FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

WYOMING DIVISION OF BANKING

CHEYENNE, WYOMING

In the Matter of BANK OF WYOMING THERMOPOLIS, WYOMING (INSURED STATE NONMEMBER BANK)	ORDER TO CEASE AND DESIST Docket FDIC-08-295b

Bank of Wyoming, Thermopolis, Wyoming ("Bank"), having been advised of its right to a NOTICE OF CHARGES AND OF HEARING detailing the unsafe or unsound banking practices alleged to have been committed by the Bank and of its right to a hearing on the alleged charges under section 8(b)(1) of the Federal Deposit Insurance Act ("Act"), 12 U.S.C. § 1818(b)(1), and sections 203 and 208 of Chapter 10 of Title 13 of the Wyoming Code, and having waived those rights, entered into a STIPULATION AND CONSENT TO THE ISSUANCE OF AN ORDER TO CEASE AND DESIST ("CONSENT AGREEMENT") with counsel for the Federal Deposit Insurance Corporation ("FDIC"), and with counsel for the Wyoming Division of Banking ("WDB"), dated October 15, 2008, whereby solely for the purpose of this proceeding and without admitting or denying the alleged charges of unsafe or unsound banking practices and violations of law and/or regulations, the Bank consented to the issuance of an ORDER TO CEASE AND DESIST ("ORDER") by the FDIC and the WDB.

The FDIC and the WDB considered the matter and determined that they had reason to believe that the Bank had engaged in unsafe or unsound banking practices. The FDIC and the WDB, therefore, accepted the CONSENT AGREEMENT and issued the following:

ORDER TO CEASE AND DESIST

IT IS HEREBY ORDERED, that the Bank, its institution-affiliated parties, as that term is defined in section 3(u) of the Act, 12 U.S.C. § 1813(u), and its successors and assigns, cease and desist from the following unsafe and unsound banking practices, as more fully set forth in the joint FDIC and WDB Report of Examination ("ROE") dated April 28, 2008:

(a) operating with management whose policies and practices are detrimental to the Bank and jeopardize the safety of its deposits;

(b) operating with a board of directors which has failed to provide adequate supervision over and direction to the active management of the Bank;

(c) operating with inadequate capital in relation to the kind and quality of assets held by the Bank;

(d) operating with an inadequate loan valuation reserve;

(e) operating with a large volume of poor quality loans;

(f) engaging in unsatisfactory lending and collection practices;

(g) operating in such a manner as to produce low earnings;

(h) operating in violation the following regulations: section 323.3(a) of the FDIC Rules and Regulations, 12 C.F.R. § 323.3(a); section 323.3(b) of the FDIC Rules and Regulations, 12 C.F.R. § 323.3(b); section 323.5(a) of the FDIC Rules and Regulations, 12 C.F.R. § 323.5(a); and section 353.3(d) of the FDIC Rules and Regulations, 12 C.F.R. § 353.3(d), all as more fully described on pages 23 and 24 of the ROE dated April 28, 2008;

(i) operating in contravention of Appendix A to Part 365-Interagency Guidelines for Real Estate Lending Policies;

(j) operating in contravention of the Interagency Appraisal and Evaluation Guidelines dated October 27, 1994;

(k) operating in violation of Section 401(b) of Article 3 of Title 13 of the Wyoming Statutes, W.S. 13-3-401(b); and

(l) operating with inadequate provisions for liquidity.

IT IS FURTHER ORDERED, that the Bank, its institution-affiliated parties, and its successors and assigns, take affirmative action as follows:

1. The Bank shall have and retain qualified management.

(a) Each member of management shall have qualifications and experience commensurate with his or her duties and responsibilities at the Bank. Management shall include a chief executive officer with proven ability in managing a bank of comparable size, and experience in upgrading a low quality loan portfolio, improving earnings, and other matters needing particular attention. Management shall also include a senior lending officer with significant appropriate lending, collection, and loan supervision experience and experience in upgrading a low quality loan portfolio. Each member of management shall be provided appropriate written authority from the Bank's Board of Directors ("Board") to implement the provisions of this ORDER.

