Strengthening Communities.

Building Assets.

Improving Lives.
Dear Friends,

After August 29, 2005, the eyes of the nation focused on the region served by ECD/HOPE. With devastating force, Hurricane Katrina, followed weeks later by Hurricane Rita, forever changed the Mid South, destroying homes, businesses, economies and lives. The extent of the wreckage was staggering; the challenges for recovery unprecedented.

And while the suffering was widespread, the region’s low-wealth residents faced a much steeper hill to recovery. Fortunately, the relationships, capabilities and experience accumulated during nearly twelve years of working to strengthen economically distressed Mid South communities placed ECD/HOPE in a unique position to respond to the challenges that faced the Gulf region.

Through generous contributions to the ECD Hurricane Relief Fund, and by coordinating with churches, nonprofits and local groups, we helped thousands address immediate relief needs following the storms. ECD/HOPE is now building on these relationships, deploying a full range of financial services toward rebuilding lives and communities on the coast. Many individuals, businesses and nonprofits who received short-term, emergency assistance are now tapping other ECD/HOPE services to help rebuild their lives.

Even before the hurricanes, 2005 was proving to be a momentous year for ECD/HOPE.

Hope Community Credit Union experienced extraordinary growth, ranking first among all credit unions in the nation in the rate of deposit growth. ECD/HOPE’s mortgage production nearly doubled over 2004, as did membership in Hope Community Credit Union. Commercial loan activity was very strong, particularly in community infrastructure sectors such as health care and affordable housing.

Through expanded alliances with nonprofit, public and private organizations who share our commitment to building stronger communities, we served more people than any of us could have reached working independently. In the process, we enhanced our individual and collective capacity to respond to the region’s development challenges.

ECD/HOPE’s mission has always been to serve the most economically-distressed communities in the Mid South, developing structures that promote economic growth, and helping to lift vulnerable individuals to positions of self-sufficiency. In 2005, even the most prosperous communities experienced distress, and even the financially secure discovered the narrow margin that separates them from hardship. In short, it was a year that underscored the need for ECD/HOPE, and a year that inspired us to continue our work with renewed vigor.

On the following pages, you will find a summary of our work in 2005, with examples illustrating how ECD/HOPE touches individual lives, and how we are building capacity to address the region’s development needs. None of this would be possible without the generous support afforded to ECD/HOPE by funders, depositors, program partners, and others.

Thank you for enabling ECD/HOPE to pursue our mission. Working together, we will continue to strengthen communities, build assets, and improve lives throughout the Mid South.

“...it was a year that underscored the need for ECD/HOPE...”
Nationwide, small businesses create more new jobs than any other sector of the economy. Small businesses also represent the best opportunity to broaden ownership opportunities for minorities and women.

In much of the Mid South, however, entrepreneurs and small businesses have been hampered by limited access to capital and technical expertise. Recognizing the region’s untapped potential for economic growth, ECD/HOPE works to overcome these traditional obstacles.

In 2005, ECD/HOPE concentrated on building the capacity of several grassroots organizations to provide technical assistance and capital to microenterprises that generate income and foster ownership. We also expanded a significant amount of financing to existing companies, addressing a range of business needs, such as acquisition, working capital, and facilities.

And by partnering with banks, public agencies and other capital providers, ECD/HOPE leverages additional financing and serves as an important conduit to bring new resources into distressed areas.

Entrepreneurship and jobs are vital to the well-being of every community. ECD/HOPE works to make sure that viable companies in economically distressed areas of the Mid South have equitable access to the capital and the technical tools they need to succeed.
Sonjia Brown-Joseph and her mother, Clara Washington, spent almost twenty years developing Clara’s Little Lambs into one of the finest preschools in New Orleans. But in a few short hours last August, Hurricane Katrina wrecked their Algiers campus, leaving the future of the school in doubt.

Clara’s suffered extensive damage from wind and falling trees. Gaping holes in the roof left the school vulnerable to further harm. Then, as the school’s freezers thawed during the long power outage, thousands of dollars’ worth of frozen food rotted. When Brown-Joseph was able to return a few weeks later, she was dismayed by the sight — and the smell.

“It was a terrible mess,” she says. “But once we got over the initial shock, we knew we had to get busy.”

Brown-Joseph, who had temporarily relocated to Baton Rouge, contacted Dennis Manshack in ECD/HOPE’s office. “He was very, very helpful,” she says. “I told him we needed to make repairs immediately, and we needed to pay our employees. Dennis said ‘No problem, we can do this.'”

Brown-Joseph then applied for a Louisiana Small Business Emergency Bridge Loan. This state-sponsored program allocated $10 million to assist small businesses affected by Katrina. Loans of up to $25,000 were made available to businesses awaiting insurance settlements, federal or state assistance, or the resumption of steady cash flow. The loans, which were interest-free for the first 180 days, were administered through commercial lenders.

Knowing that the limited funds would quickly be depleted, Manshack processed the loan application immediately.

“It took barely two weeks to get the money,” Brown-Joseph recalls. “It was the fastest turnaround I’ve ever seen in my life.”

HOPE’s quick response was crucial. By early November, all $10 million had been allocated. Hundreds of qualified borrowers were turned down due to the lack of funds. When the State of Louisiana announced a second bridge loan program of $30 million — this time with a maximum loan amount of $100,000 — HOPE again responded quickly.

“The second program was out of funds in about a week and a half,” Manshack says. “But HOPE was able to close a total of 16 loans, averaging about $89,000 each.”

Clara’s Little Lambs reopened on October 17 with about 25 children attending. Today the enrollment is approaching 150, almost as many as before Katrina. With so many of the city’s daycare centers destroyed by flooding, Clara’s now draws children from all across greater New Orleans.

“Parents from all over the place have discovered us,” Brown-Joseph says. “We have the children of doctors, of students, of people in welfare-to-work programs. We’re now a real cross section of the city.” In the faces of those children, she sees a bright future. “This city is coming back. I really believe that.”
While Jonesboro, Arkansas has experienced significant growth over the last several years, the north central part still faces many challenges that are all too common for many small Delta towns. This economically depressed area lacked good job opportunities and adequate housing. Leadership was also a problem. Despite the efforts of some dedicated individuals and area churches, the community had no direction, no unified voice.

Then, in 1997, the pastors and congregations of four north central Jonesboro churches joined together to form Beacons and Bridges, a nonprofit, faith-based organization supporting economic development and social change.

“We identified three key issues for our organization,” says Emma Agnew, Program Manager for Beacons and Bridges. “Housing, small business development, and capacity building – the ability to organize around important issues, provide services, and get things done.”

As part of the Kellogg Foundation’s Mid South Delta Initiative, a joint effort of local and regional organizations to expand economic opportunity, Beacons and Bridges partnered with ECD/HOPE.

