

Annual **REPORT**



2009



LEADING EDGE
Getting You There™

Table of Contents

- 2 - Management and Staff
- 3 - Board of Directors & Committees
- 4 - Message from the Chair
- 5 - Message from the CEO
- 6 - Seven Cooperative Values
- 7 - Seven Cooperative Principles
- 8 - Board of Directors for 2009-2010
- 9 - Agenda
- 10 - Credit and Audit Committee Reports
- 11 - Auditor's Report
- 12 - Balance Sheet
- 13 - Statement of Income and Retained Earnings
- 14 - Quick Facts and Highlights
- 15 - Organizational Chart
- 16 - Notes

Management and Staff

2009-2010

Corporate Office

Cory Munden	<i>Chief Executive Officer</i>
Terry Hardy	<i>Manager of Accounting Services</i>
Renee Samms	<i>Executive Assistant</i>
Gordon MacArthur	<i>Business Services Officer</i>
Randi Alexander	<i>Marketing Specialist</i>
Roger Hardy	<i>Manager of Operations</i>
Greg Comeau	<i>Manager of Lending Services</i>
Dianne Poole	<i>Compliance & Administration Officer</i>
Elaine Ingram	<i>Accounting Officer</i>

Corner Brook Branch

Trent O'Brien	<i>Branch Manager</i>
Arwilda Brake	<i>Financial Services Officer</i>
Shelley Butler	<i>Financial Services Officer</i>
Holley Simmonds	<i>Financial Service Representative II</i>
Roxanne Jacobs	<i>Financial Service Representative</i>
Sandra Brockway	<i>Financial Service Representative</i>
Patricia Jesso	<i>Financial Service Representative (Part-time)</i>

Doyles Branch

Geneva Taylor	<i>Branch Manager</i>
Lynn MacArthur	<i>Financial Services Officer</i>
Carol Ann Reid	<i>Financial Service Representative</i>
Wanda Pope	<i>Financial Service Representative</i>
Joan MacArthur	<i>Financial Service Representative (Part-time)</i>

Jeffrey's Branch

Rhoda Pumphrey	<i>Branch Manager</i>
Dianne Bennett	<i>Financial Services Officer</i>
Terri MacAuley	<i>Financial Service Representative</i>
Melanie Hulan	<i>Financial Service Representative</i>
Amy Quilty	<i>Financial Service Representative</i>
Doreen Gillam	<i>Financial Service Representative (Part-time)</i>

Pasadena Branch

Don Rideout	<i>Branch Manager</i>
Bridgette Lavers	<i>Financial Service Representative</i>
Denise Burton	<i>Financial Service Representative</i>
Debbie Humber	<i>Financial Service Representative (Part-time)</i>
Jackie Philpott	<i>Financial Service Representative (Part-time)</i>

Port aux Basques Branch

Trudy Keeping	<i>Branch Manager</i>
Lisa Purchase	<i>Financial Services Officer</i>
Donna Bailey	<i>Financial Services Officer</i>
Jody King	<i>Financial Service Representative</i>
Martina MacDonald	<i>Financial Service Representative</i>
Tracy Keeping	<i>Financial Service Representative</i>

St. George's Branch

Arlene White	<i>Branch Manager</i>
Sarah Nash	<i>Financial Services Officer</i>
Ruby Bennett	<i>Financial Services Officer</i>
Lydia Bennett	<i>Financial Service Representative</i>
Teresa Hall	<i>Financial Service Representative</i>
Aileen Lushman	<i>Financial Service Representative (Casual)</i>

Board of Directors and Committees

2009-2010

Board of Directors

Gary O'Brien
John Healey
Barry Simms
Harry Coates
Brendan Doyle
Hubert Hall
Daniel Sheaves
Victoria Stokes
Paul Tiller
Brian Warren
Derek White
Gary Wiseman

Chair
Vice Chair
Corporate Secretary
Director
Director
Director
Director
Director
Director
Director

Audit Committee

Daniel Sheaves
Bernice Keeping
Dwight Kettle

Credit Committee

Cory Munden
Greg Comeau
Terry Hardy
Roger Hardy



Board of Directors. Missing are Victoria Stokes and Derek White.

