

credit

merger

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STEP 1: DO SOME EARLY THINKING

Permissibility of the Merger

Part 708b of the National Credit Union Administration's (NCUA) Rules and Regulations describes our procedures and notice requirements for mergers involving a federally insured credit union:

- If the continuing credit union is a federal credit union (FCU), the merger also must follow NCUA's chartering policies.
- If the continuing credit union is a state-chartered credit union (SCU), the merger must follow applicable state laws.
- If a federally insured credit union merges into a nonfederally insured or uninsured state-chartered credit union, the merger must follow state laws and federal laws related to share insurance conversion or termination.

The following is a synopsis of the permissibility of different types of mergers. For more detailed information, federal credit unions should see NCUA's Chartering and Field of Membership Manual (IRPS 99-1, as amended by IRPS 00-1).

Scenario 1: The continuing credit union is state-chartered

The merger is permissible if—

- The continuing credit union is state-chartered; and
- State requirements are followed.

NCUA's chartering policies don't apply.

Scenario 2: A single common bond FCU merging into another single common bond FCU

The merger is permissible if—

- Both FCUs share a common bond; or
- It is an emergency merger (see scenario 7).

Scenario 3: Multiple common bond FCU merging into a multiple common bond FCU

The merger is permissible if—

- Each select group in the merging credit union's field of membership has fewer than 3,000 primary potential members;
- The continuing credit union serves the same group(s) of 3,000 or more; or
- It is a supervisory or emergency merger (see scenario 7).

If any select group in the merging credit union's field of membership has 3,000 or more primary potential members, and the continuing credit union does not serve the group,

NCUA must analyze the group to determine whether the group could form its own credit union, unless it is a supervisory or emergency merger.

Scenario 4: Single common bond FCU, with a primary potential membership less than 3,000, merging into a multiple common bond FCU

The merger is permissible if—

- The merging FCU's field of membership has less than 3,000 primary potential members, or
- It is an emergency merger (see scenario 7).

Scenario 5: Single common bond FCU, with a primary potential membership in excess of 3,000, merging into a multiple common bond FCU

The merger is permissible if—

- The continuing credit union already has within its field of membership the group served by the merging single common bond FCU; or
- It is a supervisory or emergency merger (see scenario 7).

Scenario 6: The continuing credit union is a community chartered FCU

The merger is permissible if—

- The merging credit union has a service facility within the community boundaries;
- A majority of the merging credit union's field of membership would qualify for membership in the community chartered federal credit union; or
- It is an emergency merger (see scenario 7).

If both credit unions are community charters, and the merging credit union's community boundaries do not fall within the existing community boundaries of the continuing FCU, the continuing FCU must meet criteria for expanding its community boundaries, outlined in NCUA's Chartering and Field of Membership Manual.

Scenario 7: Emergency merger

The merger is permissible if an emergency exists. That is, the merging credit union is insolvent or likely to become insolvent. A few conditions that may lead to insolvency: abandonment by management, loss of sponsor, or serious and persistent record keeping problems.

We can approve emergency mergers without regard to field of membership requirements. However, we must determine (a) an emergency exists, (b) other alternatives are not reasonably available, and (c) the public interest will best be served by approving the merger.

Analysis of Probable Asset/Share Ratio

As part of the merger plan, a share analysis is required for both the merging and continuing credit unions. To help you with the share analysis, you can use Forms NCUA 6311 and 6312 in the Appendix or download the spreadsheets from our web site at [www.ncua.gov/reference information/CU Merger Manual](http://www.ncua.gov/reference%20information/CU%20Merger%20Manual).

The probable asset/share ratio (PAS) is the relative worth of each \$1 in shares, assuming the credit union is an ongoing concern. If the PAS ratios for both credit unions are substantially equal, then the merger probably won't involve a share adjustment. However, if the merging and continuing credit unions each have a PAS ratio of 100 percent or higher and the PAS ratios have a material difference, you should consider adjusting the member shares with the higher value before the merger. For example, you may use undivided earnings or a higher dividend rate to increase the share balances before the merger.

Accounting Implications of the Merger

With the passage of the Credit Union Membership Access Act (CUMAA), the call reports of credit unions with \$10 million or more in assets must follow generally accepted accounting principles (GAAP). So if the continuing credit union will have \$10 million or more in assets, it should do the following:

- Consult with an independent accountant about the proper way to account for the proposed merger.¹
- Consider the effect of GAAP reporting (purchase accounting) along with requirements under the prompt corrective action provisions of the CUMAA. These provisions may have significant implications; you should evaluate your credit union's net worth ratio both pre- and post-merger.

Other Board of Directors Considerations

Before you vote to merge with another credit union, you should consider the following:

- All positive and negative aspects of the merger.
- Alternatives to merging, such as working with a mentor credit union or expanding your credit union's field of membership.
- The potential impact on your credit union's financial condition and operational capacity to serve the combined membership.
- Whether the merger is in your members' best interest.

After you vote, you should complete Form NCUA 6302 or 6303 in the Appendix, as appropriate.

¹ On September 7, 1999, the Financial Accounting Standards Board (FASB) issued an exposure draft for comment, *Business Combinations and Intangible Assets*. However, at the time we published this manual, FASB had not issued final guidance on this issue.

