

Voter's Guide

Your guide to the proposed merger between
First Tech Credit Union and Addison Avenue Federal Credit Union

first  tech
credit union



October 2010



To our fellow members,

For nearly 60 years, First Tech has been committed to delivering you the value, service and convenience you expect. As your Board of Directors, our responsibility is to ensure that First Tech can deliver on that commitment for many years to come. That's why we unanimously agree that a merger with Addison Avenue Federal Credit Union is in the best interests of First Tech, our members, our employees and the communities we serve.

We can assure you that your credit union is financially strong and stable and that your membership offers you one of the most valuable benefits packages in the financial services industry today. However, we are challenged to think ahead and explore opportunities that assure First Tech continues to deliver and increase your membership value.

Just like you, we're First Tech members too. We love our credit union and the benefits our membership brings. We don't want those benefits to change. However, in these challenging economic times, to maintain and grow those benefits over time, First Tech has to change.

We've thoroughly examined the benefits this partnership can bring, as well as the associated risks. We believe the rewards are many, and, that we've taken every step possible to mitigate potential risks. We've prepared this Guide to assist you in making an informed vote. We unanimously support this merger and encourage you to vote 'yes' when the time comes.

You'll receive your Official Ballot Packet either by mail or email the first week of November. In the meantime, we encourage you to review this Guide. If you have any questions, simply email vote@firsttechcu.com or call 800.637.0852.

Best regards,

Carolyn Strong, Board Chairman
Tony Backes, Vice Chairman
Bill Peters, Secretary

Shola Aluko, Director
Steve Bang, Director
Tom Gifford, Director
Rob Gloeckner, Director

Guide Overview

This Guide offers you important information regarding the proposed First Tech Credit Union merger with Addison Avenue Federal Credit Union.

Please note: If the proposed merger is approved, the combined credit union will operate as First Tech Federal Credit Union. Information in this Guide about First Tech **Federal** Credit Union refers to the merged, combined credit union.

If you'd like further information:

- ▶ **Visit us online:** firsttechcu.com
- ▶ **Email us:** vote@firsttechcu.com
- ▶ **Call us:** 800.637.0852
- ▶ **Connect with us at:**
 - Facebook: First Tech Credit Union
 - Twitter: @firsttechcu
 - Blog: blog.firsttechcu.com



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Why Merge?

Since we announced the proposed merger in March, one of the most common questions we've received is, "Why merge?" To put it simply, we identified challenges that could affect First Tech's ability to maintain, and increase, your membership value over time. Therefore, we've proposed a sustainable solution that assures First Tech can continue to deliver on its member commitment for years to come.

The Challenges

▶ Smaller Income Margin

On a day-to-day basis, First Tech buys and sells money to its members by paying interest on deposits and by charging interest on loans. The difference is the credit union's net interest income margin. With that income, First Tech pays its operating expenses, invests in technology and infrastructure, develops new products and services, recognizes and rewards its talented employees and more.

Today, that net interest income margin continues to get smaller. That challenges First Tech to explore ways to generate more income to maintain, and increase, the value of your membership. One way to do that is by increasing fees; however, that is never a popular solution and certainly not a direction we wish to take. Instead, our focus has been on identifying ways to increase operating efficiency and reduce expenses without decreasing your membership value.

▶ NCUSIF Premium Assessments

The National Credit Union Share Insurance Fund (NCUSIF) is a government-backed, National Credit Union Administration (NCUA) managed insurance fund for credit union member deposits. It's similar to Federal Deposit Insurance Corporation (FDIC) insurance for banks, but is 100% funded by credit unions that must generally maintain a balance of 1.3% of their insured deposits in the fund.

In early 2009, the NCUA took proactive steps to reinforce the fund by levying an additional premium assessment on all credit unions. For First Tech, this meant an additional \$2.5 million contributed to the fund. The NCUA also levied premiums in 2010, and First Tech has contributed \$4.7 million to the fund.



► **The Road Ahead**

Because of First Tech's historically prudent financial management strategies, we've weathered these additional assessments, but it has affected First Tech's bottom line, which in turn can affect your membership value.

