

The History of Merck Sharp & Dohme Federal Credit Union



Written by
B. R. Brendan Detwiler

All rights to copy any of the text in this book is reserved. No part of this document may be reproduced without expressed permission of the writer.

All photographs not accompanied by acknowledgement were taken by the writer and are therefore the exclusive property of the writer and subject to copyright.

There has been no known use of any copyrighted material in this document where permission has not been obtained.

This document has been distributed only to a select number of people. If anyone who has a copy would like additional copies the reason will be required, as the distribution of this work has not, as of the completion of this document, been anticipated to go beyond that initial distribution.

The original copies of this document have been saved in PDF format, and in such a way that the text itself cannot be modified or printed. Any attempt to save or copy this document without permission is, well.....not permitted!

It is sincerely hoped that you find this document interesting and informative. If you have any comments you may contact me as chrisdet54@comcast.net.

Copyright 2008 by B R Brendan Detwiler

☺ Have a nice day!



Over the past few years I have become more and more interested in the history of the credit union. I had the privilege to be an employee of this organization for ten years and saw a great deal of changes in that time. It therefore occurred to me how important it was that those who made this company what it is be recognized and others who are interested in our history have available to them a chronicle of what those achievements were. 58 years of service to a member base and a community is a long time for any organization to be able to boast, and a history of those events is worthy of remembering. Since no such documented history as yet has been compiled in the sort of detail that I had in mind, I have taken it upon myself to research that history so that it may exist in official form. This is not an expose of the credit union but a genuine history; I have therefore left out any details revealed or known to me that may be considered controversial or privileged. Through interviews, annual reports, the Prescription, Merck archives and other credit union materials, I have compiled this text and pictorial history as best I could, given the information available to me. You will notice that details become more plentiful with each successive year. This is the case for two reasons: one is the fact that, lamentably, detailed records of events and advancements in services as well as financials, particularly in the early years either simply do not exist any longer or don't exist in any great detail, and second reason is that as time went on, the credit union made more advancements and provided more varied services. The former reason only reinforced my belief that this project was all the more necessary and valuable and the latter reason made the project more necessary as a matter of pride in the organization. I am grateful particularly to those people who have allowed me to interview them regarding their involvement with the credit union. Some of them are former directors who have given countless hours of their free time to a cause: our credit union, and deserve the credit union's respect and thanks for continuing a legacy that we can be proud of. It is my hope that all who read this account can appreciate it for what it is: the history of an organization that has weathered the years, served with distinction the membership of Merck and Co, a time honored international corporation of world renowned distinction that it was founded to serve, and through dedication of the staff and board of directors has grown and advanced over the years to be an organization that is recognized as a leader among its peers.

Members of Merck Sharp & Dohme FCU may not be aware of how strong, successful, formidable and beneficial it is as a financial institution and as a credit union in general. In my various forms of research I have become aware of just how special MSDFCU is as a credit union. There are many, many credit unions who can trace their histories back ten, twenty even thirty years further back and have a paltry 2000 members or less and less than 20 million in assets. Yes, there are many, many credit unions out there to choose from, there are some around that you have never and will never even hear of because they are so small. There are still credit unions out there that have been around for years but do not even have a web presence yet because it is too costly for them to have one or to pay someone to act as an IT "employee", There are other like credit unions that are just now starting to offer debit cards and there is no intent here to put such organizations down: all credit unions start somewhere. MSDFCU has gotten where it is without "business" accounts either. There are many credit unions in the country of comparable "size" in assets and/or members that offer business accounts depending on their charter, but MSDFCU offers accounts only to individuals. The success of MSDFCU is in no small measure due to the support of Merck and Co, but no less are contributing factors such as commitment of the staff over the years, the commitment of the board of directors over the past 58 years and sound planning and leadership on the part of senior management going back to the very beginning. Those coupled with the faith, support and loyalty of its members over the years have all made MSDFCU a very special and secure

financial institution with which not only employees of Merck and Co but also all of the special employee groups that are part of the MSDFCU family can do business. All members of MSDFCU should feel privileged to be able to take advantage of a credit union with not only a strong history, but deep roots in the community, commitment to community service and the ability to offer all of the services any multi billion dollar bank could offer to their consumer customers as well as the personal touch that is so often lacking in financial institutions today. It is easy to take valuable things for granted, but as an employee for ten years, I can assure any who cares to read this history that MSDFCU is a very special organization that should never be taken for granted by its members because the members are never taken for granted by the credit union. Speak to Dave Whitehead or Dale Edwards in senior management or speak to Darcy Schneidinger or Gloria MacDonald at the branch level and you will be assured that the management and staff of the credit union are committed to member service all day every day. Don't take service or the history of service for granted. The legacy of those who made MSDFCU what it is today cannot be denied, and this history is a tribute to everyone who has made a contribution to the success of the singularly successful organization known as Merck Sharp & Dohme Federal Credit Union.

I have decided to end my account of the history of the credit union with year-end totals for 2007, only because as I am no longer an employee, I no longer have first hand knowledge of events or the stories behind the latest products and services. To continue would marginalize some important details that should be known for a proper history to be complete. And the second reason is...you have to stop somewhere. I have accomplished what I set out to do in early 2005 as well as anyone could, and I dare say with more attention to detail and getting the facts right than anyone else ever has, or ever will probably. From this point on there will be no question as to the origins and evolution of a financial organization that I am proud to have been employed by for ten years and a member of for twelve. It is my hope that whoever reads this finds at least parts of it interesting or historically intriguing.

A handwritten signature in dark ink, appearing to read 'Brendan Detwiler', with a long horizontal stroke extending to the right.

Brendan Detwiler

1949 – Throughout the Sharp & Dohme chemical manufacturing facility at Glenolden, Philadelphia amongst the union workers, there were certain individuals, employees, who were running their own loan service. They would essentially do little personal loans called pocket loans, because there was no paperwork involved, it just went from hand to pocket and the contract was an understood agreement. The loans would be for amounts as small as \$5 up to as much as \$50 at a time and these loan sharks would charge high rates of interest when the loan was due, and if a borrower didn't or couldn't pay the loan back they had big problems. There were those on site making a nice bundle of money every week at the expense of the less fortunate or those that were simply strapped for money until the next payday. One man had in fact made so much money with his lending operation that he was able to afford a big flashy car that he would drive around the facility. This arrangement was in no way legal or sanctioned by the company and when Tom Colgan, Personnel manager, found out it was going on among the workers he of course determined that it had to be stopped. Some sort of legitimate alternative had to be found since the demand was clearly there, so he contacted officers of the Drug Workers

Union to see how this situation could be remedied. Discussions began with various department heads and the union and the idea of establishing a credit union was suggested.

1950 – After much discussion and planning,

John Hogue
Raymond Hoffman
Dave Geraghty
Harry Freemark
George Lapsley
Frank Zappile
Mildred Bracelin
Lou Conyer
Margaret Foster

met with Bill Pratt of the Pennsylvania Credit union League on Tuesday March 30th 1950 to officially create the Drug Workers Federal Credit Union. Its charter number was 6574. Each of the founders became part of the original 10-member board of directors and kicked in their own money to start the organization. The total raised at its inception was \$210. These initial assets would be used to provide surety and to grant loans up to a maximum of \$50; if a member wanted a secured loan the maximum would be \$100 and the security would be shares on deposit and held as collateral. League sanctioned loan agreements would now be used to legally establish the loans, although Truth in Lending laws had not yet been established, so the paperwork was not as complex and therefore not recognizable by today's standards. The three person Credit Committee was formed from among the original founders to approve loans that would be granted. Because the founders were well known in their respective departments at Sharp & Dohme, and for the most part in supervisory positions, they were able to spread the word quickly throughout the Glenolden and West Point facilities that the credit union was in operation and to join if they wanted a loan at reasonable rates. Only a few days after its inception on April 1st there were 97 potential members who were prepared to sign up. By the end of the year, total assets (loans) stood at \$8,277. This figure gives an idea as to the loan demand that existed at the time, and the credit union was a much better alternative than the old way of doing things.

In order to open an account, one had to make an initial deposit of \$5 which would remain on deposit and unavailable. Accounts were called books in the beginning because each member had a passbook, and every account had a corresponding number on record with the treasurer. Every deposit and withdrawal was logged in each book and initialed by the associate who took the deposit. Accounts therefore were called books, and John Hogue opened "book 1", he was also elected as the first treasurer. The treasurer had a large ledger and each page corresponded to the account number listed at the top; all transactions for that member were listed in their passbook and also in the treasurer's book. John Hogue's account was issued by membership clerk Ethel Gleason on April 13th of this year, all other members were subsequently issued their own books.

What follows are pictures of the Glennolden facility at the time the credit union was founded and are courtesy of Merck & Co. The buildings pictured are no longer standing and the precise address is not known.







1951 - After one year, John Hogue steps down as treasurer and Herbert Heath is elected to the position. Additional members of the board that were elected were Lou Conyer, Ethel Gleason and Cyrus Peters. Word of the credit union continued to spread and more Sharp & Dohme employees at Glenolden joined up, mainly to borrow money. The credit union membership also extended to the West Point facility although at this time the center of operations was at Glenolden. Sharp & Dohme operated out of both Glenolden and West Point and employees from both sites were eligible to join. Members of the board were from both sites as well and would take deposits and loan payments and run them to the Glenolden site. They also enlisted the services of members they could trust to act as collectors who would accept deposits and loan payments from members they encountered throughout the course of the day. And Sharp & Dohme allowed credit union collections during lunch hour at the Glenolden Cafeteria. The safe for the credit union was housed in the drug workers union office about a mile from the Glenolden facility, it was also there at that office where the board sometimes met. They also held board meetings at Ray Hoffman's house oftentimes.

By the end of this year assets had declined slightly to \$8,193.

1952 – Horace Russo, a former collector for the credit union was elected to replace Herbert Heath as treasurer. The credit union began to experience some problems with loans it had been making. There were up to this point no restrictions on membership. As soon as someone was hired by the company they were eligible to join and to borrow money as well. This was not a problem until turnover was taken into account. There were a lot of people hired who subsequently joined the credit union, borrowed money, did not deposit much money in their share account and then quit or were fired. The delinquency

rate increased as well as loans that were “abandoned”. The new hire who left shortly thereafter left the credit union with a loan that would never be paid. It was one thing to collect a late payment from a member on plant site, but quite another to collect from someone who just disappeared. The resources that existed at the time were insufficient enough to “skip trace” someone as is was, but the board of directors and some “volunteer” members who ran deposits for the credit union had jobs of their own and could not dedicate the time to finding debtors outside the influence of the company. The decision was therefore made to place the restriction that a member had to be an employee of Sharp & Dohme for 6 months in order to be considered for a loan. That rule remained in effect for decades up through the late 90’s before it was dropped.

The year ended with \$ 5,898 in assets; a reflection of the collection problems that the credit union had been experiencing before the 6-month rule was set in place.

The Annual Meeting was an idea adopted by the board as a way that the members could be included in the credit union process and see how it worked. The Annual meeting was a board meeting that all members were allowed to attend. In order to make it a “public” event, it was held in the company cafeteria. Not enough members were present at the annual meeting this year to constitute a quorum, so it was rescheduled for two weeks later.

1953 – Merck and Co was established in 1891 in New York by George Merck, son of a German family that had been in the chemical manufacturing business for two hundred years under the name of E. Merck. In the 1890’s, Germany was at the vanguard of chemical research and manufacturing. George Merck established an official United States “division” of the company in order to safeguard its interests and increase overseas sales; America was fast becoming a major market in pharmaceutical production by 1902 when Merck and Co established its Headquarters on 120 acres in Rahway New Jersey where narcotics and other compounds were manufactured. There was a strong connection to Germany until 1917 when America entered World War One, in fact, Merck & Co. stock held by the German parent company was seized by the US government, but was subsequently recovered (purchased) by George Merck.

In the 20’s & 30’s, Merck was able to make many international inroads, but the 40’s saw a great widening of Merck’s international presence. After World War II, many of Merck’s overseas competitors, particularly in Germany had been destroyed or their manufacturing capacity severely weakened, and the opportunity was seized upon by Merck. By the 50’s, Merck was looking for opportunities to capitalize on the global inroads made, and saw great potential in Sharp & Dohme, a pharmaceutical manufacturer that was a customer of Merck’s. Sharp and Dohme had huge manufacturing and international distribution capability as well as extensive background in biological substances. The merger of the two companies took place in 1953. Merck Sharp & Dohme kept the Merck headquarters on Broad & Wallace street in Philadelphia which was Merck’s local headquarters, and manufacturing continued at the West Point and Glenolden facilities under the new name.

The merger with Merck did not really affect the credit union in any appreciable way. It was still not an official organization in the way one would envision a financial institution to be. There was no credit union office, and there were no employees. The members of the board were all volunteers and the members they recruited to collect deposits would record monies they received, by whom and their book number and hand them in to board members or to the company cashier who in turn would keep them until a board member could retrieve them. The credit union was simply a network of employees who had no official company recognition and as it was not part of the company it was not really

affected by the companies merger, at least not yet. In fact, in the beginning, the credit union had a much stronger association with the union at Sharp and Dohme than with the company itself.

The year ended with \$6,543 in assets.

1954 – The credit union officially changed its name to Sharp & Dohme Federal Credit Union. This is a significant turning point in the credit union's history for one specific reason. Until now, the credit union, though an official institution, was one that operated without any central location and as such was not an organization that one could "walk to". Deposits, withdrawals and loans were handled on a scale closely associated with a currier basis. There were no employees, no hierarchy; three members of the board were appointed to the Credit Committee and were in charge of approving loans and all board members took deposits and payments in envelopes and brought them to the treasurer on a daily or sometimes weekly basis. Other members were also appointed as collectors. This term applied to loans but also applied to "collecting" deposits to be submitted to the treasurer. Books were kept although they were done all by hand in ledgers. Money was kept in a safe as now, but there were no tellers. The point being is that at this time the credit union was not really a "brick and mortar" financial institution because there were no branches and no operation center, it was also a "part time" operation because volunteers did all the work of keeping the credit union going. In fact, the only real focal point for the credit union was a union office about a mile away from the Glenolden facility where the board was allowed to keep the safe and to meet once a week. Ray Hoffman used to take the credit union's books home with him to do the accounting on share deposits and loan payments after he was finished work.

It was this year that Merck Sharp & Dohme recognized the credit union as a legitimate organization within its sphere of influence. According to accounts of two members of the board at that time, Merck Sharp & Dohme was in fact not at all pleased with the fact that the credit union was operating in and around the company. The credit union did not just operate in Glenolden, but at West Point as well, and Sharp & Dohme did not like the fact that the credit union, although legitimate by the standards set forth by CUNA, was in existence. The strong association with the union did not help to engender good feelings with the company either. There were those in the company hierarchy that wanted to shut the operation down at first, but simply put, what were they going to do at this point? There were over 600 members by this time and to attempt to shut down the operation would have been an employee relations blunder particularly since it was at its core a blue collar organization that had gathered too much momentum to now be stopped cold. The last thing the company needed was to alienate the union by shutting down the credit union created by and for its members.

As they were not in a position to take negative action, it was finally decided that the company would support the credit union, and therefore give it a much greater legitimacy. The application to change the name was approved and the new name was officially Sharp & Dohme Federal Credit Union. This name change did not include Merck at this time because Sharp & Dohme was still more of a new division of Merck. Also, it was felt that the organization started when the company was named Sharp & Dohme and that "loyalty" should be preserved. For many years following this company granted legitimacy, those within the credit union would continually attempt to justify the company's faith and do everything possible to prove the credit union's worth to the company. It would be a challenge that some believed was realized in just a few years while others would not acknowledge the goal as realized for decades.

The maximum signature loan limit of \$50 was raised to \$100 in order to further accommodate continuing loan requests in higher amounts.

Total assets at years end had jumped to \$42,771. This figure reflects the benefit of company wide recognition albeit grudgingly at first. A great deal more accounts were opened and loans booked as a result of this change, which greatly improved the credit union's profitability and strength.

The Board had decided to pay a stipend to whoever held the treasurer position because it was becoming a more demanding job that required a lot of dedication and attention to detail. Horace Russo stepped down as treasurer so that William Keck, a recent retiree from the company could serve as treasurer and take advantage of the minimal pay it afforded since he was having trouble making ends meet.

Glascoe Hughes was elected to the Credit Committee.

1955 – The sponsorship from Sharp & Dohme was a great boost to credit union business. During this year the credit union's assets grew from \$42,771 to \$104,233; this is an increase of \$61,262, nearly 150%. Membership also reached the 1000 mark by the end of the year. Business was in fact so good that for the first time the credit union's loan demand far exceeded its ability to provide them; there simply was not enough money on hand to meet the demand. The problem was that members used the credit union much more as a place to borrow but less so to save, the deposits were not there, so loans could not be made, but loans meant income which was necessary to continue the operation running. For this reason the credit union went to its sister credit union: Merck Employees Federal Credit Union based out of Merck's Rahway headquarters. Established on June 5th 1936, the New Jersey credit union was part of the company itself rather than a separate entity. It was established to assist Merck employees who were in need of assistance due to the Great Depression. As it was part of the company, in some respects it was not the same kind of organization. It was in some ways more of an investment firm that took deposits and invested them. It was not bound by the same parameters that limited MSDFCU, and therefore had always been able to grow larger and faster. They were therefore in a good financial position to loan money, and the practice of credit unions loaning money to other smaller credit unions was a common practice then as it is now. By this time, in fact, they had already reached 100 million dollars in assets. They granted MSDFCU a ten thousand dollar loan at 3% so that the credit union would be able to accommodate the new loan demand. Records on the prime lending rate are sketchy before this point in time, but up until August of this year, prime was 3.00%. After that it increased to 3.25%. Unfortunately there are no records as to what the credit union charged its members for personal loans.

Free life savings insurance was provided to all members starting this year. The maximum benefit was \$2000 and it was provided through CUNA; this same insurance was provided to members for the next 50 years. It was an expenditure that the board was willing to incur because it was a selling point to members to deposit money in their accounts as well as for new members to join up. Two thousand dollars in 1955 would amount to \$15,000 in 2008, and this insurance was offered for free, so if a member had an average of \$2000 in their account over the years, they could get a maximum of \$2000 in life insurance payoff upon death. This was an added benefit to membership that did pay off in an increase in deposits.

Joe Taylor was elected to the Supervisory committee. The annual meeting attracted 24 members and was again held in the company cafeteria in Glenolden.

1956 – This was a year of many changes and improvements for the credit union.

The Glenolden facility is closed as Merck's consolidation plans take place. This did not displace the credit union however, instead it was the beginning of the next phase of credit union operations. A small office location was allotted the credit union on the second floor at the Broad & Wallace facility. It was not much more than a closet, but it was a place to keep the vault, the books and service members and it was an actual focal point where members could GO. Although there were still collectors at this point, the practice was fast becoming much less necessary, although it was obviously still necessary for the members at West Point. Nancy Robertson was hired as the first official credit union employee; she operated the small credit "office". Her official title was credit union manager but she was essentially the only employee and she reported directly to the treasurer. As well as taking deposits and loan payments she took over some book reconciliation and problem solving.

What follows are photographs of the Broad & Wallace building as it appeared in the mid 50's; all photos are courtesy of Merck & Co.





An artists rendering of the facility without the surrounding buildings



A view as the building actually appeared

Below are some additional photos of the Broad & Wallace facility taken from three stories up from an adjacent building as well as what the building looked like from the back. Although slightly over exposed, they are part of a collection of 12 photos of various sizes that give an excellent idea of all aspects of the property. Acquisition of these photos were only possible through the generosity of the photo archive department of Merck & Co West Point.





Examiners from the Bureau of Federal Credit Unions uncovered a shortage of \$4,800 that had been stolen from the credit union vault. After an investigation the family of the culpable party made restitution. Tighter controls were placed on access to the vault and Ed Casey took over as treasurer after the incident had passed. This event would be one remembered by all active volunteers and would become a story passed down to future employees for some time owing to the gravity of the incident. \$4800 was a lot of money, and for such a brazen act to happen in an atmosphere that relied so heavily on trust: many were disturbed by the whole affair. I would also be remembered for a long time because such an egregious effrontery towards the members would not occur again for a long time.

There was another name change to Merck Sharp & Dohme Employees Federal Credit Union. Since Merck had now fully merged with Sharp & Dohme and the credit union was not going to go away as evidenced by Sharp & Dohme's support, It was decided that the credit union would be an additional "Merck" credit union operating out of Philadelphia and West Point, but that it would remain separate from the credit union in New Jersey and it would not be part of the company but rather an on site contractor. Keeping the Sharp & Dohme as part of the name was not an issue since Merck too had incorporated it in the new name in its Pennsylvania division.

Andy Truncer was hired as assistant treasurer. This was not a director position nor was it a volunteer position. He was essentially the second employee hired to operate the "office" at the West Point facility. Across from the cafeteria along the main corridor in the core of Building one was a small closet sized area in a guard locker room that was set up

to be the “office” out of which the credit union could operate. Andy Truncer would occupy the “office” on Thursdays and Fridays in order to accept member deposits and loan payments after the employees were paid, but at this point it was not a facility that was open all week. He was paid a stipend for his services although it was not much.

Dan Whitehead was appointed as a director this year and Walter Hauk and Larry Rossi were appointed to the supervisory committee. The process of directors being selected was less structured at this time. If a position became available a new director was much more appointed by the other directors than elected by the membership. That sort of formality of overall membership involvement would evolve over the years.

This was the first year that records of credit union members accounts were kept in an archive form. Before this point every member had a “passbook” and every time a deposit or withdrawal was made it was entered in the book as well as in the ledger that was kept in the credit union’s vault. From this point on, microfilm records were kept in archive of all transactions so that if it was necessary to get proof of a transaction, it would be accessible. This is therefore the official beginning of formalized deposit slips that delineated all member information as opposed to operations before now that were much less formal. The presumption is that member activity became heavy enough that formal deposit slips and record retention was essential to prevent member disputes of any irregularities in deposits or loan payments. Records on microfilm are still in the possession of the credit union to this day going back to 1956, although there are few members alive who are still account holders going back that far.

At the end of the year assets were at \$187,000 from \$104,233 last year. This is an increase of over 50%, which again shows the benefit gleaned from company legitimacy and support. Merck would advertise on the credit union’s behalf in the daily bulletin (that as time went on would come to be known as the Noon Extract, and still later as the Daily). By years end there were 1,126 members.

A membership fee was instituted in order to generate fee income. Every new member was required to open their account with \$5 and pay a 25-cent fee, which was kept by the credit union for operating costs. Although Merck Sharp & Dohme was generous to provide the credit union with operating space free of charge, there were other ever increasing operating expenses, and the 25 cent fee (equivalent to \$2 in 2008 money) was considered a reasonable charge for membership. The fee income would supplement interest income generated by loans to keep the credit union growing.

1957 – Marie Lamberti, Mary Loftus and Carl Haffner were named as directors and John Durning was elected to the Credit Committee.

A 3 ¼ dividend was declared by the board at the end of the year. This is the first year that interest on shares on deposit is documented, so it stands to reason that this was the first year that the credit union was profitable enough to pay interest at all. If this is not the case there are no records to support the contrary. The interest was paid once a year on the average amount on deposit, and all calculations were done by hand. Although calculators were around, they were very very expensive and took up the space of an average copy machine in 2008 standards, therefore their use came at a premium that few could pay. In fact, the Webster’s 1956 definition of a calculator or computer referred to “jobs” done by people rather than things. Most calculations done during these times were done by individuals who were capable of doing math calculations on paper or in their heads. In the coming years all this would be done by computers, but they too were far too expensive for a young credit union to afford at this time. The calculation and credit of deposit income was therefore done once a year by the credit union at this time, it was also calculated in \$5 dollar increments not \$1 dollar increments, because one

share, or the amount of money needed to join the credit union was \$5. Therefore if you had \$100 in your share account, you had 20 shares not 100. So interest was credited according to \$5 shares on deposit not the total in cash in the members account. This calculation of interest would continue thusly for decades.

\$245,000 in loans were granted during the year, and at the close of the year assets were at \$254,978, and there were 1,231 members.

1958 – Dana Adams named to the Supervisory Committee and Nellie Povey to the credit committee.

Assets were at \$300,000, and at years end there were 1,353 members.

1959 – The company (Merck) stopped the practice of cashing payroll checks and the credit union picked up the service for all employees. Up until this time Merck Sharp & Dohme would provide an armored car service with their complete payroll list that included the precise dollar amount of every check that would be issued that week and the corresponding employee to be paid. The armored car service would take that list and prepare a cash envelope for each one of those payroll checks in advance with the employees name on the envelope. The payroll checks would be issued from the mailroom and go from the departments to the employees. The employees would then take their checks to the cafeteria where representatives of the armored car service would be set up and turn in their check for the envelope with their name on it and the correct amount of cash already inside. The employees didn't have to pick up an envelope, they could instead take the payroll check to any bank and cash them, but cashing the checks on plant site was a convenient way for the employees to cash them right away as well as a sure fire way for Merck to keep most of the employees on plant site on paydays. Merck paid well for this service, but constantly paying for this expense had begun to nettle them to the point that they were looking for an alternative. The credit union was more than willing to step up and help the company. It was believed that this would give the credit union even greater exposure to all Merck employees and facilitate the growth of the credit union as well as a way to prove its worth to Merck. It became necessary to increase the staff, at least part time to enable check cashing.

Year-end assets were at \$491,000 with 1,545 members.



1960 – Shirlee Nicolino joined the office “staff” this year. Shirlee had been an employee of the telecommunications company Teleflex, a firm that did contractual work for Merck. She and her husband Frank Nicolino had just recently lost their 5 year-old son, and she was looking for a change. Her sister was working at West Point at the time and had decided to leave, and she knew that the credit union was looking to expand the staff in order to better facilitate the check cashing services it had undertaken so she suggested to Shirlee that she apply for the position and the rest, as they say, is history She became a full time clerk/teller at the West Point office, which by this time was a full time operation.

Ralph Quigg was hired towards the end of the year on a trial basis as manager upon Nancy Robertson's departure. Ralph Quigg had been a Pennsylvania Credit Union League field representative, he was in a position to know that Nancy Robertson was leaving and capitalized on the opportunity by making himself available for the position. He would not actually be "promoted" to actual manager status until next year.

The annual meeting was held in the company cafeteria at the Broad & Wallace Building with 20 members in attendance.

The decision is made this year to adopt single signature checks. Before this point, a treasurer's check required two signatures, typically an employee and the treasurer or assistant treasurer (treasurers checks were issued by the treasurer...hence the name). The practice simply became problematic as demand increased and demands on the assistant treasurer increased. There were two "offices" at this time and there was no guarantee that the treasurer or assistant would be on hand when a treasurer's check was needed. So in order to facilitate immediate service only one signature was required from this point on.

The Directors declared a 3.9% dividend at the end of this year. Assets stood at \$565,304 with 1,641 members.



This is a view of the inside of the credit union "office" as it existed before 1963. It was little more than a closet until after the Broad & Wallace office closed.

1961 – It was decided that the treasurer would remain a director and the credit union manager/assistant treasurer would be a non-director employee who reported to the treasurer (who remained a director). Donald Sivick became treasurer this year

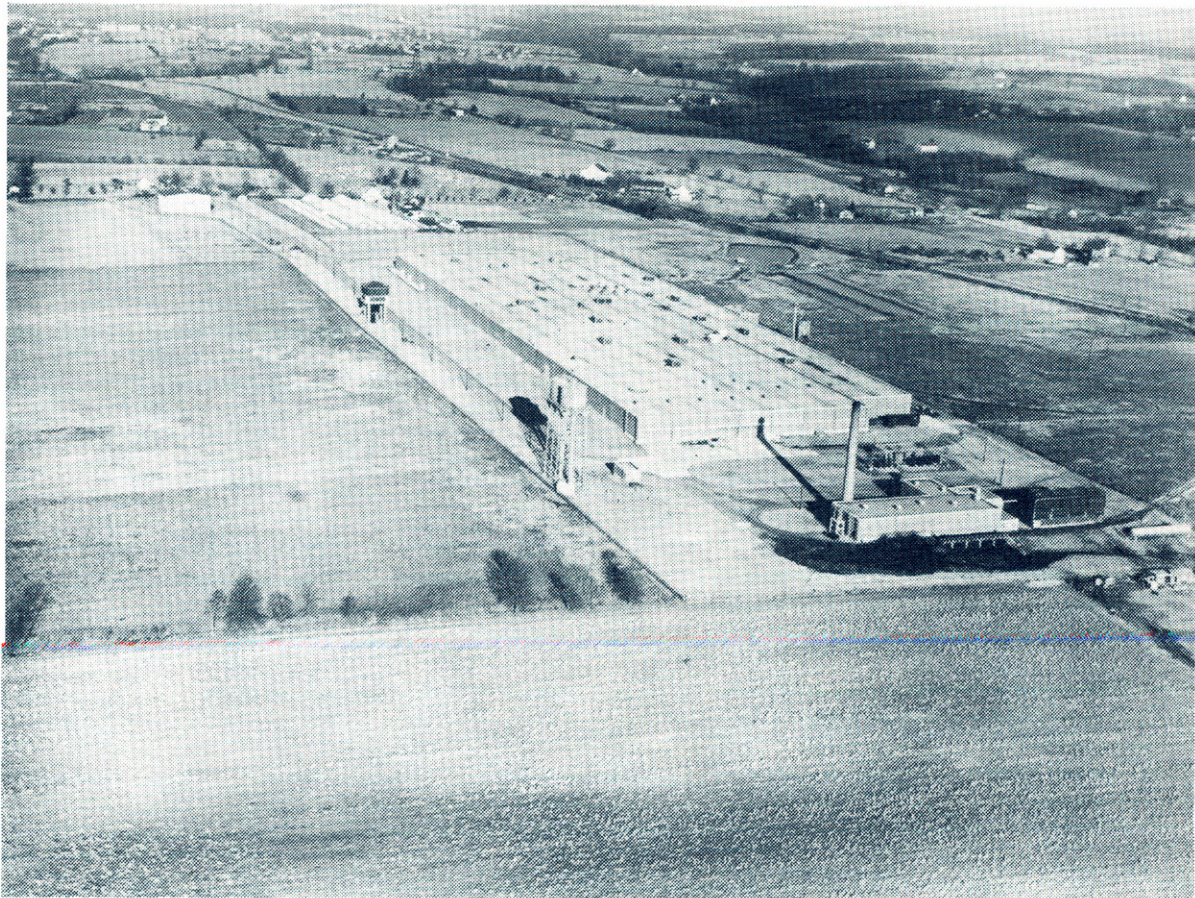
and Ralph Quigg was promoted to the position of credit union manager/assistant treasurer on January 2 of this year. Before this, the members of the board had, as they had always done from the beginning, acted as a sort of management team. They had their own jobs at their respective Merck facilities, however, and the credit union was now eleven years old. The membership had reached 1641, shares were at \$ 410,963 and total amount on loan was \$557,031. The credit union was most certainly a power in its own right and therefore needed not just a couple of full time "tellers" but a leader who's only focus would be the credit union. Ralph Quigg answered to the board of directors, but he now ran the day-to-day operations which included teller work, accounting, loan collection administrative duties, PR etc.

1962 – Wilton Tate is named to the Education Committee: One Hundred members attended the annual meeting at the Wissahickon Fire Hall where a 2.5% dividend declared. Assets were \$635,000 at years end with 1678 members.

1963 – Full office operations moved exclusively to West Point when the Broad & Wallace office closed.

A brief history of the West Point facility: Upper Gwynedd Township was an amalgamation of 21 farms all owned by different families and established in the 1890's. It remained that way largely unchanged until the Second World War. Building 1 as it still stands on the Merck campus today was home to the Kellet Aircraft/SKF Factory that made ball bearings used in the engines of American bombers in World War II.

The following two pictures: of The Merck plant site in 1942, and of Sharp & Dohme family day 1951 are courtesy of the Upper Gwynedd Township Centennial 1891 – 1991 booklet.



**Kellet Aircraft, Co.
where Merck Sharp & Dohme is today, circa 1942
(Ray Albright)**

The building sat on 100 acres of land that all used to be farms and was still surrounded by farms for the most part. It was a one story windowless building of timber construction completed in 1942. Sharp and Dohme was already a well-established chemical manufacturer that was looking for room to grow after WWII ended. An exploratory party discovered the SKF factory and saw it to be the precise facility they were looking for not only because of the existing building but the Stony Creek railroad line that ran along the outskirts of the property. So in July of 1947 Sharp & Dohme purchased the 100-acre property. They wasted no time in recruiting workers from the surrounding area starting on July 22, 1947. The building (building 1 as it was essentially the only one there at the time) was as it is now almost windowless, and modifications to the building were quickly discovered to be infeasible by either up adding to the height or digging a lower level. Sharp & Dohme therefore purchased more of the surrounding farmland in October of 1947 with a resultant total area of 300 acres. Ground breaking began on September 27, 1949 on an additional 4-story building constructed of brick and steel (with windows) costing 4 million dollars. A red brick building in the shape of an L situated at the front left corner of building 1 (when facing the front of building 1) that was completed in 1951 and stood until 2004 when it was demolished and replaced with a new building. When the merger of Merck took place in 1953 the West Point facility was also home to a 3 million dollar plasma production facility that was that was staffed by employees but equipped by the military since an agreement had been struck with the government in 1950.

The facility continued to produce and stock blood plasma for civilian as well as military needs when the Korean War ended in 1953. Merck continued to buy up the surrounding property. As security became more necessary the facility was surrounded by gates and access to plant site became more and more restricted. Building within the Merck plant site as it is now has never ended, and although a look at an aerial view of the facility now as compared to 1963, it is obvious there is not much room left and is a city unto itself. As of 2005 there were:



Family Day, 1951

- 8700 employees at West Point alone
- 9 ½ miles of roads
- 6.5 million square feet of building space
- 66 megawatts of self generated electricity
- 4 cafeterias
- 8900 parking spaces
- 1 billion dollars in annual payroll

The space allocated to the credit union at this time was a larger facility towards the front of building 1. At that time only about 1/8th of the building was office space, most of it was warehousing, receiving, telecom and operator rooms, and the Sucrets manufacturing facility. The new credit union office had two windows and two doors, one leading to the outside and one leading to the interior hallway that ran half the length of building 1 along its right side. There were 4 teller stations and some office space behind them for a couple desks and file cabinets. They were not large accommodations, but it was a vast improvement over the previous office space. In anticipation of Broad & Wallace closing, building 38 was built across the “Main” street from building 1. Building 38 was built to provide office operations for the more white-collar divisions of Merck employees. Building one closed at 5:00, so it is believed the new credit union office operated on the following hours:

Monday.....8:30 to 3:45
 Tuesday.....8:00 to 3:45
 Wednesday.....8:00 to 3:45
 Thursday.....8:30 to 3:45
 Friday.....7:30 to 3:30

What follows is a photo progressive “drive” to the West Point facility taken by someone in 1962. All of the following black and white photos are courtesy of Merck & Co.



Approaching the junction of West Point pike on Sumneytown pike, and then past Church Rd approaching the railroad overpass.



The same two vantage points in 2008. Notice that the old West Point Pike and Sumneytown Pike has been sealed and diverted to run directly into Church Rd.



Approaching "gate 1" of the Merck Sharp & Dohme facility.



Above is a more close up picture of the main road of “gate 1”. The guard station is clearly visible in the background as is the brick “bridge” that connects building one to building 38. The white house just behind the company sign was the Upper Gwynedd police station that had taken up residence in the Love Apple Farm House in 1951 in response to the population boom caused by the influence of many large employers in the immediate area including Merck Sharp & Dohme and Leeds & Northrup.



Here is a different view of the police station and the view down Sumneytown Pike.



The view obviously looks quite different in 2008, but this is the same spot on the road as the entrance in the pictures above.



The drive to the guard checkpoint. Directly to the left is building 1. The guard station pictured was eventually replaced by a similarly sized building that also served as the guard checkpoint when access to plant site was less restrictive. That guard station still stands in 2008.



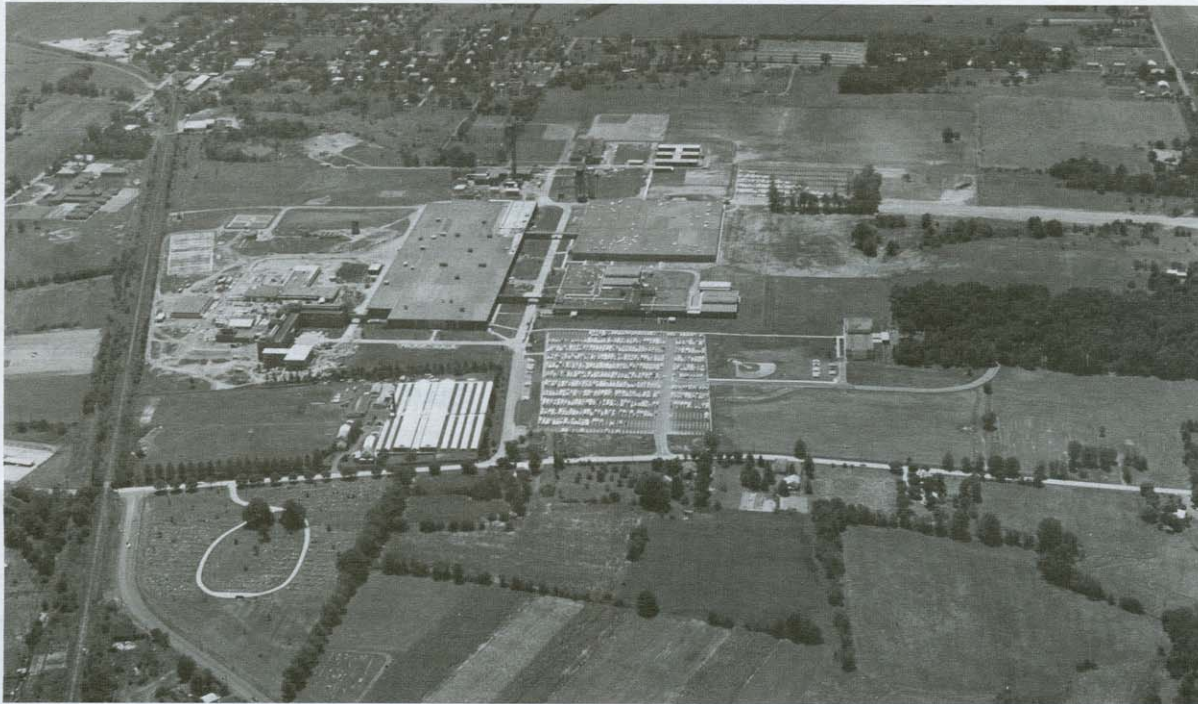
If you drove past the first gate, you would approach the main parking lot. Notice the smoke stack that still stands in 2008 is clearly visible.



This is where the majority of employees parked, although there was also another parking lot that was off of Broad Street.



Another view of the parking lot and the company sign.



Merck Sharp & Dohme, August 6, 1963

A view of the West Point plant site from the air as it appeared in 1963 that gives a better perspective to the preceding pictures. This photo is also courtesy of the Upper Gwynedd Township Centennial 1891 – 1991 booklet. In 2008 the Merck & Co facility extends past the left, right and top boundaries of this picture.

The year closed with 651,935 in assets and 1657 members. A 4% annual dividend was declared.

1964 – state charter was approved by the board but denied due to poor reserves.

Bill Gadd is elected to the Credit Committee.

The year ended with 713,004 in assets and 1640 members.

1965 – Starting this year the credit union offered Christmas Club accounts. Members would deposit to the account during the year up until October at which time the credit union withdrew the amount in the account and cut a check payable to the member. All the checks were then made available for the members to cash and spend for the holidays. They were not new account numbers but “sub accounts” under the members book number. The shares on deposit in the accounts were not available for withdrawal and the accounts were closed when the check was cut. Members would have to start new Christmas Club sub-accounts every year. From this point on it would for years be a struggle for the credit union to maintain these accounts. They represented money that could be relied upon to stay on deposit for most of the year, but the total in Christmas club accounts had to be entirely liquid when the Christmas checks were cut otherwise they would bounce, and that would not be good holiday cheer for anyone. When these accounts were first introduced, dividends were not paid to them. They were simply a way for members to save Christmas money in a separate safe place.

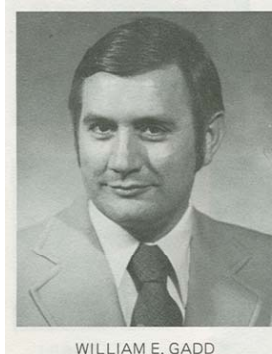
Year end assets were at \$759,026 with \$697,457 in loans. The membership stood at 1743.

1966 – Year end assets were at \$ 845,319; loans to members stood at \$ 792,000. Membership totaled 1,885 and a 4.8% dividend was declared

1967 – Bill Gadd is elected to the Board which this year was increased to 13 members.

Year end assets were \$893,620 with 2,038 members. A 4.8% dividend was declared. Loans to members stood at \$806,620.

This year saw the first offering of Vacation club accounts. Unlike the Christmas club accounts, the funds on deposit could be withdrawn, but they were meant to be another “place” where members could save for a vacation, so they would be less likely to spend the money on deposit there as well giving the credit union more funds that they could rely on during the year. Shares on deposit were paid interest dividends along with other share accounts based on the same “shares” calculation.



WILLIAM E. GADD

1968 – This year saw the added service of payroll deductions. This was something that had been on the credit union wish list for some time, and Merck Sharp & Dohme did finally grant this service’s availability to the members after a great deal of negotiations between Merck and the credit union. Deposits of payroll deductions, however, were not deposited in a timely fashion; these funds did not reach the members accounts until the 10th day of the month. This essentially meant that the member’s funds hung in “limbo” for those nine days and was of course unavailable. The allowance of payroll deductions was seen by the credit union as a key factor in growth potential since it resulted in de-facto increase in deposits and it further gave the credit union a long deserved perception among Merck Sharp and Dohme employees of legitimacy and strong approval from the company. That perception did in fact prove out; from the beginning of 1968 to the end of 1969 there was a net increase in membership of 45%: from 2,038 to 2,544!

There were growing concerns about lines and congestion at the credit union office on paydays. Although there is no supporting documentation on the hours that the credit union kept at this time, based on interviews and related information it is believed that the credit union was open until 3:45 every day. Merck wanted Building 1 closed up by 5:00 every day and there were still many 3rd shifters that wanted their checks cashed after the credit union was closed. It was decided that an ancillary “office” would be opened across the street at building 38 that would open from 5:00pm to 8:00pm. Merck had site personnel knock open an entranceway into a room no bigger than a closet in a laundry room in 38 and secured it with bars. Members could walk up to the station and cash checks there. Two credit union representatives, often one board member and one employee would pack up a sum of money and get escorted to the 38 “office” where they would cash checks non stop for 3 hours just on Thursdays. This service continued on through the late 70’s.

Below are two color slides courtesy of Merck & Co. that show the West Point plant site in 1968. Notice in the first picture how open the area is around building one, and if you look closely you can see in front of the main entrance there is a small parking lot. This shot is taken from the

perspective of the guard entrance that allowed access to the main facility from the general employee parking area further down from Gate 1 on Sumneytown Pike.





1969 – The credit union went over 1 million in assets! Members stood at 2,995. The board of directors increased in size to 15 with the election of John Stevens and Sarabeth Linden.

Truth in lending laws were passed this year by Congress as part of the Consumer Credit Protection Act. These laws require any financial institution that loans money or

extends credit to disclose a number of things to the consumer including:

- How interest is calculated
- The annual percentage rate on loans
- The total in finance charges the consumer will be charged
- The payment schedule and number of payments
- Any pre-payment penalties charged
- Terms governing late payments
- Ceilings on variable rate loans
- Terms governing finance charges
- Right of rescission on real estate loans

As mentioned previously, the member of the board that served as treasurer was paid a small sum of money for that service. There are no records of what that compensation actually was until this year in the annual report for 1970. In 1969 the treasurer was paid



SARABETH GADD



JOHN STEVENS

\$117 a month or \$1,400 for the year which in 2008 dollars would be equivalent to \$656 a month or \$7840 for the year. Also for the first time this year are figures on the total in salaries paid to actual employees this year. The credit union paid a total of \$27,016 to employees in wages this year. This amount in 2008 dollars would be \$151,250. There is no information on how many employees this pay went to for 1969, but the minimum wage in this year was \$1.30 per hour.

1970 – This year was one of financial hardships. Inflation was on the rise and the interest rate being charged to financial institutions made it difficult to lend money to members. For these reasons, and due to the fact that 1970 was a year of stifled deposits by members, it was necessary to curtail lending for many months. At the start of the year Prime was at 8.00%, an all time high; it was lowered 4 times this year to end at 6.75%.

Also, the “operations” of the credit union were reviewed by the board of directors, since it was apparent that market conditions, such as they were, as well as some entrenched business practices, had caused a decline in member interest in the credit union despite the new service of payroll deductions. For this reason, the credit union purchased the first on line computer system. The computer model was a 247 DPS (Data Processing of the South); it was about the size of a two-drawer file cabinet and was placed in an alcove in the credit union office. This system was used solely for the purpose of bookkeeping functions; it was not a computer system as would be imagined today, and in many ways was not a great deal more than a sophisticated calculator. All teller work continued to be simple



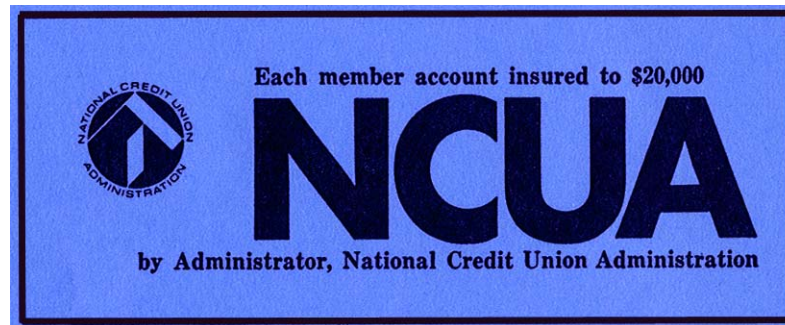
PATRICIA EDMUNDS

passbook transactions with teller initials in a member’s tri-fold book. These initials confirmed that a deposit was made. All receipts from the days teller work were then batched: the tellers would settle using these receipts. The next day, all the receipts would be entered into the computer in the back room. It was an all day job for one accounting clerk to post all the deposits to share accounts and post loan payments. The system cost \$1,900. and took 9 months to get completely operational. Patty Edmonds was hired as the “computer operator” making her the first employee of the credit union to hold an official position that would be considered today as “IT”, but her duties were mainly confined to data entry. This time was one of great disruption of service and put a considerable strain on the office staff as well as the members. Most credit union employees of today are familiar with the confusion and stress of a computer conversion. The process that is apparent to the “office staff” and the members usually takes about three months or less if all preparations are performed well. This was the first exposure the credit union had to computers...imagine going through a computer conversion today that lasts 9 months. True to form, however, the office staff, management and board of directors all worked together as a team to maintain the confidence and integrity of the credit union, and once all the tweaking was completed and all the bugs were worked out, service and office operations were greatly improved.

This year saw the loss of a great man in the credit union’s history. Raymond Hoffman died at the age of 60. He was one of the founders of the credit union as well as the first president. Having served the members as well as the credit union movement for 20 years, this was indeed an emotional blow to the entire staff and board. Plans immediately went underway to pay tribute to him.

In this year the National Credit Union Administration became a federal agency and through it the National Credit Union Share Insurance Fund was formed. This now granted

the same insurance afforded bank depositors through FDIC (since 1932). NCUA insurance was granted for the guaranteed protection of shares up to \$20,000.



This year also saw the first “checking” accounts offered. The annual report states that checking accounts “may be opened at the credit union office as a service given with cooperation of Union National Bank & Trust Co, and there was a 10 cent per check fee with no additional charges”. At this time Union National Bank was the bank that the credit union’s treasurer’s checks were payable through and holder of some of the credit union’s other accounts and investments. Since at this time there was no draft account offered it was decided to enable members to open checking accounts through Union National Bank and the credit union would service the accounts to a point. Deposits to the accounts were not taken but the paperwork to open the accounts were available and checks drawn on these accounts were cashed with no hold on the members account. It was not a “service” that got a great deal of attention but it filled a “DDA” need that the credit union could not currently offer.

Share certificates were offered for the first time this year as well. They were available for purchase in \$500 increments and a yield of 5% per annum was paid semi-annually the first year; the second year a rate of 6% was paid. All interest paid was simple interest. The certificates were not sold for specific terms; if they were cashed early (before June 30 or December 31) dividends would not be posted for that period of time, so they were essentially 6 month CD’s that paid off more the longer the members kept renewing them. These CD’s were part of the credit union’s ongoing attempt to keep deposits WITH the credit union so that loans could be made without borrowing money and also to allow enough liquid funds to cash Christmas club checks in October.

Also this year saw the advent of a semi annual dividend paid on all shares on June 30 and December 31. It was decided that these added benefits to the members were necessary in order to remain competitive and attractive as a financial institution and a place to save money. These improvements were also the ultimate reason why the computer system mentioned earlier became necessary. From an accounting point of view, it would not have been possible to make these improvements without the use of “sophisticated” computer calculations. The computer would calculate average balance over that semi annual time period and credit the dividends to each member account. Before this point interest was calculated over the entire year and interest credited if the board declared that there would be dividends paid to savings.

The new computer system also allowed dividends to be calculated and paid to the Christmas club accounts, so that became an added benefit to the service and made it more attractive to members.

Despite the financial hardships, the credit union granted a total of 1,037 loans which amounted to \$1,477,829; 30% of that total loan amount went towards auto loans.

Gross income for 1970 was \$158,961; net income was \$67,593, and \$14,170 went to reserves.

There were 300 approved applications for membership, but the total number of members decreased to 2,882.

In accordance with Truth and Lending Laws, the official loan policy was established and made available to members. The Credit committee loan policy was set as follows:

- 1- The minimum loan shall be five dollars.
- 2- The maximum loan shall be within the legal limits and up to the discretion of the Credit Committee, with the ability of the member to repay the loan.
- 3- The interest rate will be 12% annually based on 1% per month on the unpaid balance calculated from the day of the last payment until the date of the next payment. Interest will be calculated on the basis of 365 days per year.
- 4- Repayment period (number of months) shall be determined by the purpose of the loan, total amount of the loan and the ability of the borrower to repay.
- 5- Security offered must meet the requirements of the credit committee and general policy of the board of directors, and within the legal limits of the Bureau of Federal Credit Unions.
- 6- Loan applications will be processed on the next meeting date of the Credit Committee, except for emergency loans.
- 7- Specified payments will be required to include loan principal, interest and reasonable payment to shares.
- 8- Counseling service is available to all members and all information is kept strictly confidential.
- 9- The Credit Committee meets each Monday, Wednesday and Thursday.

The term “reasonable payment to shares” was wording added specifically to further promote savings. If your loan payment was \$10 and the interest that month was \$1 the member was expected to pay \$12 with \$1 going to their share account so that funds would be available to loan out to someone else. For years there was more of a loan demand than there was funds to loan out, so saving was always encouraged and securing sufficient deposits was always an uphill battle. Although the credit union no longer had the problems of its beginnings where members mainly used the credit union for loans and deposited little or nothing, it was a concern on the part of some members of the board that there were members who had scant deposits but had a loan. Shares on deposit had always been considered de-facto collateral on all loans granted, and such share deposits were in fact now expected so that the credit union had some sort of leverage or recourse if a loan fell into default. Members were expected to use more than just the loan service provided and this actual wording in the loan policy, although not read by members regularly, was relayed by the employees as well so that members knew that the credit union was not just a loan shop but a full service financial institution. The credit union in fact always was as interested in promoting savings as it was providing loans since the two are interdependent.

1971 – The Annual dinner meeting was held on March 20, 1971 at the Westover Country Club in Jeffersonville at 6:30pm. The entertainment was provided by Dick Powell & his Orchestra. The affair was thrown at a cost of \$2,500. The Raymond O. Hoffman Memorial Scholarship Award was formally established. Below is the precise wording of the resolution as it appears in the annual report presented at that dinner:

“WHEREAS the late Raymond O. Hoffman, Jr., President Emeritus, did faithfully serve this Credit Union for two decades and

WHEREAS by his actions in helping his fellow man to a better way of life he did exhibit the highest qualities of fellowship, brotherhood, and concern for his fellow man,

NOW THEREFORE, be it resolved that Merck Sharp and Dohme Credit Union establish in his name a memorial award to be presented annually to the member’s child who most aptly exhibits, by his or her actions in service to his fellow man or community, those selfsame principals that the late Raymond O Hoffman so nobly adhered to and,

Be it further resolved that the amount of stipend to be awarded and the selection of a winner be invested in the Board of Directors of this Credit Union, and that this award be presented at the “Annual Meeting of the Membership.”

Ray Hoffman was well known all over the West Point plant site. He worked on the loading dock for many years. He is described as having a low-key sort of personality and not one to encourage a great deal of change but rather was happy to watch a good thing continue undisturbed. Dan Whitehead commented on having spent many afternoons fishing with him. He could also be described as a leveling influence at board meetings. He was a simple and unpretentious man who had devoted a lot of his time to the credit union. That devotion he showed was the impetus behind the motion by his successor Bill Gadd to create the scholarship in his name and the motion was passed forthwith. His wife Helen Hoffman and his daughter Peggy Hoffman were from that point on always invited to attend the annual meetings as the credit union’s guests and for 10 years after his death they did attend and were amazed that his name was being kept alive in such a positive way.

The scholarship named in Raymond Hoffman’s honor has continued to the present day by awarding children of members. Those awarded are recognized for their scholastic achievement as well as their involvement in community service. Those who personify the credit union philosophy of people helping people are the type of young people that the scholarship has always been meant to reward. As long as the scholarship is awarded every year his spirit will be remembered. Sadly, I was unable to acquire a photograph of him.

There was also a resolution made by the board this year that no President could serve more than three successive one-year terms in office. There was no rule set against any one person holding that same position for more than three one year terms however, so it would be possible for someone to serve more than three years as President as long as the fourth year did not directly follow the third. This decision was made in order to give other board members a chance to add their own distinctive ideas and leadership to the board and to shape the credit union with greater diversity. It was never the intention to make the board of directors an oligarchy but an open body that any member could aspire to.

This year also saw a concerted effort to get a handle on delinquency rates on loans. There had been a developing misconception that when employees were out of work, be it on layoff or disability, they would not be held accountable for loan payments. The reason for this eventual mindset was due in part to credit union practice up to this point. When an employee was on layoff, they did not pay their loan. When they returned to work, the loan was essentially rewritten with a new payment schedule established by use of an extension agreement. While this may have had its benefits (from a business point of view) with regards to member relations, it had become a serious concern. The trend was

one that was loosely “allowed” by the credit union up to this point, but the delinquency rate on loans became so serious an issue that the practice had to be curtailed and specific accountability established. To this end, the credit union allocated \$400.00 for the budget to be used for “collection expense”. As there was no official “collector” (nor would there be for many years) collection efforts on loans was handled by the manager.

Due to increasing requests from those on plant cite, the credit union’s federal charter was changed allowing an expansion in membership eligibility. The changes allowed all salesman, branch offices (of Merck) and employees of blood donor centers to join the credit union. The expansion of eligibility yielded an additional potential membership of 1500 people. The eligibility at this point stood at all the above plus all family members residing with any member: a fact that the Membership Officer, Daniel Whitehead, was compelled to regularly remind the existing membership of.

At this point the office staff consisted of 6 people:

Ralph Quigg – manager

Shirlee Nicolino – Senior Assistant

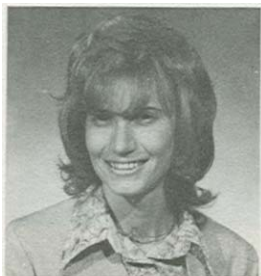
Mary Lukens – Junior Assistant

Patty Edmonds – Computer Operator

Alverda Quigg – Teller (relation to Ralph Quigg unknown)

Rose Sampson - Teller

The year ended with assets totaling \$1,638,058 and a member total of 3,281.



ANN ZIEGLER

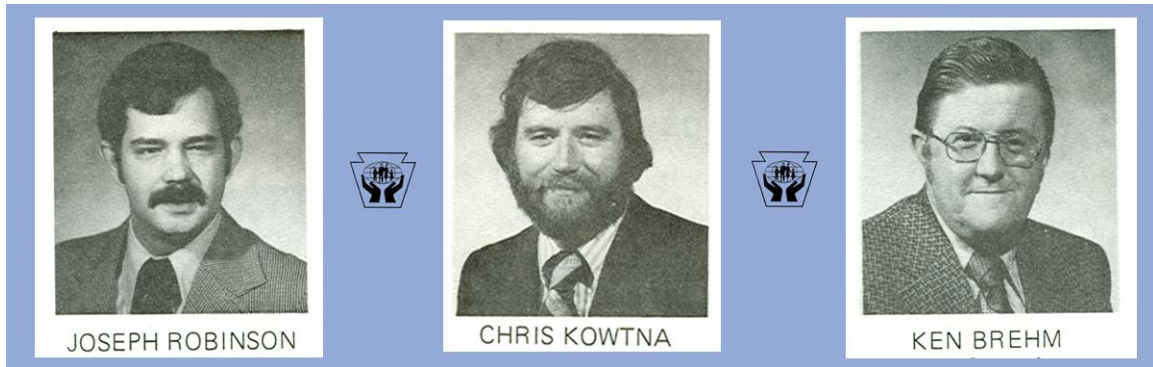
1972 – Annette Ziegler was hired as a clerk/teller in order to fill a vacancy, and two part time tellers were also hired this year.

Daniel Whitehead was elected as Vice President.

Year-end saw a total membership of 3,559.

Notary service was available for the first time this year. Shirlee Nicolino became the first notary, and the service was provided at no cost to the membership.

This year saw the start of a practice which was very unusual for credit unions at this time, a “Backup Board” was created. The credit union had a 15-member board of directors, which was also unusual given the size of the credit union. Even with this uncharacteristically large governing body there were still members who wanted to be directors. Consisting of three members, the backup board consisted of potential board members who were “in training”. They went to the meetings and voiced their opinions but they were not permitted to vote on any resolutions or make decisions concerning changes to policy. If a board member died or decided to leave, someone on the backup board would be a potential replacement by board election. The first three backup board members were Joseph Robinson and Kenneth Brehm who both would later become board members and Christopher Kowtna who went on to serve on the Supervisory Committee.



Total in assets this year stood at \$1,756,407. Total in shares on deposit was \$1,342,057. The total in income this year was \$191,152 and expenses totaled \$104,360 for a ratio of 54.6%.

1973 – For the first time in cu history, there was a threat of direct competition for the members banking business. First Pennsylvania bank opened this year at the corner of Broad and Sumneytown Pike, it was on Merck property and Merck started using them for its cashier service deposits (and continued to do so until the cashier service was eliminated entirely). First Pennsylvania became a potential threat to the credit union because of its proximity to Merck employees and because it offered checking accounts which the credit union had not yet started to offer directly. There were extensive meetings between the board and Merck. Eventually a compromise was reached which allowed mutually exclusive payroll deduction plans for each organization.

There were hopes that this year would allow for the reduction or elimination of funds borrowed from other credit unions. Many times in the past, a significant credit union expense was money the credit union needed to borrow from other institutions like the Rahway credit union in order to satisfy member loan demands (which increased again this year) and the cost of cashing Merck payroll checks. Those demands often exceeded the shares on deposit that the credit union was able to lend out (cash reserves were required by NCUA and could not be touched). 1973 started with the hope that the existing cu loan liabilities could be satisfied. The total “notes payable” amount in 1973 was \$140,000 Unfortunately, however, the rise of interest rates and the stagnation of share deposits by members in the second half of the year made this goal impossible to achieve in 1973. Borrowed funds were only reduced to a small degree.

There was a great deal of volatility in the market this year, and Prime fluctuated with the same degree of unpredictability. Prime changed 19 times starting at 6.00% until February of this year, reaching a maximum of 10% in September and ending the year at 9.75% in December.

In another attempt to remain competitive, the board decided to pay share dividends quarterly rather than twice a year, and at the same time increased that dividend rate to 5 ¼ % (up from the bi-annual 5% that had been in effect since 1969). It was hoped that this would boost member deposits which would in turn ease the pressure of notes payable that were used to make loans and continue check cashing.

The board also decided to grant a 5% refund on loan interest paid at the end of the year for that covered the last 6 months of the year. This was a “rebate” on loan interest paid by the members over the past year. It was an extra benefit given to members who created interest income in years when the credit union did particularly well.

The board was approached by a group of members (by petition) to expand membership eligibility to local businesses. It was decided, however, to keep membership eligibility as it was, and rather than serve the requests of a small number of members, concentrate instead on better serving the existing ones. An allowance was made to revisit the topic in the future. Although the credit union's charter allowed for the addition of Special Employee Groups, it was decided that this was not the time to look for members outside the Merck sphere of influence. It was also infeasible since the credit union had no outside offices and plant access was restricted to employees and former employees. The idea of SEG's would be one that would gain a great deal more momentum in the years to come.

In the current lending climate, and due to the pressures resulting from loan demand in the second half of the year, William Tindall (also a board member) was appointed as the first full time lending officer. It was already commonplace for there to be waiting lines for loan applications to be accepted, and now waiting time for the credit committee to approve those applications had simply gotten to the point that the members were not being served as well as they could be. It was his job to more expeditiously facilitate the approval process of loan applications, be a first line member service employee who would conduct loan interviews, approve loans within certain thresholds and liaise with the credit committee when it was necessary to consider loans outside those thresholds. This personnel addition and the resultant reduction in waiting time on loans was well received by the membership. Loans would now be approved and processed more quickly since they were not at the mercy of the next meeting of the credit committee each Monday, Wednesday and Thursday or any backlogs they may be experiencing. Although this did not solve the shortage of funds to loan out, it did increase member communication and service.



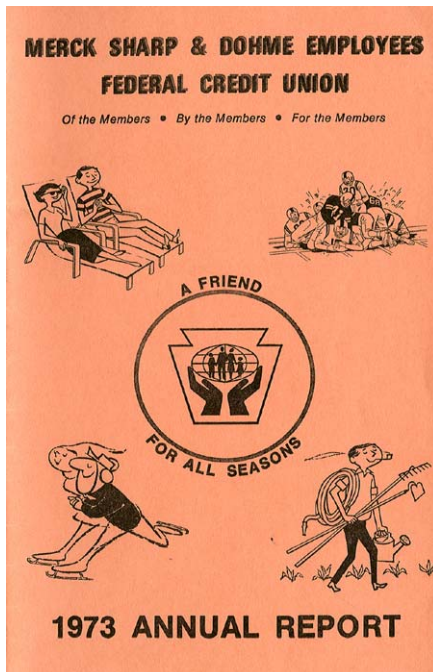
New delinquency procedures started as a result of delinquency rate of 7% in 1972. A goal was set to reduce this figure to under 5% within 12 months.

There was rising concern over the "check cashing service" that the credit union had taken over from Merck back in 1959. The huge volume of checks made it necessary to borrow money short term until being reimbursed by Merck in order to cover all the payroll money that got cashed out. The cost per year to the credit union to provide this service was approximately \$14,000, and with the economy as precarious as it was, this was a considerable expenditure. Also, it was a service the credit union provided to everyone, but only 1,700 members used it; it therefore represented a service that less than half the members benefited from. It was the contention of Horrace Rousso, then treasurer, that it be proposed that Merck pay the credit union 10 cents per check in order to defray the costs. This proposed charge to Merck would only partially offset the check cashing costs to the credit union, but it was considered the only way to allow the continuation of lending given the ever increasing member demand and the unfeasibility of continuing to borrow more money to do it. This was a topic that was not looked upon too favorably by Merck. This 10-cent check idea was at this point something that would require negotiations and would be brought up many more times before it became a reality.

Assets increased by 12% or by an amount of \$231,260 to \$1,987,667 this year. Shares increased by 18% or by an amount of \$287,554 to \$1,629,611. Gross Income was \$208,947 and expenses were \$113,788; undivided earnings for the year were \$74,264.

Member eligibility scope up to now includes:

Any employee of Merck Sharp & Dohme, Donor Center, Field reps and branches, any individual living under the same roof as a member (spouse, children, in-laws, grandchildren...etc.



1974 – The credit union office in building 1 was enlarged to 4 teller stations, an area for a few desks and filing cabinet space was expanded. The security system was not upgraded however. It remained a cumbersome alarm trip system that involved a bar on the floor of the teller station although the doors and windows that led outside or deeper into building 1 were alarmed. In the event of a robbery, the teller had to make a deliberate (and somewhat obvious) step forward in order to trip it. It was often more an encumbrance than anything as tellers were often known to trip over the bars and set off the alarms by accident. So common in fact were these false alarms that the cops would know that there was no genuine robbery going on when an alarm came from the credit union and jokes were sometimes made of it. This actually was no joke as this essentially placed the credit union in even greater danger in the event of an actual robbery; the prevailing attitude, however, was that no one would be foolish enough to attempt it.

Following the hire of the official loan officer, some guidelines governing loans were changed. The loan officer now acted on loans Monday through Friday, this eliminated the necessity for the Credit Committee to approve every loan thereby making turnaround time greatly reduced. The loan policy was also changed to officially establish that if a loan was denied it would be reviewed by the Credit Committee, and that members were entitled to know the reason(s) why they were denied. The second change is a more significant one. The policy states that “All shares shall be pledged as collateral except that amount exceeding loan balance. Pledged shares may be released by loan officer or credit committee”. The term for this sentence is “right of offset”. Shares on deposit were now automatically considered “collateral” on all loans; this dovetails with the more comprehensive and effective collection techniques adopted by the credit union the past two years. Shares are still considered collateral on all loans today; this means that if a loan is delinquent, shares may be “taken” to pay those delinquencies (except in cases of bankruptcy). To a point this was an understood rule from the time the credit union started approving loans, the difference is that it was stated specifically in the loan policy where it had not been before.

The Annual Dinner Meeting was held at the Sheraton Valley Forge Hotel in King of Prussia on March 23 at 6:00pm. The entertainment was provided by The Suburbanites.

On June 24th Ralph Quigg took early retirement from the Credit Union after 15 years of service. There is some speculation as to his relationship with the board that may have contributed to his departure. In the annual report for 1973, (given this year) Ralph Quigg spoke in his manager report on a few issues including his perception that the credit union had far too many members on its board and that it had been enlarged to its current size precipitously; he argued that a 7 member board was sufficient to run the credit union instead of the present 15 member board as well as his opinion that the board

approved wasteful spending practices during a time when all resources should be conserved. He alluded specifically to \$1,200 in items given away to members by the Education Committee. He pointed out that it was the responsibility of the board to husband resources and to always consider the members' best interest before all other considerations. It was his opinion that this was not being done. He stated that instead of buying "things" and giving them away, the money should have been used to increase the share dividends paid to members by up to an additional two points. One could surmise that his opinions could easily be interpreted as in contention with the opinions of the board. There was a distinct air of criticism of the board and the asset allocation to and spending of the Educational Committee. In any case, he did step down and left two days after his successor was hired. All speculation aside, his service to the credit union was very important owing to the fact that he led the organization through a period of great change: from a time when the credit union was still trying to prove its worth to Merck through 14 years of growth that culminated in an institution within Merck that was well established, recognized by all and taken advantage of by almost 4,000 members.

Robert Muzzlay took over as manager. He came to the credit union from Industrial Valley Bank. Because of some cutting of the staff and the untimely departure of Ralph Quigg, he was forced to "jump in" to the position with only two days of training with his predecessor, but he was later commended by the board for getting things to run smoothly by the end of the year.

Rising interest rates on borrowed money caused the credit union to suffer from a practice called disintermediation. The term defines the practice of funds removed from one institution in order to deposit in another that pays a higher interest rate. Consumers did this in record numbers this year. This plus reduced deposits by members cause a temporary severe reduction in the credit union's ability to grant loans starting in the fall and lasting approximately 8 weeks. Also, in an effort to stem the depletion of undivided earnings, the dividend rate paid to shares was reduced from 5 1/4% to 5.00% in the second quarter. Several cost cutting measures were taken including a reduction in the office staff as stated earlier.

In addition to loan curtailment, there was also a temporary withdrawal limit put in effect. The purpose of this was to place a manageable rate of shares reduction in order to make funds available to everyone. One must remember that shares are loaned out, and it was feared that loan liabilities would become far greater than a reasonable cash demand.

The credit union was compelled yet again to rely on a cash infusion in the form of "notes payable" in order to remain liquid and operational. Often the credit union ran out of money by the middle of the week and had to borrow money or wait for payroll to come in before they could disburse loans that had been approved. Although the elimination of these notes had long been the goal of the treasurer and the board, the total notes payable liability of \$50,000 was the lowest liability of its kind in years.

The credit union initially went to its sister credit union in Rahway: The Merck Employee Federal Credit Union for the loan, they had problems of their own, however. They were paying out on shares at a higher rate than they were getting on locked in investments and declined to loan the credit union money. This in no uncertain terms did not set well with Bill Gadd, the treasurer, who in response wrote a scathing letter to



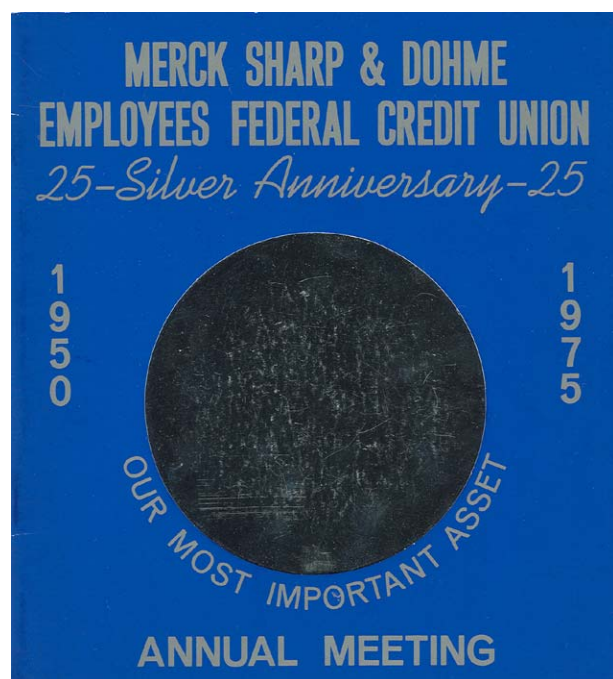
Credit Union Magazine essentially announcing what he saw as a slap in the face from one credit union to another. The Board at MEFCU of course read the letter, and they were in turn incensed. The Bill Gadd had acted in the full interest of the credit union for which he had a great loyalty, but he received stern rebuke for this creative form of diplomacy and afterwards, it was of course realized that an understanding had to be reached. In this interests of that, Bill Gadd, Bob Muzslay and John Stevens went to Rahway to meet with their management team of MEFCU. The meeting, while not convivial, did pave the way for bridge building. Although some fences were mended, and a few came down, MSDFCU ultimately borrowed the money it needed on this occasion from another more local credit union that is no longer in existence. This note was actually paid in 3 months and allowed the credit union to continue service. Despite all the difficulties, the credit union granted a total loan dollar amount of \$1,846,328; of this figure, \$1,117,067 was new money.

It was also necessary for the credit union itself to invest periodically in a CD with Union National Bank of Souderton. In effect, the credit union was required to do what everyone else was doing. This CD enabled the annual Christmas club withdrawal to proceed normally. Further, it was decided to establish an escrow account specifically designated for the Christmas club in which regular deposits would be made so that from then on the large withdrawal from all those accounts at one time would always be possible in future years without incident. As treasurer, Bill Gadd openly expressed his appreciation to Union National for their assistance to the credit union during this turbulent time, which by the end of the year had placed a strain on the directors, the office staff and the members.

One more problem the credit union had faced since its installation was the computer system. It had become increasingly difficult to reconcile the written records of loans and bookkeeping with the figures in the computer, but by the end of the year, the ledgers had in fact reconciled with the computer for a solid six months, so a great many people were happy to see 1974 come to a close on a positive note.

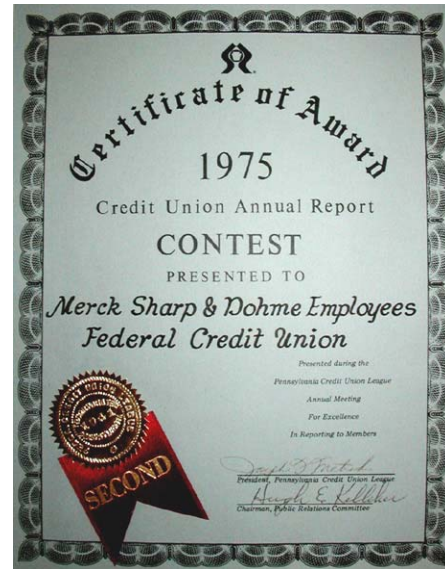
Gross income for the year was \$240,315 and expenses were \$129,943. Total undivided earnings for the year were \$86,341. While the Board had to lower quarterly dividends from 5 ¼% to 5% in the second quarter of the year, the financial situation had stabilized enough for the 5 ¼ % rate to return for the last two quarters.

At the end of the year there were 3,819 members.



1975 – Twenty-five years of service! Merck Sharp & Dohme Employees Federal Credit Union celebrated its silver anniversary. The event was highly celebrated at the annual dinner meeting held at Steakmaster on Route 202 and 63 in North Wales with a cocktail hour from 6:00 to 7:00 and entertainment provided by Ted Forrest and his Orchestra. Bill Gadd drew up a summary credit union history that covered key events of every year since 1950 in the annual report. Also in that report were Congratulations from many local businesses like Miley Detective agency, Fagan Printing, Evelyn Shaffer Gift Shoppe, Anton Henz Volkswagen, Swartley's Inc., Marshall Tire Co and

Lansbowl. Kieffers had a full-page advertisement, and Union National Bank and Trust Co. had the back page. This was the only year the credit union took out “advertising” in the annual report. It was done to generate more income to offset the cost of printing the book. Although it did generate revenue, advertising was not sought after again as it created more work than the end result was worth. The annual report was also unique this year due to an ingenious idea. The cover consisted of two layers. The first layer had a 4 inch circle cutout and the inner layer was silver foil. The conception was to incorporate a mirror in the center so that the members could see themselves as “Our Most Important Asset”. The production cost for this was in fact the main driving force for the attempt to get extra money as the cost of seeing this idea realized were very high. The idea was not realized to the satisfaction of those on the Booklet Committee however as the silver foil used did not really provide a good reflection. There were also, however, congratulations from The Montgomery Chapter of Credit Unions and from our sister credit union: Merck Employees Federal Credit Union. Such efforts did pay off however. In April a delegation from the credit union attended the annual convention in Pittsburgh where an award of second place was granted for the annual meeting booklet. Also for the first time this year were pictures of the board of directors and office staff consisting of Bob Muzsley (manager), Shirlee Nicolino (senior assistant), Pat Edmunds (junior assistant) and Annette Ziegler (clerk/teller).



