TOLEDO AREA COMMUNITY CREDIT UNION

FINANCIAL STATEMENTS

December 31, 2007

TOLEDO AREA COMMUNITY CREDIT UNION
Sylvania, Ohio

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2007

CONTENTS

Crowe

Crowe Chizek and Company LLC
Member Horwath International

REPORT OF INDEPENDENT AUDITORS

Board of Directors
Toledo Area Community Credit Union
Sylvania, Ohio

We have audited the accompanying consolidated balance sheet of Toledo Area Community Credit Union (Credit Union) as of December 31, 2007, and the related consolidated statements of income, changes in members' equity and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Credit Union's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Toledo Area Community Credit Union as of December 31, 2007, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Crowe Chizek and Company LLC

Crowe Chizek and Company LLC

Cleveland, Ohio
August 20, 2008

TOLEDO AREA COMMUNITY CREDIT UNION
CONSOLIDATED BALANCE SHEET
December 31, 2007

	2007
ASSETS	
Cash and due from financial institutions	$ 9,062,813
Federal funds sold	14,746,843
Total cash and cash equivalents	23,809,656
Interest-bearing time deposits with financial institutions	9,949,292
Securities available for sale	35,328,531
Securities held to maturity (fair value – $4,993,639)	5,000,441
Equity method investments	375,599
Loans held for sale	3,662,923
Loans, net of allowance of $2,019,709	272,445,135
Premises and equipment, net	10,881,901
Corporate One capital participation certificates	900,000
Accrued interest receivable	1,363,136
FHLB stock	934,100
Share insurance deposits	3,166,685
Loan servicing rights	497,232
Prepaid expenses and other assets	634,249
Total assets	$ 368,948,880
LIABILITIES AND MEMBERS' EQUITY	
Liabilities	
Members' shares	$ 324,317,678
FHLB advances	10,500,000
Accounts payable, accrued liabilities and escrow	2,295,806
Total liabilities	337,113,484
Members' equity	
Appropriated statutory reserve	7,991,295
Retained earnings	23,642,312
Accumulated other comprehensive income	201,789
Total members' equity	31,835,396
Total liabilities and members' equity	$ 368,948,880

See accompanying notes to financial statements.

TOLEDO AREA COMMUNITY CREDIT UNION
CONSOLIDATED STATEMENT OF INCOME
Year ended December 31, 2007

	2007
Interest and dividend income	
Loans, including fees	$ 17,785,418
Securities	1,738,192
Federal funds sold	629,694
Other interest and dividend income	590,443
Total interest and dividend income	20,743,747
Interest and dividend expense	
Share accounts	9,651,732
Borrowings	433,885
Total interest and dividend expense	10,085,617
Net interest income	10,658,130
Provision for loan losses	1,485,120
Net interest income after provision for loan losses	9,173,010
Noninterest income	
Gain on sale of loans	88,373
Service fees and charges	2,982,341
Interchange fees	1,482,333
Other	181,374
Total noninterest income	4,734,421
Noninterest expense	
Compensation and benefits	6,719,591
Directors' expenses	28,180
Occupancy and equipment	1,626,978
Data processing	2,721,489
Advertising	661,957
Postage, printing and supplies	526,962
Telephone	311,374
Professional fees	246,608
Other	1,008,678
Total noninterest expense	13,851,907
Net income	$ 55,524

See accompanying notes to financial statements.

TOLEDO AREA COMMUNITY CREDIT UNION
CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY
Year ended December 31, 2007

	Appropriated Statutory Reserve	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance, January 1, 2007, as previously reported	$ 7,863,526	$ 23,259,068	$ (18,269)	$ 31,104,325
Equity acquired in merger	127,769	327,720	-	455,489
Balance, January 1, 2007, as restated	7,991,295	23,586,788	(18,269)	31,559,814
Comprehensive income				
Net income		55,524		55,524
Other comprehensive income			220,058	220,058
Total comprehensive income				275,582
Balance, December 31, 2007	$ 7,991,295	$ 23,642,312	$ 201,789	$ 31,835,396

See accompanying notes to financial statements.

