

**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**

June 4, 2010

The regular meeting of the State Credit Union Board was called to order by Chairman Karsky in the Office of the Commissioner, Department of Financial Institutions, 2000 Schafer Street, Suite G, Bismarck, North Dakota, at 9:30 a.m., Friday, June 4, 2010.

MEMBERS PRESENT: Timothy J. Karsky, Chairman (*Office*)
Paul Brucker, Member (*Office*)
Melanie Stillwell, Member (*Williston*)
Steve Tonneson, Member (*Minot*)
Darlene Watne, Member (*Minot*)

MEMBERS ABSENT: None

ALSO PRESENT: Robert J. Entringer, Assistant Commissioner (*Office*)
Corey Krebs, Chief Examiner – Credit Unions (*Office*)
Todd Van Orman, Financial Institutions Examiner (*Office*)
Taylor Lee, Financial Institutions Examiner (*Office*)
Aaron Webb, Assistant Attorney General (*Office*)
Suzette Richardson, Administrative Assistant (*Office*)
Les Bossert, Genie-Watt CU (*Office*)
Leslie Heisler, Genie-Watt CU (*Office*)
Laurie Swank, Genie-Watt CU (*Office*)
Greg Tschider (*Office*)
Sandi Peplinski, Beach Co-op CU (*Beach*)

MINUTES PREVIOUSLY APPROVED BY MAIL

Chairman Karsky indicated the Board had previously received and approved the minutes of the regular meeting held on March 19, 2010, and the special meeting held on April 21, 2010.

FIRST COMMUNITY CREDIT UNION, JAMESTOWN

Assistant Commissioner Entringer indicated the Department received a letter on March 29, 2010, from First Community Credit Union, Jamestown, indicating effective April 30, 2010, it would be closing its branch located at Wal-Mart, 2717 Rock Island Place, Bismarck, which the Board approved by mail vote. Assistant Commissioner Entringer indicated a copy of the Order for Cancellation of Permit was included with the agenda for the Board's consideration.

It was moved by Member Stillwell, seconded by Member Brucker, and unanimously carried to reaffirm the Board's mail vote granting approval for First Community Credit Union, Jamestown, to close its branch located at Wal-Mart, 2717 Rock Island Place, Bismarck, and approve the Order for Cancellation of Permit to be signed by Chairman Karsky on behalf of the State Credit Union Board.

TOWN AND COUNTRY CREDIT UNION, MINOT

Chairman Karsky indicated Town and Country Credit Union, Minot, has submitted Articles of Amendment to the Bylaws regarding Article VII, Section 1, Elections.

Chief Examiner Krebs indicated he reviewed the proposed amendment which relates to changes to the process of nominations, and added the changes are consistent to what many institutions have.

It was moved by Member Tonneson, seconded by Member Watne, and unanimously carried to approve the Articles of Amendment to the Bylaws, Article VII, Section 1, Elections, for Town and Country Credit Union, Minot.

HOMETOWN CREDIT UNION, KULM

Chairman Karsky indicated Hometown Credit Union, Kulm, has submitted Articles of Amendment to the Bylaws regarding Article VIII, Section 7, Board of Directors, and Article XI, Supervisory Committee. Chairman Karsky indicated the proposed changes would eliminate the Supervisory Committee and a new section would be added to Article VIII designating the prior duties and powers of the Supervisory Committee to the Board of Directors.

It was moved by Member Stillwell, seconded by Member Watne, and unanimously carried to approve the Articles of Amendment to the Bylaws, Article VIII, Section 7, Board of Directors, and Article XI, Supervisory Committee.

BEACH CO-OP CREDIT UNION, BEACH – EXPANSION OF FIELD OF MEMBERSHIP

Sandi Peplinski, Manager of Beach Co-op Credit Union, joined the conference call at 9:40 a.m.

Chairman Karsky indicated the Department received an application from Beach Co-op Credit Union to expand its field of membership from 30 miles to 75 miles. Chairman Karsky clarified the expansion will be a 75 mile radius Beach. Chairman Karsky indicated that Articles of Amendment to the Bylaws were received regarding Article II, Section 2, Membership, indicating membership in this credit union is limited to residents within a seventy-five (75) mile radius of the home office of Beach, North Dakota.

Chairman Karsky indicated no additional branches will be established so the cost to the credit union is the application fee. Chairman Karsky asked if the expansion would include Dickinson and Manager Peplinski stated it would.

Manager Peplinski indicated the application was submitted to improve the credit union by expanding the field of membership.

Chairman Karsky indicated if the application to expand field of membership is approved the credit union would be classified as a community charter credit union.

Assistant Commissioner Entringer informed the Board which newspapers published notice of the application, and that no comments were received.

