

Growing and Preserving Assets





Growing and Preserving Assets Across the Mid South

Friends:

As the economy slowly rebounds, millions of Americans are working hard to secure the future for their families and communities. Unfortunately their efforts face substantial hurdles as a result of stubborn unemployment and lingering turmoil in the credit and housing markets. This harsh reality holds particularly true for those who live below self-sufficiency levels, and for chronically distressed populations such as rural residents, minorities and women.

In the midst of this environment, HOPE (Hope Enterprise Corporation/Hope Credit Union) has sharpened its focus on helping Mid South residents and communities acquire, stabilize, grow and preserve assets that provide the economic foothold that enables them to realize a satisfactory quality of life. Thus, in addition to providing financial resources, HOPE also focuses on building and preserving assets that make communities viable and allow families and businesses to thrive.

HOPE has extended a lifeline to thousands during these tough times, and we are pleased to share in this report an overview of our activities and outcomes from the past year.

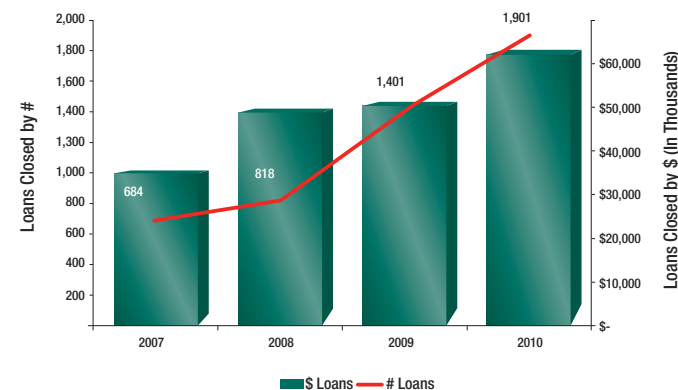
Assets for Individuals, Families & Communities

Hope Credit Union fortified its menu of products and services, making available to financially underserved residents features such as mobile banking and rewards saving and checking products. These and other affordable, safe and convenient financial tools help our members protect and grow their hard-earned assets.

The importance of financial education and related counseling has come to the forefront during recent years, as more than ever people have had to do more with less, due to overall economic conditions, hurricanes, tornadoes, oil spills and other unanticipated severe disruptions. Directly and through strategic partnerships, HOPE has helped thousands navigate these difficult times by offering counseling and technical assistance in areas such as foreclosure mitigation, pre- and post-homebuyer education, budgeting and credit counseling, and business planning.

Last spring, HOPE's Mississippi Economic Policy Center published the Mississippi Self-Sufficiency Standard, which documented the number of people in the state that earn a level of income that allows them to live without public or private assistance – a more accurate measure of one's economic capacity than the poverty level. HOPE was the first organization in the country to link these data to wage and occupation data, enabling residents to know how much income it takes to be self-sufficient, whether or not a job will get a household above the line, and how much education it takes to get that job. The Standard has been used by the State Workforce Investment Board, integrated into the training for high school economics teachers and guidance counselors, and is helping students across the state develop more informed career and financial plans.

HOPE Lending - 2007-2010



On the lending front, at a time when many financial institutions have dramatically curtailed lending, particularly to low-income communities and in the area of housing, not only has HOPE increased its lending, but we are also extending affordable, responsible credit to those who have traditionally lacked such access. In 2010, more than 88 percent of HOPE's mortgages were made to first-time homeowners, and almost two-thirds went to low-income borrowers, while the Credit Union maintained a charge-off rate of less than .02 percent.

HOPE is also bucking industry trends in its commercial lending. Last year HOPE originated nearly \$30 million in loans for small businesses, community facilities and nonprofits, stimulating recovery and fostering job growth. Eighty-three percent of the loans were made in distressed communities to companies that paid an average wage of \$32,647 – well above the poverty level and greater than the average self-sufficiency wage for the region. Additionally, 69 percent of the jobs supported were in companies that offered health benefits.

Because upheaval in the housing industry has squeezed many families out of homeownership, HOPE has expanded its work in the area of rental housing. We continued to fill the financing gap for small-scale and rural Low-Income Housing Tax Credit (LIHTC) developments by extending permanent mortgages for several projects in 2010. Also, in response to the dramatic decline in the availability of equity for such LIHTC projects during recent years, we established our first LIHTC equity fund. The initial project undertaken by this fund is financing the renovation of a 62-unit apartment complex. HOPE was also selected by the Louisiana Housing Finance Agency to receive \$1.1 million in Neighborhood Stabilization Program funds to develop up to 12 homes in New Orleans.

Preserving Assets Through Credit Union Partnerships

Beginning in 2000 with the affiliation between the Enterprise Corporation of the Delta and Hope Community Credit Union – a \$400,000, 1,000-member church-based credit union formed to provide an alternative to predatory financial services for inner-city Jackson, Mississippians – we have joined with a diverse range of people and organizations to form a unique, member-owned regional financial institution. In recent years HOPE merged with College Station Community Federal Credit Union, which for 50 years served as the only financial institution in this minority hamlet located in central Arkansas; American Savings Credit Union, a 47-year-old institution that started as International Harvester Credit Union and grew to include the employees and families of more than 250 companies in the Memphis and northern Delta area; and East Central Federal Credit Union, which was organized in 1979 by the United Woodcutters Association in response to predatory lending practices.

Through these partnerships, HOPE has pooled and preserved nearly \$140 million in assets from more than 26,000 local residents and others who support HOPE's mission. HOPE redeploys these dollars as development financial services for underserved people and places across the Mid South.

HOPE for the Future

In 2011 and beyond, we will continue to focus on growing and preserving assets with our existing programs, as well as through new partnerships. Promising initiatives are underway to foster entrepreneurship, access to healthy foods and affordable housing in underserved areas. Several other credit unions have expressed an interest in collaborating with HOPE to increase access to development services in their communities.

A final note: In January of 2011, the Enterprise Corporation of the Delta changed its name to Hope Enterprise Corporation to better reflect its affiliation with Hope Credit Union, and to more accurately describe its geographic market, which not only includes the Delta, but also encompasses economically distressed communities throughout Arkansas, Louisiana, Mississippi and southwest Tennessee. The two entities have long shared a common mission; now they appropriately share a common name.

As we move forward, we will do so united as HOPE. After all, providing hope is what guides and motivates us as we continually strive to strengthen communities, build assets and improve lives throughout the Mid South.

We sincerely thank you for your generous and ongoing support. Without you, there would be no HOPE.



