



62nd Annual Meeting
April 23, 2013

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
61st Annual Meeting Minutes
April 22, 2012

The meeting was held in the lobby of the Canyon State Credit Union at 3440 W. Deer Valley Rd, Phoenix, Arizona. The Chairman of the Board, Brett Moulton, called the meeting to order at 6:30 P.M. The directors present were; Mr. Arnold Burnham, Mr. Jerry Hartrim, Mrs. Dorothy Kaiser, Mr. Arif Kazmi, Mrs. Gail Kelsey, Mr. David Matson, and Mr. Joseph Wilmet. Mr. Brett Moulton asked the Secretary if a quorum was present. Mrs. Dorothy Kaiser confirmed that a quorum was present.

Chairman Moulton, conducted the meeting and reviewed the Annual Meeting Agenda. He asked for a motion to approve the minutes of the 60th Annual Meeting. A motion was made, seconded and approved to accept the minutes as written.

Chairman Moulton said that there were three words that represented this year to him: Change, Hope and Optimism. The economy was changing for the better, there was hope that the improvement would continue and optimism that it would. He expressed his appreciation to the Board of Directors, Supervisory Committee, the Credit Union Staff and the Members for their support. Mr. Brett Moulton asked that his written report be accepted if there weren't any questions; there were no questions or comments.

President/CEO, Mr. Steve Dunham, said that 2011 was a much better year for the credit union. The credit union was profitable for the first time since 2007 as charge-offs in 2011 were half of what they were in 2010 and they were expected to be drop another 50% in 2012. With the profitability the credit union had over a 10% Net Worth ratio and that a credit union was considered to be well capitalized if it was over 7.0%, a ratio that the credit union never fell below during the economic downturn. Mr. Dunham said the credit union remains committed to providing the best possible service and value to our members. In 2011 we added Card Cash, a cash back debit card rewards program and improved our free checking, now called My Checking Account by adding three value options to our members. These options were My Travel, My Savings and My Protection. In 2012 we have improved our credit card rewards system, are adding alerts to our credit card program and are going to expand our real estate loan offerings. Mr. Dunham concluded by saying thank you for choosing Canyon State Credit Union for your banking needs; there were no questions or comments.

Credit Manager, Ms. Heidi Sipe, commented that in addition to her written report the credit union would be soon be offering 2nd mortgages, HELOCs and short term 1st mortgages. There were no questions or comments.

Mr. Jerry Hartrim, Treasurer presented the financial report. He discussed that as of December 31, 2011 the credit union had \$129,000,000 in assets and had grown to \$133,000,000 as of March 31, 2012. The credit union has Net Income of \$3,270,000 in 2011 and Net Worth was 9.81% at year end. There were no questions or comments.

Chairman of the Supervisory Committee, Mr. David Matson, stated there was nothing to add to the written Supervisory Committee Report; there were no questions or comments. All reports were accepted as presented. There was no old business to address.

Mr. Brett Moulton announced the results of the 2012 Board of Directors election. There were three candidates for three positions and in accordance with the credit union's by-laws, the candidates were elected by acclamation to a three year term. He then congratulated Rae Kinsman, Myron Musfeldt and Milo Trevizo to their election to the Board of Directors and thanked them for their willingness to serve.

Mr. Brett Moulton then asked Gail Kelsey, Dorothy Kaiser and Joe Wilmet, the retiring directors to step forward. He thanked each of them for their years of service and presented plaques to Gail Kelsey recognizing her six years of service, to Dorothy Kaiser recognizing her 17 years of service and to Joe Wilmet for his 21 years of service.

