



Informational Memorandum

August 27, 2010

To: Chairman, Board of Directors
Chief Executive Officer
All Farm Credit System Institutions

From: Andrew D. Jacob, CFA, Director
Office of Regulatory Policy

A handwritten signature in black ink, appearing to read 'Andrew D. Jacob', is placed to the right of the printed name.

Subject: Guidelines on Submission of Proposals to Merge Banks

This Informational Memorandum (IM) distributes the guidelines for the submission of proposals to merge banks pursuant to Title VII of the Farm Credit Act of 1971, as amended, and in accordance with the requirements of the Farm Credit Administration's Bookletter, BL-063, "Farm Credit System Bank Merger Applications." The regulations governing proposals to merge are set forth in 12 CFR 611.1010, 611.1020, 611.1122(a)(1) through (4), (6), (7), 611.1122(e), and 611.1123.

Any questions on this IM should be directed to Thomas L. Dalton, Office of Regulatory Policy, at (703) 883-4460 or by e-mail to daltont@fca.gov or to Gary Van Meter, Deputy Director, Office of Regulatory Policy at (703) 883-4026 or by e-mail to vanmeterg@fca.gov.

Attachment

Procedures to Obtain FCA Approval of a Plan to Merge Banks

In accordance with the requirements of § 611.1020, where two or more banks plan to merge the banks shall jointly submit to the FCA the documents itemized in §§ 611.1122(a)1 through (4), (6), (7), 611.1122(e), and 611.1123. In interpreting those sections, the word “bank” shall be read for the word “association.”

If a proposed merger will involve three or more banks, the Farm Credit Administration (FCA or Agency) may require supplemental information or may waive any information required by 12 CFR 611.1020. Any waiver on this or any other regulation must be obtained prior to filing the merger application.

Preliminary Approval

1. The constituent (merging) banks should send six complete copies of the proposal (one original and five copies) including all disclosure and nondisclosure items, together with a cover letter signed by the constituent banks or the constituent banks' merger coordinator requesting FCA approval to:

The Farm Credit Administration
Secretary to the Board
1501 Farm Credit Drive
McLean, VA 22102-5090

2. Upon receipt of the proposal by the FCA, an acknowledgment letter will be sent to the constituent banks submitting the request. After all required materials have been received, the FCA will also send a letter to the chief executive officer(s) setting the start and end dates of the 60-day statutory review period. No assumption is to be made regarding the FCA's approval of the proposal until the expiration of 60 calendar days from the date of receipt by the FCA of a complete package of materials as defined herein. A complete package comprises all items identified in the Documentation Checklist, unless the item requested is not applicable to the proposal, and any other documentation or information required by the FCA to be included in the application. All items that are identified as not applicable to the proposal must be explained under Explanatory Notes in Section B at the end of the Information Checklist.
3. Notification of the FCA's action will be sent to the chairman of the board of directors of each constituent bank. Each board chairman can expect to receive written approval or disapproval of the merger plan by the date specified in the letter establishing the 60-day statutory review period. On notification that the FCA has preliminarily approved the merger, the constituent banks may submit the plan and the disclosure to their stockholders for a vote.
4. Any disapproval of a proposal by the FCA Board will be sent in writing to the chairman of the board of directors of each constituent bank. The disapproval will state the reasons the proposal was rejected by the FCA. Any proposal rejected by the FCA can be resubmitted for FCA approval provided the reasons for disapproval have been remedied.

Procedures to Obtain FCA Approval of a Plan to Merge Banks

Final Approval

Following approval by the constituent banks' stockholders, one set of the following documents must be submitted to the FCA to obtain final approval and the necessary charter amendments or a new charter:

1. An Agreement and Plan of Merger with the inked signatures of those persons authorized to sign such agreement.
2. A certified copy of the stockholders' resolution on the Agreement and Plan of Merger and a certified statement from the secretary of each constituent bank that a quorum was present at a duly authorized stockholders' meeting.
3. A certified statement from an independent third party named to tabulate the voting results for each constituent bank that the merger was approved. The certification must specify the quorum requirement for each constituent bank, a tally of the results of the vote, and the number of votes eligible to be cast as of the record date. In the case of voided ballots, the certified statement must describe each reason ballots were voided and the number voided per each circumstance.
4. The original charters of the constituent bank or banks being merged and whose separate corporate existence will cease upon consummation of the merger.
5. Three copies of the printed stockholder disclosure package as mailed by each constituent bank to its stockholders (including the notice to stockholders, proxy instructions, proxy authorization, proxy ballot, and ballot for casting a vote at the stockholders' meeting).
6. A copy of the dated notification of the voting results as mailed by each constituent bank to its stockholders.
7. A cover letter from the constituent banks' CEOs requesting final approval with a final recommendation on the effective date of the merger. The effective date of a merger may not be less than 35 days after the date of mailing of the notification to stockholders of the results of the stockholder vote or 15 days after the date of submission to the FCA of all required documents for the Agency's consideration of final approval, whichever occurs later. During the 35-day period following the mailing of the notice to stockholders, a petition for reconsideration can be filed by voting stockholders as specified in section 7.9 of the Farm Credit Act of 1971, as amended (Act).

If no valid petition for reconsideration is received by the FCA within the 35 days following mailing of the notification to stockholders of the results of the vote, the effective date will be that recommended by the constituent banks or as determined by the FCA.

If a valid petition for reconsideration is filed with the FCA within 35 days after mailing of the notification to stockholders of the results of the stockholder vote, the constituent banks must agree on a second effective date to be used in the event the merger is approved on reconsideration. The second effective date may not be less than 60 days after stockholder notification of the results of the first vote, or 15 days after the date of the reconsideration vote, whichever occurs later.

8. Any other documents that may be required by the FCA in its preliminary approval letter, such as evidence of satisfaction of any other conditions or requirements for final approval as stated in the preliminary approval letter.

The FCA's final approval letter will be mailed once the FCA determines the final effective date. All charters or charter amendments will follow after being executed by the FCA Board Chairman.

Request for Approval of a Plan to Merge Banks

General Information

Farm Credit Banks requesting to merge must jointly submit the required information, in accordance with 12 CFR 611.1020. Information in Tabs 1 through 4 should be specific to each constituent bank, and all other required disclosure information should be identical for each constituent bank. However, any differences between the merging banks should be disclosed to stockholders in accordance with the applicable regulation.

1. Use of the Form

In the space provided on the documentation checklist, use an "X" to indicate that the material is included under the tab shown. In the space provided on the information checklist, indicate the page number or other index number in which the information is presented within the tab. Use "N/A" for any nonapplicable items and give a short statement at the end of the information checklist explaining why the item is not applicable.

See information checklist for detailed instructions for each item in the documentation checklist.

