



Dear Fellow Members:

It is my pleasure to invite you to a Special Meeting for Members of Lacomamas Community Credit Union, to be held on Thursday, June 12, 2014 at 6:00pm at the Clark College Columbia Tech Center located at 18700 SE Mill Plain Blvd, Vancouver, WA in room #144 on the main floor. The purpose of the Special Meeting is to complete the vote for the proposed merger between Lacomamas Community Credit Union and iQ Credit Union.

We enclose the following materials for you to vote in this important proposal:

- **Notice of Special Meeting**
- **Ballot**
- **Summary of Merger Plan**

The Board of Directors believes this merger provides significant benefits for our members:

- Increased convenience, 15 branches throughout SW Washington, with an additional 5 branches in local high schools for student members. Our members would gain access to branches in north Clark County in Battle Ground, Hazel Dell and Salmon Creek, as well as more branches west of Interstate 205 and a branch in Camas. These are locations our members have requested new branches.
- Increased ATM availability in Walgreen Pharmacies across SW Washington and shared branching with nationwide access.
- Improved services to our membership by the same great employees you've come to know and work with.
- Ability to better compete with other financial institutions in SW Washington contributing to the continued long term success of the Credit Union and increasing member values, improved rates, convenience and emerging technology.
- Cost savings through better utilization of resources allowing continued improvements in products and technology with 24/7 access anytime-anywhere.
- Increased ability to allow continued community involvement through employee volunteers and donations

**Your vote is very important.** I encourage you to sign and return your ballot, or use the Internet voting option **prior to the meeting** so you will be represented.

The Board of Directors has carefully entered into this merger discussion specifically considering the benefit to our members and our employees. We believe this merger will provide growth, strength and long term relevance to both our members and employees. **The Board of Directors for Lacomamas Community Credit Union recommends a Yes vote on this ballot.**

Sincerely,

A handwritten signature in black ink that reads "Jim Church".

James Church  
Chairman  
Lacomamas Community Credit Union

## **NOTICE OF SPECIAL MEETING OF THE MEMBERS OF LACAMAS COMMUNITY CREDIT UNION**

On March 19, 2014, the Board of Directors of Lacamas Community Credit Union ("LCCU") approved a proposed Merger Plan to merge with iQ Credit Union ("iQCU"). As a member of Lacamas Community Credit Union you are hereby notified of the membership vote upon the proposed Merger Plan to be conducted in conjunction with a Special Meeting of the Members of Lacamas Community Credit Union that has been called and will be held at the Clark College, Columbia Tech Center (Main Floor Conference Room), 18700 SE Mill Plain Blvd., Vancouver, Washington on June 12, 2014, at 6:00 p.m.

### **Purpose of Special Meeting/Member Action**

The purpose of the Special Meeting/Member Action is:

1. To consider and act upon a plan and proposal for merging Lacamas Community Credit Union with iQ Credit Union of Vancouver, Washington. As a result of the Merger, all assets and liabilities of Lacamas Community Credit Union will be transferred to iQ Credit Union. As a member of Lacamas Community Credit Union, you will become a member of iQ Credit Union and you will be entitled to and will receive shares in iQ Credit Union for each of the shares you own in Lacamas Community Credit Union. In the remainder of this Notice and Summary of Merger Plan, Lacamas Community Credit Union is considered the "Merging Credit Union" and iQ Credit Union is considered the "Continuing Credit Union."
2. To approve the action of the Board of Directors of Lacamas Community Credit Union in authorizing the officers of this Credit Union, subject to the approval of members, to do all things and to execute all agreements, documents, and other papers necessary to carry out the proposed merger.

You have the right to vote on the proposed merger by written or electronic ballot prior to the Special Meeting.

### **Information Related to the Proposed Merger**

The following is a Summary of the Merger Plan submitted to the National Credit Union Administration (NCUA) and the Washington Department of Financial Institutions (DFI), who have both reviewed the Merger Plan that is being submitted to a vote of the members of Lacamas Community Credit Union.

1. **Merger Benefits.** The Board and Management of both Credit Unions believe the proposed merger will benefit their respective memberships by achieving operational cost savings and improving the operational and financial strength of the Continuing Credit Union, ultimately enhancing member value.

