



MIRAMAR FEDERAL  
CREDIT UNION

**Member Ballot Booklet**

Proposed Merger with Pentagon Federal Credit Union



# MIRAMAR FEDERAL CREDIT UNION

January 14, 2017

## SPECIAL MEETING

MIRAMAR FEDERAL CREDIT UNION  
MAIN LOBBY  
9494 MIRAMAR ROAD  
SAN DIEGO, CA 92126  
FRIDAY, JANUARY 27, 2017  
5:00 – 7:00PM

### Dear Member:

On behalf of our Board of Directors, I am pleased to tell you that we are proposing to merge Miramar Federal Credit Union into Pentagon Federal Credit Union (PenFed). In today's market of ever-changing technology, low interest rate environment, and increasing Cybercriminal threats, our Board of Directors evaluated strategic possibilities and foresaw the loss of financial viability in light of these continuing issues that we have endured with significant loss of capital for the past few years.

To ensure continuity of operations while seeking to expand product offerings and improve services, we have been diligently searching to find alternatives. We have explored the range of options, including collaborating with like institutions to consolidate key support functions, maintaining the current course alone, or merge with existing strong and proven performers. While there are some benefits with each option, only one meets the full range of our objectives: growth of membership, expansion of product offerings, infusion of investment in IT security, improved training and enhanced community service.

After considering alternatives, we determined that a merger with PenFed is in the best interest of our members.

PenFed is one of the nation's strongest and safest credit unions, dedicated to serving the unique, worldwide needs of the military personnel, government employees, retirees, and their families. Your savings will continue to be federally insured by the National Credit Union Share Insurance Fund to the maximum limit allowed by law. In addition, **PenFed has agreed to pay all of Miramar Federal Credit Union's eligible voting members a 5% special dividend on all regular share account balances as of December 31, 2016.**

Some of the benefits of the merger include:

- Larger and even stronger consolidated credit union
- Commitment by PenFed to donate \$500,000 to San Diego military charities and community events
- Investment services with comprehensive Retirement and Wealth Management Services
- Access America Checking account with superior dividends and ATM access at more than 56,000 locations
- Award winning credit card programs
- PenFed Foundation, which is dedicated to helping the military and its families.



# MIRAMAR FEDERAL CREDIT UNION

**Please check out [www.penfed.org](http://www.penfed.org) for further information on PenFed and its products.**

Also, I am very happy to inform you that Miramar Federal Credit Union will maintain our staff and you will see many of the same faces when you visit our branch after the merger.

It is the recommendation of your Board that you vote "yes" to approve the merger. Please be assured that you are our valued member, and we have every confidence that you will be pleased by the level of commitment, service, and value that you will receive from PenFed. We strongly believe that the proposed merger will provide continuity of operations, improved services to our members and an opportunity for our staff to continue to provide quality service to you our members.

The proposal must be approved by the membership in order to finalize the merger. The independent accounting firm of Turner, Warren, Hwang, & Conrad AC, which will serve as the Teller of Election, will attest to the balloting process and results. You may vote on the merger proposal by completing the enclosed ballot and submitting it, by mail using the enclosed return envelope or in person at the special membership meeting. The special meeting will be held at the headquarters of Miramar Federal Credit Union located at 9494 Miramar Road, San Diego, CA 92126, on Friday, January 27, 2017 at 5:00 pm. All mail-in ballots must be received prior to the start of this meeting to be counted.

Enclosed is a combined financial statement for both Miramar Federal Credit Union and Pentagon Federal Credit Union. The combination of these two solid memberships will create a strong, growing credit union that is better able to serve your financial needs.

If you have any questions concerning the merger, please email me at [mikecrollmfcu@gmail.com](mailto:mikecrollmfcu@gmail.com) or call me at 619.417.8907. Our CEO, Paul Socia will also be able to answer questions. Please email him at [paulsocia@miramarfcu.com](mailto:paulsocia@miramarfcu.com) or call him at 858.860.8802.

Sincerely,

*Mike Croll*

J. Michael Croll  
Chairman of the Board

# Notice of Special Meeting of the Members on Proposal to Merge

## Miramar Federal Credit Union

On October 19, 2016, the Board of Directors of your credit union approved a proposition to merge with Pentagon Federal Credit Union (PenFed). You are encouraged to attend a special meeting of your credit union at 9494 Miramar Rd., San Diego, CA 92126 on January 27, 2017, at 5:00 pm.

### Purpose of the Meeting

The meeting has two purposes:

1. To consider and act upon a proposal to merge our credit union with PenFed, the continuing credit union.
2. To approve the action of the Board of Directors of our credit union in authorizing the officers of the credit union, subject to member approval, to carry out the proposed merger.

If this merger is approved, our credit union will transfer all its assets and liabilities to PenFed. As a member of our credit union, you will become a member of PenFed. On the effective date of the merger, you will receive shares in the continuing credit union for the shares you own now in our credit union.

### Other Information Related to the Proposed Merger

The directors of the participating credit unions carefully analyzed the assets and liabilities of the participating credit unions and appraised each credit union's share values. The appraisal of the share values appears on the attached individual and consolidated financial statements of the participating credit unions.

**After approval by Miramar FCU member vote, a one-time capital distribution equal to 5% of member regular shares as of December 31, 2016 (approximately \$3,100,000) will be distributed pro rata to each eligible Miramar FCU member prior to the merger. Additionally, all employees of Miramar Federal Credit Union are being offered a 3 year guarantee of employment and a one-time retention bonus (maximum of 10% of salary). The President & CEO, Paul Socia, is also being offered a 6 year guarantee of employment and a 10% increase in salary.**

Eligible members are defined as those natural person members having at least one share, i.e., \$5.00 par value, in their main share account as of the close of business December 31, 2016 and who continue to be a member in good standing as of the date the capital distribution is paid.

