

Community Owned. *Always!*



TLC Community
Credit Union

2016 ANNUAL
REPORT

FEDERALLY INSURED BY NCUA

MINUTES OF THE 61ST ANNUAL MEETING

March 19, 2016 - Len. Co. Fair Grounds

A. Roll Call:

- The Annual Meeting was called to order by Chairman Mark Spohr at 4:30 P.M.
- Directors present: Mark Spohr, Dave Miller, Linda Rosacrans, Jim Baldwin, Dick Egli and Patty Gerth.
- Ron Wimple excused for daughter's wedding.
- Supervisory Committee Members present: Chris Lane, John Clark, Joe Murphy and Corey Hinman
- Others present: Randy Smith-CEO/President, Mike Servoss, EVP of Administration, Roy Cadieux, EVP Operations and Robert Schrock VP Loans.

B. Introduction of Nominees and Voting Instructions:

Jim Baldwin introduced the nominees and read their bio from the ballot. The Credit Union bylaws on elections were read. It was determined all members eligible to vote had signed in.

C. Call for Ballots:

When it was determined all eligible members had voted, the ballots were collected and given to Mike Servoss, Roy Cadieux and Robert Schrock to be counted.

D. Showing of 60th Anniversary Video:

A video "60th Anniversary" produced by Nate Clark was shown; showing TLC from its early beginning to the present was presented.

E. Chairman's Report:

Chairman Mark Spohr gave the report:

He thanked all who had made TLC what it is today from those who founded the initial credit union in Tecumseh and those who are associated with TLC today. He stated that over the years TLC has seen many changes in management, volunteers and members during which there has been continuous growth during good times as well as some challenging times.

Since 1955, when the first annual meeting was held to 1956 when the first deposit was made, TLC has enjoyed a long tradition of growth. TLC enjoys a great reputation in Lenawee County. Fifty years ago the Credit Union started at Tecumseh Products with a cash box and a few savings accounts. Today TLC serves all of Lenawee County and some surrounding communities. TLC is a full service financial institution offering a wide variety of personal and business services from five branch locations. From the modest beginning to today, we can be considered a global institution which can assist members wherever they may be. During the past year TLC has experienced growth in both members and assets and is in a position to move forward. Much of the growth and overall success is directly attributed to our past as we have continued to build our reputation and our service to members. As we move forward our focus will continue to be representing the membership and managing growth. This is achieved by working together following the Strategic Business Plan, which is jointly developed by volunteers and management.

He stated he would like to thank the Board of Directors and the Supervisory Committee for their service as volunteers. He also wanted to recognize the dedicated management team and staff who have contributed to our exceptional member service throughout this busy and productive year. He stated that on behalf of the Board of Directors he wanted to thank the members of TLC for supporting and continuing to share in its success. Even though our credit union was founded 60 years ago our focus is and always will be the same mission—serving our members.

F. Motion to Accept Minutes from Last Year:

Jim Baldwin called for a motion to accept minutes from the Annual Meeting held in 2015:

Motion was made by:

1st Vickie Feldman

2nd Ray Stockinger

Motion carried.

G. Presidents Report:

CEO Randy Smith gave his report. He gave a history of TLC for the past 60 years. Founded in 1956 by the employees of the Tecumseh Products Co. we continue to grow, increase assets, and provide low cost excellent financial service to our membership.

Most credit unions were founded to serve a single entity much like we were in 1956. We were founded by Tecumseh Products Employees to serve the Tecumseh Products employees—thus our initial name, Tecumseh Products Employee Credit Union. The office was in their lunch room with the late Beth Brown as the only credit union staff member.

Times change and thriving organization need to change to adapt in order to remain viable as well as the regulations they are required to adhere to in order to remain in operation. The initial step in our change was to hire Wayne Zettel in 1961 as our first manager. In the 1970s the credit union changed its common bond or charter to serve Tecumseh area employees—thus the new name Tecumseh Area Employees Credit Union.

In 1984, Tecumseh Area Employees Credit Union again changed its charter by merging with the Lenawee County Community Credit Union—thus becoming TLC Community Credit Union. Instead of serving select employee groups, we were now able to serve the entire community, which included anyone living or working in Lenawee County.

