



**SW&M**  
FINANCIAL  
INSTITUTION  
ATTORNEYS

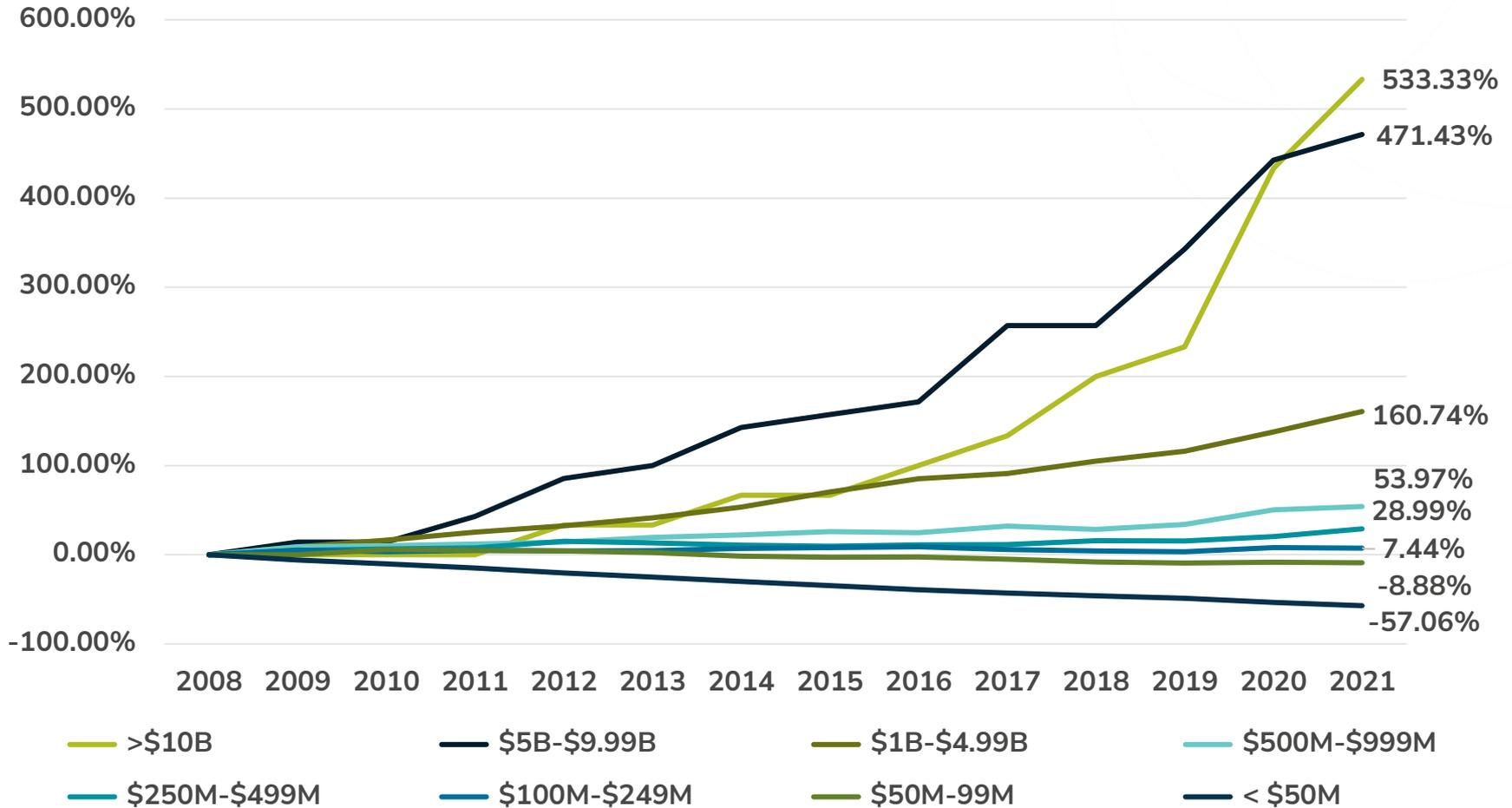


**ALM FIRST**

for a partnership built on trust.