Message from the Chair

On July 1, 2009 the Codroy Valley Credit Union and the Brook Street Credit Union amalgamated to form the Leading Edge Credit Union. This was a significant milestone in our history. The Board of LECU elected me president, and I was honored to lead our new company through its first and critical year as we merged the operations and governance of the two long established credit unions.

At the time of amalgamation our combined assets were approximately \$59 million. At the end of 2009 fiscal year, LECU possessed assets valued at \$69.4 million. This represents a growth of \$10.4 million in six months and a remarkable achievement considering the turmoil in the financial industry. Because of this exceptional growth and reduced earnings caused by incredibly low variable rates in today's marketplace, maintaining capital adequacy was a challenge. I am very pleased to report, however, that at the end of 2009, we did achieve our objective of capital adequacy above 5%. A surge of income in the final quarter plus the successful sale of class II equity shares to our customer-owners were major contributors to this success.

Led by our Chief Executive Officer, Cory Munden, LECU has positioned itself to be a major financial institution throughout the west and south west area of our province. According to industry data, our demographic profile places us in an enviable position, and we have taken measures to ensure that we provide the products and services this population requires. We have 45 staff members in seven locations. We have invested considerable time and resources to prepare a new HR platform to equip us to be leaders in service excellence for you and your communities. We believe that enabling staff to develop the necessary competencies demonstrates our genuine commitment to service for you.

As part of our responsibility, your Board of Directors met eight times, plus they participated in a strategic planning session facilitated by Credit Union Central Nova Scotia. This planning session focused on improving service to you and the best means of building capital adequacy. With respect to the latter, we continue to pursue such a level of profitability that our new credit union can invest for you, in the form of products and services, and distribute patronage refunds and dividends.

Your Board of Directors continues to participate in training sessions, to enhance our ability to manage professionally your financial affairs. These investments of considerable personal time by the individuals that you have elected as well as the resources contributed by LECU demonstrate their commitment and are testimony to our success as a credit union.

A critical responsibility of your board is to assure appropriate due diligence is applied in the operations of LECU. As part of the amalgamation process, audits were completed on CVCU and BSCU, to bring closure to these two companies. More recently, our external auditors completed the year-end audit of LECU. Additionally, the Credit Union Deposit Guarantee Corporation, which regulates credit union legislation and financial controls, completed its review of LECU operations. As a result of these reviews, I'm pleased to report that your Board, its auditors and its regulators are satisfied with the operations of LECU for fiscal 2009.

Amalgamations are not easy to conclude successfully. I want, therefore, to commend the corporate operations team and the Board of Director's Steering Committee who contributed considerable time to ensuring the success of this process. In particular, I would like to acknowledge Cory Munden and Greg Comeau who led operations during this process. I also want to recognize the contributions of the Board of Director's Steering Committee represented by Brendan Doyle, John Healey, Harry Coates, Barry Simms and Gary Wiseman with respect to their unselfish investment of personal time and energy toward guaranteeing a successful transition. All other Board members and many of you, the customer-owners of Leading Edge Credit Union, also played important roles in the process. To all, I say thank you.

We have three directors who have decided not to continue their duties as Members of the Board and thus I want to extend a very special thank you to Victoria Stokes, Derek White and Paul Tiller. They have provided to our credit union many valuable years of untiring service and contributed to the success we are today. On behalf of the Board of Directors, the staff, our customer-owners and myself, I extend to each of you a special thank you and best wishes in your future endeavors.

In closing, let me say a sincere thank you to all of our staff in the six branches and our corporate office. Your patience, dedication and commitment to service excellence during this transition period are nothing less than exceptional.



Gary O'Brien
Chair



Grand Opening of the new Jeffrey's branch in June 2009.