STEP 2: PREPARE AND SUBMIT THE MERGER PACKAGE

Contents of the Merger Package

The continuing credit union completes the merger package. Check to see that your package is complete by using Form NCUA 6301, Merger Package Checklist, in the Appendix.

1. Details required for any merger package:
 - Designation of the continuing credit union and where its main office will be located after the merger.
 - The continuing credit union's plans for the merging credit union's office(s).
 - Detailed explanation of the reason for the merger.
 - Proposed effective date of the merger.
 - Current financial statements for both credit unions.
 - Current delinquent loan summary for both credit unions.
 - Current analysis of the adequacy of the Allowance for Loan and Lease Losses Account for both credit unions.
 - Consolidated financial statement.
 - Analyses of share values (Forms NCUA 6311 and 6312 in the Appendix).
 - Explanation of any proposed share adjustment or justification for no share adjustment.
 - Explanation of any provisions for reserves, undivided earnings, or dividends.
 - Provisions for notifying and paying creditors.
 - Explanation of any changes to insurance, such as life savings and insurance of member accounts.
 - Copies of the fields of membership for the merging and continuing credit unions.
 - One primary contact person at both the merging and continuing credit unions. Include their mailing addresses, e-mail addresses, and phone numbers (for questions or notification of merger decisions).
 - Resolutions of both boards of directors (Forms NCUA 6302 and 6303 in the Appendix).
 - From the merging federal credit union, a proposed Notice of Special Meeting of the Members (Form NCUA 6305A, 6305B, or 6305C in the Appendix). **We can waive the vote by members of the merging federal credit union only if the merging credit union is insolvent or in danger of insolvency and is merging into another federally insured credit union.**
 - From the merging federal credit union, a copy of the ballot to be sent to the members (Form NCUA 6306A, 6306B, or 6306C in the Appendix).

2. Details required of some merger packages:
 - If applicable, a copy of the Federal Trade Commission pre-merger notification (see Page 7).
 - If the continuing credit union is federally chartered, evidence that all assets and liabilities meet requirements of the Federal Credit Union Act.
 - If applicable and available, evidence your State Supervisory Authority approves of the proposed merger.

Tips to Speed Up the Approval Process

You can speed up the merger process in two ways:

- Notify NCUA and, if applicable, your State Supervisory Authority as early as possible of your intent to merge.
- Simultaneously provide a complete merger package to both NCUA and, if applicable, your State Supervisory Authority.

NCUA Approval

NCUA will approve the proposed merger if the merger:

- Is in the best interest of the members;
- Meets the requirements of the Federal Credit Union Act, NCUA's Rules and Regulations, and IRPS 99-1, as amended by IRPS 00-1;
- Doesn't present undue risk to the NCUSIF; and
- Meets applicable state law, as determined by the State Supervisory Authority.

If the NCUA regional director denies the proposed merger, he or she will provide you with an explanation for the denial and your right to appeal the decision. After the denial, you have 30 days to provide supplemental information for regional director reconsideration or 60 days to appeal the decision to the NCUA Board.

STEP 3: CONDUCT THE MEMBERSHIP VOTE

Member Notification

After NCUA approves your merger proposal, the merging federal credit union must present the proposal for approval at a membership meeting. Members have the right to vote on the merger proposal

- In person at the annual meeting (if it takes place within 60 days after NCUA approval),
- At a special meeting to be called within 60 days of NCUA approval, or

- By mail ballot received no later than the date and time announced for the annual meeting or the special meeting called for that purpose.

You are also required to give members of the merging federal credit union advance notice of the meeting. You must mail or deliver the notice and ballot in person to each member at least 7 days before the scheduled meeting. The notice should include the following:

- The purpose, time, and location of the meeting.
- A summary of the merger plan, including individual and consolidated financial statements for the two credit unions.
- Reasons for the proposed merger.
- The name and location of the continuing credit union.
- The members have the right to vote on the merger proposal in person at the meeting, or by written ballot to be received no later than the date and time announced for the meeting.
- A copy of the merger proposal ballot.

Votes Needed for Approval

Scenario 1: FCU merging into a federally insured credit union

A majority of the members of the merging credit union who vote on the proposal must approve the merger.

Scenario 2: FCU merging into an uninsured credit union

A majority of the merging credit union's total membership must approve the merger and termination of insurance.

Scenario 3: FCU merging into a nonfederally insured credit union

A majority of the merging credit union's members who vote on the proposal must approve the merger and insurance conversion, provided at least 20 percent of the total membership participates in the voting.

STEP 4: COMPLETE THE MERGER

Federal Share Insurance Coverage

Part 708b.102 of NCUA's Rules and Regulations describes the special provisions for federal share insurance coverage in merger situations.

Scenario 1: Continuing credit union is federally insured

We will assess a National Credit Union Share Insurance Fund (NCUSIF) deposit and a prorated insurance premium on the additional share accounts insured as a result of the merger with a nonfederally insured or uninsured credit union.

Scenario 2: Continuing credit union wants to convert to federal insurance

When the continuing credit union is nonfederally insured or uninsured but wants to be federally insured, the credit union needs to submit an application for federal insurance to the appropriate NCUA regional director at least 90 days before the merger application. If we approve the insurance application, then we will assess a NCUSIF deposit and a prorated insurance premium on any additional share accounts insured because of the merger.