TOLEDO AREA COMMUNITY CREDIT UNION
CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended December 31, 2007

		2007
Cash flows from operating activities		
Net income	$	55,524
Adjustments to reconcile net income to net cash from operating activities		
Depreciation		746,025
Provision for loan losses		1,485,120
Amortization of loan servicing rights		59,938
Net amortization of securities		15,492
Loss on equity method investments		8,629
Gain on sale of loans		(88,373)
Originations of loans held for sale		(8,869,837)
Proceeds from sales of loans held for sale		5,226,201
Net change in:		
Deferred loan costs		293,200
Other assets		435,824
Accrued interest receivable		(145,757)
Accounts payable and other liabilities		(84,589)
Net cash from operating activities		(862,603)
Cash flows from investing activities		
Net cash received in merger		1,080,140
Net change in interest-bearing time deposits		2,307,242
Securities available for sale		
Purchases		(29,990,729)
Maturities, calls and principal repayments		5,942,165
Securities held to maturity		
Maturities, calls and principal repayments		6,500,000
Return of capital from equity method investments		110,000
Net change in loans		733,015
Net change in share insurance deposits		(188,478)
Net change in capital participation certificates		62,187
Purchase of FHLB stock		(3,800)
Property and equipment expenditures, net		(1,225,598)
Net cash from investing activities		(14,673,856)
Cash flows from financing activities		
Repayment of Federal Home Loan Bank advances		(2,500,000)
Proceeds from Federal Home Loan Bank advances		2,500,000
Net increase in members' shares		19,322,327
Net cash from financing activities		19,322,327
Net change in cash and cash equivalents		3,785,868
Cash and cash equivalents at beginning of year		20,023,788
Cash and cash equivalents at end of year	$	23,809,656
Supplemental cash flow information:		
Cash paid for interest and dividends	$	10,084,796
Transfers from loans to real estate owned		55,104

See accompanying notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of Toledo Area Community Credit Union ("Credit Union") conform to accounting principles generally accepted in the United States of America and general practice within the credit union industry. The more significant policies are described below.

Principles of Consolidation: The consolidated financial statements include the amounts of Toledo Area Community Credit Union and its wholly-owned subsidiary, TFS Marketing, Inc. All significant intercompany accounts and transactions have been eliminated. The Credit Union has a 25% ownership in CU-op LLC. This investment is accounted for using the equity method. The Credit Union, at one point, was a 20% owner in Area Financial Services, Inc. The ownership then changed to 1/7th ownership and the accounting was changed to the cost method. When the Credit Union merged with Empire Affiliates Credit Union, Inc., also a 1/7th owner of Area Financial Services, Inc., the structure was changed so the Credit Union is now a 1/6th owner, and the investment is still accounted for under the cost method.

Nature of Operations: Toledo Area Community Credit Union provides a variety of financial services to its members, most of whom live, work, worship, attend school or volunteer in Fulton, Wood, most of Lucas, Richland, Ashland, Wayne, and Tuscarawas Counties in Ohio, or members of other select groups. The Credit Union's primary source of revenue is from loans to its members. Its primary source of funds is savings deposits from its members. TFS Marketing, L.L.C., provides mortgage services to other credit unions.

Use of Estimates: To prepare financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the financial statements and the disclosures provided, and actual results could differ. The allowance for loan losses and fair values of financial instruments are particularly subject to change.

Cash Flows: Cash and cash equivalents include cash on hand, demand deposits in other institutions and federal funds sold, as well as investments with original maturities less than 90 days. Cash flows are reported net for member loan and share account transactions, certificates of deposit with other financial institutions, share insurance deposits, and capital participation certificates.

Interest-bearing Time Deposits in Other Financial Institutions: Interest-bearing time deposits in other financial institutions are carried at cost.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Securities: Securities are classified as held to maturity and carried at amortized cost when management has the positive intent and ability to hold them to maturity. Securities are classified as available for sale when they might be sold before maturity. Securities available for sale are carried at fair value, with unrealized holding gains and losses reported in other comprehensive income.

