

**Vermont Department of Banking, Insurance, Securities & Health Care  
Administration**

**Banking Division**

**REGULATION B-99-2**

**CONVERSION OF A FEDERAL CREDIT INTO  
A STATE CHARTERED CREDIT UNION  
Dec. 1, 1999**

**Section 1. Authority, Scope and Purpose**

This Regulation is promulgated pursuant to Title 8 V.S.A. ' 2084. This Regulation establishes procedures for the conversion of a federal credit union to a credit union chartered under Title 8, Vermont Statutes Annotated, Chapter 71. Compliance with these regulations is in addition to any other state or federal laws and regulations which may be applicable to the proposed transaction, including state corporate laws and state and federal securities laws.

**Section 2. Application for Conversion to a State Credit Union**

(a) Contents of Application. The board of directors of the credit union shall approve a plan for conversion (the "Plan") and shall file an application for conversion (the "Application") with the department. The Application shall include:

- (1) The Plan
- (2) Current financial reports;
- (3) Current delinquent loan schedules annotated to reflect collection problems;
- (4) Combined financial report, if applicable;
- (5) Any contingencies;
- (6) Explanation of any provisions for reserves, undivided earnings or dividends;
- (7) Explanation of any adjustments to members= share accounts;
- (8) Analyses of the regulatory effect of the conversion brought about by the change in government regulator;

- (9) Explanation of procedure for discontinuing nonconforming activities;
- (10) Explanation of any other relevant effects on the members; and
- (11) Any additional information, as required by the commissioner.

(b) **Confidentiality.** Nothing in this Regulation shall preclude an applicant from segregating and designating any portion of the application, and any amendments thereto, as confidential due to content that is proprietary or privileged or otherwise confidential under Vermont law. Any determination as to the confidentiality of submitted materials shall be made in accordance with applicable law.

### **Section 3. Submission of Plan to Commissioner**

(a) **Submissions to the Commissioner.** Upon approval of the Plan by the board of directors of the credit union, the Application shall be submitted to the commissioner together with the following:

- (1) A resolution of the board of directors approving the Plan;
- (2) A proposed Notice of Meeting, as set forth below;
- (3) A copy of the form ballot and any accompanying materials to be sent to the members, as set forth below;
- (4) A complete copy of any materials submitted to any other regulatory agencies relating to the conversion. The credit union shall remain under a continuing obligation to update the application with any amendments to these materials.

(b) **Coordination with NCUA.** For purposes of maintaining deposit insurance continuity:

- (1) The commissioner will coordinate with the NCUA; and
- (2) The commissioner will not approve any conversion until the NCUA has certified that there shall be no change or lapse in deposit insurance coverage for the resulting state chartered credit union.

### **Section 4. Approval of Application by Commissioner**

If the commissioner finds that the Application complies with the provisions of this regulation and does not present an undue risk to the state or unduly prejudice the members, the commissioner may approve the Application subject to conditions he or she may prescribe. The Application shall not be approved if the Plan does not clearly inform

the members of any rights, if any, they would be giving up if their credit union converts into a state credit union.

## **Section 5. Approval of Plan by Members**

(a) **Submission to Membership.** Once the commissioner has approved the Plan, the credit union shall submit the approved Plan to the membership in accordance with this section.

(b) **Notification of Members.** The members shall:

(1) Have the option of voting on the Plan either in person at a membership meeting or by mail ballot.

(2) Be given advance notice of the membership meeting in accordance herewith. The notice shall be delivered in person to each member, or mailed to each member at the address for such member as it appears on the records of the credit union, in accordance with its by-laws and federal law.

(3) The notice of meeting must include the following:

(a) The date, time and place of the meeting;

(b) A description of the matters to be voted upon at the meeting;

(c) The following statement in a prominent location in bold letters: "A DISCLOSURE STATEMENT HAS BEEN PROVIDED TO YOU WITH THIS NOTICE OF MEETING, YOU ARE URGED TO READ THE DISCLOSURE BEFORE VOTING ON THE PROPOSED CONVERSION," and

(d) A statement that a mail ballot for the meeting is enclosed.

