



## 2009 Annual Report of the Vermont State Employees Credit Union



### Chairman's Report

One of our strategic goals has been, and is, to be the best credit union in Vermont and to be available to everyone in Vermont. In pursuit of that goal, we have spent many years working to pave the way to reach one of the greatest milestones in our history — a statewide field of membership.

In 2009, the Commissioner of Banking, Insurance, Securities and Health Care Administration approved VSECU as the first credit union in Vermont to be able to serve everyone who lives or works in our state. No longer are we an exclusive institution, but now totally inclusive with open arms ready and willing to help our neighbors anywhere in Vermont who are looking for alternatives to Wall Street banking.

Although big bank mania may not be prevalent in Vermont, all of us have been impacted by the behavior and poor decisions made by many in the banking and financial services industries. The media bombarded us with troubling news all year long provoking many to think about the sustainability or resurgence of main street banking. The timing is ripe for VSECU to be available as a local, member-owned, not-for-profit cooperative dedicated to helping all Vermonters who want security and access to affordable services. I am so pleased that the time has come!

Other external events throughout the year challenged your Board to balance the twin goals of financial soundness of our credit union and remaining thoughtful, sensitive and aware of the hardship that many have endured because of these challenging times.

We saw stress creep into some members' lives, due to a lost job, reduced income, or the mismanagement of finances as the only mode of survival. We recognize that these are tumultuous times

for many, but believe that the fortitude of our members combined with our commitment to them, will see us through it all. The future can be bright. If there is any member who is struggling to make ends meet, our door is open.

There was some silver lining in the financial chaos of 2009. Members returned home to their credit union to deposit their money for safekeeping. For a second consecutive year, we experienced extraordinary deposit growth with nearly \$50 million in new deposits. And by keeping our loan interest rates low, we were able to help members reduce their monthly loan payments by refinancing existing mortgages and auto loans.

Looking to the future, I assure you that your Board of Directors is ready to meet challenges and adapt to our changing times. I see how far we've come since I first joined the Board in 1997 — we didn't even have online banking then! Today we have members that Tweet, communicate only through Facebook, and those who want to come in to a branch and sit face-to-face with a member service consultant. We're prepared to explore and keep with the times, while remaining focused on who we are. We are your financial institution that truly cares about you.

The leadership that has made all of this happen is our inspirational and visionary CEO, Steve Post, who has been conscientious, pragmatic and disciplined to get us through this past year with the successes we have achieved. It also could not have happened without all of our great staff, the glue that keeps everything together for our members. We are right here by your side.

Thank you for being a member-owner of VSECU.

*Respectfully submitted,  
M. Jerome Diamond, Chairman  
Board of Directors*



## Treasurer's Report

VSECU remains committed to helping Vermont families with their financial needs. Our strong asset growth is a testament to why we exist – to protect our members in tough financial and economic times. We are safe and we are local.

Assets grew for the second year in a row to \$492 million at the end of the year. This is an increase of \$52 million after increasing by \$75 million in 2008. The flight to safety continued and deposits grew by \$50 million in 2009 with almost one half of the deposit growth occurring in Money Market accounts.

On the loan side, we experienced a decrease in the loan portfolio of \$8.5 million. Most of the decrease was in the real estate portfolio. Although VSECU originated a record volume of mortgage loans, exceeding any other year in our history, the portfolio declined as members paid off existing VSECU loans with a lower rate refinanced VSECU mortgage. The total held mortgage portfolio at the end of the year was \$211 million.

Consumer loans totaled \$87.3 million in 2009, down from previous years as members cut back on borrowing and spending. The VBiz unit continues to grow in both deposits and loans to our business customers.

Our percentage of delinquent loans did increase during the tough economic year to 0.75% from 0.29% in 2008. This is still well below our industry peers.

Operationally, the credit union had strong net earnings of \$2.6 million after making a \$255,000 allocation for loan loss provisions and recording two unusual adjustments as a result of a tumultuous year for the financial services industry:

- A \$624,000 annual expense to replenish the NCUA share insurance fund. All federally insured credit unions were required to inject funds to stabilize this self-insured fund. The amount we paid is based on our deposit size. We will

be budgeting for this expense (or a larger amount) annually for the next six years.

