

CREDIT UNION MERGER MANUAL



Division of Credit Unions

Post Office Box 41200
Olympia, WA 98504-1200
(360) 902-8701
Email: DCU@dfi.wa.gov

November 2020

CREDIT UNION MERGER MANUAL

TABLE OF CONTENTS

Section	Page
Introduction	3
Fiduciary duties of boards	3
Merger plan	3
Major steps to a merger	4
Applicable Washington and federal statutes and rules	4
• State of Washington	4
• Federal – Federal Credit Union Act	4
• Federal – Hart Scott Rodino Act (HSRA)	4
Submitting a merger application to the Division and NCUA	5
New NCUA Requirements Regarding Member to Member Communications and Disclosure Requirements	5
Accounting for the acquisition method for mergers	6
Due Diligence Review	9
Merger forms information	9
Membership approval	10
Completion of merger	10
Division contact	11
Forms	
NCUA form 6301, Merger Application Checklist (slightly revised)	11
NCUA form 6305A, Notice of Special Meeting of the Members on Proposal to Merge	14
NCUA form 6306A, Ballot for Merger Proposal	16
NCUA form 6308A, Certification of Vote on Merger Proposal	17
NCUA form 6309, Certification of Completion of Merger	19
NCUA form 6304, Merger Agreement	20
DCU form WCU 3a, Certificate of Financial Statements (Merging)	22
DCU form WCU 3b, Certificate of Financial Statements (Continuing)	23
DCU form WCU 4, Merger Resolution (Continuing)	24
DCU form WCU 4a, Merger Resolution (merging)	25
Articles of Merger	26
DCU Bulletin B-98-13, Effective Date of Credit Union Mergers	28
Sample Notice to Creditors	30
Sample Affidavit from newspaper	31
Sample Balance Sheet for Fair Value Accounting	32

CREDIT UNION MERGER MANUAL

Introduction

This Merger Manual applies to mergers where a Washington State-chartered credit union (Washington credit union) is the survivor in the merger. This manual applies when:

- A Washington credit union is merging into another Washington credit union; or
- A federal, out-of-state or foreign credit union is merging into a Washington credit union, and the Washington credit union is the continuing credit union.

The surviving credit union is referred to as the continuing credit union, and the credit union that does not continue is referred to as the merging credit union.

Note: Most parts of this merger manual are also applicable for those circumstances when the merging credit union is a Washington state charter and the continuing credit union is not a Washington State chartered credit union.

Please be aware, if the merging credit union is a federal, foreign or out-of-state credit union, other requirements or restrictions may apply. Individual merger circumstances may necessitate additional requirements that must be fulfilled.

Fiduciary Duties of Boards

The board of directors of each credit union contemplating a merger should carefully consider all material aspects of the merger, including both the positive and negative effects that the merger could have on the members of the credit union. Before the merger is completed, the boards should assure themselves that their credit union has done an adequate due diligence of the other credit union. A simple majority of the board members for a “merging” Washington state chartered credit union must approve the merger plan. The Division of Credit Unions expects that 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 (RCW 31.12.633).

Merger Plan

Credit unions should consult counsel before entering into a merger agreement. The credit unions should reach an understanding as to all material aspects of the merger. The two credit unions should enter into a signed merger plan, which specifically details the important agreed upon terms of the merger, such as how the employees and management of the merging credit union will be treated (i.e. retirement benefits, annual and sick leave carryover, medical coverage, and salary). It should also address the merging credit union’s offices/branches and what are the surviving credit union’s plans for these offices or branches. The merger plan should be signed by both the managing officer and board chair for each credit union. We discourage credit unions from using the NCUA Merger Agreement (NCUA form 6304) for this purpose because, by its terms, the form should not be signed until the merger has been completed. However, the WA Secretary of State’s Office will require this “Merger Agreement” document at the time of filing.