Benefits to the LCCU Membership will include:

- Increased convenience and improved service resulting from the additional southwest Washington branch locations provided by iQCU.
- More advanced online technologies, such as enhanced 24/7 web-based services for loan applications and loan approvals.

- Commercial and small business loans, cash management, merchant card services, and more extensive business services will be available to serve local businesses and members.
- Expansion of loan services through more robust first and second mortgage real estate secured products and programs.
- Participation in the nationwide shared branching network of which iQCU is a member.

Benefits to iQCU Credit Union membership will include:

- Increased capital and financial strength ensuring long-term sustainability.
- Increased convenience and improved service resulting from the additional southwest Washington branch locations and ATM network access.
- Increased “return to member” in the form of improved rates and fees with increased cost-savings and efficiencies from the scale achieved by the merged credit unions.
- Remote deposit capture through home scan and mobile banking.

Benefits to the Combined Organization will include:

- Combining our members and our resources will make us a \$706 million credit union, providing more money to lend and lower interest rates overall.
- More members and more locations will lower operating costs overall and bring savings back to members.
- Enhanced member value through expanded financial product and service offerings to the combined membership. Both Credit Unions have unique expertise in different product areas which can be leveraged across the new organization to provide greater service offerings to members.
- Additional cost efficiencies in operations, resulting from pooled resources, consolidated back office support functions, and greater market presence and bargaining power.
- Merging these two strong organizations will bring together a family of credit unions with shared values and will offer members additional financial protection against future economic downturns.
- Banking and financial services is a competitive industry. By joining together, LCCU and iQCU will retain their members-first philosophy and be better positioned to offer competitive financing and enhanced services for our members.

## 2. Key Merger Considerations

- a. **Credit Union Name.** The name of the Continuing Credit Union will be “iQ Credit Union.”
- b. **Analyses of the Share Values - No Adjustments to Shares.** The Directors of LCCU and iQCU have carefully analyzed the assets and liabilities of the Credit Unions and have appraised each Credit Union’s share values. It is the opinion of the Board of Directors of LCCU and iQCU that the merger should be completed without any adjustment in shares of the members of LCCU upon completion of the merger. Based on the current financial and statistical reports, the Credit Unions have made a joint appraisal of assets and liabilities to determine the value of shares in each Credit Union. An analysis of the share values of LCCU, iQCU, and the combined probable

asset/share ratio value of the Continuing Credit Union are as follows: LCCU 1.08%; iQCU 1.09%; and Continuing Credit Union 1.09% The Credit Unions have determined that the shares in each Credit Union are substantially equal in value and no share adjustments are warranted.

**c. Credit Union Branches.** The headquarters of the Continuing Credit Union will be located in Vancouver, Washington. All current branch offices of LCCU and iQCU will continue in the locations listed in the Merger Plan.

**3. Financial Information.** Summaries of financial information from the following financial reports of the Credit Unions are enclosed in the Supplemental Merger Information with this Notice:

Form 5300 Call Report information of the Credit Unions; and  
Combined Financial Report information of the Continuing Credit Union.

**4. Summary of Merger Plan.** In addition we have provided a Summary of the Merger Plan which provides important Merger information including: the organization of the Board of Directors and Supervisory Committee; information on Senior Management and existing contracts and benefit plans; information on products and services anticipated after the Merger; and an itemized estimate of the direct costs of the merger.

**5. Merger Approval and Ballot.** In order to accomplish the merger, it is necessary to obtain approval of a simple majority of the members of LCCU who vote on the proposal. In accordance with its Bylaws, LCCU is conducting the member vote on the merger proposal through a mail and electronic ballot to the LCCU members. The ballot distribution, collection, custody and tabulation will be conducted entirely by an independent third party company.

**6. Effective Date.** Subject to approval by the Washington DFI, NCUA and members of LCCU, the Credit Unions have planned an effective date for the merger of July 1, 2014.

Enclosed with this Notice of Special Meeting is a Ballot for Merger Proposal. Please complete the Ballot and return electronically or by U.S. Mail to CU Ballot. Your ballot must be received by no later than midnight of the third (3rd) business day prior to the Special Meeting, June 12, 2014. Ballots received after this date and time will not be counted.

