

Check all that apply:

Type of Filing

- Affiliate/Corporate Reorganization
- Nonaffiliate Combination
- Combination with Interim Depository Institution
- Other Transfer to a Non-FDIC Insured Institution

Form of Transaction

- Merger
- Consolidation
- Purchase and Assumption
- Branch Purchase and Assumption
- Other \_\_\_\_\_

Filed Pursuant To

- 12 U.S.C. 1828(c)
- 12 U.S.C. 215, 215a
- 12 U.S.C. 1815(a)
- Other \_\_\_\_\_

Applicant Depository Institution

Brainerd Savings & Loan Association (FDIC Certificate No. 31443)

524 6<sup>th</sup> Street  
Street

Brainerd Minnesota 56401  
City State Zip Code

Target Institution

Brainerd Savings & Loan Association (FDIC Certificate No. 31443)  
Name Charter/Certificate Number

524 6<sup>th</sup> Street  
Street

Brainerd Minnesota 56401  
City State Zip Code

Resulting Bank (if different than Applicant)

Wings Financial Credit Union Minnesota Credit Union No.24351  
Name Charter/Certificate Number

14985 Glazier Avenue Suite 100  
Street

Apple Valley MN 55124  
City State Zip Code

Contact Person

Beth A. Freedman Silver, Freedman, Taff & Tiernan LLC  
Name Title/Employer

3299 K Street N.W., Suite 100  
Street

Washington DC 20007  
City State Zip Code

(202) 295-4519 beth@sfttlaw.com  
Telephone Number Email Address

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FEB 01 2021

## INTERAGENCY BANK MERGER APPLICATION

- 1. Describe the transaction's purpose, structure, significant terms, conditions, and termination dates of related contracts or agreements; and financing arrangements, including any plan to raise additional equity or incur debt.**

**RESPONSE:** On April 29, 2020, following a pre-filing meeting with the Staff of the Office of the Comptroller of the Currency (the "OCC"), Brainerd Savings & Loan Association, Brainerd, Minnesota ("Brainerd" or the "Bank") filed a Notice of Intent of Voluntary Liquidation with the OCC pursuant to 12 C.F.R. § 5.48. On December 23, 2020, the Board of Directors of the Bank determined to proceed with the voluntary dissolution and liquidation of the Bank and adopted a Liquidation Plan, which includes and incorporates therein the Purchase and Assumption Agreement entered into by and between Wings Financial Credit Union ("WFCU") and the Bank on January 15, 2021 (the "P&A Agreement").

Brainerd is a federal mutual savings association with one office located in Brainerd, Minnesota. At December 31, 2020, Brainerd reported \$72.4 million in assets, \$58.7 million in deposits and \$4.6 million in equity, and it was considered well-capitalized under federal regulations.

Brainerd is one of the smallest community banks in Minnesota. Its Board of Directors has periodically discussed and reviewed the business, strategic direction, performance and prospects of the Bank in the context of economic conditions, local competition and the ever-increasing regulatory demands imposed by the OCC and other federal regulators. Increasing and changing regulatory standards currently in effect and proposed for the near-term are an additional burden on the Bank's resources and ability to generate net earnings. Furthermore, in order to remain competitive by offering expanded products and services to customers in a banking environment that continues to embrace new and innovative technologies, the Bank would have to make substantial investments in staff and equipment, which would overly tax current resources.

Beginning in 2018, the Bank's Board realized that it must consider whether a business combination was in the best interests of the Bank and its members and other customers. Potential acquirers were sought among local banks and savings associations, both in and out of the Bank's primary market area; however, the Bank's mutual status, as well as financial, geographic and regulatory constraints on some of the institutions contacted, rendered those efforts unsuccessful. The Board also considered the possibility of converting the Bank from mutual to stock form, however, the Board was concerned that the high expenses of that transaction coupled with the uncertainty about the Bank's ability to successfully complete the required stock offering was risky, in addition to the increased regulatory and operational burdens to the Bank if the stock offering was successful.

In January 2020, WFCU, a \$6.7 billion Minnesota-chartered, National Credit Union Association ("NCUA") insured credit union operating in Apple Valley, Minnesota, approached the Bank about a possible merger of the Bank with and into WFCU and discussions ensued. Based on its initial discussions with WFCU, the Bank contacted Silver, Freedman, Taff & Tiernan LLP ("SFTT"), a firm familiar with these types of transactions, to discuss the appropriate legal structure for a combination of the Bank and WFCU. SFTT advised the Board of Directors of the Bank that a direct merger of the Bank with and into WFCU was not permitted by OCC regulations. However, SFTT stated it would be permissible, subject to OCC non-objection and other regulatory and member approval, for the Bank to conduct a voluntary liquidation, which would include a purchase of substantially all of the Bank's assets and an assumption of all the Bank's deposits and substantially all its other liabilities (a "P&A Transaction") by WFCU prior to completing the liquidation and dissolution. After further discussions with WFCU, and WFCU's agreement to

share the expenses, costs and fees, including attorney's fees, reasonably incurred by the Bank in connection with the proposed transaction, including but not limited to the Bank's preparation for and pre-filing meeting with the Bank's regulators to discuss the proposed transaction, the Bank engaged SFTT to assist it in connection with a potential transaction with WFCU. In addition to the foregoing, the Board's reasons for seeking a merger with WFCU, include the following:

- Limited Resources. The Bank has limited resources, limited growth opportunities, risks to profitability and other business risks that limit both of its current and future prospects to operate as an independent community financial institution in a highly competitive and regulated banking environment. These limited prospects, have, over time, impaired and will likely continue to impair the Bank's ability to serve its members and other customers appropriately and hinders its ability to attract new customers.
- Enhanced Service and Convenience. WFCU is a larger and stronger financial entity, better poised to serve the needs of the Bank's customers and its community in the future. WFCU members currently enjoy convenient mobile and online access, over 80,000 surcharge-free ATMs and 24 branch locations throughout the state of Minnesota.
- Retention of Employees. WFCU has indicated that it will work with the Bank's senior management to interview certain key employees of the Bank and discuss with such employees their intentions following consummation of the proposed transaction and intends to interview and evaluate all employees of the Bank for possible positions with WFCU. The P&A Agreement also includes a retention bonus pool for employees to protect against employee departures prior to, or in the period after the closing of the P&A Transaction.
- Operating Philosophy. Like the Bank, WFCU is a community-focused mutual financial institution focused on providing the highest quality customer service to its member base.
- Treatment of Depositors. The Bank's depositors will receive comparable accounts at WFCU and become members of WFCU with the same rights as WFCU's existing members. WFCU has advised the Bank that the Bank's customer base is within WFCU's current field of membership and that the transaction will not require any amendment to WFCU's field of membership.
- Treatment of Borrowers. The Bank's borrowers will become members of WFCU and, due to WFCU's larger size, will have access to additional lending products.
- Risk of Remaining Independent. The Bank's Board reviewed the alternative of remaining independent as a mutual or stock savings association. Because of the Bank's small asset size, its current inability to operate profitably, the current economic environment, increasing regulatory burdens, its mutual status and desire to maintain its members mutual membership, and the risks of a stock offering (both completed and not completed), the Bank's Board believed an acquisition, especially by WFCU, was the best option for the Bank and its members and other customers.
- Fairness. The goal of the Bank is to merge into a third party, which the Bank ultimately hopes is WFCU. Therefore, the formulation of the plan of liquidation, including the P&A Agreement, is designed to result in a series of transactions which will resemble a merger as much as possible. Unlike in other mutual to mutual bank mergers where members are not entitled to any distribution, by entering into the P&A Agreement with WFCU, followed by a liquidation of the Bank, the Bank's members will be entitled to a distribution to the extent any assets of the Bank remain after the completion of the P&A Transaction and the payment of any expenses and other obligations of the Bank in the liquidation and dissolution process (although there is no guarantee

that there will be any excess assets available for such distribution). The terms of the P&A Transaction are the product of arms-length negotiations between the Bank and WFCU.

***The Transaction, Purpose of the Transaction and Structure.*** As mentioned above, on December 23, 2020, the Board of Directors of Brainerd adopted a Liquidation Plan and subsequently entered into the P&A Agreement dated as of January 15, 2021. The formulation of the Liquidation Plan, including the P&A Agreement, is designed to result in a series of transactions that resembles a merger as much as possible. Unlike in other mutual to mutual bank mergers where members are not entitled to any distribution, by entering into a P&A Agreement with WFCU, followed by a liquidation and dissolution of the Bank, the Bank's members will be entitled to a distribution to the extent any cash of the Bank remain after the completion of the P&A Transaction and the payment of any expenses and other obligations of the Bank in the liquidation and dissolution process (although there is no guarantee that there will be any excess cash available for such distribution). The Liquidation Plan and the P&A Agreement are included as **Exhibits 1 and 2**, respectively, in Confidential Volume II of this Application. Certified resolutions of the Board of Directors of Brainerd approving the Liquidation Plan and the P&A Agreement are included as **Exhibit 3** in Confidential Volume II of this Application. Certified resolutions of the Board of Directors of WFCU approving the P&A Agreement are included as **Exhibit 4** in Confidential Volume II of this Application.

Under the P&A Agreement, WFCU will purchase substantially all of the assets of Brainerd and assume substantially all of the liabilities of Brainerd, including all deposits. All the FDIC-insured deposits of Brainerd will become NCUA-insured deposits of WFCU. All depositors and borrowers at Brainerd will become members of WFCU. The main office of Brainerd will be operated as an office of WFCU after the Closing, and no branch closing or relocation will occur in connection with the P&A Transaction.

Brainerd has filed this Application to request the FDIC's approval under 12 U.S.C. § 1828(c). Brainerd is publishing the required notice of the filing of this Application in a paper of general circulation in the cities of Brainerd and Apple Valley, Minnesota. The contents of that notice are included as **Exhibit 5** in Volume I of this Application. In connection with the P&A transaction, Brainerd is required to hold a meeting of its members in order to obtain their approval of the Liquidation Plan prior to consummation. A copy of the proxy materials to be mailed to members is included as **Exhibit 6** in Confidential Volume II. In addition, Immediately following the consummation of the P&A Transaction, Brainerd intends to voluntarily liquidate pursuant to the Liquidation Plan. Brainerd has filed the Liquidation Plan, including the P&A Agreement with the OCC requesting it non-objection of the Liquidation Plan. As part of the liquidation, any cash assets of Brainerd remaining after the closing of the P&A Transaction and resolution of the limited retained liabilities, will be distributed to Brainerd's members. In addition, Brainerd will surrender its charter to the OCC and terminate its FDIC deposit insurance following completion of the P&A Transaction. **Exhibit 7** in Confidential Volume II contains the notices that will be mailed to members regarding FDIC insurance as well as WFCU's privacy policy.