An addition of “allowance for loan losses” of \$8000 was added to the budget so as to cochin the credit union: “charge offs” were now an expected expenditure within reason.

A “suggestion box” that was started by Bob Muzsley last year drew few criticisms and many positive comments and constructive suggestions some of which were put into practice.

As a result of the unstable economy last year and lack of confidence in the future on the part of the banking community and customers alike, members were much more wary about applying for loans and saving. The prime-lending rate was 10% at the beginning of the year and 7.25% at the end of the year; and most of the year it was below 8%. There was an increase in loan totals from \$1,967,411 in 1974 to \$2,332,988 this year. This is a net increase of 16%. Total assets went from last years figure of \$1,969,034 to \$2,421,705, which is an increase of 18%. The problem was that total shares were at \$ 2,151,366 and total loans were at \$2,332,988. This left the credit union in a precarious position: the year-end loan to share ratio was 108%. This meant that there was more in outstanding loans than the credit union had in deposits. This would be corrected the following year by offering very attractive share certificates and more reserved lending practices.

Once again it was becoming too expensive for the credit union to handle cashing all Merck payroll checks. The credit union simply did not have enough money on deposit to handle such large sums going out at one time. It was common practice for the credit union to take out a three day loan with Union National Bank; the loan was set at prime plus one (on average prime was at 8.00% in 1975), and would be paid back when payroll deposits were made. Due to the rising interest rate, however, this practice was becoming one that the credit union faced a loss in continuing, so through extensive negotiations with Merck a mutually beneficial compromise was reached. Merck agreed to reimburse the C U 15 cents for every payroll check cashed thereby offsetting the cost of the check

cashing operation. Essentially, this per check reimbursement paid for the finance charges the credit union incurred by borrowing the money necessary to cash Merck's payroll every week. The credit union argued that Merck was definitely getting the better end of the deal since Merck had long abandoned its check cashing service that it had paid a great deal of money to maintain. Better lines of communication overall were opened between the credit union and Merck during this time. As manager, Bob Muzslay was able to make many connections with officials at Merck that would benefit both organizations, and ultimately the members.

An examination by the National Credit Union Administration found that the credit union's operations were greatly improved over that past few years and was now being managed much better.

The total dollar amount in new loans approved was \$1,609,601. This new money figure came close to the total loan amount of \$1,967,411 in 1974, and overall loan approvals were again much more steady throughout the year. Below is a chart that shows the stark contrast between 1974 and 1975 in volatility comparison. By year-end the total loan portfolio stood at \$2,332,988.

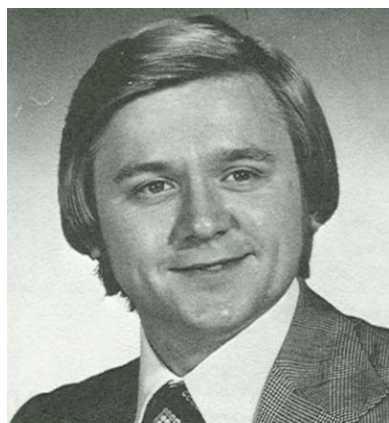
NCUA insurance was increased to a maximum of \$40,000.

The Education Committee started this year the purchase and distribution of pocket sized calendars as well as pocket secretaries. There were also many promotional posters put up all over plant site to advertise the benefits of membership.

As had often been the case heretofore, the credit union was strong and offered a great many benefits and had good leadership. The problem was that its size was eclipsed by its potential. Again the message was stressed that the credit union could be one of the largest in the area given the potential of such a large company and existing members as well as employees should do their best to get the message out that this was a great place to do business. The Education Committee as well as Daniel Whitehead, the Membership Officer, repeated this message continuously.

This year saw the departure of three long standing volunteers: Glascoe Hughes who started on the credit committee in 1954, Joe Taylor who was elected to the supervisory committee in 1955 and elected to the board in 1967, and Dana Adams who served on the supervisory committee since 1958.

By years end the total membership stood at 4,011.



MARK PELLEGRINO

1976 – In the first quarter of 1976, Mark Pelligrino was hired as the first assistant manager. A graduate of St. Josephs University with a BA in accounting, he was hired in order to free up the office manager to devote more of his time to other endeavors, like increasing the membership.

The computer system was upgraded this year. A second computer was added and equipment was installed that allowed actual on line computer receipts to be printed for the members at the time of deposit. The system was called CunaData. The computers were hooked up to dummy terminals, which were shared by two tellers and situated between them. These machines looked like large typewriters. They had green bar computer paper feeding through from the floor and every time a transaction was completed, it was entered in the machine and a receipt was generated. The typewriter "machine" was the only interface, there was as yet no computer terminal that was used by the tellers, but this was considered a great improvement over passbooks being

initialed. Essentially, this was the first time real time receipts as would be recognized today became available. The computer was fast by 1976 standards, but it was not fast enough to handle real time receipts on paydays when the transaction volume was far greater than at other times, so it could not produce receipts all the time. Also, There was no way to use this computer system at the check cashing area in building 38, however, it was therefore necessary to keep off line service at that site. There were of course glitches in the system at first and the high-speed line would not be installed until the middle of next year.

The loan policy changes slightly this year. Up until now there had simply been a set loan rate, this year that was changed to allow a different rate for new automobile loans. This new rate was set at 11% while the other loan interest rate remained at 12%. The decision to make these interest rate changes was to make the credit union a competitive alternative to the ever increasing number of banks opening up in the same area as Merck that were all vying for member's business.

There were further improvements on the credit union's lending activity. The share deposit rate was increased from 5 ½% to 5 ¾% in the last quarter of the year. That plus better deposit trends throughout the year enabled more loans to be written. Also, because increased deposits reduced the need to borrow money to in turn loan out, the interest rate on car loans was reduced to 10.8% from 11%, and home improvement loans dropped to 10.8% from 12%. As a result, the total amount loaned to members in 1976 was \$3,120,492; of this figure, \$2,123,254 was new money. Furthermore, Notes payable liabilities were all but eliminated with only \$4,500 owed to local credit unions.

The loan to share ratio problem of 1975 was finally corrected by measures taken by Bill Gadd, the treasurer that had been approved by the board. The goal was to increase undivided earnings enough so that they alone could pay quarterly dividends if necessary i.e. in the event that profits on loans could not. Share certificates were sold that paid a higher interest rate so that depositing with the credit union could become more attractive. Overall confidence in the economy did improve, and that share withdrawal rate throughout the year was in no way as frantic as 1975.

The Annual Dinner meeting was held on Saturday March 13th at the Westover Country Club. Cocktail hour was from 6:00pm to 7:00 pm and dinner followed thereafter. Paradise Lost Review provided the entertainment. Now having served out three years of service as President, John Stevens looks back on the last year as a good one for the credit union with a number of positive developments, and Joseph Robinson takes over the position. The annual meeting booklet printed this year later receives second place in the same competition as last year.



Of specific interest is the logo being used by the credit union up to this point. There was no official logo, but below is an example of the letterhead being used by the credit union staff: from a letter written by Bob Muzslay this year. The symbol to the left is the official logo for CUNA, which at the time was a more “general” symbol used by credit unions that didn’t have one of their own.

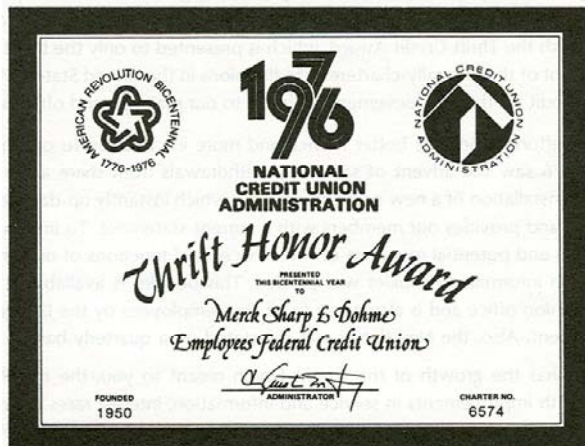


Merck Sharp & Dohme Employees Federal Credit Union

West Point, Pennsylvania 19486 • 699-5311

Another goal for the manager and assistant manager this year was to get the loan delinquencies under control. Bob Muzslay, who had collecting experience, could not believe the delinquency rate that existed when he was first employed at the credit union. He started sending out delinquency letters to people who were in default. At first members who were in default of their loans were not and never had been particularly compelled to pay loans when they were experiencing financial hardships. The common use of extension agreements had created the incorrect “understanding” an employee on lay off did not have to pay their loan. The practice started as a courtesy to the members and in response to a specific aspect of life at Merck where layoffs were in fact commonplace...it was simply the way it was, but this concession simply had a snowball effect that caused delinquency to get way out of control. This situation simply had to be turned around. Delinquency letters were sent out, calls were made and due diligence in resolving delinquencies was performed. What did ultimately turn around the out of control delinquency was when the repossessions started. Cars that were collateral on delinquent loans were repossessed and put up for sale outside the entrance of building

one where everyone could see them. As Merck was a “community” where word traveled fast, those members in default were eager to make good on their obligations to the credit union and be spared the alternative of repossession and sale of their vehicle, not to mention the embarrassment. These collection measures were necessary to protect the interests of all members who deposited with the credit union, whose deposits were loaned out, and to all members who did faithfully pay their loans. While looking out for the interests of all members who borrowed money, the credit union was also willing to work with all members who were willing to work with the credit union. By the end of the year, the delinquency rate had fallen from 7.2% to an astounding 2.3% with a reduced allowance for loan loss of \$4,000 instead of the \$8,000, since it was now unnecessary to be as high as had been allowed in the budget in the past.



In April of this year the credit union was recognized for its outstanding growth in 1975. The National Credit Union Administration awarded MSDFCU with the 1976 Thrift Honor Award for having been in the top 10% of federal credit unions showing the largest average monthly increase in total savings.

Up to now, the “cost” of membership was twenty-five cents. This year the fee was raised to \$5.00. This was not an initial deposit that kept the account open; it was a fee that generated income. A problem that

had been causing some headaches for the office staff for a number of years past was that someone would join the credit union, deposit little or nothing to shares, get a loan, pay the loan off and then quit...close their account. Then later they would join again and get a new loan. So the credit union kept issuing new book numbers and had a huge book full of them when many were not even open any longer. And at 25 cents, why not just close an account and reopen it if it only cost a quarter to do so. The point was therefore argued at board meetings: if membership only costs 25 cents it can't speak to highly of its overall value! In 2008 figures 25 cents was equivalent to 1\$ and \$5 was equivalent to \$20; once the change was made to a \$5 membership fee there were very few problems with members closing their accounts. There were 270 new accounts opened this year, so the increased revenue generated was \$1,350 from this fee alone. This was necessary in part to offset the cost of opening and maintaining accounts since now the computer housed information on all accounts and the cost increased with every new account.

The Educational Committee was working in full force again this year. In the fourth quarter of 1976 they re-instated the quarterly newsletter and again provided as a free service to members “Everybody’s Money” which had to be stopped for a few years because of the tight money situation. They also performed the first official member survey to get feedback and suggestions from the membership. This survey was mostly directed at the force of 900 sales representatives, a group of employees that had never been actively pursued by the credit union, but represented a huge potential market. One of the outcomes of this survey was the availability of free travelers checks (provided the member had \$200 on deposit...a rule that has not changed since). It also became realized that in order to make membership attractive to all Merck employees, the credit union had to consider all options and remain as cutting edge as possible with services. Special Bicentennial coin sets were given away to members, as were 1976 pocket calendars. All totaled, the Education Committee spent \$3,000 this year on advertising and gifts to

members. This is the largest amount ever spent in a year, but it was Sarabeth Gadd's assertion that it was money well spent to get the credit union message to as many potential members as possible.

Another milestone was reached that was of great importance to the board and management. The credit union grew to 3 million in assets this year. Concurrently, interest paid to members for share deposits increased from \$98,000 last year to \$123,000 this year.

Income also increased dramatically by 24% over last year while at the same time the expense to income ratio fell from 47% to 45%.

There were a total of 4175 members.

1977 – Due to increased business traffic at the credit union, and due to the fact that the existing space simply was no longer large enough, Major negotiations were conducted that year on the topic of getting a larger office space with better facilities and a security system. Bob Muzsly was in continuous contact with Vince Kelly from Merck who ultimately became very instrumental in many of the credit union's improvements over the years. Up to this time the credit union office did not have a walk in vault. There were only a few safes, and the security system was becoming an area of concern as well. For the increased space and added branch fixtures, Vince Kelly wanted some changes made. First, he wanted the check cashing service being performed in building 38 stopped; this was done in a locker room that had a "teller station enclosure" built into it complete with bars (for security). Check cashing had gone on at this "second" site since 1968. At this time Bob Muzsly and Annette Ziegler would carry two trays of money to the site and cash checks from that alcove every Thursday. This was never considered a particularly safe practice and Merck had recently gotten fed up with guards around that area in general and credit union business going on in the manufacturing area specifically. And since the new high tech computer system could not be implemented there, it had already been the desire of some at the credit union that this practice be eliminated. Second, he wanted check cashing at King of Prussia stopped as well. Again, Bob Muzsly would drive to the Merck warehousing branch in KP every Friday morning and cash payroll checks and then return with the money left over. These two practices had become credit union "extensions" that posed a security risk that Merck wanted to put a stop to, and with these security concerns eliminated, Vince Kelly and Merck were willing to give the credit union all the accommodations on the wish list.

When these two services stopped there was hue and cry. One has to remember that these were not "member" services that were being eliminated but check cashing services being done for Merck that they wanted stopped. Many employees were upset about the change, but the decision was made because the improvements would reduce security risk throughout the plant site, centralize cash operations and allow the credit union to expand and be more efficient. The check cashing at 38 had taken place after the credit union had closed for normal business hours in order to accommodate third shift employees who could not visit the credit union on their shift. One concession made by the credit union was that the office would remain open until 8:00pm only on Thursdays in order to continue the level of service that the members specifically and Merck employees in general had come to expect. Thus began the specifically late credit union hours on Thursdays that would continue for the next 30 years

The credit union office was therefore greatly improved in terms of security. A walk in safe was constructed. Mosler was brought in and oversaw the design plans for the new office so that proper wiring and security cameras could be installed. The cameras were positioned to show a bird's eye view of the entire lobby and more cameras were added

later to cover the entire credit union work area and vault. The teller drawers were fitted with bait money and trip wires for the first time. In the event of a robbery the alarm could be easily and safely tripped.



Seen here is the ribbon cutting ceremony for the newly expanded credit union lobby. Seen to the right is the new walk-in-vault that was assembled piece by piece within the office. Attendees included Marie Lamberti, Ann Nichols, Kathy Mohn, Annette Ziegler, Bob Muzslay, Joseph Robinson, Shirlee Nicolino, Sarabeth Gadd and Mark Pellegrino. I have been unable to definitively identify the others.

Below one can get a good view of the inside of the walk-in-vault. Bob Muzslay can be seen being given a demonstration of how the tumbler mechanism works on the new cash vault. The vault had its own dedicated alarm and ventilation system as well as lighting and electricity. The teller drawer/cash vault pictured here is still used at the West Point office. No one I have interviewed has been able to explain the value of the full-length mirror in the corner (which at least until 2005 was also still at the West Point office.)



The increase in the prime lending rate and increased labor costs had again made the practice of check cashing more expensive, almost to the point of again being prohibitive (since money had to be borrowed to pay out payroll money). Further negotiations were conducted with Merck, and the end result was an additional 10 cents paid by Merck for every payroll check cashed bringing the total reimbursement to 25 cents per check. This achievement further exemplified the good relations, the spirit of partnership that

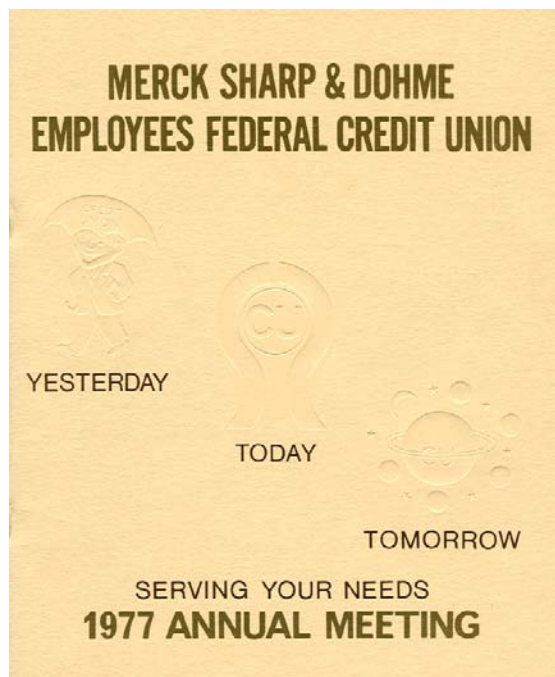
continued to be fostered between Merck and the credit union. Not only that, but it was also brought up that if the credit union was forced to stop check cashing, 3000 plus employees would leave plant cite at lunch time to go to First Pennsylvania to cash their checks and that would have been problematic...for everyone.

A further example of credit union growth was to be seen this year in the computer system. The high-speed line problem that existed in 1976 was resolved. Also, an additional computer station was installed to handle increased growth. This additional computer allowed the speed necessary for receipts to be available for all transactions including paydays. This caused overcrowding in the existing office, so Merck granted the credit union more space to house the computers. More counter space was granted, and an enclosed loan interview area was added in order to conduct loan interviews and counseling with greater privacy.

The computer system also paved the way for plans to produce a more user-friendly quarterly statement to the members, but it would not become a reality for another year.

The Annual dinner meeting was held on March 19th at Bentley's Steakmaster at the intersections of Routes 202 & 63 in North Wales starting at 6:00. The entertainment was provided by The Serenaders.

A delegation from the credit union again went to the annual credit union league convention in Pittsburgh in April where an award was received for the 1977 annual report booklet (for credit unions ranging in size between 1 and 5 million dollars). The National credit union administration performed its annual examination also in April. They found overall credit union operation to be much improved with an average monthly share growth of 3.54%. For this reason and for outstanding supervision, the credit union received the Thrift Honor Award for the second year in a row.



A new service was added this year in an attempt to attract family accounts. The loan repertoire was changed to include "youth loans". These loans had three ranges: 12 years to 14 years maximum loan was \$200; 14 to 16 years maximum loan was \$ 400; and years 16 to 18 maximum was \$600. The member had to have parental consent, but a co-signer was not required. Twenty five percent of the loan's total had to be on deposit in the account and the applicant had to have a steady income (allowance was acceptable with parental verification). The maximum payment term for the first two tiers was 24 months while the third tier had a maximum payback term of 30 months. The interest rate for all these loans was set at 12%.

Another new loan service offered this year was the Home Improvement Loan. Until now, a home loan was considered no more than a signature loan with a specific reason attached to it. Now, a loan could be applied for specifically for home improvement and a lien was placed on the property. There were some specific stipulations to the loan: the



amount financed must exceed \$2,600; maximum was 75% of lendable equity (fair market value minus mortgage balance); all checks must be made payable to contractors or material supply houses ("home improvement stores at this time were more like where house facilities like 84 lumber or Pace Supplies although Grossmans and Snyders offered more amenities for "do it yourselfers"). This year, the interest rate was 10.8%.

Also in an attempt to stimulate loan growth, the auto loan rate was lowered in May and June from 10.8% down to 10%

A campaign was also launched by the Education Committee to inform non-members about the benefits of credit union membership. A comprehensive membership guide was put together, and the manager was charged with going after the 900 potential members in the sales staff...the more white collar employees that may not have previously considered membership before and who remained the target this year as last year for new membership.

In April of this year, President Carter signed into law a modified credit union bill (Credit Union Modernization Act 1977-78) that gave credit unions the ability to offer a wider range of services that had until then remained the bailiwick of the banks in America. One of these services was "home loans" (mentioned above). As a result of this, more pressure from the banks and lobbies in congress were feared by credit unions in general, and by the end of the year there were speculations about the possible loss of tax-free status on the credit union industry. Credit unions had enjoyed tax-free status as non-profit organizations; it was that tax-free status that partly enabled them to offer better rates on shares and loans to members. This fact had always stuck in the craw of banks that saw the credit union movement as an encroachment on their market. This was to be the beginning of a more forceful commitment throughout the credit union movement to maintain and gain ground in the financial industry in a "war" pitted against them by the banks and savings and loan organizations.

The delinquency rate fell again to 2.00%; this represented a continued positive trend on the overall collection practices adopted only a few years earlier.

By the end of the year the credit union attained 4 million in assets, as a result, the share dividend rate was increased from 5 ³/₄% to 6% by the end of the year.

In terms of financials for this year: All shares on deposit totaled \$3,405,042 and share certificates totaled \$69,500. Total liabilities equaled \$4,121,079. The total loan portfolio was \$3,908,614, common trust investments totaled \$50,212, and the total in loans owed to other credit unions was \$17,000. Gross income for the year was \$398,647. Operating expenses totaled \$169,305 and the total in interest dividends paid to members was \$168,780. The total in undivided earnings this year totaled \$20,698.

At the end of the year there were a total of 4,446 members.

1978 – In October a grand opening of the new larger office in building 1 was held; at the opening a drawing was held and the winners had \$5.00 deposited to their accounts. With the renovations complete, there were a total of 7 teller stations. More were needed to accommodate the volume of traffic on paydays. The computer system was moved so they were closer to the tellers; this facilitated giving out transaction receipts. As promised, a loan interview office was added. Also, a modern security system was installed that allowed 35 mm film shots of several vantage points to be taken if a security concern made it necessary. There was also a proper walk in vault; the ceilings in building 1 were twelve feet high at the time, so the vault itself appeared as a large enclosure that did not extend to the ceiling. It was eight feet high and about 10 feet square, and it finally afforded the credit union the ability to carry more money for paydays and the added security that was lacking up to now.

Below is a unique view of the work area behind the teller line. Seen at work are Kathy Mohn and Shirlee Nicolino.



Below is a security camera picture that shows both the lobby and behind the teller line. Notice the large typewriter looking machine: it is one of the CunaData machines shared by two tellers; see also the green bar paper fed from below. That bar paper was what became the members receipt for the transaction. All info about the transaction was entered into the CunaData machine and confirmation and account balance printed on the paper. Notice on the teller counter were calculators that were very expensive at this time. Also, the past three years worth of annual meeting booklets and their awards are displayed to the right of the door. As one exited the door shown one faced building 53 and to the left, building 38.



Above is a security camera picture that shows both the lobby and behind the teller line. Notice the large typewriter looking machine: it is one of the CunaData machines shared by two tellers; see also the green bar paper fed from below. Also, the past three years worth of annual meeting booklets and their awards are displayed to the right of the door.





The preceding three photos were all taken by the security camera system at the West Point credit union. The first two are "double" prints that occurred a few seconds apart from the same camera. Snapshots of the office would be taken periodically throughout the day and when the film was exhausted it would be processed and then saved. Shown here are individual frames from rolls of that processed film that still exist. The picture immediately above was taken by the camera that appears in the top right area of the picture seen earlier that gives a view behind the teller line. Of interest in this shot is the ashtray on the far left of the counter. At this time it was permitted to smoke not only within plant site but also indoors. Members could smoke while waiting in line and credit union employees were permitted to smoke in the office as well.

This year saw the complete overhaul of the credit committee's loan policy. It got much more specific in its wording and scope. What follows is the new policy as it appeared for the first time in the 1978 annual report (presented at the annual dinner meeting on March 11, 1978):

LENDING POLICY

The Merck Sharp & Dohme Employees Federal Credit Union will not discriminate against the race, color, religion, national origin, sex, marital status and age of any applicant, providing the applicant is capable of entering into a binding contract. All applicants will be judged on their individual credit-worthiness. Any deletion or misrepresentation of information on the credit application will subject said application to rejection.

The maximum loan to any member will be ten per centum of Merck Sharp & Dohme Employees Federal Credit Union's unimpaired assets.

Secured Loans

Secured loans are subject to the limitations stated in the lending Policy; also subject to collateral proviso.

Unsecured Loans

1. Members with one to ten years of continuous employment are eligible for an unsecured loan of \$3,000.00. Members with ten years or more of continuous employment are eligible for an unsecured loan of \$5,000.00.
2. No member who has been employed less than 90 days is eligible for an unsecured loan.
3. Credit history may limit eligibility for an unsecured loan.

Vehicle Loans

New Vehicles

1. May finance up to 75% of purchase price - sales tax, registration fees and other charges excluded.
2. Maximum repayment period to be determined by Credit Committee.
3. Interest rate 10.8% APR.
4. Qualifications - current and previous year models must never have been titled.
5. All new vehicle loans at 10.8% to be secured by title regardless of amount financed.

Used Vehicles

1. May finance 100% of N.A.D.A retail price up to unsecured loan limit. Any used vehicle loan above the unsecured limit will be treated in the same manner as a new car loan, whereby only 75% of purchase price may be financed.
2. Maximum repayment period to be determined by the Credit Committee.
3. Interest Rate 12% A.P.R.

All vehicle loans subject to fair market value appraisal. Purchase prices found to be inflated to meet loan requirements will be disapproved.

Home Improvement Loans

Signature Loans

1. loan limit not to exceed the unsecured limit for each category of employment.
2. Maximum repayment period to be determined by the Credit Committee.
3. Interest rate 12% A.P.R.

Secured Loans

1. Amount financed must exceed \$2,600.00.
2. Loan to be secured by lien, judgment, deed of trust or second mortgage.
3. Loan will be limited to 75% of the property equity (fair market value minus mortgage balance).
4. All checks to be made payable to contractors or material supply houses.
5. Maximum repayment period to be determined by the Credit Committee.
6. Interest Rate 10.8% A.P.R.

Loan for Other Purposes

1. Loan for other purposes will be classified as either secured or unsecured and will be handled according to policies established in those categories.
2. Maximum repayment period to be determined by the Credit Committee.
3. Interest Rate 12% A.P.R.

Youth Loans (Under 18 years of age)

1. Maximum loan

12 – 14 years of age	\$200
14 – 16 years of age	\$400
16 – 18 years of age	\$600

2. Member must have parental consent
3. Co-signer not required
4. Applicant must have 25% of amount required in a regular share account.
5. Applicant must have steady income. Allowance is acceptable, but must be verified by parent.
6. Maximum repayment period

\$200	24 months
\$400	24 months
\$600	30 months

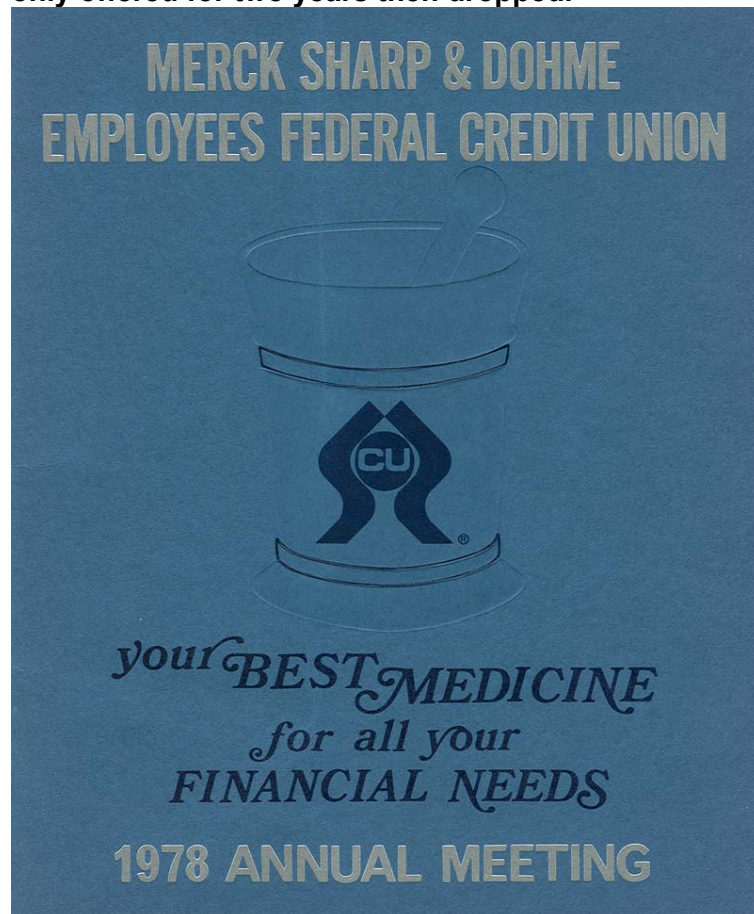
7. Interest Rate 12% AP.R.

Collateral for all Secured Loans

1. Vehicle titles - equity will be based on N.A.D.A trade-in allowance.
2. Stocks & Bonds
 - A. Must be assignable
 - B. 75% of market value
3. Property - 75% of equity (fair market value minus mortgage).
3. Credit Union Shares 100% of amount in regular share account.

In April of this year the credit union once again offered a promotional auto loan rate. The normal interest rate of 10.8% was replaced by a rate of 9.6% for the months of April, May and June. The promotion resulted in 154 new car loans.

Of interest to note is the section in the lending policy on Youth Loans. One may be tempted to ask how this was possibly legal. In some ways it wasn't. Minors cannot enter into legal contracts and loans are legal contracts and youth loans are for those under legal age, so essentially the credit union was taking all the risk in offering these loans since there was no real possible recourse if the loans fell in default. They were intended as a way of generating interest in the credit union among its younger members and potential members. There was obviously some responsibility assumed on the part of the parents, but these loans were intended to help youngsters buy a new bike or some other item while at the same time teach them about borrowing. Since these loans were not of high dollar figures the credit union was not assuming a great deal of risk, but they were only offered for two years then dropped.



The Annual Dinner meeting was held on March 11th for the second year at Bentley's Steakmaster at the intersections of Routes 202 & 63 in North Wales starting at 6:30. Entertainment was provided by Henry Carter.

Until this year, the credit union had no "official" logo; when a logo was used, such as in letterhead, the symbol of a globe with hands on either side was used. This was the symbol of CUNA. Bill Gadd designed and drew the Mortar and Pestle logo that was adopted as the official credit union logo; in the center of the logo was the official credit union symbol, which at this point had been slightly changed. The phrase "Your Best Financial Medicine for All Your Financial Needs" was also used in tandem for the first time this year. The logo appeared for the first time on the cover of the annual meeting booklet this year.

A questionnaire was submitted to the membership asking if Visa charge cards and draft accounts were additional services they would be interested in.

In April a credit union delegation went to The PA Credit Union League Convention (held in Reading). At the convention the credit union won two awards: Mark Pelligrino (age 25) won the title of PA Youth Ambassador for his knowledge of the credit union movement and public speaking skills. First prize, for the second time in as many years, was given to the credit union for the annual review booklet (booklet produced in 1978 for the 1978 annual dinner covering 1977).



Seen above are Joseph Robinson (current President) and Bob Muzslay accepting the The National Credit Union Administration Thrift Honor Award for 1977 again presented to the credit union this year.

The Credit Union Modernization act that passed in April 1977 allowed credit unions nationwide to offer more bank-like services. One of these enabled the credit union to be more aggressive and versatile with the share certificate program. Share certificates had been offered before now, but the new products were more like CD's offered at banks. With the inception of the new CD program, all old share certificates were liquidated to members share accounts. Variable rate share certificates were introduced which supplanted the old share certificate program introduced in 1970. Initial response to the new program was by no means overwhelming, with only \$16,184 invested thusly, but promotions were planned for the following year that were anticipated to generate more interest.

The new Share certificate structure:

30 – 47 month term.....\$500.00 minimum.....6.50% dividend
48 – 59 month term.....\$500.00 minimum.....7.00% dividend
60 – 72 month term.....\$1,000.00 minimum.....7.50% dividend

These share certificates were discontinued a short time later for reasons that are unknown.

The act also allowed for the offering of share drafts and home loans to be offered by credit unions. There was of course, however, the expected retaliation from the banking industry. The American Banking Association filed suit against the credit union movement arguing that the share draft program credit unions were now allowed to offer was illegal. For this reason primarily, and also due to strong opposition within the board on the topic of drafts in general, the board of directors decided to postpone offering share draft accounts. The other lesser reason for the postponement was for the belief that draft accounts would cost money to maintain and service, and it was decided that the percentage of members that would use the service would be too small to justify the cost to the membership at large.

There was also fear throughout the credit union industry that the Carter administration had specific intentions to rescind the tax-exempt status of credit unions. In the annual meeting booklet President Joseph Robinson made a plea to all members to present a unified front in support of the credit union movement by writing letters to Congressman and Senators and to contribute money to the Pennsylvania Credit Union Action Committee (PACULAC), the political action committee that was continually fighting to keep credit unions' tax exempt, to help defray the costs of their endeavors.

Offering first mortgages was debated by the board at great length, and the idea of entering into a partnership of some sort with local banks was considered. As of the end of the year, however, it was decided that the venture would not as yet yield the dividends necessary to justify the program as viable or profitable to the overall membership.

There were more extensive layoffs this year at Merck. As a result, the delinquency rate rose by 1% over 1977 figures. This increase did not seriously jeopardize the overall credit union standard and still fell within parameters set for PA credit unions of similar size (\$ 5,073,361 by years end). The collection procedures (now standard operating procedures) were in place to handle this increase, which generally only fell within the 2 to 6 month delinquent range.

The Education Committee continued to promote the credit union this year. The new bi-monthly credit union consumer oriented publication "The Dividend" was made available to members. Currier & Ives Christmas place mats were made available to current and new Christmas club account holders. Mailbox banks were sold and 1979 pocket calendars were given out starting on Credit Union day October 19th as were free deserts to all members.

The loan portfolio at the end of the year was: \$4,884,570 in loans; new money growth was up by only \$546,537. Total Assets stood at \$5,073,362. The year ended with an undivided earnings total of 29,126. Loans for 1978 increased by 25% over loans for 1977, which resulted in an increase in income of 29% over 1977. At the same time, regular reserves and undivided earnings increased 32% over 1977, but due to the credit union's rapid growth, regular reserves and undivided earnings as a percentage of risk assets increased only 1% over last year.

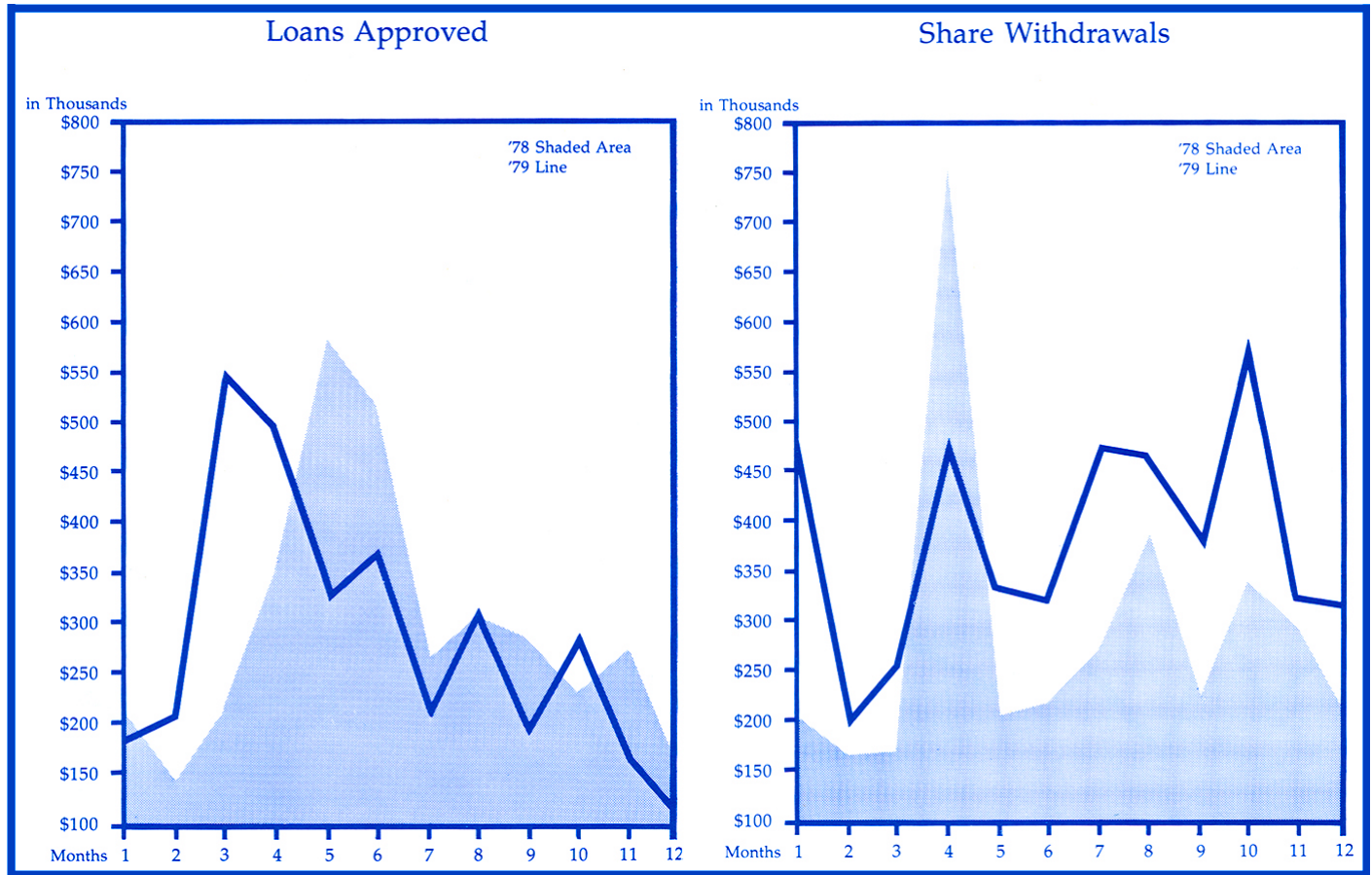
At the end of the year the membership totaled 4,531.

1979 – This was a difficult year for the credit union and its members, not to mention the entire country. Severe inflation (topping out at 13% by the end of the year) provoked a reaction by The Federal Reserve to increase the prime-lending rate from 11.50% in January to 15.25% by December. By the 4th quarter of this year, the rate on borrowed funds was at 16.25%. The legal cap on interest at which credit union could lend money to its members was 12%. Due to fierce competition among financial institutions in general, and some banks specifically who were offering as much as 11% on savings deposits and short-term money market cd's the credit union again experienced disintermediation. As a result, share deposits were down. Typically when share deposits fell short of balances required to grant loans, the credit union borrowed money in the form of notes payable from other financial institutions. It was of course impossible to borrow funds at 16.25% and loan it out at 12%. What follows is a timeline of the changes in the prime-lending rate over the course of this year:

1978-12-26	11.75%
1979-06-19	11.50%
1979-07-27	11.75%
1979-08-16	12.00%
1979-08-28	12.25%
1979-09-07	12.75%
1979-09-14	13.00%
1979-09-20	13.25%
1979-09-28	13.50%
1979-10-09	14.50%
1979-10-24	15.00%
1979-11-01	15.25%
1979-11-09	15.50%
1979-11-16	15.75%
1979-11-30	15.50%
1979-12-07	15.25%

As a result, there were 6 to 8 week periods of time when there were again waiting lists for loans since the shares simply were not on deposit with the credit union to lend out, plus the fact that it was still necessary to sometimes borrow money in order to cash out payroll at the end of the month. It was during this time that very few loans were approved since the money simply wasn't there. To further complicate this, the National Credit Union Administration (NCUA) enacted into law a provision which mandated that all Federal Credit Unions keep on reserve in cash or liquid assets (defined as having a maturity term of six months or less) 5% of member shares. In order to be in compliance, the credit union had to take \$250,000 and put it in an account that could not be loaned out, it had to remain liquid.

The challenge was to somehow raise shares on deposit in order to continue lending. The Education committee devised a contest; the prizes were an AMC spirit and a 1980 Moped; 8 \$25.00 gift booklets were “runner up” prizes. The contest was designed to generate as much in new money deposits as possible. For every one hundred dollars in new money that a member deposited they were given a ticket. At the end of the three-month promotion a drawing was held and prizes presented to the winners. The contest was a complete success with \$400,000 in new money share deposits generated. Loans remained possible with the modified lending policy. There were over 4000 tickets issued and the two grand prizes were awarded to Bernard Haney, Jr. and Art Gangloff respectively.



Above are graph representations of loan and share activity comparing 1978 and 1979. This illustrates the problems the credit union had as described above.

The Annual Dinner meeting was held at the High Point Racquet Club on Saturday March 24th at 6:00pm. The entertainment was provided by Leroy Heffentrager.

There was also an official name change this year. “Employees” was removed from the name: Merck Sharp & Dohme Federal Credit Union took on the name it currently holds. “Employees” was dropped in order to shorten up the name a little. “Employees” seemed redundant anyway, since the credit union was started by employees, who else would it be for? Also of significance is that the Sharp & Dohme was intentionally kept in order to pay homage to the company under which the credit union had actually started. Although Sharp & Dohme only grudgingly gave their support to the credit union eventually, the

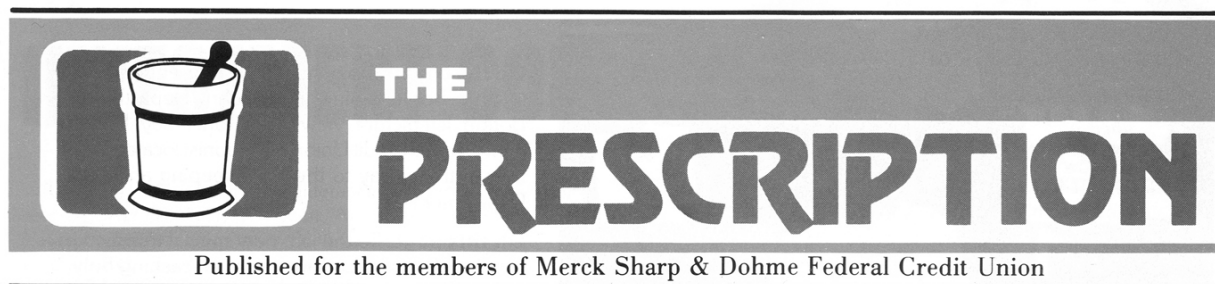
board of directors felt that it was important to remember the original company. In any case, there was wisdom perceived in maintaining some differentiation from the Merck credit union in Rahway if for no other than a practical reason.



Above is an example of the new letterhead as it appeared after the name change that removed "employees" from the official credit union name.

There was an Avis off lease car sale held on March 30th & 31st where many 1978 and 1979 used fleet vehicles were available for purchase to members.

The Prescription member newsletter was started in an attempt to keep the membership better informed of credit union services and financial news. It was a mailer sent directly to members every other month (not included in their statements which were all quarterly at this time).



Above is how the title of the Prescription is believed to have looked when it was first introduced. This is actually an example of a copy from 1983. I have been unable to find a copy of the actual first issue or any other that predates 1983.

In their continued campaign to promote the credit union, and apart from facilitating the promotion that "saved" the credit union this year, the Education Committee also contributed to the State & National Advertising program that advertised for credit unions at the Lake Placid Olympic games this year. 300 towel calendars were given to new and contributing Christmas club account members. And young members were given US postal Banks for opening new accounts. The Dividend and Everybody's Money was also made available at the office for members who were interested.

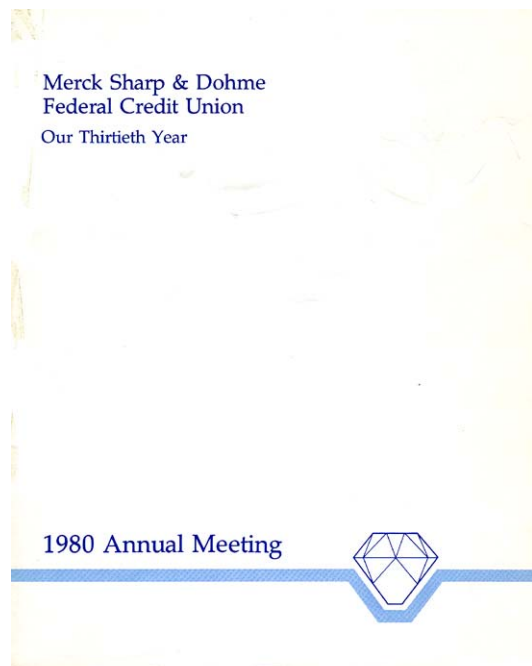
By the end of the year as a result of the Educational Committee's promotion this year and by monthly adjustments to the lending policy in order to slow loan demand, the waiting time for loan approvals were once again reduced down to a few days rather than a few months.

At year-end the loan portfolio stood at \$5,671,278. The delinquency rate was 3% of loans outstanding.

Amazingly, the credit union's overall growth rate was at 25% over 1978, and income increased 21% while operating expense kept pace at 21%. Even though the interest rate this year remained at 6 ¼ % and the resultant interest paid out to members increased by

\$43,000, a total of \$247,982, retained earnings still increased by \$ 24,000 to a total of \$104,774. Assets for the year were at \$6,352,993.

Despite the rocky times, there were 422 additional members added bringing the total number of members to 4,634 by the end of the year.



1980 – MSDFCU celebrates 30 years of service!

The Annual Dinner Meeting is held on Saturday March 28th at the Westover Country Club starting at 6:00 pm. Jumpin' Jacks provides the entertainment. Over 300 members and friends were in attendance.

The share deposit raffle was such a success in 1979, two more promotions were held this year in a further attempt to avoid borrowing money to grant loans. They were handled the same way as last year with tickets issued for every \$100 deposited in new money. The first of these was called "Diamonds are a Members Best Friend". The purpose of this was to increase payroll deductions coming into member's accounts. There were three prizes awarded: a 1-carat diamond, a half-carat diamond, and a quarter carat diamond. The three prizes were won by Bob Folk, Joan Sellers-Moyer and Leo Ruffing respectively. The second promotion was called

"Beyond the Blue Horizon". This promotion generally encouraged share account deposits and was held over a three month time period. First prize was a 1981 Plymouth Horizon, second prize was an Hawaiian vacation, and third prize was a blue sapphire ring. The winners of this promotion were Paul Sucro, Esther Rittenhouse and Mike Pulli respectively. All totaled, the prizes cost the credit union \$10,000. The outcome to the credit union and membership was phenomenal. Almost \$600,000 in new share deposits was made with these two promotions. The credit union was able to continue granting loans all year without incident. Finally, the check cashing practice was allowed to continue unabated; it had so many times in the past been threatened by cash shortages. Were it not for the new money generated, both loans and check cashing may have been in peril of serious curtailment as the alternative would have been to borrow money to continue both, and that would have seriously depleted or annihilated the annual profits or share dividend rates this year.

The impossible cap of 12% was also lifted as a lending restriction to Credit Unions; as a result, the maximum loan rate was increased to 15% which was in fact very competitive as compared to other financial institutions of the time. Loan totals overall did suffer, however. The economy was still on very shaky ground and consumers in general were reluctant or simply unable to spend in the same volumes as they had in the past. Less spending and less money borrowed meant more money saved which resulted in a share to loan ratio of 103%. This figure was down from 107% in 1979 and 114% in 1978. This meant that the credit union was having the opposite problem it had a few years back when loan totals were too high. Now there was too much on deposit: insufficient to equalize against the loan totals that were on the books. The total amount of loans granted in 1980 was \$3,860,624, and year-end figure on loans was \$6,329,822. On the positive side the credit union did not have to turn loan applications down due to lack of

funding, on the other hand, the loan to share balance was skewed in the other direction. The Prime Lending rate actually reached the highest it had ever been (or would be up to the present) at the end on 1980 when it reached 21.5%, and that was in mid December after changing 37 other times this year alone. This was the third year in reduced loan approvals due to less money and interest rates that were so high that the loan demand across the country simply wasn't there as it had been. In a national atmosphere of some financial institutions being forced to stop loan activity altogether, this was indeed a good year!

In other financial figures for this year, Loan income grew by 15% over last year and undivided earnings grew by 51% to \$373,250. Investment income grew by 278% to \$800,061; this was one of the benefits of the high interest rates paid on CD's that the credit union invested in as a compulsory measure dictated by the NCUA and by investment strategy. This was a time to be saving money not borrowing (or spending) it. As a result as well, interest paid out to members on shares deposited increased by 27% over last year to \$346,585.

The Delinquency rate on loans was also reduced to 1.7%, which represents a drop of 44%!

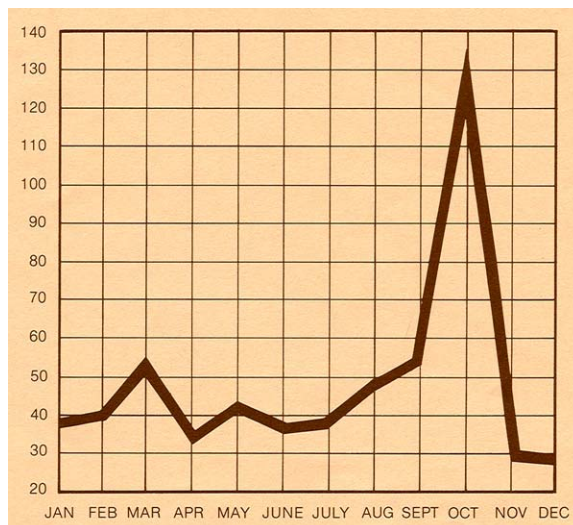
Despite the climate this year of insane interest rates and rampant inflation, the credit union grew by 18%. The year closed with assets of \$7,501,411!

Another very successful campaign by the Education Committee this year was on credit union day. See the below chart that shows the membership increase for the year. 748 new members were added in 1980; this brought the total number of members to 5,112. 1981 pocket calendars were given out and coloring books were given to those that opened youth accounts.

The Prescription was issued 6 times this year and continued to provide a method of member communication which turned out to be particularly beneficial given the overall volatility in the financial world. The credit union was, as always, dedicated to keeping members as informed as possible of market trends, interest rates, promotions and the superior products and opportunities offered.

The topic of share draft accounts was once again brought up as a necessary and beneficial service the credit union should adopt. In this year Congress officially made it legal for credit unions to offer "checking"

accounts; the debate and the apparent unstable future of the idea had ended. There were those on the board that were adamant in the belief that they were a bad idea, that they would cost money and the benefit would be negligible. The argument in favor of offering share drafts was that the benefits would be three fold: it would give the credit union enough average daily deposit balances that the credit union would never have to borrow money from the bank again; it would give the credit union money to invest; and most importantly, it would give the credit union money to lend. Bill Gadd and Bob Muzslay were instrumental in finally proposing a pilot program to determine the benefits or liabilities inherent in the product. To that end there were a number of members from weekly, semi monthly and monthly payroll schedules that were selected and over a 4-month period a closed share draft program was made available to these members and monitored. At the end of the testing phase the results were analyzed and it turned out to





be a remarkable success, and the cost to run the program was found to be so small an amount that it was essentially anecdotal. As a result, an interest bearing share draft account product was made available to the entire membership in the forth quarter of this year. It was essentially the same as the NOW accounts offered at banks (NOW accounts defined as checking accounts that pay interest). No minimum balance was required, and drafts, although not free, were inexpensive and payable through Community National Bank, Northfield Minnesota with a routing number of 091901480. The share draft program had riding on it not only hopes of increased deposits, but of membership growth as well. And as it was “in house” it was an official credit union product and therefore better than the checking account offered through Union National Bank and Trust Co. ten years earlier.

Seen here is a credit union promotional poster that advertised share draft accounts. Its origin is unknown, but it was produced in 1980.

The annual report covering this year speaks of quarterly statements sent out this year starting in September in order to verify the members’ address. And also an addendum was added soliciting any questions about the statement. This dovetails with the introduction of draft accounts for which quarterly (if not monthly) statements would be necessary.

1981 – This was another turbulent year for the credit union. Interest rates continued to rise and fall with the Federal Reserve continuing to try and offset inflation without precipitating severe recession. The share account paid a dividend of 7%, and the share draft account paid 6 ½ %. These rates, however, were insufficient as compared to rates being paid by many financial institutions.

The economy had only gotten worse the past few years. One of Ronald Reagan’s first actions after being inaugurated was to fix and stabilize the economy. He signed into law the Economic Recovery Act of 1981 in August of this year. This bill drastically reduced the tax burden suffered by most Americans. The tax rates would drop for the next three years and ultimately reduce the highest tax bracket from 70% down to 50% and the lowest tax bracket from 14% to 11%. It also allowed for the introduction of All Savers Certificates. These certificates would be offered at a calculated rate of 70% of the rate of a 1 year treasury bond which at this time would come out to 10 ½ %. The added consumer benefit to these CD’s was the first \$1000 of interest income was tax-free. The provision for these certificates was meant to benefit the savings and loan industry creating a surge in deposits and therefore allowing them to loan out the money in personal mortgages. The effect of this was felt most severely in the 4th quarter, when larger than normal share withdrawals again seriously hampered the disbursal of loans. Although credit unions in general were allowed to offer these CD’s, MSDFCU did not, so

once again disintermediation took place. Members took advantage of the All Savers Certificates that were offered elsewhere and withdrew their savings in uncomfortably high numbers.

Members who open draft accounts starting this year receive monthly statements rather than quarterly statements, and these monthly statements give transaction information on all their accounts not just drafts.

The rate on home improvement loans and new car loans was 14 ½ %, and the rate for all other loans was 16 ½ %. These rates were quite reasonable compared to what other financial institutions were offering. Although rates went down by a slight amount this year, they would continue to fluctuate between 20% and 15 ¾ %. Furthermore, they continued to fluctuate violently until 1985 when they finally reached single digits again. The enactment of the Economic Recovery Act was however the turning point for the prime lending rate, and from this point on (with the exception of one instance) it continued on a path of reduction. A total of 1,136 loans were approved this year, down from 1167 approved last year. The total in new money lent out was \$3,661,783.

The loss of shares to loan out had become a feared and familiar pattern in recent years, and once again, it would have been impossible for the credit union to borrow money to make loans and continue cashing payroll checks, as had been a most viable option for years past. The Education Committee once again essentially saved the credit union from the eminently undesirable alternative of a halt to all lending. From August through November saw two to three week waiting times for loans, and even then, only a few loans were approved every week. But loans were only possible during this time due to the "Who Luv's You Baby" promotion. This promotion was a chance drawing as were the previous promotions. Every member who took part in the drawing got a free tee shirt for his or her deposit. The prizes were a Chevy LUV pick-up truck (won by Gene Nowacki) and a weeklong "Luv" boat cruise to the Caribbean (won by Ed Doman). The promotion brought in \$350,000 in new deposits, and although at a snails pace, loans continued to be possible during this time.



Seen above is credit union youth ambassador Marialyce Hirsh and Mark Pellegrino selecting the winning LUV promotion winners.



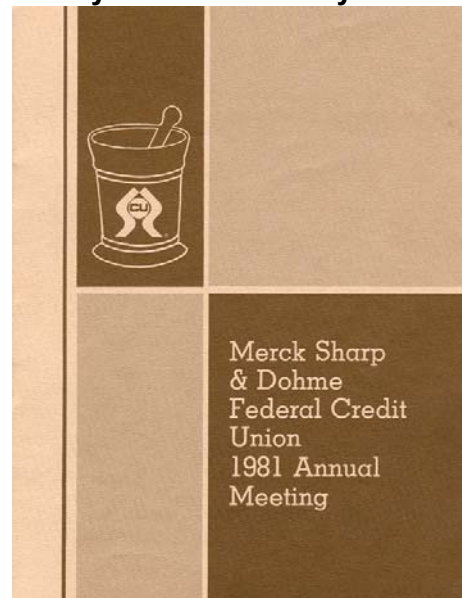
Above is the West Point office during the “Who Luvs You Baby” promotion with the office decorated and the employees wearing the promotional tee shirts. Clearly visible are Shirlee Nicolino and Lonna Jennings.

The Annual Dinner meeting was held at the Westover Country club on Saturday March 28th at 6:00pm; Jumpin, Jacks provided the entertainment. This was the first year that the Hoffman Award winner was featured with a photo and bio in the annual meeting report. The annual booklet was unique this year as the only one to be printed on textured paper and entirely dark tan in color.

From an overall financial perspective this was a good year for the credit union. For the first time in its history, the credit union realized over 1 million dollars in operating income, and 40% of that was paid back to members in share dividends. Delinquency on loans was at 1.9% which was up from the previous year but still well below the NCUA mandated 3% for credit unions of comparable size. By years end, actual expenditures exceeded the budget by only 3%.

Regular reserves increased 49% over last year and undivided earnings increased by 57%, which assured a continuation of good rates to be paid on share deposits next year.

As this was an unpredictable year, the VISA card offering which had been planned for this year was temporarily shelved, as was the idea of offering IRA accounts. This was not a year of change but of “holding firm” on the status quo. It was prudence and steady management as well as the dedication of the staff and certainly the faith and trust of the



membership that prevented disaster and instead made this year a relative success when so many other financial institutions were having problems.

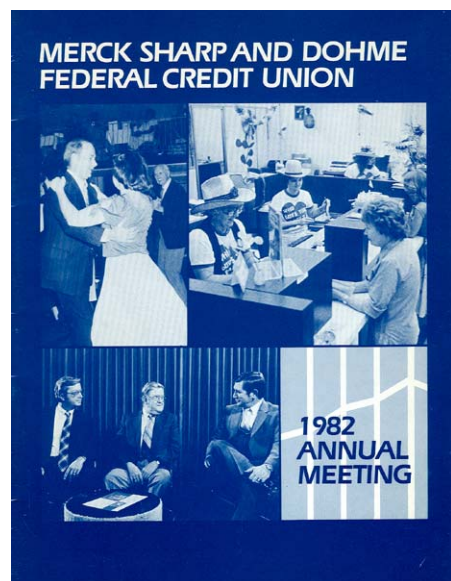
Other promotional information: Membership rose by slightly over 500. A total of 753 new members joined this year; many of them joined during credit union week when membership cost was reduced back to 25 cents. The 10,000th account was opened this year by Robert Scholz, a sales rep from Houston Texas who was at the West Point facility for training. He was awarded \$100, which was deposited to his account. Total membership reached 5,630 this year.

The Prescription officially went to a quarterly publication this year. The reduction from six issues to four a year was a cost cutting measure, but it also made sense to simply make it a quarterly newsletter that would contain information relevant to the last three months progress and the promotions for the next three months. As a promotion for members to read the publication, each issue throughout the year had member numbers “hidden” throughout the issues, and Dale Eastmen, Billy Frasch, Joan Beidler and Patricia Shupe were each awarded \$5 for spotting their account numbers in the issues.

Based upon recommendations of the board, the members and an internal audit, there were two recommendations made last year to be implemented this year. It was decided that an additional teller machine was required in order to better handle member traffic, and the resultant additional staff needed to be hired. The additional terminal was installed and two part time tellers were hired. The additional staff took some of the pressure off the office staff already at the credit union: Bob Muzslay, Mark Pellegrino, Peggy Fegely, Ann Nichols, Shirlee Nicolino, Kathy Mohn and Annette Ziegler.

1982 – Despite the continued instability in the economy and interest rates, this year was much better for the credit union. There was no loan crisis at any point; although loan approvals dropped off severely in the last three months, this trend was more in keeping with the normal trends experienced that were to be expected: normal member trends. Loan interest rates remained unchanged this year. The total in the loan portfolio was \$9,514,518.

Interest on regular shares was increased to 7.5%, and the rate on the draft account was raised to 7%. The share draft program continued to be very successful and justified itself as a service that was desired by a large portion of the membership. By the end of the year, 1.5 million dollars was moving through the share draft system.



The Annual Dinner Meeting was held at the Indian Valley Country Club on March 27th at 6:00pm. The entertainment was again provided by Jumpin’ Jacks. At the meeting Kenneth Brehm Sr. steps down as President and extends his heartfelt appreciation to the members, the staff and credit union employees for their hard work and support over his 3 years in the position.

Another important development this year was through improvements in technology the posting of payroll deductions was effective on the first of the month rather than on the tenth as had been the practice since 1968. This was a great improvement on the system and a significant benefit to the members because until now, the member had been paid their full check, but were unable to do anything with the funds posted directly to their credit union account for 10

days. The deduction still showed on the members Merck pay stub with all other deductions such as health insurance premiums, taxes and retirement allocations.

Bob Muzslay is appointed as the Loan Officer during this year. Previously the position had been held by a director, most recently Joseph Robinson. It was now decided that the job would be better performed by a full time employee who could have full time hands on interaction with the members.

IRA accounts were offered for the first time this year. Another outcome of the Economic Recovery Act of 1981 was the dramatic reduction of income tax for all Americans. Along with this was a significant change in IRA eligibility. IRA accounts were started in 1974, but before this act, eligibility to take advantage of IRA accounts was restricted to workers who were not already covered by any qualified employment based retirement plan. This rule excluded many Americans from taking advantage of supplementing their retirement, particularly employees who were part of a qualified plan that involved only meager profit sharing. With the changes brought about with this new legislation, most Americans could take advantage of the additional savings plan. Anyone under 70 ½ could contribute to IRA accounts and the maximum annual contribution was raised from \$1,500 to \$2,000; an additional \$250 annual contribution was also allowed for non-working spouse. Credit unions were allowed to offer IRA's before this act, but there was no point in MSDFCU offering them since Merck had its own retirement plans in place. Once this act took effect in October of last year IRA accounts got added to the board of directors wish list, but they wanted to see if the recent changes were going to change how Merck's retirement packages would work. No one would be well served by a conflict between the two organizations. In the first quarter of this year there was no perceived conflict and the market appeared to be stable enough to offer them, so IRA savings accounts were introduced. The "introductory" rate of interest paid to these accounts was 12%; this rate was decided upon in order to stimulate interest in the program and was higher than that offered by any other local institution; 12% was quite high since historical data shows that the cost of savings index (loosely defined as an average of what is paid on savings accounts) showed an average of between 1 and 1 ½ points lower than this being paid on deposits, and the cost of deposit index (very loosely defined as the average "best" CD rate) as 12% at this time. It was also realized by the board that it might not be possible to continue offering such a high yield once the participation in these accounts rose beyond a certain percentage of overall shares. By the end of the year total IRA shares on deposit was half a million dollars, and the program received high praise by the members.

Andrew McPherson was elected President this year (for the first time), and immediately set out on a campaign to present ideas for overall improvement in operating procedures and member service. He instituted the Long Range Planning Committee. The purpose of the body was to, as the name suggests, take a more forward-looking approach to changes in service in response to market trends. The desired result being to more efficiently plan for improvements as deliberate rather than in reaction to current trends and to adequately recognize member needs and act on them before the members knew of these needs. Beyond that, it was intended that the credit union continue to be not only competitive with other financial institutions, but to be the best of all possible choices. The Hoffman Memorial award program was also expanded. The enacted three-year plan consisted of increasing the



W. Andrew McPherson

amount from \$2,000 to \$4,000 in three years, and to present to three recipients (instead of just one) a tiered award system:

1983: \$ 1000.....\$ 600.....\$ 400
1984: \$ 1500.....\$ 900.....\$ 600
1985: \$ 2000.....\$ 1200.....\$ 800

Another long-range goal was to add more office staff in order to keep pace with the ever-increasing demand of the members, and restructure overall office operations. Although more staff was added all other changes did not come about until next year.

The Federal examination this year found the credit union in such exemplary financial and operational compliance that their highest rating possible was given. This was seen as a tribute to the fine working order of the organization in general and to the dedication and skill of the office staff.

801 new accounts were opened this year, but as explained previously, as in years past, the membership did not grow by this amount. Every year saw the closure of accounts, so the actual membership at the end of the year stood at 6,120.

The credit committee did a number of things to promote credit union membership this year. During credit union week in October, a membership brochure called "Have I Put My House in Order" was handed out to members as well as "Important Credit Union Papers" folders. Also, the credit committee obtained forms for applying for social security numbers to make it easier to apply for accounts in the name of newborns. 190 accounts were opened during credit union week this year. New Christmas club accounts were promoted this year with Holly berries Tea Towels for the adults and wooden credit union truck banks for the kids. The farmers Almanac was also given out this year in addition to 1983 pocket calendars.

Total shares on deposit were \$9,332,249 at the end of the year and total liabilities and equity stood at \$10,735,030. This represents another milestone for the credit union passing the 10 million dollar asset mark. Not only that, but assets overall increased by \$1,815,676 over last years figure of \$8,919,354. The result was an increase of 17%! Further, total income rose by 23% over last year while expenses (excluding dividends) rose by only 1%. The total dividends paid to members this year rose from \$403,723 last year to \$537,460; this is an increase of 39.5% of income to 43% this year: an overall increase of nearly 25%. The reason for the increase was a general increase in member participation in the share draft program and the new IRA accounts.

1983 – Office operations underwent a major overhaul and reorganization this year. The plans began the previous year, and by summer of this year changes were completely implemented and in place. Before now, the hierarchy consisted of manager, assistant manager, senior assistant, junior assistant and "general" office staff, which would be considered more strictly as tellers. There was only one office: Building 1 at West Point. The West Point office was the credit union; it was not a case of a fully functional office, the office was the credit union and every aspect of credit union operations were performed there. The manager answered to the board (or more specifically to the treasurer), and the board operated as a governing body as well as universal decision makers through various committees. Many different credit union functions that were not directly handled by the board were undertaken in a very general way by the entire office staff. It was not uncommon for the manager to perform lending as well as collection duties. The assistant manager would oversee the tellers but also perform accounting duties. Any one employee wore many hats. Although some felt the change was long overdue, up to this point the

more generalized functions of all employees had worked given the credit union's size. Now, however, it was decided that departmentalization was necessary in order for the efficient and modern continuation of business performed. There had to be a separation of duties.

It was decided, therefore, to create three distinct credit union departments and in doing so compartmentalize functions into more efficient units of operation. The three departments were Bookkeeping, Teller and Loan departments. Each department was overseen by a supervisor who in turn reported to the assistant manager: Mark Pellegrino.



Shirlee Nicolino

The Loan department, obviously, handled delinquency, loan interviews, loan signings and approval, loan checks, property searches and titles. Shirlee Nicolino was appointed Loan Supervisor (at phone number 661-7154), and Peggy Fegely reported to her. Robert Muzslay, however, remained the loan officer, so he would have the final say on loan approvals.

The Bookkeeping department oversaw all account records keeping functions: general ledger balancing, all savings accounts, IRA's, the computer system, share drafts and travelers checks. Anette Ziegler (phone number 661-7149) was appointed the Bookkeeping Supervisor, and the employees that reported to her were Barbara Bonanni and Barbara Williamson.



Anette Ziegler

The Teller Department dealt specifically with teller functions and cash handling. Lonna Jennings was the first teller supervisor (at phone number 661- 6777), and her "staff" included Barbara Williamson, Donna Swartley, Robin Compton and Connie Muhl.



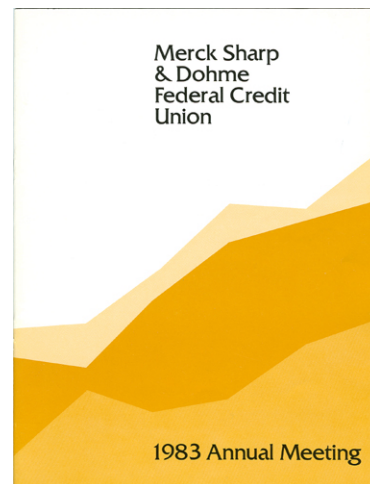
Lonna Jennings

The change in office structure was meant to make things run more efficiently and to better serve the membership. By the end of the year, all remaining conflicts of any significance were resolved and the change was

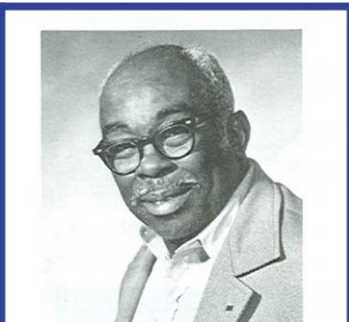
considered a success.

The Annual Dinner Meeting was held at the Westover Country Club in Jeffersonville on March 26th at 6:00pm. The entertainment was provided by Front Row.

Regarding loans this year: the total number of loans in the portfolio was 1,538 this year with an increase of 103 over last years 1,435 figure. Of the total number of loans, 357 were vehicle loans totaling \$1,811,060. It is also interesting to note that as of this time the credit union was still approving loans on recreational vehicles and boats. The second most common borrowing need of the members this year was home repair services with a total of 297 loans for purposes so labeled with a total amount of \$1,465,890. A total of \$5,349,056 in new money was loaned out this year, which is an increase of \$342,584 over last year. Also of particular interest was that for the first time since 1973, the Board Of Directors declared that there would be a 1 ¼ interest refund on interest paid to all



borrowers this year.



Daniel W. Whitehead

Starting this year, there is no longer a "membership officer". Since 1956 Daniel Whitehead had been a director and membership officer since 1963, and although he would remain on the board of directors, this year he stepped down from that membership officer position with the inception of the Membership Committee. The committee consisted of Earl Harris

(chairperson), Kenneth Brehm Sr., Sarabeth Gadd, Mark Pellegrino and John Stevens. It would be their job to find new ways to retain and increase credit union membership and would work in tandem with the Education Committee to hold promotions, present membership enticements during Credit Union Week and produce and optimally place advertising material.

There was a long awaited Master Card pilot program that was initiated in the third quarter of this year. It was restricted to directors, staff and selected others in order to judge its efficacy and soundness. By the end of the year it had been deemed worthy of the members at large and the board voted to offer it credit union wide.

The IRA program was also an unqualified success. By year-end the interest rate was reduced to 11%, but the total amount of IRA savings constituted 15% of all shares on deposit. An introductory high interest rate was offered on IRA's in order to generate member involvement. It was now such a success that the rate had to be lowered in order to remain profitable as well as successful. This may seem contradictory, but it was necessary in order to pay out only a financially responsible total of interest (generated from yearly profits). Most of the share deposit growth for this year was in IRA accounts, which saw a growth of 115% over last year.

On the topic of interest rates in general: by the fall of 1983 the share rate was increased to 7 ³/₄% and by the end of the year had risen to 8%; the share draft rate remained unchanged. Partly due to the IRA program, the total dividends paid out to members on deposits rose to 48% of income from 43% the previous year. It was also decided to pay a 1 ¹/₄ % interest rebate to all borrowers in 1983. This had been done in the past when the credit union had enjoyed a particularly good year, but many of the past few years were not good enough to warrant it.

The NCUA again increased the maximum depository amount to be federally insured from \$40,000 to \$100,000.

Loan rates were reduced across the board this year. The rate for a new car went from 14 ¹/₂% to 13 ¹/₂%; the used car rate went from 16 ¹/₂ to 15 ¹/₂ and 12 ¹/₂ % for educational and share secured loans. There was also a loan promotion, which started in October of 1983 and scheduled to end in March of 1984. The low loan rates were good for this promotion that was on all new and used cars and trucks. This time period correlated both to the period of time when loan demand typically dropped off and time periods when it is best to go car shopping. The promotion was titled "I Love My Rich Uncle". Everyone who got a new or used car or truck during this promotion received a "rich uncle" t-shirt and was placed in a drawing. The winner of the drawing would have their loan paid off (up to \$5000).

Plans were well underway this year to provide a credit union office in the soon to be completed Blue Bell facility leased by Merck at Sentry Park West. A committee was put together to make all the necessary plans to provide for sufficient space and fixtures that would allow the Blue Bell office to be a second full service office. This new and important set of developments also raised the issue of a full service credit union office off Merck plant cite. The credit union was growing bigger every year. As of September of this year (as reported in the Fall edition of the Prescription) the total number of members had reached 6,641. It was always a high priority of the office staff, the Education Committee and the Membership Officer that members know that once they were members they were always members, and that their families were also eligible to join. No better way would that message be heard and membership not decline with retirees leaving than an office outside of Merck's gates being made available. Although former employees were allowed (at this time in history) to keep their badges when they left the company, and allowed access on plant cite to do credit union business, it was not a convenient scenario to be sure. Discussions continued in the pursuit of an outside office alternative in order to increase member service.

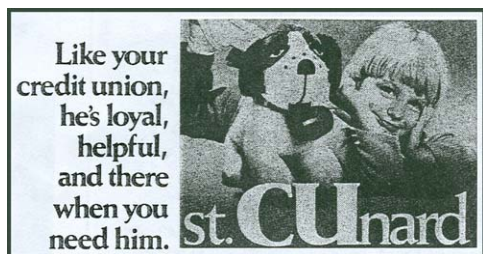
An interesting bit of information to note is the office hours that were in place as of 1983. There are no records of exactly when these hours were adopted although one can see the standard closing time that the credit union had adopted at 3:45 to allow for accounting to settle the books as well as the extended hours on Thursdays to compensate for the cessation of check cashing at 38. Office hours in this history have been documented based on the memory of interviewees and related information. The following represents the first concrete information of what the operating hours were. These hours come from the Prescription from the fall of 1983:

Monday.....8:30 to 3:45 and 4:30 to 6:00
 Tuesday.....8:00 to 3:45 and 4:30 to 6:00
 Wednesday.....8:00 to 3:45
 Thursday.....8:30 to 3:45 and 5:00 to 8:00
 Friday.....7:30 to 3:30

The reason for the break in the office hours was so that some “back office” work could be done. The office would close for an hour or so that this work would not pile up. These hours may seem erratic, but they were specifically established to cater to union shifts, particularly the late Thursday hours, which accommodated the second shift as well as the first being paid on Thursdays. The Friday early hours were in place to accommodate the third shift workers coming off their shift who were able to come to the credit union after being paid as well. The break in between hours on Mondays, Tuesdays and Thursdays was to enable tellers to settle their work. It was common bank practice that all teller work (and checks for deposit) had to be reconciled for that day before 5:00 pm in order for those deposits to “count” for that day. This was a stipulation which coincided with all checks being delivered to the fed for encoding and processing. All transactions after settlement would actually be counted for in the following days work.

There were a number of promotions to increase membership this year by the Education Committee:

- Free share draft mugs were offered to members who opened a share draft account. The mugs came in a plain style that cost \$7.65 and a scenic design that cost \$9.38. The mugs were delivered to members within two weeks of opening the draft account.



- For accounts opened for children 12 months and younger, the credit union offered a waive of the membership fee, an initial deposit of \$5.00 to the account and a plush stuffed animal dog named St. Cunard. He had a barrel savings bank attached to his collar, stood a foot tall and came with a pamphlet explaining the

story of St Cunard in a nursery rhyme format.