2. Terminology

- a. Acquirer – as defined by generally accepted accounting principles (GAAP), in a business combination, merger, etc., refers to the bank that obtains control of the acquiree or is the primary beneficiary of a variable interest entity.
- b. Acquiree – in a business combination, merger, etc., the bank that the acquirer obtains control of.
- c. Acquisition method of accounting – GAAP requires that each business combination be accounted for by applying the acquisition method of accounting. The acquisition method requires:
 - Identification of the acquirer.
 - Determination of the acquisition date.
 - Recognition and measurement of identifiable assets acquired and liabilities assumed.
 - Recognition and measurement of goodwill or a gain from a bargain purchase.
- d. Act – refers to the Farm Credit Act of 1971, as amended.
- e. Agreement and Plan of Merger – written agreement between the merging banks governing the terms and conditions of the merger transaction.
- f. Bargain purchase – a business combination in which the total acquisition-date fair value of the identifiable net assets acquired exceeds the fair value of the consideration transferred and requires the acquirer to recognize that excess in earnings as a gain attributable to the acquirer.
- g. Business combination – a merger of banks or other event in which an acquirer obtains control of one or more businesses.
- h. Conditions of Approval – the conditions imposed by FCA on the continuing bank as part of the merger.
- i. Constituent banks – refers to each bank that is a party to a merger request.
- j. Continuing bank – refers to the bank whose charter continues upon consummation of the merger.

- k. Control – in a business combination or merger, control has the meaning of *controlling financial interest* as defined by GAAP and applicable guidance.
 - l. Fair value – as defined by GAAP, in a business combination the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
 - m. Farm Credit Bank (FCB) or Agricultural Credit Bank (ACB) – refers to a Farm Credit System Bank in a Farm Credit District.
 - n. Goodwill – an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized.
 - o. Merger – refers to a merger of banks unless otherwise specified.
 - p. Related association(s) – refer to the association(s) within the constituent bank’s or resulting bank’s chartered territory that generates loans for the bank or whose operations the bank funds.
 - q. Resulting bank – refers to the bank resulting from a merger of like or unlike banks.
 - r. 12 CFR (e.g., 12 CFR 611.1020) – is a citation of FCA regulations for mergers of banks contained in Title 12, Chapter VI, of the Code of Federal Regulations (CFR).
3. Rules for Presentation
- a. The documents submitted to the FCA must be organized in the same order as listed on the documentation checklist. The merging banks have flexibility to present the documents to stockholders in the order they choose unless otherwise required by regulation.
 - b. Information furnished must be presented with an appropriate heading to identify the subject matter(s) it relates to.
4. Submission of Checklists – Each request to the FCA for preliminary approval of a plan of merger must be accompanied by a transmittal sheet, documentation checklist, and information checklist.
5. Update to Financial Statements – If the constituent banks wish to include their most recent quarterly financial statements in the disclosure to stockholders after receiving the FCA's preliminary approval of the merger proposal and related disclosure materials, the updated statements and all related disclosure material must be submitted to the FCA for clearance before the disclosure document can be issued.
6. Director and Employee Representations – Pursuant to 12 CFR 611.1020(c) no bank director, officer, or employee shall make any untrue or misleading statement of a material fact, or fail to disclose any material fact necessary under the circumstances to make statements made not misleading to any stockholder of the bank in connection with a bank merger.

Request for FCA Approval of a Plan to Merge Banks
Transmittal Sheet

Districts _____

Coordinator's Name and Address: _____

Coordinator's E-Mail Address _____
Coordinator's Telephone No. _____
Coordinator's Fax No. _____

Coordinator's Name, Telephone No. and E-Mail Address for Financial Forecasts (if a different person)

Name

Telephone Number

E-Mail Address

Information on Constituent Banks:

Bank Name: _____
CEO Name: _____
Mailing Address: _____

City, State, Zip: _____
E-Mail Address: _____
Telephone Number: _____
Fax Number: _____

Board Chairman Name: _____
Mailing Address (if home address preferred): _____

City, State, Zip: _____

Bank Name: _____
CEO Name: _____
Mailing Address: _____

City, State, Zip: _____
E-Mail Address _____
Telephone Number _____
Fax Number _____

Board Chairman Name: _____
Mailing Address (if home address preferred): _____

City, State, Zip: _____

Request for FCA Approval of a Plan to Merge Banks
Transmittal Sheet

Proposed legal name of the continuing or resulting bank:

Designated headquarters location (City/County/State):

Name of CEO of the continuing or resulting bank:

Date of request to FCA for preliminary approval: _____

Proposed dates of stockholders' meetings: _____

Proposed effective date of the merger: _____

Include a map showing the resulting territory and associations to be served under Tab 7, item 25, exhibit 2.

Do any of the constituent banks have any other requests pending action by the FCA Board as of the date this application was submitted?

Yes: _____ No: _____

If yes, please specify nature of the request and the date it was submitted to the FCA: _____

Request for Preliminary Approval of a Plan to Merge Banks
Documentation Checklist

Name of Continuing or Resulting Bank

Use "X" or N/A

Section A – Disclosure to Stockholders

- | | | |
|-------|-----|--|
| _____ | 1. | Notice of stockholders' meetings and the FCA disclaimer statement |
| _____ | 2. | Proxy instructions, proxy authorization, and ballot |
| _____ | 3. | Boards of directors' statements |
| _____ | 4. | Statements of advantages and disadvantages of merger |
| _____ | 5. | Summary of tax matters |
| _____ | 6. | Summary of provisions of the agreement and plan of merger |
| _____ | 7. | Agreement and plan of merger and exhibits <ul style="list-style-type: none"> 1. Exhibit 1 – Bylaws—resulting or continuing Bank 2. Exhibit 2 – Charter and map of territory 3. Exhibit 3 – Director biographical information 4. Exhibit 4 – Capital accounts |
| _____ | 8. | Summary of the charter and bylaw changes |
| _____ | 9. | Direct loan rates of the constituent banks |
| _____ | 10. | Summary of the general financing agreement |
| _____ | 11. | Proposed policies of the continuing or resulting bank |
| _____ | 12. | Accounting policy for high-risk loans and loan-related assets and statistics |
| _____ | 13. | Annual report of each constituent bank |
| _____ | 14. | Interim financial statements of each constituent bank |
| _____ | 15. | Pro forma financial information |
| _____ | 16. | Relationship with a qualified public accountant |
| _____ | 17. | Other significant matters |

