

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

May 15, 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., Friday, May 15, 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 Webb, Secretary (*Office*)
Suzette Richardson, Administrative Staff Officer (*Office*)
Lise Kruse, Chief Examiner – Banks (*Fargo*)
Blaine DesLauriers, First International Bank (*Minot*)
John Docken, First International Bank (*Fargo*)

APPROVAL OF MINUTES

Chairman Entringer indicated the Board received copies of the minutes of the regular meeting held on March 12, 2015, and the special meeting held on March 26, 2015.

It was moved by Member Larson, seconded by Member Baerwald, and unanimously carried, to approve the minutes of the regular meeting held January 8, 2015, and the special meeting held March 26, 2015, as presented.

**FIRST INTERNATIONAL BANK & TRUST, WATFORD CITY –
REQUEST FOR RETROACTIVE APPROVAL TO INVEST IN WHOLLY
OWNED LIMITED LIABILITY COMPANY**

Chairman Entringer indicated that First International Bank & Trust, Watford City (First International), is requesting retroactive approval to invest in a wholly owned limited liability company to own an aircraft.

Chairman Entringer referred to the letter dated April 1, 2015, from Blaine DesLauriers which indicated the acquisition and investment occurred on March 4, 2015.

Chairman Entringer indicated approval of this request is subject to Section 6-03-38 of the North Dakota Century Code, which allows First International to request permission to invest in the subsidiary when the activities of the organization are incidental or complimentary. Chairman Entringer indicated First International is requesting approval to invest in Badlands Aviation LLC which owns an aircraft that will be leased back to First International, subject to a triple net lease. Chairman Entringer explained that First International could have purchased the aircraft directly without asking for permission subject to the fixed asset limitation.

In response to Chairman Entringer, Mr. Docken agreed this transaction is an issue of insulating First International from liability.

Chairman Entringer indicated the Department recommends approval of the request by First International and the proposed Order.

It was moved by Member Schmid, seconded by Member Beall, and unanimously carried to approve the request by First International Bank & Trust, Watford City, for retroactive approval to invest in a wholly owned limited liability company to own an aircraft, and that Chairman Entringer be authorized to sign the Order on behalf of the Board.

**FIRST INTERNATIONAL BANK & TRUST, WATFORD CITY –
REQUEST FOR RETROACTIVE APPROVAL TO INVEST IN WHOLLY
OWNED LIMIT LIABILITY COMPANY**

Chairman Entringer indicated that First International Bank & Trust, Watford City (First International), is requesting retroactive approval to invest in a wholly owned limited liability company to retain the mineral interest associated with bank property in North Dakota.

Chairman Entringer referred to the letter dated April 14, 2015, from Blaine DesLauriers which indicated the transfer of the mineral interests occurred in 2012. Chairman Entringer explained this was a transfer of mineral rights that First International already owned, which were originally acquired when the bank bought the property.

Chairman Entringer indicated First International did not interpret the transaction as an investment, but only as insulating the bank from liability; adding he does not agree with the bank's interpretation as there was a transfer of value, which he considers an investment.

Mr. Docken indicated the request is to retain the mineral interest on property where bank facilities are located.

Chairman Entringer noted the Department recommends approval of the request by First International and the proposed Order.

It was moved by Member Baerwald, seconded by Member Larson, and unanimously carried to approve the request by First International Bank & Trust, Watford City, for retroactive approval to invest in a wholly owned limited liability company to retain mineral interest associated with bank property in North Dakota, and that Chairman Entringer be authorized to sign the Order on behalf of the Board.

The Board went into closed session at 9:07 a.m. to discuss confidential records pursuant to North Dakota Century Code 44-04-19.2, and returned to open session at 9:21 a.m.

FIRST STATE BANK OF GOLVA – REQUEST TO PURCHASE STOCK IN ICB SERVICES

Chairman Entringer indicated he received a request dated May 12, 2015, from First State Bank of Golva requesting permission to purchase and own stock in its credit card service corporation, Independent Community Bank Services, Inc. (ICB Services). Chairman Entringer indicated this request is subject to Section 6-03-49.1 of the North Dakota Century Code.

Chairman Entringer stated the bank is requesting permission to purchase 5 shares of stock for \$1,525 per share, for a total of \$7,625. Chairman Entringer indicated the Department recommends approval of this request.

It was moved by Member Schmid, seconded by Member Thompson, and unanimously carried to approve the request by First State Bank of Golva, Golva, to purchase 5 shares of stock for \$1,525 per share for a total of \$7,625 from the Independent Community Bank Services, Inc.

2015 ANNUAL ASESSMENT POLICY FOR STATE-CHARTERED BANKS, TRUST COMPANIES

Chairman Entringer indicated each year the Department provides the Board with information regarding the proposed June 30th assessment for banks and trust companies.

Chairman Entringer indicated his Memorandum dated May 11, 2015, details the three divisions of the Department, as well as expense details for the bank division.

Chairman Entringer indicated that Joan Becker, Director of Administration, prepared two projections for the Board's consideration: (1) no credit on the assessments; and (2) a 10% credit on assessments. Chairman Entringer reviewed the projections and resulting carryover amounts with the Board.

Chairman Entringer pointed out that the expense of \$57,000 for Contingency – Moving was included in both the June 30, 2016 & 2017 years since the Department will not have to move at the end of this biennium. Chairman

Entringer explained the Department has entered into a lease for two years; therefore, he deducted the \$57,000 from his calculations in the first fiscal year of June 30, 2016. Chairman Entringer explained the Bank of North Dakota (BND) budget bill that was passed allows BND to construct a new building if BND earns \$125 million in 2015. Chairman Entringer indicated the Department will not know until yearend 2015 if BND will construct a new building.

Chairman Entringer stated the Department's new lease expires June 30, 2017, and if BND is constructing a new building, the Department hopes to negotiate a month-to-month lease with the current landlord. Based on these factors, Chairman Entringer explained that the \$57,000 for Contingency – Moving may not be applied as of June 30, 2017, either.

Chairman Entringer indicated he recommends approving the State-Chartered Bank and Trust Company Annual Assessment Policy and offering a 10% assessment credit to the banks, since the carryover would track what the Department has strived to do in the past. Chairman Entringer explained the 10% assessment credit would not be applied to the Bank of North Dakota.

Member Beall agreed, stating she did not believe there was any point carrying over a substantial amount of funds.

It was moved by Member Beall, seconded by Member Baerwald, and unanimously carried, to approve the State-Chartered Bank and Trust Company Annual Assessment Policy, along with granting a 10% assessment discount to state-chartered banks, not including the Bank of North Dakota.

ITEMS TO BE NOTED

Chairman Entringer indicated on April 17, 2015, he approved, as Commissioner, the application by First International Bank & Trust, Watford City, to establish a facility at Lot 2 Block 2 of Fox Hills Village, Watford City.

The Board went into closed session at 9:31 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., and returned to open session at 9:50 a.m.

APPROVAL OF EXECUTIVE SESSION MINUTES

It was moved by Member Beall, seconded by Member Thompson, and unanimously carried to approve the executive session minutes of the regular meeting held March 12, 2015, as presented.

The meeting adjourned at 9:51 a.m.

Robert J. Entringer, Chairman

Aaron Webb, Secretary