



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**April 22, 2002**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**The First National Bank of Limon  
Charter Number 11504**

**790 Main Street  
Limon, CO 80828**

**Comptroller of the Currency  
Denver Field Office  
1099 18th Street Suite 2650  
Denver, CO 80202**

**NOTE: This document is an evaluation of this 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. 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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## **INSTITUTION'S CRA RATING**

**This institution is rated Satisfactory.**

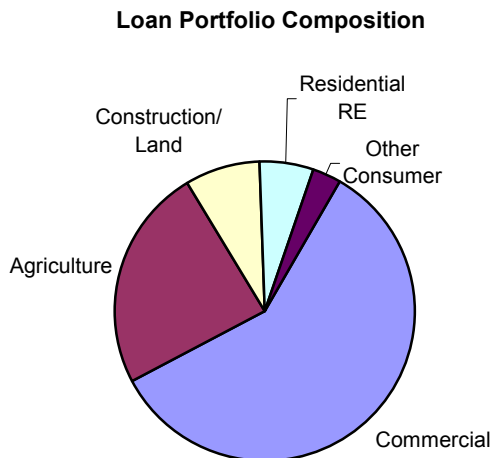
First National Bank of Limon's (FNBL) Community Reinvestment Act (CRA) performance in the Boulder-Longmont Metropolitan Statistical Area (MSA) assessment area is satisfactory, and its performance in the non-MSA assessment area is also satisfactory. The bank is committed to serving the communities in which it operates and demonstrates satisfactory lending performance. The bank is meeting the credit needs of the communities, including extending loans to small businesses and small farms, which are its primary lending focus. Specifically:

- The majority of loans by number and dollar volume are originated within the bank's assessment areas.
- The loan-to-deposit ratio is satisfactory given area competition and credit needs of the community.
- The pattern of lending to small businesses and small farms in the bank's assessment areas is satisfactory and consistent with area demographics.
- The geographic distribution of loans throughout the two assessment areas is satisfactory.

## DESCRIPTION OF INSTITUTION

FNBL is a \$105 million full-service community bank that serves two separate assessment areas (AA). The bank is a subsidiary of Big Sandy Holding Company, a one-bank holding company located in Limon, Colorado. Total consolidated assets for the holding company as of December 31, 2001, are \$105 million.

In June 2001, the bank's corporate structure changed due to changes in ownership and additional investors. This enabled the bank to expand into other Front Range communities. As a result, two new branches in Boulder and Longmont were opened in 2001. These branches operate as Horizon Banks, N.A., a "doing business as" under First National Bank of Limon. The bank is structured as three branches, with the lead branch located in Longmont, Colorado. Each branch has an on-site automated teller machine (ATM). The Boulder and Longmont branches are located in the Boulder-Longmont MSA and the Limon branch is located on the eastern plains of Colorado in a designated non-MSA.



The bank's primary lending focus is commercial and agriculture loans. The chart to the left reflects the composition of the bank's loan portfolio by dollar volume. Commercial-related loans comprise the largest portion of the portfolio. Agriculture-related loans comprise the second largest portion of the bank's portfolio. The Boulder and Longmont branches focus on commercial loans and the Limon branch focuses on agriculture lending. The bank also extends construction loans, residential-secured loans, and to a lesser degree consumer loans.

Net loans represent 72 percent of the bank's total assets as of December 31, 2001.

This Performance Evaluation is an assessment of the bank's CRA performance from February 6, 1998, through April 22, 2002. FNBL received a "Satisfactory" rating at the February 6, 1998, CRA evaluation. There are no legal or financial impediments to the bank's ability to meet the credit needs of its assessment areas (AA).

## DESCRIPTION OF THE ASSESSMENT AREAS

FNBL's designated lending area consists of two AAs, the Boulder-Longmont MSA and the Cheyenne, Elbert, Kit Carson, Lincoln, and Washington County non-MSA. The AAs meet the requirements of the regulation and do not arbitrarily exclude low- or moderate-income geographies. For the purposes of this evaluation, each AA is reviewed separately. An overall rating is given for the bank's performance under the CRA.