In 1987, what is now the main office was built at the corner of M52 and US223 in Adrian. Since this time, offices have been built on West Beecher Road in Adrian, on US 223 in Blissfield, and have leased space on North Adrian Road in Adrian. The newest office was built on Chicago Blvd. in Tecumseh which gave more visibility and better access to our Tecumseh members.

Times have changed over the decades of service but our mission has never wavered. Service to our members was and remains our primary focus and our most important function. Our Current Strategic Direction Statement established by the board of directors and management of the credit union reads:

1. Achieving steady balanced growth with a focus on loans and PFI members (members using TLC as their primary financial institution)
2. Attracting youth and retaining members who leave the area
3. Staying relevant with changing technologies and delivery methods

Today TLC Community Credit Union is recognized in the top 10% of credit unions in the nation when measured by size and net worth. We now offer very complex financial services that were once only available at very large, regional and national institutions. We are a full financial service credit union. TLC is strongly positioned for future success both financially and competitively. We now serve more than 46,000 members and manage more than \$400,000,000 in assets. Our capital position is over 14 % of assets—the regulatory minimum is 7%. We are well positioned to continue to offer our current members and our growing new member base the financial services they desire. In my opinion the economic outlook is bright for Lenawee County's largest locally owned financial service provider. We will continually make our strategic decisions with the best interest of both the member and the future of TLC Community Credit Union in mind.

I thank each and every member of the credit union for what you have done and for what you continue to do to make us what we are today. We take our reputation for service very seriously and hope we are meeting your expectations each and every time you visit us.

H. Credit Committee:

Randy Smith gave the report. The Credit Committee is proud to report an outstanding year in the area of lending. We were able to make loans to members totaling \$83,990,399.00

Our Member Business Loan Department made loans totaling \$1.7 million. The business loan portfolio ended the year at \$8.1 million in total outstanding loans. The Mortgage Department made loans to our members during 2015 which totaled nearly \$30.6 million. Our Loan Officers made consumer loans to members totaling \$51.7 million. This achievement was a direct result of our competitive loan products and the dedication and hard work of our lending staff. Our Collection Department has continued to do an excellent job of mitigating our shortfalls using a proactive straightforward collection approach.

The Credit Committee would like to thank the entire credit union staff for sharing TLC's commitment of extending more financial opportunities and creating more value for our members.

I. Supervisory Committee Report:

Chris Lane gave the report. The Supervisor Committee meets every other month with TLC's Compliance Officer, Lori Pawson. Members of the committee are Joe Murphy, John Clark, Chris Lane and Jeff Brehmer as an alternate member.

The Committee is responsible for making sure the credit unions financial records are in order and internal controls are in place to protect the assets of credit union members. The committee makes sure an annual audit is conducted. It also makes sure internal controls are tested regularly. The compliance officer is continually checked to make sure she is staying on top of the latest compliance standards and regulations governing credit unions.

All staff, board of directors and the supervisory committee has completed the annual Bank Secrecy Act training requirement. The committee is pleased to report TLC's records are accurately maintained and established policies are followed.

J. Treasurer's Report:

Randy Smith gave the Treasurer's Report. He discussed the Comparative Financial Report. Total Assets for 2015 were \$413,804,939 in 2014 Total Assets were \$374,110,033. Total Liabilities & Equity for 2015 were \$413,804,939 in 2014 Total Liabilities & Equity was \$374,110,033. Net Earnings for 2015 were \$5,119,919 in 2014 Total Liabilities & Equity was \$4,290,799. Net Worth for 2015 was \$57,276,567 in 2014 Net Worth was \$52,893,431. Net Worth Ratio for 2015 was 13.84% in 2014 the Net Worth Ratio was 14.14%.

K. Old Business: None

L. New Business:

Randy Smith presented awards to staff members for years of service with TLC.

M. Election results:

Jim Baldwin gave the election results from the collected votes. Troy Bevier and Dick Egli were elected to the board. Others running for election were Gary Rhinehart and Ron Wimple.

N. Motion to adjourn:

Motion to adjourn made by:

1st Ron Wimple

2nd Shirley Spohr

Motion carried. Meeting Adjourned at 5:32 P.M.

