

**PUBLIC DISCLOSURE**

March 3, 1997

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

BANK OF COLORADO - FRONT RANGE  
131258  
10-08-1460

P.O. BOX 939  
WINDSOR, COLORADO 80550

Federal Reserve Bank of Kansas City  
925 Grand Boulevard  
Kansas City, Missouri 64198

**NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.**

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## GENERAL INFORMATION

*The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution=s record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution=s record of meeting the credit needs of its community.*

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of the **Bank of Colorado - Front Range, Windsor, Colorado** prepared by the **Federal Reserve Bank of Kansas City - Denver Branch**, the institution=s supervisory agency, as of March 3, 1997. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but no necessarily all of the institution=s branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.*

## OVERALL RATING FOR INSTITUTION

**INSTITUTION=S RATING:** This institution is rated **Satisfactory**.

Based on a review of its lending performance, qualified investments, and services within its assessment area, the Bank of Colorado - Front Range demonstrates a satisfactory performance under the CRA. Bank management is actively involved in meeting the credit needs throughout its assessment area, including low- and moderate-income neighborhoods and individuals as well as small businesses and small farms, in a manner consistent with its resources and capabilities. A high percentage of the bank=s loans are made within its assessment area, and these loans reflect good penetration by geographies and to customers of different income and revenue levels. While the bank=s rating for qualified investments is low, its high level of community development services is commendable.

The following table indicates the performance level of the **Bank of Colorado - Front Range** with respect to the lending, investment, and service tests.

PERFORMANCE LEVELS	<u>BANK OF COLORADO - FRONT RANGE</u>		
	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory			X
Low Satisfactory	X	X	
Needs Improvement			
Substantial Noncompliance			

\*Note: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

The bank=s performance under the CRA was last evaluated at the November 6, 1995 examination under the old procedures, at which time it was considered Outstanding.

**DESCRIPTION OF INSTITUTION:**

The Bank of Colorado - Front Range is one of 19 bank subsidiaries of Pinnacle Bancorp, Inc., a multibank holding company with assets of more than \$1 billion. The bank=s December 31, 1996 Report of Condition and Income (Call Report) reflects assets of \$43,382,000, gross loans of \$21,256,000, and total deposits of \$39,007,000.

The main office and one branch of the Bank of Colorado - Front Range are both situated in Windsor, Colorado. Windsor is located in the northern portion of Weld County, 50 miles north of Denver and 50 miles south of Cheyenne, Wyoming. Also, Windsor is 15 miles equidistant from Greeley, Fort Collins, and Loveland, Colorado. There are no financial or legal impediments that impact the bank=s ability to lend. However, the numerous financial institutions in northeastern Colorado provide considerable competition.

While the Bank of Colorado - Front Range operates as a full-service financial institution, directors and management specifically target the commercial, agricultural, and residential real estate markets. The following table represents the bank=s loan portfolio as presented in the December 31, 1996 Call Report.

<b>DISTRIBUTION OF LOANS IN THE LOAN PORTFOLIO</b>		
<b>Type of Loan</b>	<b>Amount (In Thousands)</b>	<b>Percentage of Total Loans</b>
Agricultural Loans	\$ 1,801	8%
Commercial Loans	2,785	13%
Loans Secured by Real Estate:		
Secured by farmland	1,217	6%
Loans secured by 1- to 4-family residential properties	4,843	23%
Secured by nonresidential properties	6,163	29%
Construction and land development	2,147	10%
Secured by multifamily (5 or more) residential properties	539	2%
Consumer installment loans	1,448	7%
Consumer open-end loans	134	1%
Other	179	1%
<b>Total</b>	<b>\$21,256</b>	<b>100%</b>

## **DESCRIPTION OF ASSESSMENT AREA**

The bank's assessment area, which is the geographic area the bank has designated as its service area, includes portions of the Greeley Metropolitan Statistical Area (MSA) and portions of the Fort Collins/Loveland MSA. The assessment area is comprised of six census tracts, including two middle-income tracts in the Greeley MSA and one low-income, one moderate-income, and two middle-income tracts in the Fort Collins/Loveland MSA. The assessment area does not arbitrarily exclude any low- and moderate-income areas. The towns of Windsor, Tinmath, Wellington, Severance, Laporte, and the eastern portion of the city of Fort Collins are included in this predominantly rural area. A map of the bank's assessment area is attached to this performance evaluation.

