



2005 ANNUAL REPORT

2005



JOINT REPORT OF THE CHAIRMAN AND PRESIDENT

Louisiana Corporate's staff and many of our members will remember 2005 as the year Hurricanes Katrina and Rita impacted southern Louisiana. No corner of the state or nation was left unaffected as hundreds of thousands of southern Louisiana residents relocated throughout Louisiana and across the United States. Like many of our member credit unions, Louisiana Corporate activated a pre-planned and well rehearsed business contingency plan and relocated to its pre-arranged contingency site; LaCorp operated from the offices of U.S. Central Federal Credit Union in Lenexa, Kansas. Louisiana Corporate's staff activated its disaster recovery plan on August 27, 2005, two days in advance of Hurricane Katrina's landfall in southern Louisiana, and remained in offsite operation until repairs to our Metairie, Louisiana offices were completed on November 14, 2005. This constituted 79 days of offsite operation, or over 20% of the work year devoted to the offsite operation of Louisiana Corporate and the service of its storm impacted membership. We are pleased to report that your corporate's contingency operations were successful and that operational and financial integrity was maintained throughout the contingency period. In fact, Louisiana Corporate emerged as an even stronger and more resilient organization, with 12 new credit union and CUSO members from 6 states.

A contingency operation of such duration deserves analysis and, as always, Louisiana Corporate has reviewed our offsite operation to better plan for future contingencies. On a broader scale, this experience has reinforced many of the things that we all value most about our credit union system and corporate network. One of the purposes of corporate credit unions is to act as a financial buffer, absorbing changes in liquidity for the benefit of its members during fluctuations in the business cycle. Louisiana Corporate was proud to have the opportunity to fulfill this role in the post-hurricane environment by successfully absorbing rapid changes in liquidity levels, as well as accommodating changes in our member's operational and financial conditions. We were pleased to assist our members by working closely with federal and state agencies to assist credit union members in locating and accessing their institutions. Louisiana Corporate served as an active advocate for our member credit unions, beginning immediately after the storms' impact, participating in emergency conferences and communicating our member's needs to federal and state agencies, officials and media.

The post-hurricane recovery period has confirmed the value of the service initiatives we have worked on over the past several years; internet account access, electronic bill pay, and web-based ACH services proved their value many times over in allowing credit unions to maintain service to members who had been displaced by the disaster. We believe that this period also served to illustrate the value of the presence of independent state and regional corporate credit unions that are able to adapt quickly to rapidly changing situations. Louisiana Corporate believes that independent regional and state corporates are a vital part of the corporate and credit union network that serve to prevent the development of an oligopolistic structure in the corporate credit union network. Conventional economic thought prescribes that oligopolistic structures result in higher pricing levels and a slower rate of innovation. A vibrant, multi-economic corporate and credit union structure will continue to illustrate the basic free market economic principle that competition always benefits the consumer, whether that consumer is a credit union or a credit union member.

2005 has also served to remind us of what we at Louisiana Corporate consider to be the true "credit union difference". That is the unreserved willingness of everyone at every level of the credit union system to work together through times of crisis. We know that we were beneficiaries of this willingness to help and we hope that we were also meaningful contributors to it. We were humbled and gratified by the many acts and offers of assistance we received and hope that we were successful in providing assistance to others in the credit union network. Louisiana Corporate strived to contribute meaningfully to credit union recovery by significant disaster related fee waivers and by providing over ten million dollars in interest free disaster recovery loans to our member credit unions.

During a year of rapid change, some things held constant: your corporate functioned in the role for which it was founded, as an efficient, sound and competitive manager of your investable funds and a ready source of liquidity. Louisiana Corporate continues to operate at the "base level" of NCUA Rules and Regulations, which is the most conservative of several investment operating levels available to corporates, to reflect our member credit union's priority of placing safety over yield. Our top quality investment portfolio is actively managed, utilizing the latest economic valuation modeling to provide consistent, safe performance through periods of fluctuating economic conditions. Our policies and practices in these areas are designed to reflect the high degree of confidence that your members place in your credit union and the credit union network.

The post-disaster recovery period has allowed us the privilege of even further strengthening the close relationship we enjoy with our membership and our understanding of the environment in which our members operate. We value the opportunity to contribute to your credit union's competitiveness as we continually move forward as your correspondent and financial services partner.



