

History

We are celebrating Linn Area Credit Union's 75th anniversary this year. In 1935, eleven local teachers each deposited \$5 to start this not-for-profit credit union. More teachers soon joined in and lent their pool of money to their co-workers in exchange for a fair interest rate. Both parties benefited by cutting out bankers, who would have charged more interest to the borrower and paid less interest to the depositor in order to make a profit for themselves.

In its 75 year history, 2009 could have been the most challenging year ever for the credit union. But, in light of all the negative economic conditions, and the deepest financial turmoil since the Great Depression, we actually fared quite well. While many banks took TARP money from the government to stay afloat, U.S. credit unions bailed each other out. Linn Area Credit Union contributed \$252,000 from capital to the National Credit Union Administration (NCUA) to assist troubled credit unions while maintaining net income of \$1.6 million in 2009.

We started the year with \$178 million in assets and ended the year with \$223 million. Members sought a safe haven for their money in 2009 and placed an additional \$45 million in our care. The credit union offered a high yield checking account at 5% APR throughout the year in a market that was paying less

JAMES HAGERMAN, PRESIDENT / CEO & HOWARD RATTNER, CHAIRMAN OF THE BOARD

than ½ of 1%. This rate was very attractive and 1,001 members opened high yield checking accounts last year.

In 2009, nervous consumers nationwide retrenched and put off making major purchases that required borrowing. Consequently, the credit union's loan portfolio grew just slightly. Our loan rates dropped to historical lows and we are very well positioned to meet members' borrowing needs as they begin to feel more comfortable buying homes and cars again.

We introduced a new Visa Reward credit card in 2009 – just in time to offer members a better alternative to the big bank credit cards that were unfairly increasing rates and fees prior to anti-abuse credit card legislation becoming law in February 2010. This reward card offers an attractive 10.9% APR and no annual fee – plus it allows members to earn points they can redeem for travel, merchandise or a credit back on their balance. Many members have taken advantage of this new product and are saving money on their credit card purchases.

Linn Area Credit Union continues to grow and succeed because of the support and referrals from our 22,458 members. We appreciate your business and thank you for being a part of the Linn Area Credit Union family.

1988: We started holding our all-staff training meetings every Thursday morning. This tradition still takes place because we believe you deserve well-trained employees.



In 1988, the cost of a first-class stamp changed from \$0.22 to \$0.25.

1997: Introduced the Linn Area Credit Union website. It was updated in 2002.



Diana, Princess of Wales, died after a car accident in 1997. Her funeral had over 2 billion viewers worldwide.

1935: 11 Cedar Rapids teachers each put up \$5.00 of their own money to form this credit union, where the funds deposited by teachers would be lent out to their co-workers in a not-for-profit, trustworthy manner. It was called the **Cedar Rapids Teachers' Credit Union**.



Amelia Earhart was the first person to fly solo from Hawaii to California in 1935.

The largest loan granted that year was \$150 dollars and the credit union had 72 members. For decades, the credit union operated out of a cash box in the Treasurer's home. Members paid the cost per share, \$5.00, in installments. (Note: the \$5 cost per share hasn't changed in 75 years.)

1966: The name was changed to **Cedar Rapids Community Schools Employees' Credit Union** to allow all Cedar Rapids school employees (beyond teachers) the option of joining.



In response to the energy crisis, daylight saving time commenced nearly two months early in 1975.

1975: The name was changed to **Linn Area Schools Credit Union** to allow membership to any educational institution employee in the county, public or private. The following year, we merged with Kirkwood Community College Credit Union.

1977: We began offering checking accounts (aka: share draft accounts) and Saturday morning hours. The following year we merged with Prairie Schools Credit Union.

1980: Our current President, Jim Hagerman, came on board and we installed our first data processing system.

1982: The credit union's name was changed to **Linn Area Credit Union**. After renting space this whole time, we bought our first building, which is the branch currently on 6th Street, SW. The credit union had 3,381 members.

1985: Installed our first TV surveillance system and opened a branch on the corner of 51st Street and Center Point Road NE. We had 4,636 members. The following year our Marion branch moved from the Longfellow School Administration Building to 776 13th Street.

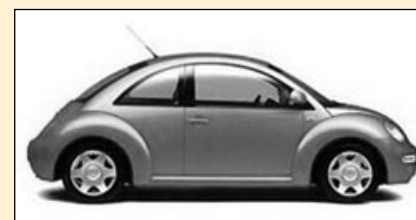


In 1985, Coca-Cola changed its formula and released New Coke. (The response was negative, and the original formula was back on the market in less than 3 months.)

1987: Changed to a community charter, allowing anyone living or working in Linn county the option of joining. This same year we began offering credit cards and home equity loans. We had 6,260 members.

1996: Built our Blairs Ferry Road branch (which was expanded in 2000) and introduced debit cards.