BY ORDER OF THE BOARD OF DIRECTORS  
OF LACAMAS COMMUNITY CREDIT UNION:

  
\_\_\_\_\_  
Board Chair

5/6/2014  
Date

## BALLOT FOR MERGER PROPOSAL

The Board of Directors of Lacamas Community Credit Union has called a Special Meeting of Members to consider and act upon the proposal for Lacamas Community Credit Union to merge into iQ Credit Union as explained in the Notice of Special Meeting accompanying this Ballot.

Electronic Ballot Return. To cast your Ballot electronically, visit <https://www.cuballot.com/lacamas.html> and follow the steps on-screen

Please note:

- If you have multiple member accounts at Lacamas under one SSN, you should use the membership you opened **first**
- You will need to use the last four digits of the SSN for the **primary owner** on the membership account

Mail Ballot Return. To cast your Ballot by mail, please return it to the following address:

CUBallot-Election Processing, E Space Communications, Inc., PO Box 3156, Dublin, OH 43016-9842

CUBallot must receive your completed and signed Ballot by U.S. Mail received no later than midnight of the 3rd business day before the Special Meeting (June 12, 2014). Ballots received after this date and time will not be counted.

**Vote.** I have read the Notice of Special Meeting of the Members of Lacamas Community Credit Union to act upon the Merger proposal between Lacamas Community Credit Union and iQ Credit Union. I hereby cast my vote on the proposal: *(Check the box opposite the statement which indicates how you wish to vote.)*

**I approve the proposed Merger and authorize the Lacamas Community Credit Union Board of Directors to take all necessary actions to accomplish the merger.**

**I do not approve the Merger.**

Name of Member \_\_\_\_\_

Member No. \_\_\_\_\_

\_\_\_\_\_  
Member Signature

\_\_\_\_\_  
Date

## **SUMMARY PLAN OF MERGER OF LACAMAS COMMUNITY CREDIT UNION AND IQ CREDIT UNION**

### **Introduction**

The Board of Directors of Lacamas Community Credit Union (“LCCU”), as Merging Credit Union, and iQ Credit Union (“iQCU”), as Continuing Credit Union, approved the Merger of the two Credit Unions and have entered an agreement to merge, subject to the approval of the members of LCCU and final approval by the Washington Department of Financial Institutions (DFI) and the National Credit Union Administration (NCUA). In connection with the merger, the following information is provided, in addition to the Merger and financial information set forth in the Notice of Special Meeting.

**Board of Directors** - The Continuing Credit Union plans to increase the size of its Board of Directors from nine (9) members to thirteen (13) members. On the effective date of the merger, the Board of Directors will consist of nine (9) current members of iQCU and four (4) current member of the LCCU Board. iQCU and LCCU intend that the Continuing Credit Union Board will hold a Board organizational meeting to elect Board officers including Chair, Vice-Chair, and Secretary.

**Supervisory Committee** - The Continuing Credit Union plans to increase the size of its Supervisory Committee from four (4) to five (5) members. On the effective date of the merger, the Supervisory Committee of the Continuing Credit Union shall be comprised of at least three (3) current members of iQCU Supervisory Committee and two (2) members from LCCU to be appointed by the Continuing Credit Union, who shall serve until the next annual meeting of the Continuing Credit Union. iQCU and LCCU agree the Supervisory Committee will conduct a Supervisory Committee organizational meeting following the Merger Date to elect officers of the Supervisory Committee.

### **Management and Employees**

The Credit Unions intend to offer employment to all employees of LCCU as of the merger date, subject to iQCU’s current employment policies and procedures and the future business needs of the Continuing Credit Union. LCCU employees will be offered a compensation and benefit package that is consistent in value and benefit, to the extent reasonably possible, as offered by iQCU to its employees. Roger Michaelis, currently the President/CEO of iQCU, will continue as President/CEO of the Continuing Credit until June 2016. Kathleen Romane, the current President/CEO of LCCU will not continue as a full time employee of the Continuing Credit Union. Due to her employment termination, Kathleen Romane will be paid severance benefits in accordance with her Employment Agreement and Deferred Compensation Agreement. No financial incentive has been offered or provided to any management staff or employee of LCCU or iQCU in connection with the approval or consummation of the Merger. No current employment agreement or arrangement will be modified or superseded in anticipation of or as a result of the completion of this merger transaction.