Larry R. DeRouen, Ph.D
Chairman of the Board



David A. Savoie, CPA, CFE
President / CEO



Board of Directors and Supervisory Committee of
Louisiana Corporate Credit Union
Metairie, Louisiana

Independent Auditor's Report

We have audited the accompanying statements of financial condition of **LOUISIANA CORPORATE CREDIT UNION** (Credit Union) as of December 31, 2005 and 2004, and the related statements of income, changes in members' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Credit Union's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **LOUISIANA CORPORATE CREDIT UNION** as of December 31, 2005 and 2004, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.



A Professional Accounting Corporation

Metairie, Louisiana
January 27, 2006

110 VETERANS MEMORIAL BOULEVARD, SUITE 200, METAIRIE, LA 70005-4958 • 504.835.5522 • FAX 504.835.5535
5100 VILLAGE WALK, SUITE 202, COVINGTON, LA 70433-4012 • 985.892.5850 • FAX 985.892.5956

WWW.LAPORTE.COM

RSM McGladrey Network
An Independently Owned Member

STATEMENTS OF FINANCIAL CONDITION

	December 31,	
	2005	2004
ASSETS		
Cash and Cash Equivalents	\$ 11,788,641	\$ 12,855,671
Time and Interest-Earning Deposits	124,172,193	75,356,358
Securities Available-for-Sale	39,660,016	31,134,290
Securities Held-to-Maturity	4,000,000	4,000,000
Investment in Credit Union Service Organizations	734,590	640,590
Federal Home Loan Bank Stock, at Cost	368,193	355,322
Loans	11,413,306	68,624
Accrued Interest Receivable	565,667	350,880
Other Receivable	32,595	-
NCUSIF Deposit	161,550	163,752
Property and Equipment, Net	40,114	51,396
Other Assets	90,473	160,283
Total Assets	\$ 193,027,338	\$ 125,137,166
LIABILITIES AND MEMBERS' EQUITY		
Lines of Credit	\$ 20,000,000	\$ -
Accrued Interest Payable	548,710	305,646
Other Liabilities	223,093	66,647
Members' Shares and Share Equivalents	169,695,185	122,326,119
Total Liabilities	190,466,988	122,698,412
Members' Equity, Substantially Restricted	2,560,350	2,438,754
Total Liabilities and Members' Equity	\$ 193,027,338	\$ 125,137,166

* The accompanying notes are an integral part of these financial statements.

STATEMENTS OF INCOME

	For The Years Ended December 31,	
	2005	2004
INTEREST INCOME		
Investments	\$ 4,112,285	\$ 2,701,174
Loans	71,053	14,379
Total Interest Income	4,183,338	2,715,553
INTEREST EXPENSE		
Members' Share and Share Equivalents	2,945,410	1,665,613
Borrowings	124,679	36,949
Total Interest Expense	3,070,089	1,702,562
NET INTEREST INCOME	1,113,249	1,012,991
OTHER OPERATING INCOME (LOSS)		
Service Fee Income	441,405	427,046
Miscellaneous Income	125,987	152,995
Total Other Operating Income	567,392	580,041
GENERAL AND ADMINISTRATIVE EXPENSES		
Compensation and Benefits	476,489	398,386
Professional and Contract Services	561,808	669,112
Office Expenses	144,905	62,694
Administrative Expenses	107,415	112,503
Total General and Administrative Expenses	1,290,617	1,242,695
NET INCOME	\$ 390,024	\$ 350,337

STATEMENTS OF CHANGES IN MEMBERS' EQUITY

For The Years Ended December 31, 2005 and 2004

	Undivided Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance at January 1, 2004	\$ 2,209,145	\$ (84,683)	\$ 2,124,462
Comprehensive Income			
Net Income	350,337	-	350,337
Other Comprehensive Income:			
Net Changes in Unrealized Loss on Securities- Available-for-Sale	-	(36,045)	(36,045)
Total Comprehensive Income	350,337	(36,045)	314,292
Balance at December 31, 2004	2,559,482	(120,728)	2,438,754
Comprehensive Income			
Net Income	390,024	-	390,024
Other Comprehensive Income:			
Net Changes in Unrealized Loss on Securities- Available-for-Sale	-	(268,428)	(268,428)
Total Comprehensive Income	390,024	(268,428)	121,596
Balance at December 31, 2005	\$ 2,949,506	\$ (389,156)	\$ 2,560,350

