



Houston Highway
CREDIT UNION

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CELEBRATING 58 YEARS OF SERVICE

2010 ANNUAL REPORT

Savings & Checking

- Christmas Club Account
- Certificates of Deposit
- Individual Retirement Accounts (IRAs)
- Money Market
- FreeWay Checking
- Christmas Club

Loans

- New & Used Auto
- RV, Boat & Motorcycle
- Home Improvement & Home Equity
- Unimproved Property
- Personal Loans
- Savings Secured
- Customizable MasterCard® Credit Cards

Services

- Auto Warranty Service
- AutoExam
- Credit Life & Credit Disability Insurance
- GAP Insurance
- Auto Buying Assistance
- Bank Wires & Western Union Wires
- Money Orders
- Travelers Checks
- Postage Stamps
- Night Depository
- Notary Service
- Safe Deposit Boxes
- VISA® Gift Cards
- Certified Checks
- Coin Counting Machine
- Member Privilege

Home Banking

- Point and click convenience
- Free, easy and secure
- Transfer funds, verify deposits and withdrawals, check balances
- Free bill payer service

Convenience Services

- Free Use of Call24 (Audio Response Teller)
- HHCU Website – www.houstonhighwaycu.com
- Online account access
- Apply for a loan
- Online financial calculators
- Current promotions
- Financial podcasts
- Helpful links
- Mobile banking
- iPhone banking
- Shared Branching

Free Visa® Debit and ATM Card

Changes to Management

Houston Highway Credit Union welcomes Kevin Conn to the Management Team. Kevin is experienced within the credit union industry.

Changes to Bylaws

None.

Changes to Articles of Incorporation

None.

Changes to Financial Condition

CU industry liquidity expenses, includes cost associated from NCUA and SWC FCU of \$327,635.

Changes to Membership Size

Members December 2009:	5,346
Members December 2010:	5,429
Net Member Increase:	83

Services Offered Since Last Annual Meeting

Saturday and extended lobby hours, on-site ATM, Mobile Banking, Surcharge Free ATM network, Member Privilege.



The Credit Union Difference

Bank Victim

CU Member



Agenda:

- I. Call meeting to Order
- II. Determination of Quorum
- III. Minutes of Last Meeting
- IV. Directors' Report by Chairman
- V. President's Report
- VI. Audit Committee Report
- VII. Unfinished Business
- VIII. New Business
- IX. Election of Directors
- X. Adjourn

Note: Door Prizes will be awarded after business meeting.

Report from the Board of Directors

I would like to welcome you to our 58th annual meeting. I'm honored to be here and to celebrate with you another successful year in serving our members and the community in which we call home.

I am happy to report to you that Houston Highway Credit Union is safe and sound. In these troubled economic times, it is refreshing to be associated with a financial institution that has not been part of the downward spiral which has affected so many institutions, large and small. While we remain financially strong, the year has not been without challenges. Our income remains burdened by costs associated with the NCUSIF which insures credit union funds. Assessments for thier operations and permanent increase of deposit insurance to \$250,000 have cost our credit union a significant amount of dollars.

In addition, our investment portfolio, while extremely conservative, has had yields that are quite dismal. Several times this year the board of directors discussed the impact of our low returns and decided to let our income statement suffer so that our members would not be subjected to any additional rate reductions. Our solid financial strength allowed us to lower loan rates and keep deposit rates higher than others. This is just one example of how being a Credit Union Member is much better than being a bank victim. It is clear by our strength as well as the strength of the overall credit union system, that the not-for-profit financial cooperatives truly exist to serve member needs rather than to take unnecessary risk in search of every penny of profit.

Our goal is to be your primary financial institution and to continue to offer products and services that benefit members and their every day lives. We look forward to serving you in the coming year, and appreciate your continuous commitment to your credit union.

David Williams
David Williams
Chairman, Board of Directors

President's Report

It is my pleasure to welcome everyone to our annual meeting and join with you in celebrating another successful year for our credit union. This year has been one focused on strengthening the benefits of being a credit union member at Houston Highway.

During this time when banks are victimizing consumers, credit unions have continued to lend money and improve service. For example, we have added over 85,000 surcharge free ATMs, introduced Mobile Banking, added iPhone Banking and improved our website. We also upgraded our checking account by removing all monthly fees and ensuring that all accounts earn dividends.

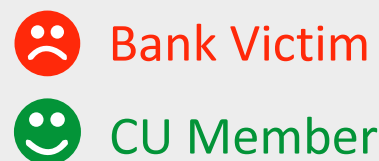
We also remodeled our offices after almost 20 years with no change. If that wasn't enough, we even increased staffing and expanded our hours of operation in the lobby, drive thru and added Saturday hours. During this same time, banks were laying off, reducing hours and closing branches.

