

UNITED STATES OF AMERICA
Before the
OFFICE OF THRIFT SUPERVISION

In the Matter of))	Order No.: CN 11-29
))	
FRONTIER BANK))	Effective Date: July 18, 2011
))	
Rock Rapids, Iowa))	
OTS Docket No. 12117))	

AMENDED ORDER TO CEASE AND DESIST

WHEREAS, Frontier Bank, Rock Rapids, Iowa, OTS Docket No. 12117 (Association), by and through its Board of Directors (Board), has executed a Stipulation and Consent to Issuance of Amended Order to Cease and Desist (Stipulation); and

WHEREAS, the Association, by executing the Stipulation, has consented and agreed to the issuance of this Amended Order to Cease and Desist (Amended Order) by the Office of Thrift Supervision (OTS) pursuant to 12 U.S.C. § 1818(b); and

WHEREAS, pursuant to delegated authority, the OTS Regional Director for the Central Region (Regional Director), is authorized to issue amended orders to cease and desist where a savings association has consented to the issuance of an amended order.

NOW, THEREFORE, IT IS ORDERED that:

Compliance with Laws, Rules, and Regulations.

1. The Association, its institution-affiliated parties,¹ and its successors and assigns, shall

¹ The term "institution-affiliated party" is defined at 12 C.F.R. § 1813(u).

cease and desist from any action (alone or with others) for or toward causing, bringing about, participating in, counseling, or aiding and abetting the unsafe or unsound banking practices that resulted in the Association operating with: (a) an excessive level of adversely classified assets; (b) management whose policies and practices are detrimental to the Association and jeopardize the safety of its deposits; and (c) with a board of directors that has failed to exercise adequate supervision over and provide adequate direction to management of the Association to prevent unsafe and unsound banking practices as described in the OTS Report of Examination dated January 31, 2011 (2011 ROE).

Amendment of Existing Order.

2. This Amended Order amends the Order to Cease and Desist (OTS Order No. CN 10-11) that was previously issued by the OTS against the Association on March 22, 2010 (2010 Order), which remains in full force and effect. The 2010 Order is hereby amended by the addition of the following:

Complex Securities with High Price Sensitivity.

25. *Effective immediately, the Association shall not purchase any complex securities⁴ with high price sensitivity (CSHPS) without receiving the prior written non-objection of the Regional Director. The Association's written request for non-objection shall be submitted to the Regional Director at least thirty (30) days prior to the anticipated date of purchase.*

⁴ The term "complex security" includes any collateralized mortgage obligation, real estate mortgage investment conduit, callable mortgage pass-through security, stripped-mortgage-backed-security, structured note, and any security not meeting the definition of an "exempt security." An "exempt security" includes no-callable, "plain vanilla" instruments of the following types: (1) mortgage-pass-through securities, (2) fixed-rate securities, and (3) floating-rate securities.

Concentrations of Assets.

26. *By July 31, 2011, the Association shall revise its written program for identifying, monitoring, and controlling risks associated with concentrations of assets (Assets Concentration Program) to address all corrective actions set forth in the 2011 ROE relating to concentrations of assets. The Assets Concentration Program shall comply with all applicable laws, regulations and regulatory guidance and shall:*

(a) establish comprehensive concentration limits expressed as a percentage of Tier 1 (Core) Capital plus allowance for loan and lease losses (ALLL), and document the appropriateness of such limits based on the Association's risk profile;

(b) establish stratification categories of the Association's concentrations of assets and establish enhanced risk analysis, monitoring, and management for each stratification category;

(c) contain specific review procedures and reporting requirements, including written reports to the Board, designed to identify, monitor, and control the risks associated with concentrations of assets and periodic market analysis for the various property types, geographic markets, and investment categories represented in its portfolio; and

(d) contain a written action plan, including specific time frames, for bringing the Association into compliance with its concentration of assets limits.

27. *By August 30, 2011, the Association shall submit its Assets Concentration Program to the Regional Director for review and comment. Upon receipt of written notification from the Regional Director that the Assets Concentration Program is*

acceptable, the Association shall implement and adhere to the Assets Concentration Program.

