

**SPECIAL STATE BANKING BOARD MEETING  
OFFICE OF THE COMMISSIONER  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
2000 SCHAFFER STREET, SUITE G  
BISMARCK, NORTH DAKOTA**

**December 18, 2014**

A special meeting of the State Banking Board was held in the Office of the Commissioner, Department of Financial Institutions, 2000 Schafer Street, Suite G, Bismarck, North Dakota. Chairman Entringer called the meeting to order at 9:00 a.m., Thursday, December 18, 2014, by conference call.

**MEMBERS PRESENT:** Robert J. Entringer, Chairman (*Office*)  
Nancy Baerwald, Member (*Cando*)  
Linda Beall, Member (*Velva*)  
Kim Larson, Member (*Casselton*)  
John Schmid, Member (*Carson*)  
Tom Stennes, Member (*Harwood*)  
Cheryl Thompson, Member (*Fargo*)

**MEMBERS ABSENT:** None

**ALSO PRESENT:** Aaron K. Webb, Secretary (*Office*)  
Suzette Richardson, Administrative Staff Officer (*Office*)  
Chris Graham, TS Contrarian (*IA*)  
Joshua Gutttau, TS Contrarian (*IA*)  
Fred Manuel (*MN*)  
Curt Walth, Starion Financial (*Office*)

**CHANGE OF CONTROL – TS CONTRARIAN BANCSHARES, INC.,  
TREYNOR, IA**

Assistant Commissioner Webb reviewed his Memorandum dated November 26, 2014, indicating the Department received the change of control application on November 5, 2014.

Assistant Commissioner Webb indicated pursuant to North Dakota Administrative Code § 13-02-17-01, notice of the above transaction was published in the *The Journal*, Crosby, on November 25, 2014.

Assistant Commissioner Webb reviewed the provisions of Section 6-08-08.1(4) of the North Dakota Century Code regarding a change of control application.

Assistant Commissioner Webb indicated that TS Contrarian Bancshares Inc., Treynor, Iowa (“TS Contrarian”), is requesting permission to acquire 100% of the outstanding shares of Hanisch Bankshares, Ltd, Crosby, North Dakota (“Hanisch”), which controls the Farmers State Bank of Crosby. Assistant Commissioner Webb indicated since the acquisition would result in TS Contrarian gaining control of a North Dakota bank, the transaction requires a change of control application to the State Banking Board in accordance with Section 6-08-08.1(1) of the North Dakota Century Code. Assistant Commissioner Webb added that the change of control application is submitted in connection with the simultaneous mergers of the two bank holding companies and the two banks.

Assistant Commissioner Webb indicated TS Contrarian would purchase all 610 of the issued and outstanding shares of Hanisch, using existing capital contributed by TS Contrarian shareholders, and would not involve any debt incurred by the holding company or bank. Assistant Commissioner Webb indicated that upon acquiring both Hanisch and the Farmers State Bank of Crosby, TS Contrarian will merge Hanisch into TS Contrarian. Assistant Commissioner Webb explained the bank holding company merger does not require Board approval.

Assistant Commissioner Webb indicated if the Board approves the bank holding company acquisition and bank merger, the existing Board of Directors of TS Contrarian and The Bank of Tioga will remain unchanged and all existing Directors and Officers of Hanisch and the Farmers State Bank of Crosby will discontinue their positions within the surviving institutions.

Assistant Commissioner Webb indicated the Department recommends approval of the change of control application authorizing TS Contrarian to acquire 100% of the outstanding shares of Hanisch, and thereby acquire control of the Farmers State Bank of Crosby.

**It was moved by Member Beall, seconded by Member Schmid, and unanimously carried to approve the change of control application by TS Contrarian Bancshares Inc., Treynor, Iowa, to acquire 100% of the outstanding shares of Hanisch Bankshares, Ltd, Crosby, North Dakota, which controls the Farmers State Bank of Crosby, Crosby, North Dakota.**

## **MERGER APPLICATION – THE BANK OF TIOGA**

Assistant Commissioner Webb indicated The Bank of Tioga, Tioga, North Dakota (Tioga) has applied for authority to merge the Farmers State Bank of Crosby, Crosby, North Dakota (Crosby) into Tioga.

Assistant Commissioner Webb indicated notice of the application was published by the applicant pursuant to the joint state and federal requirements in *The Journal*, Crosby, and *Tioga Tribune*, Tioga, on November 5, November 12, and November 19, 2014. Assistant Commissioner Webb indicated the public comment period ended December 5, 2014, and no comments were received nor were there any requests for copies of the application.

Assistant Commissioner Webb reviewed the requirements of Section 6-03-11 of the North Dakota Century Code and Chapter 13-02-13 of the North Dakota Administrative Code regarding the merger of banks.

