

**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**

**April 2, 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, April 2, 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*)  
Janilyn Murtha, Assistant Attorney General (*Bismarck*)  
Corey Krebs, Chief Examiner – Credit Unions (*Office*)  
Sara Sauter, Financial Institutions Examiner (*Office*)  
Darwin Brokke, Citizens Community CU (*Devils Lake*)

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

Assistant Commissioner Webb reviewed his Memorandum dated March 10, 2014, indicating the Department received the above referenced branch application by Citizens Community Credit Union (“CCCU”), Devils Lake, on September 23, 2013.

Assistant Commissioner Webb noted this application first came before the Board at a special meeting of November 15, 2013; and the Board received the following statement regarding reciprocity with Minnesota:

“While North Dakota law would allow the establishment of a branch office within CCCU’s field of membership, Minnesota has a reciprocity provision under Minnesota Statutes section 52-03(2), providing in part: “...a credit union chartered in another state shall be permitted to do business in Minnesota if Minnesota credit unions are permitted to do business in that state...”. As a result of an August 23, 2004 letter from then Chief Examiner Terry Meyer of the Minnesota Department of Commerce, our State Credit Union Board addressed reciprocity with Minnesota at a special board meeting taking place on August 25, 2004 (Meyer letter and August 25, 2004 Board minutes enclosed). In order to remove any question as to reciprocity, the State Credit Union Board passed a motion authorizing reciprocity with Minnesota, holding that a Minnesota state-chartered credit union could branch into North Dakota as long as it was within the credit union’s currently existing field of membership. Based on the foregoing, the Minnesota Department of Commerce allowed North Dakota state-chartered credit unions to operate in Minnesota. To date the two States have operated under this understanding.”

Assistant Commissioner Webb indicated at its November 15, 2013 meeting, the Board was also made aware of (1) a November 13, 2013, letter in opposition to the application filed by Marilyn Foss of the North Dakota Bankers Association, and (2) that a formal request had been made for an Attorney General’s Opinion. Assistant Commissioner Webb noted these two actions primarily addressed whether the Board had the authority to authorize a North Dakota state-chartered credit union to establish a branch in Minnesota, and also grant reciprocity for a Minnesota credit union to establish a branch in North Dakota. Assistant Commissioner Webb indicated since the Board’s decision hinged on resolution of these issues, the Board chose to table a decision on the application pending the results of the AG Opinion.

Assistant Commissioner Webb indicated On February 3, 2014, the Department became aware of the issuance of Attorney General Opinion 2014-L-03 addressed to Senator Ray Holmberg, wherein the Attorney General held that the Board was authorized to approve a branch location beyond the North Dakota borders so long as the branches were within the credit union’s field of membership. Assistant Commissioner Webb indicated the Opinion further held that the Board

was authorized to grant reciprocity to Minnesota state chartered credit unions to establish branches in North Dakota as long as the branches were located within the credit union's existing field of membership.

Assistant Commissioner Webb noted at a special meeting held on February 12, 2014, the Department provided the Board with the results of the Attorney General Opinion and asked for instruction on how to proceed. The Board agreed with the Department that the issues noted in the letter of opposition had been addressed as a result of the AG Opinion, and based on the fact that the Department would need to re-publish the notice. Assistant Commissioner Webb added although it was the opinion of the Department that the form of the original notice had been compliant with the law, it was concluded that an expanded notice would be responsive to the concerns noted in the letter of opposition. Assistant Commissioner Webb concluded as a result of the foregoing, the Board determined there was no need for a formal hearing on the matter and decided to call a special meeting to take action on the branch application to be held April 2, 2014.

Assistant Commissioner Webb indicated that CCCU proposes to establish a branch at 428 Bygland Road SE, East Grand Forks, Minnesota; that it is an open charter credit union with a field of membership limited to those living in the Lake Region and a 40 mile radius of Bisbee, North Dakota, and a 40 mile radius of Larimore, North Dakota. Assistant Commissioner Webb stated the proposed branch in East Grand Forks is within the current field of membership of CCCU; therefore, the credit union does not seek to expand its field of membership at this time.

Assistant Commissioner Webb indicated Chapter 13-03-14-04 of the North Dakota Administrative Code has established rules which set forth the criteria a credit union must follow when establishing a branch.

Assistant Commissioner Webb indicated CCCU's Board of Directors approved the branch application at its July 18, 2013, board meeting, and the Department received the application on September 23, 2013.

Assistant Commissioner Webb indicated the Department published notice of the application on February 19, 2014, in the East Grand Forks Exponent (Polk County, MN); February 20, 2014, in the Grand Forks Herald (Grand Forks County, ND), February 22, 2014 in the Traill County Tribune (Traill County, ND) and

Middle River Honker (Marshall County, MN); and February 26, 2014, in the Walsh County Record (Walsh County, ND).

Assistant Commissioner Webb indicated while the branch is projecting operating losses for the first two years, it is projecting Net Operating Income of \$79,985 in the third year. Assistant Commissioner Webb continued that the first two years of losses will have an impact on earnings, but CCCU's overall ability to succeed is not an area of concern.

Assistant Commissioner Webb indicated Section 13-03-04-01 establishes a maximum of 6% of assets to be invested in fixed assets. Assistant Commissioner Webb noted that CCCU intends to spend \$4,007,539 for its 32<sup>nd</sup> Avenue branch and an additional \$729,000 for the proposed East Grand Forks branch, with the estimated fixed asset level following the construction and acquisition of both branches totaling \$5,565,028 for a fixed asset ratio of 4.03%. Assistant Commissioner Webb concluded that CCCU's fixed assets should remain within the regulatory limit.

In regard to Chairman Entringer's comment on whether CCCU's projected net profits presented a presented at the time of the initial application remained the same, President Brokke indicated that is correct.

Chairman Entringer informed the Board that CCCU states in its application that no North Dakota state or federally chartered credit unions are located within the city of East Grand Forks, Minnesota; therefore, there will be no serious impact to any other credit union with the establishment of the proposed branch.

In response to Member Tonneson's question as to when the branch would begin operation, President Brokke indicated since the building already exists, the branch is projected to begin operation in June 2014. President Brokke added if the branch application is approved today, purchase of the building will be finalized on April 4, 2014.

Assistant Commissioner Webb indicated the Department recommends approval of the application by CCCU to establish a branch at 428 Bygland Road SE, East Grand Forks, Minnesota; that the Board adopt the proposed Order and authorize Chairman Entringer to sign the Order on behalf of the Board.

**It was moved by Member Clark, seconded by Member Brucker, and unanimously carried to approve the application by Citizens Community**

**Credit Union, Devils Lake, to establish a branch at 428 Bygland Road SE, East Grand Forks, Minnesota, and that Chairman Entringer is authorized to sign the Order on behalf of the Board.**

The meeting adjourned at 9:44 a.m.

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Robert J. Entringer, Chairman

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Aaron K. Webb, Secretary