



**72nd Annual Meeting  
March 19, 2011**

*Welcome to Our Family...*



# Program

**Social Time** 1:30 – 2:00 P.M.

**Introductions** Cyril A. Schultz, Jr.

**Elections** 2:00 P.M.

## **Business Meeting**

Minutes of the 71st Annual Meeting

Report of the Board of Directors

Report of the Treasurer (Presented by President/CEO H. Vance Vargo)

Report of the Credit Committee

Report of the Supervisory Committee

## **New Business**

Report of the Credentials Committee

Award for Long-Term Membership – Joseph “Vernon” Dollhopf

Tribute to Former Chairman of the Board – Allan J. Sztuczko

## **Adjournment**

# Numbers of Interest

6,501 members strong

\$18,386,305 is the amount of loans made during the year

3,580 is the number of loans made during the year

110,842 is the total number of loans since organization

\$310,647,224 is the amount of total loans since organization

# Mission Statement

Family First Credit Union provides a full range of financial products and services in a prompt and friendly manner.

# Vision Statement

Family First Credit Union will be a safe and sound financial institution offering our members and potential members competitive products and services during their lifetime.

# Core Values

**PHILOSOPHY** - We are a non-profit organization that believes in the credit union philosophy of “Members Helping Members”.

**ETHICAL AND LEGAL BEHAVIOR** - We conduct business with integrity, trust, privacy, confidentiality, accountability, and mutual respect.

**MEMBER SERVICE** - We provide our members with a high level of professional service and respect.

**TEAMWORK** - We work together to achieve common goals and evaluate our progress.

**STAFF DEVELOPMENT** - We provide guidance and motivation to our staff through communication, policy development, and education.

**ADAPTIVE TO CHANGE** - We are an organization that adapts to change to meet future challenges.

**ORGANIZATIONAL GROWTH** - We will provide future growth opportunities through innovation, performance and planning initiatives.

**COMMUNITY SERVICE** - We dedicate our time and resources to causes that make a difference in our communities.



# Message from the CEO:



I am very pleased to report to you that Family First Credit Union reported a record and profitable year in 2010. Despite the prolonged economic recession and a jobless recovery, your credit union remains both financially safe and sound.

While the credit union industry reported negative loan growth in 2010 for the first time in thirty years, your credit union continued to offer loans, and reported loan growth of 16.6% for the year. Once again, increased marketing efforts and advertising enabled the credit union to fulfill the borrowing needs of our members.

The beginning of a new year brought major technological upgrades at the credit union. First, we purchased a new server for the Saginaw Office that better meets our current data processing needs. Second, we upgraded 25 workstations, 15 printers, and 2 copy machines at both branch offices. We signed a contract with Fiserv CheckFree, which will enable us to offer you the best online bill payment program in the industry.

Given these technological upgrades, the credit union will soon implement a document imaging solution and will utilize a windows based platform for our core processing system. Although these projects require a substantial investment by the credit union, we strongly believe that these enhancements will enable our organization to surpass our competitors and deliver a more efficient and streamlined operation to our members.

We continue our commitment to hiring and developing the most competent and dedicated credit union professionals in the area. This is a critical component to providing you with exceptional member service. We implemented a new training system through CUNA, which will ensure that we provide our employees with the product knowledge and sales skills necessary to provide you the exceptional member service you deserve and expect.

As we move forward into 2011, there will be more challenges ahead. However, I remain confident that the Board of Directors, Official Family, and staff members are ready to meet those challenges. These dedicated individuals work tirelessly to ensure that your credit union meets your financial needs in the most efficient and professional manner possible. This has enabled the credit union to grow and prosper financially while some of our competitors have been merged out of business.

Finally, your credit union's overall record performance this year is a testament to our daily commitment of serving you, our members. I invite you to strengthen your financial relationship with your credit union, and I sincerely thank you for sharing your financial hopes and dreams with us.

