

**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 15, 2016

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 9:38 a.m., Tuesday, March 15, 2016, by conference call.

MEMBERS PRESENT: Robert J. Entringer, Chairman *(Office)*
Paul Brucker, Member *(Office)*
George Economon, Member *(Fargo)*
Melanie Stillwell, Member *(Office)*
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)*
Sara Sauter, Financial Institutions Examiner *(Office)*
Heidi LaBree, Financial Institutions Examiner *(Office)*
Dave Hatton, Financial Institutions Examiner *(Fargo)*
Greg Tschider *(Bismarck)*
Cindy Hegland, North Star Community CU *(Office)*
Wendy Arne, North Star Community CU *(Office)*
Susan Bergman, Ascentia Federal CU *(Office)*

APPROVAL OF MINUTES

Chairman Entringer indicated the Board received copies of the minutes of the regular meeting held on December 4, 2015.

It was moved by Member Stillwell, seconded by Member Economon, and unanimously carried to approve the minutes of the regular meeting held December 4, 2015, as presented.

TOWN AND COUNTRY CREDIT UNION, MINOT – WAIVER REQUEST

Chairman Entringer stated that on May 3, 2013, the State Credit Union Board approved Town and Country Credit Union's (T&C) waiver request to exceed the Aggregate Construction and Development Loan Limit up to 100% of the credit union's net worth; however, this waiver expired January 1, 2015, and the NCUA's waiver expired June 30, 2015.

Chairman Entringer indicated T&C submitted a waiver request on February 3, 2016, requesting approval to remain at the present level previously granted on May 3, 2013. Chairman Entringer indicated that NCUA has deferred a decision on this request until the joint state and NCUA examination as of March 2016 is completed.

Chairman Entringer suggested the Board approve the waiver request with an expiration date of June 3, 2016, which is the next regularly scheduled State Credit Union Board meeting, so that the March 2016 examination results can be reviewed.

In response to Member Brucker, Chairman Entringer agreed that NCUA plans to discontinue the C&D limit when the new MBL rules become effective later this year.

It was moved by Member Brucker, seconded by Member Tonneson, and unanimously carried to approve the waiver request of Town and Country Credit Union, Minot, to exceed the Aggregate Construction and Development Loan Limit up to 100% of the credit union's net worth with no restrictions, including the following conditions: (1) the waiver request expires as of June 3, 2016, which is the next regularly scheduled State Credit Union Board meeting, and (2) the Board will reconsider the waiver extension after the results of the March 2016 examination by the Department and NCUA are available.

ORDER – TOWN AND COUNTRY CREDIT UNION, MINOT – INCREASE INVESTMENT IN TOWN AND COUNTRY CUSO

Chairman Entringer indicated due to questions raised at the December 4, 2015, State Credit Union Board meeting, he updated the proposed Order to correct the total investment authorized for Town and Country Credit Union in T&C CUSO, Inc., and also reviewed whether additional approval is needed for investment in the subsidiaries of the T&C CUSO, Inc.

Chairman Entringer explained the Board has granted authority for Town and Country Credit Union to invest in T&C CUSO, Inc., which owns 100% two additional companies: Town and Country Insurance Services, Inc., and T&C Real Estate, LLC. Chairman Entringer noted these two entities are also considered to be CUSOs since they are 100% owned by T&C CUSO, Inc., but do not need additional approval beyond that given to the T&C CUSO, Inc.

It was moved by Member Stillwell, seconded by Member Economon, and unanimously carried to approve the proposed Order Authorizing an Additional Investment in a Credit Union Service Organization for Town and Country Credit Union, Minot, dated March 15, 2016, effective September 17, 2015, and to authorize Chairman Entringer to sign the Order on the Board’s behalf.

