

Go further.

2010 ANNUAL REPORT





GO FURTHER

World Champion Customer Service

Dow Louisiana Federal Credit Union (DLFCU) has a special relationship with our members. Unlike traditional banking institutions, each member is also a part owner of DLFCU. They have a real stake in the success of the Credit Union and we celebrate our members everyday.

We go further for our members by offering exceptional customer service, longer business hours, Saturday banking and 24/7 on-line account access. The relationships we have forged with our long-time members creates a strong foundation to attract new members and continued investment in our institution.

Chartered in 1972, DLFCU now serves more than 22,000 members.

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INVEST IN YOUR DREAMS

Keep Home in Your Heart

Randall “Blue” Gay is a two time Super Bowl Champion and longtime DLFCU member. Our promise to “Go Further,” reflects DLFCU’s extraordinary member service and the determination and commitment necessary to become a NFL Super Bowl Champion.

Blue’s father is a longtime Dow Chemical Company employee and encouraged Blue to plan for his future at a young age. Randall continued to bank with DLFCU through college and his professional football career. Still a member, Randall remembers how DLFCU provided him with financial guidance and peace of mind, lessons he now hopes to pass on to his two young sons.

Board Chair's Report

To Our Member Owners:

It is a privilege and honor to be able to provide a largely positive report for 2010. Not only did the economic situation in our region remain stable, but the Credit Union experienced another record-breaking year for income. Considering the challenges we faced, our perseverance and years of preparation were repaid this past year in actual dollars and cents.

“Our perseverance and years of preparation were repaid this past year in actual dollars and cents.”

Even though the Credit Union was in a “holding pattern” during 2010 (in terms of new FRC projects), we were busy at work improving our on-line systems and making some minor renovations to our existing facilities. In addition, we were actively designing our new “Go Further” campaign that features NFL World Champion Randall “Blue” Gay. The purpose of the new campaign is to make the Baton Rouge and surrounding communities aware of DLFCU and the wonderful things we can do for their households, families, and businesses. While becoming a larger institution may feel a little daunting to some, it is the lifeblood for our future that ensures we will have this fine organization around for decades to come.

Providing the good news about the Credit Union is always easy, but once again I need to advise you of actions taken by our Regulator (the National Credit Union Association or NCUA). During 2010, we were billed for various assessments and premiums that had a direct financial impact on DLFCU. The full affect of the charges are discussed in the Treasurer's Report; however, know that the Board of Directors has been vocal with the Regulator in regards to the financial sacrifice our members have been asked to make. DLFCU did nothing to instigate or incur the losses we are now

required to help repay; we are being asked, as are all other federally insured credit unions in the nation, to help continue to cover the deficit that was created by a few Corporate Credit Unions (see Treasurer's Report). As stated earlier, DLFCU has risen to the challenge to meet these onerous obligations and still post record earnings for 2010.

There is much more excitement ahead for DLFCU in 2011! We look forward to our new facility in Central opening during the 3rd quarter, there are more on-line features being released for e-Pal and home banking, more new commercials featuring our spokesperson “Blue”, we will be featuring more seminars, and we have begun a comprehensive look into the services that will be needed for our members as they enter retirement. Of course this is just a quick list of some of the projects we will be completing in 2011, but the Board also continues to develop and enhance its comprehensive strategic plan that looks out as far as 10 years.

It is a joy to continue to serve as Board Chair of this dynamic institution. On behalf of the Board of Directors, I thank the management team, staff and volunteers for their tireless efforts in serving our membership. To my fellow Board Members, your expertise and input continues to help guide us towards a stable and prosperous future.



Mary Cavalier
Chair, Board of Directors

Board Of Directors

Dow Louisiana Federal Credit Union's success is dependent upon the commitment of our members – a commitment to sharing resources to meet the needs of all. Every decision we make is to serve your financial needs. You have the power to direct our Credit Union through electing a Board of Directors to serve DLFCU on a volunteer basis.