- A \$1.2 million write-off in the value of our shares in corporate credit unions. VSECU and other credit unions deposited funds into several corporate credit unions (a credit union for credit unions) that in turn made investments in mortgage backed securities, which ultimately diminished in value. This loss is permanent and was recorded in 2009.

As one can see, earnings are very important to protect our entire membership as we move into 2010, not knowing how the year will unfold. Although still well capitalized with a capital-to-assets ratio of 8.25% at the end of 2009, the ratio is slightly down from 8.64% in 2008. Another year of rapid asset growth could continue to put pressure on our capital ratio. And although the entire financial system seems to have calmed, we need to preserve capital for unanticipated events like the ones described above.

I am hopeful that our economy and Vermonters will see and experience more positive things in 2010. I do believe it will continue to be a challenging year, with little demand for consumer loans, while members search for a safe place to deposit their savings.

Your board and management will continue to make decisions that first protect the operations of our credit union in a safe and sound manner. And then align best the product, price, convenience and service that members deserve without impairing the financial security of VSECU.

This is my last report as Treasurer for VSECU. I have served my credit union as a volunteer board member for nine years. It has been a rewarding life experience and I thank the membership for allowing me to serve them.

*Respectfully submitted,  
Paul Hill, Jr., Treasurer*



## 10 Year Asset Totals

Year	Total Assets
2009	\$492,659,702
2008	\$440,359,992
2007	\$365,772,201
2006	\$349,596,984
2005	\$357,920,635
2004	\$358,141,681
2003	\$351,916,370
2002	\$331,408,703
2001	\$294,924,468
2000	\$249,070,851

## Supervisory Committee Report

According to the provisions of Title 8, Vermont Statutes Annotated, Chapter 221, Section 31306, the Supervisory Committee oversaw an extensive audit of the books and affairs of VSECU for the twelve months ending August 31, 2009, performed by Wolf and Company, of Boston, Massachusetts. We have reviewed the audited financial statements and supporting footnotes to the financial statements. The Committee has presented the results of the audit to the Board. The Committee is satisfied that the work received from the audit firm is accurate and complete.

A copy of the opinion and financial statement audit report presented by Wolf and Company is available upon request. Please contact the credit union for more information.

*Respectfully submitted,  
Normand Desrochers, Chair  
Supervisory Committee*



## Statement of Financial Condition

	2009	2008
<b>Assets</b>		
Cash and Cash Equivalents	\$ 17,947,079	\$ 19,640,812
Investments	\$ 146,352,370	\$ 85,635,043
Loans to members, net of the allowance for loan losses	\$ 302,480,500	\$ 315,182,867
Loans held for sale	\$ 7,102,365	\$ 2,869,194
Property and equipment	\$ 9,381,488	\$ 9,647,331
National Credit Union Share Insurance Fund deposit	\$ 4,157,727	\$ 3,565,515
Other Assets	\$ 5,238,173	\$ 3,819,230
<b>Total Assets</b>	<b>\$ 492,659,702</b>	<b>\$ 440,359,992</b>
<b>Liabilities and Equity</b>		
Liabilities	\$ 2,674,321	\$ 2,403,156
Borrowed Funds	\$ 9,858,732	\$ 10,000,000
Commitments and contingent liabilities	\$ 0	\$ 0
Members' shares	\$ 438,571,885	\$ 388,799,694
Equity		
Retained earnings, substantially restricted	\$ 40,664,758	\$ 38,053,322
Other Comprehensive Income	\$ 53,433	\$ 68,695
Net unrealized gains (losses) on available-for-sale investments	\$ 836,573	\$ 1,035,125
<b>Total Equity</b>	<b>\$ 480,126,649</b>	<b>\$ 427,956,836</b>
<b>Total Liabilities and Equity</b>	<b>\$ 492,659,702</b>	<b>\$ 440,359,992</b>
<b>Statement of Income</b>		
Interest Income		
Interest on loans to members	\$ 18,254,154	\$ 18,552,037
Interest on investments and cash equivalents	\$ 2,427,872	\$ 2,713,060
	\$ 20,682,026	\$ 21,265,097
Interest Expense		
Dividends on members' shares	\$ 8,312,156	\$ 9,886,364
Net Interest income	\$ 12,369,870	\$ 11,378,733
Provision for loan losses	\$ 254,833	\$ 880,000
Net interest income after provision for loan losses	\$ 12,115,037	\$ 10,498,733
Non-interest income	\$ 4,975,020	\$ 3,405,156
	\$ 17,090,057	\$ 13,903,889
General and administrative expenses	\$ 14,478,621	\$ 13,236,723
<b>Net Income</b>	<b>\$ 2,611,436</b>	<b>\$ 667,166</b>

