



clearwater
CREDIT UNION

2020 Annual Member Meeting

Agenda

- **Welcome** – Jack Lawson, President & CEO
- **Quorum Check and Call to Order** – Don Creveling, Board Chair
- **Approval of 2019 Annual Member Meeting Minutes** – Don Creveling, Board Chair
- **CEO Report** – Jack Lawson, President & CEO
- **Financial Report** – Tony Boote, Board Treasurer
- **Supervisory Committee Report** – Ryan Arthun, Supervisory Committee Chair
- **Board Elections** – Martha Newell, Board Member
- **Old Business** - Don Creveling, Board Chair
- **New Business** – Don Creveling, Board Chair
- **Member Q&A**
- **Adjourn Business Meeting** – Don Creveling – Board Chair

June 18, 2019 Annual Meeting Minutes

The evening began at The Wilma in Missoula, MT. Carl Rummel, Board Director, welcomed everyone on behalf of the Credit Union's Board Chair, Don Creveling, who was unable to attend. Carl confirmed that the meeting agenda, last year's minutes, and 2018 financials were available for all members before the meeting began. Next, Carl introduced the Boy Scouts Troop 1909 to lead the Pledge of Allegiance.

Carl turned to the evening's Registrar, Chief Operations Officer, Clint Summers, who confirmed a quorum was present, with 189 members registered as of 5:39 PM. Carl then called the meeting to order at 5:42 PM. Carl confirmed that the 2018 Annual Business Meeting minutes were distributed and suggested that they not be read aloud, unless there were objections. Hearing none, Carl requested a motion to approve the minutes. Richard E Hoffer MOVED to dispense with the reading of the minutes and adopt them as presented. Jamie Seguino SECONDED. Carl asked members to signify approval with "aye" vote. MOTION CARRIED.

Next, Carl introduced Tony Boote, Board Treasurer, to present the financial report. Tony invited members to refer to the 2018 year end financials in the handouts distributed. Tony confirmed that we ended the year with total assets at approximately \$524M. The loan to assets ratio increased by 15% in 2018, to 50%. Tony assured members that we did not sacrifice long-term asset quality in search of this growth. Tony invited all to think of the Credit Union first with their lending needs. He continued by reporting that net earnings performance was strong in 2018, ending the year at \$6.8M. This led to an almost 8% increase in the net worth to total assets ratio, to 10.63%. Tony summarized that the Credit Union had strong financial performance in 2018, and this provides a solid foundation for us as we look forward to expansion.

Carl then introduced Ryan Arthun, Chair of the Supervisory Committee. Ryan explained that the Supervisory Committee is a volunteer member-based committee, appointed by the Board, with two roles: to ensure that there is timely and accurate financial reporting; and to ensure the Credit Union practices and procedures safeguard member assets. They are assisted by the Credit Union Internal Auditor, who conducts routine audits and reports, as well as utilizes the services of an independent accounting firm, Moss Adams LLP, to perform an annual audit of MFCU financial statements and controls. Based upon Moss Adams' issuance of a clear opinion, internal reviews, and NCUA examination results, it is the opinion of the Supervisory Committee that the performance and condition of MFCU is accurately reflected on the financial statement and that adequate internal controls exist to protect member accounts. Ryan thanked fellow committee members,

Shirlee Walker and Geoff Badenoch, and former committee member Heidi Fanslow who recently resigned from the committee. Ryan announced that the committee is recruiting to fill that vacancy.

Carl announced that Leslie Halligan, Board Director and Nominating Committee Chair, will continue the meeting with the Nominating Committee report. Leslie explained the nomination process, stating that it is the responsibility of the Nominating Committee to nominate candidates to fill expiring Board terms and vacant positions on the Board of Directors. This year there were two such positions: incumbents Martha Newell and Carl Rummel both came to the end of their three-year term. Martha expressed desire to continue to serve and was then nominated by the Nominating Committee. Leslie reported that Carl decided to step off the Board. She thanked Carl for his years of service on the Supervisory Committee and Board, and for his years as Board Chair. Leslie stated that Carl has been a role model Director, always advocating in the best interest of our members, looking ahead strategically, and helping maintain the culture of the organization. He has also been recognized at the state and national level for his service. Leslie continued that the Nominating Committee interviewed numerous potential new directors, and after careful consideration, nominated Geoff Gilbert to fill the vacancy left by Carl. She provided a short biography on Geoff, confirming his 29 years

of membership and involvement in the local community, including as a local business owner. The Nominating Committee did not receive any additional nominations by petition; therefore, the elections were not conducted by vote. Leslie asked members for acceptance of the candidates as recommended by the Nominating Committee and declared by acclamation here at the Annual Meeting. Members signified acceptance with “aye”. Leslie congratulated Martha and Geoff. Lastly, Leslie announced that Bill Borrie recently resigned due to a move back to Australia, and the Board is actively working to identify candidates to fill the vacancy. Carl expressed appreciation for his time with the Credit Union and his time on the Board.

