



Mutual Alert

Wings Financial Credit Union Agrees to Acquire Federal Mutual Deposits and Liquidate Residual Assets: Where is the Level Playing Field?

Wings Financial Credit Union, Apple Valley, Minn. has agreed to acquire Brainerd Savings and Loan Association, A Federal Association, Brainerd, Minn. Wings Financial CU has assets of \$6.7 billion, while Brainerd Savings has \$72 million in assets. The companies report that closing of the transaction is expected to occur by May 31. The proposed transactions presents a number of pressing policy and legal issues for mutual banks. The companies have structured the transaction as a branch sale and liquidation of the remaining assets. The liquidation application, in particular, the proxy statement and plan of conversion, both inherently public documents which the OCC has been requested to treat as confidential under FOIA although no legal basis to do so exists for such treatment. The applicant discloses in the branch sale application that the transaction is structured to resemble a merger as "much as possible." Nonetheless, there are no affidavits of non- inducement filed by the Board or management. The application is scanty on details regarding employment of Brainerd management by Wings, suggesting there will be positions offered. Moreover, if the transaction is constructively a merger there is no statutory authority for OCC approval.

There is no information in the branch sale application that Brainerd diligently attempted to seek indications of interest from other mutual banks nor is there any evidence of the retention of an investment banker. The branch sale application states the bank had determined to liquidate and then was approached by Wings after a meeting with an OCC Regional Office.

Further, the application provides almost no information on the disposition of any net assets after the branch sale nor an appraisal of the value of the deposits sold.

The application is concerning on many levels. First, what attempt did the OCC make to verify that the bank was diligently shopped to other mutuals? There are several within 50 miles of Brainerd. To the extent the OCC has facilitated this transaction how is this consistent with the militant efforts by the NCUA to frustrate any credit union conversions to or acquisitions by banks. Where is the level playing field? Second, what is the value of the net assets and how are they being determined? Is there an attempt to write down any residual value to the benefit of Wings? Third, to the extent there is residual value is an inequitable windfall being distributed to the members contrary to longstanding agency law and policy?

The most troubling is a review of the branch sale application contains an indictment of small mutual associations from a business viability perspective that is not particular to Brainerd but could be applied to most mutuals under \$250 million in assets. This presentation to extent accepted by the regulators is a threat to all mutuals. We are pursuing a FOIA request and are in contact with the OCC to express our concerns. I have attached a copy of the application.

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