“We always look for ways to collaborate with community-based organizations,” says Ed Sivak, ECD/HOPE’s Director of Policy and Evaluation. “There was a natural fit with Beacons and Bridges in a couple of ways. The first was linking them with our FastTrac training network, a program for people wanting to start their own businesses. The second was helping them develop a micro-finance loan program.”

In FastTrac, would-be entrepreneurs commit to weekly three-hour workshops over a period of eleven weeks. “It takes those interested in starting a business from the conception of the idea all the way to getting the business started,” Agnew explains. “It’s very intensive.”

The first FastTrac classes offered by Beacons and Bridges attracted new entrepreneurs as well as many who already owned businesses. “They were looking for ways to expand their businesses, to manage them better, to operate them more professionally,” says Agnew. “And one hundred percent of those business owners said the class helped them organize their finances and do a better job marketing their products.”

But FastTrac would mean little without access to capital. That’s why in 2005 ECD/HOPE provided training and technical expertise to help Beacons and Bridges establish its own micro-loan program. ECD/HOPE then provided $15,000 in operating support and $50,000 in loan capital to create a revolving loan fund. The fund is administered through Hope Community Credit Union, but the initial loan decisions are made by Beacons and Bridges.

“Our local loan committee is reviewing the first applications,” Agnew says. “I know we’ll be talking a lot with ECD/HOPE during this process. And whenever we call, they’re always ready to help us.”

Partnering with groups like Beacons and Bridges does far more than simply extend ECD/HOPE’s reach. By providing entrepreneurial training and establishing micro-enterprise programs at the local level, ECD/HOPE gives these organizations the tools they need to transform their communities from within.

**Age of Businesses New to Portfolio**

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Beacons and Bridges
The lack of access to adequate healthcare remains a critical problem for many in the Delta. Life expectancies in the region still rank among the nation’s shortest.

ECD/HOPE recognizes the immediate, human need as well as the long-term importance of healthcare for sustained economic development. Through the Emerging Markets Partnership—a region-wide economic development effort supported by the W. K. Kellogg Foundation—ECD/HOPE significantly expanded its work to improve Delta healthcare in 2005.

ECD/HOPE addressed the healthcare dilemma by promoting increased insurance coverage, working for more equitable Medicare reimbursements for rural clinics, and supporting training programs in health services. ECD/HOPE also assisted rural hospitals and health centers with a combination of financing and technical assistance.

In Louisiana, ECD/HOPE provided funds to the Louisiana Primary Care Association to support grant-writing efforts. The resulting grants brought substantial federal dollars to three of that state’s Federally Qualified Health Centers, including Primary Health Service Center (PHSC) of Monroe.

With one of the federal grants, PHSC was designated as a “New Access Point.” This designation redefined PHSC’s role as a provider of comprehensive primary and preventive health care to low-income and medically underserved individuals in their community.

PHSC also received a federal Health Care for the Homeless Grant, funding services for all low-income persons in the area rather than just those in public housing.

“We owe so much to ECD/HOPE,” says Catherine Tonore, CEO of Primary Health Service Center. “The grants gave us the capability to do so much more in our region.”

PHSC was already in need of larger facilities. After receiving the new grants, the need to expand was even more urgent. Catherine Tonore then turned to ECD/HOPE’s commercial lending services.

ECD/HOPE’s Ray Williams—who had been instrumental in securing support for the grant writing and was thus already familiar with PHSC—helped PHSC finance the purchase of two new buildings.

The expansion was especially timely in the aftermath of Hurricane Katrina, as PHSC was able to provide more than 1,800 homeless evacuees with primary care, dental care, and health education.

Along with its new facilities, Primary Health Service Center has also added new employees. From fewer than 20 before the federal grants, PHSC now employs about 45 doctors, nurses, technicians, and other staff.

While Tonore recognizes the work of her staff, the Louisiana Primary Care Association, and a talented grant writer for their parts in PHSC’s growth, she credits ECD/HOPE as the catalyst.

“From the time I met Ray and learned about ECD/HOPE until today, we’ve increased our annual funding by $1.5 million. Without our partnership with them, none of this would have happened.”

Commercial Loan Borrower Demographics

(Loans outstanding 12/31/05)
Candice and Mark Gregory had long dreamed of owning their own business. When the local Western Sizzlin’ became available, the Brinkley, Arkansas couple knew the time was right.

“We saw the potential,” says Candice Gregory. “We saw the great location right off Interstate 40. We knew if we improved the menu and changed some of the techniques, we could make this one of the better Western Sizzlin’ restaurants and attract a lot more business.”

They also knew they would face some serious challenges — beginning with financing.

With little in savings and no experience in restaurant management, going to a conventional lender was out of the question. The Gregories instead approached East Arkansas Enterprise Community, a nonprofit community development organization that operates a small business loan fund managed by ECD/HOPE.

“East Arkansas Enterprise Community has a loan fund, but they don’t have a loan officer. So that’s what we do,” explains Bob Crum, a commercial lender in ECD’s Stuttgart, Arkansas office. “When we fund a loan, it’s a combination of East Arkansas Enterprise Community money and ECD/HOPE money. Together, we’re able to finance borrowers that no one else can.”

Since he maintains his job as an Arkansas state trooper, Mark Gregory is limited to a part-time role at the restaurant. That means Candice works full-time managing the Western Sizzlin’ and its 25 employees.

“As a restaurant owner and working manager, I’m always busy. I don’t have the luxury of having someone else managing operations, so I’m not able to focus on the books all the time. That’s where ECD has been a big help.”

“ECD/HOPE has been very involved when it comes to looking at what we’re doing and suggesting areas where we might need to do things differently,” Gregory says. “When we were first getting started, they would come by every month and sit down with me, look over the financials and the payroll, make sure the taxes were in order — all the things that a new business owner might need help with.”

The Gregories always knew they could make the Western Sizzlin’ a better restaurant. Now, with hard work and improved management practices, they are also making it a more profitable one. Their bold step into business ownership is proving successful.

“Coming from a working class family with very little savings, we couldn’t have done this without getting help from an entity like ECD/HOPE,” Gregory says. “So that’s what we did, and it’s worked out very well for us.”
Home ownership offers families the opportunity to build wealth while improving their quality of life.

But affordable, quality housing is in short supply in our region. Many low- to moderate-income families live in substandard homes and apartments, even while paying disproportionate amounts of their income in rent.

ECD/HOPE attacks the housing challenge on several fronts:

- To make more affordable housing available, ECD/HOPE partners with for-profit and non-profit developers that build new, low-cost homes where they are most needed.
- The HOPE Mortgage Program – with its flexible qualification requirements, low down payment, and competitive rates – makes home ownership possible for the first time to many low-income buyers.
- By helping these buyers access public funds for down payment assistance, ECD/HOPE lowers yet another barrier to ownership.
- Through credit counseling and homeowner education, ECD/HOPE helps new homeowners manage their most valuable investment.