Interest income includes the amortization of purchase premiums and discounts. Gains and losses on sales are based on the amortized cost of the security sold as of the trade date.

Declines in the fair value of securities below their cost that are other than temporary are reflected as realized losses. In estimating other-than-temporary losses, management considers the length of time and extent that fair value has been less than cost, the financial condition and near term prospects of the issuer, and the Credit Union's ability and intent to hold the security for a period sufficient to allow for any anticipated recovery in fair value.

Loans Held for Sale: Mortgage loans originated and intended for sale in the secondary market are carried at the lower of aggregate cost or market, as determined by outstanding commitments from investors. Net unrealized losses, if any, are recorded as a valuation allowance and charged to earnings.

Mortgage loans held for sale are generally sold with servicing rights retained. The carrying value of mortgage loans sold is reduced by the amount allocated to the servicing rights. Gains and losses on sales of mortgage loans are based on the difference between the selling price and the carrying value of the related loan sold.

Loans: Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at the principal balance outstanding, net of deferred loan costs and an allowance for loan losses. Interest income is accrued on the unpaid principal balance. Net loan origination costs are deferred and recognized in interest income using the level-yield method without anticipating prepayments.

Accrual of interest is discontinued when full loan repayment is in doubt, typically when payments are contractually delinquent 60 days or more, unless the credit is well secured and in the process of collection. Past due status is based on the contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged-off at an earlier date if collection of principal or interest is considered doubtful.

Uncollectible interest previously accrued is charged-off or an allowance is established by means of a charge to interest income. Interest received is recognized on the cash basis or cost recovery method until qualifying for return to accrual status. Accrual is resumed when all contractually due payments are current and future payments are reasonably assured.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Loan Losses: The allowance for loan losses is a valuation allowance for probable incurred credit losses. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. Management estimates the allowance balance required using past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions and other factors. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management's judgment, should be charged-off.

Loan impairment is reported when full payment under the loan terms is not expected. Impairment is evaluated in total for smaller-balance loans of similar nature such as residential mortgage, consumer and credit card loans, and on an individual loan basis for other loans. If a loan is impaired, a portion of the allowance is allocated so that the loan is reported net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected solely from the collateral.

Servicing Rights**:** Servicing rights are recognized separately when they are acquired through sales of loans. For sales of mortgage loans prior to January 1, 2007, a portion of the cost of the loan was allocated to the servicing right based on relative fair values. The Credit Union adopted Statement of Financial Accounting Standards (SFAS) No. 156 on January 1, 2007 for sales of mortgage loans. Servicing rights are initially recorded at fair value with the income statement effect recorded in gains on sales of loans. All classes of servicing assets are subsequently measured using the amortization method which requires servicing rights to be amortized into non-interest income in proportion to, and over the period of, the estimated future net servicing income of the underlying loans. The Credit Union's servicing asset was $497,232 at December 31, 2007.

Servicing assets are evaluated for impairment based upon the fair value of the rights as compared to carrying amount. Impairment is determined by stratifying rights into groupings based on predominant risk characteristics, such as interest rate, loan type and investor type. Impairment is recognized through a valuation allowance for an individual grouping, to the extent that fair value is less than the carrying amount. If the Credit Union later determines that all or a portion of the impairment no longer exists for a particular grouping, a reduction of the allowance may be recorded as an increase to income. The fair values of servicing rights are subject to significant fluctuations as a result of changes in estimated and actual prepayment speeds and default rates and losses.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Servicing fee income which is reported on the income statement as other income is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal; or a fixed amount per loan and are recorded as income when earned. The amount of loans serviced for others totaled $59,164,798. The amortization of mortgage servicing rights is netted against loan servicing fee income. Servicing fees totaled $165,000 and amortization of servicing rights totaled $59,938 for the year ended December 31, 2007. Late fees and ancillary fees related to loan servicing are not material.