- The credit union sponsored a Frisbee toss contest at Merck Family Day. Of the 2,500 who participated there were six winners: two in each of three age categories, each won a bike.
- Everyone who opened new Christmas club accounts was presented with their choice of gifts: Penny Pay banks, Christmas Candy tins or Santa banks as well as songbooks and Christmas candy given free to all.
- Loan recipients were given a free deck of MSDFCU pinochle playing cards in appreciation for their business.

- October saw a reduced membership fee promotion for opening an account and free credit union tote bags as well as special credit union week embossed pens.



It was in this year that the manufacturing plant in Wilson North Carolina opened (seen above). It was a non-union facility but it was a division of Merck that was under the control of West Point. For this reason the employees who worked at the facility were allowed to join the credit union. Rosana MacDonald was the liaison for the credit union and most employees who did join relayed questions and concerns through her. All their deposits and loan payments were of course handled via mail.

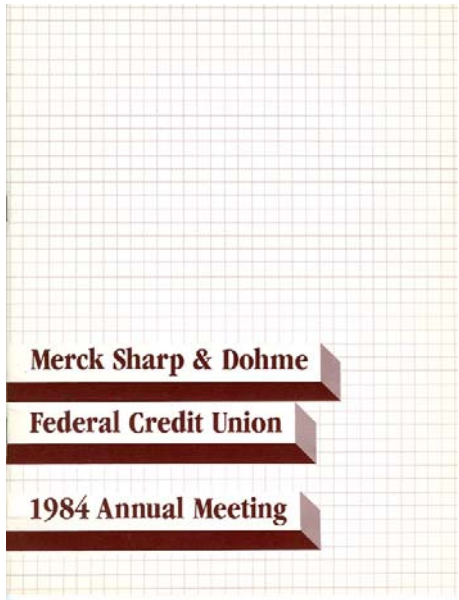
Financially speaking: Total assets at the end of the year stood at \$14,676,445. Total loans stood at \$9,968,257 with year-end loan gross income at \$1,427,607. A total of \$17,537 of that was refunded back to the members who had outstanding loans, so the net income from loans was \$1,410,070 and total income of \$1,617,658. The total in dividends paid to members was \$777,118 with a net income of \$371,214.

1984 – Through negotiations from the year before, an ancillary office, a second office was opened in Blue Bell. At the new leased facility at 10 Sentry Park West where the MSDRL division was relocated, a full service office was added to serve the members there. It was equipped with three teller stations, manager office and a loan interview office. Mark Pellegrino was appointed as branch supervisor and was accompanied in the move by Linda Brown who would be the teller. Travel mugs were given out at the grand opening. A new service offered at this facility was cashier service. Cash reimbursements to employees for expenses incurred were paid out at the West Point site by the cashier, who was a Merck employee. It was decided that rather than force Blue Bell employees to drive to West Point to get cashier reimbursements, the service would be performed at the credit union. This service was provided from 9a.m. to 11 a.m. by one of the two credit union employees at the teller station closest to the door, which often meant that there were two lines out the door until 11am. The credit union was reimbursed in turn by Merck for providing the service. The first phone number of the Blue Bell office was 215-834-2494.



Above and below are pictures of the building in which the Blue Bell office of the credit union was located. Specifically, one would pass the guard desk and immediately turn to the left. The office was just down the hall on the left.





The Annual Dinner Meeting was held at the Indian Valley Country Club in Telford on March 24th starting at 6:00 pm; the entertainment was provided by “Record Collector”. There was an upset this year at the Annual meeting that caused a great deal of controversy and ended with the process by which directors are voted into and out of office being changed. Up to and including this year, directors were voted into office at the Annual Meeting. All directors who were up for re-election and all candidates for those same positions from outside the board of directors were listed on a ballot provided either separately, or, as time progressed, in the back of the annual meeting booklet. Any member could run for open positions. The ballots would be cast from, and only from the members in attendance at the annual meeting. This meant that directors were voted into office by as little as 350 members, or 7% of the total membership. Although the

story changes somewhat depending on who tells it, the outcome of the election this year remains

the same: Bill Gadd was voted off the board of directors after serving for an uninterrupted 20 years as a volunteer. The reasons for it were political, and the intent by some was that he had served long enough and that his views were not in harmony with others



on the board. Both sides thought their positions were the right ones to keep the credit union moving in the best direction as they perceived it, and steps were taken to insure that he would not be voted in for another three year term at the meeting this year. Although not up for re-election herself, Sarabeth Gadd resigned her position in protest to the proceedings.

Bill Gadd had no intention of going that quietly. He decided to spend the next year doing what was necessary to get his position back. Over the years there had been many directors, many volunteers who were devoted to the credit union and the movement. In a one on one interview with Bill he stated that he loved the credit union too much to just step aside and walk away. He felt that he had a great deal more to offer. He and Sarabeth started a petition from amongst his friends and supporters with the intention of changing the way elections were held and somehow getting the results of this year's election overturned.

Membership was actually on the decline. It was decided that perhaps the credit union was not fully taking advantage of growth potential, and the long range planning committee was charged with investigating the idea of expanding the membership.

The "Rich Uncle" promotion that was started last year drew to a close this year at the end of March and paid out \$5,000 to the lucky recipient.



There were "Rich Uncle" tee shirts with the official promotional picture on it worn by the employees.





"RICH UNCLE" CONTEST WINNER, LORRAINE SCHMIDT (third from right) IS SHOWN RECEIVING A CHECK TO PAY OFF HER LOAN BALANCE. PRESENTING THE CHECK IS SHIRLEE NICOLINO. ALSO SHOWN (left to right) ARE DONNA SWARTLEY, PEGGY FEAGLEY, LONNA JENNINGS & MARK PELLEGRINO.

The Master Card program that underwent a pilot phase last year was offered to the membership this year. The response was very positive. Charges are possible, but the cash advance feature would not be available for five years.

Picture of a promotional key-chain that advertised the new MasterCard program.



The board began looking into entrance in the automated teller machine system. By the 4th quarter of 1984, a decision was made to become part of the CASHSTREAM program. Plans were set in motion in conjunction with Merck and Co to have an ATM on the West Point facility by the middle of next year.

This year saw the longest strike in the history of Merck thus far. In August of this year there was a walkout that lasted 15 weeks and affected 4000 Merck employees at many facilities across the country including West Point. Merck's insistence was that pay cuts were necessary because they were paying their employees too high a wage in

comparison to peer companies and the expenditure was making it difficult for the company to compete. There were proposed benefit cuts and a wage reduction for new employees. This was not the first strike since the credit union started and there were procedures set in motion every time a strike seemed possible. On this occasion the countermeasures were set in motion. The credit union rented the clubhouse in the condo community at Chattham Village on Valley Forge Rd and made it known at the union office on North Wales Rd. that any union member who needed credit union services could go there, since they were of course not allowed on plant cite while the strike was going on. Every morning while the strike was on at least two employees went over to set up and members would visit the clubhouse and cash their unemployment checks, make deposits, transfers etc. If they needed something more involved like a loan signing for example, the employees would go back to the credit union office and prepare it for the next day. Credit union employees were not union or Merck employees, so they were not restricted from entering the facility. The strike ended in November, so things eventually got back to normal, but this episode made obvious to some on the board that it was necessary and desirable for there to be an office entirely off Merck property. And although all mention of the strike specifically was omitted from the annual report covering this year, the increased desire for an outside office was included in future long range planning goals. The strike also caused a temporary sharp increase in the delinquency rate on loans. Obviously the strike had a ripple effect that also took months to recover from, and although the delinquency was a challenge, it did not ultimately result in any loan loss or any other lasting effects, it was simply another expected result of the strike. There were a few minor strikes before and after this one but none that were nearly as long or that disrupted credit union operations.

Effective as of February 22nd of this year, the Loan Policy underwent many changes. The following is the new policy.

A Secured Loans

Secured loans are subject to the limitations stated in the Lending Policy; also subject to collateral proviso.

4. Credit history may limit eligibility for an unsecured loan.

B. Unsecured Loans

1. Members with one to ten years of continuous employment are eligible fur an unsecured loan of \$4000.

Members with ten years or more of continuous employment are eligible for an unsecured loan of \$6000.

2. Must be a member of the Credit Union for 90 days before being eligible fur an unsecured loan

3. Any new employees on probation are not eligible for an unsecured loan for the duration of the Probationary period.

4. The Master Card credit limit is included in the unsecured limit

C. Vehicle Loans

New Vehicles

1. May finance up to 85% of purchase price - sales tax, registration fees and other charges excluded

2. Maximum repayment period to be detonated by Credit Committee.

3. Qualifications - current and previous year models must never have initial title.

4. All new vehicle loans to be secured by title regardless of amount financed except when fully secured by shares.

5. All new vehicles not more than 6 months old from date of purchase and financed by another financial

Institution can be refinanced by the Credit Union at the current new car rate.

6. Cars will be financed at current new car loan rate.

7. All vehicle loans are subject to fair market value appraisal. Purchase prices found to be inflated to meet loan requirements will cause loan to be rejected

Used Vehicles

1. May finance 100% of N.A.D.A retail price up to unsecured loan limit any used vehicle loan above the unsecured

limit will be treated in the same manner as a new car loan, whereby 'Only 85% 'of purchase price

may be financed, excluding taxes & tags

2. Maximum repayment period to be determined by the Credit Committee.

3. Cars will be financed at the current used car loan rate.

4. All vehicle loans are subject to fair market value appraisal. Purchase prices found to be inflated to meet loan requirements will cause loan to be declined.

Home Improvement Loans

1. Loan to be secured lien, judgment, deed of trust or second mortgage.

2. Loan will be limited to 75% of the property equity (fair market value minus mortgage balance).

3. All checks to be made payable to Contractors or material supply houses.

4. Maximum repayment period to be determined by the Credit Committee.

5. Loans will be financed at current Home Improvement loan rate.

E loans for Other Purposes

1. Loans for other purposes will be classified as either secured or unsecured and will be handled according to policies established in those categories.

2. Maximum repayment period to be determined by the Credit Committee.

F. Secured Educational Loans

1. Loans will be financed at current Educational Loan rate provided they are fully secured.

2. Checks must be made payable to institutions, colleges, etc.

G. Secured Golden loans

1. Loans fully secured by shares will be refinanced at the lowest rate available.

H. Personal Service loans

1. Amount of the loan is not to exceed PSL limit

2. PSL limit is included in the unsecured limit

3. One of credit must be approved every 2 years.

L Collateral for loans

1. Vehicle titles - equity will be based on NADA trade in allowance.

2. Stocks and Bonds

A Must be assignable

B. 75% of market value

3. Property - 75% of equity (fair, market value minus mortgage balance).

5. Credit Union Shares: 100% of amount in regular share account

A complete comparison can be made by referring to the loan policy as it had been established as of 1978. The most noticeable changes were that now, no member would be eligible for an unsecured loan until after a 90-day probation period had passed. After that time, members with up to ten years with the credit union were able to apply for unsecured money up to \$4,000. Members who had been with the credit union over ten

years were eligible for up to \$6,000. Also of interest is that the youth loans were no longer offered. As a concept, they never really took off, and there was no perceived good reason for continuing them. And finally, the most significant change made effective with this policy was that the interest rates on loans would no longer be a specific part of that policy. From this point forward, loan rates would be determined when necessary at the board meetings in response to market conditions or on a promotional basis. Specific rates would not be etched in stone but would change as the board of directors instructed. This was seen to be a necessary step in the evolution of the credit union as a lending institution, and after the violent fluctuations of the past few years in the prime lending rate, the no one in the credit union hierarchy saw any value in a policy that would limit lending flexibility.

New computer terminals were installed at each teller station. These allowed every teller to have access to member information. This system was a great improvement over the old system because now tellers had access to member information at every station rather than only two terminals in the credit union. Instant access to member accounts was also available to the loan and accounting departments. The new system used dummy terminals with 8 inch black screens with amber lettering. They were a space saver since the "processor" that was connected to the screen could fit under the teller station on a special stand thus replacing the large terminals used previous to this that needed to be on top of the teller counter. The dummy terminals were fed by servers that were connected online with EDS Charlotte. There were now a multitude of menus and sub-menus that tellers and other office staff could navigate in order to make changes to member information, make notes, open accounts book loans, perform all accounting functions and perform any teller transaction. Employees were granted access or restricted access on certain menus based on need and authority level. The system also used a new type of transaction receipt. These new receipts were color coded according to type of account and would be run through a receipt printer attached to the processor that rolled the receipt along as it printed the relevant transaction information across the length of the bottom inch of the receipt. Specific teller terminals were also connected to document printers that allowed tellers to print 4 ply loan documents, envelopes, 2 ply share certificates and 3 ply teller checks. These terminals were the first computers that were in no way shared by more than one employee and used a graphic user interface that, for the time, was much easier to understand given its complexity and wide array of functions. Teller transactions were possible using speed keys:

Speed Key 1 allowed for share/draft transactions

- speed key 1 - 1 allowed a teller to perform a cash deposit
- speed key 1 - 2 was a cash withdrawal from share accounts
- speed key 1 - 3 was a share draft withdrawal
- speed key 1 - 4 was a draft withdrawal to purchase an official check
- speed key 1 - 5 was a share to share transfer
- speed key 1 - 7 (799) was a balance inquiry
- speed key 1 - 8 was a share to draft transfer


Speed Key 2 allowed for Loan transactions

- speed key 2 - 0 was a cash or check payment to a loan
- speed key 2 - 1 was a transfer from shares to a loan

Other teller functions that required less speed to perform were relegated to transaction key menus:

- Name & address inquiry..... 4,8,0
- Print an envelope.....4,8,3
- Account History.....0,1,1
- Print account history.....0,1,8

- Change name or add a joint owner.....5,2,1
- Change an address.....5,2,2
- Change Phone number.....5,2,2
- Remove a dormancy.....0,6,8
- Remove a hold on funds.....0,6,5
- Inquire on an account hold.....4,9,0,4
- Close an account.....0,3,9,1
- Open a draft account.....5,0,4
- Change a payroll deduction.....0,6,2,0
- Check payroll allocations.....0,6,2,1
- Open a share certificate.....4,8,0
- Place a message on a members account.....6,1,1,0



**MERCK SHARP & DOHME
FEDERAL CREDIT UNION**

WITHDRAWAL VOUCHER

PAY TO MYSELF ONLY
AND CHARGE TO MY ACCOUNT NUMBER _____ \$ _____

ACCOUNT NUMBER _____

DATE _____ 19 _____

FROM _____

RECEIPT IS ACKNOWLEDGED OF THE
ABOVE AMOUNT

RECEIVED BY _____

Above is an example of what the deposit slips looked like at first. Later, they were changed slightly to look like the complete collection below. The box that appears in some of the slips was for any addition, subtraction or cash breakdowns that needed to be “saved” as part of the transaction information. The slips were two-ply, so the member was given the bottom carbon copy after the slip was run through the transaction printer. These transaction slips were used until 1996 when the credit union adopted a new data processor. When the slip was run through the printer the information showed as the below example demonstrates.

Trans. Code	Sequence No.	Account No.	Date	Type	Amount	New Balance	Principal	Interest	Fee
101	025703	00000-075	04/19/96	DEPST	200.00	NB 480.55			

CHECK DEPOSITS MAY NOT BE AVAILABLE FOR IMMEDIATE WITHDRAWAL.

CHRISTMAS



**MERCK SHARP & DOHME
FEDERAL CREDIT UNION**
P.O. Box 4 WP53F 102
West Point, PA 19486-0004
(215) 652-6776



Teller I.D. _____

Account Number _____

Member Name _____

Date _____

CHECK CASH

Amount _____

Trans. Code	Sequence No.	Account No.	Date	Type	Amount	New Balance	Principal	Interest	Fee

There were of course similar transaction menus for the accounting and loan personnel to perform their duties on the new system. At the end of the day the last employee to log off the system had to perform closing reports. This new system, while seemingly rudimentary was reasonably advanced for its time. In many ways the credit union was making use of technology that quite a few well-funded banks in the area were not yet equipped with.

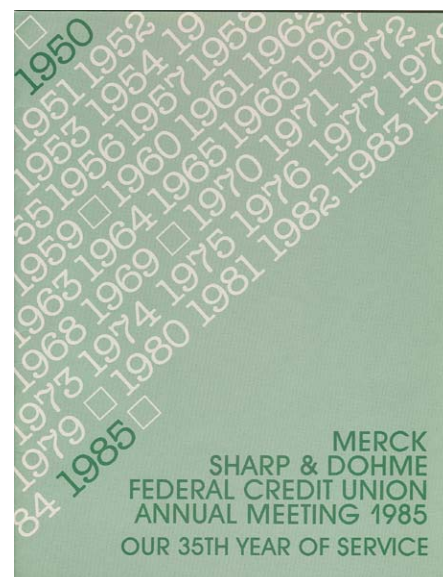
Regarding the financial state of the credit union this year: Assets increased by 26% this year increasing to 18.5 million from 14.6 million last year. Return on dividends increased slightly this year to 11.4% as opposed to 11.00% last year despite the reduction of loan rates from 15.5% to 13.5%. Dividends paid out to members increased by 40% to 1.1 million. Net income increased only slightly this year to \$334,819: an increase of only \$ 24,361. By years end there were 1608 loans granted, and the total in loans on the books was \$12,699,247.

By the end of the year there were 7215 members.

1985 – The credit union celebrates its 35th year of service.

The MasterCard program continues to gain momentum; by the middle of this year there had been over 900 cards issued that carried a cumulative balance of approximately \$350,000. With an interest rate of 16.56%, which was up to 4% lower than most competitors.

The Annual Dinner Meeting was held at the Indian Valley Country Club in Telford on March 23rd starting at 6:00pm. The entertainment was provided by the Fortsiders. At the meeting Drew McPherson expressed his thanks to the credit union directors, staff and membership for the support he was given in his three years as president. Peter Nebenfuhr was elected as the new President and the first President to serve for only one year. Conspicuous from the annual report for 1984 printed this year was the absence of input from Bill Gadd or Sarabeth Gadd as treasurer and Education Committee chairperson respectively. Jeffrey Freidman was installed as treasurer for the past year and Earl Harris was installed as Chairman of the Education Committee. There was no treasurers report or report from the



Education Committee in the 1985 Annual Report. Bill and Sarabeth had been hard at work the past year getting members informed about the election process, what had happened last year and the consequences to the credit union for Bill being elected off the board of directors. The upset from last year was followed by another this year. The Gadds had successfully spread the word, with help from Shirlee Nicolino and gotten a member petition together before the Annual Meeting this year. The petition asserted that the election process as it had stood last year was an example of the unfairness inherent in the process, and that every member should be allowed to vote, not just those that paid to go to the Annual meeting. The petition was such that it could not be ignored. The decision was finally made to change the credit union by-laws in favor of expanding the election process. As a result, starting this year a mail ballot would be sent out to every member 16 years or older. The mail ballot would include all directors up for re-election and a biography of each of them describing their accomplishments and qualifications. Also would be included any candidates running in competition for new election. The election would take place before the Annual Dinner although the results would still be made known at the actual event. Directors who had served over the past year would still be featured in the booklet as had been the custom since 1977. Bill and Sarabeth were voted back into office this year.

Regarding loans: loan rates were cut by 1% almost across the board in order to remain competitive. These reduced rates kept the credit union on par or lower than most dealerships when taking into consideration their hidden or increased add-on fees and limited selection on certain makes and models. Continued pressure from dealerships and larger banks did, however, cause loan demand to fall in the second half of the year. The total amount loaned this year was \$9,968,838 and of that figure, \$7,835,513 was new money. The board again this year elected to pay out a 1% loan rebate on interest paid which ultimately totaled \$36,176.

The IRA account interest rate was reduced to 10.5%, but regardless grew by 89% over the previous year. The regular share rate was increased to 8% in order to be extra competitive, and it was in fact paying higher dividends than contemporary money market accounts. Continuing a trend of recent years, the credit union paid out an increased amount of money in the form of higher dividends and lower loan rates to the members. 56% of all income was paid back to the membership; this percentage translates to almost 1.5 million dollars. The interest rebate and temporary year-end interest rate increase alone returned over \$50,000. Total dividends paid to members were precisely \$1,454,767 as opposed to \$1,091,883 paid last year. Despite the fact that loan and credit union investment income both rose by respectable percentages, net income fell. The total net income for last year was \$334,819, but the net income for this year was \$272,357. The disparity is a reflection of the credit union paying back more to the members in a time when it was of vital importance to remain an attractive alternative to the banks and savings and loans.



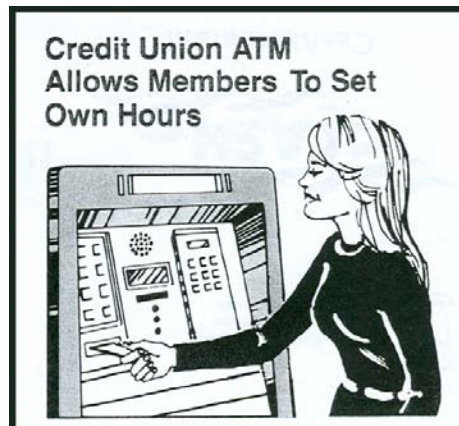
CashStream!!!

approximately 1000 machines that could be accessed and 118 financial institutions

The credit union entered into the CASHSTREAM ATM network this year. At this time there were essentially three nationwide recognized ATM systems: CASHSTREAM/Cirrus, MAC and Act 1; CASHSTREAM was chosen because it had the widest coverage. There were CASHSTREAM machines in five states: Pennsylvania, West Virginia, Maryland, New Jersey and Delaware. There were

owned or “sponsored” machines. Cash withdrawal access (from the draft account only) was available at all machines and deposits were allowed in ones “home state”. At the time, Federal law prohibited deposits at out of state machines; identifying information was part of the magnetic strip. The network was linked by telephone lines to a central switch in Pittsburgh that was controlled by Mellon Bank. To be eligible for an ATM card, a member had to be 18 years or older and have a draft account. All eligible members were sent applications by mail. Credit union entry into the CASHSTREAM system preceded the first credit union owned machine by one year.

A brief history on ATM machines: The idea for a cash-dispensing machine first came about in 1938, but was not well developed. The first cash dispensing machine similar to an ATM was manufactured by De La Rue Instruments and installed by Barclay’s bank near London in 1967; this machine cashed “on us” checks only using carbon 14 infused ink that identified the account number on the check. The first ATM machine that successfully used a magnetically encoded plastic strip was manufactured by Docutel and installed by Chemical Bank in New York City in 1969; their advertising line for the event was “ our office will open at 9:00 am tomorrow and never close again!” In 1973 ATM’s start to become installed (slowly) across the country and sold for \$30,000 each (almost 4 times what your average teller made annually at the time) (adjusted for inflation would come out to \$148,000 in 2008 money). It was not until the mid 80’s that ATM machines became widely recognized and used, because until then ATM machines were mostly proprietary to specific banks. It was not until the 80’s that the afore-mentioned multi state networks were available. The ATM networks made the technology practical for much larger segments of the country. Banks would pay interchange fees, switch fees and annual membership fees, which at first were not passed on to the customer. By the time ATM fees were instituted, customers were “hooked” on ATM’s and accepted the fees without too much of a fight. For a while, in fact, financial institutions would charge their customers for using tellers therefore steering them towards ATM usage. Fees were not charged at the building 53 ATM machine.



West point office hours were also scaled back to a point. The new weekly hours were:

- Mondays9:00...to...5:30
- Tuesdays.....8:00...to...5:30
- Wednesdays.....9:00...to...5:30
- Thursdays.....9:00...to...7:30
- Fridays.....7:30...to...3:00

As well as changing the hours for closing, the split hours during the work day were also eliminated. The conclusion was reached that the credit union during the work day was either open or not open, there should be no interruption in service hence the hours were changed.

It was not only the credit union’s anniversary, but it was also an important anniversary for one special employee. Shirlee Nicolino became a credit union employee in 1960 and was the longest serving employee in the credit union’s history to date. On August 10, 1985, Shirlee was given a recognition dinner at Shawnee At Highpoint in Chalfont to celebrate her dedicated service for a quarter century. In attendance were the board of directors, office staff and close family. In her time of service, the credit union had

become an unrecognizable success compared to what it was in 1960, and the gratitude of the board was extended to her for the part she played in that evolution. A special congratulation was also featured in the fall edition of the Prescription. When she started at the credit union there were 1,641 members and the credit union's total assets were \$565,304. In 1985, there were 7,677 members and the credit union was nearly 24 million in size. At the time of this celebration, Shirlee held the position of Loan Officer.

In an ongoing attempt to keep pace with expanding membership demands, the Long Range planning committee gained additional space from Merck "in back of the existing office" in which to house the accounting department. Plans were also made to attain space for the loan department so as to free up general office space for teller operations. It was also on the LRPC to "modernize" and make more aesthetically pleasing the existing office.

A comprehensive membership booklet was made available this year. Previous to this, there had been no definitive and detailed material on all aspects of credit union membership. It was much appreciated by the membership and was considered a credit to the Marketing and Public relations committee (the newest incarnation of the Educational Committee). President Peter Nebenfuhr acknowledged in the Fall Prescription the major contributors to the packet: Sarabeth Gadd (originator of the idea), Bill Gadd, Mark Pellegrino, Jeanne Rowan, Carol Robinson, Louise Finney, Peg Fegely, Donna Penecale and Bob Muzslay.

It was proposed to the membership in the last quarter of this year that it may be beneficial to install a night drop in the office for members who missed the credit union while open, particularly third shift employees. A poll was placed in the Fall Prescription soliciting an opinion either way as well as any additional comments from the members.

1986 – The credit union offered home equity lines of credit loans for the first time this year. Loans with homes as collateral had been offered since 1977, but this was the first home-secured product that offered both a variable interest rate and allowed for loan advances. This new loan had specific guidelines associated with it: loan amount limited to 80% of lend able equity; the loan was not to exceed \$75,000; interest rate to be adjusted on the first day of each calendar quarter and was to be the Average Dividend Rate plus 2.5%; the minimum loan amount was \$6,000 and the minimum advance amount was to be \$2,500.

It is interesting to note that the terminology used on the two loans offered were a cause for some confusion in the years to follow until the late 1990's. The Home Equity loan was the term used for the "line of credit" and the home improvement loan had been stipulated in the lending policy as a "second mortgage". Therefore, a second mortgage loan was "fixed" and the Home Equity loan was "variable". These are the terms that were used to refer to these two loans for approximately 13 years before there was a greater understanding disseminated to the staff of the loan products. Once that greater understanding was reached it was established that they were both second mortgages and were both home equity loans.

The Annual Dinner Meeting is held at Shawnee-at-Highpoint in Chalfont on Saturday April 19th at 6:00pm. Approximately 350 were in attendance. The entertainment is provided by the Fortsiders. Scheduling conflicts necessitated that the meeting be held a month late; their scheduling normally coincided with the Saturday closest to the date the credit union was founded: March 30th. This year Lonna Jennings is elected to the board of directors. Having been a credit union employee at the West Point office from 1983 to 1985, she becomes the first former credit union employee to become a member of the board of directors.

The Hours at the West point office were once again changed this year with half hour differences over last year:

Monday.....9:00 am to 5:30pm
Tuesday.....8:00 am to 5:30 pm
Wednesday.....9:00 am to 5:30 pm
Thursday.....9:00 am to 7:00 pm
Friday.....7:30 am to 3:30 pm

The push this year was in share deposits; increasing membership was part of this initiative, but the drive to bring in deposits caused good and bad results. The IRA share account was paying 10.5% at the beginning of the year, and share rates were at 8%. During this year nationwide interest rates fell as market conditions dictated (prime, for example, fell 2 full points this year from 9.5 in January to 7.5 in August, but the credit unions rates were not reduced at a rate commensurate with its peers. The IRA rate was reduced to 9% by the beginning of the third quarter of the year, but CD rates were fixed and the draft account was paying 5%. Because the credit union's rates were so much higher by up to 2.5 points than peers, deposits increased substantially. It was in fact a never before seen growth in assets of 14.3 million dollars (growth rate of 58% over last year). At first glance this may be seen as a great leap forward, but with growth of this unexpected size there were consequences that were unforeseen. The first problem was that the loan demand over the year increased but not by large dollar amounts, not nearly enough to keep in pace with the deposit increase. This meant that there was a more or less expected increase in revenue generated by loans, but not enough to adequately pay out deposit dividends at the rates that were offered. The money that the credit union had invested paid out well initially; income on these investments increased by 93% over last year. It was in fact for that reason only that dividends on members' deposits were sufficiently paid out. The total amount of dividends paid out to members this year was \$2,014,300 while the total loan interest income generated was \$2,081,053; these two figures cancelled each other out almost to the dollar. The only income that could cover all other expenses was income on credit union investments, which amounted to \$1,097,318. That income accounted for existing investments, but the credit union could not invest in short term vehicles that year at a rate greater than what was being offered in share rates. Because this huge infusion of deposits decimated the operating income generated, there was only a net income increase of .2% over last year. In the third quarter the federal examiner brought to the attention of the board this severe downward trend in the credit union's profitability, which was actually in its third year but punctuated specifically this year. The board explored all other options before capitulating to the inevitable lowering of share rates. The credit union got a rating of poor by the federal examiners, a rating that it was in no way accustomed to getting.

The first credit union ATM machine was installed in the "old" building 53 by the cafeteria on May 19th. Peter Nebenfur (President) "cut the ribbon" to the machine and prizes were awarded to the first 25 people who used the machine. Pictures of the event were featured in the summer edition of the Prescription. The ceremony started the Cashstream's Finest Hour Sweepstakes; running from May 19th to June 30th all users of the machine were encouraged to check the back of their ATM receipts for local and national prizes. In the fall of this year the credit union held a drawing contest for members to "name" the first ATM machine. The tie-breaking winner was Frank Nicolino who named the machine "MAT". The machine got a lot of use because everyone wanted

to push the buttons, so everyone who used it just got out \$5 for lunch every day (since it was strategically placed outside the cafeteria).



Above are pictures from the Prescription of the ATM being installed in building 53.

Bonnie's "Q and A Corner"



Dear Members:

This corner is reserved exclusively for answers to any questions that you may have concerning your federal Credit Union. There is no such thing as an unimportant question as long as it satisfies your need to know and understand.

Our Credit Union can serve you in many ways, probably more than most of our members realize. The Credit Union exists solely for the benefit of the membership. It will compete with banks and certainly beat car dealerships to save you money on loans, i.e., car loans, personal loans, consolidation loans. It will give you a substantial return on investment and provide

Gear-Up to Save

the
automatic
way



Payroll Deduction

you with free checking service. More information will come as you question this corner.

In the great majority of cases, your Credit Union is working to meet or beat any financial "deal" that can be made by an outside financing body be it a bank, a car dealer with so-called "reduced" loan rates, a Master Card with 16.56% interest, an average of 3-4% lower than most banks presently offer. Many more benefits are at your disposal.

Simply send your questions, signed or unsigned, to "Q and A Corner," W37C-2. From this issue on, this can be your direct access to information pertaining to your personal needs. The words, "Dear Bonnie," initiate your query. Don't hesitate!

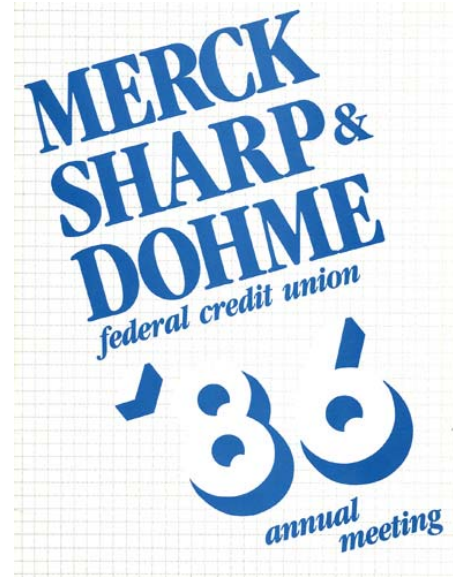
A new feature is added to the Prescription newsletter in the summer edition this year. Bonnie Ensslen newly appointed to the backup board this year starts a column called "Bonnie's Q and A Corner". She introduces it as a place where members can ask questions about any aspect of the credit union or its services. She invites members to interoffice questions to her at "Q and A Corner" W37C-2, and she promises that she will dedicate the article to the needs of members by answering their direct questions.

Left: the first Q & A Corner

One event of special note occurred at the annual dinner meeting that took place this year. As had been the newly adopted

procedure, directors that were up for re-election were either voted in or out based on the announcement at the annual meeting of the mail ballot results. This year a tie occurred. A tie for the fifth position was announced between Jeffrey Friedman and Daniel Whitehead. The decision was made by Daniel Whitehead to withdraw from the running thus allowing Jeffrey Freidman to remain on the board. This is significant because Daniel Whitehead had served continuously on the board of directors for 30 years. Up to that point no one in

the credit union history had served the credit union in any capacity for so long a time (Horace Russo came second with 27 years service from 1952 to 1979). Mr. Whitehead had been elected to the board in 1956. He had served as vice president in 1975; he served for many years on the executive committee and the annual meeting committee and as membership officer for over 10 years. He had seen the credit union grow almost from the very beginning, having joined in 1951, and had played a substantial role in guiding the credit union into the thriving organization it had become. To this date there are only 4 persons who have continuously served the credit union as long as Daniel Whitehead had and their ranks are unlikely to increase to a large degree. He did in fact stay on another year to serve not as a director but as the advisor to the president and still to this day (as of 2008) holds the title of board member emeritus. He remains to this day on the very short list of distinguished credit union members and volunteers that served the credit union for decades.



The Personnel committee developed the first fully comprehensive employee manual for the staff. This was a project that spanned over a year. It covered all aspects of employment with the credit union. At this point there were 17 employees (there were 18 directors and supervisory committee members). In addition to this, the benefits package for the employees was revised and updated in order to provide the best possible compensation program for the office staff.

As of September 1, of this year, the maximum credit line on the credit union MasterCard was established at \$3,000, and the interest rate is 16.56% which is an average of 3.5% lower than most banks offer on similar card products.

The credit union offers discounted tickets for Great Adventure, Busch Gardens (Williamsburg and Tampa) Disneyworld, Hershey Park and Dorney Park for the first time this year. Tickets are available at West Point and Blue Bell at the request of members.

The credit union offers a special loan promotion from June 15th through August 15th of this year. The prize is a free cruise for two to Bermuda or \$500 deposited to the share account of the winner. Every member that borrowed or added \$500 to an existing loan would receive one chance. Any member who borrowed or added \$750 would receive 2 chances. Any member who borrowed or added \$1000 would receive 3 chances. And each additional \$250 to the afore-mentioned advances would yield an additional chance to win. The drawing was held on August 20th, and Susan Parsons chose the cruise for two to Bermuda.

By September of this year loan rates had reached record lows and down a full percentage point from just three months earlier:

New Car.....	9.90%
Used Car.....	11.50%
Personal.....	11.50%
Share (golden).....	9.90%
Education.....	11.00%
Home Improvement.....	11.50%
Home Improvement with Check payable to contractor	

With second mortgage.....9.90%

The share rates were at the same time set at:

IRA Shares.....9.00%
 Shares and club accounts.....8.00%
 Share Draft accounts.....5.00%

The golden loan mentioned above was a share secured loan set at 1.9% above the share dividend rate. A member could borrow at 100% of shares on deposit for a total as small as \$300 or as high as \$10,000. This loan was newly offered and was only possible with the technology afforded by the new computer system, which effectively placed a hold on shares on deposit. The system effectively made those earmarked funds unavailable for withdrawal, and the hold amounts could be seen by credit union employees. The hold amount did not go down as the loan was paid down, however. If a member needed part of the original hold amount removed it would be subject to approval.

Another special reduced fare service provided by the credit union this year was a special Fall Cruise aboard the SS Costa Riviera. This 7 day cruise to St Thomas, St Croix and Nassau was specially priced at \$799 for an inside cabin for two and an outer cabin for two for \$879. The package included round trip airfare, all meals services and entertainment aboard ship.

An interesting note as to how interest was calculated at this point in history: dividends were calculated and sent to each members account at the end of every quarter. The calculation was based on the number of “full shares” (1 share equaled \$5) in any given account (or sub account) that had been deposited on or before the 10th day of the month.

Membership stood at 7,984 as of September of this year.

1987 – American Express Gift Cheques are made available for sale to the members for the first time around holiday season this year. Denominations of \$25, \$50 and \$100 are sold for a fee of \$2.50.

On January 7th of this year Ralph Quigg, manager and assistant treasurer for the credit union from 1961 through 1974, dies at the age of 75.

The profitability of the credit union did improve this year. Based on the recommendations of the federal examiner from last year (when a “poor” rating was given). The board of directors decided to cut interest rates across the board even further. By the end of the year, interest rates were at the following levels:

New Car.....48 months.....9.50%
 60 months.....11.00%
 72 months.....12.50%
 Used Car.....11.00%
 Personal Loan.....12.50%
 Education/Golden Loan.....9.50%
 Home Improvement (fixed home equity).....12.00%
 Home equity variable rate.....10.50%

Share and sub accounts.....6.50%
 IRA accounts.....7.00%

Also interesting to note is that this is the first year that new car rates are further broken down into higher rates on longer loan terms.

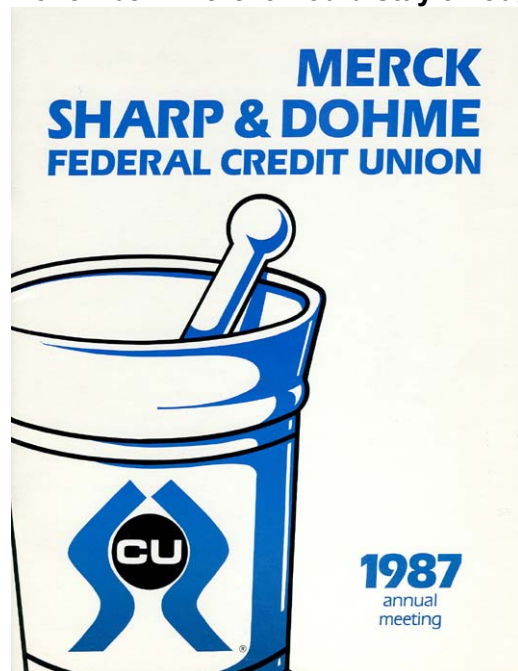
Also, this year the limit on unsecured money available to members who have been employed with Merck for more than 10 years increases from \$6,000 to \$7,000.

Dividends paid on share draft accounts were stopped this year.

Interest on draft accounts was meant initially to generate member involvement in the program and had been kept to sustain it and as an added bonus, it was decided now, however, that market conditions made it a prohibitive cost not to mention the fact that calculation of interest on these accounts was an inefficient and costly use of accounting personnel and computer resources. All share rates were reduced obviously in order to reduce dividends paid out for the year. The loan rates were reduced in order to make borrowing with the credit union that much more attractive. The credit union's rates on cars were between 1 and 2 ½ percentage points lower than local competitors. As a result of these measures, increase in loan income increased by only 4% compared to 1986, and loan activity increased at a healthy 14%. Dividends paid out to members was much more manageable. Overall increase in dividends paid was at a rate of 10% as opposed to 38% in 1986. The total amount in dividends paid to members this year was \$2,221,543 as opposed to \$2,014,300 in 1986. The credit union grew at a much more subdued rate this year; the credit union closed at the end of 1987 at \$42,489,183 (with 8,822 members) with a net increase of only \$3,532,469: a growth rate of 9% as opposed to 58% last year.

The Home Equity loan was discontinued in the third quarter of this year so that the entire loan product could be reviewed by the board and credit committee.

Prime had steadily fallen since 1984. At the start of this year it was at 7.75%; it fluctuated throughout the year to as high as 9.25%, but was down to 8.75% by early November where it would stay through the New Year.



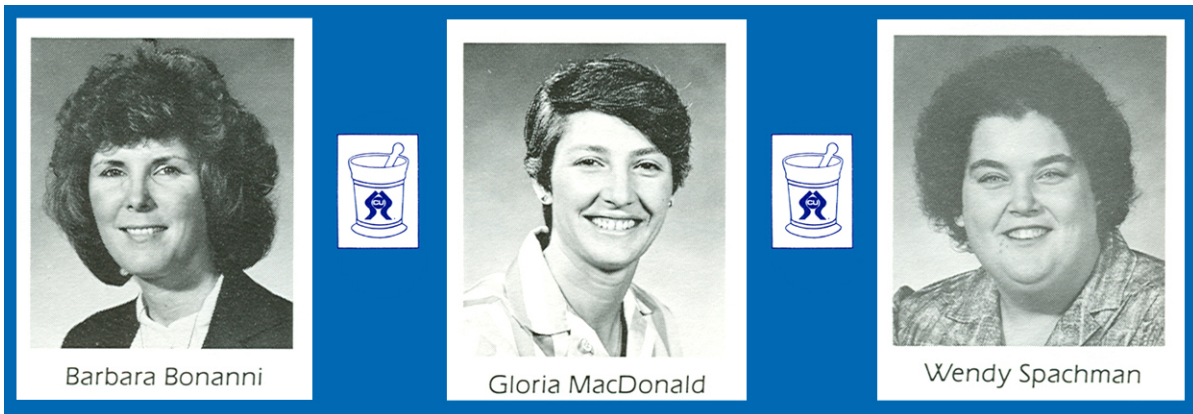
The Annual Dinner Meeting was held at the Indian Valley Country Club on Saturday May 9th at 6:00pm. This time it was two months late. The Entertainment was provided by Guy Greco and the Saints.

The credit union had investments with mutual funds in the portfolio that suffered to a point last year but were most severely affected this year. Assets grew last year to 39 million dollars, an increase of 14.3 million dollars over 1985, but loans only increased by \$3,062,718. The difference was invested. When growth in assets is spoken of in terms of credit union size, assets mean vehicles that generate income. Assets do not refer to shares on deposit. Although assets to liabilities must be equal, shares on deposit compared to loans is never meant to be equal. Loans are assets because they generate interest income. Shares on deposit are liabilities because the credit union has to pay out money in the form of dividends to

members...they cost the credit union money, so the idea is to always keep the ratio of shares on deposits and loans at a level that will guarantee a net income in undivided earnings (net income after interest is paid to members) that will ultimately yield a positive net income after all operating expenses. The \$11,237,282 that was not loaned out was invested. The return on these mutual fund investments steadily declined at the end of last year and more severely during the first half of this year; the credit union was able to

divest itself of these funds before irreparable damage was done, but there were lasting effects on the overall net income for the year. Expenses increased this year by 67% over last year with 75% if this increase due to the book loss of those mutual funds, but since those funds did net 4% interest, the overall loss was in no way as bad as it could have been. Many organizations suffered insolvency as a result of mutual fund losses this year, or were forced into otherwise unconsidered mergers just to stay alive. The board of directors and treasurer took sufficient steps and initiated cost cutting initiatives that resulted in strongly felt but manageable consequences to the bottom line. The year ended on a positive note with a net income of \$69,385 for the year. The hard work and damage control tactics enacted by the board of directors paid off when the NCUA examiner improved the credit union rating from poor to good, and the directors and staff swore themselves to a course that would put the organization back on track to the excellent rating they had been accustomed to.

In the second quarter Bob Muzslay resigns as the manager of the credit union after 13 years of service. He continued on in a volunteer capacity as a supervisory committee member. As a result of the hierarchy shift, Barbara Bonnani was promoted to loan supervisor and Gloria MacDonald was promoted to teller supervisor replacing Wendy Spackman who became loan officer. Shirlee Nicolino was chosen to take Bob's place, but she would not officially take over as the new Credit Union Manager until next year. This was different than "office manager", all the office supervisors reported to her and she in turn reported to Bill Gadd who was the treasurer and general manager.



The Marketing and Public Relations Committee did a great deal to promote the credit union in general and all its services in particular. This committee essentially supplanted the Educational Committee in most respects. A new updated membership packet was put together. There was a summer loan incentive program with a 1987 Grand AM, a free trip to Hawaii and other cash prizes. There was a summer membership drive that awarded one member a VCR. The credit union also ran a Baby Share Account program this year for new members 12 months old or less. \$5 and a free music box bank were given out for every qualified account opened; qualification relied on a birth certificate and social security number presented at the time of opening.

As stated earlier, the Wilson manufacturing plant was part of the West Point facility in terms of control; they were therefore allowed membership with MSDFCU even though they were not geographically local. Rosanna McDonald was the HR



Rosanna McDonald
Wilson N.C. Representative

representative for the eligible employees (those that worked on manufacturing). They would come to her with questions about finance and she in turn would call the west point office with those questions. West point would in turn send her supplies of vouchers, literature, loan applications etc. After joining the credit union in 1986, Gloria MacDonald was her contact and over the course of the year developed a rapport with her. This was the first year that Rosanna McDonald was recognized in the annual report as the credit union representative based out of the Wilson NC manufacturing facility.

In the third quarter of this year the West Point office hours once again change, from this point on the office does not open on Wednesdays until 10:00; the reason for this is unknown.

By the end of the year there were a total of 1,794 loans granted which was a decrease of 186 from last year when there were 1,935 loans granted. The total in loans on the books was \$19,424,454.

Also this year the Prescription increases from four to six pages in order that more articles can be added to give members financial advice and information that may help them choose credit union services that are right for them. Also, more statistical numbers on the credit union by quarter are included from this point on.

1988 – This was another year of controlled growth for the credit union. A continuation of the recovery from a few years back was further evidenced by positive figures. Growth in assets was 8% over last year; the credit union increased in size by three million dollars to \$45,800,787. Net income rebounded with an increase of 279% over last year to \$263,575. IRA dividends rate was increased in the second quarter from 7% to 8%; share rates remained unchanged this year. Loan rates were also further reduced in the Second quarter to stimulate more loan demand and to keep pace with peers. A 1% interest rebate was again approved by the board at the end of this year. Loans that were delinquent and Master Card accounts were excluded from the rebate.

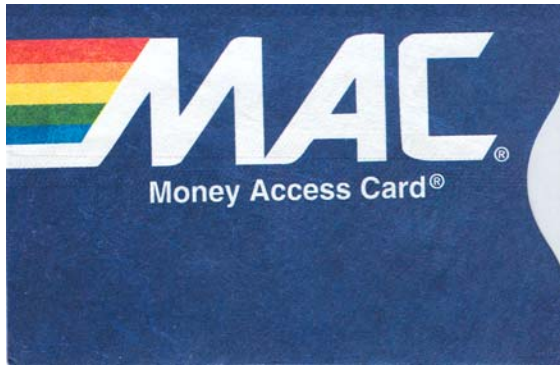
Auto loan products were changed slightly this year. A new term tier of 36 months is added to the new car loan list, and it becomes the only new car loan on which the credit union provides 100% financing. The 48, 60 and 72 month loans are still offered but at 85% financing. Used cars are still financed 100%.

The damage done two years back had by now been repaired. Undivided earnings grew by \$152,486, an increase of 7.5% over last year. The capital to investment ration was back where it needed to be.

Shirlee Nicolino is appointed by the board as the new office manager in January.

Due to the demand by members, the Home Equity loan product was again offered starting in February of this year. The Home Equity II loans were very similar to the original Home Equity loans with a few distinct differences: the variable interest rate formula was changed to Prime Rate plus 1 ½ with a floor of 9% and a 6% cap (this means although the rate is variable, it would never go higher than prime plus 6% and never be lower than 9%); the collateral was restricted to homes in the counties of Montgomery, Bucks, Chester, Philadelphia, Lehigh, Delaware and Berks; search and title fees were assessed; and the credit union would take no less than second position. The maximum loan would be \$75,000 and calculated at 80% loan to value. The minimum loan amount would be \$6,000 and the minimum loan advance would be \$2500. Later in the year it was decided to remove the county restriction and allow homes in all counties of Pennsylvania to be used as collateral. At the time this product was first offered prime was 8.50% and increased to 10.50% by the end of November.

In the second quarter of this year, the MAC and CASHSTREAM networks merged; the CASHSTREAM name was dropped. As a result of this merger, there were now 3,500



machines that could be accessed in the original states with New York added to the list. Deposits were possible in Pennsylvania or Delaware. Withdrawals were now also possible at CIRRUS machines in Canada, Puerto Rico and Great Britain. Some charges also went into effect: deposits and transfers were free, but there was now a 30 cent charge per balance inquiry and there was a 50 cent charge for each withdrawal after the first five withdrawals every month. The credit union ordered all CASHSTREAM

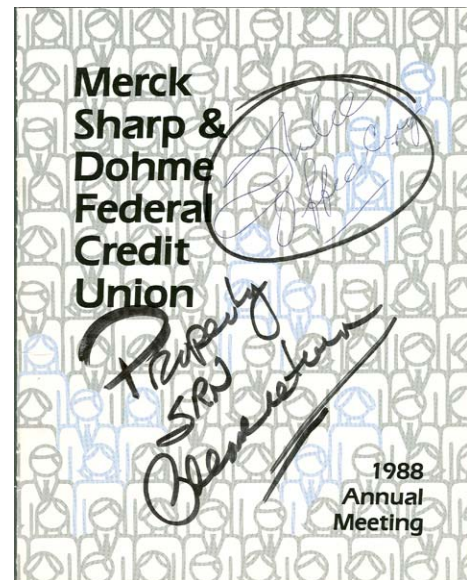
cardholders replacement MAC cards, which kept the same pin numbers. Transactions were still restricted to the draft account, but purchases with the card were possible at over 2,500 retail locations. In essence, the MAC card at this time was more like a debit card.

New policies regarding the draft account were instituted as of February 1st of this year. From this point on, overdrafts would be automatic from the share account and the overdraft cost was set at \$15. Drafts would no longer be closed due to negative balances or non-sufficient fund returns.

In April the West point office hours are yet again changed slightly:

Mon.....9:00am – 5:00pm (changed from 5:30)
Tues.....8:00am – 5:00pm (“”)
Wed.....10:00am – 5:00pm (“”)
Thur..... 9:00am – 7:00pm
Fri.....7:30am – 3:00pm

The annual dinner meeting was again held this year at the Indian Valley Country Club and back to its normal time of the year on March 26, 1988. The event started at 6:00pm, and the entertainment was provided by Front Row. As part of the celebration Bill Gadd was honored this year in the annual meeting booklet for 25 years of service. Bill first got involved with the credit union in 1963 when he was invited by Glasgow Hughes to be on the Credit Committee. He was elected to be on the Board of Directors in 1967. In 1970 he was elected President after the death of Raymond Hoffman. He also served as treasurer and general manager (to whom the office manager reported) throughout the 70s. In the late 70s he enrolled in the Certified Credit Union Executive Program, which was an intense four-year program that covered credit union operations in every detail, much like a college degree program. Upon completion of the program he was one of only two people in Pennsylvania and of 20 in the nation to hold the distinguished title. His 25 years of continued service and expertise were considered to be a great asset to the credit union and a significant contributing factor to its success in those 25 years. He received an inscribed silver tray, a gold watch and a commendation from the Pennsylvania Credit Union League.



Annette Zeigler was also honored at the Annual Meeting for 15 years of service as an office employee; she started as a teller in 1972.

Again this year the loan policy is changed regarding unsecured loans. Before now the criteria by which sums of money available to members was based on years of service with Merck. This year the policy is changed to years of membership with the credit union. Now all members had to be members for 90 days before being eligible for any unsecured money. After those 90 days, members with less than 10 years with the credit union could have a maximum of \$5,000 in unsecured loans with the credit union. Anyone who was a member for ten years or more was eligible for a maximum of \$7,000. This was done in part to accommodate applications for MasterCard applications.

Also In the annual booklet this year was a report for the first time by the Marketing and Public relations committee, which in many respects replaced or assumed the function of the Education committee, which had not reported for the past two years. The Marketing and Public Relations Committee was formed at that time in 1986.

The three awards for the Hoffman Award are raised this year to \$2,500 for first prize, \$1,500 for second prize and \$1,000 for third prize.

Bob Muzsly ran for and won election to the board with an overwhelming 987 votes undoubtedly due to his service for over 13 years as manager and his overall name recognition.

As of September 30 of this year, interest was no longer paid on share or sub accounts with balances under \$50. At this time the credit union paid 45 cents to its data processor (EDS Charlotte) to maintain each account (regular and sub accounts). At this time there were over 5,000 such accounts that had balances below \$10, and paying interest on top of this 45-cent fee was no longer considered financially sound. The board of directors decided on this measure instead of the alternative, which was to raise the par value of shares. Remember that 1 share equaled \$5, and dividends were paid out per share not per dollar. \$100 equaled 20 shares and dividends were paid out on the share figure. This other alternative, it was feared, would prompt many members to close their accounts and in so doing limit services credit union wide, so the amount needed to have on deposit in order be paid interest dividends was simply increased to ten shares.

Loans were down again this year. There was a reduction in the total number of loans granted this year to 1,536, down from last year by 213. The total amount on loan at the end of the year was \$21,429,690. The net increase in loans over last year was \$2,005,236. It was a controlled growth in loans over the course of the year intended to keep the loan to share ratio at the proper level by the end of the year.

1989 – The cash limit per day for MAC cards is established at \$300 per day, and withdrawals are now made available from the total of shares and drafts accounts combined, so MAC transactions are no longer restricted to draft accounts. As of the end of this year there is still only one MAC machine on the West Point plant site in the same place it had been installed outside the cafeteria in building 53.

In the first quarter of the year, the final touches to the latest renovations to the West Point office are completed. There were now a total of eight teller windows. Window number one, closest to the main entrance, was reserved as a special transaction window. Here members could quickly get travelers checks, gift cheques, money orders and make payroll and address changes. There were two windows that were set aside on Thursdays and Fridays for check cashing only. There was a receptionist desk located in the newest part of the office outside of the door leading to the loan and accounting departments. These two departments were off to the side of the teller area with loan interview areas and cubicles for the supervisors and staff. The receptionist would receive members that

had appointments as well as open new accounts. The office itself was spruced up and given a more polished look. A drop ceiling was installed; before this, the bare ceiling was exposed as were heating conduits and electrical wires. Many of the fluorescent droplights were replaced with ceiling lights. Office hours are once again changed slightly: Opening time on Wednesdays is moved from 10:00am back to 9:00am and hours are extended to 3:30 on Fridays.



THE **SPRING 1989**

PRESCRIPTION

Published for the members of Merck Sharp & Dohme Federal Credit Union

From Your *Manager* 

HELLO—Welcome to the NEW UPDATED CREDIT UNION

From the moment you step into the lobby you can see the changes. Our beautiful Christmas decorations have been replaced by cheerful baskets and hanging plants, but that's only part of our news.

We're working for a faster, easier way for our members to obtain services. We have a SPECIAL WINDOW for Travelers checks, Money orders, Payroll changes—address changes and other transactions that may take more time. On regular pay-days we also have two check cashing windows, along with our other teller windows.

Our receptionist is located in the newer area just waiting to open new accounts and answer questions. The Loan and Bookkeeping Departments have been transformed into a very pleasing and professional office. Our staff is here to give you the best service possible.

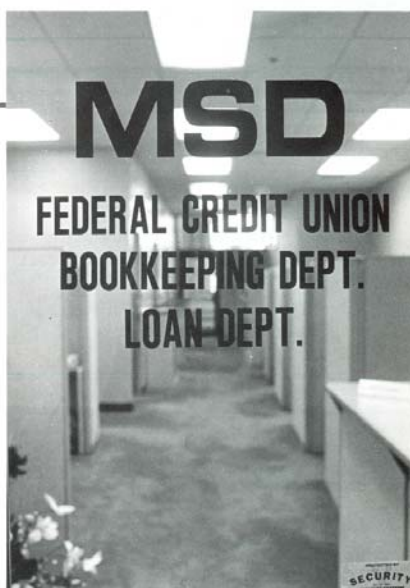
We hope you will take advantage of all our services.

Almost forgot, one of our concerned members had a good suggestion about a coin counter. Well its here and you can drop off your coins, we count them and deposit to your account.

Lastly—DON'T FORGET EACH PAY DAY TO PAY YOURSELF!

See you around the Credit Union . . .

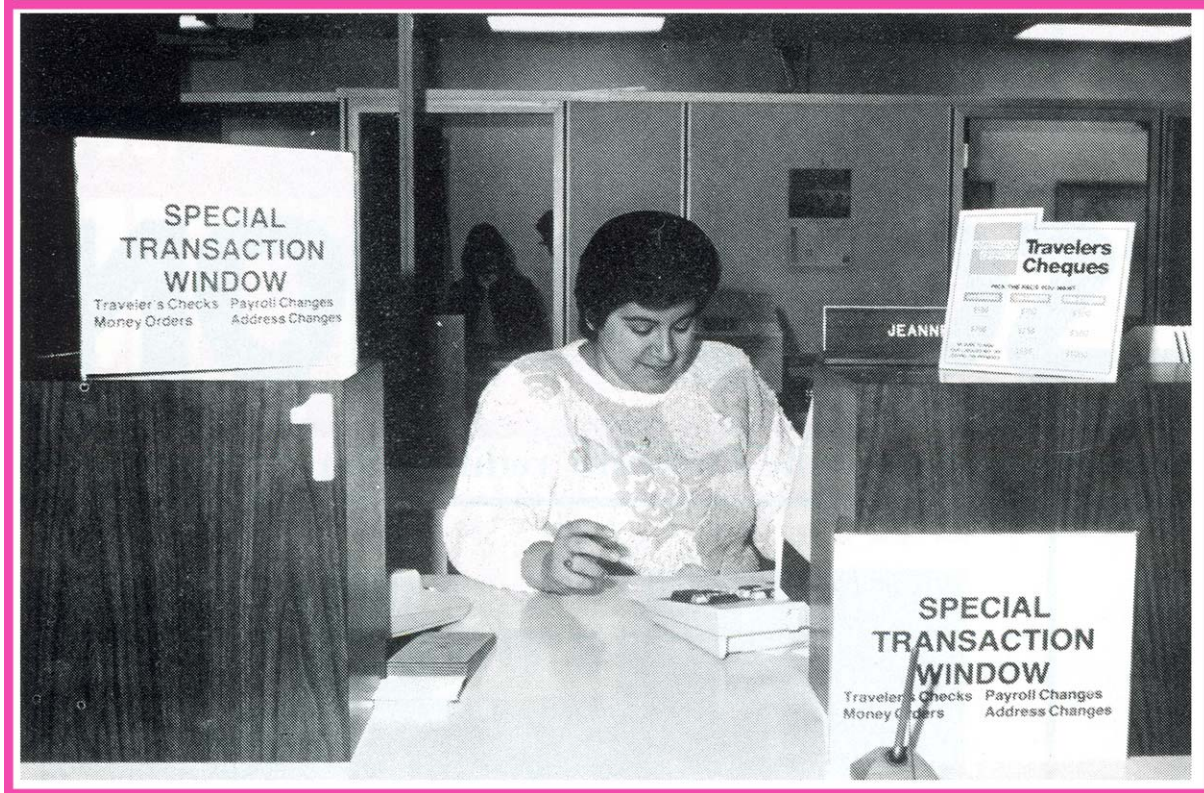
Shirlee



NEED A VACATION LOAN – CALL OUR LOAN OFFICE

Above is the front of the Prescription that shows pictures of the most recent incarnation of the West Point office. One can see the longer teller line. To the right is Pat O'Brien helping out at the reception desk.

Below is Jeanne Zadlo at the special transaction window



Here we see Darcy Schneidinger



Another office improvement that was added was a fax machine. At this time it was much more common for businesses not to have one, but the need to remain as cutting edge as possible was recognized. At this time, the paper came on rolls and a little pink circle (franker) was stamped on each page as it passed through to confirm that page had been sent. The number to the fax machine was 215-661-3159.

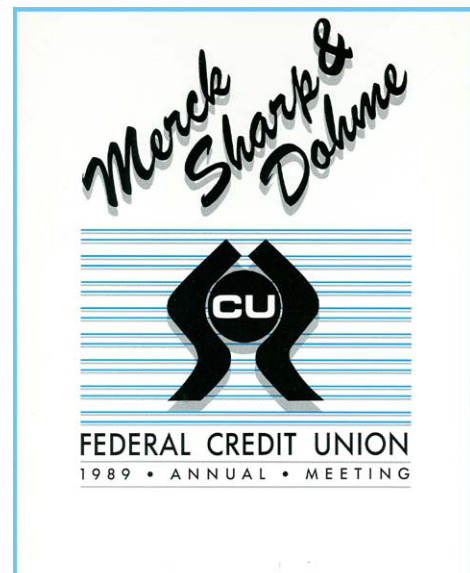
This year the credit union started sending employees to Penn State where an ongoing credit union continuing education program was taught. Two or three employees would go each year and would attend the intensive 1-week program and stay at The Nittany, the on campus hotel. It was a course that was offered by CUNA and held in a school environment. CUNA rented space to hold the event each year. As it was an annual event, it was ongoing and therefore never the same every year. Bill Gadd allowed employees to go for two years, and then other employees would get a chance to go. More often than not branch managers and other senior staff would go, or employees with the greatest longevity since it was meant to be fun as well as educational.

Part of the renovations in general was more additions to the staff. By the end of the year there were 24 office personnel; 11 were strictly tellers and three of them were part time.

The Annual dinner meeting was held at the Westover Country Club on Saturday April 1st starting at 6:00pm. The entertainment was provided by Front Row. Nearly 300 members and guests were in attendance for the event. The Hoffman Awards are again increased to \$3,000 for first prize, \$2,000 for second prize and \$1,000 for third prize. The award was started in 1971, so this year the award itself is older than any one of the recipients. Drew McPherson is once again voted in as president making him the first director to have served as President previously and once again being elected into office.

In July of this year the credit union offers VISA cards as well as MasterCard. The rate on both cards is the same and as of the introduction of the new service was set at 15% which was very competitive considering that most other financial institutions were charging as much as 18%. There is a credit limit of \$3,000 imposed on the VISA, so a member could have one of each and have a maximum limit of \$3,000 on each. The addition of the Visa card was seen as a great improvement to the card program because it was so widely accepted in the US and abroad. As with the MasterCard, the maximum limit was not granted automatically, but was contingent on credit worthiness. In order to be approved for a credit card, one had to be a member for 90 days with steady employment for at least 1 year. The minimum line of credit was \$500. A fee of \$15 is also imposed if the credit limit on either card is exceeded.

In response to a suggestion recently made by one member, the credit union bought a coin counter. It was a large tan colored monstrosity that weighed a ton and had different colored plastic chutes that attached to different holes. As coins passed through the drum, the coins shot out the different sized holes where a bag had to be placed to catch them. A member could bring in their unrolled coin and leave it with a teller. The coins would be counted and the correct amount would be deposited to their account; the process was not handled with the member waiting. Usually the coin was counted and deposited into the members account within a few days.



The Home equity line of credit continued to be promoted. It was decided to set a fixed term of 14 years to the loan. The credit union also offered free life insurance on these loans up to \$50,000.

Also regarding loans, as of the beginning of the year, a contract was signed with Eldredge & Associates. Through them the insurance of all vehicles was monitored for sufficient and up to date coverage. If an automobile was not properly insured, a forced placed policy was enforced and charged against the loan. During this year alone, the credit union had loaned out \$5,290,163 in auto loans, and more and more it became clear that in order to safeguard the collateral on these loans, the proper insurance had to be assured. The alternative was to risk higher dollar amounts of loan loss.

At the end of the year the credit union had a total loan portfolio of \$24,439,739. Total assets were \$44,543,583. Net income was \$4,182,081, an increase of \$552,000 over last year. Total operating expenses were \$1,249,089. The total in dividends paid to members was \$2,543,767. Net income was \$389,225. At the end of the year, the credit union had a 7.8% capital to asset ratio. By the end of the year the credit union offered free life insurance on all loan balances up to \$50,000. By the end of the year the capital to asset ratio was at 8%, and the board of directors declared a ¼ % bonus dividend for the last quarter of the year.

The interest rate on share accounts was increased at the end of the year to 6.75%.

Membership is just under 10,000 and it is reported in the Prescription that the total number of members is 90% of all possible members. At this time membership eligibility is restricted to all MSD, MSDRL and MPMD employees and their families (living under the same roof) as well as all Merck sales reps in the US and employees of Merck facilities in Elkton and Wilson, North Carolina.

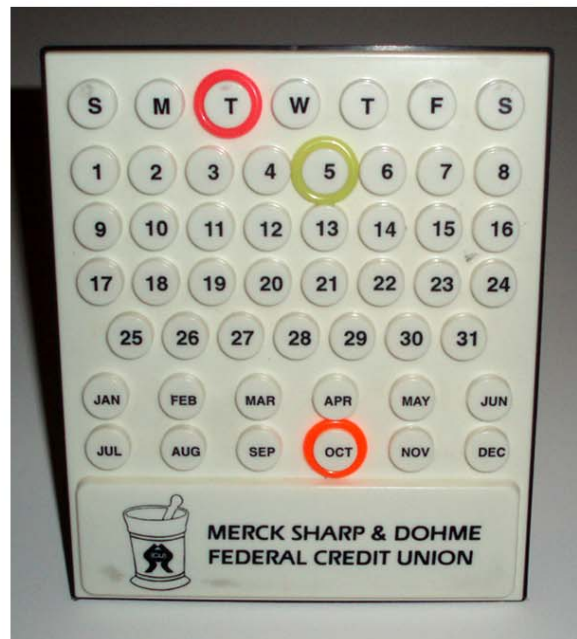
As of May of this year, 16,000 accounts had been opened, but this figure represents all accounts including Christmas, vacation, and draft accounts. The 10,000 member milestone had yet to be reached and would not be before the end of this year.

This was the first year a representative of the credit union actually went to the Wilson North Carolina facility. The Wilson Committee was expanded this year; the new body was a mix of directors and employees. The members were: Darcy Schneidinger, Tom O'Connor, Andy Pinckney Jr., Peggy Fegely, and Joe Robinson. It was their job to better approach the Wilson employees. The Wilson site was a non-union plant site, and the plant manager was very leery of the credit union having any kind of presence there. It was a miscommunication that Gloria MacDonald was able to clear up after a lengthy explanation of what MSDFCU was all about. Once they were convinced there would be no "trade union" recruitment going on they invited representatives to come visit. Gloria and Peggy Fegely went down in October; a table was set up for them in the cafeteria. It was there that they cut Christmas club checks for the members as well as give out the annual MSDFCU Christmas gifts, accept applications, hand out brochures and other CU related material the members and potential members. She would also answer any questions the members had.

First mortgages were offered for the first time in December of this year. They were not a credit union product however; they were administered through GMAC in a partnership with the credit union. GMAC representatives would meet with members and handle all arrangements; the credit union would get a percentage of the loan revenue. Fixed and adjustable rate mortgages were offered for terms between 15 and thirty years. The interest rate was based on the one or three year Treasury note rate as reported in The Wall Street Journal. By the end of the first month of the new program, \$245,000 had already been lent out.

The Prescription newsletter is no longer mailed out to members as a separate mailing this year. It is decided that since all members already receive at least a quarterly

statement if not a monthly one, that it would make sense and save money to simply include the Prescription in the mailing that all members already receive.



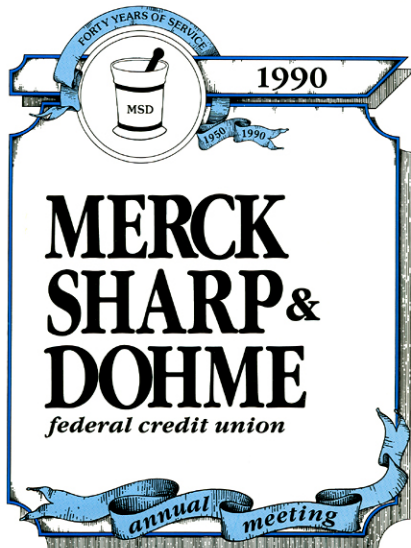
Above are two styles of promotional calendars that were given to members at some point between 1989 and 1992. They stood about 4 ½ inches tall; the three colored rings were removable so that one could keep the day and date current.

1990 – Credit union celebrates its 40th year of operation and service. A special commemorative flag was created in blue with gold trim to be displayed at the annual dinner meeting and from then on in the West Point lobby where it still is today. As a member of the Annual Dinner Meeting Committee this year Gloria MacDonald was put in charge of having the flag created for the event. The event was recognized at the annual Pennsylvania credit union league meeting in Harrisburg where the credit union was presented with a special plaque with a silver plate attached to it (marking the silver anniversary).

The credit union also reaches the milestone of 10,000 members. In light of this, the scope of potential members is widened again. All MSD employees are eligible as well as family members residing with them, employees at all distribution centers for MSD in the US, employees at the manufacturing centers in Elkton Va. and Wilson NC, employees of temp services working on plant sites, ARA (Aramark) employees, Cintas Uniform Service, MSD leased limousine drivers and helicopter pilots



and Bell Telephone employees at MSD. The \$5 membership fee is also done away with and the minimum deposit of \$5 is all that is required to join.



The Annual Dinner Meeting is again held at the Westover Country club on Saturday March 24th at 6:00pm. This year marks the 40th anniversary of the credit union, and as such the event called for a special celebration and tribute to some distinguished guests. The four special guests were: John Hogue who was a founder of the credit union and the first member to join the credit union; Dave Geraghty who was also a founder and charter signer; Dan Whitehead who had been on the board of directors for decades and served as Membership Officer, and Horace Russo who had served on the Board of Directors from 1952 to 1979, had served as treasurer and director of the Credit Committee. They were introduced as men who were instrumental in the great success that the credit union had become over the past 40 years. The Annual Raymond Hoffman Awards were again raised this year. The winners received \$3,000, \$2,000 and \$1,500

respectively. The music was provided by New Beginnings.

For the first time, in February, the credit union instituted a check hold policy. The policy stated that no more than \$200 from personal checks would be cashed on the day of deposit. Personal checks of more than \$200 had to be deposited; to get more than that amount, an equal amount of money had to be on deposit in the members account and a hold placed on it. This policy was per day not per check. This policy was in response to a growing number of personal checks being returned NSF, and if the money was not in the members account the credit union stood to loose the amount that the check had been cashed for or contact the member in order to collect the loss.

In an effort to fully train and carry on continuing education in the credit union philosophy and all aspects of credit union operation, it was decided that the credit union would enter into the STAR program. It was a series of books in 4 volumes covering every aspect of credit unions and covering different management levels. Employees could read the books at their own pace and take tests at the end of each book. After completing courses in the Star program the employees were awarded American Express gift cheques. All office employees began to participate in the program in order to have a more informed and knowledgeable staff.

The CUNA life insurance on loans provided free to all members is increased to \$60,000.

The VISA card offered by the credit union currently has the following benefits attached to it:

- 15% interest rate
- Cash Advances
- No per transaction fees
- A low \$10 annual fee
- Check writing privileges
- Additional cards provided for free



- ATM access
- Travel reservation service
- 10% discount on auto rentals
- 25 day grace period

Members are allowed to have VISA and MasterCard accounts. Since the response to the VISA card was not as positive as the credit union had hoped, in the fourth quarter of the year the maximum credit limit on each card was raised from \$3,000 to \$5,000. Also, the \$10 annual fee on the VISA card is waived for the first year for new applicants. There is a fraud protection limit of six transactions per day placed on each of the cards, and the card service is made possible through the company Applied Card Systems.

The loan operations are no longer overseen by the Credit Committee. The committee is eliminated and all decisions are made at the departmental level. Barbara Bonanni is the Loan Supervisor, Patrice Kreidler is loan officer, Wendy Spackman is loan interviewer and Pam Battistoni is the loan processor. This results in reduced turnaround time on loans. As a promotion to generate interests in personal loans, the newly liberated loan department came up with a 12-12-12 promotion: borrow \$1,200 for 12 months at 12%.



The savings and loan failures and the failure of some credit unions in Rhode Island erode consumer confidence in general but not the credit union specifically. This historic turn of events actually strengthened the belief in the credit union movement since there was an inherent emphasis on ownership by the people and not some faceless group of suits. The banks did not see it this way however, they continuously lobbied the government at all levels to eliminate the tax-exempt status of credit unions. Operation Grassroots was the credit union answer to this. MSDFCU and all credit unions asked their members to call or write their representatives in Washington not to help the banks destroy the credit union movement. There were also petitions and rallies by credit unions in Washington.



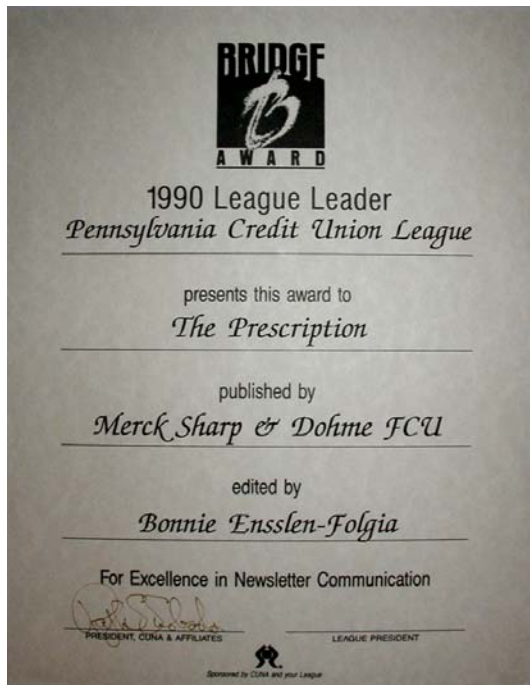
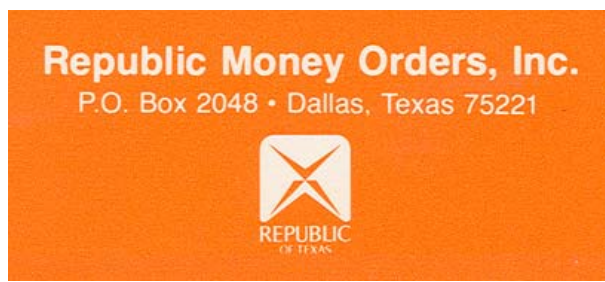


Gloria MacDonald, Shirlee Nicolino and Barbara Bonanni attending an Operation Grassroots demonstration. Although it is almost impossible to tell, Shirlee is wearing a patch like that seen above that is mostly obscured by the left side of her jacket.



Awareness giveaways for members and employees

Since 1971 the credit union offered money orders and travelers checks from Republic of Texas, but as of the end of last year Republic was bought out by Travelers Express. Therefore the credit union now offers Money orders through Travelers Express and signs a contract with American Express to offer their Travelers Cheques to the membership.



The Prescription wins an award again this year. As had been the case so many times in its history, the Prescription is again honored as a league leader by the Pennsylvania Credit Union League. In the 1989-1990 Bridge Award for excellence in newsletter communication competition the Prescription is voted number 1 in the category of 2 colors or less. Bonnie Ensslen-Folgia is singled out for praise as the Editor and an acknowledgement is made also to Advanced Typographers who printed the Prescription. As an added "thank You" to the members, selected member's social security numbers were surreptitiously placed within the text of the Prescription again this year. Members were invited to try and find their numbers, and those that found them were awarded \$5 deposited to their account. It is interesting to note how unbelievably ill-advised such a campaign would be viewed only ten years later when such a thing

would have probably invited lawsuits.

