FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

In the Matter of	)	NOTICE OF ASSESSMENT OF CIVIL MONEY PENALTIES, FINDINGS OF FACT AND CONCLUSIONS OF LAW, ORDER TO PAY, AND NOTICE OF HEARING
LARRY G.SEASTROM, TIMOTHY W. THISSEN, ROBERT J. BRUNNER, AND JOHN A. KAMMEIER, individually and as an institution-affiliated parties of	)	
NEW FRONTIER BANK GREELEY, COLORADO (INSURED STATE NONMEMBER BANK)	)	FDIC-15-041k FDIC-15-042k FDIC-15-043k FDIC-15-044k

The Federal Deposit Insurance Corporation ("FDIC") has determined that Larry G. Seastrom ("Respondent Seastrom"), Robert J. Brunner ("Respondent Brunner"), Timothy W. Thissen ("Respondent Thissen"), and John A. Kammeier ("Respondent Kammeier")(collectively "Respondents"), as institution-affiliated parties of New Frontier Bank, Greeley, Colorado ("Bank"), have violated laws and/or regulations. The FDIC, therefore, institutes this proceeding for the assessment of civil money penalties pursuant to the provisions of section 8(i)(2)(A) of the Federal Deposit Insurance Act ("Act"), 12 U.S.C. § 1818(i)(2)(A).

The FDIC hereby issues this NOTICE OF ASSESSMENT OF CIVIL

MONEY PENALTIES, FINDINGS OF FACT AND CONCLUSIONS OF LAW, ORDER TO PAY, and NOTICE OF HEARING ("NOTICE OF ASSESSMENT") pursuant to section 8(i) of the Act, 12 U.S.C. § 1818(i), and the FDIC's Rules of Practice and Procedure, 12 C.F.R. Part 308, and alleges as follows:

FINDINGS OF FACT AND CONCLUSIONS OF LAW

I. Preliminary Allegations

1. At all times pertinent to the charges herein, the Bank was a corporation existing and doing business under the laws of the State of Colorado, having its principal place of business in Greeley, Colorado.

2. At all times pertinent to the charges herein, the Bank was an insured State nonmember bank, as defined in section 3(e) of the Act, 12 U.S.C. § 1813(e), and, as such, was subject to the Act, 12 U.S.C. § 1811 *et seq.*, the Rules and Regulations of the FDIC, 12 C.F.R. Chapter III, and the laws of the State of Colorado.

3. At all times pertinent to the charges herein, the Bank was wholly owned by New Frontier Bancorp ("Holding Company"), a one-bank holding company.

4. At all times pertinent to the charges herein, the Holding Company was an affiliate of the Bank as defined in 12 U.S.C. § 371c (b) (1) (A) because the Holding Company was a company that controlled the Bank.

5. At all times pertinent to the charges herein, each Respondent was an "institution-affiliated party" as that term is defined in section 3(u) of the Act, 12 U.S.C. § 1813(u), and for purposes of sections 8(i)of the Act, 12 U.S.C. § 1818(i).

6. The FDIC is the "appropriate Federal banking agency" with respect to the Bank within the meaning of section 3(q)(2) of the Act, 12 U.S.C. § 1813(q)(2).

7. Respondent Seastrom was one of the original incorporators of the Bank and became a Bank Director as well its President/CEO when the Bank received deposit insurance and opened for business on December 1, 1998. Seastrom held these positions until he was terminated by the Bank on April 4, 2009, approximately one week prior to the Bank's failure on April 10, 2009.

8. Respondent Brunner was an original incorporator of the Bank and became a Bank Director when the Bank opened for business on December 1, 1998.

9. In 2007 Respondent Brunner was elected as the Chairman of the Board of Directors, a position he held until the Bank failed.

10. Respondent Brunner also served as the Chairman of the Board of Directors of the Holding Company since its formation in 2001. In addition, Respondent Brunner served as

the Secretary of the Holding Company.

11. Respondent Brunner was the largest single shareholder of the Holding Company, either individually or jointly owning or controlling 150,129 shares of Holding Company stock, representing a 6.17 % ownership interest in the Holding Company.

12. Respondent Thissen was elected to the Bank's Board of Directors in March 2003, a position he held until the Bank failed.

13. Respondent Kammeier was elected as a Director of the Bank when the Bank opened for business in December 1998, a position he held until the Bank failed.

14. Respondent Kammeier was the third largest shareholder of the Holding Company, either individually or jointly owning or controlling 64,515 shares of Holding Company stock, representing a 2.65 % ownership interest in the Holding Company.

15. At all times pertinent to the charges herein, Respondent Seastrom, Respondent Brunner, Respondent Thissen, and Respondent Kammeier, along with Jack Renfroe (now deceased), comprised the entire Board of Directors of both the Bank and the Holding Company.

16. At all times pertinent to the charges herein, the FDIC maintained jurisdiction over the Bank, Respondent

Seastrom, Respondent Brunner, Respondent Thissen, and Respondent Kammeier, and the subject matter of this proceeding.