***Significant Terms and Conditions.*** The following is a summary of other significant terms and conditions of the P&A Transaction. Capitalized terms not otherwise defined in this Application will have the meaning assigned to them in the P&A Agreement:

- • **Section 2.1** of the P&A Agreement describes in detail the assets being transferred to WFCU and what assets the Bank will retain. WFCU is acquiring all the assets of the Bank except for the Excluded Assets, which consist of deferred tax assets and any claims against insiders of the Bank (none have been identified). Most assets are being acquired at Fair Market Value. It also contains the formula for calculating the Purchase Price. A pro forma Purchase Price Calculation

as of December 31, 2020, is included as Exhibit 2.1(B) to the P&A Agreement. If the liabilities assumed exceed the assets purchased, the Bank will not owe any funds to WFCU. If the assets purchased exceed the liabilities assumed, WFCU shall make a payment to the Bank, which will be deposited in the Seller Liquidation Account from which any distribution to the Bank's members will be made in the liquidation after payment of all Excluded Liabilities and any remaining Seller Transactions Costs (including reimbursement to for Seller Transaction Costs paid by WFCU on behalf of the Bank).

- • Section 2.2 of the P&A Agreement describes in detail the liabilities being assumed by WFCU, which include all deposits and other liabilities, including contracts and any contingent or unknown liabilities, except for those limited liabilities identified as Excluded Liabilities. The Excluded Liabilities consist of (1) any Seller Transaction Costs to the extent any such Seller Transaction Costs that remain after the Closing Date can be satisfied from the Seller Liquidation Account; (2) any federal, state, county or local income taxes of Seller, (3) any liabilities of Seller for federal, state, county or local income taxes on the Purchase Price, (4) any FDIC insurance premiums or OCC assessments owed by Seller after Closing, (5) transfer taxes related to the purchase of the BOLI Insurance, and (6) any liability or obligation under the Excluded Contracts, all of which Excluded Contracts are expected to be terminated as of the Closing.
- • Articles 3 and 4 detail the mechanics for the transfer of assets to WFCU, referencing the various agreements included in the exhibits to the P&A Agreement to effect those transfers, and for Closing the P&A Transaction.
- • Articles 5 and 6 contain customary representations and warranties made by parties to a purchase and assumption transaction.
- • Article 7 contains covenants between WFCU and the Bank, most of which are customary in a purchase and assumption transaction. In addition, the following covenants between WFCU and the Bank are unique to the specific circumstances of the P&A Transaction:
- • Section 7.2 – Because the P&A Agreement is a part of the Bank's Plan, it is included in the required approval of the Plan by the Bank's members.
- • Section 7.16 – Describes the actions the Bank will take after the Closing of the P&A Transaction to complete its liquidation and dissolution of the Bank. The Bank will open a trust deposit account at WFCU to hold its funds remaining after the completion of the P&A Transaction, and WFCU will assist the Bank in distributing funds remaining in that account, after the payment of the Excluded Liabilities and any remaining Seller Transaction Costs (including reimbursement of Seller Transactions Costs paid by WFCU on behalf of the Bank), to the Bank's former members in accordance with the Plan and the Bank's charter. In addition, the Bank will file a Notice upon Commencing Voluntary Liquidation with the OCC and publish notice of commencement of the liquidation in a newspaper of general circulation in the City of Brainerd once a week in each of the four weeks following commencement of the liquidation.
- • Section 7.20 – Obligates WFCU to open and fund a deposit share account for any borrower who does not have a deposit balance of at least \$5.00 at the Bank on the Closing Date, in compliance with WFCU's policies and applicable law.
- • Article 8 contains provisions respecting the treatment of the Bank's directors, officers and employees in the P&A Transaction as follows:

- • Section 8.1(a) and (b) – Immediately prior to closing, the Bank will terminate the employment of each of its employees. WFCU will interview all of the Bank’s employees and, if it chooses to hire any of them, will make efforts to offer Bank employees substantially the same salaries, duties and benefits as available to employees of WFCU in similar positions.
- • Section 8.1(c) –WFCU will assume and honor all of the Bank’s obligations under the Consolidated Omnibus Reconciliation Act of 1985 or any applicable state law with respect to continuation of healthcare coverage following the Closing date and the Bank’s obligations under the Health Insurance Portability and Accountability Act of 1996;
- • Section 8.1(f) – Bank employees who are hired by WFCU will be provided with benefits under WFCU’s employee benefit plans during their period of employment which are no less favorable in the aggregate than those provided by WFCU to similarly situated employees. In addition, among other things, (i) WFCU will take into account, for purposes of eligibility, participation, vesting, and benefit accrual, the service of such employees with the Bank as if such service were with WFCU, (ii) Bank hired employees will not be subject to any waiting periods or pre-existing condition limitations under the medical, dental, vision and other health plans of WFCU in which they are eligible to participate, and (iii) for purposes of determining the entitlement of Bank hired employees to sick leave and vacation pay following the Closing Date, the service of such employees with the Bank shall be treated as if such service were with WFCU.
- • Section 8.1(h) –WFCU will assume substantially all of the Bank’s obligations under the Salary Continuation Agreements entered into with certain former and current employees of the Bank.
- • Section 8.1(i) – Severance benefits will be paid to any employee of the Bank who continues employment with WFCU after Closing, but is terminated without cause within one year of the Closing Date. In addition, any employee of the Bank as of the Closing Date who does not become an employee of WFCU shall be entitled to receive a severance payment from the Bank.
- • Section 8.2(a) and (b) – Employees of the Bank were informed of the P&A Transaction on January 25, 2021; however, the Closing is not expected to occur until May 2021. Continued service by certain employees of the Bank is considered critical by WFCU to the completion of the P&A Transaction and post-Closing integration. In order to ensure that these critical employees do not voluntarily terminate their employment with the Bank before that necessary continued service is completed, the parties are establishing a retention bonus pool that will be paid to designated employees by the Bank, including the Bank’s President, if they continue their employment with the Bank through the Closing or, if they are employed by WFCU, by WFCU upon the earlier of the employee’s involuntary termination of employment by WFCU or 90 days following the Closing.