Chairman Karsky indicated the credit union has complied with all requirements of the North Dakota Administrative Code and North Dakota Century Code concerning the application.

It was moved by Member Tonneson, seconded by Member Watne, and unanimously carried to approve the application to expand field of membership by Beach Co-op Credit Union, Beach, with membership limited to residents within a 75 mile radius of the home office of Beach, North Dakota.

Manager Peplinski left the conference call at 9:50 a.m.

GENIE-WATT CREDIT UNION, BISMARCK – EXPANSION OF FIELD OF MEMBERSHIP

Chairman Karsky indicated the Department received an application to expand field of membership from Genie-Watt Credit Union, Bismarck, amending Article II, Section 2, Membership, resulting in membership in this credit union is limited to those who are employees of MDU Resources Group, Inc., and its subsidiaries and Dakota Westmoreland-Beulah Mine, Ottertail Power-Coyote Station, Montana-Dakota Utilities Co., Knife River Corporation, WBI Holdings and this credit union and all members of the immediate families of the aforementioned employees.

Assistant Commissioner Entringer indicated the application was received on April 9, 2010, and notice of the application was published in the eight major newspapers in North Dakota, which is a requirement of the North Dakota Administrative Code for a closed charter credit union.

Assistant Commissioner Entringer indicated the only comment received was from the North Dakota Bankers Association.

Assistant Attorney General Webb referred to Section 6-06-07 of the North Dakota Century Code regarding credit union membership and indicated this application would come under the common bond of occupation or association. Assistant Attorney General Webb also referred to Attorney General's Opinion, Letter No. 39, September 19, 2003.

Assistant Attorney General Webb indicated the current field of membership is based on a common bond of employment with MDU Resources Group, Inc., and its subsidiaries, resulting in an ownership issue. Assistant Attorney General Webb indicated the proposed field of membership appears to be dealing with the same type of common bond and basically expanding to other entities that fall under the same umbrella.

Assistant Attorney General Webb indicated the issue the Board must decide is whether the additional entities share the same common bond as the original field of membership, and if they do not, the Board must decide what the new common bond is. Assistant Attorney General Webb indicated if the Board approves the additional entities listed in the proposed field of membership, an issue may arise if any of these entities are sold at a later date; therefore, he suggested the Board add the condition these entities would no longer be authorized as being allowed under the field of membership.

Manager Heisler indicated the credit union was contacted by new employees of the Coyote Station asking if they could become members. Manager Heisler indicated MDU Resources ownership and their subsidiaries are evolving types of companies so ownership can change continually, which leaves the credit union vulnerable since it is a closed charter. Manager Heisler stated the credit union looked at the common bond of energy but because it is so broad decided to initially distinguish Dakota Westmoreland-Beulah Mine and Ottetail Power-Coyote Station and also identify some of the groups even though they are presently a subsidiary. Manager Heisler indicated the membership impact is very minimal, as it would be 200-250 employees; therefore, the financial impact would also be minimal. Manager Heisler indicated the credit union is very small and not a competition threat to any other credit union.

Chairman Karsky asked if the credit union anticipates opening any branches, and Manager Heisler indicated no, resulting in no additional expense to the credit union.

Mr. Tschider explained the structure involved with the MDU Resources Group is it is the parent company that owns 100% of Montana-Dakota Utilities Co., Knife River Corporation, and WBI Holdings; along with 25% of Ottetail Power-Coyote Station, and no ownership of Dakota Westmoreland-Beulah Mine. Mr. Tschider indicated the concept in the field of membership refers to association, which he and Assistant Attorney General Webb have discussed substantially, resulting in the decision of the Board of Directors to amend the proposed Articles

of Amendment to the Bylaws by deleting Dakota Westmoreland-Beulah Mine. Mr. Tschider stated he feels the association concept is handled very well between MDU Resources Group, Montana-Dakota Utilities Co., Knife River Corporation, and WBI Holdings; however, because the 25% ownership of Ottertail Power-Coyote Station is questionable, the credit union is asking the Board to acknowledge that a 25% ownership interest in a company is a sufficient association.

Mr. Tschider indicated the words “association” and “subsidiary” are not synonymous words, and that the issue is whether or not the Board will decide that MDU Resources Group’s 25% ownership in Ottertail Power-Coyote Station is sufficient association.

Chairman Karsky indicated according to North Dakota Century Code if institutions the Department regulates submit an application wherein an individual owns 25% that individual is considered to have control and additional financial information is requested; therefore, Chairman Karsky stated he has no problem with MDU Resources Group’s 25% ownership in Ottertail Power-Coyote Station.