17. In mid-March 2008, the Bank's Chief Financial Officer James Hansen projected a total of $2,000,000 in write-offs that would be taken on the Bank's Call Report for March 31, 2008. The Respondents, along with Director Jack Renfroe, each purchased $450,000 in stock from the Holding Company (for a total of $2,250,000) on or about March 28, 2008. The Holding Company then injected $2,000,000 of this newly raised equity into the Bank in time to be counted on the Bank's Call Report for March 31, 2008.

18. During the May 2008 visitation, FDIC identified a number of accounting errors and problem credits, totaling approximately $4,000,000, that would result in additional charges against the Bank's capital and/or earning.

19. In June 2008, the FDIC instructed the Bank to correct the accounting errors immediately.

II. Respondents approve Holding Company Stock loans in violation of Section 23A/23B

20. Section 23A of the Federal Reserve Act, 12 U.S.C. § 371c(c), requires that certain transactions with affiliates (such as loans and extensions of credit) be secured with collateral having a market value of between 100 and 130

percent of the transaction amount. In addition to direct transactions between a bank and its affiliate, Section 23A provides that "any transaction by a member bank with any person shall be deemed to be a transaction with an affiliate to the extent the proceeds of the transaction are used for the benefit of, or transferred to, that affiliate." 12 U.S.C. § 371c(a)(2).

21. Section 23B of the Federal Reserve Act, 12 U.S.C. § 371c-1, requires that transactions between a bank and its affiliates be extended on comparable terms and conditions as transactions with non-affiliated entities. Like Section 23A, indirect transactions with affiliates under 23B are within the scope of the statute. 12 U.S.C. § 371c-1(d)(3).

22. Sections 23A and 23B are made applicable to state non-members by Section 18(j) of the FDI Act, 12 U.S.C. § 1828(j).

23. In an attempt to replace the capital the Bank was about to write off, Bank directors and officers embarked on a series of unsafe and unsound actions designed to conceal the Bank's true condition and deceive State and Federal bank regulators by raising several million dollars in new capital. Specifically, Respondents approved a series of loans to existing bank customers conditioned on the purchase by the customers of Holding Company stock. All of the customers

were, at the time of the "stock purchase loan", substantially indebted to the Bank, at the limit of or already beyond, their ability to repay their debts. Prior to the subject transactions, none of the customers had owned Holding Company stock, and none ever purchased more. In short, Respondents approved loans to a variety of uncreditworthy borrowers in order to fund Holding Company stock purchases by those same borrowers, effectively employing the Bank's own funds to raise the Bank's capital levels.

24. In addition to being unsafe and unsound, these undersecured or unsecured loans were extended in violation of the collateral and terms and conditions requirements for affiliate transactions established by Sections 23A and 23B.

25. In June 2008, the Holding Company initiated a private placement offering of its stock.

26. The Private placement offering had an opening date of June 27, 2008 and a closing date, as amended, of September 8, 2008.

27. Between June 27 and June 30, 2008, the Holding Company sold $4,000,000 in stock to five borrowers of the Bank.

28. The Bank financed $3,500,000 of these sales.

29. The financed transactions were either unsecured or under secured.

30. Between July 1 and September 8, 2008, another 16 sales of Holding Company stock were completed. All 16 sales were to existing Bank borrowers.

31. Eleven of the sixteen Holding Company stock sales completed between July 1, 2008 and September 8, 2008 were financed by the Bank.

32. The eleven Holding Company stock sales financed by the Bank between July 1, 2008 and September 8, 2008 were either unsecured or under secured.

33. Six of the 16 unsecured Holding Company stock loans financed by the Bank made between June 27, 2008, and September 8, 2008, are further described below.

John Johnson Stock Loan

34. As of early 2008, John D. Johnson and his related interests, Johnson Dairy and JF Cattle Company, were one of the Bank's largest dairy farm customers, and had a total indebtedness of approximately $44,000,000.

35. Johnson's primary loan officer at the Bank was Executive Vice President Greg Bell ("EVP Bell").

36. On June 24, 2008, Respondent Seastrom, Respondent Brunner, Respondent Thissen, and Respondent Kammeier, as members of the Bank's Tier II Loan Committee, approved a $5,000,000 loan request made by John D. Johnson ("Johnson Stock Loan").

37. At the time the Johnson Stock Loan was approved, the $24,000,000 Johnson Dairy Line of Credit (Bank loan Number [redacted] secured by all inventory, cattle, and equipment) was fully advanced, and Johnson needed additional working capital to continue his dairy operation.

38. With the $24,000,000 Johnson Dairy Line of Credit fully advanced, and no other borrowing source to use, Johnson was desperate to obtain additional capital to continue his operation.

39. The stated purpose of the Johnson Stock Loan was to use $2,500,000 of the proceeds to pay off a first lien holder on some real estate owned by Johnson (and on which the Bank already held a second lien), and the balance was to be used for operating capital and for "other investments".

40. EVP Bell was fully aware of the dire situation at Johnson Dairy, and that the $2,500,000 portion of the Johnson Stock Loan was needed as working capital to fund Johnson's business operations.

41. After the Tier II committee approved the $5,000,000 Johnson Stock Loan on June 24, 2008, EVP Bell informed Johnson that in order for the Johnson Stock Loan to be funded, Johnson would have to purchase $1,000,000 in Holding Company stock and that the stock purchase had to be completed by June 30, 2008.