For the months of October and November the credit union again offers 100% financing on new vehicle loans. The 36-month rate is set at 9.50%, the 48-month at 10.00% and the 60-month at 10.99%. Taxes and tags are also financed for this promotion. Also offered is 100% refinancing of any new vehicle loan with another institution provided it is not more than 6 months old.

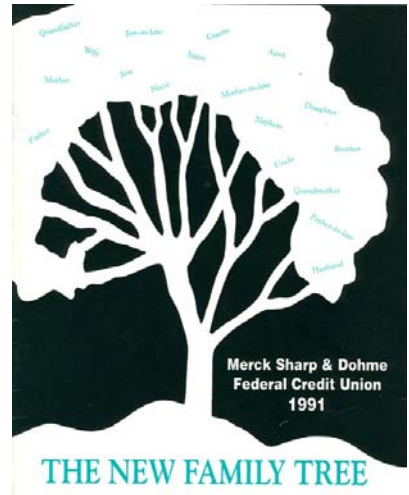
In response to member suggestions, it was decided to install a night deposit box for MSD employees working second and third shift who were unable to get to the office during normal business hours. It was located to the right of the inside building 1 entrance to the office. It was fire proof and required dual control to open. Credit union policy dictated that it be checked every day.

The NCUA examiners for this year found the credit union to be in excellent shape and gave a very high rating, and the capital to asset ratio increased from 7.8% to 8%. Growth in assets increased by 11% to \$49,477,655. Dividends paid to members increased by 5% to \$2,672,629.

There were a total of 1,772 loans granted this year, which was an increase of 98 over last year. The total held in loans ended at \$32,161,514. The total loan increase for the year was \$1,951,360. After being in effect for 13 months, the GMAC first mortgage program had generated half a million in loans. There were a total of 375 new car loans granted this year totaling \$4,597,997, and 210 used cars totaling \$1,535,609. The category with the smallest number of loans was boat loans. There were two such loans totaling \$8,000.

1991 – The credit union reaches 50 million in assets at the beginning of the year; by the end of the year total assets were just over 60 million.

For a third year in a row the Annual Dinner meeting is held at the Westover Country club on Saturday April 13th at 6:00. The entertainment is provided by Shakin' Not Stirred. This is the first year that director and employee milestones are recognized in the annual meeting booklet. Volunteer milestone categories are "Service Anniversaries" and "Educational Accomplishments" in which directors are recognized for volunteer education and community service awards. There were also employee service anniversaries and educational accomplishments. Also for the first time this year in the booklet are pictures of all the office staff as grouped by department and branch instead of individual photos.



The entire office staff: 1st row:Gloria MacDonald, Mark Pellegrino, Shirlee Nicolino, Bill Gadd, Barbara Bonanni, Wendy Spachman, 2nd row: Pam Battistoni, Liz Johnstone, Ell Hausler, Annette Ziegler 3rd row: Nadine Reynolds, Kristina Vivian, Lisa Kizelowicz, Karen Dewey, Patrice Kreidler, Linda Gerhart, Jeanne Zadlo 4th row: Susan Hackett, Michelle Holena, Darcy Schneidinger, Dianne Shortall, Eva Palmer

Although share deposits grew by over 20%, loan demand was greatly reduced due to the economy and world events. The War in the Gulf made people think twice before borrowing money. Also, the S&L scandal caused reduced consumer confidence as the total cost was estimated to be 150 billion dollars; the resultant budget deficits ended up causing a recession. The total loans granted in 1991 were \$11,070,321; of that figure, \$9,312,812 was new money. This is a stark difference from the \$14,593,023 in loans granted in 1990. The net difference between this year and last was -\$3,522,702. The investments held by the credit union were also realizing lower returns as the interest rates fell, this fall in return on investments hurt the net income for the credit union. Operational costs also increased further (in part due to the opening of the Lansdale office) cutting into net income, which ultimately decreased by \$15,826 from last year down to \$431,370. Due to this decline as well as the increase in share deposits over the past year, the capital to asset ratio fell this year from 8% down to 7.1% which created a similar problem to that experienced in 1986. Once again, the board of directors was faced with the necessity to lower share interest rates in order to “control” the growth rate in assets. In the second half of the year share rates were reduced to 5.5% and IRA rates were lowered to 6.5%. Although these rates were still competitive, they were more close to the average dividend rates offered by peers. At the beginning of the year the prime-lending rate was 10.00%; by the very end of the year it had dropped to 6.50%. This drop to single digits ended the double-digit trend in the history of the prime-lending rate to present day (2008).

The Long Range Planning Committee had long wanted an office outside of Merck; this year saw the opening of that long fought goal. The Lansdale office was opened for business to all members on November 9; all work was actually completed September 10, but the “official” opening with all planned festivities was not until November. The office was located at the corner of Broad and Allentown Rd. It was a leased property that was equipped for full office operations. The office itself was not labeled with an official sign, but members were made well aware of where the office was through special mailings, the Prescription and word of mouth. There were 3 teller stations. The office was located on the first floor and to the left as one entered. Eva Palmer was appointed to be the Branch Supervisor, Maureen Hazlett and Dianne Shortall were assigned there as tellers. The office hours were:

Monday.....closed
Tuesday to Friday.....8:00am to 4:00 pm
Saturday.....8:00am to 1:00 pm

At the official grand opening there was face painting for the children from “Tulip” the clown, hot dogs and sodas for sale (proceeds went to the Volunteer Medical Service Corps of Lansdale) and every member making a deposit was given an Eisenhower silver dollar. Feedback from the membership was very positive. There was a great deal of construction going on on plant site, so much so that it was difficult to get around easily. For that reason and for the benefit of family members and retirees, the “outside” office was a very much appreciated addition / improvement of overall member service. Approximately 350 transactions were being handled per week in the first months following the opening. As had been intended, this office catered heavily to members who were former Merck employees as well as their families who would never have access to the credit union on plant cite (particularly children). The phone number to the Lansdale office was 215-361-7251.



Above is a current picture of the building at Broad and Allentown Rd where the first Lansdale office was located. Below is a picture from the Prescription taken on opening day.

Office personnel are: Mrs. Eva Palmer, Branch Supervisor; Mrs. Maureen Hazlett, Teller; and Mrs. Dianne Shortall, Teller.



Solo the Clown (alias Supervisor Gloria MacDonald); Earl Harris, Director; Bill Gadd, Treasurer; Shirlee Nicolino, Manager; Eva Palmer, Lansdale Branch Supervisor and Joe Bintner, Director.

The first picture below shows Eva Palmer and Maureen Hazlett inside the lobby. The second picture shows Maureen and former employee now board member Lonna Jennings.




An amusing story accompanies the opening of the first Lansdale office. The property was owned by Gambone Development Company. After the lease was signed and the credit union was ready to move in the local police informed the Board of Directors that they could not open a credit union at that location. There was apparently the belief on the part of someone in the municipality that the traffic would pose a safety or congestion issue. So Bill Gadd and John Stevens went to Gambone and said that apparently they would not be able to rent the property from him because of what the township had said. The response was “Oh we’ll see about that”. The next day the permission was granted to have a credit union office at that site. And if the credit union had any more problems they were to come to him.


Although an improvement, there were some directors that were not entirely happy with the Lansdale facilities. It was acknowledged as a “temporary” success in the branch facility project but in some areas it was severely wanting and was largely thought of more as a first step to the ultimate location of an offsite office and the form it would ultimately take. There was no drive up window, there was no ATM machine, there was inadequate traffic flow, the office was not equipped with adequate parking, Upper Gwynedd township placed restrictions on hours of operation hence the lack of



Monday hours, and the credit union did not own the facility. For these reasons and others, plans remained to look at a different permanent outside office elsewhere. What followed were many, many meetings to determine an optimal office.



	Merck Sharp & Dohme Federal Credit Union West Point, PA 19486 (215) 652-6777
NAME	
ACCT. NO.	
SOC. SEC. NO.	
SIGNATURE	
MEMBERSHIP IDENTIFICATION CARD	

	Merck Sharp & Dohme Federal Credit Union West Point, PA 19486 (215) 652-6777
NAME	
ACCT. NO.	
SOC. SEC. NO.	
SIGNATURE	
MEMBERSHIP IDENTIFICATION CARD	

Above are pictures of the older membership card the would be typed up when a member joined the credit union and a newer blue "version" used a little later. Also pictured is a small passbook that was also given to members during this time when a new account was opened.

One of the many construction projects at West Point was the rebuilding and expansion of building 53. One renovation would be an office of increased size for the credit union to relocate. At the end of this year only the steel skeleton was in place. Merck requested that there be additional ATM machines throughout plant cite. At this point there was still only one. Negotiations were started on where these ATM machines would go and how many there would be. Merck was growing all the time, and the credit union although

convenient to many was becoming positioned in a “corner” of the Merck facility. Building one used to be the “center” of the Merck world, and therefore so too was the credit union centrally located. Merck was building outward so much that building 1 was now farther away and more difficult to get to from many parts of plant site, so Merck felt that more ATM machines would be of the most benefit to all resident employees. Merck was also very eager to move the credit union out of building 1 entirely, so the new building 53 was seen as a perfect location located close to the newly designed main cafeteria.



Above is a picture of the West Point staff having a bit of fun dressing up in costumes during Halloween this year.

The practice of counting unrolled coin was discontinued this year. As word spread of the service, more and more members brought in coin to be counted. There had come a point when there was one teller assigned every day to do nothing but count coin all day long; also, coin could not be shipped out to the federal reserve loose, it had to be rolled. All coin that was brought in had to be counted, deposited to the members account and then rolled as well. The great amount of time the process required resulted in a backlog of coin: with many bags taking up space that required counting. Apart from the consumption of time and manpower, another problem developed. Every so often, a member would claim that the deposit total from coin was incorrect, that it was too small for the volume of coin they had left to be counted. Word spread as word does, and there came a point that a negative rumor of the credit union shorting members got started. Being untrue of course but potentially damaging none-the-less to the relationship that existed between the credit union and Merck, the service was discontinued entirely.

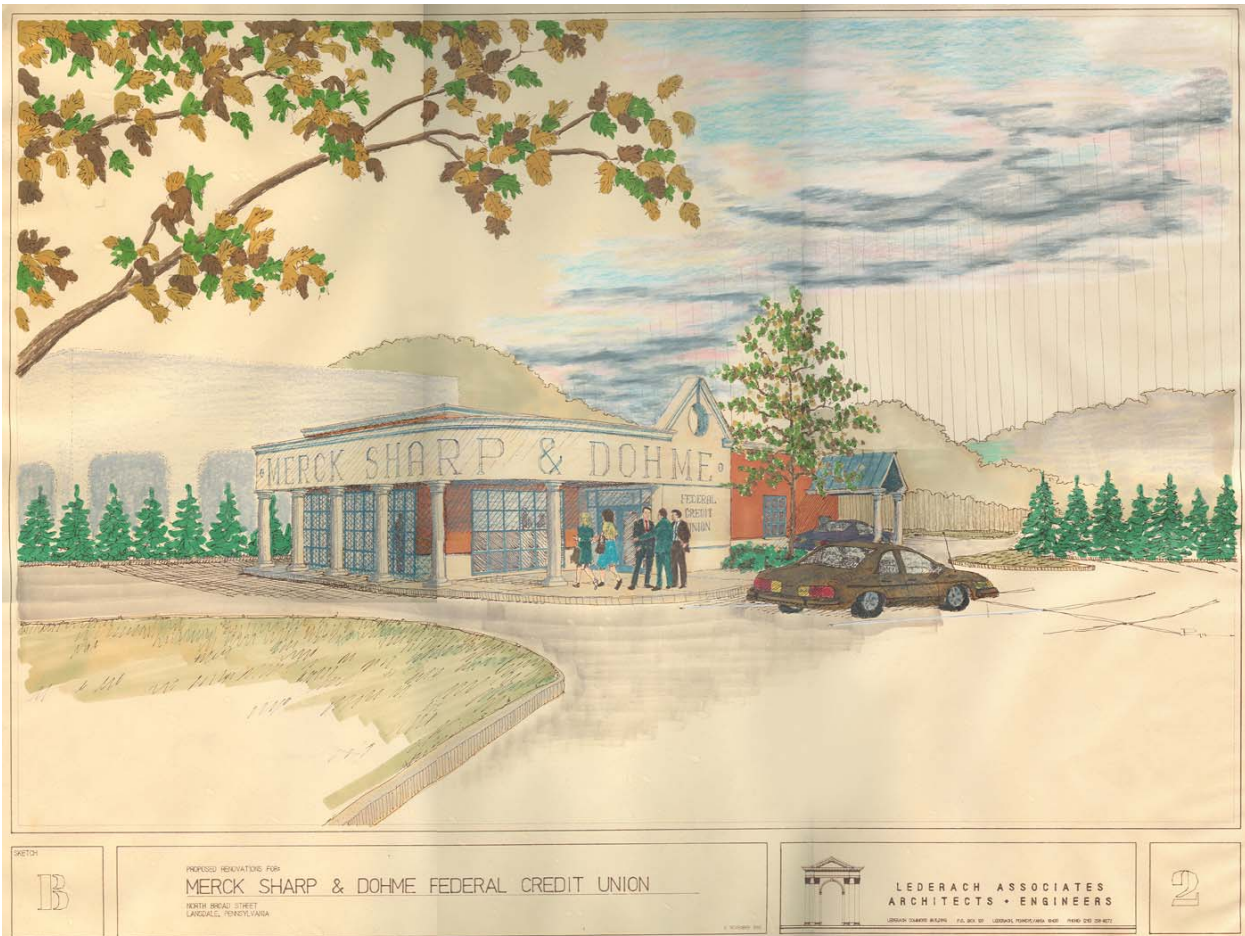
By the end of the year there were 11,547 members.

1992 – Early this year the credit union had decided upon the property where the new Lansdale office would be situated. On October 14th of this year, the credit union purchased the building at the corner of Broad & Hancock streets for \$450,000; when asked, Bill Gadd remembered the price as a bargain at the time. The lot had been the used car lot for T D Keyser since the 1920's. The actual building was originally constructed in 1987 as an Arby's restaurant. It was renovated in 1990 and reopened as the "Lost in the 50's" restaurant. When the credit union bought the property it was decided that the building would not be razed but again renovated. The property had in fact been considered by the credit union as a prime location before the first Lansdale office had been opened, but the timing was not right. The failure of the restaurant was fortuitous in affording the credit union another opportunity to buy it. The proposed project was written up in the Reporter as a community improvement story. The new facility would be planned to offer every service amenity that the current Lansdale office lacked. To this end Lederach Associates was commissioned to develop the plans for the building based on the boards requirements and R & R Kelly Associates Ltd was hired to undertake the renovations. The work was set to start in March and the target completion date was set for fall of 1993.



Above is a picture provided by Richard Shearer of the Lansdale Historical Society that shows the corner of Broad and Hancock Streets in the late sixties. Most of the background buildings are recognizable today to one degree or another. Also noticeable is that at this time the corner was a sharp turn as opposed to the present day.

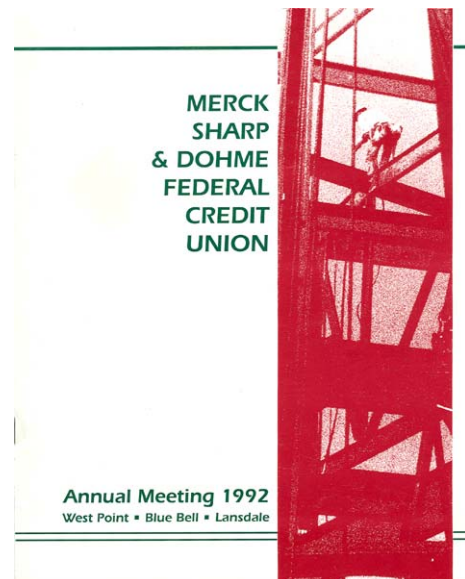
Below is a picture of the plans drawn up by Lederach Associates for how the proposed office would look when renovations were complete.



This was another year of unprecedented growth. Assets grew by 21 ½ % this year. An increase over last year of \$12,983,568 resulted in the credit union closing the year with total assets of \$73,396,585. This represents the largest growth percentage in the credit union's history. As was the case in past years, however, loan growth, although rebounding, did not increase in proportionate levels. The board yet again was forced to lower interest rates on shares to 4% and IRA rates to 4.5% towards the end of the year. These rates were still 1% higher than other financial institutions.

The Annual Dinner meeting was held on Saturday March 14th at Oak Terrace Country Club in Ambler; over 200 were in attendance. The entertainment was provided by DJ "Jammin' Joe". The Hoffman Awards are again increased this year to \$4,000, \$3,000 and \$2,000. Drew McPherson steps down after his third year as president for the second time and John Stevens is elected as President for his second time.

Loans only grew by 3.8% this year; the total in loans at the end of the year stood at \$33,367,474. The total in loans granted this year was \$13,565,147.

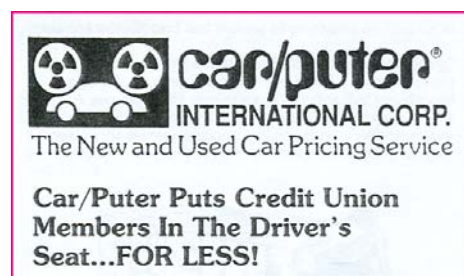


Loan rates are changed slightly in the forth quarter of the year. What follows is the loan rate breakdown as of the end of 1992:

New Car.....	36 months (100% financing).....	10.50%
	36 months (85% financing).....	8.50%
	48 months (85% financing).....	9.00%
	60 months (85% financing).....	9.50%
	72 months (85% financing).....	12.50%
Used Car.....	1992 model.....	10.50%
	1991 model.....	11.00%
	1990 model.....	11.50%
	1989 model.....	12.00%
	1988 – 1986 model.....	12.50%
Personal Loan.....	(must be a member for 90 days).....	12.25%
Golden Loan.....	(share secured).....	7.50%
Education.....	(collateral required).....	10.00%
MasterCard.....		13.00%
VISA.....		13.00%
Secured Visa.....		17.00%

Home-secured loans are excluded from this list but were of course offered and 1st mortgages were not listed because they were offered by GMAC at rates that changed too frequently to advertise in print. Credit union employees in fact were in no way meant to be the source of information for GMAC loans.

The share growth this year yet again placed in jeopardy the closely monitored capital ratio, which, as a result of the huge growth this year, fell to just under 7.00%. Gaining and loosing ground was a recurring theme that had to be controlled as best as possible if the credit union was to maintain a favorable rating from NCUA.



Car/puter International Corp is a service that the credit union makes available to members this year. It is a national new and used card pricing service. Members can call 1-800-521-1670 and get detailed information on manufactured suggested retail prices, confidential factory invoice prices on all models as well as manufacturers rebates and incentives.

The 20,000th member account was opened this year during credit union week (a week in which membership for the year typically sees its largest increase of any other month). The new member was awarded a \$200 savings bond presented to her by Shirlee Nicolino and Susan Hackett (of the membership committee). At the end of the year, there were 12,305 members.

An office personnel milestone was celebrated this year. Anette Ziegler was recognized for 20 years of service as an employee. She started with the credit union in October of 1972. At the celebration she remarked that she had never expected to be with the credit union that long, but was glad she had been.

An interesting note: in the third quarter of this year, the phone system at Merck is overhauled to accommodate all the increased usage expected form new construction. The long used prefix code of 661 is replaced by 652.

Once again the Prescription wins the Bridge Award League Leader for 1991-1992 for excellence in Newsletter Communication.

The credit union offered a 2-4-1 promotion in which members could apply for both the Visa and MasterCard at once and pay only a \$10 annual fee and receive an interest rate of 13%. Secured Visa accounts were also made available; a \$500 deposit (to remain on hold) was required for a credit limit of \$1000 and the interest rate offered was 17.9%.

To the right are the two applications for the aforementioned credit cards

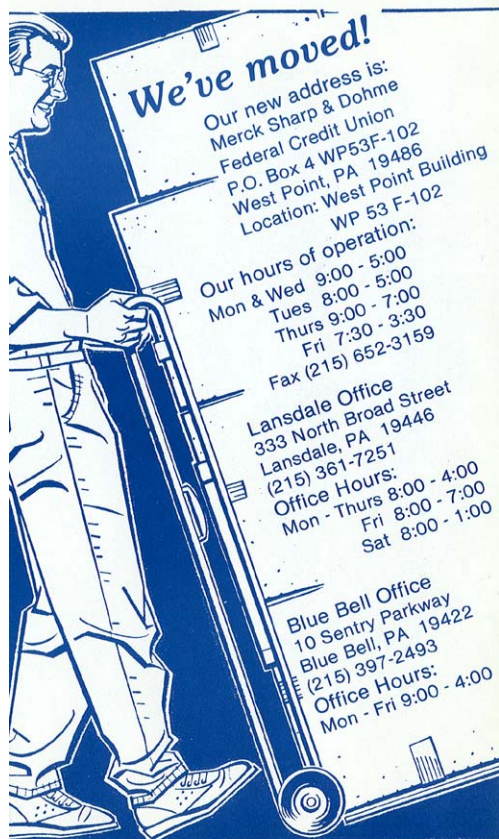
Merck Sharp & Dohme Inc. drops the Sharp & Dohme from the division name this year. Merck had always been Merck since its beginning in 1891; the West Point facility was the Merck (Sharp & Dohme) division since 1953 when the companies merged (in the Pennsylvania region). It was finally decided to simply drop all but Merck. A plentitude of questions were then raised by members who wanted to know if the same would be done by the credit union. For the past thirty-five years, there had been little or no distinction made by members between the credit union and the

company; while the credit union did nothing to perpetuate this, there also seemed no reason to openly and repeatedly dispel the belief. The idea of the credit union being part of Merck was, in fact, an eventual development that was a source of some pride since it had taken so long for the credit union to prove its worth to Merck. The topic of changing the credit union's name was discussed by the board as well. One consideration was that there were actually two "Merck" credit unions: Merck Employees Federal Credit union based out of New Jersey and MSDFCU. There had actually been a third: Merck-Cherokee Employees Federal Credit union based out of Riverside Pa. had been in existence since 1954 but due to the Cherokee plant phase out, it had widened its field of membership, took on a second sponsor and changed its name to M-C Federal Credit Union in 1988. It was decided for that changing the name may make distinctions more difficult among the three, but also it was decided to keep the Sharp & Dohme as a "homage" to the credit union's beginnings. There was enough like opinions among the directors that it was

The image displays two credit card application forms side-by-side, both from Merck Sharp & Dohme Federal Credit Union. The left form is titled "SECURED VISA APPLICATION" and features a large, ornate dollar sign graphic with a hammer and chisel at its base, symbolizing security. The right form shows two promotional offers: "2-4-1 Have More Fun" for a Visa card and "2-4-1 Better Than None" for a MasterCard. Both forms include the credit union logo and name.

important that the credit union never forget where it came from, and although Merck had given great support to the credit union over the past decades, it had already had a credit union started by its own employees. MSDFCU would always be in a sense its own distinct credit union started by the drug workers of Sharp & Dohme, and those humble beginnings deserved respect and remembrance.

1993 – This is an important year for the credit union with many changes.



The West point office moves from Building 1 where it had been for over 30 years (since 1956) to across the street in the newly rebuilt Building 53. The office is located at the end of Main Street right by the rear entrance. The move took place starting on October 15 after hours; it went through the weekend and the main office was closed on Monday and Tuesday. Office operations resumed on Wednesday October 20th. The move was made easier in the fact that the NEW Lansdale office was fully operational and ready to serve members while West Point was closed.

The office itself is fully equipped with 10 teller stations, coat room, manager office, walk in vault, kitchen area, Loan manager office and 4 cubicles for the loan department, three offices along the hallway (the first occupied by Barbara Bonnani as the loan manager, the second was passed the loan department was occupied by Shirlee as the President and the third was occupied by Annette as the one in charge of accounting, a supply room, a computer room, fax room, loan file area, a 6 cubicle accounting department (with its own emergency fire exit door) and a conference / lunch room with an exit door that led to a hallway with the loading dock to the left and main street to the right. The

lunchroom was equipped with a view screen (that could be retracted into the ceiling) for slide presentations and fitted with a room divider that hung on a series of tracks in the ceiling. The room could be divided in half by maneuvering the series of 4 wall sections along the track, lining them up and then turning a crank that through tension made the wall sections press together. This was particularly convenient when it was required to hold important meetings while still allowing the employees to eat lunch and since there were two doors at either end of the lunchroom, when divided, each half could be accessed independently. In the lobby of the office was a receptionist desk to the left as one entered and a centrally located spot for members to fill out deposit slips. There were also two offices in the back of the lobby for management. Bill Gadd took up residence in the back far left corner office. A new ATM machine was installed; it was built into the wall to the right of the short hallway leading to office entrance doors and it had its own balancing room, and it was a state of the art machine with a full color video monitor and a MSDFCU customized display. A night drop box and wall safe were also installed next to the ATM machine in the balancing room and secured with locks. The office had literally everything that could possibly be needed by the credit union (given the current size). Placed as it was, only 200 yards from its previous location, it was ideally placed to

continue service, and the facilities themselves were state of the art. A 14-camera security system was installed with TV monitors in two offices allowing senior staff to observe the entire front and back office. Scramble pads were also installed at every door that led directly to employee areas for added security (scramble pads of this type were the same as those used by the military at this time) and had the added security of being on a sophisticated battery backup that was tied to the security system; in the case of a power outage, employees would still be able to move freely throughout the office. The original steel teller safe was brought over from building 1 as was some of the framed art (and the full length mirror). There were also fireproof file cabinets placed behind the tellers (strategically placed under the teller line counters) to house membership folders and in the back for loan folders. The new office was a testament to the generosity of Merck and to the importance with which the credit union was regarded.



Above is a slide of building 53 as seen within plant site provided by the archive department of Merck and Co.

As a result of the move, the credit union mail stop address changes from 4WP1-1 as it was in Building 1 to WP53F-102. All credit union brochures, business cards, letterhead, envelopes and literature had to be re-ordered or changed to show the new address.

Another change in West Point was the addition of cashier service. Merck and Co had been handling its own West Point cashier service in the past, but through negotiations with the board of directors, the credit union agreed to assume the dispensing of this service as they had done at the Blue Bell office since it had opened. Essentially, Merck employees took business trips with many travel expenses, bought business lunches and incurred sundry expenses for a variety of other reasons. As these were work related expenses, the company reimbursed employees. Often employees with American Express

corporate cards needed to be paid so that they could pay these cards (often the reimbursement was after monthly payments were made). The credit union would now assume the responsibility for providing cash reimbursements (up to certain limits) and would in turn be paid by Merck. This was a convenience for Merck since it got them out of the cash handling business entirely. An entirely separate office space was provided for this purpose. The cashier office was located to the left of the credit union main office right by the doors. There were five "teller" windows provided as well as a place to house the big black cast iron vault that Merck had been using for decades. There were also cubicles provided for after hours work. Bobbie Umidi was appointed to be the full time cashier, and, although a credit union employee, her salary was paid by Merck and Co. Every day Bobbie would get whatever cash she needed from the credit union office next door and then escorted by another employee to the cashier office. The cashier office was also used on Thursdays for department managers / supervisors to pick up the paychecks to be distributed to their various employees. The cashier hours were 8:30 to 2:30. After closing, settlement and paperwork were processed for that day.



**Merck Sharp & Dohme
Federal Credit Union**
Our Forty-Third Year . . .

*And Still Growing . . .
And Growing . . .
And Growing . . .*

1993 Annual Meeting

The Annual Dinner Meeting was held on March 13th at Williamson's Restaurant at 6:00 pm. The entertainment was provided by Sounds of Distinction. The annual booklet gives members a sneak preview of what the new Lansdale branch will look like when renovations are complete. Since there had been a flurry of praise regarding the present Lansdale office, the new one was highly anticipated. Drew McPherson is once again elected president for a one-year term making him the first director to be elected to the president position for three separate non-sequential terms.

Mark Pellegrino had been out on disability for a few months. After that time it was determined that he would not be returning as manager of the Blue Bell office. For the months preceding this decision, the branch supervisor position was temporarily filled by Darcy Schneidinger and Nadine Reynolds. When a permanent

replacement had to be selected Gloria MacDonald was chosen as the Branch Supervisor for Blue Bell, Gloria stopped going to the Wilson NC facility as her duties precluded it, and as a result of her move, the annual visits stopped. As Teller Supervisor at West Point, it was easier for her to be away for a few days, but the Blue Bell office was much smaller with a smaller staff. It was also at this time that some of the furniture from the old Lansdale office and the old office at Building one was reallocated to Blue Bell since the existing furniture at that office had become worn out.

The New Lansdale office opened officially on Saturday November 6th; the address is 333 South Broad Street. In attendance were members, office staff, John Hogue (one of the founders of the credit union and holder of account #1), directors, Lansdale Police Chief Frank Heinze, Charles Sambe from The Pennsylvania Credit Union League and Phil Lederach from Lerarach & Associates. The mayor of Lansdale Michael DiNunzio cut the ribbon to open the office (the cut ribbon is still on display in the Lansdale office lobby). The celebration also included the handing out of credit union canvas bags and beige

mugs that both displayed the architectural rendering of the completed office exterior. Refreshments were sold and once again the proceeds were donated to Volunteer Medical Service Corps. The office itself was 2,500 square feet; it had 5 teller stations, a walk in vault, a private manager office, a drive up teller station with two drive up lanes, a drive up ATM machine, an official conference room where the board of directors could meet rather than on plant cite or elsewhere, 2 member service stations as well as an employee lounge with lavatory facilities, settlement room for the ATM and storage space. There was adequate parking: 31 spaces two of which were handicapped, and there was better accessibility from the road. The hours of operation were set at:

Monday – Thursday.....8:00 am to 4:00 pm
Friday.....8:00 am to 7:00 pm
Saturday.....8:00 am to 1:00 pm

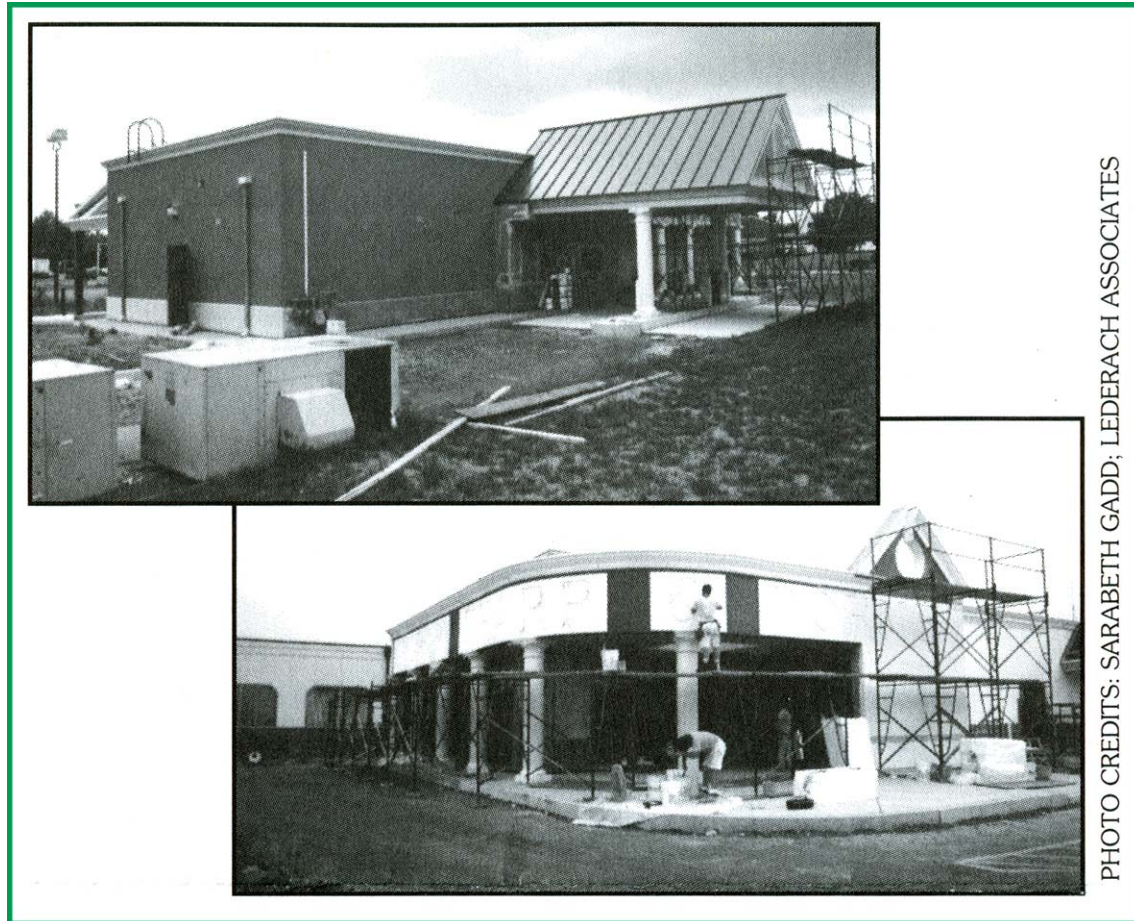


Photo by Greg Meyers • Courtesy Lederach Associates



Above are photos of the exterior and interior of the newly renovated Lansdale office at the time that the office was opened.




Below are pictures from the Prescription that show renovations being done to the exterior of the building.



The vault was the one aspect of the re-building of the property into a financial institution that was the most difficult. In a typical building situation, the vault is lowered into place and the rest of the branch is built around it. That was impossible in this case, however, since the board was not inclined to approve of the roof being torn off and the vault lowered into position. Instead, the vault had to be brought inside and put together piece by piece.

Below are pictures of promotional items that were given to members at the grand opening of the office as well as throughout the year. The first is a mug that had the conceptual drawing of the Lansdale office on it as well as the official ribbon cutting date (corresponding canvas bags of similar color and the same drawing were also given out but not pictured here). Below that are front and back photos of the telephone/address/secretary books that the credit union printed up and distributed to members annually. The same picture appears on the cover of the annual dinner meeting booklet distributed at the event a number of months earlier.



 JEFF D'AMBROSIO DODGE PHONE: (215) 855-9091 FAX: (215) 361-9175 28 NORTH CANNON AVENUE LANSDALE, PA 19446 <small>\$100 OVER INVOICE FOR MERCK, SHARP & DOHME FEDERAL CREDIT UNION EMPLOYEES!</small>	<hr/> <p style="text-align: right;">Telephone</p> <hr/> <p style="text-align: right;">Address</p> <hr/>
COUNTRY CLUB POOLS Country Club Pools, Inc. Custom In-Ground Vinyl Liner & One Piece Fiberglass Pools ALL SHAPES & SIZES • Pool Restorations & Repairs • Chemicals & Accessories BUILDERS OF QUALITY IN-GROUND POOLS WITH SATISFIED CUSTOMERS SINCE 1985 BANK FINANCING AVAILABLE 357-8565 361-2125 675-7550 <small>RICHBORO LANSDALE 500 W. STREET RD. P.O. # 208-WARMINSTER, PA 18974</small> CALL FOR MERCK EMPLOYEE SPECIAL!	
 ultimate TIRE & AUTOMOTIVE CENTERS FREE VALET SERVICE AVAILABLE Call 215-699-TIRE For All Your Automotive Needs 348 W. WALNUT ST. • NORTH WALES, PA 19454 DISCOUNTS ON TIRES & REPAIRS COMPLETE IMPORT & DOMESTIC REPAIR CENTER	
 The SUMMEY <i>tavernroom and dining saloon</i> BEST HAPPY HOUR IN TOWN 4-6 Don't Miss Weekend Entertainment Private Business Parties 15-55 People GREAT BLACKBOARD SPECIALS Call or Fax Take Out Orders FAX: 699-9094 699-5693 1610 West Point Pike, Upper Gwynedd	
J. L. FREED & SONS, INC. OVER A CENTURY OF SERVICE 2001 N. Broad St., Lansdale, PA 19446 368-1840 	
WILLS • ESTATES • REAL ESTATE • WORKERS COMPENSATION • ZONING Gerald F. Glackin <i>Attorney At Law</i> 2031 N. Broad St., Suite 137, P.O. Box 58, Lansdale • (215) 362-8644	
the Looking Glass boutique A MINUTE FROM MERCK - Fine Women's Apparel Corner of Summeytown Pk. & Valley Forge Rd. • Summey Forge Square • Lansdale, PA 19446 Career/Sportswear • Special Occasion • Accessories (215) 855-6703	
	MERCK, SHARP & DOHME FEDERAL CREDIT UNION Since 1950 Lansdale Branch Office (215) 361-7251 COMPLIMENTS OF YOUR CREDIT UNION

As this office was to be a substantial investment (not an expenditure) made by the credit union for its members, the building committee was insistent on getting everything on their wish list in order to make this office a crowning achievement. As well as being praised by the members, who used the office a great deal more than they had the old Lansdale office, the building itself was praised by community leaders as an improvement of the community at large. Patrice Kreidler is appointed as Branch Supervisor with a staff of three full time tellers: Susan Hackett, Marie Radiconi and Maureen Hazlett and three part time tellers: Carol Wildman, Kim Quigley and Marcia Scherer. The Lansdale office was not a Merck facility, so there was no interoffice telephone service through Merck. It was necessary for independent lines to be installed.



Lansdale Branch

Left to Right:

Patrice Kreidler, *Branch Supervisor*

Maureen Hazlett, *Teller*

Susan Hackett, *Acting Supervisor*

Marie Radicioni, *Teller*

Absent from Photo:

Carol Wildmann, *Part-time Teller*

Marcia Scherer, *Part-time Teller*

Kim Quigley, *Part-time Teller*

There were some problems with the new office during the next year or two. One problem was with Marjean Caterers across the street, which occupied the original T D Keyser building. They held wedding receptions every Saturday and some Fridays. They told attendees of those receptions that they could use the credit union's parking lot since Marjean's parking lot invariably was insufficient to handle their clients. This did not set well with the credit union and with Bill Gadd in particular. He argued with Marlin Wert, the owner of Marjeans, that people parking in the Lansdale office parking lot was a security risk: that the interior of the office had to be visible at night and that having people parking and loitering in the parking lot was a security risk. Not only that, but he didn't want people who had been drinking to be driving around and out of the credit union's property. Since Bill and Marlin were both individuals who were not interested in backing down from their positions on which they believed to be right, there was little progress made on this issue. Bill set up bright lights all around the parking lot so that the entire branch was bathed in light at night, and people still used the parking lot.

It is decided that some cost cutting measures are required. One particularly expensive large expense is free life insurance on loans that the credit union had been offering. Up to this time, life insurance coverage up to \$60,000 had been gratuitously offered by the credit union on all loans. The cost of this insurance just in 1993 was \$181,000, which accounted for 9% of operating costs. The board decided to initiate a 5-year phase out of this program of this insurance coverage which, on average would save the credit union

\$200,000 per year over the next 5. Among credit unions of comparable size, no others were offering this insurance free of charge.

Another cost cutting measure is made by reducing the Prescription from 6 pages to 4, or rather a tri-fold 6 sided form to a bi-fold 4-sided form. There is less of a focus on "informational and instructional" articles geared towards education and more sharply focused attention on credit union products, services, rates, promotions and upcoming events.

The rate on the VISA and MasterCard cards are dropped to 12% in the second quarter of this year and again dropped to 11% by the end of the year. A promotional credit limit increase of \$500 is offered if balances are transferred from other cards.

Loan demand declined in 1993 by 17.50%. The total in loans approved was \$11,207,153 of that, \$8,989,774 was new money. This represents a negative increase of new money of -\$ 3,761,352 compared to 1992. This is despite the further lowering of loan rates. The borrowing climate of the past two years had remained stifled due to the economy and talk of deficits, and all financial institutions were in the same predicament.

Also this year the somewhat complicated used car loan rate criteria were truncated. This year the rate on a used car from 1992 or 1992 was 8.50% and the rate on model years 1990-1986 was 10.00%.

Total assets increased to \$82,005,606 for an increase of \$8,609,021 over last year. The asset growth was at a rate of 11% as opposed to a rate of 21% last year. Share rates were also reduced; by the end of the year the share rate stood at 3.25% and the IRA rate was at 4.25%. This lowering of share rates was a deliberate measure taken by the board to reduce growth compared to loans. The focus again this year was to keep the capital ratio at a rate expected by the federal examiners. That ratio was increased to 7.70%, a significant increase compared to the closing 1992 figure of 7.00%. Of interest to note here is that the total in loans held by the credit union stood at \$28,775,857 which only accounted for 35% of the total assets; "investments" accounted for 53% of credit union assets at a total of \$43,864,100.

The total in dividends paid to members on all shares actually declined over last year. By the close of 1993 members were paid a total of \$2,323,168 whereas the total paid last year was \$2,485,431. This represents a net decrease of \$162,263. At the same time, Income from loans declined considerably this year. The total income from loans in 1993 was \$2,882,645 as opposed to \$3,284,062. This represents a net decrease of 13%. The overall net difference between this year and 1992 however was a gain of \$184,472 for the year. The return on credit union investments made up the difference.

For the first time this year the credit union offers members an opportunity to have their Christmas Club shares transferred to another credit union account rather than have a teller check cut. More members were opening Christmas club accounts and when members came in to pick up their Christmas club checks ready for pickup at the end of October) it caused extra delays, so it was thought that offering members this alternative would shorten the lines.



In the second quarter of the year, CUTIPS is offered to members. The acronym stands for Credit Union Telephone Information Processing System. Members were required to apply for the service, and the first 4 monetary transactions a month were free and all inquiries were free of charge. A total of 17 different services were available each assigned a different two digit code. Each member chose a PIN number in order for the service to be secure and confidential. The number to access the service was 215-652-0250. In order to advertise the new service, refrigerator magnets were sent to all members and made available at all the offices. It was hoped that this automated service would take some of the pressure off tellers by enabling members to get account information over the phone rather than be forced to come into the office and wait in line.

Above is a picture of the refrigerator magnets that were given out to members this year as a promotion of the new CUTIPS program.

ATM cards now allow the withdrawal of funds from either share or share draft accounts.

The first mortgage program offered by the credit union through GMAC was expanded to all 50 states. Credit union members received a 25% discount on closing costs.

1994 – The credit union was awarded first place in the “renovation of an existing structure” category for the Merit Shop Construction competition sponsored by The Southeastern Pennsylvania Chapter of the American Building Contractors Association in recognition of the Lansdale branch opened last year. The award was presented to the credit union and R&R Kelly Inc. who performed the actual renovations. The office had become an impressive addition to Lansdale and commanded an austere presence that spoke to the exclusivity of being a member of the Merck Credit union.

North Penn Hospital becomes the first SEG of the credit union in the third quarter of this year. A SEG is a “special employee group”, a company that is not large enough to start a credit union of its own, but shares a common bond with an existing credit union. Through this shared bond, the SEG may become eligible for membership with an existing credit union. North Penn Hospital is the first such group to be added to the SEG list. Until now, the only non-Merck employees allowed to join were ones that worked for a company directly associated with Merck (like ARA). The North Penn Hospital employees were eager to find a credit union that the NCUA would allow them to associate with. As of the third quarter of this year they are allowed to become members and may do business

at the Lansdale office; a location that by its existence now allowed for the possibility of non-Merck affiliated companies to have eligibility. Although not available immediately, negotiations were undertaken to make payroll deductions available to NPH employees as they were for Merck employees. The addition of SEG groups would from this point on be a point of continued pursuit by the board of directors. The credit union was always looking for ways to increase membership, and it is only now that it is considered practical to in part achieve this by expanding the credit union's field of membership.

Life as well as disability insurance on loans now becomes a service which must be specifically selected and paid for by members; premiums are calculated and added to the loan on a monthly basis. Insurance is available on new and old loans under qualifying conditions, and offered through CUNA Mutual Insurance Society.

Again the Prescription goes through a cost cutting facelift: it now is printed on non-glossy paper starting with the spring issue. The glossy paper was more expensive and was seen as unnecessary.

Loan-Liner is used for the first time this year. It is a DOS based loan origination program compatible with Windows 3.1. Before the adoption of this system, loans were processed by using a 4-part (white, pink, gold, canary) legal size generic loan document that used carbon paper. The form was fed into a special printer and all information that had been entered into the Pinnacle computer would print out on the form; it would then be ejected, checked for accuracy (and proper alignment) and prepared for the member to sign. This new LOAN-LINER system allowed for data entry by field on a Windows based computer and the loan documents printed to a laser printer. This was considered a considerable technological improvement. It allowed for the selection of all types of loans and it would print all relevant paperwork therefore eliminating the necessity of forms from several different sources to be handwritten or typed, it did nearly all the print work for the loan processor. The special form feed printer was still used to print the checks since that was still done through the Pinnacle system.

Overdraft lines of credit are now made available to members. The maximum line is \$500; advances are made in \$25 increments and deposited to the draft account in order to clear checks that are written against funds that are not on deposit or available. It is essentially an unsecured loan, which members must qualify for. A minimum monthly payment of \$40 is set with an interest rate of 15%, but there is no penalty for paying the loan off in full.

The Annual Dinner meeting is held on March 26th at 6:00 pm at the Oak Terrace Country Club in Ambler. There was a harpist (Joanna Mell) for the cocktail hour and dinner and DJ Jammin' Joe for the dancing after the meeting itself. John Stevens once again assumes the role of president as Drew McPherson steps down and expresses thanks on behalf of the credit union to Merck as a loyal and generous sponsor and specifically to Cynthia Williams and Glen Macklin for their contributions to the planning and implementation of the new credit union office in building 53. The cover of the annual meeting booklet featured a full color photo of the interior of the newly opened Lansdale office. Since the office had at this point only been open a few months, the success of the grand opening was still keenly felt by all who played a part in it. Service awards are also presented to John Stevens and

MERCK SHARP & DOHME
FEDERAL CREDIT UNION

Our Forty-Fourth Year...



*A Look From
The Inside...*

1994 ANNUAL MEETING

Sarabeth Gadd each for 25 years of service and to Bill Gadd for 30 years of service.



CUTIPS is advertised considerably more this year for two reasons: one in order to generate interest in the program and justify the cost of the venture. Second, and more important, it was announced that effective June 1st, transactions that were possible on CUTIPS would become services that would incur a fee if requested in the credit union offices. This was a measure taken by the board in an attempt to increase fee income, which was deemed by the Federal Examiners to be a sound and necessary step forward. There had long been complaints of long lines at the credit union particularly on Thursdays and Fridays, and it was determined that there were many simple transactions that were now possible on the telephone service. The fees for these sorts of transactions were implemented to offset costs and to urge more members to use CUTIPS. The implementation of these fees was not enacted without internal dissent, and some felt that this was steering the credit union away from member service and towards service fees, but it was decided that this was the way to alleviate the extra and avoidable consumption of time and teller resources that could be better utilized for more involved member service issues. The resultant fee structure was as follows:

Office transactions:

Account inquiries.....50 cents
Withdrawals of \$500 or less by check.....\$1.00
Transfers to other accounts.....\$1.00
Any transactions offered by CUTIPS.....\$1.00

Transactions requested by calling the office:

Withdrawals.....\$1.00

Account Inquiries.....\$1.00
 Transfers to other accounts.....\$1.00
 Any transactions offered by CUTIPS.....\$1.00

<p>"CUTIPS" CODES (215) 652-0250 1-800-4CUTIPS</p> <table border="0"> <thead> <tr> <th>INQUIRY</th> <th>ACTION CODE</th> </tr> </thead> <tbody> <tr><td>Share Savings Balance</td><td>11</td></tr> <tr><td>Last 4 Share Savings Deposits</td><td>12</td></tr> <tr><td>Last Year's Dividends on Shares</td><td>13</td></tr> <tr><td>Last Dividend on Shares</td><td>14</td></tr> <tr><td>Share Draft Balance</td><td>21</td></tr> <tr><td>Last 4 Deposits to Share Drafts</td><td>22</td></tr> <tr><td>Last Year's Dividend on Share Drafts</td><td>23</td></tr> <tr><td>Last Dividend on Share Drafts</td><td>24</td></tr> <tr><td>Drafts Cleared by Draft Number</td><td>26</td></tr> <tr><td>Multiple Drafts Clearing</td><td>27</td></tr> <tr><td>Loan Balance</td><td>31</td></tr> <tr><td>Line of Credit Loan Balance and Available Credit</td><td>35</td></tr> <tr><td>TRANSFER</td><td></td></tr> <tr><td>Share Savings to Share Drafts</td><td>41</td></tr> <tr><td>Share Drafts to Share Savings</td><td>42</td></tr> <tr><td>Line of Credit to Share Drafts</td><td>43</td></tr> <tr><td>WITHDRAWALS BY CHECK</td><td></td></tr> <tr><td>Share Savings Withdrawal</td><td>51</td></tr> <tr><td>Line of Credit Advance Request</td><td>53</td></tr> <tr><td>0</td><td>0</td></tr> <tr><td>ASSISTANCE</td><td></td></tr> <tr><td>CALL COMPLETED</td><td>99</td></tr> </tbody> </table>	INQUIRY	ACTION CODE	Share Savings Balance	11	Last 4 Share Savings Deposits	12	Last Year's Dividends on Shares	13	Last Dividend on Shares	14	Share Draft Balance	21	Last 4 Deposits to Share Drafts	22	Last Year's Dividend on Share Drafts	23	Last Dividend on Share Drafts	24	Drafts Cleared by Draft Number	26	Multiple Drafts Clearing	27	Loan Balance	31	Line of Credit Loan Balance and Available Credit	35	TRANSFER		Share Savings to Share Drafts	41	Share Drafts to Share Savings	42	Line of Credit to Share Drafts	43	WITHDRAWALS BY CHECK		Share Savings Withdrawal	51	Line of Credit Advance Request	53	0	0	ASSISTANCE		CALL COMPLETED	99	<p>Credit Union Services</p> <ul style="list-style-type: none"> • Regular Share Accounts • Christmas Club Accounts • Vacation Club Accounts • Individual Retirement Accounts • Share Draft Checking Accounts • Money Orders • Traveler's Cheques • Payroll Deduction Plan • Direct Deposit Plan • Notary Public Service • First Mortgages • MasterCard® and VISA® • Loans for Any Purpose • ATM -MAC® • "Paymate" Pay Bills by Phone 	<p>Merck Sharp & Dohme Federal Credit Union</p>  <p>Lend us your ear!</p> <p>"CUTIPS" Credit Union Telephone Information Processing System</p> <p>Your personal teller anywhere, 22 hours a day, 7 days a week.</p> <p>(215) 652-0250 1-800-4CUTIPS</p>	 <p>Merck Sharp & Dohme Federal Credit Union</p> <p>Now you can do your credit union banking from anywhere - 22 hours a day, 7 days a week from a Touch-Tone® phone with "CUTIPS" (Credit Union Telephone Information Processing System).</p> <p>Apply now for your PIN (Personal Identification Number) to access this service. Applications are available at the credit union.</p> <p>Let "CUTIPS" be your personal teller. Fold this card into thirds for handy reference in your wallet or roladex file.</p>	<p>Reminders for using CUTIPS: 1. When entering your account number, only use the numbers before the dash. 2. Remember to enter a #sign after each entry. 3. For your security, keep these codes secret.</p> <p>PIN # _____</p> <p>Share Acct. # _____</p> <p>Draft Acct. # _____</p> <p>Loan Acct. # _____</p> <p>Loan Acct. # _____</p> <p>IRA Acct. # _____</p>
INQUIRY	ACTION CODE																																																	
Share Savings Balance	11																																																	
Last 4 Share Savings Deposits	12																																																	
Last Year's Dividends on Shares	13																																																	
Last Dividend on Shares	14																																																	
Share Draft Balance	21																																																	
Last 4 Deposits to Share Drafts	22																																																	
Last Year's Dividend on Share Drafts	23																																																	
Last Dividend on Share Drafts	24																																																	
Drafts Cleared by Draft Number	26																																																	
Multiple Drafts Clearing	27																																																	
Loan Balance	31																																																	
Line of Credit Loan Balance and Available Credit	35																																																	
TRANSFER																																																		
Share Savings to Share Drafts	41																																																	
Share Drafts to Share Savings	42																																																	
Line of Credit to Share Drafts	43																																																	
WITHDRAWALS BY CHECK																																																		
Share Savings Withdrawal	51																																																	
Line of Credit Advance Request	53																																																	
0	0																																																	
ASSISTANCE																																																		
CALL COMPLETED	99																																																	

The previous charge for all transactions over 4 a month on CUTIPS was done away with making it possible to do as many transactions as desired (no more than 99 a day). Also, a toll free number was added so that out of region telephone charges would not be an obstacle to anyone to use the service. The toll free number set up was 1-800-4CUTIPS; the on site Merck number of 215-652-0250 was also kept for dialing convenience within Merck. The restrictions on CUTIPS were: 7 days a week, 22 hours a day, and one needed a touch tone phone. With these stipulations and fees, the service still had to be specifically requested via an application with all owners of an account signing the application.

In the second quarter the policy on signature loans is made less restrictive: anyone who has been a member from 90 days to ten years is eligible for a maximum unsecured loan of \$5,000 (up from \$4,000). Any members with ten years or more with the credit union is eligible for a maximum of \$10,000 unsecured money (up from \$7,000). All new members are still held to a 90-day probationary period before being considered for unsecured credit.

The maximum term is set at 60 months.

Another electronic service that is offered in the last quarter of this year is PAYMATE. This service allowed members to pay bills "on line" using a touch-tone phone thus eliminating the need for the preparation of bills the old fashioned way. A poster outside the West Point office was displayed that gave step-by-step instructions on its use. The poster bragged that a member could pay 6 bills in two minutes. All Paymate transactions were identifiable on the monthly account statement and a personal finance worksheet was also sent to all members who signed up for the service.

PAYMATE and CUTIPS were two services that the Long Range Planning Committee was pleased to see implemented; they were seen as necessary services to offer given the ever-increasing insinuation of hi-tech communication into the lives of everyday personal finance. It was believed that these services were a must in order to remain competitive and ones expected by employees of Merck who were both more closely in tune with technological advancements and of the means to expect them.

MVCP (Motor Vehicle Certification Program replaces Car/Puter as a service for credit union members to get information on new automobiles prior to purchase. It provided more that the old service:



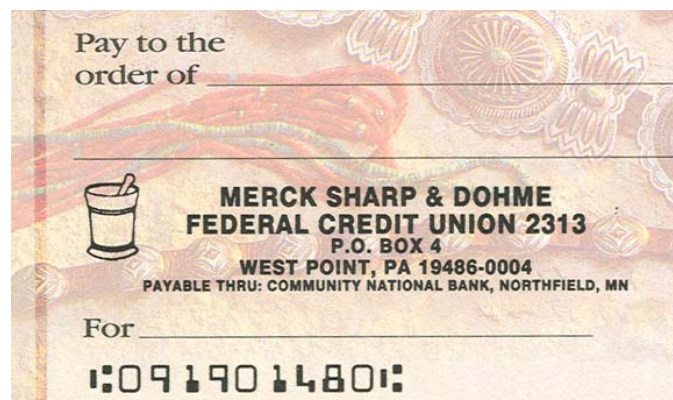
- The invoice: what the dealer paid for the vehicle
- The Rebate: what the factory will give the customer post sale
- The Incentive: What the dealer is getting back from the factory
- Trade In Value: What your vehicle is worth
- Participating Dealerships: Who provide the best price

Members can call 9:00am to 5:00pm at 1-800-345-0990 and speak to MVCP representatives about any car question they have.

Increases in the prime-lending rate caused loan rates to increase nationwide. There were 4 consecutive ¼ point increases throughout the year and a ¾ point increase in November. The rate went from 6.25% in March to 8.50% in mid November. Contrary to what may have been expected, this caused a sharp increase in the loan demand this year. It was perceived that this could be explained by consumers borrowing at rates as they were before they increased further. The total of loans approved was \$17,347,390; of that figure, \$15,409,110 was new money. This increased the credit union’s loan to share ratio from 35% last year to 48%. It was an initial decline in this ratio in the beginning of the year that indicated to the board that a reduction in loan rates almost across the board needed to be reduced. Auto loan rates were reduced by ¼ point to 1 point; the new car loan at 36 months went down to 8.00% from 9% and the new car at 60 months went from 7.50% down from 8.25%. The Home Improvement loan and secured visa were reduced a full point. By the end of the year the capital ratio had increased from 7.5% last year to 8.1%. This was a particularly positive and significant improvement and resulted in high marks given by the Federal examiners this year. It also eliminated otherwise damaging restrictions by the NCUA on potential growth opportunities.

To further increase loan demand, the credit union had a special car loan promotion on April 16th in the Lansdale office parking lot. Working with the North Penn Car Dealers Association and 11 local dealerships, the credit union offered a one-day interest rate of 6% on new cars with financing up to 60 months and 7% on used cars up to 48 months. Despite the rain, a total of 125 cars were sold, and a total of \$1,750,000 was loaned out in that one day. The event was considered such a success that in the fall, a similar “car-a-thon” promotion was also held. The two promotions together drew in 4 million dollars in auto loans. To facilitate such promotions the Lansdale office this year was equipped to process its own loans. There was a dedicated loan processor position at the West Point office, but in order to be a full service branch, the Lansdale office had to be able to approve and process its own loans independent of West Point. Therefore the Lansdale Office Manager was allowed certain underwriting authority, but denials and loans of certain sizes were still approved by the loan department at West Point, and Lansdale processed its own loans.

With the increased amount of EFT activity into and out of credit union accounts, a clarification on correct information is published in the summer edition of the Prescription. For EFT’s to be successful, the institutions proper transit number and the members account number must be used.



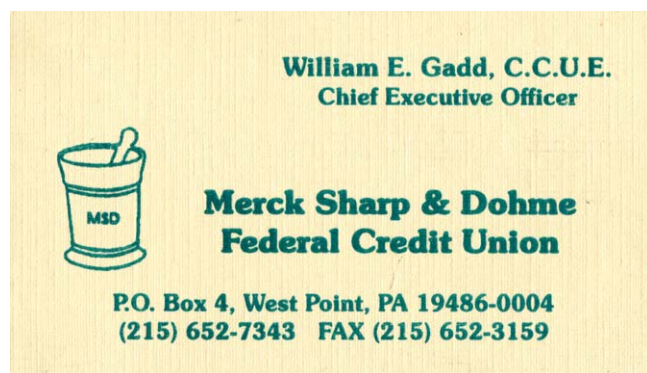
Typically a cancelled check contains sufficient information to facilitate these transactions. Unfortunately, there had been increasing problems with credit union members because at this time the credit union drafts were still paid through Community Bank, Northfield Minnesota. This organization had a different Transit number that the credit union did. The result was many instances of failed ACH and EFT transactions. The Prescription article therefore alerted members to use the credit union's transit number (231386645) when setting up such transactions, and if there were any questions to refer them to Pat O'Brien in Accounting.

In the fourth quarter, the credit union begins paying dividends on shares from a "time of deposit" to "time of withdrawal" system. This differs from the previous way of interest calculation described previous. From now on dividends were calculated on every dollar, not every 5 dollars, as had been the case before now but every dollar. Because it was realized that this would inevitably lead to more overall dividends to be paid out, the board lowered share deposit rates. The regular share rate is reduced from 3.00% to 2.8%, and the IRA rate is reduced from 4.00% to 3.80.

In November of this year there are three additional ATM machines installed on the Merck plant site. The first is a Diebold machine at the upstairs guard station in building 39. The second Diebold machine is installed in the atrium of the newly built building 78 (just inside plant site from Gate 5). The third machine is manufactured by Fugitsu and is installed in the vestibule of building 42. The two Diebold machines were purchased by the credit union and the Fugitsu machine was purchased by Merck. It was agreed that the credit union would be reimbursed monthly by Merck for the service and maintenance of these additional machines and in turn, they could be accessible by anyone on plant site surcharge free no matter if they were members or not. All four machines are set up to accept deposits and are serviced by the staff daily. Each of the machines is also fitted with a camera recording system. Special VHS machines are installed complete with monitors (inside the available space within the machines). The camera images would be recorded onto a tape that lasted an entire week due to slow speed recording. When the tapes were changed they would be checked for correct operation then saved in the West Point office for 6 months incase the tapes needed to be reviewed. Interesting to note is that the recording apparatus and monitor for the building 78 machine were not fitted into the ATM machine; the camera feed was drawn many yards away to a telecom room. The VCR was locked in a wooden box that was unlocked when the tape needed changing, and access to this room was only permitted by Merck security.

By December of this year there were 13,007 members.

1995 - The credit union goes through another important shift in its leadership hierarchy. Until now, the treasurer of the credit union, who was by definition a board member, was also the "General Manager" of the credit union. In an effort to make the organization more efficient, the position of CEO was created; the position was not to be held by a director but an employee. Bill Gadd, who had served the credit union for over 31 years as a volunteer, was appointed as the first CEO. This meant that he was no longer on the board, and the credit union as an organization ultimately was accountable to a credit union employee. The CEO in turn answered to the board of directors, but was charged



with making final decisions that had in the past been made by the different committees. Bill Gadd was seen as the only possible candidate given his decades of service and countless hours of volunteer time that in many ways had helped to shape the organization into what it had become.

The position of President, which had been the highest ranking director position since the credit union's founding was changed to an employee position. Shirlee Nicolino was appointed by the board to this redesigned position as the first female President. In this position, Shirlee would give the final approval on many decisions and be a sort of member emissary who would be the "face" of the credit union: an official

that would take part in all promotional activities and functions where members were involved. The senior director position was renamed "Chairman of the Board" with the succession of past presidents taking on this new understood title, so although, for example, Raymond Hoffman was the first president, henceforth he would be understood as the first "chairman of the board", he never served in that capacity by name, but the title of the position he held was changed.

The Annual Dinner Meeting was held on Saturday March 25th at the Jefferson House in Norristown at 6:00pm. The entertainment was the same as last year with Joanna Mell playing the harp and DJ Jammin' Joe as the more lively after dinner music. John Stevens gave his report as the first person to serve as Chairman of the Board (as it was now titled) and the second person to be elected to the senior board position on three non-consecutive terms. He stepped down from the position this year and Carter LeBrocq was elected as the new Chairman. On the cover of the Annual Meeting booklet is featured a full color photo of the Lansdale office exterior instead of an artists rendering as had been the case two years earlier. The Hoffman awards are increased this year to \$5,000, \$3,500 and \$2,500 for first, second and third prizes.

Towards the end of the year, branch supervisors are henceforth called branch managers. At this time,

Jeanne Zadlow is in charge of the West Point tellers (since all senior staff is at West Point, she is still called the teller manager instead of office manager), Gloria MacDonald is the Blue Bell branch manager and Pat Kreidler is the branch manager of the Lansdale office.

Following the reduction of share rates due to the new interest calculation on shares, it is decided that other investment vehicles are necessary to make depositing more attractive at the credit union. A share certificate program is revived beginning in February of this year. The rate scale is as follows:

- 1 year term.....minimum of \$2500.....5.80%
- 3 year term.....minimum of \$5000.....6.75%

5 year term.....minimum of \$10,000.....7.00%

Dividends are calculated monthly and deposited to the members share account. This means that there is no dividend reinvestment and that the rate calculation is always on the principal. The interest per month therefore never changes. As these are considered contracts, a penalty of 90 days worth of interest is charged for early withdrawal. The certificates themselves enumerated all the terms of the agreement on an 8 ½ x 11 sheet; one copy was kept in the folder and the white copy was presented to the member in a specially made blue plastic sleeve with the credit union logo on the front. By the end of the year, the scope of the certificate program is widened; terms of six month, eighteen month and twenty-four month are added. IRA certificates are also offered at 36 months.

IRA
SHARE
CERTIFICATES

1,000

1,000

Everyone
is talking about the
IRA Share Certificates
now available at
Merck Sharp & Dohme
Federal Credit Union!

Sold in \$1,000 increments with a three year maturity,
the dividend is an attractive 5.00% with
an annual percentage yield (APY) of 5.12%.
Early withdrawal penalties apply.
Keep your regular IRA account open with
the Credit Union so you can accumulate
additional \$1,000 increments.

IRA
SHARE
CERTIFICATES

1,000

1,000

Seen above is a promotional card advertising the new IRA share certificates.

Senior members are now able to join the NARCUP (National Association for Retired Credit Union People, an association dedicated to providing special and discounted services to credit union members over the age of 50. The NARCUP provides the following:

- Eye care benefit: up to 60% on eye glass frames, 50% on lenses and 20% on contact lenses at over 1,600 eye care center nationally including Sears, JC Penny's and Montgomery Ward
- Mail Order Pharmacy: A toll free number to obtain quotes and place orders that are sent directly to the home within 48 hours.
- Hotel Discounts: Up to 20% off at Ramada Inn, Choice Hotel, Howard Johnson and many more.
- Car Rental Discounts: Savings on Hertz, Avis, Budget and National
- Insurance: free \$1,000 accidental death & dismemberment insurance
- Free subscription to *Prime Rates*, a magazine offering articles on other benefits to the program.

The first year membership fee is offered paid by the credit union.

After two and a half months, it was decided that the three new ATM machines at 39, 42 and 78 would no longer accept deposits. There are not enough deposits at each of these machines to warrant daily settlement since it takes over an hour to go to all three to settle them; there is also the security concern of a daily employee presence at these machines with no adequate facilities to handle cash safely every day. The machine at 42 is in a vestibule with no guard presence, the machine at 78 is not much better. Although there is a manned guard desk it is a very open area. And the ATM by the building 39 entrance is guarded but is also very heavily traveled, as it is the main entrance from the garage. The ATM machine outside the building 53 office and the Lansdale machine continue to accept deposits. Of interest to note is that by this time, Bill Gadd and Shirlee were the only credit union employees who were allowed to park on plant site. There were a number of parking spaces near the receiving area along the back of building 53, and there was a small parking lot that was a short walk from the main entrance of building one that had a row of about 20 parking spaces. By this time, Merck had become very security conscious, and very few people were allowed to park within the facility. Typically it was Shirlee and another employee that would drive around plant site to settle the ATM machines; if this was not possible, a guard would drive two credit union employees to the ATM's.

Full loan service becomes available at the Lansdale and Blue Bell offices. This means that loan applications can be accepted at these two offices; loan approvals can be done by the branch managers and processing can be done all at the branch offices.

The Blue Bell office is fully renovated by the owners of the building (The Compass Management Group). The building management team (at the behest of the owners of the property) provided the office with all new furniture, new carpet and wallpaper, new countertops and a new vault. New computers and a new security system were also installed. A short time later at the request of Gloria MacDonald, hanging lights were hung over the teller area to compensate for the lack of sufficient lighting.

Assets went down this year from \$83,190,178 to \$78,421,818. There were mass early retirements from Merck last year, and many of them took lump sum cash distributions. Many of these members deposited these distributions into the credit union. Unfortunately, it turned out that these deposits were not intended to be long term and were only destined to be there until these members decided on a way to invest the money. The decision had been made, however, to take some of that cash influx and invest it in long term instruments. When the money was withdrawn during this year, the credit union experienced a short-term crisis in lack of funds to loan out to members

because so much had been locked into newly bought investments. The credit union had to go back to an emergency measure from years ago of borrowing short term to meet loan demands until these investments could be sold (at a loss). By the end of the year, the credit union was financially back on track.

Branch office hours are again changed slightly at West Point, Blue Bell and Lansdale:

West Point:

Monday – Wednesday.....8:30 am to 4:30 pm
Thursday.....8:30 am to 6:30 pm
Friday.....7:30 am to 3:30 pm

Lansdale:

Monday – Thursday.....8:00 am to 4:00 pm
Friday.....8:00 am to 7:00 pm
Saturday.....8:00 am to 1:00 pm

Blue Bell:

Monday, Tuesday, Wednesday and Friday.....8:30 am to 4:00 pm
Thursday.....8:30 am to 3:30 pm

Loan approvals declined sharply this year. The total loans approved were \$11,932,177; of this figure \$ 10,181,652 was new money. This is down considerably from last year when the total in loans approved was \$17,347,370. There were 1384 loans approved in 1995 as opposed to 1856 approved in 1994. The credit union held one car loan promotion on October 14 at the Lansdale office. There were 10 car dealers present and 1996 models were on display. 74 cars were financed for a grand total of \$ 1,321,476. The overall result was a loan to asset ratio of 48%, which was considered less than ideal. The total in loans at the end of the year stood at \$34,988,187.

The total in dividends paid to members was \$2,009,767, which was down from last years figure of \$189,242.

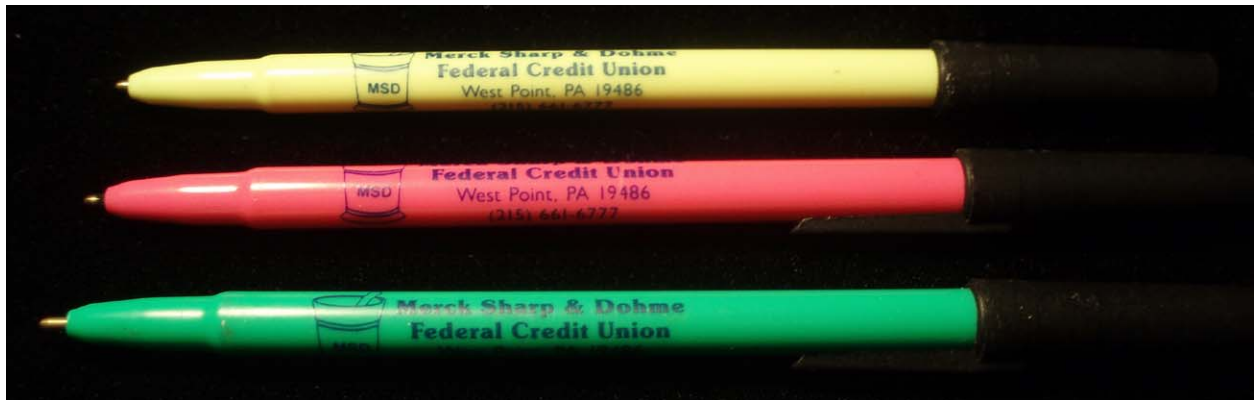
Due to members' complaints and for other reasons, the extensive fee schedule implemented last year related to CUTIPS was eliminated by the end of the year. The focus last year was on generating as much fee income as possible to offset the lack of income generated by other sources, but there was a backlash by the members. Members did not like being charged 50 cent and \$1 fees at the teller window because they wanted balance information or transfers as well as other common transactions they had become accustomed to. Tellers had to charge members for doing transactions that they would not have paid for using CUTIPS, but this fee income came at a higher price, that of member satisfaction. Not only did these fees erode member satisfaction, but they had the opposite than desired effect. Members still requested "CUTIP able" information, and the teller would have to fill out a separate transfer form for the fee and run it through the members account, so even if they just had a balance question, it became that AND a transaction. Many members therefore spent twice as much time with the tellers than they had intended to and left annoyed. By the end of the year it was realized that the credit union was not getting any more popular by becoming a "fee factory" and the desired increase in the adoption of CUTIPS had to be won by staff continually pointing out its good points, not by providing a negative cash incentive for doing things the old fashioned way. As time progressed, CUTIPS was embraced by the membership as a

valued additional service, not a service that replaced any other. The annual fees on credit cards are also eliminated.

What follows are pictures of some promotional items from this period in time.



Seen here are front and back pictures of a promotional key chain given out to members this year. It was not necessarily meant to generate interest in the share draft account specifically, but the idea of a check on the reverse was thought by many to be ingenious.

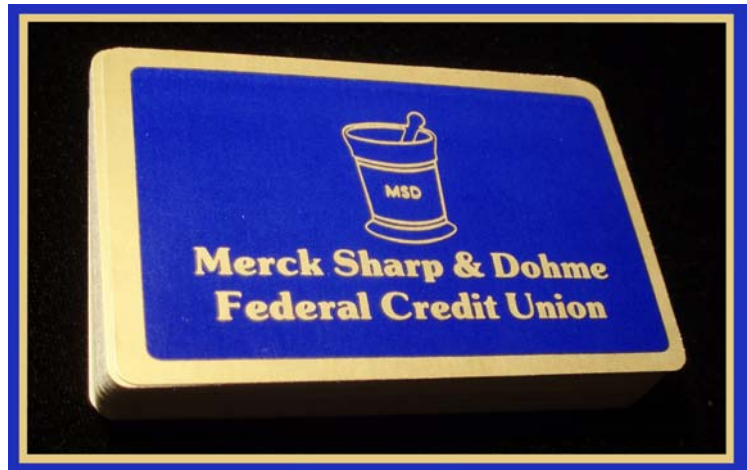


Pictured below is an interesting little coin bank given out to members last year and this year. It consisted of 6 individual pieces all connected on one "sheet" like a plastic model. The pieces (each 3 inches square) were separated and required assembly with interlocking holes and tabs along every side of each piece. Once assembled you could drop coins in the top...but you would have to take it apart to get them back.



These playing cards were regular poker decks that had many slogans on the back such as...

**Your credit union "A family Affair",
Avoid lines – sign up for direct deposit,
Secure your future with a credit union IRA,
A great deal for wheels – a credit union
loan, Short of cash? TAP MAC,
Your credit union. Use it for all its worth,
Our members can't be beat
We are wild about our members
Avoid lines – sign up for direct deposit
Check out our checking accounts**



These flashlights were given out to children at credit union sponsored event this year.

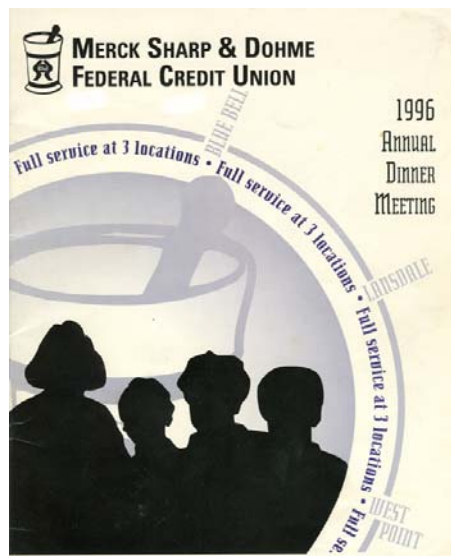
Share rates are also increased back to 1994 levels of 3.00% (APR) for shares and 4.10% for IRA's by the end of the year.