PRESIDENT'S REPORT

TLC Community Credit Union posted another great year when measured by both our financial performance as well as the level of service we provide to our membership.

We measure our successes and attempted successes on an ongoing basis, compare the numbers to our business plan, and attempt to make corrections or modifications as needed to keep the organization on solid footing for today and for tomorrow.

When, measuring our financials, the capital or member equity position is an extremely important ratio to our board, management, and to our external examining bodies. As you can see on the enclosed financial snapshot, our year-end capital position was 13.60% of assets. To be a well-capitalized credit union the rules call for a minimum of 7.00%.

In order to increase or maintain capital, credit unions must have positive net income due to the fact that net income is the only way for TLC Community Credit Union to grow capital. Our net income or (ROA – Return on Assets) was 1.20% for 2016. That percentage put into real dollars is equal to over \$5,000,000 of net income for 2016. Numerous factors come into the financial performance of TLCCU when it relates to our ROA and capital growth. Some of the major factors include keeping operating expenses controlled and well budgeted, managing delinquencies and loan losses effectively, and putting credit union assets to good member use in the form of consumer and business loans, good investments, and cost effective financial products and services.

When measuring success we have to balance the driving of income with the manner in which we provide service to our membership. In trying to be objective when looking at our service provisions we use numerous metrics. Our total membership currently stands at over 47,000. Of that, over 50% of the members use TLC as their primary financial institution or PFI. Our annual membership growth for 2016 ended up at 2.72% or over 1,200 net new members. We were also voted the best Financial Institution of Lenawee County for the 10th consecutive year – an award that we are extremely proud of.

These numbers are a very small sample of what we use to measure our success and drive our decision making but you can see that we seem to be on target when reading our Strategic Direction statement. This statement is supported by four main strategic goals set by your board of directors and management team working together.

Strategic Direction

TLC Community CU will strengthen our leadership position as the premier local financial institution in Lenawee County while maintaining strong financial performance by:

- Achieving steady balanced growth, with a focus on loans and PFI members
- Attracting youth and retaining members
- Staying relevant with changing technologies and delivery methods

In order for any organization to be successful it is imperative that a consistent message comes from the directorship and management of the organization to the front line staff providing the direct financial service to the membership. As of year-end we had 94 full time staff members and 10 part time staff members whose goal every day is to be the best they can be when answering your questions and providing the support of the services you and every member use each day.

I would like to thank each and every staff member of TLC Community Credit Union for the attitudes they display each day and the genuine effort to provide the best possible service to our members. I would also like to thank our directors and supervisory committee members who provide invaluable direction and input into the organization on behalf of the membership.

In closing, I thank each and every member who uses TLC Community Credit Union. Thank you for your trust in us and thank you for the business that you allow Lenawee County's largest locally owned financial institution to provide on your behalf.

Sincerely,

A handwritten signature in blue ink that reads "Randall L. Smith".

Randall L. Smith – CCUE
President and CEO
TLC Community Credit Union



CHAIRMAN OF THE BOARD REPORT

Congratulations to the entire TLC Family, on another very good year. TLC has continued to grow and be recognized both locally and nationally. TLC was once again voted the "Number One Financial Institutions in Lenawee County". We were also recognized by DepositsAccounts.com for being one of the top 200 Healthiest Credit Unions in the nation. Currently there are approximately 6,500 credit unions nationally and we received an overall ranking of #33. In fact, we were the only credit union in Michigan and Ohio to be in the top 50.

When I said family, I am referring to the dedicated staff, the management, the volunteers and the members. All were instrumental to help implement the business plan, which allowed TLC to achieve a majority of the goals that were developed by management and the volunteers. The goals are established to not only meet the immediate demands, but also to be in a position to meet future challenges. The goals included financial metrics, technology improvements as well as membership related objectives.

One of the goals that tied back into membership was "giving back". I am very proud of the staff and the organization. We donated approximately 3,000 hours and approximately \$70,000, to help and support various community activities. They included such things as schools, non profit organizations and fund raising events, all of which benefit the community which we serve.

