

2010 OWNERS' REPORT



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Chairman's Report

America has been affected by the current economic downturn that we have faced since 2008, some more than others and so many people are still out of work. Most cities, counties and states are having budget problems and our legislators continue to pass laws to change the way banks and credit unions do business. Economic forecasters now express concern about recovery because of a new mind-set throughout our nation. That mind-set is a realization that we were not as wealthy as we thought because so much of our wealth was only on paper and that has been greatly devalued. Many are now slowing down on consumption, getting by with less, saving more and keeping a wary eye on the near future. This is not necessarily a bad thing. If each of us takes a hard look at our own current financial situation, we have to realize the changes affecting us are hard now, but will not last forever.

Many Credit Unions, including Tyco Federal Credit Union, continue to "weather the storm" via continued conservative lending practices, careful spending and prudent investing. We have never lost (and never will lose) sight of our goal of helping you, our member /owners get ahead financially. Membership Growth of 6.9% and Total Asset Growth of 6.3% (excluding CU SIP) were part of our growth during the year.

One of the focal points this year has been improving our focus on "governance". The concept of "governance" is not new. It is as old as human civilization. Simply put "governance" means *the process of decision-making and the process by which decisions are implemented (or not implemented)*.

Principles of Credit Union Governance

These Principles address the challenges of organizational power within credit unions at three separate levels: external, internal and individual. The board and managers, as a cohesive unit, ensure the credit union's compliance with issues related to external and internal governance. To achieve this goal, each board member has a duty to adhere to the principles of individual governance.

The National Credit Union Association (NCUA) has also issued a new guidance for volunteers (Board Members). "It is NCUA's intent to ensure that all federal credit union directors have a basic understanding of their credit union's finances." TFCU's directors have always had a better than basic understanding.

There are several initiatives that have been implemented or that are being undertaken to allow TFCU to serve our diverse field of membership (Tyco International, Tyco Electronics and Covidien):

- Hire a new Vice President
- TE & Tyco International Membership Growth
- Loan Growth
- Virtual Credit Union Strategy
- Continuing TFCU Commitment – "Helping our Member/Owners Get Ahead Financially"

In closing, I would like to thank the Credit Union staff and the Volunteers who serve on the Board of Directors and the Supervisory Committee for their due diligence and professionalism during the past year. The strength of this team will help TFCU address the many challenges that face us during the coming year!

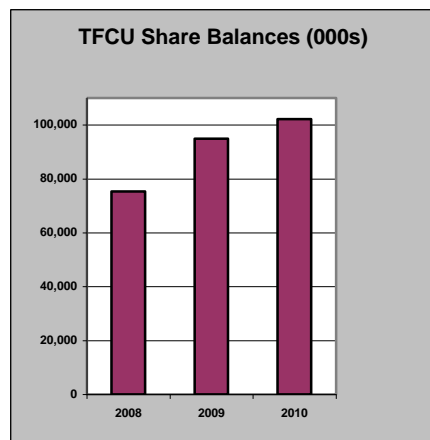
Spence Leslie, Chairman of the Board

Treasurer's Report

During 2010, the U.S. economy began to recover from the recession of 2008-09, but significant levels of unemployment and economic stress remained prevalent at the consumer level throughout the year. The U.S. Federal Reserve maintained the Federal Funds rate – the rate at which banks borrow from the Federal Reserve Bank and each other - at a target of between 0% and 0.25% for the entire year. This resulted in continued low rates on short-term savings vehicles such as money market funds and low interest rates on consumer loans.

The overall depressed U.S. economy and low interest rate environment were key factors that impacted TFCU's 2010 financial results. TFCU recorded a net loss for the year of (\$414K) vs. a planned income of \$93K and prior year loss of (\$1,581K). The impact of the ongoing financial credit crisis on the credit union industry required our credit union to contribute additional funds of \$117K to the National Credit Union Share Insurance Fund (NCUSIF) and \$129K to the Corporate Stabilization Fund. (The purpose of the NCUSIF, which is administered by the NCUA, is to insure deposits of credit union members at federally insured credit unions in the United States. The Corporate Stabilization Fund, which is separate from the NCUSIF, was set up to stabilize the corporate credit union system which was negatively impacted by the economic downturn.) Continued high unemployment rates translated to ongoing economic pressures for some of our members, reducing their ability to repay their loans from TFCU. This resulted in increased expense for our provision for loan losses (both

current losses and possible future losses). A full year of low interest rates resulted in lower earnings from loans and investments, offset by lower dividend expense. TFCU remains adequately capitalized per regulatory guidelines, and there has been no impact on our ability to continue to operate independently.



