

AGENDA—2011 ANNUAL MEETING

- Opening by Peter Gibb, President
- Approval of 2010 Annual Meeting Minutes
- President's Report
- Financial Report
- Election of Officers
- Drawing for Door Prizes
- Adjournment
- Refreshments

BOARD OF DIRECTORS

Peter Gibb, President
J.D. Smith, Vice President
William Flock, Treasurer
Melissa O'Connor, Secretary
Ann Johnston, Director
John Prausa, Director
Peter Valenti, Director

SUPERVISORY COMMITTEE

JoAnn Hodges-Velayo, Chair
Aurora Allen, Member
Mitesh Patel, Member
Karen Steinmetz, Member
Dale Such, Member

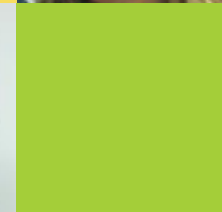
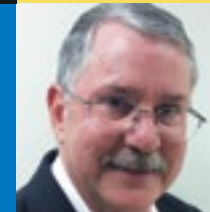
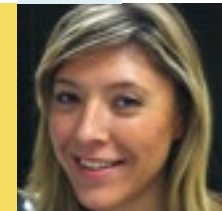
STAFF

Steve Bowles, CEO/CFO
Kimberly Cattivera, Member Service Representative
Hope Donovan-Bowles, Consultant
Christopher Ensley, Member Service Representative
Shirley Gallagher, Senior Loan Officer
Chantelle Lamm, Member Service Representative
Francisco Saenz, Marketing Coordinator/Sr. Loan Officer
Rick Valderrama, Project Lead/Systems Administrator
Grace Yeung, Senior Accountant
Andre Yulo, Operations Lead

2010 ANNUAL REPORT



SRI FEDERAL CREDIT UNION



SRI FEDERAL CREDIT UNION

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One Focus. Real People.
CONNECTED TO YOU.

PRESIDENT'S MESSAGE

The overall economy is starting to show improvement. 2010 continued to be another year of challenges. All credit unions must comply with a number of new and significant regulations which have restricted income, increased expenses, revamped loan and share disclosures and tightened lending requirements. SRI Federal Credit Union has managed your assets to result in positive earnings for 2010 while meeting these new challenges.

I am pleased to report that SRI Federal Credit Union remains financially secure and stable. The credit union crossed another milestone with total assets crossing the \$65 million mark. Members continue to see the value in membership, adding almost \$7 million to their deposits this year, an increase of 13.5%. We have seen members pull back on their borrowing and strive to repay their debt at an accelerated rate. This resulted in a decline of total loan balances by \$3 million or 7.4%, in 2010. While this is understandable, we want to emphasize that we do have funds available to lend. Loans to our members are our best investment and those earnings help support higher dividends. The delinquency ratio continues to be below the average when compared to other peer credit unions and has declined to .09% (the peer group is 1.53%). Despite some member bankruptcies and loan defaults, the effect on the credit union has been minor and our allowance for loan losses is adequately funded at \$315,714, an increase of 9%. Overall, the loan performance is strong, which contributed to the positive earnings this year.

All credit unions are assessed a premium by the National Credit Union Administration (NCUA) to help protect and stabilize the credit union system as a whole. Our payments to the NCUA for 2010 were \$198,430, a significant increase from \$51,000 or 290% over 2009. We will continue to monitor factors which impact our industry and to meet these challenges.

The credit union has been successful since 1957 due to the key philosophy of providing a high level of individual service along with products that you want. For 54 years, our one focus has been on the employees of SRI International and their family members. In 2010 and 2011, new products will enable you to connect to services and information remotely. Many of the financial products that we offer today were the result of member suggestions. Feel free to keep these coming!

Our professional staff continues to be committed to strong values and their service to the members. We thank them for their dedication. Recognition should also go to the volunteers who give of their time to serve as members of the Supervisory Committee and Board of Directors. In particular, we would like to thank Melissa O'Connor who is leaving the Board of Directors after 15 years of service.

Most importantly, we want to extend our appreciation to you, the Members, for the support and loyalty that you have shown over the years.

