

Minutes of the 62nd Annual Meeting

The Chairman, Cecil Mills, called the meeting to order at 10:00 AM on March 21, 2015 at the First Presbyterian Church in Morristown, TN. Todd Marshall gave the invocation. A total of 336 people attended this meeting with 254 voting members, 30 guests and 53 children. The Secretary, Calvin Lacey, verified that a quorum was present.

Randall Shelton was appointed as parliamentarian for this meeting.

Mark Creech presented the nominations for directors recommended by the Nominating Committee. Since one director position was not filled due to Tom Metzger not running for reelection, there are two directors, Roy Arnwine and Ronnie Moore running for two, three year terms. All were elected by acclamation. Mark then made a request that anyone interested in board membership, see him or any director for a possible one-year term.

The Pledge of Allegiance to the Flag was recited.

The following reports were given:

Chairman's report	Cecil Mills
Treasurer's report	Ronnie Moore
President's report	Mark Creech
Audit Committee	Mark Creech

Old Business: There was no old business. New Business: There was no new business.

Lee Johns scholarship recipient for 2014 was Kevin Parker.

Lowland Credit Union employees were recognized for their service.

Service Awards for staff:

Kathy Bush	35 years of service
Mary Alice Hannah	30 years of service
Thelma Epps	15 years of service
Jessica Presnell	5 years of service
Shelly Wright	5 years of service

Service Awards for directors:

Tom Metzger	3 years of service
Cecil Mills	25 years of service

Door Prizes Were Awarded. A Benediction was given by Eddie Gilbert. Charles Wilder made a motion to adjourn, which was seconded by Eddie Gilbert. The meeting was adjourned at 10:48am.

AGENDA

- Invocation
- Welcome and Verification of Quorum
- Appointment of Parliamentarian
- Election of Directors
- Approval of Minutes of the 62nd Annual Meeting
- Chairman's Report - Cecil Mills
- Treasurer's Report - Ronnie Moore
- President's Report - Mark Creech
- Audit Report - Mark Creech
- Old Business
- New Business
- Lee Johns 2015 Scholarship Recipient
- Awards and Presentations
- Awarding of Door Prizes
- Announcement of Election Results
- Adjournment
- Benediction



63rd Annual Meeting



LOBBY HOURS

Monday - Thursday: 9 am - 5 pm
Friday: 9 am - 6 pm

DRIVE THRU

Monday - Thursday: 8 am - 5 pm
Friday: 8 am - 6 pm

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Joint Report Board & Management

While 2015 was a better year than the previous two (2) years we still have room for improvement. Low interest rates on the investment as well as the lending side coupled with the sluggish economy as well as the increased regulatory burden have all contributed to our current financials.

We are proud to report that we grew assets by \$3.8 million in 2015; we finished the year with \$88.1 million in assets and while we wrote off over \$344k in bad loans, we had a modest net income of \$111k. (That's a reduction of bad loans write offs of 31% over 2014). We finished the year with a Capital Ratio (Net Worth) of 9.29%, this is down from 9.58% in 2014. The decrease in Capital is the result of our deposit growth outpacing our loan growth. Deposits grew by \$3.5 million (4.6%) while loans actually decreased \$554k (1.69%). One of the most difficult challenges is to keep loans & deposits growing at the same rate in the same direction.

Our electronic services (home banking, mobile banking, bill pay, remote deposit capture, & ACH transactions) grew at unprecedented rates in 2015 while teller & face-to-face transactions decreased. These numbers are a representation of how our membership is changing and getting younger (which is a good thing as we have to have the next generation of members for the credit union to survive). Additionally as we've told you in years past, electronic transactions are a much more efficient way to serve our members.

We had an exam conducted by the Tennessee Department of Financial Institutions as well as an external audit conducted by Pugh CPAs out of Knoxville. We're proud to report that we were given a clean opinion by both these entities. However, as we approach \$100 million in assets we are going to be subject to some new rules and regulations. The examiners as well as the auditors

pointed out some areas that we need to be making some changes so that we will be ready for those new rules and regulations when we hit that \$100 million mark.