* The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

	For The Years Ended December 31,	
	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$ 390,024	\$ 350,337
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
Amortization of Premium on Investments	154,702	103,019
Non-Cash Dividend - FHLB Stock	-	(6,063)
Depreciation Expense	21,491	16,888
Increase in Accrued Interest Receivable	(214,787)	(29,118)
Increase in Other Receivable	(32,595)	-
Decrease (Increase) in Other Assets	69,810	(100,254)
Increase in Accrued Interest Payable	243,064	39,992
Increase (Decrease) in Other Liabilities	156,446	(23,575)
Net Cash Provided by Operating Activities	788,155	351,226

STATEMENTS OF CASH FLOWS (CONTINUED)

	For The Years Ended December 31,	
	2005	2004
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) Decrease in Time and Interest-Bearing Deposits	(48,815,835)	29,013,530
(Increase) Decrease in Loans Receivable	(11,344,682)	447,482
Decrease in NCUSIF Deposit	2,202	8,205
Increase in Federal Home Loan Bank	(12,871)	(405)
Additional Investment in Investment in CUSO	(94,000)	(90,000)
Activity in Held-to-Maturity Securities:		
Paydowns and Maturities	-	1,000,000
Activity in Available-for-Sale Securities:		
Paydowns and Maturities	18,519,663	8,826,198
Purchases	(27,468,519)	(11,009,898)
Additions to Property and Equipment	(10,209)	(44,696)
Net Cash (Used in) Provided by Investing Activities	(69,224,251)	28,150,416
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (Decrease) in Members' Shares and Share Equivalents	47,369,066	(35,496,358)
Increase in Borrowed Funds	20,000,000	-
Net Cash Provided by (Used in) Financing Activities	67,369,066	(35,496,358)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,067,030)	(6,994,716)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	12,855,671	19,850,387
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 11,788,641	\$ 12,855,671
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid During the Year for:		
Interest on Borrowings	\$ 124,679	\$ 36,949
Interest on Members' Shares	\$ 2,702,346	\$ 1,625,623
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Elimination of Investment Requirement of Central Liquidity Facility Stock and Related Debt	\$ -	\$ 2,741,972

* The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature Of Operations

LOUISIANA CORPORATE CREDIT UNION (Credit Union) is a cooperative association organized in accordance with the provisions of the Louisiana Credit Union Act for the purpose of serving corporate accounts through money management and creating a source of credit for its members who are principally state and federally chartered credit unions located in Louisiana. The Credit Union competes with other asset management and investment companies, including other corporate credit unions operating in Louisiana.

Use Of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the Statement of Financial Condition and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

For the purposes of the Statements of Cash Flows, the Credit Union considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Time And Interest-Bearing Deposits

Time and interest-bearing deposits include certificates of deposits and deposits in a corporate credit union including callable securities purchased from U.S. Central Credit Union (U.S. Central), and are carried at cost.

Securities

Debt securities that management has the ability and intent to hold to maturity are classified as held-to-maturity and carried at cost, adjusted for amortization of premium and accretion of discounts using the interest method. Other marketable securities are classified as available-for-sale and are carried at fair value.

Unrealized gains and losses on investments available-for-sale are recognized as an increase or decrease in members' equity. Declines in the fair value of held-to-maturity and available-for-sale securities below their cost that are deemed to be other than temporary are reflected in earnings as realized losses. In estimating other than temporary impairment losses, management considers (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Credit Union to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. Gains and losses on the sale of investments available-for-sale are recognized using the specific identification method.

Investment In Credit Union Service Organizations

Investment in Credit Union Service Organizations, which are described in Note C, are stated at cost that does not exceed estimated net realizable value.

Loans

Loans receivable are stated at unpaid principal balances. Interest on loans, which is recognized on the accrual basis, is calculated based on the principal balance using variable rates as stipulated in the loan agreements. Management believes that no allowance for loan losses is necessary due to the loans being generally short-term in nature and secured by members' deposits and other assets. In addition, at December 31, 2005, the Credit Union had \$3,000,000 in loans to members which were guaranteed by the National Credit Union Administration Board, the managing body of the National Credit Union Administration.

NCUSIF Deposit

The deposit in the National Credit Union Share Insurance Fund (NCUSIF) is in accordance with NCUA regulations, which require the maintenance of a deposit by each insured credit union in an amount equal to one percent of its insured shares. The deposit would be refunded to the Credit Union if its insurance coverage is terminated, it converts to insurance coverage from another source, or the operations of the fund are transferred from the NCUA Board.