Scenario 3: Continuing credit union is uninsured, but the merging credit union is federally insured

After the one-year period of continued insurance coverage, we will provide the continuing credit union with a refund of the merging credit union's NCUSIF deposit and a refund of any unused portion of the NCUSIF share insurance premium. The merging, federally insured credit union must notify its members of the discontinuance of federal insurance before they vote on the proposed merger (Form NCUA 6305C in the Appendix).

Scenario 4: Continuing credit union is nonfederally insured, but the merging credit union is federally insured

NCUSIF insurance of the member accounts of the merging credit union ceases as of the effective date of the merger. The merging federally insured credit union must notify its members of the discontinuance of federal insurance before they vote on the proposed merger (Form NCUA 6305B in the Appendix).

Federal Trade Commission Notification

Under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, some merging credit unions must submit prior notification of the merger to the Federal Trade Commission (FTC). The purpose of the filing is to give the FTC an opportunity to review the proposed merger to determine if it would violate federal antitrust laws.

If the merging credit union has less than \$50 million in assets, you are not required to notify the FTC. However, you must file a pre-merger notification with the FTC, and pay a \$45,000 to \$280,000 filing fee, if your proposed merger meets one of the following criteria:

- The merging credit union has between \$50 million and \$200 million in assets and the continuing credit union has at least \$100 million in assets before the merger.
- The merging credit union has at least \$100 million in assets and the continuing credit union has at least \$10 million in assets before the merger.
- The merging credit union has more than \$200 million in assets.

Many credit union assets are exempt for purposes of evaluating the filing requirement criteria. For example, cash, cash equivalents, investments, mortgage loans, and certain

office buildings aren't included. If you are required to file a pre-merger notification and you don't file, you may incur a civil money penalty for each day of noncompliance. If you believe your proposed merger meets one of the criteria, please consult with your credit union's own legal counsel about the need to file a pre-merger notification with the FTC. For more information, see the FTC's web site at www.ftc.gov/bc/hsr/hsr.htm.

Surety Bond Coverage

The continuing federal credit union needs to review its surety bond coverage to ensure compliance with Part 713 of NCUA's Rules and Regulations. The continuing federal credit union must have the minimum dollar amount of coverage as of the effective date of the merger. It also should notify its surety bond carrier of a pending merger.

The merging credit union cannot cancel its surety bond coverage until the merger is complete and its charter canceled. Depending on the surety bond carrier, the merging credit union may need to provide some documentation to the continuing credit union's carrier before the merger. This documentation may include loan exception workpapers from the most recent examination, copies of previous examination reports, a copy of the most recent supervisory committee audit, and information on recent bond claims.

Required Forms

Within 10 days of the membership vote, the merging federal credit union must notify the NCUA regional director of the results (Form NCUA 6308A, 6308B, or 6308C in the Appendix).

The boards of directors of both credit unions must execute the merger agreement (Form NCUA 6304 in the Appendix) and send a copy of the completed agreement to the NCUA regional director. **The effective date of the merger is the date of the executed merger agreement, when the continuing credit union assumes the merging credit union's assets, liabilities, and shares.**

Within 30 days after the effective date of the merger, the continuing credit union must complete the certification of completion of merger (Form NCUA 6309 in the Appendix) and send it to the NCUA regional director with the documents listed on that form.

Charter Cancellation

Complete the merger within four months of NCUA approval; otherwise, you must notify the NCUA regional director of reasons for the delay.

We will cancel the merging federal credit union's charter and insurance certificate after we receive all of the required documents, as listed on NCUA Form 6309, Certification of Completion of Merger, in the Appendix.

If the merging credit union's charter isn't canceled by December 31, we will issue an invoice for the applicable NCUSIF operating fee. The continuing credit union will be responsible for paying this invoice.

The continuing credit union is responsible for retaining all documents and records related to the merger.

GLOSSARY OF TERMS

Continuing Credit Union: The credit union which will continue in operation after the merger.

Convert, Conversion, Converting: The act of canceling a federal charter or federal share insurance and simultaneously obtaining share or deposit insurance from another insurance carrier, and vice versa.

Effective Date of the Merger: Date of the executed merger agreement, Form NCUA 6304. Also the date when the continuing credit union assumes the merging credit union's assets, liabilities, and shares.

Emergency Merger: A merger in which the merging credit union is insolvent or likely to become insolvent.

Federally insured: Insured by the National Credit Union Share Insurance Fund.

Merging Credit Union: The credit union which will cease to exist as an operating credit union at the time of the merger.

Nonfederally Insured: Insured by a private or cooperative insurance fund or guaranty corporation organized or chartered under state law.

Probable Asset/Share Ratio (PAS): The relative worth of each \$1 in shares using an on-going concern concept.

Supervisory Merger: A merger in which the merging credit union is experiencing operational and financial difficulty, such as a dramatic increase in delinquencies and charge-offs, negative or marginal earnings, or low and declining net worth.

Terminate, Termination, and Terminating: The act of canceling a federal charter and federal insurance. In this case, the credit union's member accounts will become uninsured.

Uninsured: No share or deposit insurance on credit union accounts.

Voluntary Merger: The merger of two financially healthy credit unions.

