

UNITED STATES OF AMERICA
BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, D.C.
WYOMING DEPARTMENT OF AUDIT
DIVISION OF BANKING

In the Matter of , DOCKET NO. 98-030-B-SM
Frontier Bank of Laramie County , Cease and Desist Order Issued
Cheyenne, Wyoming , on Consent Pursuant to the
Federal Deposit Insurance Act,
as Amended and 13-3-104(b) of
the Wyoming Statutes

WHEREAS, in recognition of their common goal to maintain the financial soundness and Year 2000 readiness of the Frontier Bank of Laramie County, Cheyenne, Wyoming (the "Bank"), a State chartered bank that is a member of the Federal Reserve System, the Board of Governors of the Federal Reserve System (the "Board of Governors"), the Wyoming Department of Audit, Division of Banking (the "Division of Banking"), and the Bank have mutually agreed to enter into this consent Cease and Desist Order (the "Order"); and

WHEREAS, on 04/24 1998, the board of directors of the Bank adopted a resolution: (1) authorizing and directing

Mick O'Connell to enter into this Order, on behalf of the Bank and consenting to compliance with each and every provision of this Order by the Bank and its institution-affiliated parties, as defined in section 3(u) of the Federal Deposit Insurance Act, as amended (the "FDI Act") (12 U.S.C. 1813(u)); (2) waiving the issuance of a notice of charges and of hearing on any matter set forth in this Order; (3) waiving a hearing for the purpose of taking evidence on any matter set forth in this Order; (4) waiving any and all rights to contest the issuance of this Order by the Board of Governors pursuant to 12 U.S.C. 1818, 12 C.F.R. 263, and the Division of Banking pursuant to sections 13-3-104(d) and 16-3-114 of the Wyoming Statutes; and (5) waiving any and all rights to challenge or contest, in any manner, the basis, issuance, validity, terms, effectiveness, or enforceability of this Order or any provision hereof.

NOW, THEREFORE, before the taking of any testimony or adjudication of, or finding on, any issue of fact or law herein, and without this Order constituting an admission of any allegation made or implied by the Board of Governors or the Division of Banking in connection with this proceeding:

IT IS HEREBY ORDERED that, pursuant to section 8(b)(1) of the FDI Act (12 U.S.C. 1818(b)(1)) and section 13-3-104(b) of the

Wyoming Statutes, the Bank and its institution-affiliated parties cease and desist and take affirmative action as follows:

1. The Bank shall not declare or pay any dividends without the prior written approval of the Federal Reserve Bank of Kansas City (the "Reserve Bank"), the Director of the Division of Banking Supervision and Regulation of the Board of Governors, and the Division of Banking. Requests for approval shall be received by the Reserve Bank and the Division of Banking at least 30 days prior to the proposed dividend declaration date and shall contain, but need not be limited to, current and projected information on earnings, cash flow, capital levels and asset quality of the Bank.

2. (a) During the term of this Order and thereafter, the Bank shall employ a permanent full-time president with demonstrated experience in lending and the management and operations of a bank, and in connection with any new appointments therewith, shall comply with the provisions of section 32 of the FDI Act (12 U.S.C. 1831i) and section 13-3-104(b) of the Wyoming Statutes.

(b) Within 15 days of this Order, the Bank shall take such actions as are necessary to employ a permanent full-time cashier with demonstrated experience in investment portfolio and

interest rate risk management, and management of the daily operations of a bank, including the preparation of Consolidated Reports of Condition and Income. The Bank shall also comply with section 13-3-104(b) of the Wyoming Statutes with respect to filling this position.

3. (a) Within 20 days of this Order, the Bank shall retain an independent public accounting firm, acceptable to the Reserve Bank and the Division of Banking, to conduct, by no later than March 1, 1999, a full scope audit of the Bank's financial statements as of December 31, 1998. The audit shall be conducted in accordance with generally accepted auditing standards, and shall include a review of the effectiveness of the Bank's internal control structure. The scope of the accounting firm's engagement shall be set forth in an engagement letter that is acceptable to the Reserve Bank and the Division of Banking.

(b) For each calendar year that this Order remains in effect, commencing with 1999, the Bank shall retain a public accounting firm, acceptable to the Reserve Bank and the Division of Banking, to conduct, within 90 days of year-end, a full scope audit of the Bank's financial statements for the year, in accordance with the procedures set forth in paragraph 3(a) hereof.

(c) Within 10 days of receipt of the audited statements, the Bank shall provide the Reserve Bank and the Division of Banking the audit report and management letter resulting from the audit. Within 45 days of the receipt of the audit report and management letter, the Bank shall provide the Reserve Bank and the Division of Banking its written plan, including acceptable time frames to correct any deficiencies noted in the audit report or management letter.

4. Within 30 days of this Order, the Bank shall submit to the Reserve Bank and the Division of Banking acceptable written policies and procedures designed to strengthen and maintain the Bank's records and internal controls. The policies and procedures shall address, consider, and include corrective actions aimed at addressing the criticisms of the Bank's internal controls set forth in the September 21, 1998 Report of Examination (the "Report of Examination"), in particular those comments pertaining to dual controls in the wire transfer and investment securities areas, segregation of duties regarding general ledger postings and reconcilements, and the periodic review of cashiers check logs and general ledger reconcilements and backdated transactions.