NCUSIF Insurance Premiums

A credit union is required to pay an annual insurance premium equal to one-twelfth of one percent of its total insured shares, unless the payment is waived or reduced by the NCUA Board. The NCUA Board waived the 2005 and 2004 insurance premiums.

Property And Equipment

Property and equipment are recorded at cost less accumulated depreciation. Depreciation is calculated on a straight-line basis over the estimated useful life of the related asset. Maintenance and repairs are charged to expense, and gains or losses on disposition are reflected in the Statements of Operations.

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Members' Shares And Share Equivalents

Members' shares are subordinated to all other liabilities of the Credit Union upon liquidation. Interest on members' shares and share equivalents is based on available earnings at the end of an interest period and is not guaranteed by the Credit Union. Interest rates on members' share accounts are set by the Board of Directors, based on an evaluation of current and future market conditions.

Income Taxes

The Credit Union is exempt, by statute, from federal and state income taxes and, therefore, the accompanying financial statements do not contain a provision for income taxes.

Service Fee Income

Service fee income consists of charges to members for various services including correspondent, funds transfer, ACH, securities safekeeping and fees for services rendered in connection with Certificate of Deposit placement activities.

Comprehensive Income

Comprehensive income consists of net income and accumulated other comprehensive loss. Other comprehensive loss consists of unrealized losses on securities available-for-sale.

Recent Accounting Pronouncements

In May 2005, the FASB issued SFAS No. 154, *Accounting Changes and Error Corrections*. This Statement replaces APB Opinion No. 20, *Accounting Changes*, and SFAS No. 3, *Reporting Accounting Changes in Interim Financial Statements*, and changes the requirements for the accounting for and reporting of a change in accounting principle. This Statement requires retrospective application of changes in accounting principle to prior periods' financial statements, unless impracticable, and enhances the consistency of financial information between periods. This Statement is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005.

In 2005, the FASB issued Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations*. This Interpretation clarifies that the term "conditional asset retirement obligation", as used in SFAS No. 143, *Accounting for Asset Retirement Obligations*, refers to a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. In addition, this Interpretation clarifies that an entity is required to recognize a liability for the fair value of a conditional asset retirement obligation when incurred if the liability's fair value can be reasonably estimated. The Interpretation had no effect on the Credit Union's financial statements.

NOTE B - SECURITIES

The amortized cost and fair value of securities, with gross unrealized gains and losses, follows:

	December 31, 2005			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities Available-for-Sale				
Debt Securities:				
U.S. Government and Federal Agency	\$ 17,551,467	\$ 501	\$ 166,494	\$ 17,385,474
Government Agency Mortgage Related Issues	9,099,349	21,474	109,051	9,011,772
Corporate Debt Securities	8,398,356	10,058	14,991	8,393,423
Total Debt Securities	35,049,172	32,033	290,536	34,790,669
Mutual Fund Investment	5,000,000	-	130,653	4,869,347
Total Securities Available for Sale	\$ 40,049,172	\$ 32,033	\$ 421,189	\$ 39,660,016
Securities Held-to-Maturity				
CUNA Mutual Group Notes	\$ 4,000,000	\$ 36,200	\$ -	\$ 4,036,200

NOTES TO FINANCIAL STATEMENTS

NOTE B - SECURITIES (Continued)

	December 31, 2004			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities Available-for-Sale				
Debt Securities:				
U.S. Government and Federal Agency	\$ 18,640,264	\$ 15,715	\$ 87,516	\$ 18,568,463
Government Agency Mortgage Related Issues	413,062	8,787	-	421,849
Corporate Debt Securities	7,201,692	15,657	8,044	7,209,305
Total Debt Securities	26,255,018	40,159	95,560	26,199,617
Mutual Fund Investment	5,000,000	-	65,327	4,934,673
Total Securities Available for Sale	\$ 31,255,018	\$ 40,159	\$ 160,887	\$ 31,134,290
Securities Held-to-Maturity				
CUNA Mutual Group Notes	\$ 4,000,000	\$ -	\$ 2,900	\$ 3,997,100

As of December 31, 2005, included in available-for-sale securities is a security with a fair value of \$1,875,000 pledged to the Federal Reserve as collateral to secure negative intra-day clearing balances in the Credit Union's Federal Reserve account. Subsequent to year end, the collateral was released by the Federal Reserve and returned to safekeeping at U.S. Central.

