



## 59<sup>th</sup> Annual Meeting

April 20, 2010

Held at: Canyon State Credit Union  
3440 West Deer Valley Road  
Phoenix, AZ 85027

### BUSINESS MEETING AGENDA

- A. Ascertainment of a Quorum
- B. Approval of Minutes
- C. Chairman of the Board's Report
- D. President's Report
- E. Credit Manager's Report
- F. Financial Report (Statements)
- G. Supervisory Committee Report
- H. Old Business
- I. New Business
- J. Election Results
- K. Door Prizes
- L. Adjournment

Canyon State Credit Union  
58th Annual Meeting Minutes  
April 21, 2009

The meeting was held in the lobby of the Canyon State Credit Union at 3440 W. Deer Valley Rd, Phoenix, Arizona. The Vice-Chairman Mr. Jerry Hartrim called the meeting to order at 6:32 P.M. The directors present were; Mr. Arnold Burnham, Mr. Jerry Hartrim, Mrs. Dorothy Kaiser, Mrs. Gail Kelsey, Mr. Robert Ohnleiter, Mr. Brett Moulton and Mr. Joseph Wilmet.

There was a quorum present, and the meeting was held in accordance with the bylaws.

Mr. Jerry Hartrim, Chairman, requested a motion to approve the minutes of the 57th Annual Meeting. A motion was made by Mr. Ohnleiter and seconded by Mrs. Kelsey to approve the minutes as written; the motion was approved.

Mr. Hartrim reviewed the reports printed in the agenda. The Presidents Report was reviewed and discussed by the President/CEO, Steve Dunham. The Supervisory Committee Report was reviewed and discussed by Committee Chairman, Mr. Richard Rodriguez. All reports were accepted as presented.

There was no old business to address.

New business presented was the Bylaw Amendment: A motion by Mr. Ohnleiter, seconded by Mr. Begalke to approve the Bylaw Amendment Article 2, section 2.3 as approved at the August 23<sup>rd</sup> 2008 Board Meeting and Article 3, Section 3.6.3 as approved at the December 22, 2008 board meeting as attached to the Annual Meeting Business Agenda; motion was approved.

Mr. Burnham from the nominating committee reported the Candidates for the 2009 Board of Directors were Mr. William Dade, Ms. Vickie Joralmon, Mrs. Dorothy Kaiser, Mr. Arif Kazmi, Mr. Asadul Karim, Mrs. Gail Kelsey, Mr. Richard Rodriguez, Mr. John Wakelin and Mr. Joseph Wilmet. 992 ballots were received, that provided 3721 total votes. Mrs. Dorothy Kaiser, Mrs. Gail Kelsey, Mr. Richard Rodriguez and Mr. Joseph Wilmet were the elected directors.

There being no additional business, the meeting adjourned at 6:46 P.M.

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Jerry Hartrim, Vice-Chairman

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Robert Ohnleiter, Treasurer

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### Chairman of the Board's Report

Assertive expense management and necessary operational changes enabled Canyon State Credit Union to respond quickly to the changing needs of our members and the ever-changing needs of the marketplace. The focus of the Board of Directors for Canyon State Credit Union is to continually add to the value of being a member. This is consistent with the credit union philosophy of "People Helping People". Although 2009 was a difficult year for many credit unions and banks, the decisions we have made position Canyon State Credit Union for a better 2010 and a bright future for many years to come.

#### **2009 Accomplishments**

In addition to dealing with the economy, Canyon State has coordinated numerous regulatory changes and has improved the value of your membership in your Credit Union. During 2009 the credit union:

- Implemented a full service mortgage home lending department that can help you obtain financing to purchase or re-finance your home.
- Opened a student operated branch at Metro Tech High School in Phoenix. Working with the Banking and Finance Career department, we are providing financial services and education to the students and staff of Metro Tech High School.
- Implemented e-statements for our member accounts and anticipate adding e-statements for our credit card statements in 2010.

We have promoted loan modifications to reduce monthly payments and lower interest rates as appropriate to help our members meet their financial obligations.

