

**REGULAR STATE BANKING BOARD MEETING
OFFICE OF THE COMMISSIONER
DEPARTMENT OF FINANCIAL INSTITUTIONS
2000 SCHAFER STREET, SUITE G
BISMARCK, NORTH DAKOTA**

March 22, 2018

The regular meeting of the State Banking Board was held in the Office of the Commissioner, Department of Financial Institutions, 2000 Schafer Street, Suite G, Bismarck, North Dakota. Chair Kruse called the meeting to order at 9:00 a.m., Thursday, March 22, 2018, by conference call.

MEMBERS PRESENT: Lise Kruse, Chair (*Office*)
Nancy Baerwald, Member (*Cando*)
Linda Beall, Member (*Velva*)
Kim Larson, Member (*Casselton*)
John Schmid, Member (*Carson*)
Tom Stennes, Member (*Harwood*)
Cheryl Thompson, Member (*Fargo*)

MEMBERS ABSENT: None

ALSO PRESENT: Aaron Webb, Secretary (*Office*)
Lisa Kirschmann, Administrative Assistant (*Office*)
Ryan Spah, Chief Examiner – Banks (*Office*)
Patrick Brooke, Assistant Attorney General (*Office*)
John Stellner, Hometown Community Bank (*Cyrus, MN*)
Dave Schornack, Quality Bank (*Fingal*)
Scott Coleman, Ballard Spahr (*Minneapolis, MN*)
Katie LaGrange, Ballard Spahr (*Minneapolis, MN*)
Erik Didrikson, Winthrop & Weinstine (*Minneapolis, MN*)
Lisa Artz, Choice Financial Group (*Fargo*)
George Wald, Choice Financial Group (*Fargo*)

APPROVAL OF MINUTES

Chair Kruse indicated the Board received copies of the minutes of the regular meeting held on January 11, 2018.

It was moved by Member Schmid, seconded by Member Larson, and unanimously carried, to approve the minutes of the regular meeting held January 11, 2018, as presented.

APPLICATION FOR CHANGE OF CONTROL – CYRUS BANCSHARES, INC., CYRUS, MINNESOTA, TO ACQUIRE CONTROL OF THE VOTING STOCK OF QUALITY BANKSHARES INC., PAGE, NORTH DAKOTA, AND THEREBY CONTROL OF QUALITY BANK, FINGAL, NORTH DAKOTA

Assistant Commissioner Webb reviewed his Memorandum dated March 7, 2018, indicating the Department determined that since Cyrus Bancshares was acquiring control of a holding company which controls a North Dakota bank (Quality Bank) a change of control application was required. The Department received the application on January 24, 2018 and it was deemed complete on January 25, 2018.

Assistant Commissioner Webb indicated pursuant to North Dakota Administrative Code § 13-02-17-01, notice of the above transaction was published in *The Valley City Times Record* on January 29, 2018 and *The Forum*, Fargo, on February 5, 2018. The comment period ended February 16, 2018, and no comments have been received no were there any requests for copies of the application.

Assistant Commissioner Webb reviewed the provisions of Section 6-08-08.1(4), North Dakota Century Code, which outlines criteria for the Board to disapprove a change of control application.

Mr. Coleman indicated a change of control application for Cyrus Bancshares was filed with the Federal Reserve and has been approved. In addition, a change of control of Hometown Bank has been filed with the State of Minnesota and Cyrus Bancshares will become the new control shareholder of Quality Bank. After the merger of the two bank holding companies John and Marie Stellner will own approximately 35% of the stock of Cyrus Bancshares, Dwight Hintermeister will own 9%, and current Quality shareholders will own the remaining 56% of stock after the transaction.

Mr. Coleman indicated John and Marie Stellner and Dwight Hintermeister are experienced bank officers, bank owners, board members, and they have sufficient and adequate experience to control Quality Bank.

Assistant Commissioner Webb indicated the Department recommends approval of the change of control application for Cyrus Bancshares, Inc. to acquire control of the voting stock of Quality Bankshares, Inc., and thereby control of Quality Bank. Additionally, he recommended approval for John Stellner to acquire control in his personal capacity.

It was moved by Member Schmid, seconded by Member Beall, and carried by a vote of 7-0, to approve the change of control application for Cyrus Bancshares, Inc. Cyrus, Minnesota, to acquire control of the voting stock of Quality Bankshares, Inc., Page, North Dakota, and thereby control of Quality Bank, Fargo, North Dakota and the individual control of John Stellner.

Messrs. Coleman, Schornack, Stellner and Ms. LaGrange left the call at 9:10 a.m.

APPLICATION FOR APPROVAL OF AMENDED AND RESTATED BYLAWS AND ARTICLES OF ASSOCIATION – CHOICE FINANCIAL GROUP, FARGO

Assistant Commissioner Webb indicated no memo was sent to the Board but the Department received the application on February 12, 2018, copies of the bylaws and amendments to the articles were included for informational purposes but the Board does not approve bylaws nor are they filed with the Secretary of State's Office.

Mr. Wald indicated the main purpose for amending the articles is to modernize and make them more flexible for the bank as they are outdated.

Mr. Didrikson indicated the old articles go back to the beginning of the original charter of the bank. Choice Financial Holdings remains the sole shareholder. Mr. Didrikson noted that one main change is to increase the number of directors that can sit on the bank board from a range of 3 to 10 in the old articles, to 3 to 15 directors. He stated this modification reflects the growth of the bank both geographically and in asset size. He explained another changed was made for

clarification to the section relating to written actions, since the bank has grown, the need for remote meetings has become greater and this will allow for them to meet remotely or by written action if necessary. These changes flow into the bylaws as well.

Changes were made to the bylaws originally provided to the Department based on comments provided by the Assistant Commissioner. The first change related to the bank's main office being relocated from Grafton, ND to Fargo, ND. The second change addressed the citizenship of the board members of the bank. Specifically, the North Dakota legislature changed the law, providing that 2/3 of the members of the board must be citizens of the United States.

Assistant Commissioner Webb indicated the Department recommends approval of the articles subject to review by the Secretary of State's Office.

It was moved by Member Baerwald, seconded by Member Thompson, and unanimously carried by a vote of 7-0, to approve the articles subject to review by the Secretary of State's Office.

Messrs. Didrikson, Wald and Ms. Artz left the conference call at 9:17 a.m.

BANK BUDGET UPDATE

Chair Kruse indicated we are still within budget and getting ready to start the next biennium budget at this time. However, she explained that we are waiting for direction from the Governor.

The Board went into closed session at 9:19 a.m. to review the Supervisory Reports of Examination pursuant to North Dakota Century Code 6-01-07.0, and to discuss any confidential records pursuant to North Dakota Century Code 44-04-19.2, and returned to open session at 10:04 a.m.

ITEMS TO BE NOTED

Chair Kruse indicated she is trying to tour the State and sit down with the bankers and introduce herself and hear their concerns. So far she has had positive feedback.

Chair Kruse also indicated that we have started using the Box file transfer system for the meeting agendas and was wondering if anyone had any comments or concerns. Everyone gave positive feedback.

The meeting adjourned at 10:08 a.m.

Lise Kruse, Chair

Aaron Webb, Secretary