

OFFICE OF THRIFT SUPERVISION

Approval of Conversion of a State Commercial Bank to a Federal Savings Bank And Holding Company Application

Order No.: 2001-38

Date: May 21, 2001

Docket Nos.: H-3670, H-3671, and 17428

Ogema State Bank, Ogema, Minnesota (State Bank), has applied to the Office of Thrift Supervision (OTS), to convert from a state chartered commercial bank to a federally chartered savings bank to be named Community Development Bank, FSB, Ogema, Minnesota (Savings Bank), pursuant to 12 C.F.R. § 552.2-6 (conversion). Midwest Minnesota Community Development Corporation (Holding Company) and CDC Bancshares, Inc., Detroit Lakes, Minnesota (collectively, the Applicants), have applied to acquire control of the Savings Bank pursuant to 12 U.S.C. § 1467a(e) and 12 C.F.R. § 574.3 (the Applications). The State Bank is a member of the Bank Insurance Fund. The Applicants request permission for the Savings Bank to hold a certain municipal bond, pursuant to 12 C.F.R. § 560.42(c)(2). In addition, the Applicants request that the Savings Bank be allowed 18 months from the date of conversion to meet the commercial and agricultural lending provisions of 12 U.S.C. § 1464(c)(2)(A). The requested phase-in period would permit the Savings Bank to redirect its investments and its commercial and agricultural loans prudently, without undue risk or raising substantial safety and soundness concerns, or impairing its customer relationships.

OTS has considered the request to approve the investment pursuant to 12 C.F.R. § 560.42(c)(2), and the request for an 18 month phase-in period regarding the commercial and agricultural lending provisions of 12 U.S.C. § 1464(c)(2)(A). In addition, OTS has considered the conversion application, and the holding company application (including the Applicants' undertakings) under the standards set forth in 12 U.S.C. § 1467a(e) and 12 C.F.R. §§ 552.2-6 and 574.7, and under the Community Reinvestment Act, 12 U.S.C. §§ 2901, *et seq.*, and the regulations thereunder, 12 C.F.R. Part 563e. OTS has considered the digest by the OTS Midwest Regional Office (Regional Office), a legal opinion by the Business Transactions Division, and an analysis by Examination Policy (collectively, the Staff Memoranda). For the reasons set forth in the Staff Memoranda, OTS has determined that the conversion application and the holding company application satisfy all applicable statutory and regulatory criteria, provided that the conditions set forth below are satisfied. Based on the foregoing, the requested approval of the investment pursuant to 12 C.F.R. § 560.42(c)(2) is granted; the requested 18 month phase-in period regarding 12 U.S.C. § 1464(c)(2)(A) is granted provided the Savings Bank proceeds as described in the Applications; and the conversion application and the holding company application are hereby approved, subject to the following conditions:

1. The Applicants and the State Bank must receive all required regulatory approvals prior to consummation of the proposed transaction with copies of all such approvals provided to the Regional Office;
2. Prior to the consummation of the proposed transaction, the Chief Financial Officers of the Applicants and the Savings Bank must certify in writing to the Midwest Regional Director (Regional Director) that no material adverse changes have occurred with respect to the financial condition or operation of the Applicants and the Savings Bank as disclosed in the Applications. Should additional information having a material adverse bearing on any feature of the Applications be brought to the attention of the Applicants, the Savings Bank or OTS, since the date of the financial statements submitted with the Applications, the transaction must not be consummated unless the information is presented to the Regional Director, and the Regional Director provides written non-objection to consummation of the transaction;
3. The proposed transaction must be consummated within one hundred and twenty (120) calendar days from the date of this Order or within such additional period as the Regional Director, or his designee, may grant;
4. The Applicants and the Savings Bank must advise the Regional Office in writing within five (5) calendar days after the effective date of the proposed transaction that the transaction was consummated in accordance with all applicable laws and regulations, the applications (including the Applicants' undertakings), and this Order;
5. The Savings Bank must operate within the parameters of its business plan. The Applicants and the Savings Bank must submit any proposed major deviations or material changes from the plan (including changes resulting from decisions made by the Applicants), for the prior, written non-objection of the Regional Director. The request for change must be submitted a minimum of 60 calendar days before the proposed change is implemented with a copy to the FDIC Regional Office;
6. The majority owner of the State Bank's holding company must obtain an independent appraisal of the assets he proposes to purchase from the State Bank and provide copies of these appraisals to the State Bank. The State Bank must not sell such assets to the majority owner of the State Bank's holding company at a price less than the appraisal price;
7. For the two-year period following the consummation date, the Savings Bank must receive the prior non-objection of the Regional Director for any proposed new senior executive officers or directors; and
8. The Holding Company's vice president of administration must submit the required background information for review and non-objection of the Regional Director.

Any time period set forth herein may be extended for up to 120 calendar days, for good cause, by the Regional Director.

By order of the Director of the Office of Thrift Supervision, or her designee, effective

May 21, 2001.



Scott M. Albinson
Managing Director
Office of Supervision