

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

January 14, 2016

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, January 14, 2016, by conference call.

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

MEMBER ABSENT: John Schmid, Member

ALSO PRESENT: Aaron Webb, Secretary (*Office*)
Suzette Richardson, Administrative Staff Officer (*Office*)
Steven Johnson, Lindquist & Vennum (*Minneapolis, MN*)
Lois Bednar, Bank Forward (*Fargo*)
Chad Rieth, Bank Forward (*Fargo*)
Timothy LeClair, Eide Bailly (*Fargo*)
Steve McLaen, Sargent County Bank (*Forman*)
Karen Grandstrand, Fredrikson & Byron (*Fargo*)

**CHANGE OF CONTROL – BANK FORWARD EMPLOYEE STOCK
OWNERSHIP PLAN AND TRUST, FARGO**

Assistant Commissioner Webb reviewed his Memorandum dated December 9, 2015, indicating the Department received the retroactive change of control

application on December 8, 2015, for the Bank Forward Employee Stock Ownership Plan and Trust, Fargo (ESOP), to acquire control of 25% of more of the voting shares of Security State Bank Holding Company, Fargo (SSBHC), which controls Bank Forward, Hannaford. Assistant Commissioner Webb indicated the application was deemed complete on December 10, 2015.

Assistant Commissioner Webb indicated pursuant to North Dakota Administrative Code § 13-02-17-01, notice of the above transaction was published in *The Forum*, Fargo, on November 30, 2015, and the *Griggs County Courier*, Cooperstown, on December 4, 2015. Assistant Commissioner Webb indicated the comment period ended January 3, 2016, and no comments have been received nor were there any requests for copies of the application.

Assistant Commissioner Webb reviewed the provisions of Section 6-08-08.1(4), North Dakota Century Code, which outlines criteria for the Board to disapprove a change of control application.

Assistant Commissioner Webb indicated the ESOP acquired an additional 1,380 shares of SSBHC on October 7, 2015, and as a result of this acquisition now controls 25.2% of the outstanding common stock of SSBHC, which in turn controls 100% of the outstanding common stock of Bank Forward, Hannaford.

Assistant Commissioner Webb explained the stock purchase was funded through a loan from SSBHC via an existing line of credit from another institution, and the ESOP plans to repay the loan through employee contribution payments and annual dividends paid on the shares acquired.

Assistant Commissioner Webb indicated there are no changes to the Board of Directors or executive officers of the holding company or bank as a result of the transaction. Assistant Commissioner Webb stated the ESOP is requesting authority to retain control of the 1,380 shares of SSBHC, which surpasses the 25% change of control threshold.

Mr. Johnson added the ESOP increased its ownership from 24.5% to 25.2% and the application is submitted due to a technical violation which was discovered by the ESOP. Mr. Johnson added a companion application is expected to be acted on by the Federal Reserve within the next week.

It was moved by Member Stennes, seconded by Member Baerwald, and carried by a vote of 6 to 0, with Member Schmid absent, to approve the retroactive change of control application for the Bank Forward Employee Stock Ownership Plan and Trust, Fargo, to acquire control of 25% of more of the voting shares of Security State Bank Holding Company, Fargo, which controls Bank Forward, Hannaford.

Messrs. Johnson and Rieth, and Ms. Bednar left the conference call at 9:08 a.m.

CHANGE OF CONTROL – SARGENT COUNTY BANKSHARES, INC., FORMAN

Assistant Commissioner Webb reviewed his Memorandum dated December 7, 2015, indicating the Department received the retroactive change of control application on December 1, 2015, for Austin D. McLaen and Matthew S. McLaen (Applicants) to each acquire 19.54% of the voting shares of Sargent Bankshares, Inc. via purchase from the estate of Harlan A. Klefstad and thereby have joint control of 25% or more of the voting shares of Sargent Bankshares Inc., which controls Sargent County Bank, Forman, North Dakota.

Assistant Commissioner Webb indicated the application was deemed complete on December 10, 2015.

