

(Attachment 1)

Minimum Merger Application Contents

Introduction Section – The merger package should contain an executive summary of the merger proposal highlighting key components of the regulatory merger application. The executive summary should address:

- The business case supporting the reason(s) for the proposed merger;
- An evaluation of the economic impact;
- Member benefit(s);
- Strategic positioning of the combined institutions; and
- Any opportunities for gains in efficiency.

This section should also include the merger package checklist (Attachment 2) that will serve as a Table of Contents for the merger application, as well as, a guide to comply with applicable regulatory and additional requirements.

Regulatory Requirements Section – This section should include documentation addressing the requirements of NCUA Rules and Regulations 708b.103 and NCUA Rules and Regulations 708b.104.

Financial information required under NCUA Rules and Regulations 708b.103 must be current in relation to merger application preparation and include:

- Current financial statements (stand-alone and combined);
- Capital ratios (stand-alone and combined);
- NEV, NEV ratio, and NEV volatility ratio (stand-alone and combined). This documentation and analysis is in lieu of the required PAS calculation in the Credit Union Merger and Conversion Manual;
- Current year budget and five-year projections for the continuing credit union; and
- Capital & earnings scenario analysis best case, growth, and decline for the continuing credit union.

Information required under NCUA Rules and Regulations 708b.104 must include a signed merger plan and agreement (legal document) by which both parties will abide. Generally this legal document will address items such as the following:

- The Merger Effective Date;
- Surviving Charter and Bylaws;
- Continuing Directors and Governance;
- Continuing Supervisory, Executive, Asset-Liability, Nominating, and Credit Committees;
- Continuing Corporate Officers;
- Staffing disposition;
- Conversion of Membership Interests;
- Conversion of Capital;
- Continuation of Benefit Plans of Merging and Continuing Credit Unions;

- Surviving Corporate Office Locations;
- Merging Credit Union Corporate Actions;
- Continuing Credit Union Corporate Actions;
- Representation and Warranties;
- Organization;
- Membership;
- Undisclosed Liabilities;
- Absence of Material Adverse Change;
- Loss Reserves;
- Tax Matters;
- Employee Benefit Matters;
- Environmental Matters;
- Intellectual Property Matters;
- Labor Matters;
- Notices and Consents;
- Interim Conduct of the Parties;
- Preservation of Organization;
- Full Access;
- Notice of Developments;
- Acquisition Proposals;
- Indemnification;
- Public Announcements;
- Preservation of Programs and Agreements;
- Defense of Orders and Injunctions;
- Conditions to the Obligations of Each Party;
- Termination;
- Remedies;
- Successors and Assigns;
- Entire Agreement;
- Submission to Jurisdiction; and
- Governing Law.

This section should also include documentation supporting review of the notification and reporting requirements of the Hart Scott Rodino Antitrust Improvement Act (HSRAIA). Supporting HSRAIA documentation should include a legal opinion addressing whether the proposed merger is reportable to the Federal Trade Commission or the Antitrust Division of the Department of Justice. The legal opinion document should also be updated, as the transaction value determination must be made within 60 calendar days prior to filing the pre-merger notification required by the Act; or, if such pre-merger notification is not required, within 60 days prior to the merger.

Supplemental Items Section – This section should contain any additional items required by the Credit Union Merger and Conversion Manual, not specifically required

by NCUA Rules and Regulations 708b.103 and 708b.104. This section would include items such as those outlined in Appendix 1(a) under additional requirements and further expanded upon below:

Due Diligence: Due diligence reports from both corporates should be included. Where a conflict of interest may arise from a proposed consolidation, due diligence should be performed by an independent party. If the due diligence is contracted to a third party, the engagement should be supported by agreed upon procedures. A due diligence review encompasses items such as:

- Reviewing significant member, vendor, and management agreements for potential adverse impact;
- Determining if existing contracts can be transferred;
- Concluding whether revised member agreements are needed or will addendums suffice as new products and services are deployed;
- Member notification requirements for account structure equalization;
- Assessing whether the proposed merger will trigger any liability under existing contracts;
- Determining whether UCC statements must be re-filed;
- Determining whether any undisclosed financial or legal liabilities exist; and
- Validation of financial information and any off balance sheet positions.

Merger Integration Summary: A summation of elements within the detailed integration plans providing a high level narrative addressing:

- The overall integration approach;
- The governance process;
- A summary timeline;
- An outline of the plan (phases, milestones, and dependencies);
- Communication plans; and
- The impact of the merger on current and future strategic plans and budgets.

