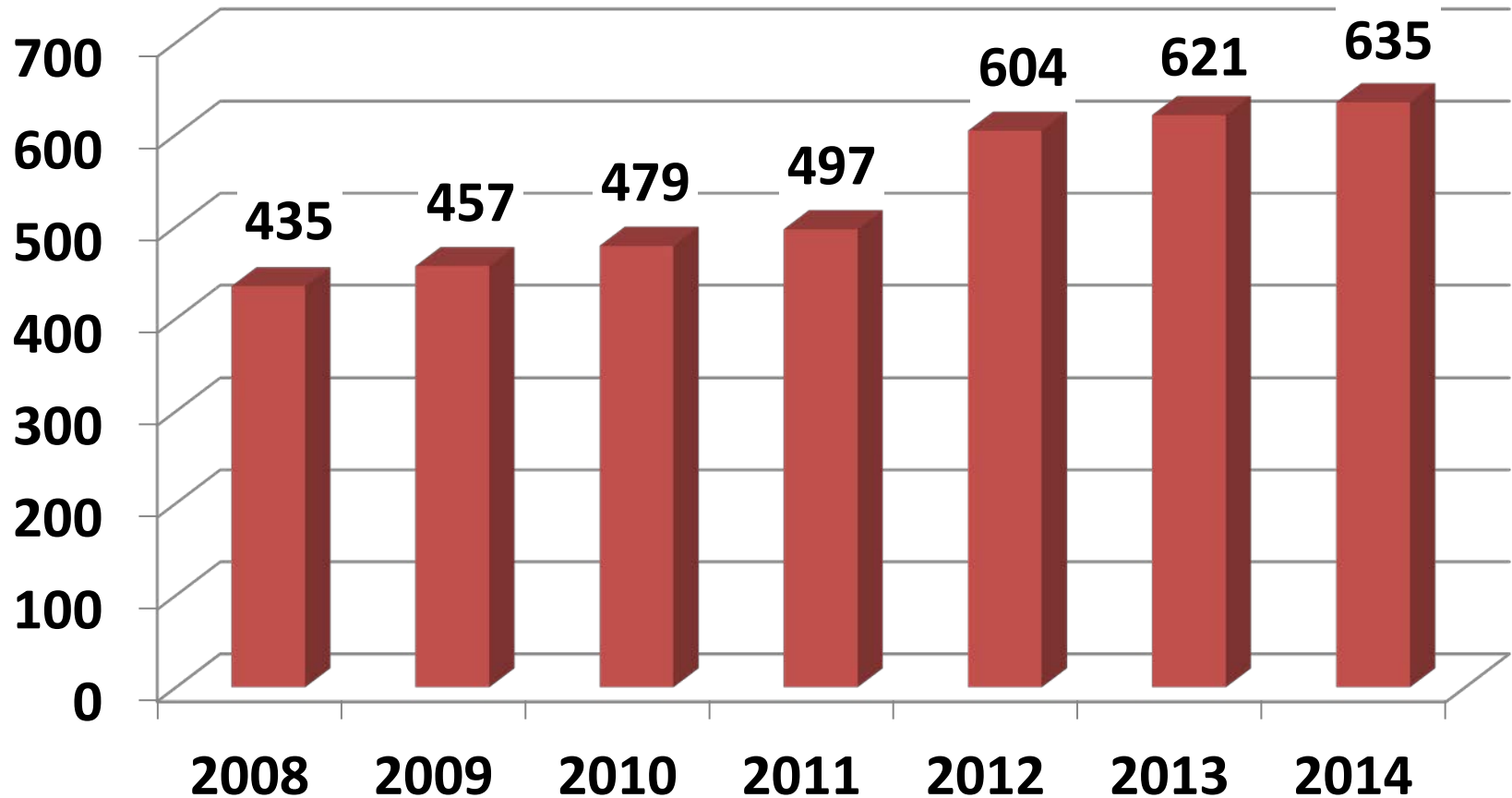
Total Registrants/Licensees as of 12/31/2014

REGISTERED OR EXEMPT SECURITIES ISSUANCES (OFFERINGS)	\$292 Billion
REGISTRATIONS IN 2014 (NEW, RENEWED & AMENDED)	50,918
ENTITIES REGULATED	
• Broker/Dealers	1,885
• Intra-State Broker/Dealers	1
• State-Registered Investment Advisers	635
• Franchise Brokers	167
• Investment Advisers Notices	1,721
REPRESENTATIVES	
• Investment Adviser Representatives	11,263
• Issuer Agents	7
• Broker-Dealer Salespersons	148,569
• Representatives with Disclosure Histories	35,789



DIVISION OF SECURITIES

Number of Registered Investment Advisers





DIVISION OF SECURITIES

Current Issues

- **State Crowdfunding Rules** – Finalized 10/1/2014.
- **Increased Investment Adviser Authority** – Dodd-Frank Act gave us oversight of approximately 150 additional investment advisers.
- **Fraud Schemes** – Promissory note and affinity fraud cases continue to be the source of many complaints.
- **“Suitability of Investment” Issues** – Suitability in non-traded alternative investment products is also an enforcement concern.
- **Senior Citizens at Risk** – Diminished capacity of senior investors is a regulatory focus.

DIVISION OF CONSUMER SERVICES – OVERVIEW



DIVISION OF CONSUMER SERVICES

Total Licensee Count as of 12/31/2014

• Consumer Loan Companies	510
○ Mortgage Loan Servicers	159
• Mortgage Brokers	289
○ Mortgage Loan Originators	13,359
• Check Cashers & Sellers	117
○ Small Loan Endorsers (Payday Lenders)	32
• Escrow Agents	72
• Money Transmitters	133
○ Authorized Delegates	10,601
○ Currency Exchangers	9
TOTAL LICENSEES:	25,281



DIVISION OF CONSUMER SERVICES

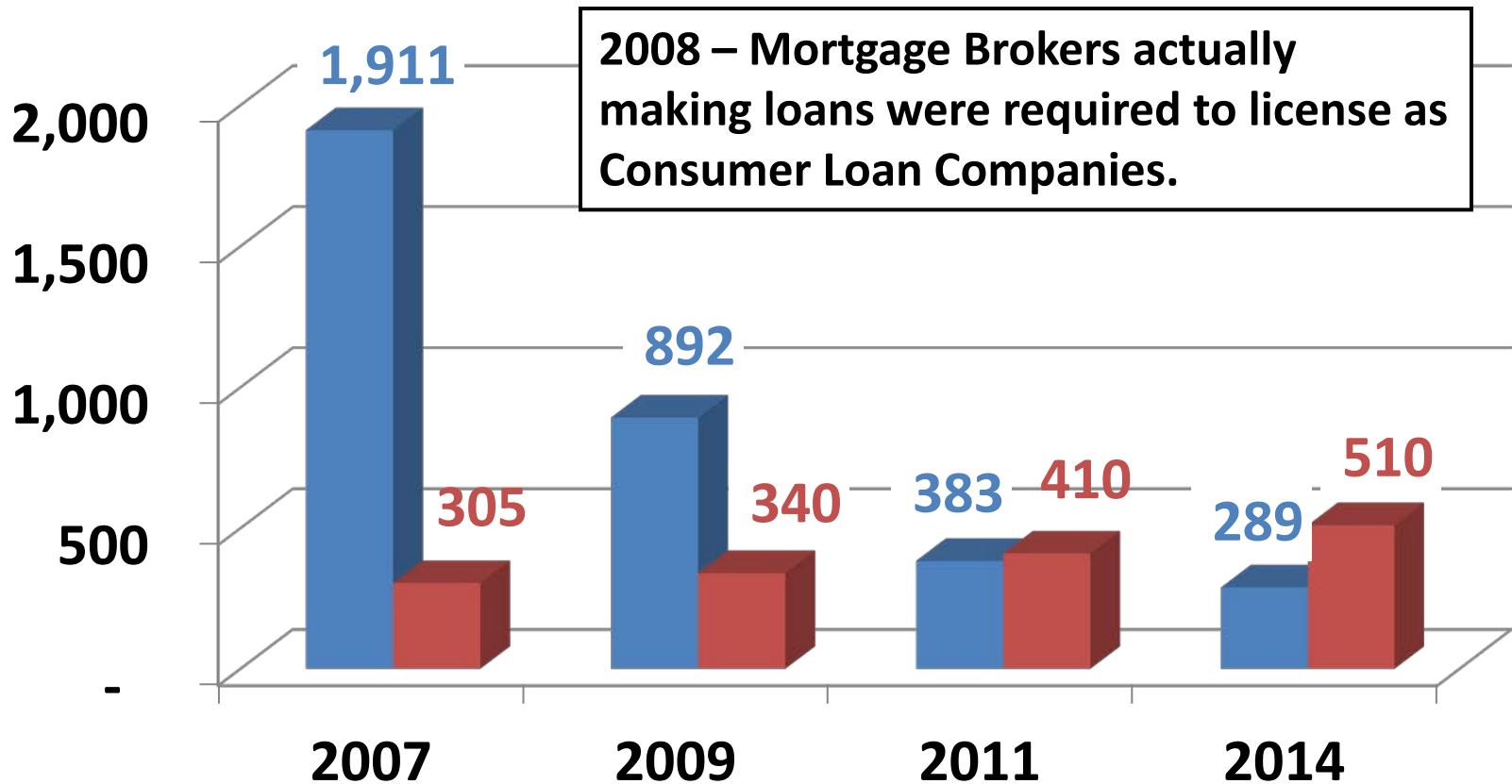
Response to the Financial Crisis

- **2007** – Governor’s Taskforce on Homeowner Security
- **2008** – Chapter 19.144 RCW, Mortgage Lending and Home Ownership
- **2008** – Secure and Fair Enforcement for Mortgage Licensing Act (S.A.F.E. Act)
- **2010** – Dodd-Frank Wall Street Reform and Consumer Protection Act



