

How the Valley Trust Credit Union Managed Their Merger

The Valley Trust Credit Union served employees of the Valley Medical Center in Renton, Washington. Although small, Valley Trust was profitable, with $15 million in assets and an 18% capital ratio. Still, income was down from previous years. Their CEO, Jim Lindstrom, understood that there were challenges ahead that couldn't be ignored.

The Challenges Facing the Valley Trust Credit Union

Jim attributed the decline in Valley Trust's profitability to three issues. First, an increase in competition had hit the credit union hard. As Jim recalls, "When the Division of Credit Unions opened up the entire state for statewide field memberships, the competition among credit unions intensified dramatically." New competition made it difficult for Valley Trust to make the quantity and quality of loans it needed to remain prosperous.

Second, government regulations were becoming an increasing burden that Valley Trust wasn't prepared to tackle. Jim describes it as "death by 1000 cuts." As a small credit union, Jim didn't have dedicated staff to deal with regulatory compliance, so much of the responsibility fell in his lap—and Jim was swamped with other duties as CEO.

Finally, Valley Trust's members wanted online and mobile banking, two services that Valley Trust didn't offer. One reason was regulatory issues around data security.

Whatever they did, it seemed like the credit union faced steep hurdles that stopped them from growing and serving their community. Fortunately, CEO Advisory Group called just as Valley Trust was trying to come up with a solution to these issues.

Valley Trust Partners With CEO Advisory Group

To improve the credit union's financial outlook and best meet the needs of its membership, CEO Advisory Group advised Valley Trust to consider merging with another credit union. Lacking the expertise in-house to handle a merger, they looked to CEO Advisory Group to guide them through the process.

Valley Trust identified two important objectives and requirements for the merger:

1. **Provide superior, expanded services to its members.** Jim insisted that he wanted their "service level up to our members' standards and actually

improved from where we were at that time." Offering services such as electronic banking would meet current members' expectations and enable Valley Trust to better attract and retain members.

2. **Maintain a location adjacent to the Valley Medical Center.** Maintaining proximity to the hospital was critical. As Jim explains, Valley Trust had "a lot of under-served members who were living paycheck to paycheck; they could come over to our credit union and we would cash their checks for them."

The experts at CEO Advisory Group were able to explain the complexities of a merger in a way that everyone on the Valley Trust team could understand. They quickly brought everyone up to speed on how the process works and made everyone comfortable with how the process was going to unfold.

CEO Advisory Group helped the credit union perform due diligence on possible merger partners. They sent out RFPs and received two promising proposals: one from a larger union, and one from a union that was smaller but was geographically closer. They then helped Valley Trust compare the responses in detail and facilitated presentations by potential acquirers. CEO Advisory Group also:

- Prepared a letter of intent
- Advised on deal points, regulatory filings, and implementation
- Prepared Notice of Special Meeting and Ballot for Merger documents
- Designed member communications and presented to membership at Special Meeting

With CEO Advisory Group's support, Valley Trust ensured the whole process was transparent so all parties could be confident that everything was being done legally, fairly, and entirely above-board. Dealing with regulations that called for disclosure of any kind of compensation that was a result of the merger—along with new regulations and accounting standards that meant the credit union had to undergo a valuation as though it was a small bank rather than a cooperative—required political understanding and impeccable industry expertise. With CEO Advisory Group's backing, Valley Trust avoided every pitfall in the merger process and successfully identified the right candidate for partnership.

The Valley Trust Credit Union Experiences the Benefits of the Merger

After the merger, Valley Trust was exactly where they wanted to be. They remained open for business in their same location, so they could continue to serve their loyal

core constituency. They were also able to move into electronic banking. Customers had online access to their accounts and services almost immediately after the merger went through.

Valley Trust was also able to pay out a dividend to its members after the merger, which acted as a thank-you to their loyal members but also was a much-needed demonstration that the credit union was in good health financially. Jim was extremely satisfied with the end results. As he explains, “We were able to pay out a bonus dividend, enhance all the services we offer, and keep the staff in their same positions so the members were comfortable with them.”

Jim is quick to credit the CEO Advisory Group for their help and expertise. His rating? He calls the CEO Advisory Group “a five-star organization.” Everything that the CEO Advisory Group put into place five or so years ago holds up even now. Thanks to their successful merger, the Valley Trust Credit Union is in a strong position to face the future and whatever challenges it may hold.

To learn how CEO Advisory Group can help your credit union grow, call us at (216) 219-5395 or visit ceoadvisory.com/contact