NCUSIF Deposit: The Credit Union is required to maintain a deposit with the National Credit Union Share Insurance Fund (NCUSIF) in an amount equal to one percent of its insured shares. Earnings are not guaranteed and contingent on fund management. The deposit would be refunded to the credit union if its insurance coverage is terminated, it converts to insurance coverage from another source, or the operations of the fund are transferred from the NCUA board.

NCUSIF Premiums: The Credit Union is required to pay an annual insurance premium equal to one-twelfth of one percent of its total insured shares, unless the payment is waived or reduced by the NCUA board.

Foreclosed Assets: Assets acquired through or instead of loan foreclosure are initially recorded at fair value less costs to sell when acquired, establishing a new cost basis. If fair value declines subsequent to foreclosure, a valuation allowance is recorded through expense. Operating costs after acquisition are expensed. Foreclosed assets included in prepaid expenses and other assets in the consolidated balance sheet totaled $55,104 at December 31, 2007.

Premises and Equipment: Land is carried at cost. Premises and equipment are stated at cost less accumulated depreciation. Depreciation is recorded on the straight-line method based on the estimated useful lives of the assets. These assets are reviewed for impairment when events indicate the carrying amount may not be recoverable. Maintenance and repairs are expensed and major improvements are capitalized.

Federal Home Loan Bank (FHLB) Stock: The Credit Union is a member of the FHLB system. Members are required to own a certain amount of stock based on the level of borrowings and other factors, and may invest in additional amounts. FHLB stick is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

Members' Share Accounts: Members' share accounts are subordinated to all other liabilities of the Credit Union. Dividend rates on members' share accounts are set by the Board of Directors based on an evaluation of current and future market conditions.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Members' Equity: The Credit Union is required by regulation to maintain a statutory reserve. This reserve, which represents a regulatory restriction of retained earnings, is not available for the payment of dividends.

Income Taxes: The Credit Union is exempt from federal and state income taxes; accordingly, no income tax expense is reflected in the statements of income for the Credit Union.

Comprehensive Income: Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes unrealized gains and losses on securities available for sale, which are also recognized as a separate component of members' equity.

Loan Commitments and Related Financial Instruments: Financial instruments include off-balance-sheet credit instruments, such as commitments to make loans and lines of credit, issued to meet member-financing needs. The face amount for these items represents the exposure to loss, before considering collateral or ability to repay. Such financial instruments are recorded when they are funded.

Loss Contingencies: Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe there now are such matters that will have a material effect on the financial statements.

Retirement Plans: Defined contribution expense and profit sharing expense is the amount of matching contributions.

Fair Values of Financial Instruments: Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in a separate note. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect the estimates.

NOTE 2 – ACQUISITION

On January 1, 2007, the Knox County Community Credit Union was merged into the Credit Union. The transaction was accounted for as a pooling-of-interest. As such, the results of operations of Knox County Community Credit Union have been included in the Credit Union's statements as if the pooling-of-interest had occurred on the earliest date presented.

(Continued)

NOTE 2 - ACQUISITION (Continued)

Below is a summary of the net assets and liabilities at the date of the merger.

Cash and cash equivalents	$ 1,080,140
Interest bearing time deposits with financial institutions	300,000
Capital participation certificates	50,053
Member share insurance deposit	50,973
Loans, net	4,690,997
Premises and equipment, net	152,685
Other assets	20,340
Members' shares	(5,864,016)
Other liabilities	(25,683)
Net assets received in merger	$ 455,489

NOTE 3 – SECURITIES

The fair values of available for sale securities and the related gross unrealized gains and losses recognized in accumulated other comprehensive income were as follows.

	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses
2007			
U.S. government sponsored enterprises	$ 31,705,275	$ 201,631	$ (1,484)
Bank notes	500,000	2,806	-
Mortgage backed securities	3,123,256	14,539	(15,703)
Total	$ 35,328,531	$ 218,976	$ (17,187)

The carrying amount, unrecognized gains and losses, and fair value of securities held to maturity were as follows.