William A. Percy
Chairman
Hope Enterprise Corporation



Robert L. Gibbs
Chairman
Hope Credit Union



William J. Bynum
Chief Executive Officer
Hope Enterprise Corporation
Hope Credit Union



AFFORDABLE HOUSING & HOMEOWNERSHIP

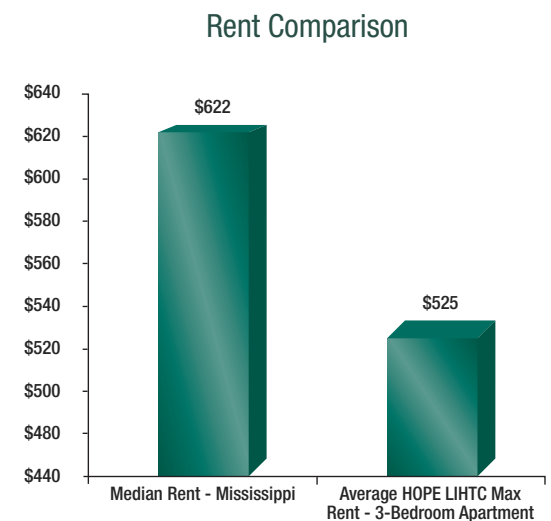
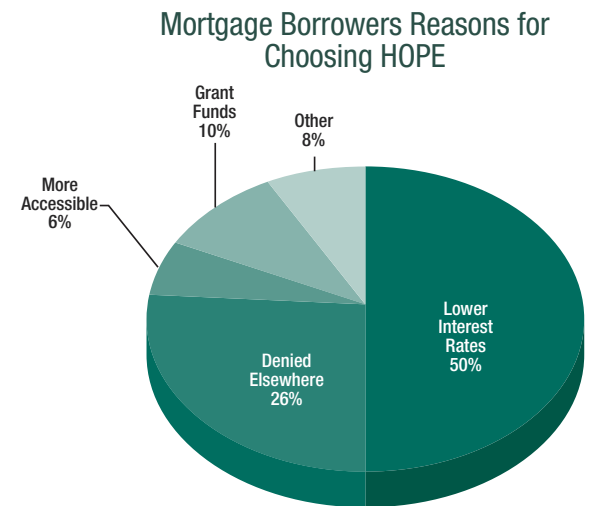
In today's housing environment, good news is hard to come by. Across the country, access to mortgage financing remains tight, leaving financially responsible borrowers unable to qualify for home loans. But there is good news. It's called HOPE.

In 2010, more than 88 percent of HOPE's mortgage loans went to first-time homebuyers. HOPE made more than 169 home loans, increasing loan volume at a time when the industry as a whole is cutting back. Remaining true to HOPE's mission of serving the underserved, HOPE home loans went to borrowers with an average annual income below \$40,000.

To address the growing need for affordable rental housing, HOPE created the Low-Income Housing Tax Credit Equity Fund. Through programs like this, HOPE works with developers to ensure the availability of quality rental housing that raises the standard of living for families and entire communities.

As unemployment continues to soar, more and more families are struggling against foreclosure, fighting to save the homes they worked so hard to attain. During the past year, HOPE participated in the National Foreclosure Mitigation Counseling program, working with 321 families facing foreclosure. Through this collaborative effort, 97 percent of these families were able to keep their homes, preserving their most valuable asset.

Yes, there are rays of light in today's housing climate. You just have to look in the right place. For thousands of people, that place is HOPE.





Legends Park: A Community Revitalized

In 1938, the Memphis Housing Authority opened a public housing facility named Dixie Homes. Because so many renowned African Americans lived there, the area came to be known as Legends Park. These residents included Shelby County Commissioner J.W. Gibson, musician Alfred Rudd, and the *Washington Post's* first African-American editor, Dorothy Butler Gilliam.

Over the years, the area deteriorated. Beset with crime problems, it was no longer the vibrant community it had been in its heyday. In 2007, Dixie Homes was torn down. In its place stands Legends Park, a HOPE VI development that has totally changed the fortunes of the community.

Legends Park came together through a coordinated effort between McCormack Baron Salazar, Inc.; Urban Design Associates; Community Capital; and the City of Memphis. HOPE participated in a \$2,600,000 loan with Enterprise Bank and Trust. HOPE viewed the Legends Park project as an opportunity to revitalize the area and provide quality affordable housing in the heart of the city.

Located minutes from downtown Memphis, the new Legends Park consists of garden-style and townhouse apartments (158 total units) and a 45,000-square-foot mixed-use building with commercial and residential space. One of the most visible tenants is Le Bonheur Outpatient Rehab Clinic.

A unique aspect of Legends Park is that it is a mixed-income community where people from diverse backgrounds and income levels live side-by-side in similar accommodations. Rent levels vary based on income.

Described as a total community transformation, Legends Park has breathed new life into the area. “It is a 100 percent change, a 100 percent improvement,” said resident Jimmy Bates. “We have a great location, great neighbors and a great environment. My wife and I love it here.” Legends resident Toni Parsons added, “This development has really improved the neighborhood. It’s so quiet and peaceful.”

This storied community has gone through many changes since the legends for whom it was originally named lived here. If they could see their old neighborhood as it stands today, surely they would be smiling.

Persistence Pays Off in Foreclosure Mitigation

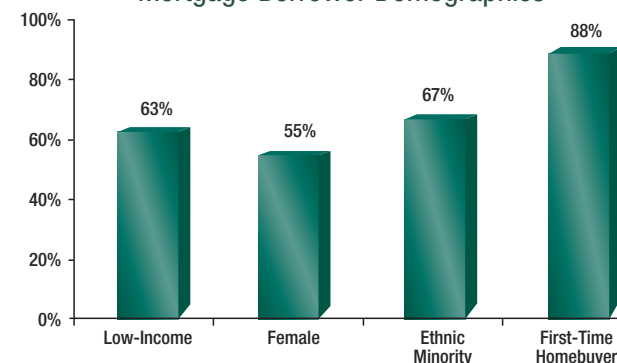
In these tough economic times, families who worked so hard to buy homes are now fighting to save them from foreclosure. Columbus and Ida Mae Dwellingham of Ocean Springs, Mississippi, are among the thousands of families who’ve found themselves in this situation.

The Dwellings already had financial challenges when Columbus Dwellingham lost the job he’d held for 12 years. He and his wife, Ida Mae, were caring for her disabled mother. In addition, they were dealing with a costly home maintenance issue.



Facing all these obstacles, the Dwellings fell delinquent on their mortgage. “We received a letter from the mortgage company saying they were going to auction the house,” Columbus explained. “We didn’t know what to do.”

Mortgage Borrower Demographics



The Dwellings approached their lender about a loan modification to lower their monthly payment but their request was denied. When they tried to refinance with another lender, they became victims of a foreclosure prevention scam, making their situation even worse. On a friend’s recommendation, the Dwellings came to HOPE. At the time, they were several thousand dollars delinquent and their adjustable rate mortgage was due to reset at a higher rate.

Their HOPE counselor contacted their lender and filed for a modification that would give the family a manageable monthly payment. This request was denied, beginning a process that would last for more than two years.

