



## **NORTH CAROLINA CREDIT UNION DIVISION**

## **Merger Application**

## General Information and Instructions

Upon approval of the merger plan by the board of directors of each credit union, the below application should be completed and forwarded to the Administrator of the NC Credit Union Division. The Administrator will forward a copy to the Regional Director of the National Credit Union Administration and will request provisional approval of the merger proposal. The proposal should include the application along with the accompanying responses and one copy of each of the documents listed in the NCCUD Merger Supporting Documents list. Use of this application and document list will help to assure that all required information is supplied and avoid unnecessary delays in processing the merger proposal.

## 1. Applicant (Continuing) Credit Union

Name \_\_\_\_\_ Charter Number \_\_\_\_\_

Street

City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_

## 2. Merging Credit Union

Name \_\_\_\_\_ Charter Number \_\_\_\_\_

Street

City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_

### 3. Contact Person - Applicant Credit Union

Name \_\_\_\_\_

Title \_\_\_\_\_ Employer \_\_\_\_\_

4. Contact Person - Merging Credit Union

Name

Title

Employer

Email Address

Telephone

5. Proposed effective date of merger

6. Indicate the location of the continuing credit union's principal office

7. Explain the reason for the merger.

8. On a separate sheet, provide a listing of all branches of the merging credit union that:

- a) will be established or retained as branches, including the main office,
- b) are approved but unopened branch(es), including the date federal and state agencies granted approval(s), and
- c) are existing branches that will be closed or consolidated as a result of the proposed merger (to the extent the information is available). If existing branches will be closed, how does the continuing credit union propose to serve those branch members?

*For each branch, list the popular name, street address, city, county, state, and zip code, specifying any that are in low-income geographies.*

9. Discuss whether and how the charter of the continuing credit union will remain the same or change as a result of the proposed merger.

10. Describe provisions for notifying and paying creditors of the merging credit union.

11. Please list and describe any other agreements reached between the continuing and merging credit unions. For example, what provision has been made for the payment of dividends, if any, to the merging credit union's members? Will a verification of the merging credit union's accounts be required in conjunction with the merger? Will there be any changes in the existing board of directors or committees of the continuing credit union as a result of the merger?

12. Explain any provisions for reserves, undivided earnings, or dividends.

13. Describe any changes to insurance for member accounts as a result of the proposed merger.

14. If the net worth ratio of the merging credit union is more than 500 basis points higher than the net worth ratio of the continuing credit union, explain the factors considered in establishing a proposed adjustment or in determining no adjustment is necessary.

**If this is a merger with a Federal credit union, the applicant also must reply to items 15 through 19.**

15. Where the merging credit union is a state credit union and the continuing credit union is a federal credit union, and the merging credit union has any assets or liabilities which do not conform to federal requirements, describe any actions that will be taken to eliminate the nonconformity.

16. Where the merging credit union is a federal credit union and the continuing credit union is a state credit union, and the merging credit union has any assets or liabilities which do not conform to state requirements, describe any actions that will be taken to eliminate the nonconformity.

17. Where the merging credit union is a federal credit union, is the merging credit union requesting a waiver of its membership vote? If yes, explain. The National Credit Union Administration may permit the merger to become effective without an affirmative vote of the membership of the merging credit union only when the merging credit union is insolvent or in danger of insolvency.

18. Where the continuing credit union is a federal credit union, describe the common bond that exists between the merging and continuing credit union.

19. Has a premerger notification been submitted to with the Federal Trade Commission and the Antitrust Division of the Justice Department pursuant to the Hart-Scott-Rodino Antitrust Improvements Act of 1976? If not, why?

**Wet signatures are required for all merger documents.**

## NCCUD Merger Supporting Documents List

The following documents must be included in the application to process the merger proposal. See Table 1. below for reference.

