

**FIFTY FIFTH ANNUAL MEETING OF MEMBERS
MARCH 8, 2018**

1. WELCOME AND CALL TO ORDER BY THE CHAIRPERSON
 2. PROOF OF NOTICE OF THE MEETING TO BE INCORPORATED IN MINUTES BY THE SECRETARY
 3. ROLL CALL AND DECLARATION OF QUORUM PRESENT (15 is a quorum)
 4. READING OR CORRECTION AND APPROVAL OF THE MINUTES OF THE LAST ANNUAL MEETING (Page 2)
 5. REPORT OF THE DIRECTORS BY THE CHAIRPERSON. (Page 3&4)
 6. REPORT OF THE TREASURER. (Pages 5&6)
 7. REPORT OF THE SUPERVISORY COMMITTEE. (Page 7)
 8. SET COMPENSATION OF BOARD & COMMITTEE MEMBERS
 9. OLD BUSINESS: NONE
 10. NEW BUSINESS:
 - Election of Board Members – One open position (3 year term); 1 to fill remaining 1 year term, 1 to fill remaining 2 year term
 - Election of Supervisory Committee Member – One open position (3 year term)
 11. ANY OTHER BUSINESS
 12. ADJOURN
- DOOR PRIZES

FIRST PACE CREDIT UNION
MINUTES OF THE FIFTY FOURTH ANNUAL MEETING OF MEMBERS

Date: March 11, 2017

Place: American Legion Post 98, St. Paul Park, MN

The meeting was called to order by Doug Krech at 6:02 P.M.
There was no verbal quorum declared but there were 42 members present, 15 required.

The Proof of Notice of the meeting was read by Kay Arndt and incorporated into the minutes.

ROLL CALL: Board & Committee members present: Doug Krech, Kevin Hoeschen, Gary Martinez, Kay Arndt, Mike Leopold, Office Staff: Jennifer Tiedman, Josh Heimer-Syring, Stephanie Schwartz

1. The minutes of the last annual meeting were approved as presented.
2. The Board of Directors Report was given by D. Krech
3. The Treasurer's Report was given by K. Arndt
5. The Supervisory Committee Report was given by M. Leopold
6. Set compensation of Board & Committee members, presently at \$35/meeting. Motion made, seconded & approved to remain at the same rate.

OLD BUSINESS: None

NEW BUSINESS:

1. Elections for Board of Directors and Supervisory Committee positions.

A: Two position for the Board of Directors were up for election. The Chair asked for nominations from the floor once and no further nominations came forward. Motion made, seconded, approved-Deb Spiess and Gary Martinez were each elected to a three year term.

B: There was one position open for the Supervisory Committee. The Chair asked for nominations from the floor once and no further nominations came forward. Motion made, seconded, approved-Mike Popek was elected to a three year term.

There being no further business the meeting was adjourned at 6:18 P.M.


Chairman


Secretary

FIRST PACE Credit Union

Annual Report of the Board of Directors For The Year Ended December 31, 2017

As your elected officials, we keep the members best interests in mind when reviewing aspects of operations, including maintaining an interest rate spread with income sufficient to cover operating costs while contributing to capital growth. There were 12 monthly Board meetings held during the year as well as several special meetings to review Bond Coverage, Policies and to prepare a budget for 2018.

During the year we completed our scanning and storing of important reports, financials and membership records in a secure cloud based storage. We also brought some new and updated products and services to the membership to help you manage your financial picture. These include some successful loan campaigns, an Auto Resource Center, a VISA Credit Card and an Alerts function to help you monitor your accounts via text or email. We also converted our debit cards to EMV (chip) for additional protection against fraud.

Those who use FIRST PACE products and services can recognize the full benefit of membership whether it be saving for the future, actively using our free checking account, or taking out a loan to enjoy life more. Attached is a listing of services we offer directly, or through our partners, so we hope you take full advantage of all your membership brings you.

Our website contains valuable information about us, our products & services with informational links that may help you financially. If you haven't already, sign up for our email News & Specials to get our latest promotions and announcements, to participate in our Annual Survey and another chance to win \$10.

As your trusted partner, making your financial life easier to manage is what FIRST PACE is all about - people helping people. We ask for your commitment to our success by using our products and services and by telling your co-workers and family about us, so they too can enjoy the benefits of membership. Call 651-451-8495 or stop in the office and let Jennifer, Stephanie or Josh help you on the road to financial security.