Vice President of Marketing, Lenore Froehlich, reviewed the by-law amendments. Under Article 8. GENERAL PROVISIONS, a Section 8.5 was added as noted below:

Article 8, GENERAL PROVISIONS Section 8.5 Indemnification

8.5 Indemnification.

- 8.5.1 The credit union shall indemnify current and former directors, officers, employees, and appointed or elected officials to the extent authorized by the laws of the state of Arizona, from any liability asserted against them and expenses reasonably incurred by them in connection with judicial or administrative proceedings to which they are or may become parties by reason of the good-faith performance of their official duties for the credit union. The obligation of the credit union to indemnify shall not extend to any actions or omissions that are not authorized by the credit union and are outside the scope of the performance of official duties for the credit union, including but not limited to a judicial or administrative proceeding alleging improper personal benefit to an officer, director, official, or employee.
- 8.5.2 The credit union shall purchase and maintain insurance on behalf of an official of the credit union against any liability asserted against or incurred by an individual in their official capacity and arising out the performance of their official duties, to the extent such insurance is permitted by Arizona law.
- 8.5.3 The term "official" in this bylaw is defined to include persons who are members of the board of directors, credit committee, supervisory committee, or other volunteer committee (including elected or appointed loan officers or membership officers), established by the board of directors.

Under Article 3, MEMBERSHIP, two zip codes were added to Appendix B. These included 85553 (Tonto Basin) and 85544 (Strawberry & Pine, AZ.)

A motion was made, seconded and approved to accept the by-law amendments as presented.

Mr. Moulton then asked if there was any new business. Being none, he adjourned the meeting at 6:45 PM.

Brett Moulton, Chairman

Milo Trevizo, Secretary



Chairman of the Board's Report

I would like to begin my report by thanking you, the members, for your continued participation as member-owners of this financial cooperative. The challenges created by the economy have brought into focus the strength and benefits Canyon State Credit Union brings to you as member-owners. The cooperative philosophy of people helping people, pooling deposits to make loans and provide other services at reasonable cost, has stood the test of time. Without question, our unique model continues to be extremely successful.

2012 was a positive year for the credit union. Despite ongoing economic challenges, the Board, management team, and staff worked hard to achieve positive net income. Your credit union remains safe and sound as we continue to look toward expanding and offering new and enhanced services to help our members realize their financial dreams.

During 2013 we will introduce a new relationship pricing program. With this new program, the more products and services you use, the more you can save! We want to reward our members who are loyal and use the products and services we offer.

As a valued Canyon State Credit Union member we want you to understand why we are launching the new program, why it is in place, and why some members are assigned more fees than other members. A credit union is a cooperative financial institution, owned and controlled by the member-owners who use the credit union's services. The member-owners control the business through their participation in the cooperative. Relationship pricing programs focus on rewarding members that allow the credit union to be a financially strong business, and is intended to ensure that each member-owner contributes to the success of the credit union, either by maintaining deposit or loan balances or by paying fees for the utilization of services. Relationship pricing is determined based on each member's total relationship with the credit union, thus rewarding member loyalty and their contribution to the credit union's performance.

There are three ways a member can help carry their fair share in costs.

1. Borrow money as a loan. When a member borrows money, it is paid back with interest. Some of the interest received covers the expenses of serving the borrower. The rest goes back into the credit union to pay dividends to members or to be invested, thus earning more money for the entire membership.
2. Deposit your money with Canyon State. You can place your money on deposit at Canyon State in many types of insured accounts; savings, checking, certificates, money market. While it is there, it earns money by being invested in secure, interest-bearing instruments. Most of the earnings are returned to you as dividends, and a small portion is retained to pay the expenses of caring for your money.
3. Pay fees for credit union services. Members whose accounts have a lower aggregate balance of deposits and loans still create expenses for the credit union. When it comes to paying the costs of checking, teller transactions, and paying the costs of the ATMs and branches, operational expenses add up, creating a need for fees. Since Canyon State Credit Union is a "not-for-profit" organization, members that fall into this category are charged some fees to cover their fair share of operational and service expenses.

On April 1, 2013, Canyon State will offer three tiers of relationship pricing (Bronze, Silver and Gold) based on your aggregate balance of both deposits and loans – thus rewarding members who borrow and/or save. Depending on your combined deposit and loan balance, you could benefit from a no-monthly-fee checking account, free check copies, free paper statement, free coin counting and processing, and no check cashing fee!

