

**REGULAR 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**

March 6, 2015

The regular 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., Friday, March 6, 2015, by conference call.

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

MEMBERS ABSENT: None

ALSO PRESENT: Aaron Webb, Secretary (*Office*)
Suzette Richardson, Administrative Staff Officer (*Office*)
Jan Murtha, Assistant Attorney General (*Office*)
Corey Krebs, Chief Examiner – Credit Unions (*Office*)
Heidi LaBree, Financial Institutions Examiner (*Office*)
Debra Gallagher, Capital CU (*Bismarck*)
Vance Reinbold, Capital CU (*Bismarck*)

APPROVAL OF MINUTES

Chairman Entringer indicated the Board received copies of the minutes of the regular meeting held on December 12, 2014.

It was moved by Member Brucker, seconded by Member Stillwell, and unanimously carried to approve the minutes of the regular meeting held December 12, 2014, as presented.

CAPITAL CREDIT UNION, BISMARCK – REQUEST FOR PARITY FOR CHARITABLE DONATION ACCOUNT

Chairman Entringer indicated a letter was received Capital Credit Union (CCU) dated December 15, 2014, requesting the Department issue an Order granting North Dakota state-chartered credit unions the power to establish a Charitable Donation Account (CDA) investment as is allowed for federal credit unions in accordance with NCUA Part 703(1)(b)(7).

President Gallagher explained CCU is looking for flexibility in response to charitable donations and capital campaigns. President Gallagher indicated in the past this was done through CCU's budgeting process; however, CCU received requests that exceeded the annual budget for donations. President Gallagher indicated CCU research pointed toward the option of a CDA; adding approval was granted by CCU's Board of Directors in December 2014.

President Gallagher indicated CCU would invest with Members Trust, a Florida CUSO, which would give CCU various other investment options. President Gallagher continued through the proposed investment CCU would generate a return that may be greater than could be realized through other investments; adding it would be required that CCU take at least 51% of the return on this investment and contribute to an IRC 501(c)(3) charitable organization. President Gallagher concluded the intent of this investment is that a portion of the return would be periodically used for donation and capital campaign requests in the communities CCU serves.

Assistant Commissioner Webb pointed out the charitable donation accounts are included within the federal law as an incidental power for federal credit unions; adding that Section 721.3 details limitations: maximum aggregate funding must be limited to 5% of net worth through the duration of the account; the assets of the CDA must be held in a segregated custodial account or special purpose entity; regulatory oversight is required if established as a trust vehicle, limitations relating to account documentation or written requirements in the CDA agreement; minimum distribution to charities of 51% of total return on assets over a period up to five years, as well as guidelines of the liquidation of assets upon termination of the CDA.

Assistant Commissioner Webb indicated if the Board approves the establishment of CDAs under parity and/or incidental powers under North Dakota law, the authority would be limited to what is authorized under federal law.

Assistant Commissioner Webb reviewed the proposed Order which outlines the provisions allowing the establishment of CDAs.

Chairman Entringer explained while this request was specifically received from CCU, approval of the proposed Order would authorize all state-chartered credit unions to conduct this type of activity.

In response to Member Brucker, Chairman Entringer indicated a previous request by First Community Credit Union, Jamestown, was to invest in a CUSO for a scholarship fund.

CFO Reinbold stated he believes the CDA is separate and distinct from CUSO investments. Chairman Entringer added that Section 721.3 indicates the assets of the CDA must be held in a segregated custodial account or special purpose entity, which could be a CUSO.

In response to Member Tonneson, CFO Reinbold stated the rate of return is significantly more but will vary depending upon the election made within the investment options. CFO Reinbold added that CCU requested a conservative modified portfolio from Members Trust, using 70% bonds and 30% equity, which outlined a 5% return for 2014 and approximately 8% for 2013.

In response to Member Stillwell, CFO Reinbold explained Members Trust is a CUSO that would provide the investment options to CCU; however, the investments would stay on the balance sheet of CCU as a segregated account. CFO Reinbold added that CCU also has funds invested with Members Trust for Benefits Trust as well.

It was moved by Member Brucker, seconded by Member Tonneson, and unanimously carried to approve the Parity and Incidental Power Order, and that Chairman Entringer be authorized to sign the Order on behalf of the Board.

President Gallagher and CFO Reinbold left the conference call at 9:43 a.m.

UNITED SAVINGS CREDIT UNION, FARGO – INVESTMENT IN A CUSO

Chief Examiner Krebs reviewed his Memorandum dated February 6, 2015, regarding the request by United Savings Credit Union (USCU) to invest \$25,000 into

the Midwest Business Solutions, LLC, due to the need for the services provided by the CUSO including business loan underwriting.

Chief Examiner Krebs reviewed the regulations and facts which apply to this application request. Chief Examiner Krebs stated that USCU has no other CUSO investments; therefore, the investment request falls within the limits outlined in Section 13-03-23-01 of the North Dakota Administrative Code. Chief Examiner Krebs indicated the Department recommends approval of the request.

In response to Member Brucker, Chief Examiner Krebs explained the packet provided by USCU contains information that must be reviewed by the Department. Chairman Entringer indicated in the future only the request portion will be provided to the Board, with their option of requesting further information.

It was moved by Member Stillwell, seconded by Member Tonneson, and unanimously carried to approve the request by United Savings Credit Union, Fargo, to invest \$25,000 into Midwest Business Solutions, LLC.

Chief Examiner Krebs noted this is the eighth request by a state-chartered credit union to invest in the Midwest Business Solutions, LLC that has been approved by the Board.

CREDIT UNION BUDGET UPDATE

Chairman Entringer reviewed the Organizational Status by Summary Account and Source for credit unions for the month ending January 31, 2015, as presented.

DEPARTMENT BUDGET UPDATE

Chairman Entringer explained that the House Appropriations Committee removed the FTE package from the Department's proposed budget; however, the Department will explain the need for the FTE package to the Senate Appropriations Committee at the hearing today at 11:00 a.m. Chairman Entringer stated he believes the Credit Union Association will be present to indicate its support for the FTE package.

Chairman Entringer indicated that most state department requests for FTE positions have been cut by the House Appropriations Committee; however, the

Department is hopeful the Senate Appropriations Committee will consider adding the FTE position back into its budget.

Chairman Entringer agreed with Member Tonneson's statement that all state department FTE position requests have been removed or reduced by the House Appropriations Committee.

The Board went into closed session at 9:53 a.m. to review the Supervisory Reports of Examination pursuant to North Dakota Century Code 6-01-07.1, and to discuss any confidential records pursuant to North Dakota Century Code 44-04-19.2.

The Board reconvened in open session at 10:26 a.m.

REPLACEMENT FOR BOARD MEMBER CLARK

In response to Member Brucker's question on possible replacement for Member Clark, Chairman Entringer indicated he has not yet spoken with the Governor's Office. However, Chairman Entringer stated he would like to contact credit unions asking for suggestions of former Board of Director members that may be interested in serving on the Board. The Board agreed this was a good approach to getting a member with understanding of the credit union industry.

EXECUTIVE SESSION MINUTES

Chairman Entringer indicated the Board received copies of the executive session minutes of the regular meeting held on December 12, 2014.

It was moved by Member Brucker, seconded by Member Stillwell, and unanimously carried to approve the executive session minutes of the regular meeting held on December 12, 2014, as presented.

The meeting adjourned at 10:30 a.m.

Robert J. Entringer, Chairman

Aaron Webb, Secretary