After repeated contacts, the lender finally listened. HOPE negotiated a mortgage modification that reduced the Dwellings’ monthly payments from \$1,214 to \$563, saving their home from foreclosure.

“Our HOPE counselor stuck with us all the way. She kept telling us to be patient and have confidence. She never gave up,” Columbus said. “We will never forget what HOPE did for our family.”

RETAIL FINANCIAL SERVICES

In 1995, Hope Credit Union set out with the mission of strengthening communities, building assets and improving lives in economically distressed areas of the Mid South. Initially, HOPE sought to provide underserved people and communities with access to basic financial services – the kind that most people take for granted.

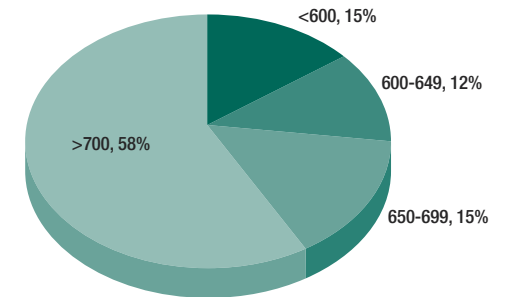
Today, HOPE goes far beyond basic access, lifting its members into the financial mainstream with an array of modern financial services. HOPE members can now take advantage of services like mobile banking, online banking and bill payment, credit and debit cards, and a wide range of insurance options. An innovative free checking product, KASASA, will soon join the HOPE product line.

Hope Credit Union has also expanded its geographic reach, recently merging with East Central Federal Credit Union, a 3,000-member institution with locations in Louisville and Macon, Mississippi. These members can now enjoy a broader range of financial products, including mortgage loans and HOPE's full line of online and mobile banking services.

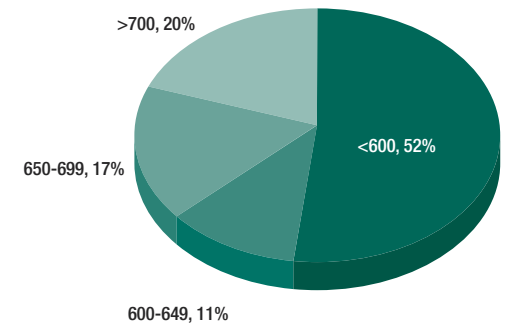
As vital as these products are, HOPE offers much more than financial products and services. HOPE equips members with financial skills and knowledge through counseling services that teach people how to manage money, avoid predatory lending and ultimately achieve many life goals. Whether the goal is a car, a home, a business or simply a measure of security, HOPE can help.

With the addition of the two new East Central branches, HOPE now serves a steadily growing membership through 19 locations in four states. By continuing to expand into new communities, Hope Credit Union is touching more lives than ever in more ways than ever before.

Credit Score Distribution -
Nationwide



Credit Score Distribution -
HOPE Consumer Loans - 2010





Partnering to Improve Lives

Monique Reed, a hard-working single mother, always dreamed of owning a home. After trying unsuccessfully for two years to qualify for a mortgage, Reed discovered an innovative partnership – Mercy Housing, Habitat for Humanity and HOPE.

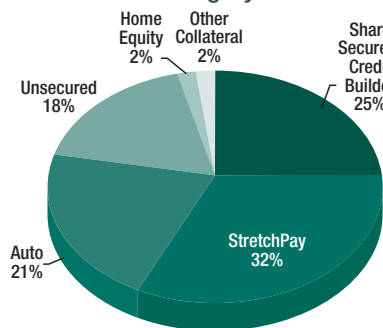
Mercy Housing had received a grant to establish a large number of Individual Development Accounts (IDAs). IDAs help people build assets and establish savings habits through a matched savings program. For every dollar saved, account holders receive a two-dollar match from Mercy Housing. The matching funds must be used for purchasing a home.

HOPE's role in the partnership is to meet with the applicants to determine qualification and then open the actual accounts. The homes are built by Habitat for Humanity.

With HOPE's assistance, Reed established an IDA in July 2010. She was able to save \$1,200 through her IDA, qualifying her for a \$2,400 match. She used the money to pay the closing costs on a Habitat home, making her dream a reality.

"I worked hard to save enough money to make this happen," she said proudly. "Now I feel like my work has paid off. My girls and I have something to smile about."

Consumer Lending by Credit Score



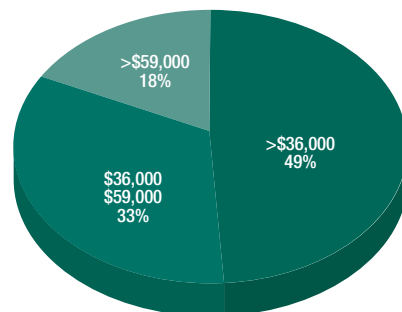
Good Things Happening at Goodwill Industries

With a mission that parallels HOPE's, Goodwill Industries of Arkansas builds lives, families, and communities by helping people with disabilities and other barriers to employment. When Kim Hogue of Goodwill saw a HOPE presentation on financial literacy, she quickly arranged for HOPE to make a similar presentation at Goodwill.

The first presentation proved so successful that HOPE now holds monthly sessions, helping dozens of Goodwill participants save money, improve credit ratings and take advantage of other HOPE financial options available to them. One Goodwill employee, Linda Martin, saved enough to buy a car, a 2005 Ford Focus. She now plans to open an IDA with HOPE to save for a home of her own.

"HOPE is changing the lives of our people," Hogue stated. "They now have access to quality financial services and are learning to become financially self-sufficient. HOPE connects with our people in ways that no one else ever could."

HOPE Members by Household Income



Spreading HOPE: McArthur Davis and The Spirit of Excellence Janitorial Service

When a friend in the auto business referred McArthur Davis to Hope Credit Union in Memphis, it began a relationship that has grown far beyond regular financial transactions.

Davis is a pastor, father and owner of The Spirit of Excellence Janitorial Service. As a leader in his community, he has always taken a stand against the payday lenders, cash-for-title shops and other high-cost lenders that prey upon neighborhood residents. At HOPE, he found a group of people who share his convictions.



He opened a personal account at HOPE and one for his business. He soon secured a personal loan, followed by an equipment loan, vehicle loans and a line of credit for his company. Davis was so enthusiastic about his relationship with HOPE that he became an advocate in the community, referring friends, associates and congregation members to HOPE.

Davis explained, "HOPE is helping people in the community. I want people to know about HOPE and what they can do for people."

HOPE manager Jerry King said, "McArthur is reaching out in the community to tell people about HOPE. He sends us five people and they send five more. It's just amazing."

Davis's relationship with HOPE represents what credit unions are all about: people helping people. Through HOPE, he has given back to his community in multiple ways, including by providing jobs for local residents.

With the equipment he purchased with a HOPE loan, Davis was able to secure larger projects. Within a year, he hired seven new employees. And he is just getting started.