As your Board of Directors, that reality challenged us to explore new ways to control costs and increase operating efficiencies without sacrificing that value. After thoroughly exploring the options, the Board unanimously agreed that a merger with Addison Avenue is the solution that offers First Tech a sustainable operating model and allows First Tech to generate resources well beyond what it could do independently.



What Solutions Were Explored?

▶ **Remain Independent**

As we've said, First Tech is strong and well-capitalized today. With our historically conservative financial management strategies, First Tech does have the resources to remain independent for the short term.

In the long term, shrinking margins and economic realities would require First Tech to make changes to remain independent . . . changes we believe would be detrimental to your long-term membership value, including less competitive rates, more fees and fewer resources to invest in products, technology and infrastructure.

▶ **Merge With a "Local" Credit Union**

If First Tech were simply looking to expand local market presence, then merging with a local institution might make sense. However, merging for the sake of getting bigger was not our primary motivation.

As your Board, it's our responsibility to create a sustainable, long-term financial model. That requires a solution that can deliver the intended financial benefits. History demonstrates that many mergers fail to deliver their intended financial benefit for one key reason - the companies are not culturally compatible. Although there are many great credit unions in the Pacific Northwest, none are as similar to First Tech as Addison Avenue.

▶ **Merge With a "Like" Credit Union**

History tells us that merging with a culturally and strategically compatible credit union is the foundation for recognizing the fully-intended benefits of a merger. First Tech serves a community of members who prefer the convenience of technology and who expect a superior level of value and service. Those expectations demand a partner that shares our culture and commitment, as well as our prudent financial management strategies. Addison Avenue is First Tech's true equal culturally, strategically and financially.

What is a Merger of Equals?

"It's unlikely you'll ever see a merger between two organizations [First Tech and Addison Avenue] that are more similar in size and makeup. The synergies and balances are obvious."

--TheFinancialBrand.com March 15, 2010

We couldn't agree more. That's exactly why we call this a merger of equals. Walk into any Addison Avenue branch or visit them online and you'll feel right at home. That's because their member-centric culture and their commitment to offering you anytime, anywhere banking is uniquely similar to First Tech's. In fact, it's uncanny how much First Tech and Addison Avenue have in common, which is why we call this a merger of equals.

- ▶ Both began serving the high tech industry in the 1950s and continue to serve some of the most progressive, 21st century companies in the world today.
- ▶ Both believe in leveraging technology to meet their members' product, service and delivery expectations.
- ▶ Both have strong, member-centric cultures and are committed to delivering their members the highest value, service and convenience.
- ▶ Both have a talented and dedicated team of employees; many who came from the high tech industry.

As of Sept. 30, 2010	First Tech	Addison Avenue
Founded	1952	1956
Assets	\$2.3 billion	\$2.4 billion
Branches	18	20
Members	169,237	158,015
Net Worth (Capital) Ratio	8.40%	9.90%
Employees	388	428
Companies Served Include	Microsoft, Intel, Nike, Tektronix	Hewlett-Packard, Agilent, CH2M HILL, CISCO

Who Benefits From This Merger?

First Tech, its members, its employees and the communities it serves would all benefit from the proposed merger. By leveraging both institutions' existing resources and by taking advantage of their combined scale, this unique partnership of equals would offer the new First Tech Federal approximately \$68 million in operating expense savings in the first five years. This is well beyond what First Tech could achieve independently during the same timeframe.

The new First Tech Federal, would recognize approximately \$68 million in operating expense savings in the first five years. Those savings do not come from planned staff reductions.

The most important part is that the projected savings do not come from planned staff reductions, but rather from systems consolidation, reduced operating redundancies, improved vendor pricing and gradual realignments in staffing over time due to attrition. Those savings translate into more resources to offer:

► Members

Greater long-term value through additional branch and ATM locations, enhanced account and convenience services and the peace of mind that comes from knowing you're banking with a safe and sound institution.