Major Steps to a Merger

The major steps to merge credit unions are as follows (not necessarily in this exact order):

- The boards adopt a merger plan.
- The continuing credit union determines whether filing under the federal Hart-Scott-Rodino Act (HSRA) is necessary. If the merger is subject to the HSRA requirements, the continuing credit union files pre-merger notification with the Federal Trade Commission.
- The continuing credit union performs a due diligence review sufficient to assure themselves it is aware of all the potential pitfalls and the operational and financial concerns of the merging credit union.
- The continuing credit union performs a fair value estimate review of the likely balance sheet and financial ratios, if the merger is consummated.
- The continuing credit union submits a Merger Application to, and obtains approval from, the Division of Credit Unions.
- The continuing credit union submits a Merger Application to, and obtains approval from the NCUA Western Region.
- The credit unions notify their bonding companies of the proposed merger.
- The merging credit union obtains membership approval for the proposed merger.
- The credit unions submit DCU forms WCU 4 and WCU 4a, Merger Resolutions from the boards of each credit union.
- The credit unions file Articles of Merger with the Division, which, in turn, DCU files them with the Secretary of State, giving effect to the merger.
- The credit unions sign and submit the Merger Agreement (NCUA form 6304) to DCU and the NCUA Western Region.
- The credit unions submit final reports to DCU and the NCUA Western Region.
- The NCUA cancels the charter of the disappearing credit union, if federally chartered.
- The continuing credit union files the Certificate of Completion of Merger (Form 6309) with the NCUA Western Region.

Applicable Washington and Federal Statutes and Rules

State of Washington. Credit unions intending to merge must comply with:

- RCW 31.12.461, if both credit unions are Washington credit unions;
- RCW 31.12.464, if the merging credit union is Washington state chartered and the continuing credit union is federal, out-of-state or foreign credit union; or
- RCW 31.12.467, if a federal, out-of-state or foreign credit union is merging into a Washington credit union and the Washington credit union is the survivor.

Federal – Federal Credit Union Act. The credit unions must also comply with 12 C.F.R. 741.208 and 12 C.F.R. Part 708b, Subpart A.

Federal – Hart Scott Rodino Act. In addition, the merger may be subject to the federal Hart-Scott-Rodino Act (HSRA). The HSRA requires credit unions to file a pre-merger notification and pay a substantial filing fee (upwards of \$45,000) with the Federal Trade Commission at least 30 days prior

to the merger. 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.

The credit unions bear the responsibility to determine whether filing under the HSRA is required. We will assume the HSRA applies if:

1. The disappearing credit union has more than \$376 million in assets; or
2. a. The disappearing credit union has at least \$94 million in assets, but no more than \$376 million; and
b. The continuing credit union has at least \$188 million in assets (before the merger).

Asset figures should be based on the most recent month-end balance sheets of the credit unions, and should be adjusted for HSRA reporting purposes.

If either of these circumstances exist, or if we notify you that we have other reasons to believe that the merger is subject to the HSRA:

- We will assume the Act applies, unless the continuing credit union provides a legal opinion that it does not; and
- If the credit union does not provide such an opinion, the credit union must provide written representation that it has complied with the HSRA and provide the date that the waiting period under the HSRA expires.

The Articles of Merger will not be filed and the merger will not be legally effective until any applicable HSRA waiting period has expired.

Submitting a Merger Application to the Division and NCUA

After both the board of directors have approved the merger plan, the continuing credit union will submit a merger application to the Division. The merger application should include the items and information listed in the attached Merger Application Checklist.

The merger application should be sent to the NCUA Western Region at the same time it is sent to the Division.

For the credit unions to obtain approval from the Division or NCUA, an on-site examination may be required by the Division or the NCUA. Therefore, credit unions should allow at least 60 days after filing the merger application to obtain Division and NCUA approvals. More time may be needed if an examination requires corrective actions prior to the merger.

The Division will be in contact with the NCUA. If an examination is required, the Division will call the credit union's contact person.

New NCUA Requirements Regarding Member-to-Member Communications and Disclosure Requirements

Major changes to the NCUA Rules and Regulations (12 CFR 708) regarding member disclosures and member-to-member communications became effective on October 1, 2018. These

requirements affect federally insured state chartered credit unions. The following are the key changes that went into effect:

1. Member to Member (MTM) Communication Process – Each federally insured credit union is required to state in its member notice the availability of a NCUA website where members of the merging credit union can share comments and/or questions with each other about the proposed merger. The NCUA Office of Credit Union Resources (CURE) will monitor this website and review the submitted communications to ensure they are appropriate for posting. Additionally, the member notice must meet the following requirements:

- ✓ The content of the member notice must be approved by the Division of Credit Unions (DCU requirement);
- ✓ The member notice must be e-mailed to CURE at least 15 days before sending the notice to the members;
- ✓ The member notice must disclose certain merger related financial arrangements for covered persons;
- ✓ The member notice must include a credit union specific web address where members can find how and where to submit comments pertaining to the merger; and
- ✓ The member notice must be received by the member at least 45, but no more than 90, days before the membership vote meeting date.