Message from the CEO

It is with great pleasure that I write the very first CEO Message for Leading Edge Credit Union. Reporting on 2009 is very unique as Corporate Office was tasked with operating a financial institution within a sea of change. We began 2009 in an environment of economical turmoil with prime lending rate at an all time low while the Government strategized on how to stabilize the economy. The drop in rates meant a significant decrease in our financial bottom line and management was tasked to develop strategies on ways to stabilize the potential financial impact. One such strategy was to strengthen the mortgage portfolio with high ratio mortgages that could provide growth and security. The lack of borrowing for consumer goods was soon offset with a solid mortgage portfolio. An expense management plan was put in place to monitor all controllable expenses and make necessary changes without jeopardizing operations. Travel was cut, meetings were halved, and branch operations were very frugal with their spending. The amalgamation was an opportunity to review operations and look for efficiencies and best practices. The streamlining of audit functions, dues and assessments from regulatory bodies, corporate travel, and others, provided for immediate cost savings. On the flip side, the one-time costs associated in developing Leading Edge Credit Union absorbed much of this savings. Financially, the newly emerged Leading Edge Credit Union was lean and poised for the future.

Despite the economic downturn, Leading Edge Credit Union recorded growth numbers that certainly were not reflective of a crippled economy. The strategy which focused on building a strong mortgage portfolio yielded positive results. The total loan portfolio ratio shifted to a more secure and stable mix. Mortgages, which are insured, protect the credit union in the event of default while providing a steady stream of income. The staff was truly instrumental in developing this portfolio. What is most admirable is they were able to accomplish this when the organization they knew was changing so rapidly. Staff had to be the voice to our customer-owners, explain all the changes brought forward by the amalgamation, as well as continue with business as usual.

The amalgamation again was the catalyst that provided an operational review. Two critical points were immediately zeroed in on once the official amalgamation was engaged. How will the amalgamation impact customer-owners, and how will it impact human resources? Leading Edge Credit Union would have a large geographic range in which to service its customer-owners; it was very important that products and services could be accessed across all boundaries. A review was conducted and the optimal products and services were created and priced. LECU adopted a position to keep its products and services offering simple, and competitively priced. Understanding that having a solid human resources framework was very critical to the success of the credit union, human resource consultants were hired. They produced a solid compensation model, human resource policies and a revised job profile for all staff. The end result was a professional living and working platform.

2009 and 2010 are being described as restructuring years. As indicated, some significant work was completed in product development and human resources. Moving forward, focus will be on governance and administration. A plan is being developed to ensure all operational gaps are covered to enable Leading Edge Credit Union to be the financial institution of choice in the areas in which we operate. Again, our strength is in our people, and we will continue to invest in our team to ensure we provide optimal service.

I am very fortunate to have a very hard working and dedicated team. The implementation of amalgamation initiatives were completed significantly more timely than other amalgamations, according to our consultants. Our employees managed this project on the ground and certainly deserve the credit for the praise from our external consultants. I thank each of them for their support and dedication to adopting the change necessary to make Leading Edge Credit Union such a dynamic financial institution.



Cory Munden
Chief Executive Officer



Leading Edge Credit Union's branch in Pasadena.

Seven Cooperatives Values

1. *Honest*

This value attributes to being trustworthy. The benefit to our customer-owners is that you can count on us for your finances and to have your best interests in mind.

2. *Passionate*

This value attributes to being dedicated. The benefit to our customer-owners is that we provide quality products and services.

3. *Holistic*

This value attributes to being balanced. The benefit to our customer-owners is that we provide sustainability.

4. *Spiritual*

This value attributes to being centered. The benefit to our customer-owners is that we strive to do what's right 100% of the time.

5. *Evolutionary*

This value attributes to being future oriented. The benefit to our customer-owners is that we are willing to try new things and are very innovative.

6. *Simplistic*

This attributes to being uncomplicated. The benefit to our customer-owners is that our products and services are easy to use.

7. *Inclusive*

This attributes to being cooperative. The benefit to our customer-owners is a win-win situation. We work to please both sides of the equation.



Wanda at the Doyles branch happily serves a business owner.



Jeffrey's branch participated in the Relay for Life for 2009.



Jody presents a customer-owner with their prize during Co-op week 2009.

Seven Cooperative Principles

1. Voluntary Membership

Credit unions are voluntary, cooperative organizations, offering services to people willing to accept the responsibilities and benefits of membership, without gender, social, racial, political or religious discrimination.

Many cooperatives, such as credit unions, operate as not-for-profit institutions with volunteer Board of Directors. In the case of credit unions, directors are drawn from defined fields of membership.

