

FARMERS STATE BANK SOLD TO 78 PEOPLE

By Tom Bengtson

It's official. Farmers State Bank now has 78 owners.

The group of investors calling themselves Minnesota Community Bancshares, led by Farmers State Bank officers Daniel Otten and Mark Heinemann, closed on the purchase of the 102-year-old bank from the Skophammer family on April 11.

The amount of funds raised to purchase the Bank was \$7.6 million.

Albert Lea resident Nancy Skophammer, the President of the Bank for 20 years, was majority owner and her two sisters, Mary Jo Wilcox of Olympia, Wash., and Diane Stockwell of Burnsville, also were owners.

Otten, Heinemann and Skophammer agreed that the sale of a bank from a few hands to many is unusual.

"This is a fairly unique situation," Skophammer said, "and I think it is the best situation for our employees."

Farmers State Bank was started in 1912 by locals in the Hartland area. Alfred Christopherson, the son of Norwegian immigrants who had a

66-year career in banking in Freeborn County, had acquired a majority share by 1922. He was the founder of Freeborn National Bank in Albert Lea — whose building the city seeks to preserve these days — and had shares of many banks in the region. Christopherson also was known for his 1967 donation of 230 acres to Lea College in the Lake Chapeau area. Christopherson Hall nowadays is Lake Chapeau Condominiums.

Joseph Skophammer was working for Christopherson at the State Bank of Clarks Grove when he was transferred in November of 1929 to manage Farmers State Bank. He was 23. His job was to guide the bank through the troubled times following the stock market crash of Oct. 24 that year. The other bank in Hartland at the time failed.

By 1933, Skophammer began purchasing shares when there was a death in the family of an owner or when that family needed to sell shares for revenue.

Skophammer was drafted in World War II in 1941 and came back in 1945 to pick up where he left off as President. In the 1960s, he purchased Christopherson's share and he became the majority owner.



Mark Heinemann, left, and Daniel Otten hold ledgers that date back to the founding of Farmers State Bank in 1912. The two now operate a bank that has 78 owners. — Tim Engstrom/Albert Lea Tribune

The 1990s and 2000s were a turbulent time in banking, as banks changed names, sold, expanded or closed. One of his daughters, Nancy, moved to Owatonna from St. Paul in 1994 and began working at Farmers State Bank in Hartland. The bank was remodeled in 1996 and it bought the bank in Freeborn in 1999.

Joseph Skophammer died in December 2000 at almost 95 years old. Three months later, Gary Hanson, whom Joseph had relied on over the years to run the bank, also died. This suddenly left Nancy Skophammer to have to run the company and learn quick.

In fall 2004, the bank expanded to its Albert Lea location, and in 2006 Nancy moved to the city in which she grew up — Albert Lea.

She said not long after she turned 60, Otten and Heinemann approached her with an idea to buy out the sisters. They knew there was no one in the next generation of Skophammers interested in the banking field in southern Minnesota. They proposed a private placement — gathering a select group of investors and buying the Bank. The Bank, she said, was in good condition, which is the right time to sell, and the move would keep it a community-oriented bank.

“OK, if you really want to do it,” she told them.

The Bank has about 20 employees, and Skophammer was glad they would see a fairly smooth transition with the same familiar officers.

Otten, CEO and Chairman of the Board, had been with the Bank since 2002, has been in Albert Lea since 1992 and has been in the banking field since 1980. Heinemann started as a teller at Farmers State Bank and has been instrumental in the Bank’s internet presence. He is now President and CFO and is only 32.

Otten said of the 78 investors, about 75 percent are local and half were Bank customers. No one has a share larger than 6.5 percent. Because the list of investors is confidential, many don’t know each other. They will meet each other at a gathering May 10.

Otten and Heinemann are owners, too, but they draw a salary as they run the day-to-day operations of the Bank. “We’re really representing all the investors with firsthand involvement in the institution,” Otten said. “By spreading ourselves out, it is safer for the company. We stabilize our capital base.”

He gave the example of how no one at a golf club one night can up and decide to sell the entire bank, as can happen with family-owned institutions.

Otten and Heinemann praised the Skophammers for the opportunity.

“To invest in a growing, healthy, 100-year-old bank, that doesn’t happen ever,” Otten said.

Farmers State Bank is having a retirement celebration for Nancy Skophammer on Friday. It will be at the Hartland location from 9 a.m. to noon and at the Albert Lea location from 2 to 4 p.m.

“We want to keep doing what made us successful,” Heinemann said.

Board of Directors:

- Daniel Otten, CEO and Chairman
- Mark Heinemann, President and CFO
- Tom Belshan, of Albert Lea Elevator

- Mike Dove, bank attorney
- Allen Obernolte, banking consultant
- Al Batt, humorist and author