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2500 E 22<sup>nd</sup> Street, Tucson, AZ 85713 ph: (800) 440-8328 fax: (520) 322-9256 info@topcu.org

Dear Member,

**Notice of Special Meeting of the Members of Tucson Old Pueblo Credit Union**

On July 24, 2024, the Board of Directors of Tucson Old Pueblo Credit Union (TOPCU) approved a proposition to merge with Idaho Central Credit Union (ICCU). The Board of Directors of TOPCU has called a special meeting of the members of TOPCU at our main branch location located at 2500 E 22nd Street, Tucson, AZ 85713, on Monday January 6, 2025, at 6:00 pm MST. The purpose of this meeting is:

1. To consider and act upon a plan and proposal for merging TOPCU with and into ICCU, whereby all assets and liabilities of TOPCU will be merged with and into ICCU. All members of TOPCU will become members of ICCU and will be entitled to and will receive shares in ICCU for the shares they own in TOPCU on the effective date of the merger.
2. To ratify, confirm, and approve the action of the Board of Directors in authorizing the officers of TOPCU, subject to the approval of members, to do all things and to execute all agreements, documents, and other papers necessary to carry out the proposed merger.

The Board of Directors of TOPCU encourages you to attend the meeting and vote on the proposed merger. Whether or not you expect to attend the meeting, we urge you to sign, date, and promptly return the enclosed ballot to vote on the proposed merger.

If you wish to submit comments about the merger to share with other members, you may submit them to the National Credit Union Administration (NCUA) at <https://ncua.gov/support-services/credit-union-resources-expansion/credit-union-merger-resources/comments-proposed-credit-union-mergers> or mail to:

NCUA – Office of Credit Union Resources and Expansion  
1775 Duke Street  
Alexandria, VA 22314

RE: Member to Member Communication for \_\_\_\_\_

The NCUA will post comments received from members on its website, along with the member's name, subject to the limitations and requirements of its regulations.

### Other Information Related to the Proposed Merger

The Board of Directors has carefully evaluated and analyzed the assets and liabilities of the credit unions and the value of shares in both credit unions. The financial statements of both credit unions, as well as the projected combined financial statements of the continuing credit union, follow as separate documents. In addition, the following information applies to the proposed merger.

**Reason for the merger:** The Board of Directors has concluded that the proposed merger is desirable and in the best interests of members because:

- It is increasingly difficult to keep up with rapid regulatory change. ICCU has the resources to ensure your credit union is up to date and in compliance.
- It is increasingly difficult to offer competitive salaries and benefits to the employees that service your accounts. ICCU has the resources to ensure the employees that service your accounts will receive a competitive salary and benefits.
- You deserve the latest technology to access and protect your accounts. ICCU's focus on security and technology will enhance the financial experience of TOPCU members.
- We believe ICCU is a great choice for a merger and they will pick up where TOPCU left off and take you into the future.

**Net Worth:** The net worth of a merging credit union transfers to the continuing credit union at the time of a merger. ICCU has a higher net worth ratio than TOPCU, and ICCU's total net worth of \$1,025,743,094 is higher than TOPCU's total net worth of \$14,303,101.

**Share adjustment or distribution:** TOPCU will not distribute a portion of its net worth to its members in the merger. The Board of Directors has determined a share adjustment, or other distribution of TOPCU's net worth is unnecessary. ICCU has a \$25 minimum share deposit and TOPCU's is \$5. Upon completion of the merger, ICCU will deposit \$20 into each regular membership share that is merged to ensure they all meet the minimum share value requirement.

### Locations of merging and continuing credit union

TOPCU's current branches will remain open and available after the merger at the following locations:

<b>Tucson Old Pueblo Main Location</b> 2500 E 22 <sup>nd</sup> St Tucson, AZ 85713	<b>Tucson Old Pueblo East Broadway Branch</b> 9725 E Broadway Blvd Tucson, AZ 85748
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Following completion of the merger, in addition to the two local TOPCU branches, you will have access to ICCU branch and ATM locations throughout Idaho and Eastern Washington. You can access a complete list of ICCU's locations at <https://www.iccu.com/locations/>. To increase member convenience, ICCU plans to explore opportunities to add additional branch locations in the Tucson area.

You will also have access to a wide range of digital services including COOP's expansive ATM Network, VideoChat services, and eBranch online banking. Within online banking, you'll have access

to several features including bill payment, Zelle<sup>®</sup>, mobile deposit, CardControl, credit monitoring, account alerts, and more.

**Merger-related financial arrangements:** NCUA Regulations require merging credit unions to disclose certain increases in compensation that any of the merging credit union's officials or the five most highly compensated employees have received or will receive in connection with the merger. The disclosures below are required for the following employees of TOPCU (referred to as "covered persons"):

- G. Vernon Babilon, President and Chief Executive Officer
- Kenton Hall, Chief Financial Officer
- Kenneth Krapf, Commercial Lending Manager
- Manny Chavez, Director of IT
- Marianne Scarzello, Human Resources Director

**Retention Bonuses:** The continuing credit union is committed to retaining the TOPCU staff that members know and trust. Retention bonuses are commonly utilized in credit union mergers to incentivize employees of a merging credit union to remain employed with a continuing credit union. Employee retention provides benefits to members by ensuring they continue to work with TOPCU personnel who they have grown accustomed to working with, while reducing expenses and inefficiencies associated with having to recruit and train new employees to replace employees who leave in connection with the merger. All continuing TOPCU employees, including each covered person above, are eligible to receive a retention bonus equal to 5% of their current base salary, provided the employees remain continuously employed with the continuing credit union for 12 months following the closing of the merger. The retention bonuses will be payable in a cash lump sum within 30 days thereafter. Mr. Babilon, Mr. Hall, Mr. Krapf, Mr. Chavez, and Ms. Scarzello are eligible to receive retention bonuses under the Retention Bonus Program of \$10,978, \$7,928, \$5,764, \$5,421, and \$5,424, respectively.