### **Boulder-Longmont MSA**

The Boulder-Longmont MSA consists of Boulder County. This MSA is located about 25 miles north of Denver and is part of the Colorado Front Range, which stretches from Fort Collins to Colorado Springs. The Boulder-Longmont MSA is the third largest MSA in Colorado. Boulder County's population is primarily concentrated in the eastern portion of the county. The western portion of the county, which lies in the Rocky Mountains, is sparsely populated. The Boulder-Longmont MSA has enjoyed a booming economy for the past few years. This economy has been fueled by an influx of high-tech businesses, which in turn have spurred construction projects for retail, residential, and commercial use.

The MSA contains 58 census tracts, of which 2 are low income, 9 moderate income, 28 middle income, and 18 upper income. In addition to the city of Boulder, the MSA includes the towns of Longmont, Lafayette, Louisville, Erie, Superior, Niwot, Nederland, and Broomfield. The MSA is composed of. One tract in the MSA is not classified, as there is no reported income or households in the tract. This tract is comprised wholly of dormitories of the University of Colorado. The two low-income tracts are predominantly the University of Colorado campus and rental properties. The moderate-income tracts are located primarily in Boulder, Longmont, and between Broomfield and Lafayette.

As of the 1990 Census, low-income tracts contained 3 percent of the population while moderate-income tracts contained 16 percent of the population of the assessment area. The chart below reflects the income designation of geographies by percentage of the AA.

| <b>MSA: Distribution of Geographies by Income Level</b> |               |                   |
|---|---------------|-------------------|
| <b>Tract Designation</b>                                | <b>Number</b> | <b>Percentage</b> |
| Low Income  | 2             | 3%                |
| Moderate Income   | 9             | 16%               |
| Middle Income   | 28            | 48%               |
| Upper Income  | 18            | 31%               |
| No Designation  | 1             | 2%                |
| Total   | 58            | 100%              |

The Boulder-Longmont MSA has a population of 291,288, based on 2000 Census data. This is a 29 percent increase in population from the 1990 Census. Boulder is the ninth largest city in Colorado. Although most of the MSA has experienced substantial growth, the city of Boulder has not reported growth consistent with the level of the rest of the county. This is due to the city's self-imposed growth moratorium.

Because of the significant increase in county population, the demand for housing and real estate prices have escalated dramatically. The slow growth policies have contributed to the high cost of housing in the Boulder-Longmont MSA, spurring residential construction in small neighboring communities and in eastern Boulder County. The 2001 HUD updated median family income for the Boulder-Longmont MSA is \$81,400. This income has increased significantly since the 1990 census, when median family income was \$43,872. Demand for labor has increased dramatically, with Boulder County unemployment rates for 2001 at 2 percent and slightly below the Colorado rate of 3 percent.

Major employers in the county are IBM, Sun Microsystems, Storage Technologies, St. Vrain School District, University of Colorado, and Ball Corporation. While the overall area economy is strong, the recent recessionary period impacted the technological sector. As of February 2002, Boulder County's unemployment rate increased to 5.7 percent but has begun to show signs of dropping. The populated areas on the Front Range all experienced similar increases in unemployment during this same period.

The bank's branches operate in a very competitive banking environment. Boulder County boasts a significant number of national banks, state banks, credit unions, and other federal savings banks. In the county, 26 other institutions operate from 91 locations. Due to the recent opening of both branches, FNBL does not have a measurable market share of deposits in the county.

We reviewed recent contacts with community leaders regarding community credit needs and the condition of the local economy. These organizations specialize in promoting business and affordable housing opportunities in the community. They identified the need for affordable housing and home ownership counseling to low- and moderate-income families, as well as the financing and technical support for new small businesses.