APPENDIX OF MERGER FORMS

NCUA 6301	Merger Package Checklist
NCUA 6302	Merger Resolution: Continuing Credit Union
NCUA 6303	Merger Resolution: Merging Credit Union
NCUA 6304	Merger Agreement
NCUA 6305A	Notice of Special Meeting of the Members on Proposal to Merge
NCUA 6306A	Ballot for Merger Proposal
NCUA 6308A	Certification of Vote on Merger Proposal
NCUA 6305B	Notice of Special Meeting on Proposal to Merge and Convert to Nonfederally Insured Status
NCUA 6306B	Ballot for Merger Proposal and Conversion to Nonfederally Insured Status
NCUA 6308B	Certification of Vote on Merger Proposal and Conversion to Nonfederally Insured Status
NCUA 6305C	Notice of Special Meeting on Proposal to Merge and Terminate Federal Insurance
NCUA 6306C	Ballot for Merger Proposal and Termination of Federal Insurance
NCUA 6308C	Certification of Vote on Merger Proposal and Termination of Federal Insurance
NCUA 6309	Certification of Completion of Merger
NCUA 6311	Probable Asset/Share Ratio Computation Form (Continuing Credit Union)
NCUA 6312	Probable Asset/Share Ratio Computation Form (Merging Credit Union)

Merger Package Checklist – NCUA 6301

Contents of the Merger Package

- _____ Designation of the continuing credit union and where its main office will be located after the merger.
- _____ The continuing credit union's plans for the merging credit union's office(s).
- _____ Detailed explanation of the reason for the merger.
- _____ Proposed effective date of the merger.
- _____ Current financial statements for both credit unions.
- _____ Current delinquent loan summary for both credit unions.
- _____ Current analysis of the adequacy of the Allowance for Loan and Lease Losses for both credit unions.
- _____ Consolidated financial statement.
- _____ Explanation of any proposed share adjustment or justification for no share adjustment.
- _____ Explanation of any provisions for reserves, undivided earnings, or dividends.
- _____ Provisions for notifying and paying creditors.
- _____ Explanation of any changes to insurance, such as life savings and insurance of member accounts.
- _____ Copies of the merging and continuing credit unions' fields of membership.
- _____ If applicable, a copy of the Federal Trade Commission pre-merger notification.
- _____ One primary contact person at both the merging and continuing credit unions and their mailing addresses, e-mail addresses, and phone numbers (for questions or notification of merger decisions).

_____ If the continuing credit union is federally chartered, evidence that all assets and liabilities meet requirements of the Federal Credit Union Act.

_____ If applicable and available, evidence your State Supervisory Authority approves of the proposed merger.

Required Forms—Federal and State Chartered Credit Unions

_____ NCUA 6302, Merger Resolution: Continuing Credit Union.

_____ NCUA 6303, Merger Resolution: Merging Credit Union.

_____ NCUA 6311, Probable Asset/Share Ratio Computation: Continuing Credit Union.

_____ NCUA 6312, Probable Asset/Share Ratio Computation: Merging Credit Union.

Additional Required Forms—Merging Federal Credit Unions

For Federal credit unions merging into a federally insured credit union:

_____ NCUA 6305A, Notice of Special Meeting of the Members on Proposal to Merge.

_____ NCUA 6306A, Ballot for Merger Proposal.

For Federal credit unions merging into a nonfederally insured credit union:

_____ NCUA 6305B, Notice of Special Meeting on Proposal to Merge and Convert to Nonfederally Insured Status.

_____ NCUA 6306B, Ballot for Merger Proposal and Conversion to Nonfederally Insured Status.

For Federal credit unions merging into a credit union with no deposit insurance:

_____ NCUA 6305C, Notice of Special Meeting on Proposal to Merge and Terminate Federal Insurance.

_____ NCUA 6306C, Ballot for Merger Proposal and Termination of Federal Insurance.

Instructions for NCUA 6302: The continuing credit union's board of directors must complete this form after it votes to merge with the merging credit union. This form is required for a complete merger package.

* * * * *

Merger Resolution

_____ **Credit Union**

(Continuing)

Resolution

The Board of Directors believes our credit union should merge with _____ Credit Union (merging credit union).

Our credit union will assume the merging credit union's shares and liabilities. The merging credit union will transfer to our credit union all of its assets, rights, and property. All members of the merging credit union will receive shares in our credit union, which will stay in business under its present charter.

Certification

We, the Board Presiding Officer and Secretary of this credit union, are authorized to:

- Seek National Credit Union Administration approval of the merger.
- Execute and deliver the merger agreement on the effective date of the merger.
- Execute all agreements and other papers required to complete the merger.

We certify to the National Credit Union Administration that the foregoing is a full, true, and correct copy of a resolution adopted by the Board of Directors of our credit union at a meeting held under our bylaws on _____, 20___. A quorum was present and voted. The resolution is duly recorded in the minutes of the meeting and is still in full force and effect.

Board Presiding Officer

Date

Secretary

Date

Instructions for NCUA 6303: The merging credit union's board of directors must complete this form after it votes to merge with the continuing credit union. This form is required for a complete merger package.

* * * * *

Merger Resolution

_____ **Credit Union**
(Merging)

Resolution

The Board of Directors believes our credit union should merge with _____ Credit Union (continuing credit union).

The continuing credit union will assume the shares and liabilities of our credit union. Our credit union will transfer to the continuing credit union all of our assets, rights, and property. All members of our credit union will receive shares in the continuing credit union, which will stay in business under its present charter.