Peter Gibb
President

FINANCIALS BALANCE SHEET

	2009	2010	\$ Change	% Change
Loans	\$ 40,616,088	\$ 37,593,761	\$ (3,022,327)	(7.44)%
Cash and Investments	18,161,893	25,715,324	7,553,431	41.59%
Other Assets	1,219,529	1,954,301	734,772	60.25%
Total Assets	\$ 59,997,510	\$ 65,263,386	\$ 5,265,876	8.78%
Accounts Payable	\$ 3,350,024	\$ 1,434,949	\$ (1,915,075)	(57.17)%
Member Savings	51,780,746	58,767,259	6,986,513	13.49%
	\$ 55,130,770	\$ 60,202,208	\$ 5,071,438	9.20%
Reserves	\$ 1,051,077	\$ 1,051,077	-	0.00%
Undivided Earnings	3,815,663	4,010,101	194,438	5.10%
Capital	\$ 4,866,740	\$ 5,061,178	\$ 194,438	4.00%
Total Liabilities & Equity	\$ 59,997,510	\$ 65,263,386	\$ 5,265,876	8.78%

INCOME STATEMENT

Income	\$ 2,877,189	\$ 2,851,160	\$ (26,029)	(.90)%
Operating Expenses	1,898,222	2,088,529	190,307	10.03%
Dividends	769,480	486,404	(283,076)	(36.79)%
Other Costs of Funds	98,886	21,860	(77,026)	(77.89)%
Total Costs	\$ 2,766,588	\$ 2,596,793	\$ (169,795)	(6.14)%
Subtotal	\$ 110,601	\$ 254,367	\$ 143,766	
Non-operating Gain	267,000	-	(267,000)	
Net Income	\$ 377,601	\$ 254,367	\$ (123,234)	(32.64)%

MINUTES 2010 ANNUAL MEETING

The 53rd Annual Meeting of the SRI Federal Credit Union was called to order at 12:00 PM by President Peter Gibb on March 17, 2010. After welcoming the large gathering of attending members, Mr. Gibb introduced the Board, Supervisory Committee members and the Credit Union Staff. Mr. Gibb requested everyone to review the written minutes from the March 18, 2009 Annual Meeting. A motion to accept was made from the floor. The motion was seconded and carried.

Peter Gibb gave the President's Report which emphasized the fact that the SRI FCU had remained financially secure and stable in two challenging years of financial downturn across the world. Explanation of the Income Statement adjustments that were required by auditors was explained to the members. Key financial statistics were reported:

2009 Financial Trends (compared to 2008)

- Gross Income grew by 0.94%
- Total Costs declined by almost 3.1%
- Net Income was a strong \$377,601 over a \$283,394 loss in 2008
- Deposits increased by 21%
- Capital increased by 6.4%
- Loans grew by 2.9%
- Total Assets increased by 18.5%
- Delinquency Ratio continues to remain below the peer average

The credit union Board of Directors acknowledged the superb strategy of the credit union CEO on his management of the investment portfolio that produced growth during a very weak economy. In a nationwide ranking of credit unions, the SRI Federal Credit Union was voted #1 in California and #34 nationwide for the Economic Value of Membership metric.

Steve Bowles, CEO, reported the 2009 achievements including being able to significantly reduce costs by consolidation of Visa® processors while improving member service.

Francisco Saenz highlighted planned 2010 projects and improvements which all revolve around service to the members and/or changes required to maintain regulatory compliance. Mr. Saenz also summarized the many benefits of being an SRI FCU member.

The Nominating Committee's list of candidates for the Board of Directors was presented: William Flock, Peter Gibb and Peter Valenti. Peter Gibb then asked for nominations from the floor; none were presented. A member motioned to accept the Nominating Committee's list of nominees. The motion was seconded, and carried.

Door prizes were awarded and Peter Gibb announced that the staff and volunteers would be available to answer questions during refreshments in the reception area. The meeting was adjourned at 12:45 PM.

Melissa O'Connor
Secretary

SUPERVISORY COMMITTEE REPORT

The Supervisory Committee is responsible for the audit and verification of the Credit Union records. The Committee also ensures that both professional staff and officials properly perform their duties in a safe manner to assure the Credit Union has adequate operational procedures in effect to provide for the safety of the members' funds. To carry out the Committee's responsibilities, an independent certified public accounting firm performs an annual audit. Accordingly, the Committee reviews operational procedures of the Credit Union and makes applicable recommendations to the Board of Directors. In 2011, a firm specializing in audits of credit unions is performing the audit with an audit date of December 31, 2010.

The accounting records and reports are prepared promptly and accurately, and internal controls are adequate. Additionally we are confident that the planning established by the Board of Directors is sound.

JoAnn Hodges-Velayo
Chair