Based on the 1990 Census, the population of the assessment area is 25,982. According to community contacts, the 1996 average price of a single-family residence in Greeley and Fort Collins is approximately \$123,000 and \$148,000, respectively. Homes in Windsor also are selling in this range, and upward of \$300,000. Compared to the 1990 Census which reported a \$61,563 median housing value in the assessment area, the current values represent a dramatic increase. The 1990 Census also reported 10,969 housing units in the assessment area, of which 59 percent are owner-occupied, and a median

family income of \$21,528.

The table on the following page shows the distribution of the families in the assessment area by income category. Low income is defined as less than 50 percent, moderate income is at least 50 percent and less than 80 percent, middle income is at least 80 percent and less than 120 percent, and upper income is 120 percent or more of the median family incomes of the Greeley and Fort Collins/Loveland MSAs.

<b>DISTRIBUTION OF FAMILY INCOME IN THE ASSESSMENT AREA</b>					
	<b>Low</b>	<b>Moderate</b>	<b>Middle</b>	<b>Upper</b>	<b>Total</b>
Number of Families	1,520	1,503	1,618	2,037	6,678
Percentage of Total Families	23%	23%	24%	30%	100%

A Weld County official, who was contacted during the examination, stated that the overall economy is strong. In addition, Weld County is actively working to attract new companies into the area through its Economic Development Action Partnership. The largest employer in the Windsor area is Eastman Kodak with more than 2,500 employees. Other major employers include Universal Forest Products, Metal Container Corporation, Deline Box Company, as well as agriculture, oil, and related industries. As of November 1996, unemployment levels for Larimer and Weld Counties were 3.3 percent and 3.9 percent, respectively. Another community contact, a business owner in Windsor, stated that the types of credit needed in the community include loans for small business start-up and expansion and long-term residential real estate loans.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS:**

The conclusions regarding the lending, investment, and service tests are summarized at the beginning of each section. Supporting information is then divided into performance characteristics that are described in Appendix A of Regulation BB.

**LENDING TEST**

Seven characteristics were evaluated in determining the bank=s performance under the Lending Test. The Lending Test evaluation resulted in an overall Low Satisfactory rating. The findings with regard to each characteristic are set forth below.

*Lending Activity - Rating: Low Satisfactory*

The lending levels of the Bank of Colorado - Front Range reflect adequate responsiveness

to assessment area credit needs. The bank offers a wide variety of credit products in an effort to meet these credit needs. Such products include consumer loans, small business loans (including Small Business Administration (SBA) loans), and small farm loans. The bank also offers long-term, fixed-rate residential mortgage loans through the secondary market, including Federal Housing Authority (FHA), Veteran=s Administration (VA), and Colorado Housing and Finance Authority (CHFA) loans. Until recently, however, the volume of loans sold through the secondary market has been insignificant. Since January 1, 1997, the bank has received and is processing 30 applications totaling \$3,061,300.

The loan-to-deposit ratio is a quick barometer for gauging whether or not the bank is reinvesting deposits it receives from customers back into the community in the form of loans. Based on Call Report information for the four quarters ending December 31, 1995 to September 30, 1996, the bank=s average net loan-to-deposit ratio was 52 percent. This ratio is relatively low when compared to four area banks, of similar size and characteristics, with an average net loan-to-deposit ratio of 75 percent. The net loan-to-deposit ratios for these banks ranged from 62 to 88 percent during the same period. The net loan-to-deposit ratio for 112 similarly-situated banks in the state of Colorado was 68 percent as of September 30, 1996.

*Assessment Area Concentration - Rating: High Satisfactory*

This criteria evaluates the concentration of loans originated by the bank in its assessment area. During 1996, the bank collected data on 70 small business loans and 53 small farm loans in response to the new CRA reporting requirements for large banks. In addition, the bank originated and reported 32 residential real estate loans under the Home Mortgage Disclosure Act (HMDA). As demonstrated in the following table, the bank=s lending activity shows that a high percentage of loans are made in its assessment area.