Section B – Additional Documents for FCA Use

- | | | |
|-------|-----|--|
| _____ | 18. | Certified resolution from each board of directors |
| _____ | 19. | Management capabilities of the continuing or resulting bank |
| _____ | 20. | Credit quality statistics and loan-related assets |
| _____ | 21. | Three-year business plan and financial forecast for FCA use only |
| _____ | 22. | Information systems merger plan |
| _____ | 23. | Waivers |
| _____ | 24. | Additional information and documents |
| _____ | 25. | CEO certification |
| _____ | 26. | Letter of Inclusion from qualified public accountant |
| _____ | 27. | Checklists |

Request for FCA Approval of a Plan to Merge Banks
Information Checklist

(Name of Continuing or Resulting Bank)

SECTION A – DISCLOSURE TO STOCKHOLDERS

Page Number,
other index
number, or NA

TAB 1. NOTICE OF STOCKHOLDERS' MEETINGS AND THE FCA DISCLAIMER STATEMENT –

Each constituent bank is required by 12 CFR 611.1122(e) to furnish a notice of meeting to its respective stockholders. The notice must:

- _____ 1. Give the date, time, and place of the stockholders' meeting.
- _____ 2. State the board resolution or board-approved action that is to be considered and voted on by stockholders, including stockholder approval of the capitalization bylaws as a part of the merger plan or as a separate event to be considered and voted on by stockholders.
- _____ 3. Identify the quorum requirements and requirements for stockholder approval of the proposed action, pursuant to Section 7.12 of the Act.
- _____ 4. List attached documents and any supplemental disclosure material that is not enclosed but is available upon request. The notice must provide instructions on how to obtain these supplemental materials, including the address, telephone number, and name or title of the employee or officer whom stockholders should contact for the information. Where a proposed merger involves more than three banks, the FCA may require the supplementation, or allow the condensation or omission of any information required under 12 CFR 611.1122(e) in furtherance of meaningful disclosure to stockholders. If a waiver is requested, include a statement that the individual financial statements of the other banks are available upon request.
- _____ 5. Refer to the proxy, proxy authorization, and instructions included in the material and list the deadline for receipt of the proxy authorization and ballot at the address of the independent third party tabulating the voting results.
- _____ 6. Include a disclaimer required by 12 CFR 611.1122(e)(1) in capital letters and bold face type at the bottom of the notice of meeting or on the first page of the disclosure material.
- _____ 7. Provide instructions to stockholders not eligible to vote, including preferred stockholders, on how to obtain disclosure materials. These nonvoting stockholders should receive notice of the meeting. However, other financing institutions are to receive all material provided to voting stockholders, except proxy instructions and ballot.

TAB 2. PROXY INSTRUCTIONS, PROXY AUTHORIZATION, AND BALLOT – Each stockholder of the constituent bank entitled to vote shall designate by resolution a duly authorized representative and an alternate to vote at the meeting. A certified copy of the resolution shall have been delivered to the bank's secretary prior to any exercise of voting rights by a stockholder at the meeting. If a duly authorized representative or alternate cannot attend the meeting, the stockholder entitled to cast the vote may vote by proxy. In such an event, the proxy instructions shall:

- _____ 1. Allow the stockholder to designate someone other than the named director(s) to serve as proxy provided that the person designated must be a duly authorized representative or alternate of another voting stockholder of that bank and must attend the meeting in order to cast the proxy ballot.
- _____ 2. Indicate that a stockholder may revoke the proxy and the authority represented therein at any time prior to balloting at the stockholders' meeting, and may instead vote by its duly authorized representative in attendance at the meeting.
- _____ 3. Provide a space for the authorized signatory designated by the association to sign and date the proxy authorization. Separate the proxy ballot from the proxy authorization to ensure the stockholder's right to a secret ballot (section 4.20 of the Act).
- _____ 4. Eliminate any requirement for signature on the ballot for voting at the meeting to ensure the stockholder's right to a secret ballot.

TAB 3. BOARDS OF DIRECTORS' STATEMENT(S) – Furnish a joint statement by the boards of directors of the merging banks or a separate statement by each board of directors, as required by 12 CFR 611.1010(c), 611.1122(a)(7), and 611.1122(e)(4), that sets forth:

- _____ 1. The basis for its recommendation that stockholders approve the proposed merger; including the background and reasons for the merger, key decisions by any oversight group or steering committee, and the board's assessment of the compatibility of the merger partners and the significance to the merger of any key areas in which the banks are not compatible.
- _____ 2. The continuing or resulting bank's mission and purpose, and the objectives of the merger and goals of the continuing or resulting bank.
- _____ 3. The resulting bank's credit and risk management philosophies and how these philosophies will affect the bank's relationship with the associations and, in turn, the associations' delivery of credit and related services to borrowers.
- _____ 4. Each board of directors' opinion on the conclusions of the due diligence review performed by the bank.

TAB 4. STATEMENT OF ADVANTAGES AND DISADVANTAGES OF THE MERGER – Present a balanced view of the following to stockholders, and provide justification for all statements that project future financial results, such as changes in operating costs, stock retirements, direct loan rates, or earnings:

- _____ 1. The advantages of the merger.
- _____ 2. The disadvantages of the merger.

Recognize that an advantage to one bank may be a disadvantage to the other constituent bank and explain as necessary. Identify those advantages that may not be realized because they are subject to external forces outside the control of bank management.

For example, changes in any of the following could be an advantage or a disadvantage: board representation, asset-liability management, responsiveness to customer needs, organizational efficiencies, changes in personnel and headquarters location, funding, earning ability, interest rates, loan pricing and structure policy, patronage and dividend policies, stock requirements, capital adequacy position, risk diversification, cost savings, managerial responsibilities versus

capabilities, income tax considerations, change in lending philosophy, relationship and communications with its related associations, and information processing compatibilities.

TAB 5. SUMMARY OF TAX MATTERS – Furnish a statement with respect to possible Federal and state income tax consequences of the merger to the stockholders of the constituent banks, to stockholders of the bank’s related associations and, if any, to the resulting bank itself. Indicate whether or not a legal opinion or IRS ruling on tax effects of the proposed merger on any affected party was obtained.

Reference should be made to the pertinent sections of the agreement and plan of merger if a legal opinion or ruling on tax effects of the merger is obtained.

