

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

March 12, 2015

The regular 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 12, 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: Suzette Richardson, Administrative Staff Officer (*Office*)
Jan Murtha, Assistant Attorney General (*Office*)
Jason Hauff, Dakota Heritage Bank of ND (*Hunter*)
Tim LeClair, Eide Bailly (*Fargo*)
Bob Herrington, The National Bank of Harvey (*Harvey*)
Stan Koppinger, American Bank Center (*Dickinson*)
Scott Bullinger, American Bank Center (*Dickinson*)
Ryan Beck, American Bank Center (*Dickinson*)
Susanne Fetting, American Bank Center (*Dickinson*)
Kelly Peterson, First International Bank & Trust (*Watford City*)
Anita Quale, First International Bank & Trust (*Watford City*)

ACTING SECRETARY

Chairman Entringer appointed Suzette Richardson as Acting Secretary for this meeting since Assistant Commissioner Webb is absent.

APPROVAL OF MINUTES

Chairman Entringer indicated the Board received copies of the minutes of the regular meeting held on January 8, 2015.

It was moved by Member Beall, seconded by Member Baerwald, and carried by a vote of 6 to 0, with Member Larson absent, to approve the minutes of the regular meeting held January 8, 2015, as presented.

MERGER APPLICATION – DAKOTA HERITAGE BANK OF NORTH DAKOTA, HUNTER, TO MERGE THE NATIONAL BANK OF HARVEY, HARVEY, INTO DAKOTA HERITAGE BANK OF NORTH DAKOTA

Chairman Entringer reviewed Assistant Commissioner Webb's Memorandum dated January 19, 2015, indicating the Department received the Interagency Bank Merger Act Application on January 2, 2015.

Chairman Entringer indicated notice of the application was published by the applicant pursuant to the joint state and federal requirements in *The Cass County Reporter*, on December 31, 2014, and January 7 and 14, 2015; and the *Herald Press*, on January 3, 10, and 24, 2015. Chairman Entringer indicated the public comment period ended February 2, 2015, and no comments were received nor were there any requests for copies of the application.

Chairman Entringer 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.

Chairman Entringer indicated that Dakota Heritage Bank of North Dakota, Hunter (Hunter) and The National Bank of Harvey, Harvey (Harvey) are owned

100% by their respective holding companies, and both holding companies conducted meetings to ratify the proposed merger.

Chairman Entringer stated the application indicates there will be no adverse changes in products or services, and the proposed directors and officers of the resultant bank are listed in the application.

Chairman Entringer stated projected capital of the resultant bank as of yearend 2014 and 2015 indicates the resultant bank will remain in the “Well Capitalized” capital category.

Chairman Entringer indicated Hunter is firmly committed to serving the banking needs of the communities they serve; adding that both Hunter and Harvey received satisfactory ratings on their most recent CRA exams.

Chairman Entringer 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. Chairman Entringer noted Hunter intends to continue operations in the former Harvey main office located at 920 Lincoln Avenue, Harvey, North Dakota.

President Hauff stated he believes the proposed merger would offer new technology services to Harvey customers, as well as a new market area for Hunter.

Mr. LeClair indicated the merger application was approved by the Federal Deposit Insurance Corporation (FDIC) on February 13, 2015.

Chairman Entringer indicated the Department conducted a visitation of Harvey; however, any comments or questions would have to be addressed in the executive session of this meeting. Chairman Entringer added that the Department received a copy of the most recent examination conducted by the Office of the Comptroller of the Currency (OCC) and has no issues with the condition of Harvey.

In response to Member Stennes, President Herrington indicated the lawsuit is pending and at the stage of exchanging initial disclosures, with a scheduled mediation the last week of April or beginning of May 2015.

Mr. LeClair explained the lawsuit is a dispute on the return of earnest money on a prior transaction Harvey entered into with an out-of-state acquirer.

In response to Member Stennes, President Herrington indicated there would be no negative effect to Hunter, as the costs are limited to the amount of the earnest money.

In response to Member Schmid, Chairman Entringer indicated Harvey is a nationally chartered bank. Mr. LeClair added that following this meeting a letter will be sent to the OCC to advise them of the Board's action; if the merger is approved Harvey will surrender its charter upon consummation.

Chairman Entringer indicated the Department believes all application criteria have been met, and the assumptions used and projections provided in the application are accurate; therefore, recommends approval of the merger application and that he be authorized to sign the proposed Order on behalf of the Board.

Chairman Entringer reviewed the conditions of the proposed Order; adding that the proposed Order will be changed to reflect Suzette Richardson, Acting Secretary, attesting to the Order.