1. Current system-generated financial reports for both credit unions including a Statement of Financial Condition, a Statement of Income, a schedule of delinquent loans annotated to reflect collection problems all loans estimated to be doubtful of collection.
2. Current analysis of allowance for credit losses or ALLL (if CECL not elected) for both credit unions.
3. List of all existing contracts of the merging credit union with the following information: vendor name, effective date of contract, end date, and termination terms and conditions.
4. Board minutes that reference the merger for the merging and continuing credit union (24 months before the credit unions approved the merger plan).
5. The projected combined financial statements of the continuing credit union.
6. Analysis of share values for the continuing credit union and merging credit union. (NCCUD 11 and NCCUD 12)
7. Resolution of Board of Directors of the continuing credit union. (NCCUD 2)
8. Resolution of Board of Directors of the merging credit union. (NCCUD 3)
9. Merger Agreement completed to the extent possible at this time. (NCCUD 4)
10. Proposed Notice of Special Meeting of the Members. (NCCUD 5)
11. Proposed Ballot for Merger Proposal. (NCCUD 6)
12. Letter of tentative approval issued by the North Carolina Credit Union Division.
13. Certification of Vote on Merger Proposal. (NCCUD 8)
14. Certification of Completion of Merger (Continuing Credit Union). (NCCUD 9)
15. Letter to Bonding Company from continuing credit union advising of proposed merger and requesting written consent.
16. Proposed bylaw amendments for continuing credit union
17. Copies of the merging and continuing credit unions' fields of membership.

Table 1. NCCUD Documents with Corresponding NCUA Forms.

	NCCUD Documents	Corresponding NCUA Forms
NCCUD Merger Application	NCCUD 1	None
Resolution of Board of Directors - Continuing	NCCUD 2	6302
Resolution of Board of Directors - Merging	NCCUD 3	6303
Merger Agreement	NCCUD 4	6304
Notice of Special Meeting of the Members	NCCUD 5	6305A
Ballot for Merger Proposal	NCCUD 6	6306A
Certification of Vote on Merger Proposal	NCCUD 8	6308A
Certification of Completion of Merger	NCCUD 9	6309
Probable Asset/Share Ratio - Continuing	NCCUD 11	6311
Probable Asset/Share Ratio - Merging	NCCUD 12	6311
Certification of No Non-Disclosed Financial Arrangements	Certification of No Non-Disclosed Financial Arrangements	Certification of No Non-Disclosed Financial Arrangements

## **RESOLUTION OF BOARD OF DIRECTORS**

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(Continuing Credit Union)

### **Resolution**

WHEREAS, the Board of Directors believes our credit union should merge with \_\_\_\_\_ (merging credit union), pursuant to an agreement between our credit union and \_\_\_\_\_ (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 approval of the merger by the North Carolina Credit Union Division and the National Credit Union Administration.
- Execute, acknowledge, and deliver the merger agreement on the effective date of the merger.
- Execute all agreements, documents, and other papers required to complete the merger.

We, the undersigned, hereby certify to the North Carolina Credit Union Division 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 our credit union at a meeting held under our bylaws on \_\_\_\_\_. 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.

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Board Presiding Officer

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Date

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Secretary

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Date

**RESOLUTION OF BOARD OF  
DIRECTORS**

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(Merging Credit Union)

**Resolution**

The Board of Directors believes our credit union should merge with \_\_\_\_\_ (continuing credit union), pursuant to an agreement between our credit union and \_\_\_\_\_ (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 approval of the merger by the North Carolina Credit Union Division and the National Credit Union Administration.
- Execute, acknowledge, and deliver the merger agreement on the effective date of the merger.
- Execute all agreements, documents, and other papers required to complete the merger.

We, the undersigned, hereby certify to the North Carolina Credit Union Division 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 our credit union at a meeting held under our bylaws on \_\_\_\_\_. 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.

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Board Presiding Officer

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Date

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Secretary

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Date

## **Merger Agreement**

This agreement is made and entered into on \_\_\_\_\_ by and between \_\_\_\_\_ (continuing credit union) and \_\_\_\_\_ (merging credit union). The meeting being held \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ at \_\_\_\_\_.m. at \_\_\_\_\_ Credit Union in the city of \_\_\_\_\_, N.C..

