

2012 Annual Report



**Community
Credit Union**

MINUTES OF THE 57TH ANNUAL MEETING February 28, 2012 - Adrian College

Annual meeting was called to order by Chairman Mark Spohr at 7:15 PM.

Roll Call: Directors present - Mark Spohr, Ron Wimple, Dave Miller, Wayne Zettel, Jim Baldwin, and Dave Pittman; Supervisory Committee Members present: Dave Miller, Patty Gerth and Linda Rosacrans; Others present: Roy Cadieux-EVP of Operations, Mike Servoss-EVP of Administration, and Robert Schrock-VP of Loans; Excused: Dick Egli

Approval of Minutes: A motion to approve the minutes of 2011 Annual Meeting was made by: 1st Russell Rieve; 2nd Ray Stockinger. Motion carried.

Chairman's Report: Chairman Mark Spohr reported on behalf of the board of directors he was pleased to say as we enter into this next year, TLC remains strong and well positioned. Much of this can be attributed to a thorough short and long term business plan, which has allowed TLC to take advantage of various opportunities and challenges that are ever present. Each year one of the largest responsibilities of the board is to participate with management, to review the existing business plan and assist in developing the future goals. As we look ahead to 2012 and beyond, we will continue to be tested and face the challenges that this economy deals to each of us. He stated he is confident we have in place the strategies, tools, people and systems to continue to deliver our brand promise to you, our membership. He thanked the board members, Supervisory Committee members as well as the entire organization for their dedication and commitment to member service, which has allowed TLC to again receive recognition, as the "Best Financial Institution" in Lenawee County. He then thanked the members for entrusting to TLC their savings, and investments and allowing us to partner with you to achieve your financial success. In closing, he thanked Wayne Zettel for his 50 years of service to TLC of which 12 years were as a board member.

President's Report: President Randy Smith gave the report. He stated that TLC Community Credit Union ended 2011, arguably in the best financial shape ever. This is an important statement and accomplishment due to the economic stresses of not only our country, but also of our state and county as well. Most credit unions are measured by a few numbers and ratios that can be compared to national trends and credit unions in their asset class. Your credit union ended 2011 with a capital (member equity) ratio of 13.59% compared to peer ratio of 10.25%. Our return on assets (ROA) or our ability to produce income was .93% compared to peer ratio of .53%. As outlined on the financial report, total assets are at an all time high of \$325,866,089 which puts TLC in the top 10% of credit unions nationally. Net income is \$2,900,000 after all expenses. Other statistics include our total membership of 39,271 members being served in five branches in Lenawee County. We now service over 17,000 checking accounts and have over \$183,000,000 in outstanding loans to our membership. Our focus on community service can be seen in what our board and management have set for focal points for the next three years. At the annual strategic planning meeting this past fall we developed a strategic direction

statement. "TLC Community Credit Union will focus on serving our membership, while maintaining a strong financial position. Our strategic goals in support of that statement are: 1. Maintain a strong financial position. 2. Increase membership with a focus on those who consider us their primary financial institution. 3. Increase our member's utilization of technology."

Credit Committee Report: CEO Randy Smith gave the report. We were able to maintain a consistent and positive lending approach that enabled us to make loans to our members totaling \$48.7 million. Our business loan department made loans totaling \$570,000. The business loan portfolio ended the year at \$4.3 million in total outstanding loans. The mortgage department continued to make loans to our members to purchase new homes and to refinance loans from other institutions. Mortgage and home equity loans made in 2011 totaled \$17.9 million. Consumer loans used to purchase new and used vehicles, boats motorcycles and many other items totaled \$30.2 million. Although the housing market continues to be a concern, we have managed to limit our losses while using a proactive approach to keep out members in their homes.

Treasurer's Report: Dave Pittman gave the report. Dave discussed the Comparative Financial Report. Total assets for 2011 totaled \$325,866,089. In 2010, Total Assets were \$316,272,800. Total Liability and Equity for 2011 was \$325,866,089 and in 2010, Total Liability and Equity was \$316,272,800. Net earnings for 2011 was \$2,994,813 in comparison to Net Earnings in 2010 which was \$1,464,179. Net Worth ratio was 13.59% for 2011. The Net Worth ratio for 2010 was 12.86%. Dave explained the Net Worth ratio of TLC has increased even through the present financial environment. He explained TLC is financially strong and well positioned.