DIVISION OF CONSUMER SERVICES

Mortgage Licensing Trends:2007-2014



■ Mortgage Broker Main Offices

■ Consumer Loan Company Main Offices



DIVISION OF CONSUMER SERVICES

Mortgage Regulation: Recent Problems

- **Foreclosure Rescue and Loan Modification Scams**
- **Multi-State Actions Against Larger Servicers**
 - Problems with Transfer of Servicing Rights
 - Accuracy of Onboarding New Loans
 - Dual Tracking
 - Single Points of Contact / Communication with Borrowers



DIVISION OF CONSUMER SERVICES

Status of Payday Lending: 2013*

• Total Loans	871,801
• Total Loan Volume	\$331,430,078
• Average Loan Amount	\$380
• Total Loan Fees	\$47,502,224
• Borrower Average Monthly Income	\$2,934
• Total Number of Unique Borrowers	231,868
• Borrowers Exercising 8 Loan Limit	68,736

*Based on 2013 Payday Lending Report



DIVISION OF CONSUMER SERVICES

Online Payday Lending

- **Online Lenders**
 - 330 Complaints involving online loans in 2013
 - 86 Complaints involving online loans in 2014
- **Common Complaints**
 - Excessive interest /fees
 - Abusive collection
 - Unexpected/illegal bank account withdrawals
- **Enforcement**
 - Tribal affiliation, offshore entities, and out-of-state locations
 - 19 Enforcement actions in last two years against unlicensed online lenders

2015 LEGISLATION OF INTEREST TO BANKS



GROWING FINANCIAL SERVICES IN WASHINGTON STATE

- A 2012 **Financial Cluster Study by Enterprise Seattle** cast a vision for the Seattle-Puget Sound Region becoming an **alternative global financial services hub** for the Pacific Rim.
- One of the key recommendations of the Financial Cluster Study was that Olympia could do its part by enacting legislation to modernize Washington State's banking and trust laws.



TRUST MODERNIZATION LEGISLATION: A TWO-STEP PROCESS

- DFI took the lead, working with bankers, trust companies, asset management firms, attorneys, and legislators to draft and enact the **Trust Institutions Modernization Act (“TIMA”)** (**Chapter 37 Laws of 2014**).
- DFI then worked with the **Washington State Bar Association** and legislators to **modernize key aspects of Washington Trust Law affecting all fiduciaries**, including all bank trust departments, trust companies, asset managers and investment advisers subject to DFI regulation (**Chapter 115 Laws of 2015**).



TRUST MODERNIZATION

Ch. 115, Laws of 2015

- **Modifies the trustee's duties for investing and requires the trustee to invest, as a prudent investor would, using reasonable care and requires investment decisions to be evaluated as part of an overall investment strategy with risk and return objectives reasonably suited to the trust.**
- **Allows a trustee to delegate duties and powers; if the trustee delegates with reasonable care, the trustee is not liable for the delegate's actions.**
- **Creates the Washington Directed Trust Act which allows a trustor to provide for a "statutory trust advisor" (advisor) who has the power or duty to direct, consent to, or disapprove an action and a "directed trustee" who must follow the advisor's direction or get the advisor's consent with respect to a particular duty or function.**



ELEVEN ATTRACTIVE FEATURES OF TRUST MODERNIZATION

1. PROACTIVE, NOT REACTIVE

The passage of these bills comes at a time when we will see over the next three decades **the greatest transfer of wealth in history** – much of which will be managed by fiduciaries for the benefit of others.



2. MODERNIZES THE PRUDENT INVESTOR RULE (**RCW 11.100.020**)

- The **2015 WSBA-DFI Trust Bill** modernizes the prudent investor rule to encourage more realistic **“portfolio wealth management.”**
- Makes Washington’s trust law language **consistent with the Uniform Prudent Investor Act.**
- This promotes a **holistic view of estate management and investment diversification** and permits fiduciary managers the **flexibility to more fully satisfy the desires of settlors** based on particular situations.



3. MODERNIZES DELEGATION BY TRUSTEES TO THIRD PARTIES

- Under the **2015 WSBA-DFI Bill**, trustees will be able to delegate their duties to third-party investment advisors and asset managers who have specific expertise and ability, and if the delegation is done properly, **(1) the trustee is not liable for the third party delegate's actions, (2) the third party delegate is directly liable to the trustee for wrongful acts, and (3) the third-party delegate (wherever located) is subject to Washington court jurisdiction.**
- Trustee still has a duty to enforce the trust (including going after third-party delegates for wrongful acts).



4. OPT-IN “DIRECTED TRUST” STATUTE CREATED

The **2015 WSBA-DFI Trust Bill** recognizes “**statutory trust advisors**” and statutory “**directed trustees**” – a modern wealth management innovation that **permits settlors to delegate specific functions to third-party professionals** and limit the trustee’s role.

- Promotes **maximum flexibility to settlors** and their intended beneficiaries.
- Opt-in law that provides all the parties named in the trust the rights and obligations set in statute.

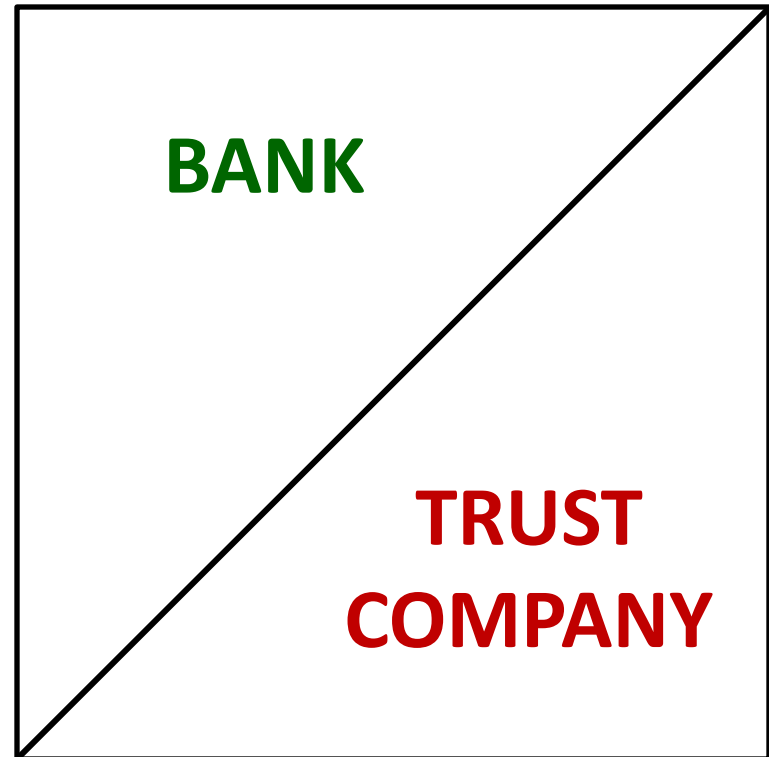


5. EMPHASIZING IMPORTANCE OF FIDUCIARY MANAGEMENT SERVICES

TIMA gets rid of the commingling of our laws on banking and trust business by repealing Title 30 RCW and creating:

- Title 30A RCW, the Washington Commercial Bank Act
- Title 30B RCW, the Washington Trust Institutions Act.

EQUAL TRUST POWERS





6. BUSINESS BENEFITS OF A DFI TRUST COMPANY CHARTER

- Under TIMA, a Washington State trust company has all the powers of:
 - A federally chartered trust company without being treated as an investment company.
 - An out-of-state state-chartered trust institution doing business in this state.
- DFI may declare that a Washington State trust institution has certain powers and authorities *closely related to banking*, even if the Federal Reserve Board has not yet made such a determination for national banks.