Loans and membership continued to grow during 2010. Net Loans increased by \$2.8 million or approximately 6.2%, which represented strong loan growth performance in 2010 compared to most credit unions. Share balances increased by \$7.2 million or 7.5% over the prior year, reflecting increased membership and an increase in average balances per member. The increase in members reflects increased membership in particular from Tyco International employees as our efforts to reach out to these potential members began to bear fruit. Assets decreased from \$128.5 million to \$110.0 million at the end of the year. This decrease was due in part to the maturation in February 2010 of a \$25 million federally guaranteed investment in the corporate credit union system, meant to help the corporate credit unions weather the market losses from their mortgage backed securities investments. If this one-time CUSIP asset is excluded from beginning assets, Assets grew \$6.5 million.

The length and depth of the economic recession has caused the Board and Management of TFCU to carefully re-evaluate the credit union's pricing of loans, share accounts and services. Operating expenses have been and will continue to be managed very closely. Our goal for 2011 is to return TFCU to pre-recession profitability and rebuild capital. We will continue to reach out to potential new members, and to seek to strengthen our partnerships with our sponsor organizations. Our overriding long-term goal is to maintain the financial

strength of TFCU in order to continue to serve the interests of our members.

Lynne Fovinci, Treasurer

Income Statement

	2010	2009
Total Income	4,711,420	4,904,024
Compensation	1,838,143	1,708,622
Office Operations	878,748	858,868
Marketing	96,216	136,075
Loan Loss Provision	644,007	585,494
Other expenses	<u>690,266</u>	<u>1,627,217</u>
Total Expenses	4,147,110	4,916,276
Dividends	978,334	1,568,790
To Reserves and Undivided Earnings	(414,294)	(1,581,042)

Balance Sheet

	12/31/10	12/31/09
Assets		
Loans (net)	47,486,484	44,731,099
Cash & Investments	61,016,976	82,380,510
Other assets	<u>1,515,118</u>	<u>1,366,458</u>
Total Assets	110,018,578	128,478,067
Liabilities		
Dividends Payable	124,061	206,995
Other liabilities	<u>508,157</u>	<u>25,623,065</u>
Total Liabilities	632,218	25,830,060
Shares & Equity		
Shares	102,136,196	94,972,697
Regular Reserves	1,614,534	1,510,614
Undivided Earnings	<u>5,635,630</u>	<u>6,164,696</u>
Total Equity	109,386,360	102,648,007
Total Liabilities and Equity	110,018,578	128,478,067

2010 Board of Directors

Spence Leslie	Chairman
David Vroom	Vice Chair
Lynne Fovinci	Treasurer
Meg Gerstner	Secretary
Ryan Dupon, Tien Nguyen, Nick de Porcel, Adam Grover and Catherine McIntosh	

Supervisory Committee's Report

The supervisory committee serves as the auditing body; ensuring TFCU complies with all applicable laws and regulations and acts in the best interest of the credit union's (member) owners in order to safeguard their assets. The Supervisory Committee is appointed annually by the Board of Directors.

To discharge these responsibilities the committee performed the following functions:

- Evaluated external auditors and retained Turner, Warren, Hwang and Conrad, AC, to conduct an independent external opinion audit of the financial statements for the period from January 1, 2010 to September 30, 2010
- Conducted the annual Bank Secrecy Act examination
- Conducted audits of various activities based on NCUA recommendations including: a vault audit, an audit of employee and official family accounts, an audit of material deposits in transit and a closed-loan-report audit
- One member attended a Supervisory Committee Conference to enhance volunteer education and training

The independent auditor found that the financial statements present fairly, in all material aspects, the financial position of Tyco Federal Credit Union in conformity with Generally Accepted Accounting Principles. The Supervisory Committee finds that the required policies and procedures are in place and that TFCU's controls are effective.

Stefanie Gravano, Supervisory Committee Chair

2010 Supervisory Committee

Stefanie Gravano (Chair), Catherine McIntosh, Chris Ferguson, Phyllis Hootman and Tim McKinley

Executive Management

Chris Petro	President/CEO
Tim Furlong	VP Finance/CFO
Jason Vitug	VP Membership Development