



Your state, your credit union.

58th Annual Meeting

April 21, 2009

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
 - 1. Bylaw Amendments
 - a) 3.6.3
 - 1) The Member causes a financial loss to the Credit Union, ~~at least until such loss is made good;~~ or in accordance with the Board's policy regarding Losses to the Credit Union; or
 - b) 2.3
 - 1) The par value of membership shares for members who are ~~15~~ 17 years of age or younger shall be Five Dollars (\$5.00)
- J. Election Results
- K. Door Prizes
- L. Adjournment

Canyon State Credit Union
57th Annual Meeting Minutes
April 21, 2008

The meeting was held in the lobby of the Canyon State Credit Union at 3440 W. Deer Valley Rd, Phoenix, Arizona.

The Chairman Mr. Joseph O'Neill called the meeting to order at 6:32 P.M. The directors present were; Mr. Van Braswell, Mr. Arnold Burnham, Mr. Jerry Hartrim, 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. O'Neill, Chairman, requested a motion to approve the minutes of the 56th 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. O'Neill reviewed the Annual Report printed in the agenda. Reports were also given were the Treasures Report by Treasurer, Mr. Bob Ohnleiter; the Presidents Report by the President/CEO, Steve Dunham, the Supervisory Committee Report, 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 3, Section 3.2, Appendix B as attached to the Annual Meeting Business Agenda; motion was approved.

The Candidates for the 2008 Board of Directors were Mr. Hakeem Arogundade, Mr. Arnold Burnham, Mr. Jerry Hartrim, and Mr. Brett Moulton. Mr. Arnold Burnham, Mr. Jerry Hartrim, and Mr. Brett Moulton were the elected directors.

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

Joseph O'Neill, Chairman

Robert Ohnleiter, Treasurer

Chairman of the Board's Report

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". There is a fundamental difference between how we define success and how our for-profit competitors' define success. Growth and expansion in the for-profit sector is all about maximizing value for shareholders and improving the institution's stock price, whereas growth and expansion in the credit union is all about responding to the changing needs of our members and improving service. Everything we do is driven by you, our member-owners. Any success we achieve as a credit union is a direct reflection of how we are perceived by our members.

Adding value to our members is usually accomplished by adding and improving our products and services and their delivery. While we continued with this during 2008 by adding a Gift and Travel Card Program, re-modeling the Osborn Branch and rolling out e-statements (in January 2009), it became increasingly evident as the year progressed that our greatest value was to help our members through these difficult times.

As such we have promoted and adopted 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 2009, our primary focus will continue to be assisting our members, and we will also continue to work at adding value by improving and adding to our services.

I 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 December 2008, Joseph H. O'Neill, the Chairman of the Board passed away. We are extremely grateful for the years of service Joe 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.

Jerry Hartrim
Chairman

President's Message

2008 Overview

2008 started with a weak economy due to the real estate boom going bust in 2007 and the related credit crunch. Then the economy kept deteriorating throughout the year. 2008 was the year of a government stimulus package, Wall Street collapse, bank failures and mergers, bankruptcies, collapsing real estate values, government bailouts, the Big 3 automobile companies ... 2008 was truly a year that just kept coming with more bad economic news.

Locally, Arizona is one of the 5 states hit hardest by declining real estate values, along with California, Nevada, Texas, Florida and Michigan. Historically Arizona has been one of the top states in job creation, but was 49th in 2008. Unemployment rose to 6.6% at year end and was still climbing. Arizona real estate values declined over 30% during 2008. 2008 was a difficult year for our members and the credit union.

State of your Credit Union

Your credit union is 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 with loans to help them improve their lives.

We do not promote high risk loans that are not good for our members and we do not purchase high risk investments. In addition to being very solvent, your Canyon State Credit Union accounts are insured up to \$250,000 by NCUA (comparable to FDIC insurance). The Capital Ratio (Equity divided by Total Assets) is the primary measure of financial solvency in a credit union. At the end of the year, we had a Capital Ratio of 11.16%. NCUA considers any credit union with at least a 7.0% ratio to be well capitalized. The primary risk to capital is losses on investments or loans.