We are working to continuously expand and improve our products and services and emphasize financial security, quality and convenience. We want to provide solutions to your financial needs, just as we have been doing for the people of Arizona for more than 60 years. Thank you for choosing Canyon State Credit Union, a cooperative, not-for-profit financial institution, owned by our members (you!) to help you achieve your financial goals. We return net earnings to our members in the form of lower interest rates on loans, higher dividends on savings and lower fees. As a member-owner, you have a voice at Canyon State. Your membership is important to us. We want to exceed your expectations

As a reminder, Canyon State's Board is made up of nine volunteers, who share a common philosophy and strong commitment to represent the membership. Your Board strives to accomplish this by receiving member feedback. Staying informed on the credit union industry, serving on various committees and meeting with Senior Management each month. Your Board also shares the same high level of enthusiasm for ensuring Canyon State Credit Union continues its long-standing tradition of providing quality products and services to members. The Board is fortunate to be able to draw on the experience and expertise of the staff and management team of the Credit Union. These people, serving you, continually strive to provide an exceptional, positive experience for all members.

Thank you to our volunteer board of directors and supervisory committee members for their dedication, direction and support; and to the staff for their hard work and dedication ensuring our members' financial needs are met on a daily basis.

Brett Moulton
Chairman of the Board



President's Message

December 31, 2012– State of the Credit Union

2012 was a much better year for the credit union than the last couple of years and I am looking forward to further improvement in 2013.

Phoenix was one of the hardest hit in housing prices and now the metro area has regained confidence as home values increase. According to data from Realtor.com's "First Quarter Real Estate Trend Data Report", the turnaround trend in the Phoenix metro area has produced a 23.5% increase in the median home price from a year ago, bringing it to \$170,000. There has been steady improvement in the number of houses on market; the length of time a house is on market; the number of foreclosures being filed; the number of outstanding foreclosures; the amount of "shadow inventory" (delinquent mortgages, subject to possible foreclosure) and bankruptcies. I am optimistic that the worst of the economy is behind us and while not back to normal, Arizona's economy is improving.

In 2011 our loan losses were \$1,434,134 and in 2012, our loan losses decreased \$685,970 to \$748,164. At the start of the Great Recession our Capital Ratio was 12.4% (Capital to Total assets). In 2012 we have been profitable and we are still well capitalized at 11.71%.

With the slow economy many people have put off major purchases, but we have MONEY to LEND. And with record low interest rates, it has never been cheaper to borrow. If you are thinking about buying a car, fixing up your house, or shopping for a credit card, please let us help you get your best financing.

The greatest opportunity to improve our financial profile is through increased member participation. Our success remains tied to the health, success and participation of our members. To that end, please continue to consider Canyon State first for your financial service needs. The more that our products and services are utilized by our membership – especially loans, the more the credit union will have financial success. We offer a full array of financial services such as:

- Record low rates and extended terms on vehicle loans
- Historic low rates for mortgages for either buying or refinancing. We offer both FHA & VA loans.
- Low rate credit cards with a rewards program
- Checking with free Internet Banking, Bill Pay*
- E-statements
- Free Auto Buying Service known as Member Auto Connection
- Financial Planning
- Trusts & Wills
- Financial Counseling
- Property & Casualty Insurance
- Entertainment Discounts
- Sprint Nextel Discounts
- VISA Giftcards and TravelMoney

2013 and Beyond

Our strategic plan for 2013 and beyond provides for a continual steady improvement of financial results and enhanced products and services for our members. During 2013, we will begin offering our member-owners the following enhanced or new programs:

- New Website
- New Home Banking Program with several enhanced features such as text messaging
- Mobile Banking with Remote Deposit
- New Statement Vendor
- Online Account Opening
- Online Lending Application

Membership at Canyon State Credit Union means ownership in a local, full-service financial institution that exists solely to provide financial services to its member/owners. Our cooperative form of corporate governance ensures that all earnings of the Credit Union are returned to our members in the form of affordable financial services. That is what differentiates your Credit Union from other financial institutions. At the Credit Union there is not a small group of investors profiting by providing financial services to many members. Your board of directors is comprised of volunteer members elected by our membership. Our volunteer board of directors is tasked with providing financial products and services that make a positive difference in our members' financial lives while maintaining the long-term financial strength and stability of our Credit Union.