7. ADDITIONAL PROTECTIONS FOR THE PUBLIC THROUGH DFI

- **Out-of-state trust institutions doing business in Washington must register with DFI.**
- **All non-exempt fiduciaries must be regulated by DFI or are prohibited from trust business.**
- **DFI may seek enforcement against any non-exempt, non-preempted fiduciary which may be harming the public.**
- **DFI regulatory authority over Internet trust business.**



8. NO DFI REGULATION OF PRIVATE TRUSTS

- **Private (family) trusts, which do not do business with the public, are exempt from DFI regulation.**
- **When coupled with Washington State's 150-year Rule against Perpetuities, this makes Washington State a very attractive place for the situs and management of private trusts.**



9. PROMOTES ATTRACTION OF WEALTH TO WASHINGTON

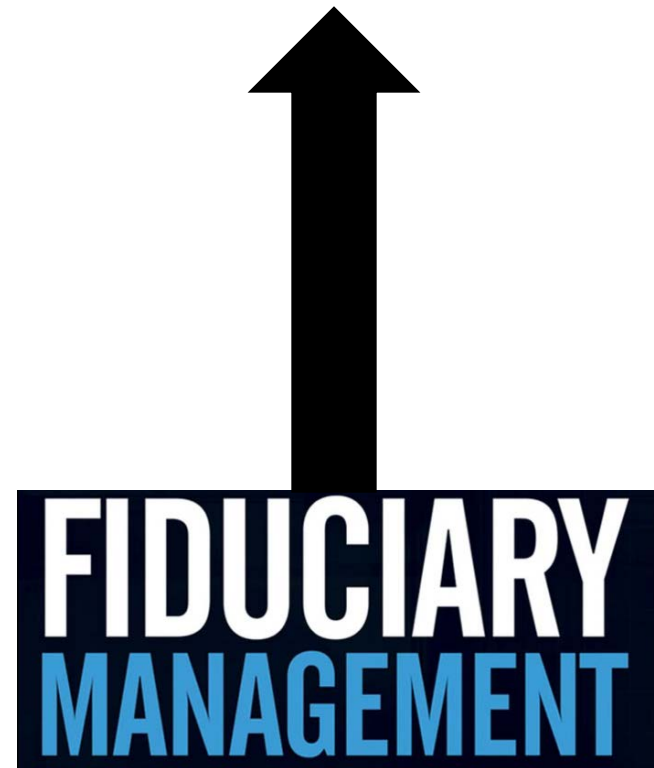


Washington State **trust charters will become more attractive to both out-of-state and international firms which may be interested in locating their businesses here**, giving local wealth management services a reason to stay here, and making settlors and beneficiaries (*trust consumers*) want to have their wealth managed here.



10. PROMOTES GREATER FIDUCIARY MANAGEMENT

The WSBA-DFI Trust Bill encourages more attorneys, financial institutions, and even laypersons, to act as trustees, with the knowledge that professional “statutory trust advisors” and third-party trust-advisor delegates will be **more accountable to beneficiaries and subject to the jurisdiction of the Washington courts.**





MORTGAGE FRAUD AND MORTGAGE LENDING – Chapter 229, 2015 Laws

- **Amends the Mortgage Broker Practices Act and the Consumer Loan Act to create consistency between the two so lenders can operate under a uniform set of laws to the extent possible.**
- **Updates, clarifies, and strengthens the DFI's enforcement, licensing, and examination statutes relating to residential mortgage lending.**
- **Enhances the crime of mortgage fraud in the residential mortgage lending process.**



MORTGAGE FRAUD 2

- **Changes protect consumers as well as industry victims.**
- **An example of the items in the bill which will now be considered mortgage fraud are fraudulent loan modification scams and fraud against homeowners facing foreclosure.**
- **Has much needed provisions for loan servicers which will help assure that licensees remain solvent to better protect Washington consumers.**



FINANCIAL EDUCATION

Chapter 211, 2015 Laws

- **The Financial Education Public-Private Partnership (FEPPP) consists of four legislators, four representatives from the financial services sector, four educators, one designee from DFI, the State Treasurer and two representatives from the Office of Superintendent of Public Instruction (OSPI).**
- **The duties of the FEPPP include:**
 - **Communicating financial education standards and strategies for improving financial education to school districts; reviewing and developing a procedure for endorsing financial education curriculum;**
 - **Identifying assessments and outcome measures that schools can use to determine whether students meet financial education standards; and**
 - **Monitoring and providing guidance for professional development.**



FINANCIAL EDUCATION 2

- **After consulting with the FEPPP, OSPI must make available to all districts a list of courses that align with the financial standards integrated into the state EALRs.**
- **School districts must provide high school students the opportunity to access the financial education standards, whether through regularly scheduled classes, before or after school, during lunch, at library or study time or at home, via online learning, or other opportunities.**
- **School districts are encouraged to grant credit toward high school graduation to students who successfully complete financial education courses.**



THE CANNABIS PATIENT PROTECTION ACT - Chapter 70, 2015 Laws

- **Regulates medical marijuana through the structure provided for recreational marijuana under Initiative Measure No. 502 and provides that medical products must meet or exceed the product standards required of recreational marijuana.**
- **Establishes a medical marijuana endorsement to a marijuana retail license to allow the sale of marijuana for the medical use of qualifying patients or their designated providers.**
- **Establishes a medical marijuana authorization database in which patients or their providers may register and receive a recognition card to be used to identify them as qualifying patients or providers.**



CANNABIS PATIENT PROTECTION ACT 2

- **Permits patients and providers with a recognition card to grow up to 15 plants to produce marijuana for their personal medical use and to possess and purchase up to three times the amounts of marijuana permitted for recreational users.**
- **Adds post-traumatic stress disorder and traumatic brain injury to the conditions that qualify people for the medical use of marijuana.**
- **Repeals collective gardens effective July 1, 2016.**
- **Permits four person cooperatives that allow participating patients and providers to grow marijuana for the personal medical use of the cooperative participants. The location of the cooperative must be at least one mile from a marijuana retailer and must be registered with the Liquor and Cannabis Board. Each participating member must hold a recognition card and be registered as participants with the Liquor and Cannabis Board.**



DFI CONTACT INFORMATION

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Please Fill Out Evaluation Forms





10th Annual Bankers Briefing



John L. Bley

MEMBER

SEATTLE

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SERVICES

Business

Financial Institutions (Chair)

PRACTICE OVERVIEW

John chairs the firm's Financial Institutions practice and his practice includes regulatory intervention, regulatory compliance and enforcement prevention, regulatory relations, legislative relations, expert witness testimony, strategic planning, corporate governance, and mergers and acquisitions.

Regulatory Intervention. Represent financial institutions (banks and non-banks) before federal and state financial institutions regulators concerning pending or existing regulatory enforcement actions, these include either "safety and soundness" or "consumer compliance" actions. Services include (a) drafting responses to reports of examination, (b) negotiating the elements of cease and desist orders, (c) advising boards concerning implementation and compliance strategies with such orders, (d) negotiating civil money penalty and license revocation orders, (e) devising management work plans and other strategies designed to satisfy and lift regulatory orders.

Regulatory Compliance and Enforcement Prevention. Practice is similar to "Regulatory Intervention" except it is preventative in nature. Work with management and boards to identify and correct safety and soundness or compliance issues before such issues become subject to enforcement actions. Such issues include but are not limited to compliance strategies with numerous pronouncements on (i) safety and soundness matters such as lending limits rules, credit quality policies, loan portfolio risk management pronouncements and anti-money laundering laws and rules and (ii) consumer compliance matters, primarily in the residential and consumer lending area, including laws dealing with truth-in-lending, truth-in-savings, RESPA, safekeeping of customer information, sharing of customer information, and applicable state consumer protection laws and licensing regimes such as the Washington Mortgage Broker Practices Act and the Consumer Loan Act.

Regulatory Relations. Assist management with regulatory approvals for new banks, bank holding companies, trust administration, non-depository operating subsidiaries, sub-chapter S conversions and other such activities. Assist financial institutions and their trade associations influence the administrative rulemaking process.

Legislative Relations. Assist clients and their trade associations draft bills and devise advocacy strategies concerning proposed legislation before state and federal legislative bodies.

John L. Bley **MEMBER**

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Expert Witness Testimony. Provide consulting and testimony services as an expert witness in the areas of predatory lending, corporate governance, audit committee best practices and internal audit, securities fraud, FINRA arbitrations, state and federal regulatory safety and soundness enforcement processes and consumer compliance enforcement processes.

Strategic Planning. Facilitate board and/or management strategic planning initiatives for bank or commercial enterprises. Such processes are tailored to the needs and desires of the client but can include (a) devising, implementing, and analyzing board questionnaires (b) interviewing board members and members of the CEO's direct reports to determine board and management's view of the strengths, weakness, opportunities and threats confronting the organization, (c) facilitating board and/or management strategic planning sessions, tailored to the scope and needs of the client, (d) working with management and the board to implement "Strategic Action Plans" to facilitate implementation of the strategic strategies identified during the strategic planning sessions.

Corporate Governance. Advise on sound governance procedures especially in the areas of best audit committee practices and codes of ethics, focusing primarily on small (less than one billion dollars) non-public banks.

Mergers and Acquisitions. Assisting in the negotiation of mergers and branch acquisitions, including drafting and negotiating agreements and securing applicable regulatory approvals.