42. No new collateral was pledged to secure the Johnson

Stock Loan.

43. On June 30, 2008, the net proceeds from the Johnson Stock Loan were deposited into the Johnson checking account maintained at the Bank.

44. Later on June 30, 2008, a check in the amount of $1,000,025 was written on the Johnson checking account to the Holding Company to purchase 15,385 shares of Holding Company Stock at $65.00 a share.

45. As President and Director of the Bank, Respondent Seastrom voted to approve the Johnson Stock Loan, and as President and a Director of the Holding Company, Seastrom executed the stock certificate and other documentation transferring the 15,385 shares of Holding Company stock to John Johnson.

46. Without the proceeds of the Johnson Stock Loan, the Johnson Checking Account would not have contained sufficient funds to purchase the Holding Company stock and to continue to fund the operations of Johnson Dairy.

47. Johnson, or his related interests, did not own any Bank or Holding Company Stock prior to the June 30, 2008, Holding Company Stock purchase.

48. Johnson, or his related interests, did not purchase any Bank or Holding Company Stock after the June 30, 2008, Holding Company Stock purchase.

49. Six months after the Johnson Stock Loan was made and funded, John Johnson and his related interests filed for Chapter 11 Bankruptcy protection, and subsequently filed suit against EVP Bell, Respondent Thissen, Respondent Seastrom, the Bank and others.

50. After the Bank failed, the FDIC, as Receiver for New Frontier Bank, acquired all right, title, and interest in and to the Johnson Stock Loan and all other debts owed to the Bank by Johnson and his related entities.

51. The Johnson Stock Loan was settled as part of a global settlement involving approximately $70,000,000 in debt owed to the FDIC, as Receiver for New Frontier Bank, by John Johnson and his entities; William and Carroll Bell; and David and Susan Kruse.

52. The settlement resulted in a payment to the FDIC, as Receiver of New Frontier Bank, of $9,521,917.

53. The Johnson Stock Loan was included in the sale and the FDIC, as receiver for New Frontier, lost $4,433,315 on the sale of the Johnson Stock Loan.

William and Carol Bell Stock Loan

54. On June 18, 2008, Respondent Seastrom and Respondent Brunner voted as Bank directors (on the Bank's Tier II Committee) to approve a $663,000 loan request made by William and Carol Bell ("William Bell Stock Loan").

55. William and Carol Bell are the parents of former Bank EVP Greg Bell.

56. On June 27, 2008, the Bank funded the William Bell Stock Loan (bank loan number [redacted]). The stated purpose of the William Bell Stock Loan was business investments, and the stated repayment source was personal cash flow and possible future sale of the Holding Company stock.

57. At the time the William Bell Stock Loan was made and funded, William Bell's occupation was listed as a retired rancher, and William and Carol Bell owed the Bank in excess of $22,000,000.

58. The Bells lacked the wherewithal to repay a new $663,000 loan.

59. Collateral for the William Bell Stock Loan was livestock and Bank CDs that had been previously pledged to secure the $22,000,000 in earlier debt incurred by William and Carol Bell at the Bank.

60. No new collateral was pledged to secure the William Bell Stock Loan.

61. On June 27, 2008, $660,000 of the proceeds from the William Bell Stock Loan was deposited into the William and Carol Bell checking account maintained at the Bank (account number [redacted]).

62. Later on June 27, 2008, a check in the amount of

$160,000 was written on the William and Carol Bell checking account to EVP Bell and was deposited EVP Bell's checking account at the Bank (account number [redacted]).

63. EVP Bell used these proceeds to purchase a share in Gateway Holdings, a Bank affiliate that owned the building where the Bank was located.

64. Respondents Seastrom, Brunner, Kammeier and Thissen, and former director Renfroe, owned the remaining interest in Gateway Holdings, LLC.

65. On June 30, 2008, a check in the amount of $500,045 was written on the William and Carol Bell checking account to the Holding Company to purchase 7,693 shares of Holding Company stock at $65.00 a share.

66. At the time the William Bell Stock Loan was made and funded, William Bell did not have cash on hand or credit from another source to purchase the Holding Company stock or loan EVP Bell $160,000.

67. As President and Director of the Bank, Respondent Seastrom voted to approve the William Bell Stock Loan, and as President and a Director of the Holding Company, Seastrom executed the stock certificate and other documentation transferring the 7,693 shares of Holding Company stock to William and Carol Bell.

68. William and Carol Bell did not own any Bank or

Holding Company Stock prior to the June 30, 2008, Holding Company Stock purchase.

69. William and Carol Bell did not purchase any Bank or Holding Company Stock after the June 30, 2008, Holding Company Stock purchase.

70. The William Bell Stock Loan went into default prior to the failure of the Bank.

71. After the Bank failed, the FDIC, as Receiver for New Frontier Bank, acquired all right, title, and interest in and to the William Bell Stock Loan and all other debts owed to the Bank by William and Carol Bell.

72. The William Bell Stock Loan was settled as part of a global settlement involving approximately $70,000,000 in debt owed to the FDIC, as Receiver for New Frontier Bank, by John Johnson and his entities; William and Carol Bell; and David and Susan Kruse.