► Employees

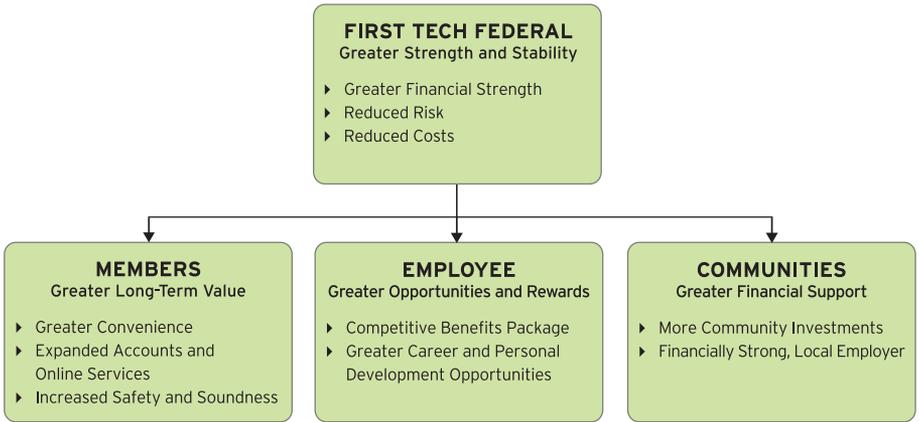
Greater career opportunities both geographically and in terms of specialization. Plus, greater resources would allow the new First Tech Federal to offer more personal development resources and continue to offer a competitive benefits package in the face of rising benefits costs.

► Communities

Greater financial support to help build strong communities.

On the next few pages, we've provided a bit more detail on each of these. You can also view additional information at firsttechcu.com.

First Tech Federal Benefits



Who Doesn't Benefit?

No Board of Director's Incentive

Your Board of Directors is 100% volunteer. We receive no cash payment for our Board service, and no Board Member would receive a cash payout or incentive if the proposed merger is approved.

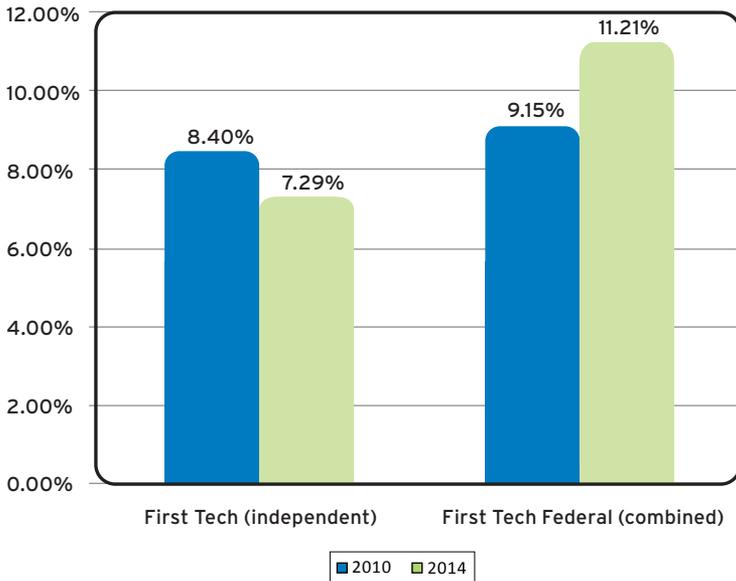
No Employee Incentives

No First Tech or Addison Avenue employees, including management, will receive any incentive related to approval of the proposed merger.

► **Greater Financial Strength**

As of September 30, 2010, First Tech had a strong net worth (capital) ratio of 8.40%. Under the proposed merger, the new First Tech Federal is projected to grow capital to 11.21% over the five-year period following the merger. Greater capital means greater financial strength and more resources to invest in increasing your membership value. Under current projections, without the proposed merger, First Tech will not generate sufficient capital to support asset growth without diminishing member value, and our prompt corrective action (PCA) capital to assets ratio will decline gradually over time.

