

WORKING TOGETHER TO DELIVER ALL YOUR MERGER VALUATION NEEDS

MERGER CHECKLIST

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- 1** Establish the strategic goals of the merger
 - 2** Identify potential target companies commensurate with goals
 - 3** Perform initial due diligence/high-level valuations to determine price, economic impacts and/or feasibility
 - 4** Consider offering a special dividend to depositors
 - 5** Determine the costs of terminating vendor contracts early
 - 6** Obtain broker price opinions on all land and buildings
 - 7** Resolve operational redundancies and combined entity management structure
 - 8** Seek regulatory approval and consider assistance
 - 9** Obtain member/shareholder approval
 - 10** Engage due diligence, valuation, and legal counsel
 - 11** Have valuation agents perform fair value analysis of loans, investments, MSR intangible, core deposit intangible, other funding, and derivatives
 - 12** Have valuation agents perform fair value analysis of the entity through comparable transaction analysis and a discounted cash flow approach using the Capital Asset Pricing Model
 - 13** Record accounting entries related to the merger: fair value adjustments and CDI asset
 - 14** Implement business integration plan
 - 15** Perform goodwill impairment testing annually

ABOUT ALM FIRST

ALM First is a leading, trusted strategic partner for financial advisory services. Since 1995, financial institutions have relied on our outstanding industry expertise to help them manage their balance sheets and optimize their investment portfolios. With approximately \$18 billion of investments under management and 200 clients, ALM First acts as an unbiased third party, formulating strategies to manage risk and enhance return, uncovering opportunities for greater efficiencies, and helping avoid non-compliance.

Contact Mike Ensweler, Managing Director of Business Development, at 1.800.752.4628 ext 118 or visit www.almfirst.com for more information.

ALM FIRST OFFERS TWO LEVELS OF MERGER VALUATION SERVICES AND GOODWILL IMPAIRMENT TESTING

1 COMPREHENSIVE MERGER VALUATION

This level of service helps acquiring institutions evaluate the pro forma merits of mergers, determine the fair value of business combinations and quantify the required valuation adjustments for mergers at closing. We provide the valuations and accounting entries you need to successfully close your merger.

- Fulfills the requirements of FASB ASC 805 (Formerly SFAS 141-R)
- Provides the entity value, which determines the acquisition value of the Target credit union
- Supplies fair value using the appropriate valuation methodologies and market assumptions of the financial assets and financial liabilities of the Target's balance sheet
- Provides fair value of the loan portfolio on a loan-level basis and delivers the fair value of the intangible assets
- Offers a determination of the resulting goodwill (or negative goodwill) based on the foregoing valuations as well as any adjustments determined by third parties
- Merger accounting guidance

2 MACROVIEW MERGER VALUATION

This service provides a broad, high-level view of an institution's worth, with loans pooled by type to determine value. This level valuation can be used for discovery and planning purposes as well as for smaller mergers, or as the initial step to securing regulatory approval to merge.

- Designed for instances in which the Comprehensive Merger Valuation service is not required due to immateriality or for circumstances in which the parties must have an understanding of the fair value estimate consistent with FASB ASC 805 prior to executing a merger
- Provides critical insight to the acquirer's management and board of directors without the detailed level analysis that is required for accounting purposes
- Is not intended to reflect the closing of the merger and subsequently does not have to meet all of the specifications outside auditors seek for mergers

For financial institutions not in need of merger valuation services, ALM First offers comprehensive goodwill impairment testing.

GOODWILL IMPAIRMENT TESTING

The Goodwill Impairment Service is designed to test for impairment after the merger is completed. This level of service entails a two-step test that is used to identify potential goodwill impairment.

- The first step compares the entity value of a reporting unit with its carrying amount, including goodwill. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired, thus the second step of the impairment test is unnecessary.
- The second step compares the implied fair value of reporting unit goodwill with the carrying amount of that goodwill.

FAIRNESS OPINIONS

The Fairness Opinion Service is designed to provide a fair value range of an institution in order to determine if a change-of-control transaction is fair from a financial perspective. In comprehensively examining the deal economics, ALM First will perform the following analyses with intellectual rigor: comparable company, precedent transaction, discount cash flow, control premium, and accretion/dilution analysis where applicable.

ALM First issues fairness opinions for affiliate and insider transactions, related-party transactions, synergistic mergers, business combinations involving competing offers, and down-round financings.

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