### **Cheyenne, Elbert, Kit Carson, Lincoln, and Washington County Assessment Area**

The bank's non-MSA AA consists of five contiguous counties located in the middle-eastern portion of the state. Two of the counties, Kit Carson and Cheyenne, border Nebraska on the east. The counties are rural in nature. The economy is tied to agriculture, both livestock production and farming. Major area crops include grains, sunflowers, and beans. Service-related businesses add additional support to the agricultural nature of the area.

The AA contains 15 census tracts. The area includes the towns of Limon, Burlington, Stratton, Hugo, Otis, Akron, and Flagler. The AA is composed of 4 moderate-income, 10 middle-income, and 1 upper-income tracts. There are no low-income tracts in the five counties.

| <b>NON-MSA: Distribution of Geographies by Income Level</b> |               |                   |
|---|---------------|-------------------|
| <b>Income Designation</b>                                   | <b>Number</b> | <b>Percentage</b> |
| Low Income  | 0             | 0%                |
| Moderate Income   | 4             | 27%               |
| Middle Income   | 10            | 67%               |
| Upper Income  | 1             | 6%                |
| Total   | 15            | 100%              |

The Department of Housing and Urban Development (HUD) 2001 updated non-MSA median-family income is \$43,700. The non-MSA five-county population is 28,524 based on 2000 Census Bureau data. It has not increased significantly from the 1990 census. With the exception of Elbert County, employment growth has declined, according to the Bureau of Labor Statistics.

Economic conditions remain relatively stable. The farming sector is currently experiencing dry weather conditions and the price of cattle continues to be depressed. There has been a small increase in the number of new small businesses. This has resulted in a tighter labor market. Of the businesses located within the non-MSA, 80 percent employ less than five individuals and 88 percent operate only one establishment. Some of the communities close to Denver are becoming “bedroom communities” due to the desirable country atmosphere and close proximity to Interstate 70. This makes a commute to Denver manageable. These communities have seen an increase in home building. Unemployment for the five counties is low, averaging 2 percent in 2000, according to Colorado Department of Labor statistics.

Major employers in the non-MSA include the State Correctional Facility, Plains Medical Center, Mountain View Electric Company, and Union Pacific Resources. Additionally, county school districts, local government, and a new prison in Kit Carson County provide additional job opportunities for area residents.

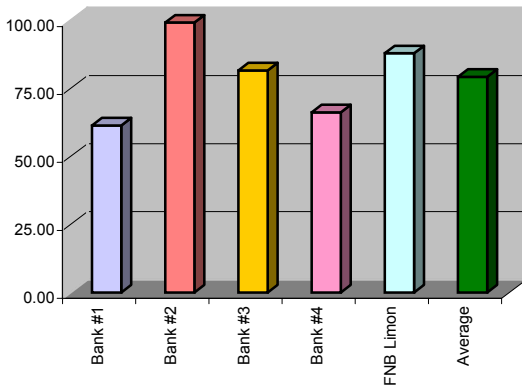
The bank faces strong competition from 26 financial institutions in the non-MSA. FNBL ranks fourth in deposit market share at 8.58 percent.

We made one community contact during this evaluation. The contact was a co-administrator for a town in the AA. The contact stated that the housing and labor market are currently tight. Interstate 70 has been designated as a Federal High Priority Freight Corridor, which will increase traffic through the area in the next decade, increasing business activity. Credit needs in the non-MSA are currently being met by area institutions due to the strong degree of competition.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

FNBL does a satisfactory job of meeting the credit needs of its AAs, including lending to small businesses and small farms.

### Loan-To-Deposit Ratio



The bank's loan-to-deposit ratio is satisfactory. As of December 31, 2001, the bank's quarterly average ratio calculated since the previous CRA examination is 85 percent. The quarterly average loan-to-deposit ratios over the same time period for similarly situated banks range between 62 percent and 96 percent. Similarly situated banks are those banks of comparable asset size or product mix operating within the AA.