Sincerely,

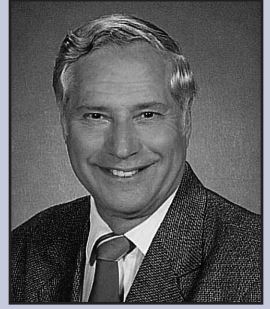
A handwritten signature in black ink that reads "H. Vance Vargo". The signature is written in a cursive style with a long, sweeping underline.

H. Vance Vargo  
President/CEO

# Message from the Chairman:

I am very happy to report to you that Family First Credit Union is considered one of the strongest financial institutions in the Great Lakes Bay Region.

This year your credit union increased its total assets from \$62 million to nearly \$66 million. In addition, loan growth exceeded \$5 million. Net Income was \$470 thousand, which translates financially to a record year for the credit union. As Chairman of the Board, I am confident that our business model is the envy of our competitors.



During 2010, we continued to work diligently to increase our financial strength. This enabled the credit union to offer competitive products and services. We remained competitive with our loan and deposit rates and were willing to provide flexibility to better serve our members. Many changes were made in 2010 and many more will have to be made to remain a viable operation in an uncertain and ever-changing industry.

This past year management and the Board began planning and implemented several technological upgrades. This significant investment in technology will enable the credit union to better serve you and deliver a more efficient and productive operation in meeting your financial needs. Our CEO and his staff continued to be challenged by these major projects, asset growth, and new regulations. However, despite these ongoing challenges, our members were served and our products and services were delivered in a professional and courteous manner. Moreover, our financial goals were met, and in most cases, were once again exceeded.

Family First remains a safe and sound operation. I assure you that this fiscal responsibility is taken very seriously by the Board of Directors. A major part of our financial success remains primarily due to your investment and financial commitment to your credit union. Finally, I am confident that the credit union will experience yet another prosperous year in 2011 as we continue to manage the credit union like a business. This strategic approach has proven to be successful in any industry.

Sincerely,

A handwritten signature in cursive script that reads "Cyril A. Schultz, Jr." The signature is written in dark ink and is positioned below the word "Sincerely,".

Cyril A. Schultz, Jr.  
Chairman  
Board of Directors

# Annual Report

## Financial Statement

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| <b>ASSETS</b>                         | <b>2009</b>         | <b>2010</b>         |
|---------------------------------------|---------------------|---------------------|
| Loans                                 | \$31,454,717        | \$36,667,756        |
| Allowance for Loan Losses             | (221,758)           | (185,302)           |
| Cash on Hand & in Banks               | 1,250,324           | 1,648,254           |
| Corporate Credit Union Shares         | 3,377,459           | 2,398,013           |
| Other Investments                     | 22,061,080          | 20,732,190          |
| NCUA Share Insurance                  | 536,125             | 557,405             |
| Land & Building                       | 2,434,561           | 2,368,893           |
| Furniture & Fixtures                  | 208,324             | 243,391             |
| Other Assets                          | 1,418,054           | 1,466,756           |
| <b>TOTAL ASSETS</b>                   | <b>\$62,518,886</b> | <b>\$65,897,356</b> |
| <b>LIABILITIES</b>                    |                     |                     |
| Member Shares                         | 14,917,093          | 16,561,444          |
| Christmas Clubs                       | 106,468             | 66,395              |
| Checking Accounts                     | 3,604,824           | 3,484,133           |
| IRA Accounts                          | 4,114,851           | 4,353,049           |
| Money Market Accounts                 | 7,693,492           | 10,083,432          |
| Certificates of Deposit               | 25,095,099          | 23,923,013          |
| Accounts Payable                      | 95,763              | 66,930              |
| Share Drafts Payable                  | 92,684              | 65,264              |
| All Other Liabilities                 | 577,045             | 558,894             |
| Members Equity                        | 6,221,567           | 6,734,802           |
| <b>TOTAL LIABILITIES &amp; EQUITY</b> | <b>\$62,518,886</b> | <b>\$65,897,356</b> |

