



BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, DC 20551

January 26, 2023

Scott A. Coleman, Esq.
Ballard Spahr LLP
2000 IDS Center
80 South 8th Street
Minneapolis, Minnesota 55402-2119

Dear Mr. Coleman:

This is in response to your request on behalf of MidCountry Acquisition Corp., Minneapolis, Minnesota (“MAC”), for an exemption from the prohibitions of the Depository Institution Management Interlocks Act (“Interlocks Act”)¹ and the Board’s Regulation L² to permit Mr. Brian Short to remain a director on the board of MAC while serving as president and director of 215 Holding Co., Minneapolis, Minnesota (“215 HC”), and as a director of five of 215 HC’s subsidiary depository institutions (collectively, the “215 HC entities”).³

Mr. Short first became a director at First Farmers & Merchants National Bank, Luverne, Minnesota, and subsequently assumed directorships at 215 HC and the other 215 HC entities. In 2018, Mr. Short became a director of MAC. A depository institution subsidiary of MAC, Community Resource Bank, Northfield, Minnesota (“CRB”), operates an office in Cannon Falls, Minnesota.⁴ One of the 215 HC entities, First Farmers & Merchants Bank, Cannon Falls, Minnesota (“FFMB Cannon Falls”), also has offices in Cannon Falls, Minnesota.

¹ 12 U.S.C. § 3201 et seq.

² 12 CFR part 212.

³ These subsidiary depository institutions are: First Farmers & Merchants National Bank, Fairmont; First Farmers & Merchants National Bank, Luverne; First Farmers & Merchants Bank, Cannon Falls; First Farmers & Merchants State Bank, Brownsdale; and First Farmers & Merchants State Bank of Grand Meadow, Grand Meadow, all of Minnesota.

⁴ Mr. Short is not a management official of CRB.

Mr. Short's simultaneous service at MAC and the 215 HC entities triggers both the "community prohibition"⁵ and the "RMSA prohibition" under the Interlocks Act and Regulation L.⁶ Although the interlocks are permissible under the "small market share exemption" of Regulation L with respect to the Minneapolis MSA,⁷ the combined deposits of CRB and FFMB Cannon Falls exceed the 20 percent deposit threshold in the city of Cannon Falls, Minnesota. MAC requests a general exemption to permit Mr. Short to continue as a management official at MAC while also serving as a management official at the 215 HC entities.

Under the general exemption provision of Regulation L, the Board may permit an interlock that otherwise would be prohibited by the Interlocks Act and Regulation L if the Board determines that the interlock would not result in a monopoly or in a substantial lessening of competition and would not present safety and soundness concerns.⁸ The Board has delegated to the General Counsel, after consultation with the Director of the Division of Supervision and Regulation ("Director"), authority to grant exemptions under this provision of Regulation L.⁹

The interlocks here do not result in a monopoly or in a substantial lessening of competition. MAC and 215 HC each have subsidiary banks that compete in the Minneapolis/St. Paul and Red Wing banking markets, both in Minnesota. If the proposed interlock were evaluated as if 215 HC were merging into MAC with the latter as the surviving entity, the competitive effects of the combination in the local retail banking markets, as measured by the Herfindahl-Hirschman Index ("HHI") and the combined market share in the market, would be consistent with Board precedent and

⁵ Under the community prohibition, a management official of a depository organization may not serve at the same time as a management official of an unaffiliated depository organization if the depository organizations in question (or a depository institution affiliate thereof) have offices in the same community. 12 U.S.C. § 3202(2); 12 CFR 212.3(a). "Community" means any city, town, or village, and contiguous or adjacent cities, towns, or villages. 12 CFR 212.2(d).

⁶ Under the RMSA prohibition, a management official of a depository organization may not serve at the same time as a management official of an unaffiliated depository organization if the depository organizations in question (or a depository institution affiliate thereof) have offices in the same relevant metropolitan statistical area ("RMSA") and each depository organization has total assets of \$50 million or more. 12 U.S.C. § 3202(1); 12 CFR 212.3(b). MAC and the 215 HC entities both have offices in the Minneapolis–St. Paul–Bloomington, Minnesota–Wisconsin, Metropolitan Statistical Area ("Minneapolis MSA").

⁷ Under the "small market share exemption" of Regulation L, a management interlock that would be prohibited by the community or RMSA prohibition is permissible if the depository organizations (and their depository institution affiliates) hold, in the aggregate, no more than 20 percent of the deposits in each community or RMSA in which the depository organizations (or their depository institution affiliates) have offices. 12 CFR 212.5.

⁸ 12 CFR 212.6(a).

⁹ 12 CFR 265.6(d)(1).

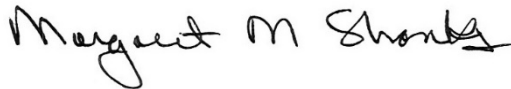
within the thresholds of the Department of Justice Bank Merger Competitive Review guidelines.¹⁰

In addition, the interlocks do not present safety and soundness concerns. MAC represents that Mr. Short has significant banking experience and is MAC's most experienced director.

Based on all the facts of record and for the reasons discussed above, the General Counsel, acting pursuant to authority delegated by the Board and after consultation with the Director, has granted an exemption to allow Mr. Short to serve in management official positions at MAC while also serving in management official positions at the 215 HC entities.

The Board reserves the right to revoke the exemption should the interlock result in a monopoly or a substantial lessening of competition or present safety and soundness concerns.

Sincerely yours,

A handwritten signature in black ink that reads "Margaret M Shanks". The signature is written in a cursive style with a large, looped initial "M".

Margaret McCloskey Shanks
Deputy Secretary of the Board

¹⁰ Department of Justice, Bank Merger Competitive Review – Introduction and Overview, <http://www.justice.gov/sites/default/files/atr/legacy/2007/08/14/6472.pdf> (current as of September 2000). The Department of Justice has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by more than 200 points.