PCA Capital to Assets Ratio

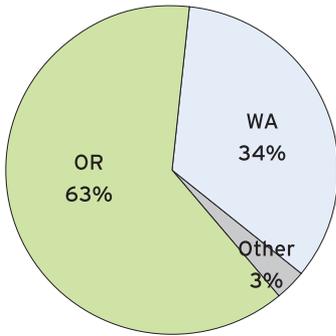


► **Reduced Risk**

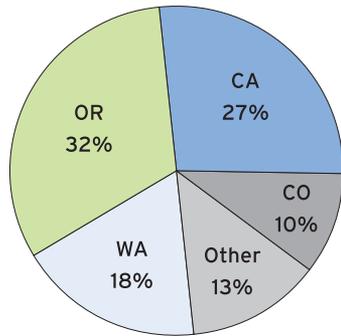
The merger would reduce First Tech Federal’s risk by spreading membership and loan portfolio exposure over several geographic areas. That diversity allows the credit union to be less dependent on the economic fluctuations of any one market.

Loan Portfolio Distribution

First Tech (Independent)



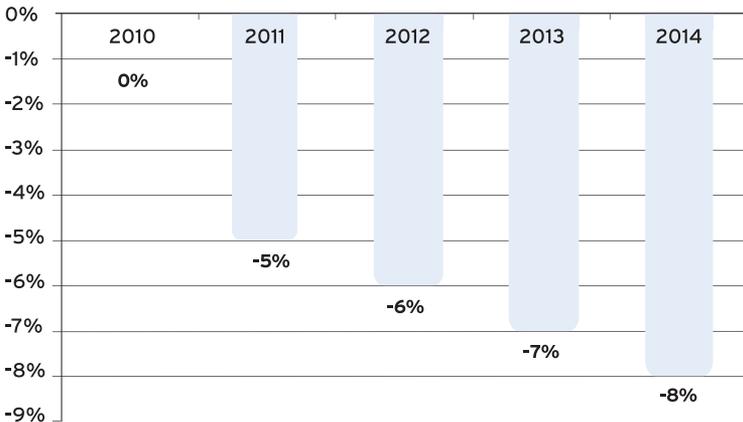
First Tech Federal (Combined)



► **Reduced Costs**

First Tech and Addison Avenue’s combined scale would give the new First Tech Federal the ability to re-negotiate vendor contracts and get improved pricing to reduce long-term costs. Every dollar the credit union saves can be invested in increasing your membership value.

Operating Expense Savings





Member Benefits

▶ **Greater Convenience**

The proposed merger would offer you greater convenience through additional branch and ATM locations. No First Tech branches will be closed due to the proposed merger. In fact, you would also enjoy access to branches in Corvallis, Oregon and Vancouver, Washington, as well as branches in the San Francisco Bay Area, Colorado, Idaho and more. Moreover, with increased earnings, the new First Tech Federal would have the resources to expand branch locations quicker than First Tech could do independently.

▶ **Expanded Accounts and Online Services**

We know that First Tech members expect competitive products and state-of-the-art online convenience. Meeting those expectations requires significant investments in research, development and testing. With greater resources, the new First Tech Federal could continue to introduce competitive products and enhance your online and call center experiences at a faster pace than First Tech could accomplish independently.

In the near term, you'd benefit from online services that Addison Avenue already offers such as depositing checks from your home scanner and opening an account online. In the long term, the new First Tech Federal would have greater resources to increase online functionality. Although these enhancements would not be available the very first day, future enhancements include online wire transfer services, iPhone/Droid mobile banking applications, online chat capabilities and much more.

▶ **Increased Safety and Soundness**

The proposed merger would offer the new First Tech Federal greater financial strength by increasing capital, reducing risk and reducing expense costs. As a member, you benefit from this as well. Having greater financial strength means you can rest easy knowing your money is safe and secure and that you belong to a community of people committed to making sure it stays that way.



Employee Benefits

▶ **Competitive Benefits Package**

First Tech strongly believes that delivering you a superior member experience begins with delivering a superior employee experience. Offering employees a competitive compensation and benefits package is a key part of that experience.