**Employment Agreements:** In connection with the merger, Messrs. Babilon, Hall, and Chavez have entered into employment agreements with the continuing credit union that will become effective upon the closing of the merger. The employment agreements confirm that these executives of TOPCU will remain employed with the continuing credit union following the merger, which benefits members by ensuring their availability to assist with the transition of TOPCU's products, services, and technologies to ICCU. The employment agreements will remain in effect for four (4) years thereafter for Mr. Babilon and two (2) years thereafter for Messrs. Hall and Chavez (unless otherwise terminated upon the terms and conditions of the agreements). Pursuant to the employment agreements, Messrs. Babilon, Hall, and Chavez will receive base salaries per annum of \$219,573.34, \$158,556.14, and \$108,422.95, respectively. The base salaries payable to Messrs. Babilon, Hall, and Chavez represent an increase of \$6,395, \$4,618, and \$3,158, respectively from their current base salaries with TOPCU.

In the event of the executive's termination without cause (other than due to death or disability) or voluntary resignation for good reason (as defined by the employment agreement), the continuing credit union will pay the executive a cash lump sum payment equal to the amount of base salary that the executive would have earned if they remained continuously employed for: (i) the greater of (A) the remaining term or (B) three years for Mr. Babilon; or (ii) the remaining term for Messrs. Hall and Chavez. In addition, each executive is eligible to participate in the continuing credit union's group health plan pursuant to COBRA for 18 months following their date of termination, whereby the

continuing credit Union will pay a cash lump sum payment equal to the cost of the monthly premiums for such COBRA coverage and each executive will then pay the monthly premiums directly. Lastly, each executive will receive a cash lump sum payment equal to their accrued but unused paid time off pursuant to the continuing credit union's paid time off policy.

The maximum severance payable to Messrs. Babilon, Hall, and Chavez under each employment agreement upon a qualifying termination event (which is calculated solely for illustrative purposes as of the first day following the effective date of the merger) is \$694,613, \$353,006, and \$252,739, respectively.

Severance: As described above, ICCU desires to keep the TOPCU employees. However, ICCU is offering severance protection to help employees transition to another employer if they have a qualifying termination event in connection with the merger. Specifically, TOPCU employees without an employment agreement or similar type of severance arrangement (which includes Marianne Scarzello) who are terminated for any reason other than "for cause" within 12 months following the merger are entitled to receive severance in an amount equal to two (2) weeks of base pay for each employee's year of combined service with TOPCU and ICCU, with a minimum of four (4) weeks of severance and a maximum of eighteen (18) weeks of severance, with such amount payable in a cash lump sum on the next regularly scheduled payroll date of the continuing credit union following such termination of employment. Payment of the severance amount is contingent upon the affected employee executing and not revoking a general waiver and release of claims in a form reasonably acceptable and agreed to by the parties. If Ms. Scarzello has a qualifying termination event immediately after the effective date of the merger, Ms. Scarzello would be entitled to a severance amount equal to \$28,355, (which is calculated solely for illustrative purposes). Messrs. Babilon, Hall, and Chavez are not eligible to receive the severance amount.

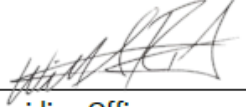
457(f) Plans: TOPCU adopted a deferred compensation plan for Manuel Chavez in 2022. Under the plan, TOPCU made an initial investment of \$1.0 million on behalf of Mr. Chavez into an individual investment account for Mr. Chavez to incentivize his continued employment. TOPCU is the owner of the investment account, the proceeds of which are invested by TOPCU in various investable assets and, subject to the terms and conditions of the plan, the earnings (and not the initial investment amount) are distributed to Mr. Chavez as beneficiary of the investment account on his designated entitlement dates set forth in the plan, provided that Mr. Chavez remains continuously employed with TOPCU as of such entitlement dates.

Notwithstanding the foregoing, in the event of a change in control, such as the merger, Mr. Chavez would become fully vested in his deferred benefit, which would be payable in a cash lump sum following the change in control. The actual deferred benefit payable will depend upon the fair market value of the investment account for Mr. Chavez as of the closing date of the merger. Based on the most recent benefit statements for the plans, the estimated deferred benefit payable to Mr. Chavez is \$75,572.

No member of the Board of Directors or other official of TOPCU is entitled to receive any payments or benefits pursuant to any merger-related financial arrangement.

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 to Tucson Old Pueblo Credit Union, 2500 E 22<sup>nd</sup> Street, Tucson, AZ 85713. To be counted, your ballot must be received by January 6, 2025, at 5:00 PM. Any member who does not vote in person or by ballot will be deemed to be in favor of the merger.

**BY ORDER OF THE BOARD OF DIRECTORS**



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

11/2/2024

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Date