## Credit Committee Report

We entered 2009 forecasting slow consumer loan growth due to the recession. With members and consumers pulling back from major purchases and a renewed focus on saving, the demand for consumer loans was down in 2009 and most notably in the area of auto loans. Although the Cash for Clunkers program did create a spike in demand in the last quarter of 2009, total auto loan originations were nearly \$3.5 million less than the previous year.

Members did take advantage of the convenience of handling their entire car buying process at the dealership through our indirect lending program. The number of loans generated through this expanded delivery channel were almost 50% more from the previous year.

On the mortgage side of lending, our staff was very busy. The low long-term rates combined with government incentives, such as credits for first-time home buyers and energy home improvements, created a demand for mortgage-related loans.

Over \$174 million in first mortgages were originated, more than 100% over the forecasted budget of \$84.4 million. The bulk of the business was the refinancing of existing loans with other lenders or existing VSECU loans, 43% and 47% respectively. Purchase mortgages represented 9% of the mortgage volume. And home equity lending volume was up, for a total of just under \$23 million, which exceeded the \$20 million forecasted budget by 14%.

As some card companies began raising their credit card interest rates and penalty fees, many members brought their credit cards to us. New credit card lines increased by more than 30% over 2008.

To help members through the difficult economic times, we worked to provide financial educational awareness to our members. We offered several budgeting and debt management seminars. In addition, we've made available an online debt management tool developed by credit unions, and two of our employees are participating in a year-long program to become certified Credit Union Financial Counselors.



## President/Chief Executive Officer's Message

The financial crisis and Great Recession have created difficult challenges for everybody in Vermont. These challenges have been described in a seemingly endless stream of news, opinion and advice. And while there are many stories of hardship, there are also many examples of prudence, perseverance and rebuilding. That is where we've stayed focused.

For VSECU, one of the most positive aspects of the year was what a great reminder it has been of why we follow simple, clear business principles; why we build all our products on the foundation of common sense and practicality; and why we base our decisions on long-term goals of financial strength and the safety of our members' resources.

Because of this and our not-for-profit approach to banking, we experienced a very successful year. Our membership grew to over 45,000 members. Strong deposit growth moved the credit union to just under \$500,000,000 in assets. We originated well over \$200,000,000 in loans with exceptionally high activity in the mortgage area and increased our business lending by over 50% from the previous year.

In other words, we were able to remain focused on our core mission — helping members — despite a frenzied and unpredictable economic environment. Throughout the year we worked with members who experienced loss of jobs or reduced earnings. We provided secure and safe deposit products to help members re-establish their savings habits and goals. We took proactive steps to contact members and reached out to offer our expertise and explore ways to keep members out of debt and on good financial ground.

The least positive aspect of 2009 was the financial loss we (and all U.S. credit unions) experienced relating to the preservation of

the National Credit Union Share Insurance Fund (NCUSIF). We are required to contribute to the stabilization of the NCUSIF, which was impacted by losses stemming from the financial crisis. Our unexpected contribution of almost \$4,500,000 to the insurance fund will be spread out over seven years with the first payment of \$624,000 made in 2009. Additionally we experienced a one-time loss in the value of our investments in corporate credit unions. Combined, these two unforeseen and uncontrollable events reduced total earnings by \$1,800,000, which still left VSECU with positive earnings for the year even after these extraordinary expenses were recorded.