REPRESENTATIVE WORK

- Negotiated and drafted acquisition documents for community bank transactions.
- Defended numerous federal and state regulatory investigations and enforcement orders.
- Negotiated and drafted numerous marketing and servicing agreements on behalf of third party service providers of financial institutions.
- Facilitated numerous strategic planning processes for boards of directors and executives of community banks.
- Acted as expert witness on bank governance and securities fraud litigation in federal and state litigation and FINRA arbitrations.

RECOGNITION

- The Best Lawyers in America[®] - Banking and Finance Law, 2013-2015
- Best in the Business: Leading Lawyers in the Puget Sound Region, Seattle Business magazine
 - + Banking and Finance, 2013-2014

ACTIVITIES

- Washington Finance League
- Conference of State Bank Supervisors
- American Bar Association, Business Law, Member
- Washington Bar Association, Business Law, Member
- RiverBank, Director and Audit Committee Chair
- Youth Softball Coach

QUOTED

- "Empowering Consumers is Consumer Protection," Testimony before Washington State Senate Financial Institutions, Housing & Consumer Protection Committee, February 2005

PUBLICATIONS

- “So, What Are you Going to do Next?” Community Bankers of Washington Quarterly, Winter 2014
- “Credit Crisis Cause and Effect – What to Expect for Northwest in 2009,” Foster Pepper News Alert, November 2008
- “When State Regulators Come Knocking,” Co-Author, Scotsman Guide, October 2009
- “Empowering the State System - State Regulators Support Initiatives to Reduce Regulatory Burden,” The IntegraAdvisor, August 2004
- “Supporting State Banking Systems: A Dedicated Approach to Economic Vitality,” The IntegraAdvisor, February 2003
- “Are You Ready for the Regulators? Economic Uncertainty Demands Proactive Management of Credit Risk,” IntegraAdvisor, July 2002

PRESENTATIONS

- Current Management Liability Issues of Interest to Community Bankers
 - + “[Account Takeover, Allocation of Loss and Loss Prevention Strategies](#),” Speaker, April 2015
 - + “[Creating and Implementing Your Cyber Response Plan](#),” Speaker, November 2014
- “The Honorable Privilege of Serving as an Outside Director of a Community Bank: Practical Tips and Best Practices,” Speaker, Community Bankers of Washington: 24th Annual Membership Convention & Trade Show, September 2014
- “Retribution: What FDIC Enforcement and Receivership Actions Tell Us about the Stand or Care,” Speaker, Washington Bankers Association: Northwest Executive Leadership Conference, September 2014
- “Interactive Director Self Evaluation,” Speaker, Conference of State of Bank Supervisors (CSBS) Bank Directors Seminar, September 2013
- Foster Pepper Bankers Briefing, Moderator, 2008-2014
- “Bank Audit Committee Best Practices,” Speaker, Oregon Bankers Association Directors College, February 2012
- “General Session - Legal Panel,” Panelist, CBW 21st Annual Convention and Trade Show, September 2011
- “An Interactive Mock Board Session: Governance & Audit Committee Best Practices,” Speaker, Oregon Bankers Association 106th Anniversary Convention, June 2011
- “CSBS State-Federal Supervisory Forum,” Speaker, 2011 CSBS State-Federal Supervisory Forum, May 2011
- “Update on State Charter Banks and the Anatomy of a Bank Failure,” Speaker, 2010 Real Estate & Land Use Seminar, April 2010
- “Board Governance Best Practices,” Speaker, Northwest Bank Directors College, February 2010
- “Interactive Mock Board Session – Meeting with the Regulators: Mock Board Case Study Issues,” Panelist, GSBC and CSBS Bank Directors Seminar, September 2009
- Moderated Regulator Panel, Western Independent Bankers (WIB) Annual CFO, Investments and Operational Risk Conference, May 2009
- “Interactive Mock Board Session,” Speaker, WIB/AABD Annual Directors Conference, November 2008
- “Directors & Regulatory Hotspots,” Presenter, Western Independent Bankers Webinar, September 2008
- “The Status of Banking in Washington,” Speaker, 2008 Commercial Lending Institute, September 2008
- “Directors & Red Flags in Board Reports,” Presenter, Western Independent Bankers Webinar, April 2008
- “Mastering Disaster - Dealing with Problem Credits,” Moderator, March 2008
- “Board Governance Best Practices,” Presenter, Northwest Bank Directors College, February 2008
- “Director Compensation & Executive Compensation in Today’s Environment,” Speaker, WIB/AABD 2007 Annual Bank Directors Conference, November 2007
- “Corporate Structures,” Speaker, Bank Directors Seminar, September 2007
- “Directors and Regulatory Hot Spots,” Speaker, The Western Independent Bankers Directors Series 2007, June 2007

John L. Bley **MEMBER**

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- "The Director's Role in Compliance," Speaker, The Utah Bankers Association Current Issues in Banking for Bank Directors, April 2007
- "BSA Overview on Enterprise Risk Assessment," Speaker, Northwest Summit for Financial Professionals, March 2007
- "Where the \$OX Might Not Fit," Speaker, Small Bank Board Governance and Audit Committee Best Practices, Northwest Bank Directors College, February 2007
- "Challenges in the Board Room: Fiduciary Duty, Ethics and Legality," Speaker, WBA CEO/Bank Directors Conference, December 2006
- "Today's Regulatory Environment," Speaker, Today's Regulatory Environment: Basic Real Estate Finance, November 2006
- "Managing Payment Shock: Review and Commentary on the Interagency Guidance on Nontraditional Mortgage Products Risks," Speaker, OBA Compliance Committee, November 2006
- "West Coast Law Update -- State Consumer Lending Enforcement Actions," Speaker, WIB/CBA 28th Annual Regulatory Compliance Conference, October 2006
- "The Board's Role in Compliance," Speaker, CSBS Bank Directors Seminar, September 2006
- "Enterprise Risk Assessment," Speaker, FDIC Bank Secrecy Act/Anti-money Laundering Seminar, September 2006
- Bank Regulatory Panel, Moderator, WICBA Annual Membership Convention, September 2006
- "Washington Bankers Association: Key Regulatory Issues Affecting Directors," Presenter, Regulatory Issues Impacting Directors, September 2006
- "Corporate Governance for Credit Unions," Presenter, NASCUS 40th Annual Conference & Symposium, August 2005
- "Agent Assisted Lending & FDIC Audits Presentation and Dialogue," Presenter, 2005 CFSA Annual Meeting, March 2005
- "What Isn't Predatory Lending," Presenter, 2004 CFSA Annual Meeting, February 2005
- "Agent Assisted Lending & FDIC Audits Presentations and Dialogue," Presenter, 2004 CFSA Annual Meeting, February 2004
- "Current Privacy Issues," Presenter, 2003 AFSA/NACCA Administrators/Industry Day, September, 2003
- "Agency Audits: What Are The Traps?" Presenter, Payday Lending Regulatory Summit, June, 2003
- "The Sarbanes-Oxley Act of 2002," Presenter, Western Independent Bankers 2003 Annual Cashiers/CFOs Conference Workshops on Directors & the Audit Committee, June 2003
- "The Sarbanes-Oxley Act of 2002," Presenter, Western Independent Bankers 46th Annual Conference, March 2003
- "Agency Audits: What are the Traps?" Presenter, 2003 CFSA Annual Meeting, February 2003
- "The Sarbanes-Oxley Act of 2002," Presenter, Public Company Accounting Reform and Investor Protection, February 2003
- "Bank Directors Duties from a Legal Perspective," Presenter, IntegraAdvisors, August 2002
- "Public Company Accounting Reform and Investor Protection, The Sarbanes-Oxley Act of 2002," Presenter, IntegraAdvisors, August 2002

EXPERIENCE

- Foster Pepper PLLC
 - + Member, 2009-Present
 - + Of Counsel, 2006-2008
- IntegraAdvisors, LLC, CEO, 2002-2006
- Washington State Department of Financial Institutions, Director, 1993-2002
- Washington State Division of Banking
 - + Supervisor of Banking, 1991-1993
 - + Deputy Supervisor of Banking, 1988-1991
- Graham & Dunn PC, Attorney, 1985-1988

John L. Bley **MEMBER**

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BAR ADMISSIONS

– Washington, 1985

EDUCATION

– J.D./M.B.A., Willamette University, 1985

– B.A., Pacific Lutheran University, 1980

B. Robert Rogowski Bio

- Robert Rogowski is the Managing Director, PCS Investment Banking and is part of the Community Banking Group at Wedbush Securities Inc. Wedbush is a national brokerage firm with 100 registered offices including Seattle, WA, Portland, OR, Los Angeles, CA, and San Francisco, CA.

- Bob was formerly First Vice President at Rainier Bank (renamed Security Pacific Bank Washington) Bob managed Corporate Development for the \$12 billion Northwest holding company.

- Bob earned a B.S. in Accounting from the University of Illinois and an M.B.A. in Finance from the University of Oregon.