## Income & Expenses

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| <b>INCOME</b>                         | <b>2009</b>        | <b>2010</b>        |
|---------------------------------------|--------------------|--------------------|
| Interest on Loans                     | 1,763,244          | 2,026,576          |
| Income from Investments               | 1,031,586          | 733,356            |
| Other Income                          | 607,452            | 668,219            |
| <b>TOTAL INCOME</b>                   | <b>3,402,282</b>   | <b>3,428,151</b>   |
| <b>EXPENSES</b>                       |                    |                    |
| Employee Compensation                 | 750,516            | 801,907            |
| Employee Benefits                     | 137,496            | 166,851            |
| Post-Retirement Health Insurance      | (169,736)          | (62,377)           |
| Travel & Conferences                  | 34,671             | 21,087             |
| Association Dues                      | 9,587              | 12,861             |
| Office Occupancy                      | 157,851            | 162,916            |
| Office Operations                     | 325,262            | 301,270            |
| Educational & Promotional             | 75,346             | 68,898             |
| Loan Servicing                        | 64,592             | 81,846             |
| Professional & Outside Services       | 277,896            | 300,533            |
| Provision for Loan Losses             | 251,339            | 20,395             |
| Interest on Borrowed Money            | 0                  | 0                  |
| Supervision Fee                       | 15,305             | 16,546             |
| Cash (Over)/Short                     | 746                | (8)                |
| Annual Meeting                        | 1,575              | 1,650              |
| Miscellaneous                         | 14,573             | 8,947              |
| <b>TOTAL EXPENSES</b>                 | <b>\$1,947,019</b> | <b>\$1,903,322</b> |
| <b>NET EARNINGS BEFORE DIVIDENDS</b>  | <b>\$1,455,263</b> | <b>\$1,524,829</b> |
| Dividends Expense                     | 1,115,726          | 847,116            |
| Non-Operating Gains/(Losses)          | (23,235)           | (55,274)           |
| Gain on Sale of Investments           | 59,941             | 36,666             |
| <b>NET INCOME BEFORE IMPAIRMENT</b>   | <b>376,243</b>     | <b>659,105</b>     |
| NCUSIF Expense                        | 80,419             | 143,290            |
| Write-down of CenCorp MCSD            | 95,002             | 45,229             |
| <b>TOTAL IMPAIRMENT</b>               | <b>175,421</b>     | <b>188,519</b>     |
| <b>TRANSFER TO UNDIVIDED EARNINGS</b> | <b>\$200,822</b>   | <b>\$470,586</b>   |

# Supervisory Committee Report

|                                    | 2009          | 2010          |
|------------------------------------|---------------|---------------|
| Number of Members                  | 6,226         | 6,501         |
| Loans made during year             | \$14,440,115  | \$18,386,305  |
| Number of loans since organization | 107,262       | 110,842       |
| Amount of loans since organization | \$292,260,918 | \$310,647,224 |



Each member's account is insured up to at least \$250,000 and backed by the full faith and credit of the United States Government.

The Office of Financial and Insurance Regulation has performed its examination of Family First Credit Union in the major areas of Capital Adequacy, Asset Quality, Management, Earnings, and Liquidity and Funds Management.

The \$2,750,000.00 Credit Union Discovery Bond and other insurances carried through The Chubb Group of Insurance Companies and Travelers Insurance are protection against any and all losses.

Dennis Browning, Chairman  
John Holys, Secretary  
Nicholas Hall, CPA

## Credit Committee Report



On behalf of the Credit Committee, I am pleased to report that during 2010 the credit union approved 3,580 loans to our members totaling \$18,386,305.

The Loan Committee and Loan Officers have the responsibility of granting all types of loans subject to the policies set forth by the Board of Directors, Bylaws and the Office of Financial and Insurance Regulation, which governs the operation of the Credit Union.

The Credit Committee, Loan Committee and Loan Officers continue to ensure that your deposits are being invested in quality loans.

