

Application to issue Subordinated Debt (Secondary Capital)

Michigan Credit Union Act 215, Public Acts of 2003, as amended MCL 490.101 et seq (MCUA), Section 361 and Order No. 08-027-M outlines the authority of state-chartered credit unions to accept secondary capital. Requests for regulatory review are to be made in accordance with the requirements below and are subject to the applicable sections of the MCUA.

The information contained on this form is available for public inspection, examination, or copying pursuant to the provisions of the Freedom of Information Act, PA 442 of 1976, MCL 15.231 et seq.

Credit Union Information

| | | | |
|----------------------|------------------|---------------------------|----------|
| Name of Credit Union | | | |
| Street Address | | City, Village or Township | |
| County | | State | Zip Code |
| Name of Liaison | Title of Liaison | Telephone Number | |
| Email Address | | | |

Please summarize your request below:

Signature of Person(s) Authorized to Submit this Application

| | |
|-----------|----------------|
| Signature | Name and Title |
| Signature | Name and Title |

Application to Accept Secondary Capital

The following information will be utilized to examine the safety and soundness of the request and is provided subject to Section 207 of the Michigan Credit Union Act of 2003; MCL 490.207. The information provided under this Section will be kept confidential and privileged and is not subject to discovery or any request under the Freedom of Information Act, 1976 PA 442, MCL 15.231 et seq.

Please provide the following information to evaluate the safety and soundness of the request:

- A copy of the credit union's strategic plan, business plan, budget, and an explanation of how the credit union intends to use the Subordinated Debt in conformity with those plans.
- The estimated number of investors and their type, (Natural Person Accredited Investors and/or Entity Accredited Investors), and the status of any existing arrangements for the issuance of the proposed Subordinated Debt.
- A statement indicating how the credit union qualifies to issue Subordinated Debt.
- The maximum aggregate principal amount of Subordinated Debt and schedule of discrete issuances of Subordinated Debt Notes that the credit union is proposing.
- A statement identifying the governing law specified in the Subordinated Debt Notes and the documents pursuant to which the Subordinated Debt Notes will be issued.
- A statement identifying any outstanding Subordinated Debt or Grandfathered Secondary Capital previously issued by the credit union.
- A statement describing any investments the credit union has in the Subordinated Debt of any other credit union, and the manner in which the credit union acquired such Subordinated Debt, including through a merger or other consolidation.
- A signature page signed by the credit union's authorized executive and a majority of the members of its board of directors. Amendments to an initial application must be signed and filed with the NCUA in the same manner as the initial application.
- An analysis of how the credit union will provide for liquidity to repay the Subordinated Debt upon maturity of the Subordinated Debt.
- Pro Forma Financial Statements (balance sheet, income statement, and statement of cash flows), including any off-balance sheet items, covering at least two years. Analytical support for key assumptions and key assumption changes must be included in the application. Key assumptions include, but are not limited to, interest rate, liquidity, and credit loss scenarios.
- A statement indicating how the credit union will use the proceeds from the issuance of the Subordinated Debt.

- A draft written policy governing the offer, and issuance, and sale of the Subordinated Debt, developed in consultation with Qualified Counsel, which, at a minimum, addresses:
 - o Compliance with all applicable Federal and state securities laws and regulations;
 - o Compliance with applicable securities laws related to communications with investors and potential investors, including, but not limited to: Who may communicate with investors and potential investors; what information may be provided to investors and potential investors; ongoing disclosures to investors; who will review and ensure the accuracy of the information provided to investors and potential investors; and to whom information will be provided;
 - o Compliance with any laws that may require registration of credit union employees as broker-dealers; and
 - o Any use of outside agents, including broker-dealers, to assist in the marketing and issuance of Subordinated Debt, and any limitations on such use;
- A schedule that provides an itemized statement of all expenses incurred or expected to be incurred by the credit union in connection with the offer, issuance, and sale of the Subordinated Debt Notes to which the initial application relates, other than underwriting discounts and commissions or similar compensation payable to broker-dealers acting as placement agents. The schedule must include, as applicable, fees and expenses of counsel, auditors, any trustee or issuing and paying agent or any transfer agent, and printing and engraving expenses. If the amounts of any items are not known at the time of filing of the initial application, the credit union must provide estimates, clearly identified as such.
- Copies of any board minutes in the last 18 months related to the deliberations on the acceptance of secondary capital.
- An explanation as to how the proposed request will impact the credit union's safety and soundness.

The application should be mailed to:

DIFS OFFICE OF CREDIT UNIONS
ATTENTION: CORPORATE ACTIVITIES AND RISK ASSESSMENT
P.O. BOX 30220
LANSING, MI 48909-7720

Or fax to: **517-284-8846**

Or email to: DIFS-OCU@michigan.gov

The application may be sent via email provided it is encrypted and secure. Any questions pertaining to the completion of this application should be directed to Corporate Activities and Risk Assessment, telephone 517-284-8822.

Authorized by PA 215 of 2003, as amended. Required for permission to change field of membership.



Michigan Department of Insurance and Financial Services

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