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*More than you expect.*  
JUN25'07 PM 2:34 BOARD

June 21, 2007

National Credit Union Administration  
Mary Rupp, Secretary of the Board  
1775 Duke St.  
Alexandria Va. 22314-3428

Re: Merger Related Compensation

Dear NCUA Board:

I am responding to your request for comments on the Merger Related Compensation proposed regulation (Part 708b) on behalf of Sunmark Federal Credit Union.

We commend the NCUA for its efforts in attempting to regulate this area. We have experienced ourselves first hand where compensation is a factor in merger discussions. We do believe that some disclosure requirements would be a positive thing as long as they are not too onerous.

One of the issues Sunmark has with the proposed disclosure requirement is in the definition of what is a "material increase". We feel that disclosing a 15% increase in compensation (or more) is fair, but in today's world, the lesser amount of \$10,000 is not very material in most cases. We recommend just a 15% trigger for disclosure.

Also, the proposed reg. does not address the case where the merging credit union's CEO does not have an adequate pension plan (or one at all). This has come up more than once in dealing with small credit unions. The Board wants to secure such a plan for their longtime Manager in the merger process because they usually do not have the resources to do so themselves. They want to be assured that this person is taken care of under the new organization. We assume that this type of compensation would trigger a disclosure under "indirect compensation"? We don't have a problem with this but we just want to point out that these types of issues come up often in mergers with small credit unions. However, if it is not a finite amount that is agreed upon, such as the person will continue employment with the new organization and be offered a pension plan giving credit for their years service at the previous credit union, would that have to be disclosed and how would that be worded?

Also, what about the case where the management official has an employment contract with the merging credit union and the continuing credit union has agreed to honor this contract containing various forms of compensation (salary, deferred comp, etc.) after the merger, in both cases where the official leaves employment or when they stay on with the continuing credit union? There may not be an increase in compensation, just a continuance of an existing agreement. Or, there could be a buyout of the existing agreement which is not technically an increase in compensation. We have experienced this scenario as well.

One last case which may come up more and more in the future is, what about a merger of equals where the CEO of the "new", combined credit union has doubled their responsibilities? It can be misleading to members to disclose an amount that may appear to be large when in reality, it is well within the norm for the size of the new, twice as large organization. Will this make mergers of equals, which could be in the very best interest of the members harder to get passed?

My last comment on this part of the regulation is that we are not clear as to whether credit unions would be required to disclose only the amount of the "material" increase in say the salary, or would they have to disclose the person's entire salary amount? We feel strongly that only the amount of the increase would be necessary. If it is a benefit such as health insurance for life for the management person, there may not be a set amount known at that time. How would that be disclosed?

As far as the Inspection of Records is concerned, just as with our response to the companion proposed regulation on the subject of inspection, we feel that the threshold of 1% of members (with no maximum) is fair in a merger situation.

Thank you for allowing us to comment on this proposed regulation.

Sincerely,

A handwritten signature in dark ink, appearing to read "Bruce M. Beaudette". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

*Bruce M. Beaudette*