TAB 6: SUMMARY OF PROVISIONS OF THE AGREEMENT AND PLAN OF MERGER – Summarize the significant provisions of the agreement and plan of merger detailed under Tab 7 as required by 12 CFR 611.1122(e)(2) and, at a minimum, include the following:

- _____ 1. The immediate effect on the continuing bank on the effective date of the merger. For example, cancellation of the non-continuing bank’s charter and ceasing of its individual identity and issuance of an amended or new charter; succession rights; conversion of equity.
- _____ 2. Location of headquarters and branch offices of the continuing or resulting bank.
- _____ 3. Provisions of the capital adequacy plan for the continuing or resulting bank.
- _____ 4. Management and staffing of the continuing or resulting bank. Board composition and size upon merger, including number of outside directors and any other appointed directors.
- _____ 5. Other changes that will accompany the merger, such as integration of accounting systems, data processing, and other operations.
- _____ 6. Accounting basis (acquisition method) for the merger; identification of the acquirer and acquiree.
- _____ 7. Bases on which the merger agreement can be terminated.
- _____ 8. The Conditions of Approval that may be imposed on the continuing or resulting bank by the FCA.
- _____ 9. Reconsideration of the merger – stockholders’ reconsideration rights, pursuant to section 7.9(b) of the Act and 12 CFR 611.1123(c).
- _____ 10. Personnel matters – effect on employees, including senior officers; any plan or agreement relating to employment or termination of employment and/or any changes to employee benefits plan.
- _____ 11. Other changes that will accompany the merger – change in territory to be served, any changes to the capitalization requirement, the combining and/or possible reduction of staff, changes in management, and combining and/or possible reduction in size of board of directors for continuing or resulting bank, etc.

TAB 7. AGREEMENT AND PLAN OF MERGER AND EXHIBITS – Pursuant to 12 CFR 611.1122(a)(4) and 611.1123(a), furnish information on the following and clearly label the information presented in the agreement:

- _____ 1. PREAMBLE – List the names and addresses of the banks that are party to the merger agreement, summarize the conditions leading to the merger agreement, and state that the boards of directors of the merging banks have approved the agreement, and that the Farm Credit Administration (FCA) has preliminarily approved the plan of merger.
- _____ 2. PROPOSED EFFECTIVE DATE – State the proposed effective date of the merger required by 12 CFR 611.1123(a)(1). [Note: The effective date of a merger may not be less than 35 days after the date of mailing of the notification to stockholders of the results of the stockholder vote (see 12 CFR 611.1122(g) and 611.1123(c)) or 15 days after the date of submission to the FCA of all required documents for its consideration of final approval, whichever occurs later.]
- _____ 3. NAME AND HEADQUARTERS LOCATION – State the name and headquarters of the continuing or resulting bank, pursuant to 12 CFR 611.1123(a)(2).
- _____ 4. DESCRIPTION OF TERRITORY – Identify the territory to be served by the continuing or resulting bank.
- _____ 5. EXCHANGE OF STOCK – Furnish a statement as required by 12 CFR 611.1123(a)(4) as to the outstanding shares of capital stock and participation certificates of each constituent bank as of the date of the most recent interim financial statements and the formula to be used to exchange stock of the acquirer bank for the stock of acquiree bank. State the book value of each constituent bank's stock as of the date of the most recent interim financial statements and the value of the continuing or resulting bank's stock as if the merger had occurred as of that date. If there is a significant change (+/-5 percent) in the amount of stock to be exchanged between the date of the most recent interim statements and the previous month-end prior to the date of submission to the FCA, use the data from the previous month-end time period.
- _____ 6. EQUITY ACCOUNTS – Describe the effects of the transaction on the equity accounts of the continuing or resulting bank, including the allocated and/or unallocated surplus accounts.
- _____ 7. FUNDING – Provide for the continuance of debt issuance by the continuing or resulting bank through the Federal Farm Credit Banks Funding Corporation (Funding Corporation) by adoption of new resolutions by the initial board of directors and amendment of existing agreements and/or execution of new agreements with the Funding Corporation. Identify any new sources of funding that may be used by the continuing or resulting bank.
- _____ 8. ACCOUNTING FOR THE MERGER – State that the merger will be accounted for using the acquisition method of accounting for business combinations in accordance with GAAP. Describe the effects of the accounting treatment on the continuing or resulting bank's financial statements to be presented subsequent to consummation of the merger.
- _____ 9. PAYMENT OF DIVIDENDS – Provide the terms of any plan by which any dividends are to be paid on the stock or participation certificates of the constituent banks between the date the merger is agreed to in principle through the proposed effective date of the merger.

- _____ 10. EXPENSES OF THE MERGER – Describe how the expenses connected with the merger are to be borne by the constituent banks or by the continuing or resulting bank following the effective date of the merger.
- _____ 11. CAPITAL ADEQUACY PLAN – Include a capital adequacy plan for the continuing or resulting bank that meets the requirements of 12 CFR 611.1123(a)(9) and 615.5200(b). The plan must be supported by capitalization bylaws which can take effect only upon approval of the majority of voting stockholders of each constituent bank voting in accordance with the bylaws at a duly authorized stockholders' meeting.
- _____ 12. NOMINATING COMMITTEE – Include a provision for the initial nominating committee of the continuing or resulting bank and the names of those stockholders comprising it. The nominating committee must be composed of at least three voting stockholders in accordance with 12 CFR 611.325(a) and may not include employees, directors, officers, agents or candidates for director positions.
- _____ 13. INITIAL BOARD OF DIRECTORS – Furnish information on the initial board of directors required by 12 CFR 611.1123(a)(3), including the outside director(s). Any director of a constituent bank may be designated in the agreement to serve as a director of the continuing or resulting bank for a period not to exceed his or her current term, after which he or she must stand for reelection. The bylaws of the continuing or resulting bank must reflect the agreement regarding directors' terms. The initial board must have a board-designated financial expert. Pursuant to 12 CFR 611.220(2), stockholder-elected directors must comprise at least 60 percent of the initial board.
- _____ 14. PERMANENT BOARD OF DIRECTORS – Describe a plan that meets the requirements of 12 CFR 611.1123(a)(3) for director elections of the permanent board of the continuing or resulting bank. The plan should include the method to be used to achieve staggered terms and the board's election of the outside directors, pursuant to sections 7.0 and 7.12 of the Act and 12 CFR 611.220. The agreement regarding directors' terms must be supported by the bylaws. The permanent board must have a board-designated financial expert as required by 12 CFR 611.210. Pursuant to 12 CFR 611.220(2), stockholder-elected directors must comprise at least 60 percent of the permanent board.
- _____ 15. ADOPTION OF BYLAWS – Include a statement that the initial board of directors of the continuing or resulting bank must adopt the bylaws as amended at the initial board's first organizational meeting.
- _____ 16. CONDITIONS TO BE MET PRIOR TO EFFECTIVE DATE – Include a statement containing information required by 12 CFR 611.1123(a)(5) and that the merger may become effective on a date determined by the FCA.
- _____ 17. RECONSIDERATION BY STOCKHOLDERS – Pursuant to section 7.9(b) of the Act and 12 CFR 611.1123(c) and 611.1122(g), furnish the following information to stockholders:
- a) Stockholders have the right to reconsider the merger if a petition signed by 15 percent of the voting stockholders of one or more of the affected banks is filed with FCA within 35 days of the date of mailing of the notification of the stockholder vote;

- b) After the FCA reviews the petition and determines it complies with the applicable requirements, a special stockholders' meeting must then be called by each constituent bank to reconsider and, if the majority of the voting stockholders voting of any one of the affected banks votes against the merger, the merger shall not take effect; and
- c) The effective date of the merger is automatically postponed to a date not less than 15 days after the date of the reconsideration vote.