As we move forward, we can be very proud of our accomplishments, but we are also aware that we need to focus on continuous improvement. Competition and regulations continue to be a challenge and will never go away. As a Board we will continue to monitor key aspects of the business and work with the organization to make the necessary changes, to keep TLC a high performing CU. When compared to our peers, our overall rates, products and services are a great value and this is reflected in our growth

As a Board we represent the membership and will always put a high priority on the members and their needs. The current Board is diverse and although we may

not agree on everything, we recognize as a group, that certain decisions are necessary, to provide the products and services expected. We will continue to be diligent in our decisions and support the management team as we preserve the reputation that has been built over the past 61 years.

As always, I want to thank my fellow Board Members, the Supervisory Committee Members as well as the entire organization their dedication and commitment to member service. I also want to thank you, our members, for making TLC your financial institution and sharing in our success.

In closing, I wish to personally thank Jim Baldwin, Linda Rosacrans and Patty Gerth, for their dedication and many years of volunteer service. Their personalities, commitment to the mission, ethical standards, experience and professionalism were a valuable asset and will be missed.

- Jim joined the Supervisory Committee in 2000 and was elected to the Board in 2003. Jim served on many committees and last served as the Board Secretary, until his passing in December.
- Linda joined the Supervisory Committee in 2005 and was elected to the Board in 2012. Linda served on various committees and decided to reluctantly resign due to personal commitments.
- Patty joined the Supervisory Committee in 2007 and was elected to the Board in 2014. Patty served on various committees and has decided not to seek reelection, as her term expires in 2017.

Thank you, the entire TLC family for your support.

A handwritten signature in black ink that reads "Mark Spohr".

Mark Spohr, CCUV, Chairman



CREDIT COMMITTEE REPORT

The Credit Committee is extremely pleased to report an outstanding year in the area of lending. We were able to make loans to our members totaling \$87,078,439.23

Our Member Business Loan Department made loans totaling \$5.3 million. The business loan portfolio ended the year at \$9.5 million in total outstanding loans. We were able to make our first Small Business Administration (SBA) loan during the year. This allows our business members one more avenue to expand or improve their business.

The Mortgage Department continued to make loans to our members to purchase new homes and to re-finance loans from other institutions. Mortgage and home equity loans made during 2016 totaled just over \$34 million. Our 2016 First-Time Home Buyer program was a huge success, making loans totaling nearly \$2.6 million to members who may not otherwise have been able to afford a home.

Our loan officers made consumer loans to members totaling \$47.7 million. The funds from these loans were used to purchase new and used vehicles, boats, motorcycles, motorhomes, and many other items. This achievement was a direct result of our competitive loan products and the hard work and dedication of the entire lending staff.

Our Collection Department has continued to do an excellent job of mitigating our shortfalls using a proactive, straightforward collection approach. They accomplish this task while keeping in mind the personal aspects of the job.

The Credit Committee would like to thank the entire credit union staff for sharing TLC's commitment of extending more financial opportunities and creating more value for our members.

LOANS MADE – 2016

HOME EQUITY	\$ 2,051,317
MORTGAGE	\$ 31,984,427
NEW & USED AUTO	\$ 33,921,640
BUSINESS LOANS	\$ 5,302,252
ALL OTHER LOANS	\$ 13,818,803
TOTAL LOANS MADE	\$ 87,078,439



Roy Cadieux, CCUE
Executive Vice President of
Operations



SUPERVISORY COMMITTEE REPORT

The oversight of TLC Community Credit Union has been set up as a system of checks and balances. The Board of Directors sets the policy that guides the credit union. Management oversees everyday activities and puts Board policies into action. The Supervisory Committee is responsible for ensuring that the Board of Directors and TLC Management meet required financial reporting objectives and establish practices and procedures sufficient to safeguard members' assets.

The 2016 Supervisory Committee consisted of John Clark, Joe Murphy, Jeff Brehmer (Alternate) and myself, Chris Lane. Supervisory Committee members volunteer to serve in this role because we are passionate about TLCCU's mission of "People Helping People". As your credit union's supervisory committee, we will remain vigilant representatives of member interests, ensuring continued safety and soundness as the credit union strives to provide you and your family with excellent member service.

