Michael Lee
Director of Regulatory Advocacy
League of Southeastern Credit Unions
22 Inverness Parkway, Suite 200
Birmingham, AL 35242

Gerard Poliquin
Secretary of the Board
National Credit Union Administration
1775 Duke St.
Alexandria, VA 22314-3428

Re: Bylaws; Mergers: 12 CFR Parts 708b [RIN 3133-AE73]

8/4/2017

Mr. Poliquin,

The League of Southeastern Credit Unions & Affiliates (LSCU) appreciates the opportunity to comment on the proposed changes to the above mentioned regulations. The LSCU fully supports these regulatory amendments intended to provide membership with greater knowledge of and participation in the credit union merger process. The League of Southeastern Credit Unions is a trade association that represents 260 credit unions in Florida and Alabama. Our mission is "to create an operating environment that enables credit unions to grow and succeed."

1. § 708b.2 Definitions.
   a) *covered person*

      The LSCU supports the Board's proposal to remove the definition of "senior management official" from § 708b.2 and add a definition for "covered person" as the credit union's chief executive officer or

manager; the four most highly compensated employees other than the chief executive officer or manager; and any member of the board of directors or supervisory committee.

However, there is no need to increase the number of "covered persons." If the Board believes the proposed definition is inadequate, we would recommend a change to the proposed definition apart from specific titles and number of personnel and instead one that includes anyone who can influence the merger (those who vote on it, propose it, or direct it) **and** those who materially benefit from it. Both qualifications would need to be met to qualify as a "covered person." The specifics of these qualifications could be rearranged, but the important aspect of a two-part definition would be to tailor it to capture those individuals relevant to the approval of the merger but not including too many or too few people.

The Board should not require credit unions to disclose financial arrangements made for the employees without influence over the merger. Besides generally lacking relevance, there are privacy concerns involved in disclosing the merger-related financial arrangements for all employees regardless of management responsibility or level of influence.

b) *merger-related financial arrangement*

Regarding the Board's proposal to include all increases in compensation for the 24 months prior to the merger approval date by both boards, the LSCU would not support this change because it seems overly broad in its scope. Rather than covering a 24-month period, the LSCU would support a simple solution, which would be to include *all* compensation given to a "covered person" at two points in time, prior to the merger and after. Essentially, those people who meet the previously mentioned two-part test would have their complete compensation disclosed including retirement and insurance. This should alleviate any concerns credit unions have had in analyzing whether various benefits meet the $10,000 or 15% threshold.

This change may seem harsh and require a change of term to "post-merger financial arrangement," but the simplicity of laying out a comparison of the "covered persons" should provide the membership a clear picture of the incentives for the merging credit unions' executives while not relying on overly complex reporting criteria.

One could argue that a change in this definition would make our proposal for "covered person" challenging under the theory that it is possible that an executive could receive no additional compensation when the credit unions merge and would therefore fall out of the definition. While an executive receiving no additional or even material benefit is unlikely, the case can be made that simply retaining employment in a comparable position would be a material benefit.

Finally, the LSCU does not support the continued disclosure of the benefits offered to all employees of a credit union. While this information could be relevant to some members in informing their merger vote, it would not outweigh the employee privacy concerns presented by revealing those details.

c) *record date*

The LSCU supports the inclusion of a record date to formalize the practice that allows a board to decide the date by which a member is vested to participate in some credit union affairs. This should not cause problems because a similar method is used in corporate governance.

2. § 708b.104 Submission of merger proposal to NCUA.

The LSCU supports the rule amendments requiring that credit unions providing minutes from board meetings when those meetings discuss the proposed merger. However, we oppose confining the minutes for submission to a 24-month time period. It is unlikely that a board will discuss a merger for longer than 24 months but if so, those minutes should be submitted as well, though it is important to emphasize only those meetings that refer to the merger should be included in a submission. Not all meeting minutes are necessary since the first board discussions of a merger. Furthermore, the LSCU supports the requirement to have the boards

of the merging credit unions to certify that there are no other merger-related financial arrangements than those disclosed to the members; this is a reasonable request in the interest of the membership of the credit unions.

3. § 708b.106 Approval of the merger proposal by members

The LSCU supports the Board's proposal to amend the rules to require that member notice be sent at least 45 days, but no more than 90 days, before the meeting to vote on the merger. By requiring that members receive notice of the meeting at least 45 days in advance, the proposed amendment will provide a better opportunity for member participation in the merger process. Furthermore, the LSCU supports the changes to the content of notice that will make the provisions simpler and easier to understand, specifically the provision to include the products and services available and the availability of branch locations to members after the merger.

Regarding the amendments on member-to-member communication, the LSCU supports a 15-day deadline prior to the meeting for the credit union to facilitate member to member communication. Fifteen days should be a sufficient amount of time for members to review communications by other members.

The LSCU appreciates the efforts of NCUA to simplify the disclosures and communications to members during the merger process. We look forward to comment on the NCUA's other proposed changes and to other regulatory relief the NCUA may propose in the future. Please contact me if you would like clarification or other input on this matter.

Sincerely,

M. Lee

Michael Lee

ALABAMA OFFICE: 22 Inverness Parkway, Suite 200, Birmingham AL 35242 | 205.991.9710
FLORIDA OFFICE: 3692 Coolidge Court, Tallahassee FL 32311 | 850.576.8171

866.231.0545
www.lscu.coop