- _____ 18. REPRESENTATIONS OR WARRANTIES – Furnish a statement to include the information required by 12 CFR 611.1123(a)(6).
- _____ 19. OFFICERS AND EMPLOYEES – Identify the chief executive officer and persons named to senior officer positions or disclose the date by which the senior officers will be named. Describe any plan or agreement relating to employment or termination of employment of any of the constituent banks' employees, and provisions regarding the employee benefits plan required by 12 CFR 611.1122(e)(5) and 611.1123(a)(10).
- _____ 20. LEGAL OPINIONS OR RULINGS – Furnish a description of any legal opinions or rulings, including those related to tax matters, if any, that have been obtained or furnished by any party in connection with the proposed merger or merger transactions as required by 12 CFR 611.1123(a)(8). If such opinions or rulings are conditions precedent to the merger, so state. Also see Tab 5 for disclosure of tax matters.
- _____ 21. AUTHORITY TO CARRY OUT TERMS OF THE AGREEMENT AND EXECUTE DOCUMENTS – Furnish a statement as required by 12 CFR 611.1123(a)(11).
- _____ 22. TERMINATION OF MERGER AGREEMENT BY A BANK BOARD – Furnish a statement that meets the requirements of 12 CFR 611.1123(a)(7)(i) through (iv).
- _____ 23. EXECUTION OF AGREEMENT AND SIGNATURES – Furnish a concluding section on the execution of the agreement, with signature blocks for board chairmen and those officers authorized to sign the agreement, signature blocks for attesting officials, and space for date of execution and the corporate seals of the merging banks.
- _____ 24. AMENDMENT PROVISION – Furnish a statement on how constituent banks will approve changes or modifications to the merger agreement.
- 25. EXHIBITS – The following must be included in exhibits as part of the agreement.
 - 1. New/amended bylaws for the continuing or resulting bank, meeting the requirements of 12 CFR 611.1123(a)(3), 611.1123(b), and 615.5230.
 - _____ a) The bylaws shall ensure that each stockholder association of a Farm Credit Bank has only one vote that is assigned a weight proportional to the number of an association's voting shareholders and that each voting stockholder of an agricultural credit bank has only one vote, unless another voting scheme has been approved by the FCA.
 - _____ b) The bylaws must include the capitalization bylaws that meet the requirements of section 4.3A(b) of the Act and 12 CFR 615.5220. The amendments provision of the bylaws must ensure that any amendment to the capitalization bylaws to remove the right of stockholders to cumulate their votes in the election of directors will require approval by the voting

stockholders of the bank in accordance with 12 CFR 615.5230 (a)(1) and (3). The amendments provision must also ensure that any changes to the capitalization bylaws other than technical amendments not affecting substantive rights of stockholders must not become effective unless approved by the voting stockholders voting in person or by proxy at a duly authorized stockholders' meeting. The capitalization bylaws must also provide that each issuance of preferred stock as defined in 12 CFR 615.5230(b)(1) be approved by the majority of the shares voting of each class of equities adversely affected by the preference, voting as a class, whether or not such classes are otherwise authorized to vote.

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- c) Banks have the discretion to include the provisions of section 4.3A of the Act in their capitalization bylaws. The following is a summary of the provisions. If included in the capitalization bylaws, the provisions, however stated, must be consistent with section 4.3A of the Act.

The Farm Credit Reform Act of 1996 amended section 4.3A of the Farm Credit Act (Act) so that, as a general rule, borrowers are no longer required to purchase voting stock or participation certificates from System institutions for loans that are designated for sale to a secondary market. Section 4.3A(f) of the Act authorizes System institutions to provide, in their capitalization bylaws, that loans made on or after February 10, 1996, that are designed for sale into a secondary market do not require the borrower to purchase voting stock or participation certificates. However, an exception to this provision states that if a loan is not sold into a secondary market during the 180-day period that begins on the date of its designation for sale, the voting stock or participation certificate purchase requirement that would otherwise apply to the loan in the absence of a bylaw provision (as summarized here) shall be effective. The exception also states that if such a loan is sold into a secondary market after the end of the 180-day period, all outstanding voting stock or participation certificates held by the borrowers with respect to the loan shall be retired as long as the System institution is meeting its minimum regulatory capital adequacy requirements. For loans made before February 10, 1996, that are designated for sale into a secondary market, the outstanding stock or participation certificates held by the borrower shall be retired, as long as the System institution is meeting its minimum regulatory capital adequacy requirements.

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- d) The bylaws shall also state that the resulting bank shall not indemnify nor purchase or maintain insurance to indemnify any person against expenses, penalties, or other payments incurred as a result of an administrative proceeding or action instituted by the FCA which results in a final order assessing civil money penalties personally against such individual or individuals or requiring affirmative action by such individual or individuals to make payments to the bank.
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- e) Pursuant to 12 CFR 611.310(a), the bylaws shall provide that a candidate for director or a director cannot serve if he/she is or has been a salaried officer or employee of any System bank or association within one year preceding the date the term of office on the bank board begins.
- f) Pursuant to 12 CFR 611.310(b), the bylaws shall provide that no bank director shall be eligible to continue to serve in that capacity and his or her office shall become vacant if, after election as a board member, he or she becomes legally incompetent or is convicted of any criminal offense involving dishonesty or breach of trust or held liable in damages for fraud.

- _____ g) The bylaws should state whether a director may serve or is prohibited from serving simultaneously as (1) a director of another System institution, or (2) a director, officer, or employee of another financial institution which is authorized to make the same types of loans that may be obtained through the resulting bank. The board of directors cannot determine on a case-by-case basis whether a director can serve simultaneously.
- _____ h) The bylaws must also ensure that an outside director will be automatically removed if he/she becomes a director, officer, employee, agent, or stockholder of a System institution. Also, the outside director must have the same term of office as stockholder-elected directors. An outside director may also be removed by a two-thirds majority vote of the full board of directors if the bylaws permit it. The outside director subject to the removal cannot vote in his/her own removal action (12 CFR 611.220(b)).
- _____ 2. The amendment to the charter for the continuing bank, pursuant to 12 CFR 611.1122(a)(1). Also include a map of the continuing or resulting bank's proposed territory.
- _____ 3. Biographical information on each member to the initial board of directors or their possible successors, if the term of a designated initial board member may expire prior to the proposed effective date of merger.
- _____ 4. A schedule that identifies, in separate categories, the amounts of at-risk and protected stock and participation certificates, preferred stock, allocated surplus, and unallocated surplus of each constituent bank as of the date used for the most recent interim financial statements under Tab 14.