	Carrying Amount	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
2007				
U.S. government sponsored enterprises	$ 4,249,754	$ -	$ (6,238)	$ 4,243,516
Bank notes	750,687	-	(564)	750,123
Total	$ 5,000,441	$ -	$ (6,802)	$ 4,993,639

(Continued)

NOTE 3 – SECURITIES (Continued)

There were no sales of securities classified as available for sale during 2007.

The fair value of securities at year-end 2007 by contractual maturity were as follows. Securities not due at a single maturity date are shown separately.

		Held to Maturity	
	Available For Sale	Carrying Amount	Fair Value
One year or less	$ 748,828	$ 5,000,441	$ 4,993,639
After one year through five years	30,956,447	-	-
After five years through ten years	500,000	-	-
Mortgage backed securities	3,123,256	-	-
Total	$ 35,328,531	$ 5,000,441	$ 4,993,639

At year end 2007, there were no holdings of securities of any one issuer, other than debentures issued by U.S. government sponsored enterprises, in an amount greater than 10% of members' equity.

Securities with unrealized losses at year-end 2007, aggregated by investment category and length of time that individual securities have been in a continuous loss position are as follows.

	Less than 12 Months		12 Months or More		Total	
Description of Securities	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Available for sale						
U.S. Government sponsored enterprises	$ 499,687	$ (312)	$ 748,828	$ (1,172)	$ 1,248,515	$ (1,484)
Mortgage backed securities	736,485	(13,515)	406,497	(2,188)	1,142,982	(15,703)
Total temporarily impaired	$ 1,236,172	$ (13,827)	$ 1,155,325	$ (3,360)	$ 2,391,497	$ (17,187)
Held to Maturity						
U.S. Government sponsored enterprises	$ -	$ -	$ 3,493,516	$ (6,238)	$ 3,493,516	$ (6,238)
Bank notes	-	-	750,123	(564)	750,123	(564)
Total temporarily impaired	$ -	$ -	$ 4,243,639	$ (6,802)	$ 4,243,639	$ (6,802)

(Continued)

NOTE 3 – SECURITIES (Continued)

Unrealized losses on debentures issued by U.S. government sponsored enterprises, mortgage-backed securities and bank notes have not been recognized into income because management has the intent and ability to hold these securities for the foreseeable future, and the decline in fair value is largely due to changes in market interest rates. The fair value is expected to recover as the debentures and bank notes approach their maturity dates and the mortgage-backed securities are repaid.

NOTE 4 – LOANS

Loans at year-end were as follows.

	2007
Real estate	
Residential	$ 88,867,601
Business	2,832,931
Business loans	1,631,020
Second mortgage	3,531,685
Home equity	13,518,611
Consumer	128,723,649
Credit card	20,455,951
Student	446,254
Negative shares	323,707
Auto leases	13,336,378
Total loans	273,667,787
Net deferred loan costs	797,057
Allowance for loan losses	(2,019,709)
Loans, net	$ 272,445,135

Loans to officers and directors totaled approximately $1,253,021 at year-end 2007.

(Continued)

NOTE 4 – LOANS (Continued)

Activity in the allowance for loan losses for the year was as follows.

	2007
Beginning balance	$ 1,374,191
Provision for loan losses	1,485,120
Loans charged-off	(1,238,718)
Recoveries	370,764
Adjustment due to merger	28,352
Ending balance	$ 2,019,709

Due to the nature of the loan portfolio, no loans were required to be evaluated individually for impairment. Loans on which the accrual of interest has been discontinued or reduced amounted to $4,553,324 at December 31, 2007.

NOTE 5 – PREMISES AND EQUIPMENT

Year-end premises and equipment were as follows.

	2007
Land	$ 2,623,485
Buildings and improvements	9,751,407
Furniture and equipment	5,477,707
Leasehold improvements	106,885
Total	17,959,484
Less accumulated depreciation	(7,077,583)
	$ 10,881,901

The Credit Union leases certain branch facilities. Rent expense was $41,628 for 2007. Rent commitments under noncancelable operating leases were as follows, before considering renewal options that generally are present.