We care about helping our members. Our staff understands the common goal shared by all working here: "Do what's right for the member and do what's right for the membership." I believe we do that very well. And where we fall short of meeting that expectation, we're listening and learning. Feedback from our members is the most important and valuable information for us to gather. I encourage you to keep telling us how we're doing.

Looking ahead, I think the state of our economy and the growing federal and state deficits remain very difficult and perilous. Some of our members likely will continue to be faced with financial challenges that were unthinkable just a couple of years ago. We're here to help our members get through those challenges.

Looking beyond the current economic difficulties, we see a very bright future for not-for-profit banking in Vermont. Our common sense and sound principles bring true value to all Vermonters. Our cooperative structure and democratic principles put us here for the long haul. In a sense, VSECU is Vermont's credit union. I hope many more Vermonters gain a greater understanding of what VSECU does for its members and what we can do for them.

Thank you for being a member of VSECU.

*Respectfully submitted,*  
Steven D. Post, President/CEO



Small businesses and non-profits continue to be a growing segment of our business. VBiz is still relatively new at VSECU, but we are seeing signs of success as more people learn about our business services. Total business loan originations were \$7.7 million, up 24.7% over the budgeted volume of \$6.1 million.

We continue to act responsibly and prudently with our lending practices. We have money to lend and hope that our members, family and friends will continue to rely on us as their partner for all their financing needs.

*Respectfully submitted,*  
Nellie Gillander, Chair  
Credit Committee



## 2009 Member Loans Approved

Type of Loan	Total Loans	Total Dollars
Signature	1,241	\$3,997,972
New Vehicles	416	\$7,576,970
Used Vehicles	1,948	\$19,572,682
Preferred	437	\$2,878,826
Credit Card	856	\$3,040,975
Energy Efficient	16	\$66,827
Other	399	\$3,752,406
ODLOC	492	\$746,007
First Mortgages	1,162	\$174,793,503
Home Equity Loans	403	\$13,123,391
Home Equity Lines of Credit	201	\$9,807,950
<b>TOTAL</b>	<b>7,571</b>	<b>\$239,357,509</b>

**Minutes of the Sixty-Second Annual Meeting of the Members of the Vermont State Employees Credit Union  
Convened March 30, 2009; Reconvened April 15, 2009**

The Sixty-Second Annual Meeting of the members of the Vermont State Employees Credit Union was convened at the Barre Civic Center, Barre, Vermont, on March 30, 2009.

Board Chairman Jerry Diamond began by expressing his appreciation to the staff of Sambel's Restaurant and Catering for providing the evening's meal. He then introduced the volunteer members of the Credit Committee, Supervisory Committee, and Board of Directors:

**Credit Committee**

Nellie Gillander, Chair  
Richard Cron  
Helen Weed

**Board of Directors**

Sarah Miller, Vice Chairman  
Paul Hill, Jr., Treasurer  
Judy Rosenstreich, Secretary  
Kimberly Cheney  
Wayne Hersey  
Agnes Hughes  
Thomas Joslin  
Terence Macaig  
Robert Morgan  
Giovanna Peebles

**Supervisory Committee**

Normand Desrochers, Chair  
Joseph Healy  
Jana Bagwell

Board Chairman Jerry Diamond then called the 62<sup>nd</sup> Annual Meeting of the VSECU to order at 7:30 PM.

**Determination of a Quorum:**

Article 5; Section 1 of the VSECU Bylaws states that 1% of the membership must be present at the meeting in order to constitute a quorum. As of the meeting date, there were 44,700 members of the Vermont State Employees Credit Union and therefore 447 members needed to be present to officially conduct the business of the Annual Meeting. Chairman Diamond stated that 392 member tickets had been sold for the dinner and asked all members in attendance who had not purchased a dinner ticket to please raise their hands. Only one hand was raised; Chairman Diamond estimated that, at most, a maximum of 393 members were in attendance. He declared that a quorum was not present.

