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[¶10,475A] **In the Matter of First State Bank of Park River, Park River, North Dakota**, Docket No. 91-411kk (3-10-92).

FDIC issues order conditionally granting approval for waiver of cross-guaranty.

[\[.1\]](#) **Cross-Guaranty—Waiver—Conditional on Acquisition**

[\[.2\]](#) **Holding Company—Injection of Capital—Condition of Cross-Guaranty Waiver**

[\[.3\]](#) **Cross-Guaranty—Waiver—Applicability May Not be Conveyed or Transferred**

[\[.4\]](#) **Cross-Guaranty—Waiver—Expiration**

[\[.5\]](#) **Cross-Guaranty—Waiver—Reasonable Losses**

[\[.6\]](#) **Cross-Guaranty—Waiver—Institutions Independence Required**

[\[.7\]](#) **Cross-Guaranty—Waiver—Inter-Company Transactions Restricted**

[\[.8\]](#) **Cross-Guaranty—Waiver—Revocation for Non-Compliance**

In the Matter of

FIRST STATE BANK OF PARK RIVER

PARK RIVER, NORTH DAKOTA

(Insured Depository Institution)

to be related to

SECURITY STATE BANK OF ADAMS

ADAMS, NORTH DAKOTA

(Insured Depository Institution)

ORDER CONDITIONALLY GRANTING APPROVAL FOR WAIVER OF CROSS-GUARANTY

FDIC-91-411kk

WHEREAS, The First Holding Company of Park River, Inc., Park River, North Dakota ("FHC"), a one-bank holding company which controls First State Bank of Park River, Park River, North Dakota ("Park River"), has proposed to acquire 100 percent of the voting stock of Security State Bank of Adams, Adams, North Dakota ("Adams") from Security Banco, Inc., Adams, North Dakota ("SBI"); and

WHEREAS, the purchase agreement between FHC and SBI plus the accounting treatment of the purchase contract will result in FHC's injection of \$372,000 into Adams, consisting of \$202,000 in cash and \$170,000 in Part 325 Tier 1 capital, in a manner acceptable to the Regional Director (Supervision) of the Federal Deposit Insurance Corporation's ("FDIC") Kansas City Regional Office ("Regional Director"); and

WHEREAS, FHC's proposed acquisition and its corresponding commitment to inject capital as detailed above are conditional upon the FDIC exempting, pursuant to section 5(e)(5)(A) of the Federal Deposit Insurance Act ("Act"), 12 U.S.C. §1815(e)(5)(A), Park River from any losses incurred or reasonably anticipated to be incurred by the FDIC from the default of or FDIC assistance to Adams for a period of time; and

WHEREAS, FHC has requested that the FDIC grant an appropriate exemption from such losses with respect to FHC's proposed acquisition of control of Adams for a period of time;

BE ADVISED that the Board of Directors of the FDIC, having fully considered the facts and information relating to the foregoing request for exemption from losses, has concluded that an exemption is in the best interest of the Bank Insurance Fund, and that approval of the request should be and hereby is granted, subject to the conditions and restrictions set forth below.

IT IS THEREFORE ORDERED:

[.1]1. This ORDER CONDITIONALLY GRANTING APPROVAL FOR WAIVER OF CROSS-GUARANTY ("ORDER") will become effective upon the properly approved acquisition of control of Adams by FHC through the purchase of 100 percent of the voting shares of Adams within six months from the date of issuance of this ORDER, and absent such acquisition within that time period, this ORDER will become null and void, unless, upon the written request of Park River or FHC, the FDIC, in its discretion, grants an extension of that time period.

[.2]2. IT IS FURTHER ORDERED, that the waiver granted by this ORDER shall be conditioned upon the injection by FHC of \$372,000, as detailed above, into Adams.

[.3]3. IT IS FURTHER ORDERED, that this ORDER will remain in effect only so long as Adams is controlled by FHC, and its applicability may not be conveyed or otherwise transferred.

[.4]4. IT IS FURTHER ORDERED, notwithstanding the foregoing, that this exemption shall expire three years from the date FHC acquires control of Adams.

[.5]5. IT IS FURTHER ORDERED, that the exemption granted by this ORDER will apply only to such losses as may be incurred or reasonably anticipated to be incurred from the default of, or FDIC assistance to, Adams.

[.6]6. IT IS FURTHER ORDERED, that during the life of this ORDER, Park River and Adams will operate independently of one another and not in a fashion so as to intertwine the operations of one with the other, unless the prior non-objection of the Regional Director is obtained.

[.7]7. IT IS FURTHER ORDERED, that during the life of this ORDER, with the exception of interbank Federal funds transactions and routine recurring inter-company transactions (provided such are previously described to and agreed upon by the Regional Director), Adams shall not pay any fee or effect any other payment to or on behalf of any of its affiliates, or enter into any transaction which results in a transfer, purchase or sale of assets between Adams and any of its affiliates during the period this waiver is in effect without the prior non-objection of the Regional Director; and, that during the life of this ORDER, Park River and Adams will provide the Regional Director, in a form acceptable to the Regional Director, monthly detailed summaries of all inter-company transactions with their affiliates which occurred during the preceding month.

8. IT IS FURTHER ORDERED, that during the life of this ORDER, neither Park River nor Adams shall engage in any inter-company transaction with their affiliates without the prior approval of such transaction by their respective boards of directors.

[.8]9. IT IS FURTHER ORDERED, that should the FDIC determine that the parties to the proposed transaction, or any other insured depository institution affiliate of such parties, has failed to comply fully with the aforesaid conditions and restrictions, the FDIC shall have the right to revoke this exemption after giving FHC written notice of said revocation and a reasonable opportunity to be heard on the matter. Notwithstanding the foregoing, there shall be no right to a hearing regarding compliance with the condition contained in paragraph 2 above.

By direction of the Board of Directors.

Dated at Washington, D.C., this 10th day of March, 1992.