Investments:

By regulation credit unions are limited in the types of investments they can purchase. Our investments are very conservative and safe. We do not own any of the high risk/toxic investments that have lost value and caused the problems on Wall Street. Our investments do not pose a risk to our capital.

Loans:

We issue loans to our members. Some of our members are experiencing "life events", such as job loss, cut backs, divorce, health problems, etc. As they are experiencing these "life events", some are having difficulty making their loan payments. As much as possible, we are helping them work through their problems, which in turn helps the credit union.

2008 Financial Results:

In 2007, our charge-offs totaled about \$270,000 or about 0.29% of our loans. In addition \$385,000 or 0.39% of our loans were delinquent over 60 days. In 2008, our charge-offs totaled about \$942,000 or about 0.93% of our loans. In addition \$1,312,000 or 1.23% of our loans were delinquent over 60 days. This increase in charge-offs and delinquency resulted in our increasing our Loan Loss Reserves to \$2,700,000 and incurring a Loan Loss Expense of \$2,875,000. As a result, the credit union lost \$1,800,000 in 2008.

2009

While 2009 will be a challenging year for our members and the credit union, Canyon State Credit Union remains committed to providing our best possible service to our members; we are still lending; we will help our members as much as we can; and at the end of the year we will still be solvent and financially healthy.

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 Canyon State 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 five 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,

Richard Rodriguez
Chairman, Supervisory Committee

Credit Manager's Report

During 2008, Canyon State Credit Union experienced an overall increase of 9.7% in our loan portfolio. Increases were realized in all categories except for new vehicles, with the largest increase seen in our used vehicle category.

The severe downturn in our economy has naturally affected our members and as that happens, we are also affected. Delinquency increased during 2008, as did our losses. We wrote off \$1,029,903.65 in loans during 2008 compared with \$325,840.26 in 2007. We recovered \$78,974.52 for a net loss of \$950,929.13. Bankruptcy filings have dramatically increased over 2006 and 2007 as our members struggle with reduced hours, job losses, foreclosures, etc.

While we maintain a very strong reserve level, 2009 may be an even more challenging year and will undoubtedly put additional strain on our income and reserve level. We will continue to work with our members 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.

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

BOARD OF DIRECTORS

Jerry Hartrim	Chairman	Arnold Burnham	Director
Joe Wilmet	First Vice Chair	Dorothy Kaiser	Director
Robert Ohnleiter	Treasurer	Van Braswell	Director
Gail Kelsey	Secretary	Brett Moulton	Director
		Richard Rodriguez	Director

SUPERVISORY COMMITTEE

Richard Rodriguez	Chairman	Maria Kazan	Member
David Matson	Member	Donald Begalke	Member
Hazel Chopko	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, 2008

Income

Loan Interest Income	\$ 7,168,180	
Investment Income	1,129,409	
Other Income	<u>3,746,589</u>	
Gross Income	12,044,178	
Less Operating Expenses		8,013,320
Net Income Before Dividends	1,155,858	
Less Dividends	<u>(2,984,021)</u>	
Net Operating Income	(1,828,163)	
Plus Non-Operating Income	<u>(26,404)</u>	
Net Income	\$ <u>(1,801,759)</u>	

Statement of Condition
Year Ended December 31, 2008

Assets

Loans	\$ 106,665,990	
Less Allowance for Loan Loss	<u>(2,237,149)</u>	
Net Loans		104,428,841
Investments		23,252,911
Cash		2,140,271
Fixed Assets	11,111,984	
Less Accumulated Depreciation	<u>(4,865,539)</u>	
Net Fixed Assets		6,246,445
Other Assets		<u>1,513,880</u>
Total Assets		\$ <u>137,582,348</u>

Liabilities & Equity

Shares & Clubs	\$ 34,635,615	
Share Drafts	16,673,700	
Money Market Accounts	18,611,180	
IRA Shares	2,520,191	
IRA Certificates	8,911,469	
Certificates	<u>40,081,615</u>	
Total Member Deposits		121,433,770
Other Liabilities		788,024
Equity		
Regular Reserves	2,265,234	
Undivided Earnings	<u>13,095,320</u>	
Total Equity		<u>15,360,554</u>
Total Liabilities and Equity		\$ <u>137,582,348</u>





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
- 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
- Payroll Deduction/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.

* 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