73. The settlement resulted in a payment to the FDIC, as Receiver of New Frontier Bank, of $8,029,458.

74. The William Bell Stock Loan was included in the sale and the FDIC, as Receiver for New Frontier, lost $568,104 on the sale of the William Bell Stock Loan.

The Miller Stock Loan

75. As of July 2008, Randal G. and Sharon L. Miller (the "Millers"), owned Miller Cattle Feeders, LLC, Miller

Livestock, LLC, and Miller Land, LLC.

76. The Millers became customers of the Bank in 2001 and maintained operating lines of credit for their companies at the Bank. The Millers also maintained their personal checking and deposit accounts at the Bank.

77. During August 2008, Mr. Miller came to the Bank to discuss a loan to one of the Millers' companies when he was approached by Loan Officer Jeff Lloyd about purchasing Holding Company stock.

78. Mr. Miller was interested in purchasing stock in the Holding Company, but did not have the funds available to make such a purchase.

79. The Millers had net income of minus $115,379 as of the year ending 2007, and Miller Cattle Feeders had a net loss of $134,819. As of August 2008, the Millers and their companies had liabilities at the Bank of approximately $4 million.

80. Loan Officer Lloyd then informed Mr. Miller that the Bank could make the Millers a loan for $130,000 to finance the stock purchase, and Mr. Miller agreed to purchase $130,000 of Holding Company stock.

81. On August 26, 2008, Loan Officer Lloyd made a credit presentation on behalf of the Millers to the Bank's Tier II loan committee seeking a loan in the amount of $130,000 to be

used for "business investment." The loan was to be repaid with the Millers' personal income and was to be partially secured by Bank CD No. [redacted] with a face value of $14,095.81.

82. Lloyd's loan presentation to the Board described the Millers' annual losses and existing liabilities.

83. On August 26, 2008, Respondents Seastrom, Respondent Brunner, and Respondent Kammeier, as members of the Bank's Tier II Loan Committee, approved the $130,000 partially secured loan to the Millers (the "Miller Stock Loan") (Bank Loan No. [redacted]).

84. On August 27, 2008, the Millers signed a $130,000 promissory note for the Miller Stock Loan that listed the purpose of the loan as "business investment." The same day, the Millers also executed an Assignment of Certificate of Deposit/Share Certificate, assigning CD Number [redacted] with a face value of $14,095.81 to the Bank as partial security for the Miller Stock Loan.

85. No other collateral was pledged to secure the Miller Stock Loan.

86. The Miller Stock Loan was funded on August 28, 2008.

87. On August 29, 2008, a cashier's check was issued by the Millers payable to the Holding Company for $130,000.

88. On September 2, 2008, the Holding Company deposited the cashier's check into its account at the Bank.

89. At the time the Bank was placed into receivership in April 2009, the Millers and their related entities had seven outstanding loans at the Bank, including the Miller Stock Loan, and owed the Bank $3,922,547.

90. These loans were bundled and sold by FDIC, as receiver of the failed Bank, for $1,970,873, resulting in a loss of $1,951,674, including the loss of $130,000 on the Miller Stock Loan.

The Teague Stock Loan

91. As of July 2008, Ranchers Gary and Laura Teague (the "Teagues") owned: (1) Teague Diversified, LLC, a feed lot; (2) Teague Enterprises, LLC, holding company for land and other assets; (3) Brush Locker, LLC, a packing plant; and (4) Teague Ranch, Inc., a ranching operation.

92. The Teagues obtained their first loan from the Bank in 2002. By July 2008, the Teagues and their companies had ten outstanding loans or lines of credit at the Bank and a total indebtedness exceeding $61,000,000.

93. Throughout their relationship with the Bank, the Teagues dealt primarily with EVP Bell. However, in 2005 or 2006, the Teagues were approached by Respondent Seastrom about purchasing Holding Company stock, but the Teagues declined.

94. In late 2007, Teague Enterprises desired to purchase 540 acres of land from Bud Stump for $3.2 million, and Mr.

Teague contacted EVP Bell to determine whether the Bank could finance the transaction.

95. Although the Teagues never completed a formal loan application, in February or March 2008, EVP Bell told Mr. Teague that the Bank would finance the land purchase. EVP Bell suggested to Mr. Teague that the transaction could be funded by the Bank by refinancing an existing loan for Teague Enterprises for approximately $7 million (Bank Loan No. [redacted]) and adding $3.2 million in "new" money to the loan for the land purchase.

96. As a result of EVP Bell's assurances that the Bank would provide financing, Teague Enterprises entered two contracts to purchase the Stump properties (one for $1.7 million and one for $1.5 million) and in approximately March 2008 placed $20,000 in escrow to secure the contracts.

97. The closings were set for May 15, 2008. However, as the closing date approached, EVP Bell, on behalf of the Bank, asked Mr. Teague to delay the closing in order to complete the processing of the loan.

98. The closing for the first contract was delayed until June 15, 2008, and the closing for the second contract was delayed until late June or early July 2008. Due to the delay, the Teagues were required to place another $50,000 in escrow, or $25,000 for each contract.