The combined scale of the new First Tech Federal would increase the institution's buying power and allow it to negotiate a comprehensive compensation and benefits package at a lower cost than First Tech could do independently. Medical costs continue to increase annually, but negotiating coverage for 750+ employees has greater leverage than negotiating for 400 employees.

▶ **Greater Career and Personal Development Opportunities**

Another key part of a superior employee experience is offering employees career and personal development opportunities. Whether it's the opportunity to specialize in a particular role or receive additional training resources, with more than 327,000 members to serve, the new First Tech Federal would offer employees a tremendous amount of personal and career development opportunities. That allows the credit union to attract and retain the highest quality employees to serve you.

Community Benefits

▶ Continued and Increased Community Investment

First Tech has a rich history of supporting local organizations, events and activities that help build strong communities. The proposed merger would not change that. In fact, that support would only grow stronger because the new First Tech Federal would have greater resources to invest in building strong communities.

▶ Strong Local Employer

Communities would also continue to benefit from having a financially strong employer in their areas. In addition, by offering steady employment and competitive salaries, the new First Tech Federal employees would continue to support their community through the purchase of products and services.

LIVE *Forward*

first tech
credit union

Since First Tech Credit Union was established in 1952, supporting the communities in which its employees live and in which First Tech does business has been a key priority.

Through its Live Forward initiative, First Tech and its employees commit time and energy, as well as nearly \$500,000 annually to help build strong communities. First Tech's community focus includes increasing financial literacy; eradicating hunger, illiteracy and child abuse; fighting childhood diseases; and living environmentally responsible.

Here are just a few of the organizations, events and activities we support.

- ▶ **Credit Unions for Kids** benefiting Children's Miracle Network.
- ▶ **Waterfront Blues Festival** supporting Oregon Food Bank.
- ▶ **The Great Rotary Duck Race** benefiting Lane County child abuse organizations.
- ▶ **Awesome 3000** benefiting the Salem-Keizer Education Foundation.
- ▶ **End Summer Hunger** benefiting Hopelink.



What are the Risks?

Although we see many benefits associated with this proposed merger, there are risks as well. The Board has thoroughly explored these risks, and we are confident that we have taken the necessary steps to mitigate them to assure a successful partnership.

► **Service Levels Decrease**

This is likely the greatest concern we've heard from members. We're well aware that as companies grow, their level of service can become less personal. We're completely committed to delivering the same superior level of personal service you've come to expect from First Tech, and we've got the experience to do it.

Today, First Tech ranks as one of the top 40 credit unions in the country in terms of size. Even at our size today, we've maintained industry-leading service performance. Based on ongoing member surveys, member satisfaction is at an all-time high. The philosophy, methods and people that have helped First Tech develop that industry-leading service performance are the same that we'll have if the proposed merger is approved.

► **Financial Benefits Not Achieved**

Many of us have experienced mergers as an employee or felt the outcome of one as a customer. If you have, you know that many mergers fail to achieve their intended financial benefits.

History demonstrates that this is because management does not place enough emphasis on cultural integration of the two entities. We've mitigated this risk from the very beginning by carefully selecting a merger partner that is uniquely similar to First Tech.

Those similarities would help make cultural integration easier, but we need to manage it carefully. That's why we've made cultural integration one of the first priorities for management. In anticipation of both regulatory and member approval, the First Tech and Addison Avenue teams have already started developing a shared culture that reflects the commitment and heritage of these two credit unions.



► **Systems Integration Affects Member Experience**

A key consideration for us is how your banking experience would be affected by the proposed merger. Uniting two institutions under the same systems can be a daunting task.

With this in mind, we selected a merger partner that runs many of the same systems. With a few exceptions, First Tech and Addison Avenue have many of the same vendors and run many of the same systems today, including our core operating systems. The level of symmetry that already exists between our systems today will help tremendously, and we're committed to making operational integration decisions that will affect as few members as possible.