2. Democratic Member Control

Cooperatives are democratic organizations owned and controlled by their members, one member one vote, with equal opportunity for participation in setting policies and making decisions.

3. Members Economic Participation

Members are the owners. As such they contribute to, and democratically control, the capital of the cooperative. This benefits members in proportion to the transactions with the cooperative rather than on the capital invested.

For credit unions, which typically offer better rates, fees and service than for-profit financial institutions, members recognize benefits in proportion to the extent of their financial transactions and general usage.

4. Autonomy and Independence

Cooperatives are autonomous, self-help organizations controlled by their members. If the cooperative enters into agreements with other organizations or raises capital from external sources, it is done so based on terms that ensure democratic control by the member and maintains the cooperative autonomy.

5. Education, Training and Information

Cooperatives provide education and training for members, elected representatives, managers and employees so they can contribute effectively to the development of the cooperative.

Credit unions place particular importance on educational opportunities for their volunteer directors, and financial education for their members and the public, especially the nation's youth. Credit unions also recognize the importance of ensuring the general public and policy makers are informed about the nature, structure and benefits of cooperatives.

6. Cooperation Among Cooperatives

Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, provincial, regional, national, and international structures.

7. Concern for Community

While focusing on member needs, cooperatives work for the sustainable development of communities, including people of modest means, through policies developed and accepted by the members.

These seven principles are founded in the philosophy of cooperation and its central values of equality, equity and mutual self-help. They express, around the world, the principles of human development and the brotherhood of man through people working together to achieve a better life for themselves and their community.



Youth dart team in St. George's sponsored by Leading Edge Credit Union.

Board of Directors

2009-2010

Harry Coates



Location: Millville, Codroy Valley
Occupation: Farmer
Committee: Governance
Years Served: 15
Highlight of LECU in 2009: The formation of LECU.

Brendan Doyle



Location: St. Andrews, Codroy Valley
Occupation: Retired
Committee: Human Resources
Years Served: 8
Highlight of LECU in 2009: Merger.

Hubert Hall



Location: Great Codroy, Codroy Valley
Occupation: Sales Manager
Committee: Facilities
Years Served: 12
Highlight of LECU in 2009: Merger of the two credit unions – Codroy Valley and Brook Street.

John Healey



Location: Pasadena
Occupation: Retired
Committee: Executive
Years Served: 3
Highlight of LECU in 2009: Successful amalgamation of Brook Street and Codroy Valley Credit Unions as well as the implementation of a Human Resources Policy for LECU.

Gary O'Brien



Location: Port aux Basques
Occupation: Manager
Committee: Executive
Years Served: 7
Highlight of LECU in 2009: Successful amalgamation; successful integration of new directors of LECU; improving our capital adequacy position.

Dan Sheaves



Location: Port aux Basques
Occupation: Comptroller
Committee: Audit
Years Served: 3

Barry Simms



Location: Corner Brook
Occupation: Retired
Committee: Executive
Years Served: 19
Highlight of LECU in 2009: Facilitating the process of amalgamation of Brook Street and Codroy Valley – one credit union covering the West Coast.

Victoria Stokes



Location: Corner Brook
Occupation: Mill Worker
Committee: Human Resources
Years Served: 9

Paul Tiller



Location: Corner Brook
Occupation: Mill Worker
Committee: Facilities
Years Served: 4

Brian Warren



Location: Corner Brook
Occupation: Mill Worker
Committee: Human Resources
Years Served: 10
Highlight of LECU in 2009: Merger.

Derek White



Location: Great Codroy, Codroy Valley
Occupation: Retired
Committee: Facilities
Years Served: 2

Gary Wiseman



Location: Corner Brook
Occupation: Remax Real Estate
Committee: Governance
Years Served: 4
Highlight of LECU in 2009: Amalgamation of Brook Street and Codroy Valley.

Agenda

- 1.0 Establishment of quorum
- 2.0 Adoption of agenda
- 3.0 Chair’s Report
- 4.0 Chief Executive Officer’s Report
 - 4.1 Treasurer’s Report
 - 4.2 Presentations
- 5.0 Credit Committee Report
- 6.0 Audit Committee Report
- 7.0 Governance Committee Report
- 8.0 Address from Minister Kevin O’Brien
- 9.0 Correspondence
- 10.0 New Business
 - 10.1 Resolutions
- 11.0 Adjournment



Leading Edge Credit Union’s branch in Doyle’s.