(b) The qualifications of management shall be assessed on its ability to:

(i) comply with the requirements of this ORDER;

(ii) operate the Bank in a safe and sound manner;

(iii) comply with applicable laws and regulations; and

(iv) restore all aspects of the Bank to a safe and sound condition, including asset quality, capital adequacy, earnings, management effectiveness, liquidity, and sensitivity to market risk.

(c) During the life of this ORDER, the Bank shall notify the Regional Director of the FDIC's San Francisco Regional Office ("Regional Director") and the

Commissioner of the WDB ("Commissioner") in writing when it proposes to add any individual to the Bank's Board or employ any individual as a senior executive officer. The notification must be received at least 30 days before such addition or employment is intended to become effective and should include a description of the background and experience of the individual or individuals to be added or employed.

(d) Within 60 days after the effective date of this ORDER, the Bank's Board shall obtain an independent study of the management and personnel structure of the Bank to determine whether additional personnel are needed for the safe and profitable operation of the Bank. Such a study shall include, at a minimum, a review of the duties, responsibilities, qualifications, and remuneration of the Bank's officers.

(e) Within 90 days after the effective date of this ORDER, the Bank shall formulate a plan to implement the recommendations of the study required under provision 1(d). The plan shall be acceptable to the Regional Director and the Commissioner as determined at subsequent examinations.

2. Within 90 days from the effective date of this ORDER, the Bank shall adopt and implement an employee compensation plan after undertaking a review of compensation paid to any of the Bank's executive officers. At a minimum, the review shall include the following:

(a) a critical analysis of each individual's background, experience, duties and responsibilities, and an appraisal of each individual's performance compared to the present level of compensation;

(b) a comparison of each officer's total compensation with compensation received by officers with similar duties and responsibilities in similar institutions; and

(c) a determination of whether present executive officers are capable of implementing board directives and policies, operating within the constraints of laws and regulations, and operating the Bank in a prudent manner.

For the purposes of this paragraph, "compensation" refers to any and all salaries, bonuses, and other benefits of every kind and nature whatsoever, whether paid directly or indirectly. The compensation plan and its implementation shall be in a form and manner acceptable to the Regional Director as determined at subsequent examinations and/or visitations.

3. Within 30 days from the effective date of this ORDER, the Bank’s Board shall increase its participation in the affairs of the Bank, assuming full responsibility for the approval of sound policies and objectives and for the supervision of all of the Bank's activities, consistent with the role and expertise commonly expected for directors of banks of comparable size. This participation shall include meetings to be held no less frequently than monthly at which, at a minimum, the following areas shall be reviewed and approved: reports of income and expenses; new, overdue, renewal, insider, charged-off, and recovered loans; overdrafts of $5,000 or more; investment activity; operating policies; and individual committee actions. The Bank’s Board minutes shall document these reviews and approvals, including the names of any dissenting directors.

4. Within 30 days from the effective date of this ORDER, the Bank’s Board shall establish a board committee responsible for ensuring compliance with the ORDER, overseeing corrective measures with respect to the ORDER, and reporting to the Bank’s Board. The committee shall monitor compliance with this ORDER and, within 30 days from the effective date of this ORDER, and every 30 days thereafter, shall submit a written report detailing the Bank’s compliance with this ORDER to the Bank’s Board, for review and consideration during its regularly scheduled meeting. The compliance report and any discussion related to the report

or ORDER shall be incorporated into the minutes of the meeting of the Bank's Board. Nothing contained herein shall diminish the responsibility of the entire Bank's Board to ensure compliance with the provisions of this ORDER.

