

Minutes of the 64th Annual Meeting

John T. Walker, Chairman of the Board, called the meeting to order at 10:04 a.m. on March 11, 2017 at the First Presbyterian Church in Morristown, TN. JT Garrett gave the invocation, followed by the Pledge of Allegiance to the American Flag. A total of 306 people attended the meeting with 243 being voting members, 33 guests and 30 teens and children. The Secretary, Todd Marshall, verified that a quorum was present.

Cecil Mills was appointed as the parliamentarian for this meeting.

The following reports were given:

Nominating Committee Report- Mark Creech

There were four chairs open and four directors running for election. The Nominating Committee made a motion to elect these four by acclamation, Roy Arnwine seconded and the motion passed, all were elected by acclamation. Three year terms expiring in 2020 were: Joann Jenkins, Todd Marshall and Tommy Musser. One year term expiring in 2015 was Leon Cagle.

Chairman's Report- John T. Walker

Treasurer's Report- Ronnie Moore

Audit Committee Report- Mark Creech

President's Report- Mark Creech

Old Business: There was no Old Business New Business: There was no New Business

Lee Johns scholarship recipients for 2016 were:

Olivla Byrd, Caleb McBride, Rachel Sitton, Rachel Watts and Michaela Williamson.

All Lowland Credit Union employees were recognized for their service.

Service Awards to Staff

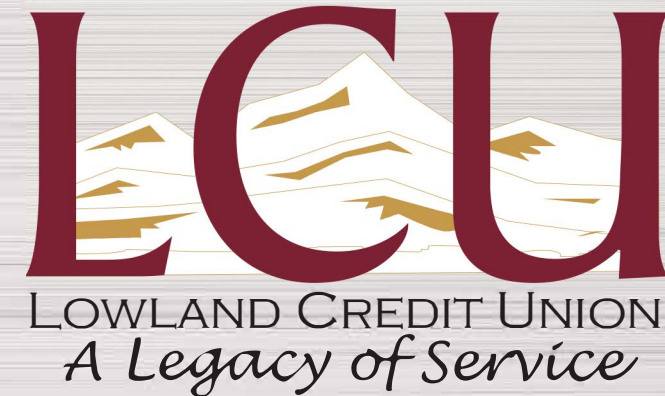
Alisha Clark 10 years of service

Cindy Layman 10 years of service

Service Awards for Directors

None, but all former LCU Board of Directors were asked to stand and were given a round of applause.

A benediction was given by Eddie Gilbert. The meeting was adjourned at 10:30 a.m.



AGENDA

- Invocation
- Welcome & Verification of Quorum
- Appointment of Parliamentarian
- Election of Directors
- Approval of Minutes of the 64th Annual Meeting
- Chairman's Report – John T. Walker
- Treasurer's Report – Ronnie Moore
- President's Report – Mark Creech
- Audit Report- Mark Creech
- Old Business
- New Business
- 2017-2018 Lee Johns Memorial Scholarship Recipients:
 - Rachel Watts
 - Matthew Bradley
 - Teresa Lane
 - Kellie Thornton
 - Caleb McBride
- Awards and Presentations
- Awarding of Door Prizes
- Adjournment
- Benediction

65th Annual Meeting



LOBBY HOURS

Monday -Thursday: 9am-5pm

Friday: 9am-6pm

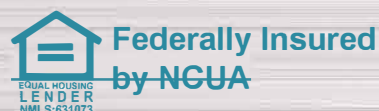
DRIVE THRU

Monday-Thursday: 8am-5pm

Friday: 8am-6pm

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Joint Report from Board & Management

It seems the past ten years or so we have sounded like a broken record as we talk about the challenges that we have faced and this past year was no different. We have dealt with record low interest rates, a sluggish economy, an ever increasing regulatory burden, and the corporate credit union bail-out. But through it all you, our members, have stood by us and supported your credit union and for that we are grateful! You have heard us over the years talk about the importance of a strong capital position and that is exactly what has sustained us over the past 10 years. We ended 2017 with a Net Worth Ratio of 8.49% (NCUA defines well capitalized anything over 7%).

We are proud that we grew assets \$6.2 million or 7%, loans grew \$14.3 million or 31%, and we had modest income of \$31.6k. Net Income was after a transfer of \$255k to the reserve for bad loans (an increase of 39% over 2016). While we are excited for the increase in loans, on the flip side it can adversely affect the bottom line in reserve transfers.