The nine-person Board of Directors is made up of members like you. They each serve three-year terms and never receive any monetary compensation for their efforts. Their goal is to make sure DLFCU continues to serve its members with dedication, service and convenience – just like we've been doing for over 35 years. We would like to express our sincere gratitude to our Board, whose commitment to excellence drives their service to the membership.

Top Row: (From Left): Joey Justice, Vice Chair; Lance Parker, Treasurer; Stephan Pierre, Director; Michael Samuel, Director.

Bottom Row: (From Left): Robbie Bagaley, Secretary; Roberta Avery, Director; Mary Cavalier, Board Chair; Kenith Woodall, Director.

Not Pictured: Mary Overall, Director



BUILDING FOR THE FUTURE

President / CEO's Report

To Our Valued DLFCU Membership:

One of the many reasons I have fallen in love with Louisiana is because of the culture and the people. Here when you open your heart and life to others, they take you in and treat you like one of their own. Oddly enough, the credit union world is sort of the same way. When you join in the credit union community, you become like one big family. Whenever there is an issue or problem in the family, the rest jump in and have to help solve it. That was one of the big stories we dealt with here at DLFCU in 2010.

The results for Dow Louisiana Federal Credit Union this past year were nothing short of excellent, especially in the face of helping to resolve a national problem with "the larger credit union family" by remitting \$1.2 million of our capital and earnings. While the Board and Management have been vocal about the costs you are being asked to bear for the credit union issues at the national level, we don't want to negate the great strides made last year. In fact, DLFCU continued its recent streak of record earnings with a fifth year of income growth, this past year at over 43%. Now that's something to celebrate!

As I look around the Baton Rouge market, I'm impressed with the economic stability we have enjoyed the past 3 years. Many around the nation have been under tremendous duress. But as we now are nearing the end of this great recession, we have to plan and prepare for the future. Now is the time to contemplate where we are headed

and not how difficult the journey has been over the past 2 or 3 years. That's why we are excited about the new products and services being launched, the new location in Central, and the new face of DLFCU being seen through our commercials and upgraded branding.

Your senior management team and Board of Directors have been hard at work these past several years to ensure we make sound decisions for the current economic climate but are also prepared for the emergence from this economic reality into tomorrow's uncertainty. The future of DLFCU is dependent on our continued growth and the relevance of our products and services to the members we serve. While we are proud of our heritage, we also recognize the ongoing need to embrace the future and continue to take definitive steps that move us onward. Our upgraded logo and signage that will be launched in 2011 are all part of the way forward; our goal is to ensure everyone in the Baton Rouge community knows we are here to "go further" for them.

DLFCU is an exciting institution with a vibrant future. Many of you have been on this journey with us for the past several decades; we could never thank you enough for your dedication and loyalty to this institution. Please continue to use us in the future for all your deposit and lending needs so our cooperative achieves the richest experience from all of our "family" pitching in together. That is the best tribute to the legacy you have helped us create.

My deepest thanks go out to the Board, Supervisory Committee, and staff for their commitment to DLFCU in 2010. And, just so you know I'm in no big hurry to leave this wonderful State! In fact, I often refer to myself as the "lost Louisianan". I guess I could change my name to Hebert, Babin, Thibodeaux, or something else a little more traditional for the area. Hopefully you don't mind that I hang on to the old name (my parents appreciate that), but I'm proud to be part of this great "family" we call the Louisiana culture and very proud to call Baton Rouge home!