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

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

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, Orth, Chakler, Murnane & Company, 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 2012, Canyon State Credit Union experienced a decrease of over 2.75% in our loan portfolio, compared to a 19% decrease in 2011. Decreases were realized in all categories. These decreases were influenced by a variety of factors including our members' uncertainty about their financial futures.

We are seeing a definite improvement in our delinquency and charge offs. We are looking forward to this positive trend continuing. Our delinquency at year end 2011 was 1.86% and as of December 31, 2012, has declined to 0.64%. Our losses dropped significantly as we wrote off \$748,164 during 2012 compared with \$1,434,134 during 2011 – a decline of \$685,970.

Our major challenge for 2013 will be to increase loans. In order to do so, we have relaxed some underwriting guidelines and moved to a centralized underwriting department to be more consistent in making loan decisions. We added Home Equity Lines of Credit, Second Mortgages and 15 year fixed rate mortgage loans back to our portfolio products in 2012.

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.

Heidi Sipe,
Credit Manager

BOARD OF DIRECTORS

Brett Moulton	Chairman	Rae Kinsman	Director
Jerry Hartrim	First Vice-Chair	Myron Musfeldt	Director
Arnold Burnham	Second Vice-Chair	Keith Barr	Director
David Matson	Treasurer	Carol Ward	Director
Milo Trevizo	Secretary		

SUPERVISORY COMMITTEE

David Matson	Chairman	Silvia Martinez	Member
Donald Begalke	Member	Tara Tuschen	Member
Richard Rodriguez	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, 2012

Income

Loan Interest Income	\$ 4,094,428	
Investment Income	227,548	
Other Income	<u>3,259,310</u>	
Gross Income	7,581,286	
Less Operating Expenses		(6,099,614)
Provision for Loan Loss		(64,639)
Net Income Before Dividends		1,417,032
Less Dividends		<u>(442,882)</u>
Net Operating Income		974,149
Net Non-Operating Income		<u>(30,869)</u>
Net Income	\$ 1,005,018	

Statement of Condition
Year Ended December 31, 2012

Assets

Loans	\$ 68,051,029	
Less Allowance for Loan Loss	<u>(1,319,781)</u>	
Net Loans		66,731,248
Investments		52,416,800
Cash		1,250,221
NCUSIF Deposit		1,158,719
Fixed Assets	11,040,550	
Less Accumulated Depreciation	<u>(6,013,004)</u>	
Net Fixed Assets		5,027,546
Other Assets		<u>4,849,837</u>
Total Assets		\$ 131,434,370

Liabilities & Equity

Shares & Clubs	\$ 43,980,248	
Share Drafts	21,647,821	
Money Market Accounts	18,753,509	
IRA Shares	2,902,099	
IRA Certificates	5,466,978	
Certificates	<u>21,589,119</u>	
Total Member Deposits		114,339,774
Other Liabilities		1,650,324
Equity		
Regular Reserves	2,265,234	
Unrealized Gain/Loss on AFS Investment	55,301	
Undivided Earnings	<u>13,123,737</u>	
Total Equity		<u>15,444,272</u>
Total Liabilities and Equity		\$ 131,434,370



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 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

Payson Branch

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

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

CREDIT UNION SERVICES

Savings

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

Checking

- Checking that pays a dividend plus 1% Cash Back**
- **Free** Internet Banking & Bill Pay***
- E-statements
- **Free** Check Imaging

Loans

- Auto Loans – new & used
- Motorcycle, Boat & RV Loans
- Real Estate Loans
- No Fee Visa & MasterCard Credit Cards with Rewards

Convenience Services

- 24-hour access, 7 days a week online or by phone
- 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

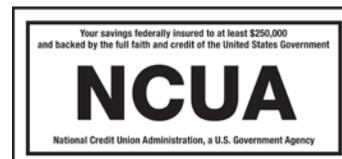
- Property & Casualty Insurance
- Entertainment Discounts
- Visa Gift Cards and TravelMoney
- Nextel Sprint Discounts
- Wills & Trust Services

* 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

*** Terms and Conditions Apply.

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



Federally Insured by NCUA

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