(4). The disclosure provided with the notice must at a minimum provide the following information to the members:

(a) Factual information about the credit union, i.e. name and address of the credit union and telephone number of a contact person;

(b) Summary of the proposal which shall contain but not necessarily be limited to current financial reports for the credit union; a projected financial report for the continuing

institution; analyses of share values; an explanation of any proposed share adjustments; and an explanation of any changes relative to insurance such as insurance of member accounts and life savings and loan protection insurance.

(c) Summary of the direct and indirect benefits to the credit union members, as well as any disadvantages, including a clear explanation of the nature of the change in the members' ownership interest in the reserves and undivided earnings of the credit union as a result of the conversion, if any;

(d) Summary of the direct and indirect benefits to management and other key persons at the credit union; copies of the certifications from the directors and committee members that they will receive no compensation either directly or indirectly from the new institution for a period of two years, provided, however, the treasurer may be a paid employee pursuant to 8 V.S.A. § 2064;

(e) A dollar expenditure comparison chart of the estimated increases/decreases in regulatory and insurance fees;

(f) Itemized expenses incurred to date in the conversion process with an estimate as to future expenses;

(g) Management's discussion and analysis of the proposed conversion, including its economic advisability and how it will serve the needs of the members of the converting credit union;

(h) Description and comparison of the competition of the existing credit union and why it believes it can effectively compete as a state credit union;

(i) State in bold on the cover "PLEASE READ THIS DISCLOSURE DOCUMENT. IT CONTAINS IMPORTANT INFORMATION ABOUT YOUR CREDIT UNION."

(5) The mail ballot must:

(a) State at the top in bold letters using 12 point pitch or greater that "THE ATTACHED DISCLOSURE STATEMENT SHOULD BE READ BEFORE VOTING ON THE PROPOSED CONVERSION";

(b) Present the issues for the member to vote as follows:

Please vote for either (i) or (ii) by checking the appropriate box.

(i) Approve the conversion 9

(ii) Disapprove the conversion 9

(c) Advise the member of the right to terminate the mail ballot and attend and vote at the meeting.

(6) Be made aware that the complete Application and Plan, subject to section 2(b) hereof, are available for inspection at the credit union's main and branch offices during normal business hours and the offices of the department.

(c) **Vote by Members.** The Plan must be approved in accordance with the existing credit union's by-laws and federal law.

(d) **Notice of Approval to Members.** If the Plan is approved by the membership and the commissioner, prompt and reasonable notice shall be given to all members.

## **Section 6. Certification and Completion of Conversion**

(a) **Certification of Vote.** An authorized officer of the corporation shall certify the results of the membership vote to the commissioner within 10 days after the vote is taken.

(b) **Completion.** Upon approval of the Application by the commissioner, the NCUA, the members, and any federal agency with approval or regulatory authority for the transaction, the credit union may complete the conversion.

(c) **Certification of Completion.** Within 30 days after the effective date of the conversion, the board of directors of the continuing institution shall certify the completion of the transaction to the commissioner. The board of directors shall promptly notify the commissioner if the conversion will not be completed within 30 days of the effective date of the Plan. Such notification shall state the reasons for the delay and the expected completion date.

(d) **Issuance of Certificate of Authority.** Upon the commissioner's receipt of certification that the transaction has been completed in accordance with the Plan, and approved by the NCUA, and any federal agency with approval or regulatory authority for the transaction, the commissioner shall issue a Certificate of Authority to the resulting state credit union. The credit union shall file the Certificate of Authority with the Vermont secretary of state.

**Section 7. Effective Date**

This Regulation is effective December 1, 1999.

**Section 8. Severability**

If any provision of this regulation, or the application of it to any person or circumstance, is determined to be invalid by a court of competent jurisdiction, such invalidity shall not affect other provisions of this regulation which can be given effect without the invalid provision or application, and to that end the provisions of this regulation are severable.