The scheduled maturities of securities available-for-sale at December 31, 2005 are as follows:

	Amortized Cost	Fair Value
Due in One Year or Less	\$ 7,011,204	\$ 7,002,747
Due from One to Five Years	13,900,051	13,751,899
Due from Five to Ten Years	1,558,519	1,550,845
Due after Ten Years	3,480,049	3,473,406
	25,949,823	25,778,897
Mortgage-Backed Securities	9,099,349	9,011,772
	\$ 35,049,172	\$ 34,790,669

Information pertaining to securities with gross unrealized losses at December 31, 2005, aggregated by investment category and length of time that individual securities have been in a continuous loss position follows:

	Less Than Twelve Months		Over Twelve Months	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
Debt Securities:				
U.S. Government and Federal Agency	\$ 132,787	\$ 12,925,454	\$ 33,706	\$ 3,473,850
Government Agency Mortgage Related Issues	98,140	6,509,712	10,912	1,182,850
Corporate Debt Securities	14,817	4,038,081	174	2,002,797
Total Debt Securities	245,744	23,473,247	44,792	6,659,497
Mutual Fund Investment	-	-	130,653	4,869,347
Total Securities	\$ 245,744	\$ 23,473,247	\$ 175,445	\$ 11,528,844

The unrealized losses on the Debt Securities are consistent with recent changes in the overall bond market caused by an increase in market yields. In addition, the Credit Union's Mutual Fund Investment consists of shares in an ultra-short mortgage loan fund. The unrealized losses associated with this fund were caused by interest rate increases, and the timing between when these rate increases took place compared to the resulting repricing in the underlying mortgage loans. Because the Credit Union has the ability and intent to hold these investments for a reasonable period of time sufficient for recovery of fair value, which may be maturity for the debt securities, it does not consider the investments to be other than temporarily impaired at December 31, 2005.

NOTES TO FINANCIAL STATEMENTS

NOTE C - INVESTMENT IN CREDIT UNION SERVICE ORGANIZATIONS

The Credit Union's investment in credit union service organizations at December 31, 2005 and 2004 follows:

Entity	December 31, 2005	
	Number of Shares/Units Owned	Investment
CNBS, LLC	6,451	\$ 594,590
Primary Financial Company, LLC	1	50,000
CU Business Group, LLC	30	90,000
Total Investment		\$ 734,590
Entity	December 31, 2004	
	Number of Shares/Units Owned	Investment
CNBS, Inc.	5,451	\$ 500,590
Primary Financial Company, LLC	1	50,000
CU Business Group, LLC	30	90,000
Total Investment		\$ 640,590

CNBS, Inc. (CNBS) was organized to provide a national institutional securities dealer and investment advisory service in cooperation with the credit union network. During 2004, CNBS converted to an LLC. CNBS is a registered broker/dealer and investment adviser operating in the securities industry. CNBS provides services to financial institutions. The Credit Union's investment in CNBS at December 31, 2005 and 2004 represents approximately 12% and 18% of its outstanding ownership units and common stock, respectively. During 2004, the Credit Union tendered an offer to purchase an additional 1,000 ownership units of CNBS, LLC. The tender offer was accepted and the ownership unit certificate was delivered in January 2005. At December 31, 2004, the amount tendered was included in Other Assets until delivery in January 2005, at which point it was classified as Investment in Credit Union Service Organizations.

Primary Financial Company, LLC offers a program, SimpliCD, which enables the Credit Union's members to invest in federally insured certificates of deposits.

During 2004, the Credit Union purchased 30 Class A units of CU Business Group, LLC (CUBG) for \$90,000. CUBG provides business lending, deposit and consulting services to credit unions nationwide.

NOTE D - LOANS

During the fiscal year ended December 31, 2005 and 2004, member credit unions drew a total of approximately \$100 million and \$20 million, respectively, on their respective lines of credit. The lines of credit are variable rate loans and are payable on demand. In 2005, the Credit Union borrowed a total of \$20,000,000 from U.S. Central's Disaster Loan Program at a reduced rate to offer zero percent interest demand loans to credit unions affected by Hurricane Katrina, which devastated the Gulf Coast during 2005. The outstanding balances at December 31, 2005 and 2004 on the lines of credit were \$11,413,306 and \$68,624, respectively. These balances are secured by deposits held by the Credit Union.

