



**To: Member Credit Unions**  
**From: Tim McMurry, Board Chairman**  
**Date: November 18, 2009**  
**Re: Southeast Corporate's 2008 Audit Released**

Southeast Corporate's 2008 audit is complete and our audited financial statements can be viewed at <http://www.secorp.org/memberinfo/files/2008AuditFINAL.pdf>. They are posted in the Member Owner Information Center of our Web site.

Our auditor's required that we record the U.S. Central 2009 capital depletions as 2008 Type One Subsequent Events – meaning that this year's losses will be reflected as though they occurred last year. The timing of the write down to our capital at U.S. Central has changed, but the loss of our capital at U.S. Central remains as expected. We will end 2008 with modest retained earnings and no depletions to your member capital (Paid in Capital and/or Member Capital Shares) will occur as of year-end 2008.

*Going forward...*

Our October 2009 financial statement will reflect the cumulative impact of our capital losses of \$123 million at U.S. Central for 2008 and 2009, as well as our own \$22.3 million of Other Than Temporary Impairment (OTTI) already recognized during 2008 and 2009 resulting in a negative retained earnings position of (\$20,303,891). NCUA has informed corporate credit unions that they will require the corporates to replenish any deficit in retained earnings through a charge to the corporates' member capital share deposits. Doing so will require a depletion of 100% of our members' Paid in Capital (PIC) equaling \$20,192,948 and a 0.1196% depletion of members' Member Capital Shares (MCS) of \$110,943. This information is consistent with what we have communicated to you over the past several months.

You will receive advance notice of the specific write downs to your PIC and MCS accounts along with the effective date of these write downs which we expect to take place by month end. Please consult with your own auditors regarding the proper accounting treatment of this event.

We continue to expect that additional losses in U.S. Central's investment portfolio will further deplete Southeast's MCS in the coming months. In a worst case scenario, if our \$6.7 million in remaining capital becomes fully impaired, MCS at Southeast Corporate's will be impaired by an additional 7%. This does not include any additional OTTI that Southeast might incur to its own portfolio. Since this has not yet occurred, we will continue to keep you apprised of the situation.

As a credit union CEO I am keenly aware of the impact this will have on my own credit union and can definitely appreciate the impact upon yours. On a stand-alone basis without the U.S. Central losses, Southeast could have withstood this financial crisis with no impact to member capital. Rest assured, we will continue open communication with you and maintain our commitment to emerge from these trying times as a strong partner, dedicated to our members' success.

Should you have any questions or concerns, please do not hesitate to call 800-342-0203 and contact: Bill Birdwell at extension 4040, or Rob Schleiter at extension 4043, or Greg Wirthmann at extension 4060.