The credit union actually lost members this year for the first time since 1971. At the end of the year there were 12,857 members as opposed to 13,007 at the same time last year. The fee issue contributed to this drop in membership, but the major contributing factor was the large numbers of Merck employees that retired last year and closed accounts this year when they withdrew their retirement packages (the same factor that affected the drastic figures on shares on deposit this year). As had so often been the case in the past, the credit union had to not only look towards expanding the field of membership but to also focus on keeping the members it already had who may not realize that retirement from Merck was immaterial to continued credit union membership.

1996 – Master Card Gold cards are made available to members. The criteria for approval is an exceptionally high credit rating. The maximum credit line is ten thousand dollars. Membership in the gold program also affords members greater flexibility and an exclusive Gold Master Card benefit package which includes Master Assist travel assistance and Master Purchase retail protection.

Bee Jay Carpets is the second SEG to be admitted for credit union membership. Employees and their families are made eligible to join.

A comprehensive member survey is included in the spring issue of the Prescription in order to gauge what services are perhaps lacking and to determine if the services offered are being given the employee attention required. As more products are made available, the employees who have member contact are expected to inform the members of how they may benefit from them.



The Annual Dinner Meeting is held at the Gypsy Rose in Collegeville on Saturday March 30th at 6:00; the entertainment is provided by DJ Jammin'; Joe. Bonnie Folgia is elected this year as the first female chair "person" of the board. Bonnie had first come to work for Merck 23 years ago and has served as a director on the board since 1986. In that ten years she has served on the following committees: Marketing, Credit, Personnel Policy, Investment, Hospitality, Long Range Planning, Mortgage, and Lansdale Building. She also served as editor of the Prescription since 1986 and also provided answers to common member questions starting in the



Bonnie Folgia

summer 1986 Prescription in her own regular column: Bonnie's "Q and A Corner"

All processing and satisfaction fees on home-secured loans are eliminated. This is a furtherance of the trend that has been adopted of late to eliminate as many fees as possible to improve member satisfaction, which again is a direct reversal of the adoption of fees of the recent past. It is also hoped that this will make borrowing with the credit union that much more attractive as compared to other financial institutions.

The maximum credit Limit on Overdraft protection loans is increased from \$500 to \$1,000. Also, the stipulation is put in place that payments cannot be payroll deducted and must be paid by cash.

In response to member comments, and in the hopes of further reducing lines on Thursdays and Fridays which are typically out the door, the ATM at building 53 is fitted with a "check cashing" feature. In order to do this, machinery is installed in the machine to dispense coin and a wider assortment of bills. Consequently settlement of the ATM takes a great deal longer every day in part due to coin settlement. Also, the likelihood of mistakes grew much greater (if for example the wrong bills are placed in a cassette or a cassette is placed back in the wrong position after settlement). After a number of months the entire endeavor proves inefficient and too tedious when taken into account the amount of usage this new feature gets. The modifications are removed from the ATM before the end of the year.

Below are pictures showing Joanne Podulka in one of the MSR cubicles in the lobby and below that is a picture of the receptionist desk that was on the left hand side as you entered the West Point office.



It is decided to "streamline" teller operations this year. New positions of MSR (Member Service Representative) are created. These employees will be those who will specifically take and review loan applications, open new accounts, answer involved member questions and help members with problems on their accounts. This is decided because of concerns that these same functions being

handled by tellers at the windows are creating longer wait times for some members who have only checks to cash or deposits to make. Also, the receptionist had opened new accounts up to this point, but was also responsible for receiving and directing all calls as well as sorting mail and handling mail deposits, and as the credit union grew so did the volume of these duties. This move was seen as the only way to more efficiently compartmentalize office teller functions. It also eliminated the problem of members wanting to wait for a specific employee at a window thus creating two lines. The office itself was



modified: two semi clear modular cubicles were placed in the lobby area to the right of the reception desk where these MSR's could handle member interviews with privacy. Mary Ferguson (who had been the loan processor) and Joanne Podulka (who had been a teller) were promoted to the MSR positions.

Effective October 3, the Lansdale office hours change slightly. From this point on the Lansdale office will open on Thursdays at 9:00 am instead of 8:00am.

CREDIT UNION WEEK CELEBRATION

We will be celebrating Credit Union Week the week of October 14th, with Credit Union Day on October 17th. The fee for membership will be only 25¢ all that week instead of the normal fee of \$5. You must also have an initial deposit of \$5. To receive dividends you must have a balance in your account of at least \$50. To qualify for membership you must live under the same roof and be related (a family member) to that person who is already a member of the credit union.

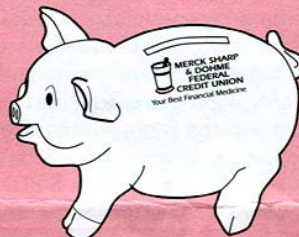
I would also like to take this opportunity to tell you about our "Baby Accounts." To open a baby account your child must be no older than two and have his/her own social security number. When you open the account you must bring us a copy of the child's birth certificate or we can make the copy for you from the original. Unlike the other membership accounts we will deposit \$5 into your child's account and give you a gift of a porcelain piggy bank. Now's the time to start saving for that college you hope your child will attend in the future, so come on in and visit one of our three offices (West Point, Lansdale & Blue Bell) to open your account or your child's account.

The Credit Union management and staff would like to invite you to come in and celebrate Credit Union Week with us. We will have a gift of two movie tickets to any AMC theater for everyone who opens a new account.

OK!! Wait a minute, I know what you're thinking. What about the people who are already members? What are we doing for them? Well – at the bottom of this page you'll find a coupon. Just cut this coupon out and fill it in and bring it into the credit union by Friday, October 18th of Credit Union Week. This will enter you into our contest to win one of three prizes of \$100 each...a gift certificate to Genuardi's Supermarket...Geoffrey Dollars from Toys 'R Us...and a gift certificate to the Montgomery Mall. This contest is for people who are already members, not ones who open their account that week. It will be limited to one coupon per share account. Please note *For our members who are not in the local area we will award to them a \$100 American Express Gift Check.

This is your credit union and the management and staff are here to help our members in every way we can...help us grow so that we can better service your needs. Tell your co-workers about us and about the low credit union week membership fee. Remember, once a member always a member.

Gloria MacDonald



For credit union week (the week of October 14th) the credit union again allows new members to join for 25 cents rather than \$5; \$4.75 of the required initial fee was paid for by the credit union. Also, anyone who opened a new Baby account during the week is given a ceramic "piggy" bank. There is also a "Credit Union Week Coupon" in the Prescription that existing members can fill out and enter in a drawing for which there are three prizes: \$100 gift

certificate to Genuardis Supermarket, \$100 gift certificate to Tory R Us, or a \$100 gift certificate to the Montgomery Mall.



On October 4th this year disbursements of the Christmas club accounts change. From the time they were started in 1964, the Christmas club accounts had been savings accounts throughout the year until October, at which point a check for the amount in the accounts was cut and stored at the credit union. Members would come into the credit union office and sign for their Christmas club checks which they could turn around and cash or deposit to their share or share draft account. For the first time this year the funds in the Christmas club accounts would be automatically

deposited to the members share account. There would no longer be a need to pick up checks. This was done for member convenience as well as a cost cutting move. It also saved a lot of time for members in line.

Although “back office personnel” and managers had Windows based computers, the tellers did not. Exploration had begun last year to investigate a new teller format program that used the Windows 95 GUI (Graphic User Interface) instead of the Pinnacle system which, given current technology advancements, was becoming increasingly obsolete and outdated. At the time the credit union still had one year left on its current provider: EDS Charlotte. This year it was decided that the credit union would sign an eight-year contract with EDS Dallas, which used what was called the Premier system. This new Windows based application allowed all teller, loan and accounting functions to be performed on one system using transaction numbers rather than unnecessarily complicated lists and sub-lists as the old system used. It also utilized a more efficient loan processing program that replaced the old DOS based “Loan Origination” program; loan documents were now printed on laser printers rather than on preprinted forms that had to be fed through a doc printer. The EDS contract was signed for eight years with one year tacked on to the end to complete the remaining year on the existing contract with EDS Charlotte.

The process of conversion took a great deal of time because the credit union had to be wired for token ring network access with ISDN lines installed, the old network cables were not compatible with PC’s. Every teller station also had to be fitted with new IBM computers. Wendy Spackman and Liz Johnstone were the most computer literate of all the employees in the credit union, and they became the de-facto “IT” department (although not officially titled as of yet) who oversaw and implemented the conversion. They were also technical support after the conversion and became the EDS experts who answered all questions, kept the equipment up to date, and performed all daily archiving and updates as well as general computer repairs.

Training took place in the third quarter of this year. Representatives from EDS were stationed in the West Point break / conference room. Many of the computers that would ultimately be used were set up there for training. The process was difficult for some employees because many had never used an IBM PC let alone owned them, but training was such that anyone who needed extra help got it.



Direct deposit becomes much more widely used by Merck employees this year. There are problems however since Merck sends the employees a Direct Deposit stub that looks just like a Merck payroll check only with “not a check” written across it. Despite this warning label, many members mistakenly submit them for deposit, and many credit union tellers accept them for deposit. As time passes these problems abate, however for a while the problem caused a great deal of returned item problems.



The credit union went live with the new system October 26th. The employees were given gray tee shirts with a picture of a teddy bear on front that said “Please Bear With Us” which became the “theme” of the conversion. Since the old teller system had been used for many years, members and staff were understandably frustrated at the changes, but through teamwork and patience from the members, the conversion was successful. Members and staff had to get used to new 2 ply universal deposit slips that replaced the multi colored account specific deposit slips that had been used for years on the old system. The members and staff got

used to the new forms together. On the first day of the new computer system Shirlee Nicolino was on hand to answer member questions and offer them apple cider and ginger snaps.

A nice feature of the new system was that it made opening draft accounts much easier. Until now, every share account had its own set of draft account numbers assigned to them (necessary for the accounting department to set up the account properly). If the member that had account number 1234 wanted a draft account, the teller would have to refer to the huge green book, find account number 1234 in the numerical list and find the numbers associated with that account numbers draft (sub) account. The new system assigned these numbers automatically...no more green book.

Until now all member statements were archived on microfiche, now all member statement information was archived by Wendy and Liz and also backed up digitally on a separate computer program called RMS that employees could access. It was of added convenience because before now there were many times in a given day when employees had to wait in line to use the microfiche viewer. Now anyone could access the system at any time.

The conversion also affected the CUTIPS system, which had to be “fitted” to operate under the new computer platform. Instructions to the members was not prepared in time to precede the conversion, so the changes that were made affected the efficient use of the system for a time. There was a great deal of confusion on how to operate the system.

All CUTIPS fees were waived until the end of the year in order to facilitate the members learning the new system. Sub account identifiers were changed slightly (like the share draft account was labeled "75" now instead of "07" as it had been). The new CUTIPS system did allow for more services to be available to members, and a complete update of CUTIPS services were sent out to members in the November statements.

As an improvement on the now archaic Pinnacle system, EDS Dallas allows a much higher complexity of functions with the Premier system. All credit union functions are now accessible by using 3 digit transaction screens. The employee need only type the transaction number, their teller number and the member number in order to get to a transaction or maintenance screen:

- 186 screen.....general account information
- 445 screen.....payroll deductions
- 285 screen.....returned checks
- 286 screen.....account history
- 815 screen.....teller correction
- 190 screen.....print account status

There were three letter screens that were for specific item sales:

- ALM.....money order sale
- ALT.....travelers check sale
- ALA.....loan advance
- ALB.....bond redemption
- ALC.....on-us check clearing

There were also specialized screens that dealt with specific other products such as loans or CD's:

- 602 screen.....open a loan
- 685 screen.....loan delinquency
- 688 screen.....payoff inquiry
- 301 screen.....CD purchase
- 341 screen.....CD inquiry & Maintenance

Assets this year rebounded to \$84,630,118; this is just above asset levels from 1994, which were \$83,190,178. Loan and investment income were both down slightly from last year for a total earnings figure of \$5,595,410. After all expenses, net income for the year was \$349,891, which was down sharply from net earnings from 1995, which were \$1,016,825. This was partially due to the increase in salaries needed for the newly created positions and the "office operations" expense of upgrading the computer system.

Total loans approved increased to \$12,101,819 compared to \$8,450,982 last year. The total in new loans was \$10,286,239 with a net increase in new loans of \$3,064,297.

The year closes with a total membership of 13,577, which represents not only a significant rebound from the member total of 12,857 from 1995 but also an increase of 570 members over the year-end figures from 1994 (which ended the year with 13,007 members).

Only a month after the conversion, on November 19th of this year there is another severe shake up in the credit union hierarchy. Bill Gadd leaves the credit union. His departure is sudden, unceremonious and the specifics of his departure are not relayed to the staff. Shirlee and Anette are temporarily in charge of overseeing all office operations. Correspondent to



Bill Gadd's departure, Sarabeth Gadd resigns her position on the board of directors.

Chronology of service of Bill Gadd from 1963 to 1997

- 1963- Bill Gadd elected to the Credit Committee
- 1967 to 1984- Elected as a full Director on the Board (now 13)
- 1969- Sarabeth Linden (later Gadd) elected to the Board (now 15)
- 1970- 73- Elected as 2nd President following the death of (Hoffman)
- 1974- Elected as Treasurer, Executive Committee (74-84)
- 1979- Education Committee
- 1980- Montgomery County Chapter Rep and C.C.U.E. (explain that)
- 1983- (only) Hoffman Scholarship Committee
- 1984- Personelle and Policy Committee (only) after March
- 1985
- 1986- Elected back on the Board of Directors
- 1987- Elected back as Treasurer, Executive Committee, Personele and Policy Committee (87 to 90) and Nominating Committee (87 to 90).
- 1988- Chairman of Long Range Planning Committee
- 1989- Joined the Investment Committee
- 1990- Joins By-Laws Committee and Legislative Committee and chairs the Investment Committee
- 1992- Joins Annual Meeting Committee, and Building Committee and Chairs the Asset & Liability Committee
- 1994- Elected as General Manager of the credit union and retains Board status. During this year he service includes the following:
 - Executice Committee
 - Treasurer
 - Building Committee
 - Legislative Committee
 - By Laws Committee
 - Asset Liability Management/Investment Committee
 - Promotions Committee
 - Long Range Planning Committee
 - Security Committee
- 1995- Appointed as CEO of the credit union and therefore could no longer serve on the Board of Directors. He served in that capacity until his departure.

Chronology of service if Sarabeth Gadd:

- 1969- Elected to the board (now 15)
- 1970- Elected to Education Committee Chairman and serves on the Annual Meeting Committee.
- 1973- Became the Secretary for the Board
- 1974- Elected to the Executive Committee
- 1981- Became a Montgomery County Chapter Rep
- 1983 (only)- Served on the Membership Committee
- 1985
- 1986- Elected back to the Board, Joined only this year) the

Marketing & Public Relations Committee(formerly the Education Committee). Joined the Membership Committee as Chairman, Also joined (this year only) the Hospitality and Annual Meeting Committees.

1987- Replaced Daniel Whitehead as Membership Officer and serves as a Board Member on only this committee.

1988- Rejoins the Marketing & Education Committee (this year only) and Annual Meeting Committee.

1989- Rejoins the Hospitality Committee.

1990- (only) Joins the Nominating Committee

1992- Again is part of the Executive Committee and serves as Secretary (92-94).

1993- Joins the Building Committee and Promotions Committee

1995- Serves on the Hoffman Memorial Awards Committee

1996- Served on all the Hoffman Memorial Awards and the Membership Committee before her departure with Bill Gadd.

Despite the possible inclination of some to dispute the assertion, there has been no one up to this point in the credit union's history to devote themselves so totally to Merck Sharp & Dohme Federal Credit union in terms of the personal free time devoted to the credit union and to the credit union movement. Bill and Sarabeth Gadd have unmistakably left more of an influence on MSDFCU than any two people ever had in its history up to this point. Their devotion to the credit union made it what it has become, and unfortunate as the circumstances of their departure were, it cannot eclipse their influence on the organization and the movement.



1997 – Prior to Bill Gadd's departure, the board of directors had been looking for another new position to be filled, that of CFO (Chief Financial Officer). In March, since there is presently no chief executive overseeing things, the board appoints David Whitehead as the "acting CEO" of the credit union. Prior to coming to the credit union, Dave was the CFO at Atlantic Federal Credit Union. As Dave Whitehead was the board's choice for CFO, he was charged with the duties of CEO on a "trial" basis. Times at the credit union had reached a point where the board was of the opinion that there were many internal issues that needed to be addressed and member service changes needed to be considered, and Dave was charged with tying up these loose ends and considering what changes could be affected in a short time. Dave was given a chance to distinguish himself as the correct choice for the job as the new leader of the credit union. This was the beginning of further internal restructuring.

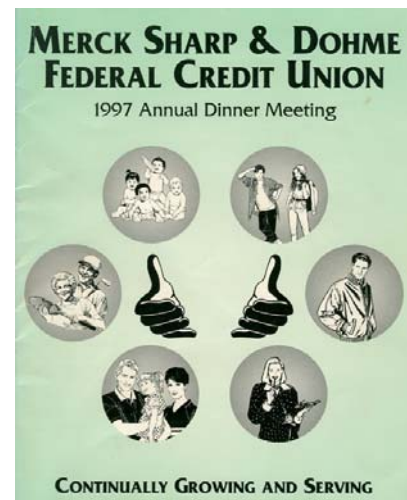
Based on his hitting the ground running and taking on problems that needed correction It did not take the board a great deal of time to officially appoint Dave as CEO. He took up residence in the office in the far left corner of the credit union from which Bill Gadd had formerly operated.

In the first quarter of this year the credit union offered a new service to its members called the PLAN AMERICA program. It was a service of CUNA Brokerage Services. The program offered products and services that the credit union could not offer directly to

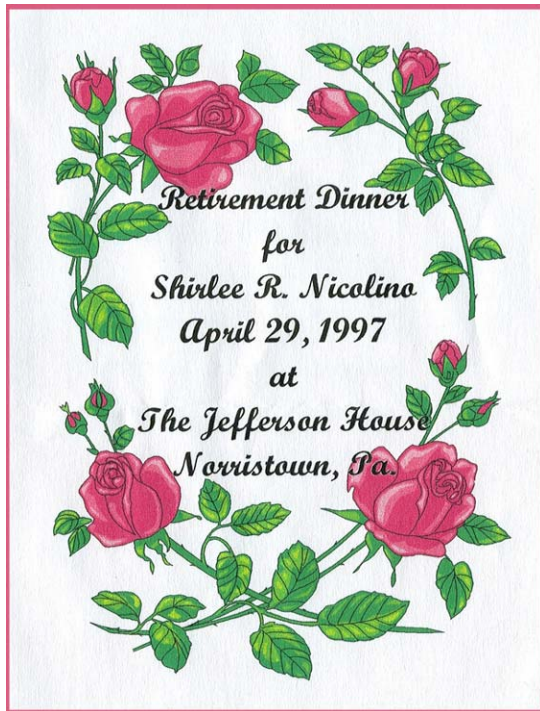
the members such as life insurance products and investment vehicles like mutual funds. George McReynolds was the representative for PLAN AMERICA. He had an extensive repertoire with experience as a registered investment advisor, stockbroker, tax consultant, insurance agent and mortgage banker. It was his job to assist members in financial planning, retirement, and estates, tax planning and to offer investment products which would yield the same returns as those offered by banks or other financial organizations. He would not only meet with members one on one, but would also give seminars on specific topics to members at the West Point cafeteria. His base of operations was in the Lansdale office, but he could also be available to members at the West Point office. All consultation and seminar services he offered were free to members.

The credit union also offered discounts on auto insurance starting this year. An agreement was struck with Nationwide Insurance to offer members discounted auto and home insurance as well as many payment options and of course...excellent service. Jerry Pifer was the Nationwide Insurance representative and members were encouraged to call him for a free rate comparison.

The Annual Dinner Meeting is held on March 22 at the Blue Bell Country Club at 6:00pm. The entertainment is once again provided by DJ Jammin Joe. Dave Whitehead addresses the membership publicly for the first time as "Acting CEO" and expresses his enthusiasm of his new role and promises to be a positive influence for change. The Hoffman Awards are distributed differently this year. Instead of a first second and third prize, there are 4 prize recipients that each receive \$2,500. Of note this year is one of the winners, Brett Reynolds is the son of Nadine Reynolds, the current credit union receptionist.



In April of this year Shirlee Nicolino retired only a month after the Annual Dinner Meeting after 37 years as a credit union employee. Shirlee had started with the credit union in 1960 when she was one of two credit union employees at the Broad and Wallace Street Sharp & Dohme building. When she started there were only 1,641 members and credit union assets totaled \$565,304. No credit union employee before or since had such longevity of service. The North Penn Reporter covered the story in an article / interview titled "Credit Union Outlasts Her" in which she spoke of how she had come to be hired by the credit union and how she had worked her way through the credit union ranks to become President. She said that she never expected to be at the credit union so long, but that it "gets in your blood", and she also reflected fondly on the people she had worked with over the decades: " Credit union people are



a very special breed – they are very loyal and they take great pride in what they do”. On April 29th the office staff and board of directors gave Shirlee a goodbye party at the Jefferson House in Norristown where a few employees spoke and a retrospective was shown. Her sister was also in attendance. Some employees who had known her and worked with her a long time found the event to be quite a bitter sweet event that both celebrated her long successful career as well as a sad lament at her moving on. She would no longer be the credit union icon she had become with many members having known and done business with her for literally decades. In many ways she was the credit union to many people at Merck. Never was there an employee who for so long knew so many members personally, by name and was considered a co-worker to Merck employees of many different departments. Following the celebration at the Jefferson House, on her last day in the office, a more subdued “goodbye” was held at the West Point

lunch room where everyone made their final goodbyes, again, with a few employees getting choked up at her departure and in some cases, the circumstances behind it. Many of the employees at the credit union and in fact throughout Merck had come to think of her as a sort of mother/grandmother type of person.

Mary Ferguson says goodbye to Shirlee at her goodbye party in the lunchroom of the West Point office.

“She was the sort of boss that you wanted to do a good job for because she was



always so nice and supportive to everyone. In many ways she embodied the soul of the credit union at Merck which had come to be a sort of institution, a family-like atmosphere in which everyone had a job to do, but the work environment was that much more positive with Shirlee as a part of it. This is not to say that the credit union was a lesser organization without her, but the “family” atmosphere was somehow diminished upon her departure”. The credit union was becoming more like a business. Service was still the main focus, and good member relations were still of primary importance as were the best products. But many employees felt that there was something more than just Shirlee that was missing after she was gone. While she was gone from credit union service she would always be remembered by those that had the privilege to work with her.

Upon Shirlee’s departure, the position of president was eliminated. It was decided that the credit union required a more modern hierarchical structure in order to keep with the times and to more closely resemble other credit unions of comparable size. To that end, two new positions were created: Vice President of Operations and Vice President of Lending. By the third quarter of the year both positions were filled. Annette Ziegler, in her 24th year of employment with the credit union, was promoted to the position of VP of Operations position. It would be her responsibility to directly oversee all functions performed by the teller / office staff as well as all accounting operations; this was more a renaming / clarification of her title as she would in many ways be doing the same job she had for the past few years. All branch managers would report to her and she would report directly to the CEO. Scott Kopp was hired for the position of the new VP of Lending position in May. Scott had worked with Dave Whitehead previously at Atlantic FCU and had 9 years of experience in credit union loans and collections. Barbara Bonnani, the loan manager, would now report to Scott and he would in turn report to the CEO as well.



Telerex is added to the credit union SEG list this year. In existence since 1980, Telerex was a telemarketing service, which in 1995 became an independently operating subsidiary of Merck. They operated out of Allentown and Horsham PA. And focused on healthcare and consumer care telemarketing for Merck. The initial number of employees who joined was 90. An ATM machine is also installed in the Lobby of the Building where Telerex is (at 1 Walnut Grove Corp). It is serviced by an outside vendor not credit union employees.

Werner Motors is also added as a SEG of the credit union.

Due to complaints from members using the telephone PAYMATE system, changes were made to make the system faster and more efficient. The service provider had just come under new ownership and did not want to lose the credit union’s business, so they agreed to upgrade the service. Application to the system was still necessary and there was a \$3 per month service fee.

Office hours at the West Point branch underwent another change this year. In order to facilitate interoffice communication of new developments, and the difficulty in organizing a time to do it, the opening time on Tuesdays was changed from 8:30am to 9:30am. The intervening time would be set aside specifically for staff meetings for the separate departments or for all departments together. It was believed that this hour was vital to

keep employees informed of new products, services policies and addressing problems and that member service would be better served by this decision.

In the third quarter, the maximum ATM cash withdrawal amount per day (weekends counted as 1 day) is increased from \$300 to \$500.

Another change in CD's offered this year is a choice of CD monthly proceeds distributions. It is now possible for members to receive CD interest income by check monthly or deposited monthly to a designated share account as well as re-invested in the CD (in order to receive the APY). This change is possible due to EDS and was not possible on the old computer system. Also, before now the Share Certificates were simple interest only, not compounded. With the improved technology available through EDS, it is decided to have new Share Certificates calculated with compounded interest.

The West Point office underwent changes this year as well. The office "cubicle" idea was not as successful as had been anticipated. It was decided that changes to the lobby area were required to better accommodate the member service representatives. The loan manager office was in an area not seen from the lobby; a door led directly from the lobby to the back hallway. Upon entry through this door the loan manager office was immediately to the left and a large copy machine was in an alcove to the right. The wall with the door leading to this area was removed and the wall that made the other corner (the wall where the copy machine was) was reduced to a half wall with the top section removed. A 4-foot wall was also constructed across the last third of the lobby creating a dividing line between the "teller" lobby and the MSR area. These changes allowed three full sized desks to be placed in this new segregated area behind the lobby where the MSR's would service members. This change also allowed for a sort of "buffer zone" between the two offices in the back of the lobby. The far corner office being used by the CEO and the office to the right occupied by Pam Battistoni: the credit card manager. The office occupied by Barbara Bonnani was now separated from the rest of the lending department by the newly positioned door.

In the third quarter of this year the credit union has some fun with baby pictures. Various credit union employees and board members supplied current and baby pictures of themselves and posters were made up for each office. Members were given the opportunity to try and match up all baby pictures with present day pictures. The winners at each office were awarded \$100 gift cheques.

On November 1, from 9am to 2pm, the credit union held its first off lease car sale loan promotion in conjunction with Enterprise Rent a Car. A promotional percentage rate of 6.99% was offered. The event was held in the Merck Building 53 parking lot with credit union employees taking and underwriting loans in the lobby and other employees running back and forth to the West Point office to process the loans and deliver the paperwork. Despite the rain, many members came out to look at the cars on display from Enterprise. Hot dogs and sodas were available while members shopped. The autos were off lease vehicles offered at below NADA prices and test drives were allowed of course. The car sale afforded the members the following benefits:

- Haggle free price: since the cars were below NADA value (NADA books were available for members to confirm this) there was no need to be suspicious of the pricing. All the cars were great deals.
- 1 Week repurchase agreement: Members were permitted to return the car within 7 days or 1000 miles if they were not satisfied with their purchase. This gave them a chance to get used to the vehicle or bring it to a trusted mechanic for a once over. If they found the quality to be wanting, they could return the car to Enterprise and would incur only a \$200 documentation and cleaning fee.
- 1 year service agreement: After the initial 7 day trial period, Enterprise offers a 12 month / 12,000 mile power train warranty with every sale.



Dave Whitehead, Wendy Spachman and Liz Johnstone at the Enterprise car sale in the building 53 parking lot.

Members were encouraged to get pre-approvals for the maximum they would want so that all that was required on the day of the sale was a specific dollar amount (that fell within that pre-approval limit) to process the loan for. The event (for the first of its kind) was considered a great success with over 1 million in loans booked at the event, but Merck security decided that the venue had been too “disruptive” for their liking, so it was decided afterwards that in future such sales would best be held at a venue elsewhere off of Merck property.

At the beginning of the year, in a further action to “hear the members” loan rates were dropped and stipulations simplified. All auto loans new and used for all terms were set at 7.50%. For a number of years previous, each term and percentage of financing had a different interest rate tied to it; this step simplified the entire process. By a rate comparison, the lowest rate from the year before was 7.45% (for a new car up to 48 months at 85% financing) and the highest auto loan rate was a luxury car at 8.75% (based on 84 months at 100% financing). Dave said from the very beginning that “members vote with their feet” and this year they ran to the credit union for loans with the rates so competitive and simplified. One must bear in mind that at this time the prime lending rate was 8.50%, and at this time car loan rates were simply not this low at most places, plus the fact that the credit union made loans to members that would not have qualified for such rates elsewhere but because they were members and Merck employees, they were afforded special consideration. The credit union’s loan portfolio increased from its 1996 figure of \$35,302,210 to an incredible \$69,321,107. This was an increase of nearly 100%, and was a resounding indication to the board that the new management team was on the right track. The credit union did have to borrow funds again in order to accommodate this loan growth, but the measure was considered well worth it.

Home equity rates were also reduced. The five year fixed rate fell from 8.75% down to 7.50% and the 10-year fixed was reduced from 9.25% down to 8.00%.

In the second quarter of the year the first credit union web site was launched. The address was www.msdfcu.org and the corresponding e-mail to contact the credit union was msdfcu@ix.netcom.com. The internet was still in relative infancy at this point and although gaining in momentum, particularly with businesses, a large percentage of the country was not online, at least not at home. This being the case, the

site was without a great deal of glamour and was generally unremarkable. Despite that fact, it was a web presence that was necessary given the emerging World Wide Web (a term still alien to most of the world and America at this time) and since those who were on line mostly used 28.8 or 56K modems, it was not more than a few pages. It gave general office information, rates, contact information and general product information mostly in simple text and very few pictures on a green and blue background. Although most of America was not on line, Merck employees as a demographic were above the technological curve and as such were a group that expected cutting edge service options. New ways to improve the website were pursued from then on.

In the fall edition of the Prescription the results of the member survey from last year are made public to the membership. There were 202 respondents to the survey. The findings established that more members preferred the personal touch of the offices over automated systems, that the Lansdale office was serving the needs of its primary target member group: Merck family members, only half of the members who used the Lansdale office were aware of the drive through service, only 112 of 202 members knew about the IRA accounts offered, the large majority of members stated that good share and loan rates were as or more important than service standards and that most members received information concerning the credit union through the Prescription and statement stuffers. Obviously this survey could not be considered entirely scientific given the low response rate, but it did provide valuable information as well as a vindication of recent member service improvements.

To the right is from the Summer Prescription, which for the first time features "Dave's Desk" which was a way for the new credit union CEO to communicate to the members.

Share rates remained unchanged this year with regular shares paying 3.10% and IRA shares paying 4.30% although the minimum requirements for share certificates were reduced. At the end of the year the credit union's assets totaled \$96,062,004, just shy of the long awaited one hundred million dollar mark. The total amount in shares on deposit grew from \$ \$75.9 million last year to \$86.7 million this year: an increase of 14.1%.



The other day I was walking through downtown Philadelphia when I came across what I thought was something just horrible. A company was taking advantage

of the poor and welfare recipients. It was a check cashing agency and they were charging \$1.00 for every \$100.00 cashed. That equates to 1%. Here are a group of people that cannot afford an account at a financial institution being taken advantage of, what a shame.

As I walked along a little further, I realized I didn't have any cash so I stopped at a nearby ATM to withdraw my normal twenty dollars. The bank that owned the ATM wanted to charge me \$2.00 so I could withdraw my twenty dollars. That equates to 10%. Now who's being taken advantage of? They want to charge me to give me access to my own money. And banks are making money by lending out my money and now they want to make more! Especially at a time when banks are reporting record earnings. I put my card away and did not make the withdrawal.

Thank goodness I belong to Merck Sharp and Dohme Federal Credit Union. We do not surcharge to make a withdrawal at any of our ATM's. In fact most Credit Unions do not charge a surcharge. We are putting together a list of all the credit union non-surcharging ATM's in Pennsylvania. It will be available by mid July, so stop by one of our branches and pick up a copy.



Net income also increased from \$349,891 in 1996 to \$729,939: an increase of almost 100% as well.

In an ongoing effort to increase membership and existing member satisfaction, the board of directors was continuously looking into the elimination of different fees. This year the decision was made to eliminate the membership fee that had been in existence for decades. Until now, \$5 was required to remain in the account, and \$5 was charged as fee income when an account was opened. The only time this fee was changed until now was during credit union week when the membership fee was reduced to 25 cents. It was decided that the positive results of eliminating this fee would far outweigh the resultant loss of fee income. On this note it is important to point out that during this year, membership increased by 13% (15,400 members at the end of the year) which was 4 times the industry average.

The credit union’s wire service changes this year. Until now, incoming and outgoing wire service had been available through Harleysville National Bank. Wires would be received but the process for the credit union was more protracted and involved. Now the credit union had a dedicated fed line that allowed for wires to be made directly to or from a members account. Members were henceforth instructed to use the credit unions ABA# of 23-13-866-45. Wire charges were as follows:

- Incoming wire fee.....\$3.00
- Outgoing domestic fee.....\$14.00
- Outgoing foreign fee.....\$ 35.00

The credit union started to identify computer programs and services provided by third parties that may be Y2K problems. Every business and individual (in the world) was faced with the proposed problems of Y2K compliance, but since Merck & Co was such a large company, it needed to be ahead of the curve on eliminating all threats of vulnerability. The credit union followed that lead and three years out started to plan for compliance ahead of incremental mandatory deadlines and began to follow the progress of all service providers.

A potential threat throughout the year is opposition by the banking industry to HR 1151 The Credit Union Membership Access Act of 1997. Despite the banking industries near monopoly of the market share of “potential financial institution customers” they oppose the afore-mentioned act that would allow for credit unions to continue taking on SEG groups. A constant message relayed to members this year is a plea that they write their congressman in order to voice support for the bill that would allow credit unions to legally expand their field of membership to small organizations that were unable to start credit unions of their own. Approval of the bill would limit membership to core companies only and interdict credit union expansion.

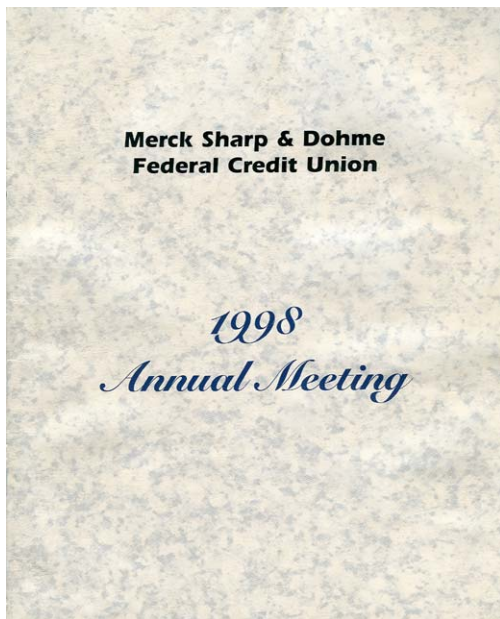
1997 was seen as a very successful year in terms of improvements in products offered to members, increase in membership, deposits and overall growth.

1998 – In February of this year the credit union changed credit card providers and overhauled the entire product. Until now the company that had provided the infrastructure and support for the credit cards was Applied Card Systems. In an examination of the service, it was decided that a new provider had to be chosen for greater efficiency and to facilitate the introduction of the long awaited Debit Card product. The new company chosen was PSCU, a non-profit association that provided credit union card services through their card product FDR. Since they dealt exclusively to credit unions, their services came at reduced cost with no sacrifice in service. The new system provided for much easier maintenance by employees and a much more reliable infrastructure. All members who had credit cards were informed of the change

and sent new cards with new card account numbers. The new system allowed for same day credit for payments that could be made directly at the credit union offices, and a payment plan from the members account. As important, the new system also enabled the credit union to offer promotional rates that were time limited and a better repayment structure. A 24/7 toll free number was also available for members to get up to date account information. Tellers at the offices could take payments, but the payments were sent to Pam Battistoni, as she was the only one who could apply payments to credit cards.

At the time of the upgrades, the interest rate on the credit cards was 11.50%, but a special promotion was offered from October 1998 through March of 1999; the purchase and cash advance rate was slashed to 8.00%. The promotional rate was also offered to existing customers as well. The 8% rate was good on balance transfers and existing balances (this was one of the benefits afforded the credit union by the new processor, one the old one could not provide). This was in addition to the other benefits of:

- No annual fee
- No cash advance fee
- No fee for additional cards
- Worldwide acceptance at millions of locations and ATM's



The Annual Dinner Meeting was held on March 28th again at the Blue Bell Country Club at 6:00pm. 254 people attended the event this year. The entertainment was provided by Linda Collins, and the festivities continued until midnight. There were four recipients of the Raymond Hoffman Scholarship Award this year each receiving \$3,000. The number of members of the board of directors was reduced from 15 to 13 members at the meeting this year eliminating the increase from 13 to 15 that had been in effect since 1969 with the election of John Stevens and Sarabeth Gadd who had both left the board within the last 18 months. This was the first reduction in the number of directors in its history.

Important this year was the retirement of Ken Brehm from the Board of Directors. He had started his service to the credit union in

1971 as a member of the Backup Board. He officially joined the Board in 1974. He had served as Vice president in 1976 to 1979 and served as the 5th President from 1979 to 1982. He was also one of the most active directors having sat on 19 different committees and serving as the Chairman of 6 of those. He was presented with a camera to enjoy on his retirement. A heartfelt thanks was expressed to him at the Annual Meeting that year for his 27 years of devoted service to the credit union.

This year also saw the introduction of the money market account in the first quarter of the year. The product was specifically created due to respondent information from a poll given last year that showed that 40% of those who took the



KEN BREHM, SR.

survey wanted the credit union to offer money market accounts. A minimum of \$1,000 was required to be paid interest on the account, and the minimum required withdrawal was set at \$500. Withdrawals could be made over the counter or by drafts that could be ordered especially for the sub account. There was also a per month withdrawal limit of 6 transactions, of which no more than three could be by check all in accordance with Reg D; withdrawals over 6 were charged a \$20 fee each. The interest rate was set at 4.41% (4.5% APY).

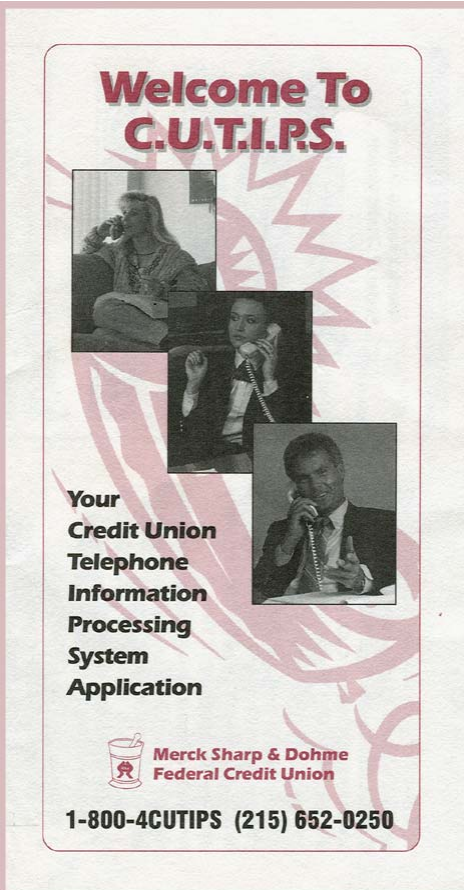
On April 25th a new car promotion was held at the Lansdale office with 12 local dealers in attendance:

- 309 Buick Acura
- Kia of Lansdale
- Bergey Jeep Eagle
- Lansdale Chrysler Plymouth
- Thompson Organization
- Werner Motors
- Harris Oldsmobile
- JL Freed
- North Penn Imports
- Bergeys Chevrolet Geo
- Old Forge Lincoln Mercury
- Yocum Ford

The one-day loan interest rate offered was 6.99% with 100% financing. All loans had to be pre-approved, however; lessons were learned from the Enterprise car sale last year that made it clear that pre-approvals made the entire process more efficient with regards to overall underwriting, overload on the staff and in the interest of eliminating unnecessary confusion.


All fees on CUTIPS are eliminated. The service must still be applied for but can be used as often as the member desires at no cost. The stipulation to making CUTIPS entirely free to members is that from now on, no account balance information will be given over the phone since it is available by using CUTIPS. This does temporarily cause aggravation in some long time members as they see this as a discontinuation of a service they are accustomed to being replaced with a service they are not necessarily interested in. In time, however, the use of CUTIPS becomes much more pervasive.

By March of this year, the credit union reached a major milestone. Assets topped 100 million dollars. In appreciation and commemoration of the achievement, every one of the staff was presented with a solid brass rotating time zone conversion desk-piece embossed with the phrase "\$100 Million Dollars Strong". This 18-month jump from \$84,630,118 at the end of 1996 makes MSDFCU one of the largest credit unions in the state of Pennsylvania.



**Welcome To
C.U.T.I.P.S.**

Your
Credit Union
Telephone
Information
Processing
System
Application

 Merck Sharp & Dohme
Federal Credit Union

1-800-4CUTIPS (215) 652-0250



To the left is the brass desk piece given out to all employees. Above are examples of “years of service” credit union logo lapel pins that were given to employees. Below is a 100 million dollar tape measure given out to selected members.



Youth Ambassador



Krista Nolte was selected the Youth Ambassador for the Montgomery County Chapter of the Pennsylvania League of Credit Unions. She serves as a role model to encourage young people to use their credit unions and to encourage the credit unions to offer youth-oriented programs and services.

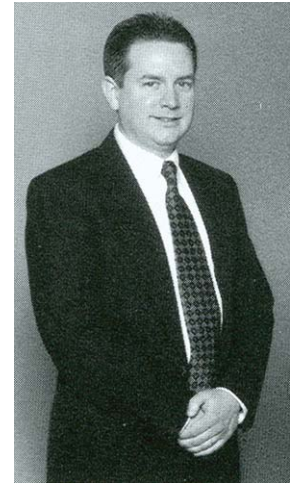
Krista recently competed at the state level where she represented the Montgomery County Chapter. Although not a winner, she made a strong impact; and as a result, the Credit Union is very proud to have her as a representative.

Krista is a graduate of Quakertown High School and is presently a teller/member service representative at our West Point branch. Krista currently resides in Harleysville with her husband, Gregg, and their son, Christian.

Krista Nolte, a teller / MSR at the West Point office, is selected the Youth Ambassador for the Montgomery County Chapter of the Pennsylvania League of Credit Unions; she was the first credit union employee to win this award in 30 years. The role of the Youth Ambassador was to be a role model for young people and encourage their participation in the credit union movement.

A clip from the Prescription about Krista Nolte

For decades, the education committee was a group composed of board members, and sometimes employees, that thought up promotions for new or existing products, kept members informed of credit union services, designed and or oversaw the production of promotion materials and got the word out to potential members of the benefits of membership. This had become the job of the offices' senior staff back in 1995, but with the restructuring of management, this function was not specifically taken care of by any one person or department. For this reason and due to responses from member surveys, it was decided that the credit union needed a Marketing Department. Brian Wilcox was hired in the fall of this year as the first manager of the newly formed marketing department, he would report to Annette. All the aforementioned tasks would fall under his job description as well as other related duties as they became apparent. Despite the fact that the credit union had relocated to its present location only five years earlier, with all the recent changes there had come a premium on space. For this reason, it was necessary for Brian to be stationed in the Accounting area where there were two unoccupied cubicles.



Another example of the credit union experiencing growing pains was obvious in the necessity for the Card Department managed by Pam Battistoni to move to the West Point lunchroom. Credenza / desk stations were set up for Pam and her assistant and the room divider that was installed when the office was brand new was “permanently” used from this time forward. The Card Department was in the first half of the lunchroom and employees who needed to use the lunchroom to eat and watch TV (with the volume turned down) had to enter from the door all the way at the end of accounting. The wall divider would have to stay closed so that the card department could have a modicum of peace and quiet.

Wendy Spackman and Liz Johnstone were also feeling the space restrictions as they were forced to take up residence in two of the “spare” cubicles in the cashier office. This made their job more difficult since the cashier office was a busy place with customers for more than half the day and Bobbi Umidi making and taking calls for a few hours after the cashier office closed. To complicate things further was the fact that there was no direct way to get from the cashier office to the credit union office (where the servers were). Wendy and Liz were forced to walk back and forth between offices, as well as go offsite to the other branches whenever there was a computer problem.

It was obvious that the credit union had outgrown its home at West Point as a center of operations. Merck had provided the credit union with an extremely generous amount of space to accommodate foreseen growth, but by this point it was clear that an operations center was necessary. Plans were set in motion for senior staff and the departmental staff to move to the office campus at the Gwynedd Corporate Center on Welsh Road on North Wales. A 12,000 square foot office area was arranged for the credit union in the second building at 1140 Welsh Rd. Since the building was under construction at the time, the credit union had the benefit of requesting how the business areas were apportioned. Construction would take place over the next 12 months.

Payment Shaver loans were offered for the first time in the fall of this year. Up to now, the credit union did not offer a lease product, and in an ongoing attempt to be as competitive as possible, and to bring in as much member interest in loan products as

possible, Payment Shaver was offered. It was feared that because 33% of members surveyed said that they preferred leasing to buying because of lower payments and the desirability of always driving a new car, the credit union could be cut out of up to 20% of its potential loan business without leasing options. Payment Shaver was not a lease, but a lease look alike that had fewer restrictions and was more attractive than a lease. Any make or model vehicle could be financed as long as it was no older than four years. There was an annual mileage allowance of up to 18,000 miles; any excess mileage would incur a fee of 8 cents per mile. No security deposit, initial lump payment or down payment was required. At the end of the term, the vehicle could be sold, used as a trade in or returned to the credit union with no charges for excess wear and tear on the vehicle. This was a balloon loan, which meant that



difference between the sale price and the projected residual value at the end of the desired term (from 24 months to 72 months). Payments were lower because the “borrowed” amount was less than the full sale price. At the end of the term was left a balloon payment. This residual value could be financed if the member wanted to keep the vehicle, or the car could be handed in. The residual value was insured with The Travelers Group gap insurance. These loans were included on the members’ statement and members were informed when their term was nearing completion and given instructions regarding their options and where to drop off the vehicle.

The credit union in an ongoing relationship with Enterprise offered members the opportunity to buy from Enterprise again. This time members were able to visit 3 separate Enterprise site locations: Conshohocken, Philadelphia and Lester and shop for a car. Pre-approval was required; the interest rate was 6.99%, up to 100% could be financed and the sale went on from October 12th to 17th. A \$200 savings bond was also presented to every member who bought a car during the sale.

H.R. 1151 – The Credit Union Membership Access Act was signed into law by President Clinton on August 7th of this year. This bill was drafted to protect the rights of some 73 million Americans to continue as members of credit unions and safeguarded to rights of credit unions to add SEGs under their membership umbrellas. This law was the result of lawsuits against credit unions brought forth from the banking industry that essentially wanted to chip away at the credit union movement by any means possible with the obvious intended goal of eliminating them entirely despite the fact that credit unions did not encroach on more than 10% of their market. This was a major victory for credit unions nationwide and although both houses passed the bill by overwhelming majority, it could not have been so without the push nationwide by credit unions and their members petitioning their congressional representatives.

One of the lawsuits brought against the credit union movement by the banks had to do with community involvement. Banks were required to contribute to the communities where they did business in the form of charity events, donations, community involvement and urban renewal by their employees, but credit unions were not. It was the banks contention that this was an iniquitous arrangement, and that credit unions should be held to this standard as well. While H.R. 1151 was passed and no such mandates on “public service” were made on credit unions, that did not stop Dave Whitehead and the board of directors from making it a self appointed mandate. Starting this year, the credit union started a campaign of community service primarily for two reasons, one because with such a program in place, it could never in future be suggested that MSDFCU was not doing its part in this regard and would only be required to continue such pursuits if there was later a requirement for it, and second, such community involvement could only be beneficial as far as good publicity for the credit union and therefore contributing to the

already substantial good name of Merck and Co. inc.. To that end there were a number of charitable events this year: two patrol bicycles were donated to the Lansdale Police Department; a visit from Santa Clause at the Lansdale branch and a toy donation to Mom's House, a local charity founded to help single mothers. Plans were also set in motion for other charity events next year.

The first "strategic planning" initiative was undertaken this year. Senior management and the board of directors met to specifically plan what direction the credit union needed to go in to be competitive in the years to come. One of the first goals undertaken was the development of a mission statement. Until now, there was no specific mission statement per se. The only slogan which could be comparable was the long established CUNA statement "Not for Profit, Not for Charity, But for Service". It was decided that given the credit union's size and importance, it was only fitting that a mission statement be adopted. The mission statement must be short and memorable to be effective, it was decided, so through brainstorming, such a mission statement was decided upon: **"We want to be your preferred financial institution for life"**. All employees were required to know this statement and it was therefore posted in the lobby of every office.

With the mission established, it was decided that there were six strategic initiatives that, once accomplished, would make the credit union the type of financial institution that the members would want to do business with for life:

- 1 – Build Business and Marketing Plans to manage growth.
- 2 – Communicate our Y2K Plan to members.
- 3 – Enhance member convenience through the use of technology.
- 4 – Enhance internal and external communication.
- 5 – Attract, train, develop and reward employees.
- 6 – Grow our sponsor relationships

Towards the end of the year, the credit union was granted access to Merck's internet system. It was now possible for Merck employees to contact the credit union from their desktops using their Merck e-mail. WP-Savings was for contact regarding savings information, WP-Lending was for lending questions and contact and WP-Accounting was for back office inquiries and wire requests. This fell short of Dave Whitehead's desire for a MSDFCU "only a click away" icon on the Merck intranet and / or internet, but it was a start.

The credit union saw another incredible year regarding financials. Net loans increased by \$19,815,018: from \$69,321,107 to \$89,136,125. This represents a phenomenal increase of over 29% at a time when the industry average growth is 7.91%. In terms of assets, the credit union did not just reach the 100 million dollar milestone but far surpassed it. Total assets for this year ended at \$123,369,587. This is a net increase of \$27,307,583 from last year when assets closed at \$96,062,004. This net increase represents a 28.43% increase over last year at a time when peers were seeing increases of an average 8%.

Membership was also greatly on the rise. There were a total of 15,479 members at the end of 1997; by the end of 1998 there were 17,108 members. This is a net increase of 1,629 members. The industry average for membership growth was 3.57% whereas the credit union saw an increase of 10.52%.

PAYMATE was finally eliminated this year. Although the company that offered it promised last year to make the system better and faster, there were far too many complaints from members on its inefficiency and problems they were having, so it was decided that the promises to improve the system fell short of expectations, and the service was to be abandoned.

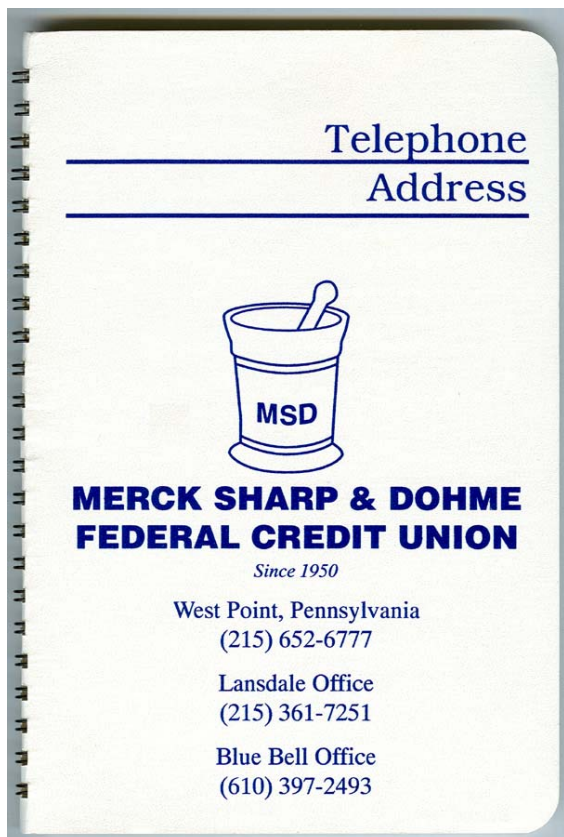
Y2K, Y2K, Y2K...the credit union is well on its way to insure Y2K compliance...a problem that the world was becoming more and more aware of. In order to keep the members aware of it, an article was placed in the summer edition of the Prescription titled "Have You Taken the 2000 Computer Test?" The article recommended setting the date to a few minutes before 1/1/00, turn off the computer, wait a few minutes and turn it on again. It also recommended updating the BIOS if abnormalities were observed. This was an early step in keeping the members informed of what the potential dangers of Y2K were (unless you owned an Apple machine, in which case all you had to worry about was everyone else's computers crashing).

Travelers Express acquires MoneyGram Payment Services, so the money orders that the credit union offers are now Money Gram money orders. The very large bulky money order machine used since 1990 is replaced by a much smaller machine.

There are a number of Plan America workshops offered this year to members covering a wide variety of financial topics:

- Taking Control: Financial Management for Women
- The Complete Financial Management Workshop
- The Retirement Series
- The Basics
 - 1- Financial Management
 - 2- Investment Fundamentals
 - 3- Mutual Funds

Most of these seminars are held off Merck plant site at North Penn High School or at Gwynedd Mercy College.




This is the last year that the credit union prints and distributes telephone/address directories to the members. There is no mention of them in any literature put out by the credit union, but they had been printed as far back as 1989 and new ones were printed annually with different colored covers every year. When they were first printed, there were advertisements only on the inside covers; as the years passed, as many as 5 pages of additional advertisements were added which is how the books were paid for. The books also contained advertisement information about the credit union, national area codes, toll free numbers, international dialing information, loan payment calculations, weights and measures and a page to record anniversaries and birthdays. They were convenient for members as well as back office employees.

Here is a copy of the last telephone address book that the credit union printed and distributed to the members. Below are examples of similar books from previous years, notice the building 1 address on the lower ones.

Telephone

Address



**MERCK SHARP & DOHME
FEDERAL CREDIT UNION**
1950 - 1992

West Point, Pennsylvania 19486
(215) 652-6777


Blue Bell Office
(215) 397-2493

Lansdale Office
(215) 361-7251

Compliments of Your Credit Union

Telephone

Address



**MERCK SHARP & DOHME
FEDERAL CREDIT UNION**
Since 1950

West Point, Pennsylvania 19486
(215) 652-6777


Blue Bell Office
(215) 397-2493

Compliments of Your Credit Union

Telephone

Address

**MERCK SHARP & DOHME
FEDERAL CREDIT UNION**


Your **BEST MEDICINE**  for all your **FINANCIAL NEEDS**

Sumneytown Pike, Building #1
West Point, Pennsylvania 19486
(215) 661-6777

Telephone

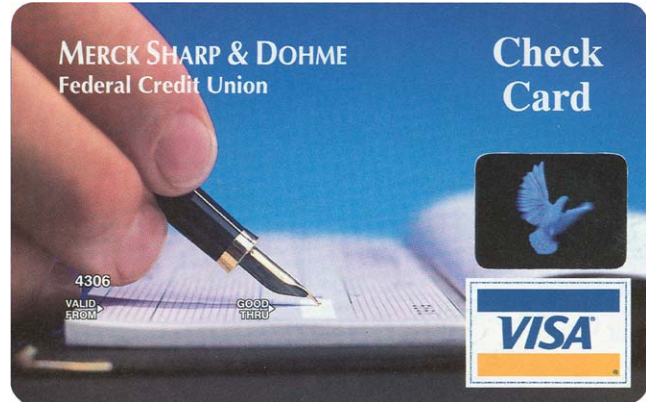
Address

**MERCK SHARP & DOHME
FEDERAL CREDIT UNION**

Your **BEST MEDICINE**  for all your **FINANCIAL NEEDS**

Sumneytown Pike, Building #1
West Point, Pennsylvania 19486
(215) 661-6777

1999 – In January the VISA Check Card / Debit card goes into a pilot testing phase with employees, board members and families using the card to insure functionality and work out any bugs. In February it is opened for use by all the membership. The card allows an ATM cash limit of \$500, a \$1,500 point of sale limit and a total of 10 free cash withdrawals a month instead of 5 with the old ATM card (this limit is also extended to the ATM card). In order to be eligible to get a Debit card, a member must have a checking account (share draft account). Applications for the cards are mailed out to all eligible members after the testing phase was over in February. The card itself features the VISA logo and the anti counterfeit dove hologram. It is also interesting to note that the face of the card shows a checkbook being signed with a fountain pen. The picture is of Scott Kopp, the VP of lending signing his checkbook.

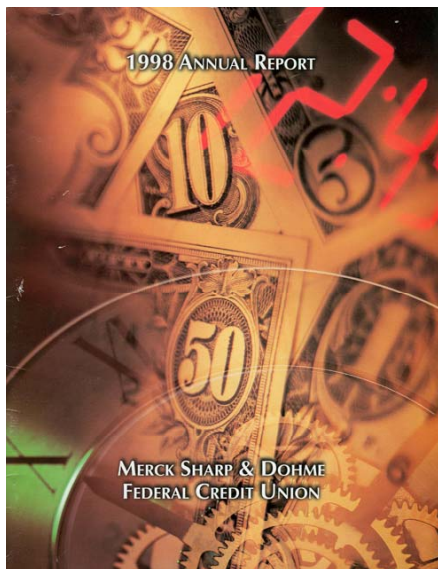


In March of this year the credit union offers the following CD rates for regular shares and IRA shares:

- 6 month 5.25% APY
- 12 month 5.40% APY
- 18 Month 5.50% APY
- 24 Month 5.60% APY
- 36 Month 5.80% APY
- 60 Month 6.00% APY

On April 1st the credit union becomes part of the CU\$ network. This network includes of 400 ATM machines across Pennsylvania all owned by credit unions. All participating institutions agree not to surcharge any cardholders serviced by institutions in this network. This becomes an added service to members who although would not be charged by MSDFCU machines would have been charged at other machines previously.

They would now be able to use them surcharge free. A list of local ATMs in the network is included in the spring edition of the Prescription and a complete list is available at www.psecu.com/MAC/atmlocate.htm; correspondent information is also added to the credit union website. At this time the credit union has 7 ATM machines of their own the newest being the one in the lobby of the new Merck training facility building at 1180 Church Rd. Members still had the option to choose only to have an ATM card and as the credit union enters this network the number of free ATM withdrawals a month is doubled from 5 to 10 on those ATM cards as well as the new debit cards.



The Annual Dinner meeting is held on Saturday March 27th at the Jefferson House at 6:00pm. The entertainment is provided by DJ Jammin Joe. This year the Hoffman Award takes a dramatic turn as the dollar amount and the number of recipients both increase

sharply. This year there are a total of 9 recipients each being given \$3,000. This means that the total number of recipients more than doubles from any previous year and the total amount increases to \$27,000 which is a figure more than double any previous year.

On Saturday April 17th the credit union holds a special car sale at the Lansdale office and offers a rate of 6.50% on terms from 36 to 72 months at 100% financing plus taxes and tags. Loans must be pre-approved by April 15th, and members can take the pre-approval to the Lansdale office and choose cars brought in from 12 different area dealers:



- Bergeys Chevrolet-Geo
- Bergey's Dodge
- Harris Oldsmobile
- J.L.Freed & Sons
- Kia of Lansdale
- Lansdale Chrysler-Plymouth-Jeep
- North Penn Imports
- Old Forge Lincoln Mercury
- Peruzzi Toyota
- 309 Buick-Acura-Nissan
- Werner Motors
- Yocum Ford

Every member who bought a car that day was presented with a \$50 pre-paid gas card and entered into a drawing. The winner would have their first three car payments paid courtesy of the credit union (up to \$1,000). The winner of the \$1,000 car payments was Diane Roth.

In February of this year, the credit union opened account number 30,000 at the Lansdale branch.

Eleanor Clancy, a part time teller at the Lansdale office, is named 1999 youth ambassador for the Montgomery County Chapter of Credit Unions.

Two fully equipped mountain bikes were donated to the Lansdale Police Department in an effort to assist them in their ongoing community policing program.

The credit union continued to check all computers, computer programs provided by vendors and especially EDS to make sure that Y2K compliance remained on track. Test reports were requested for all systems that the credit union used. The National Credit Union Administration had been, and continued to audit the credit union on Y2K compliance and the most recent audit at the end of the first quarter showed that not only was the credit union in compliance, but also was far better prepared than many other credit unions the auditor had examined up to that point. EDS was also found to be particularly on track with compliance. The Y2K testing team was charged with continued testing and the implementation of "disaster" contingencies.

There were a number of scams that grew from the mounting fear of Y2K. The media never once let anyone within range of a radio, TV or newspaper forget that life as we all knew it could come to an end, all computers would fry, planes would fall out of the sky, there would be no electricity and therefore eternal darkness, the oceans would boil and people would be reduced to living in caves and eating dog food etc. As a result of this

constant fear, those who would prey on those fears developed scams to separate people from their money. The summer prescription warned members of scam artists and their schemes:

- Crooks trying to convince people to withdraw all of their money and deposit it into a special Y2K safe funds.
- Callers posing as credit union employees asking for account information.
- Salesman attempting to convince people to “invest” in secret and exclusive products that were sheltered from the impending doom.

With any potential threat come those who would exploit the ignorance and fear of consumers, so the credit union did its best to keep the members informed and stood as a resource for anyone who had Y2K questions as it applied to their money.

In the new tradition of community service, the credit union holds its first Annual Merck Sharp & Dohme FCU Charity Golf Open on Monday June 7th starting at 12 noon. The event is held at the Mainland Golf Course. The cost per person is \$95 with lunch and dinner included. All proceeds from the event are donated to Nehemiah’s Way, a women and children shelter in North Wales.



There were two PLAN AMERICA seminars offered this April that were both presented by George McReynolds: Estate Conservation and Long Term Care. Both seminars were held from 10 to noon at Gwynedd Mercy College.

Another very important event in MSDFCU history in June of this year is the grand opening of the 4th credit union office in the newly constructed Broad Street West building (Building 97)(WP 97A-121) across the street from the West Point plant cite. The office had

three teller stations, one of which would be dedicated to cashier service (from 9am-11am). An ATM was available just outside the actual office and was a self contained model that was not incorporated into the actual credit union structure; this meant that settlement of the machine was done once a week in the hallway, and the machine did not accept deposits. There was a check writing area, a waiting area and a manager's office, although a problem with the design of the office resulted in a door never being installed in the manager's office, which would later lead to some concern on the part of the membership with regards to



confidentiality. The office was not very large but was a full service branch and was situated conveniently on the ground floor to the right at the end of the main hall and right down the hall from the cafeteria. There was a table set up at the grand opening (a week after the soft opening) with balloons, cookies and a cake. Most of the eventual occupants of the office were not yet in their new work environment to witness the event. The office hours are set at Mon – Friday 8:30 to 4:00.

As a result of the BSW office opening there was a credit union wide shifting of managers. Gloria MacDonald moved from Blue Bell to BSW as manager; Jeanne Zadlo moved as manager of West Point to the Blue Bell office, and Lisa Lubas was promoted to branch manager of the West Point office.

In the third quarter of this year the credit union accepts another significant company into its SEG list. All employees of Clemens Markets are allowed to join the credit union. Clemens market had been in operation since 1939 and was headquartered in Kulpville with a total of

Broad St. West Office



Nancy McIlhenny, Maureen Hazlett, Branch Manager Gloria MacDonal.

19 stores with over 2,000 employees in Bucks, Montgomery, and Chester and Delaware counties. The addition of all these potential members is considered a significant step to continuing the expansion of MSDFCU.

Also in the third quarter the CD rates are reduced slightly for terms below 24 months, but the first “jumbo” CD is offered. A 5-year CD for a minimum of \$10,000 offers an APY of 6.35% as opposed to 6.10% for a 60 month CD with a minimum of \$1,000.

From August 6 through 13 there were serious problems for the credit union. MCI WorldCom was upgrading data lines but in the process lines were cut which caused the uplink to EDS Dallas to be severed; the credit union was only one of 300 that were affected. For much of the time the credit union had to operate off-line entirely. For certain periods there were temporary fixes that resulted in extremely slow computer connections to the host. This resulted in longer lines, failure of loan payments and payroll deduction to post properly and complete loss of CUTIPS. Marginal connections with EDS were possible via dial up computers set up connected to the emulators that EDS used, but they were not available to everyone, and back office was in many ways shut down. The members were not strangers to computer problems and weathered the storm as well as could be expected. Of course the expected Y2K questions were thrown around, but this gave employees the opportunity to assure the members that Y2K was not the cause and was not a threat to the credit union based on the report of federal examiners.

Another bitter goodbye took place this year with the resignation of Annette Ziegler. Annette had started at the credit union in 1972 when there were only 5 full time employees and Ralph Quigg was still in charge. She, like Shirlee was a credit union success story of someone who started at the bottom and worked their way to the top to a position of high responsibility in the hierarchy. The credit union gave Annette a goodbye breakfast celebration at the William Penn Inn at which time she was presented with a goodbye gift and a photomontage celebration of her time at the credit union. Recognition of her departure was printed in the summer edition of the Prescription.

With the departure of Annette came more personnel changes. In June of this year Dana DeFilippis is hired as the new VP of Finance. Until her departure, Annette oversaw Operations as well as Accounting. These two departments were now separated. Dana would oversee the accounting department and marketing department. Pat Kreidler (an employee since 1986) was promoted from West Point office manager to Assistant VP of Operations. All branch office managers would now report directly to her and she would report to Dave. It is at this point that the Credit Unions hierarchical structure comes into sharp focus with VP's and Assistant VPs that all report to Dave who in turn reports to the board. The departure of Annette in a way saw the end of the old credit union hierarchical structure and the end of the final vestiges of the “old regime” (defined as long standing credit union employees that went back decades and that were placed in a position of senior authority in recent years: Shirlee Nicolino, Bill Gadd and Anette Ziegler).



Below is a picture of the new senior management team after Annette retired. In order from left to right is: Dana DeFilippis, Dave Whitehead, Scott Kopp and Pat Kreidler.



The website is given a complete overhaul by the middle of the year. This was one of management's goals this year to be completed by IT and the marketing department. The original website was particularly lack luster at this point. Now that the internet was no longer new to anyone and since it was another goal to launch Virtual Branch as the new online banking service as soon as possible, it was necessary to give the website a makeover with brighter colors of blue and red offset with white, which gave the site a much sharper and cleaner look. It was a phenomenal improvement. The credit union logo was also "updated" to a more compact version of the mortar and pestle in an enclosed outline and placed on the homepage and featured for the first time in the fall edition of the Prescription Newsletter. Many features were also added. Members were now able to learn about all the products offered and request information. Financial calculators were added, as was an on-line loan application. There was also a "just For Kids" section added. It took young members to the Googleplex page that had lots of games and activities geared toward teaching young members about saving money. The Googleplex website has something for every age category and is not just geared to young children. Information on the CU\$ Network was added. From this point on the website gave the credit union a serious web presence that could and would constantly evolve.

PRESCRIPTION  **N**

MERCK SHARP & DOHME FEDERAL CREDIT UNION

FALL 1999



MERCK SHARP & DOHME

FEDERAL CREDIT UNION

New credit union pens were also ordered that featured the new credit union logo. They were essentially the same as the pens ordered a few years ago just with the new logo.

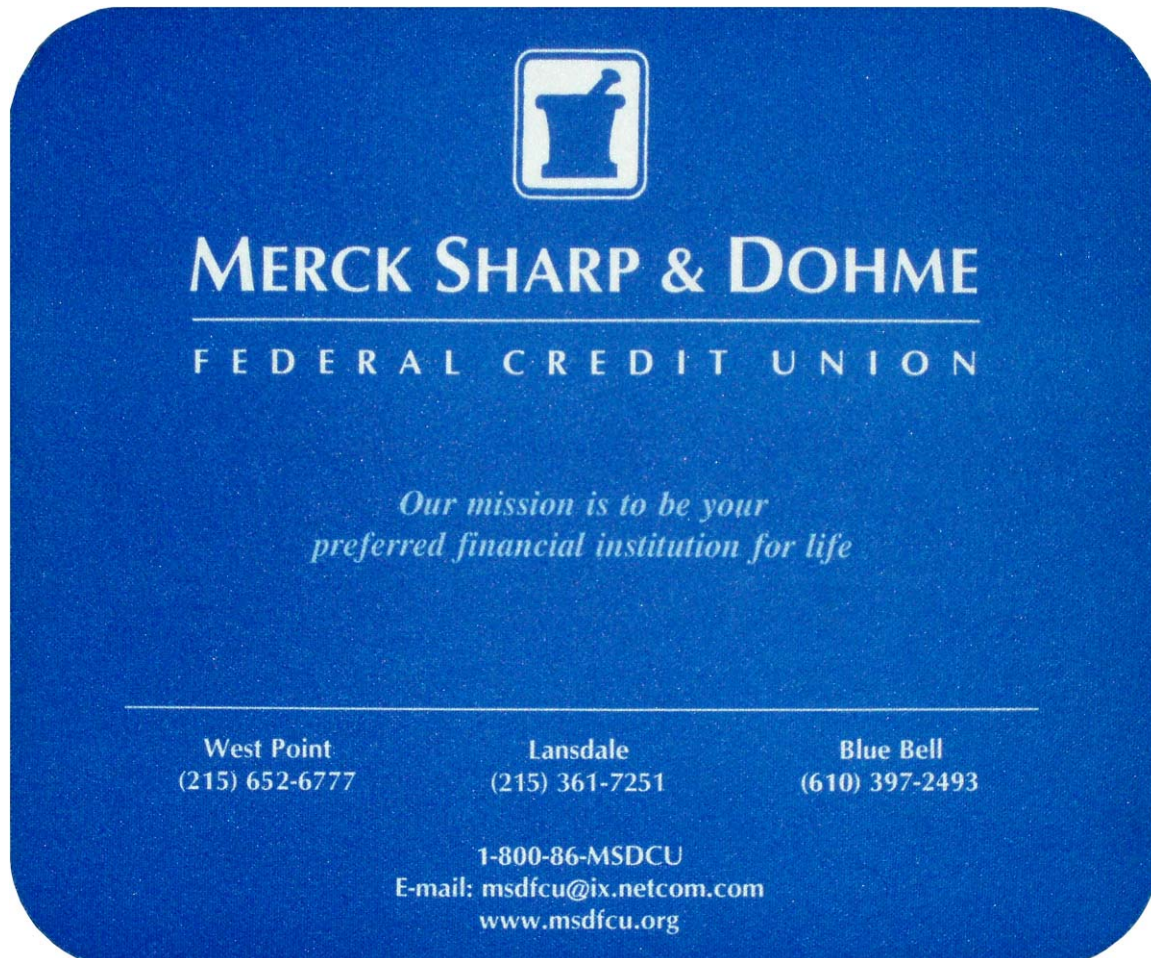


Above are three versions of the same style pens the credit union ordered for employee use and to be given out to members from 1996 through 2003.

As of June 30th the credit union is given a clean bill of health for the Y2K bug. The federal examiners determined that the credit union was ready for year 2000.

In October the first phase of the Virtual Branch program was made available to members. The Home Banking phase was launched which enabled members to get account balances, review account histories, see what checks had cleared, make transfers and make loan payments. This was a service that was becoming more and more commonly available at financial institutions and it was clear that the credit union had to offer this service in order to keep competitive and in step with the computer savvy Merck community 93% of which had access to a personal computer and 56% of which specifically stated in the recent member survey that they wanted Home Banking access. There was no fee charged to the members (although the service cost the credit union about \$3 for every account that had it). Applications for virtual branch were sent out to all members 18 years or older. The service was highly advertised throughout all the credit union offices and resources (website, posters, Prescription etc). It was necessary to have a web browser that supported SSL (Secure Sockets Layer) protocol; Netscape Navigator 3 and Microsoft Internet Explorer were compatible. Members would ask "how safe is it really?" and the answer would always be the same "as safe as the current technology will allow". The credit union had nothing to gain by cutting corners or sparing the expense regarding safety when providing such a service, so every precaution was taken,

all research done and all safety measures were put in place to make it as safe as possible. To access Virtual Branch it was necessary to going to the website: <http://www.virtualbranch.com>.



A mouse pad ordered by the credit union that actually pre-dates the start of the virtual branch system. They weren't produced in large numbers and were used by employees.

For International Credit union Day on October 21 this year the credit union gave out year 2000 pocket planners and to capitalize on the new home banking product screen cleaners advertising the website were given out. Also in celebration of credit union day, family portraits were offered to all members. The offer was a 10x13 full color family portrait by a professional photographer who was at the West Point site on the afternoons of the 19th through the 23rd. The offer was for 1 print free per sitting and one sitting per family.

In response to security threats, the credit union imposes a restriction on MasterCard and visa cards. They no longer work in the following countries: Australia, China, Hong Kong, Malaysia, Morocco, Singapore, Taiwan and Turkey. Plastic card purchases will not work in these countries due to recent high levels of fraud in these locations so a block is placed. It is still possible to withdraw up to \$200 in cash per day at ATM machines in these countries however.

During the year Dave Whitehead had taken teams of employees to visit the new operations center at Gwynedd Corporate Center. All employees were given an opportunity to either see where their new office would be or to see where office support staff would have the pleasure of relocating to. Although the move was originally anticipated for the last few weeks of this year, there were delays that resulted in the move being postponed till January of next year. It was in early December of this year that Dave held an employee staff meeting after hours at the new operations center. The office furniture was recently installed, but there were still not quite enough seats in the loan department area for everyone. It was at this meeting that Dave spoke at length of yet another credit union improvement, this time to the employee benefits package. The current "retirement" benefit was to be eliminated and a new 401K package offered through Fidelity Investments was to be available to all employees. He described the credit union matches to investments and described the myriad of choices the employees would now have to invest their retirement in. Employees who had been with the company long enough to have existing "retirement" benefits were given the choice of cashing out the cash value of the old plan or rolling over the value into the new plan. After the meeting employees who were able and computer savvy were asked to stay behind and help the IT department by helping to hook up computers at their new stations.

It was near the end of this year that it was decided that there needed to be an official courier for the credit union. For some time before now Nadine Reynolds had traveled to different offices when deliveries were necessary, but it was in addition to her general duties including answering the phone, performing odd jobs for management etc. Although as time progressed she spent more of her time making deliveries, there came a point when it was decided that there needed to be a new employee dedicated only to inter-branch deliveries of whatever was needed. This employee would travel among all the branches to deliver inter office envelopes, work destined for accounting, completed loan paperwork etc. Dave Webber was hired as the first "official" credit union courier, and he made a morning run to pick up and an afternoon run to deliver to all branches and the ops ctr. He would also handle mail coming into the credit union and mail sent out.



As December grew to a close the Y2K team was convinced that there would be no computer problems, but there was no way to predict outside forces the credit union had no control over, so some precautions were taken. A stack dump was taken of the entire membership database that included all account numbers and balances just in case the information was not retrievable, the west point vault was stocked with 1.8 million dollars just in case huge amounts were necessary and a guard was hired temporarily. Flashlights were purchased in case there were no lights...etc.