NOTE E - PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows:

	2005	2004
Furniture and Equipment	\$ 170,864	\$ 207,543
Leasehold Improvements	8,039	8,039
Accumulated Depreciation	(138,789)	(164,186)
	\$ 40,114	\$ 51,396

At December 31, 2005, the Credit Union was obligated under a non-cancelable operating lease for office space expiring September 30, 2007. Rent expense under operating leases amounted to \$31,940 and \$46,345 for the years ending December 31, 2005 and 2004, respectively.

NOTES TO FINANCIAL STATEMENTS

NOTE E - PROPERTY AND EQUIPMENT (Continued)

Minimum lease payments under the operating lease at December 31, 2005 are as follows:

2005	\$ 45,082
2006	45,830
2007	34,794
Total	<u>\$ 125,706</u>

NOTE F - MEMBERS' SHARES AND SHARE EQUIVALENTS

A summary of members' shares and share equivalents is as follows:

	2005 Weighted Average Rate	Balance	2004 Weighted Average Rate	Balance
Daily Shares	2.2%	\$ 104,216,827	0.8%	\$ 79,821,827
Share Certificates	2.9%	53,972,984	2.9%	31,754,576
Membership Capital				
Share Deposit	1.3%	7,496,353	0.7%	6,740,600
Paid-in Capital Shares	3.7%	3,984,021	1.2%	3,984,116
Other	0.0%	25,000	0.0%	25,000
		<u>\$ 169,695,185</u>		<u>\$ 122,326,119</u>

Daily shares are readily accessible and earn interest, which accrues daily and is paid monthly. The membership capital share deposit represents the investment required for membership with voting rights. Full members are required to maintain Membership Capital Shares (MCS) at the lesser of \$250,000 or .5% of their total assets, net of any Paid-In Capital balances, at December 31st of the prior year. These accounts have no maturity date, require a three year notice of withdrawal and constitute regulatory capital. Paid-in capital has maturity of twenty years and constitutes regulatory capital. Dividends on MCS and non-refundable paid-in capital are discretionary and are declared monthly by the Board of Directors. Share certificates are issued with specific maturities and interest rates. Share certificate interest payments vary according to the type of certificate issued and length of maturity.

As of December 31, 2005, shares with scheduled final maturities are as follows:

Due in Less Than One Year	\$ 32,720,000
Shares Due in Greater Than One Year But Less than Three Years	15,140,219
Shares Due in Greater Than Three Years	6,112,765
	<u>\$ 53,972,984</u>

The aggregate amounts of members' share and savings accounts over \$100,000 were approximately \$141 million and \$94 million at December 31, 2005 and 2004, respectively.

NOTE G - LINES OF CREDIT

At December 31, 2005 and 2004, the Credit Union had an advised line of credit of \$35,000,000, and a committed line of credit of \$3,000,000. The line of credit bears interest at U.S. Central's overnight cost of funds and is secured by all membership shares and certificates held at U.S. Central. During 2005, the Credit Union drew a total of \$122,163,520 on the advised line of credit at rates ranging from 2.26% through 4.33%, and \$11,000,000 on the committed line of credit with rates ranging from 3.05% to 3.30%. As of December 31, 2005 and 2004, there was a \$20,000,000 and \$0- balance outstanding on advised lines of credit and no balances outstanding in the committed line of credit, respectively.

NOTE H - MISCELLANEOUS INCOME

Included in miscellaneous income are payments received by the Credit Union pertaining to bankruptcy liquidation distributions from a corporate debt security, NPF XII, Inc. 2001-4A, which was written off in a prior year. During 2004, the Credit Union received approximately \$208,000 in bankruptcy liquidation distributions. Approximately \$187,000 of the distributions were applied against the carrying value of the debt security, with the remainder being recognized as miscellaneous income. During 2005, the Credit Union received an additional \$74,940 in bankruptcy liquidation distributions. Also included in miscellaneous income

NOTES TO FINANCIAL STATEMENTS

is the settlement received from the multi-plaintiff litigation filed in 2004 against various parties with potential fiduciary liability pertaining to the issue of the debt security. The amount received in 2005 was \$81,636.

As part of a settlement, the Credit Union is required to remit to the brokerage firm that handled the Credit Union's purchase of the debt security 50% of any future distributions from the bankruptcy liquidation and multi-plaintiff litigation. These reimbursements are reduced by the Credit Union's related legal fees and may not exceed a total reimbursement of \$450,000, net of related legal fees. The total remitted during 2005 was \$65,795.

NOTE I - RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Credit Union makes loans to member credit unions with common directors and principal officers. These loans are made on the same terms, including interest rate and collateral, as those prevailing at the time for similar loans with other members.