### **WITNESSETH**

That in consideration of the mutual agreements, promises, covenants, and acts herein described and contained, the Continuing Credit Union and the Merging Credit Union hereby agree, promise, and covenant to and with each other as follows:

1. That the Merging Credit Union does hereby sell, assign, transfer, set over, and convey unto the Continuing Credit Union all of its assets rights, and property, and chooses in action of every character, kind, and description, and the Merging Credit Union will do all acts and will execute and deliver unto the Continuing Credit Union any and all additional agreements, documents, deeds, assignments, and other instruments of conveyance which may be necessary to transfer to the Continuing Credit Union the individual assets, rights, and property, and chooses in action hereby sold by the Merging Credit Union to the Continuing Credit Union; and
2. The Continuing Credit Union does hereby assume and agree to pay all the liabilities of the Merging Credit Union and the Continuing Credit Union agrees that, by virtue of this agreement, all of the members of the Merging Credit Union as of this date have become members of the Continuing Credit Union and that they are entitled to, and the Continuing Credit union will issue to them the same amount in shares in the Continuing Credit Union which they own in the Merging Credit Union as of the effective date hereof subject to the following adjustments in such shares (if any):

**IN WITNESS THEREOF**, the Continuing Credit Union and the Merging Credit Union have caused this Merger Agreement to be executed by their respective officers thereunto duly authorized the day and year above written which is the effective date of the merger provided for herein.

\_\_\_\_\_  
(continuing)

\_\_\_\_\_  
Board Presiding Officer

\_\_\_\_\_  
Treasurer

\_\_\_\_\_  
(merging)

\_\_\_\_\_  
Board Presiding Officer

\_\_\_\_\_  
Treasurer

State of North Carolina  
County of \_\_\_\_\_

I, \_\_\_\_\_ a Notary Public for said county and state, do hereby certify that \_\_\_\_\_ 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 person 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.

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Notary Public

(SEAL)

My commission expires \_\_\_\_\_

State of North Carolina  
County of \_\_\_\_\_

I, \_\_\_\_\_ a Notary Public for said county and state, do hereby certify that \_\_\_\_\_ 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 person 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.

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Notary Public

(SEAL)

My commission expires \_\_\_\_\_

#### INSTRUCTIONS

Send one unexecuted copy to the North Carolina Credit Union Division with the application for approval of the merger proposal and retain one copy for each credit union. The unexecuted copy should be fully completed except for the date, officers' signatures, and notary publics' Affidavit.

At completion of the merger, one copy of the Merger Agreement and Affidavit form is to be fully executed by the applicable officials of each credit union involved in the merger, appropriately notarized and retained by the continuing credit union.

## NOTICE OF SPECIAL MEETING OF THE MEMBERS

CREDIT UNION

(Merging Credit Union)

**NOTICE IS HEREBY GIVEN** that a special meeting of the members of this credit union has been called and will be held at \_\_\_\_\_

(Address)

on \_\_\_\_\_, 20\_\_\_\_, at \_\_\_\_\_ o'clock \_\_. m., for the following purpose:

1. To consider and act upon a plan and proposal of merging this credit union, \_\_\_\_\_ Credit Union, hereinafter called the "Merging Credit Union" **WITH** \_\_\_\_\_ Credit Union, hereinafter called the "Continuing Credit Union" whereby all assets and liabilities of the Merging Credit Union will be transferred to said Continuing Credit Union and all members of the Merging Credit Union will become members of the Continuing Credit Union and will be entitled to and will receive shares in said Continuing Credit Union for the shares they own in the Merging Credit Union on the effective date of the merger.
2. To ratify, confirm, and approve the action of the Board of Directors of this credit union in authorizing the officers of this credit union, subject to the approval of members, to do all things and to execute all agreements, documents, and other papers necessary to carry out the proposed merger.

The directors of the participating credit unions have made a careful analysis of the assets and liabilities of the participating credit unions and have appraised the sound values of shares in each credit union. The appraisal of such share values is shown on the attached financial statements of each credit union and combined financial statements of the credit unions.

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

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It is the opinion of the Board of Directors of this credit union that the merger should be completed without any adjustment in shares/with the following adjustment in shares/for the following reasons:

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The main office of the Continuing Credit Union will be located at:

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Branch office(s) of the Continuing Credit Union will be located at:

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In order to accomplish the merger, it is necessary to obtain approval of a majority of the members of the credit union who vote on the proposal.

Enclosed with this Notice is a Ballot for Merger Proposal. If you cannot attend the meeting, please complete the Ballot and return it to the office of the credit union at \_\_\_\_\_ by no later than \_\_\_\_\_, 20\_\_\_\_\_. Ballots postmarked after the date and time announced for the annual or special meeting will NOT be counted.

**BY ORDER OF THE BOARD OF DIRECTORS:**

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Board Presiding Officer

Signature

Date

**INSTRUCTIONS**

This form must be accompanied by individual and combined financial statements and a Ballot for Merger Proposal, NCCUD 6.