99. By the time the first contract closed on June 15, 2008, EVP Bell told Mr. Teague that the Bank still did not have the loan paperwork approved, but that the loan was forthcoming. At the suggestion of EVP Bell, the Teagues drew upon an existing line of credit for Teague Enterprises to buy the first Stump property for $1.7 million.

100. By the time of the closing date for the second contract for $1,500,000 in early July 2008, the Teagues's lines of credit were exhausted and the Bank had still not finalized the loan. A day or so before the closing of the second contract, Mr. Teague called EVP Bell to determine the status of his loan and Bell again told Mr. Teague that the Bank was still completing the necessary paperwork.

101. EVP Bell told Mr. Teague that he should attend the closing and write a check for the contract, even though the Teagues's account did not have sufficient funds to cover the purchase. EVP Bell then told Mr. Teague not to worry about overdrafting his account to purchase the second Stump property because the paperwork would be completed and executed before the overdraft would be a problem.

102. During his discussion with Mr. Teague prior to the closing of the second contract, EVP Bell broached the subject of purchasing Holding Company stock. EVP Bell told the Teagues that the Bank would finance their stock purchase by

"rolling" it into the loan to buy the Stump properties.

103. EVP Bell further told the Teagues that the willingness of the Bank to do business or lend money to customers would be reserved for those people who had invested in the Holding Company.

104. Mr. Teague declined to purchase Holding Company Stock.

105. Based upon the Bank's assurances through EVP Bell that the loan would be forthcoming, the Teagues wrote the check for $1,500,000 to purchase the second Stump property.

106. When the $1,500,000 check drawn on Teague Enterprises was presented to the Bank for payment on or about July 14, 2008, Respondent Seastrom approved the payment, even though it resulted in a $1,088,000 overdraft in the Teague Enterprises account.

107. Concerned that his Teague Enterprises account was now overdrawn by $1,088,000, Mr. Teague again contacted EVP Bell to inquire about the status of his loan request.

108. At that time, EVP Bell informed Mr. Teague that as a condition for approving the Teague loan request, the Teagues would be required to purchase Holding Company stock

109. As EVP Bell was informing Mr. Teague of the stock purchase requirement, Loan Officer Jeff Lloyd arrived at the Teague Enterprises office with loan documents indicating that

the Teagues were going to purchase $1,500,000 in Holding Company stock.

110. The Teagues flatly refused to sign the loan paperwork, and Mr. Teague went to the Bank to have a face-to-face discussion with EVP Bell.

111. After his face-to-face meeting with EVP Bell, Teague left the Bank with the understanding that if the Teagues did not buy Holding Company Stock, his $3,200,000 loan request would not be approved.

112. Moreover, the Teagues had approximately $57 million in loans that were due to be renewed in the fall of 2008, and EVP Bell made it clear to Mr. Teague that without the Teagues's purchase of at least $500,000 in Holding Company stock, the Teague's loans would not be renewed.

113. On July 15, 2008, EVP Bell made a credit presentation to the Tier II Loan Committee for an $11 million loan for the Teagues. The loan presented by EVP Bell requested that the Bank rewrite a prior $7,000,000 loan for Teague Enterprises (Bank Loan # [redacted]) and provide Gary and Laura Teague with $3,800,000 in new funds ($600,000 more than the Teagues had been seeking). The new funds represented: (1) $3,200,000 to purchase the Stump properties; (2) $500,000 for "personal investment;" and (3) $100,000 in fees for processing the transaction.

114. On July 15, 2008, Respondent Seastrom, Respondent Brunner, and Respondent Thissen voted as Bank directors (on the Bank's Tier II Committee) to approve the $11,000,000 loan request to Gary and Laura Teague (Bank Loan # [redacted]) ("Teague Stock Loan").

115. Even after the Teague Stock Loan was closed and funded, the Teagues continued to have second thoughts about purchasing $500,000 worth of Holding Company stock. However, EVP Bell contacted the Teagues and told them that they had no other alternative but to purchase $500,000 of Holding Company stock.

116. On July 31, 2008, Gary Teague wrote a $500,045 check to the Holding Company which was deposited by the Holding Company on August 1, 2008.

117. On August 1, 2008, Respondent Seastrom signed a stock certificate for 7,693 shares of Holding Company stock for Gary and Laura Teague.

118. At the time the Bank was placed into receivership, the Teagues and the companies they controlled owed the Bank $60,741,264. These loans were sold by FDIC, as receiver of the failed Bank, for $13,274,828, resulting in a loss of $47,466,436.

119. The Teague Stock Loan was included in the sale and the loss on the stock portion of the Teague Stock loan was

$391,000.

The Schilderink Stock Loan

120. As of 2007, Husband and wife, Laurentius Schilderink and Ilona Van Vliet ("the Schilderinks"), were the owners of four dairies in Texas: (1) Spandet Diary, LLC; (2) Caprock Dairy, LLC; (3) Hemick Farms, LLC; and (4) Hart Farms, LLC.

121. The Schilderinks began their banking relationship with the Bank in June 2007 when they obtained a $21 million loan from the Bank for the purchase of Hemick Farms (Bank Loan No. [redacted]).

122. By September 2008, the Schilderinks had obtained three more loans from the Bank (Bank Loan Nos. [redacted], [redacted], and [redacted]) and had a total indebtedness to the Bank of $40,322,416.