**Termination.** Under Article X of the P&A Agreement, the P&A Agreement may be terminated at any time prior to Closing, whether before or after approval of the Liquidation Plan by the members of Seller or by action of the Board of Directors of WFCU or Brainerd or both as follows:

- (i) By either Brainerd or WFCU after the expiration of ten (10) Business Days after any Regulator denies or refuses to grant the approvals or consents required under the P&A Agreement to be obtained, unless within said ten (10) Business Day period, WFCU and Brainerd agree to submit or resubmit an application to, or appeal the decision of, the regulatory authority which denied or refused to grant approval thereof;

- (ii) By the non-breaching party after the expiration of 30 days from the date that either party has given notice to the other party of such other party's material breach or misrepresentation of any obligation, warranty, representation, or covenant in the P&A Agreement *provided, however*, that if within such 30 day period, the party notified has fully and completely corrected the grounds for termination;
  - (iii) By either Brainerd or WFCU if the P&A Transaction is not consummated by July 31, 2021, unless the date is extended by mutual written agreement, provided if either WFCU or Brainerd is then in breach of the P&A Agreement shall not be entitled to exercise such right of termination;
  - (iv) By Brainerd and WFCU if they mutually consent to terminate in writing;
  - (v) By Brainerd, if any of the conditions set forth in Section 9.1 or Section 9.3 of the P&A Agreement have not been satisfied by July 31, 2021 (or such earlier time as it becomes apparent that such condition will not be met), unless the relevant condition shall have failed to occur as a result of any material act or omission by Brainerd;
  - (vi) By WFCU, if (1) the Board of Directors of Brainerd shall not have recommended adoption and/or approval of the Liquidation Plan to Brainerd's members, or (2) at any time prior to the receipt of the approval of Brainerd's members, Brainerd's Board of Directors shall have withdrawn such recommendation or modified or changed such recommendation in a manner adverse to the interests of WFCU;
  - (vii) By WFCU if (1) the Board of Brainerd does not recommend adoption and/or approval of the Liquidation Plan to its members, or (2) if at any time prior to the receipt of the approval of Brainerd's members, Brainerd's Board withdraws its recommendation or modifies or changes such recommendation in a manner adverse to the interests of WFCU;  
or
  - (viii) By Brainerd if, without breaching Section 7.6 of the P&A Agreement, Brainerd contemporaneously enters into a definitive agreement with a third party providing for an Acquisition Proposal on terms determined in good faith by Brainerd's Board, after consulting with and considering the advice of Brainerd's outside counsel and financial advisors, if any, to constitute a Superior Proposal; *provided*, that the right to terminate the P&A Agreement will not be available to Brainerd unless it delivers to WFCU (1) written notice of its intention to terminate at least ten (10) Business Days prior to termination and (2) simultaneously with such termination, the Termination Fee referred to in Section 10.3 of the P&A Agreement . A "Superior Proposal" means an Acquisition Proposal made by a third party after the date of the executed P&A Agreement which, in the good faith judgment of the Board of Directors of Brainerd receiving the Acquisition Proposal, taking into account the various legal, financial and regulatory aspects of the proposal and the person making such proposal, (A) if accepted, is significantly more likely than not to be consummated, and (B) if consummated, is reasonably likely to result in a more favorable transaction than the transactions contemplated by the P&A Agreement for Brainerd and its members and other relevant constituencies.
- Section 10.3 provides: If (1) Brainerd terminates the P&A Agreement pursuant to 10.1(h) or WFCU terminates the P&A Agreement pursuant to 10.1(g); then, within five Business Days of such termination, Brainerd shall pay WFCU by wire transfer in immediately available funds, as agreed upon liquidated damages and not as a penalty and as the sole and exclusive

remedy of WFCU, \$175,000 or WFCU's reasonable, actual out-of-pocket costs including reimbursement of any Brainerd Termination Costs paid by WFCU.

Attached as Exhibit

**Financing Arrangements.** Not Applicable.

**2. Indicate any other filings related to this transaction with other state and federal regulators.**

**RESPONSE:** In addition to approval of this Application by the FDIC pursuant to 12 U.S.C. 1828(c), Brainerd must obtain the non-objection of the OCC to the Liquidation Plan, including the P&A Agreement and, following the Closing of the P&A transaction, Brainerd must file a Notice Upon Commencing Voluntary Liquidation with the OCC in order to complete the liquidation and dissolution.

In addition, WFCU must obtain the approval of the P&A Transaction from the NCUA and the Minnesota Department of Commerce ("MDC").

**3. Discuss whether and how the resultant institution's business strategy and operations will remain the same or change from that of the applicant. Identify new business lines. Provide a copy of the business plan, if available. Discuss the plan for integrating any new businesses into the resultant institution.**

**RESPONSE:** WFCU is a \$6.7 billion Minnesota-chartered, NCUA-insured credit union operating in Apple Valley, Minnesota. Pursuant to the P&A Agreement, WFCU will acquire substantially all of the assets and assume substantially all of the liabilities of Brainerd. Upon completion of the P&A Transaction, Brainerd will liquidate, dissolve its charter and terminate its FDIC insurance.

The transaction with Brainerd is part of WFCU's strategy of expanding its presence into other areas of Minnesota with growth potential. WFCU is a larger and stronger financial entity, better poised to serve the needs of the Bank's customers and its community in the future. For information relating to the products and services offered by WFCU, please visit their web site at <https://www.wingsfinancial.com>.