It was moved by Member Baerwald, seconded by Member Schmid, and unanimously carried to approve the application by Dakota Heritage Bank of North Dakota, Hunter, to merge The National Bank of Harvey, Harvey, into Dakota Heritage Bank of North Dakota, Hunter, and that Chairman Entringer is authorized to sign the Order on behalf of the Board.

Messrs. Hauff, LeClair, and Herrington left the conference call at 9:15 a.m.

MERGER APPLICATION – AMERICAN BANK CENTER, DICKINSON, TO MERGE NORTH COUNTRY BANK, MCCLUSKY, INTO AMERICAN BANK CENTER, DICKINSON

Chairman Entringer reviewed Assistant Commissioner Webb's Memorandum dated February 6, 2015, indicating the Department received the Interagency Bank Merger Act Application on January 27, 2015.

Chairman Entringer indicated notice of the application was published by the applicant pursuant to the joint state and federal requirements in the *Dickinson Press*, on January 28, and February 11 and 22, 2015; and the *McClusky Gazette*, on January 28, and February 12 and 26, 2015. Chairman Entringer indicated the public comment period ended February 27, 2015, and no comments were received nor were there any requests for copies of the application.

Chairman Entringer 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.

Chairman Entringer indicated that American Bank Center, Dickinson (American) and North Country Bank, McClusky (North Country) are owned 100% by American Bancor, Ltd., and formal action was taken by American Bancor, Ltd., regarding the proposed merger.

Chairman Entringer stated the application indicates all facilities will remain open and operate in exactly the same manner as prior to the merger; enhanced products and services will be offered to customers of North Country; and the proposed directors and officers of the resultant bank are listed in the application.

Chairman Entringer stated projected capital of the resultant bank as of September 30, 2014, and March 31, 2016, indicates the resultant bank will be stronger than the individual banks.

Chairman Entringer 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. Chairman Entringer noted American intends to

continue operations in the former McClusky main office located at 217 Main Street, McClusky, and a former North Country facility located at 308 Lincoln Avenue, Underwood.

President Koppinger indicated American Bancor, Ltd., purchased North Country approximately 2½ years ago and began working toward the proposed merger. President Koppinger indicated North Country will fall under American's Bismarck region; adding that North Country converted from a national charter to a state charter approximately one year ago.

President Koppinger concluded if the merger is approved, the proposed effective date will be April 17, 2015.

Chairman Entringer indicated the Department believes all application criteria have been met, and the assumptions used and projections provided in the application are accurate; therefore, recommends approval of the merger application and that he be authorized to sign the proposed Order on behalf of the Board.

Chairman Entringer reviewed the conditions of the proposed Order; adding that the proposed Order will be changed to reflect Suzette Richardson, Acting Secretary, attesting to the Order.

It was moved by Member Schmid, seconded by Member Stennes, and unanimously carried to approve the application by American Bank Center, Dickinson, to merge North Country Bank, McClusky, into American Bank Center, Dickinson, and that Chairman Entringer is authorized to sign the Order on behalf of the Board.

Messrs. Koppinger, Bullinger, Beck and Ms. Fettig left the conference call at 9:24 a.m.

ITEMS TO BE NOTED

Chairman Entringer indicated he approved, as Commissioner, the following:

February 12, 2015 – Western State Bank, Devils Lake, to discontinue maintenance of its facility located at 199 Main St, Willow City, effective March 23, 2015.

February 12, 2015 – Western State Bank, Devils Lake, to relocate its interstate branch from 928 W Chandler Blvd, Chandler, AZ, to 976 W Chandler Blvd, Chandler, AZ.

January 28, 2015 – Western State Bank, Devils Lake, to establish an interstate branch at 10050 W Bell Rd, Sun City, AZ.

January 16, 2015 – First International Bank & Trust, Watford City, to establish a facility at 2150 21st Ave NW, Minot, second Amended Order to extend commencement of business to May 1, 2015.

February 12, 2015 – Bell State Bank & Trust, Fargo, to establish a Loan Production Office at IDS Center, 80 S 8th St, Ste 3025, Minneapolis, MN.

BANK BUDGET UPDATE

Chairman Entringer indicated the Board received the January 31, 2015, Organizational Status Report by Summary Account for the bank division.

DEPARTMENT BUDGET HEARING

Chairman Entringer updated the Board that the House Appropriations Committee removed the FTE position for the credit union division from the Department's budget. Chairman Entringer indicated the FTE position was included in the Governor's recommended budget; therefore, the need for the position was explained in Department testimony presented to the Senate Appropriations Committee on Friday, March 6, 2015. Chairman Entringer stated the Department is hopeful the Senate Appropriations Committee will reinstate the FTE in the budget.

Chairman Entringer noted the Department has two Bismarck bank division position openings as January 31, 2015.