5. (a) Within 90 days from the effective date of this ORDER, the Bank shall increase its Tier 1 capital in such an amount as to equal or exceed 9.5 percent of the Bank's total assets, and shall thereafter maintain Tier 1 capital in such an amount as to equal or exceed 9.5 percent of the Bank's total assets during the life of this Order. In addition, the Bank shall be "well-capitalized" as defined in Part 325 of the FDIC's Rules and Regulations, Subpart B.

(b) Within 60 days from the effective date of this ORDER, the Bank shall develop and adopt a plan to meet and thereafter maintain the minimum risk-based capital requirements as described in the FDIC's Statement of Policy on Risk-Based Capital contained in Appendix A to Part 325 of the FDIC's Rules and Regulations, 12 C.F.R. Part 325, Appendix A. The Plan shall be in a form and manner acceptable to the Regional Director and the Commissioner as determined at subsequent examinations.

(c) The level of Tier 1 capital to be maintained during the life of this ORDER pursuant to Paragraph 5(a) shall be in addition to a fully funded allowance for loan and lease losses, the adequacy of which shall be satisfactory to the Regional Director and the Commissioner as determined at subsequent examinations and/or visitations.

(d) Any increase in Tier 1 capital necessary to meet the requirements of Paragraph 5(a) of this ORDER may be accomplished by the following:

(i) the sale of common stock; or

(ii) the sale of noncumulative perpetual preferred stock; or

(iii) the direct contribution of cash by the Bank's Board, shareholders, and/or parent holding company; or

(iv) any other means acceptable to the Regional Director and the Commissioner; or

(v) any combination of the above means.

Any increase in Tier 1 capital necessary to meet the requirements of Paragraph 5(a) of this ORDER may not be accomplished through a deduction from the Bank's allowance for loan and lease losses.

(e) If all or part of the increase in Tier 1 capital required by Paragraph 5(a) of this ORDER is accomplished by the sale of new securities, the Bank’s Board shall forthwith take all necessary steps to adopt and implement a plan for the sale of such additional securities, including the voting of any shares owned or proxies held or controlled by them in favor of the plan. Should the implementation of the plan involve a public distribution of the Bank's securities (including a distribution limited only to the Bank's existing shareholders), the Bank shall prepare offering materials fully describing the securities being offered, including an accurate description of the financial condition of the Bank and the circumstances giving rise to the offering, and any other material disclosures necessary to comply with the Federal securities laws. Prior to the implementation of the plan and, in any event, not less than 15 days prior to the dissemination of such materials, the plan and any materials used in the sale of the securities shall be submitted to the FDIC, Registration and Disclosure Unit, Washington, D.C. 20429, for review. Any changes requested to be made in the plan or materials by the FDIC shall be made prior to their dissemination. If the increase in Tier 1 capital is provided by the sale of noncumulative perpetual preferred stock, then all terms and conditions of the issue, including but not limited to those terms and conditions relative to interest rate and convertibility factor, shall be presented to the Regional Director and the Commissioner for prior approval.

(f) In complying with the provisions of Paragraph 5(a) of this ORDER, the Bank shall provide to any subscriber and/or purchaser of the Bank's securities, a written notice of any planned or existing development or other changes which are materially different from the information reflected in any offering materials used in connection with the sale of Bank securities. The written notice required by this paragraph shall be furnished within 10 days from the date such material development or change was planned or occurred, whichever is earlier, and shall be furnished to every subscriber and/or purchaser of the Bank's securities who received or was tendered the information contained in the Bank's original offering materials.

(g) For the purposes of this ORDER, the terms "Tier 1 capital" and "total assets" shall have, the meanings ascribed to them in Part 325 of the FDIC’s Rules and Regulations, 12 C.F.R. §§ 325.2(v) and 325.2(x).

6. The Bank shall not pay cash dividends without the prior written consent of the Regional Director and the Commissioner.