Ricardo Longoria, Chairman  
Diane Herman, Secretary  
Stephanie Harden  
Maurice Patterson  
Kennie Kempter



# 71st Annual Meeting Saturday, March 20, 2010 Andersen Enrichment Center

The meeting was called to order at 2:10P.M. by Chairman, Al Sztuczko.

## **DISTRIBUTION OF BALLOTS:**

Chairman Al Sztuczko welcomed the members that were present. The official family and staff were then introduced. Mr. Sztuczko also introduced Attorney Mike Marrion, of the law firm Holzman, Ritter, & LeDuc, who was present to act as Parliamentarian for the meeting.

## **BOARD OF DIRECTORS PRESENT:**

Chairman – Al Sztuczko  
Vice-Chairman – Cy Schultz  
Secretary – Kevin Quinlan  
Treasurer – Dave Rupp  
Director – Tim Laugh

## **SUPERVISORY COMMITTEE PRESENT:**

Chairman - Dennis Browning  
Member - John Holys

## **CREDIT COMMITTEE PRESENT:**

None

## **STAFF PRESENT:**

H. Vance Vargo, Tammy Westerman-Dawson, Fran Gibelyou, Kim Webber, Terry Luptowski, Judi Corbin, Tommi Lough, Julee Kapp, Paula Hudson, Judy Rich, Lisa Stephen, Michelle Zadjlik, Carey Daubert, and Gwynn Whitmore.

## **ELECTIONS FOR 2009:**

Chairman Sztuczko began by announcing the two nominees for the Board of Directors. They were Tim Laugh and Kevin Quinlan. He then called for nominations from the floor for the Board of Directors. Hearing none, nominations were closed. Cy Schultz moved to close the nomination.

**Adopted unanimously**

Chairman Sztuczko announced the two nominees for the Credit Committee; Stephanie Hardin and Ricardo Longoria. He then called for nominations from the floor for the Supervisory Committee. Hearing none, nominations were closed. John Holys moved to close the nominations.

**Adopted unanimously**

Chairman Sztuczko announced the one nominee for the Supervisory Committee, Dennis Browning. He then called for nominations from the floor for the Credit Committee. Hearing none, nominations were closed. Cy Schultz moved to close the nominations.

**Adopted unanimously**

There was a short recess while the ballots were collected and counted.

## **MINUTES OF THE 69TH ANNUAL MEETING:**

Chairman Sztuczko requested that the members and staff spend a few moments reviewing the minutes of the March 21, 2009, Annual Meeting that were contained inside the Annual Report of the credit union that was provided to each member. He then asked if there were any changes recommended. Hearing none, it was moved to approve the minutes as printed.

**Adopted unanimously**

## **BUSINESS MEETING:**

### **REPORT OF THE BOARD OF DIRECTORS:**

Chairman Sztuczko reported that in our 71st year, Family First Credit Union is one of the strongest financial institutions in the Great Lakes Bay Region. After working very diligently to increase our financial strength, Family First has put itself in a well-capitalized position. With this significant asset growth has come many changes; however, our members have been served and our financial products have been delivered.

Family First Credit Union will remain competitive with our rates and flexible with our terms, as we remain a safe-haven for your financial well-being.

### **REPORT OF THE TREASURER:**

CEO Vargo began his presentation by thanking the staff and the volunteers for their hard work in 2009. He gave a brief slide presentation, which highlighted the 2008 and 2009 financial performance of the credit union.

He indicated that Total Loans in 2008 were reported at \$27.88 million, but increased to \$31.45 million in 2009. Deposit growth was used to fund the loan growth, and total investments also increased from \$24.94 million to \$25.99 million. CEO Vargo stated that all of these holdings are in very safe investments such as Federal Agency securities and Negotiable CDs, which are guaranteed by the FDIC.