5. (a) Within 60 days of this Order, the Bank shall take all steps necessary to correct all documentation and credit information deficiencies in the Bank's loan files (a list of which was provided to the Bank's management by the Reserve Bank), including obtaining accurate and current financial and cash flow statements on credits lacking such information. During the term of this Order, the Bank shall take all steps necessary to maintain current and complete documentation on all loans, consistent with its loan policy.

(b) Within 60 days of this Order, the Bank shall submit to the Reserve Bank and the Division of Banking a written plan designed to improve the Bank's position on each loan that was past due as to principal or interest in excess of 90 days as of the date of this Order, and on each asset in excess of \$30,000, including other real estate, that was adversely classified or listed as special mention by Reserve Bank examiners in the Report of Examination through amortization, repayment, liquidation, additional collateral or other means, whichever may be appropriate. This plan shall not be amended or rescinded without the prior written approval of the Reserve Bank and the Division of Banking, except that the plan shall be amended periodically to cover loans or other assets in excess of \$30,000 that are adversely classified or listed for special mention at any subsequent examination or visitation of the Bank or that are

past due as to principal or interest for more than 90 days as of the date of each subsequent examination or visitation.

(c) Quarterly progress reports on classified and past due assets in excess of \$30,000 required by paragraph 12 hereof, shall include, at a minimum: (i) the carrying values of such assets as of the date of the report; (ii) the nature and value of supporting collateral; (iii) plans for improvement, reduction, or elimination of the asset; (iv) the sources of funds for loan repayments; (v) specific target levels and timetables for reductions in classified assets; (vi) a description of the recent payment history; and (vii) a copy of the Bank's most current internal watch list.

6. Within 10 days of this Order, the Bank shall eliminate from its books, by charge-off or collection, all assets or portions of assets classified "loss" in the Report of Examination, which have not been previously collected in full or charged off. Thereafter, the Bank shall in a timely manner charge off assets or portions of assets classified "loss" by the management or board of directors of the Bank or by the Reserve Bank or the Division of Banking.

7. (a) Within 60 days of this Order, the Bank shall submit to the Reserve Bank and the Division of Banking a written business plan, approved by the Bank's board of directors, concerning the Bank's proposed business activities for 1999. This plan shall contain provisions that address the requirements of this Order, and, at a minimum, include:

(i) financial performance objectives, including plans for asset growth, earnings, liquidity and capital, supported by detailed, quarterly pro forma financial statements;

(ii) management, lending and operational objectives, given the condition of the Bank as reflected in the Report of Examination, and the specific strategies for achieving such objectives; and

(iii) identification of the major areas in and the means by which the Bank will seek to improve its operational performance.

(b) A written business plan for each calendar year after 1999 shall be submitted to the Reserve Bank and the

Division of Banking by the end of the first month of that calendar year.

8. Within 60 days of this Order, the Bank shall submit to the Reserve Bank and the Division of Banking acceptable, comprehensive written procedures for managing the Bank's interest rate risk and maintaining an adequate liquidity position. The procedures shall, at a minimum, address and consider:

(a) The establishment of a system to monitor the vulnerability of net interest earnings to changes in interest rates in order to ensure compliance with the limits established in the Bank's asset/liability management policy;

(b) enhancement of the Bank's liquidity report to include data concerning the Bank's unfunded loan commitments, public deposits, and large certificates of deposit;

(c) the preparation and submission of regular, periodic written reports to the board of directors that document the Bank's compliance with the policies and that shall include, at a minimum: (i) a complete review of the Bank's then-current position in meeting targeted liquidity and interest sensitivity ratios and (ii) an analysis of strategies or steps taken during the reporting period to address deviations from the policies; and

(d) controls to ensure that the board of directors reviews and monitors the Bank's liquidity, interest rate risk, and investment plans, and approves any securities purchases or sales.

9. The Bank shall take the following actions to ensure that its internal and external mission-critical systems are Year 2000 compliant:

(a) Within 10 days of this Order, appoint a senior manager, acceptable to the Reserve Bank and the Division of Banking and accountable to the board of directors, who will be responsible for supervising the Bank's Year 2000 readiness efforts and will devote a substantial amount of time to Year 2000 compliance matters, and appoint whatever additional staff is necessary to support this effort;

(b) within 10 days of this Order, identify and allocate financial and other resources necessary to achieve Year 2000 compliance;

(c) within 30 days of this Order, submit to the Reserve Bank and the Division of Banking acceptable test plans

for all renovated or modified internal and external mission-critical systems that comply with the time-frames set forth in the Interagency Guidelines Establishing Year 2000 Standards for Safety and Soundness, published in the Federal Register on October 15, 1998;

(d) within 30 days of this Order, evaluate large corporate borrowers' Year 2000 compliance efforts to determine if they are sufficient to avoid disruption of the borrowers' operations that could significantly affect the borrowers' creditworthiness, and establish time-frames to conduct subsequent periodic evaluations; and

(e) within 30 days of this Order, submit to the Reserve Bank and the Division of Banking an acceptable contingency plan to ensure the prompt resumption of business in the event that any of the Bank's information or environmental systems fails on or after January 1, 2000 that includes identification of back-up sources and lines of credit to provide liquidity, and third-party processors for the Bank's payments.

