

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

May 30, 2018

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. Chair Kruse called the meeting to order at 9:00 a.m., Thursday, March 22, 2018, by conference call.

MEMBERS PRESENT: Lise Kruse, Chair (*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*)
Ryan Spah, Chief Examiner – Banks (*Office*)
Heidi LaBree, Administrative Examiner (*Office*)
Joan Becker, Director of Administration (*Office*)
Anders Odegaard, Assistant Attorney General
(*Office*)
Karla Reyerson, Fredrikson & Byron, P.A.
(*Minneapolis, MN*)
Cliston Bondine, Gerrish Smith Tuck (*Memphis, TN*)
Karen Grandstrand, Fredrikson & Byron, P.A.
(*Minneapolis, MN*)
Scott Bollinger, United Community Bank (*Minot*)

APPROVAL OF MINUTES

Chair Kruse indicated the Board received copies of the minutes of the regular meeting held on March 22, 2018.

It was moved by Member Schmid, seconded by Member Thompson, and unanimously carried, to approve the minutes of the regular meeting held March 22, 2018, as presented.

APPLICATION FOR AMENDMENT OF ARTICLES OF INCORPORATION – FIRST STATE BANK OF NORTH DAKOTA.

Assistant Commissioner Webb stated the application was received on May 14, 2018. The Articles were forwarded to the Secretary of State's office, where the Articles were deemed ready for filing.

Ms. Reyerson discussed the reasons for the amendment of the Articles of Incorporation. The main reason for the amendment is to change the name. There will be a merger with First State Bank of Warner in September which will cross state lines. Additionally, the articles went back to 1903 and consisted of over 70 pages. This was a good opportunity to summarize them in one page. The change also includes a more specific reference to limiting personal liability in Article V, which is in accordance with North Dakota Century Code 6-03-04.1.

Assistant Commissioner Webb added that the articles were reviewed to ensure that they included all statutory requirements.

It was moved by Member Stennes, seconded by Member Baerwald, and carried by a vote of 7-0, to approve the application for the amendment of the Articles of Incorporation for First State Bank of North Dakota, Arthur, North Dakota.

APPLICATION FOR AMENDMENT OF ARTICLES OF INCORPORATION – AMERICAN STATE BANK & TRUST COMPANY, WILLISTON.

Assistant Commissioner Webb stated that the application was received on March 12, 2018. The changes were reviewed for compliance with North Dakota

law and forwarded to the Secretary of State's office. That review was completed on March 14, 2018. The Secretary of State did have a couple changes to suggest. Those changes were incorporated into the articles that were sent out.

Mr. Bodine reviewed the changes. The existing articles have been in place for several decades, so it was decided it was time to update them. Under Section V, the former President and CEO were listed as the registered agent. This was updated to David Hanson, who is the current President and CEO. A provision was added on voting rights. Currently, the institution does not have cumulative voting rights. This has been addressed in the bylaws, but felt it was important to address in the articles. A provision was also added to address indemnification and advance for expenses. This has also been addressed in the bylaws but not in the articles. These changes are consistent with the bank holding company's Articles of Incorporation.

Assistant Commissioner Webb stated that the holding company articles were not included in the Board packet, as we do not approve them.

It was moved by Member Beall, seconded by Member Schmid, and carried by a vote of 7-0, to approve the application for the amendment of the Articles of Incorporation for American State Bank & Trust Company, Williston.

APPLICATION BY UNITED COMMUNITY BANK OF NORTH DAKOTA TO ASSUME CERTAIN LIABILITIES OF THE MINOT, NORTH DAKOTA BRANCH OF AMERICAN BANK CENTER.

Assistant Commissioner Webb reviewed the Memorandum dated February 15, 2018, indicating that United Community Bank of Leeds, North Dakota is seeking authorization to assume certain liabilities of American Bank Center of Dickinson, North Dakota. The application was received on February 13, 2018. The purpose of the transaction is to move the deposits of the Minot branch of American Bank Center to the nearby Minot branch of United Community Bank. The Minot branch of American Bank Center would close with an LPO being established at United Community Bank. The LPO application was approved on March 12, 2018. The branch closure was also approved and is effective July 13, 2018. The transaction is to serve as a restructure of the two banks, which are under common ownership of American Bancor, Ltd.

