

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

March 26, 2015

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, March 26, 2015, 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*)
Jan Murtha, Assistant Attorney General (*Office*)
Lise Kruse, Chief Examiner – Banks (*Fargo*)
Dana Ereth, Eide Bailly (*Office*)
Scott Bullinger, American Bancor, Ltd. (*Dickinson*)
David Ehlis, American Bancor, Ltd. (*Dickinson*)

**CHANGE OF CONTROL – AMERICAN BANCOR, LTD., DICKINSON TO
ACQUIRE UNITED COMMUNITY BANK OF NORTH DAKOTA, LEEDS**

Assistant Commissioner Webb reviewed his Memorandum dated February 19, 2015, indicating the Department received the above referenced change of control application on February 12, 2015, whereby American Bancor Ltd.,

(American Bancor) requests permission to acquire 100% of the voting shares, and thereby control, of United Community Bank of North Dakota, Leeds (United Community). Assistant Commissioner Webb indicated the application was deemed complete on February 18, 2015.

Assistant Commissioner Webb indicated pursuant to North Dakota Administrative Code § 13-02-17-01, notice was published in the *Dickinson Press*, *Dickinson* and the *Benson County Farmers Press*, Minnewaukan, on February 11, 2015, with the comment period ending March 16, 2015. Assistant Commissioner Webb indicated no comments have been received nor were there any requests for copies of the application.

Assistant Commissioner Webb reviewed North Dakota Century Code § 6-08-08.1(4) which outlines the conditions regarding a change of control application.

Assistant Commissioner Webb indicated American Bancor is requesting permission from the Federal Reserve to acquire 100% of the shares of the United Community, as well as approval from the State Banking Board as required under North Dakota Century Code Section 6-08-08.1.

Assistant Commissioner Webb indicated American Bancor plans on funding the majority of the acquisition with the issuance of long term debt and additional common equity capital. Assistant Commissioner Webb added that American Bancor plans on servicing the debt through dividends from earnings of American Bancor's wholly-owned subsidiaries including United Community.

Assistant Commissioner Webb indicated the Department does not have any information that would indicate that the proposed Directors, Officers, or employees would fall within the disqualifying criteria outlined in Section 6-08-08.1(4) of the North Dakota Century Code.

Mr. Ereth indicated the three majority shareholders of Leeds Holding Company (LHC) have planned retirements and precipitated the sale of United Community, and in the summer of 2014 identified select banks in North Dakota from which they entertained offers.

Mr. Ereth indicated American Bancor submitted a preliminary indication of interest to purchase in September 2014, with a signed Letter of Intent dated October

31, 2014. Mr. Ereth continued that due diligence negotiations for the Stock Purchase Agreement and American Bancor's capital raising initiatives followed, with the result being the sale of 100% of the stock of United Community, owned by LHC.

Mr. Ereth explained as an S Corporation structure LHC was able to sell bank stock instead of holding company stock, which was a benefit to both the buyer and seller.

Mr. Ereth indicated the change of control application was submitted on February 11, 2015, to both this Department and the Federal Reserve Bank, which would result in American Bancor acquiring an additional bank. Mr. Ereth explained this application is not a merger of the banks or holding companies at this time, rather an existing holding company buying bank stock.

Mr. Ereth indicated the Federal Reserve Bank accepted the application on February 12, 2015, and published notice three consecutive weeks in the *Federal Register* with the comment period ending March 23, 2015. Mr. Ereth stated the Federal Reserve Bank has five days after the comment period to either approve or disapprove the application.

Mr. Ereth indicated Confidential Exhibit F explains that the original application indicated the sale would consist of approximately 57% debt finance and 43% cash. Mr. Ereth indicated Confidential Exhibit B identifies additional sources of funds which results in the final sale being approximately 54% cash and 46% debt finance. Mr. Ereth indicated a Bank of North Dakota loan commitment of \$35 million is in place, as well as American Bancor's line of credit with Bank of North Dakota, would provide additional funds to use as a bridge loan. Mr. Ereth stated that some shareholders of LHC will buy approximately \$5 million of American Bancor stock post-acquisition.