The directors of the participating credit unions have concluded that the proposed merger is desirable for the following reasons:

Upon completion of the merger, the members of Miramar FCU will be able to take advantage of the broad range of products and services available from PenFed and thus obtain more complete satisfaction of their financial needs. These products and services include: a full range of mortgages; home equity loans and lines of credit; car, motorcycle, boat, and recreational vehicle loans; credit card accounts; education loans; regular share (savings), Access America Checking, money market savings and individual retirement accounts; money market and IRA certificates. The merger will also allow members to use PenFed's larger branch network to include all of the current Miramar FCU branches; have access to PenFed's live call center service and 24/7 Internet account access, online bill pay service, online loan applications, vast ATM network, and much more

The PenFed Board of Directors believes that the merger will not require an adjustment in the accounts of any members for the following reasons: PenFed is a healthy, financially sound credit union. Therefore, the amount that a member has on deposit at Miramar FCU before the merger will result in an equal amount on deposit at PenFed after the merger.

The main office of the PenFed is located at:

27940 Jones Branch Drive, Tysons, VA 22102

PenFed intends to maintain Miramar FCU's current branch, located at:

9494 Miramar Road, San Diego, CA 92126-4417

The proposed effective date of the merger is June 1, 2017. At that time, Miramar FCU's membership and field of membership will be incorporated into PenFed's field of membership.

The merger must have the approval of a majority of members of the credit union who vote on the proposal.

Enclosed with this Notice of Special Meeting is a Ballot for Merger Proposal. If you cannot attend the meeting, please complete the ballot and return it in the mail using the enclosed self-addressed and prepaid envelope provided no later than 5:00 pm on January 27, 2017. To be counted, your ballot must reach us by the date and time announced for the meeting.

**BY ORDER OF THE BOARD OF DIRECTORS:**

  
\_\_\_\_\_  
Board Presiding Officer

January 12, 2017  
\_\_\_\_\_  
Date

## COMBINED STATEMENT OF FINANCIAL CONDITION AS OF September 30, 2016

[prepared under US GAAP FAS 141R/ASC805 utilizing Call Report dated September 30, 2016]

	PenFed	Miramar	MERGER ADJUSTMENTS	COMBINED
<b>ASSETS</b>				
Total Loans Outstanding	\$ 18,123,541,285	\$ 91,487,400	\$ (2,097,027)	\$ 18,212,931,658
(Less) Allowance for Loan Losses	(53,421,766)	(397,027)	397,027	(53,421,766)
Net Loans	18,070,119,519	91,090,373	(1,700,000)	18,159,509,892
Investments	1,169,711,777	72,947,431	1,100,000	1,243,659,208
Cash	468,775,290	4,708,664	-	473,483,954
Land & Building (net)	236,402,329	695,748	-	237,098,077
Other Fixed Assets (net)	72,695,002	286,664	-	72,981,666
Goodwill (net)	13,750,370	-	(21,438,459)	(7,688,089)
All Other Assets	624,218,801	3,976,159	1,500,000	629,694,960
<b>TOTAL ASSETS</b>	<u>20,655,673,088</u>	<u>173,605,039</u>	<u>(20,538,459)</u>	<u>20,808,739,668</u>
<b>LIABILITIES AND EQUITY</b>				
Accounts Payable	288,007,605	2,103,478	5,300,000	295,411,083
Dividends Payable	8,376,062	-	-	8,376,062
All Other Liabilities	2,005,318,347	2,000,000	-	2,007,318,347
<b>Total Liabilities</b>	<u>2,301,702,014</u>	<u>4,103,478</u>	<u>5,300,000</u>	<u>2,311,105,492</u>
Total Shares	16,268,431,435	148,063,102	(4,400,000)	16,412,094,537
Regulatory/Salutory Reserves	90,900,456	4,640,734	(4,640,734)	90,900,456
Net Income	146,855,848	102,727	(102,727)	146,855,848
Undivided Earnings	1,890,828,377	17,916,329	(17,916,329)	1,890,828,377
Donated Equity	-	-	-	-
Other Comprehensive Income	(45,354,966)	(1,116,773)	1,116,773	(45,354,966)
Unrealized Holding Gain(Loss)	2,309,924	(104,558)	104,558	2,309,924
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<u>\$ 20,655,673,088</u>	<u>\$ 173,605,039</u>	<u>\$ (20,538,459)</u>	<u>\$ 20,808,739,668</u>

# Ballot for Merger Proposal

Name of Member: \_\_\_\_\_ Account Number: \_\_\_\_\_

This ballot must be received by mail at the address below by 5:00 PM on January 27, 2017 or you may personally vote at the special meeting on January 27, 2017 at 5:00 PM.

Please mail or bring it to:

Miramar Federal Credit Union  
c/o Turner, Warren, Hwang & Conrad  
100 N. First Street, Suite 202  
Burbank, CA 91502

I have read the Notice of Special Meeting for the members of Miramar Federal Credit Union.

The meeting will be held on the above date to consider and act upon the merger proposal described in the notice. I vote on the proposal as follows (check one box):

**Approve** the proposed merger and authorize the Board of Directors to take all necessary action to accomplish the merger.

**Do not approve** the proposed merger.

Signed: \_\_\_\_\_  
Member's Name

Date: \_\_\_\_\_