Chairman Diamond called for a motion to set the date and time for reconvening the Annual Meeting. *Kim Cheney moved to set 5:00 PM on Wednesday, April 15, 2009, on the third floor of VSECU's Montpelier Office as the date, time and location for the reconvened Annual Meeting. The motion was seconded by Wally Farnum and carried.*

**Adjournment:**

*At 7:35 PM Joe Healy moved to adjourn the Annual Meeting until April 15, 2009, at the time and location previously accepted. The motion was seconded by Dick Jensen and carried.*

**Call to order:**

At 5:00 PM on the evening of April 15, 2009, in the Third Floor Conference Room at the Montpelier Office of the Vermont State Employees Credit Union, Board Chairman Jerry Diamond reconvened the 62<sup>nd</sup> Annual Meeting of the VSECU and called it to order.

**Proof of Notice of Annual Meeting:**

Chairman Diamond stated that the Annual Meeting had been reconvened in accordance with Article 5; Section 2 of the VSECU Bylaws. Notice for the date originally set for the meeting, March 30, 2009, had been mailed to all members and posted in the offices of the Credit Union. Certification will be kept on file at the credit union that both the posting and the mailing were done within the time frame set forth in the Bylaws. A quorum was not present at that time, and the time, date and location for the reconvened Annual Meeting was announced prior to the meeting being adjourned on March 30. Therefore, the notice requirement for the reconvened Annual Meeting had also been met. He asked all members in attendance to raise their hands and estimated that 23 members were in attendance when the meeting was called to order. In accordance with the Bylaws, Chairman Diamond declared that a quorum was present.

**Appointment of Parliamentarian:**

Chairman Diamond proposed the meeting be conducted under Robert's Rules of Order and appointed Joe Healy as Parliamentarian. There were no objections.

**Reading of the Minutes of the 61<sup>st</sup> Annual Meeting:**

Chairman Diamond entertained a motion to dispense with the reading of last year's minutes and accept them as printed.

*Judy Rosenstreich moved to approve the 61<sup>st</sup> Annual Meeting Minutes, the motion was seconded by Bob Murphy. One correction was noted: Judy Rosenstreich was listed as "Judith" Rosenstreich, which is not her legal name. After noting that one correction, the motion carried.*

**Officer Reports and 2008 Annual Report:**

Chairman Diamond stated that the Annual Report contained written reports from the Chairman, Treasurer, Supervisory Committee, Credit Committee, and the CEO.

Chairman Diamond called for a motion to accept the reports as printed.

*Robert Murphy moved to accept the Reports as printed. Nancy Zorn seconded the motion. The motion carried.*

**Election of Officers:**

Chairman Diamond stated there were four three-year positions up for election this year. He expressed his appreciation to the three members who served on the Nominating Committee: Chair Will Belongia, Randy Loso, and Robert Murphy. He thanked them for their work, noting that the Report of the Nominating Committee was printed on the front side of the Agenda. The Committee had nominated the following four members: M. Jerome Diamond, Robert Morgan, Judy Rosenstreich, and Todd Bailey. He explained that the Bylaws also provide an alternate means by which a member can be nominated to serve as Director: submission of a petition to the Supervisory Committee. The Report of the Supervisory Committee also appeared on the front side of the Agenda. No members had submitted a petition.

The Nominating Committee had selected two candidates for the single open position on the Credit Committee: Helen Weed and Edwin St. John. However, Mr. St. John had withdrawn his name from consideration, leaving one candidate for the one position.

Under these circumstances and in accordance with the Bylaws, a balloted election was not required. Chairman Diamond called for a motion for the Secretary to cast one ballot for the slate of Director nominees and the Credit Committee nominee. *Ed Miller moved to have the Secretary cast one ballot for the nominees. The motion was seconded by Giovanna Peebles and carried.*

**New Business:**

Chairman Diamond explained that Vermont's credit union statute empowers the Board of Directors to borrow funds to carry on the functions of the Credit Union and establishes a borrowing limit of 20% of assets unless a higher limit is approved by the Commissioner of the Department of Banking, Insurance, Securities and Health Care Administration. Thus there was no need for a motion to vote on borrowing limits. He noted that the Board had authorized borrowing \$10 million in 2008. Those funds had then been invested and the returns on the investment had earned more than the cost of borrowing the funds.