"I'm currently talking to HOPE about expanding the business into Mississippi and Arkansas," says Davis. "We want to put people to work, and HOPE is helping us make that possible."

COMMERCIAL LENDING

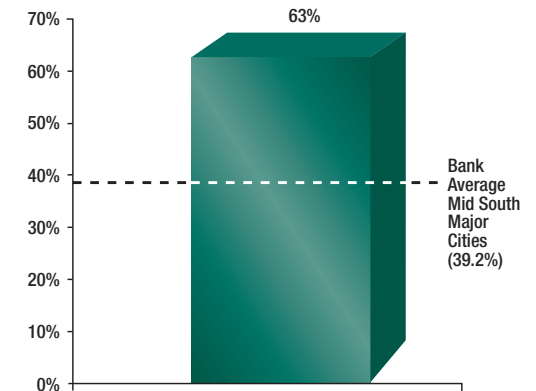
Jobs are the lifeblood of a community. And small businesses are the primary source of jobs. As the country continues to recover from a period of high unemployment, HOPE is working harder than ever to preserve existing jobs and stimulate the creation of new ones.

While most commercial lenders curtailed lending activity during recent years, HOPE expanded its lending efforts, fueling recovery and economic growth throughout the region. In every year since the recession began, the level of HOPE's lending to small businesses has increased.

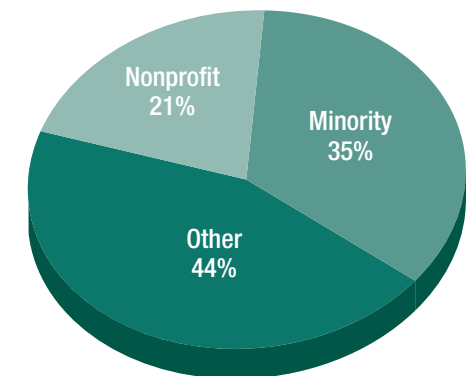
As important as the number of loans is the impact they make on people's lives. HOPE places a high priority on lending in areas and to populations that are often underserved by traditional lenders. Approximately six of every ten commercial loans made by HOPE in 2010 went to companies located in economically distressed areas, and to minority- and women-owned businesses. HOPE also strengthens vital community infrastructure and support systems by placing a high priority on financing sectors like healthcare, childcare, healthy foods and nonprofit organizations. And the average wage earned by employees at HOPE-financed businesses was above self-sufficiency levels.

Eighty percent of all jobs are created by small businesses. By providing entrepreneurs in underserved markets with access to the capital needed to start, stabilize and grow their businesses, HOPE is supporting families, stabilizing communities and fostering economic opportunity for people and places that need it most.

Commercial Loans in Economically Distressed Areas (by Number)



HOPE-Assisted Small Business Ownership Demographics - 2006-2010





Fueling Companies That Fuel the Delta

The Delta's crying need can be summarized in one word: jobs. As a commercial lender, HOPE seeks to work with businesses that have the potential to generate jobs in this economically distressed region—businesses like Delta Fuel.

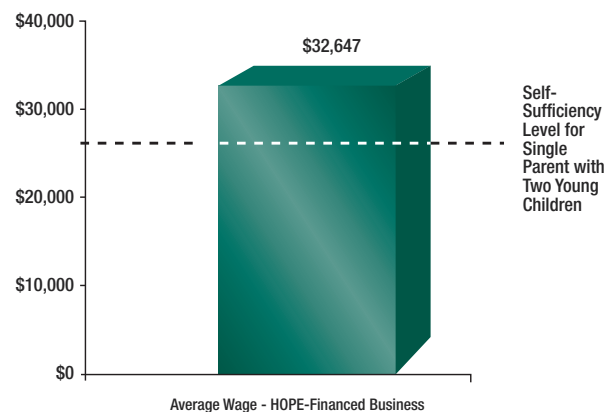
Headquartered in Ferriday, Louisiana, Delta Fuel is a minority-owned wholesale fuel and oil distributor. The company distributes bulk fuel to farmers and ranchers in the Delta region of Louisiana and Mississippi.

When Delta Fuel first approached Hope Enterprise Corporation, they could not find a local lender who would provide the \$1 million line of credit they needed for growth. HOPE recognized the powerful job-producing potential of Delta Fuel and had confidence in the company's leadership.

Through the New Markets Tax Credit program, HOPE provided Delta Fuel with the funds they needed to expand their operations. HOPE helped them purchase equipment and add locations, including a key acquisition in St. Joseph, Louisiana.

Delta Fuel CEO Clint Vegas affirmed, "HOPE's faith in us allowed us to grow. The growth we've experienced would not have been possible without HOPE standing behind us."

Average Wage at HOPE-Financed Businesses Is Above Self-Sufficiency Levels



In just over five years, Delta Fuel grew from 28 employees to more than 65. In an area defined by high unemployment and low economic opportunity, this level of job growth makes a significant impact in the community, particularly among minority and low-income populations.

With over \$60 million in annual sales, Delta Fuel now ranks 99th nationally in sales by a Hispanic business as ranked by HispanicBusiness.com. After a series of expansions, the company now has operations in Ferriday, St. Joseph, Tallulah, Sicily Island, Rayville and Winnsboro, Louisiana, as well as in Natchez, Mississippi.

The company's aggressive growth has not gone unnoticed. HispanicBusiness.com named Delta Fuel as one of the top 100 fastest-growing Hispanic businesses in the country, an honor in which HOPE is proud to have played a role.



Building a Stronger, Healthier Hattiesburg

When Forrest General Hospital wanted to build a new facility to house orthopaedic services, they didn't have to look far to find an eager partner.

Located near Forrest General in Hattiesburg, Mississippi, Southern Bone & Joint ranks as the largest orthopaedic practice in the state and one of the largest in the Southeast. Southern Bone & Joint agreed to build the facility and make it available to Forrest General via a long-term lease. "We wanted to create an environment where our 17 physicians can provide the highest level of care in this part of the country," explained David Burkel, the CEO of Southern Bone and Joint.

To pull the project together, individuals from Southern Bone & Joint formed a group called Point Properties. For funding, the group turned to Hope Enterprise Corporation. "We chose HOPE based on their experience with New Markets Tax Credits," Burkel stated. "We had been told that they had the kind of experience we were looking for and had allocations available."

The \$32 million building was financed through a partnership between HOPE, Mercy Loan Fund and BancorpSouth. HOPE participated with \$9 million in New Markets Tax Credit (NMTC) allocations. In 2008, HOPE received \$20 million in NMTC allocations and strives to translate these tax credits into a higher standard of living for people throughout the Mid South region.

This project is a shining example of how New Markets Tax Credits can improve communities and spark economic growth. Investing in the healthcare industry not only provides better care for residents of underserved communities, but it also generates the high-quality jobs that are so critical in economically distressed areas like South Mississippi. Based on current volumes, the new facility is expected to create 200 new jobs once fully operational.

