



Conditional Approval #1206
October 2018

September 27, 2018

Laura C. Wasson, Esq.
Dickinson, Mackaman, Tyler & Hagen, P.C.
699 Walnut St., Suite 1600
Des Moines, IA 50309

Re: Disposition of Substantially all of the Assets of The First National Bank of Rembrandt, Rembrandt, Iowa, Through a Purchase and Assumption Transaction with Security Trust & Savings Bank, Storm Lake, Iowa – OCC Control No.: 2018-WE-5.53-304996

Merger of The First National Bank of Rembrandt, Rembrandt, Iowa with and into FNBR, LLC, Rembrandt, Iowa – OCC Control No.: 2018-WE-215a3-304991
Charter No.: 10729

Dear Ms. Wasson:

The Office of the Comptroller of the Currency (OCC) hereby conditionally approves the above referenced applications (Applications) submitted by The First National Bank of Rembrandt, Rembrandt, Iowa (Bank). These approvals are granted after a thorough evaluation of the Applications, other materials supplied by the Bank's representatives, and other information available to the OCC, including commitments and representations made in the Applications and during the application process. The OCC's approvals are subject to the consummation requirements and conditions set out herein.

I. The Transactions

The Applications are part of a series of transactions in which the Bank proposes to terminate its national bank charter. First, the Bank proposes to transfer all of its insured deposits and substantially all of its other liabilities, and sell substantially all of its assets to Security Trust & Savings Bank, Storm Lake, Iowa (Security Trust). The Bank has applied for OCC approval of the transfer under 12 CFR 5.53. After the transaction with Security Trust, the Bank will become eligible to terminate its insurance of accounts with the Federal Deposit Insurance Corporation (FDIC) pursuant to 12 CFR Part 307.¹ The Bank then proposes, pursuant to 12

¹ Upon consummation of the purchase and assumption and notification to the FDIC under 12 CFR 307.2 of the transfer of all insured deposits from the Bank to Security Trust, the Bank will no longer be FDIC insured, pursuant

USC 215a-3 and 12 CFR 5.33(g)(5) to merge with and into FNBR, LLC, Rembrandt, Iowa, a nonbank affiliate.

II. Discussion

A. Fundamental Change in Asset Composition

The Bank applied to the OCC for prior approval of a fundamental change in its asset composition under 12 CFR 5.53. Under 5.53(d)(2), a national bank must obtain the prior written approval of the OCC before changing the composition of all, or substantially all, of its assets through sales or other dispositions. In the purchase and assumption transaction with Security Trust, the Bank will transfer all of its deposits and substantially all of its assets.

The principal purpose of adopting 12 CFR 5.53 was to address supervisory concerns raised by so called “dormant” bank charters by providing the OCC with regulatory oversight and a means to monitor them. The Bank plans to merge into its nonbank affiliate, FNBR, LLC, immediately after the proposed transfer of assets and deposits to Security Trust. Thus, OCC concerns over the continuation of “dormant” charters are addressed and the transaction is consistent with the language and purpose of 12 CFR 5.53.

In deciding a change in asset composition application, OCC regulations provide that the OCC consider the purpose of the transaction, its impact on the safety and soundness of the bank, and any effect on the bank’s customers. The OCC has considered the factors for approval under 12 CFR 5.53 and found them consistent with approval.

B. Merger of the Bank with and into FNBR, LLC

In this merger, the Bank will merge into its nonbank affiliate, FNBR, LLC. FNBR, LLC will be the surviving entity, and the Bank will cease to exist.

The merger is authorized under 12 USC 215a-3. Section 215a-3 authorizes a national bank to merge with a nonbank subsidiary or affiliate. The statute does not limit its scope to mergers in which the national bank is the surviving entity, therefore, a merger *into* a nonbank affiliate is within its scope. The OCC’s implementing regulation, discussed below, expressly provides for mergers into a nonbank affiliate. However, the regulation limits these transactions to mergers involving a national bank that is not an insured bank. The Bank will not be an insured bank at the time of the merger.

