

**SPECIAL STATE CREDIT UNION BOARD MEETING  
HELD BY CONFERENCE CALL  
OFFICE OF THE COMMISSIONER  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
2000 SCHAFFER STREET, SUITE G  
BISMARCK, NORTH DAKOTA**

**February 12, 2014**

A special meeting of the State Credit Union Board was called to order by Chairman Entringer in the Office of the Commissioner, Department of Financial Institutions, 2000 Schafer Street, Suite G, Bismarck, North Dakota, at 9:30 a.m., Wednesday, February 12, 2014, by conference call.

MEMBERS PRESENT: Robert J. Entringer, Chairman (*Office*)  
Paul Brucker, Member (*Office*)  
Don Clark, Member (*Fargo*)  
Melanie Stillwell, Member (*Williston*)  
Steve Tonneson, Member (*Minot*)

MEMBERS ABSENT: None

ALSO PRESENT: Aaron Webb, Secretary (*Office*)  
Suzette Richardson, Administrative Staff Officer (*Office*)  
Janilyn Murtha, Assistant Attorney General (*Office*)  
Corey Krebs, Chief Examiner – Credit Unions (*New Rockford*)  
Darwin Brokke, Citizens Community CU (*Devils Lake*)  
Steve Schmitz, First Community CU (*Jamestown*)  
Robbie Thompson (*Bismarck*) (*Joined call at 9:35 a.m.*)  
Todd Van Orman, First Community CU (*Office*)

**FIRST COMMUNITY CREDIT UNION, JAMESTOWN, TO MERGE  
NORTHLAND EDUCATORS FEDERAL CREDIT UNION, FARGO, INTO  
FIRST COMMUNITY CREDIT UNION, JAMESTOWN**

Assistant Commissioner Webb reviewed his Memorandum dated January 7, 2014, regarding the application the Department received on December 20, 2013,

by First Community Credit Union, Jamestown, (FCCU) to merge Northland Educators Federal Credit Union, Fargo, (Northland) into FCCU.

Assistant Commissioner Webb noted that Section 6-06-36 of the North Dakota Century Code refers to the right of credit unions to merge. Assistant Commissioner Webb also reviewed the procedures of Section 13-03-05-01 and 13-03-05-04 of the North Dakota Administrative Code, and indicated all the requirements have been met.

Assistant Commissioner Webb indicated the Board of Directors of FCCU approved the merger with Northland on November 4, 2013; and the Board of Directors of Northland approved a Resolution on October 17, 2013, to merge into FCCU.

Assistant Commissioner Webb indicated FCCU's membership approved the merger on December 19, 2013, by a vote of 53-0; and Northland's membership approved the merger with FCCU on December 19, 2013, by a vote of 181-18.

Assistant Commissioner Webb indicated on January 17, 2014, notice was mailed to all credit unions within the State of North Dakota, and the notice was included in the Department's December 2013 and January 2014 Bulletins.

Assistant Commissioner Webb indicated FCCU sent a Notice of Special Meeting to the membership on December 9, 2013, and the meeting was held December 19, 2013, resulting in a 10 day notice to members. Assistant Commissioner Webb indicated Northland sent a Notice of Special Meeting to the membership on December 5, 2013, and the meeting was held on December 19, 2013, resulting in a 14 day notice to members.

Assistant Commissioner Webb noted FCCU will remain well capitalized as indicated in a consolidated balance sheet provided in the application. Assistant Commissioner Webb indicated FCCU shows a premerger net worth and net worth ratio of \$54 million and 11.75%; following the merger net worth and the net worth ratio will be \$56 million and 11.62%.

Assistant Commissioner Webb stated while Northland is operating at a loss of \$219,000 through the third quarter of 2013, the impact on the overall profitability of FCCU will be minimal; a simple summation of the financial statements results in a combined annualized return on average assets ratio of

1.49%; and there are no immediate safety and soundness concerns related to this merger.

Assistant Commissioner Webb indicated per North Dakota Century Code Section 6-06-36 if a merger application is approved, the former main office and any branches of the credit union merged will become branches of the continuing credit union.

Assistant Commissioner Webb indicated FCCU has elected to continue operations in the former main office of Northland, located at 1404 12<sup>th</sup> Ave N, Fargo, North Dakota.

President Schmitz indicated FCCU was approached to consider a possible merger with Northland in June 2013, and a formal request was received in September 2013.

President Schmitz indicated FCCU was hoping to open a branch in North Fargo, which this merger will accomplish. President Schmitz indicated Northland is struggling with too much staff and not enough loans, and believes FCCU can help by expanding services. President Schmitz indicated the membership of Northland is highly educated and brings a new demographic into FCCU.

Chairman Entringer indicated the merger process is different when a federal credit union merges with a state-chartered credit union, in that the federal credit union has to first submit the application to NCUA; adding that process has been completed. Chairman Entringer indicated NCUA issued preliminary approval of the merger in November 2013.

When asked by Chairman Entringer the target date for the merger, President Schmitz indicated Northland will close on February 28, 2014, and FCCU will open the branch on March 1, 2014.

President Schmitz pointed out that two Board members of Northland will act as advisory members for the next year, and run for a position on the Board the following year.

President Schmitz stated the sign at the branch would contain the word(s) "Northland" or "Northland Educators" branch. President Schmitz continued that the employees of Northland would remain and become employees of FCCU.