7. Within 30 days from the effective date of this ORDER, the Bank shall increase its allowance for loan and lease losses by at least $440 thousand, and shall thereafter maintain an adequate allowance for loan and lease losses. The adequacy of the Bank’s allowance for loan and lease losses shall be determined by the Regional Director and the Commissioner at subsequent examinations and/or visitations.

8. Within 90 days from the effective date of this ORDER, the Bank’s Board shall develop or revise, adopt and implement a comprehensive policy for determining the adequacy of the allowance for loan and lease losses. For the purpose of this determination, the adequacy of the reserve shall be determined after the charge-off of all loans or other items classified "Loss." The policy shall provide for a review of the allowance at least once each calendar quarter. Said review should be completed at least 10 days prior to the end of each quarter, in order that the

findings of the Bank's Board with respect to the loan and lease loss allowance may be properly reported in the quarterly Reports of Condition and Income. The review should focus on the results of the Bank's internal loan review, loan loss experience, trends of delinquent and non-accrual loans, an estimate of potential loss exposure of significant credits, concentrations of credit, and present and prospective economic conditions. A deficiency in the allowance shall be remedied in the calendar quarter it is discovered, prior to submitting the Report of Condition, by a charge to current operating earnings. The minutes of the Bank's Board meeting at which such review is undertaken shall indicate the results of the review. Upon completion of the review, the Bank shall increase and maintain its allowance for loan and lease losses consistent with the allowance for loan and lease loss policy established. Such policy and its implementation shall be satisfactory to the Regional Director and the Commissioner as determined at subsequent examinations and/or visitations.

9. Within 30 days from the effective date of this ORDER, the bank shall implement procedures for the maintenance of an accurate loan Watch List. The accuracy of the loan Watch List shall be determined by future regulatory examinations.

10. Within 60 days of the effective date of this ORDER, the board shall develop a program of independent loan review that will provide for a quarterly review of the Bank's loan portfolio and the identification and categorization of problem credits. At a minimum, the system shall provide for:

(a) Prompt identification of loans with credit weaknesses that warrant the special attention of management, including the name of the borrower, amount of the loan, reason why the loan warrants special attention; and assessment of the degree of risk that the loan will not be fully repaid according to its terms;

(b) Action plans to reduce the Bank's risk exposure from each identified relationship;

(c) Assessment of the overall quality of the loan portfolio;

(d) Identification of credit and collateral documentation exceptions and an action plan to address the identified deficiencies;

(e) Identification and status of violations of laws, rules, or regulations with respect to the lending function and an action plan to address the identified violations;

(f) Identification of loans that are not in conformance with the Bank's lending policy and an action plan to address the identified deficiencies; and

(g) A mechanism for reporting periodically, but in no event less than quarterly, the information developed in (a) through (f) above to the Bank's Board. The report should also describe the action(s) taken by management with respect to problem credits.

11. Within 30 days from the effective date of this ORDER, the Bank shall eliminate from its books, by charge-off or collection, all assets classified "Loss" in the ROE dated April 28, 2008 that have not been previously collected or charged off. Elimination of these assets through proceeds of other loans made by the Bank is not considered collection for the purpose of this paragraph.

12. (a) Within 180 days from the effective date of this ORDER, the Bank shall have reduced the assets classified "Substandard" in the ROE dated April 28, 2008, that have not previously been charged off to not more than 90 percent of capital and reserves.

(b) Within 270 days from the effective date of this ORDER, the Bank shall have reduced the assets classified "Substandard" in the ROE dated April 28, 2008, that have not previously been charged off to not more than 70 percent of capital and reserves.

(c) Within 360 days from the effective date of this ORDER, the Bank shall have reduced the assets classified "Substandard" in the ROE dated April 28, 2008, that have not previously been charged off to not more than 50 percent of capital and reserves.