Mr. Ereth stated the sale of American Bancor stock did not create a change of control for American Bancor and there is no change in management for American Bancor. Mr. Ereth stated that resignations are pending from Dewayne Streyle, Keith Streyle, and Terry Zeltinger, and the resulting management plan for United Community provides that additional responsibilities will be assumed by existing officers Randy Conway, Bill Kunz, Kelly Fisher, and Todd Vagness; the addition of Dave Ehlis, Scott Bullinger, Ryan Beck, Tom Wyckoff, and Frank Fridrich, will

enhance the management team. Mr. Ereth stated there will be nine Board members for United Community: four previous United Community members and five members from American Bancor.

Mr. Ereth discussed potential dividend restrictions per North Dakota Century Code Section 6-03-36. Mr. Ereth indicated if the application is approved the closing date would be after March 31, 2015; therefore, the only reason approval to pay an additional dividend would be if the capital of Leeds increased.

In response to Member Schmid, Mr. Ereth indicated slightly less than two-thirds of the stock being raised would be existing shareholders of American Bancor.

Chairman Entringer indicated information can be provided to the Board detailing the stock raising effort; concluding a change of control for American Bancor was not required.

Mr. Ereth explained the HHI Index makes sure through an anti-trust perspective that any type of business combination does not reduce competition by increasing concentrations. Mr. Ereth stated within the banking industry concentration is determined by a deposit perspective. Mr. Ereth indicated the equation is a result of deposit market shares of the banks in question in the Minot area. Mr. Ereth stated American Bank Center and United Community both have facilities in Minot; therefore, the deposit percentage of the Minot banking market is derived by combining the present market shares of both banks and then compare how much of a concentration increase occurred. Mr. Ereth stated the resulting deposit percentage slightly exceeds standards of the Federal Trade Commission concentration guidelines; however, is well below the threshold of market shares as defined by the Federal Reserve for a qualified un-concentrated market for the banking industry. Mr. Ereth stated credit union or non-chartered financial institution deposits are not considered in this equation.

In response to Member Beall, Mr. Ereth indicated both American Bank Center and United Community present Minot locations will remain open.

Mr. Ehlis explained that American Bancor will benefit from the talent within United Community as well as a similar culture in lending practices. Mr. Ehlis added he is highly confident of a successful acquisition, where the resulting institution will be able to offer additional banking services to the acquired areas.

Assistant Commissioner Webb indicated that based on the statutory criterion, it is the Department's recommendation to approve the application by American Bancor to acquire control of United Community.

It was moved by Member Schmid, seconded by Member Stennes, and unanimously carried to approve the application by American Bancor, Ltd., Dickinson, to acquire control of United Community Bank of North Dakota, Leeds.

Mr. Ereth indicated there is a 15 day Department of Justice waiting period; therefore, April 17, 2015, is the tentative closing date.

Messrs. Ereth, Bullinger, and Ehlis left the conference call at 9:26 a.m.

PARITY ORDER – QUALITY BANK, FINGAL

Chairman Entringer stated Quality Bank entered into a contract to establish a Village Post Office at the beginning of 2015. Chairman Entringer explained the Federal Deposit Insurance Corporation determined under Part 362 of the FDIC Rules and Regulations this activity is permissible for a national bank; therefore, Quality Bank could continue this operation. Chairman Entringer informed the FDIC according to North Dakota law a Parity Order is required.

Chairman Entringer explained the Village Post Office sells stamps and flat rate boxes and in return pays \$775 to the bank per year. Chairman Entringer stated the Village Post Office records are reviewed by the U.S. Post Office and kept separate from bank records.

Chairman Entringer indicated the proposed Parity Order is not specific to one bank, but applies to all state-chartered banks.

Assistant Commissioner Webb reviewed the Parity Order for the Board, indicating it outlines federal law which allows national banks to operate a postal substation, and provides that a state-chartered entity may maintain and operate a postal substation in the same manner and subject to the same limitations as would apply to a national bank.

Member Beall pointed out the proposed Parity Order attestation refers to the State Credit Union Board rather than the State Banking Board.

It was moved by Member Beall, seconded by Member Baerwald, and unanimously carried to approve the amended Parity Order, and that Chairman Entringer is authorized to sign the Order on behalf of the Board.

EXECUTIVE SESSION

In response to Chairman Entringer, it was determined previous Board questions were satisfactorily addressed by documentation provided by the Department; therefore, the Board did not convene into executive session.

It was moved by Member Larson, seconded by Member Thompson, and unanimously carried to adjourn the meeting at 9:32 a.m.

Robert J. Entringer, Chairman

Aaron K. Webb, Secretary