

To: Southeast Corporate Members
From: Rob Schleiter, EVP
Date: May 14, 2009
Re: UPDATE Impact of U.S. Central Losses

Working through the recent events at U.S. Central and the impact to Southeast Corporate and our members continues to be like hitting a moving target. The fluid nature of these events has made it difficult to provide you with the detailed and accurate information you need as members of Southeast Corporate.

As we mentioned in our May 7th member bulletin (*available in our Member Owner Information Center*), U.S. Central announced the preliminary results from Clayton Analytics and provided a revised loss estimate of \$2.26 billion which was materially lower than the initial estimate of \$3.7 billion. Yesterday evening U.S. Central revised the credit loss number downward by approximately 22% in accordance with generally accepted accounting principles by taking into account the present value of the cash flows associated with the underlying securities. This resulted in an impairment of \$1.8 billion.

Impact of Potential Losses

Southeast Corporate's capital investment in U.S. Central totals \$130 million and consists of both Paid in Capital (PIC) and Member Capital Shares (MCS). Although there are still some open accounting issues and U.S. Central's information is pending audit, we estimate the impact of the \$1.8 billion impairment to Southeast Corporate's capital at U.S. Central to be as follows:

Southeast Corporate's Capital at U.S. Central			
	PIC II	PIC	MCS
Capital in millions	\$28.5	\$41.3	\$60.3
Losses Applied	\$28.5	\$41.3	\$13.9
Balance	0	0	\$46.4
Total Reduction	\$83.7 Million		

In addition to the \$83.7 million estimated loss at U.S. Central, Southeast Corporate plans to record additional impairment losses of its own in the amount of \$17.7 million. **These losses will be more than covered by Southeast Corporate's retained earnings of approximately \$120 million, and we do not anticipate there will be any negative impact to your capital at Southeast Corporate.** This does not take into account possible future losses at U.S. Central or at Southeast Corporate.

We recommend you consult with your independent auditors if you have any questions regarding the accounting treatment of these events. We will provide completed audited financials of Southeast after U.S. Central releases its audited financial statements, expected in June.

If you have any questions or need additional information, please contact me or Greg Wirthmann, Senior Vice President/Chief Investment Officer at any time. You may reach me directly at (800) 342-0203, extension 4043 or Greg Wirthmann at extension 4060.