### **Insurance**

There will be no changes in the share insurance coverage of members’ accounts through the National Credit Union Share Insurance Fund unless a member has accounts at both LCCU and iQCU in excess of the share insurance limit. In this case, the member will receive a separate notice explaining share insurance coverage as related to their account(s). Credit Union staff will

encourage those members to meet with appropriate Credit Union staff who will attempt to work with the member in an effort to maximize their deposit insurance coverage.

## Branch Offices

After the merger, the Continuing Credit Union will continue all current branches of LCCU and iQCU. The following is a list of the locations of all current branches of LCCU and iQCU:

Current Lacamas Community Credit Union Branch Offices	
192 <sup>nd</sup> Avenue Financial Center	19200 SE 31 <sup>st</sup> Street, Camas, WA 98607
Stevenson Branch	147 SW 1 <sup>st</sup> Street, Stevenson, WA 98648
Andresen Financial Center	6725 NE 42 <sup>nd</sup> Street, Vancouver, WA 98661
Orchards/Sifton Branch	15705 NE Fourth Plain Blvd., Vancouver, WA 98682
Cascade Branch	615-A Chkalov Drive, Suite 1, Vancouver, WA 98683
Washougal Branch	640 "E" Street, Washougal, WA 98671

Current iQ Credit Union Branch Offices	
Clark College Branch	1933 Fort Vancouver Way, Vancouver, WA 98663
Downtown Branch	1313 Main Street, Vancouver, WA 98660
Vancouver Mall Branch	7017 NE Vancouver Mall Drive, Vancouver, WA 98661
Hazel Dell Branch	8901 NE Hazel Dell Ave., Suite 111, Vancouver, WA 98665
Salmon Creek Branch	13505 NE 10 <sup>th</sup> Avenue, Vancouver, WA 98685
Fisher's Landing Branch	2620 SE 165 <sup>th</sup> Avenue, Vancouver, WA 98683
Battle Ground Branch	109 SW First Street, Suite 101, Battle Ground, WA 98604
Camas Branch	1615 NW 6 <sup>th</sup> Avenue, Camas, WA 98607
Ridgefield Branch	2 South 56 <sup>th</sup> Place, Suite 104, Ridgefield, WA 98642
Battle Ground High School Branch	300 W Main St, Battle Ground, WA 98604
Camas High School Branch	26900 SE 15th Street, Camas, WA 98607
Evergreen High School Branch	14300 NE 18th Street, Vancouver, WA 98684
Skyview High School Branch	1300 NW 139th Street, Vancouver, WA 98685
Union High School Branch	6201 NW Friberg Street, Camas, WA 98607

## Merger Expenses

The estimated expenses paid or to be incurred by the Credit Unions in connection with the Merger for the special meeting costs and postage, printing, marketing and printing and postage, accounting fees, environmental assessments, consulting fees, legal fees and regulatory filing fees is \$145,000.00.

## Financial Information of LCCU and iQCU

### Regulatory Call Report (5300) Information

The following is key financial information from the Call Reports (5300) of LCCU and iQCU as of December 31, 2013.

<b>Key Information</b>	<b>LCCU</b>	<b>iQCU</b>
Total Loans	\$97,366,299	\$319,656,775
Total Assets	\$196,485,755	\$509,491,958
Total Deposits	\$177,624,781	\$463,254,706
Total Equity	\$15,510,382	\$45,065,270
<b>Ratios</b>		
Net Worth/Total Assets	8.76%	8.90%
Delinquent Loans/Total Loans	0.16%	0.29%
Loan/Shares	54.82%	69.00%
Average Shares per Member	\$9,974	\$9,364
Average Loan per Member	\$13,310	\$10,502

The following is an overview of the combined year to date income statement for 2013:

<b>Key Information</b>	<b>LCCU</b>	<b>iQCU</b>
Total Interest Income	\$5,618,397	\$15,683,085
Total Interest Expense (COF)	\$625,071	\$1,132,811
Other Operating Income	\$3,086,808	\$11,260,965
Operating Expense	\$7,014,425	\$20,471,268
Provision for Loan Losses	\$472,364	\$625,227
Net Income	\$593,345	\$4,714,744
<b>Ratios</b>		
Net Charge Offs	0.41%	0.38%
ROA YTD	0.30%	0.95%
Net Operating Expense	3.05%	3.16%

The complete 5300 Regulatory Reports for Lacamas Community Credit Union and iQ Credit Union are available at [www.ncua.gov](http://www.ncua.gov).