Carl confirmed the next item on the agenda was Old Business, but as there was none, he moved the meeting on to New Business. Carl invited the Credit Union’s President and CEO, Jack Lawson, to deliver a short presentation. Jack began by stating that the name Missoula Federal Credit Union has served us well for the past 63 years. It was selected in 1956 by the eight policemen who founded the Credit Union. It has served us through two mergers, in 1981 and 1984, as well as through a field of membership (FOM) expansion, first in 2002, and again in 2018. The first discussion on whether, when, and how we may change the name occurred during our 2002 expansion. The question was raised again in 2018 as we expanded to seven counties, which presents an important growth opportunity. However, the expansion also raised the question of whether or not the name “Missoula” would continue to serve the Credit Union. To answer this question, the Credit Union held focus groups and workshops, engaged members, staff, and Board of Directors, and collected over 4,500 surveys from members and non-members across our FOM. We found that those outside of Missoula were open to our institution and strategies, but that our name would hinder growth and would not convey a sense of belonging. In August 2018, the Board of Directors made a unanimous decision to change the name of the Credit Union. The second phase began as we built a creative team of members, staff, Board Members, and outside professionals, who generated over 500 naming ideas. They completed a very thoughtful and inclusive process, and narrowed down the selection to four finalists, of which the Board of Directors unanimously selected one final name in March 2019.

Jack announced that on September 3rd 2019, Missoula Federal Credit Union will become Clearwater Credit Union. Next, Jack explained why this name was selected: it celebrates our local roots in Missoula County, it speaks to a universal good, and it speaks to transparency, which is a key element of our core values. Jack addressed why “Federal” was excluded: the name is shorter, it decreases possibility of acronym use, and it allows flexibility to become a state charter if we decide to do so in the future. Jack displayed the new logo and explained why it was selected: transparency through the water drop, highlights the natural landscape, and a subtle “M” with the mountains as a nod to our roots in Missoula. Jack continued that the color palette stems from the Montana state flag, using navy, light blue, copper, green, and gold. Jack went on to explain the next steps in the process. Starting today and through July and August, we will focus on member communication through email, mailers, social media, and press engagement, to help ensure there is no member confusion when the name change is implemented. On September 3rd, MFCU will become Clearwater Credit Union, and we will then begin launching our new brand in the community and marketplace. Next, Jack shared a video, which highlighted the name change process and thoughts from members and staff. Once concluded, Jack opened the floor for comments and questions from members.

One member raised concern for Clearwater being associated with Idaho. Carl replied that the name wasn’t in reference to a geographic location, but rather the significance of what Clearwater represents. Carl also confirmed that while at one point there used to be a Clearwater Credit Union in Idaho, it has since merged and no longer exists. Another member asked if a web address has been obtained. Jack confirmed that we have obtained a number of web address variations and are in the process of making a final decision on which will serve us best. The next member question was regarding replacement of checks and debit and credit cards. Jack replied that checks will remain valid even with the old name and debit and credit cards will be reissued free of charge to all members after September 3rd. Another member asked how the change may affect our relationship with Co-Op. Carl confirmed there will be no impact on our relationship with Co-Op, our debit and credit card processor. The next member asked what is included in our expansion plan. Jack replied that the Board and management have decided that there is a strong competitive dynamic and good

opportunities to expand east to Butte, and we hope to establish a small office in Butte by the end of the year. Lastly, one member expressed concern with the new name and advocated that our current name would serve us well in new markets. Carl and Leslie both expressed understanding for member concerns. They reiterated our desire to remain inclusive and confirmed that even with the new name, our values are not changing.

Before Adjourning the meeting, Carl thanked the MFCU staff, along with the members of the Board of Directors and Supervisory Committee. Carl introduced the Board Members: present were Leslie Halligan, Martha Newell, and Tony Boote, with Don Creveling and Glenda Bradshaw unable to attend. Carl introduced the Supervisory Committee: present was Ryan Arthun, with Geoff Badenoch and Shirlee Walker unable to attend. Carl then confirmed the conclusion of the business meeting and adjourned at 6:25 PM.