Membership last year stood at 16,955; there was a net increase in members of 1,377 with the total number of members at the end of this year at 18,332.

Financially speaking: Total assets increased from \$123,369,587 to \$148,320,210 with a resultant increase of \$24,950,623. Loans increased from \$88,636,125 to \$113,250,052 and total earnings increased from \$7,901,297 to \$9,867,218 the net income for the year was \$1,411,782, which is an increase of \$319,526 over last year.

\$57,554,826 in new loans were approved this year. First mortgages (through GMAC) accounted for \$24,355,544 or over 42% of that figure. The total in new car loans was \$11,447,874 or 20%, and the total of second mortgages (fixed and lines of credit) was \$7,777,919 or 13 ½ %.

Share interest rates started out this year at:

Share Savings: 2.47 APR.....2.50 APY
IRA Savings : 3.93 APR.....4.00 APY
Money Market: 3.93 APR.....4.00 APY

And the year ended with share rates at 2.50% APY and IRA Savings and Money Market at 4.25% APY. This year the total in interest dividends paid to members was \$3,879,682 which is an increase of \$771,227 over last years figure of \$3,108,455.

The year started out with Prime at 7.75% from last year through July and ended with Prime at 8.50% changing in November of this year. At the end of the year all new car loan rates were at 7.50% and all used car loan rates were at 8.00%. The rate on unsecured loans stood at 12.50% while the VISA/MasterCard rates stood at 11.50%.



2000 – Y2K came.....and went..... and nothing happened. Subsequent to the largest non-event in recorded human history there was endless speculation as to whether there was ever a credible threat in the first place since so little happened. 300 billion dollars were spent globally to “fix” the “problem” and the debate went on for months afterwards as to whether there was ever anything to fix at all or the world did such a great job that the end of the world was indeed averted. In any event Saturday January 1st arrived, everyone held their breath as their computers booted up, and the entire world exhaled as “welcome to windows” appeared on their screens...and life went on.

The credit celebrates its 50th year of service this year!!!

Not long after the greatest anti climax in two million years came another climax that had been anticipated with great enthusiasm and relief. The entire senior management team and “back office” staff were relocated to the brand new operations center at 1140 Welsh Road in North Wales. The move took place in mid January, and it was freezing cold. The move was quite an event for the resident credit union employees. The credit union office was located on the second floor of the building. The new operations center

included the following: receptionist area, office and cubicle space for the accounting, loan, credit card and marketing departments and senior staff as well as a file room for the loan department, and for the accounting department both with halon fire suppression systems, offices for all senior staff, a conference room for employee meetings, a kitchen / lunch room for all staff, a mail room, a training room and extra room for expansion for the future call center, training center and first mortgage department. Access to the facility was only possible via fob passes that were issued to all ops center staff and the IT department. The table in the conference room at the Lansdale office was removed and fitted with a leaf in the center to make it longer, and moved to the new operations center conference room which was much larger and had its own kitchenette in the back. The Board could now meet there instead of the Lansdale office. The initial move was not easy and for the first few weeks the heating system did not work properly so the staff had to wear their coats and gloves. After that however, the staff was able to settle into their new surroundings. After so long a time with no room to maneuver, all relocated staff came to appreciate more and more the new facilities particularly the card department, and Brian Wilcox who now had a proper office rather than just a cubicle. There was finally more

room for everybody and everything was new. Some fireproof cabinets were brought over in the move; member account files were left at West Point whereas all loan folders were moved to the ops center. The file room space were those of metal shelves, there was no longer a need to house loan files in cabinets since the entire room was “fire safe”. This gave way to labeling all files differently to rest on horizontal shelves rather than in drawers, so all the loan files had to be re-labeled. The standard hours for “operations center” employees were set at 8:00am to 4:00pm.



Starting on January 4th of this year the office hours are yet again changed, this time all credit union offices are brought a great deal closer to a common synchronicity with the operation center and each other:

- Monday.....all offices open at 8:00 and close at 4:00
- Tuesday.....all offices open at 9:00 and close at 4:00
- Wednesday.....all offices open at 8:00 and close at 4:00
- Thursday.....Lansdale & BSW open at 8:00 and close at 4:00
West Point open at 8:00 and close at 6:00
Blue Bell open at 8:00 and close at 3:30
- Friday.....Blue Bell and BSW open at 8:00 and close at 4:00
West Point open at 7:30 and close at 3:30
Lansdale open at 8:00 and close at 7:00
- Saturday.....Lansdale open at 8:00 and close at 1:00

The hours were also made more uniform in order to serve the membership better and more consistently. The “weekly meeting hour” from 8:00am to 9:00am was still in effect so that all offices could bring up matters of concern, problems addressed and

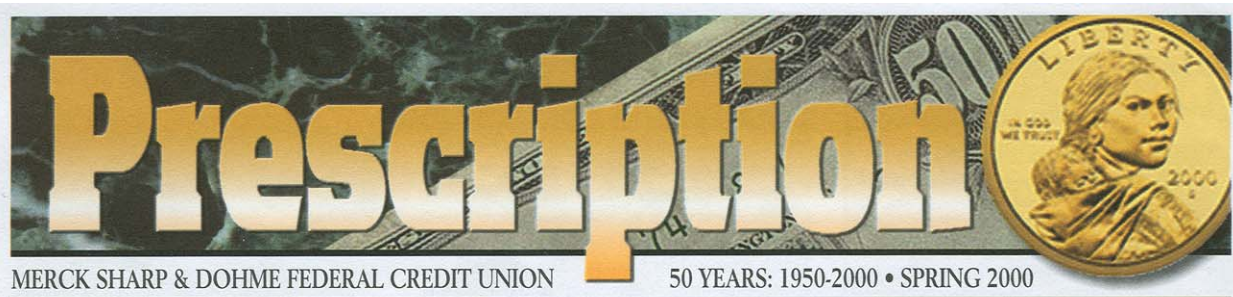
grievances aired out at each of the offices. All ops center departments could also meet to discuss matters of concern without having to be on call for branch support.

Now that the credit union's main headquarters was off of Merck plant cite, the credit union had to pay for all outgoing mail. While still at Merck, all outgoing mail was picked up regularly by the Merck mailroom employees, stamped with appropriate postage and sent out with the rest of Merck's mail. This was no longer a benefit that senior staff and the departments could take advantage of, so it was Dave Webber's job (in the middle of the day between his morning and afternoon run) to sort all incoming mail and print the postage on all outgoing mail. The new operations center that was being completed by the end of this year would be equipped with a small mailroom that included a postage printer.

Finally at West Point there was breathing room. The accounting department was adopted as a storage area and training area for new tellers at the West Point office. The loan department area was used as an Inter Office mail area and storage for old equipment like the Typewriter size money order machine that was replaced by a Travelers Express money order machine. Wendy and Liz assumed occupancy of the two offices that, a few years ago, were occupied by Shirlee and Annette respectively. Bobbie was once again alone in the cashier office apart from paydays. The West Point office regained the entire lunchroom and things got a lot quieter.

In February of this year the credit union takes a big step in the draft account processing. From the time they were first offered, the credit union offered drafts (checks) that were payable through Community National Bank, Northfield, MN. (routing number 091901480). This meant that the credit union "checks" did not clear directly through the credit union but were paid through another account. This would all change starting in February. From that point on all new check orders would produce new checks that would pay directly through the credit union and bear the direct payable ABA number of 231386645. All check reorders starting in February were ordered with all the new information on them, and starting in the end of May all members with active draft accounts were issued a 50 pack of "starter checks" with the updated info on them. Old checks would be honored until August 1st of this year, but in order to make the transition easier and more positive, the credit union offered all members money for their old checks. Between May 15th and June 30th, the credit union offered members "a buck a book" for full or partial books of the old checks. Also, there were 5 \$100 prizes offered based on a drawing from ALL the old checks that were sold back to the credit union. Every check was an entry in the raffle that would take place in July.

GooglePlex, a service provided by CUNA is a quarterly updated kids section of the website that offers games and educational activities geared towards young savers. It is an addition that is meant to generate interest from young members and potential members.



Starting with the spring issue, the Prescription is given a whole new look. It is printed in full color rather than a black and white plus one or two color motif. Full color photos are also in the Prescription for the first time this year. The credit union logo is removed from the front page and in its place is shown an image of currency and the newly minted Sacagewia dollar coin. All important and established aspects of the newsletter are kept, but as an added bonus, as a tribute to the 50th anniversary of the credit union this year, there are historical installments of credit union milestones that had taken place over the years over this and the next three issues and a quiz on the history of the credit union that long time members are invited to attempt to answer. The membership is also invited to comment on the new design of the Prescription in the spring issue and to make suggestions on what some valuable additions might be.

There is another new car sale held at the Lansdale office on Saturday April 29th from 8:00am to 2:00pm. A term of 7.50% is offered for all terms from 36 to 72 months including tax and tags. Local area dealers again participate offering low haggle free prices. Also, \$50 gas cards are given to everyone who buys a new car on the day of the sale.

In May of this year the credit union starts to offer Jumbo CD's for the first time. The CD had to be opened with a minimum of \$50,000 to qualify as a jumbo, and .125% was added to the rate depending on the term.

There is an Enterprise car sale held at the new Operations Center on Saturday July 15th from 9:00 am to 2:00 pm. 40 makes and models were available for sale at 100% financing at 7.75% (a quarter point lower than the going credit union rate) for up to 60 months. The vehicles were available for test drive since there were Enterprise employees on hand.



The Annual Dinner meeting was held at the Blue Bell Country Club on Saturday March 25th at 6:00 pm. It was attended by 300 members and employees. This annual dinner meeting was specifically important since it was in celebration of 50 years of operation for the credit union. Special guests in attendance were William Duffy, John Hogue (owner of account number 1 and one of the founders of the credit union), Daniel Whitehead (long time board member) and Herb Shields. A credit union retrospect was held which included historic pictures of credit union employees and days gone by. A special card was given to all in attendance that celebrated “making financial dreams come true for 50 years... and counting”. When the card was opened an electronic version of the “Anniversary Waltz” was played and in every card was included a 2000 Sacagewia dollar with the message: “and you didn’t think we gave free samples...Thank you for the first 50 years”. An amusing note...after 7 years, the card still plays its tune! (at least mine does). The Annual Diner booklet gave information on the past 50 years of the credit union by decade. It also featured a copy of the Congratulatory letter presented to the credit union by the Senate of Pennsylvania for

its 50th anniversary and exemplary service for those first 50 years. The original letter is henceforth displayed in the conference room of the new operations center for all visitors to see.

Golden Anniversary Celebrated

Nearly 300 members attended MSDFCU's Annual Meeting & 50th Anniversary Celebration at the Blue Bell Country Club, held on March 25, 2000. Recognized during the festivities were four members who joined the credit



union in the founding year of 1950: **William Duffy Jr., John Hogue, Daniel Whitehead and Herb Shields.** Mr. Hogue is one of the founders of the credit union and the first member to join. To this day, he still holds account number one.

In celebration of our golden anniversary,
here's the "Anniversary Waltz"
and the U.S. Mint's new gold dollar coin.



(And you didn't think we gave free samples!)

Thank you for the first 50 years.

There were a total of 9 Hoffman award winners that each won \$3000. This is however the first Annual Dinner meeting booklet that in no way features pictures or even a mention of the Hoffman award winners since 1981. Also of interest to note is that Eleanor Clancy, part time teller and Youth Ambassador competitor for the credit union last year is one of the 8 Hoffman Award winners this year. This year first appears the recently adopted mission statement and vision statement for the credit union:

Mission Statement

Our mission is to be your preferred financial institution for life

Vision Statement

To be the provider of our members financial dreams.

The 50th anniversary of the credit union seemed a fitting official introduction for these new phrases and would become required for all employees to know and live by.

Lansdale Medical Group is added to the SEG group list. The addition was approved by the National Credit Union Administration. The Medical Group consisted of 300 employees and their families now being eligible for membership.

In the first quarter of this year the credit union took the next step in member service by creating and staffing the new Call Center. Jerry Gress was the first manager of the new “department”, and it was only possible with the added room available at the new Operation Center. The main number to reach the credit union was 215-652-6777 which had started out as the main West Point building 1 number as 215-661-6777 along with 215-661-6776 which had not been advertised for member use since 1987 but was converted in 1992 with all other credit union numbers and linked as another number to reach the reception desk. At the time of the call center opening 2-6776 was linked as “another” main number for

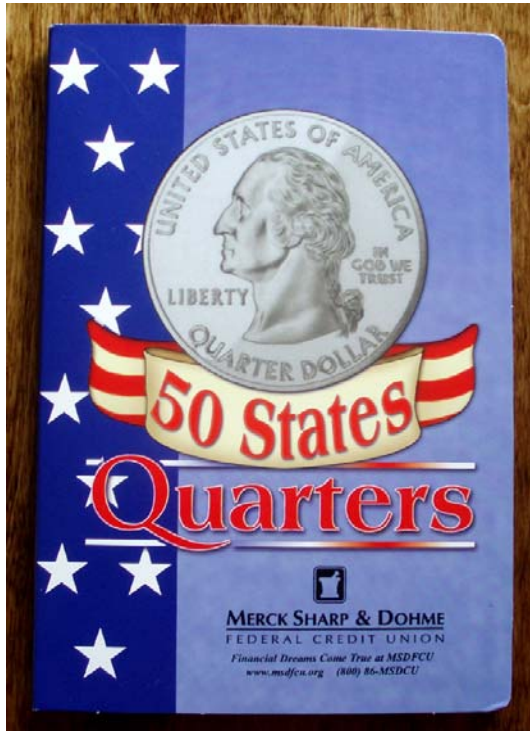


those that still knew it to be a credit union extension (and yes it still works to reach the call center), but few remember any extension except 2-6777. Through extensive negotiations the credit union was allowed to keep all of its Merck & Co numbers including the call center numbers which resulted in significant savings to the credit union, again provided by its lifelong benefactor Merck & Co. Members now called the main number and were able to speak to a member service representative rather than getting bounced around a given office. If the member needed to speak to a specific employee they could be transferred, but many run of the mill questions could now be answered by the call center reps rather that tie up the time of specific branch personnel. It was hoped that this would take a lot of telephone “pressure” off of West Point and Lansdale offices specifically; as the busiest offices, their time and manpower was better spent helping the members in front of them while the call center could answer more general questions. Employees were given instructions to no longer give out the main West Point and Lansdale numbers to members but to only give out the Call Center number so as to relieve this pressure and to foster member use of the Call Center. The call center was also given hours that encompassed the hours in which the credit union had at least 1 office open. The official hours were:

Mon – Thurs.....8:00am to 6:00pm
Friday.....7:30am to 7:00pm
Saturday.....8:00am to 1:00pm

As with any new service, members needed to get used to the change, which was always meant to improve and streamline member service. The call center was essentially a cashless office. The call center representatives were expected to conduct business as member service representatives would, only not in person. And as it was “another branch” it fell under the supervision of Pat Kreidler.

The Statehood Quarters started in 1999. This year the credit union decided to offer to



all who opened a new account a free 50 state quarter holder in honor of National Credit Union Day on October 19th. After that week they were given out to members in general after all the offices were given a supply of them. The credit union was diligent in making sure that all offices made a practice of ordering the new quarters whenever a new minting became available so that all members who wanted the new quarters need not go elsewhere for them. Nicole Cressman, assistant manager at West Point, somehow managed to order rolls of each quarter from the Denver mint as well...which was definitely going the extra distance!

For the first time this year the credit union sent employees to assist in the construction of a house in Philadelphia. Although members of the board were supposed to be in attendance, there were scheduling conflicts on the specific day the credit union was to help Habitat For Humanity in the reconstruction of 4969 W Stiles Street in West Philadelphia, which had specifically been

adopted by Pennsylvania credit unions. As a result, Ops Center employees attended instead. Bob Muzsly, Scott Kopp, Dana DeFilippis, Brian Wilcox and Brendan Detwiler spent the entire day installing drywall, sanding, painting and cleaning the house that was nearing completion. Although a dirty job, the employees all recognized the importance of the Habitat for Humanity movement and were happy to volunteer their time. Theirs was but a small effort to revitalize the entire block, which had been an ongoing project for the past few years. Almost every house was one that had been rebuilt or would be.

The second annual Charity Golf Open was held June 14th at the Center Square Golf Club. There were 124 golfers and the event raised \$10,000, which was donated to Nehemiah's Way, a woman and children's shelter in North Wales, Pa. The players in the winning foursome were John Managhan, Steve Adams, Larry Roux and Jim Cochran.

Also on the topic of community service: A total of eleven credit union employees volunteered their time for the first time at Lansdale day. They assisted the Lansdale Police in their KidCare program to have all local children ID'd by their fingerprints & photos. 800 kids participated in the program, and all were entered in a raffle to win a mountain bike. The employees that helped out were: Patrice Kreidler, Gerry Gress, Sarah Patram, Christine Kronstain, Kristin Coradi, Martha Wiley, Lisa Lubas, Gloria MacDonald, Darcy Schneidinger, Dave Whitehead and Brian Wilcox.

Below is a picture from the Prescription that celebrates employee involvement in the Charity Golf Open, Lansdale Day and Habitat for Humanity.

MSDFCU in the Community

Helping Habitat for Humanity

Five volunteers from MSDFCU recently helped renovate a home at 4969 W. Stiles St. for Habitat for Humanity in West Philadelphia. This house was adopted as a community service project by Pennsylvania credit unions, with MSDFCU being one of many that sent volunteers. ●

Pictured at right are MSDFCU volunteers who hung drywall for the day: Brendan Detweiler, Brian Wilcox, Scott Kopp and Dana DeFilippis. (Not pictured is Robert Muzslay.)



800 Youngsters Participate in KidCare ID Program

MSDFCU helped the Lansdale police department with its KidCare Identification program during Lansdale Day. Eleven employees helped to encourage parents to get photo/fingerprint IDs for their children. Every child who got an ID was entered into a drawing to win a boys' or girls' mountain bike. Over 800 children received IDs during the one-day event. To further promote bicycle safety, the credit union handed out bike reflectors. ●



Pictured above are six of the credit union volunteers: Patrice Kreidler, Gerry Gress, Sarah Patram, Christine Kronstain, Kristin Coradi and Martha Wiley. (Not pictured: Lisa Lubas, Gloria MacDonald, Darcy Schneidinger, Dave Whitehead and Brian Wilcox.)

Charity Golf Open Raises \$10,000

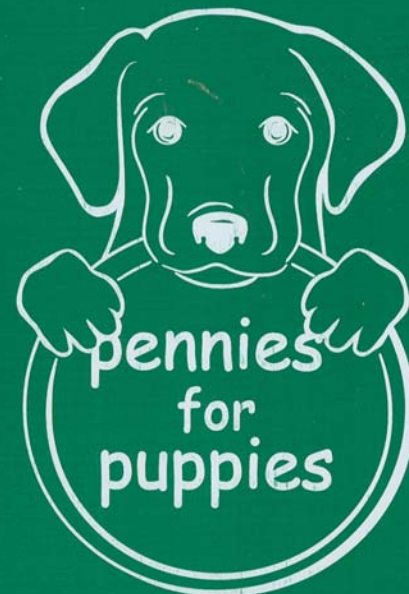
MSDFCU held its second annual Charity Golf Open on June 14 at the Center Square Golf Club. The event attracted 124 golfers and raised \$10,000 for Nehemiah's Way, a women and children's shelter in North Wales, PA. ●

Pictured at left is the winning foursome from the tournament: John Monaghan, Steve Adams, Larry Roux and Jim Cochran.



The credit union helps out in the Pennies for Puppies fund drive for the first time this year. The program had been a yearly fund drive adopted by Merck Employee Federal Credit Union since 1993. The credit union volunteered to collect the change dropped in the 20-gallon cardboard receptacles placed throughout the West Point facility. The credit union also buys a new coin counter for the sole purpose of counting by coin denomination the Pennies for Puppies change. A credit union account is set up specifically to deposit the West Point funds into at the end of February next year and thereafter.

The community involvement that the credit union had been involved with up to now was all very well, but Dave set all employees on a task to come up with new ideas that could be explored. He was looking for something that the credit union could own as its own distinctive charity event, something that would generate interest as well as member involvement. There were many ideas thrown around, in the end it was an idea raised by Barbara Bonnani that would end up being adopted. Barbara had grown up in farm



A Merck Employee
Volunteer Program
for "The Seeing Eye"
(732) 594-7776

country and was familiar with a charity idea that was eminently unique and bucolic: a cow plop! Many among the staff had never heard of such a thing. The idea was simple, amusing and one that would be described countless times by employees to inquiring members. It worked like this: A specific plot of land is set aside. That plot is subdivided into 1 square yard sections. Each of these 9 square foot plots is allocated a “deed” number. Formal ownership certificates are printed for every deed and are sold to participants for 10 dollars each. Ownership of a deed means a charitable contribution and a chance at winning the grand prize, which is 20% of the total deed sales; each deed is by definition “owned” by the purchaser and the information on every owner is recorded. The deeds are sold at every credit union office for a specific period of time. All that remained at the end was a choice of the winner. The selection process was the most unique aspect of the endeavor.

The plot of land selected and subdivided into 1-yard square plots is physically set up. All deed numbers are randomly assigned to the grid. A cow is then “put out to pasture” in the field. Those in attendance then wait for the cow to “plop” wherever she will. When she does, the specific spot on the grid is determined and the correspondent “owner” of that specific deed is the winner. The winner wins 20% of the proceeds and the 80% remaining is donated to a charity of the credit union’s choosing. There was a concerted effort among the branches to sell cow plop deeds

to members for \$10 per deed, to get the message out of what the intent of the event was and to sell as many deeds as possible. Every office was allocated a “pile” of deeds. The fundraiser was not well planned this first year; there was no advertising for it on the members’ statements or the Prescription. The actual event took place late in the year on December 2nd at the Montgomery County 4H Club. Unfortunately the overall turnout was light. Many employees who turned out ended up waiting for the cow to do her business in the heat of their vehicles. Although baked goods and refreshments were prepared by many employees of the West Point office, there were only a few members and employees who took advantage of the preparations. The cow was not inclined to favor the event and attendees with a “personalized” plop, the winner therefore had to be determined by a random drawing. Although turnout was disappointing, the resultant proceeds of the event were singularly rewarding. The first annual cow plop raised \$10,680; \$2,016 went to the winner Gerald Devose Jr. and \$ 8,064 went to Manna on Main Street which was a local charity that the credit union had decided upon. It was considered a live and learn exercise; it was decided that the actual event must be held earlier in the year when it was warmer if any sort of member turn out was to be expected. Although attendance was never required to be the winner, it would be encouraged as a fun event.



Four volunteers (Stacy Mitchell, Lisa Lubas, Dave Weber and Dave Whitehead) check out the official property grid.

Win Up to \$5,000!*



MERCK SHARP & DOHME
FEDERAL CREDIT UNION

Charity COW PLOP 2000

Benefitting Manna on Main St.
Lansdale, PA

Date: Saturday, Dec. 2, 1:00 p.m. - 4:00 p.m.

Location: Montgomery County 4-H
(1015 Bridge Road, Skippack Township)

Donation: \$10 per 3' x 3' Deed

* Winner will receive 20% of the deed sales.
See reverse side for complete rules.

MSDFCU Charity Cow Plop 2000 Response Form

YES! I'd like to purchase _____ deeds for the Cow Plop 2000 at \$10 each. Enclosed is my check/money order in the amount of \$ _____ made payable to "MSDFCU Charity Cow Plop."

Print Name _____

Mailing Address _____

Daytime Phone Number _____

Please return to: MSDFCU Charity Cow Plop, 1140 Welsh Road, Suite 200, North Wales, PA 19454
no later than November 24, 2000. Your deed will be mailed to you when payment is received.

You Do Not Need to Be Present on Dec. 2 to Win

Above is a statement insert advertisement for the first Cow Plop this year. The event in future years would be more advertised than this year, but this same style advertisement was used for many years.

As far as over all charity contributions go, this was a banner year for the credit union. All tolled, the credit union contributed to all the following charitable organizations to some degree:

Habitat for Humanity
Lansdale Day
Nehemiah's Way
North Penn Convalescent Center
Toys for Tots
Pennies for Puppies
North Penn High School Football
Mom's House in Phoenixville
The Lansdale Police Department
Manna on Main Street

No one could possibly argue that the credit union was remiss in community involvement and charitable endeavors this year. It was in fact the most charity conscious year of the credit union so far in its 50 year history. The two biggest events alone: the golf outing and the cow plop raised nearly 20 thousand dollars on their own.

The credit union also started another charity event this year: Adopt a Family. The employees were allowed to wear jeans on Fridays in the last quarter of the year and pay \$2 per Friday or a flat \$20 for the entire time period. The total amount raised was \$575. A family in need was selected by Community Housing of Lansdale and gift certificates, food and presents were purchased so the single mother family could have a happy Christmas.

The launch of the Bill Pay aspect of the Virtual Branch service intended for launch this year had to be postponed until next year.

The credit union grew from \$148,320,210 in assets last year to \$164,694,863 an increase of over 10%! Investments grew from \$25,719,442 to \$45,063,856. Dividends paid to members increased from \$3,879,682 last year to \$4,762,122. Net income did not increase but stayed at essentially the same figure as last year at \$1,423,836, but expenses rose by \$580,405. Also very significant to note is that at the beginning of this year the credit union owed over 11 million dollars in borrowed funds. Part of the strategy of senior management and the board was to pay off this debt thus placing the credit union in a much better financial position. The strategy worked and the credit union ended the year free of all borrowed funds. There were a total of 2,243 new loans approved this year for a total of \$26,050,970. Of that figure, 774 were auto loans, 190 were home secured loans and 687 were signature loans. There were only 2 GMAC first mortgages added to books this year.

Share rates were more or less stagnant this year. Share deposit rates remained unchanged at 2.47% APR / 2.50 APY. IRA rates went from 4.41% / 4.50 % to 4.65% / 4.75, and the Money Market rate went from 4.41% / 4.50% to 4.65% / 4.75%.

Prime changes from 8.50% to 8.75% in February of this year and ends at 9.50% having changed in mid May. The only rate changes this year occur on new and used car loans: new car loan rates rise from 7.75% to 8.00% and used car loan rates drop from 8.25% to 8.00%. All other rates remain unchanged.

Total number of members increases this year from 18,322 to 19,752.

2001 – This year saw the opening of the fifth branch of the credit union. The Upper Gwynedd branch of the credit union opened on Monday February 26th with



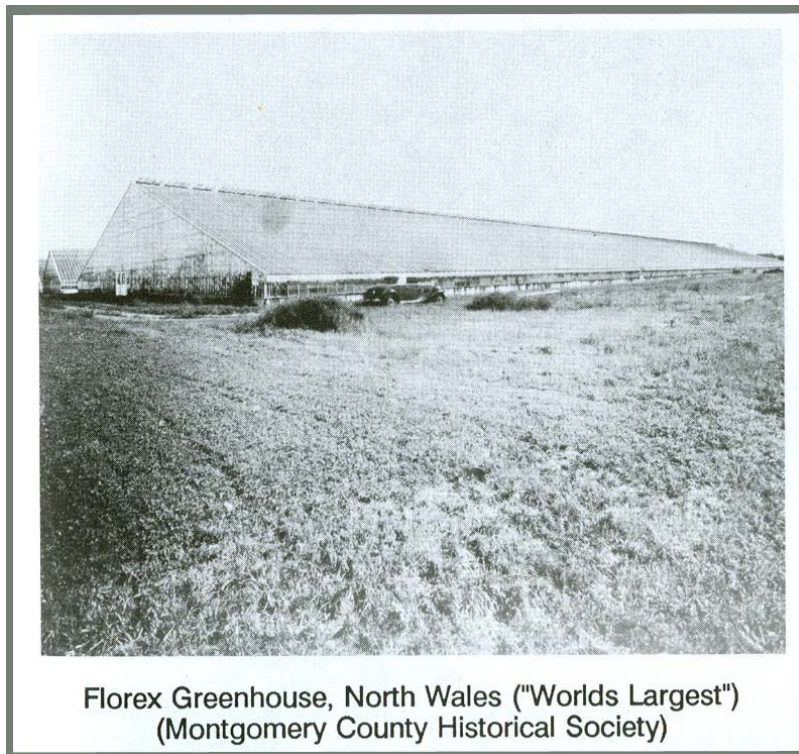
Brendan Detwiler as branch manager and Kristin Coradi as head teller. Vinny DeNardo was assigned as the teller of the office but was on loan to the Loan department for a few months while Stephanie Dyck, the loan processor, was on maternity leave.

A brief history of the Upper Gwnedd facility: The 1,120 acre site was originally part of the Dickinson Farm established in the early 1890's. It remained that way

until 1907 when the property was purchased by Florex Gardens, one of the countries largest growers of roses and carnations. The site was a self-contained production facility. Florex built a six hundred foot long twin greenhouse that housed 70 thousand carnation plants. It enclosed 2 acres and was the largest greenhouse in the world. The record only held until 1909 when construction of a second greenhouse was completed. This one was just over six hundred feet long and covered 3 acres that was home to rose plants. As a matter of perspective, 1 acre is 43,560 square feet. Once the second greenhouse was finished, there was a total of 5 acres covering 217,800 square feet under glass just in these two greenhouses alone, and although details are difficult to come by, Florex had at least 5 more, smaller greenhouses covering another 3 acres at least.

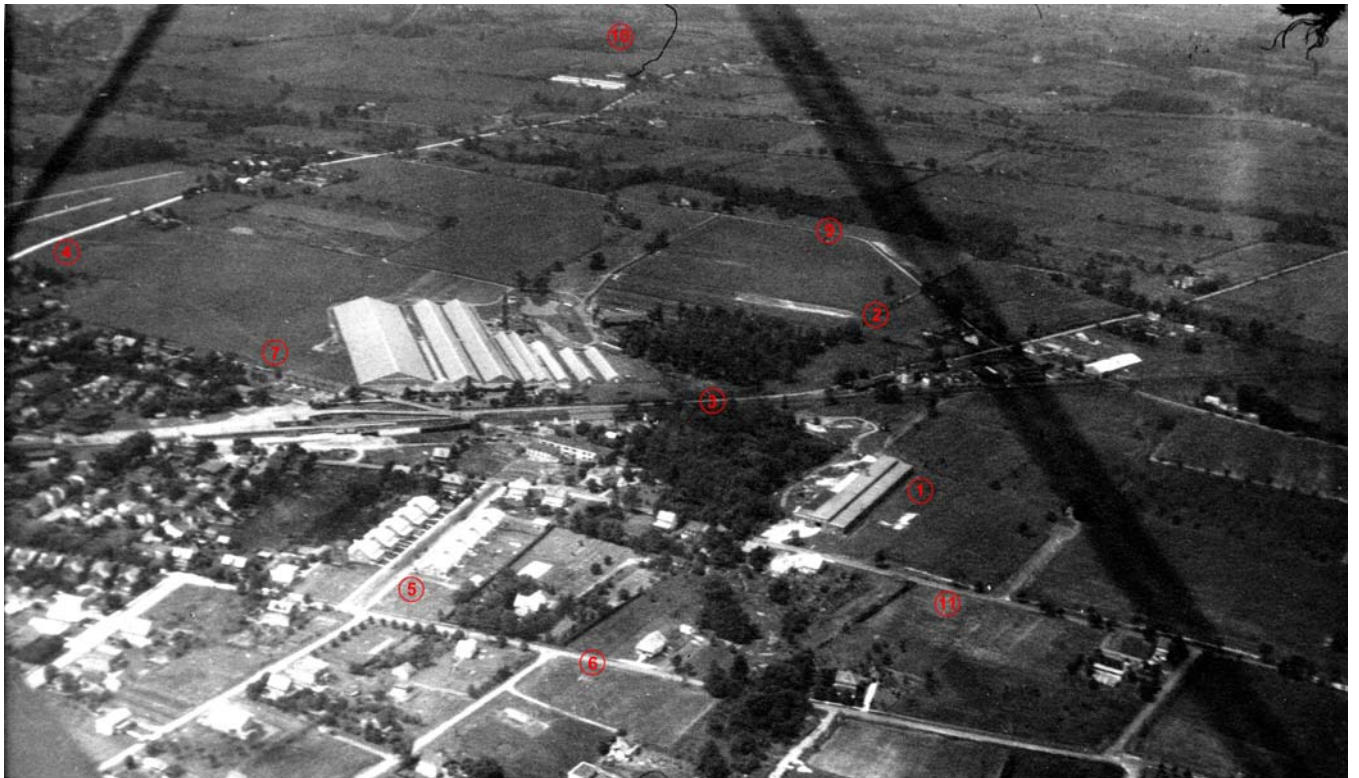


A photo of the Florex greenhouses from the perspective near the intersection of Beaver Street and the railroad tracks.



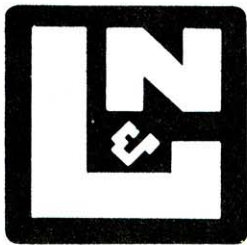
Above is a picture provided by the Lansdale Historical Society that shows the huge Florex greenhouse. The picture on the left is from the Upper Gwynedd Township Centennial 1891 – 1991 booklet that shows a different view of the greenhouse completed.

Below is a picture taken by airplane in 1927 that shows the Florex gardens and greenhouses in the top left hand quadrant. Below that I have duplicated the picture with identifiable landmarks of today that provides a perspective of the size and placement of the site (also courtesy of LHS)



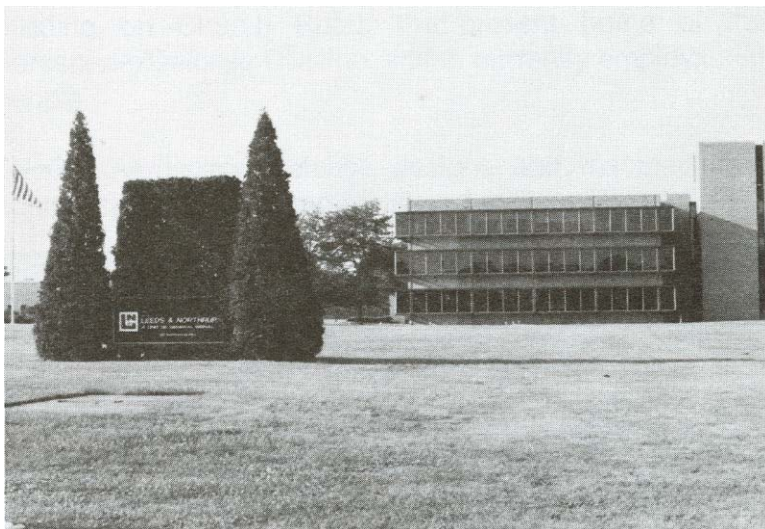
1) Fitzpatrick Container Co. est 1927, **2)** Wissahickon Ave, **3)** Railroad running through North Wales, **4)** Sumneytown Pike, **5)** 2 rows of homes between 6th and 8th streets that are still there today, **6)** Montgomery Ave, **7)** Beaver St, **8)** Dickerson Rd, **9)** Church Rd, **10)** Location of Sharp & Dohme in 20 years, **11)** North Wales Rd before and Walnut St after Fitzpatrick.

This means there was at least 348,480 square feet all under glass (and no I don't know how many football fields that is). At the height of its success, Florex boasted more than 10 acres under glass. The green houses were kept warm by a network of iron pipes below the surface that carried steam from huge boilers. Corn and Soybeans were grown on a separate 150-acre tract of land. They were grown to feed 100 cattle that were raised for beef but also as a constant supply of manure for the roses and carnations. There was even a flower shop at the main office building where you could go to buy arrangements "Florex Flowers Last Longer" was their catch phrase and their telephone number was 811-812 ...no, there are no numbers missing, that was the phone number, and the phone number for their Lansdale store on 17 West Main St. was 4000.



LEEDS & NORTHRUP

A UNIT OF GENERAL SIGNAL



The Leeds & Northrup building that was constructed on the site of the former Florex gardens taken from the Upper Gwynedd Centennial 1891-1991 booklet.

By the late 40's labor costs and escalating costs of maintaining the huge glass structures had taken its toll on Florex, which finally closed just prior to 1950. The property was purchased by Leeds & Northrup in 1950. The immense greenhouses were demolished and a new manufacturing and research

facility was completed in 1956. Leeds & Northrup manufactured electronic control instrumentation and light industrial manufacturing equipment. They found the location suitable in part because of the close proximity to utilities and the railroad. Leeds & Northrup would continue to occupy the property until 1996. It was in that year that there was a huge strike, and by the time it was over it was decided that the facility was no longer cost efficient and they quickly vacated the property. Merck & Co purchased the property in 1997 and set about demolition of the Leeds & Northrup building complex as well as the huge parking lot. There was extensive EPA cleanup necessary on the site since there were no EPA standards and no OSHA when Leeds & Northrup built their facility. Ironic was the fact that the property had been the site for an entirely sufficient and self-contained ecosystem for almost 50 years till 1950 when the property was essentially laid waste by pollution and no EPA standards to keep that pollution in check. The property was attractive to Merck for the same reasons it had been attractive to L & N, but the cost to reclaim and rebuild on the grounds was more expensive than if a different

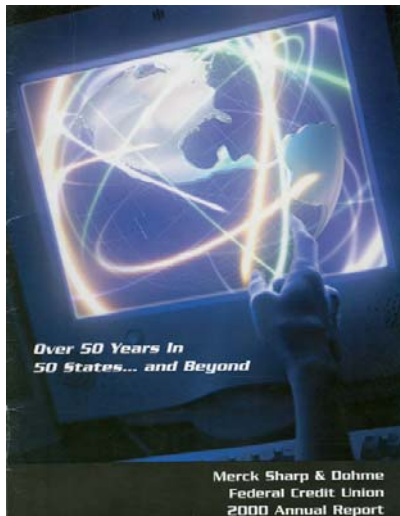
property had been chosen. Merck was given the Governors Award for Environmental Excellence in 2001 for its cleanup and revitalization of the property and for building 4 level parking garages that took up a lot less space than the 12 acres of paved surface parking that had been there previously.



The Upper Gwynedd facility was the new state of the art facility built to house the USHH division of Merck. The building was about a half a mile from the West Point facility and was constructed of granite and green glass. It was meant to be a showpiece of beauty and modern architecture, and it was. The facility as it stood completed this year was only phase one, there were additional building phases that were planned for the future, and in order to insure that Merck would have the same precise materials for the rest of construction (that would follow over many years) Merck purchased the quarry where the granite was acquired. No expense in materials or technology was spared. There were even robotic mail carriers, one for each floor that carried mail by remote control to every section of each floor. They were guided by sensors embedded in the floor (like an electronic track only out of site). Each mail robot was given a name as well; the name of the robot that serviced the credit union was Sedrick. Although not all of USHH relocated there, approximately 900 USHH employees were moved there gradually. The credit union was located in a prime location at the end of the garage A hallway that opened onto the second floor. The office was equipped with 4 MSR stations, a conference room, a six station teller line surfaced with 1 ½ inch granite, a walk in vault, receptionist desk with a 5 disk CD player and full speaker system, storage area behind the teller line, a coat room, supply / copy room and manager office. The only thing that was not part of the office was a lunchroom. The designers thought it unnecessary since through the back door of the credit union there was a complete eating area, and through the front doors and down another hall was a microwave and vending machines. The back conference room simply became the “lunch room” most of the time. The office itself was 4,500 square feet (1% of the 495,000 square foot facility). The office was designed with the intent on phases two through four of the office complex to be completed with a Merck employee total of over 4500 people; it was therefore designed in anticipation of servicing that ultimate member base. The office itself was realized due in large part to the thanks of Fran Cashus, Mike Abitello and others on the site services team who were credit union supporters and therefore very specific in their intent for the credit union to have a significant and valuable presence in the new building. Cashier services were made available from 9am to 11am, since there were many managers, directors and senior directors at this facility who all traveled quite extensively (at the time), the cashier service was well utilized; in fact, the West Point facility saw a significant drop in activity as a result of the Upper Gwynedd office opening. Notary service was available two

months after opening, and saw a great deal of activity as USHH employees from around the country got relocated to the Upper Gwynedd office. There was also an ATM machine installed, a Diebold 1062ix, with its own settlement room that also housed the network gateway and security system. The ATM was set up to take deposits, but after a few months it was deemed not feasible considering the low number of deposits and the necessity of the two-person office being required to settle the machine daily. This site was established with Day and Zimmerman as the contracted security company, OMNI was the initial cleaning service and FLIK as the cafeteria service instead of Aramark that had all other Merck cafeteria contracts. The credit union office was in fact open before the building was fully operational. The front lobby, for example, had not been completed yet, nor was the spiral stairway that led from the cafeteria to the second floor, and the first few weeks were very slow. The credit union office itself was not entirely completed when the doors opened. It was necessary for the office to “borrow” four 3 x 8 folding tables from site facilities until a check writer was built for the lobby and work desks and shelves were built in the vault, ATM room and copy / supply room. A week prior to its opening, the manager greeted the prospective denizens of the office with an open house. Candy was laid out on a table, and there was some left over a week later at opening. The remaining candy was put out at the otherwise unused receptionist desk at opening, and the tradition of always having candy in the office continued from then on with a trip to target every few weeks.

Liz Johnstone this year becomes the first official Human Resource Manager. Until now things like payroll had been handled by Annette Zeigler, then by Accounting, and things like employee policy had been overseen by department heads and the CEO. It was now the responsibility of the new Human Resources “department” to take care of all of these things. It was also her job to foster employee morale; although not necessarily waning, the credit union was getting bigger, and more employees meant the more potential for those employees to perceive a disconnect between them and “management”, so it was part of her job to make employees continue to feel part of the organization.



The Annual Dinner meeting was held this year again at the Blue Bell Country Club on March 24th at 6:00; once again the entertainment was provided by DJ Jammin Joe. There were 8 Hoffman Award winners this year, and again each winner was presented with \$3,000. This year represented the 30th anniversary of the award that was started in 1971 in homage of the first credit union President of 20 years Raymond O Hoffman Jr. Although once again the Hoffman Award winners are not featured as part of the Annual Meeting Booklet, there is a glossy insert added to the booklet with the bio of each recipient. The report itself is cut back in size to 8 pages; the last two years the reports had been 16 & 14 pages respectively and it was decided to cut down on the expense.

Also of importance to note on the subject of the Annual Dinner meeting and elections is that Rev. Marjorie Duncan Reed is elected as the first African American to the position of Chairman (chairperson). Marjorie Reed was elected to the board in 1996 and



had served on the Personnel Policy, Annual Meeting, Hospitality and Executive committees. She also chaired the Hoffman Awards Scholarship Committee. She had been a Merck Employee since March of 1980, worked in MMD Human Resource and was an associate minister of Antioch Baptist Church of North Hills.



ACCOUNT NUMBER	DATE	TELLER INITIALS
MEMBER NAME		CAMP
SIGNATURE		
CASH RECEIVED		
CHECKS		
TOTAL CASH/CHECKS		
TOTAL DEPOSIT		
CASH BACK		
ACCOUNT	WITHDRAWAL	DEPOSIT
SHARES		
CHECKING		
CHRISTMAS CLUB		
VACATION CLUB		
MONEY MARKET		
STOCK		
IRA		
LOAN #		
LOAN #		
SHARE CERT. REDEMPTION		
BOND REDEMPTION		
SHARE CERT. PURCHASE		
BOND PURCHASE		
OTHER TRANSACTIONS		
MONEY ORDER		
TRAVELER'S CHECKS		
GIFT CHECKS		
FEE		
TELLER CHECK		
MO/ISA PAYMENT		
CASH ADVANCE		
TRANSFER TO OTHER ACCOUNTS		
ACCOUNT #	TYPE	AMOUNT

CHECKS DEPOSITED ARE SUBJECT TO COLLECTION DEPOSITS MAY NOT BE AVAILABLE FOR IMMEDIATE WITHDRAWAL

New one-sided deposit slips replaced the “cumbersome” two sided slips that had recently been adopted but found to be inefficient.

The Prescription again gets an upgrade this year. This time it is printed on higher quality glossy paper starting with the winter edition. This edition is also the last of four to cover a brief history of the credit union. The use of glossy paper is actually a return to how the prescription used to be printed although glossy paper was eliminated in 1994 at that time it was not printed in full color with full color photographs.

Also in June of this year a home equity line of credit promo (Home Equity Prime Line) began that offered prime minus 1% through the end of the year at which time the rate would be adjustable quarterly and set at prime. The limit on the line was \$100,000 and it was based up to 90% LTV (loan to value). The line was based on a 10-year pay back with a minimum payment of \$100 a month.

The 3rd annual Charity Golf Open was held on Monday June 25th at the Mainland Golf Course. The cost per golfer was \$85. The event raised \$8,250 for Nehemiah’s Way. This brought the total amount donated by the credit union to this one organization was \$23,150.

Tickets for the 2nd Annual Charity Cow Plop went on sale soon after the Golf Outing had been held. The Cow Plop Committee (yes there was a Cow Plop Committee) was put in charge of formulating an incentive plan for branch employees in order to maximize their motivation to sell, Sell SELL. Tiered cash awards were decided upon for employees who sold the most deeds. A cow costume was also purchased. The idea was that employees would work in teams by going to the different Merck facilities and try to sell deeds; drawing attention to the cow would draw attention to the charity event and more deeds would be sold. Wearing the cow costume was an unenviable service by only the most intrepid of employees. The costume was hot...especially in the Summer time! The head was held in place on top of the wearers head by a plastic band (like would be found inside a football helmet); the problem was that the head was heavy and that weight made the head uncomfortable. Also it was difficult to see out because of the way the cow’s eyes were situated; after an hour in the suit the wearer would see cross-eyed. One also couldn’t help but wonder just how clean that suit was the longer it was passed from branch to branch and from one wearer to the next. Everyone knew, however, that it was all in the name of charity, and charity indeed was one of the things that Dave and the Board were becoming ever more concerned about and involved in.



A spring car sale was held from April 13 – 23; during this time members who got pre-approved could go to any dealer that they wanted and get a rate of 6.75% (a steep reduction from the normal 8% interest rate otherwise offered). Up to \$35,000 would be loaned up to 72 months for this promotion on new cars; loans for more than \$35,000 would be for a maximum of 84 months; and used cars could be financed up to 100% of the NADA value for up to 60 months. And members are also reminded of the MVCP program that allows them to get valuable information about any car model that they may be shopping for.

A new feature is added to credit union members with a credit card this year. The Automatic Payment Plan is made available to members. This service allows for the minimum payment (whatever it is month to month), or the entire payoff monthly to be paid from the members draft account. Additional payments above and beyond this monthly ACH payment are also allowed. The automatic payments are possible by filling out a simple authorization form made available at the branches or by calling the call center.

The 2nd annual Charity Cow Plop was held On Saturday October 6th at the Montgomery County 4-H club from 1:00 to 4:00; the cow was set to pasture at 2:00. The mistakes from last year were learned from as evidenced by the much earlier date (compared to last year, December was deemed too cold). Member turnout was not high, but presence at the event was not made a requirement to winning. Unfortunately the cow had a slight incontinent problem once again and a plop could not be coaxed out of her. The winner therefore had to be chosen by random drawing. The total amount in deed sales was \$13,350 with \$2,670 going to the winner (Pam Fanto) and \$10,680 going to Manna on Main Street; the total raised for Manna so far the past two years was \$18,744. The event was therefore considered a great success. As stated earlier, employees would go in teams to all the offices around the time that the cow plop was getting close. One would sell deeds and one would wear the costume. There was some controversy at the newly opened Upper Gwynedd facility this year however. The employees did not like being approached by the cow in the cafeteria, there were even complaints to security about it. It was decided therefore that from now on the cow would still visit the Upper Gwynedd office, but he/she would have to remain in the hallway outside the Flik cafeteria entrance.

The credit union won a number of distinguished awards this year. The credit union won the Dora Maxwell Award this year (in the organization asset size of \$100-\$200 million) by the Pennsylvania Credit Union League for all of the credit union's charity efforts throughout the previous year. Manna on Main Street awarded the credit union with the Florence Nightingale award for the very large Cow Plop event proceeds. The credit union won, once again, a First Place award from then PA Credit Union League for its Annual Report for last year. An award of first place was also similarly awarded for the credit union's newsletter. These were all indeed a strong validations to Dave Whitehead and the board of directors of their recent charity initiatives. The credit union was on an upward spiral in terms of growth, membership, success and community recognition. If there was a peak or golden age for MSDFCU in its history so far, few could argue that this time was in fact that age.

Bill Payment is at long last added to the Home Banking product therefore completing the online access product that had been so long desired by credit union management to be made available to the membership. It was now possible to pay all bills online. This was a service that was (for the past 6 months or so) newly being offered by financial institutions in general, and the management of the credit union long recognized the necessity of making it available. The service allowed much greater control for members in who got paid. No longer were payments "taken" from a members account by a payee. Now the member could decide who would be paid what and when, and if they wanted to

stop a payment, it could be stopped quite easily. If the payee could not be paid electronically, a check was cut and mailed to the payee with all originating information included to insure the payment was made properly. To sign up members could e-mail the credit union at msdobb@mindspring.com. The service was offered as a free service through the end of the year. After that time there would be a monthly charge of \$4.95. This charge was considered necessary in order to offset the cost of the overall service. In order to have Bill Pay, a member had to have Home Banking, and the cost to the credit union per member for both was almost \$9.00. While Home Banking was free, Bill Pay was not. Some argued that the entire package should be free in order to remain competitive with other institutions, but the prevailing opinion was that the cost had to be offset in order to offer it at all. In order to provide Bill Pay, the entire service package was changed. Members no longer were to sign on to the website www.virtualbranch.com but were now directed to log on to Home Banking and Bill pay directly from the credit union website. The overall service was improved to operate more efficiently.

911 changed the world as far as every person in this country was concerned. As with the assassination of JFK, everyone old enough to comprehend what was happening will always remember where they were when they first heard what was happening on that fate-full September morning. The credit union responded within days by ordering flag patches and selling them for \$1.00 each the proceeds of which would be donated to the September 11th contribution fund. It is also interesting to note that the Upper Gwynedd office was opened without a flag, and once 911 hit, it was practically required to have a flag displayed wherever you went...but it was impossible to acquire a flag since existing stocks flew off the shelves and out of warehouses starting on 9/12/01. The Upper Gwynedd office therefore displayed a flag that was printed before 1959 (with only 48 stars) until a proper office flag could be ordered.

The Credit Union held a second car sale from October 22 – 27. Again, the members could get pre-approved and go to any dealer, but rates were reduced much further. The prime-lending rate was now at 5.50% (It was at 9.00% at the beginning of the year). The promotional rates were as followed:

New or used.....36 mo.....	5.50%
New or used.....48 mo.....	6.00%
New or used.....60 mo.....	6.50 %
New Only.....72 mo.....	6.75 %

An application was again made available in the Prescriptions Fall issue on page 2 or at any credit union office.

Jim Storm replaces George McReynolds as the Members Financial Services Representative and offers the same products and services through CUNA Brokerage Services, Inc.

This year saw the introduction of a significant communications tool for credit union employees. The intranet was started this year. Following the example of Merck & Co, the credit union creates the intranet as a way of gathering information on the different departments together, providing a single place where forms can be acquired, instruction materials can be available, the company directory could be listed...the sky was the limit. As had been the case with the credit union website, it would grow and its scope would expand as time went on. It was set up as the required home page for all credit union computers and employees were encouraged to offer input as well as suggestions for improvement and content.

The employee newsletter, the GNUS is also started this year. A “survey” of different possible names was sent to all employees who were asked to choose the name they liked the most. The GNUS (from the Muppet Show) received the most votes. It would be a “current events” page that would also include a comic square and employee profiles

similar to what was done in the Prescription in the early 90's. Stephanie Dyck was the first employee to be featured, and for subsequent issues other employees would be called to pose for a photo and answer some "get to know you" questions. As time went on, two employees would be featured: one new employee and one who had been around a while.

The push this year was on loans. At the start of the year Prime was at 9.00% having been changed January 4th. It was changed 11 times throughout the course of the year with the last change made on December 12th to 4.75%. Prime had not been as low as 6.00% since 1992 and had not been as low as 4.75% since March of 1972! The credit union was in a uniquely strong position at this point in time and was therefore able to capitalize on the opportunity to lend money in all forms of loans, so what began was a campaign of a few years to expand the credit union's fixed, variable home secured and GMAC first mortgage loan portfolios. There were a number of specials, but all loan rates were made particularly attractive. By the end of the year the loan rates were as follows:

New car (terms up to 4 years).....	5.99%
New car (terms 5 – 7 years).....	6.25%
Used Car (terms up to 4 years).....	5.99%
Used car (5 years).....	6.25%
Signature Loan.....	11.50%
Share Secured Loan.....	7.00%
Home Equity (5 years fixed).....	6.25%
Home Equity (7 years fixed).....	6.50%
Home Equity (10 years fixed).....	6.75%
Home Equity LOC.....	Prime
MasterCard/VISA.....	11.50%

There were a total of 2,743 loans booked in 2001; the total in loans approved was \$57,773,917. The loan portfolio increased this year from \$111,857,567 to \$130,862,073, which represents a 15% increase. Concurrently, total assets increased from \$164,694,863 last year to \$198,612,892, which amounts to a 17% increase, which was unprecedented growth compared to credit union peers. Home equity lines booked this year totaled 273 at \$12,131,672 as opposed to fixed home equity loans totaling only \$3,641,207. There were 90 GMAC mortgages booked and kept by the credit union this year totaling \$16,818,408. Part of this surge was due to the affluence of Merck Employees who by a wide margin owned homes, and of greater value, and with lower loan to value ratios; the members were, as consumers, just waiting for an opportunity to borrow money to pay for a new car, a new addition to the home, a new kitchen, college tuition...what have you, and the low interest rates being offered by the credit union presented too good an opportunity to pass up, so they took advantage of it. The Home Equity line of credit was at Prime, which was better than most other institutions were offering at the time. The credit union itself remained debt free this year.

Deposit rates went down as an inevitable result of the Prime-lending rate being lowered as well. At the start of the year the rates were as follows:

January 1, 2001

Share Savings.....	2.47% APR.....	2.50% APY
IRA Shares.....	4.65% APR.....	4.75% APY
Money Market.....	4.65% APR.....	4.75% APY

December 1, 2001

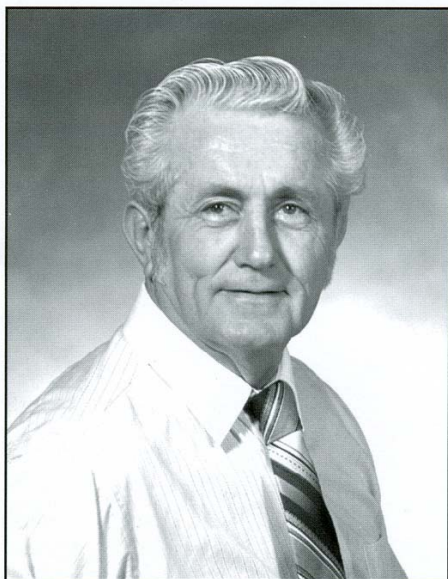
Share Savings.....	1.24% APR.....	1.25% APY
--------------------	----------------	-----------

IRA Shares.....1.79% APR.....1.80% APY
 Money Market.....1.79% APR.....1.80% APY

Also of interest to note is that the threshold for jumbo CD's drops from a mandatory \$50,000 on deposit in a CD to \$25,000 by June of this year. Totals on deposit in share accounts increases from \$44,278,199 to \$52,728,369 and totals in share certificates on deposit increase from \$33,616,905 to \$42,418,396 this year. Finally, Money Market totals for the year increase a total of \$10,242,226 to \$ \$45,584,235. The total in dividends paid to members was \$5,470,012: an increase of \$707,890 from the figure last year of \$4,762,122: a total increase of 13%. The total increase in deposits exemplify as much as the loan figures the faith, confidence and enthusiasm displayed by the membership in the products offered by the credit union this year. At the end of this year the credit union stands at the precipice of the 200 million dollar asset landmark at \$198,612,892.

In terms of membership, the credit union closed the year with 20,578 members up from 19,752 a year earlier.

Scott Kopp leaves credit union service as VP of lending in the last quarter of the year. For a few months the position is vacant. In December Dale Edwards is hired as the new VP of Lending. As Scott was, Dale is in charge of overseeing all lending, credit cards and collections. Before coming to the credit union Dale was VP of consumer lending at Harleysville National Bank with almost 30 years experience with financial institutions.



2002 – William Sautter, a credit union volunteer for 25 years dies unexpectedly on February 16, 2002. He first served on the board of directors in 1978. It is no exaggeration to say that he was instrumental in countless decisions made to plot the course the credit union would take over the years as evidenced by the myriad of committees on which he served (often over many years) over his quarter century with the credit union:

Marketing & Public Relations Committee, Marketing & Education Committee, Personnel Policy Committee, Credit Committee, Long Range Planning Committee, Security Committee, Hospitality Committee, Wilson Committee, Membership Committee, Nominating Committee, Andey/Cook Committee, By Laws Committee, Building Committee (for Lansdale Office), Hoffman Scholarship Committee, Asset / Liability Committee, Executive Committee, Y2K Compliance Committee,

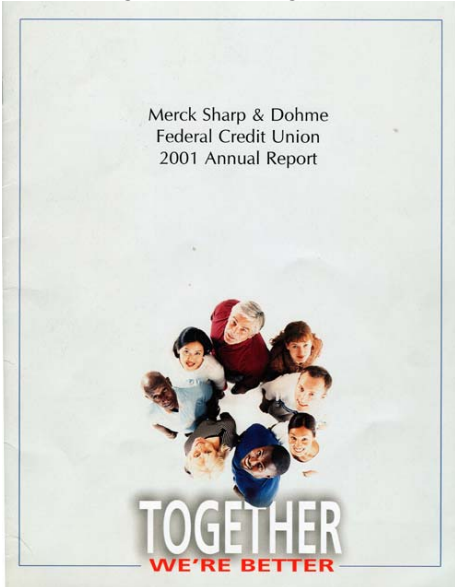
His absence was keenly felt by all volunteers with whom he served and sorely missed by all who dedicated themselves to the credit union cause.

This year the credit union is recognized by the Credit Union Times, a periodical of significant importance for all credit unions. MSDFCU is ranked 8th in the nation (out of 10,000) in loan growth over the past five years and 36th in share growth. This recognition is furthered by placing MSDFCU in the top 100 listing and the largest credit union in Montgomery County and one of the largest in Pennsylvania.

The Prescription's appearance is changed slightly. The Sachagewia dollar on a \$50 bill background is changed to a 1950 Ben Franklin 50 cent piece on a blue and red

background. There is no specific significance to the change apart from the idea to keep the new look fresh.

Brian Wilcox is promoted from marketing manager to Assistant VP of Marketing, another first, as there had never before now been such a position. This essentially created a Marketing Department, and as such a position was made available for an assistant to Brian. Dawn Teachman was hired as marketing specialist in the spring of this year to assist Brian in the sales and promotion of credit union products. She also served as the Montgomery County representative in the Youth Ambassador Contest hosted by the Pennsylvania Credit Union League.



On Saturday March 23 the credit union held its annual Meeting/Dinner Dance at the Blair Mill Inn in Horsham. It is important to note this for this year because it was in fact to be the last year that the Annual Meeting was held at any restaurant. Due to low attendance of members and the fact that employees and volunteers and their 1 guest are allowed to attend for free, it is decided that there is no reason to make it the gala event it has been for so long. Cost is also brought up as a reason to stop holding the event as it is (although in subsequent years, the cost of the event in the annual report never goes down but does in fact go up). There were 6 Hoffman Award winners this year, and they are each presented \$5,000. The overall amount of award money is therefore increased from \$24,000 last year to \$30,000 this year. The winners are not featured in any way this year in the annual report this year however they are recognized in the spring

issue of the Prescription. Since 1991, pictures of the office staff were taken that showed employees in their department or branch. Starting this year a group shot of all the employees is taken instead. Pictured are all 57 employees standing in the lobby of the operations center; a list of all their names is also featured as well as their position in the organization. Although not taken at West Point, the photo was professionally taken by a Merck photographer.



In the interest of where the credit union had come in the past 5 years, what follows is a 5-year comparison of financials comparing figures reported in the Annual Dinner Meeting booklet from March 22 1997 (the year Dave Whitehead took over as CEO) and the Report of March 23, 2002:

<u>Assets</u>	<u>1996</u>	<u>2001</u>
Assets.....	\$35,302,210.....	\$131,442,073
Allowance for Loan Loss.....	<\$300,000.....	<\$580,000
Net Loans.....	\$35,302,210.....	\$130,862,073
Cash.....	\$5,850,269.....	\$3,880,680
Investments.....	\$41,138,860.....	\$59,222,564
Furniture & Fixtures.....	\$1,479,360.....	\$1,288,761
Other Assets.....	\$1,159,419.....	\$3,358,814
<u>Total Assets</u>	\$84,630,118	\$198,612,892
<u>Liabilities & Equity</u>	<u>1996</u>	<u>2001</u>
Shares.....	\$44,984,049.....	\$52,728,369
IRA Shares.....	\$11,662,482.....	\$14,792,829
Share Certificates.....	\$6,876,455.....	\$42,418,396
Share Drafts.....	\$12,465,420.....	\$28,221,805
Accounts Payable.....	\$118,665.....	\$331,994
Regular Reserve.....	\$2,313,744.....	\$3,825,775
Undivided Earnings.....	\$6,209,303.....	\$10,709,489
<u>Total Liabilities & Equity</u>	\$84,630,118	\$198,612,892
<u>Total Earnings</u>	\$5,595,410	\$12,249,440
<u>Total Expenses</u>	\$3,025,976	\$5,430,551
<u>Net Operating Income</u>	\$2,569,434	\$6,818,889
<u>Net Dividends to Members</u>	\$2,219,543	\$ 5,470,012
<u>Net Income</u>	\$ 349,891	\$ 1,348,877
<u>Number of Members</u>	13,577	20,578
<u>Number of Branches</u>	3	6
<u>Number of Employees</u>	40	60
<u>Compensation & Benefits</u>	\$1,207,024	\$2,365,578

The obvious growth of the credit union over the last 5 years as illustrated above shows progress that is nothing short of remarkable. Overall management of the credit union on the part of Dave Whitehead and the board of directors brought the credit union to the condition of a leader amongst peers and a singularly reliable, safe, efficient and desirable

financial institution to do business with and for and an organization that continues to be worthy of its name and association with its sponsor company. In all the figures that matter, a truly impressive growth is indicated in the 2001 column, and this is with twice as many branches, close to double the number of employees and a membership growth of 35% in 5 years!

For years, in fact since the Lansdale branch opened, there had been problems staffing the office sufficiently due to the fact that it was the only office with Saturday hours (not counting the call center which also operated on Saturdays). Since the time it opened, overtime was commonly paid. In 2000 and 2001 a new strategy was devised in which certain staff would be hired with Saturdays as part of their full time schedule (with Monday off); as a trade-off, such employees would be hired at a 10% increase (differential) for being a "Saturday" employee. That plan did not work owing to the fact that employees hired for this schedule transferred out to another office leaving the Lansdale office with the original problem. In response to continued requests from the Lansdale office a new plan was implemented. Starting in the 4th quarter of this year, ALL credit union branch employees would be required to work on a rotated schedule at the Lansdale office. It was decided that there would always be at least 1 Lansdale employee present on Saturdays and other employees from other offices would be scheduled; all managers and assistant managers would rotate on a "manager" schedule, all MRS's would rotate, and all tellers would do likewise. It was also decided early on that Managers could not work for MRS's or tellers (if individuals in those positions did not want to work Saturdays). Managers (salary employees) were given the option of getting paid additional straight time for working Saturdays or being allowed a day off the following week only if their respective schedules at the branches allowed it. Management considered the decision to universally staff Lansdale as entirely justified in order to maintain efficient staffing at the only office with Saturday hours and as a prelude to the only viable course of action necessary to staff 2 "Saturday" offices once Chalfont opened (anticipated within the next 18 months). The decision was not well received among the staff because it had been long asserted that staffing for the Lansdale office was the sole concern of the Lansdale office. While the decision did once and for all solve the Lansdale Saturday staffing issue, it resulted in increase expense and a measure of ill will among some of the staff in the short term.

For some time it had been the concern of the collection department that funds deposited to ATM machines did not have a sufficient hold on them to preclude the possibility of potential account abuse with regards to those funds. There were instances where individuals would make ATM deposits that could not be honored, but the existing system allowed them access to those funds before the status of those funds could be determined. It was therefore decided in the beginning of this year that any deposits made at ATM machines that the credit union did not own would be subject to a 5 business day hold. The rule did not apply to proprietary ATM's because deposits in such machines were processed same day and would have their own credit union 2-day hold on them. This precaution greatly reduced the likelihood of the credit union losing money on fraudulent ATM deposits that, although rare and infrequent, represented a considerable collection risk.

In an attempt to strengthen the credit union's position on all necessary collection efforts, it is decided that an Asset Recovery Specialist position must be created. Dale Edwards hires Susan Butler to the position. It would be her job to oversee all collection efforts made by the collection team consisting of Stacy Mitchell and Bill Kuzman and be accountable to Dale.

Since the Bill Pay service had been made available it was provided at a cost to the member of \$4.95 per month. For better or worse, however, there were a number of larger

institutions that had been offering it for free over the past year. The credit union charged for the service because it cost the credit union \$4.95 a person to offer it, but in order to remain competitive, and to remain the most attractive institution to the members, it was decided that a new campaign would be put into place to offer the service free for the first 3 months of use. It was hoped that this would boost member involvement in the new service. It was also stressed to the branch staff to use the service themselves since bill pay was provided free to all CU employees in order to be in a better position to cross sell the product to members. The staff was also encouraged to sell the savings that the product offered: it eliminated the cost of stamps for bills, fewer checks used meant less necessity to re-order checks and the time served by setting up monthly payments one time. It was also decided that starting in the second quarter of this year any member with Bill Pay that has not accessed the service for six months would be denied access to the service. Essentially, the credit union needed to eliminate the cost of bill pay accounts that were not being used (but were costing the credit union to offer). If a member was cut off from bill pay they could re-apply for the service.

There is a push to get more members to take advantage of the credit cards offered. To that end a promotion on new applications and existing credit card balance payoffs is offered. From The beginning of the year through March 1, all balance transfers to MSDFCU's credit card will be charged a rate of 5.90% through the end of September 2003.

From March 1 through April 30th the credit union offers low auto loan rates:

New auto up to 60 months.....5.50%
Used Auto (1999-2002) up to 48 months.....5.50%
Used Auto (1995-1998) up to 48 months.....5.75%

New cars are financed 100% plus taxes and tags, used cars financed up to 100% of NADA value. If the car is older that 1995 it is not in the NADA book and will not be financed.

At the same time as this, the Home Equity Line of Credit is offered at prime, which was last changed 12/12/01 and holding at 4.75%. There were no application fees, appraisal fees or prepayment penalties. The credit union was taking advantage of the low rates that had not been this low since March of 1972! Over the next 18 months the credit union would see HE applications like it had never seen before as members (just as the rest of America) rushed to refinance existing second mortgages and even primary mortgages in order to take advantage of the rate.

Two changes to office hours are made starting on November 1st of this year. The Lansdale office will now be open on Saturdays from 8:00 am to 12:00 pm (instead of 1:00pm), and the West Point office adds one half hour to Thursdays (8:00 am to 6:30pm). The change to Lansdale's hours is directly related to the recent decision to have all credit union branch employees rotate on Saturdays. The change to 12:00 noon was a sort of compromise to soften the blow, and to reduce the credit union expenditure of man hours (since this initiative insured a full staff every Saturday, an uncommon occurrence up to this change.

The 4th annual charity golf open was held at the Mainland Golf Course on June 4th. This year three were 128 golfers and a record number of sponsors. The charge per golfer was \$90, and the event raised a total of \$ 11,850 this year, which again was donated to Nehemiah's Way; the contribution this year brings the grand total donated to that one organization so far at \$35,000.

Over the 3rd & 4th quarter of this year Merck eliminates the cashier service offered via the credit union. Merck decides that it is more cost effective to adopt "eZ EXPENSE", a windows based computer program that provides a better expense solution. As with all

new computer programs there was initial resistance from the admins. They went through training and a trial phase. Cashier service was gradually eliminated by the end of the year. Final acceptance of paper expense reports were announced in the Daily on June 5, 2002 as followed:

June 30th at all NJ credit union sites and PA sites at Broad St West and Blue Bell.

December 31st at Upper Gwynedd and West Point.

Bobbie Umidi stayed in the cashier office after the new year for a short time to assist Accounts Payable and to clean up all loose ends; she had been the “senior” cashier for years and she now had to find a new niche, so she transferred to the Lansdale office once cashier was eliminated entirely. Having serviced so many Merck employees over the past years, she was in a perfect position to be a Lansdale employee since all current and former Merck employees went to the Lansdale office at one time or another: she knew everyone, and by name and personally, so she was a special asset to member service.

For the first time in its history, the credit union decides to charge late fees on delinquent loans. Effective May 1st, the only loans that will be exempt from fees are home equity loans booked prior to May 1, 2002. Any loan that is late by 15 days will be assessed a fee equal to 5% of the minimum payment or a minimum of \$10 (the fee will not be more that \$25).



In the second quarter MAC is no more. The rainbow MAC symbol had become synonymous with ATM usage in Pennsylvania for years. Now the MAC network merged with the Star network to create the largest ATM network in the country with 180,000 cash machines and 720,000 retail venues. For the average consumer (including members of the credit union) this is simply an advantage because now ATM usage is more ubiquitously available. Over the next few months the MAC logo is eliminated

from ATM machines and replaced with STAR network stickers. The old familiar rainbow on blue background MAC logo ATM (cash) card is replaced with a silver card with the red STAR network logo, and new STAR ATM card protective sleeves are ordered to give out to members.

In the spring of this year a new account is offered to young members. This year the credit takes part in the “Dollar Dog Kids Club” which is a nationally available network that offers kids a fun way to be part of the credit union with their own specialized savings account. Any child 12 or under can have the Dollar Dog account, and existing accounts can be converted. The Dollar Dog Kids Club offers kids:

Official Club membership card

A per office visit free gift from the treasure chest

Annual birthday card

Newsletter with fun articles and activities

Games and contests: drawings, coloring contests

**Dollar Dog Online from the credit union website
Special Events sponsored by MSDFCU during holidays
Dollar Dog Adventure Coloring pages on the website**

The credit union realized there was an entire potential member base that was not given special attention. Minor share accounts were not uncommon, but before now there was nothing to attract children as potential members, and the national Dollar Dog network was an opportunity for the credit union to take advantage of an existing product that was geared towards kids (rather than develop one from scratch at a considerably higher cost). Now the credit union could be a readily available alternative for members kids rather than the more impersonal and adult / profit only oriented banks. Any child or grandchild of a member is eligible from 1 day old to 12 years old provided they have a social security number, and the initial deposit is \$5. Existing accounts that qualify can be easily converted. Initially only the Lansdale office was equipped with a treasure chest from which prizes could be given since it was the only place where children could go to make a deposit, but as time went on parents who came in to make deposits for their children argued that they should be able to bring the prize home to their kids, so over the next few months every office was given a treasure chest. But only the Lansdale office got a six foot tall Dollar Dog cardboard cut out to stand in the lobby...the line had to be drawn somewhere.

Also In the spring the credit union offers Visa Platinum cards for the first time. The introductory rate is 9.9% with credit lines from \$5,000 to \$25,000. Ideal for Merck employees who travel, the card offers the following:

- \$1 million common carrier insurance**
- \$1,000 emergency cash while out of town**
- Extended warranty program**
- Lost luggage reimbursement**
- Annual summary of all charges**

The card offers the benefit of a low interest rate while also affording the cardholder a high credit limit.

At the same time, there are rewards added to the Master Card Gold card. Also offering a credit limit from \$5,000 to \$25,000, this card earns points with every purchase that can be accumulated to purchase items, vacation packages or travel miles from the CU Rewards website (www.curewards.com). This card is geared towards members who pay off their balances every month (via expense reimbursements for example). Although this service is a good plan, despite many attempts to reach an agreement with Merck to make the credit union's card their "preferred" card, Merck stuck by its contract with American Express which was a contract Merck had worldwide as opposed to an agreement with a "regional" organization like the credit union. This did not stop members from using the service; it just meant that a potential universal Merck market remained out of reach for the credit union. Important to note is that the original VISA and MasterCard products are offered (for now), but the rates on these two original products are 11.5% thus making them less attractive when compared to the Visa Platinum with the lower interest rate or the Master Card Rewards Card that comes with...rewards.

The unsecured personal loan is given a new name simply to breathe new life into the product. It is now called the Premier Loan. At this time the rate for this fixed rate loan is 9.9% and has a repayment period of up to 60 months. Apart from the rate it is essentially the same loan that it was before.

It is at this time also that the credit union updates the limits on unsecured money borrowed; the new rule stated that any one member could not be a borrower of more than 25 thousand dollars in unsecured loans and that included credit cards. This is not a huge deviation from the rules up to this point, the intent was simply to update the cap on unsecured debt which in the case of some members was well beyond that, and although at this point in time the delinquency rate on debt in general was so low a rate as to be envied by most of its peers, the credit union needed to establish guidelines that would limit potential loss as a result of bankruptcy. Bankruptcy was nationally at an all time high, and although most creditors were suffering considerably larger losses than the credit union, most of the monthly and annual charge-off numbers were the result of chapter 7's. There will always be problems with secured and unsecured debt: members running into hardships that result in lost income and inability to pay, divorce and medical hardships as well as car loans gone bad that result in selling to auctions at a loss of up to 60%. But there was a push by all lending institutions to get Congress to pass tougher laws that would make it more difficult to declare bankruptcy and as a result, lawyers were encouraging their clients to file in record numbers in order to get filed before they no longer could. Once bankruptcy was declared, the loan was, in most cases, an immediate loss. It only made sense to limit the maximum potential loss that any one bankruptcy could result in. The credit union was simply doing its best to be in the least vulnerable position in this dangerous time. As had been the case for decades, however, Merck employees had always been much better borrowers for the credit union than the average borrower in the open market at least in part due to the relationship the credit union had had with the members and for so long a time. In the current climate of home secured loans being so attractive and at such low rates, and with the interest payments often tax deferred, this unsecured limitation posed very little compromise to member service, and in situations where a member needed more but could not put up a home as collateral, the credit union still offered loans with other collateral as potential alternatives like share secured loans.

In another attempt to make borrowing with the credit union more desirable, for the first time in December of this year the credit union offers a .25% discount on all loan rates except HE Lines Of Credit (with an already variable rate), credit cards and first mortgages offered through GMAC as long as the loan payment is set up to be automatically deducted from the members account share or draft account.