TAB 8. SUMMARY OF THE CHARTER AND BYLAW CHANGES – Furnish the following and any other pertinent information to meet the requirements of 12 CFR 611.1122(e)(3) and 611.1123(b).

- _____ 1. A summary of the provisions of the continuing or resulting bank's charter that differ materially from those of the constituent banks.
- _____ 2. A summary of the significant differences between the continuing or resulting bank's bylaws and those of the constituent banks.
- _____ 3. If the bank's chartered territory is to be apportioned by region for nominating directors include a map to show the regions, including the number of voting stockholders in each region. Unless prohibited in the bylaws, stockholders are allowed to cumulate their votes and distribute them among the director candidates in the shareholder's discretion pursuant to 12 CFR 615.5230(a)(1) and 615.5230(a)(3).

_____ **TAB 9. DIRECT LOAN RATES OF THE CONSTITUENT BANKS** – Furnish the information required by 12 CFR 611.1122(e)(18) on the direct loan rates charged by each constituent bank to direct lender associations, other financing institutions, and any direct borrowers for the 2 years preceding the date of the interim balance sheet. Describe any differential rate program that the constituent banks had in effect.

_____ **TAB 10. SUMMARY OF THE GENERAL FINANCING AGREEMENT** – Describe the general financing agreements (GFA) between the continuing or resulting bank and its related associations. Summarize any material differences between the existing GFAs in each constituent bank's district and the proposed GFAs. State the formula for the calculation of lending limits for mortgage loans and commercial loans. State that the proposed GFA between the new bank and the district associations is subject to prior approval of the FCA (12 CFR 611.1010(c)).

TAB 11. PROPOSED POLICIES OF THE CONTINUING OR RESULTING BANK – Describe the proposed policies for loan pricing and discounting, differential rate programs, loan participations, interest collection policy, capitalization rates, dividends, and patronage policies of the continuing or resulting bank, pursuant to 12 CFR 611.1122(e)(18), sale of mortgage loans by the continuing or resulting bank to direct lender associations, and any other factors that would affect the borrowers' cost of doing business with the continuing or resulting bank.

Describe the bank's policy on fee-based services to the associations and those services which will be included in the direct loan rate to the associations.

Describe the asset and liability management policy and how it will be administered.

TAB 12. ACCOUNTING POLICY FOR HIGH-RISK LOANS AND LOAN RELATED ASSETS AND STATISTICS – Furnish the following information to meet the requirements of 12 CFR 621.10 and 611.1122(e)(9).

1. Describe the policy on performance categories and other property owned and provide the definitions of high-risk loan categories of each constituent bank and the continuing or resulting bank.
2. Furnish the number and dollar amount of loans in all high-risk loan categories (nonaccrual, formally restructured, loans 90 days past due still accruing interest, other property owned) for each constituent bank as of the date used for the most recent interim statements and the past 2 fiscal year-ends.

TAB 13. ANNUAL REPORT OF EACH CONSTITUENT BANK – Include a full copy of each bank's most recent annual report with the report certification and the opinion of the qualified public accountant in accordance with the provisions of 12 CFR 611.1122(e)(6), (e)(7), and (e)(10).

TAB 14. INTERIM FINANCIAL STATEMENTS OF EACH CONSTITUENT BANK – Interim financial statements are required by 12 CFR 611.1122(e)(6) if the request is made 90 days after the most recent fiscal year-end of the constituent banks. Each bank is encouraged to make its request on a date that permits it to use its most recent quarterly report. Interim financial statements should use the same presentation format required for quarterly reports in 12 CFR 620.11(d), and the same certification required by 12 CFR 620.3.

TAB 15. PRO FORMA FINANCIAL INFORMATION – Furnish pro forma financial information required by 12 CFR 611.1122(e)(16) for the continuing or resulting bank and as more fully described below by applying the acquisition method of accounting which requires:

- Identification of the accounting acquirer.
- Determining the acquisition date, which is the date the acquirer obtains control of the acquiree. For System banks, the acquisition date will generally be the effective date of the merger.
- Recognizing and measuring the identifiable assets acquired and the liabilities assumed in the acquiree at their acquisition date fair values.
- Recognizing and measuring goodwill or a gain from a bargain purchase.

The presentation of pro forma financial information is intended to present the effects of the merger on the historical financial statements as if the merger had been consummated at an earlier date and to illustrate the change in the continuing or resulting bank's financial position and results of operations as a result of the merger.

The pro forma presentation is intended to provide full and transparent disclosure of

- The accounting acquirer to the transaction and the facts and circumstances that led to the identification of the acquirer.
- The effects of applying the acquisition method of accounting to the identifiable assets acquired and liabilities assumed, and the assumptions and methods used to determine the acquisition-date fair values.
- Any goodwill or gain from a bargain purchase that may be recognized upon consummation of the merger.

The pro forma financial information should be presented in a columnar format and include the constituent banks' historical financial statements, any anticipated pro forma financial adjustments, and the adjusted pro forma financial information of the continuing or resulting bank. Adjustments to the pro forma balance sheets should be as of the date of the balance sheet presented. Adjustments to the pro forma statements of income should be made as of the beginning of the period presented. Adjustments should be directly related to the business combination transaction, should be factually supportable and—regarding adjustments to the income statement—should have a continuing impact on the continuing or resulting bank. Each adjustment should be referenced to a footnote discussion that clearly describes each individual adjustment. The discussion should, at a minimum, include the reason(s) for each adjustment, the method used to determine each adjustment (as applicable), and the assumptions used.

- _____ 1. Pro forma balance sheets of the continuing or resulting bank must be presented as if the merger had occurred at the end of the most recent fiscal year-end and the most recent interim period.
- _____ 2. Pro forma statements of income for the continuing or resulting bank must be presented for the most recent fiscal year and for the most recent interim period presented (12 CFR 611.1122(e)(6)).
- _____ 3. The accompanying footnote disclosures should include at a minimum:
 - A description of the transaction.
 - The accounting for the transaction.
 - What the pro forma information represents.
 - The institutions to be merged.
 - The periods involved.
 - How the accounting acquirer was identified.
 - How fair value was determined.
 - Intangible assets identified.
 - How goodwill or bargain purchase was determined.
 - Any other disclosure pertinent to a clear understanding of the transaction and its effects.
- _____ 4. As required by 12 CFR 611.1122(e)(19), disclosure shall include events subsequent to the date of the financial statements but prior to the merger vote that would have material impact on the financial condition of the constituent, continuing, or resulting bank.
- _____ 5. The acquirer (continuing) bank must certify the pro forma financial statements in accordance with the certification required by 12 CFR 620.3.