When completed, this two-story, 73,000-square-foot facility will house 30 patient beds and six operating rooms. According to Burkel, "The new facility truly is state-of-the-art in every way." He added, "Ultimately, that means the best possible care for our patients."

POLICY

Across the nation, countless families live from paycheck to paycheck. Quite often, the money simply doesn't last from one payday to the next.

This unfortunate fact has spawned an entire industry of payday and title lenders that prey upon people struggling to make ends meet. Nowhere is this more evident than in Mississippi, where borrowers pay the highest maximum fee in the Southeast for a \$300 payday loan.

In 2010, HOPE's Mississippi Economic Policy Center (MEPC) stepped up efforts to protect Mississippians from being exploited by predatory lenders. As part of a coalition that included advocacy organizations, clergy and other concerned groups, MEPC provided data and testimony, and otherwise fought to reform payday lending in Mississippi. While the gains made this time around were small, a solid foundation was laid to enact more substantial legislation in the future.

Its work to insure responsible lending practices is just one example of how MEPC uses research and analysis to further HOPE's mission. Through public outreach, policymaker education and media engagement, MEPC is bringing about positive change not only in legislation, but also in lives.

A Payday Lending Success Story

Aree Williams fell into the same trap that so many people have in recent years. Short on cash and a long way from payday, he sought relief from a payday lender. "It just snowballed from there," Williams explained.

He soon found himself buried in debt with multiple high-interest loans, paying over \$500 a month. Williams approached his bank about a small loan to pay off the debt but his application was denied. He then shared his situation with his employer, who referred him to HOPE.

At HOPE, Williams found a willing lender. He took out a \$2,500 secured loan using a vehicle as collateral, which allowed him to pay off most of his high-interest debt. Instead of over \$500 a month, He now pays approximately \$150.

Every month, HOPE sees more and more situations like Williams'. Many predatory lenders are opening lending sites online, where the convenience makes it even easier for borrowers to fall into high-interest debt.

In making its case for payday lending reform, MEPC makes extensive use of data provided by HOPE. The credit union offers borrowers a way out of the predatory lending trap by promoting savings, conducting financial education classes and offering the StretchPay product, a short-term, low-interest loan. With StretchPay, applicants can borrow \$250 or \$500 and take up to a year to repay.

"I always tell people to go to HOPE instead of the payday lenders," Williams said. "I can see daylight now."

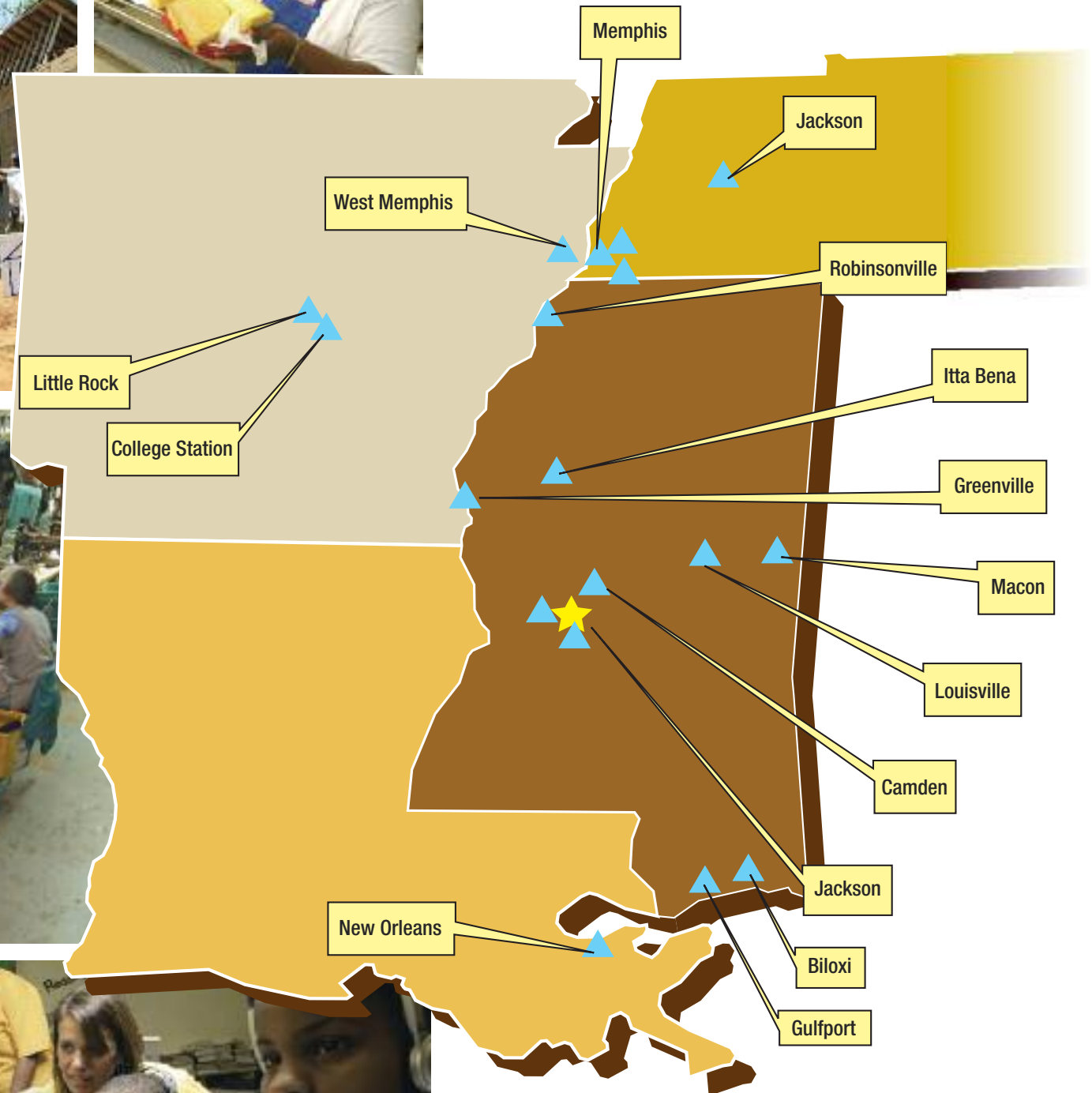


Mississippians Still Pay Highest Maximum Fee in Southeast for \$300 Payday Loans





HOPE Service Area



HOPE Governance

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Business Consultant

Billy Percy
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University of North Carolina

Ed Lupberger
Nesher Investments

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Watkins, Ludlam, Winter & Stennis, PA

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Mike Espy, PLLC/AE Agritrade

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Bank of Anguilla

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Partnership

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HOPE

Consolidated and Combined Financial Highlights

Results of Operations

	2010	2009
Earned Revenues	\$ 13,747,174	\$ 15,059,414
Operating Expenses	20,369,032	23,551,551
Loan Loss Reserve Expense	659,959	2,338,853
Change in Net Assets (Net Income/(Loss))	(235,153)	(5,863,598)