The OCC’s regulations implementing 12 USC 215a-3 set out substantive and procedural requirements for the merger of an uninsured national bank with its nonbank affiliate in which the nonbank affiliate is the resulting entity. *See* 12 CFR 5.33(g)(5). The regulation requires that the law of the state or other jurisdiction under which the nonbank affiliate is organized allow the nonbank affiliate to engage in such mergers. The regulation also imposes the following additional requirements that: (1) the bank comply with the procedures of 12 USC

to 12 USC 1818(q) and 12 CFR 307.2. Security Trust’s participation in the purchase and assumption is subject to a separate approval by the FDIC pursuant to the Bank Merger Act, 12 USC 1828(c).

214a as if it were merging into a state bank; (2) the nonbank affiliate follow the procedures for mergers of the law of its state of organization; and (3) shareholders of the national bank who dissent from the merger have the dissenters' rights set out in 12 USC 214a. The Bank has represented it has complied or will comply with these procedural requirements.

The regulation also provides that the OCC shall consider the purpose of the transaction, its impact on the safety and soundness of the bank, and any effect on the bank's customers, and may deny a merger if it would have a negative effect in any such respect. The OCC has considered these factors and found them consistent with approval.

III. Conditions

These approvals are subject to the following conditions:

1. The merger of the Bank into FNBR, LLC shall not occur until after the consummation of the purchase and assumption transaction between the Bank and Security Trust and termination of the Bank's FDIC insurance of accounts.
2. If the merger of the Bank with and into FNBR, LLC does not occur within five (5) business days after consummation of the purchase and assumption transaction between the Bank and Security Trust, and the subsequent termination of the Bank's FDIC insurance of accounts, the Bank shall immediately notify the OCC and submit a plan acceptable to the OCC to wind up its affairs and terminate its status as a national bank.

These conditions of approval are "conditions imposed in writing by a Federal banking agency in connection with any action on an application, notice, or other request" within the meaning of 12 USC 1818. As such, the conditions are enforceable under 12 USC 1818.

IV. Closing

The OCC will not issue a letter certifying the consummation of the transactions and the termination of the charter until the below items are submitted to the satisfaction of the Senior Licensing Analyst listed below:

1. A copy of the bank's certification to the FDIC that all of its deposits have been assumed, filed pursuant to 12 USC 1818(q) and 12 CFR 307.2, which shall serve to terminate the bank's insured status as of the date received by the FDIC.
2. Certification that the Bank's charter certificate and all OCC Reports of Examination have been returned to the OCC or destroyed.
3. A copy of the final Certificate of Merger filed with the Iowa Secretary of State.
4. A secretary's certificate indicating that all required Board and Shareholder approvals have been obtained.

5. An executed copy of the merger agreement between the Bank and FNBR, LLC.
6. Copies of all required regulatory approvals.

If the purchase and assumption transaction with Security Trust is not consummated within 30 days of the approval date, the approval will automatically terminate unless the OCC grants an extension of the time period.

V. Conclusion

This conditional approval, and the activities and communications by OCC employees in connection with the filing, do not constitute a contract, express or implied, or any other obligation binding upon the OCC, the United States, an agency or entity of the United States, or any officer or employee of the United States, and do not affect the ability of the OCC to exercise its supervisory, regulatory, and examination authorities under applicable law and regulations. Our approval is based on the Bank's representations, submissions, and information available to the OCC as of this date. The OCC may modify, suspend, or rescind this approval if a material change in the information on which the OCC relied occurs prior to the date of the transaction to which this decision pertains. The foregoing may not be waived or modified by any employee or agent of the OCC or the United States.

If you have any questions, please contact Senior Licensing Analyst Yoo Jin Na at (202) 649-6335 or at yoojin.na@occ.treas.gov. Please include the OCC control numbers on any correspondence.

Sincerely,

/s/

Louis T. Gittleman
Director for District Licensing