Assistant Commissioner Webb indicated pursuant to North Dakota Administrative Code § 13-02-17-01, notice of the above transaction was published in the *Sargent County Teller*, Milnor, on November 27, 2015. Assistant Commissioner Webb indicated the comment period ended December 17, 2015, and no comments have been received nor were there any requests for copies of the application.

Assistant Commissioner Webb reviewed the provisions of Section 6-08-08.1(4), North Dakota Century Code, which outlines criteria for the Board to disapprove a change of control application.

Assistant Commissioner Webb indicated the Applicants each purchased 899 shares (19.54%) of the voting common stock of Sargent Bankshares Inc. on

November 3, 2015; adding that these shares were purchased from the estate of their late grandfather Harlan A. Klefstad under an option contract. Assistant Commissioner Webb indicated these purchased shares combined with the shares owned by their parents Steven and Jenell McLaen, results in the McLaen family group owning and controlling 76.16% of the outstanding common stock of Sargent Bankshares Inc., which in turn controls 100% of the outstanding common stock of Sargent County Bank, Forman, North Dakota.

Assistant Commissioner Webb indicated Confidential Exhibit 3 outlines the funding of the stock purchase, which was in part funded through a gift from Steven and Janell McLaen and bank stock loans secured by the applicants. Assistant Commissioner Webb stated these loans will be repaid through annual dividends paid on the shares acquired.

Assistant Commissioner Webb stated the applicant has indicated that there have been no changes to the Board of Directors or executive officers of the holding company or bank as a result of this transaction.

Assistant Commissioner Webb stated the Applicants are each requesting approval to retain the 899 voting shares of Sargent Bankshares Inc. Assistant Commissioner Webb indicated this would allow the Applicants to join the McLaen Family Group that controls over 25% of the voting shares of Sargent Bankshares Inc., which owns 100% of Sargent County Bank, Forman.

Chairman Entringer emphasized that the Board will be acting on requests by the Applicants and the McLaen Family Group, even though no individual goes above the 25% change of control threshold.

Mr. LeClair indicated the Federal Reserve approved the application yesterday, January 13, 2016.

Assistant Commissioner Webb indicated the Department recommends approval of the retroactive application for Austin D. McLaen and Matthew S. McLaen to each acquire 19.54% of the voting shares of Sargent Bankshares, Inc. via purchase from the estate of Harlan A. Klefstad and thereby have joint control of 25% or more of the voting shares of Sargent Bankshares Inc., which controls Sargent County Bank, Forman, North Dakota.

It was moved by Member Baerwald, seconded by Member Thompson, and carried by a vote of 6 to 0, with Member Schmid absent, to approve the retroactive change of control application for Austin D. McLaen and Matthew S. McLaen to each acquire 19.54% of the voting shares of Sargent Bankshares, Inc. via purchase from the estate of Harlan A. Klefstad and thereby have joint control of 25% or more of the voting shares of Sargent Bankshares Inc., which controls Sargent County Bank, Forman, North Dakota.

Messrs. LeClair and McLaen left the conference call at 9:13 a.m.

CHANGE OF CONTROL – FIRST FINANCIAL CORPORATION, ARTHUR

Assistant Commissioner Webb reviewed his Memorandum dated December 23, 2015, indicating the Department received the retroactive change of control application on December 7, 2015, for (1) Brooks F. Burgum, individually and as trustee of the Frederick W. Burgum-Katherine J. Burgum 2008 FFC GRAT (“Burgum GRAT”); and (2) Brooks F. Burgum individually and as trustee of the Burgum GRAT, Frederick W. Burgum, and Katherine B. Itterman collectively; to control 25% or more of First Financial Corporation, Arthur, which controls 100% of the First State Bank of North Dakota, Arthur.

Assistant Commissioner Webb indicated the application was deemed complete on December 11, 2015.