## LENDING IN THE ASSESSMENT AREA

The bank's level of lending within the combined AAs is reasonable. Our sample of commercial loans originated since the previous CRA examination indicates the majority of loans, by number and dollar volume, are originated within the bank's designated lending area. The following table illustrates these findings.

| Loan Type        | Loans in the AA Based on the Number of Loans in the Sample | Loans in the AA Based on the Dollar Volume of Loans in the Sample |
|------------------|--|---|
| Commercial Loans | 75%  | 94%   |

## LENDING TO BUSINESSES OF DIFFERENT SIZES

We analyzed a sample of commercial loans in the Boulder-Longmont MSA and separate samples of commercial and agriculture loans in the non-MSA to determine the bank's lending performance in each AA. Our findings are presented separately for each area.



**Commercial Loans**

| <b>MSA: Distribution of Commercial Loans by Gross Annual Revenue</b> |                         |                    |                 |                      |
|--|-------------------------|--------------------|-----------------|----------------------|
| Revenue Size   | Dollar Amount \$(000's) | % of Dollar Volume | Number of Loans | % of Number of Loans |
| \$0-\$250,000  | 1,028                   | 25%                | 10              | 50%                  |
| \$250,000-\$499,000  | 1,421                   | 35%                | 5               | 25%                  |
| \$500,000-\$1 Million  | 1,270                   | 31%                | 3               | 15%                  |
| Over \$1 Million   | 350                     | 9%                 | 2               | 10%                  |
| Total  | 4,069                   | 100%               | 20              | 100%                 |

The level of lending to small businesses in the Boulder-Longmont MSA is good. A substantial majority of these loans are to small businesses. Businesses with gross annual revenues of \$1 million or less are designated as “small businesses.” The demographic data for Boulder County indicates 92 percent of all businesses reporting income in 2000 had annual revenues under \$1 million. FNBL’s pattern of lending to small businesses exceeds demographic data, with 90 percent of the sampled loans extended to small businesses.

| <b>NON-MSA: Distribution of Commercial Loans by Gross Annual Revenue</b> |                         |                    |                 |                      |
|--|-------------------------|--------------------|-----------------|----------------------|
| Revenue Size   | Dollar Amount \$(000's) | % of Dollar Volume | Number of Loans | % of Number of Loans |
| \$0-\$250,000  | 1,045                   | 47%                | 15              | 75%                  |
| \$250,000-\$499,000  | 135                     | 6%                 | 1               | 5%                   |
| \$500,000-\$1 Million  | 0                       | 0%                 | 0               | 0%                   |
| Over \$1 Million   | 1,034                   | 47%                | 4               | 20%                  |
| Total  | 2,214                   | 100%               | 20              | 100%                 |

FNBL does a reasonable job of originating loans to small businesses in the non-MSA area. The percentages of commercial loans originated to small businesses by number and dollar volume were 80 percent and 53 percent respectively. Of the sampled loans, 75 percent were to very small businesses with revenues under \$250 thousand. The demographic data for this non-MSA area indicates 94 percent of all businesses reporting income in 2000 had annual revenues under \$1 million. While the bank’s performance is below area demographics at 80 percent, it is still reasonable given the bank’s primary lending focus on agriculture.

**Agriculture Loans**

| <b>NON-MSA: Distribution of Agriculture Loans by Gross Annual Revenue</b> |                         |                    |                 |                      |
|---|-------------------------|--------------------|-----------------|----------------------|
| Revenue Size  | Dollar Amount \$(000's) | % of Dollar Volume | Number of Loans | % of Number of Loans |
| \$0-\$250,000   | 1,174                   | 72%                | 19              | 95%                  |
| \$250,000-\$499,000   | 0                       | 0%                 | 0               | 0%                   |
| \$500,000-\$1 Million   | 0                       | 0%                 | 0               | 0%                   |
| Over \$1 Million  | 450                     | 28%                | 1               | 5%                   |
| Total   | 1,624                   | 100%               | 20              | 100%                 |

The table reflects that a substantial majority of the bank’s agricultural loans are to small farms. Of our sample, 95 percent of the loans were to farms with gross revenues of less than \$1 million. This compares satisfactorily to the area demographics, where 96 percent of the farms have revenues under \$1 million. Further, the substantial majority of loans in our sample were to farms with gross income under \$250 thousand, underscoring the bank’s commitment to support small farms within its non-MSA AA.