10. (a) The Bank shall immediately take all necessary actions consistent with sound banking practices, to eliminate and/or correct the violation of section 208.3(d)(1) of

Regulation H of the Board of Governors (12 C.F.R. 208.3(d)(1)) and Title 13 of the Wyoming Statutes set forth in the Report of Examination.

(b) The Bank shall not engage, directly or indirectly, in any violation of Regulation H or applicable provisions of State of Wyoming law.

(c) Within 10 days of this Order, the Bank's board of directors shall establish a committee (the "Compliance Committee"), to monitor compliance with the provisions of this Order. The Compliance Committee shall be comprised of at least three outside directors, who are not executive officers of the Bank, as defined in section 215.2(d) of Regulation O of the Board of Governors (12 C.F.R. 215.2(d)). The Compliance Committee shall report to the Bank's board of directors at least on a quarterly basis.

11. The plans, policies, procedures, and engagement letter required by paragraphs 3(a) and (b), 4, 8, and 9(c) and (e) hereof shall be submitted to the Reserve Bank and the Division of Banking for review and approval. Acceptable plans, policies, procedures, and an engagement letter shall be submitted to the Reserve Bank and the Division of Banking within the required time periods. The Bank shall adopt all approved plans, policies, and

procedures within 10 days of receipt of approval by the Reserve Bank and the Division of Banking and then shall fully comply with them. During the term of this Order, the approved plans, policies, procedures, and engagement letter shall not be amended or rescinded without the prior written approval of the Reserve Bank and the Division of Banking.

12. Within 30 days after the end of each calendar quarter (December 31, March 31, June 30 and September 30) following the date of this Order, the Bank shall furnish to the Reserve Bank and the Division of Banking written progress reports detailing the form and manner of all actions taken to secure compliance with this Order and the results thereof, including updated reports on all asset improvement plans required by paragraph 5(b) hereof, and Year 2000 readiness efforts required by paragraph 9 hereof. Such reports may be discontinued when the corrections required by this Order have been accomplished and the Reserve Bank and the Division of Banking have, in writing, released the Bank from making further reports.

13. All communications regarding this Order shall be sent to:

- (a) Mr. James H. Jonson
Vice President
Federal Reserve Bank of Kansas City
925 Grand Boulevard
Kansas City, Missouri 64198
- (b) Mr. L. Bruce Hendrickson
Wyoming State Banking Commissioner
Department of Audit, Division of Banking
Herschler Building, 3rd Floor East Wing
Cheyenne, Wyoming 82002
- (c) Mr. Nick Anest
Chairman of the Board
Frontier Bank of Laramie County
1501 South Greeley Highway
Cheyenne, Wyoming 82003-5720

14. The provisions of this Order shall be binding upon the Bank and its institution-affiliated parties, in their capacities as such, and their successors and assigns.

15. Each provision of this Order shall remain effective and enforceable until stayed, modified, terminated or suspended by the Board of Governors and the Division of Banking.

16. Notwithstanding any provision of this Order to the contrary, the Reserve Bank and the Division of Banking may, in their sole discretion, grant written extensions of time to the Bank to comply with any provision of this Order.

CERTIFICATE OF RESOLUTION AUTHORIZING
EXECUTION OF A CEASE AND DESIST ORDER

I, Michael J. O'Connell, do hereby certify that I am Chairman
of the Board, a Wyoming corporation
(the "Corporation"); that set forth below is a true and correct copy of a resolution
adopted at a special meeting of the board of directors of the Corporation duly
called, convened and held on October 24th 1998 in accordance with its
bylaws; that said resolution was duly adopted at said meeting and has not in any
way been modified, repealed or rescinded but is in full force and effect; and that all
the directors of the Corporation have duly ratified and affirmed said resolution in
the form set forth below.

Resolved, that Michael J. O'Connell be and he hereby is, authorized
and directed to execute on behalf of the Corporation the Cease and Desist
Order, Docket No. 98-050-3-511 (the "Order"), to be issued on consent by
the Federal Reserve System ("Board of Governors") pursuant to the Financial
Institutions Supervisory Act of 1966, as amended in the form presented to
and approved at this meeting.

Further resolved, that the Corporation shall take such steps as are necessary
to ensure compliance by the directors, officers, agents and employees of the
Corporation with each and every provision of the Order.

Further resolved, that the Corporation hereby waives any and all rights:

- a) to a hearing for the purpose of taking evidence on any matter set forth
in the Order;
- b) to contest the issuance of the Order;
- c) to judicial review of the Order by the Board of Governors; and
- d) to challenge or contest the viability of the provisions of the Order.

Witness my hand and the seal of the Corporation this 24 day
of October, 1998.

Michael J. O'Connell
Chairman of the
Board
(Title)