123. In the fall of 2008, the Schilderinks had over $20 million in loan obligations coming up for renewal at the Bank.

124. During late August or early September 2008, Mr. Schilderink was contacted by loan officer Rod Johnson who invited him to purchase stock in the Holding Company. Prior to this time, the Schilderinks were not stockholders in the Holding Company.

125. Rod Johnson told Mr. Schilderink that if the Schilderinks purchased stock in the Holding Company, the Bank would look at them more favorably in their lending

relationships.

126. Loan Officer Johnson did not share any negative information about the Bank's financial condition with Mr. Schilderink, but he asked Mr. Schilderink to purchase $1 million in Holding Company Stock.

127. From speaking with Loan Officer Johnson, Mr. Schilderink understood that if he and his wife became stockholders in the Holding Company, the Bank would extend credit to them before non-stockholder customers.

128. Mr. Schilderink declined to purchase $1 million in Holding Company stock. However, on or about September 7 or 8, 2008, Mr. Schilderink contacted Loan Officer Johnson and offered to purchase $500,000 of stock in the Holding Company.

129. Mr. Schilderink informed Loan Officer Johnson that he and his wife currently did not have the funds to finance the purchase. Loan Officer Johnson indicated that the Bank would finance the stock purchase with a personal loan to the Schilderinks.

130. Under Private Placement Memorandum (PPM) governing the stock offering, all stock purchases had to be completed on or before September 8, 2008.

131. It was impossible for the Schilderinks to close the $500,000 stock loan and purchase the stock by September 8, 2008 because (1) the Schilderinks did not decide to purchase

stock until September 7 or 8, 2008, (2) they could not purchase the stock without a loan, and (3) they were physically located in Hart, Texas.

132. To resolve this dilemma, on September 8, 2008, the day the stock offering closed, the Bank had a $500,000 cashier's check issued from the Hart Farms account at the Bank in the names of the Schilderinks and made payable to the Holding Company.

133. The Bank's action resulted in an overdraft in the Hart Farms account of $400,000. Respondent Seastrom approved this overdraft.

134. The $500,000 cashier's check was then deposited into the Holding Company account at the Bank at 3:53 pm on September 8, 2008.

135. On September 8, 2008, Respondent Seastrom signed a stock certificate for 7,693 shares of Holding Company stock for the Schilderinks.

136. The next day, September 9, 2008, a credit presentation for the Schilderinks was presented to the Bank's Tier II Loan Committee, requesting a $500,545 unsecured loan for the purpose of a "business investment line of credit to manage $1.5 million income from sale of interest in Caprock Dairy."

137. This statement was false as the sale of Caprock

Dairy had occurred months before and the income from the sale previously spent.

138. At the time the Schilderink Stock Loan was approved and funded, the Schilderinks had a $400,000 overdraft in their Hart Farms account, $40 million in related liabilities about to mature, a negative $4,317,446 in annual revenues, and a negative $3,989,024 in annual net profit.

139. No collateral was pledged to secure the Schilderink Stock Loan.

140. Respondent Seastrom, Respondent Brunner, and Respondent Thissen, as members of the Bank's Tier II Loan Committee, voted to approve the $500,545 unsecured loan to the Schilderinks (the "Schilderink Stock Loan") (Bank Loan No. 217067-01).

141. On September 9, 2008, after the Schilderink Stock Loan was approved, the Bank sent a promissory note to the Schilderinks via facsimile and the note was executed the same day.

142. The promissory note executed by the Schilderinks provided that the purpose of the loan was for "agricultural-revolving draw," not for investments.

143. The Schilderink Stock Loan was funded on September 9, 2008, and the $545,000 was deposited to the Hart Farms account. The funds were then disbursed to cover the overdraft

that resulted when the Schilderinks overdrew that account to purchase Holding Company stock.

144. The Schilderinks never made a payment on the Schilderink Stock Loan. At the time the Bank failed on April 10, 2009, the Schilderinks and their related interests were indebted to the Bank for $47,712,117.

145. On August 14, 2009, the receivership made the decision to sell the Schilderinks' entire $47,712,117 loan relationship for $11,291,836, writing off the remaining principal balance, resulting in a loss of $36,420,281.

146. The Schilderink Stock Loan was included in the sale and sold for $118,462, resulting in a loss of $382,083.

The Shable Stock Loan

147. As of 2008, Duane and Debra Shable ("the Shables") were the owners and operators of Excellent Images Photography, LLC in Milliken, Colorado.

148. The Shables also owned (in part) and operate Shable Homestead, LLC, their family farm in Weld County, Colorado. The Shables became customers of the Bank in 2000. At this time, the Shables and their related interests were already indebted to the Bank for approximately $2.2 million.

149. During the week of August 25, 2008, Mr. Shable and his son Devin, came to the Bank to speak with EVP Bell because Devin was contemplating buying one the Bank's foreclosed

properties.

150. At the meeting, EVP Bell inquired whether the Shables would be interested in purchasing stock in the Holding Company. The Shables had never before purchased Holding Company stock (or any other bank stock), but EVP Bell told Mr. Shable that the stock was only being offered to thirteen of the Bank's best customers and was being sold at a reduced rate, $65 per share, rather than the stock's appraised value of $100 per share.