CEO Vargo reported that Total Assets increased from \$57.3 million in 2008 to over \$62.5 million in 2009. Similarly, Total Deposits increased from over \$50.16 million to over \$55.53 million during the same period. He also reported that the credit union remains "Well Capitalized" as the Total Net Worth increased from \$6.21 million in 2008 to \$6.41 million in 2009. However, given the low interest rate environment in 2009, CEO Vargo commented that Total Income decreased from \$3.52 million in 2008 to \$3.40 million in 2009. Although Operating Expenses declined during the year, the Provision for Loan Losses increased significantly from \$144M to \$251M. CEO Vargo pointed out that the credit union funded an additional allocation of \$115M to the ALLL in 2007, which benefitted credit union operations in 2008. Dividend Expenses decreased from \$1.34 million to \$1.12 million. This had a positive impact on profitability as Net Income increased from \$125M in 2008 to \$201M in 2009.

CEO Vargo concluded by stating that the credit union faces several challenges in 2010. He indicated these challenges include the ongoing corporate credit union restructuring and stabilization costs, the rising costs of employee benefits and technology, and prolonged weak economic conditions. He mentioned that the Board, Official Family, and credit union staff are ready to meet these challenges in 2010. CEO Vargo thanked the members for attending the Annual Meeting and commented that he appreciated their membership with the credit union.

### **REPORT OF THE CREDIT COMMITTEE:**

Due to the absence of Credit Committee members at the meeting, Chairman of the Board Sztuczko gave the report of the Credit Committee, which is also contained in the Annual Report. He stated that in 2009, the Loan Committee approved approximately 3,069 loans for a total of \$14,440,115.

**REPORT OF THE SUPERVISORY COMMITTEE:**

Supervisory Committee Chairman Dennis Browning reported that the Supervisory Committee performed surprise cash counts at both the Saginaw and Freeland offices during 2009. He stated after a count of all teller drawers, travelers checks, vault monies, cash dispense machines and ATMs, there were no shortages reported.

**NEW BUSINESS:**

**REPORT OF THE CREDENTIALS COMMITTEE:**

Vice-Chairman Cy Schultz thanked everyone for voting and reported that there were 329 ballots returned, and 4 voided, with the following results:

**Board of Directors** - (2 elected for a 3 year term)

Timothy Laugh

Kevin Quinlan

**Credit Committee** - (2 elected for a 3 year term)

Ricardo Longoria

Stephanie Hardin

**Supervisory Committee** - (1 elected for a 3 year term)

Dennis Browning

John Holys motioned to accept the results of the election.

**Adopted unanimously**

**ADJOURNMENT:**

Chairman Sztuczko asked if there was any further business to come before this meeting. There being none, Cy Schultz moved to approve adjournment at 3:10 P.M.

**Adopted unanimously**

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Chairman-Allan J. Sztuczko

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Secretary-Kevin Quinlan

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Recording Secretary-Tamara L. Westerman-Dawson

# Tribute to Former Chairman of the Board Allan J. Sztuczko

Long-time member and former Chairman of the Board, Allan J. Sztuczko passed away suddenly on February 21, 2011. I had the honor and privilege to work with Al when he was Chairman of the Credit Committee and then worked for him when he was Chairman of the Board from March 2007 to March 2010.

Al was very involved with his family as a loving husband, devoted father of five, and proud grandfather of ten. Born and raised in Chicago, Al attended a Franciscan Seminary for three years and then joined the U.S. Navy, where he served his country for six years (during the Vietnam War). In 1973, he moved to Saginaw, where he was employed by the City of Saginaw. He served in several management positions for 28 of his 30-year career, which ended in retirement in 2003.

Because of his outgoing and fun-loving personality, Al worked as a WHNN radio personality under the name of "Commander Buzz Johnson". He also acted in plays at Pit and Balcony and remained active in radio and television fundraising for Delta College. Al had a special connection with children and volunteered as a "Cuddler" in the Neo-Natal Intensive Care Unit at Covenant Hospital. I can personally recall being unable to schedule Board meetings on the days when he volunteered at the NICU.