_____ TAB 16. RELATIONSHIP WITH A QUALIFIED PUBLIC ACCOUNTANT – Furnish a statement on the continuing or resulting bank's relationship with a qualified public accountant, including any change that may occur as a result of the merger, pursuant to 12 CFR 611.1122(e)(15). If the qualified public accountant has performed any work related to, or provided any assistance with, the preparation of the pro forma financial information presented in the shareholder disclosure document, include a statement from the audit committee that it

has determined that the work performed or assistance provided by the qualified public accountant will not impair its independence in the performance of the audit of the financial statements of the continuing bank.

_____ TAB 17. OTHER SIGNIFICANT MATTERS – Furnish information pursuant to 12 CFR 611.1020(c) and 611.1122(a)(7) and (e)(20) as to any other material facts or circumstances that a stockholder or the FCA would need in order to make an informed decision on the proposal or that is necessary to make the required disclosures not misleading. A constituent bank operating under an FCA enforcement document would need to disclose this information and the reason for the enforcement action.

If not addressed in another section of the application (provide references if addressed in another section) , bank merger applications should clearly and fully disclose in this tab the documents and information required by FCA’s Bookletter, BL-063, “Farm Credit System Bank Merger Applications”:

1. Size Concentration Risk

_____ a) Include an analysis of the size concentration risk being borne by the other banks, the System as a whole, and by investors in Systemwide debt obligations.

_____ b) Identify needed risk mitigating controls to address size concentration risk.

2. Business Model Compatibility

_____ a) Identify and analyze the risks posed by business model incompatibilities between the bank and its shareholder associations to the long-term financial and operating success of the continuing bank, and provide practical approaches for addressing them.

3. Intra-System Operational Risk

_____ a) Assess the impact that the merger may have on representation in various System-wide decision-making and coordination bodies within the System.

_____ b) Identify any needed enhancements or new measures that ensure long-term cooperation across the System.

4. Other

_____ a) Document that the constituent banks have encouraged and considered the input and views of their shareholders and all System bank management and boards of directors and their shareholders.

SECTION B – ADDITIONAL DOCUMENTS FOR FCA USE

Section B contains additional information required by the FCA. Disclosure of Section B information (excluding the financial forecast in Tab 21) to stockholders is optional.

TAB 18. CERTIFIED RESOLUTION FROM EACH BOARD OF DIRECTORS – Furnish a certified board resolution from each constituent bank that

- _____ 1. Describes the board's position approving the merger required by 12 CFR 611.1122(a)(3).
- _____ 2. Identifies the constituent banks to the merger.
- _____ 3. Includes a statement to indicate the board authorizes merging pursuant to the Act, applicable regulations, and in accordance with the terms and conditions of an agreement and plan of merger.
- _____ 4. Authorizes and directs officers to perform any and/or all actions under the Act and applicable regulations to carry out the intent and purpose of the board's resolution and to convene the necessary stockholders' meeting.
- _____ 5. Designates an officer to sign the agreement of merger and to obtain the regulatory approvals to effect the merger after stockholders have approved it.
- _____ 6. Contains a certification by the board or corporate secretary or assistant secretary with an inked signature, the signatory's title, the date of the board's resolution, and the date it was certified.

TAB 19. MANAGEMENT CAPABILITIES OF THE CONTINUING OR RESULTING BANK – Provide the following information

- _____ 1. Identify bank officer positions that have been filled and the persons selected for these positions. Identify any officer positions that remain vacant and estimate date by which they will be filled. Provide biographical information on the persons named to fill these positions.
- _____ 2. Assess management's ability to carry out the resulting bank's business plan, to achieve the stated merger goals, and to meet the stated cost savings objectives. Each board of directors is asked to provide its own separate and independent assessment to the FCA.
- _____ 3. Describe the management structure in place for the transition period between the date the merger is agreed to in principle and prior to the merger implementation date. Provide an organization chart for this purpose. List anticipated staffing levels for each major bank department in the resulting bank.
- _____ 4. Identify any limitations on the interim board of directors' authorities to act during the period between the date the merger is agreed to in principle and the effective date of merger.

_____ **TAB 20. CREDIT QUALITY STATISTICS AND LOAN-RELATED ASSETS** – Furnish credit quality information (percents and amounts) of all loans and loan-related assets for each constituent bank and breakdown by separate categories (e.g., direct lenders, direct borrowers, other financing institutions) based on the most recent internal credit review conducted by each bank. State the source and date of the credit quality information provided.

TAB 21. THREE-YEAR BUSINESS PLAN AND FINANCIAL FORECASTS FOR FCA USE ONLY

- _____ 1. The financial forecast should be prepared using the constituent banks' most recent financial forecasts. If any subsequent events, including the merger, would have a material effect on the continuing or resulting bank's financial forecast, then make appropriate adjustments and describe the adjustments made. If no material adjustments were made to the most recent financial forecasts, disclose that fact as a part of the information provided.
- _____ 2. The forecasts should be for the periods indicated below and should demonstrate how the continuing or resulting bank would obtain its forecasted level of permanent capital and meet the minimum permanent capital requirements (e.g., through accumulation of earnings, contributions by stockholders, or preferred stock issuances).
- _____ 3. The forecasts filed with the FCA under this tab are for limited use by the FCA only. Banks should prepare a limited-use financial forecast so that the presentation of such forecasts meets the following minimum requirements:
- _____ 4. Three-year prospective financial statements, i.e., balance sheet and income statement, for the continuing or resulting bank. The forecast period must cover at least 3 years of future operations.
- _____ 5. Year-to-date and updated forecast through the end of the current year.
- _____ 6. Pro forma financial information for the prior year as if the merger had been in effect as of the prior year-end.
- _____ 7. Permanent capital ratios for the 3-year forecast period, including a detailed calculation of permanent capital and risk-adjusted assets for each year of the forecast period, including the computation of the ratios.
- _____ 8. Summaries of the significant assumptions (and the basis for each assumption) used to develop the financial forecast. The bases for the assumptions should be reasonable and realistic. Financial assumptions may be disclosed in computer printout or electronic spreadsheets. The FCA may require additional information to support the forecast or "what if" scenarios, e.g., the best and/or the worst case, as necessary.

Please refer to Appendix 1 of this checklist for guidance on the amount of detail to be provided in the limited-use financial forecast for the FCA.

- _____ 9. Provide a 3-year business plan for the continuing or resulting bank meeting the requirements of 12 CFR 618.8440 to the extent that these requirements have not been met by the material already filed in support of the merger application.