► **How Does the Merger Affect First Tech Employees?**

Many of you have asked how the proposed merger will affect First Tech employees. Unlike mergers between for-profit companies, the projected savings in the First Tech/Addison Avenue merger do not come from planned staff reductions or layoffs.

To increase efficiency, it's likely some roles will become more specialized or combined into one area. Right now though, we can't give employees that level of specificity until the merger is approved and integration begins. What we do know is that with more than 327,000 members to serve, there is plenty of opportunity for First Tech employees, and we're committed to communicating openly and honestly with them about the merger so we can retain the same talented and dedicated team to serve you.

What Stays the Same?

▶ Member Experience

We believe there are two key parts to delivering a superior member experience: the level of service you receive and the ease and convenience with which you can manage your money. Approval of the proposed merger will not detract from the distinctive experience you've come to expect. Quite the contrary. The new First Tech Federal would still be member-owned and committed to delivering the highest level of service and offering more ways to make managing your money simple, easy and convenient.

▶ Local Management

The people that are managing local branches and involved in your local community today are the same people that would be there if the proposed merger is approved. The new First Tech Federal would maintain three corporate offices: one in Beaverton, Oregon, and one each in Rocklin and Palo Alto, California. Executive staff would be located in all three offices with several based in Beaverton.

▶ Community Commitment

First Tech Federal would continue its long history of helping to build strong, local communities by donating time, money and volunteer support to events and activities such as The Great Rotary Duck Race, Waterfront Blues Festival, Relay for Life, March for Babies and Awesome 3000 to name a few.

▶ Prudent Financial Management

First Tech is a historically conservative credit union both financially and from a risk management perspective. That was very important in our selection of a merger partner. Addison Avenue shares our prudent financial management strategies, and we're confident those strategies will remain the same to assure your credit union remains safe and sound.

▶ Deposit Insurance

Your accounts will still be insured up to \$250,000 by the National Credit Union Administration. Any member with combined balances in excess of \$250,000 will be contacted to ensure their account ownership is established in such a way to continue to maximize their insurance coverage.

What Changes?

► Name

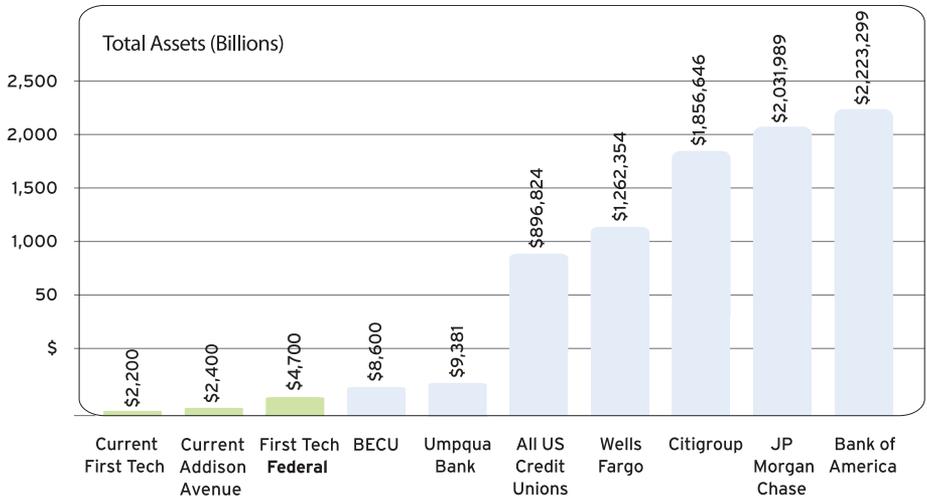
First Tech's name would change slightly to reflect the Federal charter. First Tech Credit Union would become First Tech Federal Credit Union.

► Charter

First Tech would become a federally-chartered institution. For you, our members, that means virtually no change. For the new First Tech Federal, that simply means the credit union would have a different set of regulators and from an administrative perspective, the credit union would have some different reporting requirements. It also means that the new First Tech would be able to serve its select employer groups at their other locations across the country versus just their Oregon or Washington locations.