**4. Provide a copy of (a) the executed merger or transaction agreement, including any amendments, (b) any board of directors' resolutions related to the transaction, and (c) interim charter, names of organizers, and related documents.**

**RESPONSE:**

- (a) The Liquidation Plan and the P&A Agreement are included as **Exhibits 1 and 2**, respectively, in Confidential Volume II of this Application.
- (b) Certified resolutions of the Board of Directors of Brainerd approving the Liquidation Plan and the P&A Agreement are included as **Exhibit 3** in Confidential Volume II of this Application. Certified resolutions of the Board of Directors of WFCU approving the P&A Agreement are included as **Exhibit 4** in Confidential Volume II of this Application.
- (c) Not applicable.

5. **Describe any issues regarding the permissibility of the proposal with regard to applicable state or Federal laws or regulations (e.g., nonbank activities, branching, qualified thrift lender test).**

**RESPONSE:** Brainerd must obtain the non-objection of the OCC to the Liquidation Plan, of which the P&A Agreement is a part. Brainerd has filed a Liquidation Plan with the OCC seeking its non-objection. Pursuant to the Liquidation Plan, Brainerd will cease operations, surrender its charter and distribute to its members any cash assets remaining after the closing of the P&A Transaction and payment of liabilities not transferred to WFCU. The P&A Transaction will not occur if the OCC does not provide its non-objection to the Liquidation Plan.

6. **Describe any nonconforming or impermissible assets or activities that applicant or Resulting Bank may not be permitted to retain under relevant law or regulation, including the method of and anticipated time period for divestiture or disposal.**

**RESPONSE:** Brainerd is not acquiring any new assets or assuming any new liabilities in the P&A Transaction. WFCU is not subject to FDIC jurisdiction with respect to its permissible investments. WFCU has informed Brainerd that there are no legal impediments to its acquiring the assets, or assuming the deposits and other liabilities of Brainerd, to be transferred to it upon the closing of the P&A Transaction.

7. **Provide the indicated financial information and describe the assumptions used to prepare the projected statements, including those about the effect of the merger transaction. Material changes between the date of the financial statements and the date of the application should be disclosed. If there are no material changes, a statement to that effect should be made.**

- a. **Pro Forma Balance Sheet, as of the end of the most recent quarter. Indicate separately for the applicant and target institution each principal group of assets, liabilities, and capital accounts; debit and credit adjustments (explained by footnotes) reflecting the proposed acquisition; and the resulting pro forma combined balance sheet.**
- b. **Projected balance sheets and corresponding income statements as of the end of the first three years of operation following consummation. Describe the assumptions used to prepare the projected statements.**
- c. **Provide a discussion on the valuation of the target entity and any anticipated goodwill and other intangible assets.**
- d. **Pro forma and Projected Regulatory Capital Schedule, as of the end of the most recent quarter and each of the first three years of operation, indicating:**
  - **Each component item for common equity tier 1 capital, additional tier 1 capital and tier 2 capital pursuant to the currently applicable capital requirements.**
  - **Total risk-weighted assets.**
  - **Common equity tier 1 capital, tier 1 capital, total capital, and leverage ratios pursuant to the capital regulations. If applicable, also provide the**

**applicant's existing and pro forma supplementary leverage ratio pursuant to the current capital adequacy regulations.**

**RESPONSE:** After the P&A Transaction closes, the Liquidation Committee of the Bank intends to complete the liquidation and dissolution of the Bank within 90 days (or as soon thereafter as possible). Pro forma financial information reflecting the consummation of the P&A Transaction is included in Exhibit 2.1(B) of the P&A Agreement. No further pro forma financial information for the Bank is relevant as it will cease operations shortly after the Closing of the P&A Transaction. Because Brainerd intends to dissolve within 90 days after the Closing of the P&A Transaction (or as soon thereafter as possible) and WFCU is not subject to FDIC jurisdiction, the Bank requests a waiver from providing any other financial information required by this item.

- 8. List the directors and senior executive officers of the Resulting Bank and provide the name, address, position with and shares held in Resulting Bank or holding company, and principal occupation (if a director). Indicate any changes to the applicant's current directors and senior executive officers that would occur at the resultant institution. Applicants should consult with the responsible regulatory agency regarding whether any biographical or financial information should be submitted with respect to any new principal shareholders, directors and senior executive officers.**

**RESPONSE:** None of the directors of Brainerd will become directors of WFCU. The directors of WFCU will remain the same after the closing of the P&A Transaction. WFCU is regulated by the MDC and the NCUA, and the FDIC has no jurisdiction over WFCU's directors. Brainerd requests a waiver for providing any background information on these directors.

The only change in the senior executive officers of WFCU depends on what senior officer positions are offered to and accepted by the current management team of WFCU. See Item 1 above respecting the treatment of the officers and employees of WFCU under the P&A Agreement.

- 9. Describe any litigation or investigation by local, state, or federal authorities involving the applicant or any subsidiaries or the target or any of its subsidiaries that is currently pending or was resolved within the last two years.**

**RESPONSE:** None.

- 10. Describe how the proposal will meet the convenience and needs of the community to be served, including, but not limited to, the following:**
- a. Summarize efforts undertaken or contemplated by the applicant to ascertain and address the needs of the community(ies) to be served, including community outreach activities, as a result of the proposal.**
  - b. For the combining institutions, list any significant anticipated changes in services or products that will result from the consummation of the transaction.**
  - c. To the extent that any products or services would be offered in replacement of any products or services to be discontinued, indicate what these are and how they would assist in meeting the convenience and needs of the communities affected by the transaction.**

**d. Discuss any enhancements in products or services expected to result from the transaction**

**RESPONSE:** After the consummation of the P&A Transaction, the communities served by Brainerd will continue to be served by WFCU. Brainerd will discontinue making loans, accepting deposits and offering any other products and services. WFCU will offer expanded products and services to the communities served by Brainerd including mobile and online banking and access to surcharge free ATMs and branches located throughout Minnesota. For additional information relating to the products and services offered by WFCU, please visit their web site at <https://www.wingsfinancial.com>.