Jeffrey B. Hendrickson
President/CEO

WE'RE ALL ON A JOURNEY

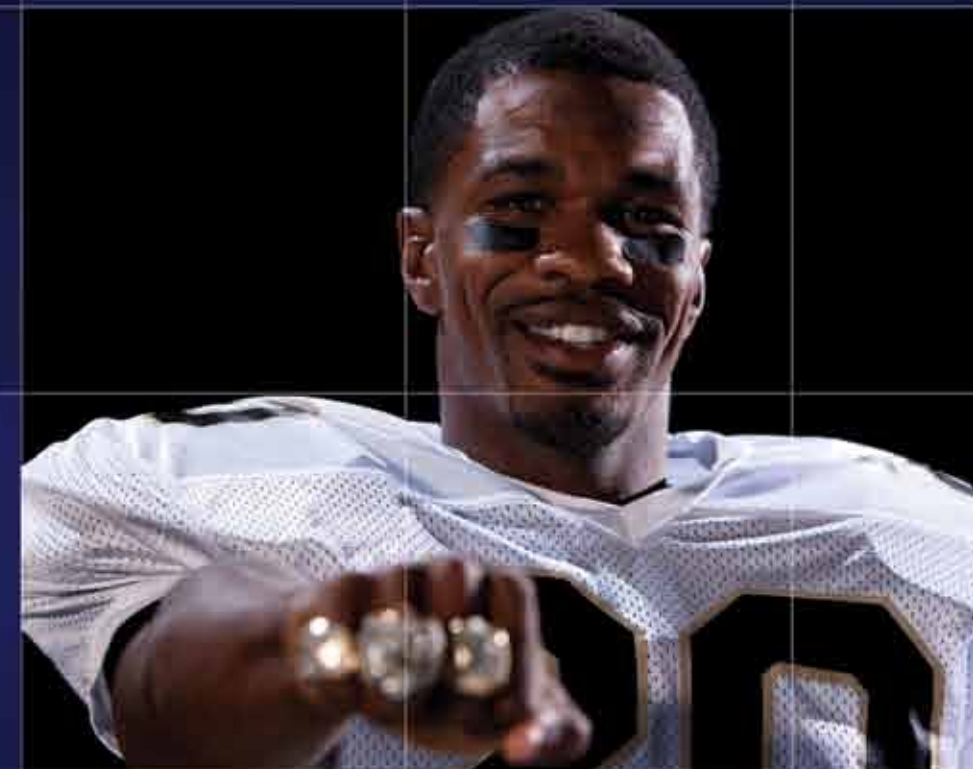
Every DLFCU member has a story, this is Randall Gay's



FIRST STEPS
Pee Wee football
& first account
with DLFCU



GREAT STRIDES
New England Patriots,
Super Bowl XXXIX



EARLY DAYS
Brusly High, LSU and
the 2003 BCS National
Championship



COMING HOME
New Orleans Saints,
Super Bowl XLIV & still
a DLFCU member.

REACH FOR EVERY OPPORTUNITY

Treasurer's Report

During 2010, the Credit Union was able to balance continued growth with strong earnings and produce another record-breaking year for income. However, the National Credit Union Association (NCUA) continued to require new premiums and assessments be paid to cover national shortfalls. Additionally, the Corporate Credit Union used by DLFCU was taken under conservatorship and the capital remaining in the institution had to be fully expensed. More regarding these actions is described in detail below.

For a quick review of our growth numbers last year, deposits grew from \$188,342,973 (as of 9/30/09) to \$206,113,154 (as of 9/30/10). This represents a 9.44% growth for the year and continued confirmation that DLFCU has become a trusted source for our members' deposit needs. On the flip side, loan volume did not grow as rapidly. The current economic climate has caused many to retrench in terms of adding additional debt burden. Total loans stood at \$181,726,803 (as of 9/30/09) and at \$198,216,336 (as of 9/30/10). Growth during the period stood at 9.07%, with much of the nation experiencing negative loan growth in 2010. In fact, 2010 was the worst year in 3 decades for loan growth in the credit union industry. Once again, DLFCU was pleased that our

members have trusted us to move their full relationships to our institution to experience the value we offer. Finally, asset growth during 2010 mirrored closely to the deposit and loan growth levels. During 2010, assets grew a total of 9.91% going from \$201,369,469 (as of 9/30/09) to \$221,327,210 (as of 9/30/10).