► Size

First Tech would become a \$4.7 billion institution with 327,000 members, 38 branches and approximately 750 employees. That's big in the credit union world and gives First Tech the resources to deliver more value to you. However, it's still small in the financial services world. In fact, as of December, 31, 2009, the total assets of all credit unions in the United States were just under \$900 billion. That's less than half of Bank of America's total assets of about \$2.2 trillion.





▶ **Board of Directors**

The combined Board of Directors would total 15 with 8 current First Tech members joining 7 of the current Addison Avenue members to form the new First Tech Federal Board of Directors.

▶ **President**

Tom Sargent, First Tech's President and CEO for 25 years, retired in March 2010. Benson Porter, Addison Avenue's current President and Chief Executive Officer would be the new First Tech Federal's President and CEO. For more information about Benson, please see the next page.

▶ **Accounts and Services**

Some of the products and services may change slightly as we integrate systems and develop a joint product line. Any changes we make would be with the intent of offering you accounts and services that meet your changing financial needs.

Meet Benson Porter

Benson Porter is Addison Avenue's President and Chief Executive Officer. He is an accomplished financial services executive with more than 20 years' experience in the financial services industry.

His experience includes serving as counsel specializing in financial services regulatory and public policy matters. He earned a Bachelor's degree in Economics from Whitman College in Walla Walla, Washington and his Juris Doctorate from the Seattle University School of Law. He serves on the Boards of the Federal Home Loan Bank of San Francisco, PSCU Financial Services and Overseers of Whitman College.



Prior to Addison Avenue, he served on the Executive Committee of Washington Mutual. During his twelve years at Washington Mutual, Benson was responsible for operations and functions unrelated to Washington Mutual's ultimate demise. In fact, he left Washington Mutual two years prior to its failure because of his belief that the cooperative model is a better model for delivering financial services.

Benson was born and raised in the Pacific Northwest, and he is a cycling fanatic who is known for frequently biking to the office. He currently lives in Palo Alto, California, with his wife and two children. He plans to spend a significant amount of time in the Northwest if the proposed merger is approved.

The Board of Directors thoroughly evaluated Benson as part of assessing the proposed merger with Addison Avenue. Based upon our review, we agree that Benson would be the best choice to lead the new First Tech Federal because of his strong operational and regulatory experience in addition to his proven results at Addison Avenue and demonstrated leadership characteristics.

What's Next?

In about a week, you'll receive your Official Ballot Packet. If you have an email address on file, you'll receive your Packet via email. If you do not have an email address on file, you'll receive your Packet via standard postal mail.

Voting will occur over a 30-day period. Please pay close attention to the voting deadline outlined in your packet. The vote will be administered by an independent, third-party voting firm, and neither the Board nor management will have access to vote results prior to the Special Membership Meeting held to consider and act upon a plan and proposal for merger. The vote management firm has controls in place to verify membership eligibility and prevent duplicate voting.

Who's Eligible to Vote?

All primary account holders as of September 30, 2010, (those listed first on the signature card) who are 16 years of age or older are eligible to vote. Unlike publicly held, for-profit institutions, one member equals one vote regardless of account balance, number of accounts you have open, etc. There is no proxy voting.

How will voting occur?

You can cast your vote one of three ways:

- ▶ **Online:** Members who receive their Official Ballot Packet by email can easily vote online. You will need your Primary Share Account number and the last four digits of your Social Security number to vote online.
- ▶ **By Mail:** Members who receive their Official Ballot Packet by standard postal mail will also receive a postage-paid return envelope. Of course, you may also vote online.
- ▶ **In-Person:** Any member can attend the Special Membership Meeting which will be held on the last day of the vote to consider and act upon a plan and proposal for merger. The Special Membership Meeting is the last opportunity for you to ask questions about the proposed merger and cast your vote if you haven't done so previously.

All qualified ballots will be tallied and the final results presented at the Special Membership Meeting. Immediately following that meeting, the results will be published on our website, in the branches, via social media, mail and email. If you have questions, visit us online at firsttechcu.com, email us at vote@firsttechcu.com or call 800.637.0852.



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