Certification

We, the Board Presiding Officer and Secretary of this credit union, are authorized to:

- Seek National Credit Union Administration approval of the merger.
- Execute and deliver the merger agreement on the effective date of the merger.
- Execute all agreements and other papers required to complete the merger.

We certify to the National Credit Union Administration that the foregoing is a full, true, and correct copy of a resolution adopted by the Board of Directors of our credit union at a meeting held under our bylaws on _____, 20___. A quorum was present and voted. The resolution is duly recorded in the minutes of the meeting and is still in full force and effect.

Board Presiding Officer

Date

Secretary

Date

State of _____

County of _____

Before me a Notary Public (or other authorized officer) appeared the above named _____ and _____, Board Presiding Officer and Treasurer of _____ Credit Union, who being personally known to me as (or proved by the oath of credible witnesses to be) the persons who executed the annexed instrument acknowledged the same to be their free act and deed and in their respective capacities the free act and deed of said credit union.

(SEAL)

Notary Public

My commission expires _____, 20__.

State of _____

County of _____

Before me a Notary Public (or other authorized officer) appeared the above named _____ and _____, Board Presiding Officer and Treasurer of _____ Credit Union, who being personally known to me as (or proved by the oath of credible witnesses to be) the persons who executed the annexed instrument acknowledged the same to be their free act and deed and in their respective capacities the free act and deed of said credit union.

(SEAL)

Notary Public

My commission expires _____, 20__.

State of _____

County of _____

Instructions for NCUA 6305A: Not more than 30 nor less than 7 days before the date of the vote, the merging federal credit union must provide its members (a) advance notice of a special meeting to vote on a proposed merger and (b) a copy of the merger ballot. When you distribute the notice and ballot to your members, you also should send a copy to the NCUA regional director. The merging federal credit union should conduct the membership vote only after NCUA approves the proposed merger.

* * * * *

Notice of Special Meeting of the Members on Proposal to Merge

_____ **Credit Union**
(Merging)

You are encouraged to attend a special meeting of your credit union at

_____ on
(address)

_____, 20__, at __ o'clock __.m. The meeting has two purposes:

1. To consider and act upon a proposal to merge our credit union with _____ Credit Union, the continuing credit union. Our credit union will transfer all its assets and liabilities to the continuing credit union. As a member of our credit union, you will become a member of the continuing credit union. On the effective date of the merger, you will receive shares in the continuing credit union for the shares you own now in our credit union.
2. To approve the action of the Board of Directors of our credit union in authorizing the officers of the credit union, subject to member approval, to carry out the proposed merger.

The directors of the participating credit unions carefully analyzed the assets and liabilities of the participating credit unions and appraised each credit union's share values. The appraisal of the share values appears on the attached individual and consolidated financial statements of the participating credit unions.

The directors of the participating credit unions have concluded that the proposed merger is desirable for the following reasons:

The Board of Directors of our credit union believes that the merger should include/not include an adjustment in shares for the following reasons:

The main office of the continuing credit union will be as follows:

The branch office(s) of the continuing credit union will be as follows:

The merger must have the approval of a majority of members of the credit union who vote on the proposal.

Enclosed with this Notice of Special Meeting is a Ballot for Merger Proposal. If you cannot attend the meeting, please complete the ballot and return it to the credit union office at _____ by no later than _____, 20___. To be counted, your ballot must reach us by the date and time announced for the meeting.

BY ORDER OF THE BOARD OF DIRECTORS:

Board Presiding Officer

Date

Instructions for NCUA 6306A: Not more than 30 nor less than 7 days before the date of the vote, the merging federal credit union must provide its members (a) advance notice of a special meeting to vote on a proposed merger and (b) a copy of the merger ballot. When you distribute the notice and ballot to your members, you also should send a copy to the NCUA regional director. The merging federal credit union should conduct the membership vote only after NCUA approves the proposed merger.

* * * * *

Ballot for Merger Proposal

Name of Member: _____ Account Number: _____

Your credit union must receive this ballot by _____ (date for vote).
Please mail or bring it to:

(Insert credit union address)

I have read the Notice of Special Meeting for the members of _____ Credit Union. The meeting will be held on the above date to consider and act upon the merger proposal described in the notice. I vote on the proposal as follows (check one box):

- Approve the proposed merger and authorize the Board of Directors to take all necessary action to accomplish the merger.
- Do not approve the proposed merger.

Signed: _____
Member's Name

Date: _____

Instructions for NCUA 6308A: Within 10 days after the membership vote, the merging federal credit union must complete this form and mail it to the NCUA regional director.

* * * * *

Certification of Vote on Merger Proposal of the
_____ **Credit Union**
(Merging)

We, the undersigned officers of the _____ Credit Union, certify that our Board of Directors completed the following actions:

1. At a meeting on _____, 20__, adopted a resolution approving the merger of our credit union with _____ Credit Union (continuing credit union).
2. Not more than 30 nor less than 7 days before the date of the vote, delivered in person or mailed to every member of our credit union (a) a copy of the Notice of Special Meeting of the Members and Ballot for Merger Proposal, as approved by the National Credit Union Administration, and (b) a copy of the merger plan announced in the Notice.
3. Conducted a special meeting of the members of our credit union at the time and place announced in the Notice to consider and act upon the proposed merger.
4. At the special meeting, explained the merger proposal and any changes in federally insured status to the members present.
5. Conducted the membership vote at the special meeting. A majority of the voting members of our credit union voted in favor of the merger as follows:
____ Number of members present at the special meeting
____ Number of members present who voted in favor of the merger
____ Number of members present who voted against the merger
____ Number of additional written ballots in favor of the merger
____ Number of additional written ballots opposed to the merger
6. Recorded in the meeting minutes the action of the members at the special meeting.