NOTE J - PENSION PLAN

The Credit Union has a defined contribution 401(k) pension plan. All full-time employees with one year of service are eligible, and vesting is graduated over six years. The Credit Union makes matching contributions equal to 100% of the participant's salary reductions. In determining matching contributions, only salary reductions up to 3% of a participant's compensation are matched. The amount contributed and charged to expense was \$6,854 and \$7,202 as of December 31, 2005 and 2004, respectively. Effective January 1, 2006, the Board of Directors of the Credit Union agreed to provide participants a 2% profit-sharing contribution in addition to the 3% salary match.

NOTE K - OFF-BALANCE SHEET ACTIVITIES

At December 31, 2005 and 2004, the Credit Union has outstanding commitments for unused lines of credit that are not reflected in the accompanying financial statements as follows:

	2005	2004
Committed Lines of Credit	\$ -	\$ -
Advised Lines of Credit	\$ 87,210,761	\$ 80,680,761

NOTE L - CAPITAL REQUIREMENTS

The Credit Union is subject to regulatory capital requirements administered by the National Credit Union Administration (NCUA) and contained in Section 704.3 of NCUA Rules and Regulations. The Credit Union is classified as a "Base Level" corporate for purposes of regulatory application. Failure to maintain minimum capital requirements can initiate certain actions by regulators as described in the regulation. As of December 31, 2005, the minimum NCUA Capital Ratio applicable to the Credit Union was 4% or approximately \$7,700,000 and \$5,000,000 for the years ended December 31, 2005 and 2004, respectively. The Credit Union's Capital Ratio was 11.02% or \$14,140,546 at December 31, 2005, and 9.45% or \$13,051,252 at December 31, 2004. There have been no conditions or events since the December 31, 2005 calculation that management believes have reduced the Credit Union's capital ratio below 4%.

In addition to the minimum NCUA Capital Ratio requirement, the Credit Union was required by regulations to retain a specified portion of earnings until it met the regulatory threshold of 2%. The earnings retention amount was calculated quarterly based on the Credit Union's core capital and retained earnings ratios. During 2005, the Credit Union attained the 2% regulatory threshold and no longer has an earnings retention requirement in effect.

NOTE M - FAIR VALUES OF FINANCIAL INSTRUMENTS

The fair value of a financial instrument is the current amount that would be exchanged between willing parties, other than in a forced liquidation. Fair value is best determined based upon quoted market prices. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instruments. The aggregate fair value amounts presented may not necessarily represent the underlying fair value of the Credit Union.

The following methods and assumptions were used by the Credit Union in estimating fair values of financial instruments as disclosed herein:

Cash and Cash Equivalents – The carrying amounts reported in the statement of financial condition for cash approximates their fair value.

Time and Interest-Bearing Deposits – Fair values for time and interest-bearing deposits are estimated using discounted cash flow analyses based on current rates for similar types of deposits.

NOTES TO FINANCIAL STATEMENTS

NOTE M - FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

Available-for-Sale and Held-to-Maturity Securities – Fair values for Available-for-Sale and Held-to-Maturity securities are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

Loans – Fair value is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities.

Other Borrowed Funds – The carrying amount of borrowed funds approximates the fair value.

Members' Shares and Shares Equivalents – The fair value of daily share accounts is the amount payable on demand at the reporting date. The fair value of share certificates is estimated using a discounted cash flow calculation that applies interest rates currently being offered on certificates to a schedule of aggregate contractual maturities on such time deposits. The carrying value of membership capital share deposits approximates fair value.

Accrued Interest Receivable and Payable – The carrying amount of accrued interest approximates market value.

