

🖨️ Click to print or Select 'Print' in your browser menu to print this document.

Page printed from: <https://www.cutimes.com/2022/2022/04/14/minnesota-regulators-rejection-of-cu-bank-buy-deal-questioned/>

## Minnesota Regulators' Rejection of CU-Bank Buy Deal Questioned

The state regulator, the Minnesota Department of Commerce, won't confirm or deny making a ruling.

By Peter Strozniak | April 14, 2022



Source: AdobeStock.

A lawyer questioned how Minnesota regulators decided to reject the proposed acquisition of Lake Area Bank by Royal Credit Union, calling the decision shocking and in his opinion, illegal.

What's more, Minnesota regulators won't even confirm or deny they made a decision that was apparently given verbally to both parties earlier this month. Royal declined to comment on the state's ruling, but said it is restructuring the original transaction and would reveal details later. Lake Area Bank did not respond to *CU Times'* requests for comment.

Last August, the \$4 billion, Eau Claire, Wis.-based credit union inked a definitive agreement to acquire the \$423 million Lake Area Bank (<https://www.cutimes.com/2021/08/12/credit-unions-in-wisconsin-tennessee-plan-bank-acquisitions/>) in Linstrom, Minn., pending regulatory and shareholder approvals.

"The state banking regulator, the Minnesota Department of Commerce, has made a determination that state chartered banks apparently didn't have the power or rights to engage in the transaction as originally proposed," said attorney Michael Bell of Honigman LLP in Michigan, who is representing Royal in this deal. "This is despite the fact that the transactions between credit unions and banks have been approved by it in the past. There have been no changes to the applicable laws or regulations since those deal approvals – the regulator's determination was shocking and in my humble opinion, illegal. This position by the regulator is untenable and it wrongfully takes away the rights of community bank sellers. Regulators are not legislatures nor are they lobbyists – they have absolutely overstepped their bounds here."

When reached by *CU Times*, the state regulator said it had no public information to share.

"If and when Commerce receives an application by a Minnesota state-chartered bank, it reviews the facts and circumstances of each transaction on a case-by-case basis to ensure it is consistent with Minnesota law," the MDC said in a prepared statement.

State regulators also did not respond to *CU Times'* request for an explanation on why they did not reject two other Minnesota credit union-bank acquisitions. In 2021, Wings Financial Credit Union in Apple Valley, Minn., purchased Brainerd Savings and Loan Bank in Brainerd, and in 2016, Royal bought Capital Bank in St. Paul.

Although Royal President/CEO Brandon Riecher declined to comment on the Lake Area Bank deal, he said in a prepared statement: "We have restructured the original transaction and are currently under a binding purchase agreement. We will announce additional details at the appropriate time."

Bell said a restructured transaction is moving forward but declined to discuss specifics and deferred to the bank or the credit union.

A spokesperson from the law firm Winthrop & Weinstine in Minneapolis, which is representing the bank, wrote in an email: "We tried to reach the lead attorney handling this transaction, but they are not available at this time (on vacation for the next couple of weeks). If this deal has any news/updates, we can try to be of assistance at a later date."

Joe Witt, president/CEO of the Minnesota Bankers Association, said he has been aware that the MDC took a very close look at this proposed transaction and whether a Minnesota state bank can transfer 100% of its assets and liabilities to a credit union, which would merge the state bank out of existence.

He said state regulators analyzed this proposed transaction under Minnesota's bank merger law, which states: "With the written consent of the commissioner of commerce, any bank, savings bank or trust company may effect a transfer of its assets and liabilities to another bank, savings bank or trust company for the purpose of consolidating or merging."

Witt said the MBA did not take a for-or-against position on the Royal-Lake Area Bank proposed acquisition and did not play any sort of advocacy role in the process.

"We have, however, been working with the MDC to get clarity on this matter," he said. "We had asked the MDC for guidance on whether these transactions are authorized for Minnesota state banks. A merger transaction takes a lot of work and a lot of resources. We did not want one of our member banks to go through that process if a certain type of transaction is not authorized. The MDC determined that they did not

want to issue a guidance document. They preferred to wait until there was an actual proposed transaction, which they could then consider based on its facts. It looks like we now have an answer for this specific type of potential transaction.”