_____ TAB 22. INFORMATION SYSTEMS MERGER PLAN – Provide an information systems merger plan that addresses how the separate automated information systems will be combined, and provides for possible implementation or reconciliation problems.

TAB 23. WAIVERS – If a waiver of financial disclosures is requested, submit a letter to the FCA requesting the waiver prior to the submission of the merger proposal and related disclosure materials to the FCA.

TAB 24. ADDITIONAL INFORMATION AND DOCUMENTS – Provide any additional information or documents that each constituent bank wishes to submit or as requested by the FCA, pursuant to 12 CFR 611.1122(a)(7).

The bank that is determined to be the accounting acquirer must include in this Tab 24 a letter from the bank that addresses the following, at a minimum:

- The accounting method that will be used to account for the merger transaction and the basis in GAAP for the accounting treatment.
- A summary of the accounting issues considered by management including, but not limited to:
 - How it was determined that the merger would be accounted for as a business combination subject to the acquisition method of accounting as determined by GAAP.
 - How it determined the accounting acquirer.
 - The methods and related assumptions that will be used to determine the fair value of the assets acquired and liabilities assumed, including the definition of “market participants” and how determined.
 - The intangible assets that will be recognized upon consummation of the merger, the business reasons for management’s determination, and the method used to value the intangible assets. If management has determined that no intangible assets will be recognized, discuss the rationale and support for that determination.
 - The method used to measure goodwill, support for the method used, and the analysis to support recognition and measurement. Discuss the method that will be used to test goodwill for impairment in future periods. If it is estimated that goodwill is immaterial and will not be recognized upon consummation of the transaction, state that fact in the letter and provide support for the determination.
 - Clearly explain all equity account adjustments, and include support as appropriate.
- Management’s overall conclusion on the proposed accounting for the merger transaction and the presentation of the pro forma financial information in accordance with the proposed accounting.
- The contents of the letter and the proposed accounting treatment must be reviewed and approved by the audit committee. The letter should contain a statement to that fact and indicate the date of approval, if so, or a statement why the audit committee did not approve the proposed accounting treatment.
- Concurrence from the national office of the qualified public accountant that will audit the financial statements of the continuing or resulting bank should be obtained. The letter should include the names, titles, departments, and office locations of the qualified public accountants concurring with the proposed accounting, and their individual roles in determining concurrence. A copy of the letter should be sent to each accountant involved in the concurrence, and the letter should indicate that each individual was copied.
- The letter should be dated and signed by the same signatories as required by 12 CFR 620.3.

TAB 25. CEO CERTIFICATION – Furnish a certification signed and dated by the CEO of each constituent bank as to the truth and accuracy of all documents submitted, in

accordance with 12 CFR 611.1020(c). **The CEO is to provide an updated certification after all revisions to the proposed disclosure are made upon completion of FCA staff review and comments.**

_____ TAB 26. LETTER OF INCLUSION FROM QUALIFIED PUBLIC ACCOUNTANT – A manually signed and dated letter of inclusion from the qualified public accountant to the use of the qualified public accountant's opinion included in the shareholder disclosure document.

_____ TAB 27. CHECKLISTS – Indicate the page number or other index number where the information is presented (or N/A" for any nonapplicable items) in the space provided. Return the completed documentation and information checklists to the FCA when submitting your application.

APPENDIX I

CHECKLIST FOR ANALYSIS OF FINANCIAL FORECASTS

Each of the items below should be included with the financial forecast whenever available and applicable. A minimum of 3 years data by quarterly periods in each year of financial forecasts for future operations of the proposed institution are required. Note that specific Call Report references are subject to change with periodic Call Report revisions.

Item	Call Report Reference
Accrual Loan Volume <ul style="list-style-type: none"> • Long- Term Accrual Loan Volume • Short-Term Accrual Loan Volume • Long-Term Sales Contracts • Short-Term Sales Contracts • Loan Participations • Loan Volume Classified Adverse 	RC Lines 4a+4b+4c+4d RC-F Line 12 C+D+E
Nonaccrual Loan Volume <ul style="list-style-type: none"> • Cash-Basis Nonaccrual Loans • Other nonaccrual Loans 	RCF-1 Line 12 D+E Total RC Line 4e or RC-L Line 9
Average Lending Rates—Assumptions	NA
Accrued Interest Receivable	RC Line 5g total
No. of Months of Accrued Interest Receivable	NA
Allowance for Loan Losses Loan adjustment for fair value	RC Line 4f RC Line 4g
Allowance Factors and Assumptions	NA
Other Property Owned	RC Line 7
Marketable Investments	RC Line 2
Investment in Other FC Institutions —Required Investment —Excess Investment	RC Line 6
Total Notational Amount of Derivatives	RC-1 Line 3f
Other Assets	RC Lines 1+3+8+9
Average Cost of Debt	NA
Interest Bearing Liabilities	RC Lines 11a+11b+11c+11d
Debt adjustment for fair market value	RC Line 11e
Accrued Interest Payable	RC Line 12f, total
No. of Months of Accrued Interest Payable	NA

Other Liabilities	RC Lines 13+14
Net Collateral Ratio	RC-J Line 26
Protected Stock	RC-H Lines 1+3
At-Risk Stock	RC-H Lines 2c+4
Preferred Stock	RC-H Lines 5(a thru c)
Permanent Capital	RC.1 Line 4h(i)
Stock Rate —Bank, Short-Term, and Long-Term Stock Rates	NA
Total Surplus Ratio	RC.1 Line 4h(vi)
Allocated Surplus	RC-H Lines 8+9+10
Core Surplus Ratio	RC.1 Line 4h(v)
Unallocated Surplus	RC-H Line 11
Permanent Capital Ratio	RC.1 Line 4h(iv)
Interest Income	RI Line 1g
Interest Expense —Balance on Which Expense is Based	RI Line 1d
Provision for Loan Losses	RI Lines 4a+4b
Operating Expenses —Detailed Breakdown of Major Expense Items	RI-C Lines 1 through 8
Operating Expense Rate —Cost per \$100 Average Gross Loan Volume	NA
Other Gains or Losses	RI Lines 6+11
Other Income	RI Lines 5d +17
Income Taxes	RI Line 9
Detailed Calculation of Income Taxes including Income Tax Rate	NA
Net Loan Chargeoffs	RI-E Line 3j minus 4j
Patronage	RI-D Line 8 column F, earned surplus unallocated

Detailed Calculation of Permanent Capital
and Risk-Adjusted Assets including:

NA

- Percentage of Associations' Purchased and
Allocated Investment in FCB which can be
counted as permanent capital at the association
level

Any other significant items unique to the bank that would aid the analyst in evaluating the financial forecasts.