Your elected Board of Directors:

Doug Krech, Chairperson

Kevin Hoeschen, Vice Chairperson

Deb Spiess, Secretary

Dan Gerten, Treasurer

Brian Ecker, Board Member

What FIRST PACE Credit Union Offers

Free Checking Account (no minimum balance or required # of transactions)

Free VISA Debit/ATM cards

Mobile Banking including Check Deposit from your phone right to your checking account

Share Savings Account - for you and your family

Money Market Account

Club Accounts - for vacation, Christmas or budgeting

Term Share Certificates of Deposit

Free Online Banking (Virtual Branch)

Free Online Bill Pay

Online EZ Statements with 18 month history

Vehicle/motorcycle loans

Loans for recreational vehicles, boats and campers – with flexible terms

Home Equity Loans (An Equal Housing Lender)

Signature loans

Share secured loans

Private Student Loans – SallieMae Smart Option Student Loan®

Payment Protection Insurance

Extended Warranties

GAP (Guaranteed Asset Protection)

Direct Deposit distributed any way you want it

Lifetime membership

Federal insurance on accounts to at least \$250,000

Free Notary service

VISA Gift Cards

VISA Reloadable cards

NADA vehicle pricing

A real person to answer the phone-no phone tree

Through our ownership of **The Servion Group** –

First Mortgages

Realty

Title

Investment services

Business Lending

Through our partner **CUNA Mutual Group** –

Auto & Home owners insurance

Term & Whole Life Insurance

AD&D Insurance

FIRST PACE Credit Union

Annual Report of the Treasurer For The Year Ended December 31, 2017

Dear Member,

As in previous years 2017 brought changes to our financial picture with some factors listed here:

- The Loan portfolio decreased just over 1%, and loan income was down due to the continued low interest rate environment and to remain competitive with other lenders vying for loans. The ratio of Borrowers to Members was at 30.18% which means many more members should take the opportunity to utilize our loan products.
- Share balances increased during the year and we paid competitive dividends on Share Accounts, Money Market Accounts and Term Share Certificates (CD's).
- Expenses were monitored and kept reasonable having a ratio of Operating Expenses to Gross income of 87.35%.
- Provision for Loan Loss Expense was reduced due to better performing loans than in 2016 which helped earnings. Unexpected losses were attributed to delinquencies and Bankruptcy filings.

FIRST PACE Credit Union had net income of \$13,537 and we maintain a strong Net Worth ratio of 19.50%, well above industry peers and regulatory requirements. This financial strength allows us to keep loan rates low while covering operating expenses and paying a competitive dividend on Share Accounts. Expenses and ratios are monitored monthly and have consistently performed better than industry peers.

Borrowers were able save on their loans by taking advantage of our fair lending rates, various loan promotions and Skip-A-Payment offers. Payment protection, GAP and Extended Warranties always add value for members and create additional income to the credit union. Depositors saw returns averaging .06% to .25% better than banks and members are allowed access to financial products offered only to credit union members.

A year to year comparison is found on the next page for your review. All accounts at FIRST PACE Credit Union are insured to at least \$250,000.00 by the National Credit Union Administration.

Respectfully submitted: *Dan Gerten, Treasurer*

FIRST PACE Credit Union

	12/31/2016	12/31/2017	\$ Variance	% Variance
Total Loans	5,597,085.80	5,529,200.05	(67,885.75)	-1.21
Allowance for Loan and Lease Loss	(31,173.33)	(33,929.77)	(2,756.44)	8.84
Net Loans Outstanding	5,565,912.47	5,495,270.28	(70,642.19)	-1.27
Accounts Receivable	878.80		(878.80)	-100.00
Cash	142,447.94	181,434.65	38,986.71	27.37
Total Investments	2,917,970.04	3,071,623.57	153,653.53	5.27
Prepaid & Deferred Expenses	10,069.83	20,975.78	10,905.95	108.30
Fixed Assets (Net of Depreciation)	9,553.51	8,530.65	(1,022.86)	-10.71
NCUSIF	72,912.60	70,285.67	(2,626.93)	-3.60
All Other Assets	41,356.25	39,859.28	(1,496.97)	-3.62
TOTAL ASSETS	8,761,101.44	8,887,979.88	126,878.44	1.45
Accounts Payable	7,511.33	7,037.16	(474.17)	-6.31
Dividends Payable	551.18	514.24	(36.94)	-6.70
All Other Liabilities	5,257.23	8,459.03	3,201.80	60.90
TOTAL LIABILITIES	13,319.74	16,010.43	2,690.69	20.20
TOTAL SHARES	7,028,067.15	7,138,683.14	110,615.99	1.57
Regular Reserve	226,490.89	226,490.89		0.00
Unrealized Gain(Loss) on Investments	(34.34)		34.34	-100.00
Undivided Earnings	1,493,258.00	1,506,795.42	13,537.42	0.91
TOTAL EQUITY	8,747,781.70	8,871,969.45	124,187.75	1.42
TOTAL LIABILITIES AND EQUITY	8,761,101.44	8,887,979.88	126,878.44	1.45