Please note, this relates to a high level document only, the detailed functional area project plans and corresponding vision documents for each area that drive the contents of this high level document should be maintained separate from the merger application and made available for review upon request. See Attachment 3, Supplemental Merger Information - Integration Plans.

Miscellaneous Information: Helpful reference information such as organization charts (current and planned), biographies, descriptions of staff retention plans, and current strategic plans and budgets for both corporates should be included. Information on member, state regulator, and NCUA approvals, as applicable, is also to be included in this section. The order of member and regulatory approvals depend upon whether either corporate is a state-chartered institution and, if so, also dependent on the requirements of that state.

(Attachment 2) Merger Application Checklist

Application for Approval of Merger Under NCUA Rules and Regulations Part 708b Merger Package Checklist (In Lieu of NCUA Form 6301)

The following merger application checklist follows the requirements of Part 708b of the National Credit Union Administration's (NCUA) Rules and Regulations.

Section	Description	Required by
	Merger Package Checklist – This document is a descriptive checklist of contents of the Application for Approval of Merger Under NCUA Rules and Regulations Part 708b. It may be submitted in lieu of NCUA Form 6301, Merger Package Checklist.	NCUA 6301
	Executive Summary – An overview of the key components of the merger application and business case.	Introduction
	Current Financial Statements for Both Corporates.	708.b.103.a.1
	Current Delinquent Loan Summaries for Both Corporates - Also include reports of delinquent and/or charged off loan participations as applicable.	708.b.103.a.2
	Adequacy of Allowance for Loan & Lease Losses for Both Corporates – An explanation of ALLL funding and adequacy of funding should be included in this section.	708.b.103.a.2
	Consolidated Financial Statements – Pro forma financials for the continuing credit union.	708.b.103.a.3
	Analysis of Share Values – Include retained earnings, core capital, and capital ratios for both Corporates and the continuing credit unions.	708.b.103.a.4
	Explanation of Any Proposed Share Adjustment	708.b.103.a.5
	Explanation of Any Provisions for RUDE or Dividends	708.b.103.a.6
	Provisions for Notifying and Paying Creditors – Explanation of how creditors will be notified both before and after the merger, as well as, the continuing corporate's assumption of the merging corporate's credit obligations.	708.b.103.a.7
	Explanation of Any Changes to Insurance – While changes relative to insurance such as life savings and loan protection insurance are not applicable, this section should provide explanation relative to whether NCUSIF coverage will continue for eligible accounts.	708.b.103.a.8
	Provisions for Determining Conformity of Assets and Liabilities – Determination that all assets and liabilities are in conformance and will continue to be in conformance through the date of merger.	708.b.103.a.9
	Proposed Charter Amendments	708.b.103.a.10
	Merger Plan	708.b.104.a.1

	Resolutions of the Boards of Directors – Enclose required resolutions: <ul style="list-style-type: none"> • NCUA Form 6302 – Merger Resolution (for continuing credit union) • NCUA Form 6303 – Merger Resolution (for merging credit union) • Approval of Merger Plan (for continuing credit union) • Approval of Merger Plan (for merging credit union) 	708.b.104.a.2
	Merger Agreement	708.b.104.a.3
	Proposed Notice of Special Meeting of the Members	708.b.104.a.4
	Copy of the Form Ballot to be Sent to Members	708.b.104.a.5
	Evidence of State Supervisory Authority Approval (if applicable)	708.b.104.a.6
	Application and Agreement for Insurance of Member Accounts (if applicable)	708.b.104.a.7
	Hart-Scott-Rodino Act Pre-Merger Notification Filing with FTC	708.b.104.a.8
	Provision for Non-Federally Insured – Part 708.b.104.a.9 does not apply to corporate credit union mergers if the continuing corporate credit union is federally insured and will continue to be federally insured after the merger.	708b.104.a.9
	Detailed Explanation of the Reason for the Merger – Detailed business case.	NCUA 6301
	Proposed Effective Date of Merger	NCUA 6301
	Fields of Membership – Copies of both corporate credit union’s Fields of Membership.	Guide p. 8
	Locations – A listing of all locations.	Guide p. 8
	Primary Contacts – Contact information for key staff regarding proposed merger.	NCUA 6301
	Approach to Integration – Summary of envisioned outcome and approach to the consolidation.	Guide p. 9
	Project Governance – Summary of project governance processes used to plan and implement the merger.	Guide p. 9
	Summary Timeline – Overview of the major phases and expected dates for completing the merger.	Guide p. 9
	Phases, Milestones, and Dependencies – Summary level project plans for each function.	Guide p. 9
	Communication Plan – Summary communication plan explaining how the continuing credit union will keep constituents informed on the progress of merger efforts.	Guide p. 9
	Impact of Merger on Corporates’ Current Year Plans and Budgets – Summary of the anticipated impact to the corporates’ current-year plans and budgets.	Guide p. 9
	Implications of Merger on Future Years’ Strategic Plan and Budget – Summary of the anticipated impact of the merger upon future strategic plans.	Guide p. 9
	Continuing Credit Union Due Diligence – A summary report of financial, operational, legal, and risk due diligence performed by continuing credit union.	Additional
	Merging Credit Union Due Diligence – A summary report of financial, operational, legal, and risk due diligence performed by merging credit union.	Additional
	Projected Organization Charts for Combined Organization – Envisioned organization charts	Additional

