# REGULAR STATE BANKING BOARD MEETING
# HELD BY CONFERENCE CALL
# OFFICE OF THE COMMISSIONER
# DEPARTMENT OF FINANCIAL INSTITUTIONS
# 2000 SCHAFER STREET, SUITE G
# BISMARCK, NORTH DAKOTA

**July 9, 2009**

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 Karsky called the meeting to order at 9:01 a.m., Thursday, July 9, 2009, by conference call.

MEMBERS PRESENT: Timothy J. Karsky, Chairman *(Office)*
Nancy Baerwald *(Cando)*
Ron Braseth *(Mayville)*
Bill Daniel, Member *(Bismarck)*
Lorren Henke, Member *(Wishek)*
Roger Monson, Member *(Finley)*
Anita Quale, Member *(Watford City)*

MEMBERS ABSENT: None

ALSO PRESENT: Robert J. Entringer, Secretary *(Office)*
Suzette Richardson, Administrative Assistant *(Office)*
Aaron Webb, Assistant Attorney General *(Office)*

## APPROVAL OF MINUTES

Chairman Karsky indicated the Board received copies of the minutes of the regular meeting held on May 14, 2009.

**It was moved by Member Baerwald, seconded by Member Monson, and unanimously carried to approve the minutes as presented.**

## ITEMS FOR DISCUSSION

Assistant Commissioner Entringer indicated the Department received notice from the South Dakota Division of Banking that Dacotah Bank, Aberdeen, South Dakota, will close its branch located in the Flaxton Mini-Mall, Flaxton, North Dakota, effective August 31, 2009.

Assistant Commissioner Entringer indicated the application by Cornerstone Bank, Enderlin, to establish a facility at 2112 North 12th Street, Bismarck, has been approved by the FDIC and will be approved by Commissioner Karsky today.

Chairman Karsky indicated the application by Unison Bank, Jamestown, to establish an interstate branch at 3740 East Southern Avenue, Suite 120, Mesa, Arizona, has been approved by the Arizona State Banking Department, and expects FDIC approval shortly. Chairman Karsky indicated he is waiting for additional information regarding management before approving the application.

Chairman Karsky indicated there may be change of control and/or bank sale applications received in the near future.

## ITEM FOR APPROVAL

Chairman Karsky indicated a letter was received from Choice Financial Group, Grafton, requesting subsequent approval of a total investment of $4,817,500 in the NDSU Research Park Ventures, LLC, Fargo. Chairman Karsky indicated this letter, along with copies of the State Banking Board minutes of July 10, 2008, had been faxed to the Board members. Chairman Karsky indicated during that meeting the Board spent a considerable amount of time discussing investments in The Angel Fund, Grand Forks, and the NDSU Research Park Ventures, LLC, Fargo, and subsequent approval granted to three state-chartered banks to invest in these entities.

Chairman Karsky indicated he does not have a problem with the investment by Choice Financial Group in the NDSU Research Park Ventures, LLC; however, would suggest the State Banking Board grant approval for all state-chartered banks to invest in the NDSU Research Park Ventures, LLC, Fargo, and The Angel Fund, Grand Forks, which would eliminate Board action on any future individual bank requests.

Assistant Commissioner Entringer indicated during the July 10, 2008, State Banking Board meeting it was determined the OCC would permit these investments for national banks; however, the Board only granted permission to invest in these entities to the three requesting banks. Assistant Commissioner Entringer indicated it was discovered during an examination of Choice Financial Group it had invested in the NDSU Research Park Ventures, LLC, Fargo. Assistant Commissioner Entringer concluded the Department is suggesting the Board approve investment in these two entities for all state-chartered banks.

Member Monson asked Commissioner Karsky if he would want to be notified of any investments in these entities, and Chairman Karsky indicated it is more likely the Department will discover these investments at the time an examination is conducted.

**It was moved by Member Braseth, seconded by Member Baerwald, and unanimously carried that all state-chartered banks are authorized to invest in The Angel Fund, Grand Forks, and the NDSU Research Park Ventures, LLC, Fargo.**

**ITEM TO BE NOTED**

Chairman Karsky indicated the Department has had considerable dialogue with banks over the past 60-90 days regarding selling loans, mainly problem loans, to the holding company in order to remove these loans from the bank's books, decrease classifications, and not have the loss incurred on the bank's books. Chairman Karsky indicated he has been discussing this with the FDIC and both agree it is permissible for a bank to sell loans to its holding company after receiving permission from the Federal Reserve; however, before the initial sale is made the bank must determine fair market value and write down the value of these loans at the bank before selling them to the holding company. Chairman Karsky concluded that during an examination Department examiners will review how the bank determined fair market value and that any write-down was made before the sale.

The Board went into closed session at 9:14 a.m.

Timothy J. Karsky, Chairman

Robert J. Entringer, Secretary