As we move forward during 2010, our primary focus will continue to act responsibly and in our members' best interest. We will also continue to work at adding value by improving and adding to our services.

I would like to thank the Directors, the Supervisory Committee and all of the credit union employees for their participation and dedication to improving Canyon State Credit Union while providing quality services and maintaining a sound and stable financial institution.

I regret to report that in March 2010, Robert Ohnleiter, a long-time board member passed away. We are extremely grateful for the years of service Bob provided to Canyon State Credit Union. His leadership and friendship are missed.

Lastly, and most importantly, the volunteers and staff thank you, the members, who place your trust and confidence in the Credit Union by letting us partner with you in managing your financial affairs.

Richard Rodriguez  
Chairman

## President's Message

### 2009 the Year of the Great Recession

In 2008 we experienced an economic crisis due to the collapse of the real estate market in America. Massive government bills were passed to mitigate the effects on Wall Street, banks, automobile companies and the economy at large.

2009 started with great uncertainty as to how bad the recession was as real estate values and the stock market were plummeting and unemployment was rising. The stock market dropped from a high of 14,164 on October 8, 2007 to a low of 6,547 on March 8, 2009. Since then the stock market has stabilized and risen to over 10,000. Real estate values in the Phoenix area fell 55% from their high, but since April 2009 have remained relatively stable and have increased slightly in value. Arizona unemployment went from 4.3% at December 2007, to 6.6% at December 2008, to 9.2% at December 2009 and is expected to continue to rise in 2010.

But as weak as the economy is today, it is better than last year at this time. Nationally, the recession was officially over in the 3<sup>rd</sup> quarter of 2009. While the recovery is expected to be slow, it is believed to have started.

Arizona, along with California, Nevada and Florida have been labeled as one of the "Sand States" (beaches or deserts). These are the states that had the greatest increase and subsequently the greatest decline in real estate values. Much of the increase and decline was the result of real estate speculation and sub-prime loan products. These states are also home to the financial institutions that have been most negatively impacted by loan losses due to the decline in real estate values and the increase in unemployment.

### Your Credit Union is still very safe and sound

Credit unions in general and Canyon State specifically did not participate in high risk sub-prime lending. Credit unions are not-for-profit financial cooperatives, owned by our members. As such, we invest in our members to help them improve their lives.

As our members have been impacted by unemployment or underemployment, we have worked with them, modifying loan terms as appropriate to each member's circumstances to help them through these difficult times. In some cases there has been nothing we could do to help our members. In these cases members have defaulted on their loans and we have sustained losses.

Credit unions solvency is measured by their Capital Ratio, the ratio of Capital divided by Total Assets. A credit union with over a 7% Capital Ratio is considered to be well capitalized. At the start of the recession, our Capital ratio was 12.41%. And while our Capital Ratio has declined to 9.12% at December 2009, we are still well capitalized and we have substantially funded potential, future loan losses. We are anticipating being profitable in 2010 and maintaining over a 9.0% Capital Ratio.

In addition, to Canyon State Credit Union being solvent, your accounts are insured up to \$250,000 by the National Credit Union Share Insurance Fund (comparable coverage to FDIC insurance).

### 2010 and Beyond

Canyon State Credit Union remains committed to providing our best possible service to our members; we are still lending; we are helping our members as much as we can with our traditional financial services and with loan modifications; and we will remain financially solvent.

As always **Thank You** for choosing Canyon State Credit Union. Our staff and I both know you have many choices and we greatly appreciate your decision to be a member of our Credit Union.

Respectfully submitted,

Steve Dunham  
President/CEO



## Supervisory Committee Report

The Supervisory Committee of Canyon State Credit Union is a voluntary group comprised of six Credit Union members who are appointed by the Board of Directors to supervise Canyon State's financial activities. The Supervisory Committee, in partnership with the Credit Union's Internal Audit Department, Credit Union Management, our external auditors, Clifton Gunderson, LLP, the National Credit Union Administration and the Arizona Department of Financial Institutions, work diligently to ensure your assets are secure through the implementation of sound financial policies, procedures and controls.