The benefits of home ownership extend to the community as well as the individual family – from measurable effects like higher property values and crime reduction to the intangible but no less important growth in financial responsibility and civic pride.
In the northwestern corner of Mississippi, Tunica County Development Corporation built ten new homes for first-time buyers in 2005. The new subdivision, Alpha Creek, now offers affordable, well-built homes in an area where quality housing has been in short supply.

This construction was made possible by the Delta Housing Initiative, a joint effort of ECD/HOPE, Mid South Delta LISC (Local Initiatives Support Corporation), and seven neighborhood-based community development corporations.

“This is a great project,” says Ed Sivak, Policy Director for ECD/HOPE. “Each of the community development corporations works directly with the construction companies. They build the homes, they help qualify the people for loans, then they broker the financing. At the end of the day, you’ve got people who couldn’t qualify for houses before living in brand new homes.”

Andy Saavedra, Program Officer for Mid South Delta LISC, explains the significance of ECD/HOPE’s involvement. “Their support helped us leverage some of the funds we already had, enabling us to create a program with a high level of funding. That’s what it takes to be effective, to help our groups develop and increase housing production.”

In addition to turning lifelong renters into equity-building homeowners, the Delta Housing Initiative helps build the capacity of the local organizations to serve their communities well into the future.

“Thanks to ECD/HOPE,” Saavedra says, “I was able to hire staff at the various community development corporations. I was able to get them trained through a strong curriculum for home buyer education and counseling.”

“That was a real impetus to starting the whole program,” Saavedra continues. “If the local group has somebody trained to offer homebuyer education and credit counseling, then with a reasonable amount of new home production, that position can support itself.”

By taking a small developer fee for brokering the new construction, local community development corporations can maintain the position without depending on outside funding.

“So to the extent that they can build, say, ten to fifteen new houses per year,” says Sivak, “there’s enough money coming in to run the program. That was really one of the ultimate goals: to make the community development organizations sustainable.”

Andy Saavedra notes another positive result of the program.

“As we provide training and help give these organizations added capacity to continue their work, you can see the next generation of leaders emerging. That’s really significant for the long term.”

HOPE Mortgage Program Partners

Advantage Mortgage Co
American State Bank
Amerigo Mortgage
AmSouth Bank
Ashley Mortgage Co.
BancorpSouth
Bank of the Ozarks
Bank of the South
Britton and Koontz FNB
BankPlus
Broadway Bank
Commercial Bank and Trust
Community Bank
Community Trust Bank
Community Connections
Concordia Bank
Covenant Bank
Family Mortgage
First American Bank
First Bank and Trust
First National Bank of McGehee
First Security National Bank
First State Bank
Heber Springs State Bank
HomeFirst Mortgage Co.
Hope Community Credit Union
Liberty Bank and Trust
McGehee Bank
 Merchants and Farmers Bank
- Cleveland, MS
 Merchants and Farmers Bank
- Dumas, AR
 Merchants and Planters Bank
Preferred Mortgage Co.
Rural Development/Arkansas
Rural Development/Louisiana
Simmons National Bank
State Bank and Trust
Statewide Bank
Tri-County Credit Union
Union Planters
United Mississippi Bank
Whitney Bank
Housing
When brothers Buddy and Terry Jenkins approached ECD/HOPE about financing in late 2004, they were confident their new modular home company, Safeway Homes, would find a niche in the low-cost housing market.

“In good economic times,” Buddy Jenkins explains, “most builders like to build bigger houses because they can make more money. Affordable workforce housing has been neglected, but that’s our market. We designed Safeway to be the strongest and most energy-efficient workforce house in the United States.”

Drawing on their years of experience in conventional homebuilding, the brothers designed the Safeway home with the durability of a site-built house and the simplified construction of a pre-fab.

“At the time of our initial meeting, Safeway was really a hybrid,” says Jenkins. “It’s like a site-built home that just happens to be delivered in component parts. The home leaves our factory about 98 percent complete. The electrical and plumbing are already in, the cabinets are in, even the ceiling fans are hung. Everything is in it except the carpet and the final coat of paint.”

Unlike most modular homes, Safeway is designed for a concrete slab foundation. Once the foundation is prepared, the house can be delivered, assembled, painted, and ready for occupancy in only three days. When finished, Safeway houses are indistinguishable from site-built homes. Their patent-pending construction technique also results in a very sturdy structure: Safeway homes are rated to withstand winds of up to 160 m.p.h.

At about $100,000 plus the cost of the lot, the three-bedroom, two-bath, 1,450 square foot Safeway home offers an affordable option for many first-time buyers. This made Safeway a natural partner for ECD/HOPE, which views home ownership as one of the keys to regional economic development.

“We had met with Buddy several months before Katrina,” recalls Phil Eide, ECD/HOPE’s Vice President of Housing Initiatives. “He had started his plant up in Lexington (Mississippi) and needed capital, so we went up to talk with him about possible loans. As it turned out, Safeway was successful much more quickly than Buddy had expected, so he didn’t need a commercial loan at that time. But we stayed in contact, and we pushed his product, and then after Katrina, things got really, really busy.”

When Hurricane Katrina displaced thousands from the Gulf Coast and other south Mississippi communities, Safeway found itself perfectly positioned to meet a critical need. Today, Safeway is completing a 135-home development just north of Gulfport and a 200-home development in Hattiesburg. Many of the buyers are financing their new homes through Hope Community Credit Union.

“Our mortgage product really fits with the price range of the Safeway houses,” says Eide. “It’s a good range for starter homes, for people who may need a low down payment or who might have some credit issues.” HOPE has also secured a $50,000 grant from Fannie Mae that provides up to $2,000 in down payment assistance to individual buyers. These grant funds are used exclusively for Safeway homes.

“Working with ECD/HOPE has been a marriage made in heaven,” says Jenkins. “They’ve been instrumental in getting us recognized, and their financing products are making it possible for people to get into our homes. We’re just proud to be working with them.”
Housing
For too many Delta residents with low to moderate incomes, owning homes of their own has been a distant dream. That was the case in Monticello, Arkansas, where low per capita income has traditionally meant low rates of home ownership.

Then, two years ago, Bennie Ryburn, President of the Monticello Economic Development Commission, contacted Phil Eide, ECD/HOPE’s Vice President of Housing Initiatives. Ryburn sought advice on how to increase homeownership in his area.

“We had Phil come up here to speak to local realtors so they would understand some of the programs that are available,” Ryburn explains. “We wanted them to know about ECD/HOPE’s products for people with lower incomes, people who don’t have the best credit, and people who don’t have much money for a down payment.”

“For people in those situations,” Eide says, “it’s very difficult to get a conventional loan. That’s where the HOPE Mortgage Program comes in. It requires a low down payment and includes some relaxed credit criteria. We can even work with people who have no credit history at all.”