**11. Describe how the applicant and resultant institution will assist in meeting the existing or anticipated needs of its community(ies) under the applicable criteria of the Community Reinvestment Act (CRA) and its implementing regulations, including the needs of low- and moderate-income geographies and individuals. This discussion should include, but not necessarily be limited to, a description of the following:**

- a. The significant current and anticipated programs, products, and activities, including lending, investments, and services, as appropriate, of the applicant and the resultant institution.**
- b. The anticipated CRA assessment areas of the resultant institution. If the resultant institution's CRA assessment area would not include any portion of the current assessment area of the target or the applicant, describe the excluded areas.**
- c. The plans for administering the CRA program for the resultant institution following the transaction.**
- d. For an applicant or target institution that has received a CRA composite rating of "needs to improve" or "substantial noncompliance" institution-wide or, where applicable, in a state or a multistate Metropolitan Statistical Area (MSA), or has received an evaluation of less than satisfactory performance in an MSA or in the non-MSA portion of a state in which the applicant is expanding as a result of the transaction, describe the specific actions, if any, that have been taken to address the deficiencies in the institution's CRA performance record since the rating.**

**RESPONSE:** Brainerd has a Satisfactory CRA rating. As a credit union, WFCU is not subject to the CRA. Therefore, this item is not applicable.

12. **The Dodd-Frank Wall Street Reform and Consumer Protection Act requires regulators to consider the risk to the stability of the United States banking and financial systems when reviewing a merger transaction between financial institutions. Discuss any effect(s) that the proposed transaction may have on the stability of the United States banking and financial systems.**

**RESPONSE:** 12 USC §1828(c)(5)(B) requires the FDIC to take into consideration the extent to which a proposed merger would result in greater or more concentrated risks to the stability of the United States banking or financial system. To assess the likelihood that a failure of the institution resulting from a proposed transaction may inflict material damage on the U.S. banking and financial system, certain metrics are considered, including: the size of the Resulting Bank, the availability of substitute service providers, the interconnectedness of the financial system, the complexity of the financial system, cross-border activities of the combining institutions, the degree of difficulty of resolving the Resulting Bank and opaqueness and complexity. The application of each metric to the proposed merger is discussed below.

*Size of Resulting Bank.* WFCU, as the Resulting Bank, will have total consolidated assets of approximately \$6.7 billion upon completion of the P&A Transaction. Based on that size, it should be considered an immaterial participant in the overall U.S. banking/financial system. In this regard, one banking agency, the Board of Governors of the Federal Reserve System, has established a presumption that acquisitions of less than \$10 billion in assets or that result in a company of less than \$100 billion of consolidated assets should be presumed to not pose significant risk. Peoples United Financial, Inc., 103 Fed. Res. Bull. 50 (June 2017). The combination of Brainerd and WFCU is far below those thresholds.

*Availability of Substitute Providers.* WFCU and Brainerd engage in, and the Resulting Bank will engage in, traditional community banking activities, consisting primarily of accepting retail deposits from its primary market area and investing those funds in loans. None of their products are “highly specialized” or critical products available from a small number of providers. There are numerous substitute providers for such services (banks, thrifts, credit unions, mortgage and finance companies), both locally in the markets served by WFCU and Brainerd and elsewhere.

*Interconnectedness of Resulting Bank with Banking/Financial System.* WFCU’s interconnectedness with other institutions in the U.S. banking/financial system is limited. The amount of its obligations is immaterial compared to the value of the assets and liabilities of the U.S. banking/financial system. This will not change due to the P&A Transaction.

*Contribution of Resulting Bank to Complexity of Banking/Financial System.* As discussed above, WFCU and Brainerd engage in, and the Resulting Bank will engage in, traditional community banking activities. These activities generally pose substantially less risk to the U.S. banking/financial system relative to activities conducted by certain other participants in the system, particularly multi-national banks.

*Cross-Border Activities of Resulting Bank.* Neither WFCU nor Brainerd materially engage in any cross-border activities, nor will the Resulting Bank target or emphasize cross-border activities.

*Degree of Difficulty of Resolving the Resulting Bank.* WFCU, as the Resulting Bank, will continue to operate as a credit union. WFCU’s size, operations, activities and complexity will not significantly change due to the P&A Transaction. Accordingly, the degree of difficulty in resolving the Resulting Bank will not be materially different from the degree of difficulty in resolving either WFCU or Brainerd on a stand-alone basis.

*Opacity and Internal Complexity.* The corporate structure of WFCU will not materially change due to the P&A Transaction. Brainerd will be liquidated and cease to exist following the consummation of the P&A Transaction and subsequent liquidation and dissolution.

Based on the foregoing, Brainerd believes the proposed P&A Transaction, including the liquidation and dissolution of Brainerd, would not result, in any material respect, in greater or more concentrated risks to the stability of the United States banking/financial system.

