

OFFICE OF THRIFT SUPERVISION

Approval of Application for Permission to Organize a Federal Savings Bank

Order No.: 2003-19

Date: June 3, 2003

Re: OTS No. 17950

John B. Selman, Timothy M. Thorpe, Alan B. Carter, Jeffrey L. Pexton, Clyde J. McLennan, Kathleen J. Rinker, Loren E. Snyder, Lorence D. Wheeler and Francis L. DeLay (collectively, the Applicants) have applied for approval of the Office of Thrift Supervision (OTS) pursuant to 12 U.S.C. § 1464(e) and 12 C.F.R. § 552.2-1 for permission to organize Grand Mountain Bank, FSB (Savings Bank). In addition to the application for permission to organize the Savings Bank, the Savings Bank has applied to open a branch office in Grand Lake, Colorado, pursuant to 12 C.F.R. § 545.92. (Collectively, the foregoing applications are referred to herein as the Applications.)

OTS has considered the Applications under the standards set forth in 12 U.S.C. § 1464(e) and 12 C.F.R. §§ 543.3, 545.92 and 552.2-1, and other applicable statutes and regulations. OTS also has considered the Applications under the Community Reinvestment Act (CRA), 12 U.S.C. §§ 2901 *et seq.*, and OTS's regulations thereunder, 12 C.F.R. Part 563e. In addition, OTS has considered the submissions made by the Applicants and the results of examinations conducted by federal agencies.

Four of the organizers, including the proposed Chairman of the Savings Bank's board of directors, and other senior management officials, have experience operating banking institutions. The Applications indicate that the remaining members of the proposed board of directors possess extensive experience with financial institutions and other business endeavors. In addition, routine background checks were made and they did not result in the disclosure of information that would be inconsistent with approval of the permission to organize application. In sum, a review of this information warrants the conclusion that the character and responsibility of the Applicants are consistent with approval of the application.

The Savings Bank will engage in deposit and lending activities. The Savings Bank will initially focus its deposit and lending activities in the area encompassed by Grand County, Colorado. Between 1990 and 2000, the population of Grand County, Colorado increased by 56 percent and during the six-year period ending June 30, 2002, bank and thrift deposits in the area increased by 89 percent. Moreover, the Savings Bank will open a branch in a town where there are currently no bank or thrift offices. Thus, we conclude that there is a necessity in the community for the Savings Bank.

With respect to undue injury to local thrift and home financing institutions, while the Savings Bank may take some business from existing institutions, those institutions are

bigger and operate over a larger territory than will the Savings Bank. Moreover, the current rate of increase in deposits in the area is sufficient to support the projected level of deposits without reducing the deposits held by competing institutions. In addition, no one opposed the application in response to the public notice. Therefore, we conclude that the Savings Bank will not cause undue injury to thrift and home financing institutions in the geographic area where its customers will be located.

The Savings Bank will be well capitalized. In addition, the Savings Bank's business plan is reasonable, and the proposed management appears to be competent. Approval of the application will be subject to conditions requiring that the Savings Bank submit any proposed major changes or deviations from the business plan to OTS for prior written non-objection, provide OTS with reports of variances between the business plan and actual operations, establish policies and procedures for all major areas of its operations and submit independent audit reports to the Regional Office during its first three years of operation. OTS review of variance reports and proposed material changes to the business plan helps ensure that changes to or from the business plan included in the application would not be detrimental to the Savings Bank. The requirement that the Savings Bank adopt policies and procedures helps ensure that it can be operated safely and soundly and the audit reports enable OTS to review the controls and procedures employed by the Savings Bank during its first years of operation. Such oversight is appropriate so OTS may confirm that proper procedures are being followed. In addition, the Savings Bank will be required to implement a compliance management program prior to opening and thereafter provide status reports on its compliance with various statutes. These conditions are appropriate to ensure that the Savings Bank complies with relevant statutes. Furthermore, the Savings Bank will be required to obtain approval from the Regional Director for any change in the responsibilities of any senior executive officer and for the addition of any new executive officer or director during its first two years of operations. These conditions are appropriate to enable OTS to confirm that the Savings Bank will be operated properly and by qualified personnel. Accordingly, these conditions are appropriate for maintaining the safe and sound operation of the Savings Bank. With these conditions, we conclude that there is a reasonable probability of the Savings Bank's usefulness and success.

The Savings Bank will extend credit for housing within its market area. The Savings Bank expects that the majority of its loan portfolio will be made up of loans for one to four family housing. We have reviewed the application and have concluded that the Savings Bank proposes to conduct these activities safely and soundly. Accordingly, we conclude that the Savings Bank will provide credit for housing in a safe and sound manner.

The Savings Bank has no prior CRA performance. OTS received no public comments objecting to the application. The Savings Bank's CRA assessment area, Grand County, Colorado, is consistent with the regulations. OTS has reviewed the Savings Bank's CRA plan, including, among other things, the proposed levels of lending, and concludes that the CRA plan is consistent with the regulations. The Savings Bank will be

required to provide status reports on its lending to ensure that it is working to meet the credit needs of the entire community. With this condition, we find that the Savings Bank has made a satisfactory showing that it will satisfy the requirements for the CRA.