<b>DISTRIBUTION OF LOANS IN AND OUT OF THE ASSESSMENT AREA</b>								
<b>Loan Type</b>	<b>Inside the Assessment Area</b>				<b>Outside the Assessment Area</b>			
	Number of Loans	%	Amount In Thousands	%	Number of Loans	%	Amount in Thousands	%
<b>Residential Real Estate</b>	24	75%	\$ 1,210	77%	8	25 %	\$ 363	23%
<b>Small Business</b>	54	77%	9,784	83%	16	23 %	2,013	17%
<b>Small Farm</b>	37	70%	2,930	52%	16	30 %	2,733	48%
<b>Overall Totals</b>	115	74%	\$13,924	73%	40	26		27%

						%	\$5,109	
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*Geographic Distribution of Loans - Rating: Low Satisfactory*

This performance criteria, which focuses on the bank=s lending penetration among low-, moderate-, middle-, and upper-income census tracts. Given the bank=s assessment area, the bank=s location, and the level of competition, the bank=s geographic distribution of loans reflects adequate penetration throughout the assessment area. As noted earlier, the bank=s assessment area is comprised of one low-income tract, one moderate-income tract, and four middle-income tracts. The table on the following page shows 100 percent of the bank=s real estate-secured loans and small farm loans were originated in middle-income tracts. This is reasonable given that the low- and moderate-income census tracts are primarily commercial and industrial areas. Furthermore, these two tracts are located in the city of Fort Collins where competition of financial institutions is great. Based on these factors, the small business loan activity shows a relatively reasonable distribution throughout the assessment area.

DISTRIBUTION OF LOANS ACROSS THE ASSESSMENT AREAS BY INCOME LEVEL OF CENSUS TRACTS								
Loan Type	Low-Income		Moderate-Income		Middle-Income		Upper-Income	
	#	\$000s	#	\$000s	#	\$000s	#	\$000s
<b>Residential Real Estate</b>	0	0	0	0	24	\$ 1,210	0	0
<i>Percent of Total</i>	0%	0%	0%	0%	100%	100%	0%	0%
<b>Small Business</b>	2	\$ 837	6	\$ 2,383	46	\$ 6,564	0	0
<i>Percent of Total</i>	4%	9%	11%	24%	85%	67%	0%	0%
<b>Small Farm</b>	0	0	0	0	37	\$2,930	0	0
<i>Percent of Total</i>	0%	0%	0%	0%	100%	100%	0%	0%
Number of Census Tracts in Assessment Area	1		1		4		0	
Percentage	17%		17%		66%		0%	
Owner Occupied Households by Census Tracts	1,275		338		4,869		n/a	
<i>Percentage</i>	20%		5%		75%		n/a	

*Borrowers= Profile - Rating: High Satisfactory*

This criteria evaluates the bank=s loan originations among borrowers of different income levels, particularly low- and moderate-income individuals and small businesses. Given the



credit products offered by the bank, the distribution of borrowers reflects good penetration among retail customers of different income levels and small business and small farm customers of different sizes within the assessment area. The following table illustrates that the number of residential real estate loans to low-, moderate- and middle-income borrowers is slightly lower compared to the number of families in the assessment area by income. However, bank management noted that there is a lack of affordable housing in the Windsor area and that more upper income home buyers are relocating to this area.

DISTRIBUTION OF LOANS ACROSS THE ASSESSMENT AREAS BY INCOME LEVEL OF BORROWER								
Loan Type	Low-Income		Moderate-Income		Middle-Income		Upper-Income	
	#	\$000s	#	\$000s	#	\$000s	#	\$000s
Residential Real Estate	3	\$ 175	4	\$ 409	4	\$ 156	13	\$ 470
Percent of Total	13%	14%	17%	34%	17%	13%	53%	39%
Number of Families by Income Level	1,520		1,503		1,618		2,037	
Percentage	23%		23%		24%		30%	

The revenue categories for small business and small farm loans are defined, according to Call Report instructions, by loan amount. The table below shows that the majority of the bank=s small business and small farm loans are extended in amounts less than \$100,000. Not only does the bank strive to meet the needs of different size businesses and farms, but these findings are indicative of the bank=s willingness to especially meet the needs of very small businesses and very small farms.

DISTRIBUTION OF FARM AND BUSINESS LOANS SAMPLED WITHIN THE ASSESSMENT AREA		
Loan Amount	Business Loans	Farm Loans
Less than \$100,000	57%	81%
Greater than or equal to \$100,000 but less than \$250,000	27%	14%
Greater than or equal to \$250,000 but less than \$1,000,000	16%	5%
Total	100%	100%

*Responsiveness to Credit Needs of Highly Economically Disadvantaged Geographies and Low-Income Persons, Small Business and Small Farms - Rating: Low Satisfactory*

The Bank of Colorado - Front Range exhibits an adequate record of serving the credit

needs of the most economically disadvantaged areas of its assessment area. Consistent with safe and sound banking practices, the bank extends loans to low-income individuals, very small businesses, and very small farms. In addition to the various credit products offered, the bank is involved in governmentally-insured, -guaranteed, and -subsidized loan programs. These include FHA, VA, CHFA, and SBA loans. Of the 30 secondary market loan applications currently being processed, 15 are FHA applications, totaling \$1,223,700. Furthermore, the bank offers overdraft protection lines of credit in small dollar amounts. This loan product is made available to low- and moderate-income individuals.