- Mr. Rogowski has led engagements which culminated in 59 announced or completed whole bank mergers or branch purchases in 1998-2014.
 - 2014-2015 completed engagements were:
 - + Negotiated sale of Capital Pacific Bancorp to Pacific Continental Corp.
 - + Negotiated sale of Bank Reale to BEO Bancorp.
 - + Advised Banner Corp. on its acquisition of Siuslaw Financial Group, Inc.
 - + Advised and placed common stock in the private equity placement for California Bank of Commerce.
 - + Advised and placed common stock in the private equity placement for Plaza Bank.



Julie H. Seidenstein

OF COUNSEL

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SERVICES

Investment Management

Business

Financial Institutions

Media, Entertainment &
Games

Real Estate

PRACTICE OVERVIEW

Julie focuses her practice on transactional real estate, real estate finance and secured, unsecured, structured and project financing for regional and national clients. She has particular experience with the representation of institutional lenders and finance companies in originating construction and permanent real estate loans for retail, office, hospitality, multifamily and mixed-use properties on a national basis, including traditional balance-sheet loans, commercial mortgage-backed securities (CMBS), participation and syndication structures and mezzanine financing. Julie also has experience in commercial leasing and general corporate and business matters.

Prior to joining Foster Pepper, Julie had a national practice as an attorney in the Banking and Finance group at a law firm based in Charlotte, North Carolina.

REPRESENTATIVE WORK

- Representation of national and institutional mortgage loan portfolio servicers in senior and mezzanine loan assumptions, loan extensions for fixed rate and floating rate loans, loan modifications, cash management structures, leasing matters, real property issues such as easements, zoning, title work, condemnations and liens, as well as consent and general compliance matters.
- Representation of issuers and loan portfolio servicers in connection with secured and unsecured financial transactions and asset-backed securitizations.
- Representation of institutional lending clients in the review, rehabilitation and enforcement of large commercial real estate loan portfolios prior to sale or following acquisitions.

RECOGNITION

- Women Extraordinaire Award, *Charlotte Business Leader*, 2011
- Jane V. Harper Pro Bono Attorney of the Year Award, Mecklenburg County Bar, 2010

ACTIVITIES

- Commercial Real Estate Women (CREW) Seattle Chapter, Member
- Seattle Mortgage Banker's Association, Member, 2014-Present
- Washington Banker's Association, Member, 2015-Present
- Washington Women Lawyers, Member, 2013-Present

Julie H. Seidenstein **OF COUNSEL**

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- Commercial Real Estate Women (CREW) Charlotte Chapter
 - + Member and Committee Chair, 2007-2011
 - + Board Member, 2011-2012
- Arts and Science Council, Young Donor Society Member, 2011-2012
- American Bar Association
 - + Business Law Section, Member
 - + Real Property, Probate and Trust Law Section, Member
- Washington State Bar Association
 - + Business Law Section, Member
 - + Real Property, Probate and Trust Law Section, Member
- King County Bar Association
 - + Business Law Section, Member
 - + Real Property, Probate and Trust Law Section, Member
- Charlotte Women’s Bar Association
 - + Member and Committee Chair, 2005-2009
 - + Board Member and Officer, 2009-2012
- North Carolina and Mecklenburg County Bar Association, Young Lawyers Section, 2005-2012

PRESENTATIONS

- “Multi-Layered Debt Structures,” Speaker, Presented to National Banking Institution client, February 2013
- “Title Insurance and Related Issues,” Speaker, Presented to National Banking Institution client, April 2012
- “Subordination, Non-Disturbance and Attornment Agreements – a Primer for Lenders,” Speaker, Presented to National Banking Institution client, February 2012
- “Handling Defaults and Impending Defaults for CMBS Loans,” Speaker, Presented to National Banking Institution client, December 2009

EXPERIENCE

- Foster Pepper PLLC, Of Counsel, 2013-Present
- Associate in private practice in Charlotte, North Carolina, 2005-2013

BAR ADMISSIONS

- Washington, 2013
- North Carolina, 2005
- Western District of North Carolina, 2005

EDUCATION

- J.D., Seattle University (*magna cum laude*), 2005
 - + Moot Court Board, Member
 - + Women’s Law Caucus, Executive Board Member
 - + Dean’s List, 2004-2005
 - + Presidential Scholarship Recipient, 2002-2005

Julie H. Seidenstein **OF COUNSEL**

SEATTLE T 206.447.6229 F 206.749.2060 seidj@foster.com

- B.A., University of San Diego (*magna cum laude*), 2002
 - + Trustee Scholarship Recipient, 1998-2002
 - + Dean's List, 1998-2002
 - + Mortar Board Honor Society
 - + Order of Omega Honor Society



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SERVICES

Real Estate

Financial Institutions

PRACTICE OVERVIEW

Ben focuses his practice on real estate, with an emphasis on commercial real estate transactions and financing. His experience includes representing property owners, investors, developers, lenders and borrowers on all aspects of the acquisition and disposition of commercial properties. Ben also assists clients with commercial leasing.

Prior to entering private practice, Ben was in-house counsel at Washington state's largest bank, Washington Federal. As assistant counsel, he represented the bank in a wide variety of legal matters, including, but not limited to, the disposition of distressed assets, drafting loan documents, and corporate real estate transactions. Ben's experience at Washington Federal provides him with a unique understanding as to the legal and business concerns affecting the Northwest's regional and community banks.

ACTIVITIES

– Association of Washington Business, Member

PUBLICATIONS

– "[Mobile Payments: Is Plastic Becoming Obsolete?](#)" eat-drink-shop-stay.com, January 2013

EXPERIENCE

- Foster Pepper PLLC, Associate, 2014-Present
- Cairncross & Hempelmann, P.S., Associate, 2012-2014
- Washington Federal, Assistant Counsel, 2011-2012
- Environment International, Associate General Counsel, 2010-2011

BAR ADMISSIONS

– Washington, 2011

Ben Seeger ASSOCIATE

SEATTLE T 206.447.6268 F 206.749.2078 seegb@foster.com

EDUCATION

- J.D., Vanderbilt University Law School, 2010
 - + *Environmental Law and Policy Annual Review*, Articles Editor
 - + Business Law Society
 - + Honor Scholarship Recipient
- B.A., University of Washington, 2006
 - + Dean's List

Steven R. Peltin

MEMBER



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SERVICES

Business

Emerging Companies &
Venture Capital

Employment & Labor
(Chair)

Financial Institutions

Nonprofit & Tax-Exempt
Organizations

Retail & Consumer Products

Wine, Beer & Spirits

PRACTICE OVERVIEW

Steve chairs the firm's Employment & Labor practice. His work covers the gamut of employment and labor law. His advice practice is dedicated to helping employers solve problems such as employee discipline and discharge, leaves of absence, discrimination and harassment claims, and threats of employee violence. Steve enhances employee handbooks and prepares and negotiates employment, confidentiality and non-compete agreements. He also counsels executives and professionals on employment and separation agreements, and assists with corporate transactions such as purchases and sales of businesses.

Steve has extensive litigation experience and represents public and private employers in lawsuits claiming discrimination, harassment, wrongful discharge and violations of wage and hour, employee benefits, trade secrets and non-compete obligations. He also appears before local, state and federal administrative agencies and arbitrators in employment and labor matters.

REPRESENTATIVE WORK - Cases

- Won jury trial for an employer accused of age discrimination by laid-off union employee.
- Prevailed in hearing before the U.S. Department of Labor brought by a union business agent who claimed that the company conspired with the union to discharge him.
- Co-counsel in class action claiming pay for commuting in company vehicle; certification defeated and individual claim resolved promptly.
- Co-counsel for large employers in two U.S. Department of Labor collective actions claiming that employees worked off the clock; summary judgment obtained in one case, and the other was settled favorably.
- Won summary judgment on discrimination / harassment claim for financial services company.
- Obtained temporary restraining orders in two cases where employees refused to return computerized documents and information.
- Won summary judgment on sex bias claim by male employee of performing arts client.
- Convinced OSHA that a safety whistleblower on a construction site was not subject to a hostile work environment.
- Obtained anti-harassment orders against former employees.

Steven R. Peltin **MEMBER**

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- Defended company in ERISA cases brought by former executive seeking payments under a Supplemental Executive Retirement Plan and by pension funds seeking payment of withdrawal liability.

REPRESENTATIVE WORK – Transactions

- Employment and labor counsel in sales of business, including drafting of purchase agreement language, preparation of offer letters, executive employment agreements and employee communications.
- Assistance to client in reductions in force.
- Counseling of clients facing threat of workplace violence.
- Creation of documentation for background investigations, hiring, leaves of absence, requests for disability accommodation, last chance agreement and severance agreements.
- Preparation on policies such as travel pay, use of cell phones and blogging.
- Management training on employment law topics, including avoiding harassment and discrimination, performance management and hiring.