In addition, the Supervisory Committee works independently on behalf of Canyon State members to ensure that questions or issues pertaining to individual member accounts are resolved. We are pleased to report that based on this work, Canyon State Credit Union is operating with a system of strong internal controls and is a sound financial institution.

On behalf of the Supervisory Committee, we are proud to be part of the Canyon State Credit Union organization and look forward to continuing the long tradition of providing financial security to our members.

Respectfully submitted,

David Matson  
Chairman, Supervisory Committee

## Credit Manager's Report

During 2009, Canyon State Credit Union experienced an overall decrease of 5.6% in our loan portfolio. Decreases were realized in all categories except for credit cards and signature loans, with the largest decrease seen in our real estate loans.

The severe downturn in our economy has had a negative impact on our members' financial situations and as that happened the Credit Union also felt the impact. Included in our delinquency percentage of 3.85% on December 31, 2009 are loans that we have modified to benefit our members and at year end over \$1.5 million in loans were in a "modified" status. As our delinquency rose, so did our losses. We wrote off \$2,009,958 during 2009 compared with \$1,021,540 in 2008. We recovered \$112,996 for a net loss of \$1,896,962. Real Estate loan losses comprised 41% of the net losses. We have taken steps to identify potential losses in our real estate portfolio and have placed funds in reserves to cover those losses.

While we continue to maintain a strong reserve level, 2010 will be yet another challenging year and will undoubtedly put additional strain on our ability to earn income. We will continue to work with our members by offering loan modifications, extensions and special loan programs to help them through these tough times, while also working to minimize the impact to the Credit Union.

Late in the year, we began offering longer term real estate loans for both purchases and refinances. We believe that going forward, as the market begins to come back and the economy strengthens, these new mortgage services will be a great benefit to our members.

Canyon State Credit Union places a high priority on providing solutions to our members' financial needs. We will continue to work hard to offer our members competitive loan products and pricing, while also assisting them by doing what we can to help them through these volatile economic times.

Heidi Sipe  
Credit Manager

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### BOARD OF DIRECTORS

Richard Rodriguez	Chairman	Arnold Burnham	Director
Brett Moulton	First Vice Chair	Jerry Hartrim	Director
Joseph Wilmet	Treasurer	Arif Kazmi	Director
Dorothy Kaiser	Secretary	Gail Kelsey	Director
		David Matson	Director

### SUPERVISORY COMMITTEE

David Matson	Chairman	Maria Kazan	Member
Donald Begalke	Member	Mary Simmons	Member
Hazel Chopko	Member	Carol Ward	Member

### CANYON STATE CREDIT UNION MANAGEMENT STAFF

Steve Dunham	President/CEO	Lenore Froehlich	VP/ Marketing
Heidi Sipe	EVP/Chief Lending Officer	Amy Singpradith	VP/HR
Annette Nuanez	VP/Chief Operations Officer		

**Statement of Earnings**  
**Year Ended December 31, 2009**

**Income**

Loan Interest Income	\$ 7,010,965	
Investment Income	687,035	
Other Income	<u>3,675,700</u>	
<b>Gross Income</b>	<b>11,373,700</b>	
Less Operating Expenses	7,568,617	
Less Provision for Loan Loss	3,890,000	
Net Income Before Dividends	( 84,917)	
Less Dividends	<u>(2,025,103)</u>	
Net Operating Income	(2,110,020)	
Plus Non-Operating Income	<u>( 499,216)</u>	
<b>Net Income</b>	<b><u>\$ (2,609,236)</u></b>	

**Statement of Condition**  
**Year Ended December 31, 2009**

**Assets**

Loans	\$ 100,533,316	
Less Allowance for Loan Loss	<u>(4,239,814)</u>	
<b>Net Loans</b>		96,293,502
Investments		53,605,759
Cash		1,476,401
NCUSIF Deposit		1,301,896
Fixed Assets	11,249,921	
Less Accumulated Depreciation	<u>(5,484,790)</u>	
<b>Net Fixed Assets</b>		5,765,131
Other Assets		<u>1,340,417</u>
<b>Total Assets</b>	<b><u>\$ 159,783,106</u></b>	

