

Mergers

Benefits Snapshot:

- Become a bigger competitor in the marketplace - greater economies of scale position the credit union for a bright future
- The purchasing power needed to negotiate better contracts and obtain products, services and resources needed for greater operational efficiency
- Member access to more products and services
- Future staying power of the credit union
- Enhanced capacity to grow and expand branch and electronic networks
- Attract and retain quality employees
- Upgrading and combining systems and technology become possible with economies of scale
- Financially strong organization - a stronger capital base positions the credit union for the future

Definition:

Organizations combining in order to better serve their collective membership while creating a viable and successful future for the organization.

"Both companies are prosperous and successful and will be even more so as a result of the merger. We'll benefit from economies of scale and economies of scope and will be able to immediately provide more and better service to all our members."

Mary McDonald, President, CEO of USA Credit Union

"Consolidation of two healthy credit unions is good business sense"

Dianne Addington, President and CEO of T&C Credit Union

"More and more credit unions are recognizing that they can strategically position themselves to better serve their members through mergers. The credit unions gain the ability to expand with more branches, build capital, attract and retain quality staff and leadership, enhance buying power, diversify their portfolio and membership, and offer additional products and services for members—positioning the combined credit unions for greater success than each could achieve individually."

C. Alan Peppers, President/CEO, Westerra Credit Union

Overview:

Throughout the Credit Union System, the number of credit unions continues to decrease, while assets and members continue to increase though at a slower pace than in the past. Economic pressures have forced all businesses, including credit unions, to take a realistic view of their products, performance and long-term viability or success strategies. Credit unions, especially small and mid-sized credit unions, are finding it increasingly difficult to compete in today's marketplace.

By the year 2012, many industry experts estimate that the Credit Union System will have 200 credit unions with assets greater than \$1 billion. These 200 credit unions will control 51% of the total Credit Union System assets and 42% of the total Credit Union System members.

Credit unions will need to create the necessary economies of scope and scale to effectively compete in this changing environment. As an example, banks hold 15 times more assets than credit unions. We must find ways to generate new revenue opportunities, partner with more credit unions, expand into new markets and communities, attract the next generation of borrowers and savers, and gain operational efficiencies through aggressive expense management and technology, just to name a few. Mergers enable credit unions to do just that.

Nice Approach:

Nice knows that mergers can be a sensitive subject and that the merger conversation can often be difficult one. Nice helps your organization navigate the difficult path of opening discussion around questions such as "Why should our credit union merge?" "How do you get the Board of an organization to agree to merge with another?" and "What do we do about staff, CEO's and the other duplicate assets that our merging organizations may have?"

Merger Education

Benefits Snapshot:

- Gain understanding of the very complex world of mergers
- Acquire knowledge and plan for how to act when approached by a potential merger partner
- Learn key steps on how to enter the world of mergers

Definition:

Merger education is the process of learning to correctly understand the pros and cons of mergers then creating a plan around the credit union's stance on merger opportunities.

Overview:

The clear market trend is toward intentionally selected mergers that increase member value. In 2005, there were 303 mergers completed across the country...This number is expected to continue to grow in the coming years.

Being larger is more important for credit unions than previously believed. To remain a viable player in the financial services marketplace, credit unions must create the necessary economies of scale. Statistics show that larger credit unions consistently deliver much better growth rates, efficiency and profitability over time. Mergers are the fastest way to gain economies of scale.

It is important that every credit union have a merger strategy—a shared foundation in your credit union's approach to merges for the CEO, the Board and the senior management team.

Your merger strategy is how, in general terms, the credit union will pursue and address merger opportunities and handle the merger process. It includes a "position statement" regarding mergers and your general desired outcomes along with a certain level of detail about critical aspects of the credit union's approach to, and perspective about, merging.

Nice Approach:

Every organization needs to have an M&A strategy since it is part of your Board's due diligence to fully explore how best to serve the credit union's membership. Nice will help you build that strategy in a way that brings everyone (Board, CEO and Senior Management) on board.

Through several large-scale mergers such as the T&C/USA merger in Michigan, Nice has developed and will lead you through the educational process required to begin thinking and acting appropriately in the very complex world of mergers.

Brokerage

Benefits Snapshot:

- Creates a win/win merger for both credit unions' members, Boards, CEOs, management teams and employees
- Positions the merger to achieve long-term value for both merging organizations and their combined membership
- Unlike other merger brokers, focuses on relationship building not merely a transaction process
- Enables the merging credit unions to overcome the common pitfalls that derail most mergers
- Leverages the member-centric merger approach proven by some of the highest profile mergers

Definition:

Merger brokering is the comprehensive guidance, consultation and facilitation that makes a member-centric, people-focused merger move from initial relationship building, through deal making and organizational merging, and finally produces a strong, new, combined organization.

Overview:

75% of mergers don't achieve their desired outcomes, not because the potential is lacking, but because the merger is not effectively executed. The potential of good mergers is high, but unfortunately, of the over 300 credit union mergers every year, many don't reach their true potential or desired outcomes. Many other explored mergers in credit unions, in spite of their high prospects, fail to ever progress. Most credit union mergers that fail do so because mistakes are made in the merger process – especially in the people aspects of the merger. These failures are most commonly caused by poor communication and culture clash – which can be overcome or avoided through effective merger brokering.

When mergers are done correctly they bring together the best from both organizations. The process of effectively merging involves winning the hearts and minds of everyone involved, based on a shared understanding of why the merger is good for all parties – first and foremost the members. Great mergers bring together two credit unions with common intangibles (the “people stuff”) and complementary tangibles (branches, markets, assets, etc.). In the process of bringing the organizations together, extensive work is required to fully plan, execute and manage all of the moving parts – so the desired outcomes of each of the 28 stages of the merger can be achieved.

Merging is like mountain climbing. The best prepared and strongest succeed, while others fail to reach their objective.

Nice Approach:

Nice's member-centric approach to mergers follows a proven, methodical approach that leverages best practices developed over decades of experience. Nice has worked on some of the highest profile mergers in the country and brings to the table keen insight into the various phases of the merger. These phases include: the “art of the deal,” uniting CEOs, creating agreements between Boards, guiding extensive communications with the credit unions' membership and staff, and assuring that each step is effectively executed in the right order and with the right timing so both organizations move in “lock step” throughout the merger process.

The final outcome of this planned implementation approach are two credit unions that come together around a shared vision for the new, combined organization and diligently work to make the new credit union highly effective in serving its broader member base.

The Merger Kit

Benefits Snapshot:

- Saves tens of thousands of dollars and hundreds of man hours
- Takes the guess work out of merger implementation
- Knowledge on the entire merger process, from relationship building all of the way through merger integration

Definition:

The Merger Kit is the one comprehensive resource that will lead you through every step of the merger process successfully. It is structured as both a plan to follow, and an extensive resource toolbox from which Boards, CEOs and senior management can draw throughout the entire merger process.

Overview:

This one-of-a-kind Kit was compiled by the executive team of Westerra Credit Union, who completed two nationally-recognized mergers within 20 months, in conjunction with the decades of credit union strategic planning and merger expertise of Nice Enterprises, Inc.

With over 1400 pages of model documents proven to work, the Merger Kit saves you tens of thousands of dollars and hundreds of man hours in legal review, strategic planning and merger expertise.

You'll find 30 Excel spreadsheets and action plans, 80 Word documents, 16 PowerPoint presentations, and more than 100 PDF documents—all customizable to maximize your merger success.

Both teams put their extensive experience and expertise together to share with other credit unions. The result is this powerful resource, written and produced by the people who orchestrated these successful mergers.