RECOGNITION

- *The Best Lawyers in America*®
 - + Labor Law – Management, 2012-2015
 - + Litigation – Labor & Employment, 2013-2015
- Best in the Business: Leading Lawyers in the Puget Sound Region, *Seattle Business* magazine
 - + Labor – Management, 2013
 - + Litigation – Labor & Employment, 2013

ACTIVITIES

- Seattle Theatre Group
 - + Board of Directors
 - + Executive Committee
- University Preparatory Academy
 - + Board of Directors, 2011-2012
 - + Chair of Personnel Committee, 2011-2012
- Foster Pepper Pro Bono
 - + Featured in the 2013 Pro Bono Annual Report
 - + Featured in the 2012 Pro Bono Annual Report

QUOTED

- [“Court Overturns Loan Officer Overtime Ruling in ‘Win’ for MBA,”](#) Quoted in *Reverse Mortgage Daily*, July 2013
- [“‘In Person’ Feature - Best Practices for Employers to Comply with the City of Seattle's Paid Sick and Safe Time Ordinance,”](#) Interviewed in *Puget Sound Business Journal* - November 2012
- [“It's Not Just Paid Time Off – It's the Law: Attorneys explain what Seattle's new sick leave ordinance means for employers,”](#) Quoted in *Puget Sound Business Journal* - September 2011
- “Your Office Away from the Office,” Quoted in *Utah CEO Magazine*
- “Keeping violent employees out of the workplace,” Quoted in *Risk Management* magazine
- “10 Considerations in Developing Telecommuting Policies and Agreements,” Quoted in HR.COM

PUBLICATIONS

Steve Peltin is a frequent contributor to Foster Pepper's [Washington Workplace Law](#) blog.

- “Effective Negotiation of Executive Employment Agreements,” Author, *Inside the Minds: Negotiating and Employment Agreements, Leading Lawyers on Constructing Effective Employment Contracts*, 2012 Edition
- “[Employers: Beware of High School Diploma Requirements](#),” Author, *WIB HR & Training Digest*, February 2012
- “[Hidden Threats – There are steps you can take to prevent violence in the workplace](#),” Co-author, *Washington CEO* magazine
- “Bad Acts: Smaller Employers Should Confront Threats of On-The-Job Physical Assaults,” Author, *Washington Journal*
- “Telecommuting: Legal and Management Risks For Employers,” Author, *Corporate Counsel Magazine*
- “Reducing Telecommuting Management Risks,” Author, *National Underwriter* magazine
- “How To Reduce Workplace Violence,” Author, *National Underwriter* magazine
- “50-State Survey of Employment Libel and Privacy Law, Washington Chapter,” Author, Media Law & Resource Center
- “Hiring Employees: Disability Questions and Medical Exams,” Author, *Realty & Building*

PRESENTATIONS

- “[Thriving Through Legal Resilience](#),” Speaker, Washington State Nonprofit Conference, May 2015
- [Association of Washington Housing Authorities Spring Meeting](#), Speaker, April 2015
- “[Is Your Employee Handbook Ready for Prime Time?](#)” Speaker, Foster Pepper Client Briefing, April 2015
- “[Privacy in the Workplace: Managing Employees in the Digital Age](#),” Moderator, Foster Pepper Client Briefing, November 2014
- “The Alphabet Soup of Federal Employment Law,” Speaker, Tribal Employment Rights & Law: Sovereignty, Jurisdiction and Best Practices, July 2014
- “[Social Media and the Workplace - Protecting the Hospital in the Digital Age](#),” Speaker, Washington State Hospital Association’s NW Council’s Hot Topics Meeting, June 2014
- “Filling the Empty Chairs: Legal and Effective Hiring,” Presenter, Northwest Marine Trade Association - Professional Development Series
- “What You Should Know About Executive Director Employment Agreements,” Speaker, Association of Washington Housing Authorities
- “[Bullying and Violence in the Workplace: Prevention and Intervention Strategies](#),” Speaker, Foster Pepper Client Briefing, March 2014
- “Legalization of Marijuana - The Impact on Washington Employers”
 - + Speaker, South King County Human Resources Association December Meeting, 2013
 - + Speaker, Employee Assistance Professionals Association Pacific Northwest Chapter November Meeting, 2013
- “[Employment Discrimination Law – Hear From The Agencies](#),” Speaker/Moderator, Foster Pepper Client Briefing
- “[Managing Employee Performance While Reducing Legal Risks](#),” Speaker, Northwest Marine Trade Associations
- “[Wage & Hour Compliance – Beyond the Basics \(Part I\)](#),” Speaker/Moderator, Foster Pepper Client Briefing
- “[Wage & Hour Compliance – Beyond the Basics \(Part II\)](#),” Speaker/Moderator, Foster Pepper Client Briefing
- “[Filling the Empty Chairs: Legal and Effective Hiring](#),” Speaker/Moderator, Foster Pepper Client Briefing
- “Out of Sight But Not Out of Mind: Untangling Leave of Absence Requirements,” Speaker, 14th, 15th and 16th Annual Labor & Employment Law Seminar, The Seminar Group
- “Understanding Seattle Paid Sick and Safe Time”
 - + Speaker, Washington Trucking Associations
 - + Speaker, Northwest Marine Trade Association
- “[Seattle Paid Sick and Safe Time: Practical Guidance Employers Need to Know](#),” Speaker/Moderator, Foster Pepper Client Briefing
- “Legal Issues for Startups: Employment Law,” Speaker, SURF Incubator

Steven R. Peltin **MEMBER**

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- “Employment Law Challenges for Public Employers and Current Developments under the Public Employees Collective Bargaining Act,” Speaker, 2012 Association of Washington Housing Authorities (AWHA) Meeting
- “[Reasonably Accommodating Employees with Disabilities](#),” Speaker/Moderator, Foster Pepper Client Briefing
- “High-Stakes Employment and IP Protections: Protect your Company from Increasing Employment Risks and Shield Your Valuable Intellectual Property,” Speaker, Foster Pepper and Washington State Chapter of ACC America
- “[Conducting Effective Workplace Investigations](#),” Speaker/Moderator, Foster Pepper Client Briefing
- “Managing the Process of Labor Negotiations,” Speaker, Washington Fire Commissioners Association 63rd Annual Conference
- “[Out of Sight but Not Out of Mind: Untangling Employer Obligations under FMLA and Other Leave Statutes](#),” Speaker/Moderator, Foster Pepper Client Briefing
- “[Social Media in the Workplace](#),” Speaker/Moderator, Foster Pepper Client Briefing
- “Payroll Management,” Speaker, Lorman Educational Services
- “Time Off: State and Federal Laws on Employee Leave, Vacations and Holidays,” Speaker, Lorman Educational Services
- “Recent Developments under the Family and Medical Leave Act,” Speaker, National Council of State Housing Agencies
- “10 Scary Issues You Need to Know About Your Employees,” Speaker, ASTRA Women’s Business Alliance
- “New Developments in Employment Law,” Speaker, Seattle CFO Arts Roundtable
- “Best Practice in FMLA Administration,” Speaker, Council on Education in Management
- “Conducting Effective Investigations Into Employee Complaints,” Speaker, PUD and Municipal Attorneys Association
- “Cyberstalking: The Washington Employer’s Perspective,” Speaker, King County Bar Association
- “Workplace Investigations,” Speaker, Council on Education in Management
- “Email and the Internet – Legal Challenges for Employers,” Speaker, PUD and Municipal Attorneys Association

EXPERIENCE

- Foster Pepper PLLC, Member, 2010-Present
- K&L Gates LLP (formerly Preston Gates & Ellis, LLP), Partner, 1998-2010
- Georgia-Pacific Corporation, Senior Counsel, 1996-1998
- Altheimer & Gray (Chicago, IL), Associate and Partner, 1986-1996
- Isham Lincoln & Beale (Chicago, IL), Associate, 1983-1986
- U.S. District Court for the Western District of Wisconsin, Law clerk for the Hon. John C. Shabaz, 1982-1983

BAR ADMISSIONS

- Washington, 1999
- Illinois, 1983 (Inactive)

EDUCATION

- J.D., Cornell Law School (*cum laude*), 1983
- B.A., University of Wisconsin-Madison (with distinction), 1978
 - + Phi Beta Kappa

Brian Vance**Heritage Financial Corporation**

Mr. Vance began with Heritage Bank in 1996 as Chief Credit Officer and in 2003 became President and CEO of Heritage Bank and in 2006 became President and CEO of Heritage Financial Company. Prior to Heritage, Mr. Vance was with West One Bank for 24 years. West One was an Idaho based bank with offices in Idaho, Oregon, Utah and Washington. Prior to leaving West One, Mr. Vance was Senior Vice President and Regional Manager of Banking Operations for the south Puget Sound Region.

During Mr. Vance's tenure at Heritage he has overseen 8 mergers and acquisitions, including two FDIC assisted transactions and most recently a merger with Washington Banking Co. or Whidbey Island Bank which now brings Heritage's total assets to \$3.5B and 66 branches in Washington and Oregon.



Financial Institutions

Foster Pepper's financial institutions practice represents many large and small state and federally chartered commercial banks, savings associations, savings banks, and local branches of foreign banks. We are proud to be consistently recognized by our clients and peers in the *U.S. News-Best Lawyers* "Best Law Firms" survey as a top Washington state financial institutions law practice.