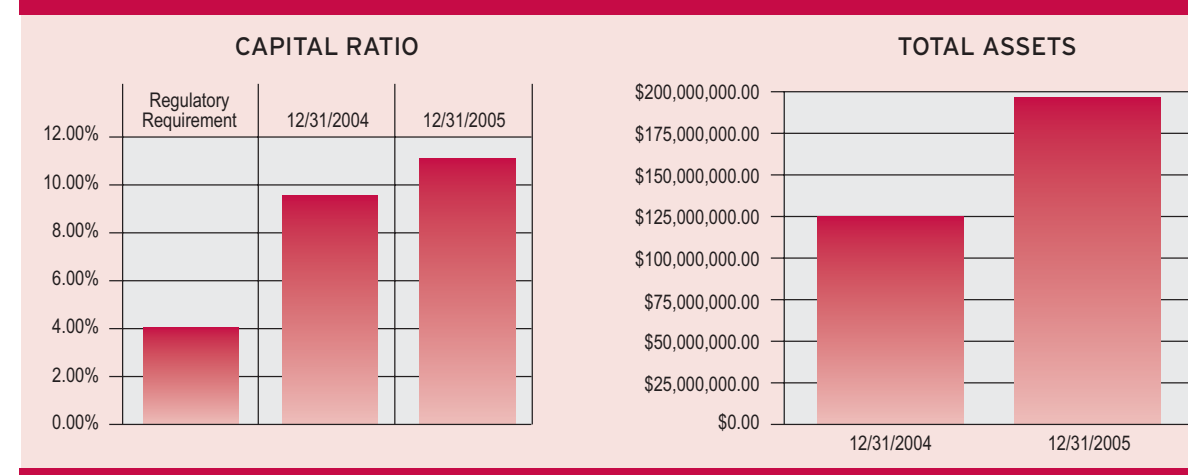
The estimated fair values of the Company's financial instruments are as follows:

	December 31, 2005		December 31, 2004	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash and Cash Equivalents	\$ 11,788,641	\$ 11,788,641	\$ 12,855,671	\$ 12,855,671
Time and Interest-Bearing Deposits	124,172,193	123,794,052	75,356,358	75,202,678
Securities Available-for-Sale	39,660,016	39,660,016	31,134,290	31,134,290
Securities Held-to-Maturity	4,000,000	4,036,200	4,000,000	3,997,100
Loans Receivable	11,413,306	11,004,436	68,624	68,624
Federal Home Loan Bank Stock	368,193	368,193	355,322	355,322
Accrued Interest Receivable	565,667	565,667	350,880	350,880
Financial Liabilities				
Members' Shares and Share Equivalents	\$ 169,695,185	\$ 169,225,817	\$ 122,326,119	\$ 122,122,48
Other Borrowed Funds	20,000,000	20,000,000	-	-
Accrued Interest Payable	548,710	548,710	305,646	305,646

NOTE N - HURRICANE KATRINA

On August 29, 2005, Hurricane Katrina severely impacted Southeast Louisiana and the Mississippi Gulf Coast. As a result of the storm, the Credit Union was displaced from its offices in Metairie, Louisiana, and established an operations center in Kansas City, Kansas. The Credit Union also incurred additional operating expenses due to the impact of Hurricane Katrina. However, a significant amount of these additional costs were recovered through insurance proceeds and contributions provided by other organizations.

SUPPLEMENTAL MANAGEMENT DATA - UNAUDITED



Our Staff

David A. Savoie, CPA, CFE
President / CEO

Sherrie Klotz, AAP
Senior Vice President - Operations

Kim Ramagos
Vice President - Finance

Michelle Miles
Senior Member Service Representative

Natalie Tardo
Member Service Representative

Pamela Prevou
Member Service Representative



First row, left to right, seated, Kim Ramagos, Vice President - Finance; Pamela Prevou, Member Service Representative; Sherrie Klotz, Senior Vice President - Operations; Second Row, left to right, standing, David Savoie, President / CEO; Natalie Tardo, Member Service Representative; Michelle Miles, Senior Member Service Representative.

Board of Directors

Larry R. DeRouen, Ph.D.
McNeese FCU
Chairman

Paul Bertuccini
Louisiana Central CU
First Vice-Chairman

Julius Wagoner
Ouachita Valley FCU
Second Vice-Chairman

Gay Cook
Monroe Telco FCU
Treasurer

Mark Rosa
Jefferson Parish School Board Employees CU
Secretary / ALM Committee Chairman

Cary Anderson
LA DOTD FCU
Director

Donald Bock
New Orleans Firemen's FCU
Director

Emmet Foxworth
Coastland FCU
Director / ALM Committee Member

Larry Landry
Dow Louisiana FCU
Director / ALM Committee Member

Supervisory Committee

Ms. Edna Hickman, District 08 FCU, Chairman
Mr. Robert Brown, CPA, Louisiana USA FCU
Mr. Charles Kramer, ANECA FCU
Ms. Ginger Manint, Eagle Louisiana FCU
Mr. Richard Turnley, Southern Teachers and Parents FCU





3500 North Causeway Blvd.
Suite 1510
Metairie, LA 70002