Since the operations staff of the credit union moved out of West Point and into the Operations Center at 1140 Welsh road, it was periodically relayed to the staff that the credit union was going to do demographic analysis and determine an optimal place to build a credit union owned Operations Center and branch. A site that would be built with long-term growth in mind and would be in a prime location to service the member base and be convenient to non-Merck members. Such a location was finally decided upon at the corner of 202 and Cedar Hill Road in Chalfont. The 3 1/2 acre lot was purchased for \$655,000 from Bertha Manjin on August 26th of this year and plans were set in motion on the design for the Operations Center. At the time the land was purchased there were two residential properties still standing as well as some sort of shack at the corner itself, and the actual property extended from Cedar Hill Rd to the storage unit facility to the right. At the time of purchase it was anticipated that the Operations Center would be Built and operational by mid 2004.

What Follows are pictures of the property where the new Operations Center / Chalfont office would be located.



Facing south on 202 one can see the second house on the property.



Facing north on 202 one can see the corner of 202 and Cedar Hill Rd.





Out of convenience, the Supervisory Committee starts to meet monthly at the Upper Gwynedd branch of the credit union. They are issued a credenza in the “lunch loom” in the back of the Upper Gwynedd office and meet there.

The 3rd annual Cow Plop is held once again at the Montgomery County 4-H club on Saturday September 21 from 1:00pm to 4:00pm. In June the Cow Plop campaign begins in earnest, as had been the case the last few years. As in years passed the focus is on developing new ways to advertise the event and provide incentives to employees for selling deeds. The credit union offers an incentive program to the employees who sell the most deeds at each office. This year the call center is a force to be reckoned with since representatives from the “cashless branch” are encouraged and in fact expected to sell deeds as well. A total of 1268 deeds were sold. Another “marketing strategy” was implemented this year. The question was how to have some sort of advertisement at the branches besides just the employees. A poster was boring and it was impossible to have an employee at each office dress up as a cow all day (since that would be cruel and unusual). Instead, a lesser but still undeniably cruel and unusual alternative was adopted: the placement of a 5-foot high cardboard cow at each office. Each would be placed strategically in the office so that as members passed by it they could not fail to notice it...because it mooood at them. Attached to the back of the cow was motion sensor that, when tripped, would mooooooo at passers by. There was understandably mixed reactions to the new marketing tactic. Some were annoyed, some amused, some startled (if the higher sound setting was switched on) and one member at the Upper Gwynedd office wanted to know where the credit union had got them because he wanted to buy one. Deed sales did go down this year with a total of 1268 sold (67 less than last year), but it is more likely that the slight drop was due to so much general giving to charity post 911 this year than any adverse reaction to an obnoxious cardboard cow. Susan Jeffers from the Upper Gwynedd facility won the 20% prize of \$2,536. A total of \$ 10,514 was raised for charity as a result and was donated to Manna on Main Street and

the Wellness Place. The Wellness place, a non-profit organization providing support programs and services for individuals going through cancer treatments, was added as a beneficiary this year as a co recipient receiving 20% of the donation.

Awards of interest won by the credit union this year: First place Dora Maxwell Award from the Pennsylvania Credit Union League for outstanding community service. The Florence Nightingale Gold Award from Manna on Main Street for being the single largest contributor in 2001; the second highest donation did not even come close to the cow plop donation. And the credit union's newsletter won 2nd place in the statewide newsletter competition of the Pennsylvania Credit union League.

By the end of the year the following loan and share interest rates are in effect:

New Auto (up to 6 years).....	4.75%
Used Auto (1995 – 2002).....	4.75%
Unsecured Personal Loan.....	9.65%
Secured Loan.....	4.75%
Home Equity (5 year fixed).....	5.00%
Home Equity (7 year fixed).....	5.25%
Home Equity (10 year fixed).....	5.50%
Home Equity (15 year fixed).....	5.75%
Home Equity LOC.....	Prime
Visa Platinum.....	9.90%
Master Card (gold Rewards & Classic) & Visa.....	11.50%
Share Savings.....	75% APY
IRA Savings.....	1.25% APY
Money Market (\$1000 to 19,999).....	1.25% APY
Money Market (\$20,000 plus).....	1.50% APY



Once again the employees of the credit union helped to make Christmas a little brighter with the Credit union's Adopt a Family community service project. Employees wore jeans on Fridays from October through December and for the privilege paid \$2 per week or a flat fee of \$25 for the entire time and as a result almost \$1000 was raised, and used to adopt 3 families that were selected by Community Housing of Lansdale.

Seen here is Krista Haines, Dave Whitehead, Kristin Coradi, Jamie Stauffer (CHL), Susan Phillips and Carol Coverdale (CHL) in front of a truckload of gifts.

As eZ-EXPENSE was firmly set in place, things got a lot quieter at Blue Bell, BSW and especially Upper Gwynedd where so many administrative assistants (admins) with expense report responsibilities had moved. Although cashier service never counted as "credit union transactions", it did provide exposure to the credit union to those who did

not have accounts but came in on a regular basis. The service actually worked as another reason to join for many people who would not have otherwise.

In terms of financial totals this year: the credit union did remarkably well. Total loans grew from \$131,442,073 to \$138,725,040, which represents a growth of 5.5%. Total assets grew from \$198,612,892 to \$215,849,717 with a net increase of \$17,236,825 or 8%. Income from loans increased from \$8,702,431 to \$9,583,016 but investment income decreased from \$2,385,464 in 2001 to \$1,369,962. The net result was a near stagnation in earnings total this year over last year. There was a net increase in earnings of \$79,820. Total operating expenses increased from \$5,430,346 to \$6,191,117, an increase of \$760,771. The only reason there was a positive net income this year of \$978,929 was that dividends paid to members decreased from \$5,470,012 to \$3,810,339, which represents a reduction of 31% from last year. Share rates started out this year at 1.25% APY and were cut in December to .75%APY. This year exemplifies the superior planning, control and supervision of the financial state of the credit union on a constant basis by Dave Whitehead, his senior staff and the board of directors. Given the financial climate, mismanagement could easily have resulted in a loss in stability and financial soundness, but instead, the credit union flourished this year.

At the end of the year there were a total of 20,990 members up a total of 412 from last year.

2003 – The credit union is advertising and pushing loans again this year. One of this year's goals was to greatly increase the credit union's loan portfolio and reduce investments. To that end there is a new enticement to getting a loan this year. A .25% interest rate reduction is continued from the end of last year on new loans as long as they are set up to automatically deduct from a credit union account. For Merck employees, there are two options: the traditional payroll deduction method of "direct deposit" and then a distribution to the loan or the newer direct deposit (which was in fact a separate transaction from payroll deduction) and again, a distribution to the loan. Merck had started to push direct deposit to their employees as an option of payment, but most employees (at least at West Point) were not interested. Many had a payroll deduction to their credit union account and got a check for the rest and liked to cash it every payday, and that is how it had been from the beginning. The direct deposit to the account and "automatic payment" to the loan from that account simply meant that repayment was assured; it was one of the things that set Merck employees apart as much better borrowers over the years. The rate reduction was not available on First mortgages because they were available through GMAC and were therefore not credit union products, credit cards because it was not possible to set up a discounted rate through PSCU and HE lines of credit because the rate was so low as it was.

In January of this year the existing structures on the property meant for the permanent operations center are demolished and the land leveled in preparation for the groundbreaking ceremony. There were two residential buildings and a shack that were raised. There were plans drawn up and a conceptual drawing of the operations center and branch on display in the conference room of the 1140 Welsh Road ops center.

On January 1st of this year there is a change to Money Market accounts. It becomes a tiered account with balances from \$1,000 to \$20,000 earning an interest rate of 1.25% APY and accounts with balances over \$20,000 earning 1.50% APY.

In the first quarter of this year a change is made to the relationship that the credit union has with its Members Financial Services representative. Kurt Hesser replaces Jim Storm (after a few months of no representative at all). But he does not visit occasionally at different offices; he is given his own office at the operations center. He is not an



employee of the credit union but of CUNA Brokerage Services, but he becomes part of the credit union family since he takes a much more hands on approach not just with dealing with members but also cu employees. He offers his services to all credit union employees with regards to retirement planning, how to manage the 401k, elder care...any topic that involves finances. It is also important to Dave and the board of directors that his services are to be cross-sold to the members because the credit union does pay for his services. The Members Financial Services program was never more stressed as a “product” that could benefit the membership and employees, and branch personnel were instructed to get the word out about Kurt who would have a permanent one day a week presence at

the West Point office in the office next to that of the manager, a twice a month presence in the first MSR cubicle at the Upper Gwynedd Office, once a week at Lansdale and by appointment at any office or at his permanent home at the ops center. Employees were required to wear Members Financial Service buttons and make use of the referral forms at every office. An incentive program was adopted to track and recognize employees who referred members to meet with Kurt to discuss their finances. There was also a space provided for Kurt to speak on an important topic within his bailiwick starting in the summer edition of the Prescription this year.

The last time the annual meeting was held on Merck property was in 1961 when it was held in the cafeteria of the Broad and Wallace building. The annual meeting started out as a board meeting that all members were allowed to attend once a year. It was first held as no more than that, but as the credit union got bigger, so did the membership that were interested in attending and so the venue also increased in size. As more time passed, the Annual Meeting developed into a gala event starting as just a dinner and, as the years passed, expanding to a celebration with dancing and a DJ. There was a concern that it was becoming an expense that could no longer be justified. There were those on the board that objected to the abandonment of what had become a tradition, but they were overruled by those that argued that not enough members who paid to attend and therefore offset the cost. It was decided therefore, in an attempt to cut costs that the Annual Meeting would be held in the West Point Building 37 auditorium on Tuesday March 25th. Also, it was decided to make attendance as convenient as possible for all members. It was therefore decided to “web-cast” the meeting at the auditorium at the Upper Gwynedd facility. It was an opportunity for the technology available for e-conferencing at Upper Gwynedd to be shown off to the membership. Catering at Upper Gwynedd was provided by FLIK (as Aramark catered the event at West Point) from 5:30 to 6:00, and there was even a harpist contracted to play for an hour at the Upper Gwynedd auditorium for an hour before the annual meeting took place. Credit union employees from Lansdale and Upper Gwynedd found it more convenient to attend at Upper Gwynedd as well as employees from that facility. The meeting started at 6:00 and Fred Sherman, well known KYW1060 commentator and Senior VP of Sovereign Bank spoke at the event for an hour



after the Hoffman Awards were presented and some words from Dave Whitehead and Marjorie Reed. There were 5 Hoffman Award winners this year each receiving \$5,000; the overall amount of the awards therefore decreased from \$30,000 to \$25,000, which was only a \$1,000 net increase from 2 years ago.

After 7 years (June 1996) at the credit union Lisa Lubas, the manager of the West Point office leaves the credit union on May 8th. After two months, a former branch manager from Bank of America, Michael Carnevale, is hired to run the office. After a little more than two months he too leaves to pursue other interests. This chain of events is significant in that it was decided that Brendan Detwiler would be manager of the West Point office as well as the Upper Gwynedd office where he had been since the opening of that office in 2001. Kristin Coradi would also be promoted from head teller to assistant manager at the West Point office. This is the first step in a new management model decided upon by Pat Kreidler (Assistant VP of Operations). She had decided that it would be more efficient to have one branch manager be in charge of two separate offices. This would streamline the dissemination of senior management decisions to the branches and provide Pat with a less cumbersome management team in an atmosphere where a manager full time at every office was not necessary. The intent was to eventually have every office overseen by a manager who is in charge of two offices.



In the summer the credit union changes web hosting, and as a result the e-mail changes from msdfcu@ix.netcom.com to info@msdfcu.org. But that is not the only thing that changes. Members are now able to see copies of their cancelled checks on line, as a result, the credit union enforces the \$3 charge for a copy of an MSDFCU cancelled check requested by members not set up for on-line access. The

website had been somewhat drab, and it was decided that it needed a facelift. It was reinvented this year. New colors were adopted: light green and blue colors were selected on a white backdrop. There were advertisements added and a more user-friendly layout was adopted. It was once again a great improvement over the older website. Added to the website as well is a new feature for credit card holders. Anyone with a MSDFCU credit card is now able to access credit card account information on line as they would other accounts. Members are able to view transactions from the last three statements, check

account balances, view available credit, next payment date and amount due. New home banking mouse pads are made up with the new credit union colors. In order to promote Home Banking all credit union offices are given a supply of the mouse pads. At the West Point facility a Tuesday is chosen for mouse pads to be handed out by employees the next morning when Merck employees are coming into work they are offered free mouse pads at all the main Merck entrances.

Effective July 1st of this year, the credit union discontinues Life Savings Insurance on all new members that join the credit union. The insurance on shares (up to \$4,000) is continued on all accounts opened before this date. The decision is made in order to reduce costs. Since it is a service, which few newer members are even aware of, it is decided that there will be no sacrifice in service to no longer offer it. All shares are still NCUA insured.

The 5th annual Charity Golf open is held on Monday June 9th at the Mainland Golf course starting at 8:00 am. The cost per golfer is \$90 and includes breakfast, lunch and registration to win prizes.

As of June of this year the credit union is made a federal student loan lender. Through a partnership with American Education Services, two loan products are available: The Federal Stafford Loan: available to students enrolled at least half time at participating schools and the Federal Plus Loan: Available to the parents of undergraduate students. The interest rate on the Stafford loan as of July 1, 2003 is 3.42% and the rate on the Federal Plus Loan as of July 1, 2003 is 4.22%.

From mid June through July 31st of this year there is an e-mail address campaign. The purpose is to get as many member e-mail addresses as possible in order to keep as many members as informed as possible of new products and promotions. It is ever more anticipated that e-marketing and advertisement would become more valuable and a more inexpensive way to reach the members. All members for whom the credit union did not have an email address until this campaign are entered into a drawing for a \$100 American Express gift check.

In the end of June the Fed lowers the Prime Lending Rate to 4.00%, a level to which it had not fallen since September of 1958! In response, the credit union lowers new and used car rates down to 4.24% or 3.99% with the quarter percent decrease with transfer file. In a further effort to encourage borrowing, an offer is presented to members who had financed with other institutions to refinance their loan with the credit union. Doing so would earn them a \$100 deposit to their share account. Also, There was an Enterprise car sale promotion from July 12 through 26. Any member who purchases a vehicle from one of four area Enterprise locations (with a pre-approval) would receive \$500 from Enterprise.

On July 30th there was a full staff meeting held at the spot where the new Operations Center would be built at 335 W Butler Ave in Chalfont. The existing houses that had been there had been demolished a few months earlier and the lot was now just a grown over patch of land. Aramark provided the "offsite" dinner. Employee awards were given out, loan updates and promotional ideas for the near future were divulged to the staff and a most recent update on the status of the operation center building project was relayed to all employees by Dave who also congratulated the staff for their current year to date contributions in time and effort towards the credit union's charitable endeavors and share to asset ration goals.

Below are pictures taken in February of this year. The buildings have been demolished and cleared away. The last picture is taken on the property facing 202.



Below is a photo of the Chalfont property facing 202 if one stood in the center of the property.



In recent years the Blue Bell office had become commonly used by non Merck employees that lived in the area and as far out as Philadelphia simply because it was closer. Concurrently, security had waned to the point that often was the case that when someone said they were going to the credit union at the front desk they were allowed entry without being treated as normal visitors who would have to sign in and receive a temporary pass. This was not a problem until the spring of this year when two men posing as contractors were allowed into the facility; up until now this also had not been uncommon since there had been a great deal of internal improvements to the building. These two men however were not contractors but common thieves who proceeded to enter a number of unoccupied offices and steal 4 purses. They did not attempt to rob the credit union, but it was still a very disturbing event and raised serious concerns about security. It was firmly established from that point on that an ID would be required from everyone who wanted to enter the facility and that included anyone who wished to visit the Blue Bell office.

The 4th Annual Charity Cow Plop was held once again at the Montgomery County 4-H Club on Saturday October 11th. Deed sales started in the summer and once again the competition was on in the branches to see who could sell the most deeds. Every year the Cow Plop Committee tried to develop new employee incentive plans to boost sales. For the past few years Martha Wiley had been the one to beat; she consistently sold more deeds than any other one employee and this year was no exception. Half way through the sales campaign this year Dave was unhappy with the deed sales, so he arranged a speaking engagement from a representative from Manna on Main Street to talk to the entire credit union in order to remind all the employees exactly what they were selling deeds for. Martha sold the most deeds, but Linda Rieger from the Upper Gwynedd office showed exemplary team spirit by selling over 100 deeds at the smallest office in terms of



Pictured are Jerry More and Tom Allebach, Manna on Main Street; MSDFCU's Martha Wiley, Dave Whitehead (CEO), Linda Rieger and Barbara Bonanni (committee chairperson); and Anne McCouch, The Wellness Place. Wiley and Rieger were top deed sellers.

As a result of this added generosity, the entire \$15,400 was donated to Manna on Main Street and The Wellness Place with \$10,000 going to Manna on Main Street and \$5,400 going to The Wellness Place.

In the spring of this year, for the third year in a row the credit union wins the Dora Maxwell Award for Social Responsibility from the Pennsylvania Credit Union Association for its outstanding community involvement displayed by credit unions in its asset size category. The award commended the credit union for the following charitable events it took part in last year in 2002:

The Charity Golf Open, The Charity Cow Plop, Adopt-a-Family and Lansdale Day. This was a further validation of what had become a common objective of the credit union: to improve the lives of those in need in the community the credit union served.

In an ever-increasing attempt to outdo itself, the credit union engages in additional charity events this summer. For the second time a group of credit union employees visit the same block in West Philadelphia where they worked back in 2000. This time Brian Wilcox, Bill Kuzman, Pat Kreidler, Eric Cox, Grace Volm and Brendan Detwiler assisted in the final

transactions and in fact numbers due to recent layoffs. The fact that Linda was able to sell so many deeds at Upper Gwynedd was a tribute to the generosity of the employees at the Upper Gwynedd office and Linda's persistence. An added incentive given the employees of the Upper Gwynedd office this year: the cardboard cow in the lobby of the office would be turned off and therefore no longer moo when and if a certain number of deeds were sold on any given day. There were a total of 1540 deeds sold. Bunny the cow was put out to pasture at 2pm but did not provide the necessary "plop" for an actual winner, so a random drawing was necessary at 3:30pm. The winner was Tower Financial, a credit union vendor located in Westville, NJ. The president of Tower Financial, Jim Janis, waived the 20% winnings. As a

MSDFCU In The Community



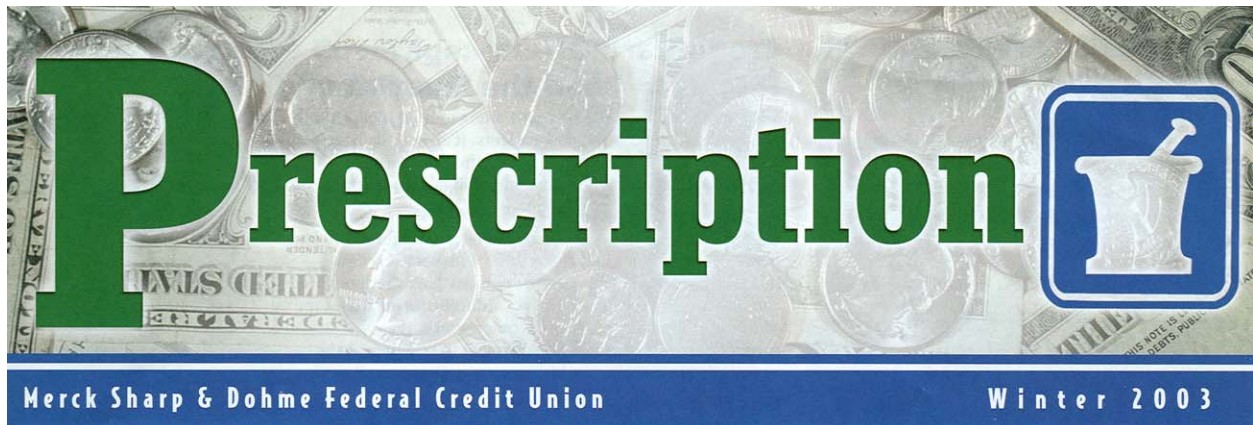
MSDFCU recently donated 18 computers to Team Children Project 2000, a Norristown-area charity organized by Robert Toporek, which helps provide computers for economically challenged families.

MSDFCU employees Brendan Detwiler, Grace Volm, Eric Cox, Patrice Kreidler, Bill Kuzman and Brian Wilcox recently volunteered a day working on three different homes for Habitat for Humanity in West Philadelphia.



cleanup of one house that was nearly complete, assisted in the beginning stages of reclaiming the last house on the block to be rebuilt and the cleanup and exterior siding of a community center that was being constructed close by. It was a dirty dusty day spent by the employees, but it was worth it, as they knew that their part in the project meant the improvement of life for Philadelphia residents. The credit union also donated 18 computers to Team Children Project 2000, a Norristown based charity that provided computers to underprivileged urban children. To the credit union they were old computers that had been replaced by new equipment, but to the charity they meant allowing more underprivileged children access to the 21st century.

The Prescription once again goes through a facelift in the fall issue this year. The green white and blue colors that represent the intended colors of the soon to be permanent operations Center are adopted.



This December the credit union sponsors three families in its Adopt a Family program. Employees wore jeans on Fridays from October through December and as a result raised nearly \$1,000.

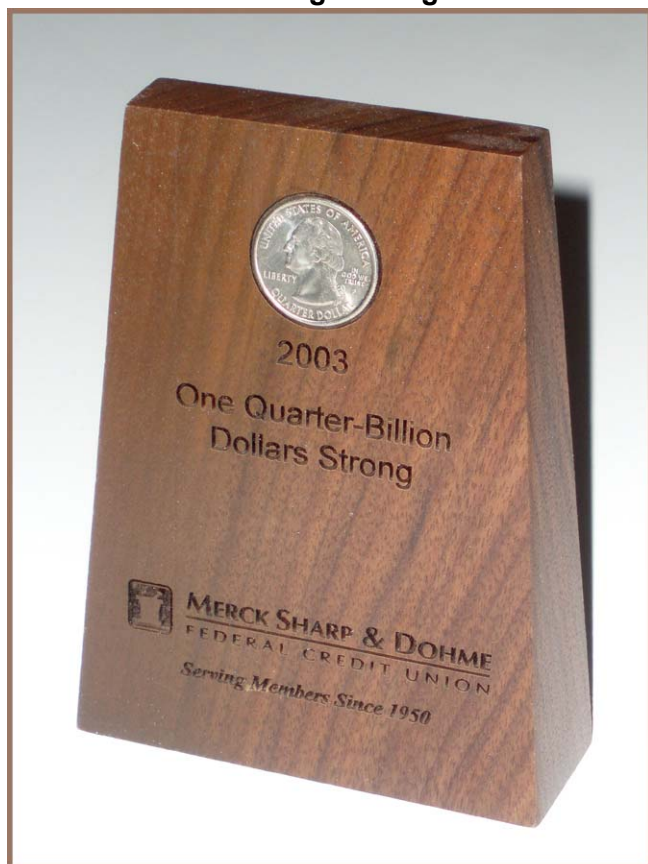
By the end of the year it has become obvious that the Opts Center will not be opening in the fall of next year, as building has not even started yet. Regular updates are given regarding the progress. There are apparent problems with the design of the building. At first the design involved a basement for document storage. There are zoning problems with this idea, and the plans go from a full basement to a crawl space to no sub floor storage at all. There are also problems with the amount of space that the credit union wants the building to cover. The initial plans involve a 30 thousand square foot building. The anticipated initial square footage needed by the credit union upon occupation is 20 thousand. So the question is...what is to be done with the 10 thousand square feet that will be initially unoccupied? At first the idea is to rent out the space to some other organization on some sort of incremental lease that will accommodate the credit union's plan to eventually occupy the space and the rental income will help offset the operating cost of the facility. That idea is shot down by the zoning board, and the final decision is: ...if the credit union wants to rent the space it would have to be to an organization of the same type such as another credit union or bank...or some other competitor. Since this obviously did not make sense, a somewhat smaller facility was finally decided upon.

There was a credit card promotion running from September 15th of this year through January 15th of next year. The offer was a rate of 3.99% on all balance transfers from other credit cards to an existing MSDFCU card. The rate was guaranteed for 12 months following the balance transfer. No balance transfer fees were charged and MSDFCU credit cards did not charge annual membership fees.

At the end of this year the credit union offers a new type of share account. This is an account geared towards kids between the ages of 13 and 17; it is called the CU Succeed account. The CU Succeed Teen Program is product offered by credit unions across the country. It is a club for teenagers and is given its own place on the website just like the dollar dog account. The overall benefit of the new account program is to teach teenagers about financial responsibility and skills on how to manage a personal savings account, both skills that appear to be sorely lacking in the school system. Teens with this account get the following benefits:

- A quarterly news letter
- An interactive website that helps teens learn about money
- Information about choosing a college
- Info on job planning
- Links to other web sites for teens

Like the dollar dog account, the CU Succeed account takes the place of a regular share account for those aged between 13 & 17. All share accounts with owners within this age range are converted and there is a marketing campaign to inform the members of this account with main target being the Lansdale office.



In the fourth quarter of this year the credit union reached a particularly special milestone. The asset growth from 2002 to 2003 resulted in a 35 million dollar gain and as a result the credit union reached a quarter billion in assets! This was an event of specific pride for the organization and to commemorate the event all employees were given a wooden plaque with the milestone laser inscribed into it and featuring a quarter (for a quarter billion). There were also special vinyl posters printed and displayed at every office that read “one quarter billion dollars strong”.

The plan this year had been to maintain asset growth while at the same time reducing long term fixed assets and increasing short-term assets. This was done through an initiative of attrition. In the climate of mortgage refinance, the credit union allowed most of its GMAC mortgages to pay off while at the same time refrain from booking new ones. Until now the credit union had the option to fund the GMAC mortgages sold to

members, the credit union now decided not to be the one to loan the money for those GMAC loans. The credit union instead loaned out that same money in variable rate mortgages and short-term loans. This strategy was adopted in order to protect the credit union’s financial position in the short-term future when interest rates would inevitably rise. Although a temporary reduction on income resulted, the long-range implications were anticipated to be positive.

The membership increases from 20,990 to 22,066 this year with a net gain of 1,076.

One reason for the e-mail address campaign was to start an electronic newsletter that would be sent out to the members in the months when the Prescription was not included in member statements starting next year.

Prime was at 4.25% until June of this year when it dropped to 4.00% in June. It stayed at 4.00% through the end of the year. The Home Equity line of credit stayed at prime all year. Fixed home-secured loans remained unchanged this year with the following rates:

5 year fixed.....	5.00% APY
7 year fixed.....	5.25% APY
10 year fixed.....	5.50% APY
15 year fixed.....	5.75% APY

These home secured rates advertised all year in the Prescription are WITH the .25% reduction for automatic payment. If payment is made by cash or check then all these rates are actually .25% higher.

Share rates are reduced from .75% APY in the beginning of the year to .50% in the fall, but IRA shares are reduced the most going from 1.25% at the start of the year down to .75% at the end of the year.

Seen below is a picture of the new and improved and larger clear credit union piggy bank that was given out to accounts opened for babies starting this year.

In terms of overall financials this year: asset growth was nothing short of remarkable. At the end of the year assets stood at \$251,088,400 which is a net increase of \$35,238,683 or 14% growth. At the same time there were a total of \$175,668,807 in loans booked with a total loan number booked of 6,688. This figure includes home equity line of credit totaling \$102,906,090 which means that total credit lines approved was that amount, it does not represent amount of actual money lent out at that time; this number is also particularly high because a large number of the credit



union's own loans were re-financed at lower rates this year. The total amount in loans increased from \$138,725,040 in 2002 to \$149,870,617, which is a net increase of \$11,145,577 or 7.5%. Contrary to last year, income on loans decreased from \$9,583,016 to \$8,446,362, but investment income rose from \$1,369,962 to \$1,670,520, and other operating income rose by \$181,369. Total expenses remained almost unchanged with a net increase of only \$19,224. Net income decreased this year from \$2,327,806 in 2002 to \$2,139,524, which represents a drop of \$188,282 or 8.09%. The overall drop in income was not a cause for concern however, since careful planning and maneuvering had put the credit union in a very sound financial position for anticipated interest rate increases.

On the liability side: the total on deposit to share accounts this year was \$ \$68,250,689 and total in drafts was \$35,263,467. Share certificates this year totaled \$52,861,105. The total in dividends paid to members decreases again this year from \$3,810,339 last year to

\$3,324,670. This is a reduction of over 12%.

2004 – In January, the credit union starts a secret shopper program Through Dynaservices. Members were chosen based on membership for at least 6 months and at least \$200 on deposit. All members fitting the criteria were solicited to become secret shoppers in the program. Those that responded attended a class in what the program was about and what was expected of them. They were then requested by mail to perform a shop, either teller or MSR at the office that they most commonly visited. The “assignment” was due by the end of the month and the shop consisted of engaging the employee in a normal business transaction and then evaluating their service experience using the quantitative measurements of the program. They were paid a stipend for each shop they performed. For teller shops they were paid \$10 and for MSR shops they were paid \$15. The program was initially used to gauge where the credit union was in terms of service performance and the staff was not held strictly accountable in any way for their performance. The lack of accountability was not meant to undermine the program. The staff were educated by the managers as to what was expected of them: what the shoppers were looking for, and it was their responsibility to become accustomed to approaching member service in such a way that would fit with the secret shopper model, because while the scores did not have a direct impact on them at first, it would later.

This year the Credit union is recognized by CUNA with an honorable mention in the Dora Maxwell Award for Social Responsibility.

In an attempt to keep the mortgage frenzy going, special incentives are offered to credit union members who take advantage of first mortgages through GMAC. The following incentives are already offered:

- A 90 day lock in at no additional charge
- Low rates for jumbo loans (over \$ 322,700)
- 15, 20 and 30 year fixed rate programs and a competitive 5/1 ARM
- Excellent “piggyback” program that eliminates PMI

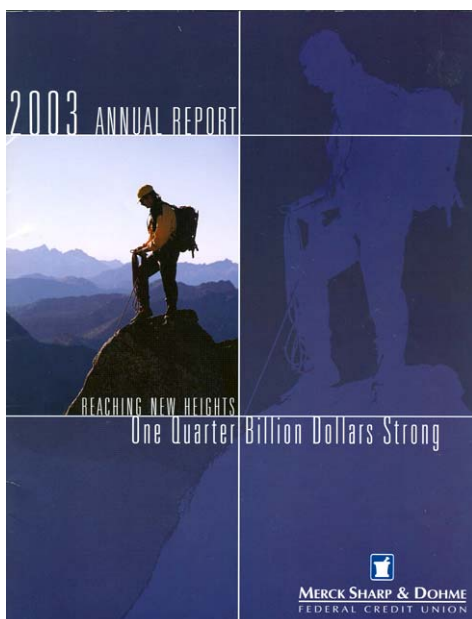
In addition to these, an added incentive is offered to all members who apply from 1/1/04 through 2/15/04; the \$185 Document preparation fee is waived.

A new “department” of the credit union is created this year. A training department is created with Carolyn Odenwald as the training manager. It was her job to implement new employee training programs, administer “continued education” programs and oversee the secret shopper program, which would remain in an evaluation status for its first 6 months. There had been credit union trainers over the years that had reported to the VP of Operations, but this training department would now report to Brian Wilcox in Marketing. A training department was more necessary now than ever before since it had become an initiative set forth by senior management that credit union employees be more than just “order takers”. The employees were meant to serve, yes, but more than that, they would be expected to anticipate the members’ needs and act on them. It would never be the intention to sell the member something they did not need, but it would now be the responsibility of the front line employees to see the whole picture when interacting with a member. The employees would be expected to get to know their members and recommend products that they may not be aware of but could benefit from. It was believed that only this way could member service be what “consumers” expect from their PFI (primary financial institution). It would be the training departments job not only to train new employees on the various computer systems they would need to use,

but also to train all employees on this new “service culture” approach to member service. A recent upgrade to EDS was a “notification” to the tellers as to what “PFI” services the members had and therefore what services they were not taking advantage of but could. It was the employee’s responsibility to take the next step in member service to see deficiencies in member product usage and at least point out to the members that certain products were available. As the use of these indicators increased by the front line staff, there were many reported instances of members saying that they were not aware of products that the credit union thought they were sufficiently advertising. This only further exemplified the need for this front line staff involvement in cross selling to the members.

In February Nicole Cressman, assistant manager at Upper Gwynedd, leaves the credit union. Darcy Schneidinger leaves the loan department as loan officer, a position she held since 1996, to become the new assistant manager at the Upper Gwynedd office.

The Annual Meeting is once again held at the West Point 37 auditorium on Tuesday March 16th, but there was no web-cast to the Upper Gwynedd facility



this year, turnout at Upper Gwynedd was too low last year for the credit union to feel justified in the extra cost of including the second venue, so this year the event is held only at West Point. Anyone without badge access had to “register” ahead so that they could be placed on the West Point access list for the event. Refreshments are served from 5:30pm to 6:00pm, and the meeting started afterwards. There were 5 Hoffman Award winners each receiving \$5,000. The speaker this year was James Manolakis, a nationally known speaker to the financial services industry; his performance was unique and entertaining. Another milestone this year is the election of Drew McPherson for a fourth non-consecutive term in office as Chairman of the Board. He had already served more time as president than any other (except Raymod Hoffman who’s investiture had, to a point, been emeritus), but no “President” until now had been elected four

separate times.

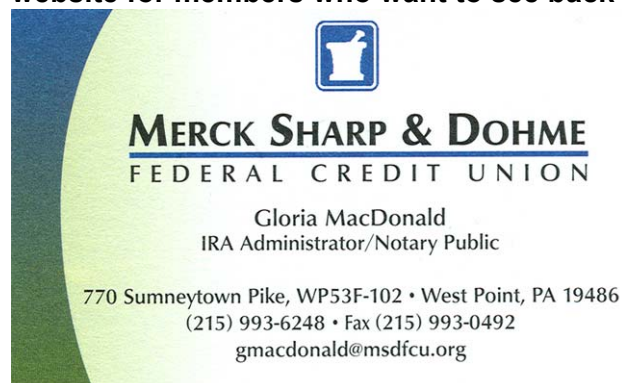
Early this year Bob Muzslay receives the Joseph A Moore Volunteer of the Year Lifetime Achievement Award. It is a recognition bestowed by the Pennsylvania Credit Union Association. Erstwhile manager of the credit union and board member since 1995, Bob Muzslay has been involved with credit unions for 29 years and is known throughout the credit union world in Pennsylvania.

In the second quarter of this year the credit union offers a new service on automobile loans. Gap insurance is made available. Gap insurance is a way for members and the credit union to be protected on auto loans. In the event that a member gets into an accident that totals the car, gap insurance would cover any difference between the book

value payoff amount that an insurance company would pay off and the actual loan balance on the vehicle. If the two are different, the member could be left with a remaining loan balance they would still be required to pay on a car loan for which they no longer have a car. Gap insurance eliminates this concern. The insurance is a one time fee of \$300 and members can elect to wait up to 60 days after loan signing to decide they do want the service after all.

The 6th annual charity golf open is held on Monday June 7th. The cost is \$ 90 a player. A change in charity takes place this year. Since its inception, the golf outing proceeds were donated to Nehemiah's Way. Starting this year, the funds are earmarked for Bridge of Hope BuxMont, a non-profit organization dedicated to ending homelessness for single parent families in Bucks and Montgomery Counties.

This year also sees the beginning of a new service provided to the membership. The Prescription had been an institution at the credit union since 1979; it would now be joined by a supplement sent only to members using home banking. The Prescription Monthly Refill would now be sent out electronically on months that the regular paper Prescription was not sent out. It would keep members informed of month to month specials, promotional products, car sale specials, member training classes given by Kurt and sundry other items of interest to the members. Past issues are also archived on the website for members who want to see back issues.



In October of this year there is another new department added to the credit union. Gloria MacDonald who had been overseeing the IRA accounts of the credit union while also serving as branch manager of the Broad Street West office is now promoted to IRA manager. She would be initially the only employee of the IRA department that would report to the Pat Kreidler, the VP of Operations. It would now be her job exclusively to make sure that all IRA

accounts were in compliance, all necessary annual notices were sent out, RMD's were taken care of, all employees were kept up to date on IRA changes and all members had a front line contact person on all IRA questions and concerns. She would also be the one employee in the credit union that could fix any problem on an IRA account. Although Gloria had been doing this job for some time already, she could now handle IRA's as a qualified and certified employee and without the encumbrance of running a branch at the same time. Gloria would assume her responsibilities as IRA manager at the West Point office (where there was room for her) and she would be there until the new permanent operations center opened where she would be given a dedicated space of her own. She chose the old loan department because it was...quiet...which is what she needed in order to do her work which consisted in part of pouring over reports, correcting mistakes on IRA's made by other employees and assisting members with telephone questions. She regularly attended classes to remain up to date on continuously changing IRA laws and even assisted in vetting a nationally available IRA newsletter.

When Gloria assumed her new position, she was not replaced by another manager at the BSW office. Pat Kriedler continued to move forward with her plan to have one manager run a small and large office. To that end she placed the BSW office under the supervision of Trich Gower who was already manager of the Lansdale office. Instead of a manager, BSW would have an assistant manager that would run the office but report to Trich. Sarah Steinmetz who had come from Bank of America to work at the West Point

office last year was promoted to assistant manager of the BSW office under Trisch Gower. She and the teller she worked with would attend Lansdale's staff meetings and report to Trich.

There were two factors that drastically reduced the traffic seen at the West Point office particularly on Thursdays but to a lesser extent throughout the week. First, there is a push at Merck for employees to go to direct deposit. It is decided that starting at the beginning of next year, any Merck employee who does not want direct deposit will no longer receive their paychecks on plant site, checks will instead be mailed out on Thursdays. Many employees would not actually receive their paychecks until Monday of the following week. This is only a continuation of an effort by Merck to eliminate checks in order to cut costs. Salaried employees had for the most part already been switched to direct deposit. The initiative was now focused on the union hourly employees. There was therefore an eventual decline in the number of members that came in on Thursdays to cash payroll checks as the number of employees who went to direct deposit increased. The second factor that drastically reduced the member traffic at the West Point office was another initiative by Merck that focused on efficiency. The hierarchy at Merck had become increasingly concerned about what they saw as the inordinate amount of time employees spent away from their posts. They felt that when breaks or lunches were taken, some employees were abusing the freedom afforded them by spending much more than their allotted time away from their jobs. Visits to the cafeterias, to other departments to areas unrelated to work in general and to the credit union were observed as a waste of company time and therefore money. There were individuals hired to observe and monitor employee's use of time at work and time spent away from work to make sure that non-work related activities were kept within the confines of free time. The "new rule" was that any employee not at his or her station had better be on break or lunch and the time spent at both would be closely monitored. Employees deviating from these new enforced parameters would face disciplinary action. It was the new perception that the company had been too lenient in time enforcement and this was the necessary result. Therefore, member visits to the credit union were often confined to lunch since most employees worked too far away from the credit union to get there and back in their morning or afternoon breaks. The effect of this change was not gradual like the direct deposit initiative, in the course of a couple weeks traffic dropped off considerably including on Thursdays since employees that still got paychecks got them at 1:30 or so. Employees were afraid of getting caught "wasting time". As the remaining months of the year passed, this mentality did not loose palpability. Thursdays that had for years been impossibly busy were anything but. There was still an increase in transaction counts on Thursday afternoons when compared to the rest of the week, but it was nothing like it had been. The office staff at the West Point office was reduced through attrition as a result.



One project the credit union had been interested in for some time was an indirect lending program. It became a project for Dale Edwards to spearhead, and over the past few months it was his responsibility to develop relationships with local dealerships and sell them on entering into the indirect lending program with the credit union. It was a convenience service geared towards streamlining the lending process for members. At its introduction in The Summer of this year the list included the following dealers:

Faulkner-Ciocca Volkswagen - Allentown
Knopf Dodge – Ambler

North Penn Imports – Colmar
J.L. Freed Cadillac-Honda-Pontiac – Lansdale
Old Forge Lincoln Mercury – Lansdale
Yocum Ford – Lansdale
Faulkner Mazda – NE Philly
Faulkner Ford-Mercury – Quakertown
Faulkner Mitsubishi – Quakertown
Faulkner Ford of Souderton
Faulkner Pontiac-Buick-GMC – Trevose
Saturn of Trevose

A credit union member need only go to one of these dealers and get financing through the credit union indirectly through the dealership. No pre-approval was necessary. The system was set up with the dealers having pre set credit score thresholds for which loans could be instantly approved. The dealers got a commission for every loan they closed with the credit union. The job for Dale obviously did not stop with these 12 dealerships. The intent was for this list to constantly grow so that member convenience could be increased over an even wider area. Just three months after the beginning of this new service the list of car dealerships increased by more than 100% from 12 to 31. A spot on the website is also added for members to view the current dealer list which was updated periodically.

The credit union offers two CD specials for a limited time only:
9 month.....\$500 minimum.....2.50% APY
25 month.....\$1000 minimum.....3.50% APY

The employees continue to be informed of the progress on the Operations Center. For over a year the property had remained an empty lot where occasionally someone would park a car with a “For Sale” sign on it. There were still problems with how the property would be laid out and about how the zoning commission wanted a light there and who would pay for it. The problem was that every time there was a zoning meeting there were small changes proposed which had to be brought to the board, then decisions had to wait until the next zoning meeting, so the process was very slow, and the credit union did not want to get stuck with extraneous expenses.

In August of this year Merck starts seriously looking for space in building 53 that they can reclaim due to their personnel consolidation. Representatives from Merck take a tour of the West Point office to ascertain how much of the space allocated back in the loan and accounting areas is still needed by the credit union. The fact that all operations staff apart from Wendy and Liz (for whom there is no room at the opt center) had moved out of West Point does not count in the credit union’s favor. Of particular interest is the entire 6- cubicle area that used to be occupied by the accounting department, which at this time was being used for holiday decorations and storage space for IT. Merck could not take this space without also taking the entire lunchroom, which is a scenario that Merck representatives admit they are considering. The entire area that was occupied by the loan department is being used as storage, a mail area and Gloria MacDonald and the argument is presented that the credit union could essentially loose (forfeit) the accounting area and lunch room and still be able to function normally. No action was taken, but the area that used to be the West Point cashier office is abandoned entirely by the credit union at this point and all keys are surrendered to security.

In the fourth quarter of this year there is an increased campaign to boost credit card usage. A new promotion is offered that lets members decide the rate and term of their balance transfers to an MSDFCU credit card. The following rates and terms on balance transfers are:

3.9% APR for 6 months
4.9% APR for 12 months
5.9% APR for 24 months

Members have the option to put different amounts in different payment “buckets”, but as disclosed, balances with the highest terms and rates are paid last.

In September two new loan products are also offered: the Easy Access Personal Line of Credit and the 30 year Home Equity Loan. For decades there were many members who applied for small personal unsecured loans for Christmas, vacations, wedding or funeral expenses...what have you. They would have the loans for short periods of time, two years or less, pay them off, then have no loan for a few months, then re-apply for a new one of the same type and duration. This loan now offered a better alternative to this time consuming and repetitive process. A member could apply for a specific amount of money and based on their credit worthiness would be approved for that amount as their maximum line of credit. It would be an unsecured loan with only the member's signature as collateral. The member could then draw as much and as often as they wanted up to that maximum limit. Advances on the loan could be made by checks provided by the loan department, at an ATM machine, home banking, CUTIPS or at a credit union office. The payment would be recalculated every time an advance was done on a ten-year repayment schedule but would never be less than \$100. The rate was set at prime plus 3.99%, which at the time of first offering became 8.49%. As it was a line of credit, there was no ½ % discount for payroll deduction. The second new loan product was the 30-year HE loan. This was essentially the credit union's response to the desire of members to take advantage of the credit union's low home equity rates to pay off their existing first mortgages but with 30 years to pay off rather than 20 thus affording the member a lower payment. There was the obvious benefit of avoiding points and refinance fees. The variable rate was set at prime plus .99%.



5th Annual Charity Cow Plop 2004

Benefiting Manna on Main Street & The Wellness Place
Lansdale, PA

Date: Saturday, October 9, 2:00 p.m. - 4:00 p.m.

Location: Montgomery County 4-H
(1015 Bridge Road, Skippack Township)

Donation: \$10 per 3' x 3' Deed

Winner will receive 20% of the deed sales.
Please complete form on back to buy your deed today!

The 5th
annual
Charity cow
plop is held
on Saturday
October 9th
from 2:00pm
to 4:00pm.
For the past
4 years there
had been a
cow plop
committee

that oversaw the process and prepared the Montgomery County 4-H club field. Those in the committee would decide incentives, arrange for the teams to visit the different offices with the cow costume ahead of the event and set up barriers and spray paint the field first thing in the morning. After preparation the team would go to lunch in Skippack Village, then return to meet the farmers that brought the cow and greet members who were in attendance. This year that changed. The training department under the supervision of the marketing department orchestrated the entire event and senior management decided on the incentives for the highest selling employees and the dates for the cow costume visits. The field was prepared by Dave Whitehead and Dale Edwards. Employees in attendance at the event helped break down the barriers after the

winner was chosen. A total of \$13,915 was raised in deed sales. The winner was once again a company the credit union did business with: PSB Marketing SuperSource based out of California and they too waived the 20% prize, so once again 100% of the proceeds were donated to charities Manna on Main Street which received \$10,000 and the Wellness Place receiving \$3,915. 3910 deeds were sold; one member wanted to donate less than the \$10 necessary for a deed, so they donated \$5, which explains the odd amount. From a charity perspective this was a particularly positive outcome. There was however some annoyance understandably showed by some members who observed that this was the second year in a row where there essentially was NO winner. If contributing businesses bought 20 or 30 deeds, an individual member who just bought 1 deed had almost no chance of winning. An argument that would remain valid so long as the drive was not advertised as a donation only but a "lottery" chance to win a percentage.

In an effort to begin cross selling and encourage more members to use MSDFCU as their Preferred Financial Institution, the credit union creates the Chairman's Circle program. This package provides the following incentives:

- Free on line bill pay
- Free basic check orders
- No fee American Express travelers and gift checks
- No fee money orders
- No fee on official checks

In order to qualify to be in the Chairman's Circle a member must have direct deposit to one of their accounts, have an MSDFCU draft account and maintain a \$35,000 relationship with the credit union either in combined shares or outstanding loans excluding GMAC mortgages and credit cards. Such members are so labeled on the teller platform so that branch personnel can let them know and provide them the discounts afforded them.

The credit union held a three-day Enterprise car sale at the Montgomery Mall on Thursday and Friday Oct 21 & 22 from 11am to 5pm and Saturday October 23 from 9am to 3:00. Pre-approvals are required and rates offered are as low as 4.74%. As an added incentive, any member who buys an Enterprise car during this sale receives a share deposit of \$250.

Check 21 goes into effect October 28th of this year and the credit union adopts it. Check 21 is a Homeland Security initiative signed into law last year as a result of 911. After the terrorist attack, traffic in and out of New York came to a stand still for days, and weeks in some cases. One thing that was affected by this was the transportation of physical checks as part of the journey taken by checks that are presented for payment in one geographic area but must be transported to another before being paid by the bank on which they are drawn. This process was seriously hampered in the aftermath in New York, It was decided that the process by which checks are paid across the country was an archaic system that could be easily interdicted by terrorist activity. It was therefore decided that a new method of payment had to be adopted to correct this financial infrastructure vulnerability, hence Check 21. With the advent of this new process checks would not have to be physically transported across the country anymore. Checks would be scanned by banks that received them, those files would be sent to the Federal Reserve and check "images" would be sent electronically to the bank they are drawn on for almost immediate payment. The actual physical checks are no longer transported; they must be retained by the bank or their processing company. Not all banks use this system to start as it is not yet mandatory, but there are benefits to this system. As well as cutting transportation costs, providing increased security that the process will

progress with a low likelihood of a terrorist threat, Check 21 allows check-clearing time to be greatly reduced. This reduces float time that funds are often made available to “customers” but not yet paid by the corresponding bank. The result is banks being exposed to far less risk of check fraud loss. The credit union decides to participate in Check 21 and holds training classes for the staff not so that they will be experts on the new system, but so they can answer basic questions that members may have about the new process. An article is also placed in the Summer Prescription to warn members that Check 21 will be in effect at the end of October. It also warns against the practice many people in general engage in: writing checks against funds that are not yet on deposit. Members can no longer count on a 3-5 day delay in the payment of checks and they must adjust their behavior to account for this. They must now write checks with the expectation that the money will be debited from their account the next day...essentially, members are forced to do what 85% of Americans don't do: regularly balance their check book.

Plans had been underway for some time to decide on what computer platform / data processing system the credit union would use starting in 2006. The credit union had to decide whether to stay with EDS Dallas with whom the credit union used since 1996, or go with a new computer platform, which may offer more diversity and ease of use. One aspect of a computer platform that senior management had come to insist upon whoever the credit union chose was cross-selling options. As part of the sales culture recently adopted, it was essential that branch employees be provided the best tools to see what services the members had, were using and may find of use. Extensive research on different computer platforms began this year and continued into next year with different companies “pitching” their computer data processing programs and teller platforms. A committee was put in place to evaluate the good and bad points of each company that proposed their software alternatives in an effort to choose the best software solution for the credit union once the existing contract ran out with EDS.

In December of this year the credit union enhances its security system. A DVR system that uses digital technology to record time-indexed images on a computer system is installed at all offices. This new system replaces the hopelessly outdated VHS tape recording system that had been in use for years. This was particularly advantageous at the West Point office where the VHS system essentially was not working. Now all cameras were recording in real time, and video images were date stamped so that easy reference was possible. The images were accessible via a secure website so that managers could remotely monitor their branches. This was a useful tool for Pat Kreidler, who could see every office, and for the managers who oversaw more than one office. The system backed itself up on a multiple redundancy hard drive system...no more VHS tapes to buy, change daily, save and destroy periodically. All that was required was a monthly audit to insure that all the cameras were working. This new security system was a marked improvement to credit union security.

The Lansdale office goes through some improvements this year. The carpets are replaced in the lobby. In the conference room were installed cubicles in order to make better use of the space; now employees could work relatively undisturbed or assist members in more professional surroundings if the need arose. Before this point the conference room had been more a storage area than functional space. It had become that way since the 1140 Welsh Rd operations center had opened. Also, some much needed improvements to the outside parking lot are done. For years one point of concern was always the drive up ATM machine situated directly past the manager office window. The drive to the ATM brought cars very close to the window, so much so that it often looked like the cars were going to crash right into the office. There had been metal pole barriers filled with cement placed along the edge of the curb to prevent accidental breakage of

the windows, but this year the potential problem was eliminated entirely by means of changing the path of traffic. There was a new sidewalk created along the side of the building, which essentially changed the drive up ATM machine to a walk up ATM machine. Now anyone using it would now have to park and walk up to it, but it was safer.



Above are before and after pictures of the ATM area of the Lansdale office. In the top picture you can see the green barrier that had been installed in front of the manager window after the office was initially opened; notice how it appears to have done its job to prevent someone crashing into the window. Notice in the second picture that the window barrier has been removed and there is no drive up capability. Instead there is a sidewalk to access the ATM.

A petition letter is written up for member signature at each office in the 4th quarter of this year. Banks had recently gotten their lobbying machine to push legislation to eliminate the 501-C3 tax-exempt status of credit unions so that they would be forced to pay the same taxes that banks paid. Members were encouraged to sign the petition that would be sent to Washington in a national effort by all credit unions to get the message out loud and clear to law makers that the tax exempt status of credit union should be protected. The petitions are kept in the offices until the end of the year.

With the most recent upgrade to the website, it is now possible for members to sign up themselves for Home Banking. Until now it was a service that had to be applied for and set up by the IT department. Now it was only a matter of logging on to the credit union website and clicking on "access your account". The initial "user name" was the member's account number, and the initial PIN was the last four digits of the member's social security number.

It is official that at the end of this year all hourly Merck employees will get direct deposit OR have their paycheck mailed to their home...so the vast majority of employees go to direct deposit thus sealing the fate of credit union traffic at the West Point Office.

Prime had seen the historically low 4.00% last year, and stayed that way through the middle of this year, but from July of this year through to December the Fed raised Prime 4 times to 5.25% by the end of the year. Despite this increase in the prime lending rate, the credit union's loan rates remained essentially unchanged except for when they were lowered further during promotions or car sales. The credit card rates and all car rates remained entirely unchanged all year, and the fixed rate home equity loans fluctuated slightly with the tier starting in the beginning of the year with the 5 year fixed at 5.00% then changing to 4.74% in October and up to 5.25% in December and all others following suit until October when the continuity changed and different terms were going for different rates. The loan portfolio increased considerably this year with an increase from \$149,870,617 in 2003 to \$182,708,064 with a net increase of \$32,837,447 or 17%. There were a total of 3231 loans approved this year. Although loans increased, total assets actually decreased slightly from \$251,088,400 in 2003 to \$249,735,665 with a net decrease of \$1,352,735 or less than 1%. There was a concurrent sharp decrease in investments this year from \$93,809,179 down to \$58,180,760 for a net reduction of \$35,628,419 or 38%. On the share side of the equation: the regular share deposit rate went from .50% APY in the beginning of the year to .623%; IRA share rates went from .75% APY to 1.25% APY by the end of the year and both money market tiers increased $\frac{3}{4}$ of a point during the course of the year to end at 1.25% minimum of \$1,000 and 1.50% for \$20,000 or more. Dividends to members decreased by \$466,321 or at a reduction of 15% to \$2,858,349 from last years figure of \$3,324,670. The final result of all this was that the credit union's net income increased this year by \$471,424 over last years figure of \$2,139,524. There was a 1.04% return on investments this year, which placed the credit union in the top 40% of credit unions of similar size. The loan to share ratio was increased to 79.7% and the loan to asset ration was raised to 72.9%, which placed the credit union in a very sound financial position given the volatile nature of the market over the course of 2004.

As the year closed there were 22,220 members.

2005 – In January of this year all members who meet the criteria for membership in the Chairman's Circle are contacted by mail to inform them of the benefits of the program.

In order to boost interest in the new Personal line of credit, a teaser rate of prime plus 1.99% is offered from February through the end of September of this year, thereafter it will return to the normal rate of prime plus 3.99%.

The Board of Directors and senior staff had last year decided on a number of initiatives designed to improve member service, satisfaction and confidence in the credit union. One of these initiatives was to establish service standards that every employee would be held accountable for knowing and following. The team came up with seven service statements:

- I will greet you with a prompt, friendly welcome
- I will treat you with courtesy and respect
- I will offer you my undivided attention
- I will take ownership of situations and follow through
- I will provide accurate information and helpful solutions
- I will do all I can to improve your financial life
- I will thank you for your business

These statements were printed up and framed and were displayed in a prominent position at every office and the operations center for all members to see. All employees were instructed to learn these standards. It was intended that these service statements both dovetail with the secret shopper program and culminate in the credit union's mission statement to "be your preferred financial institution for life adopted 5 years ago.

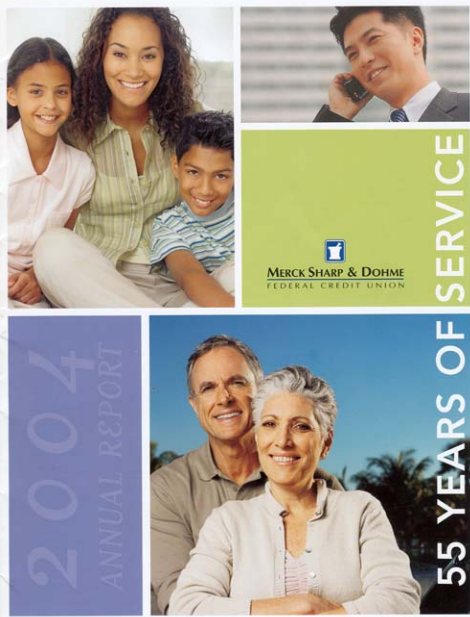
Starting in January of this year the credit union arranged for a year long sales and service training program to be attended by all employees. These training sessions were given by Constance Anderson, a well-known speaker / consultant in the credit union industry. In these sessions Anderson would reinforce the credit union's service goals and standards, teach employees to look at service from the member's point of view and coach employees on new and different ways to approach member service and cross selling as one thing not two separate things. The training sessions were held at Homewood Suites behind the Merck Church Rd building. Sessions typically took half the day and involved a great deal of juggling around of employees, but they were necessary in order to prepare the employees for the cross sales & service culture that the credit union felt was so necessary in the current climate where most financial institutions sold pretty much the same products. In such an atmosphere financial institutions had to distinguish themselves in other ways, and the best way was to provide superior service. The premise was that this was not something that was difficult to achieve. It required only a little effort and the potential benefit was superior service that resulted in superior success at individual and company levels. The training sessions were not meant to be dry and boring, Anderson made the sessions animated and upbeat as was her own personality, but she also made the sessions serious in their intended message. Part of her purpose was to train the managers individually on how to evaluate employees on their shops, the only quantitative gauge of how individuals were doing regarding member service. The sessions ran through to the third quarter of the year so as not to interfere with training on the new data processing programs.

In the second quarter of this year the credit union hires Robert Green as the first IT manager. A "department" of one, Robert is hired to facilitate the upgrading of the credit union's network hardware. Not to upstage Wendy Spackman who is the IS manager, Roberts job is to handle hardware issues associated with the credit union network and equipment whereas Wendy's job is more to be the overseer of software issues. Robert and Wendy will of course by definition have to work together and both report to Dana Defillipis, but are still managers each in their own right and of different departments. Both are in residence at West Point in anticipation of getting their own offices at the new operations center in Chalfont once completed.

Early this year the secret shopper program was no longer in a try out / get used to phase, employees were now expected to do WELL on their shops. Branch managers were charged with reviewing shops with every employee on a monthly basis; good points were to be stressed and low scores were to be approached as opportunities to improve. It was the responsibility of the marketing department to run the program and monitor progress credit union wide. Senior management made it clear that everyone had had plenty of time to familiarize themselves with what was expected in a shop situation and scores of 4.80 or better out of a possible 5.00 were expected of everyone. There were three different shop formats: one for teller interactions, one for encounters with member service representatives, and a shop for telephone calls geared towards back office and the call center. They were in many ways the same, but different shops stressed different specifics. They were all broken down into four categories: reliability, responsiveness, assurance and empathy. These four categories were gauged on many levels and the employee was graded on a point system.

At long last, the second phase of building at the Upper Gwynedd facility starts early this year. Although phase two had been planned to begin a few years ago, market changes and budgets had precluded advancement of the plans, but now there was increasing talks and plans for the Merck facility at Blue Bell to close and the employees there to re-locate to the second phase of Upper Gwynedd. Some sections of the existing Upper Gwynedd facility were blocked off, as they were “connecting points” to the next phase being constructed to the right hand side of the build line effectively “balancing” the facility. Another garage would also be added ultimately almost doubling the size of the Upper Gwynedd office to 1 million square feet of inhabited space including the parking garages.

Although the credit union temporarily went below 250 million in assets, the signs that read “one quarter billion strong remained on display in all credit union lobbies this year, and it did not take long for the credit union to bounce back to over that quarter billion dollar milestone once again.



The annual meeting is held on March 15th in the West Point Building 37 Auditorium from 5:30 to 8:00. William G Batz, executive VP and COO of Federal Home Loan Bank of Pittsburgh was invited to speak. There were six Hoffman award winners this year who each were presented with \$4,000.

In The second quarter of this year Courtesy Pay is provided as a new service to members. It is a service that is available to most members, but not all. Some are restricted due to negative history with the credit union or the fact that their account is new. It is a sort of overdraft protection system, but it is not a loan. The service provides that the credit union will pay a check written against a members account even if there are insufficient funds to cover the check. Items adding up to a cumulative amount of \$500 will be paid; there is still a \$30 fee per item charge as there was in the past for an NSF fee. The difference is that the item is paid and the member is saved the

embarrassment of a returned item. The member also saves money since the payee gets paid (up to the maximum amount) and therefore is never made aware that the funds were not actually available from the members account; a returned item fee is not charged to them either which is a resultant additional savings to the member. If there is an item paid

against the members account in this way they are charged and their account shows as negative (the paid amount minus whatever available funds were in the account plus the fee). The member would have 30 days to bring their account positive after the item paid date before "collection" correspondence would begin.

Another significant change this year was at the Blue Bell office. Susan Hackett decided to leave the Blue Bell office as manager and return to the West Point office as a teller. The Blue Bell office was placed under the supervision of Trich Gower, manager of the Lansdale and BSW office since the promotion of Gloria MacDonald last year. Pat Kreidler's plan was to have Blue Bell report to Lansdale until the new Operations center opened, then there would be six branches and three managers each overseeing two offices.

The credit union staff was asked for their help in ideas for promotional slogans to stir interest in the services provided by Kurt Hesser. Finally, a slogan coined by Kristin Coradi would be adopted as a "catch phrase" for a new promotion picturing Kurt in a doctors uniform next to a large band aid, the catch phrase used was " It Doesn't Hurt to Talk to Kurt", the idea being that members should consider taking advantage of Kurt's services as a way of exploring investment options without paying a dime for it as they would at a non credit union associated financial consultant. As there were more retirees this year on average than in recent years, this advice was never more valuable and advisable.

In April, the credit union's ATM network underwent major renovations due to the implementation of triple des key incryption on ATM machines nationwide to further safeguard against electronic tampering, and due to the advanced age of the ATM machines at the West Point facility and Lansdale office, new machines had to be purchased. The credit union had a total of 14 ATM machines at this point. The ATM machines that were replaced were replaced with state of the art Diebold Optiva machines. What follows is the work done on each machine:

Building 39.....	new
Building 78.....	new
Building 42.....	new
Building 53.....	new
Lansdale.....	new
Broad Street West (97).....	upgraded with new software
5 Sentry Park (Blue Bell).....	upgraded with new software
Jolly Road (Blue Bell).....	upgraded with new software
Township Line Road (Blue Bell).....	upgraded with new software
Horsham (Walnut Corporate Center).....	upgraded with new software
Upper Gwynedd.....	upgraded with new software
Central Montgomery Hospital.....	upgraded with new software
Devon Park Drive (Wayne).....	upgraded with new software
Church Road.....	upgraded with new software

The work on the new ATM machine outside the building 53 office was particularly troublesome due to the elaborate measures originally gone to by Merck to make the facility as attractive as possible. Since the building 53 credit union office was part of the original design for the reconstruction of building 53, so too was the ATM that was fitted into the actual construction. When increased technological advances made electronic compromise so much more possible, the machine was rendered obsolete, as were the other older ATM's. This sort of problem was never originally anticipated, so in many ways the original machine built into the wall was considered permanent, or at least not

as ephemeral as it ended up being. It was necessary to “cut out” the old machine from the credit union office, fit the new one into place and rebuild the walls and trim back around the machine. It was particularly unfortunate given the care and special attention to the woodwork recess in which the old machine was housed. The new machine was shoehorned into place, but when the whole rebuild was complete it just didn’t look as nice. The new machines were much more easy to settle and troubleshoot problems however. Although windows based with a proprietary version of windows, there were still some software kinks that needed to be worked out.

The security cameras on the new Optiva machines were all integrated into the recently installed state of the art digital video monitor and recording system. An amusing note about the ATM machine replacement at building 78: as explained earlier, at of their installation the old West Point machines employed a VHS tape recording system. The tapes were viewable on monitors inside the machines. The machine at 78 sent the camera feed to a tape recorder locked in a wooden box in a telecom room down an adjacent corridor. Although the practice of tape recording the camera images at buildings 38 and 42 was continued before the conversion, at some point in the past few years not only had recording stopped at building 78, but all knowledge of the video equipment had been forgotten. No one knew exactly where the VCR and monitor even were, where the key was to unlock the wooden box, how long it had been since the equipment had been used or if it even worked anymore. It became necessary to discover the location when it was discovered that the original modem for the ATM machine was...wherever the recording equipment was. The telecom room where the equipment was housed was found, and the recorder and monitor were found to be non-functioning (probably for years). Once the old ATM was replaced by the new one the old recording equipment was entirely obsolete but left there, and it presumably remains there to this day gathering dust.

In May of this year the West Point office underwent a serious overhaul. Although anticipated for almost two years, approval came this year for the office to be repainted and new carpet installed. It was decided to paint the office the same colors that were anticipated for the new operations center that was yet to be built. The colors were those of the new credit union logo: medium green, light green and royal blue. The painting was done by the Paint Department at Merck, The carpet chosen was a broadloom of the same style as would be used at the operations center as well; William Smallwood and Son, Inc. was the contractor used by Merck for non tile carpet installation. The color scheme was decided upon and plans were drawn up to coordinate the effort at a time that would not necessitate closing the office. All furniture was disassembled and moved to the back lunch / conference room after closing on Friday May 6th; the baseboards were also removed. On Saturday the old carpet was removed and the new carpet was laid down; the entire process took from 7a.m. to 7p.m. The following Monday the painting began, and continued until the 16th of May. The new baseboards were installed and then all the furniture was replaced in all three offices. The MSR area was revamped slightly. One of two credenzas was removed as well as the middle MSR desk. This allowed for a more “open” feel for that area. New office chairs were also purchased. The paint / new carpet smell seemed to linger for months afterward due to lack of ventilation. Member reaction



Over the next week, we will be installing new carpet and re-painting the office. We apologize for the temporary inconvenience that this will cause, but all services will still be available during this time.

was mixed but most agreed that the renovations were an improvement and that the office looked much better.

What follows are photos of the West Point office both before the renovations and after them.





In the pictures above and to the left, one can see the beige/tan walls, the older red chairs and the white door-frames. The carpet in the MSR area is different than in the above pictures in the lobby going back to the renovations in 1997. The carpet in the lobby area has the checker pattern and is original from 1993. One can also see, in the pictures of the lobby area, in the background is the quarter billion dollars strong banner and the poster that advertises that "It Doesn't Hurt to Talk to Kurt". Notice that there is no color scheme in the pictures before the new paint job. Also, one can see the old logo of the credit union on the wall. Directly to the left one can see the blue door frame around the one office, it is not white like the others because this is the office that used to be part of back office, not the lobby.



Above and below, one can see the difference in colors after the paint job. There are two greens: the half wall is the darkest green and the outermost walls all the way around the lobby are the lighter green (more visible in the pictures below). The carpet has no pattern to it and is universal in the lobby and MSR area. The dark blue color was used around the center pillar, the doorframes and the wall that separates the two halves of the teller area. It was a huge overall improvement, and made everything look like new.



The 7th annual charity golf open is held on Monday June 7th at the Mainland Golf Course. The cost this year goes up from \$90 to \$95. The recipient of the proceeds is still Bridge of Hope BuxMont. The total amount raised this year was \$ 11,000, and the total raised so far since the golf outing began is \$67,000.

After what seemed like endless obstacles and setbacks, construction of the new Operations Center on the site at 202 and Cedar Hill Roads finally began. There was no official groundbreaking ceremony for employees or members to attend, but the employees were informed at the second quarter staff meeting. By September building had begun. Plans were in place for the new Operations Center to be ready for occupancy in the second or third quarter of next year. The only unfortunate element to this was that

the 5-year lease at the 1140 Welsh Rd facility had already run out since the new Operations center grand opening was over a year overdue. It was therefore necessary and costly for the credit union to pay by the month on the old opts center property until the new one was ready, so that time could not come fast enough.

Below are pictures of the site of the future operations center as of July of this year. Construction has not yet started. It is only an empty lot grown over with grass. The sign has been there for along time.



Below are pictures taken in late September of this year. The area has been cleared and construction has started, but there is no part of the building that is recognizable yet. The lower picture shows the entire property.



There had been a great deal of research and meetings to determine which computer system (data processor) the credit union would use once the existing 9 year contract with Integrasis (formerly EDS Dallas) ended. It was decided very early in the year that the credit union would not renew its contract with Integrasis thus ending a series of contracts that went back 30 years. USERS, a company based out of Valley Forge, was decided upon as the new computer system. Preparations began in earnest to convert to the new system. It was decided that USERS offered the best product and functionality for the price. It was important not only to maintain existing standards of usability that the credit union already had, but also to gain ground when it came to cross-selling potential, security, state of the art technology and ease of use.

Camp Convenience was the theme developed for the employees that would set the mood for the conversion. Grace Volm and a group of employees directed the camp team. The purpose was to ease employees gradually into the conversion process while adding some levity to the process and it did necessarily strive to emphasize teamwork for the conversion. The lunchroom of the West Point office was once again set up with multiple computer stations and decorated with forest murals and festooned



with “camp” paraphernalia complete with a campfire. On June 13th there was a “Camp Convenience” employee meeting at Mermaid Lake. The theme of the meeting was teamwork all in anticipation of the Users training and conversion. There were teamwork activities and dinner. A camp convenience survival pack was given to all employees to take with them to USERS training that included aspirin and water, a stress ball, band-aids, candy as well as other items.

Dozens of training sessions on different topics were scheduled and rescheduled in order to insure that all employees were trained as well as possible in their respective duties, and trainers from Users took up residence in the lunch room and the old accounting area from early July through the end of the year in order to train the staff as well as be available during and after conversion so that there was no chance for employees to become lost in the new system. Training was thorough and every effort was made to make sure that review classes were also made available.

Every effort was made to prepare the members of the conversion as well. There were many improvements anticipated: On Line Bill Pay would at long last be an entirely free service. At this point there were few financial institutions that were not offering this service for free, and the credit union needed to remain competitive, so it was decided that the service would no longer be one the members would pay for. Another long awaited change would be real time ATM transactions. No longer would ATM transactions take one, two or three days to show up on the credit union’s system. If a member did an ATM withdrawal outside a credit union office, it would immediately show up on the members’ profile at the office or on home banking. This had been long awaited because there was always the problem of members not seeing accurate account balances. Because the credit union system, the ATM network and home banking did not operate in synchronicity, there was always confusion as to what the members balance actually was. With the USERS upgrade there would be no confusion. This was also a benefit because it would eliminate the potential for anyone to take advantage of that delay to withdraw funds that were not in an account, something the collection department was elated to finally see happen. E-statements would finally be a reality as well. The practice of

sending out paper statements had become a considerable cost over the years for financial institutions. Finally, the long maintained claim that technology would cause LESS paper to be wasted could finally be realized. E-statements would reduce paper waste as well as postage.

The hours at West Point change effective August 1 of this year. This change was made after careful consideration and debates. The Hours at the West Point office had been set late on Thursdays in order to accommodate the payroll schedule of union employees since the branch opened in 1963. The hours on Thursday were changed from 8:00am - 6:30 pm to 8:00am - 4:00 pm. The Hours on Friday were also changed from 7:30 am – 3:30 pm to 7:30 am - 4:00 pm. The decision came after transaction counts and traffic patterns were studied by the board and senior management. Due to the new efficiency protocols set in place by Merck and the switch of 99% of hourly employees to direct deposit, the extended hours were simply not necessary and were in fact a waste of man-hours. To keep the credit union open the last 2 ½ hours simply made no sense given the precious few members that came in during that time; with the recent changes to payroll, the last two hours on Thursdays had become the most quiet time of the week at West Point instead of the busiest. The Friday hours were equally superfluous in the morning, but it was decided that there were enough 3rd shift personnel at that time to make opening then still worth while. The half hour “extra” at the end of Friday was meant simply as an equalizing factor. If the hours were to be changed, there was no reason to make Friday’s closing time any different than the rest of the week. There were a few complaints about the change of hours on Thursdays, but it was unclear who precisely was complaining since there were many weeks where no more than two or three people came in after 5:00 pm at all prior to the hours being changed.

Freshman Finance 101: Money skills for Recent High School Grads is held on Wednesday August 3rd from 6:00pm to 7:30pm at the operations center conference room. It is given by Kurt Hesser and the purpose is to teach students entering college or the work force about managing money, budgeting, saving and spending. The event is reserved for 15 people and there is no fee for the seminar.

At the end of August after New Orleans was devastated by hurricane Katrina, the credit union board of directors authorized a charitable donation of \$5,000 to the Salvation Army and encouraged members to donate to that charity as well as it was a known legitimate organization as opposed to fraudulent organizations that sprang up as a result of the tragedy. In the fall edition of the Prescription the idea of disaster recovery was addressed by Dave Whitehead. He wrote an article on how 72% of credit unions local to the disaster were operational within one week of the disaster, and how some were recovering within days. He took the opportunity to assure credit union members of how there were disaster plans already in place to provide contingencies for such an event locally. In fact, plans of that kind had been adopted and reviewed annually since 1998 when the Y2K disaster was looming. The credit union had devised a well; thought out plan to deal with that disaster long ahead of other organizations and developed new disaster strategies following the passing of the new millennium.

The 6th Annual Cow Plop is held on October 8th from 2:00pm to 4:00pm once again at the Montgomery County 4-H Club. A total of 1,223 deeds were sold, and unlike the past two years, this year there was an actual winner, Cindy Scheetz, who was presented with a check for \$2,446. As part of the Cow Plop drive this year credit union employees were allowed to wear jeans on Fridays in September for a \$5 a week donation. This was suggested this year because deed sales did not reach as high a level as senior management had wanted. With the employee contribution, the credit union was able to donate precisely \$10,000 to Manna on Main Street this year. Martha Wiley was once again the employee who sold the most deeds. Deed sales were down this year for the second

year in a row, and some thought that a new and different fundraiser should be attempted. The prevailing opinion however was that the Cow Plop had become a credit union “institution” and while open to suggestions, no one was willing to just abandon what had become on average a very successful yearly campaign. What follows are some cow plop facts:

1st2000.....1,068 deeds sold....\$ 8,064 to charity
2nd2001.....1,335 deeds sold....\$ 10,680 to charity
3rd2002.....1,268 deeds sold....\$ 10,514 to charity
4th2003.....1,540 deeds sold...\$ 15,400 to charity
5th2004.....1,391 deeds sold...\$ 13,915 to charity
6th2005.....1,223 deeds sold...\$ 10,000 to charity

7,825 deeds sold \$ 59,113 to charity

The credit union decides to promote International Credit Union day a little differently this year. In a promotion to bring in new members from September to October 20th any member who refers a new (eligible) member will receive a chance to win in a drawing; the number of chances is doubled if that new member opens a draft account. There is no limit to the number of people a member can refer, but the chances are not valid until new accounts are opened by the referrals. There would be three chances drawn on November 15th. The first person drawn would have their choice of prizes, the second could choose between the remaining two and the third would receive the remaining prize. The three Eagles prizes offered were:

- 2 club level tickets and a parking pass to the Philadelphia Eagles vs. the Washington Redskins home game at 4:15 pm on New Years Day 2006
- An autographed Donovan McNabb football enclosed in an acrylic case
- A tailgate package, which includes a grill, cooler, two chairs and an apron: all official Eagles gear.