(d) The requirements of Subparagraphs 12(a), 12(b), and 12(c) of this ORDER are not to be construed as standards for future operations and, in addition to the foregoing, the Bank shall eventually reduce the total of all adversely classified assets. Reduction of these assets through proceeds of other loans made by the Bank is not considered collection for the purpose of this paragraph. As used in Subparagraphs 12(a), 12(b), 12(c), and 12(d) the word "reduce" means:

(i) to collect;

(ii) to charge-off; or

(iii) to sufficiently improve the quality of assets adversely classified to warrant removing any adverse classification, as determined by the FDIC and the WDB.

13. (a) Beginning with the effective date of this ORDER, the Bank shall not extend, directly or indirectly, any additional credit to, or for the benefit of, any borrower who has a loan or other extension of credit from the Bank that has been charged off or classified, in whole or in part, "Loss" and is uncollected. Subparagraph 13(a) of this ORDER shall not prohibit the Bank from renewing or extending the maturity of any credit in accordance with the Financial Accounting Standards Board Statement Number 15 ("FASB 15").

(b) Beginning with the effective date of this ORDER, the Bank shall not extend, directly or indirectly, any additional credit to, or for the benefit of, any borrower who has a loan or other extension of credit from the Bank that has been classified, in whole or part, "Substandard" without the prior approval of a majority of the Bank’s Board or the loan committee of the Bank.

(c) The loan committee or Bank's Board shall not approve any extension of credit, or additional credit to a borrower in Paragraph (b) above without first collecting in cash all past due interest.

14. (a) Within 60 days from the effective date of this ORDER, the Bank shall revise, adopt, and implement written lending and collection policies to provide correct deficiencies set forth in the ROE dated April 28, 2008, and to provide effective guidance and control over the Bank's lending function, including management's compliance thereof. In addition, the Bank shall obtain adequate and current documentation for all loans in the Bank's loan portfolio. Such policies and their implementation shall be in a form and manner acceptable to the Regional Director and the Commissioner as determined at subsequent examinations and/or visitations.

(b) The initial revisions to the Bank's loan policy and practices, required by this paragraph, at a minimum, shall include the following:

(i) provisions which prohibit the extension or renewal of credits without the full collection of interest or the capitalization of interest or loans related expense unless the Bank's Board supports in writing and records in the minutes of the corresponding Bank's Board meeting why an exception thereto is in the best interests of the Bank;

(ii) provisions which require complete loan documentation, realistic repayment terms, and current credit information adequate to support the outstanding indebtedness of the borrower. Such documentation shall include current financial information, profit and loss statements or copies of tax returns and cash flow projections;

(iii) provisions which incorporate limitations on the amount that can be loaned in relation to established collateral values;

(iv) provisions which restrict and require board approval of large overdrafts;

(v) provisions which specify the circumstances and conditions under which real estate appraisals must be conducted by an independent third party;

(vi) provisions that directors first determine that the lending staff has the expertise necessary to properly supervise construction loans and that adequate procedures are in place to monitor any construction involved before funds are disbursed;

(vii) the Bank's Board shall adopt procedures whereby compliance with the revised loan policy is monitored and responsibility for exceptions thereto assigned. The procedures adopted shall be reflected in minutes of a Bank's Board meeting at which all members are present and the vote of each is noted.

15. Within 90 days from the effective date of this ORDER, the Bank shall develop a plan to reduce its concentration risks including all out-of-area loans to an acceptable level. In determining an acceptable level for each segment of concentration risk within the Bank's portfolio, the Bank shall consider the *Interagency Guidance on Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices* and the Bank's current exposure in relation to capital. Such plan and its implementation should include stress testing of the Commercial Real Estate loan portfolio, and shall be in a form and manner acceptable to the Regional Director and the Commissioner as determined at subsequent examinations and/or visitations.

16. Within 30 days from the effective date of this ORDER, the Bank shall amend the Consolidated Reports of Condition and Income for the periods ending December 31, 2006, December 31, 2007, and March 31, 2008 to correct errors identified in the ROE dated April 28, 2008. During the life of this ORDER, the Bank shall file with the FDIC and the WDB

Consolidated Reports of Condition and Income which shall accurately reflect the financial condition of the Bank as of the end of the period for which the Reports are filed, including any adjustment in the Bank’s books made necessary or appropriate as a consequence of any examination of the Bank by the FDIC or the WDB during that reporting period.