Leading Edge Credit Union’s branch in Corner Brook.



Leading Edge Credit Union’s branch in Port aux Basques.

Credit Committee's Report

To the Customer-Owners of Leading Edge Credit Union

The Board of Directors for Leading Edge Credit Union decided that the Credit Committee would consist of internal personnel for the purpose of reviewing director and staff loans. The rationale for this decision was to place individuals that had solid lending experience on the Credit Committee instead of individuals from the general membership. The recommendation, after consultation with the Credit Union Deposit Guarantee Corporation, brought about the formation of an internal lending committee to complete the role of the Credit Committee.

The goal of the Credit Committee for the next 12 months is to establish a new lending policy for Leading Edge Credit Union. We will be working directly with the Board to bring forward recommendations on sound lending practices as well as industry trends.

The committee would like to outline the following loan report for the year ending December 2009:

Total number of Loans and Mortgages	2864	\$51,567,223
Impaired Loans and Mortgages	42	\$ 379,330

We would like to take the opportunity to thank the staff for their cooperation and assistance in performing the mandate of the Credit Committee.

Thank you,



Cory Munden
Chairperson, Credit Committee

Audit Committee's Report

To the Customer-Owners of Leading Edge Credit Union

The Audit Committee of the Leading Edge Credit Union Limited had a busy year again in 2009 as this was a transition year in which two credit unions became one. The Audit Committee played an integral role in this amalgamation process. In addition to our regular meetings, the Committee, in consultation with the Board of Directors, management and staff offered recommendations to ensure that the amalgamation proceeded smoothly. The Committee also met with representatives from the Credit Union Deposit Guarantee Corporation and Byron Smith, External Auditor to review the results of their External Audit and the results of the 2009 Internal Audit. The Committee continues to work with the Board of Directors and management team to address the recommendations provided by the auditors.

The Audit Committee has been involved in a series of meetings related to the Dividend Payout Policies of the Board and a recommendation on this matter has been put forward. The primary consideration of the Dividend Policy was to ensure the future financial strength of Leading Edge Credit Union.

At the time of writing this report, there were no unresolved issues between the Committee, the Credit Union Deposit Guarantee Corporation and the External Auditor. Any concerns we have had from a Committee perspective have been addressed and issues are being dealt with in a professional and satisfactory manner by management. The Committee will continue to perform its duties and responsibilities in a timely fashion and would like to take this opportunity to thank the Board of Directors and staff for their cooperation and support to date.

Kindest Regards,



Daniel Sheaves, B. Comm., C.G.A.
Chairperson, Audit Committee

Auditors' Report

To the Customer-Owners of Leading Edge Credit Union Limited

I have audited the balance sheet of Leading Edge Credit Union Limited as at December 31, 2009 and the statement of income and retained earnings and statement of cash flows for the six months then ended. These financial statements are the responsibility of the credit union's management. My responsibility is to express an opinion on these financial statements based on my audit.

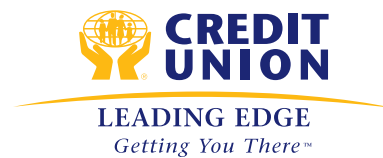
I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Leading Edge Credit Union as at December 31, 2009 and the results of its operations and the changes in its financial position for the six months then ended in accordance with Canadian generally accepted accounting principles.

Thank you,



Byron Smith
Chartered Accountant



Financial Statements

**Leading Edge Credit Union Limited
Balance Sheet**

As of December 31,

2009

Assets

Cash and cash equivalents	\$	6,569,379
Cash – required liquidity		3,649,700
Investments		1,548,277
Income taxes receivable		58,610
Loans and mortgages receivable		51,488,097
Investment in mortgages under administration		2,921,933
Other assets		321,739
Capital assets		<u>2,050,123</u>
		68,607,858

Liabilities

Bank indebtedness	\$	1,570,717
Accounts payable and accrued liabilities		269,765
Members’ deposits		64,648,312
Non-members’ deposits		<u>4,132</u>
		66,312,926

