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, July 12, 2018, by conference call.

MEMBERS PRESENT:  Lise Kruse, Chair (Office)
                   Todd Heilman, Member (Devils Lake)
                   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)
                   Anders Odegard, Assistant Attorney General (Office)
                   Corey Krebs, Chief Examiner – Credit Unions (Office)
                   Doug Hoselton, Supervising Examiner (Office)
                   Fred Manuel, CPA (Detroit Lakes, MN)
                   John Reichert, Reinhart Boerner Van Deuren (Milwaukee, WI)
                   Melissa York, Reinhart Boerner Van Deuren (Milwaukee, WI)
                   James Williams, First State Bank of North Dakota (Arthur)
                   Tim Siegle, United Valley Bank (Cavalier)
                   Drew Olafson, United Valley Bank (Cavalier)
APPROVAL OF MINUTES

Chair Kruse indicated the Board received copies of the minutes of the regular meeting held on May 30, 2018.

It was moved by Member Larson, seconded by Member Beall, and unanimously carried, to approve the minutes of the regular meeting held July 12, 2018, as presented.

APPLICATION TO MERGE FIRST STATE BANK OF WARNER, WARNER, SOUTH DAKOTA INTO FIRST STATE BANK OF NORTH DAKOTA, ARTHUR.

Assistant Commissioner Webb stated First Financial Corporation acquired First State Bank of Warner, Warner, South Dakota on July 26, 2017. Currently, the holding company controls First State Bank of Warner and First State Bank of North Dakota, which will soon be BankNorth. The application was received on May 7, 2018 to merge the two institutions. Notice of the application was published pursuant to the joint state and federal requirement. No comments were received, nor were there any requests for copies of the application.

Assistant Commissioner Webb stated the merger transactions are addressed in North Dakota Century Code 6-03-11 which states in part: “Any two or more banking institutions as defined in section 6-01-02 upon making application to the state banking board may consolidate or merge if authorized by the board into one banking institution under the charter of either existing banking institution of such terms and conditions as lawfully may be agreed upon by a majority of the board of directors of each banking institution proposing to consolidate or merge subject to rules adopted by the state banking board.”

Assistant Commissioner Webb reviewed the application requirements established by the State Banking Board under North Dakota Administirate Code Section 13-02-13-02.

Mr. Manuel reviewed the criteria set forth in Section 13-02-13-04 of the North Dakota Administrative Code for the State Banking Board’s consideration
for approving the application. He noted that the FDIC has approved the transaction. South Dakota also needs to approve the transaction, which should come within the next 30 days. First Financial Corporation is the sole shareholder of both institutions and the merger was approved unanimously. The resultant bank will remain well capitalized. All employees have remained on board and operations continue to be enhanced. He concluded that the community will be well served.

Mr. Williams stated that they are looking at September 14, 2018 being the last day of operations of First Bank of Warner and will open on September 17, 2018 as BankNorth. First State Bank of Warner has a branch in Aberdeen, which is an exciting opportunity for the applicant to be in a larger community.

Member Larson, who is the CEO of First State Bank of North Dakota, stated that of the five mergers they have done, this one appears to be the best fit with the culture of the bank.

Mr. Manuel stated because this is an affiliated merger a lot of the benchmarks have been met and anticipate a mid-September merger.

Assistant Commissioner Webb indicated that Section 6-03-13.3 of the North Dakota Century Code allows the former main office and facilities of the institution being merged to become facilities of the surviving bank. He explained that the resultant bank plans to continue operations of two facilities located at 2 West Main Street, Warner, South Dakota and 2201 6th Avenue South East, Aberdeen, South Dakota. The Department recommended approval of the application.

It was moved by Member Stennes, seconded by Member Beall, and carried by a vote of 6-0, to approve the application for to Merger First State Bank of Warner, Warner, South Dakota into First State Bank of North Dakota, Arthur, North Dakota and authorizing Commissioner Kruse to sign the Order on behalf of the Board. Member Larson abstained.

APPLICATION TO MERGE FIRST NATIONAL BANK, MAHNONEM TWIN VALLEY, MAHNONEM, MINNESOTA INTO UNITED VALLEY BANK, CAVALIER.

Assistant Commissioner Webb reviewed the memorandum stating that First Holding Company of Cavalier acquired First National Bank Mahnomen Twin
Valley, Mahnomen, Minnesota. Currently, the holding company controls two subsidiary banks, United Valley Bank and First National Bank Mahnomen Twin Valley. The Department received the Interagency Bank Merger Act Application on May 11, 2018, to merge the two institutions. Notice of the application was published pursuant to the joint state and federal requirements. No comments were received, nor were copies of the application requested.

Assistant Commissioner Webb stated the merger authority comes from Section 6-03-11 of the North Dakota Century Code. The criteria for the application are outlined in Chapter 13-02-13-02 of the North Dakota Administrative Code.