17. Within 90 days from the effective date of this ORDER, the Bank shall develop and adopt a plan to control overhead and other expenses and restore the Bank's profitability. The plan shall be in a form and manner acceptable to the Regional Director and the Commissioner as determined at subsequent examinations and/or visitations.

18. Within 90 days of the effective date of this ORDER, the Bank shall develop and submit to the Regional Director and the Commissioner a written three-year strategic plan. Such plan shall include specific goals for the dollar volume of total loans, total investment securities, and total deposits as of December 31, 2009, December 31, 2010, and December 31, 2011. For each time frame, the plan will also specify the anticipated average maturity and average yield on loans and securities; the average maturity and average cost of deposits; the level of earning assets as a percentage of total assets; and the ratio of net interest income to average earning assets. The plan shall be in a form and manner acceptable to the Regional Director and the Commissioner as determined at subsequent examinations and/or visitations.

19. Within 90 days from the effective date of this ORDER, the Bank shall eliminate and/or correct all violations of State and Federal law and contraventions of FDIC’s Rules and Regulations and policies, as more fully set forth on pages 23 to 25 of the ROE dated April 28, 2008. In addition, the Bank shall take all necessary steps to ensure future compliance with all applicable laws and regulations. The Board shall establish policies and procedures to comply with the requirements of Part 353 and Part 323 of the FDIC’s Rules and Regulations, and all FDIC Statement of Policy regarding appraisals.

20. Within 90 days from the effective date of this ORDER, the Bank shall develop or revise, adopt, and implement a written liquidity and funds management policy that establishes an appropriate range for the bank's net non-core funding dependence ratio, as computed by the Uniform Bank Performance Report. Additionally, the board shall submit a written plan for reducing the bank's net non-core dependence ratio to the Regional Director and the Commissioner. Such policy needs to include contingency funding plans, and its implementation shall be in a form and manner acceptable to the Regional Director and the Commissioner as determined at subsequent examinations and/or visitations.

21. Within 90 days of the end of the first quarter, following the effective date of this ORDER, and within 30 days of the end of each quarter thereafter, the Bank shall furnish written progress reports to the Regional Director and the Commissioner detailing the form and manner of any actions taken to secure compliance with this ORDER and the results thereof. Such reports shall include a copy of the Bank's Report of Condition and the Bank's Report of Income. Such reports may be discontinued when the corrections required by this ORDER have been accomplished and the Regional Director and the Commissioner have released the Bank in writing from making further reports.

22. Following the effective date of this ORDER, the Bank shall send to its shareholder(s) or otherwise furnish a description of this ORDER in conjunction with the Bank's next shareholder communication and also in conjunction with its notice or proxy statement preceding the Bank's next shareholder meeting. The description shall fully describe the ORDER in all material respects. The description and any accompanying communication, statement, or notice shall be sent to the FDIC, Accounting and Securities Section, Washington, D.C. 20429, and to the WDB at least 15 days prior to dissemination to shareholders. Any changes requested

to be made by the FDIC shall be made prior to dissemination of the description, communication, notice, or statement.

This ORDER will become effective upon its issuance by the FDIC and the WDB. The provisions of this ORDER shall remain effective and enforceable except to the extent that, and until such time as, any provisions of this ORDER shall have been modified, terminated, suspended, or set aside by the FDIC and the WDB.

Pursuant to delegated authority.

Dated at San Francisco, California, this 17th day of October, 2008.

____
J. George Doerr
Deputy Regional Director
Division of Supervision and Consumer Protection
San Francisco Region
Federal Deposit Insurance Corporation

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Jeffrey C. Vogel
Commissioner
Wyoming Division of Banking