The later requirement may require the credit union to amend its bylaws (45 to 90 day requirement).

2. Other Important Changes to the NCUA Merger Regulatory Requirements – The following are other NCUA merger requirement changes:

- Requirement that the merging and continuing credit unions must submit any board minutes to the NCUA that reference the merger during the 24 months prior to the boards of directors of the credit unions approving the merger plan.
- Requirement that the merging and continuing credit unions certify (board presiding officer and CEO) that there are no other merger-related financial arrangements other than those disclosed in the member notice; and
- Elimination of the NCUA's Merger Manual since all associated forms are incorporated in the Rule.

For more information on the NCUA merger disclosure and MTM related topics, see NCUA Letter to Credit Unions 18-CU-03. For NCUA related merger questions other than MTM related questions, please contact the NCUA Western Region at WesternDOSMail@ncua.gov and (602) 302-6000.

The following is the contact information for CURE – CUREMail@ncua.gov and (703) 518-6610.

Accounting for the Acquisition Method for Mergers

At the end of 2008, credit unions were required by Generally Accepted Accounting Principles (GAAP) to begin using the acquisition method of accounting for mergers, instead of the pooling

method. The acquisition (fair value, or business combination) method requires a fair value analysis of the merging credit union's balance sheet. This monumental change significantly increased the amount of work that goes into merger accounting.

It is not the intent of the Division to educate credit unions about the specifics of fair value merger accounting, but to outline the Division's expectations for merger accounting. This is a complex topic and the advice of professionals in the field of merger accounting is expected.

What is the Importance of an Accurate Merged Credit Union Balance Sheet Prior to Performing a Fair Value Evaluation?

The most important step in merger accounting is to ensure that the merging credit union's balance sheet accurately depicts the values of its assets, liabilities and equity prior to the fair value valuation. Why is this so important? Quite simply, more accurate beginning balance sheet account balances will reduce the fair value adjustments that are necessary. This will in turn result in more consistent and accurate accounting going forward. In addition, the difference between the equity (net worth/retained earnings) prior to the fair value evaluation and after the fair value evaluation will, in general, be smaller. This is important because the merged credit union's retained earnings prior to the fair value adjustments are counted for PCA net worth purposes. Accurately reflecting the merging credit union's retained earnings (net worth) prior to the fair value adjustments is critical. For example, all credit risk in the merging credit union's loan portfolio should be accurately represented in the Allowance for Loan and Lease Losses account. In addition, all the liabilities for payouts for lease or contract termination and employee payments must be booked.

Is There a Credit Union Size under Which a CPA need not perform the Fair Valuation Work?

Often the relative size of the merging credit union's assets will be small (less than 5% of the assets of the acquiring credit union) and may not be material to the asset size of the continuing credit union. When this is the case, the Division would accept the continuing credit union performing the fair value assessment.

The Division's expectation is that the complexity level of the fair value assessment will be based on the comparable size of the merger transaction credit unions and the apparent need for write-downs on the merging credit union's balance sheet. Please consult with your CPA, the Division, and NCUA representatives for guidance on the complexity level of the fair value assessment.

Must the Fair Value Estimates and External Audits be Independent?

We consider it unethical for a credit union's outside auditor (CPA) to perform the fair value evaluation, including any consulting work regarding the fair value estimates. This is because the continuing credit union's outside auditor will review and analyze the fair value adjustments going forward. It is important the external auditor maintain independence and not review its own valuation work. This level of independence is expected even if the annual audit is not an opinion audit. If we find such a conflict, remedies may include requiring the work to be redone by an independent firm or a change in your audit firm.

The Division recommends that you contact other Washington state chartered credit unions who have completed mergers regarding their experiences in performing merger accounting and their experiences with companies or individuals who have performed the fair value evaluations.

Must there be an Independent Audit of Ongoing Accounting Entries?

In the event the annual audit is not an opinion audit, the agreed upon procedures audit must include from the merger date forward an evaluation of the accounting for the merger and any appropriate entries to adjust the value of specific accounts.

What Fair Value Estimate Documentation Must Be Submitted With the Application and When Must it be Submitted?

In the list of forms is an example of fair value estimate summary spreadsheets that are acceptable to the Division.