Monticello’s Commercial Bank and Trust became the first area bank to offer HOPE Mortgages. “We wanted to reach families we hadn’t been able to work with before,” explains Carla Smith, an Assistant Vice President at the bank. “We worked closely with ECO/HOPE, came up with some plans, and we’ve been working together ever since.”

By combining the HOPE Mortgage Program with grant funds from the Federal Home Loan Bank, Commercial Bank and Trust now offers renters an unprecedented opportunity to become homeowners.

“If a qualified person can come up with one thousand dollars,” Ryburn explains, “Federal Home Loan Bank then puts up four thousand. That’s five thousand dollars toward the down payment and closing costs. Then the HOPE product can give them very low monthly payments, sometimes less than $200 per month.”

If the owners remain in their new homes for a minimum of five years, they are not required to repay the $4,000 from Federal Home Loan Bank.

And while most traditional mortgage lenders will not make loans of less than $50,000, Commercial Bank and Trust uses HOPE Mortgages for much smaller loans.

This program perfectly fit the needs of Lisa Patrick, a 22-year old day care center teacher from nearby Magee, Arkansas.

“I was so glad to find out about this,” Patrick says. “I’ve got such a low monthly payment that my expenses aren’t really more than before. And the best part is that I’ve got a place of my own. That means a lot.”

### Mortgage Borrower Characteristics 2005

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Since 1995 Hope Community Credit Union has provided financial services tailored to meet the needs of residents in low-wealth communities. HOPE’s consumer loans, mortgages, savings accounts and financial counseling offer an alternative to the predatory lenders that victimize many neighborhoods, and help members develop sound financial practices.

In 2005, HOPE’s presence expanded significantly through new offices and partnerships. As people throughout the country recognized the vital role HOPE plays as a financial institution helping those most in need, the credit union experienced tremendous growth. HOPE’s membership nearly doubled between September and the end of the year, and HOPE led the nation in deposit growth.

More important than HOPE’s growth, is what this has allowed HOPE to do. During the year HOPE made a record number of loans to low-wealth residents in the Delta and throughout its service area. And following Hurricane Katrina, HOPE was able to extend a lifeline to hundreds of evacuees and Gulf Coast residents now faced with rebuilding their lives.

Whether making low-interest bridge loans for homeowners awaiting insurance settlements, providing financial counseling for the suddenly unbanked, homeless and unemployed, or offering affordable savings, loans and financial options in other distressed Mid South communities, HOPE is helping its members navigate the course to financial stability.
As he watched news reports of the flooding in St. Bernard Parish, Jerry Moore’s outlook was grim. “I knew we got hit hard,” he says. “And I was right. My home was wiped out. Everything was wiped out. We just lost so much.”

Moore, who had relocated with his wife and children to Dallas, had also lost his new investment: a dump truck financed by Hope Community Credit Union only a few weeks before the storm. The future of his business, Moore & Moore Trucking, was in question.

Then, just a few days later, Moore received a cell phone call from Lynnette Colin, Manager of HOPE’s New Orleans branch. Like most every business in the central city, HOPE’s office had yet to reopen. Colin, however, was already hard at work. Returning to the city as soon as possible after Katrina, Colin had secured her computer and files. On the drive back to her temporary office in Baton Rouge, she began phoning her customers. “I was just praying he had gotten his truck out of St. Bernard Parish,” she recalls. “I found out he hadn’t, but at least he and his family were safe. My advice then was to contact his insurance agent immediately and get that truck paid off. Then we had to think about the future.”

Colin suggested Moore apply for a loan on a new truck right away. But Moore had bigger plans. Anticipating the post-Katrina clean up, he inquired about financing not one, but three trucks, plus trailers for hauling away debris. It was a bold move in uncertain times – especially for someone who had just lost his home.

“As we discussed his plans,” Colin says, “it helped a lot already knowing how his business operates, and more than that, how he operates.”

Having a history with Moore was the key to understanding his needs and giving him the right advice. Colin first met Moore when she was teaching a class on finance and the importance of banking relationships at the City of New Orleans’ Contractors College. Moore, a student in the class, was impressed with the presentation and wanted to learn more about HOPE.

Soon afterwards, Moore’s church joined the HOPE Affinity Network, and he opened a personal account. When he then decided to purchase a new dump truck in the summer of 2005, Moore came to HOPE for his business needs as well. After Katrina, he turned again to HOPE to help him find an opportunity in the midst of tragedy.

Within a few short weeks, Moore had financed one truck and two trailers through HOPE, plus two more trucks through another lender. From the very start, business was brisk. Today, Moore & Moore Trucking keeps busy with debris removal as well as work in other fields, such as highway construction. To meet the demand, Moore now has nine employees – most of whom also suffered losses due to Katrina.

“I’ve told all my employees about HOPE,” Moore says. “Just about all my drivers have accounts with the credit union now. I told them the people at HOPE would understand their situation and see them as more than just customers.”

**Number of HOPE Members**

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<td>2,546</td>
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Moore & Moore Trucking

<table>
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<tr>
<th>Year</th>
<th>Number of HOPE Members</th>
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<td>2002</td>
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Lillian Sutherland, age 83, lives alone on a fixed income of just $603 per month. Despite her modest means, Sutherland found it hard to refuse a friend in need. She began to borrow money on her friend's behalf, and soon found herself deeply in debt to six different high-interest loan companies. Sutherland felt she had nowhere to turn — until she discovered Hope Community Credit Union, which had recently opened a new branch near her home.

“My friend Sarah told me she saw this sign on Terry Road,” Sutherland remembers. “The sign said ‘HOPE.’ That sounded good to me.”

Michael Smith, HOPE’s Terry Road Branch Manager, recalls his first meeting with Sutherland: “She told me she had six outstanding loans totaling more than $1,700. Some of these loans had interest rates of more than 300 percent. I knew she would benefit by paying these off and then having just one payment at a decent rate. But when I looked up her credit report, I found nothing. Zero. She had no credit history at all.”

That’s when a conventional lender might have shown Sutherland the door. But not HOPE. Instead, Smith contacted those same predatory lenders Sutherland had fallen victim to. “And they all sent me letters saying she was their best customer, that she was never late with a payment.” That was exactly the information he needed to proceed. “Basically, those letters constituted her credit history, and we used that to approve her loan.”

Within days, Sutherland’s debt was consolidated into a single loan at a reasonable interest rate. Smith smiles as he tells about the phone calls he still gets every month from Sutherland. “Even though she has an account that we draw her payment from automatically, she still calls me to make sure the payment is made. She’s that conscientious.”

And Sutherland vows never to fall into the same trap again. “Those companies still call me up and try to get me to borrow again. But I’m done with them, that’s for sure. I thank the Lord every day I found Hope Credit Union.”
In the aftermath of Hurricane Katrina, ECD/HOPE worked to restore jobs, rebuild homes, and bring relief to thousands across the region.