Financial Position

Total Assets	\$197,859,112	\$178,468,218
Total Net Assets (Net Worth)	54,914,477	46,793,723
Loans and Investments	143,688,635	119,998,952
Total Debt	36,808,687	32,411,021
Total Deposits	106,135,549	99,263,473

Results of Activities

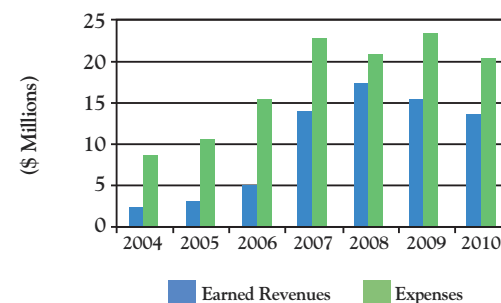
Total Loans Closed	60,059,845	50,205,442
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Years Ended December 31

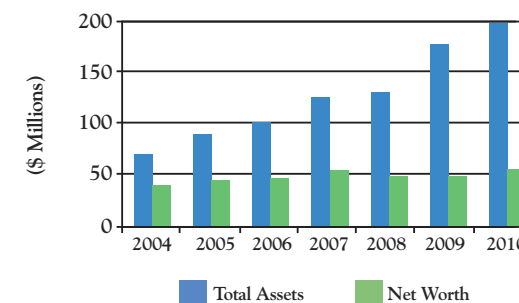
2010

2009

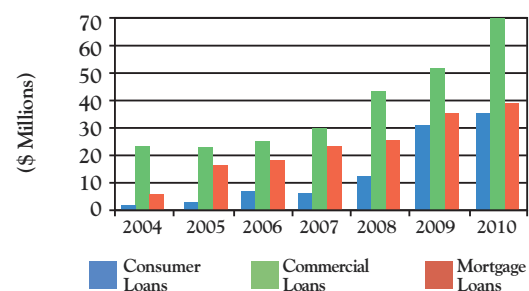
Earned Revenues and Expenses



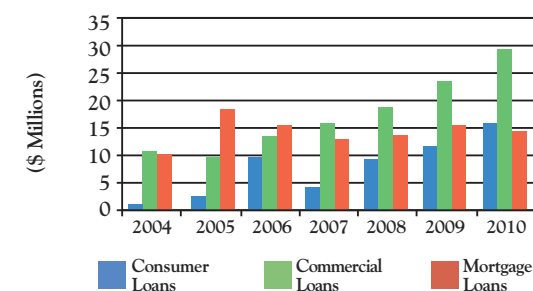
Total Assets and Net Worth



Loans Outstanding



Loans Closed



Hope Enterprise Corporation/Hope Federal Credit Union

Combining Statement of Financial Position

As of December 31, 2010 and 2009

	Enterprise Corporation Consolidated	Credit Union	Eliminations	Combined 2010	Combined 2009
Assets					
Cash and cash equivalents	\$ 12,461,383	\$ 13,733,881	(29,150)	\$ 26,166,114	\$ 24,509,499
Debt and other securities	16,431,206	10,776,223	(13,116,431)	14,090,998	20,553,418
Cash restricted for loans to be made by subsidiary	2,741,200			2,741,200	2,740,090
Grants and other receivables	2,317,895	1,729,097	(1,324,561)	2,722,431	2,460,482
Prepaid expenses	183,002	963,046		1,146,048	235,715
Other assets	278,435	1,142,546		1,420,981	2,589,871
Interest receivable		447,018		447,018	622,347
Consumer loans		34,483,331		34,483,331	30,994,679
Commercial loans	40,751,361	29,678,244	(1,202,900)	69,226,705	51,257,472
Residential mortgage loans	5,103,077	33,552,293		38,655,370	34,636,064
Allowance for loan losses	(1,605,491)	(2,299,163)		(3,904,654)	(4,149,705)
Loans, net	44,248,947	95,414,705	(1,202,900)	138,460,752	112,738,510
Foreclosed property	822,791	500,438		1,323,229	3,110,737
Goodwill		244,472		244,472	44,472
Property and equipment, net	2,364,704	6,731,166		9,095,870	8,663,077
Total assets	\$ 81,849,563	\$ 131,682,592	(15,673,042)	\$ 197,859,113	\$ 178,468,218
Liabilities					
Accounts payable	\$ 2,468,320	\$ 269,635	(1,324,561)	\$ 1,413,399	\$ 1,304,596
Dividends payable		273,208		273,208	117,439
Member deposits		106,164,699	(29,150)	106,135,549	99,263,474
Other liabilities	3,187,790	327,417		3,515,207	3,862,611
Long-term loans (Note 9)	23,496,121	22,430,488	(14,319,331)	31,607,278	27,126,375
Total liabilities	29,152,231	129,465,447	(15,673,042)	142,944,636	131,674,495
Net Assets and Equity					
Uninsured capital and reserves		2,217,145		2,217,145	2,329,654
Unrestricted net assets	17,460,642			7,460,642	18,242,637
Minority interest	32,056,873			32,056,873	22,776,654
Total unrestricted	49,517,515	2,217,145		51,734,660	43,348,945
Temporarily restricted	2,487,305			2,487,305	2,752,266
Permanently restricted	692,512			692,512	692,512
Total net assets	52,697,332	2,217,145		54,914,477	46,793,723
Total liabilities and net assets	\$ 81,849,563	\$ 131,682,592	(15,673,042)	\$ 197,859,113	\$ 178,468,218

Hope Enterprise Corporation/Hope Federal Credit Union

Combined Statement of Activity

	Unrestricted	Temporarily Restricted	Permanently Restricted	2010 Total	2009 Total
Revenues and Gains:					
Grants and contributions	\$ 6,032,664	\$ 1,030,000		\$ 7,062,664	\$ 5,005,127
Program income	11,741,174			11,741,174	12,748,513
Investment income	2,006,000			2,006,000	2,310,902
	19,779,838	1,030,000		20,809,838	20,064,542
Net Assets Released from Restrictions:					
Satisfaction of program restrictions	1,294,961	(1,294,961)			
Expiration of time restrictions					
Total Revenues and Gains	21,074,799	(264,961)		20,809,838	20,064,542
Expenses:					
Program expenses:					
Commercial lending and assistance	3,163,467			3,163,467	5,629,138
Mortgage lending and housing	1,402,243			1,402,243	2,029,109
Consumer lending	8,427,143			8,427,143	7,675,839
Other programs	3,188,501			3,188,501	5,153,148
	16,181,354			16,181,354	20,487,233
Development and communications	140,216			140,216	126,755
General administration	4,723,421			4,723,421	4,549,835
Total Expenses	21,044,991			21,044,991	25,163,823
Change in net assets before minority interests	29,808	(264,961)		(235,153)	(5,099,281)
Change in other comprehensive gains/losses	(49,556)			(49,556)	138,675
Minority interests in subsidiaries losses	(874,756)			(874,756)	(427,444)
Change in Net Assets Attributable to Controlling Interest	(894,504)	(264,961)		(1,159,465)	(5,388,050)
Net Assets Attributable to Controlling Interest:					
At beginning of year	20,572,291	2,752,266	692,512	24,017,069	29,405,120
At end of year	19,677,787	2,487,305	692,512	22,857,604	24,017,070
Net Assets of Minority Interests	32,056,873			32,056,873	22,776,654
Net Assets and Equity at End of Year	\$ 51,734,660	\$ 2,487,305	\$ 692,512	\$ 54,914,477	\$ 46,793,724