CEO Report

Jack Lawson, President & CEO

2019 Highlights

Core System Conversion – After more than 25 years operating with the same core banking software, in 2019 we tackled a core system conversion. The prior core banking system was older software that had not kept pace with the changes taking place in financial services technology. The new core banking system has empowered our co-workers to serve members more effectively and more efficiently. It has improved data management and security. And it has enhanced our ability to deliver remote services access as we expand our operations.

Expansion into Butte – After many years of serving a 3 County Field of Membership (Lake, Missoula, and Ravalli), in 2018 we won approval to expand that Field of Membership to 7 Counties (Lake, Missoula, and Ravalli *plus* Beaverhead, Deer Lodge, Granite, and Silver Bow). In 2019 we committed to opening our first new branch in the expanded FOM in Butte. By late 2019 we had signed a lease on East Granite Street in Uptown Butte. We are now very excited to be hiring a team to serve Butte members and expect to have the new branch open before the end of Summer.

Name Change – After a long process of co-worker, member, and community engagement - a process that began in early 2018 and ran through the end of 2019 - we decided to change the name of the credit union from Missoula Federal Credit Union to Clearwater Credit Union. Why? As we have grown to serve more communities, we realized the need for a name that ensures all people in our market know that they belong here. We chose a name that reflects our local roots as well as our commitment to values-based banking. Our new name speaks to our dedication to being transparent, investing in our communities, and being a force for good.

2020 Happenings

New Strategic Plan – At the beginning of 2020, our Board of Directors adopted a new Strategic Plan. The Plan describes a high-level five year financial plan, it maps out priority strategic activities, and it renews and deepens our commitment to the Principles of Values-Based Banking - 1) Member-Centricity; 2) Long-Term Resiliency; 3) Local Economy; 4) Social and Environmental Impact; and 5) Transparency – all of which we work to embed in the culture of the credit union.

Pandemic Response – Shortly after adopting the new Strategic Plan we were forced to respond to the Coronavirus pandemic. Our first steps were to expand paid time off policies to ensure sick co-workers could stay home, to move as many co-workers as possible to off-site work locations, and to restrict access to retail lobbies. We then began to support members with temporary relief from fee and loan payments. To date approximately 825 members with loan balances totaling about \$14 million have been helped in this way. We have also been providing access to emergency credit facilities, from individual consumption loans to Paycheck Protection Program loans. To date approximately 525 members have access about \$15 million through these efforts. We are now slowly re-opening retail branches and continuing relief and emergency lending on a case-by-case basis.

Financial Report

Board Treasurer, Tony Boote

Signs of Growth

Strong balance sheet growth continued through 2019. Total assets closed the year 7.6% greater than YE 2018. Importantly, balance sheet growth was driven by increasing internal member saving, not external borrowing. Total member deposits grew by approximately \$30 million on the year. Loan balance growth was also strong, increasing by almost 20.6% in 2019.

Asset Quality

Importantly, we have not sacrificed asset quality as we have grown. While the size of the total loan portfolio has grown and while we have developed more impact loan products, we have also been careful to put members into loans appropriate to their circumstances. The credit union's loan loss rate (actual losses) plus its delinquency rate (loans that are paying late) has declined from 1.37% in 2017, to 1.03% in 2018, to 0.52% in 2019.

Net Earnings

The credit union's net earnings performance has been outstanding. Net earnings have been driven by the income side rather than expense contraction. The relationship between operating expenses and total assets crept upward during 2019, from 3.44% to 3.81%. This increase reflected higher levels of spending associated with the upgrade of our core banking software and the credit union's name change. Meanwhile, net interest margin increased from 3.28% to 3.46% on the year. And gross income to average assets increased from 5.25% to 5.31%. A growing membership and balance sheet, coupled with increasing net interest margin, overshadowed the increase in the operating expense ratio, enabling us to achieve a very strong return on assets of 1.06 basis points in 2019.

Reserve Protection

There are two forms of reserve protection to consider. The first is the credit union's allowance for loan losses. At the end of 2019, the credit union's allowance for loan losses account stood at \$4.9 million, or 1.54% of total outstanding loan balances. This is almost 3x larger than the summation of the loan loss rate and the delinquency rate described above, indicating a well-funded allowance for loan losses protection.