**Other Business:**

After the Annual Meeting had been originally called to order on March 30, 2009, and then adjourned due to the lack of a quorum, several members rose to speak on various topics. Chairman Diamond called for a motion to incorporate that discussion into the Minutes of the official Annual Meeting. *Paul Hill moved to include a summary of the post-adjournment discussion from March 30, 2009, in the official Minutes of the 62<sup>nd</sup> Annual Meeting. The motion was seconded by Bob Murphy and carried. (Note: the summary of the March 30, 2009, discussion will appear at the end of these Minutes.)*

Chairman Diamond asked if there were any topics the members would like to discuss. Robert Murphy asked about the future direction for Annual Meetings. Francis Miller asked why the reconvened Annual Meeting had not been held immediately after the original meeting was adjourned on March 30 since there were many more members in attendance that night. CEO Post explained that the Bylaws require the reconvened meeting be held no fewer than fourteen days and no more than thirty days after the adjourned Annual Meeting. Miller suggested that the Credit Union could have taken additional measures to gather a quorum once it knew the number of member dinner tickets that had been sold. Chairman Diamond explained that members can attend the business meeting without attending the dinner, so there was no way to know with any certainty that there would not be a quorum.

Murphy suggested that VSECU warn a Bylaw change at the next Annual Meeting to reduce the quorum requirement to 15 members (or fewer if allowed under the credit union statute) to avoid the need for holding a reconvened Annual Meeting in future years. There was a suggestion that an Annual Meeting with a smaller quorum could be paired with Member Appreciation Events in various regions of the State so that more members could participate in the social aspect of the meeting.

CEO Post then asked Vice Chairman Miller, who was retiring from the Board, to come to the stage and presented her with a plaque that read:

“Presented to Sarah Miller, Director 1994-2009, Vice Chairman 2004-2009, Treasurer 1999-2004, Secretary 1997-1999, in appreciation of your dedicated service and outstanding contribution to the Vermont State Employees Credit Union.”

He said that Vice Chairman Miller had been a valuable member of the Board and her unflinching dedication to the VSECU, and its members, would be sorely missed.

#### Adjournment:

*A motion was made by Bob Murphy and seconded by Bob Morgan at 5:30 PM to adjourn the Sixty-Second Annual Meeting. The motion received unanimous approval.*

*Respectfully submitted,*

*Perry H. Thompson, Recording Secretary*

*Approved: M. Jerome Diamond, Chairman  
Judy P. Rosenstreich, Secretary*

The following summary of the discussion on March 30, 2009, is included in the Minutes of the 62<sup>nd</sup> Annual Meeting, although the discussion did not occur during the Annual Meeting.

A member questioned the timeframe for the availability of tickets for the Annual Meeting. Business Development Officer Yvonne Garand explained that the caterer needed the number of dinners sold in advance of the Annual Meeting. This is why the cutoff date for ticket sales was six business days prior to the Annual Meeting. She added that members are welcome to attend the business portion of the Annual Meeting without purchasing a dinner ticket and said that members who called inquiring about dinner tickets after the cutoff date had been told they could attend the business meeting and that it was only tickets for the dinner that were unavailable.

Chairman Diamond reported that a survey had been distributed to the membership with the Notice of the Annual Meeting. The survey asked several questions about the Annual Meeting and the quorum requirement. He reported that, out of 28,030 surveys mailed, 1,921 had been returned, a 6.85% response rate. 56.8% of respondents said the social event should be eliminated; 70.7% said that VSECU should no longer subsidize the cost of the meal. 54.4% said the quorum requirement should be changed. Of those, 36.2% said to change the quorum to 50 members; 31.7% said the quorum should be 15 members; and 26.2% said the quorum should be 200 members.