NEXT REGULAR MEETING

Chairman Entringer noted the FDIC Director's College, sponsored by the Independent Community Banks of North Dakota, will be held May 14, 2015, which is the next regularly scheduled State Banking Board meeting. After discussion, it was agreed to move the meeting to Friday, May 15, 2015, at 9:00 a.m.

SPECIAL MEETING

Chairman Entringer indicated that American Bancor, Ltd. has submitted an application to acquire United Community of North Dakota, Leeds, with the request that the transaction be effective March 31, 2015. Chairman Entringer stated the comment period on this application ends March 13, 2015; therefore, a special meeting will have to be held. After discussion, a special meeting was set for March 26, 2015, at 9:00 a.m.

FIRST INTERNATIONAL BANK & TRUST, WATFORD CITY – REQUEST TO OWN RESIDENTIAL REAL ESTATE

Market President Kelly Peterson and Senior Vice President Anita Quale joined the conference call at 9:29 a.m.

Chairman Entringer referred to the letter dated March 9, 2015, from Blaine DesLauriers requesting permission for First International Bank & Trust (FIBT) to purchase residential real estate for the benefit of its employees in Watford City.

Chairman Entringer reviewed his Memorandum dated March 11, 2015, indicating FIBT is requesting permission to purchase two single family homes and one twin home for employees living in Watford City.

President Peterson explained FIBT is currently searching for available units and the prices cover a vast range. President Peterson indicated even though set dollar amounts are not known at this time, the bank is seeking permission to purchase units when they become available.

President Peterson quoted prices of residential property in Watford City; adding that FIBT has a verbal commitment to purchase a single family home for approximately \$312,000. President Peterson added FIBT is also considering two additional single family homes or townhouses ranging from \$289,000 to \$400,000 each.

President Peterson explained the housing needs for employees in Watford City; adding that this request to purchase property is in addition to previous approvals granted by the State Banking Board. President Peterson also explained the current apartment rent prices in Watford City.

President Peterson concluded the ability for FIBT to offer housing for employees is to attract and retain employees.

Chairman Entringer referred to his Memorandum which outlines previous approval granted to FIBT to acquire residential properties for employee use in Minot, Watford City, and Williston, which totals approximately \$3.1 million.

In response to Member Larson, Chairman Entringer explained Board approval would be for a dollar amount.

In response to President Peterson, Chairman Entringer indicated approval could be that FIBT may purchase three homes that fall within an approved dollar amount.

Member Schmid questioned if the Board could approve a dollar threshold, which would eliminate the need for FIBT to request Board approval for each purchase of real estate; adding it is outlined in Section 6-03-07 of the North Dakota Century Code that the bank must divest of any property within five years when no longer used by bank employees.

Chairman Entringer stated FIBT could amend its request for approval to purchase specific residential real estate to requesting approval for a specific dollar amount ceiling to invest in residential real estate.

In response to Member Schmid, Chairman Entringer indicated by the previous Order issued by the State Banking Board, FIBT must notify the Department the date property is purchased, the purchase price, the date the

property is no longer used for employee housing, and that the bank shall divest of the property within five years unless the time period is extended by the Commissioner.

President Peterson stated approval for a set dollar amount would be a great alternative for FIBT.

After discussion, it was moved by Member Schmid, seconded by Member Baerwald, and unanimously carried to grant approval for First International Bank & Trust, Watford City, to purchase residential property not to exceed \$8,000,000 in the aggregate, along with the requirements that the Department be notified when property is purchased and at what price, when property is no longer used for employee housing, and that the bank divest of the property within five years unless extended by the Commissioner.

President Peterson and SVP Quale left the conference call at 9:45 a.m.

EXECUTIVE SESSION MINUTES

Chairman Entringer noted a change that was made during the last State Credit Union Board meeting regarding approval of executive session minutes. Chairman Entringer explained that Assistant Attorney General Murtha pointed out motions cannot be made in the executive session of the State Banking Board or State Credit Union Board. Chairman Entringer continued that the Board can discuss and/or correct the minutes in the executive session; however, a motion for approval must be made when the Board reconvenes to the open session.

The Board went into closed session at 9:48 a.m. to review the Supervisory Reports of Examination pursuant to North Dakota Century Code 6-01-07.1, and to discuss any confidential records pursuant to North Dakota Century Code 44-04-19.2.

The Board reconvened to open session at 10:05 a.m.

APPROVAL OF EXECUTIVE SESSION MINUTES

It was moved by Member Beall, seconded by Member Schmid, and unanimously carried to approve the minutes of the regular meeting held January 8, 2015, as presented.

It was moved by Member Thompson, seconded by Member Beall, and unanimously carried to adjourn the meeting at 10:07 a.m.

Robert J. Entringer, Chairman

Suzette Richardson, Acting Secretary