

## The Truth on the Issues

1) CCU says "Your Board regrets having to take this strong measure." While this campaign has been undertaken by a 5-member majority, the board also contains 4 minority directors who have a right to their position being represented fairly and accurately. Just being the majority of the 9-member board does not make what they are doing "necessary" or right for the membership. **Majority rule must be accompanied by respect for minority rights, or else it becomes abuse of power and a violation of democratic values.** The US Department of State offers this on majority rule and minority rights:

All democracies are systems in which citizens freely make political decisions by majority rule. But rule by the majority is not necessarily democratic: No one, for example, would call a system fair or just that permitted 51 percent of the population to oppress the remaining 49 percent in the name of the majority. In a democratic society, majority rule must be coupled with guarantees of individual human rights that, in turn, serve to protect the rights of minorities-- whether ethnic, religious, or political, or simply the losers in the debate over a piece of controversial legislation. **The rights of minorities do not depend upon the goodwill of the majority and cannot be eliminated by majority vote.** (bold emphasis added)

2) CCU claims that SaveCCU "prefers to file a lawsuit or regulatory complaint against any decision it disagrees with." This is simply not true. **SaveCCU has gone to court only in response to actions by CCU that it believes are wrong and harmful to credit union members.** SaveCCU won its case in Feb. 2004 to compel CCU to honor the petition filed by 3,593 members to hold a special meeting. In 2005 it appealed Judge Bennett's rulings on directors' term limits, member access to Bylaws and other governance records, and directors' fiduciary duties to members. CCU lawyers had won by arguing that "a member is simply a depositor with a right to receive a deposit back" without any shareholder/governance rights. The Court of Appeals judges agreed with SaveCCU on directors' term limits and they split on the issue of member access to records. SaveCCU now seeks a Washington Supreme Court review because the important member rights issues deserve clarification. Finally, the lawsuit in Thurston County in September 2006 was necessary because the CCU board's 5-member majority had attempted to "circumvent the law" to get rid of its minority directors by expelling them as members. Judge Casey granted the injunction that SaveCCU sought, ruling that elected directors and supervisory committee members could only be removed by a vote of CCU's membership.

3) In July 2006, Directors Chudy, Edgecomb, and Winterburn filed a lawsuit to clarify their rights and responsibilities and to keep their fellow directors from obstructing them from doing their job and fulfilling their fiduciary duty. CCU falsely claims that the suit was simply to obtain bank-conversion information denied them by their fellow directors and others. This is simply not true. Judge Woolard dismissed the case believing that that her court did not have jurisdiction to rule on the merits, and that a regulatory agency rather than judicial response would be appropriate. The judge did not rule, as CCU claims, that "these are internal matters to be resolved by democratic votes of the directors."

4) CCU's majority board claims that an "independent investigation" established that Volunteers Chudy, Edgecomb, and Marbet violated the law when they failed to stop the SaveCCU group from publishing its May 14 advertisement looking for candidates who support democratic principles. **The truth about the ad is that the ad tells the truth**, which is the ultimate defense in any defamation claim. One does not break the law by asserting facts that can be proven, or by asserting an opinion that any rational person might agree with when objectively considering all of the facts. Members are best served by recognizing the truth and accuracy contained in this ad, and not being misled by the outcome of an

allegedly "independent" investigation (by one of CCU's lawyers) that admits to "disputed facts" and still reaches a conclusion that simply does not stand up under close scrutiny.

5) CCU claims: "The governance practices that our Board has adopted lead the industry." And that what it promotes is "far beyond the efforts of other credit unions." It challenges members to look at other credit unions and compare their governance practices. SaveCCU willingly takes that challenge, and asks members to consider that in the history of Washington State credit unions, we believe:

- No other Board of Directors majority has expelled their minority board members.
- No other Board of Directors has expelled a member for speaking out on governance items.
- No other Board of Directors has specifically removed from its' Bylaws the requirement for an impartial process in elections.
- No other Board of Directors has granted itself the power to expel any member for what in the board majority's subjective opinion is "inimical" to the credit union.
- No other Board of Directors had its own Supervisory Committee call a special membership meeting because the Board was taking away the democratic rights of credit union members.
- No other Board of Directors has ever expelled elected members of the Supervisory Committee, the people who are supposed to be, by law, the watchdogs of the Board!