	Current Organization Charts – Applicable organization charts for both organizations.	Additional
	Biographies of Key Staff and Merger Integration Staff Members	Additional
	Retention and Contingency Plan for Key Employees	Additional
	Continuing Corporate Credit Union Strategic Plan	Additional
	Merging Corporate Credit Union Strategic Plan	Additional
	Certification of Vote on Merger Proposal – Executed NCUA (form) 6308A, Certification of Vote on Merger Proposal as well as certification of results.	708b.107
	Approval of Merger by State Supervisory Authority (if applicable)	
	Approval of Merger Proposal by NCUA (reserved) – Part 708.b.105.a does not apply because currently, in all cases, both the continuing corporate credit union and the merging corporate credit union will be federally insured.	708b.105
	Surety Bond Coverage Review (reserved) – This section is reserved for documents relating to the processes of (1) Ensuring that the continuing corporate credit union has adequate surety bond coverage and (2) Cancellation of merging corporate credit union’s surety bond coverage.	Guide p. 14
	Notification of State Supervisory Authority of Completion of Merger (reserved) – This section is reserved for documents related to notifying the state agency of the completion of merger.	MA DOB procedure
	Executed Merger Agreement NCUA 6304 (reserved) – This section is reserved for documents required by NCUA to complete the merger. It would preliminarily include draft forms.	Guide p. 14
	Certification of Completion of Merger (reserved) – This section is reserved for documents required by NCUA to complete the merger. It would preliminary include draft forms.	708b.108
	Notification of Potential Loss of Insurance Coverage (reserved) – This section is reserved for documents directly relating to the process of notifying individuals and entities that were actually members of both corporate credit unions of the potential loss of insurance coverage (i.e. notice, mailing list, responses).	708b.101
	NCUA Notice of Cancellation of Charter and/or Insurance (reserved) – This section is reserved for documents directly relating to the NCUA’s cancellation of the Merging Credit Union’s charter and insurance certificate.	Guide p. 15

(Attachment 3)

Supplemental Merger Information – Integration Plan

Detailed integration plans for the consolidation of key functions or areas should be developed and documented. It is recommended that this planning be developed and documented on industry standard software that facilitates resource management, identifying interdependencies, and completion status reporting. At a minimum, merger integration planning should encompass:

- Identifying knowledge and skills required for consolidation;
- Assessing depth in management and resources;
- Assigning key staff to appropriate positions;
- Identifying key functional areas critical to successful integration;
- Detailing project timelines, milestones, tasks, and interdependencies for functional areas;
- Coordinating projects to mitigate related risks;
- Consolidating accounting and general ledgers;
- Selecting surviving systems, applications, products, and services;
- Decommissioning asset write-offs;
- Addressing account structures (MCA, Overnight, Settlement);
- Overall governance and accountability;
- Progress and exception reporting;
- Communication plans for employees / external parties;
- Vendor and member contract management;
- Location of offices and functional areas after integration;
- Depth in management and resources;
- Sufficiency of planning and ability to execute;
- A narrative addressing operational areas of the stand alone entities;
- A narrative addressing proposed consolidated entity operations
- Staff impact;
- Financial impact; and
- Integration risks.