NORTH STAR COMMUNITY CREDIT UNION, MADDOCK – APPLICATION TO MERGE WITH ASCENTIA FEDERAL CREDIT UNION, MINOT, AND APPLICATION FOR NORTH STAR COMMUNITY CREDIT UNION, MADDOCK, TO EXPAND ITS FIELD OF MEMBERSHIP

Assistant Commissioner Webb reviewed his Memorandum dated November 15, 2015, indicating the Department received the application on November 12, 2015, by North Star Community Credit Union, Maddock (North Star) to merge with Ascentia Federal Credit Union, Minot (Ascentia) into North Star.

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 both North Star and Ascentia approved Resolutions to merge on September 14, 2015.

Assistant Commissioner Webb indicated North Star's membership approved the merger on October 28, 2015, by a unanimous vote of the 48 members present, and Ascentia's membership approved the merger with North Star on February 4, 2016, by a vote of 138-12.

Assistant Commissioner Webb indicated on December 2, 2015, notice was mailed to all credit unions within Ward, McLean and Renville Counties of North Dakota, and the notice was included in the Department's December 2015 and January and February 2016 Bulletins.

Assistant Commissioner Webb indicated North Star sent a Notice of Special Meeting to the membership on September 30, 2015, and the meeting was held on October 28, 2015, resulting in a 28 day notice to members. Assistant Commissioner Webb indicated Ascentia sent a Notice of Special Meeting to the membership on January 22, 2016, and the meeting was held on February 4, 2016, resulting in a 13 day notice to members.

Assistant Commissioner Webb noted North Star will remain well capitalized as indicated in a consolidated balance sheet provided in the application. Assistant Commissioner Webb indicated North Star shows a combined net worth of \$23.6 million for an estimated post-merger net worth ratio of 13.17%.

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 North Star has elected to continue operation in the former main office of Ascentia, located at 1400 S. Broadway, Minot, North Dakota.

CEO Hegland indicated that Ascentia contacted North Star in June 2015 regarding a possible merger. CEO Hegland indicated she believes the merger will help both North Star and Ascentia.

CEO Bergman indicated Ascentia obtained a community charter in April 2015 and reviewed what could be done to improve; however, when looking at the income

it was determined a decent marketing plan was not feasible. CEO Bergman added other credit unions were considered for a possible merger; however, felt North Star was the best fit for Ascentia.

In response to Member Stillwell, CEO Hegland confirmed there will not be an equity payout regarding the merger.

Assistant Attorney General Murtha pointed out if the Board approves the proposed merger application, it is not required to approve North Star's proposed field of membership application.

Chairman Entringer reviewed the proposed Order and conditions regarding the merger.

It was moved by Member Brucker, seconded by Member Stillwell, and unanimously carried to approve the application by North Star Community Credit Union, Maddock, to merge Ascentia Federal Credit Union, Minot, into North Star Community Credit Union, Maddock; to establish a branch at the former location of Ascentia Federal Credit Union in Minot; and authorizing Chairman Entringer to sign the Order on behalf of the State Credit Union Board.

NORTH STAR COMMUNITY CREDIT UNION, MADDOCK – APPLICATION TO EXPAND ITS FIELD OF MEMBERSHIP

Assistant Commissioner Webb referred to his Memorandum dated November 18, 2015, indicating the Department also received an application from North Star to expand its field of membership.

Assistant Commissioner Webb indicated North Dakota Century Code Section 6-06-07(2), Membership in Credit Unions, states in part that in the event of a merger between credit unions with different geographic field of memberships, the surviving credit union may expand the field of membership to include the geographic field of membership of the merged credit union.

Assistant Commissioner Webb stated that North Star's application proposes an expansion of its field of membership to include: Persons, businesses and legal entities residing within McLean, Ward or Renville Counties, North Dakota; Members

of record of Ascentia Federal Credit Union, Minot, North Dakota, as of Date of Merger and members of their immediate family or household.

Assistant Commissioner Webb indicated notice of the expansion of field of membership was republished by North Star in the McLean County Independent (February 4, 2015), Minot Daily News (February 5, 2016), and the Renville County Farmer (February 3, 2016).