There were a few major impacts to our income in 2010 that need to be addressed in this report. The expenses were for an assessment and premium charges levied against us by our Regulator, NCUA. Additionally, the Regulator took Southwest Corporate Credit Union into conservatorship in September 2010 that required DLFCU to extinguish the remaining capital held in that organization. All totaled, the actions by our Regulator during 2010 cost DLFCU \$1,216,425. This was income and capital taken directly from our institution for no action or cause created by our members, management, or Board. Because the Credit Union is part of a larger federally insured cooperative network across the nation, we become part of the resolution to solve failed institutions. When losses exceed a certain level of earnings in the fund that insures our deposits, credit unions are then required to pay the excess charges. In simple form, that is what occurred last year.

Once again, the most impressive component of this report is in relationship to our earnings. Not only did DLFCU realize

the highest level of net income in the history of the Credit Union, but we have now had five years of back-to-back income increases. This is the first time we have been able to report that type of trend since the inception of our institution. Because our audited reports only go through September 2010, it is great to be able to report that through December 31, 2009, the Credit Union earned \$2,161,278 in net income. This represents a 43.75% increase over the prior year.

As always, your continued participation in DLFCU helps the Board and senior management provide the best products and services for all of our members.



Lance Parker
Treasurer, Board of Directors

Senior Management

Dow Louisiana Federal Credit Union is more than a Credit Union. We have built success with imagination and determination...we have witnessed a distant dream become a new reality...we have watched our members accomplish life goals. We are more than a Credit Union, we are your trusted partner.

From Left: Chad Suggs, Chief Information Officer; Allison Rogers, Vice President of Marketing; Aaron Jarrett, Vice President of Finance; Jeffrey Hendrickson, President/ CEO; Herman Stevenson, Jr., Vice President of Retail Services and Operations; Bonnie Denova, Executive Assistant; Eddy Vargas, Vice President of Human Resources



Supervisory Committee's Report

The Supervisory Committee is made up of volunteers from the Credit Union membership appointed by the Board of Directors. Committee duties include ensuring proper regulatory and internal controls are followed within the Credit Union. Members on the Committee work in conjunction with the Board of Directors and staff in order to carry out its functions. During 2010, our Committee members were made up of five volunteers, David Strickland (Chairman), Andra Thompson (Vice Chairman), Lisa Perry (Secretary), Richard Rolke and Keith Schultz. In February 2011, David Strickland stepped down as Committee Chair due to a relocation of employment to Texas. We want to thank him for several years of dedication and leadership while on the Supervisory Committee.

During 2010 the Committee, in conjunction with senior management, hired a new Director of the Internal Audit area. The audits performed internally have been reviewed by the external auditors and the Regulator and have been regarded for their quality and thoroughness. Additionally, the Supervisory Committee engaged Orth, Chakler, Murnane, Inc., to provide a financial audit, and to ensure the operations of DLFCU were reviewed for compliance with federal and state regulations and that all financial records were accurate. Their review indicated no major issues, material weaknesses, or cause for concern.

As part of its oversight duties, the Supervisory Committee also performed an in-depth review and analysis of the Credit Union's security and technology areas. In order to assist the Committee, Castlegarde Inc., a firm that has expertise in both of these areas, was once again retained

to perform the review. The Credit Union scored well against the national average score, as identified by Castlegarde Inc.

The National Credit Union Association (NCUA), which is the regulatory body that oversees all credit unions that have regulator-provided insurance, performed an examination of DLFCU as of June 30, 2010. The examination indicated no areas of major concern.

It is the opinion of the Supervisory Committee, through the various audits and examinations, that the records of the Credit Union accurately reflect its current financial condition. In addition, policies and procedures are in place, which continue to protect the interests of all Credit Union members.

I would like to thank the staff of DLFCU for their assistance in working with all audit staff and the Supervisory Committee volunteers to ensure the ongoing, continued success of this institution.