This certification signed the _____ day of _____, 20__

Board Presiding Officer

Secretary

Instructions for NCUA 6305B: Not more than 30 nor less than 7 days before the date of the vote, the merging federal credit union must provide its members (a) advance notice of a special meeting to vote on a proposed merger and (b) a copy of the merger ballot. When you distribute the notice and ballot to your members, you also should send a copy to the NCUA regional director. The merging federal credit union should conduct the membership vote only after NCUA approves the proposed merger.

* * * * *

Notice of Special Meeting on Proposal to Merge and Convert to Nonfederally Insured Status

_____ **Credit Union**
(Merging)

You are encouraged to attend a special meeting of our credit union at _____ on _____
(address)

_____, 20__, at _____.m. The meeting has two purposes:

1. To consider and act upon a proposal to merge our credit union with _____ Credit Union, the continuing credit union. Our credit union will transfer all its assets and liabilities to the continuing credit union. As a member of our credit union, you will become a member of the continuing credit union. On the effective date of the merger, you will receive shares in the continuing credit union for the shares you own now in our credit union.

Each of your accounts has share insurance up to \$100,000 provided by the National Credit Union Administration, an agency of the Federal Government. The insurance will terminate on the effective date of the merger. Your shares in the continuing credit union will be insured up to \$_____ by _____, a corporation chartered by the State of _____. The insurance provided by the National Credit Union Administration, an independent agency of the United States, is backed by the full faith and credit of the United States government. The private insurance you will receive from _____ is not guaranteed by the federal or any state government.

2. To approve the action of the Board of Directors of our credit union in authorizing the officers of the credit union, subject to member approval, to carry out the proposed merger.

The directors of the participating credit unions carefully analyzed the assets and liabilities of the participating credit unions and appraised each credit union's share values. The appraisal of the share values appears on the attached individual and consolidated financial statements of the participating credit unions.

The directors of the participating credit unions have concluded that the proposed merger is desirable for the following reasons:

The Board of Directors of our credit union believes the merger should include/not include an adjustment in shares for the following reasons:

The main office of the continuing credit union will be as follows:

The branch office(s) of the continuing credit union will be as follows:

The merger must have the approval of a majority of members who vote on the proposal, provided at least 20 percent of the total membership participates in the voting.

Enclosed with this Notice of Special Meeting is a Ballot for Merger Proposal and Conversion to Nonfederally Insured Status. If you cannot attend the meeting, please complete the ballot and return it to the credit union office at _____ by no later than _____, 20__.
To be counted, your ballot must reach us by the date and time announced for the meeting.

BY ORDER OF THE BOARD OF DIRECTORS:

Board Presiding Officer

Date

Instructions for NCUA 6306B: Not more than 30 nor less than 7 days before the date of the vote, the merging federal credit union must provide its members (a) advance notice of a special meeting to vote on a proposed merger and (b) a copy of the merger ballot. When you distribute the notice and ballot to your members, you also should send a copy to the NCUA regional director. The merging federal credit union should conduct the membership vote only after NCUA approves the proposed merger.

Ballot for Merger Proposal and Conversion to Nonfederally Insured Status

Name of Member: _____ Account Number: _____

Your credit union must receive this ballot by _____ (date for vote). Please mail or bring it to:

(Insert credit union address)

I understand if the merger of the _____ (merging) Credit Union into the _____ (continuing) Credit Union is approved, the share (deposit) insurance I now have (up to \$100,000 provided by the National Credit Union Administration, an agency of the Federal Government) will terminate upon the effective date of the merger. My shares in the _____ (continuing) Credit Union will be insured up to \$_____ by _____, a corporation chartered by the State of _____. The private insurance provided by _____ is not backed by the full faith and credit of the United States government as is the federal insurance provided by the National Credit Union Administration.

I vote on the proposal as follows (check one box):

Approve merger and conversion of insurance.

Do not approve merger and conversion of insurance.

Signed _____
Member's Name

Date: _____

Instructions for NCUA 6308B: Within 10 days after the membership vote, the merging federal credit union must complete this form and mail it to the NCUA regional director.

* * * * *

Certification of Vote on Merger Proposal and Conversion to Nonfederally Insured Status of the _____ Credit Union

(Merging)

We, the undersigned officers of the _____ Credit Union, certify that our Board of Directors completed the following actions:

1. At a meeting on _____, 20__, adopted a resolution approving the merger of our credit union with _____ Credit Union (continuing credit union).
2. Not more than 30 nor less than 7 days before the date of the vote, delivered in person or mailed to every member of our credit union (a) a copy of the Notice of Special Meeting of the Members and Ballot for Merger Proposal, as approved by the National Credit Union Administration, and (b) a copy of the merger plan announced in the Notice.
3. Conducted a special meeting of the members of our credit union at the time and place announced in the Notice to consider and act upon the proposed merger.
4. At the special meeting, explained the merger proposal and any changes in federally insured status to the members present at the special meeting.
5. Conducted the membership vote at the special meeting. At least 20 percent of our total membership voted and a majority of voting members favor the merger as follows:
 - _____ Number of total membership
 - _____ Number of members present at the special meeting
 - _____ Number of members present who voted in favor of the merger
 - _____ Number of members present who voted against the merger
 - _____ Number of additional written ballots in favor of the merger
 - _____ Number of additional written ballots opposed to the merger
6. Recorded in the meeting minutes the action of the members at the special meeting.