*Community Development Lending Activities - Rating: Low Satisfactory*

A community development loan, as defined by Regulation BB, is a loan that has as its primary purpose community development. Such loans may be considered if they have not been reported by the bank for consideration in the bank's assessment area as a home mortgage

loan, a small business loan, or a small farm loan. The community development loan also must benefit the bank's assessment area or a broader statewide area that includes the bank's assessment area. The regulation defines community development as (1) affordable housing (including multifamily rental housing) for low- and moderate-income individuals; (2) community services targeted to low- and moderate-income individuals; (3) activities that promote economic development by financing businesses or farms that meet the sized eligibility requirements or have gross annual revenues of \$1 million or less; or (4) activities that revitalize or stabilize low- or moderate-income geographies.

The Bank of Colorado - Front Range has made an adequate level of community development loans. However, bank personnel mistakenly reported the bank's community development loans for consideration in the assessment area evaluation. Notwithstanding this fact, the following community development loans are considered noteworthy.

- < A loan extended to refinance the original mortgage and for capital improvements to a 10-space mobile home park located in the assessment area's only low-income tract. The loan was originated November 1996 for \$687,456.
- < A loan to develop 63 lots in a southeast Windsor subdivision which is comprised of moderately-priced homes for the moderate-income buyer. This loan was originated August 1996 for \$1,205,000.
- < Two loans to a community services group for the purchase of an office and a home for adult day care in Pueblo, Colorado. This group provides services and assistance for establishing alternative senior housing throughout the state of Colorado, which also benefits the bank's assessment area. The loans were originated July 1996 for \$126,000 and \$82,000.

*Product Innovation - Rating: High Satisfactory*

The bank uses innovative and/or flexible lending practices in order to serve the assessment area credit needs. Recently, the bank added a loan originator and support staff in order to meet the need for long-term, fixed-rate mortgage loans offered through the secondary market. Previously, these loans were offered through an affiliate which resulted in little activity. As a result of the changes, the bank is able to offer a wide variety of

products and counseling to applicants for FHA, VA, and CHFA loans. If applicants do not qualify for the secondary market products, bank management will consider placing the loan in its internal loan portfolio.

*Compliance with Antidiscrimination Laws and Regulations*

There were no violations of antidiscrimination laws and regulations identified during the fair lending component of the compliance examination. Overall, adequate policies, procedures, and training programs have been developed to support nondiscrimination in lending activities.

**INVESTMENT TEST**

To determine the bank's performance under the Investment Test, three characteristics were evaluated. Overall, the Investment Test evaluation resulted in a Low Satisfactory rating. The findings with respect to the three characteristics are set forth below.

*Investment and Grant Activity - Rating: Needs to Improve*

The Bank of Colorado - Front Range has a low level of qualified community development investments and grants, particularly those that are not routinely provided by private investors. In 1996, the bank donated \$500 to Habitat for Humanity for the purchase of a home for a low-income family in Severance, Colorado. In addition, the bank donates checking and savings supplies annually to the local high school to meet educational needs. The cost of these supplies is approximately \$325.

*Responsiveness to Credit and Community Development Needs - Rating: High Satisfactory*

The bank exhibits good responsiveness to credit and community economic development needs. While the bank has demonstrated a low frequency of participation in such needs, this is not representative of the bank's willingness to invest in the community. Unfortunately, few opportunities are available. Members of the community noted that the bank is generally responsive to area concerns with contributions to, or involvement in, local organizations.

*Community Development Initiatives - Rating: Low Satisfactory*

The bank occasionally uses innovative and/or complex investments to support community development initiatives. As noted above, the bank has a reputation of responding to local investment issues as opportunities arise. However, bank management and community contacts stated that innovative and/or complex investment opportunities in the community are rarely available.

## **SERVICE TEST**

The four characteristics evaluated under the Service Test include: Accessibility of Delivery Systems, Changes in Branch Locations, Reasonableness of Services, and Community Development Services. There have been no changes in branch locations since the November 6, 1995 examination; therefore, only three of the characteristics were evaluated. Based on the findings outlined below, the bank=s overall rating for the Service Test is considered High Satisfactory.