Supervisory Committee Report: Linda Rosacrans gave the report. She explained the committee is comprised of three volunteers appointed by the board of directors. Their primary responsibility is to safeguard member assets. They assist in overseeing the financials, the internal control system and policies related to credit union operations. NCUA regulations mandate an annual audit be performed. As part of the committee responsibility they assist in retaining an external unbiased reputable institution to conduct out annual audit. She commended TLC's internal staff for their knowledge and ability to identify unusual activities. She stated TLC is still financially sound and growing at a reasonable rate.

Old Business: None

New Business: Randy Smith presented an award to Mark Spohr for Board Financial Literacy, He presented Jim Baldwin with two awards, one for Board Financial Literacy and the other for the Thomas Doig Award. Seventeen TLC staff were recognized for their number of years served, from 5 years to 25 years. Wayne Zettel was recognized for his time serving TLC (50 years) of which 12 was as a board member. A plaque naming the board room in Tecumseh for Wayne Zettel was also presented.

Voting Procedure: Dave Miller presented the candidates to the membership. Those candidates were Alfred Jason Johnson, Linda Rosacrans, and Jim Baldwin. Dave explained the voting procedure and called for the vote. Results of the vote were: Jim Baldwin - 98, Linda Rosacrans - 91, Alfred Jason Johnson - 61. Motion to adjourn was made by: 1st Wayne Zettel, 2nd Jim Baldwin. Motion carried. Meeting adjourned at 8:00 PM at which time Mark introduced the Adrian City Band.

Mark Spohr, Chairman / James Baldwin, Secretary

PRESIDENT'S REPORT

The fiscal year 2012 was once again a successful one for your credit union. We continue to see small signs that indicate that our national and local economies are improving – albeit slowly. Our member equity (capital) continued to grow as a percentage of total assets to an all-time high of 13.6%, indicating that we remained profitable in this extremely low interest rate environment.

Most credit unions are measured by a few numbers and ratios that can be compared to national trends of credit unions in their asset class. Your credit union ended 2012 with a return on assets (ROA) of .85% compared to our peer ratio of .70%. Our loan growth was over 7%, showing a growth in lending for the first time in a number of years.

We now serve over 40,000 members and their families, providing the best possible financial service and advice. Our growth in membership for 2012 was almost 3.5%. We are proud of our accomplishments, but we realize that there is always room for improvement. We continuously strive to find the most efficient way to serve Lenawee County residents with financial products and services.

The future is bright for your credit union. Our federal and state regulators once again classified us with some of the highest grades possible. With five branches staffed with a well trained staff, we look forward to continuing to provide low cost financial products to members of TLC Community Credit Union. Our pricing model needed to change and continues to change. Members that use TLC as their Primary Financial Institution will and

should get preferred pricing for their financial needs. Our goal with our pricing is to reward those that use us most, and encourage those that don't use us as much to bring TLC more of their business.

Our focus on the organizational strengths can be seen in what our board and management have set as focal points for the next three years. At our annual strategic planning meetings this past fall we developed the following as our strategic direction statement...TLC Community Credit Union will focus on serving our membership, while maintaining a strong financial position. Our strategic goals in support of that statement are:

1. To maintain a strong financial position.
2. To increase membership with a focus on those who consider us their Primary Financial Institution (PFI).
3. To increase our member's utilization of technology. (this enables us to keep our pricing at low levels by being more efficient)

The objectives above are set by the board of directors. They show a defined focus towards growing the institution while keeping the credit union safe and sound for members to use not only now, but in the future. None of this success would be possible if it wasn't for the membership using us as their primary financial service provider. We appreciate your business and hope that you will refer your family and friends to TLC Community Credit Union – Community Owned. Always!

*Thank you for your business,
Randall Smith, President and CEO*

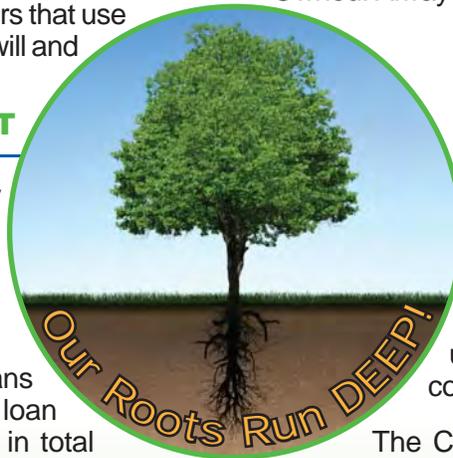
CREDIT COMMITTEE REPORT

The Credit Committee is extremely pleased to report an excellent year in the area of lending. We were able to make loans to our members totaling nearly \$74.1 million.