1998: Adopted the tag line "We are family" and introduced Home Financial Services (HFS), an online banking program. The following year we expanded our membership to include "anyone living or working in Linn or surrounding counties."



The Volkswagon New Beetle was introduced in 1998.

2010: Linn Area Credit Union will break ground on our new Edgewood Road branch as well as roll out our newly remodeled website.

ASSETS

| | |
|--|-----------------------|
| Cash and cash equivalents | \$ 2,436,376 |
| Investments | 59,539,232 |
| Loans to members, net of allowance for loan loss | 147,651,981 |
| Fixed Assets | 5,355,342 |
| National Credit Union Share Insurance Fund Deposit | 1,684,987 |
| Other assets | 7,091,621 |
| TOTAL ASSETS | \$ 223,759,539 |

LIABILITIES AND EQUITY

Liabilities

| | |
|--|-----------------------|
| Members' shares and deposits | \$ 196,141,714 |
| Accrued expenses and other liabilities | 2,047,564 |
| Borrowed funds | 5,000,000 |
| Total Liabilities | \$ 203,189,278 |

Equity

| | |
|---------------------------------------|-----------------------|
| Statutory Reserves | \$ 5,905,072 |
| Retained earnings | 14,162,122 |
| Unrealized Gain / Loss on Investments | 503,067 |
| Total Equity | 20,570,261 |
| TOTAL LIABILITIES AND EQUITY | \$ 223,759,539 |

INCOME

| | |
|--|----------------------|
| Interest on loans to members | \$ 9,182,230 |
| Interest on investments and cash equivalents | 1,063,239 |
| Fee income | 3,880,832 |
| Other income | 1,778,860 |
| TOTAL INCOME | \$ 15,905,161 |

EXPENSES

| | |
|--------------------------------|----------------------|
| Salaries and benefits | 5,105,229 |
| Occupancy | 456,967 |
| Operating Expenses | 4,089,907 |
| Provision for loan losses | 680,129 |
| Dividend and interest expense | 4,000,272 |
| Non-Operating income / expense | -85,478 |
| TOTAL EXPENSES | \$ 14,247,026 |

NET INCOME

| | |
|----------------------------------|---------------------|
| Statutory Reserve Transfer | -512,576 |
| NET INCOME AFTER TRANSFER | \$ 1,145,559 |

The Credit Committee is pleased to report that 4,877 members took advantage of Linn Area Credit Union's low loan rates and took out loans totaling \$111,909,892.69 last year. Total loans on the books at year end were \$148,443,950.

Members utilized the expertise of our mortgage department, took advantage of record low interest rates, and allowed us to fund over \$65 million in home loans last year. Refinancing was still popular as 246 members refinanced their mortgage for a total of \$37,208,517. We helped 218 people purchase new homes with balances of \$25,717,631 and we assisted 11 families with construction financing to build their new home.

The credit union has arrangements in place with 72 area car dealers, boat and RV dealers, and similar businesses, to make it convenient to get a credit union loan right at the retailer. This service has been highly successful and in 2009 gave 1,123 people the ability to drive away with loans totaling

\$16,755,298. At year end we had 55 commercial loans on the books for a total of \$12,209,455. The credit union takes great pride in helping members with their business loans needs and will look at each request on an individual basis.

With the economic conditions members were facing, it was not unexpected that loan delinquency rose slightly. At year end there were 33 loans and 8 credit cards with payments more than 60 days late. The total amount of loan delinquency, including \$963,696.62 in late commercial payments, was \$2,422,158.87 or 1.632% of our total loans outstanding.

We encourage you to contact us whenever you need a loan. You can phone us, stop by or even apply online at www.linnareacu.org and receive an answer in less than 60 seconds. Thank you for the opportunity to assist with your borrowing needs.

TIM FOWLER, CREDIT COMMITTEE CHAIRMAN

The Audit Committee is pleased to report that Linn Area Credit Union again received a clean bill of financial health after thorough reviews.

To ensure the safety of member deposits:

- The Committee contracts with Petersen & Associates, a highly respected auditing firm, to perform a certified financial statement audit.
- We employ an internal auditor to perform a wide variety of ongoing compliance tests, evaluations and reviews.
- The Credit Union Division of the State of Iowa and the National Credit Union Administration both review the credit union's lending practices, financial statements, security standards, management practices and adherence to regulations, policies and procedures.

Based on these reviews, the Audit Committee is pleased to report that Linn Area Credit Union is financially sound, the financial statements are accurate and the Credit Union is operating in accordance with board policies and government regulations.

VERYL SIEVERS, AUDIT COMMITTEE CHAIRMAN

2003: We built the SE branch on Mt. Vernon Road and had 20,561 members.

"Chicago" won Best Picture at the 2003 Academy Awards.



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Linn Area
 Credit Union
We are Family