The firm of Cindrich, Mahalak & Co., P.C., is currently finalizing the external audit for the year ending 12/31/2016. This annual audit is done to determine the reliability and integrity of TLC's financial operating

information. The internal audit program, occurring throughout the year, includes inspection of internal controls, operational functions and regulatory compliance. Rest assured, TLC Management continues to respond promptly, implementing necessary compliance and/or procedural changes that strengthen TLC's operational soundness.

Your 2016 Supervisory Committee would like to congratulate Management, Staff, Board of Directors and Members of TLC Community Credit Union on another successful year. Only through all of our efforts is TLC able to consistently be rated as the best financial institution in Lenawee County, and one of the top credit unions in the nation. The 2017 Supervisory Committee looks forward to doing their part to ensure that remains the case for many years to come.

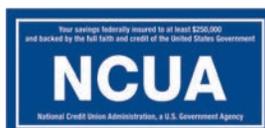
Sincerely,

Joe Murphy

COMPARATIVE FINANCIAL REPORT

ASSETS	2015	2016 (UNAUDITED)
Outstanding Loans (Net)	\$225,758,524	\$231,687,175
Cash and Investments	\$173,065,253	\$196,575,055
Property and Equipment, Net	\$8,199,370	\$8,037,513
Other Assets	\$6,781,792	\$6,922,933
TOTAL ASSETS	\$413,804,939	\$443,222,676
LIABILITIES & SHARE HOLDER EQUITY LIABILITIES		
Accrued Interest & Dividends	\$158,557	\$193,178
Borrowed Funds	\$0	\$0
Other Liabilities	\$1,373,170	\$2,065,380
TOTAL LIABILITIES	\$1,531,727	\$2,258,558
MEMBER EQUITY		
Shares-Drafts-Clubs-Money Mkt	\$259,071,843	\$278,119,920
Certificate of Deposits/IRAs	\$95,924,802	\$102,569,184
Undivided Earnings and Reserves	\$57,276,567	\$60,275,014
TOTAL MEMBER EQUITY	\$412,273,212	\$440,964,118
TOTAL LIABILITIES & EQUITY	\$413,804,939	\$443,222,676
INCOME AND EXPENSES		
Gross Income	\$17,228,387	\$19,669,604
Less Dividends and Interest	\$1,372,927	\$1,583,837
Less Operating Expense	\$10,735,541	\$12,919,013
NET EARNINGS	\$5,119,919	\$5,166,754
INFORMATIONAL PURPOSES ONLY		
Total Net Worth	\$57,276,567	\$60,275,014
Net Worth Ratio	13.84%	13.60%

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2017 BALLOT

TLC is governed by a board of directors, elected by and from the credit union's membership. Board members serve voluntarily and are not compensated for their duties. There will be 4 members on the 2017 ballot; 2 incumbents and 2 members who agreed to serve voluntarily and who passed the interview and background check. This year there are three open positions up for election. Those elected will be asked to serve a three year term.

Members on the 2017 ballot include:

Dave Miller (Incumbent)

Dave has been a member of TLC Community Credit Union since 1979. Dave has served the credit union since 1981. He has served as Chairman of the Board, and has had positions on the Human Resources, Supervisory and Marketing Committees. He earned an Associate Degree from Davis College. Dave and his wife Patricia are retired from General Motors and live in Tecumseh. They have one daughter and two grandchildren.

Mark Spohr (Incumbent)

Mark grew up in Tecumseh and has been a member of TLC Community Credit Union for over 50 years. He has served as a volunteer at TLC since 1993, attending several credit union educational events and received his CUNA Volunteer Certification, CCUV in 2012. He earned a B.A. from Malone University. Mark retired from Tecumseh Products Company as an Engineering Director. Mark and his wife, Terri, reside in Tecumseh; they have two grown sons and two grandchildren. Mark currently serves as the Board Chairman.

Milton Abbott (Nominee)

Milton has been a member of TLC Community Credit Union since 1991. He is active in the community serving as a Board Member for the City of Tecumseh DDA and Tecumseh Kiwanis Club. Milton is an active member of the Tecumseh SDA Church and served on the Tecumseh School Board from 1996-2004. He is a founding partner at Abbott Accounting Services which opened in 1991. Milton and his wife, Becky, reside in Tecumseh; they have three grown children and seven grandchildren.