Our Business Loan Department made loans totaling \$387 thousand. The business loan portfolio ended the year at \$4.2 million in total outstanding loans.

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 2012 totaled \$25.3 million.

Our Loan Officers made consumer loans to members totaling \$48.4 million. The funds from these loans were used to purchase new/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 our lending staff.



We managed to limit our losses in 2012 while using a proactive collection approach. Our Collection Department has done an excellent job of managing the ever increasing problems that unemployment and declining market conditions have created in our area.

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 – 2012

Home Equity	\$	1,217,477
Mortgage	\$	24,040,376
New & Used Auto	\$	30,629,610
Business Loans	\$	387,655
All Other Loans	\$	17,790,415
TOTAL LOANS MADE	\$	74,065,533

Roy Cadieux, Executive Vice President of Operations

CHAIRMAN OF THE BOARD REPORT

As the Economy continues to slowly recover, TLC Community Credit Union has managed to keep pace with the evolving financial landscape. We have continued to balance conservative decision-making with a competitive growth mentality, all in the service of our Membership. We are continuing to grow steadily in Membership, Loans and Deposits, as more and more of the community in which we serve, discover the benefits of TLC.

With the changing economic landscape have come more regulatory demands, including requirements for Board education and an increased focus on many areas of regulatory compliance. Even so, our most recent exams found TLC to be financially sound and worthy of a continued high rating.

As we continue to look forward and plan for the future, the Board working with Management will continue to look for opportunities in which to improve TLC's service, while remaining in a strong financial position. We will continue to evaluate and provide technology solutions that fit our member's lifestyles, while preserving the member service in our branches.

TLC is very fortunate to have a dedicated and knowledgeable Official Family. These dedicated volunteers who serve on our Board of Directors and Supervisory Committee donate many hours of their time to ensure that your credit union is well-managed and always does what is in the best interest of our overall membership.

We are also very pleased with the fact that TLC is recognized as the "Best Financial Institution" in the community. Our credit union realizes the importance of this and enjoys strong relationships with local schools, charities and other fine organizations. We are honored to support these organizations that are so beneficial to our community through donations, fundraising and the volunteer efforts of the staff.

In closing, I want to again express our appreciation to our members for being a part of our credit union family. We realize that you are the owners, so our priorities will always be focused on what is best for you.

*Thank you for your continued support,
Mark D. Spohr, Board Chairman*

SUPERVISORY COMMITTEE REPORT

The Supervisory Committee is comprised of 3 members and one alternate committee member. Chris Lane, Linda Rosacrans and I (Patty Gerth) are on the committee, while John Clark is an alternate committee member.

The Supervisory Committee's primary function is to ensure ongoing reviews and audits to make sure that credit union records are maintained properly, honestly, and accurately; that policies established by law and the Board of Directors are carried out faithfully; and that member's assets are safeguarded and used according to the purposes of the credit union.

We work closely with Lori Pawson, TLC's Compliance Officer, reviewing her reports each month, which includes her monthly Compliance Report and Quarterly Internal Audit Report. Lori is to be commended for the outstanding job she does for TLC in staying up-to-date with the ever changing rules and regulations required of credit unions.

Along with TLC's internal auditing, OFIR (Office of Financial & Insurance Regulation) has just completed the state's annual audit of TLC's financials, and they found TLC to be in compliance of the state's rules and regulations. TLC is commended for the excellent job Management and Staff do for the credit union.

The Supervisory Committee works with Management in the selection of an independent auditing firm, who performs an annual financial statement audit and a periodic review of TLC's books. Currently, Rehmann CPA Firm does our annual audit and I am pleased to report that TLC complies with state and federal laws, our financials are correct and your assets are secure.