Assistant Commissioner Webb indicated that included in the application is a fully executed document entitled “Unanimous Written Consent of the Board of Directors of TS Contrarian Bancshares, Inc.” dated December 14, 2014, which provides that the document has the same force and effect as a unanimous vote at a meeting regularly noticed and held; as well as express authorization for the bank merger as sole shareholder of both banks to be merged.

Assistant Commissioner Webb noted that the applicant has stated under the new management of Tioga, Crosby will be better able to meet the growing deposit needs of current and new community members; adding that there are no plans to discontinue any products or services currently offered by Crosby or Tioga.

Assistant Commissioner Webb indicated based on projected capital of the resultant bank on a pro forma basis as of day 1 and as of 1 year following the date of

the transaction, the bank is projecting to remain in the “Well Capitalized” capital category.

Assistant Commissioner Webb noted that Crosby’s most recent CRA rating was “Needs to Improve” due to the low loan-to-deposit ratio; adding that if the merger application is approved the Crosby branch will have a “...renewed focus on its existing programs, products and activities to meet the existing and anticipated needs of its communities under the criteria of the Community Reinvestment Act”, including K-12 financial literacy program.

Assistant Commissioner Webb indicated per Section 6-03-13.3 of the North Dakota Century Code, upon approval of a merger application, the former main office and facilities of the banking institutions being merged will become facilities of the surviving banking institution and the banking institution is not required to file an application under this Section. Assistant Commissioner Webb noted Tioga intends to continue operations in the former Crosby main office located at 111 Central Avenue, Crosby, North Dakota.

Mr. Guttau added there is a lot of work to be done in the Crosby bank; however, is confident if the merger application is approved the bank will move in a positive direction.

In response to Chairman Entringer, Mr. Guttau indicated they are expecting confirmation within the next couple of weeks on the addition of a new loan officer for the Crosby location.

Member Thompson referenced the addition of a K-12 financial literacy program and indicated she was very involved with this program while employed with the North Dakota Bankers Association, and applauded the efforts of TS Contrarian to introduce this program in the Crosby and Tioga school districts. Mr. Guttau indicated in 2009 TS Contrarian hired a Director of Financial Literacy that developed a local community K-12 financial literacy program; adding there are presently two employees that service five schools. Mr. Guttau indicated he and the Financial Literacy Director met with the Crosby and Tioga school districts to discuss the program and, if allowed, TS Contrarian will hire an individual to service both school districts under the direction of the Financial Literacy Director.

Chairman Entringer explained the original merger application was amended as it proposed merging Hanisch Bankshares, Ltd., Crosby, into The Bank of Tioga; however, Section 6-03-11 specifies that two or more banking associations can merge, which does not include holding companies.

Chairman Entringer indicated the FDIC granted approval of the merger application on December 15, 2014.

Assistant Commissioner Webb indicated the Department believes all of the criteria have been met, as well as the assumptions used and projections provided in the application are accurate; therefore, would recommend that the merger application be approved and the Commissioner be authorized to sign the proposed Order on behalf of the Board.

Chairman Entringer reviewed the conditions of the proposed Order with Messrs. Graham and Guttau.

**It was moved by Member Beall, seconded by Member Thompson, and unanimously carried to approve the application by The Bank of Tioga, Tioga, to merge the Farmers State Bank of Crosby, Crosby, into The Bank of Tioga, Tioga, and that Chairman Entringer is authorized to sign the Order on behalf of the Board.**

Messrs. Graham and Guttau left the conference call at 9:20 a.m.

## **STARION FINANCIAL, BISMARCK – REQUEST TO ACQUIRE ASSETS AND LIABILITIES OF WPS COMMUNITY BANK, FSB, MADISON, WISCONSIN**

Assistant Commissioner Webb reviewed his Memorandum dated November 10, 2014, indicating the Department received the application on November 6, 2014, whereby Starion Financial, Bismarck (Starion) seeks authorization to purchase certain assets and assume certain liabilities of WPS Community Bank, FSB, Madison, Wisconsin (WPS), and to establish the former location of WPS as an interstate branch of Starion Financial, Bismarck.

Assistant Commissioner Webb indicated notice of the application was published in both the *Bismarck Tribune* and *Wisconsin State Journal*, Madison, WI, on November 7, November 21, and December 2, 2014, pursuant to Section 13-02-13-03.1 of the North Dakota Administrative Code, which allows the applicant to elect to publish a joint state and federal notice pursuant to the procedural requirements of federal law. Assistant Commissioner Webb indicated no comments were received nor were there any requests for copies of the application.

Assistant Commissioner Webb indicated since Starion is proposing to purchase assets and assume the liabilities of another banking institution this application is considered a consolidation or merger per Section 13-02-13-01 of the North Dakota Administrative Code.

Assistant Commissioner Webb indicated a Plan of Reorganization or Merger has not been submitted; however, a Purchase and Assumption Agreement was received.

Assistant Commissioner Webb indicated a Written Action in Lieu of Meeting of Sole Shareholder of Starion was executed by Starion Bancorporation on October 22, 2014, approving the proposed Acquisition, the Purchase and Assumption Agreement, and all ancillary documents and instruments.