This certification signed the _____ day of _____, 20__

Board Presiding Officer

Secretary

Instructions for NCUA 6305C: Not more than 30 nor less than 7 days before the date of the vote, the merging federal credit union must provide its members (a) advance notice of a special meeting to vote on a proposed merger and (b) a copy of the merger ballot. When you distribute the notice and ballot to your members, you also should send a copy to the NCUA regional director. The merging federal credit union should conduct the membership vote only after NCUA approves the proposed merger.

* * * * *

Notice of Special Meeting on Proposal to Merge and Terminate Federal Insurance

_____ **Credit Union**
(Merging)

You are encouraged to attend a special meeting of our credit union at _____ on _____
(address)

_____, 20____, at _____m. The meeting has two purposes:

1. To consider and act upon a proposal to merge our credit union with _____ Credit Union, the continuing credit union. Our credit union will transfer all its assets and liabilities to the continuing credit union. As a member of our credit union, you will become a member of the continuing credit union. On the effective date of the merger, you will receive shares in the continuing credit union for the shares you own now in our credit union.

Each of your accounts has share deposit insurance up to \$100,000 provided by the National Credit Union Administration, an agency of the Federal Government. The insurance will be affected as follows:

- After the effective date of the merger, any deposits you make to any new or existing account won't be insured by the National Credit Union Administration or any other entity.
- If our credit union fails, your deposits aren't insured by the federal government.
- Your accounts in the merging credit union on the date of the merger, up to a maximum of \$100,000 for each member, will remain insured, as provided in the Federal Credit Union Act, for one year after the close of business on the date of the merger.
- If you make any withdrawal after the close of business on the date of the merger, the one-year insurance coverage will be reduced by the amount of the withdrawal.

2. To approve the action of the Board of Directors of our credit union in authorizing the officers of the credit union, subject to member approval, to carry out the proposed merger.

The directors of the participating credit unions carefully analyzed the assets and liabilities of the participating credit unions and appraised each credit union's share values. The appraisal of the share values appears on the attached individual and consolidated financial statements of the participating credit unions.

The directors of the participating credit unions have concluded that the proposed merger is desirable for the following reasons:

The Board of Directors of our credit union believes the merger should include/not include an adjustment in shares for the following reasons:

The main office of the continuing credit union will be as follows:

The branch office(s) of the continuing credit union will be as follows:

The merger must have the approval of a majority of our total membership.

Enclosed with this Notice of Special Meeting is a Ballot for Merger Proposal and Termination of Federal Insurance. If you cannot attend the meeting, please complete the ballot and return it to the credit union office at

_____ no later than _____, 20___. To be counted, your ballot must reach us by the date and time announced for the meeting.

BY ORDER OF THE BOARD OF DIRECTORS:

Board Presiding Officer

Date

Instructions for NCUA 6306C: Not more than 30 nor less than 7 days before the date of the vote, the merging federal credit union must provide its members (a) advance notice of a special meeting to vote on a proposed merger and (b) a copy of the merger ballot. When you distribute the notice and ballot to your members, you also should send a copy to the NCUA regional director. The merging federal credit union should conduct the membership vote only after NCUA approves the proposed merger.

* * * * *

Ballot for Merger Proposal and Termination of Federal Insurance

Name of Member: _____ Account Number _____

Your credit union must receive this ballot by _____ (date for vote). Please mail or bring it to:

(Insert credit union address)

I understand if the merger of the _____ (merging) Credit Union into the _____ (continuing) Credit Union is approved, any new deposits or additions to my existing accounts won't be insured by the National Credit Union Administration, an agency of the federal government.

I also understand that my accounts in the continuing credit union on the date of the merger, up to a maximum of \$100,000, will be insured for one year after the merger date but that any withdrawals after the merger date will reduce the insurance coverage by the amount of the withdrawal.

I vote on the proposal as follows (check one box):

Approve merger and termination of insurance.

Do not approve merger and termination of insurance.

Signed _____
Member's Name

Date: _____

Instructions for NCUA 6308C: Within 10 days after the membership vote, the merging federal credit union must complete this form and mail it to the NCUA regional director.