Chairman Diamond said the Board was looking for advice from the membership on what to do next. Suggestions included offering something besides chicken for the meal, providing childcare and changing the quorum to be the majority of the voting members present at the meeting. A member asked why “15” had been included as a quorum option on the survey; she felt the number was too low to warrant consideration. CEO Post explained that most credit unions in the country have a quorum requirement of 15 members and noted that the model bylaws provided by both the state and federal governments suggest a quorum of 15 members for annual meetings. A member noted that two-thirds of the survey respondents had selected a quorum of 50 members or higher. He felt that even a quorum of 200 was too small for a democratic organization such as VSECU. Chairman Diamond said that holding an Annual Meeting is a requirement under state law, but noted that the issues of greatest importance—such as electing volunteers and voting on proposed Bylaw changes—are voted on all members, thus ensuring a number far greater than 15, 50, or 200 members had a voice in the governance of the credit union.

Chairman Diamond said another factor the Board considers is that membership is more dispersed throughout the state. In an effort to stay connected with the membership, the Board has created Advisory Groups in the

Chittenden and Rutland regions to involve more members and provide feedback and suggestions to the Board of Directors.

This portion of the discussion concluded with several other suggestions regarding how to increase attendance at the Annual Meeting: utilizing Vermont Interactive Television as a way to involve more members, hold a representative Annual Meeting where the membership is divided by ZIP codes, develop an educational program to help younger members understand the importance of the Annual Meeting.

There being no additional comments regarding the Annual Meeting, Chairman Diamond reported on several other topics that he wanted to discuss with the members. First was VSECU’s financial performance in the volatile economy. He said VSECU had grown \$83 million in deposits and \$25 million in loans since January 2008. Earnings from operations were very strong. The 2009 operating budget was only 2.4% greater than in 2008. The staff has been working hard to keep expenses under budget. At the end of 2008, the Directors had voted to make an additional provision against potential future loan losses. Due to that provision and actual loan losses that have not been as high as predicted, the Board has stopped making additional loan loss provisions in 2009.

Chairman Diamond then reported on recent action taken by the National Credit Union Administration (NCUA) that placed two of the larger Corporate Credit Unions into conservatorship. He explained that retail credit unions like VSECU belong to Corporate Credit Unions and that these two Corporate Credit Unions had invested in securities linked to mortgages. The values of those securities had subsequently declined. The decline in values prompted the NCUA’s action and subsequently affected VSECU’s investment in the National Credit Union Share Insurance Fund. The net effect of the NCUA action will require VSECU to book a \$3.5 million expense in the month of March 2009. Management is working to offset as much of this unexpected expense as possible, but there is a strong possibility that 2009 will end with a net loss for the credit union. Chairman Diamond noted that as many as 90% of the nation’s credit unions will be in similar positions at the end of the year.

Chairman Diamond reported that Randy Loso had been a Director from 1999-2008 and was Secretary of the Board from 2004-2008. He expressed his appreciation for Randy’s dedication to the credit union for the three terms he was in office.

Board Vice Chairman Sarah Miller had decided not to run for re-election in 2009. She had been on the Board since 1994 and served as Secretary, Treasurer and Vice Chairman during her tenure. Vice Chairman Miller’s experience will be sorely missed. Vice Chairman Miller took the podium and expressed her thanks to the membership for allowing her the privilege to serve on the Board for 15 years. She urged any member with an interest in how the Credit Union is run to consider serving on the Board.

#### Door Prize Winners:

Chairman Diamond introduced Recording Secretary Perry Thompson to conduct the drawings for the door prizes. Recording Secretary Thompson entertained the crowd as he drew the winning numbers and the various prizes were distributed. The prizes and their winners were as follows:

\$75	Cumberland Farms Gift Certificate	Beverly Chaffee
\$75	Kohl’s Gift Certificate	Caroline Cross
\$75	JC Penney Gift Certificate	Doug Long
\$75	Applebee’s Gift Certificate	Richard Garand
\$75	Shaw’s Gift Certificate	Ana Cumming
\$75	Home Depot Gift Certificate	Stanley Osborne
\$75	Wal-Mart Gift Certificate	Richard Jensen
\$75	Blockbuster Gift Certificate	Danny Utton
\$150	Best Buy Gift Certificate	Julienne Asselin
\$250	Visa Gift Cards	Megan Smith
\$500	Cash	Phyllis Blakely
	Nintendo Wii	Janet MacAuley