Assistant Commissioner Webb indicated pursuant to North Dakota Administrative Code § 13-02-17-01, notice of the above transaction was published in the *Cass County Reporter*, Casselton, on December 9, 2015. Assistant Commissioner Webb indicated the comment period ended December 29, 2015, and no comments have been received nor were there any requests for copies of the application.

Assistant Commissioner Webb reviewed the provisions of Section 6-08-08.1(4), North Dakota Century Code, which outlines criteria for the Board to disapprove a change of control application.

Assistant Commissioner Webb indicated the application provides that in 2010 Brooks Burgum became sole trustee of the Burgum Grantor Retained Annuity Trust (“GRAT”), and when combined with the shares he controlled individually, this resulted in Brooks Burgum controlling over 25% of the voting shares of the holding company. Assistant Commissioner Webb added that when the shares controlled by Brooks Burgum are aggregated with the shares controlled by Frederick W. Burgum and Katherine B. Itterman (“Burgum Family Group”), this group also controls over 25% of the voting shares of the holding company. Assistant Commissioner Webb indicated this technically results in two separate change of control applications within this request.

Assistant Commissioner Webb indicated since no shares were transferred in connection with the events, no consideration was paid. Assistant Commissioner Webb added that there were no changes in directors or management as a result of the transaction.

Assistant Commissioner Webb indicated it is the recommendation of the Department of Financial Institutions to approve the retroactive change of control for (1) Brooks F. Burgum, individually and as trustee of the Frederick W. Burgum-Katherine J. Burgum 2008 FFC GRAT (“Burgum GRAT”); and (2) Brooks F. Burgum individually and as trustee of the Burgum GRAT, Frederick W. Burgum, and Katherine B. Itterman collectively; to control 25% or more of First Financial Corporation, Arthur, which controls 100% of the First State Bank of North Dakota, Arthur.

Ms. Grandstrand added that the application meets the requirements of North Dakota law.

It was moved by Member Baerwald, seconded by Member Stennes, and carried by a vote of 6 to 0, with Member Schmid absent, to approve the retroactive change of control application for (1) Brooks F. Burgum, individually and as trustee of the Frederick W. Burgum-Katherine J. Burgum 2008 FFC GRAT (“Burgum GRAT”); and (2) Brooks F. Burgum individually and as trustee of the Burgum GRAT, Frederick W. Burgum, and Katherine B. Itterman collectively; to control 25% or more of First Financial Corporation, Arthur, which controls 100% of the First State Bank of North Dakota, Arthur.

Ms. Grandstrand left the conference call at 9:17 a.m.

APPROVAL OF MINUTES

Chairman Entringer indicated the Board received copies of the minutes of the regular meeting held on November 12, 2015.

It was moved by Member Beall, seconded by Member Larson, and carried by a vote of 6 to 0, with Member Schmid absent, to approve the minutes of the regular meeting held November 12, 2015, as presented.

ITEM TO BE NOTED

Chairman Entringer indicated on December 1, 2015, he approved, as Commissioner, the application by Choice Financial Group, Fargo, to discontinue its facility at 324 North 3rd St, Ste 3, Bismarck.

BANK BUDGET UPDATE

Chairman Entringer indicated the Board received the November 30, 2015, Organizational Status Report by Summary Account for the bank division.

UPDATE OF DEPARTMENT STAFF

Chairman Entringer informed the Board on January 4, 2016, two examiners begin employment; one each for the Fargo and Bismarck bank crews.

The Board went into closed session at 9:20 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 9:49 a.m.

APPROVAL OF EXECUTIVE SESSION MINUTES

It was moved by Member Stennes, seconded by Member Larson, and carried by a vote of 6 to 0, with Member Schmid, to approve the executive session minutes of the regular meeting held November 12, 2015, as presented.

NEXT MEETING

Chairman Entringer indicated he will not be present for the next regularly scheduled meeting to be held Thursday, March 3, 2016.

The meeting adjourned at 9:51 a.m.

Robert J. Entringer, Chairman

Aaron Webb, Secretary