# National Credit Union Consolidation

## Cumulative Growth

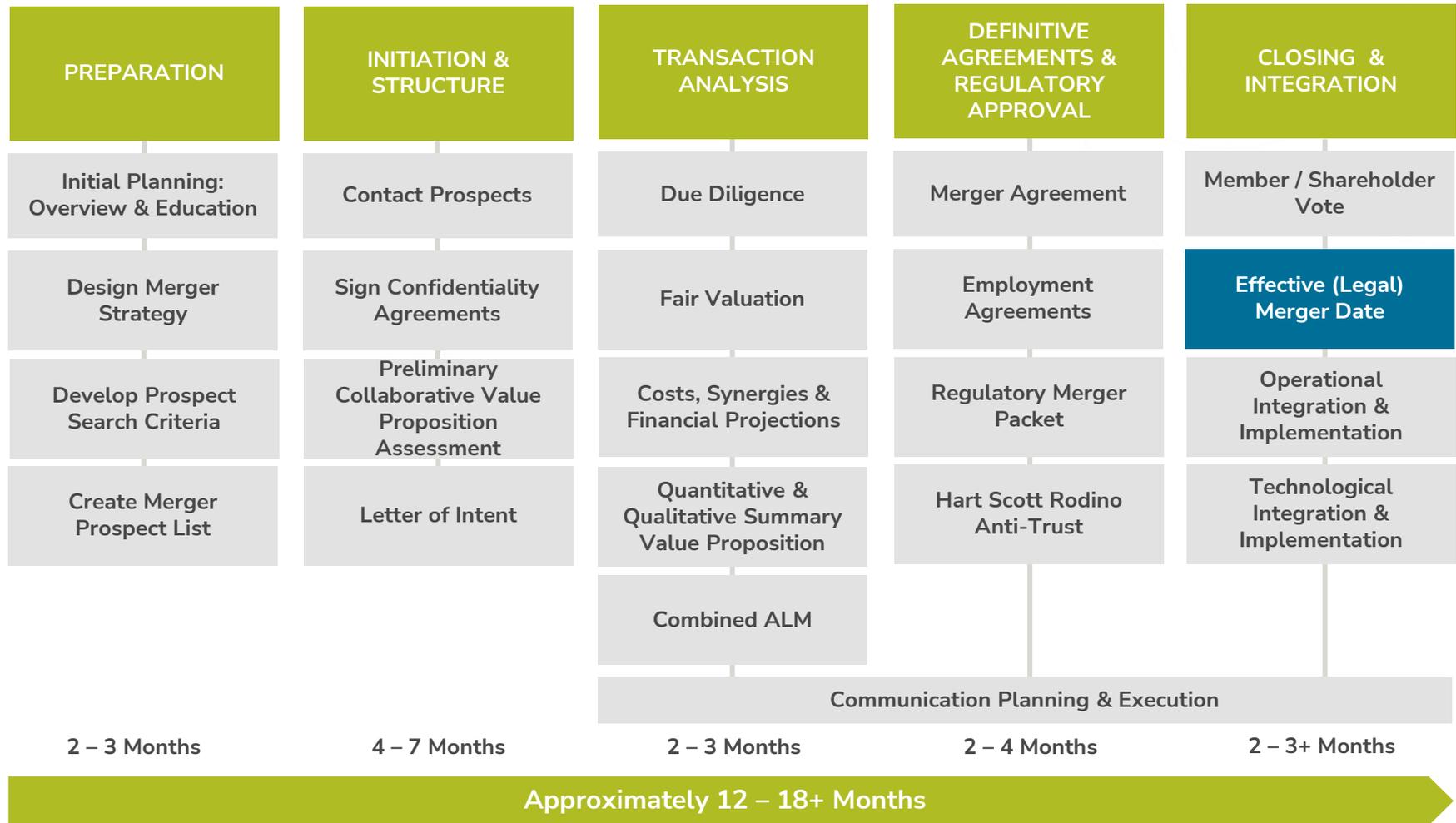


# Industry Motivation - Quantitative

	Credit Union Value			Employee Value	Member Value		
	Operating Exp / Avg Assets	ROAA	Loan / Share	Compensation & Benefit (Indexed)	Dividends / Shares	Yield on Loans	Fee Income / Avg Assets
< \$50M	3.77	0.10	57.52	0.00%	0.45	6.58	0.58
\$50M-99M	3.69	0.46	63.03	27.63%	0.40	5.55	0.81
\$100M-\$249M	3.72	0.54	69.61	37.93%	0.45	5.27	0.86
\$250M-\$499M	3.63	0.63	73.64	44.99%	0.49	5.05	0.84
\$500M-\$999M	3.46	0.73	77.73	49.82%	0.48	4.90	0.80
\$1B-\$4.9B	3.07	0.85	79.34	49.16%	0.54	4.66	0.64
\$5B-\$9.9B	2.41	0.98	78.56	45.31%	0.73	4.33	0.43
>\$10B	2.29	1.01	83.83	65.36%	0.98	4.85	0.35



# Credit Union Merger Process & Timeline



# Key Negotiation Items

These **MUST** be mutually agreed upon early in the process

Issue	Objective	Most Desirable Outcome	Least Acceptable Alternative	Rationale
Name				
Charter				
Governance				
Board representation				
Table officers				
Leadership				
CEO				
Executive team				
Common strategic vision for the future				
Organizational chart: short term (integration) and long term (steady state)				
Culture				
Headquarters				
Core system & technology				

# What is in the Best Interests of the Members?

- **Fiduciary duties**
- **Due diligence**
- **Value proposition [quantitative v. qualitative]**
  - Staying relevant
  - How will the post merger entity address the combined membership?
  - What is your CU comfortable with? Why is it a “good fit”?
  - Future combined entity post-merger at years 1-5 & 5-10?
  - Is your CU willing to “give” something to “get” something?