The Division's timeframes and requirements for submitting fair value estimates are as follows:

- The initial fair value estimates are required as part of the original merger application package; and
- Updated fair value estimates must be submitted no less than two weeks prior to the merger effective date. This estimate should include the following:
 - specific debits and credit entries made to record all pre-merger position transaction for the acquired credit union (e.g. loan write-downs, staff payouts, contract termination liabilities);
 - appraisals of all the merging credit union's owned main and branch office buildings, as well as any significant non-OREO real estate holdings;
 - estimate of the fair value of the acquired credit union;
 - assumptions for how the fair value estimates were derived;
 - all fair value adjustments with assumptions to assets or liabilities; and
 - estimated net worth of the acquiring credit union.
- Within four weeks after the merger effective date, submit all the final fair value adjustments and the scheduled accounting entries to amortize the loan adjustments, core deposit intangible, etc. This documentation should include the final assumptions and copies of **all supporting documentation that has been modified** from the original estimate.

Note: Division representatives will review the fair value adjustments for consistency and reasonableness, and make recommendations for changes, if deemed appropriate. The Division's goal is to provide consistency in the merger accounting process and to help ensure that the acquisition method of accounting that is performed meets regulatory guidance and expectations.

5300 Call Report Entries

Division representatives will contact credit union representatives after receipt of the submitted final fair value adjustments to go over the correct 5300 Call Report entries.

Are the NCUA's Requirements for Merger Accounting Different from the Division's Requirements?

In general, both the Division and NCUA's merger accounting requirements are the same. The two agencies work closely with each other while processing merger applications. However, NCUA representatives may differ from Division representatives in how they analyze mergers and in the conclusions they draw.

Due Diligence Review

The management of the continuing credit union is required to have a due diligence review performed on the merging credit union's operations and to perform an evaluation of the merging credit union's financial condition. A due diligence review is a comprehensive in-depth review of the merging credit union's operations, which includes an analysis of how the continuing credit unions operations and financial condition will be affected by the merger. The Division of Credit Unions may waive this requirement. The due diligence review will be performed prior to the merger date. The complexity of the due diligence review will be dependent upon many factors, such as the current financial condition of the merging credit union, the complexity of the merging credit union's balance sheet, notable problems stated in recent NCUA or Division exam reports or material conditions or problems listed in an audit report. In addition, the presence of contingent liabilities would warrant additional review. At a minimum, the due diligence review should include a review of the credit union's operations, loan portfolio, investments, accounting system and financial records. The loan review must satisfactorily review the problem and collection loan area, as well as whether the Allowance for Loan and Lease Losses account is adequately funded.

Merger forms information

NCUA has a comprehensive Credit Union Merger Manual that is very helpful in planning the work needed to complete a merger in a timely manner. The Manual includes necessary forms. However, please be aware that most of the substantive and procedural requirements in the Manual do not apply where a state-chartered credit union is the continuing credit union.

Credit unions can access the [NCUA Credit Union Merger Resources website page](#) for federal merger information or they can contact the NCUA Western Region at:

National Credit Union Administration Western Region
1230 W. Washington Street, Suite 301
Tempe, AZ 85281
(602) 302-6024
WESTERNDOSMail@ncua.gov

The Division will accept NCUA merger forms, assuming they are completed and tailored appropriately to reflect that the continuing credit union is state-chartered, etc. We have referenced NCUA form numbers where applicable in the attached Checklist. **If you wish to substantively**

revise the NCUA forms, or create your own merger forms, you will need prior approval from the Division and the NCUA.

Membership Approval

The disappearing credit union must receive membership approval of the merger. The credit union may take the merger proposal to a vote of its members after receiving the Division and NCUA's approval of the merger.

A disappearing Washington credit union may take the merger proposal to its members at a regular or special meeting of members. Typically, the vote is taken at a special meeting. The credit union must comply with applicable statutory and bylaw provisions in notifying members of the meeting. For example, see RCW 31.12.195 concerning notice of special meetings. Members of the credit union should be given the opportunity to vote by mail ballot, and to vote in-person at the special membership meeting. Additionally, it is recommended that the members be able to vote by dropping off at ballot at the merging credit union prior to the special membership meeting. The merger proposal must be approved by a majority vote of the members of the disappearing credit union who vote on the proposal. In addition to other requirements, the merger proposal that is given to membership must include the following:

- Disclose what branches and offices of the merging credit union will remain open after the merger;
- Disclose whether any employees will lose their positions because of the merger;
- Disclose any discontinuance of services or products that will occur to the merging credit union's membership as a result of the merger;
- Disclose any compensation, retirement or severance benefits that will be paid to senior management as a result of the merger and state the amounts; and
- Disclose all other merger terms that could be viewed as adverse by a credit union member.