**13 The Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (12 U.S.C. §1831u) (R-N) imposes additional considerations for certain interstate mergers between insured banks. Savings associations are not subject to R-N. If subject to these provisions, please provide the following information:**

- a. **Identify any host states involved with this transaction that require the target to be in operation for a minimum number of years and discuss compliance with the R-N age requirement (12 U.S.C. §1831u(a)(5)).**
- b. **Indicate that (1) the applicant has complied or will comply with the applicable filing requirements of any host state(s) that will result from the transaction and (2) the applicant has sent a copy of the merger application to the state bank supervisor of the resultant host state(s).**
- c. **Indicate applicability of R-N nationwide and statewide deposit concentration limits to the transaction. If applicable, discuss compliance.**
- d. **Indicate applicability of state-imposed deposit caps, if any. If applicable, discuss compliance.**
- e. **Address whether:**
  - i. **Each bank involved in the transaction is adequately capitalized on the date of filing.**
  - ii. **The resultant institution will be well capitalized and well managed upon consummation of the transaction.**
- f. **Discuss compliance with the CRA requirement of R-N.**
- g. **Discuss permissibility of retention of the target's main office and branches.**
- h. **Discuss any other restrictions that the host states seek to apply (including state antitrust restrictions).**

**RESPONSE:** Not applicable as Brainerd is a federal savings association, WFCU is a credit union and the P&A Transaction does not involve an interstate transaction.

**14. List all offices that (a) will be established or retained as branches, including the main office, of the target institution, (b) are approved but unopened branch(es) of the target institution, including the date the current federal and state agencies granted approval(s), and (c) are existing branches that will be closed as a result of the proposal to the extent the information is available and indicate the effect on the branch customers served. For each branch, list the**

**popular name, street address, city, county, state, and ZIP code, specifying any that are in low- and moderate-income geographies.**

**RESPONSE:**

- (a) Brainerd has one office located at: 524 6<sup>th</sup> Street, Brainerd, Minnesota.
- (b) Brainerd has no approved but unopened branches.
- (c) WFCU will also acquire and continue to operate Brainerd's office as a branch of WFCU.

**15. As a result of this transaction, if the applicant will be or will become affiliated with a company engaged in insurance activities that is subject to supervision by a state insurance regulator, provide:**

- a. The name of the company.**
- b. A description of the insurance activity that the company is engaged in and has plans to conduct.**
- c. A list of each state and the lines of business in that state in which the company holds, or will hold, an insurance license. Indicate the state where the company holds a resident license or charter, as applicable.**

**RESPONSE:** Not Applicable.

**16. Discuss the effects of the proposed transaction on existing competition in the relevant geographic markets(s) where the applicant and target institution operate. The applicant should contact the responsible regulatory agency for specific instructions to complete the competitive analysis.**

**RESPONSE:** Currently, WFCU does not operate in Brainerd or Crow Wing county Minnesota. As a result, the proposed transaction will not affect existing competition. Brainerd's market share in Crow Wing county as provided by the FDIC Market Share Report as of June 30, 2020 among the 15 FDIC-insured institutions in Crow County, Minnesota was only 3.25%. Eight FDIC-insured institutions in that market had a market share of over 5% each and an aggregate market share of 86.7 % on that date.

**17. If the proposed transaction involves a branch sale or any other divestiture of all or any portion of the bank, savings association or nonbank company (in the case of a merger transaction under 12 U.S.C. 1828(c)(1)) to mitigate competitive effects, discuss the timing, purchaser, and other specific information.**

**RESPONSE:** Not applicable.

**18. Describe any management interlocking relationships (12 U.S.C. 3201-3208) that currently exist or would exist following consummation. Include a discussion of the permissibility of the interlock with regard to relevant laws and regulations.**

**RESPONSE:** Neither WFCU nor Brainerd are aware of any management interlocking relationships involving WFCU or Brainerd that currently exist or would exist following consummation of the P&A Transaction.

FEDERAL DEPOSIT INSURANCE CORPORATION

SUPPLEMENT TO INTERAGENCY BANK MERGER ACT APPLICATION

22. This section supplements question 16 of the Interagency Bank Merger Act Application for transactions between nonaffiliated parties. Additional guidance relating to the FDIC's consideration of the competitive factors in a proposed merger transaction is contained in the FDIC's Rules and Regulations (12 C.F.R. 303 Subpart D) and Statement of Policy on Bank Merger Transactions, which may be found at [www.fdic.gov/regulations/laws/rules/index.html](http://www.fdic.gov/regulations/laws/rules/index.html).

I. Delineation of the relevant geographic market(s).

The relevant geographic market includes the areas in which the offices to be acquired are located and from which those offices derive the predominant portion of their loans, deposits, or other business. The relevant geographic market also includes the areas where existing and potential customers impacted by the proposed merger transaction may practically turn for alternative sources of banking services.

- (a) Prepare schedules for the applicant institution and target institution showing the total number of accounts and total dollar volume of deposits<sup>1</sup> for each municipality or census tract, where applicable, according to the recorded address of the depositor (do not submit supporting data). Small amounts may be aggregated and identified as "other." *If the applicant institution is a multi-office institution, the applicant institution deposit information should be provided only for those offices within or proximate to the area(s) described below under paragraph (b).*
- (b) Identify those areas where existing and potential customers of the offices to be acquired may practically turn for alternative sources of banking services. If consideration of the availability of such alternative banking services results in a market area considerably different from that indicated by the sources of deposits, discuss and provide necessary supporting information.
- (c) Using the information collected in paragraphs (a) and (b), provide a narrative description of the delineated relevant geographic market(s).
- (d) Provide any additional information necessary to support the delineated relevant geographic market(s). Supporting information may include relevant demographic information, locations of major employers, retail trade statistics, and/or information on traffic patterns. *Applicants should consult with the applicable FDIC Regional Office in determining whether additional information is necessary.*

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<sup>3</sup> In most cases, total deposits will serve as an adequate proxy for the overall share of banking business in the relevant geographic market area; however, other analytical proxies may be appropriate in certain cases (for example, a merger transaction involving trust companies).

