



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

January 29, 1997

Mr. Dennis H. White  
President and CEO  
First Bancshares of Valley City  
201 N. Central Avenue  
P.O. Box 995  
Valley City, North Dakota 58072-0995

Dear Mr. White:

This is in response to the request by First Bancshares of Valley City, Valley City, North Dakota ("Valley City Bancshares"), on behalf of Mr. Kenneth Kohler, Sr., for an exemption from the prohibitions of the Depository Institution Management Interlocks Act, 12 U.S.C. § 3201 *et seq.* ("Interlocks Act"), and the Board's Regulation L, 12 C.F.C. 212. Valley City Bancshares requests that the Board permit Mr. Kohler, a director of Valley City Bancshares and its subsidiary banks, to serve also as a director of First Hawley Bancshares, Hawley, North Dakota ("Hawley Bancshares"), and its subsidiary bank pursuant to the Management Consignment exemption of Regulation L. See 12 C.F.R. 212.6. Management interlocks between Valley City Bancshares and Hawley Bancshares would be prohibited because both bank holding companies have subsidiary banks located in the same metropolitan statistical area ("MSA").<sup>1/</sup> See 12 U.S.C. § 3202(1).

Under the Management Consignment exemption, the Board may permit an interlock that otherwise would be prohibited by the Interlocks Act if the Board determines that the interlock would improve the provision of credit to low- and moderate-income areas. See 12 C.F.R. 212.6(a)(1). You maintain that the proposed interlocks would improve the provision of credit to low- and moderate-income areas. Hawley Bancshares and its subsidiary bank, First National Bank of Hawley, Hawley, Minnesota, serve areas that have a median income of less than 100 percent of the median income of the Fargo-Moorhead

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<sup>1/</sup> Both organizations control banks in the Fargo-Moorhead MSA.

MSA.<sup>2/</sup> In addition, you indicate that Mr. Kohler's expertise with respect to the needs of low- and moderate-income agricultural borrowers is particularly valuable to Hawley Bancshares and Valley City Bancshares.

The Board's General Counsel has reviewed your request for an exemption from the Interlocks Act, and also has determined that the exemptions would not result in a monopoly or substantial lessening of competition.<sup>3/</sup> Based on the foregoing and all the facts of record, the General Counsel, acting pursuant to authority delegated by the Board and after consultation with the Director for the Division of Banking Supervision and Regulation,<sup>4/</sup> has determined that Mr. Kohler may serve as director of Bancorp pursuant to section 212.6(a)(1) of Regulation L. This interlock may continue for a period of two years from the date of this letter, and a request to extend the exemption must be filed with the Board at least 30 days before the current exemption expires. See 12 C.F.R. 212.6(c).

Very truly yours,



Jennifer J. Johnson  
Deputy Secretary of the Board

cc: Federal Reserve Bank of Minneapolis  
Federal Deposit Insurance Corporation  
Office of the Comptroller of the Currency

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<sup>2/</sup> Regulation L defines low- and moderate-income areas as census tracts where the median family income is less than 100 percent of the area median income. 12 C.F.R. 212.2(k).

<sup>3/</sup> Section 2210 of the Economic Growth and Regulatory Paperwork Reduction Act of 1996, Pub. L. No. 104-208, 110 Stat. 3009, amended the Interlocks Act by restoring the federal banking agencies' authority to create regulatory exemptions to the Interlocks Act if such service would not result in a monopoly or substantial lessening of competition.

<sup>4/</sup> 12 C.F.R. 265.6(d)(2).