For merging federal credit unions, notice should be given to the members in accordance with Article V of the Bylaws.

Information relative to a change in federally insured status or discontinuance of federally insured status must be disclosed to the members in accordance with Section 708, Subparts B and C of the NCUA Rules and Regulations.

NOTE: The membership vote should not be held until the merger proposal has been submitted to and approved by the North Carolina Credit Union Division and the NCUA.

## BALLOT FOR MERGER PROPOSAL

Name of Member: \_\_\_\_\_

Account Number: \_\_\_\_\_

Your credit union must receive this ballot by \_\_\_\_\_.

Please mail or bring it to:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

I have read the Notice of Special Meeting for the members of \_\_\_\_\_ Credit Union. The meeting will be held on \_\_\_\_\_, 20\_\_\_\_, to consider and act upon the merger proposal described in the Notice of Special Meeting. 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.

\_\_\_\_\_  
Member Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Member Name (printed)

## CERTIFICATION OF VOTE ON MERGER PROPOSAL OF

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(Merging Credit Union)

We, the undersigned officers of the above-named credit union, do hereby certify to the North Carolina Credit Union Division as follows:

1. That the Board of Directors of this credit union, at a meeting held on \_\_\_\_\_, 20\_\_\_\_, adopted a resolution approving the merger of this credit union with: \_\_\_\_\_ (continuing credit union).
2. That copies of the Notice of Special Meeting of the Members and Ballot for Merger Proposal, as approved by the North Carolina Credit Union Division, and copies of the merger plan referred to in the Notice were delivered in person or mailed to each and every member of this credit union in accordance with its bylaws.
3. That, pursuant to said Notice, a special meeting of the members of this credit union was duly held at the time and place fixed in the Notice to consider and act upon the proposal for the merger of this credit union.
4. That the merger proposal and any changes in federally insured status as set forth in the Merger Agreement and Notice of Special Meeting of the Members were fully explained to the members present at the special meeting.
5. That on the date of the special meeting:

\_\_\_\_\_ Number of members present at the 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. That a majority of the members of this credit union voted approved the merger, and that the action of the members of this credit union at the special meeting is fully and completely recorded in the minutes of the meeting and all written ballots of members are on file with the Secretary of this credit union.

This certification signed the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

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Board Presiding Officer (Print)

Signature

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Secretary (Print)

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Signature

**CERTIFICATION OF COMPLETION OF MERGER OF THE**  
**CREDIT UNION**

We, the undersigned officers of the above-named credit union, do hereby certify to the North Carolina Credit Union Division as follows:

1. That the merger of this credit union with \_\_\_\_\_ Credit Union was completed as of \_\_\_\_\_ (effective date of merger) in accordance with the terms and plan approved by this Board of Directors by a resolution adopted at the meeting held on \_\_\_\_\_, 20\_\_\_\_, a certified copy of which resolution has heretofore been furnished to the North Carolina Credit Union Division, and the Merger Agreement approved by said resolution was duly executed and acknowledged by the Board Presiding Officer and Treasurer of this credit union as of this date.
2. That all required steps incidental to completion of said merger have been taken and all necessary transfers of assets have been effected.
3. That attached to this certification are the following documents:
  - Financial reports for each credit union immediately prior to the completion of the merger;
  - A combined financial report for the continuing credit union immediately following the completion of the merger;
  - The charter of the merging State-chartered credit union;
  - The insurance certificate for the merging federally insured credit union, and
  - A copy of the executed merger agreement, NCCUD 4.

This certification signed the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

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Board Presiding Officer (print)

Signature

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Treasurer (print)

Signature

## **INSTRUCTIONS PROBABLE ASSET/Sshare RATIO**

The Probable Asset/Share Ratio (PAS) reflects a credit union's financial condition based on an on-going concern concept. Differences between market value and book value are not likely to materialize.

### **ADDITIONS**

1. Cash is considered to be book value less any known potential losses.
2. Loans are valued at book value net of probable estimated loan losses (ALLL).
3. Investments are valued at book value less any known losses. However, if there is a likelihood that a long-term investment will need to be liquidated prior to maturity, it will be valued at the current market value.
4. 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.
5. All other assets are valued at the most realistic value to the credit union, usually not to exceed book value.