If the disappearing credit union is a federal, foreign or out-of-state credit union, other requirements or restrictions may apply.

If the merging credit union is state chartered and would like to invoke the Federal Power Parity Provision of the RCW regarding the membership vote on the merger, the merging credit union must state this in the merger application. The merging credit union will not be allowed to invoke Federal Power Parity for its membership vote after regulatory approve is given. The merger application must state that the merging credit union will follow all the federal guidelines when conducting the membership vote on the merger. Credit unions should be aware that the Director of Credit Unions has final authority to interpret and apply RCW 31.12.404(3), "restrictions, limitations, and requirements" as it may apply to specific powers exercised by a credit union.

Completion of merger

When the credit unions have obtained written approvals from both the Division and the NCUA, and the required approval from the membership, and all regulatory waiting periods have expired (such as the 30 day pre-merger filing under the Hart Scott Rodino Act, if applicable), the merger may be completed. The merger is completed on the date that the Division files the Articles of Merger with

the Secretary of State or on a subsequent date indicated in the Articles but no later than 90 days after the filing.

Division contact

For information on merger applications, please call or write to:

Division of Credit Unions
Post Office Box 41200
Olympia, WA 98504-1200
(360) 902-8701
Email: DCU@dfi.wa.gov

NCUA Form 6301

Merger Checklist

Except to the extent noted, the continuing credit union should submit each item to both the Division and the NCUA Western Region:

1. The application cover letter, addressing:
 - A detailed explanation of the reason for the merger.
 - One primary contact person at each credit union, with mailing address, e-mail address, and phone number.
 - Designation of the continuing credit union and location of its main office after the merger.
 - What new services and products will the merging credit union's members have access to after the merger?
 - Are there any branch offices, products and services that the merging credit union's members will not have access to after the merger? If so, how will the continuing credit union discontinue these products or services, and/or a branch office?
 - The continuing credit union's plans for the disappearing credit union's office(s).
 - Which board members (if any) will be added to the continuing credit union's board?
 - Whether the merging credit union has an executive contract or agreements that will require a payout to an existing manager or senior staff member. This would include retirement benefits.

- What employment arrangements (if any) will be provided to employees of the disappearing credit union, including the manager and senior management employees?
 - Any capital rebate to be paid to members and the remaining net worth amount.
 - Explanation of any proposed share adjustment or justification for no share adjustment.
 - Explanation of any provisions for reserves, undivided earnings, or dividends.
 - Proposed effective date of the merger.
 - Explanation of any changes to insurance, such as life savings and insurance of member accounts.
2. If the merger exceeds the HSRA thresholds, a legal opinion satisfactory to the Division that the HSRA does not apply, or a copy of the Federal Trade Commission pre-merger notification and a statement representing the date that the HSRA waiting period expires.
 3. If the disappearing credit union is federally chartered, a copy of its latest NCUA exam report.
 4. Copy of the notice to the bonding companies as to the proposed merger.
 5. Copy of the required notice to creditors, and any provision for paying creditors outside the normal course of business.
 6. Current financial statements for each credit union.
 7. Current delinquent loan summary for each credit union.
 8. Combined Statement of Financial Condition following fair value accounting using the format provided under Forms.
 9. Submit the initial fair value estimates at the time of the application.
 10. An analysis of members common to both credit unions whose combined balances may be over the insured (\$250,000) maximum.
 11. Copies of the field of membership of each credit union.
 12. DCU forms WCU 4 and WCU 4a, Merger Resolution of the Board of Directors of each credit union.
 13. NCUA form 6305A, Notice of Special Meeting of the Members on Proposal to Merge. Credit unions must be careful to adequately disclose all relevant aspects of the merger. For example, if the continuing credit union has agreed to an employment or consulting agreement for the manager of the disappearing credit union, the relevant details of the agreement should be disclosed.
 14. NCUA form 6306A, Ballot for Merger Proposal.