Keith Schultz
Chairman, Supervisory Committee



David Strickland,
Chairman
03/2010 - 02/2011



Andra Thompson,
Vice Chairman



Lisa Perry,
Secretary



Keith Schultz,
Chairman
02/2011 - present



Richard Rolke

Independent Auditor's Report

Orth, Chakler, Murnane and Company, CPAs

A Professional Association

12060 S.W. 129th Court, Suite 201, Miami, Florida 33186-4582

Telephone 305-232-8272 | Fax 305-232-8388

Web site: www.ocmcpa.com

Douglas J. Orth, CPA, CFE

Hugh S. Chakler, CPA, CISA, CITP, CFE

John J. Murnane, CPA

James A. Griner, CPA

Lori J. Carmichael, CPA

Daniel C. Moulton, CPA

To the Supervisory Committee of Dow Louisiana Federal Credit Union:

We have audited the accompanying statements of financial condition of Dow Louisiana Federal Credit Union as of September 30, 2010 and 2009, and the related statements of income, members' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Credit Union's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 audits provide a reasonable basis for our opinion.

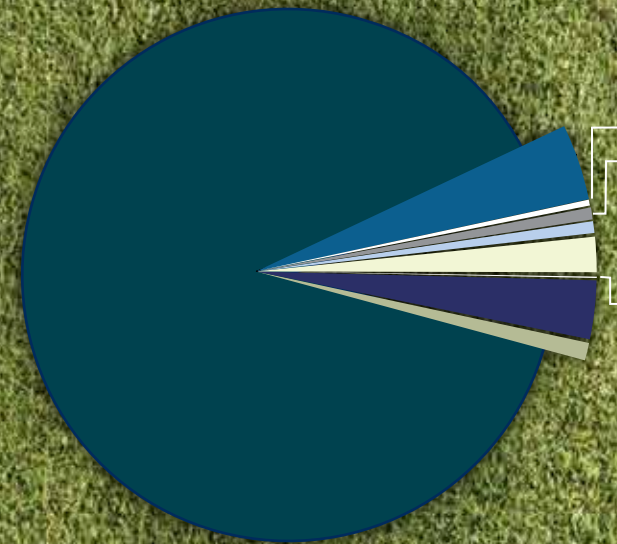
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dow Louisiana Federal Credit Union as of September 30, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Orth, Chakler, Murnane & Company
Certified Public Accountants



Dow Louisiana Federal Credit Union
Statements of Financial Condition

Dow Louisiana Federal Credit Union
Statements of Income



FOR THE YEARS ENDED
SEPTEMBER 30

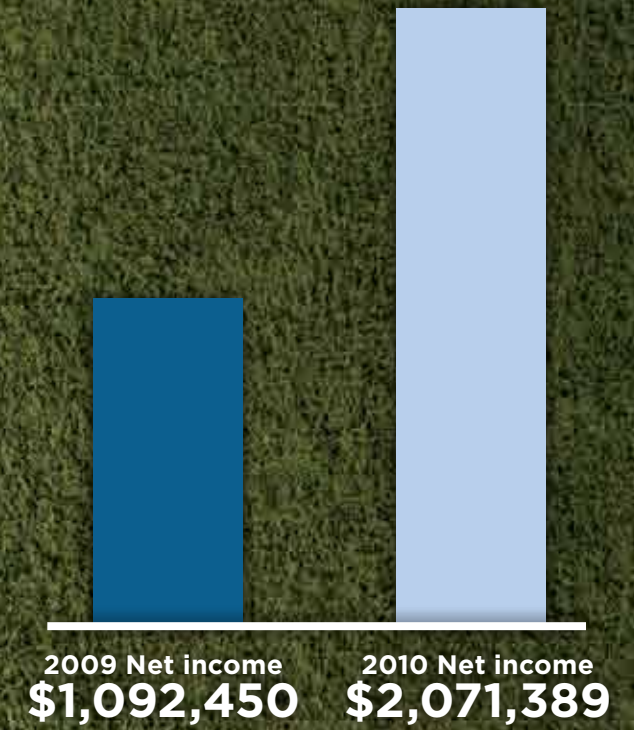
ASSETS	2010	2009
Cash	\$8,331,430	\$6,558,627
Investments	331,458	1,019,804
Loans held for sale	907,589	505,001
Loans to members, net of allowance for loan losses	200,630,707	184,846,319
Accrued income receivable:		
Investments	8,421	6,600
Loans	1,036,237	976,196
Prepaid and other assets	3,545,328	2,340,166
Property and equipment	6,221,633	6,360,477
NCUSIF deposit	1,813,302	1,288,699
Total Assets	\$222,826,105	\$203,901,889