Patty Gerth, Supervisory Committee Chair

COMPARATIVE FINANCIAL REPORT

	(UNAUDITED)	
	2012	2011
ASSETS		
Outstanding Loans, Net	\$192,959,907	\$180,380,432
Cash and Investments	\$126,643,934	\$131,038,068
Property and Equipment, Net	\$8,291,790	\$8,547,935
Other Assets	\$5,774,948	\$5,899,654
TOTAL ASSETS	\$333,670,579	\$325,866,089
LIABILITIES & SHARE HOLDER EQUITY LIABILITIES		
Accrued Interest & Dividends	\$200,258	\$244,064
Borrowed Funds	\$0	\$0
Other Liabilities	\$1,833,292	\$2,619,749
TOTAL LIABILITIES	\$2,033,550	\$2,863,813
MEMBER EQUITY		
Shares-Drafts-Clubs-Money Mkt	\$182,514,199	\$169,626,212
Certificate of Deposits / IRAs	\$103,165,608	\$109,088,517
Undivided Earnings and Reserves	\$45,957,223	\$44,287,547
TOTAL MEMBER EQUITY	\$331,637,030	\$323,002,276
TOTAL LIABILITIES & EQUITY	\$333,670,580	\$325,866,089
INCOME AND EXPENSES		
Gross Income	\$16,280,067	\$17,528,045
Less Dividends and Interest	\$2,002,928	\$2,793,622
Less Operating Expense	\$11,454,418	\$11,739,610
NET EARNINGS	\$2,822,721	\$2,994,813
INFORMATIONAL PURPOSES ONLY		
Total Capital Equity	\$45,957,223	\$44,287,547
Net Worth Ratio	13.77%	13.59%



58TH ANNUAL MEETING OF THE MEMBERSHIP

March 23, 2013, 4:00 PM
The Landing, Tecumseh



Our Roots Run DEEP!

July 21, 1956

Founded as Tecumseh Products Employees Credit Union; Assets = \$352; Beth Brown - first employee at our first office

1960

Assets = \$504,052

1970

Nearly 4,300 members; Assets = \$3,279,395

1980

Name change to: Tecumseh Area Employees Credit Union; Assets = \$12,562,586

1984

Name change to TLC Community Credit Union

1988

Built Adrian Main office at US223 & M52

1992

Assets = \$83,522,165

1998

3rd location - Beecher Branch; Assets \$141,647,780; Launched 1st website

1999

Introduced FREE checking, AnyHour Loan Phone Line and Home Banking; S.A.V.E. (Student Account Ventures in Education) Program began at McKinley Elementary School

2000

New logo; Assets = \$163,103,315; Membership surpasses 24,500

2001

Visa Platinum introduced

2003

Groovy Campaign - 30,000 members

2004

4th location - North Adrian Branch; St. Peter's Church Credit Union joins TLC

2005

Introduced Overdraft Privilege; Partnered with The Taylor Agency; Computer upgrade (Symitar)

2006

Celebrated 50 YEARS; Gave away a car; Assets = \$246,782,842

2007

5th location - Blissfield Branch

2008

New location for Tecumseh Branch on Chicago Blvd.

2009

North Adrian Branch moved to North Town Commons

2010

TLC Assets = \$316,272,800

2012

YFL Program grows to 16 student-run branches; Began Financial Education at Adrian High School; TLC Assets = over \$330,000,000; members are now 40,000 strong!

BOARD OF DIRECTORS / COMMITTEE MEMBERS

Chairman of the Board	Mark Spohr
Vice Chairman	Ron Wimple
Treasurer	Dave Pittman
Secretary	Jim Baldwin
Directors	Richard Egli
	Dave Miller
	Linda Rosacrans
Supervisory Committee	Patty Gerth, Chair
	Linda Rosacrans
	Chris Lane
	John Clark - Alternate

SENIOR MANAGEMENT

President, Chief Executive Officer	Randall Smith
Executive Vice President, Administration	Michael Servoss
Executive Vice President, Operations	Roy Cadieux
Vice President	Robert Schrock
Assistant Vice President	
Information Technology	Paul Corazzol

MANAGERS

Accounting Manager	Bobbie Hurst
Collections Manager	Susan Ruetz
Compliance Officer	Lori Pawson
Human Resources Manager	Deb Elliott
Marketing Manager	Suzanne Miller
Beecher Branch Manager	Hillari Gawron
Blissfield Branch Manager	Alycia Demey
North Adrian Branch Manager	Alisha Morton
Tecumseh Branch Manager	John Carlson
Assistant Branch Manager-Main	Kim Morin
Assistant Branch Manager-North Adrian	Dee Garcia
Assistant Branch Manager-Tecumseh	Tino Rebottaro
Youth Financial Literacy Manager	Barb Rupley
Inbound/Outbound Call Center & Indirect Lending Manager	Lorie Easton