15. NCUA form 6308A, Certification of Vote on Merger Proposal.
16. NCUA form 6304, Merger Agreement. (Two original signed copies)

ITEMS TO BE COMPLETED AFTER INITIAL APPLICATION PLAN IS RECEIVED

17. With the updated fair value estimates that are submitted two weeks prior to the merger date, include the assumptions for how the fair value estimates were derived, the valuation of the loan and investment portfolios, USPAP appraisals of the merging credit union's owned real estate properties, a calculation of the core deposit intangible value, the estimated net worth of the acquiring credit union post-merger, the specific debits and credit entries made to record all the pre-merger position transactions for the acquired credit union (e.g. loan write-downs, contract termination liabilities, etc.).
18. An affidavit from the newspaper or certification that creditors were provided notice for three consecutive weeks as required by RCW 31.12.461(3).
19. DCU form, Articles of Merger (two original signed copies).
20. NCUA form 6309, Certification of the Completion of the Merger.
21. Copy of the notice to the bonding company or bonding companies of the effective date of the merger.
22. Submit the final fair value adjustments and the proposed accounting entries to amortize the loan adjustments, the core deposit intangible, etc. within four weeks after the merger effective date. This documentation should include the final assumptions relating to the fair value entries.

NCUA Form 6305A

Instructions for NCUA 6305A (revised for state chartered credit unions): If the merging credit union is a Washington state chartered credit union, then not less than 30 days or a reasonable time period as may be provided by the credit union's bylaws before the date of the vote, the merging 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. The merging credit union should conduct the membership vote only after the Division of Credit Unions approves the proposed merger. If the merging credit union is a federally chartered credit union, then different instructions may apply.

* * * * *

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 to be held 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:

Other factors for member consideration include:

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 at least a majority vote of the 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

NCUA 6305A – pg. 2 of 2

NCUA Form 6306A

Instructions for NCUA 6306A (revised for state chartered credit unions): If the merging credit union is a Washington state chartered credit union, then not more than 30 nor less than 20 days before the date of the vote, the merging 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. The merging credit union should conduct the membership vote only after the Division of Credit Unions approves the proposed merger. If the merging credit union is a federally chartered credit union, different instructions may apply.

* * * * *

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 and understand the Notice of Special Meeting for the members of the _____ 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: _____

NCUA Form 6308A

Instructions for NCUA 6308A (revised for state chartered credit unions): If the merging credit union is a Washington State chartered credit union then within 10 days after the membership vote, the merging credit union must complete this form and mail it to the Division of Credit Unions.

* * * * *

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 20 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 Division of Credit Unions, 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

NCUA Form 6309

Instructions for NCUA 6309: Within 30 days following 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. Additionally, a copy must be sent to the Division of Credit Unions.

* * * * *

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

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_____.

DCU Form WCU 3a

Certificate of Financial Statements

(merging credit union)

(as of date)

STATE OF WASHINGTON)
)
)
)
)
COUNTY OF _____)

We, the undersigned, each for themselves, do hereby certify that:

1. The attached financial statements are a true statement of the condition of the credit union named;

2. All the assets and liabilities are shown under their proper designation;

Said credit union has no liabilities of any character, disclosed or undisclosed, not shown on this statement;

DATED _____, 20_____

President/CEO and/or Board Chair

DCU Form WCU 3b
Certificate Of Financial Statements

(continuing credit union)

(as of date)

STATE OF WASHINGTON)
)
)
)
)
COUNTY OF _____)

We, the undersigned, each for themselves, do hereby certify that:

1. The attached financial statements are a true statement of the condition of the credit union named; and,

2. All the assets and liabilities are shown under their proper designation.

DATED _____, 20_____

President/CEO and/or Board Chair

DCU Form WCU 4

Merger Resolution of the Board of Directors

_____ **Credit Union**
(Continuing)

Resolution

The Board of Directors of the above-named credit union (*Continuing Credit Union*) believes that the Continuing Credit Union should merge with

_____ Credit Union (*Merging Credit Union*). The Continuing Credit Union will assume the Merging Credit Union's shares and liabilities. The Merging Credit Union will transfer to the Continuing Credit Union all of its assets, rights, and property. All members of the Merging Credit Union will receive shares or deposits (as appropriate) in the Continuing Credit Union, which will stay in business under its present charter.