LIABILITIES AND MEMBERS' EQUITY	2010	2009
LIABILITIES		
Members' share and savings accounts	\$206,113,154	\$188,342,974
Accounts payable and accrued liabilities	3,377,224	4,294,577
Total liabilities	209,490,378	192,637,551
Commitments and contingent liabilities	–	–
MEMBERS' EQUITY:		
Regular reserve	5,164,755	4,320,337
Undivided earnings	8,170,972	6,944,001
Total members' equity	13,335,727	11,264,338
Total liabilities and members' equity	\$222,826,105	\$203,901,889

\$222,826,105
 IN TOTAL ASSETS, 2010
\$203,901,889
 IN TOTAL ASSETS, 2009

FOR THE YEARS ENDED
SEPTEMBER 30

	2010	2009
INTEREST INCOME:		
Loans to members	\$13,370,613	\$11,018,201
Investments	6,126	11,304
Total interest income	13,376,739	11,029,505
INTEREST EXPENSE:		
Members' share and savings accounts	4,020,440	3,986,335
Borrowed funds	5,877	128,089
Total interest expense	4,026,317	4,114,424
Net interest income	9,350,422	6,915,081
PROVISION FOR LOAN LOSSES:	1,646,518	863,500
Net interest income after provision for loan losses	7,703,904	6,051,581
NON-INTEREST INCOME:		
Fees and service charges	4,501,180	3,983,777
Income from NCUSIF	–	889,202
Total non-interest income	4,501,180	4,872,979
	12,205,084	10,924,560
NON-INTEREST EXPENSE:		
Compensation and employee benefits	4,016,005	3,612,898
Office operating costs	4,009,308	3,832,247
Office occupancy costs	892,316	744,898
Impairment of membership capital shares with Southwest Corporate FCU	606,660	393,340
NCUA insurance premium assessments	505,105	247,974
Impairment of membership capital shares with Louisiana Corporate CU	104,301	111,551
Impairment of NCUSIF deposit	–	889,202
Total non-interest expense	10,133,695	9,832,110
Net income	\$2,071,389	\$1,092,450



Dow Louisiana Federal Credit Union
Statements of Members' Equity
 For the years ended September 30, 2010 and 2009

	REGULAR RESERVE	UNDIVIDED EARNINGS	TOTAL
Balance, September 30, 2008	\$3,641,490	\$ 6,530,398	\$10,171,888
Net income	-	1,092,450	1,092,450
Transfers required under PCA	678,847	(678,847)	-
Balance, September 30, 2009	\$4,320,337	\$6,944,001	\$11,264,338
Net income	-	2,071,389	2,071,389
Transfers required under PCA	844,418	(844,418)	-
<i>Balance, September 30, 2010</i>	\$5,164,755	\$8,170,972	\$13,335,727

\$13,335,727
TOTAL MEMBER EQUITY



Dow Louisiana Federal Credit Union
Statements of Cash Flows

	FOR THE YEARS ENDED SEPTEMBER 30	
	2010	2009
Cash flows from operating activities:		
Net income	\$2,071,389	\$1,092,450
Adjustments:		
Provision for loan losses	1,646,518	863,500
Depreciation and amortization	800,585	700,469
Impairment of membership capital shares with Southwest Corporate FCU	606,660	393,340
Impairment of membership capital shares with Louisiana Corporate CU	104,301	111,551
Amortization of deferred loan origination fees and costs, net	1,461,566	966,226
Changes in operating assets and liabilities:		
Loans held for sale	(402,588)	(505,001)
Accrued income receivable	(61,862)	(99,904)
Prepaid and other assets	(1,205,162)	(156,627)
Accounts payable and accrued liabilities	(917,353)	3,607,860
Net cash provided by operating activities	4,104,054	6,973,864

