



DCU BULLETIN

Division of Credit Unions

Washington State Department of Financial Institutions

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October 2, 2003

No. B-03-10

Changes to Merger Manual

The Division of Credit Unions (Division) recently approved changes to the manual used to guide credit unions through the process of a merger with another credit union. The changes come in three areas.

First, the new guidance clarifies the content of information provided (generally on form 6305A or other form proving notice of membership meeting) to the members for their consideration in voting on the merger. As a general rule, a credit union should provide the member with a summary of the merger plan, either as part of the notice or as a separate attachment. Unless waived by the regulator, the summary of the merger plan should contain all of the following, as applicable:

1. Current, consolidated financial reports for each credit union;
2. A combined financial report;
3. An analysis of share values, and proposed share adjustment, if any;
4. An explanation of changes relative to insurance of members accounts, if any;
5. The reason for the merger;
6. The name and location (including branches) of the continuing credit union, and what branches and offices of the merging credit union are expected to be open after the merger;
7. An explanation of the organization of the board of directors and committees of the continuing credit union and whether any of the board of directors of the merging credit union will be appointed to the continuing credit union board of directors;
8. An explanation of any new or expanded products and services that may be made available to the members, and any services or products expected to be discontinued to the merging credit union members as a result of the merger;
9. An explanation of any contracts or agreements relating to any senior management officials of the merging credit union (by employee class only without identification of individuals);
10. An explanation of any compensation or benefits (such as incentive plans, retirement plans, or severance benefits) offered to any employees of the merging credit union and state the amounts (by employee class only without identification of individuals);

11. An itemized estimate of the cost of the merger, and
12. Such other information, including any special merger terms, if the board of directors of either the merging or continuing credit union determines the information should be included in the membership notice, or if required by applicable regulatory authority.

Second, the guidance clarifies that the membership vote is taken only after the Division and the National Credit Union Administration give regulatory approval for the merger. The Division wants the continuing credit union to have time to consider the impact of any regulatory conditions contained in the merger approval, before the membership vote is called. In addition, the Division wants to review the language of the notice of special meeting of the members on the merger proposal and the membership voting ballot before these are sent to the members.

Finally, the Division expects management of a “merging” state chartered credit union will contact the Division at least five business days prior to the Board of Directors’ vote on the merger. A Division representative may attend the board meeting in which the vote will be held.

Questions about these changes may be directed to Doug Lacy-Roberts at 360-902-0507 or Mike Delimont at 360-902-8753.