There are actually credit unions that do, in fact, believe in open governance practices to genuinely engage and include members... consider Los Angeles Federal Credit Union (43,000 members and assets of \$571 million) which allows its members access to the board agenda prior to the board meeting, attendance at board meetings, and access to minutes of their board meetings:

<http://www.lafcu.org/membership/board.html>

6) CCU says that "Columbia's Board has advocated democracy, fairness and open member participation," even calling its 2006 election procedures "democracy in action." However, this 2006 election is a significant departure from the previous two elections (2004 and 2005) that followed procedures directed by the regulator "...to promote fairness in corporate governance for the benefit of all of the Columbia Membership..." and specifically included 500-word candidate statements as well as providing all candidates a level playing field. How can members make an informed decision on who should lead the credit union without a candidate statement? Why was the election procedure for 2006 changed from the one used the previous two elections? Did someone see a pattern in the results of the prior two elections (namely, all SaveCCU's candidates were elected) and want to change that pattern? What constitutes fairness in a democratically controlled credit union? Does it mean telling members who they should select (calling it, as CCU does, "just one more piece of information.") Or, does it mean taking a neutral stance and allowing each candidate an equal opportunity to state his or her case.

7) CCU claims that SaveCCU "questions member decisions too" and points to the court challenge of the outcome of the July 22 Special Meeting. The truth is that SaveCCU believes member decisions are valid only if members have **equal access** to all relevant information regarding the issues, are **fully and equally informed** as to how the vote will be conducted, and if those issues are presented to all members in a **fair and balanced** way.

These conditions were not followed in the July 22 membership vote. CCU used its website and the mailing of a "Special Governance Newsletter" to present only one side of the issues, and even had employees telling members how to vote. The 5-member majority board adopted last-minute meeting procedures that allowed members a 5-hour time frame to drop off votes, in spite of having informed

the membership by mail that they had to attend the 10 am meeting in order to vote. CCU's 250 employees were informed but the rest of the 62,000 members had no way of knowing that they, too, could use this expanded time frame to vote. With merely 501 members voting at the Special Meeting, the employees' votes determined the result.

In 2004 the credit union stacked the deck for a vote against the recall of board members by mailing members a blind ballot with no information at all about why recall was being sought. In July 2006 they stacked the deck with their one-sided publications containing false and misleading statements and messages to members on how to vote, and they are at it again with this latest PR campaign to get rid of Volunteers and SaveCCU.

8) CCU claims that "the very people responsible for our Bylaws requiring members to attend Special Meetings in order to vote are now suing your credit union because it no longer suits their purposes." This is not true. Our Bylaws, as amended in late 2005, contained a "ratification clause" to insure that whatever was decided at a Special Meeting by those members who could attend would be ratified in a subsequent mail vote by all members who would receive fair and balanced 500-word "pro and con" statements in order to complete the decision. The board was directed to rescind the ratification clause by the regulator in July of 2006, who indicated that a mail-in vote prior to a Special Meeting could be permissible. The majority board has refused the option of an advance mail-in vote.

SaveCCU believes that the 5-member majority board opposed our court action to compel a mail-in vote because it does not suit their purposes of stacking the deck with a misleading, distorted PR campaign in order to discredit SaveCCU and get rid of three targeted Volunteers. This is not "democracy in action" no matter what the 5-member majority board would have you believe. Allowing all members the opportunity to vote in a truly fair and balanced election is what SaveCCU has advocated for, and would serve the purposes of all credit union members.

9) CCU claims that "SaveCCU is a special interest group that is pursuing its conflicts of interest at member expense." Again, this is simply not true. Advocating member rights and seeking the implementation of true democratic governance practices are not "conflicts of interest." The expense to members comes only in the majority board's extreme action of seeking the removal and expulsion of a dedicated member group and Volunteers who were overwhelmingly elected by the membership for their advocacy in protecting member rights.