By April, ECD/HOPE’s Hurricane Relief Fund had channeled more than $500,000 in grants through faith- and community-based organizations. These funds helped rebuild 115 homes and provided more than 1,500 people with services like free legal assistance, evacuation and relocation assistance, and help accessing other available relief funds.

HOPE also made more than 500 zero-interest bridge loans to those awaiting insurance and FEMA payments. For residents of hurricane-affected areas, HOPE opened nearly 3,000 no-fee accounts.

Behind these statistics are hundreds of individual stories of lives touched by the work of ECD/HOPE.

The day before Hurricane Katrina made landfall, Sheila Randle, 64, left New Orleans taking little more than the clothes she was wearing. Having fled hurricanes before, she expected to be back home in just a few days.

After the levees failed, however, she knew her life had changed forever. “There was six feet of water in my apartment,” Randle says. “I lost almost everything.”

Relocated to Jackson, Mississippi, Randle found herself with only a small Social Security income and little in savings. It was then that she learned about HOPE. “They helped me budget the little money I had,” she says. “Their counseling helped me so much.”

HOPE also provided Randle with a loan to help her with immediate needs. “I borrowed $1,500,” she explains. “It was just enough to get me into a decent apartment, get a few things of my own and some clothes to wear to church. It was enough to help me feel whole again.”

Now comfortably settled in her West Jackson apartment, Randle thanks HOPE for supporting her in her time of need. “The people at HOPE have been so kind to me. HOPE may be a financial institution, but they’ve become almost like an extended family to me.”

In Natchez, Mississippi, Christine Cameron’s home was damaged by falling trees, rain pouring through her roof, and a mudslide from a nearby hill. “I went back, and I was shocked to see all that mud,” she remembers. “I didn’t know what to do, so I just started praying and asking people if they knew where I could get help.”

While staying with her daughter in Jackson, Cameron was introduced to HOPE. As she waited for her insurance settlement and a check from FEMA, HOPE provided a loan to help her recovery begin. “With my loan from HOPE, I was able to get the debris cleaned up and get my roof fixed,” she says. “I was able to get the process started.”

“It’s been very difficult,” Cameron says, “But the people at HOPE were so polite and really wanted to help me any way they could. HOPE was there when I needed them.”

**2005 Consumer Loans by Credit Score**

- **No Score**: 40%
- **400-500**: 12%
- **501-600**: 28%
- **601-700**: 17%
- **701+**: 3%

**ECD Hurricane Recovery and Rebuilding Partners**

- City of New Orleans Community Care Network
- Crazy Like Love Foundation/Operation HELP
- East Biloxi Coordination, Relief and Recovery Center
- Efforts of Grace
- Forrest Heights Baptist Church
- Fresh Start Foundation
- Greater St. James AME Green Pastures Christian Ministries
- Joy Impact, Inc.
- Lutheran Episcopcal Disaster Response
- Main Street Baptist Church
- Mississippi Center for Justice
- Mississippi State Conference NAACP
- New Hope Baptist Church
- New Light Economic Development Corporation
- Powerhouse Church Renewal, Inc.
- Resurrection Life Church
- Salvation Army
- Second Sweet Home
- Springfield Baptist Church
- St. James Baptist Church
- St. Mary’s CME Church
- Stewpot Community Services
Institutional Funders, Investors and Depositors

100 Black Men of Jackson
100 Concerned Clergy
Abundant Life Outreach
Advantage Capital Partners
AIR2LAN, Inc.
American State Bank
Anex
AmSouth Bank
Amos Network
Anderson United Methodist Church
Annie E. Casey Foundation
Arkansas Blue Cross and Blue Shield
Bancorp South
Bank of America
Bank of Anguilla
Bank of Morton
Bank One
Bank of the Ozarks
Bank of the South
Bank of Walnut Grove
Bank of Yazoo City
BankPlus
BellSouth
Beau Rivage Resorts
Booth Bricker Foundation
Boston Community Capital
Britton & Koontz Bank, N.A.
Calvert Social Investment Foundation
Cannon Envirothon Foundation
Carthage Bank
Catholic Health Initiatives
Central Sunbelt Federal Credit Union
Chapel of the Cross
Charles Stewart Mott Foundation
ChemFirst Foundation, Inc.
Christ the King Ministries
Cherry Gove M.B. Church
Citizens National Bank
City of Jackson
Mayor’s Youth Initiative
Community Bank of Indianaola
Community Resource Group
Concordia Bank & Trust Co.
Covenant Bank
Covenant Presbyterian Church
Daughters of the Holy Spirit
Direct Relief International
Domestic and Foreign Missionary Society of the Episcopal Church
Dominican Sisters of Hope
East Arkansas Enterprise Community
Efforts of Grace
Emmanuel Missionary Baptist Church
Enterprise Community Partners
Episcopal Church of the Redeemer
Entropy Corporation
F.B. Heron Foundation
Fannie Mae Foundation
Fannie Mae Foundation
Farmers Bank and Trust
Farmers Grain Terminal, Inc.
First National Bank of Bytheeville
First National Bank of Phillips County
First Security Bank
Fondren Presbyterian Church
Ford Foundation
Foundation for the Mid South
Galloway Memorial United Methodist Church
Gore Ministries
Greater New Orleans Community Foundation
Guaranty Bank & Trust Co.
Gulf Coast Bank and Trust
Habitat for Humanity (Jackson)
Hibernia National Bank
Hinds County Bar Association
Hinds County Health Alliance
Holy Spirit Missionary Sisters
Home Depot Foundation
Home Missioners of America
JPMorgan Chase
Jackson Avenue Microenterprise
Jackson Housing Authority
Jackson Medical Mall Foundation
John D. and Catherine T. MacArthur Foundation
John M. Perkins Foundation
Junior League of Jackson
Keenser Federal Credit Union
Liberty Bank and Trust
Levi Strauss Foundation
Louise S. McGehee School
Low Income Investment Fund
Lynch Street CME Church
Magnolia Federal Credit Union
Mary Reynolds Babcock Foundation
Members Exchange Federal Credit Union
Mendenhall Bible Church
Mennonite Economic Development Association
Mennonite Mutual Aid Association
Mennonite Mutual Aid Insurance, LLC
Mennonite Mutual Aid Society
Merchants and Farmers Bank
Merchants and Planters Bank
Mercy Health Partners
Merry Investment Program
Metairie Bank and Trust
Metropolitan Ministerial Fellowship
Mid South Financial
Mission Mississippi
Mississippi Association of Realtors
Mississippi Development Authority
Mississippi Federal Credit Union
Mississippi Postal Employees FCU
Mississippi Primary Health Care Association
Mississippi Telco Federal Credit Union
Morrison Heights Baptist Church
Mutual Credit Union
National Association of Treasurers of Religious Institutions (NATRI)
National Community Capital Association - Opportunity Finance Network
National Federation of Community Development Credit Unions
Navigator Credit Union
Neighborhoods America
New Caney Creek Missionary Baptist Church
New Dimension Ministries
New Horizon Church
New Horizon Ministries
New Lake Church of Christ
New South Carolina Church
Nuns of the Third Order (Dominican Sisters)
OmniBank
Our Lady of Victory Missionary Sisters
(St. Peter’s by the Lake)
Peoples Bank
Planters Bank & Trust
Papadopoulos Foundation
Regions Financial Corp.
Ridley Hill Missionary Baptist Church
Robert Wood Johnson Foundation
Rosemary Missionary Baptist Church
Rosemary Foundation
Scott Foundation
Seton Enablement Fund, Inc.
Singing River Federal Credit Union
Simmons First National Bank
Sisters of Charity BVM
Sisters of Charity of Cincinnati
Sisters of Charity of St. Elizabeth
Sisters of Charity of the Incarnate Word
Sisters of St. Dominic of the Sorrowful Mother
Sisters of St. Dominic of Racine, Wisconsin
Sisters of St. Dominic of Tacoma
Sisters of St. Francis of Assisi
Sisters of St. Francis of Millville
Sisters of St. Joseph of Orange
Sisters of the Divine Savior
Sisters of the Living Word of Arlington Heights
Smith, Delmar, Wilson
Society of the Holy Child Jesus
Southern Farm Bureau BC
Southern Rural Development Initiative
St. Charles Avenue Baptist Church
St. Clare Monastery
St. Luke’s Episcopal Church
St. Peter’s by the Lake
Statewide Federal Credit Union
Stewpot Community Services
Sweet Home Church of Christ
The Church of the City
Threshold Foundation
Trinity Episcopal Church
Trustmark National Bank
Tzedek Development Fund
U.S. Dept. of Treasury, CDFI Fund
Urban Impact Ministries
Union for Reform Judaism
United Catholics Federal Credit Union
United Methodist Ministries Federal Credit Union
Voice of Calvary Fellowship
Voice of Calvary Ministries
W.K. Kellogg Foundation
Wachovia
Walton Family Foundation
Wells Church
Whitney National Bank
Winthrop Rockefeller Foundation
ECD/HOPE Governance