Interest Rate Risk Management.

28. *By July 31, 2011, the Association shall revise its policies and procedures governing the Association's interest rate risk (IRR) management (IRR Policy) to ensure that it addresses all corrective actions in the 2011 ROE related to IRR. The Association's IRR Policy shall comply with all applicable laws, regulations and regulatory guidance. The Board's review of the amended IRR Policy shall be documented in the Board meeting minutes and a copy of the revised IRR Policy shall be provided to the Regional Director within five (5) days after adoption by the Board.*

External Audit Requirement.

29. *Effective immediately, the Association shall engage a qualified, independent² third party to audit its consolidated financial statements each fiscal year-end, beginning with the fiscal year ending December 31, 2010 and comply with all applicable laws, regulations, and regulatory guidance including, but not limited to 12 C.F.R. § 562.4.*

Financial Reporting.

30. *Effective immediately, the Association shall ensure that its financial reports and statements are timely and accurately prepared and filed in compliance with applicable laws, regulations, and regulatory guidance including, but not limited to, 12 C.F.R. Part 562 and the Thrift Financial Report (TFR) instructions.*

Effective Date of Amended Order, Incorporation of Stipulation.

3. This Amended Order is effective on the Effective Date as shown on the first page. The Stipulation is made a part hereof and is incorporated herein by this reference.

Transfer Date.

4. Following the Transfer Date, *see* Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. Law No. 111-203, § 311, 124 Stat. 1520 – 21 (2010), all submissions, requests, communications, consents or other documents relating to the 2009 Order and this Amended Order shall be directed to the Comptroller of the Currency, or to the individual, division, or office designated by the Comptroller of the Currency.

IT IS SO ORDERED.

OFFICE OF THRIFT SUPERVISION

By: _____/s/
Daniel T. McKee, Regional Director
Central Region

UNITED STATES OF AMERICA
Before the
OFFICE OF THRIFT SUPERVISION

In the Matter of)	Order No.: CN 11-29
)	
FRONTIER BANK)	Effective Date: July 18, 2011
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Rock Rapids, Iowa)	
OTS Docket No. 12117)	

STIPULATION AND CONSENT TO ISSUANCE OF
AMENDED ORDER TO CEASE AND DESIST

WHEREAS, the Office of Thrift Supervision (OTS), acting by and through its Regional Director for the Central Region (Regional Director), issued an Order to Cease and Desist (OTS Order No. CN 10-11) against Frontier Bank, Rock Rapids, Iowa, OTS Docket No. 12117 (Association), pursuant to 12 U.S.C. § 1818(b), that became effective on March 22, 2010 (2010 Order); and

WHEREAS, the Regional Director, pursuant to delegated authority, is authorized to modify the 2010 Order where the Association has consented to the issuance of an amended order to cease and desist; and

WHEREAS, the Association desires to cooperate with the OTS to avoid the time and expense of an administrative cease-and-desist proceeding by entering into this Stipulation and Consent to Issuance of Amended Order to Cease and Desist (Stipulation) and, without admitting or denying that such grounds exist, but only admitting the statements and conclusions in Paragraphs 1 and 2 below concerning Jurisdiction, hereby stipulates and agrees to the following

terms:

Jurisdiction.

1. The Association is a “savings association” within the meaning of 12 U.S.C. § 1813(b) and 12 U.S.C. § 1462(4). Accordingly, the Association is “an insured depository institution” as that term is defined in 12 U.S.C. § 1813(c).

2. Pursuant to 12 U.S.C. § 1813(q), the Director of the OTS is the “appropriate Federal banking agency” with jurisdiction to maintain an administrative enforcement proceeding against a savings association. Therefore, the Association is subject to the authority of the OTS to initiate and maintain an administrative cease-and-desist proceeding against it pursuant to 12 U.S.C. § 1818(b).

OTS Findings of Fact.

3. Based on its January 31, 2011 examination of the Association, the OTS finds that the Association has engaged in unsafe or unsound practices and/or violations of law or regulation by operating with: (a) an excessive level of adversely classified assets; (b) management whose policies and practices are detrimental to the Association and jeopardize the safety of its deposits; and (c) with a board of directors that has failed to exercise adequate supervision over and provide adequate direction to management of the Association to prevent unsafe and unsound banking practices as described in the OTS Report of Examination dated January 31, 2011 (2011 ROE).