Ron Wimple (Nominee)

Ron served on the TLC Board from 2001-2016, plus one year on the Supervisory Committee. Ron attended several credit union trainings, both nationally and at the state level, and has earned the designation, "Certified Credit Union Volunteer." He is active in the community, serving as councilman for the City of Tecumseh and the Selective Service Board. Ron is a past member on the United Way Board and Lenawee Economic Development Board. Ron Has worked for Michigan Works, Michigan Human Resource Incorporated for 27 years. Ron and his wife, Sharon, reside in Tecumseh and have three grown children.

JAMES W. BALDWIN



James W. Baldwin, a longtime member of TLC Community Credit Union's Board of Directors passed away in December 2016. He was elected as a Board Member in 2002, after serving on the Supervisory Committee. In addition to his five terms on the board, he served on the Strategic Planning Committee, Asset Liability Management Committee and Marketing Committee. In 2007, he was recognized for winning the Volunteer of the Year award from Huron Valley Chapter of Credit Unions. Jim was dedicated to learning about the credit union movement and earned CUNA's certification of "Certified Credit Union Volunteer" in 2011.

Randy Smith, Chief Executive Officer for TLC Community Credit union said that Jim's Leadership on the board had been instrumental in key strategic areas. His passion for credit union services helped TLC move forward. "Jim was an intelligent man who never lost track of what was good and right for the average, ordinary family. He was a compassionate man who lived and breathed the credit union motto, "People Helping People" and will be sorely missed."

Jim served in the U.S. Air Force from 1952-1956, working as a boom operator for the Air Refueling Squadron. He was employed in management with Sears for 20 years, retiring in 1989, and then as a Realtor, retiring in 1995. He was a member, former deacon and elder of the First Christian Church; member of the State Employee Retirement Association; former member of the Optimist Club, serving as President for two years; former member of the Lions Club; former Board Member of Hospice of Lenawee, was a Direct Care Volunteer for over 30 years and member of the Volunteer Education Committee. Jim recently was awarded his 30 year pin for being a Hospice Volunteer. He was a member of the board of directors of TLC Community Credit Union, serving as secretary. Along with his wife, Beverly, he was awarded the 1991 Service to the Community Award by Gleaners. In 2003 they were nominated for Citizen of the Year for Lenawee County.



Jim and Beverly Baldwin- 2008



2016 BOARD OF DIRECTORS / COMMITTEE MEMBERS

Chairman of the Board	Mark Spohr
Vice Chairman	David Miller
Treasurer	Richard Egli
Secretary	Jim Baldwin
Directors	Linda Rosacrans
	Troy Bevier
	Patty Gerth
Supervisory Committee	Chris Lane, Chair
	John Clark
	Joe Murphy
	Jeff Brehmer - Alternate

SENIOR MANAGEMENT

President, Chief Executive Officer	Randall Smith
Executive Vice President, Administration	Michael Servoss
Executive Vice President, Operations	Roy Cadieux
Senior Vice President	Robert Schrock
Vice President - Indirect Lending & Call Center	Lorie Easton
Vice President - Information Technology	Paul Corazzol

ASSISTANT VICE PRESIDENTS

Accounting	Mary McKinney
Beecher Branch Manager	Kim Morin
Blissfield Branch Manager	Katie Bracey
Collections Manager	Susan Ruetz
Commercial Business Development	John Carlson
Compliance & Security Officer	Lori Pawson
Credit Card Manager	Jennifer Bennett
Main Branch Manager	Lisa Williams
Marketing Manager	Suzanne Miller
Mortgage Business Development	Alycia Demey
North Adrian Branch Manager	Alisha Morton

ADDITIONAL MANAGEMENT

Assistant Branch Manager-North Adrian	Dee Garcia
Assistant Branch Manager-Tecumseh	Markie Kilpatrick
Assistant Branch Manager-Main	Laura Soto
Member Services Supervisor-Main	Laurie Fredenburg
Member Services Supervisor-Tecumseh	Lyndsey Balyeat
Mortgage Loan Servicing Supervisor	Connie Valdez
Youth Financial Literacy Supervisor	Lillian Wolcott