151. EVP Bell further told Mr. Shable that the Bank would provide the Shables with an unsecured loan to purchase the stock.

152. After Mr. Shable discussed the possible stock purchase with his wife and mother, the Shables agreed to meet with Bell on August 27, 2008, for dinner at the Harvest Restaurant in Greeley.

153. Even though the Shables had not formally agreed to purchase stock, Bell arrived at the restaurant with the PMM and other documents for the Shables's execution related to the stock purchase. Bell also brought a promissory note for $260,000 for the Shables's execution.

154. At dinner, Bell told the Shables that the opportunity to purchase Holding Company stock offering was being presented to them as one of the Bank's favorite

customers and to repay them for their loyalty.

155. Bell did not share any negative information about the performance of the Bank with the Shables, but explained that the Bank was doing well and Wells Fargo Bank was considering buying the Bank.

156. The Shables had never owned any bank stock and they were hesitant about getting a loan to buy stock in the Holding Company. However, Bell told the Shables that if they could not repay the loan, they could simply sell the stock back to the Holding Company at $100 per share and use the proceeds to pay back the loan.

157. Bell also told the Shables that no collateral would be necessary to secure the loan.

158. As a result of Bell's representations on behalf of the Bank, the Shables decided to purchase $260,000 worth, or 4,000 shares, of Holding Company stock funded by a loan from the Bank. The Shables then executed the loan and stock documents at the Harvest Restaurant.

159. Even though the Shables did not agree to purchase the stock until the evening of August 27, 2008, the Bank's Tier II Loan committee approved the $260,650 unsecured loan request for the Shables on August 26, 2008 ("the Shable Stock Loan").

160. No collateral was pledged to secure the Shable Stock

Loan.

161. The credit presentation accompanying the $260,650 loan request provides that the purpose of the loan was for "business investment to manage income from pending oil and gas lease."

162. The Shables never mentioned their pending oil and gas lease to Bell, and at the time the loan was made, the Shables were not expecting payment and oil and gas lease monies for several months.

163. Respondent Seastrom, Respondent Brunner, and Respondent Kammeier voted to approve the Shable Stock Loan.

164. On August 29, 2008, two days after the meeting at the Harvest Restaurant, the (1) the Shable Stock Loan was funded and deposited in Duane and Debbie Shables's account, (2) a cashier's check for $260,000 from was drawn from Duane and Debra Shables's account, signed by EVP Bell, and paid to the order of the Holding Company; (3) the cashier's check for $260,000 was deposited into the Holding Company's account; and (4) a stock certificate for 4,000 shares of Holding Company stock was signed by Respondent Seastrom and issued to the Shables.

165. The minutes of the Holding Company Board meeting on September 29, 2008, confirmed that Respondents attended the meeting and that the Respondents were presented with a report

showing the purchase of stock by the Shables.

166. At the time the Bank failed on April 10, 2009, the Shables and their related interests were indebted to the Bank for more than $2.2 million, and the $260,000 unsecured loan stock loan was past due as of March 25, 2009.

167. On July 31, 2009, the receivership made the decision to sell the Shables's entire $2.2 million loan relationship for $1,175,000.

168. The Shable Stock Loan was included in the sale and the loss was $260,000.

169. By reason of the allegations contained herein, Respondents have violated laws or regulations within the meaning of section 8(i)(2)(A)(i) of the Act, 12 U.S.C. § 1818(i)(2)(A)(i).

170. By reason of the allegations contained herein, Respondents have violated laws or regulations, recklessly engaged in unsafe or unsound practices and breached their fiduciary duties in conducting the affairs of the Bank, within the meaning of section 8(i)(2)(B)(i) of the Act, 12 U.S.C. § 1818(i)(2)(B)(i).

171. By reason of the allegations contained herein, Respondents' practices and breaches constitute a pattern of misconduct within the meaning of section 8(i)(2)(B)(ii)(I) of the Act, 12 U.S.C. § 1818(i)(2)(B)(ii)(I).

172. By reason of the allegations contained herein, Respondents' practices and breaches caused more than a minimal loss to the Bank within the meaning of section 8(i)(2)(B)(ii)(II) of the Act, 12 U.S.C. § 1818(i)(2)(B)(ii)(II).

ORDER TO PAY

By reason of Respondents' reckless unsafe or unsound practices and/or breaches of fiduciary duty, which constituted a pattern of misconduct that caused more than a minimal loss to the Bank, as set forth in the NOTICE OF ASSESSMENT, the FDIC has concluded that a civil money penalty should be assessed against Respondent Seastrom, Respondent Brunner, Respondent Thissen, and Respondent Kammeier pursuant to either section 8(i)(2)(A) of the Act, 12 U.S.C. § 1818(i)(2)(A) or under section 8(i)(2)(B) of the Act, 12 U.S.C. § 1818(i)(2)(B). After taking into account the appropriateness of the penalty with respect to the size of Respondent Seastrom, Respondent Brunner, Respondent Thissen, and Respondent Kammeier's financial resources and good faith, the gravity of the practices, the history of previous unsafe or unsound practices, and such other matters as justice may require, it is:

ORDERED, that a penalty in the amount of $175,000 be, and hereby is, assessed against Respondent Seastrom

pursuant to section 8(i)(2)(B) of the Act, 12 U.S.C. § 1818(i)(2)(B).

