

CUSO ADMINISTRATION

GENERAL STATEMENT:

The purpose of this policy is to outline the responsibilities connected to administering the CUSO General policy.

PROCEDURES:

The TFCU CUSO Relationship Manager, in conjunction with the designated Subject Matter Expert, as appropriate, shall administer this policy by performing the following duties:

A. Identification of CUSO Collaborative Opportunities

1. Acquire knowledge of collaboration opportunities.
2. Network with professional colleagues to determine the experience of other credit unions with collaborations.
3. Bring to the attention of the senior staff collaboration opportunities, especially those collaborations that will enhance and promote the strategic goals of the Credit Union.
4. Support the senior staff and the board in the strategic planning process as strategic direction and service solutions are considered.
5. Identification of operational and regulatory risks associated with the collaboration.
6. Evaluate the potential collaborations in accordance with the issues identified in the CUSO Collaboration Procedure.

B. Planning New CUSO and the Selection of CUSO Partners

1. Administer the selection process for collaborations.
2. Act as liaison between the TFCU and CUSO Partners.
3. Obtain a pre-formation cost sharing agreement if professional fees or other costs are to be incurred by the potential investors prior to the decision to form a new CUSO.
4. Work with the potential investors and designated experts, if applicable, to develop a strategic plan and business plan.
5. Determine the investment level required to have the CUSO be self-sustaining per the business plan.
6. Determine the CUSO's business model, including ownership, management and profit and loss sharing.
7. Determine the value proposition of ownership that will enable TFCU to obtain value for ownership. Note that the value proposition could include management control/input, return on investment, reduced expenses, operational control, retention of staff, etc.
8. Determine whether the CUSO has sufficient expertise, resources, and business plan to be successful.

9. Coordinate the due diligence on CUSO Partners and the collaboration under the CUSO General Policy and the CUSO Collaboration Procedure.
10. Determine whether the CUSO Partners are reliable, responsible, and compatible.
11. Determine the consequences if TFCU does not participate in the collaboration.
12. Determine if there are any positive or negative effects on the credit union industry posed by the collaboration.
13. Determine if the exit procedures, strategy, and cost are acceptable.
14. Present the facts and analysis to the TFCU Executive Team and/or Board.
15. The Board shall approve all CUSO investments.

C. Implementation of CUSO Collaborations

1. Negotiate agreements with CUSO Partners consistent with the CUSO General Policy, the CUSO Collaboration Procedure and TFCU's needs identified by the Subject Matter Expert which contain service level standards and the means to enforce the same.
2. Coordinate the integration of the collaboration internally, including the education of the Credit Union's staff on the purpose and value of the collaboration.
3. Review and recommend to the Executive Vice President performance incentives to the Credit Union staff to incent them to support the success of the collaboration, if applicable.
4. Coordinate the resolution of any implementation and operational issues between TFCU, CUSO management and/or the CUSO Partner staff.

D. Monitoring CUSO Collaborations

1. Collect performance reports from the CUSO Partner and conduct review sessions with them on no less than a quarterly basis.
2. Provide the performance reports to TFCU senior staff and Board.

E. Managing CUSO Collaborations

1. Make recommendations to the Executive Vice President regarding actions to improve the collaboration.
2. Counsel the Credit Union staff and/or the CUSO Partner on remedial actions to address issues and, if not satisfactorily resolved, recommend to the Executive Vice President actions to hold persons or organizations accountable.
3. Coordinate the implementation of procedures to manage the operational and regulatory risks
4. Coordinate with retained professionals regarding collaborations.
5. Coordinate the termination and transition of collaborations.
6. Document all actions taken and the reasons for the actions.
7. Liaison with NCUA regarding the collaborative relationship.
8. Be available to serve on the managing board of the CUSO if deemed appropriate.

F. **Due Diligence and Formation**

As a federally chartered credit union, prior to investing in or loaning sums to a CUSO the Board shall confirm compliance with NCUA CUSO Regulations (Part 712) (“CUSO Regulations”) and take prudent business actions. The CUSO Relationship Manager will take the following actions and provide verification to the Board for ratification:

- a. Confirm that the proposed activity of the CUSO is a permitted activity under the CUSO Regulations.
- b. Confirm that the proposed investment or loan is within the aggregate CUSO investment or loan limitation in the CUSO Regulations (investments by the Credit Union's CUSOs in other CUSOs are not counted towards the limitations).
- c. Confirm that the CUSO has been formed and all formation documents have been signed and filed as required.
- d. Confirm that the CUSO entity is a corporation, limited liability company or limited partnership and the Credit Union will be a shareholder, member, or limited partner.
- e. Confirm that there is a written agreement between the Credit Union and the CUSO which states that NCUA will have access to the CUSO's books and records, the CUSO will follow GAAP and the financial reporting requirements and provide direct annual reports to NCUA per the NCUA CUSO Regulations Part 712.3(d).
- f. Confirm that there is a written agreement between the Credit Union and CUSO regarding inter-company expense reimbursements.
- g. Confirm that here is an attorney opinion to the Credit Union which states that the CUSO is organized in such a manner as to limit the liability of the Credit Union to its investment or loan per NCUA CUSO Regulations Part 712.4(b).
- h. Review and approve a business plan for the CUSO and determine that sufficient capital will be invested to meet the objectives of the plan and achieve financial self-sufficiency after a period of time based on reasonable assumptions.
- i. Confirm that the business plan provides that the CUSO will primarily serve credit unions or members of credit union owners or credit unions with an agreement with the CUSO.
- j. Confirm that the CUSO has all licenses that may be required to perform the services and/or receive income.