**Liabilities & Equity**

Shares & Clubs	\$ 37,714,766	
Share Drafts	19,407,826	
Money Market Accounts	21,120,249	
IRA Shares	2,768,084	
IRA Certificates	8,568,420	
Certificates	<u>36,209,950</u>	
<b>Total Member Deposits</b>		125,789,295

**Other Liabilities** 21,242,493

**Equity**

Regular Reserves	2,265,234	
Undivided Earnings	<u>10,486,084</u>	
<b>Total Equity</b>		<u>12,751,318</u>

**Total Liabilities and Equity** **\$ 159,783,106**



Your state, your credit union.

Headquarters: 3440 W. Deer Valley Road  
Phoenix, AZ 85027  
623-580-6000  
800-224-3330  
www.canyonstatecu.org

Visit any of our statewide branch locations!

**Capitol Branch**  
1558 W. Jackson St.  
Phoenix, AZ 85007  
623-580-6000

**Osborn Branch**  
2440 W. Osborn Rd.  
Phoenix, AZ 85015  
623-580-6000

**Tempe Branch**  
937 E. Broadway Rd.  
Tempe, AZ 85282  
623-580-6000

**Deer Valley Branch**  
3440 W. Deer Valley Road  
Phoenix, AZ 85027  
623-580-6000

**Goodyear Branch**  
1270 N. Dysart Rd.  
Goodyear, AZ 85395  
623-580-6000

**Payson Branch**  
514 S. Beeline Hwy.  
Payson, AZ 85541  
928-472-8995

**Tucson Branch**  
3919 E. Pima  
Tucson, AZ 85712  
520-881-0200

**CREDIT UNION SERVICES**

**Savings**

- Investment Certificates – 6 months to 5 years
- IRA Accounts
- Money Market Accounts
- Holiday Club Account
- Youth Accounts

**Checking**

- **Free** Checking that pays a dividend
- **Free** Internet Banking & Bill Pay\*\*
- **Free** e-Statements
- **Free** Identity Theft Protection
- **Free** Check Imaging

**Loans**

- Auto Loans – new & used
- Motorcycle, Boat & RV Loans
- Mortgage Loans, including FHA Loans
- Home Equity Loans
- No Fee Visa & MasterCard Credit Cards with Rewards
- SECC Platinum Visa Affinity Card

**Convenience Services**

- 24-hour access, 7 days a week online or by phone
- Shared Branching – hundreds of branch locations worldwide
- Automatic Transfer/Direct Deposit

**Financial Education**

- **Free** access to financial counseling and education on topics such as:
  - Debt Management
  - Money Management
  - Credit Report Review

**Auto Buying Service**

- **Free** one-stop buying service
- Arrangements for new and used vehicles
- Stress-free atmosphere
- Zero negotiations
- No visits to the dealership

**Financial Planning\***

- Full array of financial planning & investment services such as:
  - 401(k) and IRA Reviews and Rollovers
  - Retirement Planning
  - Stocks, Bonds, Mutual Funds and Annuities.

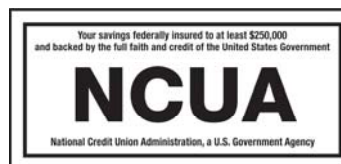
**Other Services**

- Property & Casualty Insurance
- Entertainment Discounts
- Visa Gift Cards and TravelMoney
- Nextel Sprint Discounts
- Wills & Trust Services

\* Securities and Insurance products are offered through LPL Financial and its affiliates. Member FINRA/SIPC. Canyon State Credit Union is not a registered broker-dealer nor affiliated with LPL Financial.

Not NCUA Insured | No Credit Union Guarantee | May Lose Value

\*\* First 15 payments each month are free. \$.75 for each additional payment



We do business in accordance with the Equal Credit Opportunity Act.