Consent.

4. The Association consents to the issuance by the OTS of the accompanying Amended Order to Cease and Desist (Amended Order). The Association further agrees to comply with the terms of the Amended Order upon the Effective Date of the Amended Order and stipulates that the Amended Order complies with all requirements of law.

Finality.

5. The Amended Order is issued by the OTS under 12 U.S.C. § 1818(b) and upon the Effective Date it shall be a final order, effective and fully enforceable by the OTS under the provisions of 12 U.S.C. § 1818(i).

Waivers.

6. The Association waives the following:

- (a) the right to be served with a written notice of the OTS's charges against it as provided by 12 U.S.C. § 1818(b) and 12 C.F.R. Part 509;
- (b) the right to an administrative hearing of the OTS's charges as provided by 12 U.S.C. § 1818(b) and 12 C.F.R. Part 509;
- (c) the right to seek judicial review of the Amended Order, including, without limitation, any such right provided by 12 U.S.C. § 1818(h), or otherwise to challenge the validity of the Amended Order; and
- (d) any and all claims against the OTS, including its employees and agents, and any other governmental entity for the award of fees, costs, or expenses related to this OTS enforcement matter and/or the Amended Order, whether arising under common law, federal statutes or otherwise.

OTS Authority Not Affected.

7. Nothing in this Stipulation or accompanying Amended Order shall inhibit, estop, bar or otherwise prevent the OTS from taking any other action affecting the Association if at any time the OTS deems it appropriate to do so to fulfill the responsibilities placed upon the OTS by law.

Other Governmental Actions Not Affected.

8. The Association acknowledges and agrees that its consent to the issuance of the

Amended Order is solely for the purpose of resolving the matters addressed herein, consistent with Paragraph 7 above, and does not otherwise release, discharge, compromise, settle, dismiss, resolve, or in any way affect any actions, charges against, or liability of the Association that arise pursuant to this action or otherwise, and that may be or have been brought by any governmental entity other than the OTS.

Miscellaneous.

9. The laws of the United States of America shall govern the construction and validity of this Stipulation and of the Amended Order.

10. If any provision of this Stipulation and/or the Amended Order is ruled to be invalid, illegal, or unenforceable by the decision of any Court of competent jurisdiction, the validity, legality, and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby, unless the Regional Director in his or her sole discretion determines otherwise.

11. All references to the OTS in this Stipulation and the Amended Order shall also mean any of the OTS's predecessors, successors, and assigns.

12. The section and paragraph headings in this Stipulation and the Amended Order are for convenience only and shall not affect the interpretation of this Stipulation or the Amended Order.

13. The terms of this Stipulation and of the Amended Order represent the final agreement of the parties with respect to the subject matters thereof, and constitute the sole agreement of the parties with respect to such subject matters.

14. The Stipulation and Amended Order shall remain in effect until terminated, modified, or suspended in writing by the OTS, acting through its Regional Director or other authorized representative.

Signature of Directors/Board Resolution.

15. Each Director signing this Stipulation attests that he or she voted in favor of a Board Resolution authorizing the consent of the Association to the issuance of the Amended Order and the execution of the Stipulation. This Stipulation may be executed in counterparts by the directors after approval of execution of the Stipulation at a duly called board meeting or after a duly authorized written consent of the Board in lieu of a meeting.

WHEREFORE, the Association, by its directors, executes this Stipulation.

**FRONTIER BANK
Rock Rapids, Iowa**

OFFICE OF THRIFT SUPERVISION

_____/s/
George K. Schneidermann, Chairman

By: _____/s/
Daniel T. McKee, Regional Director
Central Region

_____/s/
Roger Knoblock, Director

Date: See Effective Date on page 1

_____/s/
Robert E. Ladd, Director

_____/s/
Kennis Peters, Director

_____/s/
Scott A. Schneidermann, Director

Robert L. Witt, Director