Hope Enterprise Corporation/Hope Federal Credit Union

Notes to Combined and Consolidated Financial Statements

(Unaudited)

For the years ending
December 31, 2010 and 2009

1. Basis of Presentation

The accompanying combined and consolidated financial statements include the consolidated financial statements of the Hope Enterprise Corporation (HEC) (formerly Enterprise Corporation of the Delta (ECD)) and the financial statements of Hope Federal Credit Union (formerly Hope Community Credit Union (HOPE)). HEC 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 chartered cooperative association located in Jackson, Mississippi. During 2010, HOPE converted from a state charter to a federal charter organization under the provisions of the Federal Credit Union Act and is organized for the purpose of promoting thrift among and creating a source of credit for its members as defined in its charter and bylaws. All significant intercompany accounts and transactions have been eliminated in the combination and consolidation. The purpose of this presentation is to report HEC and HOPE as operating together to fulfill their mission. HEC is the primary sponsor of HOPE and encompasses the field of membership of HOPE. HEC and HOPE share staff and resources in operating terms. Separate audited financial statements of HEC and HOPE are available at www.hope-ec.org and www.hopecu.org.

Subsidiaries of HEC include ECD Investments, LLC (ECDI); ECD Investments BIDCO Corporation (BIDCO); ECD Associates, LLC (ECDA); ECD New Markets, LLC (ECDNM); Home Again, Inc. (Home Again); Mid-Delta Community and Individual Investment Corporation (MDCIIC); ECD First Commercial, LLC (ECD First); ECD Plus, LLC (ECD Plus); ECD Central City, LLC; and ECD New Markets 3, LLC. ECDI, a Mississippi Limited Liability Company, was formed in 1997 as a for-profit subsidiary of HEC. HEC 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 were sold for investment to 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. ECDI and BIDCO were created to extend HEC's commercial lending activities. ECDA, a Mississippi Limited Liability Company, was formed in 2004 to raise capital to invest in ECDNM, a Mississippi Limited Liability Company formed in 2003.

HEC is the managing member of ECDA and ECDNM. Units of ECDA were sold for investment to qualified institutional and individual investors. Capital invested by ECDA in ECDNM was used to invest in HOPE. In return, ECDA received New Markets Tax Credits and cash over the investment periods which are distributed to investors in ECDA. Home Again, Inc. (Home Again) began operation in 2006 with HEC as primary sponsor. Home Again provides mortgage financing and recovery consultation services to eligible persons in the coastal region of Mississippi in the aftermath of Hurricane Katrina. MDCIIC was acquired by HEC in 2007 and is a Mississippi corporation that provides loans and technical assistance to small businesses in a thirteen-county service area in the Delta region of Mississippi. ECD First and ECD Plus began operations in 2007 and are commercial loan funds in partnership with local banks. ECD Central City began operations in 2009 and is a commercial loan fund in partnership with a local bank. ECD New Markets 3, LLC, began operations in 2010 and is a commercial loan fund in partnership with a local bank. On January 1, 2009, HOPE acquired all the assets and liabilities of American Savings Credit Union (ASCU) in a NCUA-directed merger accounted for as a purchase. This merger resulted in an excess of fair value of liabilities assumed over fair value of assets acquired of approximately \$244,000. In July 2010, HOPE converted to a federal charter and changed its name to Hope Federal Credit Union. On October 1, 2010, HOPE acquired all the assets and liabilities of East Central Federal Credit Union in a NCUA-directed merger accounted for as a purchase. This merger resulted in a net gain on acquisition of approximately \$531,000.

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 HEC/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. Certain reclassifications have been made to the 2009 combined financial statements to conform to the presentation in 2010.

2. Cash and Marketable Securities

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

	2010	2009
Cash and cash equivalents	\$ 26,166,114	\$ 24,509,499
Debt and other securities	14,090,998	20,553,418
	<u>\$ 40,257,112</u>	<u>\$ 45,062,917</u>

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. HEC/HOPE's management anticipates grants receivable at December 31, 2010, will be received and available for support of HEC/HOPE's programs as follows:

Annie E. Casey Foundation	\$ 100,000
The Ford Foundation	150,000
State of MS HOME Grant	20,960
MEMA	775,000
LA Disaster Relief Foundation	25,870
Kellogg Foundation	150,000
NeighborWorks America	25,000
Mott Foundation	150,000
Contracts and Other Receivables	1,329,248
Total Grants	\$ 2,726,078

Less adjustment to reflect grants receivable at fair value at the date of grant (discounted cash flows based on 4 percent discount rate)	(3,647)
Net Grants Receivable	<u>\$ 2,722,431</u>

4. Loans

The composition of the loan portfolios are as follows:

	2010	2009
Consumer loans outstanding	\$ 34,483,331	\$ 30,994,679
Commercial loans outstanding	69,226,705	51,257,772
Residential mortgage loans outstanding	38,655,370	34,636,064
	<u>\$142,365,406</u>	<u>\$116,888,215</u>

Consumer loans are either uncollateralized or secured by vehicles or deposits.

Commercial loans are typically collateralized by property, equipment, inventories and/or receivables with loan-to-value ratios from 50% to 100%. Commercial loans are typically guaranteed by the principals of the borrower.

Commercial loan commitments are made to accommodate the financial needs of HEC/HOPE's customers/members. These arrangements have a credit risk essentially the same as that involved in extending loans to customers of commercial banks and are subject to HEC/HOPE's normal credit practices.

HEC/HOPE also originates and purchases residential mortgage loans. These loans are typically collateralized by residential real estate with a loan-to-value ratio of 97% or less. A minority of these loans are typically sold within three months of origination or purchase.

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:

	2010	2009
Balance at beginning of year	\$ 4,149,705	\$ 3,146,190
Provision charged to operating expenses	675,959	2,338,853
Loans and investments charged off and foreclosed-net	(921,010)	(1,335,338)
Balance at end of period	<u>\$3,904,654</u>	<u>\$4,149,705</u>

6. Foreclosed Property

Foreclosed property consists of properties repossessed by HEC/HOPE 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.

7. 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 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 \$250,000 per member.