**II. Competition in the relevant geographic market(s).**

- (a) Prepare a schedule of participating and competing banking institutions’ offices, divided into three sections:
  - (i) Applicant Institution offices within or proximate to the relevant geographic market(s);
  - (ii) Target Institution offices within or proximate to the relevant geographic market(s); and
  - (iii) Competitor banking offices located or competing within the delineated relevant geographic market(s).

To the extent known, also include banking offices approved but not yet open. The following presentation format is suggested:

Name and Location of Banking Office	Total Deposits	Distance and Direction from Nearest Office	
		Applicant Institution	Target Institution

- (b) For each office listed in paragraph (a), provide the street address; total deposits as reported in the most recent *FDIC Summary of Deposits Data Book* ([www2.fdic.gov/sod/index.asp](http://www2.fdic.gov/sod/index.asp)); and distance and general direction from the nearest office of the applicant and target institution. *In cases where the delineated relevant geographic market includes a significant portion of a larger metropolitan area, provide only a listing of financial institutions and the aggregate total deposits of all offices operated by each within the delineated relevant geographic market(s).*
- (c) Discuss the extent and intensity of competition in the delineated relevant geographic market(s) provided by nonbank institutions, such as other depository institutions (for example, credit unions) and nondepository institutions (for example, finance companies or government agencies). For those institutions regarded as competing in the delineated relevant geographic market(s), provide name, address, and services supplied.

**RESPONSE:** WFCU and Brainerd have no overlapping markets. As demonstrated by the response to Item 16, the Merger will have no material adverse competitive impact in the relevant market. Therefore, while there is significant nonbank competition for financial services in the markets, it is not necessary to include nonbank competitors in the analysis to conclude that the competitive consequences of the P&A Transaction are consistent with approval.

**CERTIFICATION**

We hereby certify that our board of directors, by resolution, has authorized the filing of this application, and that to the best of our knowledge, it contains no misrepresentations or omissions of material facts. In addition, we agree to notify the responsible regulatory agency if the facts described in the filing materially change prior to receiving a decision or prior to consummation. Any misrepresentation or omission of a material fact constitutes fraud in the inducement and may subject us to legal sanctions provided by 18 U.S.C. §§ 1001 and 1007.

We acknowledge that approval of this application is in the discretion of the responsible federal banking agency. Actions or communications, whether oral, written, or electronic, by an agency or its employees in connection with this filing, including approval of the application if granted, do not constitute a contract, either express or implied, or any other obligation binding upon the agency, other federal banking agencies, the United States, any other agency or entity of the United States, or any officer or employee of the United States. Such actions or communications will not affect the ability of any federal banking agency to exercise its supervisory, regulatory or examination powers under applicable law and regulations. We further acknowledge that the foregoing may not be waived or modified by any employee or agent of a federal banking agency or of the United States.

Signed this 27 day of January 2021.

Brainerd Savings & Loan Association  
(Applicant)



(Signature of Authorized Officer)

Catherine L. Meyer  
(Typed Name)

President and CEO  
(Title)

Wings Financial Credit Union  
(Target Institution)



(Signature of Authorized Officer)

Gregory W. Higgins  
(Typed Name)

SVP – Chief Administrative Officer and General Counsel  
(Title)

**EXHIBIT INDEX**

**Description**

**EXHIBIT NO.**

**Volume I and Confidential Volume II:**

Liquidation Plan .....	1*
Purchase and Assumption Agreement by and between Brainerd Savings & Loan Association and Wings Financial Credit Union.....	2*
Resolutions of the Boards of Directors of Brainerd.....	3*
Resolutions of the Boards of Directors of WFCU .....	4*
Form of Newspaper Notice .....	5
Brainerd Proxy Statement .....	6*
Form of customer notices regarding FDIC insurance and WFCU privacy policy .....	7*

\*Contained in Confidential Volume II

**EXHIBIT 5**  
**FORM OF NEWSPAPER NOTICE**

## NOTICE OF MERGER APPLICATION

This is to inform the public that Brainerd Savings & Loan Association, 524 S. Sixth Street, Brainerd, Minnesota 56401 (the "Bank") and Wings Financial Credit Union ("Wings"), 14985 Glazier Avenue, Suite 100, Apple Valley, Minnesota 55124 have filed an application with the Federal Deposit Insurance Corporation ("FDIC") for approval of Wings to acquire substantially all of the assets and to assume substantially all the liabilities of the Bank as part of a series of transactions. The series of transactions, which will run in succession, are as follows: (1) Wings will acquire substantially all of the assets, including all customer loans; and assume substantially all of the remaining liabilities, including all customer deposits of the Bank; and (2) The Bank will pay its limited remaining liabilities, surrender its charter and dissolve, distributing any remaining assets to its members as of the close of the first transaction. When this series of transactions is complete, the deposits of the Bank acquired by Wing will be insured by the NCUA and not the FDIC. It is contemplated that the Bank's office will continue to be operated as a branch of Wings.

Any person wishing to comment on this application may file his or her comments in writing with the regional director of the FDIC at its regional office located at 1100 Walnut Street, Suite 2100, Kansas City, MO 64106. The non-confidential portions of the application are on file in the regional office and are available for public inspection during regular business hours. Photocopies of the non-confidential portion of the application file will be made available upon request.

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