It is easy to see why this year's annual meeting theme is focused on the difference between being a bank victim and a credit union member. We grew outstanding loans by over 30%, while banks were refusing to lend. We removed charges on checking accounts and ensured that everyone earned interest regardless of balance, and the banks raised fees. We started absorbing the surcharges at over 85,000 ATMs nationwide giving you greater access to your money, and the banks raised their surcharges. As an industry, we assisted in regulatory reform and they fought it with vigor.

It seems simple to me, transfer all of your business from banks to credit unions, and STOP being a bank victim. If you have a credit card at a bank or finance company don't let them victimize you another month, get one of our cards. Have a car loan somewhere else? We can refinance and lower your payment, saving you money. But as credit union members, I am sure you are all aware of the benefits of being a member. I just want to ensure that you're not victimized in managing your financial life. We can help....

Thanks for coming this evening and we appreciate your participation in your credit union's 58th Annual Meeting. Make sure if you are ever in the credit union lobby, stick your head in and say "Hi". I look forward to meeting each and every one of you and earning your confidence and trust.

Craig Atkinson
Craig Atkinson
President/CEO



Report of the Audit Committee

The Audit Committee, at the direction of the Board of Directors, and as required by the Texas Credit Union Department regulations, has conducted the prescribed audit of the Credit Union's operations.

The firm of Hereford, Lynch, Sellars and Kirkham, Certified Public Accountants, was hired to conduct the annual audit for 2009. That report received the highest rating for accounting accuracy. We are awaiting the final report for John Weaver and Associates for the 2010 audit. There have been no indications of significant deficiencies for this audit period.

The Texas Credit Union Department, in cooperation with the National Credit Union Administration (NCUA) also examined our operations from the regulator's and deposit insurer's perspective – safety, soundness and compliance with all applicable laws and regulations.

The Audit Committee meets regularly throughout the year to review the operations. The committee is pleased to find the financial management of our credit union to be sound and efficient.

Gregory Ranft
Gregory Ranft
Chairman, Audit Committee

Report of the Nominating Committee

The Nominating Committee members were Karen Othon, David Nitsch and Quincy Allen. We were charged with evaluating the individuals who chose to be considered for board of director positions. This year we had two qualified candidates, to fill the two board positions open.

We received applications from the following candidates:

- **David Williams** – long-term member, served on the credit committee for three years and Board of Directors for the past 15 years. Currently the Chairman of the Board.
- **David Eng** – long-term member, Has served as an Advisory Board member for 5 years and on the Board of Directors for the past 6 ½ years.

The committee has made the following recommendations:

- Position 1** – David Williams
- Position 2** – David Eng

Quincy Allen
Quincy Allen
Chairman, Nominating Committee

Financials

ASSETS:	2010	2009
Loans	\$23,050,791	\$17,648,467
Cash	\$493,686	\$224,462
Investments	\$23,117,567	\$24,513,054
Other Assets	\$2,525,239	\$1,504,090
TOTAL ASSETS	\$49,187,283	\$43,890,072
LIABILITIES:	2010	2009
Shares	\$18,013,272	\$16,888,405
Certificates of Deposit	\$16,427,344	\$13,697,793
IRA's	\$4,748,939	\$4,029,391
Share Drafts / Money Market	\$5,154,036	\$4,184,042
Total Member Deposits	\$44,343,590	\$38,799,631
Equity Accounts	\$4,666,413	\$4,807,875
Other Liabilities	\$177,279	\$282,567
TOTAL LIABILITIES	\$49,187,283	\$43,890,072
Operations		
Gross Income	\$2,106,491	\$2,047,790
Dividends & Interest Paid to Members	\$486,445	\$475,065
Net Interest Income	\$1,620,046	\$1,572,725
Provision for Loan Losses Expense	\$100,000	\$94,000
Operating Expenses	\$1,433,480	\$1,215,037
Net Operating Income	\$86,565	\$263,688
Non Recurring Expenses		
CU Industry Liquidity Expenses*	\$(327,635)	\$(197,955)
Pension Assets Valuation Change	\$99,608	\$(302,446)
Total Non Recurring Items	\$(228,027)	\$(500,401)
Net Equity Change	\$(141,462)	(236,713)

*Includes cost associated from NCUA and SWC FCU

Directors:

Chairman, David E. Williams
Vice Chairman, Michael W. Alford
Treasurer, Rita K. Dennis
Secretary, Liz K. Gerstenberger
Director, David N. Eng
Director, Gail E. Morea
Director, Otto Maresh

Advisory Directors:

Greg Ranft
Lonnie Johnson

Audit Committee:

Chairman, Greg Ranft
Eliza Paul, Janet Kurtz,
Lonnie Johnson Sr.

Management

Craig Atkinson, President
Lois Krolczyk, Vice President
Kevin Conn, Vice President

Loans

Lynette Cannon
Gwen Sweet
Rony Molina

Accounting Assistant

Melissa Randles

Chief Teller

Gloria Garcia

Member Service Representatives

Kita Leyva
Maria Mahoney
Kyle Nguyen
Cynthia Martinez
Lyndavia Matthews
Anita Richardson