8. Long-Term Debt

The maturities of long-term debt at December 31, 2010, are as follows:

2011	\$ 5,292,576
2012	2,659,097
2013	2,598,815
2014	5,582,180
2015	2,105,429
Thereafter	13,369,181
	<u>\$ 31,607,278</u>

9. Uninsured Capital and Reserves

The uninsured capital and reserves include accumulated reserves and undivided earnings of HOPE.

News Highlights

2010

HOPE Puts More Homes on Gulf Coast for Storm Victims

Because of a partnership between HOPE, state agencies and a private developer, dozens of families in areas recovering from Hurricane Katrina have greater access to attractive, safe and affordable workforce housing.

HOPE received 150 demobilized Mississippi Cottages from the Mississippi Emergency Management Agency and is partnering with Pentagon, LLC, a private developer who will place and manage the units. HOPE used a \$5 million grant from the Mississippi Development Authority to establish a revolving loan fund for this project.

HOPE also received funding to assist with placement of the cottages. The cottages are being set in locations that were previously trailer parks.

In addition to offering residents a significant improvement in the quality of housing, the developments will be upgraded with new streets, sidewalks, landscaping and a playground, and will offer homeownership classes. The one-, two-, and three-bedroom units will be rented to families less than 120% of the area median income, with over half of tenants having incomes below 80% of the area median income.

VITA Tax Sites Help Hundreds File for Free

Each year, HOPE expands access to free tax preparation services for local residents throughout the Mid South by participating in the IRS's Volunteer Income Tax Assistance (VITA) Program.

During the 2010 tax season, HOPE was able to help members receive more than \$374,000 in Federal and State refunds by offering an alternative to paid preparation and promoting the refundable Earned Income Tax Credit to eligible families who may have otherwise failed to take advantage of the credit.



HOPE Informs Federal Response to Nation's Economic Recovery

For the past 16 years, HOPE has provided financial services in economically distressed markets. During the summer of 2010, staff members drew on that experience to contribute to several forums that focused on furthering the nation's economic recovery.

CEO Bill Bynum joined Federal Reserve Chairman Ben Bernanke and others to present at the *Addressing the Financing Needs of Small Businesses Conference* hosted by the Federal Reserve Bank. He also participated in the *Healthy Communities Conference*, co-sponsored by the Federal Reserve Board, Federal Reserve Bank of San Francisco, and Robert Wood Johnson Foundation. Closer to home, Bynum presented the luncheon address at the *2010 Mississippi SBA Statewide Lenders and Economic Recovery Conference*.

Ed Sivak, Senior Vice President for Policy, testified at joint hearings held by the Federal Reserve Board, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision and the Office of the Comptroller of the Currency on community development finance in rural areas and the importance of the Community Reinvestment Act.

Since the recession began, while many lenders retrenched, HOPE increased its lending, providing a critical safety net to businesses, families and communities seeking to recover from the financial crisis.

By demonstrating how financing can responsibly be made available to distressed communities, HOPE serves as a tangible example of the critical role that Community Development Financial Institutions play in the nation's financial sector.



New Equity Fund to Create More Affordable Housing in Nation's Most Distressed Region

HOPE has launched the Mississippi Low-Income Housing Tax Credit (LIHTC) Equity Fund. The new fund, managed by HOPE, will match local and regional investors with local LIHTC developers who have been awarded federal tax credits for their projects.

There is a significant opportunity for smaller corporate investors to enter this market with relatively high yields and an easily manageable risk profile.

HOPE is working with Great Lakes Capital Fund, an organization with more than 17 years of experience developing LIHTC fund projects, to manage the program.

HOPE and Goldman Sachs Bolster Small Business Growth in New Orleans

HOPE is working with Goldman Sachs along the Gulf Coast as part of a recently launched "10,000 Small Businesses" (10KSB) initiative.

The program is a national effort to unlock the growth and job-creation potential of 10,000 small businesses across the United States through greater access to business education, mentors and networks, and financial capital.

HOPE is the lending partner for 10KSB in Mississippi and Louisiana. Through its commercial lending operations, existing businesses will be able to borrow between \$50,000 and \$500,000 each for growth and expansion.



HOPE Introduces Affordable Credit Card Program

HOPE is giving members more choices for managing their money and providing them with less expensive alternatives with new Platinum MasterCard accounts. The credit card gives members the ability to pay for purchases without being trapped by unfavorable terms.

The Platinum Card, available with an optional rewards program, offers members a card that features no annual fee, low introductory rates for purchases and balance transfers, low variable rates, and 24-hour account access. Members with less-than-perfect credit can still take advantage of the program by opting for a secured card that helps them manage their expenditures based on funds in a reserve account.

HOPE Participates in White House Conference on Women's Entrepreneurship

As a leader in minority and small business lending in the Mid South, HOPE was asked to participate in the *Women's Entrepreneurship Conference* hosted by the White House in Washington, D.C.

The one-day conference focused on providing additional support and technical assistance in the forms of increased access to capital, incentives for small businesses to grow and hire, encouragement in the development of female entrepreneurs, ensuring that women-owned businesses can compete for government contracts, and enhancing the long-term survival of women-owned businesses across America.

HOPE staff members provided testimony and data to support effective public policies that encourage growth in this important sector.



HOPE Housing Program Preserving New Orleans Central City Neighborhood

HOPE is giving back to its New Orleans home by developing new, affordable single-family houses in the Central City neighborhood.

HOPE was selected by the Louisiana Housing Finance Agency to develop homes through the Neighborhood Stabilization Program (NSP). A total of \$1.1 million was allocated to develop up to 12 homes.

HOPE is using the funds to develop and sell the first four homes, with sales proceeds being used to complete two additional units. Additional homes will be developed subject to future NSP funding.

Finances on the Go with HOPE Mobile Banking

It is now easier than ever for HOPE members to meet their banking needs on the go with the credit union's new mobile banking service. Mobile banking with HOPE is simple, convenient and available 24 hours a day.

This free service allows members to access their accounts anytime, anywhere using any text- or web-capable mobile phone. They can check account balances, transfer funds and view transaction histories, all from a handheld mobile device.



HOPE Working Toward Creating Economic Stability in Mississippi

The Insight Center for Community and Economic Development recently released a report, *Building Economic Stability for Mississippi Families*, that highlights the work HOPE is doing in Mississippi as one of the nation's leading Community Development Financial Institutions.

By combining asset-building strategies with policy analysis and advocacy, HOPE continues to bridge the gap between Mississippi's working families and self-sufficiency.

Through its direct programs and by partnering with banks, corporations, public agencies, community organizations and others, HOPE leverages resources that are essential to fostering development in underserved communities.

HOPE also manages the Mississippi Economic Policy Center (MEPC), which published the Self-Sufficiency Standard for Mississippi and leads efforts to integrate the tool into programs, policies and grantmaking that benefit communities throughout the state.

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