Assistant Commissioner Webb indicated WPS Community Bank is a Federal Savings Bank which is controlled by Wisconsin Physicians Service Insurance Corporation, a non-stock non-profit Savings and Loan Holding Company. Assistant Commissioner Webb added since there are no stockholders, a shareholder meeting was not held; however the document entitled Resolutions of the Board of Directors of Wisconsin Physicians Service Insurance Corporation was included in the application.

Assistant Commissioner Webb indicated Starion does not anticipate any significant changes to its financial products, and these products will be offered with the same range of terms and rates that are offered in the existing locations.

Assistant Commissioner Webb stated the Pro Forma Financial Statements and the projected capital of the resultant bank as of September 30, 2014, and December 31, 2015, project the bank will remain well capitalized.

Assistant Commissioner Webb stated the resultant bank will continue the services currently offered to customers of WPS, as well as the additional services of business online banking with ACH origination for payroll; ACH payments and receipts; bill pay; personal financial management tools; mobile banking; positive pay; consumer mobile deposits; expanded ATM network; enhanced merchant program businesses accepting credit card payments; procurement card program; and E Statements.

Assistant Commissioner Webb indicated the proposed directors and senior executive officers of the resultant bank appear qualified, experienced, and financially responsible.

Assistant Commissioner Webb reviewed Section 6-03-13.3 of the North Dakota Century Code, which provides that upon approval by the Board of a merger application the former main office and facilities of the banking institutions being merged will become facilities of the surviving banking institution and the banking institution is not required to file a separate application. Assistant Commissioner Webb indicated that Starion intends to continue operations in the main office of WPS located at 5900 Gisholt Drive, Madison, Wisconsin.

Fred Manuel stated that Scott Casey from the Federal Deposit Insurance Corporation has indicated the application would be approved on December 22, 2014.

In response to Mr. Manuel, Chairman Entringer indicated the Wisconsin Department of Financial Institutions did not comment on the application.

Mr. Manuel indicated Starion is working with the Office of the Comptroller of the Currency (OCC) since WPS is a federally-chartered thrift institution.

Mr. Manuel indicated the current CEO and Chief Lending Officer of WPS will remain; however, will be supervised by the Starion executives.

Mr. Manuel indicated the main office of WPS will become an interstate branch of Starion with the addition of the additional services outlined previously. Mr. Manuel added an interesting factor is that the transaction date is more likely determined by the computer centers than the regulators; adding that FiServe has targeted a closing for the transaction on February 20, 2015.

Curt Walth indicated the proposed acquisition gives Starion an opportunity to expand its presence in Madison, WI. Mr. Walth reiterated that the CEO and Chief Lending Officer of WPS will remain, with the CEO becoming the Market President for Starion's interstate branch. Mr. Walth indicated WPS was established in 2009, is a well-run institution, and fits Starion's acquisition strategy.

In response to Chairman Entringer, Mr. Walth indicated Starion's initial presence in Wisconsin was the establishment of a de novo interstate branch established in Middleton in 2006. Mr. Walth continued that Starion established another interstate branch in Sun Prairie in 2013.

Chairman Entringer indicated the Department did not examine WPS, but relied on the due diligence provided by Starion; adding that the Department did receive a copy of the OCC's examination of WPS, and after review has no concerns about the quality of the assets being acquired by Starion.

Chairman Entringer noted the proposed Order has been amended and reviewed the changes with the Board, as well as the provisions of the Order.

Assistant Commissioner Webb indicated the Department believes the assumptions used and projections provided in the application are accurate; recommends that the transaction be approved; and the Commissioner be authorized to sign the proposed Order on behalf of the Board.

**It was moved by Member Larson, seconded by Member Thompson, and unanimously carried to approve the application by Starion Financial, Bismarck, to acquire substantially all of the assets and assume substantially all of the liabilities of WPS Community Bank, FSB, Madison, Wisconsin, and that Chairman Entringer be assigned to sign the Order on behalf of the Board.**

## **ARTICLES OF AMENDMENT – RELOCATION OF MAIN BANK**

Chairman Entringer explained that the Board approved the relocation of the main office of Choice Financial Group, Grafton, to 4501 23<sup>rd</sup> Avenue South, Fargo, on July 10, 2014; however, the Articles of Amendment were not approved. Chairman Entringer explained the Articles of Amendment must be submitted to the Secretary of State's Office to be recorded.



**It was moved by Member Larson, seconded by Member Schmid, and unanimously carried to approve the Articles of Amendment for Choice Financial Group, Grafton, to relocate its main office from Grafton to 4501 23<sup>rd</sup> Avenue South, Fargo.**

## **SPECIAL MEETING**

Chairman Entringer reminded the Board of the special conference call meeting to be held December 29, 2014.

The meeting adjourned at 9:38 a.m.

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Robert J. Entringer, Chairman

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Aaron Webb, Secretary