Our attorneys also have extensive experience representing a variety of non-bank lenders, including pension plans, life insurance companies, mortgage companies, and conduits. The firm's additional experience in creditors' rights, business, real estate and litigation position us well to assist in a wide range of legal services directly related to financial institutions.

Clients look to us to provide guidance in the following areas:

- Capital formation/securities
- Corporate governance
- Debt restructuring and workouts
- Director representation and defense advocacy
- Employment and labor relations
- Executive compensation and employee benefit plans
- FDIC assisted transactions

- Lending
- Litigation and dispute resolution
- Merger and branch acquisition
- New bank organization
- Real estate matters
- Regulatory compliance
- Secondary market activities/residential mortgages
- Strategic planning
- Tax-advantage finance
- Taxation
- Troubled institutions and 363 sales

Areas of Focus

Capital Formation/Securities

Foster Pepper attorneys have represented financial institutions and their holding companies in the issuance of common stock, preferred stock, subordinated capital notes, and medium term notes, as well as more exotic securities, including mortgage pass-through certificates, mortgage-backed

bonds, CMOs, and convertible instruments. We are also familiar with the negotiation and documentation of interest rate swaps and other interest rate risk management tools. Our firm has handled offerings ranging from publicly underwritten and registered offerings to private placements.

Corporate Governance

Foster Pepper attorneys provide corporate governance tools for both publicly-listed company compliance with Sarbanes-Oxley and best practices for non-listed banks, including corporate governance guidelines, code of ethics and committee charters.

Corporate Real Estate

Foster Pepper attorneys provide guidance on financial institution real estate needs, including property acquisitions and dispositions, headquarter facilities, branch leases, ground lease and sale-leaseback transactions, ATM agreements, portfolio acquisitions and dispositions, subletting and assignment, facilities management, and related construction issues.

Credit Crisis

In response to the subprime credit crisis and the resulting challenges to the financial services industry, Foster Pepper formed a Credit Crisis team comprised of attorneys from various disciplines. The attorneys in this workout-oriented group assist banks and other lenders in dealing with commercial troubled credits. They provide legal advice related to problem loan files, negotiating workouts, available remedies, bankruptcy options, condominium workouts, insurance coverage, participation loans, intercreditor issues, and liabilities and risks involved with a particular action.

Debt Restructuring and Workouts

Foster Pepper attorneys have extensive experience in all types of loan workouts and restructurings. Our attorneys have dealt with all types of troubled real estate, including hotels, office buildings,

industrial and warehouse facilities, shopping centers, apartment projects, agricultural property, and raw land located in the western United States.

Director Representation

Foster Pepper's financial institutions practice includes representation of officers, directors, and institutions in litigation in shareholder derivative suits, actions brought by receivers, and lender liability suits. We have also defended officers and directors in litigation and in administrative proceedings brought by federal and state regulators, including the FDIC and the OTS. These actions have often involved claims or lawsuits against insurance companies seeking indemnification under director's and officer's insurance policies. Also, we frequently advise independent boards of directors on issues unique to them, including officer and director responsibilities and, for publicly held institutions, special reporting requirements of the institution and its officers and directors. Members of our practice group assist in drafting article and bylaw amendments dealing with officer and director indemnification and exculpation and securing shareholder approval of such changes. In addition we have wide experience with the interpretation of officer and director liability insurance policies.

Economic "Stimulus" Legislation, TARP, TLGP, TALF

Foster Pepper attorneys assist banks in securing financing under the TARP Capital Purchase Program, issuing debt under the TLGP and addressing issues under TALF, and provide banks with guidance on the executive compensation restrictions under the Economic "Stimulus" Legislation.

FDIC-Assisted Transactions

Foster Pepper represents acquiring banks in the purchase and assumption of assets and liabilities of failed banks in both "clean" and "whole bank" transactions and provide legal advice on post-closing integration and troubled asset issues.

Lending

Foster Pepper attorneys are involved in the creation of standard and unique loan documents, review of loan documents for compliance with federal, state and tribal law, and negotiation and documentation of complex real estate or asset-based lending transactions.

Financial Institutions Litigation

Foster Pepper attorneys restructure commercial and agricultural credits and work in all aspects of foreclosure and bankruptcy law including loan workouts, restructuring, collections, foreclosures, receiverships and bankruptcy. Many of our clients have acquired institutions that have substantial portfolios of delinquent or troubled loans, and we have assisted them with due diligence reviews of troubled loan portfolios and large-scale workouts following an acquisition. Additionally, we assist clients in white collar crime litigation.

Mergers and Branch Acquisitions

Foster Pepper attorneys have extensive experience in mergers and branch acquisitions, including negotiating, drafting agreements and securing regulatory approval. Members of our practice group also have experience in the transfer of branch offices with insured deposits from healthy institutions and from the RTC and the FDIC. Additionally, our lawyers have assisted financial institutions in acquiring a broad range of service companies, including stock brokerage firms, insurance agencies, travel agencies, mortgage banking operations, and an investment advisory company.

New Bank Organization

Foster Pepper attorneys have assisted in organizing federal and state chartered financial institutions in Oregon and Washington. Our attorneys represented the majority of the banks to be chartered in Oregon since the previous period of new bank activity in the early 1980s. We have also formed more than a dozen bank holding companies and are familiar with the Federal Reserve Board, the OTS, and state law filing requirements. We are often asked to advise our clients on the benefits of holding-company structures for commercial banks and savings associations.

Regulatory Compliance

Foster Pepper attorneys are experienced in state and federal regulatory compliance for financial institution operations, including residential and consumer lending laws, and responses to and compliance with regulatory directives and cease and desist orders. We help companies, ranging from established banks with a national presence to small start-up lenders making loans over the Internet, to comply with federal and local regulations. We have experience in Federal Regulations A through EE. Plus, we have experience navigating state usury laws and the licensing laws for mortgage brokers, bankers, and consumer loan companies.

Secondary Market Activities/Residential Mortgages

Foster Pepper attorneys represents sponsors and underwriters in residential mortgage-backed securitizations (including subprime, Alt A and reverse mortgage loans) and issues arising in troubled securitizations (including origination, servicing, breach of representations and warranties, repurchase disputes and mortgage insurance rescission issues), whole loan purchases and sales (including scratch & dent and distressed pools), Fannie Mae and Freddie Mac transactions, and purchases and sales of servicing rights.

Strategic Planning

Foster Pepper attorneys provide board guidance on issues such as raising capital, enhancing shareholder value, growth through acquisition, planning for mergers or branch sales, and takeover strategies and defenses.

Tax-Advantaged Finance

Foster Pepper attorneys assist banks with New Markets Tax Credits, Low-Income Housing Tax Credits, Qualified Zone Academy Bonds, Clean and Renewable Energy Bonds, and tax-exempt borrowings for local governments and Indian tribes.

Taxation

We have developed considerable experience in tax planning and tax dispute resolution for banks and thrift institutions. Our tax lawyers have handled questions of federal and state taxation (including the question of taxation of reciprocal loan sales) and are familiar with the federal income tax consequences of CMOs and REMICs, as well as those related to realization on collateral. They are also available to assist in the planning stages of acquisitions of both healthy and troubled institutions.

Troubled Institutions and 363 Sales

Our attorneys have advised financially troubled or under-capitalized financial institutions on raising additional capital, responding to or challenging regulatory directives or cease and desist orders, preparing policy statements and business plans, and generally assisting institutions in satisfying regulatory requirements. Further, our lawyers have significant experience in analyzing and structuring FDIC-assisted transactions, from the viewpoint of both the assisted and the acquiring institution. We have also represented financial institution clients in purchasing closed institutions or their assets from the FDIC and the RTC as receiver.

FDIC State Profile

Washington

Fourth Quarter 2014

ECONOMIC INDICATORS

Employment Growth Rates (change from year ago, unless noted)	Q4-14	Q3-14	Q4-13	2014	2013
Total Nonfarm (share of trailing four quarter employment in parentheses)	3.0%	3.0%	2.4%	2.8%	2.4%
Manufacturing (9%)	1.2%	0.8%	0.8%	0.8%	2.3%
Other (non-manufacturing) Goods-Producing (5%)	7.8%	6.3%	6.3%	6.8%	7.0%
Private Service-Providing (67%)	3.1%	3.2%	2.9%	3.1%	2.6%
Government (18%)	2.4%	2.1%	0.2%	1.5%	0.4%
Unemployment Rate (% of labor force)	6.3%	6.2%	6.7%	6.3%	6.9%
Other Indicators (change from year ago, unless noted)	Q4-14	Q3-14	Q4-13	2014	2013
Single-Family Home Permits	5.2%	1.6%	-7.2%	-5.0%	7.0%
Multifamily Building Permits	11.2%	42.2%	38.2%	32.8%	12.9%
Home Price Index	7.4%	7.9%	6.6%	7.4%	5.5%
Nonbusiness Bankruptcy Filings per 1000 people (quarterly annualized level)	2.59	2.86	3.06	2.95	3.47