Al often talked about how he had been a member of a credit union since the age of 18. In fact, during his lifetime, he had been a member of at least 7 different credit unions located around the country. He strongly believed in the credit union movement and its philosophy of "people helping people". Al strongly believed that Family First Credit Union was the best credit union he ever joined. I believe that this was also why he was so committed to serving as a volunteer and as a member for 36 years.

As CEO, I worked closely with Al while he served as Chairman of Board. He had high expectations of me and was very demanding as Chairman, yet he was quick to praise me and my staff for our many successes and personal accomplishments. He pushed us to achieve what I thought at times were unattainable goals. However, when we eventually met and exceeded those goals, he then raised his expectations of us and our new goals were set even higher. Yes, Al had quite a sense of humor, liked to play practical jokes, but he also knew when he needed to be serious.

During his tenure as Chairman, Al and I had several conversations about the difficult challenges facing Family First and what the future could be for our credit union. He was always available whenever I needed his wise counsel and never questioned the vision and direction we needed to take to ensure a positive financial future for the credit union. His unwavering support was greatly appreciated and will never be forgotten. I will always remember Al as not only my boss and mentor, but more importantly, as a loyal friend. I am certain that very few CEOs have ever been as fortunate as I have to work with and for such a fine man.

As I close this tribute message, I am reminded of an old Irish Poem I once heard that reads as follows:

*God looked around His garden and found an empty place;  
He then looked down upon the Earth and saw your tired face.*

*He put His arms around you and lifted you to rest;*

*God's garden must be beautiful;*

*He always takes the best.*

*He saw the road was getting rough and the hills were hard to climb;*

*So He closed your weary eyelids and whispered, "Peace be Thine".*

*It broke our hearts to lose you but you didn't go alone;*

*For part of us went with you the day God called you home.*

Speaking on behalf of all of the members of Family First Credit Union, we will greatly miss you Al Sztuczko and everything you meant to our credit union.

H. Vance Vargo  
President/CEO



# Volunteers Who Serve You

## **Board of Directors**

Cyril A. Schultz, Jr., Chairman  
Timothy Laugh, Vice-Chairman  
Kevin Quinlan, Secretary  
David Rupp, Treasurer  
Tony Coppolino, Director

## **Credit Committee**

Ricardo Longoria, Chairman  
Diane Herman, Secretary  
Kennie Kempter  
Stephanie Harden  
Maurice Patterson

## **Supervisory Committee**

Dennis Browning, Chairman  
Nicholas Hall, CPA  
John Holys

## **Staff**

H. Vance Vargo, President/CEO  
Frances M. Gibelyou, Manager – Saginaw Office  
Kimberly J. Webber, Manager – Freeland Office  
Terry Luptowski, Manager – Lending  
Tammy Westerman-Dawson, Manager – Accounting  
Judi Corbin, Manager – Credit Solutions and Recoveries  
Amanda Latarte, Credit Solutions and Recoveries Specialist  
Lisa Stephen, Member Service Representative Supervisor – Saginaw Office  
Michelle Zajdlík, Asst. MSR Supervisor – Saginaw Office  
Carey Daubert, Member Service Representative Supervisor – Freeland Office  
Connie Garstecki, Senior Loan Officer  
Julee Kapp, Loan Officer  
Cathy Honeman, Account Services Specialist  
Julie Pangborn, Card Services Specialist  
Tommi Lough, Marketing Specialist  
Gwynn Whitmore, Member Service Representative – Saginaw  
Jessica Esparza-Steele, Member Service Representative – Saginaw  
Paula Hudson, Member Service Representative/Loan Clerk - Freeland  
Katie Robinson, Part-time Member Service Representative – Saginaw  
Pamela Winston, Part-time Member Service Representative – Saginaw  
Judy Rich, Part-time Member Service Representative – Saginaw  
Dana Reis, Part-time Member Service Representative – Saginaw