10) CCU claims that SaveCCU and its leadership are perpetuating rumors that Columbia's board intends to convert to a bank. This is not true. SaveCCU has never said that this board is planning a bank conversion. SaveCCU simply continues to point out (truthfully) that conditions in existence prior to the conversion attempt (specifically related to information access and the board's insistence on speaking with one voice) have not substantially changed. The board majority made a big deal out of disparaging Directors Chudy and Edgecomb for not joining them in signing an open letter to the members about the board's commitment to remain a credit union, without offering them the opportunity to explain to the members the reason for their decision. Edgecomb and Chudy support Columbia being a credit union and believe that actions that truly respect member rights, not words in an "open letter", are what actually count when it comes to assuring members about Columbia's willingness to remain a credit union.

11) CCU claims that "the Board of Directors called the Nov. 15 Special Meeting only after trying to resolve the issue internally." What is true is that the majority board voted down a motion for board mediation (supported by minority Directors) and also failed to say 'yes' to SaveCCU's offer of

impartial mediation to seek common ground and to resolve issues.

12) CCU claims that Chudy, Edgecomb, Marbet, SaveCCU and Tice have all “caused the credit union a loss,” but they have not provided concrete, credible evidence to support this claim. It is clear that some members left in 2003 and 2004 in reaction to the conversion attempt, but accountability for those membership losses has never been addressed in the form of removal of conversion directors from their positions or expulsion. SaveCCU has had members indicate that the only reason that they continue their membership at Columbia is because of SaveCCU’s continued efforts on behalf of member rights.

13) CCU claims that “Seven of our nine Board Directors were part of SaveCCU in 2003. Since then, several Directors have separated themselves from SaveCCU. They did so to serve Columbia better and because after achieving its original goal SaveCCU began to pursue a different litigious agenda. This is not about a pro-bank Board silencing pro-credit union voices. Rather it's about Marbet, Chudy, and Edgecomb tearing down the reputation of our pro-credit union, pro-transparency Board for what can only be speculated as self-serving purposes — and harming Columbia in the process!”

What is true is that these seven out of nine Board Directors, all of them, ran for their positions advocating the same open governance platform that Marbet, Chudy, and Edgecomb have consistently remained faithful to in their actions. (As Steve Straub communicated to the Board in November 2004, regarding Straub, Winterburn, Erdmann and Bequette: “All four of us were elected into office on the basis of the SaveCCU platform of member-centric focus and deliberate openness of governance. Our mandate, as SaveCCU endorsed candidates, is to do everything we can to facilitate particular changes in this particular regard.”) This SaveCCU platform clearly shows that open governance is part of the original goal of SaveCCU, and that the accusation of a “different litigious agenda” is not accurate, nor does it reflect the facts.

SaveCCU does not accuse the majority Board of being “pro-bank” but our experience has shown us that this 5-member majority Board does not merit the claim that it is “protransparency.” The 2005-2006 Board has reflected a 4-member minority presence, that has consistently advocated more than superficial changes to achieve the goal of open, transparent governance practices. One of these minority Directors, Ralph Erdmann, offers this statement regarding the suspension and expulsion of fellow Volunteers Marbet, Chudy and Edgecomb. His statement is the only evidence of a dissenting minority voice that you will find represented on CCU’s web site in addition to those of the targeted Volunteers: [http://www.columbiacu.org/about\\_us/news/read\\_more/246.html](http://www.columbiacu.org/about_us/news/read_more/246.html)

SaveCCU believes that CCU’s massive PR campaigns (In July and now, both presenting only one side of the issues to members) that have flooded the membership with disparaging, false and misleading statements about SaveCCU and about minority-voice Volunteers, is what is really “tearing down the reputation” of Columbia Credit Union. At your expense. Repeated speculative references to “self-serving” purposes adds to the picture of a 5-member majority Board that is leaving no stone unturned to achieve its goal of getting rid of Volunteers whose actions have simply reflected the integrity of standing up for democratic values in the face of great odds. There is nothing “self-serving” about the time and effort involved in continuing to be a Volunteer for Columbia Credit Union under these extreme conditions.

SaveCCU urges you not to let them get away with this campaign, by voting NO on all questions on Nov. 15. Your member rights and real democratic values are what is at stake.