

STAR Credit Union 2010 Annual Meeting

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MEET STAR CREDIT UNION

Board of Directors Term Expires

Arnold Sosa, Chairman 2012
 Nina Amador, Vice-Chair 2012
 Joe Carmona, Treasurer 2012
 Linda Edwards, Secretary 2011
 Hector Saenz, Security 2011
 Diana Gonzalez 2011
 Charles Smith 2011

Audit Committee

Frank Lemon, Chairman
 Rudy Gil, Member
 Randy Wilson

Advisory Director

Randy Wilson

Management Staff

Rob Edwards, President/CEO
 Alice Sepulveda, Loan Manager
 Christina Reyna, Accountant

Human Resources Administrator

Missy Garcia

Branch Operations Support Supervisor

Rose Kowis

Accounting

Darleen Pons
 Amber Marchan

Information Systems

Jerad Harper

Member Service Officers

Otilia Leal
 Leo Salinas

Loan Department

Danny Garcia
 Patty Palomo
 Frances Seigmund
 Amanda Trevino

Telephone Service Reps.

Esperanza Diaz-Trevino
 Veronica Ayala

Member Services

JR Barrientes
 Paul Besse
 Lori DeLosSantos
 Judy Gaston
 Cynthia Gomez
 Carrie Knecht
 Samantha Norskow
 Brenda Phillips
 Paul Trevino

CEO Report

Writing this report for our Annual Meeting has proven to be one of the most emotional and difficult tasks of my working life, causing me to reflect over the past 42 years. Thirty seven of which have been in the credit union industry. It is my final report.

Over the years I have worked with many different Boards of Directors. One postal worker board did not want the credit union to own a fax machine, and became very vocal if a UPS truck pulled in the parking lot to make a deliver. Another board, made up of UAW members did not want any credit union members to drive foreign cars when visiting the credit union.

The reason for sharing this with you is to bring to your attention, by comparison, the professionalism and dedication of your Board of Directors. I have never experienced any of these individuals bringing a personal agenda to the board table. Their discussions always deal with what is best for STAR Credit Union and its members.

I have watched this Board perform during both a strong and weak economy. When the economy was strong, and decisions were a little easier, this Board still maintained a professional attitude while performing proper due diligence prior to making a decision. Their actions during this weak economy are what really makes me proud to be associated with this group. Decisions are harder to make, are often unpopular, there is more at risk and there is nothing in history to draw guidance from. I guess what I'm trying to say is "they perform well under fire".

Working with a great credit union, a dedicated Board and a talented, hard working staff is a tremendous way to end a career.

Rob Edwards
 President/CEO

Chairman Report

The recession started in the fall of 2009. Many economists had predicted an upturn in the economy by mid -year 2010, but here we are in 2011, and we are all facing economic uncertainty, with no immediate turn around in sight. The economists are now calling for a slight improvement beginning at the end of this year.

Many financial institutions, in order to boost their bottom line, made a decision to take on additional risks. These risks quite often come at a high price. In 2010, there were 176 financial institutions closed. 19 of those were credit unions and 157 were banks.

The board of directors of STAR Credit Union decided not to take on increased risks. We felt we should maintain a conservative approach to business, and not do anything that would cause problems that would extend beyond the end of the recession. We are very fortunate to be extremely well reserved, which allows us the opportunity to maintain this conservative approach.

Excess liquidity is invested in federally insured certificates of deposit, nothing else. The rate of return is lower, but the investment is safe. The same is true for our loan portfolio. Even though quality loan demand is down, we have chosen not to pursue the subprime loan market. Our philosophy is "SLY". Safety first, liquidity second then followed by yield.

STAR Credit is a strong institution, and we're going to stay that way.

I want to thank my fellow board members for freely giving their time to the credit union. It is a pleasure to serve with this group of individuals who represent our membership.