**GEOGRAPHIC DISTRIBUTION OF LOANS**

The bank’s lending patterns show a satisfactory dispersion of loans throughout the bank’s two assessment areas. Performance is above demographics in the moderate-income areas. We analyzed samples of commercial and agriculture loans to determine the geographic penetration of loans in the Boulder-Longmont MSA and the non-MSA.

**Boulder-Longmont MSA**

| <b>MSA: Geographic Distribution of Commercial Loans</b> |                              |                             |                                    |
|---|------------------------------|-----------------------------|------------------------------------|
| Income Designation of Tract                             | % of Businesses in the Tract | % of Sample Loans by Number | % of Sample Loans by Dollar Volume |
| Low Income  | 1%                           | 0%                          | 0%                                 |
| Moderate Income   | 23%                          | 20%                         | 18%                                |
| Middle Income   | 56%                          | 60%                         | 66%                                |
| Upper Income  | 20%                          | 20%                         | 16%                                |
| Total   | 100%                         | 100%                        | 100%                               |

Commercial loans, the primary lending focus at the Boulder and Longmont branches, reflect a satisfactory dispersion among the income tracts in the Boulder-Longmont MSA. None of the loans in our sample were located in the two low-income tracts. These tracts include the University of Colorado and student housing where there is minimal opportunity to extend commercial loans. The penetration of commercial loans in the remaining tracts is consistent with area demographics.

**Non-MSA**

| <b>NON-MSA: Geographic Distribution of Commercial Loans</b> |                                     |                                    |   |
|---|-------------------------------------|------------------------------------|---|
| <b>Income Designation of Tract</b>                          | <b>% of Businesses in the Tract</b> | <b>% of Sample Loans by Number</b> | <b>% of Sample Loans by Dollar Volume</b> |
| Low Income  | 0%                                  | 0%                                 | 0%  |
| Moderate Income   | 15%                                 | 20%                                | 4%  |
| Middle Income   | 46%                                 | 80%                                | 96%                                       |
| Upper Income  | 39%                                 | 0%                                 | 0%  |
| Total   | 100%                                | 100%                               | 100%                                      |

Commercial loan penetration in the non-MSA area shows a good dispersion among moderate-income geographies. The loans are concentrated in the moderate- and middle-income census tracts. Loans to borrowers in the moderate-income tracts are above demographics, based on the number of loans. The non-MSA area does not have any low-income tracts.

| <b>NON-MSA: Geographic Distribution of Agriculture Loans</b> |                                |                                    |   |
|--|--------------------------------|------------------------------------|---|
| <b>Income Designation of Tract</b>                           | <b>% of Farms in the Tract</b> | <b>% of Sample Loans by Number</b> | <b>% of Sample Loans by Dollar Volume</b> |
| Low Income   | 0%                             | 0%                                 | 0%  |
| Moderate Income  | 22%                            | 25%                                | 29%                                       |
| Middle Income  | 65%                            | 75%                                | 71%                                       |
| Upper Income   | 13%                            | 0%                                 | 0%  |
| Total  | 100%                           | 100%                               | 100%                                      |

Agriculture loan penetration in the non-MSA area reflects a good dispersion among moderate-income geographies. The sample showed that 25 percent of the loans by number, and 29 percent of loans by dollar, were made to borrowers in moderate-income areas. These is above demographics.

## **RESPONSES TO COMPLAINTS**

FNBL did not receive any CRA-related complaints during this evaluation period.

## **FAIR LENDING REVIEW**

An analysis of public comments and consumer complaint information received between 1998 and 2002 was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending examination was performed in February 1998.