(Attachment 4)

OCCU Review of Merger Application & Integration Plans

Corporate Examiners will evaluate the adequacy of a corporate credit union's merger plan. As all merger plans are unique, it would be impossible to address every situation. However, the merger application and integration plan review should encompass items such as:

- Review of merger proposal documents for completeness in relation to regulatory requirements and minimum expectations of Attachments 1 and 2, above.
- If the merger application is complete, schedule an on-site merger review with concurrence of the Corporate Field Supervisor.
- With concurrence of the Corporate Field Supervisors, obtain specialist involvement where deemed necessary for review of capital markets, payments systems, and information systems related integration plans.
- Perform an on-site merger review contact and meet with key management staff to discuss the merger proposal, resource requirements, and integration approach.
- Assess the continuing corporate credit union's plans for each functional areas and branch facilities to determine:
 1. Staffing needs are adequately addressed;
 2. Costs were analyzed and allocated;
 3. Existence of documented project plans and time tables for completing merger activities for all functional areas deemed critical to accomplish a successful merger;
 4. Plans are in place to communicate any changes in service to members of the merging corporate;
 5. The consolidation approach provides sufficient resources and ability to modify processes/plans to address potential problems as they occur; and
 6. Reporting processes are in place to ensure senior management, the board of directors, and NCUA are informed of the merger status. Reporting at inception of the integration process should be weekly. Reporting can transition to quarterly once key milestones are achieved. The status of all key functional areas deemed necessary for completion of a successful merger must be reported.

- Prepare a written assessment of the continuing corporate's merger plan at the conclusion of the on-site contact. The contact report will outline any concerns noted during the review process and any proposed corrective actions discussed with, and/or agreed to by, management and be of sufficient detail to serve as an information source for the Board Action Memorandum.
- If the application is incomplete, draft a letter to the corporate identifying the deficiencies with concurrence of the Corporate Field Supervisor.

(Attachment 5)
OCCU Information Checklist for Merging Corporate Credit Unions

Corporate	Charter or Certificate Number	Exam Date

Area of Review	Category	Purpose	Materials needed for review
303-Information Systems	Review of Due Diligence	Determine that a full assessment has been made of each corporate IT infrastructure.	Network configuration diagrams. Due diligence documentation of the It networks. Equipment inventory Maintenance agreements for IT equipment.

Question #	Question/Action Step
303Q-001	Review of Network Configuration maps of the merging organization. Ensure they are complete.
Comment	
303Q-002	Are there complete network diagrams that include all servers, network devices, communications devices, firewalls, other security devices, and communication lines?
Comment	
303Q-003	Has a network assessment been completed? Does it include: A review of network Security? An analysis of the physical layout and controls? Assessment of documented procedures for network management and maintenance?
Comment	
303Q-004	Review the equipment inventory.

Question #	Question/Action Step
	<p>Does the inventory adequately identify equipment, its location and use? Is the inventory current? Has an analysis of missing items been reviewed (if appropriate)?</p>
Comment	
303Q-005	<p>Is critical equipment (firewalls, special purpose computing devices, security systems) adequately covered by maintenance contracts that ensure their operation?</p>
Comment	
303Q-006	<p>Have all operating systems been identified? Is there adequate staff support for each system?</p>
Comment	
303Q-007	<p>Has an analysis of operating system maintenance been prepared? Are there documented procedures for patch management and hot fixes? Have configuration management standards been developed and are they in place? Are operating systems updates and hotfixes current? Please provide a detailed listing? If they are not current, have plans been developed to correct?</p>
303Q-008	<p>Review the software inventory. Does it include:</p> <ul style="list-style-type: none"> - A List of primary business applications? - A brief description of their function, age of the application, and current revision level? <p>If software is developed in house, how is it supported?</p> <ul style="list-style-type: none"> Review of software development standards. Assess change management control. Proper testing environment. Description of testing procedures. <p>Have all outsourced applications have been identified (e.g. Payroll) with related contracts?</p>

Area of Review	Category	Objective	Review items needed
303-Information Systems	Review of Security	Determine that security is adequate. Identify necessary changes needed to correct any differences in security processes that could weaken the overall security infrastructure. If so, review changes or plans. Review security planning for the merged institution.	Corporate security policies and any proposed revisions. Inventory of IDS systems. Firewall management documentation. Most recent vulnerability test, if appropriate. Planning documents for network consolidation.