BANKING TRENDS

General Information	Q4-14	Q3-14	Q4-13	2014	2013
Institutions (#)	59	60	62	59	62
Total Assets (in millions)	63,078	61,808	69,606	63,078	69,606
New Institutions (# < 3 years)	0	0	0	0	0
Subchapter S Institutions	9	9	9	9	9
Asset Quality	Q4-14	Q3-14	Q4-13	2014	2013
Past-Due and Nonaccrual Loans / Total Loans (median %)	1.27	1.25	1.73	1.27	1.73
Noncurrent Loans / Total Loans (median %)	0.84	0.89	1.38	0.84	1.38
ALLL/Total Loans (median %)	1.47	1.52	1.64	1.47	1.64
ALLL/Noncurrent Loans (median multiple)	1.85	1.75	1.51	1.85	1.51
Net Loan Losses / Total Loans (median %)	0.00	0.03	0.07	0.10	0.18
Capital / Earnings	Q4-14	Q3-14	Q4-13	2014	2013
Tier 1 Leverage (median %)	10.22	10.42	10.41	10.22	10.41
Return on Assets (median %)	0.69	0.81	0.58	0.80	0.71
Pretax Return on Assets (median %)	0.91	1.04	0.79	0.80	0.81
Net Interest Margin (median %)	3.89	3.81	3.90	3.78	3.76
Yield on Earning Assets (median %)	4.37	4.33	4.40	4.40	4.45
Cost of Funding Earning Assets (median %)	0.42	0.40	0.44	0.42	0.47
Provisions to Avg. Assets (median %)	0.00	0.00	0.00	0.03	0.04
Noninterest Income to Avg. Assets (median %)	0.42	0.51	0.56	0.53	0.55
Overhead to Avg. Assets (median %)	3.48	3.32	3.45	3.38	3.36
Liquidity/Sensitivity	Q4-14	Q3-14	Q4-13	2014	2013
Net Loans to Assets (median %)	70.84	71.11	71.15	70.84	71.15
Noncore Funding to Assets (median %)	6.47	5.99	6.72	6.47	6.72
Long-term Assets to Assets (median %, call filers)	30.04	29.35	29.40	30.04	29.40
Brokered Deposits (number of institutions)	32	31	30	32	30
Brokered Deposits to Assets (median % for those above)	1.81	1.70	1.83	1.81	1.83
Loan Concentrations (median % of Total Risk-Based Capital)	Q4-14	Q3-14	Q4-13	2014	2013
Commercial and Industrial	81.26	82.51	79.59	81.26	79.59
Commercial Real Estate	326.88	335.75	336.47	326.88	336.47
Construction & Development	33.95	32.74	34.93	33.95	34.93
Multifamily Residential Real Estate	33.25	33.99	29.43	33.25	29.43
Nonresidential Real Estate	219.70	228.50	229.49	219.70	229.49
Residential Real Estate	100.37	96.41	100.07	100.37	100.07
Consumer	7.63	8.54	7.84	7.63	7.84
Agriculture	3.91	4.19	6.91	3.91	6.91

BANKING PROFILE

Largest Deposit Markets (from 2014 Summary of Deposits)	Institutions in Market	Deposits (\$ millions)	Asset Distribution	Institutions
Seattle-Tacoma-Bellevue, WA	58	81,262	< \$100 million	14 (23.7%)
Portland-Vancouver-Hillsboro, OR-WA	37	40,448	\$100 million to \$250 million	15 (25.4%)
Spokane-Spokane Valley, WA	20	7,143	\$250 million to \$1 billion	20 (33.9%)
Bellingham, WA	15	3,137	\$1 billion to \$10 billion	9 (15.3%)
Yakima, WA	16	2,891	> \$10 billion	1 (1.7%)

Report date 12/31/2014 -- All HQ Washington Banks

cert	name	bkclass	asset	roa	roe	eeffr	nperfv
28088	Washington Federal, National / N	N	14,493,978	1.07	7.95	47.72	1.36
33826	Columbia State Bank	NM	8,579,761	1.09	7.73	65.90	0.94
1281	Washington Trust Bank	NM	4,767,725	0.92	9.63	64.80	0.62
28489	Banner Bank	NM	4,483,767	1.29	10.11	62.55	0.40
22441	AmericanWest Bank	NM	4,201,859	0.95	7.05	70.91	0.57
32489	HomeStreet Bank	SB	3,513,885	0.80	8.08	86.96	1.87
29012	Heritage Bank	NM	3,457,813	0.94	7.04	70.04	1.34
28116	Yakima Federal Savings and Loan / SB	SB	1,777,617	0.85	4.03	46.46	0.18
6158	Peoples Bank	NM	1,362,633	0.84	8.21	71.81	0.71
1265	Cashmere Valley Bank	NM	1,324,604	1.21	11.81	55.65	0.17
6161	Kitsap Bank	NM	959,804	0.73	6.82	80.79	0.63
29058	First Savings Bank Northwest / SB	SB	930,995	1.26	7.33	52.53	1.14
28405	First Federal Savings and Loan / SB	SB	924,184	0.35	3.53	83.95	0.66
27298	The Commerce Bank of Washington / N	N	891,798	0.13	1.23	90.58	0.72
29922	Riverview Community Bank	SA	822,937	2.27	15.79	87.46	1.13
17874	Skagit Bank	NM	810,491	0.75	8.51	71.03	1.19
28453	Timberland Bank	SB	749,433	0.82	7.70	73.83	2.68
23041	Bank of the Pacific	NM	744,878	0.77	6.76	77.71	1.36
2987	Baker-Boyer National Bank	N	552,055	1.02	12.02	73.65	0.50
28599	Olympia Federal Savings and Loan / SB	SB	548,137	0.52	3.40	77.99	0.67
34403	Coastal Community Bank	SM	546,343	0.50	5.29	77.43	0.84
57633	1st Security Bank of Washington / SB	SB	500,664	1.01	8.63	72.91	0.09
57451	Sound Community Bank	NM	495,424	0.94	9.29	65.06	0.29
27601	Inland Northwest Bank	NM	420,807	0.93	8.24	72.16	0.33
35566	Foundation Bank	NM	397,159	0.34	3.13	81.98	4.80
57955	Puget Sound Bank	NM	387,729	0.89	6.96	63.77	0.15
28454	Anchor Bank	SB	377,781	2.56	18.37	91.39	0.80
13232	Security State Bank	NM	374,596	0.94	8.13	71.07	1.90
22939	Wheatland Bank	NM	340,777	0.44	4.96	82.91	0.23
34627	Community First Bank	NM	273,823	1.03	11.76	66.23	0.11
23469	Islanders Bank	NM	246,970	1.23	8.82	53.61	0.93
58407	UniBank	NM	232,486	1.48	10.16	53.37	4.29
35139	Seattle Bank	SB	188,372	-0.18	-0.85	154.33	17.41
34585	Pacific Crest Savings Bank	SB	187,570	1.33	12.83	59.79	0.89
35355	South Sound Bank	NM	182,116	0.33	2.41	86.09	1.26
58446	Commencement Bank	SM	167,679	0.56	4.38	78.68	0.63
58341	Mountain Pacific Bank	NM	155,486	3.15	25.14	86.59	3.71
34214	The Bank of Washington	NM	152,027	0.69	6.07	84.37	3.28
11207	Bank of Fairfield	NM	148,786	0.53	5.34	83.40	1.09
57978	Business Bank	NM	123,689	0.11	1.47	97.30	2.06
34022	Prime Pacific Bank, National / As N	N	121,460	1.61	15.85	68.15	1.28
57862	Thurston First Bank	NM	119,864	0.54	5.70	74.55	1.09
2945	State Bank Northwest	NM	117,385	1.23	11.26	73.36	2.22
58322	RiverBank	NM	113,160	-1.44	-13.27	117.31	2.30
57799	First Sound Bank	NM	102,203	0.02	0.23	98.79	2.27

22993	Twin River National Bank	N	89,404	0.57	7.32	81.99	1.17
34791	Fife Commercial Bank	NM	84,846	1.94	15.28	57.54	0.04
58778	Liberty Bay Bank	NM	76,046	0.27	2.45	98.22	1.64
58305	Plaza Bank	NM	70,932	-1.18	-12.20	134.98	1.66
57167	Washington Business Bank	NM	68,502	1.12	9.50	70.14	1.27
28266	Raymond Federal Bank	SB	53,014	0.15	1.38	89.51	0.45
33183	Sound Banking Company	NM	49,408	1.52	15.65	68.42	1.34
8681	Lamont Bank of St. John	NM	47,556	0.26	2.87	57.17	0.08
35261	Twin City Bank	NM	43,021	0.27	2.66	89.47	3.13
58183	Bank Reale	NM	37,988	-0.16	-2.27	98.62	4.19
57132	Eastside Commercial Bank, Na N		31,876	-5.49	-156.32	213.26	4.32
6156	Farmers State Bank, Winthrop, NM		30,257	0.28	2.28	84.93	0.51
6149	Farmington State Bank	NM	11,413	0.39	2.77	82.35	0.00
35156	Hometown National Bank	N	11,110	-6.41	-79.11	456.74	3.30

nperfv = Noncurrent assets plus OREO to assets