Assistant Commissioner Webb indicated an objection letter was received from Marylyn Foss, General Counsel for the North Dakota Bankers Association (NDBA) on January 8, 2016. Assistant Commissioner Webb stated the basis of the objection was the position that the resulting state credit union would "...operate contrary to the restrictive provisions of North Dakota law for field of membership as set forth in N.D.C.C. Section 6-06-07". Assistant Commissioner Webb added "A copy of the objection letter from Ms. Foss was included within your board packets. Assistant Attorney General Jan Murtha will be attending the board meeting for the purpose of answering any questions the board may have with respect to this letter and the laws on merger and field of membership."

Chairman Entringer explained that Ascentia has an open as well as closed charter which is not allowed under state law; therefore, the Department asked North Star to amend its field of membership to include only the geographic area. Chairman Entringer explained that would include McLean, Ward, and Renville Counties, as well as the employees of Ascentia.

In response to Member Brucker, Chairman Entringer indicated the proposal to assume the geographic field of membership of Ascentia would constitute a permissible application.

Assistant Attorney General Murtha summarized the objection letter received from General Counsel Foss, explaining that the letter essentially states that because Ascentia's field of membership was not approved by the State Credit Union Board the continuing credit union could not assume the field of membership of Ascentia that falls outside of the 75 mile radius of its home office. Assistant Attorney General Murtha continued the objection pointed out that Ascentia does not qualify for the grandfathering provision because it is a federal credit union.

Assistant Attorney General Murtha stated it is her opinion the 75 mile restriction does not apply to mergers by statute. Assistant Attorney General Murtha stated she reviewed legislative history for commentary that would support or detract

from her analysis; however, concluded that the legislative history supports the interpretation of the statute that the 75 mile restriction does not apply to mergers.

Assistant Attorney General Murtha stated that subsequent to passage of this law the Department's practice and interpretation of the statute was that there is not a 75 mile radius restriction on mergers. Assistant Attorney General Murtha continued that the State Credit Union Board previously approved the merger of two state-chartered credit unions that had a substantial break in distance.

Assistant Attorney General Murtha indicated it is her opinion that the 75 mile restriction in North Dakota Century Code Section 6-06-07 does not apply to mergers and therefore the proposed merger is not contrary to the applicable field of membership restrictions. Assistant Attorney General Murtha concluded it is her understanding this interpretation is consistent with previous interpretations of this Section and subsequent practice by the Department and State Credit Union Board.

Chairman Entringer added that NDBA did not oppose the State Credit Union Board's approval of the merger of Capital Credit Union, Bismarck, and Noridian Employees Credit Union, Fargo, wherein there was a substantial distance between two fields of membership.

In response to Chairman Entringer, Mr. Tschider agreed the assumption of a geographic field of membership is not impeded by the restrictions on field of membership, as these are two separate issues. Mr. Tschider continued the intent of the legislative history was that credit unions could merge without restrictions, with very specific language that the surviving credit union can assume the geographic membership of the other credit union.

Mr. Tschider indicated the logic by General Counsel Foss is illusive that because Ascentia is a federal credit union and the State Credit Union Board did not approve its field of membership, the Board must act differently on this application. Mr. Tschider stated he does not believe there is any ambiguity whatsoever and that Assistant Attorney General Murtha's interpretation is correct.

Chairman Entringer indicated action by the State Credit Union Board on the field of membership application would also include the proposed Articles of Amendment to the Bylaws proposed by North Star.

It was moved by Member Stillwell, seconded by Member Brucker, and unanimously carried to approve the application by North Star Community

Credit Union, Maddock, to expand its field of membership to those who reside in a fifty (50) mile radius of Maddock, Rugby, Bottineau and Cavalier, North Dakota, and members of their immediate families and those who reside within an area between fifty (50) mile radius and a seventy-five (75) mile radius of the home office in Maddock, North Dakota; persons, businesses and legal entities residing within McLean, Ward or Renville Counties, North Dakota; members of record of Ascentia Federal Credit Union, Minot, North Dakota, as of date of merger and members of their immediate family or household; as well as the Articles of Amendment to the Bylaws.