Mark Gernerd won the Eagles tickets, Eleanor Marfolgia won the football and Ying Su won the tailgate package.

On the heels of the Freshman 101 seminar followed another educational resource geared towards the CU Succeed members. This time a three-part course was offered. Again it was free and reserved for only 15 teens. Part 1 was on Budgeting, and was held on Wednesday October 12 from 5:30pm to 6:30pm. The second class was on saving and again held at the same time on Wednesday November 9th. The third class covered credit and was held on December 7th. All attendees who participated in all three classes were given a \$25 award to their CU Succeed credit union account. Again the response was good.

In order to facilitate last minute training and maximize member service directly before, during and immediately following conversion to USERS, all employees were informed that there would be no vacations scheduled from November 28th through December 16th. While there were always exceptions made, they would be kept to a strict minimum. Conversion! All credit union offices are closed on Thursday December 1st in order to facilitate a smooth conversion and work out any unforeseen system problems or computer conflicts that often arise during such an event. The entire process caused general disruptions of all credit union services for a short time, what follows are the

alerts to system disruptions and durations communicated to members in the Prescription and web site:

- Debit / ATM access: accessible during conversion but funds availability will be on the account balances from the system on 3:00 pm Wednesday November 30th, and deposits and new balance information remain unavailable until December 2nd.
- Home Banking: down from 2:00pm Nov 30th through 1:00pm December 2nd. Recurring internal transfers are erased and must be set up again and user ID and passwords re-default to account number and last 4 digits of social security number.
- Bill Pay: Down the same duration as Home Banking. All bill payments are converted over to the new system, and bill payment history is not carried over from the old system.
- CUTIPS: Down from 4:00pm Nov 30th through 1:00pm Dec 1st. Menu options change and PIN number defaults back to last 4 digits of social security number.
- ACH: Delays of one to three days are anticipated.

All offices close at 4:00pm on November 30th, but the call center remains open until 6:00pm but are unable to post transactions.

As part of the conversion, the credit union updates a great many of the computers credit union wide. Many computers are still running on Windows 98, and the new computers are installed to bring the credit union more up to date in anticipation of using USERS to its full advantage.

The actual conversion to USERS was rougher for some than others. As with any conversion to an entirely new data processor, there are kinks that need to be worked out, and this conversion was no exception. Some departments had a more difficult time than others and adjustments were made. Eventually everyone became accustomed to the new system. Many employees found the training useful, but at least as useful was the “test” environment that employees could practice within. Employees could figure out how to do things in this test environment without worrying about actually doing transactions or affecting member accounts.

During the weeks after conversion, at each office there were containers of paper clips representing the amount of paper saved by the new scanning system the credit union would use with USERS. All members were encouraged to guess how many paper clips were in the containers. Each office had a winner who guessed the closest amount:

Blue Bell.....Kevin Miller
Upper Gwynedd.....Susan Anton
West Point.....Kerry Meitzler
Broad Street West.....Linda Sheaffer
Lansdale.....Evan McIntosh

Each winner received a \$50 American Express Gift Cheque. Also, all 50 teddy bears that decorated all 5 offices were donated to Toys for Tots. The bears were part of the “Please Be Patient While We Get Our BEARings” theme, not unlike the “Please Bear With Us” theme from the 1996 conversion to EDS.

With the Winter 2006 Prescription statement mailer is a guide to navigate the new look of the member account statement, which changed as a result of the system conversion.

Home Banking also changes, but it is an improvement over the old system and Bill Pay, now free to all, is also described in the same Prescription issue. The conversion to USERS made the decision to finally make Bill Pay free very easy, as well as the fact that

it was a service that most institutions simply were not charging for anymore. It was necessary to remain as competitive as possible, and free Bill Pay was a part of that.

As the Credit Union's community involvement program continues, this year the employees donate \$500 to Community Housing Services. Instead of contributing to the "Adopt a Family" Program as in the past, the employees of the credit union contribute to the overall program that provides food, clothing and gifts to needy families in the local area. The money is raised from employees wearing jeans on Fridays during the holiday season.

From a financials perspective: The Prime lending rate goes through a "correction" this year increasing by the end of the year by 2 points from 5.25% in the beginning of the year to 7.25% by mid December. The rate for regular shares on deposit remains unchanged this year holding at .625% APY. The rate on IRA shares on deposit changes from 1.75% APY in the first quarter to 2.75% APY by the end of the year. The money market with a minimum of \$1000 follows the exact same course precisely while the money market account with \$20,000 or more goes from 2.00% APY in the first quarter to 2.40% APY through the end of the year. Loan rates are similarly affected this year with the 5 year fixed home secured loan going from 5.74% APR in the first quarter to 4.74% in the second quarter and to 4.99% APR in the third back to 5.74% effective the end of the year while the 15-year went from 6.49% APR in March to 5.74% in June, then to 5.99 in September and 6.74% at the end of the year (all rates with the automatic payment from shares .25% discount taken into consideration. The 30-year variable (prime Plus .99) was offered until September, at which time it was no longer offered. The credit card rates remained unchanged this year.

The loan portfolio increased considerably this year from \$182,708,064 to \$208,784,894 with an increase of \$19,348,529 or 9.28%. There were a total of 3,105 loans granted for a total of \$91,696,000. Of these, 1245 were auto loans and 1009 were home secured loans. Investments decreased from \$58,180,760 to \$51,096,536 for a net decrease of 12.2% or \$7,084,224.

Regular shares on deposit decreased from \$70,176,021 to \$60,949,949, a drop of 13.2%, while share certificate totals increased from \$59,803,549 to \$79,238,954, an increase of 24.6%. Total shares on deposit increased from \$228,549,652 to \$240,447,878, an increase of \$11,898,226 or 5% over last year's figures.

It was necessary to borrow funds this year in order to meet loan demands, so there was a resultant decrease in net income. Interest on borrowed funds almost doubled this year from \$2,861,201 to \$4,328,086. As a result, net income went down from \$2,610,948 last year to \$2,335,845 this year. The disparity is largely explained because of the cost of conversion of data processing companies, expense of month-to-month rent on the existing operations center and increased cost of the construction of the new Chalfont operations center. Despite the decline in net income, the credit union is in a very stable position and that position is further maintained by the internal annual audit performed. Overall for the year, the credit union saw a \$2 million dollar addition to reserves and earned a return on assets of .90% while at the same time seeing a far less decline on assets than peer credit unions. Again, superior supervision and oversight on the part of management and the board resulted in superior stability this year.

By the end of the year, there were a total of 21,924 members.

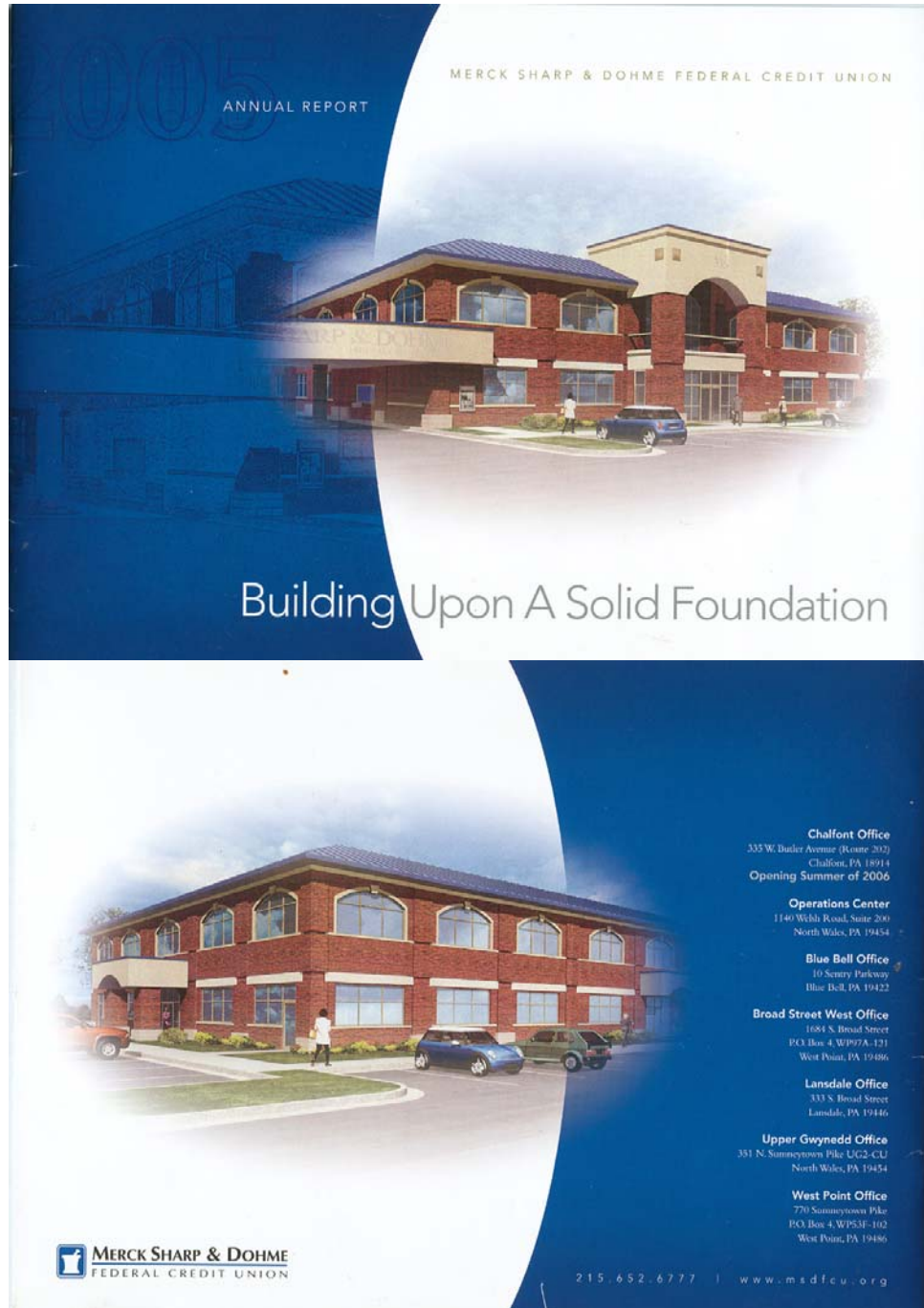
2006 – The credit union offers more ways to save this year. Before now, there had been two tiers on the Money Market account: from \$1,000 to \$19,999 and \$20,000 and up each paying its own interest rate. Now, a third tier is offered: from \$80,000 on up! The new tier

offers an interest rate of 3.25% APY. What follows is the new money market product and rates:

\$1000 minimum.....2.72% APR.....2.75% APY
\$20,000 minimum.....2.96% APR.....3.00% APY
\$80,000 minimum.....3.20% APR.....3.25% APY

On March 28th the 55th Annual Meeting is held at the West Point auditorium; refreshments are served from 5:30pm to 6:00pm. Edward A Turzazanski, Senior Fellow of the Foreign Policy Research Institute and a national security analyst at La Salle University was the guest speaker. There were 5 Hoffman award winners this year each receiving \$ 5,000 and collectively are extolled for their combined 14,000 hours of community service over the past 4 years. The pictures and bios of the winners are once again included in the annual report for this year. Hoffman award winners had not appeared in the annual report since 1999. In his report, Drew McPherson relays to the membership the 2006-2008 strategic plan objectives are:

- Maintain strong financial performance
- Increase our membership



- Continue developing an outside branch network
- Increase focus on enhancing products
- Enhance our technology base
- Increase outside community involvement
- Provide educational opportunities to our members

The annual meeting booklet also takes on a different look. It is printed in landscape format rather than portrait. The annual booklet had not been printed in a similar style since the first known printing in booklet form back in 1971 although in 1971 the booklet was plastic ring bound and only half the size. The new booklet made pronounced use of the credit union's colors of blue and green and featured pictures throughout of the new operations center being built. As was the 1993 annual meeting booklet featuring the architects rendering of the much anticipated Lansdale office that would be built, the booklet this year featured on the front and back cover the artists rendering of the new operations center that was nearing completion.

As the winter months progress, the new 27,000 square foot Operations Center takes shape, and Dave Whitehead periodically takes small groups of employees around to tour the new facility. As the weeks progress there is greater and greater anticipation of the new sixth office opening.



After the success on the Members Financial Services member education seminar series last year, a dizzying array of seminars are again offered this year and keep Kurt Hesser very busy. Specifics and dates are omitted here simply for economies sake, but the following topics are covered:

Retirement Investment Strategies

**Estate Planning
Employment Transitions
Investment Funding
College Funding
Basic Financial Management**

E-Statements are offered in the first Quarter of this year. To all members who use Home Banking, the paperless new system is made available as another way to eliminate paper waste and the concurrent monetary waste of mailing said statements. All a member need do is sign on to Home Banking and specifically select the e-Statement option under preferences; upon selecting this service the member's e-mail address is confirmed. For the next three months, the member will receive paper statements AND e-statements. After those three months, the paper statements are eliminated. By June of this year over 1,000 members already signed up for this new service.



Above and below are pictures of the second phase of the Upper Gwynedd facility nearing completion (obviously taken before this point in time). Directly above is the garage for phase two being built.



By the end of March the second phase of the Merck Upper Gwynedd facility was complete. The outside had been completed by December of last year, but Merck employees did not begin populating the new wing until March. This would be the beginning of the Upper Gwynedd credit union office seeing progressively considerable member activity increases in transactions and member service. The credit union office was originally designed to accommodate a much larger population of members than had ever been in residence up to this point. Now member activity began to increase steadily.

Effective April 1 of this year, the FDIC and the NCUA increase federally insured IRA deposits from 100 thousand dollars to a quarter million. This change does not affect regular savings (share deposits) only IRA money, and these funds are still insured separately than regular share deposits.

In April of this year the credit union sets a \$15,000 goal for itself for National Youth Savings Week. During that week all dollar dog members receive one chance to win for every \$10 they deposit to their share accounts and CU Succeed members received a chance for every \$25 in deposits. In just three days the goal had been exceeded for a total of \$18,133, and by the end of the week the total deposited was \$55,000. The prizes awarded were an iPod, \$50 Best Buy gift cards and \$25 gift cards.

Also starting in April of this year the credit union sent out another member survey. 2,500 randomly selected members were given the survey by mail. The purpose was to gauge current member satisfaction in the services offered to them and to get some ideas

as to the direction for future strategic planning. 96% of those responding to the survey were either satisfied or very satisfied with overall services, service charges and the quality of service provided by the staff. Part of the survey was a sort of open shop of the service provided and the high overall score was a resounding validation that the time, resources and money spent by the credit union over the past few years was a wise investment paying high dividends in member satisfaction. Although there were high marks in some areas, there were others that senior management and the board found disappointing. Only 48% of those surveyed stated that the credit union was their primary financial institution, an area that along with member service had been of great concern as an area to be improved. This survey essentially established that the members were much happier with the service but half still were not satisfied enough to turn to the credit union first for most core services. Contributing factors to this included convenience of locations, hours of operation and overall rates which all ranked below average and only 28% of respondents said they would definitely use the credit union when in need of future services. The survey did not show deficits or problems but areas of opportunity to grow and improve further.

In the second quarter of the year the Home Banking service is again enhanced with another new service. E-Lerts are now made available to all Home Banking members. E-Lerts are e-mail notifications sent by the Home Banking service when particular thresholds are reached on transactions; they are an added benefit for members who find it necessary to monitor their account for various reasons. By making a few changes to their on-line settings, members can now receive e-Lerts for the following scenarios:

- The balance in a share or draft account is below a certain amount
- A deposit is made for more than a specific dollar amount
- A withdrawal is made for more than a specific amount
- A check has cleared for an amount within a specific range
- The balance due on a loan is above a certain dollar amount
- The payment on a loan is past due
- A loan check has cleared within a specific range
- Available line of credit
- The balance of an IRA account or CD is above a dollar amount

With the conversion last year came some computer upgrades for the credit union employees and 15 more computers that were no longer needed. This year the credit union donated 12 computer systems to Wesley Enhanced Living Foundation and 3 systems to Pilgrim Gardens in Philadelphia. Both organizations needed new(er) computers for their respective learning centers where the elderly residents were able to learn about computers and surf the web. And although some of the residents had slowed down the new computers that were donated enabled their surfing speeds to speed up.

The Blue Bell office at Sentry Park West CLOSSES!!! As of Tuesday May 9th, the ATM at the Blue Bell office is no longer accessible. And as of 12:00 pm on Friday June 2, the Blue Bell office closes. The second office of the credit union was in service since 1984 (22 years). After years of deliberation, and years of planning, the lease at 10 Sentry Park West is allowed to lapse, and Merck occupation of the Blue Bell facility ends. Merck had been planning this move for over a year and speculation by employees had gone back even further. Merck had been reevaluating space at West Point, BWS and Upper Gwynedd in an attempt to permanently or temporarily relocate employees. Some employees would relocate to the Unisys Building at 785 Jolly Rd. While others relocated temporarily at BSW in anticipation of moving to the second phase of the Upper Gwynedd office which took the place of Blue Bell for the most part. There would still be an office in

Blue Bell, however. Agreements were reached to have a credit union presence at the UNISIS Building C at 785 Jolly Rd only two miles away. The ATM machine in Sentry Park was removed and relocated to the phase two section of Upper Gwynedd in August of this year. It was placed on the first floor of building D where it was felt would be more conveniently used by new residents of that new section of the complex.

Since the second ATM machine at Upper Gwynedd was obviously not attached to the branch, settlement was done the same way as at the 38, 78 and 42 West Point ATM's. 2 employees would bring full cassettes to it, switch them out with the used ones as well as get totals and enter new starting cash. This is all done under the watchful eye of security either through the camera system or with a guard watching at the machine.

Credit union employees once again helped out the Lansdale Police with their Kid Care ID program on Lansdale day on Saturday June 3rd from 9:00am to 4:00pm. 155 kids were fingerprinted and once again the credit union donated three bikes for different age ranges and presented them to the winners in each category.

The 8th Annual charity golf outing is held on June 12th at the Mainland Golf Course, the price per golfer remains at \$95. Proceeds of the event once again are contributed to Bridge of Hope BuxMont

In May of this year the Federal Reserve raised prime from 7.75% to 8.00%, so the credit union raised the three Money Market tiers to 3.00%, 3.25% and 3.50% respectively.

The 7th Annual charity Cow Plop is held this year on Saturday October 7th at 2:00pm at the same old place. There were a total of 2,177 deeds sold this year, which generated \$21,770: more than any other year in the cow plops history. The winner of the event this year was Danielle Sanders who received over \$4000, and the remaining 80% was presented to Manna on Main Street. Unlike past years, the cow costume was not used this year to promote the event. For the past few years one employee would wear the suit and one would try to coax members at various Merck cafeterias to buy deeds. This year this was not done. The branches still displayed the cardboard cow cutouts, however, to the annoyance of some and the amusement of others. Lisa Borell from the call center was the employee who sold the most deeds.

The credit union wins the Dora Maxwell Award for the 7th consecutive year for its remarkable and continued community service.

Specifically this year the award is for last years Cow Plop. Also this year, the credit union is presented with the Louise Herring Award, which honors credit unions that through various activities exemplify the credit union philosophy of "people helping people". The consideration was for the multitude of services and charities the credit union was involved in last year and most specifically for the Hoffman Award, the

MSDFCU Honored with Two Distinguished Awards

We're proud to announce that MSDFCU has been selected as winner of Pennsylvania's 2006 Dora Maxwell Award and 2006 Louise Herring Award for Philosophy in Action. This is the seventh consecutive Dora Maxwell Award for us and the first Louise Herring Award.

The Dora Maxwell Award is given in recognition of outstanding achievement in a social responsibility program. Our annual Cow Plop event was the topic of our submission. The judges look for uniqueness,

success and commitment of staff to the program. This award would not be possible except for the response we get from our members. Thank you for helping to make our annual Cow Plop a success! Don't forget to get your deeds now to make next year's award possible.

The Louise Herring Award honors a credit union that promotes and executes the credit union philosophy of "people helping people." Through our adult education series, our teen and children's clubs, Hoffman Awards, special events and everyday interaction with our members, we try to go beyond the expectations of members. We are honored to receive this award.



Chairman Andrew McPherson, CEO David Whitehead, and Marjorie Reed accept the awards from the Pennsylvania Credit Union Association.

ongoing free seminars facilitated by Kurt Hesser for members of all ages and generally going above and beyond the expectations of members.

Preparations were underway months before the new operations center was up and operational. There was an official move committee that had each department box up all their respective offices and cubicles. Each department was color coded so that the movers knew where the boxes belonged: second floor had blue stickers, first floor was yellow, and grid reference numbers identified specific cubicles and offices on both floors. All the computers were set up ahead of time with the intention that every employee would have full access to all programs and resources that they were already accustomed to and in need of to perform their daily jobs. It was also necessary for many employees to have completely new computer systems installed. They too had to be running and ready to go come Monday June 26th. Moving started before the employees themselves reported to their new stations on Friday June 23rd so that as many employees as possible could organize efficiently. Friday afternoon and night and Saturday was the time all ops center boxes were moved out of the old building and into the new one. On Sunday all employees had to come in to unpack and organize their new work areas so that they were ready to come in on Monday, turn their computers on and be ready for business as usual. By and large the move was successfully orchestrated and ran smoothly, and business continued on Monday June 26th with no ascertainable difference of note.

The huge collection of member folders that had been kept in lockable fire proof cabinets tailor fitted into the teller counters at the West Point office were not moved to the new operations center. It was decided instead that the entire contents of each member folder would be brought to the operations center to be scanned and housed electronically in a way that would be both secure and eventually accessible at different office locations thus eliminating the need for actual member folders or physical storage of any kind. There would no longer be a concern of member folders getting lost, misplaced, damaged, locked away where certain employees could not see them or destroyed by an accident of any kind.

On Friday June 23rd the Call Center closes and official credit union business is no longer conducted at 1140 Welsh Rd. The Call Center re-opens on Monday June 26th at 8:00am at which time the new operations center is officially staffed. The new mailing address for the credit union is P.O. Box 127, Chalfont, Pa 18914-0127.

About a month before the official opening of the Chalfont office there was a formal after work event/celebration in the lobby of the new office specifically for employees, board members and special dignitaries like the Mayor of Chalfont. It was intended to be a first class event with a harp player and hors d'oeuvres. There were presentations by senior management and tours of the office as well as group pictures taken outside the office. It was the first chance the entire credit union family was able to appreciate the final achievement that had been so long in planning and development and had finally come to completion.

Wednesday July 5th the Chalfont Operations Center and branch is open for business! Bobbie Max is hired as the first manager of the Chalfont office.

The Chalfont office official grand opening was held on July 22nd from 12:00 pm to 4:00 pm. A lunch buffet is served and Dollar Dog (the newly acquired suit) and Cookie the clown attend the event. There were activities for the Dollar Dog members such as a moon bounce, sand art and face painting, a beanbag toss and for the amusement of everyone, a dunk tank. Members got the opportunity to sink Dave Whitehead as well as a few other employees including Bill Kuzman from the loan department. There were \$50 Prize drawings every half hour and a grand prize drawing for a digital camera bundle at the end of the day that was won by Kayleigh Baker. From 2:00pm to 4:00 pm football hall of famer

and former Philadelphia Eagle from 1957 - 1963 Tommy McDonald was also on had to celebrate with the members and sign autographs. Free gifts were given out to the first 500 members, and any one who opened an account at the event was given a beach/pool tote full of summer vacation items. The weather did not cooperate as was hoped. There were frequent brief showers and hot spells that forced some of the events to move inside. Despite the fact that the event was beset by showers, over 500 people turned out for the event and 280 accounts were opened. The turnout was considered a great success and the event lasted long after it was scheduled, but since it was a celebration, no one minded.

From July 5th through July 31st there are two promotions that coincide with the opening celebration: The first is a 12 month CD paying 10%. The CD is for \$1,000, no more no less, and the offer also stipulated that it was for new money only and only one CD per member. The second special was for opening a new draft account. This was for new members or existing members who did not yet have a draft account. \$50 is given once their first direct deposit transaction is made to the account which must be received within 60 days of account opening. These two specials were an attempt to stimulate growth credit union wide and for the Chalfont office.

In another attempt to build the specific member base for Chalfont there were a significant number of SEG's added from the surrounding area in including:

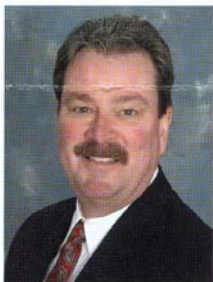
The Bucks County Bar Association
Chalfont Borough & Police Department
Chalfont Chemical Fire Co.
New Britain Township & Police Department
St. Jude's Church and School
STS Tire & Auto Center (in Chalfont)

Although initially for the month of July, the \$50 direct deposit to new drafts promo is continued on through the end of August.

To celebrate Credit Union week the credit union holds its second annual document shredding party at the Chalfont office on Friday October 20th from 4:00pm to 7:00pm. Pocket calendars are also given out.

This year saw the loss of a very important member of the credit union. John Hogue passed away this year. He was one of the founders of the credit union, one of those that threw in their own money to get it started, and he also served as the first treasurer. He was also the very first person to join the credit union with account number 1 or "book 1" as they were known back in the day.

Santa Claus visits the new Chalfont office for the first time this year. The event takes place on Saturday December 16th from 9:00am to 12:00pm.



*Richard Haselbarth,
Director of
Mortgage Services*

In the 4th quarter of this year a new department is added to the credit union and a new service to the members. The first mortgage department is created. The formation of a first mortgage department had been on the minds of the board since before the 1140 ops center was rented, there had actually been cubicle space specifically dedicated to such a department outside the VP of lending office, but had never been used. It was not until now that it was decided that the time was right to allocate manpower and resources into starting a "department" within the loan department rather than simply continue to outsource them to GMAC. Richard Haselbarth is hired as the Director of Mortgage Services. With 35 years of experience in the mortgage industry, he is hired as the best qualified to be the first mortgage expert in

assisting members with their first time home buying and refinancing needs. He reports directly to Dale Edwards. With Richard assuming his duties, the relationship that the credit union had had with GMAC since 1989 was eliminated. From this point on the credit union would finance all first mortgages it approved and retain them all as part of the loan portfolio. The main number for member contact with relevant questions is 215-652-1708. As another adjunct to this service is the launch of the Online Mortgage Center. It is easily accessible from the main credit union website and is established to be a primary member information resource guide where members can:

- Learn about all mortgage options
- Check rates and loan payments
- Get pre-qualified and apply for a loan
- Get information on first time home buying and refinancing
-

This year the credit union is honored with a new award presented by the North Penn Chamber of Commerce. They present the credit union with their Community Service Award for the charitable and philanthropic pursuits over the past year all acknowledged as an example to other organizations in the region.

Towards the end of the year, members are reminded in the Prescription Monthly Refill of the operations center's new address and that all mail correspondence should be sent not to the 1140 address and not to the new operation centers physical address but to the PO box in Chalfont. The notice is given in response to the inevitable warning now received after 6 months by the post office that mail will no longer be forwarded without the proper address information.

In December of this year Merck began work on the re-taking of a large section of the West Point back office that they had had their eye on for some time. Since the credit union had moved to the 1140 operations center, the old accounting section, although used as a training area, storage for holiday decorations and computer equipment and a storage and work area for Wendy and Liz in the IT department, the space was not really "essential" for anything. Merck knew this and with the consolidation of office space and the exodus from the Blue Bell facility had made space exceedingly valuable on plant site. The credit union knew that Merck would reclaim the area someday, and that day had finally come. The entire accounting section as well as the lunchroom was walled off and the space designed for use by Merck. The work of removing the alarms, cameras, sensors and doors was done quickly. All credit union property was removed from both areas and the cubicles themselves were left behind since Merck issued them in the first place.

In time for the holiday season this year is a new convenience service available to members using bill pay. It is now possible to purchase gift cards from many area retailers directly through bill pay and have the cards mailed to the members home or directly to the person the gift card is meant for.

By the end of the year the total number of members had increased to 22,878, which was an increase of 954 or over 4% over last year! The increase was in large part due to the grand opening celebration promotion and the addition of the many SEG's local to the Chalfont office.

Although this was another year or rate hikes by the Fed, the increase to Prime was not as drastic this year as opposed to last. The year began with Prime at 7.25%. The Fed raised Prime 5 times to end the year at a five year high of 8.25%. The credit union kept all rates at bay until the third quarter when most rates changed. Credit card rates did not change at all.

The rate of share savings remained unchanged all year at .625% APY, but the IRA rates changed from 2.75% APY at the start of the year to 4.00% APY by the fourth quarter.

From a financial perspective: this year saw some ups and downs but strength and stability remained throughout the year. Total assets decreased by 1.2% from \$270,111,295 in 2005 to \$266,766,521. Loans increased by 2% this year to \$213,310,062. The credit union's cash position was shifted to a better position in anticipation of potential harsh conditions in the market next year; investments decreased from \$43,005,031 to \$22,082,990 while cash and deposits to other institutions cumulatively increased from \$8,328,297 to \$20,078,237. Interest income rose from \$10,323,501 to \$12,131,849 but interest paid to members increased from 4.3 million to 6.5 million. Office operations expense almost doubled from \$817,865 to \$1,129,362 due to the new operations center opening. The result was a net income decrease from \$2,335,845 to \$1,366,160 or over 41%. The overall figures were very good and the credit unions assets now included the operations center and the capital ratio remained strong despite the added expenses and a market that was more volatile to investors and less forgiving to poor planning.

2007 – Effective Jan 1 of this year, the minimum balance requirement for the money market account is increased. Now if a member keeps less than \$2,500 in their money market account they will not earn interest; the minimum to earn interest had been \$1,000 since the money market account was introduced in 1998.

Also effective in the beginning of this year is an added security feature to Home Banking. In the recent past there has been an increase in online fraud and the pirating of websites. Nationwide, more and more consumers were losing money and their privacy compromised, so the credit union decided to be proactive in preventing this from happening to its members. The product is called PassMark and PassPhrase. On a rolling basis throughout the month members who sign on to home banking are required to choose a small picture from the online selections. From that point on, whenever the member logged into home banking from the website they would see that chosen picture and know that the credit union website is authentic. Different members would have different pictures, so the member was required to remember the picture they had chosen: that was the PassMark. In addition to this, the member would be required to select a phrase of their own, that no two members were likely to have. This PassPhrase once chosen would appear over the PassMark already chosen. This would insure beyond doubt that the member was on the real MSDFCU website.

Minting of the new presidential dollar coins begins this year and as with the state quarters and westward journey nickels, the credit union begins ordering them especially so that members have a chance to collect them. All offices are insured a supply of the dollars commensurate with the number of members that are likely to ask for them.

The Annual Meeting was held on Tuesday March 27th at 6:00pm in the West Point building 37 Auditorium. Robb Armstrong, nationally syndicated cartoonist, children's book author and motivational speaker addressed the crowd this year. Autographed copies of his book *Twins – Twice the Fun* were given out to the first 200 attendees. There was no charge for the event but registration was required as usual. The annual meeting booklet takes on the same format as last year again in the primary colors of the credit union. Pictured on front and back is the interior of the new Chalfont office. Pictures and bios of the Hoffman winners were omitted from the Annual report this year in contrast to last year, and there were only three winners this year each receiving \$5,000. This \$15,000 total award allocation is a sharp decline from last year and the decrease in fact lowers

the award total to pre-1999 amounts. It is the first time the total dollar amount of the award is decreased of in its history.



2006 ANNUAL REPORT | MERCK SHARP & DOHME FEDERAL CREDIT UNION

Opening New Doors

Chalfont Office & Operations Center 335 W. Butler Avenue (Route 202) P.O. Box 127 Chalfont, PA 18914	Broad Street West Office 1684 S. Broad Street P.O. Box 4, WP97A-121 West Point, PA 19486	Upper Gwynedd Office 351 N. Summerytown Pike UG2-CU North Wales, PA 19454
Blue Bell Office 785 Jolly Road Blue Bell, PA 19422	Lansdale Office 333 S. Broad Street Lansdale, PA 19446	West Point Office 770 Summerytown Pike P.O. Box 4, WP53F-102 West Point, PA 19486



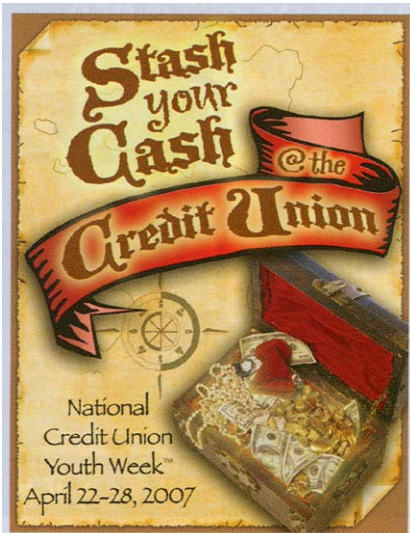
215.652.6777 | www.msdfcu.org

 **MERCK SHARP & DOHME**
FEDERAL CREDIT UNION

CU Rewards are added to the debit card in March. Now members will earn one point for every \$2 that they spend using signature debit card transactions. The points can be accumulated to purchase items. Also, the points earned on the debit card can be combined with points earned from using the credit union's MasterCard Gold card, which has been using the same rewards program since 2002. The CU Rewards program had already been accessible from the credit union website, only now more members had a reason to visit it.

The credit union partners with Go Direct in the first quarter of this year. Go direct is a service offered by the Department of the Treasury and the Federal Reserve Banks that is meant to give all Americans receiving Social Security and SSI payments information they need to feel more confident that direct deposit is safe, secure and the right way to go. In conjunction with trustworthy organizations that these Americans already do business with, Go direct is a resource that can help members set up their direct deposit online, over the phone or at their institution of choice. Direct deposit is important for every financial institution including the credit union and Merck retirees are a group that have been of special interest to the credit union over the past few years especially. Throughout its history the credit union has done its best to get the message out that "once a member always a member", that it doesn't matter that you no longer work for Merck anymore, you can still use the credit union for all you financial needs. This partnership is the latest step to try to get members aware of the services that are still available to them at two branches not located on Merck property.

Another online partnership that is started in the spring of this year is with CUDL: Credit Union Direct Lending. It is a service in some ways similar to MVCP (Motor Vehicle Certification Program), which the credit union still provides to members as well. CUDL is more, a service of CU Direct Corporation; members of 590 credit unions are able to search a network of 8,900 dealerships in 48 states to find the best rates and the most convenient financing. Members can log onto the service and find out which dealerships in their area provide indirect lending through their credit union. This is essentially the next step in the evolution of the original indirect lending program started by Dale Edwards in 2004. From the members point of view the mechanics of the service did not change change, but the adoption of the CUDL program provided a much more convenient method for the way the money is passed in the financing process. Before the adoption of this new program, every time an indirect loan was financed at a dealership, the credit union would wire the money for that financing to the dealership. With this new program, all transactions are processed as ACH transactions which was a much more efficient for the credit union. CUDL gave members more options and better indirect lending options.



Again this year the credit union participates in CU Youth Week from April 22nd through April 28th. During that time all Dollar Dog account holders receive one entry into the drawing for every \$10 they deposit and CU Succeed members receive one entry per \$25 they deposit. The theme adopted by the credit union this year is "Stash Your Cash @ the Credit Union. Last year the deposit goal set was \$15,000, but it was soon realized that the goal was set too low, so this year the goal for the week is set at the total deposited last year of \$55,000. The three prizes are an iPod, a \$50 gift card to Best Buy and a \$25 gift card to Best Buy.

The 9th annual charity golf open is scheduled for June

4th at 8:00am at the Mainland Golf Course; the price per golfer is \$95.00 and includes breakfast and lunch as well as a chance to win prizes. So far in its history the golf open has raised \$ 77,000 for charity. This year the event raised \$9,500, which was presented once again to Bridge of Hope BuxMont.

For the first and second quarters of the year, the credit union is ranked number one in overall service by Support Financial Resource, the company that the credit union uses to administer its secret shopper program. This award means that of all the comparable financial institutions that use SFR to administer, evaluate and track their secret shopper program, MSDFCU ranks at the top of the list. In overall service based on a 5-point scale the credit union received a score of 4.88, in referral rating (would a member recommend the credit union to someone else) a score of 4.88 was received and in emotional connection a score of 95.5% was received. When the secret shopper program first started, representatives from SFR showed credit union employees how the performance of individual employees was done as well as how to compare shop results from the credit union with other financial institutions that performed the best to see how much better or worse service was ranked in the financial institutions population. At that time the shops from the highest ranked institution was shown to management on the website and Dave Whitehead said that that was where he intended the credit union would be someday...an example for other financial institutions to aspire to, and that goal was realized with this award. A further tribute to the overall service standards as they had improved over the last few years could be seen not only in the credit union's overall shop scores, but also in its scores compared to all of its peers. The credit union now set the standard for service for others to follow.

Starting on August 1st of this year, members that are signed up for Home Banking no longer receive paper statements through the mail starting with the June statement. Many members had signed up for e-Statements over the past year since they were newly available through USERS, but the response to the service was not as pronounced as the credit union had hoped. The decision was made to extend the new service to all home banking users rather than just the ones that requested it. The e-Statement is preceded by an e-mail and is easily viewable on line on the first of every month. The statements can be printed or downloaded and go back 18 months. It is also made possible for members who still want to receive a paper statement to change this default setting by performing a few minor steps on home banking.

No moss grows under Kurt Hesser's feet as he continued this year to hold a myriad of educational classes and seminars on a variety of topics including two "semesters" of CU Succeed University:

Budgeting:	Tuesday March 13	Wednesday October 10
Saving:	Tuesday April 10	Wednesday November 7
Credit:	Tuesday May 8	Wednesday December 5

This is in addition to his regular schedule of visiting the different offices to meet with members who have financial questions of all kinds.

The 8th annual charity cow plop is held on Saturday October 13th at 2:00pm at the Montgomery County 4 H club. This year the charity event is for the benefit of Manna on Main Street in Lansdale and The Shepherd's Shelf in Kupsville, an emergency food pantry started by Christ Lutheran Church in 2003 that helps feed needy households in the Indian Valley and North Penn area. The price per Deed still remained at \$10.00. This year there were incentives for the top three employees that sold deeds. The first prize was \$250, second prize was \$100 and third prize was \$50. Also, each department (as well as branches) had set deed sale goals that they were expected to meet. Every department



MANNA ON MAIN STREET & THE SHEPHERD'S SHELF RECEIVE CHARITY COW PLOP PROCEEDS
 Standing (l to r): David B. Whitehead, MSDFCU CEO; Pastor Thomas Kadel and Lois Kadel, Shepherd's Shelf; Marilyn Monroy, MSDFCU member and owner of winning deed; Tom Allebach, Manna on Main Street; Charmaine Duval, MSDFCU teller who sold the most deeds.

that met or exceeded their goals were awarded an extra vacation day for each of the employees in that department. Charmaine Duval was the employee who sold the most

deeds this year.

The Prescription goes through more changes starting with the summer edition. The cover features a white background for the newsletters title in a different font and the credit union logo is smaller. There is more use of the primary green and blue colors in



sweeping arches not unlike the form taken by employee business cards three years back. Another

feature conspicuous by its absence is "Bonnie's Q & A Corner". An installment of the corner had been in every issue of the Prescription since summer 1986 when Bonnie (Ensslen) had first invited members to ask her any question related to the credit union, its services or benefits over banks. The corner was replaced by a more general "FAQ" section that essentially served the same purpose.

Beware of Skimming

Q: I heard about a skimming incident in the area where thieves captured credit, debit and ATM card information to commit fraud. How can I protect myself against this?

A: A device known as a "skimmer" is used to capture information contained in a card's magnetic strip. Your card could be skimmed by a dishonest waiter or store clerk. Some skimmers are implanted into ATMs or point-of-sale (POS) terminals. The best advice is to closely monitor anyone who handles your card. If possible, don't let them out of your sight. Also, don't use an ATM that looks like it could have been tampered with. If you receive an "invalid PIN" message when using an ATM, and you're sure you entered it correctly, that could be another warning sign. Finally, check your statements regularly for activity you did not perform. Report such activity immediately to your local authorities and financial institution.

Bonnie's Q & A Corner



Bonnie Folgia
Board Member

From the Prescription here is the last installment of Bonnie's Q&A Corner.

Starting on July 16th a new service called e-Deposits is made available to members. With this service, a member can, through home banking, enter all the information about a check to be

deposited and receive instant credit for the check amount. The member then mails in the

check in pre-printed envelopes to the credit union where the check is processed. The service is an added convenience that, like many other services, eliminates the need for the credit union to have a branch close to the member. Now distance is not an obstacle to service as the instant provisional credit is as convenient as making the deposit in person. E-deposits is a service that must be applied for and it is granted only to members with an impeccable deposit and check writing history with the credit union. It is also not a service offered to all members and credit on checks is not granted for more than \$1,500. It is a "rolling" \$1,500, so a member can never exceed that amount in provisional credit on outstanding checks that have not yet been received. All checks submitted via e-deposits must be received by the credit union within 7 days of electronic submission; if the check is not received by then, the credit is reversed out of the account.

From June 1st through August 31st, the credit union offers a promotion intended to increase awareness and interest in its new first mortgage program. The credit union offers to pay normal closing costs on any first time homebuyer's first mortgage or the refinance of an ARM that members get approved for through the credit union. On a \$200,000 loan, the savings on closing costs would be \$2,000. The minimum loan amount is set at \$100,000 and the offer does not include real estate tax, homeowners insurance or escrow.

In the third quarter another member survey is sent out to 2,500 members.

Once again the credit union receives the prestigious Dora Maxwell Award from the Credit Union National Association for its charitable endeavors such as the Cow Plop, the charity golf open and the adopt a family program in 2006. The credit union was also presented again this year with the Florence Nightingale award from Manna on Main Street, the recipient of \$15,900 from the charity cow plop in 2006.

In the Fall Prescription Dave Whitehead praises three employees who exemplify the credit union philosophy of "people helping people" as well as the example set by the credit union over the past decade. The Hurricane Katrina disaster had raised a great deal of awareness of how widespread recovery was and just how much destruction of lives and communities had occurred. Dave states that in recent months some employees had expressed an interest in helping out, so the credit union offered a challenge: any employee who wanted to help out in disaster relief would receive up to a week off with pay to go to the devastated areas to help in the rebuilding process. Cassandra Rich, a teller from the Upper Gwynedd office spent a week with a group from Morning Star Fellowship of Bechtelsville cleaning up a Park in New Orleans and rebuilding a house. Dale Edwards, VP of Lending spent the last week in September with a group from Cavalry Church of Souderton rebuilding homes in Waveland and Bay St. Louis, Mississippi. Eric Cox went a step further, he had already spent a week of his vacation in 2006 as part of a group from First Baptist Church of Lansdale that went to Long Beach, Mississippi to help in clean up and repair efforts. He then returned in 2007 and volunteered his vacation time to spend another week with a group from his church to work on a housing construction project in conjunction with Habitat for Humanity, Eric had also been one of the employees that helped out in West Philadelphia in a Habitat for Humanity project in 2003. These employees represented the best of the best: charity minded employees who were willing to sacrifice their time and energy to help make the world a better place.

In the fourth quarter of this year, Bill Piece, who was originally hired last year, is promoted from training manager to training director after far exceeding the expectations originally set for him by Dave Whitehead. He had instituted thorough cross-departmental training sessions so that all employees had a better understanding of what their counterparts in other departments and branches did for the members. He also held compliance-training sessions for employees as well as the board of directors. It would

also be his job to hold continuing education courses on sales and service and core values to all employees.

During the month of November the credit union runs another membership promotion: Open a checking account with direct deposit and get \$75. The new member received \$50 for opening the new draft account and \$25 for signing up for home banking with bill pay and adding 1 payee in the system. The promotion also showcases all the benefits of having a draft account with the credit union. The direct deposit must be received within 60 of account opening in order to receive \$50 credit and the bill pay must similarly be set up before the \$25 is awarded.

The trend recently was a move by financial institutions to provide fast easy methods for switching accounts from one financial institution to another. One complaint by “customers” was the inconvenience of switching everything over, so financial institutions started offering “switch kits” in their offices and online, and the credit union was no exception. In November of this year an online switch kit was added to the website. When the proper information was input, forms would generate that enabled the member to close accounts elsewhere, change their direct deposit to their credit union account and change any direct debits from their old account to their credit union account.

In October International Credit Union Week is celebrated with a number of events: All credit union offices offer refreshments and giveaways on Friday the 19th (credit union day), celebrations from 9am to 12pm at the Lansdale and Chalfont offices, an appearance by Dollar Dog at the Lansdale and Chalfont offices and a shredding party at Chalfont. Also, any member who brings another eligible member to join receives \$5 to their account.

The credit union mourned the death of two valued volunteers this year. Horace Russo passed away on Thursday September 13th at the age of 88. He had served as treasurer of the credit union from 1952 through 1954 and again from 1970 – 1973. He served on the board of directors from 1952 to 1979 and had made collections for the credit union before joining the board. He was one of the original members going back to the very beginning (with account number 259) and he in fact was one of the people I had the privilege of interviewing for this history. His contributions to the credit union for its first 30 years cannot be overstressed. Another loss to the credit union this year was the death of James “Sakk” Frankenfield who lost a yearlong bout with cancer. Saak had been a member of the credit union for 30 years but had only recently joined the Supervisory Committee in 2004 and became its chairman in 2005. He contributed a great deal of time to helping the credit union remain the strong institution it had become.

In order to be more convenient, a goal set by the board and senior management since the most recent member survey, the hours of the Chalfont and Lansdale offices are extended from closing at 4:00pm to 6:00pm Monday through Thursday. The Friday and Saturday hours remain unchanged. The call center’s hours are also changed so that they are open as late as both offices.

The focus this year was on added convenience for the member. Dave always said that members voted with their feet. This year was an attempt to enable members to let their fingers do the walking and continue to use credit union services whether there was a branch within walking distance or not as long as they were in arms length of a keyboard. E-statements made it easier for the member to monitor their account. The credit union’s entry into the CUDL service made shopping for a car much easier and enabled the member to know right where to go to get the best deal and hassle free indirect lending. E-deposits were a big addition to the convenience factor of allowing the more distant member to get fast access to deposits that the credit union had not even received yet. The on-line switch kit made closing an account somewhere else more convenient than

going into a branch to acquire or fill out the paperwork. Go Direct made it convenient for retirees to switch to direct deposit. The credit union again this year offered members the option to buy gift cards online essentially enabling them to do some of their Christmas shopping from their computer through bill pay. And twice this year the credit union's members were enrolled in national promotions to win prizes just for using Bill Pay. There could be no valid argument to suggest that the credit union was not eminently convenient; as, if not more convenient and offering more services than many banks and other credit unions that members could choose from. On top of this, the hours at the two off-site offices had permanent extended hours. And there were still more e-improvements planned for 2008.

2007 was another very good year in terms of membership growth. By the end of the year there were 23,714 members; this was an increase of 836 members or 3.5%.

The prime-lending rate dropped a full point this year from 8.25% to 7.25% in December. The credit union's rates did not fluctuate a great deal. CD rates fell in direct response to Prime; the Federal Reserve did not lower rates until September of this year, the 12 month CD fell from 4.90% in May to 4.25% in late December. For the second straight year the rate on share deposits remained the same at .625% while IRA share rates dropped from 4.00% to 3.50% by the end of the year. The credit cards rates did not change this year and the rates on all auto loans remained unchanged from 5.99% for a new car for up to 60 months and a new car up to 7 years at 6.99%.

History of Volunteers as well as can be ascertained

What follows is as complete a list of all volunteers who served the credit union in the capacity of director, or committee member. In the early years there were times when non-directors were on various committees and that practice has continued over the years to varying degrees. What I have compiled is as accurate a record as can be drawn together from the information available to me. Directors are elected at the Annual Meetings, so their service crosses over two years, and typically directors would be elected for three-year terms or two-year terms. When a director's term was up, others could run for their position. If no one challenged for the position, the board member up for re-election would carry the vote (as the only contender) and continue to serve as a director for a renewed term. There have been occasions when directors have been voted out of office and then returned or re-elected later in subsequent years. There have also been rare occasions when directors have been dismissed. It has been my intention to provide here as complete a list as possible not only of volunteers but all the capacities in which they served in their respective tenures and the dates of service. There have been times when someone acted as a volunteer before being formally elected to the board as an actual director. Since I have only available to me the annual reports spanning credit union history, I have only "official" start times for those who served as directors. Some dates are absent because there is simply no way of knowing a given start date or end date of service because the information is lost. Any inaccuracies must be understood as unavoidable and unintentional. I have also included pictures of as many directors as possible. Sadly there are not more pictures of the early directors. When a director is listed as a Chairman of a committee, it is understood that they also served at one time as a general member of that committee as well. There are times when a director does not appear on the roster for one or two years, I am omitting those gaps and reporting as continuous service since often times they served in some other capacity in those intervening years.

John Hogue – 1950 to ????: Treasurer
Raymond Hoffman – 1950 to 1970: First President
Dave Geraghty – 1950 to ????
Harry Freemark – 1950 to ????
George Lapsley – 1950 to ????
Frank Zappile – 1950 to ????
Mildred Bracelin – 1950 to ????
Lou Conyer – 1950 to ????
Margaret Foster – 1950 to ????
Herbert Heath – 1950 to ????
Ethel Gleason – 1950 to ????

Cyrus Peters – 1951 to ????



HORACE RUSSO

Horace Russo – 1952 to 1979: Treasurer, Executive Committee, Education Committee, Legislative Committee, Annual Meeting Committee,

William Keck – 1952 to 1954: Treasurer
Ed Casey – 1956 to ????: Treasurer



GLASCOE HUGHES

Glascoe C Hughes – 1954 to 1975: Credit Committee Chairman, Annual Meeting Committee,



JOSEPH TAYLOR

Joe Taylor – 1955 to 1975: Supervisory Committee, Executive Committee, Chapter Rep, Annual Meeting Committee,

Walter Hauk – 1956 to ????: Supervisory Committee

Larry Rossi – 1956 to 1973: Supervisory Committee



DANIEL W. WHITEHEAD



Daniel W. Whitehead

Daniel Whitehead – 1956 to 1986: Vice President, Membership Committee, Executive Committee, Membership Officer, Hoffman Scholarship Program Review, Annual Meeting Committee,



MARIE LAMBERTI

Marie Lamberti – 1957 to 1981: Annual Meeting Committee,

Mary Loftus – 1957 to ????

Carl Haffner – 1957 to ????



DANA H. ADAMS

Dana Adams – 1958 to 1975: Supervisory Committee

Nellie Povey – 1958 to ????: Credit Committee

Donald Sivick – 1961 to ????: Treasurer

Al DeSipio – 1962 to ????

Wilton Tate – 1962 to ????: Education Committee (not a director)



WILLIAM E. GADD

William E Gadd – 1964 to 1986: Credit Committee, 2nd President, Treasurer, Education Committee, Executive Committee, Montgomery County Chapter Rep, Hoffman Scholarship Program Review, Personnel/Policy Committee, Long Range Planning Committee Chairman, Investment Committee Chairman, Nominating Chairman, By Laws Ad Hoc Committee, Legislative Committee Chairman, Annual Meeting Committee, Lansdale Building

Committee, Asset Liability Management Committee Chairman, Promotions Committee, Security Committee,

Ignatious Galante – 1968 to 1974: Credit Committee, Annual Committee,



JOHN STEVENS



John Stevens

John D Stevens – 1969 to 1997: Vice President, 3rd 10th 12th President, Executive Committee, Montgomery County Chapter Rep, Legislative Committee, Membership Committee, Hoffman Scholarship Program Review Chairman, Investment Committee, Long Range Planning Committee Chairman, Personnel/Policy Committee Chairman, Education Committee, Annual Meeting Committee, By Laws Ad Hoc Committee, Asset Liability Management

Investment Committee,



SARABETH GADD

Sarabeth (Linden) Gadd – 1969 to 1986: Education Committee Chairman, Secretary, Executive Committee, Montgomery County Chapter Rep, Membership Committee Chairman, Marketing and Public Relations Committee, Hospitality Committee, Annual Meeting Committee, Marketing and Education Committee, Lansdale Building Committee, Promotions Committee, Hoffman Memorial Award Committee, Chapter Rep, Annual Meeting Committee,



WILLIAM TINDALL

William Tindall – 1970 to 1975: Vice President, Loan Officer, Executive Committee, Credit Committee, Annual Meeting Committee,

Ron Reichardt – 1970 to 1975: Credit Committee,



ROBERT KLOVSKY

Robert B Klovsky – 1972 to 1981: Education Committee, Legislative Committee, Montgomery County Chapter Rep, Annual Meeting Committee,



JAMES ROONEY

James Rooney – 1972 to 1975: Education Committee, Annual Meeting Committee,



MIKE SLEAR

Michael Slear – 1973 to 1979: Education Committee, Annual Meeting Committee,



PATT SCHULL

Patricia Shull – 1973 to 1982: Education Committee, Travel & Recreational Committee, Annual Meeting Committee,



KEN BREHM

Kenneth L Brehm Sr. – 1971 to 1998: Credit Committee Chairman, Backup Board, Montgomery County Chapter Rep, Executive Committee, Vice President, Legislative Committee Chairman, 5th President, Education Committee, Membership Committee, Secretary, Nominating Committee Chairman, Personnel/Policy Committee, Annual Meeting Committee, Marketing and Public Relations Committee, Raymond Hoffman Award Committee, Marketing and Education Committee, Long

Range Planning Committee Chairman, By Laws Ad Hoc Committee, Security Committee Chairman, Hospitality Committee, Hospitality Committee, Lansdale Building Committee, By-Laws Committee Chairman, Annual Meeting Committee, promotions Committee, Andre/Cook Review Committee Chairman,

Peggy Hancock – ???? to ???? : Secretary, Annual Meeting Committee,

Ed Drozdoski – ???? to ???? : Annual Meeting Committee,

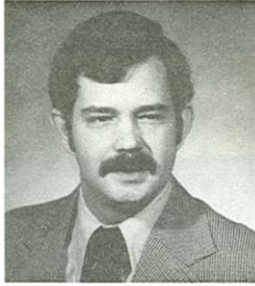
Thomas Thatcher – ???? to 1974: Annual Meeting Committee,

Brenda Harper – ???? to ???? : Education Committee,



CHRIS KOWTNA

Christopher Kowtna – 1972 to 1978: Backup Board, Supervisory Committee



JOSEPH ROBINSON

Joseph G Robinson – 1972 to 1985...1997 to Current: Backup Board, Education Committee, Credit Committee, Executive Committee, 4th President, Loan Officer, Investment Committee, Wilson Liaison, Security Committee, Annual Meeting Committee, By Laws Committee, Long Range Planning Committee, Nominating Committee, Director at Large, Personnel/Policy Committee,

Paul M Schugsta – 1972 to 1974: Supervisory Committee,



FRANCIS G. KEATING

Frank G Keating – 1973 to 1979: Supervisory Committee,



GEORGE SMITH

George Smith – 1975 to 1985: Backup Board, Credit Committee, Youth Involvement Committee, Membership Committee, Investment Committee, Annual Meeting Committee



BOB BURNS

Robert J Burns – 1975 to 1986: Credit Committee Chairman, Education Committee, Montgomery County Chapter Rep, Vice President, Executive Committee, Legislative Committee, Investment Committee, Security Committee, Long Range Planning Committee, Personnel/Policy Committee, Annual Meeting Committee,



Earl Harris

Earl Harris – 1975 to Current: Legislative Committee, Education Committee, Security Officer, Membership Committee Chairman, Youth Involvement Committee, Personnel/Policy Committee, Long Range Planning Committee, Hospitality Committee, Investment Committee, Lansdale Building Committee, Annual Meeting Committee, Supervisory Committee, Asset Liability Management Committee,



MERRILL SCHRACK

Merrill W Schrack – 1976 to 1981: Supervisory Committee Chairman,



JEFF FRIEDMAN

Jeffrey T Friedman – 1976 to 1986...1995 to Current: Education Committee, Legislative Committee, Montgomery County Chapter Rep, Hoffman Scholarship Program Review Chairman, Youth Involvement Committee, Treasurer, Executive Committee, Investment Committee, Long Range Planning Committee, Personnel/Policy Committee, Annual Meeting Committee, Secretary, Supervisory Committee, Asset Liability Investment Management Committee, Nominating Committee Chairman, By Laws Committee, Hoffman Committee,



W. Andrew McPherson

W Andrew McPherson – 1979 to Current: Vice President, Executive Committee, 6th, 9th, 11th, 16th President, Nominating Committee Chairman, Security Committee, Long Range Planning Committee Chairman, Annual Meeting Committee, Lansdale Building Committee, Asset Liability Management Committee, By-Laws Committee Chairman, Hoffman Memorial Award Committee, Personnel/Policy Committee, Vice Chairman of the Board, Hospitality & Annual Meeting Committee, Hospitality Committee,



LEWIS L. MOYER

Lewis L Moyer – 1978 to 1988: Supervisory Committee, Travel and Recreational Committee, Security Committee, Annual Meeting Committee,



ANDREW PINCKNEY, JR.

Andrew Pinckney, Jr. – 1978 to Current: Supervisory Committee Chairman, Travel and Recreational Committee, Legislative Committee, Hoffman Scholarship Program Review, Annual Meeting Committee, Personnel/Policy Committee Chairman, Marketing and Public Relations Committee, Marketing and Education Committee, Wilson Liaison, Marketing and Public Relations Committee, Asset Liability Management/Investment Committee, Hospitality Committee, By Laws Committee



SUE ANN VETRI

Sue Ann Vetri – 1978 to 1990: Supervisory Committee,



JAMES C. PIERCE

James C Pierce – 1978 to ????: (not a director) Credit Committee, Backup Board,



JAMES M. SLAWECKI

James M Slawewski – 1979 to 1990: Travel and Recreational Committee, Credit Committee Chairman, Legislative Committee, Vice President, Executive Committee, Education Committee, Nominating Committee, Investment Committee, Security Committee, Long Range Planning Committee, Annual Meeting Committee,



Alfred DiNenno

Alfred DiNenno – 1978 to 1987: Legislative Committee Chairman, Backup Board, Travel and Recreational Committee, Vice President, Executive Committee, Youth Involvement Committee, Membership Committee, Hoffman Scholarship Program Review, Credit Committee, Long Range Planning Committee, Nominating Committee Chairman, Personnel/Policy Committee, Hospitality/Travel Committee, Annual Meeting Committee,



Janice Jacques

Janice Jacques – 1979 to 1982: Backup Board, Credit Committee, Annual Meeting Committee,



WILLIAM F. SAUTTER

William Sautter – 1978 to 2002: Credit Committee, Long Range Planning Committee, Personnel/Policy Committee, Marketing and Education Committee, Security Committee, Marketing and Public Relations Committee, Membership Committee, Wilson Committee, Lansdale Building Committee, Annual Meeting Committee, Hospitality Committee, Nominating Committee, Andre/Cook Review Committee, By-Laws Committee, Executive Committee, Hoffman Scholarship Committee, Asset Liability Management Committee, Y2K Compliance Committee,



Peter Nebenfuhr

Peter Nebenfuhr – 1984 to 1986: Vice President, Executive Committee President, Long Range Planning Committee Chairman, Personnel/Policy Committee, 7th President,



Louise Finney

Louise Finney – 1982 to 1985: Security Committee Chairman, Education Committee Chairman, Backup Board, Youth Involvement Committee, Membership Committee, Annual Meeting Committee,



Jean Stauffer-Rowan

Jeanne L. Stauffer-Rowan – 1982 to 1989: Backup Board, Membership Committee, Education Committee, Hospitality/Travel Committee, Nominating Committee, Marketing and Public Relations Committee, Annual Meeting Committee Chairman, Vice President, Executive Committee, Long Range Planning Committee, Hospitality Committee Chairman, Nominating Committee Chairman,



John Becker

John Becker – 1985 to 1990...1996 to 2008: Investment Committee, Personnel/Policy Committee, Security Committee Chairman, Wilson Liaison, Supervisory Committee, Asset Liability Management Investment Committee, Long Range Planning Committee Chairman, Y2K Compliance Committee, Executive Committee, Vice Chairman, Nominating Committee, Treasurer,



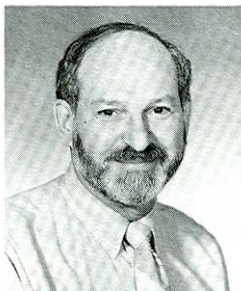
Tom O'Connor

Tom O'Connor – 1985 to 1989: Personnel/Policy Committee, Marketing and Public Relations Committee, 8th President, Executive Committee, Marketing and Education Committee, Long Range Planning Committee, Wilson Liaison,



Bonnie Ensslen

Bonnie (Ensslen) Folgia – 1985 to Current: Backup Board, Marketing and Public Relations Committee Chairman, Credit Committee, Personnel/Policy Committee, Nominating Committee, Marketing and Education Committee Chairman, Executive Committee, Long Range Planning Committee, Marketing and Public Relations Committee Chairman, Lansdale Building Committee, Annual Meeting Committee, Hospitality Committee, Hospitality Committee Chairman, Vice Chairman of the Board, Andre/Cook Review Committee Chairman, By Laws Committee, Newsletter Committee Chairman, Chairman of the Board,



Irv Pincus

Irwin Pincus – 1983 to 1989: Backup Board, Membership Committee, Security Committee Chairman, Long Range Planning Committee, Personnel/Policy Committee, Hospitality/Travel Committee, Marketing and Public Relations Committee, Wilson Liaison,



Lonna Jennings

Lonna Jennings – 1986 to 1998: (former employee 1983 – 1985) Personnel/Policy Committee, Raymond Hoffman Award Committee Chairman, Long Range Planning Committee, Nominating Committee, Personnel/Policy Committee, By Laws Ad Hoc Committee, Membership Committee, Security Committee, Secretary, Marketing and Public Relations Committee, Annual Meeting Committee, Security Committee, Marketing and Education Committee, Andre/Cook Review Committee, Newsletter Committee, Annual Meeting Committee,



Robert Muzslay

Robert C Muzslay – 1974 to 1990...1995 to Current (former employee 1974 – 1987) Montgomery County, Chapter Rep, Education Committee, Legislative Committee, Investment Committee, Long Range Planning Committee, Security Committee, Marketing and Public Relations Committee, Annual Meeting Committee, Personnel/Policy Committee Chairman, Vice President, Executive Committee, By Laws Ad Hoc Committee, Nominating Committee Chairman, Treasurer, Andre/Cook Review Committee, Asset Liability Management Committee Chairman, Y2K Compliance Committee, Vice Chairman,



Bill Robbins

William Robbins – 1988 to 1989: Personnel/Policy Committee, Security Committee,



Peggy Fegely

Peggy Fegely – 1988 to 1994: (former employee 1981 – 1985) Education Committee, Long Range Planning Committee, Nominating Committee, Wilson Liaison, Annual Meeting Committee Chairman, Hospitality Committee, Wilson Committee Chairman, Hospitality Committee Chairman, Executive Committee,



Joseph Bintner

Joseph Bintner – 1989 to 1992: Raymond Hoffman Committee, Annual Meeting Committee, Security Committee Chairman, Long Range Planning Committee,



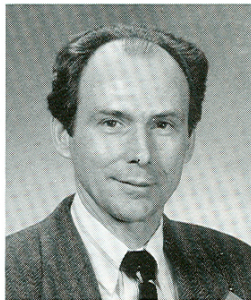
Elizabeth Urbanchuk

Elizabeth Urbanchuk – 1989 to 1995: Annual Meeting Committee, Hospitality Committee Chairman, Long Range Planning Committee Chairman, Marketing and Public Relations Committee, Personnel/Policy Committee Chairman, Investment Committee, Asset Liability Management Committee, Promotions Committee, Nominating Committee,



Nancy James

Nancy James – 1990 to Current: Security Committee Chairman, Annual Meeting Committee Chairman, Hospitality Committee Chairman, Secretary, Executive Committee, Personnel/Policy Committee, By Laws Committee, Long Range Planning Committee, Nominating Committee,



James Digan

Jim Digan – 1990 to 1993: Supervisory Committee Chairman, Executive Committee,



André Keck

Andre Keck – 1990 to 1996: Annual Meeting Committee, Nominating Committee, Membership Committee, Promotions Committee Chairman, Executive Committee, Promotions & Marketing Committee,



William C. Cook

William Cook – 1990 to Current: Supervisory Committee Chairman, Asset Liability Management Committee, Long Range Planning Committee, Hoffman Scholarship Committee, Nominating Committee, First Vice Chairman, Executive Committee, Personnel/Policy Committee,



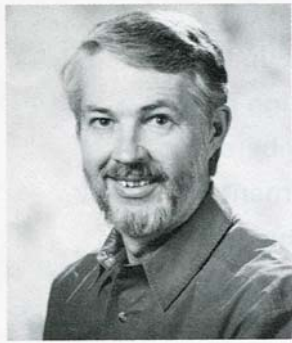
Richard Brinckman

Richard Brinckman – 1992 to 1995: Hoffman Memorial Awards Committee, Supervisory Committee, Hoffman Memorial Awards Committee Chairman, Newsletter Committee,



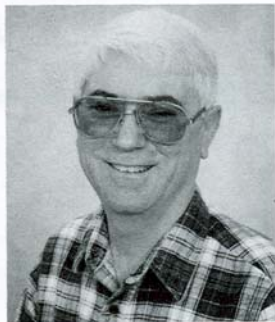
Pat Budenz

Pat Budenz-Keck – 1994 to 1996: Annual Meeting Committee Chairman, Promotions Committee, Membership Committee, Hoffman Memorial Awards Committee,



Carter LeBrocq

Carter LeBrocq – 1994 to Current: Supervisory Committee, Personnel/Policy Committee Chairman, By Laws Committee Chairman, Legislative Committee, *Chairman of the Board, Long Range Planning Committee, Security Committee, Asset Liability Management Investment Committee, Hospitality Committee, Nominating Committee, Second Vice Chairman, Executive Committee,



Jack Rubinsohn

Jack Rubinsohn – 1995 to 2003: Annual Meeting Committee, Asset Liability Investment Management Committee, By-Laws Committee, Personnel/Policy Committee, Supervisory Committee Chairman, Annual Meeting Committee, Second Vice Chairman, Long Range Planning Committee,



Marjorie Reed

Marjorie Reed – 1996 to Current: Personnel/Policy Committee, Hospitality & Annual Meeting Committee, Hoffman Scholarship Committee, Executive Committee, Nominating Committee, Director at Large, Asset Liability Management Committee, Chairman of the Board,



Velma Hendricks

Velma Hendricks – 1997 to Current: Asset Liability Management Committee, By Laws Committee, Hoffman Scholarship Committee Chairman, Supervisory Committee, Long Range Planning Committee, Personnel/Policy Committee, Nominating Committee, Treasurer, Executive Committee,



Christine Egolf

Christine Egolf – 1997 to Current: Supervisory Committee Chairman, Second Vice Chairman, Long Range Planning Committee,



Michael Neeper

Michael Neeper – 1997 to 2000: Supervisory Committee,



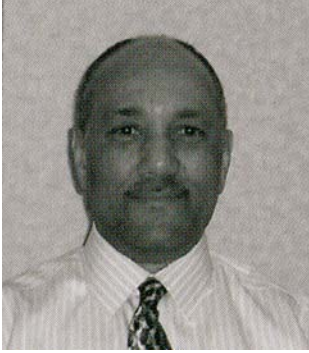
Michelle Barnes – 1999 to 2001: Supervisory Committee,



Sandra Travis – 2000 to 2002: Supervisory Committee,



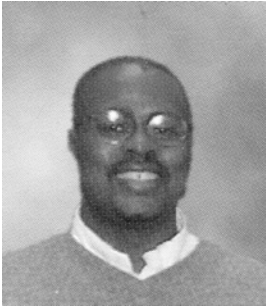
Siddarth Turakhia – 2001 to 2005: Supervisory Committee,



Dale Allen – 2002 to **Current**: Supervisory Committee,



Colleen Foley – 2002 to **2003**: Supervisory Committee,



Carnley Norman – 2003 to **2004**: Supervisory Committee,



Chuck Waddington – 2004 to **Current**: Supervisory Committee,



Sakk Frankenfield – 2004 to **2007**: Supervisory Committee Chairman,



Jeffrey James – 2005 to Current: Supervisory Committee,

***Starting in 1995 the title of President (of the Board) was changed as already been explained. The title was replaced with “Chairman of the Board” and that holder of that position was by design also Chairman of the Executive Committee. The Executive Committee had always consisted of the President, Vice President, Treasurer, the Secretary and a Director at Large.**

What follows is a list of credit union employees who served as volunteers on various committees but were never elected as directors as listed in all annual meeting booklets. Many employees have served in other committees over the years, but there are no records of them:

Mark Pellegrino – Montgomery County Chapter Rep, Annual Meeting Committee, Education Committee, Hoffman Scholarship Program Review, Membership Committee, Youth Involvement Committee Chairman, Marketing and Public Relations Committee,

Shirlee Nicolino – Travel and Recreational Committee, Credit Committee, Hospitality/Travel Committee, Investment Committee, Marketing and Education Committee, Investment Committee, Marketing and Public Relations Committee, Personnel/Policy Committee, Wilson Committee, Asset Liability Management/Investment Committee, Newsletter Committee, Security Committee,

Carole Robinson – Education Committee,

Donna Penecale – Education Committee,

Elizabeth Brehm – Hospitality Travel Committee Chairman,

Chris Pitera – Marketing and Public Relations Committee, Hospitality Committee,

Betty Ford – Hospitality and Travel Committee,

John Avgiris – Long Range Planning Committee,

Nancy O’Brien – Marketing and Public Relations Committee, Hospitality

Committee, Annual Meeting Committee, Marketing and Education Committee,

Darcy Schneidinger – Wilson Liaison, Annual Meeting Committee,

Wendy Spachman – Marketing and Education Committee, Hospitality Committee, Promotions Committee, Promotions and Marketing Committee,

Valerie Johnson – Hospitality Committee,

Annette Ziegler – Investment Committee, Asset Liability Management/Investment Committee, Newsletter Committee, Personnel/Policy Committee,

Gloria MacDonald – Annual Meeting Committee, Marketing and Education Committee, Marketing and Public Relations Committee, Wilson Liaison, Hospitality Committee, Newsletter Committee

Susan Hackett – Hospitality Committee Chairman, Membership Committee Newsletter Committee,

Patrice Kriedler – Hospitality Committee, Annual Meeting Committee

Pam Battistoni – Hospitality Committee

Elizabeth Johnstone – Hospitality Committee

Barbara Bonanni – Membership Committee, Marketing and Public Relations Committee, Marketing and Education Committee, Promotions Committee, Promotions & Marketing Committee, Annual Meeting Committee, Newsletter Committee,

Balinda Haines – Marketing and Education Committee, Membership Committee

Joanne Podulka – Annual Meeting Committee, Hospitality Committee

Nadine Reynolds – Annual Meeting Committee, Hospitality Committee,

Mary Jane Ferguson – Newsletter Committee,

David Whitehead – Asset Liability Management Investment Committee, Newsletter Committee, Personnel/Policy Committee, Executive Committee,

Lisa Lubas – Annual Meeting Committee,

Brian Wilcox – Annual Meeting Committee,

Dana Defilippis – Annual Meeting Committee,

Acknowledgements:

My thanks to the following people who helped me with this project. Without their contributions this endeavor would have been impossible:

To **Brian Wilcox** – who was kind enough to make available to me back copies of the annual reports going back to 1970, archival copies of the Prescription going back to 1983 and credit union photos that had been saved over the years. Without these resources, this project would have indeed been impossible.

To **Daniel Whitehead** – who was kind enough to allow me to interview him at his home in Glenolden on April 25th 2005. As an active member since 1951 and director from 1956 to 1986, he gave me information on early events of the credit union and his perspectives as a volunteer.

To **Joe Ciacci** – who was very helpful in granting me access to archival photos of Merck and co that include otherwise impossible to obtain pictures of the Glenolden facility, the Broad and Wallace building and the West Point site from 1963 when the credit union moved there.

To **Bill Gadd** – who, as a long time weighting contributor to the annual reports in his varying capacities of service over 34 years, was extremely detailed in his accounts of yearly financials, credit union services and the two page history he researched for the 1975 annual report which chronicled the first 25 years of the credit union's history without which this history would have been severely wanting. His attention to detail cleared up otherwise un-answerable questions. And also to Bill and Sarbeth Gadd, for allowing me to interview them at their home on November 20th 2007. They were both instrumental in filling in many gaps in history of the first 25 years of the credit union and answering questions that I had on many points of confusion on existing credit union records.

To **Evan Evens** – who, drawing from his employment with Merck going back to the early sixties was very helpful in describing the lay-out of the West Point site over the years.

To **Gloria MacDonald** – who, with her extensive and vivid memory of events going back to her initial employment with the credit union in 1985, shed light and detail on many aspects of credit union history over the past 23 years that otherwise would have been missed.

To **Bob Muzslay** – who allowed me to interview him on July 19th 2005 on credit union operations spanning the time that he was manager of the West Point facility. With his extensive memory of events he was able to provide me with invaluable details on many topics on which I was otherwise unclear or unaware.

To **Horace Russo** – who was kind enough to allow me to interview him at his home on July 27th 2005 about the early years of the credit union. Mr. Russo started as a director

for the credit union from 1952 to 1979 and served as the treasurer for many years. He was able to give me details on different office operations in the first 20 years of credit union history. Sadly, this acknowledgement can only be offered posthumously as I am sorry to have discovered that Horace Russo died on September 13th of 2007. I regret that he was unable to see this history completed as he was instrumental in its making as well as in the evolution of the credit union itself.

To [Leonard T Perrone](#) – Upper Gwynedd Township Manager who was very helpful in providing essential information on the history of the West Point and Upper Gwynedd properties of Merck & Co. Mr. Petrone was kind enough to give me a copy of the Upper Gwynedd Township Centennial commemorative book (printed for the Upper Gwynedd 1991 Centennial Book Committee by Merck Sharp & Dohme Graphic Services) that provided me with precisely the information I was hoping to find regarding history going back to 1890 as well as photos of the Merck plant cite taken by air, of the Florex gardens and the Leeds & Northrup building.

To [Jennifer Appleton](#) – Of Continental Bank for her expertise in accessing public records on the Lansdale and Chalfont offices.

To [Richard D Shearer](#) – as President / Administrator of the Lansdale Historical Society Mr. Shearer was very helpful in locating old pictures of Florex Gardens and the property where the Lansdale office now stands. The materials provided by the Lansdale Historic Society were invaluable and appreciated additions to this project.
