

**Notes to Consolidated Financial Statements • Years Ended December 31, 2006 and 2005
(Table Dollar Amounts in Thousands)**

Note 13: Regulatory Capital

The Credit Union is subject to regulatory net worth ratio requirements administered by the NCUA. In addition, the NCUA has also established Risk Based Net Worth (RBNW) requirements for complex credit unions based on risk weighting formulas on specific assets, liabilities, and off-balance sheet items which qualify under the regulations. Failure to meet minimum net worth or RBNW 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 financial statements.

Quantitative measures established by regulation to ensure capital adequacy require the Credit Union to maintain minimum ratios (set forth in the table below) of net worth (as defined in the regulations) to assets (as defined) and RBNW ratios (as defined). Management believes, as of December 31, 2005, that the Credit Union meets all capital adequacy requirements to which it is subject and no events have occurred since that date, which would change the Credit Union’s classification. The Credit Union’s RBNW ratio is below the 6% minimum requirement to be considered a complex credit union. As of December 31, 2006 and 2005, the Credit Union’s RBNW was 4.86% and 4.83%, respectively.

As of December 31, 2006 and 2005, the Credit Union’s net worth is categorized 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%.

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under the Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2006	\$73,310	12.1%	\$36,330	6.0%	\$42,385	7.0%
December 31, 2005	66,975	12.2%	33,066	6.0%	38,577	7.0%