NORTH STAR COMMUNITY CREDIT UNION, MADDOCK – REQUEST TO INVEST IN A CUSO

Chairman Entringer reviewed Chief Examiner Krebs' Memorandum dated March 1, 2016, indicated North Star is requesting permission to invest \$300,000 into an insurance CUSO, because there is a need to provide insurance services to members and foster a stronger member base for the credit union.

Chairman Entringer reviewed the regulations and facts which apply to the application request to invest in a CUSO. Chairman Entringer indicated North Star has previously invested \$25,000 into the MBS CUSO; however, the requested investment would be within the limit defined in North Dakota Administrative Code Section 13-03-23-01.

Chairman Entringer indicated that Chief Examiner Krebs recommends approval of the request.

VP Arne explained when members are financing vehicles they have questioned whether North Star could provide insurance, and since an insurance agency located in a North Star office was available, the decision was made to request permission to invest in a CUSO.

It was moved by Member Brucker, seconded by Member Stillwell, and unanimously carried to approve the request by North Star Community Credit Union, Maddock, to invest \$300,000 in an insurance CUSO.

Chairman Entringer indicated the above approval will be effective March 15, 2016; however, an Order Authorizing Investment in a Credit Union Service Organization will be issued by the State Credit Union Board as of June 3, 2016.

CEO Hegland, CEO Bergman, and VP Arne left the meeting, as well as Mr. Tschider disconnecting from the conference call, at 10:18 a.m.

CAPITAL CREDIT UNION, BISMARCK – ARTICLES OF AMENDMENT TO THE BYLAWS

Chairman Entringer stated that Capital Credit Union has submitted Articles of Amendment to the Bylaws regarding Article V, Section 3, Meeting of Members.

In response to Member Stillwell's question regarding listing a percentage instead of specific number, Chairman Entringer stated that one percent of Capital Credit Union's membership would be approximately 200 members.

It was moved by Member Tonneson, seconded by Member Economon, and unanimously carried to approve the Articles of Amendment to the Bylaws for Capital Credit Union, Bismarck, regarding Article V, Section 3, Meeting of Members.

VUE COMMUNITY CREDIT UNION, BISMARCK – ARTICLES OF AMENDMENT TO THE BYLAWS

Chairman Entringer stated that VUE Community Credit Union has submitted Articles of Amendment to the Bylaws regarding Article VIII, Section 1, Board of Directors.

Chairman Entringer explained VUE Community Credit Union is proposing to decrease its number of Board of Directors from 9 to 7, as well as staggering the three-year terms.

It was moved by Member Stillwell, seconded by Member Tonneson, and unanimously carried to approve the Articles of Amendment to the Bylaws for VUE Community Credit Union, Bismarck, regarding Article VIII, Section 1, Board of Directors.

CREDIT UNION BUDGET UPDATE

Chairman Entringer reviewed with the Board the Organizational Status by Summary Account and Source for the month ending January 31, 2016. Chairman Entringer pointed out the total revenue includes the assessments as well as examination fees and interest on carryover. Chairman Entringer stated he projects a credit on assessments will be offered to the credit unions this year.

EXECUTIVE LEADERSHIP OF CYBER SECURITY

Chairman Entringer indicated the cyber-security training program offered by the Conference of State Bank Supervisors will be held in Bismarck on May 11, 2016. Chairman Entringer noted that currently there are more credit union representatives registered than bank representatives.

The Board went into closed session at 10:25 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, and returned to open session at 10:42 a.m.

APPROVAL OF EXECUTIVE SESSION MINUTES

It was moved by Member Stillwell, seconded by Member Tonneson, and unanimously carried to approve the executive session minutes of the regular meeting held on December 4, 2015, as presented.

The meeting adjourned at 10:45 a.m.

Robert J. Entringer, Chairman

Aaron Webb, Secretary