Board of Directors

Bill Bynum
ECD/HOPE

Hodding Carter
University of North Carolina at Chapel Hill

Elgin Clemons
Attorney

Ronnie Crudup
New Horizon Church

Chuck Dunn
Viking Range Corporation

Mike Espy
Mike Espy, PLLC/AE Agritrade

Jeff Gish
Wachovia Corporation

Brenda Harper
Regions Bank

Kim Lee
Consultant

Ed Lupberger
Nesho Investments

Ivy Lyles
University of Arkansas

Fred Miller
Bank of Anguilla

Marie North
Bank of the Ozarks

Billy Percy
Greenville Compress

Kevin Reilly
Reilly Enterprises, LLC

George Walker
W.W.K Corporation

Robert Walker
City of Jackson

William Winter
Watkins, Ludlam, Winter & Stennis, P.A.

Management Committee

Bill Bynum
ECD/HOPE

Bonnie Bolton
JP Morgan Chase

Elgin Clemons
Attorney

Brenda Harper
Regions Bank

Kim Lee
Consultant

Billy Percy
Greenville Compress

Regina Austin
Fannie Mae Corporation

Mike Espy
Mike Espy, PLLC/AE Agritrade

Robert Gibbs
Brunini, Grantham, Grower & Hewes

Phil Hardwick
John C. Stennis Institute of Government

Johnny R. Jones
American Express Financial Advisors

Kaye Mayfield
Jackson-Hinds Comprehensive Health Center

George Penick
RAND Gulf States Policy Institute

Maura Phillips
Mortgage Guaranty Insurance Corporation

Jennifer Sinclair
St. Dominic Hospital

Frank Spencer
Stowep Community Services

Carol Stewart
Episcopal Diocese of Mississippi

Herman Taylor
Jackson Heart Study

Neddie Winters
Church of the City/Mission Mississippi

Financial Highlights

ECD/HOPE
Consolidated and Combined Financial Highlights
For the Years Ended December 31

Results of Operations

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earned Revenues</td>
<td>$ 3,439,655</td>
<td>$ 2,621,765</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>8,791,106</td>
<td>7,159,753</td>
</tr>
<tr>
<td>Loan Loss Reserve Expense</td>
<td>2,067,958</td>
<td>1,873,694</td>
</tr>
<tr>
<td>Change in Net Assets (Net Income)</td>
<td>1,685,883</td>
<td>(1,774,767)</td>
</tr>
</tbody>
</table>

Financial Position

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Assets</td>
<td>$ 86,644,338</td>
<td>$ 67,407,969</td>
</tr>
<tr>
<td>Total Net Assets (Net Worth)</td>
<td>38,338,221</td>
<td>36,652,338</td>
</tr>
<tr>
<td>Loans and Investments</td>
<td>47,107,715</td>
<td>30,796,573</td>
</tr>
<tr>
<td>Total Debt</td>
<td>19,639,052</td>
<td>15,817,629</td>
</tr>
<tr>
<td>Total Deposits</td>
<td>28,667,066</td>
<td>14,938,002</td>
</tr>
</tbody>
</table>

Results of Activities

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Loans Closed</td>
<td>$ 30,166,061</td>
<td>$ 21,496,985</td>
</tr>
<tr>
<td>Total Investments Closed</td>
<td>0</td>
<td>100,000</td>
</tr>
</tbody>
</table>
Notes to Combined and Consolidated Financial Statements (Unaudited)

1. Basis of Presentation

The accompanying combined and consolidated financial statements include the consolidated financial statements of the Enterprise Corporation of the Delta (ECD) and the financial statements of Hope Community Credit Union (HOPE). ECD has received a ruling from the Internal Revenue Service for exemption from income taxes as a public charity under Internal Revenue Code Sections 501(c)(3) and 509(a)(2). HOPE is a credit union under Section 501(c)(14) of the Internal Revenue Code. All significant intercompany accounts and transactions have been eliminated in the combination and consolidation. The purpose of this presentation is to report ECD and HOPE as operating together to fulfill their missions. ECD is the primary sponsor of HOPE and encompasses the field of membership of HOPE. ECD and HOPE share staff and resources in operating terms. Separate audited financial statements of ECD and HOPE are available at www.ecd.org and www.hopecu.org.

