

To: Member Credit Unions
From: Rob Schleiter, EVP
Date: October 30, 2009
Re: U.S. Central Losses to Impact Member PIC and MCS

U.S. Central, under the conservatorship of the NCUA, has released its third quarter financial results and other-than-temporary-impairment (“OTTI”) charges. They reported additional OTTI of \$320.1 million for third quarter 2009, resulting in a net loss of \$308.5 million for the quarter. U.S. Central’s third quarter financials can be viewed at:
http://www.secorp.org/downloads/files/USC_3QTR09_FS.pdf

These losses are in addition to the \$1.8 billion U.S. Central announced in May when we informed you that Southeast Corporate’s total capital investment of \$130 million at U.S. Central was impaired by 64% or a total of \$83.7 million. They are also in addition to U.S. Central’s second quarter loss of \$470.5 million.

U.S. Central’s third quarter losses will further impair Southeast Corporate’s capital as follows:

Southeast Corporate’s Capital at U.S. Central			
	PICII	PIC	MCS
Capital in millions	\$28.5	\$41.3	\$60.3
Losses applied	\$28.5	\$41.3	\$53.5
Balance	0	0	\$6.8
Total Reduction	\$123.3 Million		

These additional losses will further erode all of Southeast Corporate’s remaining \$18 million in retained earnings, and result in a 100% impairment of any Paid in Capital (PIC) shares you hold at Southeast Corporate as well as a 0.5% impairment to our Member Capital Share holders (MCS).

As we communicated in our September 17th Network Financial Condition webinar, it is likely that our remaining Membership Capital at U.S. Central will be fully depleted. If Southeast Corporate writes down 100% of our capital at U.S. Central along with additional OTTI we expect of our own, we estimate that our MCS holders would be impaired by approximately 30%.

We are keenly aware of the impact that this will have on your credit union so we have scheduled a short webinar on November 10 from 11 a.m. to 11:30 a.m. EDT to discuss the details and answer any questions. If you have questions or need additional information, please contact me at 800-342-0203, extension 4043 or Gregory Wirthmann at extension 4060.