Chairman Karsky continued he does not believe the Board would want to set a policy that details the percentage which is necessary to be owned in order to be considered as ownership, in order that the necessary latitude is available for each circumstance.

Chairman Karsky indicated the Department feels Genie-Watt Credit Union has met the association need in their proposed application.

Member Brucker indicated he does not have a problem with the 25% ownership; however, asked what will happen if MDU Resources Groups sells this 25% ownership. Chairman Karsky indicated if there is no ownership the credit union would lose the common bond; however, current members could retain membership.

Mr. Tschider indicated the Board would have the option to specify that once the 25% ratio has been met and it appears the percentage of MDU Resources Group ownership will decrease, the credit union has to notify the Commissioner or Board as to what the new percentage will be, at which time the Board will have to again evaluate the question of ownership.

Chief Examiner Krebs questioned, relating to a safety and soundness issue, if MDU Resources Group would divest of its minority ownership which comprises 50% of the credit union's membership what options would then be available to the credit union. Chairman Karsky stated the credit union would have the option of submitting a change of field of membership application to the State Credit Union Board.

Member Watne referred to the letter received from Marilyn Foss, Counsel for North Dakota Bankers Association, wherein she states the problem with Genie-Watt Credit Union's proposed expansion of field of membership is that neither Dakota Westmoreland-Beulah Mine nor Ottertail Power-Coyote Station have ever been subsidiaries of MDU Resources Group. Mr. Tschider responded that Ms. Foss is incorrect, and Chairman Karsky added there is ownership in Ottertail Power-Coyote Station.

Member Tonneson questioned whether the word "association" should be used in the proposed field of membership change. Chairman Karsky responded that the word "subsidiaries" is in the current field of membership and the proposed change is to add the specific companies that are underlined. Chairman Karsky continued that substituting the word "association" would create the problem of defining specific requirements of membership. Assistant Attorney General Webb added the key element is that the State Credit Union Board determines the common bond of association or occupation.

Chairman Karsky added that Ms. Foss also indicated in her letter that a credit union's field of membership can be comprised of a common bond of occupation, association, or groups residing within an area, but cannot use all three of these. Assistant Attorney General Webb indicated in this situation this is not an issue as Genie-Watt Credit Union is using only the one type of common bond.

It was moved by Member Brucker, seconded by Member Tonneson, and unanimously carried to approve the application by Genie-Watt Credit Union, Bismarck, to expand its field of membership as amended to include Ottertail Power-Coyote Station, Montana-Dakota Utilities Co., Knife River Corporation, and WBI Holdings, and to enter into a Memorandum of Understanding with the Board of Directors as to ownership of the affiliated entities.

Greg Tschider, Leslie Heisler, Les Bossert, and Laurie Swank left the meeting at 10:20 a.m.

NORTH STAR COMMUNITY CREDIT UNION, MADDOCK

Assistant Commissioner Entringer indicated at a special meeting held April 21, 2010, the State Credit Union Board approved an Order authorizing low income designated credit unions to accept deposits from political subdivisions, nonmember credit unions, and other nonmembers on regular shares, share certificates and share draft accounts up to 20% of total shares or \$1.5 million, whichever is greater. Assistant Commissioner Entringer indicated that North Star Community Credit Union has notified the Department it will engage in this activity.

2010 ANNUAL ASSESSMENT POLICY FOR STATE-CHARTERED CREDIT UNIONS

Chairman Karsky indicated the allocation of his salary from cost center 2100 (credit unions) will be reduced from 15% to 10%.

Chairman Karsky indicated the assessment policy remains the same; however, assessments may fluctuate according asset sizes of credit unions.

It was moved by Member Brucker, seconded by Member Stillwell, and unanimously carried to approve the 2010 Annual Assessment Policy for State-Chartered Credit Unions, including the change of the allocation of the Commissioner's salary from 15% to 10%.

The Board went into closed session at 10:25 a.m., and reconvened to open session at 10:55.

NEXT MEETING

Chairman Karsky indicated the September meeting may be rescheduled and possibly be held in the Bismarck office.

MEMBER BUSINESS LENDING CUSO OPERATING AGREEMENT

Member Stillwell asked the status of the Member Business Lending CUSO Operating Agreement, and whether there is specific information needed by the Department.

Chief Examiner Krebs indicated there is some question as to whether projected cost numbers are rationale.

Member Stillwell indicated Tyler Grodi from the Black Hills Federal Credit Union would be willing to meet with the Department and three eligible credit unions to review the program. Assistant Commissioner Entringer suggested that Member Stillwell inform Mr. Grodi to contact him to set up a possible conference call or meeting.

The meeting adjourned at 11:00 a.m.

Timothy J. Karsky, Chairman

Robert J. Entringer, Secretary