2008	$ 37,053
2009	37,053
2010	37,053
2011	30,877
Total	$ 142,036

(Continued)

NOTE 6 – MEMBERS' SHARE ACCOUNTS

Year-end members' share accounts were as follows.

	2007
Regular shares	$ 57,739,276
Checking accounts	41,440,430
Money market accounts	86,924,014
Club accounts	3,441,394
IRA accounts	6,233,269
Share and IRA certificates	125,645,295
Nonmember share certificates	2,894,000
Total share accounts	$ 324,317,678

Scheduled maturities of members' and nonmembers' share certificate accounts mature as follows.

2008	$ 82,951,305
2009	18,728,837
2010	8,694,845
2011	2,740,269
2012	15,424,039
Total	$ 128,539,295

Members' and nonmembers' share certificate accounts in denominations of $100,000 or more were $25,020,066 at year-end 2007.

Share accounts of officers and directors at year end 2007 totaled $337,873.

NOTE 7 – BORROWINGS

At December 31, 2007, the Credit Union has a $10,000,000 line of credit available at Corporate One Federal Credit Union. At December 31, 2007, the Credit Union had no borrowings under this line.

(Continued)

NOTE 8 – FHLB ADVANCES

The Credit Union has outstanding borrowed funds from Federal Home Loan Bank of Cincinnati. The notes with the Federal Home Loan Bank mature and carry interest rates as follows.

	Interest Rate	Maturity Date	2007
Fixed rate advance, interest payable monthly	3.85%	09/24/08	$ 5,000,000
Fixed rate advance, interest payable monthly	5.25	08/17/09	1,000,000
Fixed rate advance, interest payable monthly	3.80	10/23/09	1,000,000
Fixed rate advance, interest payable monthly	4.71	08/03/10	1,000,000
Fixed rate advance, interest payable monthly	4.94	09/28/12	2,500,000
			$ 10,500,000

Each advance is payable at its maturity date, with a prepayment penalty for early payoffs. The advances were collateralized by $86,812,688 of first mortgage loans under a blanket lien arrangement at year-end 2007. Based on this collateral and the Credit Union's holdings of FHLB stock, the Credit Union is eligible to borrow up to $20,973,775 at year-end 2007.

Scheduled maturities over the next four years are:

2008	$ 5,000,000
2009	2,000,000
2010	1,000,000
2012	2,500,000

NOTE 9 – EMPLOYEE BENEFITS

The Credit Union has a contributory defined contribution pension plan available to employees with one year of service who have attained the age of 18 at the anniversary date of the plan. The plan provides that 50% of the employees' first 6% of deferrals will be matched, for a total of up to 3% of the employees' compensation. The total employee contribution limit is 18% of compensation. Total expense for the year ended December 31, 2007 was $113,222.

The Credit Union has a profit-sharing plan covering substantially all employees. The contribution is determined by the Board of Directors annually. The expense was $80,031 for the year ended December 31, 2007.

(Continued)

NOTE 10 – LOAN COMMITMENTS AND RELATED ACTIVITIES

Some financial instruments, such as loan commitments, credit lines, and overdraft protection, are issued to meet member financing needs. These are agreements to provide credit, as long as conditions established in the contract are met, and usually have expiration dates. Commitments may expire without being used. Off-balance-sheet risk to credit loss exists up to the face amount of these instruments, although material losses are not anticipated. The same credit policies are used to make such commitments as are used for loans, including obtaining collateral at exercise of the commitment.

The contractual amount of financial instruments with off-balance-sheet risk was as follows at year-end.

	2007
Open-end loans	$ 1,063,164
Credit card	41,522,810
Home equity	10,336,919
Letter of credit	500,000
Overdraft protection program commitments	1,352,411
Total	$ 54,775,304

At year-end 2007, fixed rate commitments were $2,369,122 with rates ranging from 6% to 18%.

(Continued)

NOTE 11 – FAIR VALUES OF FINANCIAL INSTRUMENTS

Carrying amounts and estimated fair values of financial instruments were as follows at year-end.