The second form of protection is the credit union's net worth position. The net worth to total asset ratio declined with low and negative net earnings during the financial crisis years. By December 31, 2013, it stood at 9.13%. In the years since that time, we have managed both asset and earnings growth to grow net worth slightly more rapidly than total assets. At the end of 2019, the credit union's net worth to asset ratio stood at 10.89%.

Balance Sheet

Assets	2018	2019	% Change
Loans (Net of Allowance for Loan Losses)	260,861,864	314,688,479	21%
Cash	3,685,655	4,676,027	27%
Investments	233,030,742	214,315,454	-8%
Land & Buildings	15,953,303	17,731,937	11%
Other Fixed Assets	1,139,471	2,047,301	80%
All Other Assets	9,653,490	10,944,633	13%
<i>Total Assets</i>	<i>524,324,525</i>	<i>564,403,831</i>	<i>8%</i>

Liabilities

Notes Payable	6,217,872	4,361,061	-30%
Dividends Payable	76,209	50,286	-34%
Other Liabilities	5,197,360	5,923,515	14%
<i>Total Liabilities</i>	<i>11,491,441</i>	<i>10,334,862</i>	<i>-10%</i>

Deposits

Regular Savings	215,472,700	223,745,048	4%
Checking	149,854,110	166,276,332	11%
IRAs	12,975,467	13,335,207	3%
Certificates	30,847,583	37,221,642	21%
Money Market	50,280,135	49,163,074	-2%
Other Deposits	36,982	0	-100%
<i>Total Deposits</i>	<i>459,466,977</i>	<i>489,741,303</i>	<i>7%</i>

Equity

Regular Reserves & Undivided Earnings	55,746,350	61,502,560	10%
Unrealized Gain (Loss) on Investments	(2,380,243)	2,825,106	219%
<i>Total Equity</i>	<i>53,366,107</i>	<i>64,327,666</i>	<i>21%</i>
<i>TOTAL LIABILITIES, DEPOSITS, & EQUITY</i>	<i>524,324,525</i>	<i>564,403,831</i>	<i>8%</i>

Income Statement

Interest Income	2018	2019	% Change
Interest on Loans	12,119,546	14,448,158	19%
Investment Income	5,986,553	5,900,868	-1%
<i>Total Interest Income</i>	<i>18,106,099</i>	<i>20,349,027</i>	<i>12%</i>
Interest Expense			
Dividends	1,079,654	1,285,624	19%
Interest on Borrowed Funds	262,561	234,501	-11%
<i>Total Interest Expense</i>	<i>1,342,215</i>	<i>1,520,125</i>	<i>13%</i>
Net Interest Income	16,763,885	18,828,902	12%
Provision for Loan Losses	592,443	1,600,703	170%
Net Interest Income (After Provision for Loan Losses)	16,171,442	17,228,199	7%
Other Operating Income	8,685,646	8,554,161	-2%
<i>Total Operating Income</i>	<i>24,857,088</i>	<i>25,782,360</i>	<i>4%</i>
Operating Expenses			
Compensation & Benefits	9,053,968	10,684,747	18%
Travel & Conferences	240,822	288,873	20%
Association Dues	126,501	128,168	1%
Office Occupancy	1,301,849	1,209,865	-7%
Office Operations	2,170,860	2,951,459	36%
Educational/Promotional	549,948	1,151,322	109%
Loan Servicing	523,782	679,773	30%
Professional Services	2,972,588	3,000,750	1%
NCUA Operating Fee	130,935	141,280	8%
Other Expenses	493,807	483,519	-2%
<i>Total Operating Expenses</i>	<i>17,565,060</i>	<i>20,719,756</i>	<i>18%</i>
Non-Operating Income	-532,691	693,605	230%
NET INCOME	6,759,337	5,756,210	-15%

Supervisory Committee Report

Ryan Arthun, Chair

The Supervisory Committee works on behalf of members to ensure:

1. That there is timely and accurate financial reporting; and,
2. That credit union practices and procedures safeguard member assets.

The committee is assisted by Clearwater's Internal Auditor, who conducts routine audits and reports the results to the committee throughout the year. The committee also retains the services of an independent accounting firm, Moss Adams LLP, to perform a comprehensive annual audit of Clearwater's financial statements and controls.

Based upon Moss Adams issuance of a "clean opinion," internal reviews, and results of the NCUA examination, it is the opinion of the Supervisory Committee that the performance and condition of Clearwater is accurately reflected on the financial statement and that adequate internal controls exist to protect member accounts.