One project we are working on for 2016 is the complete remodel of our main office. We purchased our main office back in 2002 and did very little to it before we moved in during the spring of 2003. We have hired the architectural firm of George Ewart & Associates out of Knoxville to rework & remodel our main office. When we finish we hope to have a state-of-the-art office that features the latest technology such as self-service kiosks, a retail teller pod environment, and a much updated look to take us years into the future. We are still working on the logistics of keeping the main office open during renovations and we would ask that you be patient with us during this exciting process.

We are getting ready to roll out Indirect Lending, with this new service you will be able to close auto loans at local dealerships and not have to come into the credit union. This will be a convenient new service that will save our members time & money. We hope to have the indirect program up and running by April.

Another project that is on our plates this year is the EMV (Chip) enabled debit & credit cards. We are actually in the process right now of testing the chip in the debit card and that will be rolled out this spring. The credit card roll-out is slated for later in the year.

It goes without saying that we will continually strive to insure that your money is safe & secure and we will continue to look for ways to be more efficient in serving you. We are thankful for our great staff and for all their hard work this past year and we are grateful to you, our members, for without you we couldn't exist. We look forward to many more years of service to you.

Balance Sheet

	2015 Unaudited	2014 Unaudited
ASSETS		
Loans to Members	32,293,464	32,847,625
Allowance for Losses	(248,757)	(404,150)
Cash	3,345,696	3,411,263
Investments	48,858,383	44,455,995
Deposit in NCUSIF	773,290	735,582
Prpaid Expenses and Other Assets	433,270	526,102
Property & Equipment Net	2,687,523	2,739,336
Total Assets	88,142,869	84,311,753
LIABILITIES & EQUITY		
Member's Savings Accounts	79,940,148	76,431,076
Interest Payable on Member's Savings	-	-
Other Liabilities	228,243	198,2945
Total Liabilities	80,168,391	76,629,370
Retained Earnings, Substantially Restricted	7,974,478	7,682,383
Total Liabilities & Equity	88,142,869	84,311,753

Statement of Income

	2015 Unaudited	2014 Unaudited
INTEREST REVENUE		
Interest & Fees on Loans	1,838,763	2,122,649
Interest on Investments	677,372	557,977
Total Interest Revenue	2,516,135	2,680,626
Interest Expense: Dividends & Interest Expense On Member Savings	216,699	243,909
Total Interest Expense	216,699	243,909
Net Interest Revenue	2,299,436	2,436,717
Provision for Loan Losses: Net Interest Revenue after Provision for Loan Losses	132,976	313,671
Other Operating Revenue	2,166,460	2,123,046
	1,184,460	1,089,182
	3,350,920	3,212,228
Other Operating Expenses: Salaries & Employee Benefits	1,397,904	1,333,355
Office Occupancy and Operations	173,080	155,060
Professional Fees	809,142	846,440
Members' Insurance	47,379	48,317
Other Operating Expenses	805,909	806,055
Total Operating Expenses	3,233,414	3,189,227
Other Income (Expense): Potential Gain (loss) asset for sale	-	-
Gain (loss) on Disposal of Assets	(6,602)	-
Gain (loss) on Disposal on Investments	249	-
Net Income	111,153	23,001

SUMMARY OF SIGNIFICANT CHANGES SINCE LAST ANNUAL MEETING 3/21/2015

Changes to By-Laws	None
Important Notes to Changes in Financial Condition	No NCUA Corporate Stabilization deposit required for 2015.
Changes to Membership Size	Members December 2014: 12,103 Members December 2015: 12,030 New Member Increase (Decrease): (73)
Services offered since last Annual Meeting	Remote Deposit Capture Uchoose Debit/Credit Card rewards

BOARD OF DIRECTORS

Cecil Mills, Chairman
Eddie Gilbert, Vice Chairman
Ronnie Moore, Treasurer
Calvin Lacey, Secretary
Joann Jenkins
Tommy Musser
Todd Marshall
Roy Arnwine
John Walker
Brandon Tomassoni, Associate Director
Dwight Clevenger, Associate Director