Members’ Equity

Retained earnings	\$	<u>2,294,932</u>
	\$	68,607,858

Leading Edge Credit Union Limited Statement of Income and Retained Earnings

For the Six Months Ended December 31,

2009

Financial Revenue

Interest	\$	1,776,107
Investment income		<u>319,144</u>
		2,095,251

Cost of funds

Interest on members' deposits	\$	<u>523,122</u>
		523,122

Financial Margin

1,572,129

Other Income

Commissions and Service Charges	\$	<u>601,309</u>
---------------------------------	----	----------------

Gross Margin

2,173,438

Operating Expenses

Members' Security	\$	257,948
General business		789,323
Personnel		<u>755,099</u>

Total Operating Expenses

1,802,370

Income before income taxes	\$	371,068
----------------------------	----	---------

Income taxes	- Current	56,842
	- Future (Recovery)	<u>(2,476)</u>

Net Income for the Year

316,702

Retained earnings, beginning of period	\$	1,978,230
Net income for the period		<u>316,702</u>
Retained earnings, end of period		<u>2,294,932</u>

Quick Facts and Highlights

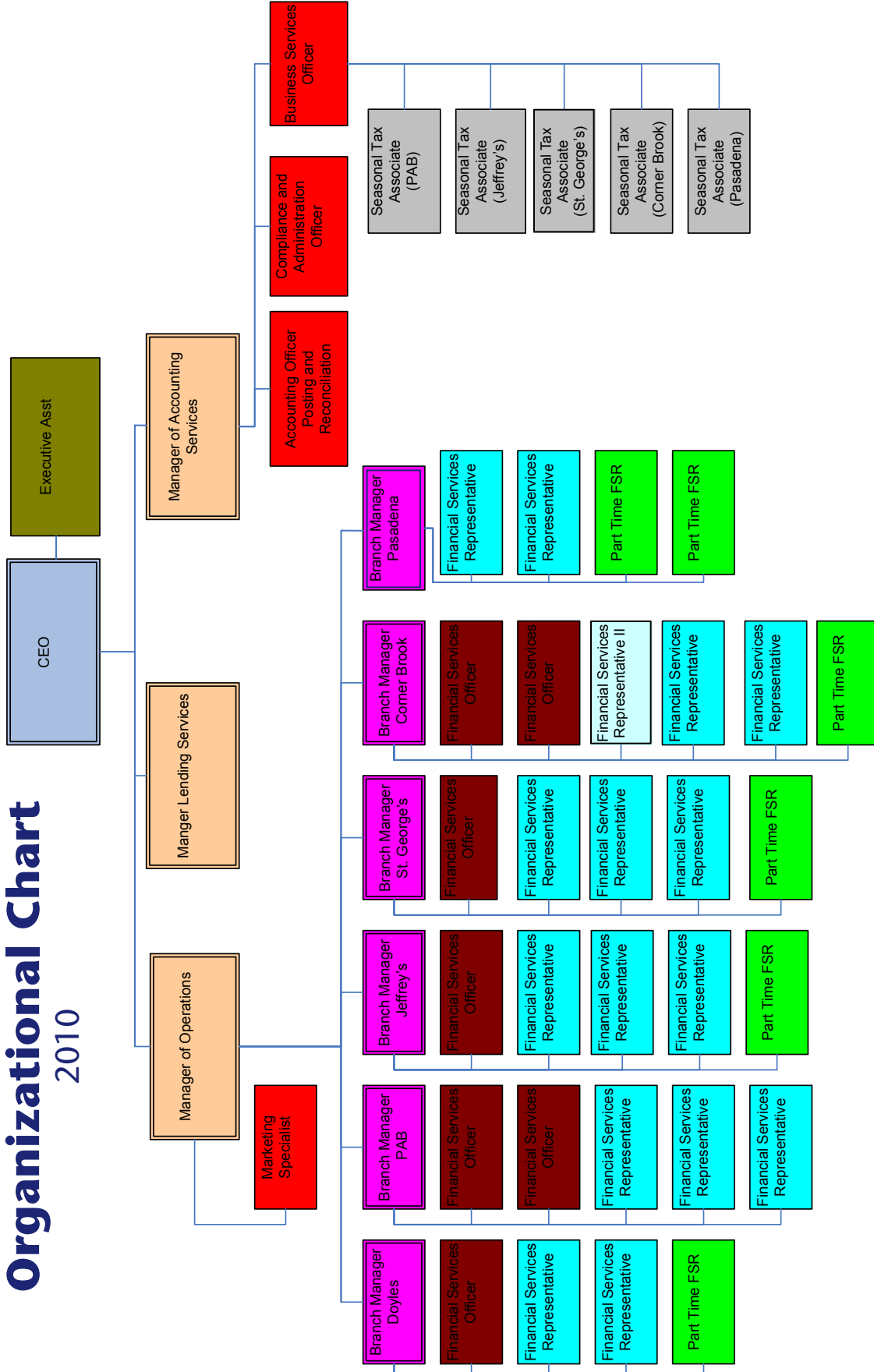
2009 - 2010

Total Number of Assets:	\$68,607,858 (as of December 2009)
Total Number of Employees:	44 (38 full-time, 5 part-time, 1 casual)
Total Number of Branches:	Seven including Corporate Office
Total Number of Customer-Owners:	5370 (as of December 2009)

Throughout 2009 Leading Edge Credit Union has:

- Hosted a Grand Opening of Jeffrey's branch in June 2009.
- Officially opened the doors of Leading Edge Credit Union July 2009.
- Created the following full time permanent positions due to the amalgamation.
 - Manager of Lending Services
 - Accounting Officer – Posting and Reconciliation
 - Compliance and Administration Officer
 - Financial Service Representative II
- Been named Business of the Year by Port aux Basques and Area Chamber of Commerce.
- Employed professional tax associates at all six locations to assist our customer-owners and the public with all tax concerns.
- Reviewed our products and services to ensure that we were competitively priced.
 - Introduced new business packages, priced 20% lower than competition