Subsidiaries of ECD include ECD Investments, LLC (ECDI), ECD Investments BIDCO Corporation (BIDCO), ECD Associates, LLC (ECDA) and ECD New Markets, LLC (ECDNM). ECDI, a Mississippi Limited Liability Company, was formed in 1997 as a for-profit subsidiary of ECD. ECD holds the controlling interest in ECDI through its ownership of all of ECDI’s outstanding Class B units. Class A and C units of ECDI are available for investment by qualified institutional and individual investors. Investments made by qualified institutional and individual investors less accumulated losses are shown as minority interest in subsidiary. BIDCO is a wholly-owned subsidiary of ECDI. ECDA and BIDCO were created to extend ECD’s commercial lending activities. ECD, a Mississippi Limited Liability Company, was formed in 2003 to raise capital to invest in ECDNM, a Mississippi Limited Liability Company formed in 2003. ECD is the managing member of ECDA and ECDNM. Units of ECDA are available for investment by qualified institutional and individual investors. Capital invested by ECDA in ECDNM is used to invest in HOPE. In return ECDA receives New Markets Tax Credits and cash over the investment period which are distributed to investors in ECD.

Management has elected to omit substantially all of the disclosures required by accounting principles generally accepted in the United States of America. If the omitted disclosures were included in the financial statements, they might influence the user’s conclusions about ECD/HOPE’s financial position, results of operations and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.

2. Cash and Marketable Securities

Cash and marketable securities are comprised of cash and cash equivalents and other securities held by ECD/HOPE in the ordinary course of business:

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents (Note 2)</td>
<td>$36,528,691</td>
<td>$33,724,314</td>
</tr>
<tr>
<td>Grants and other receivables (Note 3)</td>
<td>2,279,713</td>
<td>4,207,686</td>
</tr>
<tr>
<td>Other assets</td>
<td>668,172</td>
<td>410,747</td>
</tr>
<tr>
<td>Consumer loans (Note 4)</td>
<td>2,993,392</td>
<td>1,770,305</td>
</tr>
<tr>
<td>Commercial loans (Note 4)</td>
<td>20,316,176</td>
<td>16,859,674</td>
</tr>
<tr>
<td>Residential mortgage loans (Note 4)</td>
<td>18,817,974</td>
<td>5,338,930</td>
</tr>
<tr>
<td>Allowance for loan losses (Note 5)</td>
<td>(2,225,315)</td>
<td>(2,302,936)</td>
</tr>
<tr>
<td>Loans, net</td>
<td>37,902,226</td>
<td>21,666,173</td>
</tr>
<tr>
<td>Foreclosed property, net (Note 7)</td>
<td>3,752,940</td>
<td>3,134,593</td>
</tr>
<tr>
<td>Investments in privately held companies (Note 6)</td>
<td>3,227,233</td>
<td>3,683,871</td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>2,285,364</td>
<td>580,585</td>
</tr>
</tbody>
</table>

Total Assets $86,644,338 $67,407,969

3. Grants and Other Receivables

Unconditional grants are recognized as revenue in the period the commitment is received. Unconditional grants to be received over a period of time in excess of one year are recorded at fair value at the date of the grant based upon the present value of payments to be received. ECD/HOPE’s management anticipates grants receivable at December 31, 2005 will be received and available for support of ECD/HOPE’s programs as follows:

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$12,985,549</td>
<td>$7,179,417</td>
</tr>
<tr>
<td>Debt and other securities</td>
<td>23,543,143</td>
<td>26,544,897</td>
</tr>
</tbody>
</table>

$36,528,692 $33,724,314
Financial Activity

ECD/HOPE
Combined and Consolidated Statements of Activity
For the Years Ended December 31

Revenues and gains:

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>2005 Total</th>
<th>2004 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grants and contributions</td>
<td>$ 1,622,879</td>
<td>$ 5,634,442</td>
<td>$ 72,977</td>
<td>$ 7,330,297</td>
<td>$ 2,589,461</td>
</tr>
<tr>
<td>Program income</td>
<td>2,309,891</td>
<td></td>
<td>608,784</td>
<td>2,918,675</td>
<td>2,353,868</td>
</tr>
<tr>
<td>Investment income</td>
<td>813,617</td>
<td></td>
<td>7,363</td>
<td>820,980</td>
<td>267,897</td>
</tr>
<tr>
<td>Total Revenues and Gains</td>
<td>4,746,386</td>
<td>5,634,442</td>
<td>689,123</td>
<td>11,069,951</td>
<td>5,211,226</td>
</tr>
</tbody>
</table>

Net Assets Released from Restrictions:

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>2005 Total</th>
<th>2004 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Satisfaction of program restrictions</td>
<td>5,038,878</td>
<td>(4,759,715)</td>
<td>(279,163)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Expiration of time restrictions</td>
<td>125,000</td>
<td>(125,000)</td>
<td></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total Net Assets Released from Restrictions</td>
<td>10,318,362</td>
<td>-</td>
<td>-</td>
<td>10,318,362</td>
<td>8,453,274</td>
</tr>
</tbody>
</table>

Expenses:

Program expenses:

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>2005 Total</th>
<th>2004 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial lending and assistance</td>
<td>3,805,197</td>
<td></td>
<td></td>
<td>3,805,197</td>
<td>3,762,850</td>
</tr>
<tr>
<td>Mortgage lending and housing</td>
<td>1,000,665</td>
<td></td>
<td></td>
<td>1,000,665</td>
<td>1,231,615</td>
</tr>
<tr>
<td>HOPE and consumer lending</td>
<td>189,913</td>
<td></td>
<td></td>
<td>189,913</td>
<td>486,412</td>
</tr>
<tr>
<td>Other programs</td>
<td>5,322,586</td>
<td></td>
<td></td>
<td>5,322,586</td>
<td>2,971,397</td>
</tr>
<tr>
<td>Development and communications</td>
<td>139,071</td>
<td></td>
<td></td>
<td>139,071</td>
<td>127,196</td>
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<tr>
<td>General Administration</td>
<td>401,629</td>
<td></td>
<td></td>
<td>401,629</td>
<td>380,517</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>10,859,063</td>
<td></td>
<td></td>
<td>10,859,063</td>
<td>8,960,988</td>
</tr>
</tbody>
</table>

Other Receivables

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>2005 Total</th>
<th>2004 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Expenses</td>
<td>10,859,063</td>
<td></td>
<td></td>
<td>10,859,063</td>
<td>8,960,988</td>
</tr>
</tbody>
</table>

Change in Minority Investments

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>2005 Total</th>
<th>2004 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in Minority Investments</td>
<td>1,474,995</td>
<td></td>
<td></td>
<td>1,474,995</td>
<td>1,974,995</td>
</tr>
</tbody>
</table>

Change in Net Assets and Equity

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>2005 Total</th>
<th>2004 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in Net Assets and Equity</td>
<td>526,196</td>
<td>749,727</td>
<td>409,960</td>
<td>1,685,883</td>
<td>(1,774,767)</td>
</tr>
</tbody>
</table>