Arnold Sosa
 Chairman of the Board

Treasurer's Report

The recession is now well into its second year, and STAR Credit Union like most businesses and individuals has felt the economic crunch. We are very fortunate in that we are extremely well reserved and can weather the storm. A financial institution is classified as well reserved when its reserve ratio is 8%. **STAR Credit Union's reserve ratio is 13.56%.**

During this recession four corporate credit unions got into serious financial difficulties. The federal insurer, NCUA, closed one of the corporate credit unions and placed the other three in conservatorship. This caused losses to natural person credit unions in two ways; first in direct losses from the corporate credit union failures and second to replenish the reserves of our federal insurer, making sure the insurance fund remained strong. Our share of these bail out costs in 2010 was \$253,421.77, bringing the total since the beginning of the recession to \$485,758.71. It has been a hard pill to swallow, but at least we can afford it.

We have also felt the effect of the recession on our members. Last year we had to charge off \$101,081.01 in loans that our member/borrowers did not repay to our credit union. We have always been willing to work with members who are struggling, but during the past year we have seen an increase in the number of members who do not want to work through their problems.

Throughout all the economic problems that exist in our world, STAR Credit Union continues to be a strong viable organization, providing quality financial services and products to our members.

Joe Carmona
 Treasurer

Loan Report

STAR Credit Union offers a variety of loan programs to meet the needs of our members. We offer credit cards, home equity, signature loans and titled vehicle loans. Our rates are extremely competitive, and in the case of vehicle loans, we can match, within reason, the rates of our competitors.

One thing we see a lot of is the auto dealer placing the loan where they want, not where our members want. Dealers will often have relationships with certain lenders where there is a financial incentive to place the loans with them. We have been told many times by our members that the dealer said it was too late to send the loan to STAR, it had already gone elsewhere. This was before the papers had been signed, the loan hadn't gone anywhere. Borrowers need to know that they, not the dealership, has the final say on where the loan is obtained, and the borrower needs to stand firm with his or her decision.

If you already have a loan with an institution other than STAR, it's not too late. Call our loan department and find out how you can place your loan where you want.

Alice Sepulveda
Loan Dept. Manager

Audit Committee

The supervisor committee is essential part of the credit union and consists of three member volunteers who are appointed by the Board of Directors. We are primarily responsible for ensuring the credit union's financial condition is accurately stated and that STAR Credit Union remains a viable financial institution.

One of our responsibilities is to obtain an independent audit of STAR Credit Union's financial condition on an annual basis. The committee engaged the certified public accounting firm of RMS McGladrey to perform the 2010 audit of the financial statements. STAR Credit Union is also examined and at least once every eight teen months by the Credit Union Department of the state of Texas. Based on the results of these examinations, it is our opinion that STAR Credit Union remains a strong, well-managed institution that is safe and sound.

The Supervisory Committee is appreciative of the Board of Directors, management and staff's continued support of our mission. It is a pleasure and a privilege to serve our fellow members of STAR Credit Union.

Frank Lemon
Supervisory Committee Chair

SOUTH TEXAS AREA RESOURCES (STAR) CREDIT UNION ANNUAL MEETING April 13, 2010

The 2010 50th Annual Meeting of the membership was held on April 13, 2010, at the Mansion Royal Reception Hall in Corpus Christi, Texas. The evening opened with STAR CU staff and Board of Directors greeting and welcoming the members as they arrived and were served a sit down dinner.

Arnold Sosa, Chairman called the Annual Meeting to order at 7:30pm.

The invocation was given by Christina Reyna.

An introduction of the Board of Directors, Audit Committee and Management and Staff was made to the membership. The minutes of the 2009 Annual Meeting were referred to in the printed Annual Report. Following a motion and a second from the floor, the membership voted to approve the minutes.

The Reports of Officials were delivered by: Chairman, Arnold Sosa, the CEO Report was given by Rob Edwards, the Treasurer's Report by Joe Carmona, the Audit Report by Christina Reyna. Following a motion and a second from the floor, the membership voted to approve the reports.

Old Business - There was no old business

New Business - Election of Directors

The nominating committee presented five nominations to fill the five expiring terms. Biographies of the candidates were mailed and processed in accordance with our by-laws. There were no additional nominations therefore, ballots were not required. The nominees and elected directors were Arnold Sosa, Nina Amador, Joe Carmona, Linda Edwards and Chuck Smith. The newly elected directors were recognized.

The Board of Director's were sworn in by taking the Oath of Directors.

Arnold Sosa, Chairman thanked the membership in attendance and called for a motion from the floor and the meeting was called to adjourn at 8:33pm.

Linda Edwards, Board Secretary