The Savings Bank intends to adopt a charter and bylaws that conform to the model charter and bylaws for a Federal stock institution and will have an initial capitalization that exceeds the minimum regulatory requirement. In addition, as the Savings Bank's board of directors will be made up of persons with varied backgrounds and a majority of its members live and/or work in Colorado, the composition of the board meets regulatory requirements.

The overall policies, condition and operations of the proposed Savings Bank afford no basis for supervisory objection and the proposed branch will open within twelve months. Accordingly, we conclude that approval of the branch application is consistent with 12 C.F.R. § 545.92.

For the reasons set forth above, OTS has determined that the Applications satisfy all applicable approval standards and criteria, provided that the following conditions are complied with in a manner satisfactory to the West Regional Director, or his designee (together, the Regional Director). Accordingly, the Applications are hereby approved, subject to the following conditions:

1. The Savings Bank must receive all required regulatory approvals and submit copies of all such approvals to the Regional Director prior to consummation of the proposed transaction;
2. The proposed transaction must be consummated within 120 calendar days from the date of this Order;
3. On the business day prior to the consummation of the proposed transaction, the chief financial officer of the Savings Bank must certify in writing to the Regional Director that no material adverse changes have occurred with respect to the financial condition or operation of the Savings Bank as disclosed in the Applications. If additional information having an adverse bearing on any feature of the Applications is brought to the attention of the Applicants, the Savings Bank or OTS since the date of the financial statements submitted with the Applications, the transaction must not be consummated unless the information is presented to the Regional Director, and the Regional Director provides written non-objection to consummation of the transaction;
4. The Savings Bank must advise the Regional Director in writing within 5 calendar days after the effective date of the proposed transaction: (a) of the effective date of the transaction; (b) that the transaction was consummated in accordance with all applicable laws and regulations, the Applications, and this Order; and (c) must provide a reconciliation of the Savings Bank's capital;

5. The Savings Bank must submit independent audit reports to the Regional Director for its first three years of operations. These reports must be in compliance with the audit rules set forth at 12 C.F.R. § 562.4;
6. The Savings Bank must operate within the parameters of its three-year business plan. The Savings Bank must submit any proposed major deviations or material changes from the plan for the prior, written non-objection of the Regional Director. The request for change must be submitted no later than 60 calendar days prior to the desired implementation date with a copy to the FDIC Regional Office;
7. For a three year period following commencement of operations, the Savings Bank must submit to the Regional Director within 45 calendar days after the end of each calendar quarter, a business plan variance report detailing the Savings Bank's compliance with the business plan and an explanation of any deviations;
8. For two years following the date of consummation, the Savings Bank must receive the prior written non-objection of the Regional Director for any proposed new directors or senior executive officers or any significant change in responsibilities of any senior executive officer;
9. Prior to opening for business, the Savings Bank must establish detailed policies and procedures for all major areas of operations, with a resolution of its board of directors evidencing its review and approval of those policies and procedures.
10. Prior to opening for business, the Savings Bank must implement a compliance management program that includes, at a minimum, the following components:
 - a) the assignment of specific compliance responsibilities to individuals who are knowledgeable and experienced in administering consumer protection, nondiscrimination, and other compliance laws administered by the OTS;
 - b) regular and comprehensive self-assessment reviews to ensure compliance on a day-to-day basis;
 - c) periodic compliance audits;
 - d) comprehensive training for all affected staff;
 - e) an ongoing system for assuring compliance with federal fair lending statutes and regulations, and for handling consumer inquiries and complaints; and
 - f) appropriate written policies and procedures.
11. No later than 30 days after the end of each calendar quarter, the Savings Bank must submit a status report, in a form acceptable to the Regional Director, that details the

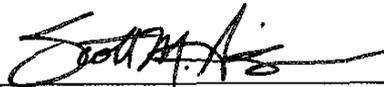
implementation of its compliance management and fair lending programs and the results of its compliance monitoring efforts as required by the compliance management program. This quarterly report is required until at least the completion of the Savings Bank's first full examination cycle, but in no case beyond 18 months after opening for business.

12. No later than 30 days after the end of each calendar quarter, the Savings Bank must submit a status report, in a form acceptable to the Regional Director, that details:
- a) the results of its various lending programs and initiatives; and
 - b) its levels of lending to low- and moderate-income individuals and communities.

This quarterly report is required until at least the completion of the Savings Bank's first CRA examination cycle, but in no case beyond 18 months after opening for business.

Any time period set forth herein may be extended for up to 120 calendar days, for good cause, by the Regional Director.

By order of the Director of the Office of Thrift Supervision, or his designee,
effective June 3, 2003.



Scott M. Albinson
Managing Director
Office of Supervision