### **DEDUCTIONS**

1. Notes payable are valued at book.
2. Accounts payable are valued at book.
3. Other liabilities are valued at book.
4. 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.
5. Subsidiary ledger differences are deducted if the credit union is likely to suffer a loss due to the problem.
6. Other Losses includes all other known losses. Do not include deficits in undivided earnings or net losses because they have already reduced assets if properly recorded.

Total (A) is the combined value of assets. Total (B) is the combined value of deductions and is subtracted from (A) to obtain the net value of assets to the on-going concern.

The Probable Asset/Share Ratio is computed by dividing the net value of assets by the total of all shares. The resulting ratio reflects the relative worth of \$1 of shares in the credit union using an on-going concern concept.

## PROBABLE ASSET/Sshare RATIO

(Continuing Credit Union)

	Book Value	Market Value
<b><u>ADDITIONS:</u></b>		
Cash		
Loans		
Investments		
Fixed Assets		
Other Assets		
Total (A)	0	0
<b><u>DEDUCTIONS:</u></b>		
Notes Payable		
Accounts Payable		
Other Recorded Liabilities		
Contingent and/or Unrecorded Liabilities		
Subsidiary Ledger Differences (Losses)		
Other Losses		
Total (B)	0	0
Net Value of Assets (A - B)	0	0
Total Shares	1	1
Probable Asset/Share Ratio	0%	0%

## **INSTRUCTIONS PROBABLE ASSET/Sshare RATIO**

The Probable Asset/Share Ratio (PAS) reflects a credit union's financial condition based on an on-going concern concept. Differences between market value and book value are not likely to materialize.

### **ADDITIONS**

1. Cash is considered to be book value less any known potential losses.
2. Loans are valued at book value net of probable estimated loan losses (ALLL).
3. Investments are valued at book value less any known losses. However, if there is a likelihood that a long-term investment will need to be liquidated prior to maturity, it will be valued at the current market value.
4. 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.
5. All other assets are valued at the most realistic value to the credit union, usually not to exceed book value.

### **DEDUCTIONS**

1. Notes payable are valued at book.
2. Accounts payable are valued at book.
3. Other liabilities are valued at book.
4. 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.
5. Subsidiary ledger differences are deducted if the credit union is likely to suffer a loss due to the problem.
6. Other Losses includes all other known losses. Do not include deficits in undivided earnings or net losses because they have already reduced assets if properly recorded.

Total (A) is the combined value of assets. Total (B) is the combined value of deductions and is subtracted from (A) to obtain the net value of assets to the on-going concern.

The Probable Asset/Share Ratio is computed by dividing the net value of assets by the total of all shares. The resulting ratio reflects the relative worth of \$1 of shares in the credit union using an on-going concern concept.

## PROBABLE ASSET/Sshare RATIO

(Merging Credit Union)

	Book Value	Market Value
<b><u>ADDITIONS:</u></b>		
Cash		
Loans		
Investments		
Fixed Assets		
Other Assets		
Total (A)	0	0
<b><u>DEDUCTIONS:</u></b>		
Notes Payable		
Accounts Payable		
Other Recorded Liabilities		
Contingent and/or Unrecorded Liabilities		
Subsidiary Ledger Differences (Losses)		
Other Losses		
Total (B)	0	0
Net Value of Assets (A - B)	0	0
Total Shares	1	1
Probable Asset/Share Ratio	0%	0%

## **Certification of No Non-Disclosed Merger-Related Financial Arrangements**

We, the undersigned officials, certify to the North Carolina Credit Union Division (NCCUD) and the National Credit Union Association (NCUA) as follows:

1. The information provided to NCCUD and NCUA in the merger application, and the proposed disclosure to the members of [name of merging credit union] includes a complete, true and accurate statement about all merger-related financial arrangements.
2. We understand that we have an affirmative duty to revise our merger application and the notice to the members of [name of merging credit union] if merger-related financial arrangements are added or increased after our application is submitted.

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*(NAME OF CONTINUING CREDIT UNION)*

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*Board Presiding Officer (print)* *Signature* *Date*

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*Treasurer (print)* *Signature* *Date*

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*(NAME OF MERGING CREDIT UNION)*

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*Board Presiding Officer (print)* *Signature* *Date*

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*Treasurer (print)* *Signature* *Date*