- Renovated a new corporate office complete with conference room which has allowed corporate employees to work together as a team.
- Performed branding renovations to the Doyles branch.
- Implemented a strong human resources policy in our organization.
 - Reviewed and implemented new job models, compensation models, and operating policies and procedures
- Offered a full range of financial products and services to our customer-owners.
 - Hired a new Wealth Management Specialist, Lorne Robinson
 - Introduced new personal and business accounts
- Remained an active part of the communities we serve.
 - Attended trade shows in our areas
 - Volunteered time and donated merchandise to the hospital radiothon
 - Sponsored minor hockey
 - Joined the Board of Trade in Corner Brook
 - Served on committees such as Chamber of Commerce, Waste - Disposal, Come Home Year, Hospital Foundation, Race to the Sea
 - Volunteered time and donated merchandise to winter carnivals
 - Donated to many other organizations such as Safe Prom, Graduation, Lions Club, etc.
- Taken part in many various types of training with our partners.
 - CUMIS
 - CUSource
 - Canadian Mortgage & Housing Corporation
 - Credit Union Deposit Guarantee Corporation
 - First Canadian Title
 - League Data
 - League Savings & Mortgage

Organizational Chart 2010





LEADING EDGE
Getting You There™

Corporate Office
27 Grand Bay Road
Grand Bay Mall, 2nd Floor
Port aux Basques, NL A0N 1K0
Tel: (709) 695-7065

Corner Brook Branch
2 Herald Avenue
PO Box 713
Corner Brook, NL A2H 6G7
Tel: (709) 634-4632

Pasadena Branch
1-3 First Avenue
PO Box 220
Pasadena, NL A0L 1K0
Tel: (709) 686-5404

Doyles Branch
Route 406, Off TCH
PO Box 29
Doyles, NL A0N 1J0
Tel: (709) 955-2402

Port aux Basques Branch
27 Grand Bay Road
PO Box 680
Grand Bay East, NL A0N 1K0
Tel: (709) 695-7000

Jeffrey's Branch
616 Main Road, Jeffrey's
PO Box 130
McKays, NL A0N 1G0
Tel: (709) 645-2512

St. George's Branch
2-10 Steel Mountain Road
PO Box 315
St. George's, NL A0N 1Z0
Tel: (709) 647-2000

www.lecu.ca