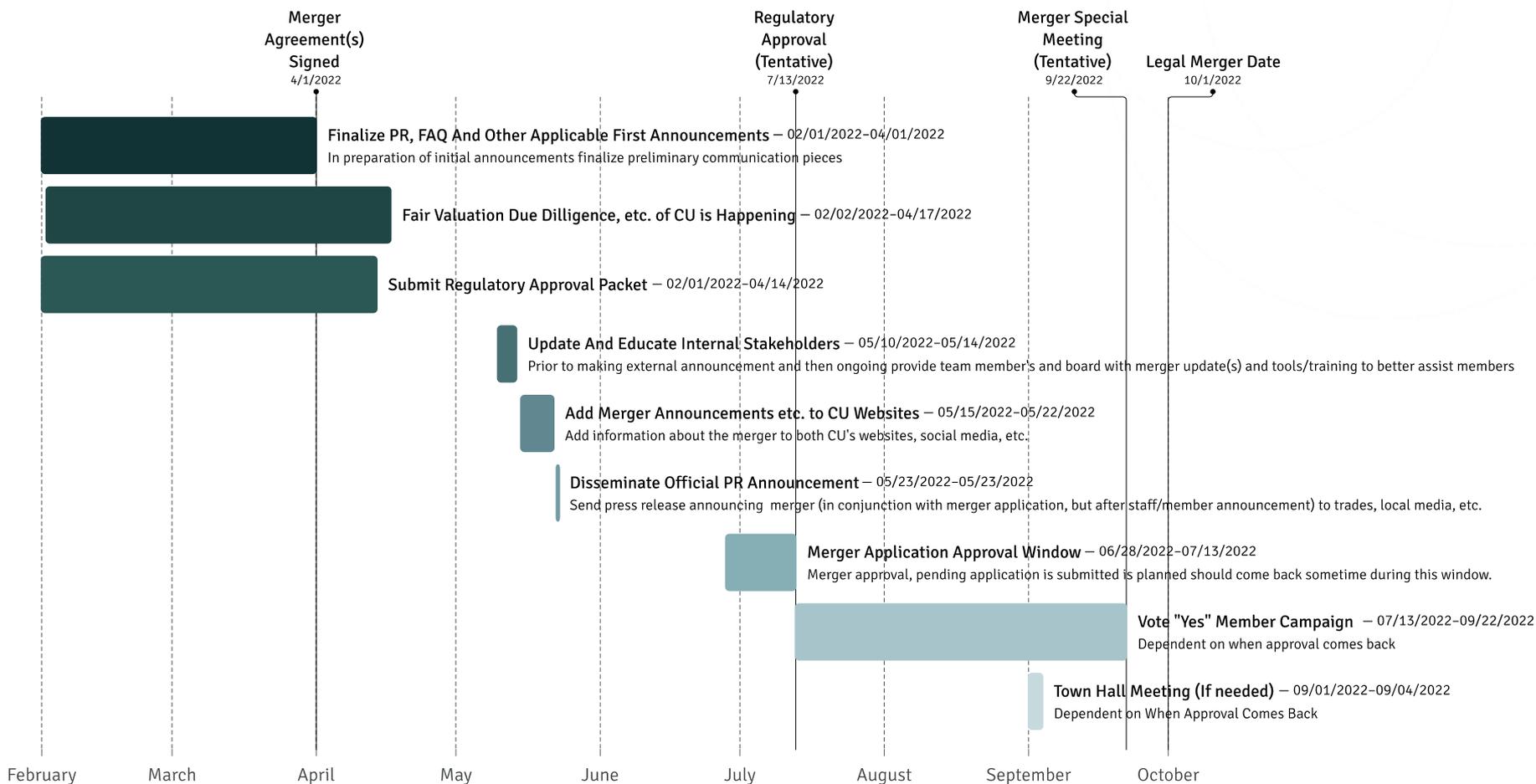
# Merger Concepts and Roles

- **Merger of Peers? Filene’s “Network Credit Union”**
  - Spoiler: It’s still just a merger
  - Letter to CUs 99-CU-17
- **Concepts: “Acquisition” vs Proportionate “Merger of Equals”**
  - Split CEO/President Roles?
  - Fundamental change in any event to both CU’s
- **Looking through multiple lenses**
- **Look to FOM and requisite rules**

# Key Question: The Board Combination Challenge

- Size/Balance: Combine then reduce?
- Governance “models” [problem solving]
- Table Officers
- Co-Chair format is disfavored
- Core competencies of a Board
- Are there succession planning opportunities?
  - CUSO Board?
  - Advisory Board?
  - Supervisory Committee?

# Sample Communication Overview



550 N Brand Boulevard Suite 550  
Glendale, CA 91203  
Phone: 818.241.0103  
Fax: 818.241.5733

[www.swmlp.com](http://www.swmlp.com)



3800 Maple Avenue Suite 600  
Dallas, TX 75219  
Phone: 800.752.4628  
Fax: 214.987.1052

[www.almfirst.com](http://www.almfirst.com)