Chief Examiner Krebs indicated he has no concerns with the proposed merger.

Assistant Commissioner Webb indicated the Department recommends approval of the application by FCCU to merge Northland into FCCU, as well as the proposed Order to be signed by Chairman Entringer on behalf of the Board.

**It was moved by Member Brucker, seconded by Member Stillwell, and unanimously carried to approve the application by First Community Credit Union, Jamestown, to merge Northland Educators Federal Credit Union, Fargo, into First Community Credit Union, Jamestown; to establish a branch at the former location of Northland Educators Federal Credit Union in Fargo; and authorizing Chairman Entringer to sign the Order on behalf of the State Credit Union Board.**

**CITIZENS COMMUNITY CREDIT UNION, DEVILS LAKE –  
APPLICATION TO ESTABLISH A BRANCH IN EAST GRAND FORKS,  
MINNESOTA**

Chairman Entringer indicated when reviewing the branch application at a special meeting held November 15, 2013, it was the consensus of the Board to take action on the application pending receipt of an Attorney General's Opinion (Opinion) which had been requested regarding the authority of the State Credit Union Board to grant reciprocity with Minnesota. Chairman Entringer indicated the Opinion was issued on February 3, 2014, and provided to the Board for review.

Chairman Entringer explained that the Opinion ruled on whether the State Credit Union Board exceeded its authority to regulate state-chartered credit unions under North Dakota law when it authorized state-chartered credit unions to branch into Minnesota (so long as the location was within the credit union's field of membership) and granted reciprocity state-chartered credit unions to do the same. Chairman Entringer indicated the Opinion concludes that the North Dakota State Credit Union Board may authorize a North Dakota state-chartered credit union to establish a branch in Minnesota as long as the branch is located within the credit union's field of membership. The Opinion further states Minnesota law only permits a North Dakota state-chartered credit union can do business in Minnesota if a Minnesota state-chartered credit union can do business in North Dakota, and in the absence of a state law to the contrary, the North Dakota State Credit Union Board may properly grant reciprocity to Minnesota state-chartered credit unions to

establish a branch in North Dakota as long as the branch is located within the credit union's existing field of membership.

Assistant Attorney General Murtha noted in regard to the question of reciprocity, the State Credit Union Board previously granted reciprocity to a Minnesota credit union to the same branching ability that North Dakota credit unions could branch into Minnesota. Assistant Attorney General Murtha stated that as a result of its analysis and Opinion, it is confirmed this is a necessary and implied power of branching for the State Credit Union Board. Assistant Attorney General Murtha pointed out the Opinion not only indicates granting reciprocity is allowed, but authorizes the State Credit Union Board to put a limit on the type of reciprocity that was granted.

Chairman Entringer referred to the three objections filed by Marilyn Foss, General Counsel for the North Dakota Bankers Association, specifically: (1) the State Credit Union Board does not have the authority to authorize interstate branching; (2) the State Credit Union Board does not have the authority to authorize reciprocity; and (3) notice of the proposed application by Citizens Community Credit Union, Devils Lake, (CCCU) to establish a branch in East Grand Forks, MN, was inadequate. Chairman Entringer stated the Opinion confirms the State Credit Union Board has authority in regard to the first two objections, and the third objection is moot since the State Credit Union Board did not act on the application on the date indicated in the publication. Chairman Entringer indicated a new notice will be provided; however, since the North Dakota Bankers Association requested that a hearing be held regarding the proposed application, the State Credit Union Board needs to decide whether to order a hearing or issue a new notice to be acted on at a scheduled State Credit Union Board meeting.

Chairman Entringer indicated his recommendation is to not order a hearing in this matter as he believes all objections in the North Dakota Bankers Association's complaint have been addressed.

Member Tonneson indicated he agreed with Chairman Entringer's recommendation.

Member Stillwell asked for clarification that notice would be published and this application acted on by the State Credit Union Board at its June meeting. Chairman Entringer indicated CCCU had initially hoped to finalize the purchase of

the building by November 2013; therefore, a special meeting will be held sometime after a 30-day timeframe for publication.

Member Brucker indicated he supports Chairman Entringer's recommendation, and Members Clark and Stillwell concurred.

President Brokke updated the Board that CCCU's extension on the building purchase agreement expires February 20, 2014; however, another extension will be granted. When asked by President Brokke when the special meeting would be held, Chairman Entringer indicated the meeting cannot be scheduled until the 30-day publication period has been met; therefore, he would assume a special meeting could be held within 45 days. Chairman Entringer explained this notice will include all the criteria the State Credit Union Board will consider regarding this application, which will satisfy the objection made by NDBA that adequate Notice was not given previously.

Assistant Attorney General Murtha clarified that administrative rule requires a new Notice be published, regardless whether or not there had been any objection. Assistant Attorney General Murtha continued at its November 15, 2013, meeting the Board concluded the previous Notice was adequate; therefore, this Notice will be elaborated on out of consideration only.

Chairman Entringer explained since the Board did not act on the application referred to in the previous Notice, a new Notice must be published indicating the date on which the Board will take action.

Chairman Entringer indicated Assistant Commissioner Webb will contact the Board regarding possible dates for a special meeting once the publication dates are obtained.

The meeting adjourned at 10:05 a.m.

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Robert J. Entringer, Chairman

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Aaron K. Webb, Secretary