Total Revenues and Gains

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>2005 Total</th>
<th>2004 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Revenues and Gains</td>
<td>9,910,264</td>
<td>749,727</td>
<td>409,960</td>
<td>11,069,951</td>
<td>5,211,226</td>
</tr>
</tbody>
</table>

Expenses:

Program expenses:

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>2005 Total</th>
<th>2004 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer loans outstanding</td>
<td>2,993,392</td>
<td></td>
<td></td>
<td>2,993,392</td>
<td>1,770,305</td>
</tr>
<tr>
<td>Commercial loans outstanding</td>
<td>24,221,251</td>
<td>20,020,467</td>
<td></td>
<td>2,971,624</td>
<td>2,353,868</td>
</tr>
<tr>
<td>Residential mortgages loans</td>
<td>16,817,974</td>
<td>5,338,930</td>
<td></td>
<td>21,156,904</td>
<td>3,707,793</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>10,859,063</td>
<td></td>
<td></td>
<td>10,859,063</td>
<td>8,960,988</td>
</tr>
</tbody>
</table>

Total Expenses

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>2005 Total</th>
<th>2004 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Expenses</td>
<td>10,859,063</td>
<td></td>
<td></td>
<td>10,859,063</td>
<td>8,960,988</td>
</tr>
</tbody>
</table>

Net Assets and Equity at the Beginning of 2005

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>2005 Total</th>
<th>2004 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Assets and Equity at the Beginning of 2005</td>
<td>9,117,682</td>
<td>7,869,375</td>
<td>19,665,280</td>
<td>36,652,337</td>
<td>38,427,105</td>
</tr>
</tbody>
</table>

Net Assets and Equity at the End of 2005

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>2005 Total</th>
<th>2004 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Assets and Equity at the End of 2005</td>
<td>9,643,879</td>
<td>8,619,102</td>
<td>20,075,240</td>
<td>38,338,221</td>
<td>36,652,338</td>
</tr>
</tbody>
</table>

5. Allowance for Loan Losses

The allowance for loan losses is maintained at a level considered adequate by management to provide for probable loan losses related to specifically identified loans and for losses inherent in the loan portfolio that has been estimated as of the balance sheet date. Management’s determination of the adequacy of the allowance is based on an evaluation of the portfolio, growth and composition of the loan portfolios, economic conditions and other relevant factors. The allowance is increased by provisions for loan losses charged to expense.

Transactions in the allowance for loan losses are summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>2005 Total</th>
<th>2004 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of year</td>
<td>3,387,722</td>
<td></td>
<td></td>
<td>3,387,722</td>
<td>4,247,645</td>
</tr>
<tr>
<td>Provision charged to operating expenses</td>
<td>2,067,958</td>
<td></td>
<td></td>
<td>2,067,958</td>
<td>1,873,694</td>
</tr>
<tr>
<td>Loans charged off and foreclosed</td>
<td>576,078</td>
<td></td>
<td></td>
<td>576,078</td>
<td>2,971,397</td>
</tr>
<tr>
<td>Balance at end of period</td>
<td>4,879,602</td>
<td></td>
<td></td>
<td>4,879,602</td>
<td>3,387,722</td>
</tr>
</tbody>
</table>

6. Investments in Privately Held Companies

ECD/HOPE made its first investments in privately held companies in 1998. These investments have generally been in the form of preferred stock or subordinated debt. Investments in privately-held companies are carried at the lower of cost or net realizable value. The Company regularly evaluates whether, in management’s opinion, events or circumstances have occurred which may indicate that the carrying amount of the Company’s investments in privately-held companies may not be recoverable based upon estimated future discounted cash flows from the investment. If some or all of the investment is determined to be unrecoverable, the asset is written down to the estimated net value.
realizable value. The Company recognized an impairment loss on privately-held company investments of $950,000 and $697,000 in 2005 and 2004, respectively.

7. Foreclosed Property
Foreclosed property consists of properties repossessed by the Company on foreclosed loans. These assets are stated at the lower of the outstanding loan amount (including accrued interest, if any) or fair value at the date acquired less estimated costs to sell. Losses arising from the acquisition of such property are charged against the allowance for loan losses. Declines in value resulting from disposition of such property are expensed as impairment loss on foreclosed property or loss on disposition of foreclosed property, as applicable.

8. Dividends Payable and Shares and Share Certificates
Dividends payable are dividends earned on share draft accounts, share accounts and share certificates by members of HOPE and not yet paid by HOPE. Share draft accounts are the credit union equivalent of bank checking accounts. Interest is earned only on HOPE money market share draft accounts. Share accounts are the credit union equivalent of bank savings accounts and share certificates are the credit union equivalent of bank certificates of deposit. All share draft accounts, share accounts and share certificates are insured by the National Credit Union Administration up to $100,000 per member.

9. Long-Term Debt
The maturities of long-term debt at December 31, 2005 are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>$2,183,000</td>
</tr>
<tr>
<td>2007</td>
<td>902,000</td>
</tr>
<tr>
<td>2008</td>
<td>2,041,000</td>
</tr>
<tr>
<td>2009</td>
<td>1,542,000</td>
</tr>
<tr>
<td>2010</td>
<td>4,223,000</td>
</tr>
<tr>
<td>Thereafter</td>
<td>$8,008,703</td>
</tr>
<tr>
<td>Total</td>
<td>$18,899,703</td>
</tr>
</tbody>
</table>

10. Uninsured Capital and Reserves
The uninsured capital and reserves include only secondary capital investments made by investors in HOPE unrelated to ECD, accumulated reserves, and undivided earnings of HOPE.
Vision
To be a community development financial institution that: provides a large number of low-wealth people and communities with the financial tools and resources needed to achieve a better quality of life; influences policies and resources that impact our constituents and our interests; and is financially self-sufficient.

Mission
To strengthen communities, build assets and improve lives in economically distressed areas in the Mid South by providing access to affordable, high-quality financial products and related services.

Values
Three core values undergird our work. Our dedication to these values must be evident in our products, services, and operations:

**Equal Access to Economic Opportunity** – Our work should reflect a commitment to fair and equal access to the economic opportunities that life has to offer.

**Excellence** – The people and communities we serve have a right to expect excellence, and we have a responsibility to provide it. A commitment to excellence is a statement of respect for our customers, depositors, funders, investors, board and each other.

**Bridge Builder** – Recognizing both the limitations of our own human and financial resources, and the necessity of broad support to address the development needs that face distressed people and communities, ECD/HOPE will seek to support strategic partners, and to attract and influence the support of others to help achieve our mission.
Enterprise Corporation of the Delta
www.ecd.org

Hope Community Credit Union
www.hopecu.org

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1-866-843-3358

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Louisiana: Alexandria, Baton Rouge, Monroe, New Orleans
Mississippi: Biloxi, Clarksdale, Greenville, Jackson
Tennessee: Memphis