* * * * *

Certification of Vote on Merger Proposal and Termination of Federal Insurance of the _____ Credit Union

(Merging)

We, the undersigned officers of the _____ Credit Union, certify that our Board of Directors completed the following actions:

1. At a meeting on _____, 20__, adopted a resolution approving the merger of our credit union with _____ Credit Union (continuing credit union).
2. Not more than 30 nor less than 7 days before the date of the vote, delivered in person or mailed to every member of our credit union (a) a copy of the Notice of Special Meeting of the Members and Ballot for Merger Proposal, as approved by the National Credit Union Administration, and (b) a copy of the merger plan announced in the Notice.
3. Conducted a special meeting of the members of our credit union at the time and place announced in the Notice to consider and act upon the proposed merger.
4. At the special meeting, explained the merger proposal and any changes in federally insured status to the members present at the special meeting.
5. Conducted the membership vote at the special meeting. A majority of the members of our credit union voted to approve the merger as follows:
____ Number of total membership
____ Number of members present who voted in favor of the merger
____ Number of members present who voted against the merger
____ Number of additional written ballots in favor of the merger
____ Number of additional written ballots opposed to the merger
6. Recorded in the meeting minutes the action of the members at the special meeting.

This certification signed the _____ day of _____, 20__

Board Presiding Officer

Secretary

Instructions for NCUA 6309: Within 30 days after the effective date of the merger, the continuing credit union must complete this form and mail it to the NCUA regional director with the documents requested on the form.

Certification of Completion of Merger into _____ Credit Union

(Continuing)

We, the undersigned officers of the above-named credit union, certify to the National Credit Union Administration as follows:

1. The merger of our credit union with _____ Credit Union was completed as of _____, 20__ (date of the executed merger agreement) according to the terms and plan approved by this Board of Directors by a resolution adopted at the meeting held on _____, 20__. We previously provided a certified copy of the resolution to the National Credit Union Administration.
2. We completed all required steps for the merger and transferred the merging credit union's assets.

Attached to this certification are the following documents:

1. Financial reports for each credit union immediately before the completion of the merger.
2. A consolidated financial report for the continuing credit union immediately after the completion of the merger.
3. The charter of the merging federal credit union (if available).
4. The insurance certificate for the merging federally insured credit union (if available).
5. A copy of the executed merger agreement, Form NCUA 6304.

This certification signed the _____ day of _____, 20__.

Board Presiding Officer

Treasurer

Instructions for NCUA Forms 6311 and 6312: These probable asset/share ratio computations are required for a complete merger package. To help you with the share analysis, you can download the spreadsheets from our web site at www.ncua.gov/reference information/CU Merger Manual.

Probable Asset/Share Ratio Computation Instructions

The Probable Asset/Share Ratio (PAS) reflects the relative worth of \$1 of shares in the credit union, assuming it will be an on-going concern. The ratio is computed by dividing the net value of assets by the credit union's total shares.

ADDITIONS:

Cash is valued at book less any known potential losses.

Loans are valued at book less classified loans.

Investments are valued at book value less any known losses. However, if a long-term investment is likely to be liquidated prior to maturity, it is valued at current market value.

Fixed Assets are valued at book, except when major fixed assets are not in use or are in the process of being sold. In these instances, the asset is valued at its probable market value.

Other Assets are valued at the most realistic value to the credit union, usually not to exceed book value.

DEDUCTIONS:

Notes Payable are valued at book.

Accounts Payable are valued at book.

Other Liabilities are valued at book.

Contingent and/or Unrecorded Liabilities are valued at the most realistic known value. This item should include any unrecorded dividends not accrued for the accounting period.

Subsidiary Ledger Differences are deducted if the credit union is likely to suffer a loss due to the problem.

Other Losses includes any other known losses. Do not include deficits in undivided earnings or net losses because they have already reduced assets if properly recorded.

PROBABLE ASSET/SHARE RATIO - CONTINUING CREDIT UNION

	Book Value	Market Value
<u>ADDITIONS:</u>		
Cash		
Loans		
Investments		
Fixed Assets		
Other Assets		
Total (A)		\$0
<u>DEDUCTIONS:</u>		
Notes Payable		
Accounts Payable		
Other Recorded Liabilities		
Contingent and/or Unrecorded Liabilities		
Subsidiary Ledger Differences (Losses)		
Other Losses		
Total (B)		\$0
Net Value of Assets (A-B)		\$0
Total Shares		
Probable Asset/Share Ratio		#DIV/0!

Cell: G1

Comment: The Probable Asset/Share Ratio (PAS) reflects the relative worth of \$1 of shares in the credit union, assuming it will be an on-going concern.

Cell: A6

Comment: Cash is valued at book less any known potential losses.

Cell: A7

Comment: Loans are valued at book less classified loans.

Cell: B8

Comment: Investments are valued at book value less any known losses. However, if a long-term investment is likely to be liquidated prior to maturity, it should be valued at current market value.

Cell: B9

Comment: Fixed Assets are valued at book, except when major fixed assets are not in use or are in the process of being sold. In these instances, the asset should be valued at its probable market value.

Cell: B10

Comment: Other Assets are valued at the most realistic value to the credit union, usually not to exceed book value.

Cell: B19

Comment: Notes Payable are valued at book.

Cell: B20

Comment: Accounts Payable are valued at book.

Cell: C21

Comment: Other Liabilities are valued at book.

Cell: E22

Comment: Contingent and/or Unrecorded Liabilities are valued at the most realistic known value. This item should include any unrecorded dividends not accrued for the accounting period.

Cell: D23

Comment: Subsidiary Ledger Differences are deducted if the credit union is likely to suffer a loss due to the problem.

Cell: B24

Comment: Other Losses includes any other known losses. Do not include deficits in Undivided Earnings or net losses because they have already reduced assets if properly recorded.