We encourage credit union members to contact the committee regarding unresolved credit union problems, missing statements, and accounting discrepancies. We also ask members to share the responsibility to prevent fraud and theft by carefully reviewing their account statements.

Contact information is located on the credit union's website. Our email address is:
supervisorycommittee@clearwatercreditunion.org.

Supervisory Committee Members

- Ryan Arthun, Chair
- Shirlee Walker
- Renae Scott
- Ann Lee
- Geoff Badenoch

Nominating Committee Report

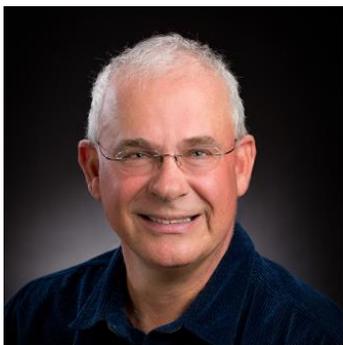
Martha Newell, Board Nominating Committee Member

It is the responsibility of the Board's Nominating Committee to nominate candidates to fill expiring board terms and vacant positions on the credit union's Board of Directors. Directors serve 3-year terms. Those terms are staggered so that at least one position is up for election each year.

In 2020 three positions are up for election. Incumbents Tony Boote, Glenda Bradshaw, and Kelly Webster were nominated by the Nominating Committee to fill these three positions.

Credit union members were notified of these nominations in the March 31, 2020 statement mailing and, on our website, and members were invited to run, by way of petition, if interested. Since no nominations by petition were received by the May 11, 2020 deadline, the elections will not be conducted by vote, but instead will be declared by acclamation. Nominations from the floor are not accepted at the Annual Meeting.

Nominee Statements and Biographies



Tony Boote

"Over the last three years, we have seen momentous changes with a name change to Clearwater Credit Union, a field of membership expansion, a switch to values-based banking, and a core conversion. We have also succeeded in strengthening the financial position of the Credit Union by expanding our loan book. During this time, I have served on the Asset and Liability Committee, and as Treasurer. Over the coming years, our challenge – and it is a big one – is to make these changes work, in particular, expanding to new areas and putting in place values-based banking. I would welcome the opportunity to continue to serve on the Board to help the Credit Union to rise to these challenges."

Tony Boote was born in the U.K., educated at Oxford University, and worked originally in the U.K. Treasury before moving to Washington, D.C., where he worked as a manager and macroeconomist at the International Monetary Fund for twenty plus years. There, he met his wife, who is a lawyer, and in 2010 moved to her hometown of Missoula with their girl/boy twins, who are fourteen. He enjoys walking in the hills above Missoula with his German Shepherd, Asha.



Glenda Bradshaw

"The opportunity to serve on the Clearwater Board of Directors combines many of my interests and skills and offers an opportunity for continued learning. I am a native Montanan who is invested in the success of the people who live and work here. I would enjoy the opportunity to serve on the Board of Directors to be a part of the community in which I live, and to have a voice in how financial institutions can shape communities through lending. As an entrepreneur who recently opened a small business in Missoula, I understand the importance of financing in small business startup."

Glenda Bradshaw currently works for MoFI, a CDFI loan fund based in Missoula and serving borrowers in Montana, Idaho, Wyoming, and Eastern Oregon. She is also the owner of a small business in Missoula, Clyde Coffee. She was born in Cut Bank, MT, and raised in Philipsburg. She spent most of her adult life in Seattle and The Bay Area before returning home to Montana. She lives in Missoula with her six-year-old son, Augustus, and their many pets. Glenda enjoys spending time outdoors with her family, friends, traveling, and gardening.



Kelly Webster

"I welcome the opportunity to serve as a volunteer board member for Clearwater Credit Union, an institution that has been a force for good in my life, in the lives of my friends and family members, and in the broader life of the Missoula community. I'm eager to help steward Clearwater's growth in a way that benefits our members and promotes inclusive prosperity for all."

Kelly Webster has been a Clearwater Credit Union member since 2008. She serves as the Chief of Staff in the Office of the President at the University of Montana, a role she assumed after serving for a decade as UM's Director of the Writing and Public Speaking Center. Kelly is a life-long and unabashed champion for public higher education, for the role UM plays in creating opportunity for all, and for the students who give her hope for the future. Her husband and 6-year-old daughter are her favorite Missoula playmates.