Question #	Question/Action Step
303Q-009	Have inconsistencies and differences in the corporate security policies been identified? If so, how will the differences be resolved?
Comment	
303Q-010	Who will be responsible for overall security of the merged institutions? Identify what measures will be taken to ensure that security management is consistent at all corporate locations and appropriate staff are accountable to a single designed security authority.
Comment	
303Q-011	Has an analysis been made of network intrusion detection systems? Are systems compatible? If they are not, what plans have been made to ensure consistent operation of IDS systems? Are security and event logs retained on a long term basis (7 years or greater)? Have procedures for monitoring intrusion detection systems been reviewed and modified to ensure consistency and continuity in security event reporting?
Comment	
303Q-012	Firewall Management - Are the firewall rules properly documented? - Is there a change management process for firewall rule changes? - Have the firewall rules been analyzed to ensure consistency with the corporate network? - How will responsibility for firewall management be structured after the merger?
303Q-013	Has appropriate vulnerability and penetration testing been conducted at the merging institutions? If so, identify the firms conducting the testing and the date. Review the detailed study as well as the executive summary. Is corporate management (board and executive) aware of the results of the studies?

Question #	Question/Action Step
Comment	
303Q-014	Have critical weakness identified in the vulnerability and penetration been corrected and verified?
Comment	
303Q-015	<p>Are plans in place for:</p> <ul style="list-style-type: none"> - consolidating corporate security policies? - minimizing network access points? - conducting staff training in security at all locations on a regular basis? - ensuring computer emergency response procedures cover all locations? - centralizing network monitoring procedures?

Area of Review	Category	Purpose	Review items needed.
303-Information Systems	Applications and Systems	Review the corporate analysis of applications. Ensure adequate access control procedures are implemented and monitored. Analyze the planning process for system consolidation and improvement.	Complete listing of critical applications of both corporates. Access control reviews of both corporates.

Question #	Question/Action Step
303Q-016	Has a plan been established to analyze all applications and consolidate or eliminate systems that accomplish essentially the same function? Does the plan have a realistic time line and cost analysis?
Comment	
303Q-017	Are procedures in place to ensure that all persons in the merging corporate with access privileges have appropriate and current authorization?
Comment	
303-018	Have access controls been reviewed for all major systems of the merging corporates? If so, are they adequate, or have weaknesses been identified with plans for corrective action?
Comment	
303Q-019	Are access control lists reviewed periodically to ensure procedures are followed? If so, when was the last review conducted? Obtain a copy of the last analysis and review it for adequacy.

Question #	Question/Action Step
Comment	
303Q-020	How will access controls be managed and administered after of the merger?
Comment	

Area of Review	Category	Purpose	Items needed
303-Information Systems	IT technology staffing.	Review staffing patterns of both organizations. Ensure that staff reporting in the merged organization is well defined with minimal overlap of staff duties. Ascertain that administrative activity is controlled and monitored at all locations.	IT organization charts of both corporates. Pro-forma organization chart of the merged corporates. Staff job descriptions and resumes. Administrative activity reports (of the corporate network) of both corporates.

Question #	Question/Action Step
303Q-021	Has an analysis been made of staffing that includes: <ul style="list-style-type: none"> - review of job descriptions and staff resumes? - reporting authorities, present and proposed? - potential overlap of responsibilities and plans to resolve them? - revision of organization charts (as appropriate)?
Comment	
303Q-022	Is there a plan for consolidation of the IT staff? If so, is the plan timing reasonable and does it detail specific benchmarks for completion?
Comment	
303Q-023	Does the present staffing structure ensure adequate separation of IT staff duties? If not, have provisions been made to correct any critical overlaps.
Comment	
303Q-024	Are staff training programs adequate and is there adequate provision for back up of job responsibilities at

Question #	Question/Action Step
	both institutions?
Comment	
303Q-025	What controls are in place to ensure proper system administrative activity? Are they sufficient?
Comment	

Area of Review	Category	Purpose	Documents
303-Information Systems	Strategic Planning	Understand the planning process with respect to Information Technology.	Discussion or draft documents relating to strategic planning.

Question #	Question/Action Step
303Q-026	Has the role of technology been adequately defined in the corporate vision of future operations?
Comment	
303Q-027	Has the merger plan addressed the need to integrate staff both culturally and functionally? If so, are specific plans in place?
Comment	
303Q-028	Is the merger plan committed to scaling technology consistently and efficiently over the entire organization and all locations? Has a general strategy or specific plan been developed?
Comment	