The Board Presiding Officer and Secretary of the Continuing Credit Union are authorized to:

- Seek approval of the merger by the Division of Credit Unions (DCU) and the National Credit Union Administration (NCUA)
- Execute and deliver the merger agreement
- Execute all agreements and other papers required to complete the merger

Certification

We certify to the DCU and 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 the Continuing Credit Union at a meeting duly 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

DCU Form WCU 4a

Merger Resolution of the Board of Directors

_____ **Credit Union**
(Merging)

Resolution

The Board of Directors of the above-named credit union (*Merging Credit Union*) believes that the Merging Credit Union should merge with

_____ Credit Union (*Continuing Credit Union*). The Continuing Credit Union will assume the Merging Credit Union's shares and liabilities. The Merging Credit Union will transfer to the Continuing Credit Union all of its assets, rights, and property. All members of the Merging Credit Union will receive shares or deposits (as appropriate) in the Continuing Credit Union, which will stay in business under its present charter.

The Board Presiding Officer and Secretary of the Merging Credit Union are authorized to:

- Seek approval of the merger by the Division of Credit Unions (DCU) and the National Credit Union Administration (NCUA)
- Execute and deliver the merger agreement
- Execute all agreements and other papers required to complete the merger

Certification

We certify to the DCU and 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 the Continuing Credit Union at a meeting duly 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

Articles of Merger of a State or Federal Credit Union into a Washington State-chartered Credit Union

Submit two originals

UBI # of Merging Credit Union (if applicable)

Phone # of *Merging* Credit Union

To Credit Unions: Please type or print in black ink.

To Secretary of State: If item 2A below is checked, please remove the Merging Credit Union from the active list and place it on the inactive list.

1. These Articles of Merger concern the merger of _____
(*Merging* Credit Union)
into _____ (*Continuing* Credit Union).

2. The ***Merging*** Credit Union is [*check one*]:

_____ A. Operating under Chapter 31.12 RCW;

_____ B. Operating under the Federal Credit Union Act; or

_____ C. Operating under the law of the State of _____.

3. The ***Continuing*** Credit Union is operating under Chapter 31.12 RCW and its

UBI # is: _____

4. The boards of directors and members of the Merging Credit Union and Continuing Credit Union have given all required approvals of the merger, in accordance with applicable law.

5. The merger has received all necessary regulatory approvals and all applicable regulatory waiting periods have expired.

Articles of Merger



DCU BULLETIN

Division of Credit Unions

Washington State Department of Financial Institutions

Phone: (360) 902-8701

FAX: (360) 704-6901

August 17, 1998

No. B-98-13

Effective Date of Credit Union Mergers

Overview

If the surviving credit union in a merger is a Washington State-chartered credit union, when does the merger become legally effective? The Washington State Credit Union Act (Credit Union Act)

is unclear on this point.

The effective date can impact whether another Division assessment is due and other significant matters. We believe that there would be value in providing more certainty for credit unions on the effective date of mergers.

Analysis

The Credit Union Act addresses certain aspects of mergers. RCW 31.12.461, .464(4), 467(3). However, the CU Act does not specify when a credit union merger becomes effective.

The NCUA form Merger Agreement (NCUA 6304) – that most credit unions use – provides that the merger will be effective on the date entered on the first line of the Agreement. The instructions on the second page of the form direct credit unions not to fill in the date or sign the Agreement until the merger is completed.

In analyzing this issue, we reviewed the parallel provisions under the Washington Business Corporation Act. The Business Corporation Act provides that a merger becomes effective when articles of merger are filed with the Washington Secretary of State, or at a later date as specified in the articles (not to exceed 90 days). RCW 23B.11.050, 23B.01.230. The rationale appears to be that the merger takes effect on the date provided in the public record maintained by the Secretary of State. In the credit union context, credit unions do not file articles of merger, but do file the signed merger agreement with the Secretary of State (through the Division).

Conclusion

In the absence of direction in the Credit Union Act, the Division has determined to adopt the rationale of the Business Corporation Act – that mergers become effective as provided in the public record maintained by the Secretary of State. Accordingly, credit union mergers will become legally effective on the date the Division files the merger agreement with the Secretary of State, or a later date as specified in the agreement itself (not to exceed 90 days).

Coordination with the Division

The credit union submitting the merger agreement to the Division should contact the Division prior to submission to coordinate the date inserted by the credit union in the first line of the agreement. The date should be the future date that the merging credit unions want the merger to take legal effect – either the date the Division will file the merger agreement with the Secretary of State, or a later date (not to exceed 90 days). The credit union should make sure that the merger agreement is received by the Division at least 5 business days before the date that the Division intends to file the agreement with the Secretary of State.

