

December 3, 2010

David Kantor, Esq.  
Leonard, Street and Deinard  
150 South Fifth Street, Suite 2300  
Minneapolis, MN 55402

Re: Incentive to Increase Attendance at Annual Meeting.

Dear Mr. Kantor:

You asked if a federal credit union (FCU) may give gift cards to its members as an incentive to increase attendance at its annual meeting. While the use of a gift card incentive is generally permissible under an FCU's incidental powers authority, a gift card incentive may be objectionable on safety and soundness or corporate waste grounds. Any incentive offered by a FCU to increase participation at its annual meeting must be reasonable.

You stated your client, an FCU, would like to encourage participation at its annual meeting by giving each attending member a \$25 gift card at the conclusion of the meeting. The FCU's objectives are to significantly increase member attendance at the annual meeting and to raise awareness about the FCU. Typically, approximately 200 members out of the FCU's total membership of 61,000 attend the annual meeting. The FCU believes that, using the \$25 gift card incentive, it can increase participation at the meeting at a cost that is less than the expense of providing a meal for attending members. The FCU would offer the gift card incentive in lieu of paying for a meal for members at the meeting.

An activity is permissible under an FCU's incidental powers authority when it is "convenient or useful" to the performance of one of the FCU's express powers. See 12 U.S.C. §1757(17); 12 C.F.R. §721. In a prior legal opinion, we stated an FCU may, within its incidental powers authority, offer a prize raffle as an incentive to encourage its members to participate in a special meeting, provided the raffle does not violate federal, state, or local law. See OGC Op. 96-0224 (March 19, 1996); see also, OGC Op. 01-0130 (Jan. 25, 2001) (permitting the use of a raffle or drawing to promote member deposits). NCUA may, however, object to a prize raffle on safety and soundness or corporate waste grounds. *Id.*

Generally, we believe an FCU's use of a gift card incentive is a permissible incidental powers activity. As stated in OGC Op. 96-0224, a prize raffle is a

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permissible incidental powers activity based on the general premise that “a raffle provides the FCU’s members with an incentive to participate and may be a convenient and useful activity to the performance of the express power to hold a special meeting.” *Id.* A gift card incentive meets this same premise and thus, is generally permissible.

The total cost of the gift card incentive, however, is a consideration that may implicate a basis for NCUA to object to the incentive. We note that, unlike a raffle, where the cost of the prize being raffled is determinable in advance, it may be more difficult to make an advance determination of the precise cost of the gift card incentive since the FCU cannot predict how many members will ultimately attend the annual meeting. Nevertheless, an FCU should make a careful attempt to reasonably project total costs before offering a gift card incentive. It is up to your client’s examiner and, ultimately, the Regional Director to determine if the proposed \$25 gift card incentive is objectionable on safety and soundness or corporate waste grounds.

From the information you provided, it is unclear whether your client intends to hold a vote at its annual meeting. We emphasize that an incentive should not be used to influence the outcome of a vote or to require a particular vote for a member to be eligible for an incentive. *Id.*; see *also*, 12 C.F.R. §708a.12 (concerning voting incentives in the context of a conversion vote).

Sincerely,

/S/

Hattie M. Ulan  
Associate General Counsel

GC/PWY:bhs  
10-1038

cc: Region IV