ORDERED, that a penalty in the amount of $175,000 be, and hereby is, assessed against Respondent Brunner pursuant to section 8(i)(2)(B) of the Act, 12 U.S.C. § 1818(i)(2)(B).

ORDERED, that a penalty in the amount of $125,000 be, and hereby is, assessed against Respondent Thissen pursuant to section 8(i)(2)(B) of the Act, 12 U.S.C. § 1818(i)(2)(B).

ORDERED, that a penalty in the amount of $70,000 be, and hereby is, assessed against Respondent Kammeier pursuant to section 8(i)(2)(B) of the Act, 12 U.S.C. § 1818(i)(2)(B).

FURTHER ORDERED, that the effective date of this ORDER TO PAY be, and hereby is, stayed until 20 days after the date of service of the NOTICE OF ASSESSMENT on Respondent Seastrom, Respondent Brunner, Respondent Thissen, and Respondent Kammeier, during which time Respondent Seastrom, Respondent Brunner, Respondent Thissen, and Respondent Kammeier may file an answer and request a hearing on the NOTICE OF ASSESSMENT pursuant to section 8(i)(2)(H) of the Act, 12 U.S.C. § 1818(i)(2)(H), and section 308.19 of the FDIC Rules of Practice and Procedure, 12 C.F.R. § 308.19.

IF ANY RESPONDENT FAILS TO FILE A REQUEST FOR A HEARING WITHIN TWENTY (20) DAYS OF THE SERVICE OF THE NOTICE OF ASSESSMENT OF CIVIL MONEY PENALTY ON HIM, THE PENALTY ASSESSED AGAINST HIM PURSUANT TO THE ORDER TO PAY WILL BE FINAL AND UNAPPEALABLE PURSUANT TO SECTION 8(i)(e)(ii) OF THE Act, 12 U.S.C. § 1818(i)(e)(ii), AND SHALL BE PAID WITHIN SIXTY (60) DAYS AFTER THIS NOTICE OF ASSESSMENT WAS SERVED ON THE NON-REQUESTING RESPONDENT(S).

173. If any Respondent requests a hearing pursuant to section 8(i)(2)(H) of the Act, 12 U.S.C. § 1818(i)(2)(H), and section 308.19 of the FDIC's Rules of Practice and Procedure, 12 C.F.R. § 308.19, notice is hereby given that a hearing shall commence in Denver, Colorado or at such other place and on such date as the parties to this action and the Administrative Law Judge appointed to hear this matter may agree, for the purpose of taking evidence on the charges herein specified, in order to determine whether the ORDER TO PAY should be made final.

174. The hearing will be public, and in all respects conducted in accordance with the provisions of the Act, the Administrative Procedure Act, 5 U.S.C. §§ 551-559, and the FDIC's Rules of Practice and Procedure, 12 C.F.R. Part 308. The hearing will be held before an Administrative Law Judge

appointed by the Office of Financial Institution Adjudication pursuant to 5 U.S.C. § 3105.

175. An original and one copy of all papers filed in this proceeding shall be served upon the Office of Financial Institution Adjudication, 3501 N. Fairfax Drive, Suite VS-D8116, Arlington, Virginia, 22226-3500 pursuant to 12 C.F.R. § 308.10. Copies of all papers filed in this proceeding shall be served upon the Office of the Executive Secretary, Federal Deposit Insurance Corporation, 550 17th Street, N.W. (Room NYA-5070), Washington, D.C. 20429-0002; A. T. Dill, III, Assistant General Counsel, Federal Deposit Insurance Corporation, 550 17th Street, N.W., Room MB-3030, Washington, D.C. 20429-0002; and upon Stephen C. Zachary, Regional Counsel (Supervision), Federal Deposit Insurance Corporation, 6060 Primacy Parkway, Suite 300, Memphis, Tennessee 38119-5745.

176. Pursuant to 12 C.F.R. § 308.10(b)(4), all documents required to be filed, excluding documents produced in response to a discovery request pursuant to 12 C.F.R. § 308.25 and 308.26, shall be filed electronically with OFIA. Respondents are hereby directed to file any answer electronically with OFIA at ofia@fdic.gov. Failure to answer within the 20-day time period shall constitute a waiver of the right to appear and contest the allegations contained in this NOTICE and shall, upon the FDIC's motion, cause the Administrative Law

Judge or the FDIC to find the facts in this NOTICE to be as alleged and to issue appropriate ORDERS TO PAY.

PRAYER FOR RELIEF

177. The FDIC prays for relief in the form of a final Order to Pay Civil Money Penalty pursuant to 12 U.S.C. § 1818(i):

in the amount of $175,000 against Respondent Seastrom,

in the amount of $175,000 against Respondent Brunner,

in the amount of $125,000 against Respondent Thissen,

and, in the amount of $70,000 against Respondent Kammeier.

Pursuant to delegated authority

Dated at Washington, D.C., this 20th day of March, 2015.

/s/
Christopher J. Newbury
Associate Director
Division of Risk Management
Supervision