	FOR THE YEARS ENDED SEPTEMBER 30	
	2010	2009
Cash flows from investing activities:		
Net change in investments	(22,615)	(23,035)
Net change in loans, net of charge-offs	(19,091,464)	(40,421,396)
Recoveries on loans charged off	198,992	112,010
Expenditures for property and equipment	(661,741)	(2,173,869)
Increase in the NCUSIF deposit	(524,603)	(63,654)
Net cash used in investing activities	(20,101,431)	(42,569,944)

	FOR THE YEARS ENDED SEPTEMBER 30	
	2010	2009
Cash flows from financing activities:		
Net change in borrowed funds	-	(14,560,212)
Net change in members' share and savings accounts	17,770,180	53,542,763
Net cash provided by financing activities	17,770,180	38,982,551
Net change in cash	1,772,803	3,386,471
Cash at beginning of year	6,558,627	3,172,156
Cash at end of year	\$8,331,430	\$6,558,627
Supplemental cash flows disclosures:		
<i>Interest paid</i>	\$4,026,317	\$4,114,424

Products and Services

DEPOSIT ACCOUNTS

Personal Savings Accounts
Personal Checking Accounts
Interest-Bearing Accounts
Holiday Club Accounts
Hi-Yield Money Market Accounts
Certificates & IRAs (Regular & Jumbo)
Business Checking Accounts

CONSUMER LOANS

New & Used Cars, Trucks & SUVs
New & Used Boats
Motorcycles, RVs & ATVs
Secured & Unsecured Loans
Educational Loans
Full Line of VISA® Credit Cards

MORTGAGE LOANS

Conventional First Mortgages
Construction – Perm Financing
Fixed & Adjustable Rate
Second Mortgage Loans
Home Equity Lines of Credit
Land, Lot & Acreage
Mobile/Manufactured Homes

BUSINESS LOANS

Commercial Real Estate
Lines of Credit
Working Capital for Inventory
Fleet Vehicle Financing
Business Titanium VISA®
SBA Approved Lender

BUSINESS SERVICES

Tiered Checking Accounts
Monthly Earnings Credits
Same Day Credit on Deposits
Business Checks & Accessories
FREE Online Banking
Full Line of Merchant Services
Currency Management
Business Rewards Program
Local Support & Service

ONLINE SERVICES

FREE Online Banking
FREE e-Statements
Bill Payer Option
View Cleared Checks Online
VISA® Online Statements
Online Mortgage Account Management
Electronic Account Alerts
Secure Messaging
Scheduled Transfers
Check Reorders
eNotices
Account Alerts
Mobile Banking

FINANCIAL SERVICES

Investments – Mutual Funds,
Annuities, Stocks, Bonds
Estate Planning
Brokerage Accounts
Retirement Plans
Individual Retirement Accounts
Insurance Products
Financial Planning for Businesses

CONVENIENCE SERVICES

Extended Hours of Operation
Multiple FRC Locations
Full-Service Call Center
Fee Free ATM Network
Western Union Partner
Free Debit Card Issued Instantly
24-Hour Telephone & Online Access
Direct Deposit
Night Deposit
Notary Service
Money Orders
Certified Checks
Wire Transfers
Overdraft Protection
American Express®
Travelers & Gift Checks





HOURS OF OPERATION

Weekdays 7:30am - 7:30pm

Saturdays 9:00am - 5:00pm

P.O. Box 738
Plaquemine, LA 70765-0738

Toll Free: 888.369.2207

Phone: 225.353.8238

Fax: 225.353.6387

PLAQUEMINE

21925 Hwy 1 South
Plaquemine, LA 70764

BATON ROUGE

6725 Siegen Ln
Baton Rouge, LA 70810

GONZALES

1051 N. Airline Hwy
Gonzales, LA 70737

WALKER

8645 Walker South Rd
Walker, LA 70785

CENTRAL

10513 Sullivan Rd
Central, LA 70837

WWW.DOWLAFCU.ORG