In years past we have reported on the NCUA Corporate Stabilization Fund that started back in 2009. Over the past 10 years Lowland Credit Union has contributed over \$537k into the stabilization fund and we are happy to report we will be getting a refund during 3rd quarter of 2018. At this time we do not know what percentage will be returned to us, but we are glad that NCUA is doing the right thing in returning what they can back to the natural person credit unions. This good news is an indication that the NCUA share insurance fund is healthy and that credit unions are in great shape. This is also an indication of the health of the economy overall. If there were still concerns of financial institution failures then NCUA would not be returning Stabilization Funds back to credit unions.

We are excited to announce the construction of our new Main Office that will be located at 1216 E. Main St. As many of you know, we had planned to do a remodel of our existing Main Office. After the project was bid, it was going to be very costly and we would not be gaining any additional square footage. A careful feasibility study was completed and management as well as the board did not feel it wise to spend the required funds and not gain any additional square footage. It made sense to start from the ground up and build exactly what we needed to take the credit union into the future. Burke-Ailey was awarded the bid on our new main office and construction has begun. We have an estimated completion date of October 2018. This new main office will be almost ten thousand square feet and will have state-of-the-art technology that will take the credit union many years into the future.

Lowland Credit Union is now the sole local financial institution in Hamblen County. We have been around since 1953 and are committed to remaining in the lakeway area for many years to come. However, we need your help if we are to remain relevant; with all the big regional banks and credit unions moving into our area. What can you do? You can use us for all your financial needs and you can remain loyal to us. This is a two-way street; if we are going to continue to thrive and serve you in the ever competitive environment then we need to be your first choice for all things financial. With this partnership I feel that we can remain relevant in this ever increasing competitive environment.

I want to thank the board for another year of service as well as the staff for their service. I cannot emphasize enough how hard we all work on behalf of you, our members. As we look forward to 2018 and beyond, we will continue to keep your money safe and secure while we invest in newer & better facilities & technologies. We thank you for your continued support and we are anxious to see what lies ahead for 2018 and beyond.

SUMMARY OF SIGNIFICANT CHANGES SINCE LAST ANNUAL MEETING 03/11/2017

Changes to Management	None
Changes to By-Laws	Par Value of Shares reduced from \$25 to \$5
Important Notes to Changes in Financial Condition	No NCUA Corporate Stabilization deposit required for 2017. Partial refund is expected 3rd quarter of 2018.
Changes to Membership Size	Members December 2016: 12,169 Members December 2017: 12,690 New Member Increase (Decrease): 521
Services offered since last Annual Meeting	None

BOARD OF DIRECTORS

John T. Walker, Chairman
Brandon Tomassoni, Vice-Chairman
Ronnie Moore, Treasurer
Todd Marshall, Secretary
Roy Arnwine
Leon Cagle
Eddie Gilbert
Joann Jenkins
Tommy Musser

Balance Sheet

	2017 Unaudited	2016 Unaudited
ASSETS		
Loans to Members	60,430,263	46,079,483
Allowance for Losses	(297,100)	(249,960)
Cash	3,437,411	2,440,390
Investments	28,312,879	37,423,270
Deposit in NCUSIF	836,183	797,581
Prepaid Expenses and Other Assets	388,249	524,625
Property & Equipment, Net	2,657,176	2,524,792
Total Assets	95,765,061	89,540,181
LIABILITIES & EQUITY		
Members' Savings Accounts	87,621,041	81,248,847
Interest Payable on Members' Savings	-	-
Other Liabilities	46,944	233,139
Total Liabilities	87,667,985	81,481,986
Retained Earnings, Substantially Restricted	8,097,076	8,058,195
Total Liabilities & Equity	95,765,061	89,540,181

Statement of Income

	2017 Unaudited	2016 Unaudited
INTEREST REVENUE		
Interest & Fees on Loans	2,391,422	1,848,195
Interest on Investments	452,260	654,003
Total Interest Revenue	2,843,682	2,502,198
INTEREST EXPENSE		
Dividends & Interest Expense		
On Member Savings	283,949	214,765
Total Interest Expense	283,949	214,765
Net Interest Revenue	2,559,733	2,287,433
Provision for Loan Losses	254,836	183,973
Net Interest Revenue after Provision for Loan Losses	2,304,897	2,103,460
Other Operating Revenue:	1,313,039	1,246,539
	3,617,936	3,349,999
Other Operating Expenses:		
Salaries & Employee Benefits	1,517,903	1,485,406
Office Occupancy	173,778	169,327
Professional Fees	889,256	816,022
Members' Insurance	51,507	44,866
Other Operating Expenses	929,830	890,807
Total Operating Expenses	3,562,274	3,406,428
Other Income (Expense)		
Potential Gain (loss) asset for sale	-	-
Gain (loss) on Disposal of Assets	(13,345)	(34,062)
Gain (loss) on Disposal of Investments	(10,674)	2,956
Net Income	31,643	(87,535)