Mr. Manuel reviewed the criteria set forth in Section 13-02-13-04 of the North Dakota Administrative Code relating to the State Banking Board’s consideration for approval. Due to the target being a national bank, a notice was provided to the Office of the Comptroller of the Currency (OCC) that the charter will be cancelled. The FDIC has approved the merger as of June 21, 2018. An anticipated completion date is October 15, 2018. The sole shareholder of both institutions voted unanimously in favor of the merger. The resultant bank will remain adequately capitalized. All employees have been retained and business will continue as usual. The transaction will enhance the service of the community due to the increased lending limit. Mr. Manuel stated that management is in good hands.

Mr. Siegle stated that this merger fits well with what they look for in merger partners. Close of business on October 12, 2018 will be the final day of business for First National Bank Mahnomen Twin Valley and will reopen on October 15, 2018 as United Valley Bank.

Mr. Olafson commented that the target balance sheet has a good core deposit base which will position them for good lending opportunities.

Assistant Commissioner Webb stated that the former main office and facilities of the target bank can continue to operate as provided under 6-03-13.3 of North Dakota Century Code. First National Bank Mahnomen Twin Valley has locations at 103 North Main Street, Mahnomen, Minnesota and 205 Main Avenue West, Twin Valley, Minnesota, which the applicant has elected to continue to operate as facilities of United Valley Bank. The Department recommended approval of the application.
It was moved by Member Larson, seconded by Member Schmid, and carried by a vote of 7-0, to approve the application for the merger of First National Bank Mahnomen Twin Valley, Mahnomen, Minnesota to merge into United Valley Bank, Cavalier, and authorizing Commissioner Kruse to sign the Order on behalf of the Board.

APPLICATION TO MERGE VENTURE BANK, BLOOMINGTON, MINNESOTA INTO CHOICE FINANCIAL GROUP, FARGO.

Assistant Commissioner Webb reviewed the memorandum. On April 30, 2018, Choice Financial Holdings, Inc. received regulatory approval to acquire Venture Bank, Bloomington, Minnesota. The applicant has indicated they plan to merge the two banks immediately following completion of the stock purchase, which will take place between September 1, 2018 and September 15, 2018. The Department received the Interagency Bank Merger Act Application on May 7, 2018 to merge the two banking institutions, conditioned on consummation of the purchase. Notice of the application was published pursuant to the joint state and federal requirements. No comments were received, nor were there any requests for copies of the application.

Assistant Commissioner Webb stated the merger authority comes from Section 6-03-11 of the North Dakota Century Code. The criteria for the application are outlined in Chapter 13-02-13-02 of the North Dakota Administrative Code.

Section 13-03-13-04 of the North Dakota Administrative Code sets forth the criteria for the State Banking Board’s consideration for approving the application. Mr. Reichert addressed these requirements. Choice Financial Holdings, Inc. is the sole shareholder of both institutions and the merger was approved unanimously. The resultant bank will remain well capitalized. Both communities will be better served as they will have additional branch locations, higher lending limits, and all products. Venture Bank customers will be better served, as Choice Financial Group has more products and services to offer. The current management team will remain in place.

Assistant Commissioner Webb stated that the applicant can choose to continue operations in the former main office and facilities of the target bank can continue operations under 6-03-13.3 of North Dakota Century Code. Venture Bank has four locations that the applicant has indicated the intention to continue
operations in all locations. The Department concluded the application requirements have been met and recommended approval of the application.

It was moved by Member Beall, seconded by Member Stennes, and carried by a vote of 7-0, to approve the application to merge Venture Bank, Bloomington, Minnesota into Choice Financial Group, Fargo, and to authorize Commissioner Kruse to sign the Order on behalf of the State Banking Board.

BANK BUDGET UPDATE

Commissioner Kruse stated the Department is still within the budget requirements. The Department participated in a strategy review with the Governor’s Office. The Governor has asked state agencies to cut budgets and staff. The strategy review session was an opportunity to present how we see the future. The Department presented a budget which requests additional staff. The budget will address the need for an updated legacy system as well as additional cybersecurity expertise. The Governor is supportive of our needs; however, we will also need the support of the industry.

Member Stennes commented that the budget update sounds positive.

The Board went into closed session at 9:42 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 9:53 a.m.

ITEMS TO BE NOTED

Commissioner Kruse reported that the legislative hearing on combining the Department with the Securities Department was held on Tuesday, July 10, 2018. The legislatures voted 8 – 1 to not combine the departments. The study showed there were no efficiencies to be gained by combining the departments.

Commissioner Kruse stated that the Governor has agreed to sign onto the appraisal waiver application. He will review the letter early next week. It is anticipated the application will be mailed out within the next couple weeks.
Commissioner Kruse requested that people send comment letters, as the last application was denied based on the lack of comment letters in favor of the waiver.

The meeting adjourned at 9:58 a.m.

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Lise Kruse, Chair                               Aaron Webb, Secretary