Assistant Commissioner Webb indicated publication of the application was accomplished pursuant to section 13-02-03.1. The notification was published in the *Dickinson Press* on February 15, February 22, March 1, and March 13, 2018 and in the *Benson County Farmers Press* on February 15, February 22, March 2, and March 15, 2018. The comment period ended March 17, 2018. No comments were received nor were there any requests for the copies of the application.

Assistant Commissioner Webb reviewed the provisions set forth in North Dakota Administrative Code 13-02-13-02, which outlines the application requirements. The board is required to treat a P&A as a merger, even though it is not a merger.

Ms. Grandstrand reviewed the areas set forth in North Dakota Administrative Code Section 13-02-13-04 for the State Banking Board's consideration when approving an application. The notification requirement was waived due to American Bancor, Ltd. being the sole shareholder of both institutions. The pro forma financial statements show that both banks will remain well capitalized following the proposed reorganization. The reorganization will result in both banks operating more efficiently and cost effectively while still offering the same quality of service to the Minot community. Minot is the only market that both banks serve and share, so the organization believed it would be most advantageous to consolidate efforts and resources. The two branches are within a mile of each other, so customers should not be adversely affected. An LPO will be established within United Community Bank to serve American Bank Center customers and take advantage of the affiliate services agreement authorized under NCAC 6-03-14.2 so United Community can service certain loans and deposits for customers of American Bank Center. There will be no changes in management or employees of United Community Bank as a result of the reorganization. The Minot branch of American Bank Center is relatively small and transferring deposits will not require change in staffing. Ms. Grandstrand indicated they feel all the requirements of the transaction are met.

Assistant Commissioner Webb indicated the Department believes all the application criteria have been met and the approval criteria has been met. The Department recommends approval of the application and approval of the proposed order with the Commissioner to sign the order on the Board's behalf.

It was moved by Member Schmid, seconded by Member Stennes, and carried by a vote of 7-0, to approve the application by United Community

Bank of North Dakota, Leeds, to assume certain liabilities of the Minot, North Dakota branch of American Bank Center.

APPROVAL OF THE 2018 ANNUAL ASSESSMENT POLICY FOR STATE-CHARTERED BANKS AND TRUST COMPANIES.

Commissioner Kruse discussed the 2018 annual assessment policy. A memo was provided in the board packet.

Member Stennes asked a question on the Governor's proposal which included a reduction in staff of 5%. Commissioner Kruse stated we are required to submit a strategic review. We are running our budget showing a 10% decrease. Part of the review is that we will show what the Department will look like with that type of cut. Our biggest line item for expenses is FTEs, the second biggest item is travel. We will do what is necessary to ensure we have a strong department to continue to serve the industry effectively. The Governor's office will look at each agency and strategy. We will know more in a couple weeks when we meet with the Governor's office.

Commissioner Kruse indicated the Department has statutory authority to carryover up of 20% of the Department's next succeeding biennial biennium. The two scenarios were discussed. A 30% discount results in a carry over of 16%; a 35% discount results in a carry over of 13%. The Department recommends the 30% discount, which is consistent with last year.

It was moved by Member Beall, seconded by Member Baerwald, and carried by a vote of 7-0, to approve the assessment with a 30% discount.

BANK BUDGET UPDATE

Commissioner Kruse explained the budget sheet. For us to be within budget each line item in the appropriation remaining column needs to be higher than 58%, which is the appropriation remaining noted on the bottom of the sheet. The rental/lease line item is right at 58% remaining, everything else is above 58%, so we are well within budget for this biennium.

The Board went into closed session at 9:33 a.m. to review the Supervisory Reports of Examination pursuant to North Dakota Century Code 6-01-07.0, and to discuss any confidential records pursuant to North Dakota Century Code 44-04-19.2, and returned to open session at 9:55 a.m.

ITEMS TO BE NOTED

Commissioner Kruse indicated this is Member Baerwald's last meeting and thanked her for her service to the Board. A resolution is being signed for Member Baerwald. Commissioner Kruse has submitted a recommendation to the Governor's office for Member Baerwald's replacement but has not heard back yet. Hopefully there will be an appointment made by the next meeting.

The meeting adjourned at 9:56 a.m.



Lise Kruse, Chair



Aaron Webb, Secretary