--YEAR - TO - DATE FIGURES--

	12/31/2016	12/31/2017	\$ Var	% Var
Total Loan Income	267,153.81	259,839.58	(7,314.23)	-2.74
Net Loan Income	267,153.81	259,839.58	(7,314.23)	-2.74
Total Investment Income	47,835.84	44,531.33	(3,304.51)	-6.91
Total Interest Income	314,989.65	304,370.91	(10,618.74)	-3.37
Interest on Deposits	19,419.80	18,652.61	(767.19)	-3.95
Interest On Borrowed Money	3.42		(3.42)	0.00
Total Interest Expense	19,423.22	18,652.61	(770.61)	-3.97
Net Interest Income	295,566.43	285,718.30	(9,848.13)	-3.33
Provision For Loan Loss Expense	38,157.13	10,111.88	(28,045.25)	-73.50
Net Interest Income after Provisions	257,409.30	275,606.42	18,197.12	7.07
Compensation	118,714.04	121,729.36	3,015.32	2.54
Pension	6,190.70	6,341.46	150.76	2.44
Employee Benefits	14,688.04	15,272.68	584.64	3.98
Travel & Conference	6,544.62	9,198.39	2,653.77	40.55
Association Dues	3,567.00	4,218.00	651.00	18.25
Office Occupancy	19,916.94	19,934.15	17.21	0.09
Office Operations	92,694.42	87,204.23	(5,490.19)	-5.92
Education & Promotion	7,607.33	7,695.41	88.08	1.16
Loan Servicing	6,890.39	3,150.92	(3,739.47)	-54.27
Professional & Outside	6,152.00	7,714.00	1,562.00	25.39
Examination Fees	3,025.56	2,280.00	(745.56)	-24.64
Cash Over & Short		40.00	40.00	0.00
Annual Meeting	2,625.00	2,550.00	(75.00)	-2.86
Miscellaneous Operating	6,500.00		(6,500.00)	0.00
Depreciation Expense-Furniture, Fixtures	9,707.07	4,728.35	(4,978.72)	-51.29
Total Operating Expenses	304,823.11	292,056.95	(12,766.16)	-4.19
Fees & Charges	13,531.42	14,141.39	609.97	4.51
Other Income	25,372.96	19,036.21	(6,336.75)	-24.97
Total Other Operating Income	38,904.38	33,177.60	(5,726.78)	-14.72
(Gain) / Loss on Sale Of Investments		39.65	39.65	0.00
(Gain) / Loss on Sale Of Assets		3,150.00	3,150.00	0.00
Total Non-Operating Income		3,189.65	3,189.65	0.00
Net Income	(8,509.43)	13,537.42	22,046.85	-259.09

FIRST PACE Credit Union

Annual Report of the Supervisory Committee For The Year Ended December 31, 2017

Dear Member:

It is the purpose of the Supervisory Committee to determine that the Board of Directors, President and office staff conduct credit union business in the best interest of its members, and in a manner acceptable to the state and federal controlling authorities. This is accomplished by monthly and periodic audits with quarterly and semi-annual reports filed with the Minnesota Department of Commerce and the National Credit Union Administration.

FIRST PACE Credit Union is regulated by the Minnesota Department of Commerce which conducts an examination of the credit union operations within every 18 to 24 month period. Their Report of Examination is reviewed and responded to by your Board of Directors, Committee Members and President. The most recent exam was completed in 2016 garnering us a high rating, and we continue as a strong, sound financial institution. Our practice of safety and soundness with a high Net Worth give no cause for supervisory concern.

It is the opinion of this committee that the handling of the credit union affairs has been in keeping with generally accepted accounting standards and in the best interest of its members.

Respectfully submitted: *Quinton Vorhies, Chairperson*

Mike Leopold

Mike Poyek