Merger of books

We have observed that in many cases the books of the credit unions are merged **before** the credit unions have submitted their signed merger agreement to the Division for filing with the Secretary of State. In the future, credit unions may merge their books **no sooner** than the legal effective date of the merger.

NOTICE TO CREDITORS

NOTICE OF MERGER FOR CREDIT UNION

The (*Merging*) Credit Union is merging into the (*Continuing*) Credit Union. Any creditor of (*Merging*) Credit Union must notify (*Continuing*) Credit Union of its claim. Notice shall be in writing and shall state the name and address of the creditor, the amount of the claim, and the circumstances under which the claim arose. The notice shall be sent to the following address:

(*Continuing*) Credit Union
PO Box _____
_____, WA 99000

Any claim not so made within 30 days of the last date of publication of this notice may be barred and the debt extinguished under RCW 31.12.461.

Dated this _____ day of
_____, 20_____

AFFIDAVIT OF PUBLICATION

IN THE MATTER NOTICE OF PUBLICATION
Notice to Creditors NOTICE OF
3-15-129

STATE OF WASHINGTON } SS. *Sample*
COUNTY OF COWLITZ }

CAROL MACIELEWICZ being duly sworn says
that he/she is the CHIEF CLERK of the

THE DAILY NEWS

And that The Daily News, published in Cowlitz County, has been approved as a Legal Newspaper by order of the Superior Court of the State of Washington of Cowlitz County, and Annexed printed copy is a true copy of the NOTICE

in the above entitled matter as it was printed in the regular entire issue of said paper for a period of THREE INSERTIONS

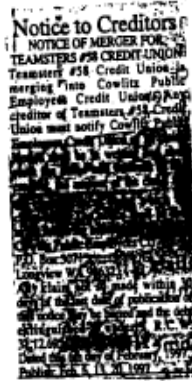
commencing on the 06 day of FEBRUARY, 19 97 and ending on the 20 day of FEBRUARY, 19 97, and that said newspaper was regularly distributed to its subscribers during all of said period, and that said NOTICE

was published in said newspaper and not in a supplement form. That the full amount of the fee charged for said foregoing publication is the sum of \$ 57.25 which amount has been paid in full at the rate of \$ 1.8 per inch for the first insertion and \$ 7.36 per inch for each subsequent insertion.

Carol Macielewicz

Subscribed and sworn to before me this 21 day of FEBRUARY, 19 97

Margaret Whitricht
MARGARET WHITRICHT



↑
see page
2, 124
border

Balance Sheet for Fair Value Accounting
Example of XYZ CU Into ABC CU - Fair Value Entries
30-Sep-10

	9/30/2010		Pro Forma	Eliminate	Final
	Final Orig.	FMV	Adjusted	Negative	Pro Forma
	Amount	Discount	Amount	Goodwill	Adjusted
					Amount
Assets					
Net Loans Receivable	5,292,840	319,217	4,973,623	0	4,973,623
ALLL Balance	33,876	33,876	0	0	0
Net Loans	5,258,964	285,341	4,973,623	0	4,973,623
Investment Securities	7,886,403	0	7,886,403	0	7,886,403
Cash & Working Funds	162,612	0	162,612	0	162,612
Land & Building	1,036,522	38,478	1,075,000	0	1,075,000
Other Fixed Assets	29,446	0	29,446	0	29,446
Goodwill	0	79,214	79,214	79,214	0
Core Deposit Intangible	0	380,348	380,348	0	380,348
All Other Assets	<u>133,121</u>	<u>0</u>	<u>133,121</u>	<u>0</u>	<u>133,121</u>
Total Assets	14,507,068	54,271	14,561,339	79,214	14,640,553
Liabilities					
Accounts Payable	136,070	0	136,070	0	136,070
All Other Liabilities	550	0	550	0	550
Member Shares	<u>12,812,909</u>	<u>0</u>	<u>12,812,909</u>	<u>0</u>	<u>12,812,909</u>
Total Liabilities	12,949,529	0	12,949,529	0	12,949,529
Total Equity	1,557,539	54,271	1,611,810	79,214	1,691,024
Total Liabilities & Equity	14,507,068	54,271	14,561,339	79,214	14,640,553
CPA Determined Entity Val:	1,611,810				
Bargain Purchase Calc.:	79,214				
Calculated Goodwill	0				