

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

**December 12, 2017**

The 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. Chair Kruse called the meeting to order at 9:00 a.m., Tuesday, December 12, 2017, by conference call.

MEMBERS PRESENT: Lise Kruse, Chair (*Office*)  
Nancy Baerwald, Member (*Cando*)  
Kim Larson, Member (*Casselton*)  
John Schmid, Member (*Carson*)  
Tom Stennes, Member (*Harwood*)  
Cheryl Thompson, Member (*Fargo*)

MEMBERS ABSENT: Linda Beall, Member (*Velva*)

ALSO PRESENT: Aaron Webb, Secretary (*Office*)  
Lisa Kirschmann, Administrative Assistant (*Office*)  
Dana Ereth (*Bismarck*)  
Craig Johnson (*Rugby*)

**Application by Merchants Bank, Rugby for authorization to purchase certain assets and assume certain liabilities of Western State Bank, Devils Lake, and to establish the former Towner, Granville and Upham locations of Western State Bank as facilities of Merchants Bank.**

Assistant Commissioner Webb reviewed his Memorandum dated December 5, 2017, indicating the Department received the application on November 10, 2017. Notice of the application was provided pursuant to a joint state and federal publication under North Dakota Administrative Code 13-02-13-

03.1. Assistant Commissioner Webb stated that the notice appeared in the *Pierce County Tribune* on November 11, 25 and December 9 and the *Devils Lake Journal* on November 10, 24 and December 8. Assistant Commissioner Webb indicated the comment period ended December 11, 2017, and no comments were received nor were there any requests for copies of the application.

Assistant Commissioner Webb indicated this is a purchase and assumption transaction but is treated as a merger transaction under Section 13-02-13-01 North Dakota Administrative Code.

Assistant Commissioner Webb reviewed Section 13-02-13-02, North Dakota Administrative Code, which outlines the procedural requirements of a merger application. Assistant Commissioner Webb reviewed each requirement with the board, noting supporting documentation within application materials.

Mr. Ereth reviewed Section 13-02-13-04, North Dakota Administrative Code, which outlines the criteria for the Board to review when deciding whether to approve a merger application.

Mr. Ereth explained how the applicant met the requirements for notice and approval by the shareholders. Mr. Ereth indicated the bank's capital stays above 8.3% on a Tier 1 leverage ratio and total risk based capital remains close to 13%. Consequently, Mr. Ereth concluded that the bank would maintain adequate capital levels. Mr. Ereth added that Merchants Bank is committed to continuing to serve the communities by keeping all the locations open at this time. Finally, he explained there will be no changes to management as a result of this transaction.

Mr. Johnson responded to Member Thompson's questions, noting the bank does not anticipate letting existing staff go and indicating the communities are very accepting of Merchant's Bank coming in.

Mr. Ereth indicated there has been considerable discussion with management to keep all three locations open, but at some point in the future the bank may have to look at the feasibility of continuing operations in all three locations.

In response to Member Stennes, Mr. Johnson explained that conversion of IT systems is going well.

Assistant Commissioner Webb indicated the Department recommends approval of the application and that Chair Kruse be authorized to sign the proposed order on behalf of the Board. Assistant Commissioner Webb reviewed the provisions of the Order.

**It was moved by Member Baerwald, seconded by Member Thompson, and unanimously carried to approve the application by Merchants Bank, Rugby to purchase certain assets and assume certain liabilities of Western State Bank, Devils Lake and to establish the former Towner, Grandville and Upham locations of Western State Bank as facilities of Merchants Bank, and that Chair Kruse be authorized to sign the Order of behalf of the Board.**

The meeting adjourned at 9:22 a.m.

---

Lise Kruse, Chair

---

Aaron Webb, Secretary