### *Accessibility of Delivery Systems - Rating: High Satisfactory*

Delivery systems are accessible to essentially all portions of the bank=s assessment area. The bank=s main office is located in downtown Windsor, and its one branch is situated on the west end of town. A 24-hour full-service automated teller machine (ATM) and a drive-thru facility are accessible at the branch office. In addition, an automated TeleBanking service has been tested by bank employees and will be fully implemented April 1997. The bank also is testing a new service called PC Banking. Customers will be able to hook up to the bank=s computer via modem, and they essentially will be able to do all their banking through home computers. Bank management stated that this program will be fully implemented by August 1997. In addition to these services, the bank offers Afree@ checking which benefits low- and moderate-income individuals.

### *Changes in Branch Locations - Not Rated*

Based on the fact that the Bank of Colorado - Front Range has not implemented any branch changes since the last examination, this characteristic was not evaluated.

### *Reasonableness of Business Hours and Services in Meeting Assessment Area Needs - Rating: Outstanding*

Services, including business hours, are tailored to the convenience and needs of the assessment area, particularly low- and moderate-income geographies and/or individuals. The bank=s lobby hours are 9 a.m. to 5 p.m., Monday through Friday. The drive-thru facility is open extended hours, 7:30 a.m. to 6 p.m., Monday through Friday. Both the lobby and drive-thru are open for business Saturdays, 9 a.m. to Noon. Bank management stated that lenders are generally willing to meet outside the regular banking hours by appointment.

### *Community Development Services - Rating: High Satisfactory*

The Bank of Colorado - Front Range provides a relatively high level of community development services. For example, the bank=s president provides educational assistance to high school students learning about business. Students are introduced to

banking products and general concepts regarding credit. The bank also participates in a job-cooperative with the local high school. Through this program, the bank hires high school students on a part-time basis, and the students earn credits for their work. Currently, one high school student is employed at the bank in conjunction with this program.

Members of bank management are involved in key roles in providing technical and financial expertise for community groups. The bank's president serves as treasurer for the Lions Club, which provides eyeglasses to low- and moderate-income individuals. In addition, one vice president is the chairman of an allocation panel with United Way. This panel is responsible for allocating funds in Weld County to aid the homeless, battered women and children, migrant workers, and those individuals in need of credit counseling.

Furthermore, the bank's representative for the programs offered through the secondary loan market provides counseling to low- and moderate-income individuals. This counseling is provided on a case-by-case basis in order to educate and assist these individuals in attaining the program best-suited to their needs.

**SCOPE OF EXAMINATION**

**APPENDIX A**

<b>SCOPE OF EXAMINATION BANK OF COLORADO - FRONT RANGE</b>			
<b>TIME PERIOD REVIEWED</b>		1/1/96 through 12/31/96	
<b>FINANCIAL INSTITUTION</b>			
<b>NAME</b>		<b>PRODUCTS REVIEWED</b>	
Bank of Colorado - Front Range		1996 HMDA Small Business Small Farm	
<b>FINANCIAL INSTITUTION</b>			
<b>AFFILIATE(S)</b>	<b>AFFILIATE RELATIONSHIP</b>	<b>PRODUCTS REVIEWED</b>	
Pinnacle Bancorp, Inc.	Bank Holding Company (BHC)	none	
Archer, Inc.	BHC	none	
Osceola Insurance, Inc.	BHC	none	
Central Grain, Inc.	BHC	none	
Dinsdale Brothers, Inc.	BHC	none	
Guaranty Corporation	BHC	none	
Pinnacle Bancorp, Iowa	BHC	none	
<b>LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION</b>			
<b>ASSESSMENT AREA</b>	<b>TYPE OF EXAMINATION</b>	<b>BRANCHES VISITED</b>	<b>OTHER INFORMATION</b>
Colorado -- Portions of  Weld County MSA and Larimer County MSA	Full Scope Consumer Examination	Windsor, CO	

## **Identification of Ratings**

In connection with the assessment of each insured depository institution's CRA performance, a rating is assigned from the following groups:

### **Outstanding record of meeting community credit needs.**

*An institution in this group has an outstanding record of, and is a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.*

### **Satisfactory record of meeting community credit needs.**

*An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.*

### **Needs to improve record of meeting community credit needs.**

*An institution in this group needs to improve its overall record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.*

### **Substantial noncompliance in meeting community credit needs.**

*An institution in this group has a substantially deficient record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.*