## Combined Financial Information

The following is an overview of the individual balance sheets of LCCU and iQCU as of December 31, 2013, and a combined balance sheet showing what the Continuing Credit Union would have held at December 31, 2013.

Combined Financials			
	LCCU	iQCU	Combined
<b><u>ASSETS:</u></b>			
Cash & Equivalents	14,996,926	22,328,646	37,325,572
<b>TOTAL INVESTMENTS</b>	<b>70,050,035</b>	<b>125,127,645</b>	<b>195,177,680</b>
Loans Held for Sale	315,933	1,774,790	2,090,723
Real Estate Loans	38,439,369	161,418,416	199,857,785
Unsecured Loans	6,656,131	122,303,126	128,959,257
Other Loans	52,270,799	35,935,233	88,206,032
<b>TOTAL LOANS</b>	<b>97,366,299</b>	<b>319,656,775</b>	<b>417,023,074</b>
(Allowance for Loan & Lease Losses)	(938,300)	(3,920,782)	(4,859,082)
Land and Building	10,742,134	15,449,861	26,191,995
Other Fixed Assets	889,578	3,453,428	4,343,006
NCUSIF Deposit	1,761,197	4,466,812	6,228,009
All Other Assets	1,301,953	21,154,783	22,456,736
<b>TOTAL ASSETS</b>	<b>196,485,755</b>	<b>509,491,958</b>	<b>705,977,713</b>
<b><u>LIABILITIES &amp; CAPITAL:</u></b>			
Dividends Payable	0	0	0
Notes & Interest Payable	0	0	0
Accounts Payable & Other Liabilities	3,350,592	4,171,982	7,522,574
Uninsured Secondary Capital and Subordinated Debt Included in Net Worth	0	0	0
<b>TOTAL LIABILITIES</b>	<b>3,350,592</b>	<b>4,171,982</b>	<b>7,522,574</b>
Share Drafts	30,213,199	133,702,179	163,915,378
Regular shares	45,421,977	134,443,462	179,865,439
All Other Shares & Deposits	101,989,605	195,109,066	297,098,671
<b>TOTAL SHARES &amp; DEPOSITS</b>	<b>177,624,781</b>	<b>463,254,706</b>	<b>640,879,487</b>
Regular Reserve	2,244,140	12,761,288	15,005,428
Other Reserves	(1,709,443)	(712,865)	(2,422,308)
Undivided Earnings	14,975,685	30,016,847	44,992,532
<b>TOTAL EQUITY</b>	<b>15,510,382</b>	<b>42,065,270</b>	<b>57,575,652</b>
<b>TOTAL LIABILITIES, SHARES, &amp; EQUITY</b>	<b>196,485,755</b>	<b>509,491,958</b>	<b>705,977,713</b>

## **Capital - Reserves and Undivided Earnings**

Credit Union capital is most accurately measured by looking at the capital required by NCUA—prompt corrective action (PCA) capital. As of December 31, 2013, LCCU had PCA capital of \$17,219,825 or 8.76% of assets. As of December 31, 2013, iQCU had PCA capital of \$45,381,801 or 8.90% of assets. The NCUA considers a credit union with a capital to assets ratio in excess of 7.00% to be well-capitalized. Based on NCUA's standards, both Credit Unions are well capitalized. Combined PCA capital as of December 31, 2013, was \$62,601,626 or 8.86% of assets. The Continuing Credit Union would have had capital in excess of the 7.00% well-capitalized designation of \$13,183,186. The Continuing Credit Union will have a strong earning asset base with a loan to share ratio of 65% coupled with strong liquidity as evidenced by the 59% loan to assets ratio.