	2007	
	Carrying Amount	Fair Value
Financial Assets		
Cash and cash equivalents	$ 23,809,656	$ 23,810,000
Interest bearing time deposits	9,949,292	9,949,000
Securities available-for-sale	35,328,531	35,329,000
Securities held-to-maturity	5,000,441	4,994,000
Member share insurance deposit	3,166,685	3,167,000
Loans, net (including loans held for sale)	276,108,058	276,108,000
Accrued interest receivable	1,363,136	1,363,000
Financial Liabilities		
Members' shares and deposits	(324,317,678)	(327,677,000)
Borrowed funds	(10,500,000)	(10,584,000)

The following methods and assumptions were used to estimate fair values for financial instruments. The estimated fair value approximates carrying amount for all items except those described below. Estimated fair value of interest-bearing time deposits with other financial institutions is deemed to be equal to book value due to short maturity dates and repricing features. Estimated fair value for securities is based on quoted market values for the individual securities or for equivalent securities. Due to the predominance of variable rate loan products and short maturity of fixed rate loans fair value is assumed to be equal to book value. Estimated fair value for fixed-maturity share certificates is based on the rates paid at year-end, applied until maturity. Fair value of FHLB advances is based upon current rates for similar financing. It was not practicable to determine the fair value of FHLB stock or Corporate One capital participation certificates due to restrictions placed on its transferability. It was not practicable to calculate the fair value of equity method investments due to restrictions on the transferability of ownership. Estimated fair value for other financial instruments and off-balance-sheet loan commitments are considered nominal.

NOTE 12 – CAPITAL REQUIREMENTS

The Credit Union is subject to various regulatory capital requirements administered by the National Credit Union Administration (NCUA). Failure to meet minimum capital requirements can initiate certain mandatory – and possibly additional discretionary – actions by regulators that, if undertaken, could have a direct material effect on the Credit Union's consolidated financial statements. Under capital adequacy regulations and the regulatory framework for prompt corrective action, the Credit Union must meet specific capital regulations that involve quantitative measures of the Credit Union's assets, liabilities, and certain off-balance-sheet items as calculated under accounting principles generally accepted in the United States of America. The Credit Union's capital amounts and net worth classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Credit Union to maintain minimum amounts and ratios (set forth in the following table) of net worth (as defined) to total assets (as defined). Credit Unions are also required to calculate a risk-based net worth requirement (RBNWR) that establishes whether the Credit Union will be considered "complex" under the regulatory framework. The Credit Union's required risk-based net worth ratio as of December 31, 2007 was 5.7%. The minimum ratio requirement to be considered complex under the regulatory framework is 6%. Management believes, as of December 31, 2007, that the Credit Union meets all capital adequacy requirements to which it is subject.

As of December 31, 2007, the most recent call reporting period, the NCUA categorized the Credit Union as "well capitalized" under the regulatory framework for prompt corrective action. To be categorized as "well capitalized," the Credit Union must maintain a minimum net worth ratio of 7% of assets. There are no conditions or events since that notification that management believes have changed the institution's category.

Actual and required capital amounts (in millions) and ratios are presented below:

	Actual		To Be Adequately Capitalized Under Prompt Corrective Action Provisions		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(Dollars in thousands)			
2007						
Net worth to total assets	$31.6	8.6%	$22.1	6.0%	$25.8	7.0%
Risk-based net worth	21.1	5.7	NA	NA	NA	NA

NOTE 12 – CAPITAL REQUIREMENTS (Continued)

Because the RBNWR ratio requirement is less than the net worth ratio requirement to be considered complex, the Credit Union retains its original category of well capitalized. Further, in performing its calculation of total assets, the Credit Union used the average daily assets of the current and three preceding calendar quarter-end balances.

NOTE 13 – OTHER COMPREHENSIVE INCOME

Other comprehensive income components were as follows.

	2007
Unrealized holding gains on available-for-sale securities	$ 220,058
Less reclassification adjustments for (gains) and losses later recognized in income	-
Other comprehensive income	$ 220,058