

October 20, 2010

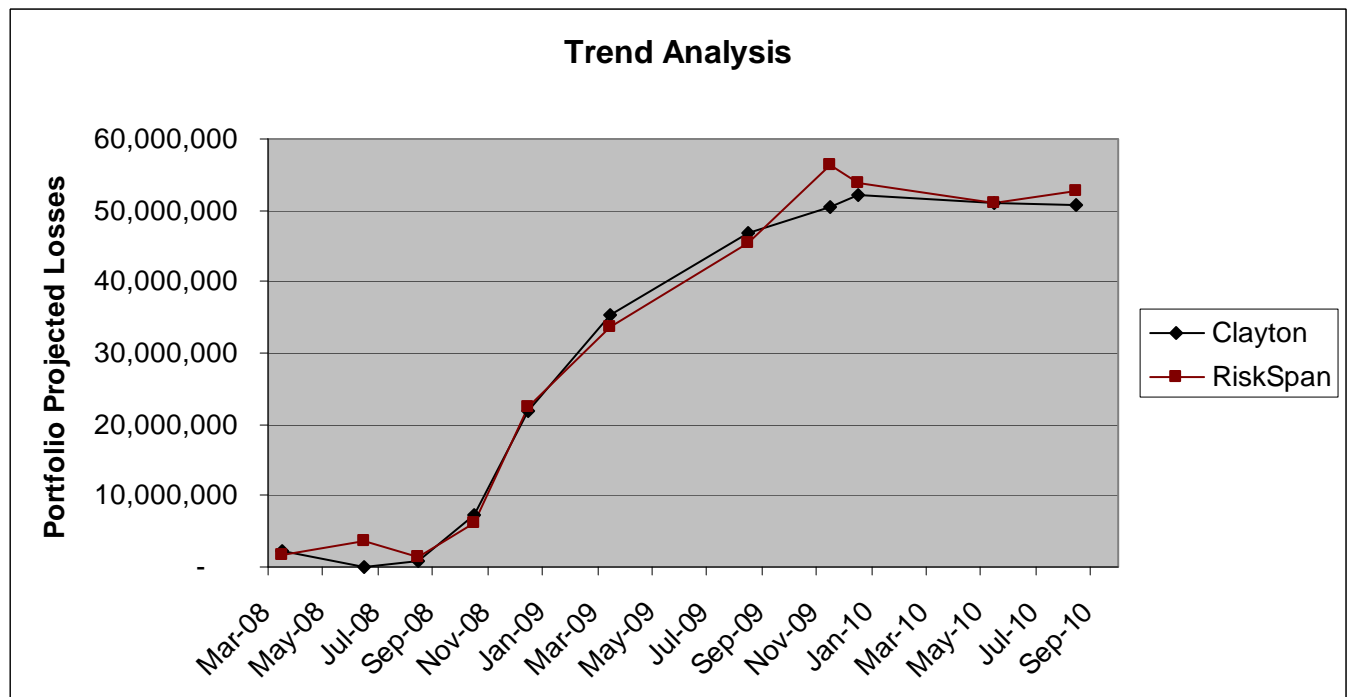
Dear Valued Member/Owner,

During September we recorded an additional investment impairment, which impacted earnings and retained earnings, but did not impact your membership capital. This communication serves as a detailed overview of our September results, the results of the OTTI analysis, and commentary on future impairments. Our September 30, 2010 financial statements are on our website in the Member Owner Information Center.

September 2010 Earnings and Capital

We recorded \$53,102 in earnings (after an NCUSIF expense of \$97,045) prior to recording additional OTTI on two investments during September 2010. Additional OTTI for the investments totaled \$873,063, which resulted in a net loss for September of \$819,961. Despite the additional OTTI recorded in September, our year-to-date earnings total \$321,902. This amount has been transferred to retained earnings and serves as first loss protection for your membership capital, which currently totals \$58.7 million at September 30, 2010.

The \$873,063 additional OTTI was recorded on two investments, one that had previously been impaired by \$8.2 million and another one taking its first impairment. The previously impaired security is projecting a five month resolution window resulting in an additional impairment. The second security has implied losses that are within our guidelines from both a time and amount perspective even though projected losses on both investments have remained relatively flat since the fall of 2009, as shown on the graph below.



Cumulative OTTI & Results of the Recent OTTI Analysis

To date, Southeast has recorded \$42.7 million of OTTI on twenty-two mortgage related securities, which includes the \$873,063 of OTTI discussed previously. During the most recent third-party analysis, the consolidated results showed an over-impairment of \$940,914 for the entire portfolio. However, GAAP currently requires that OTTI be recorded on a bond-by-bond basis and the avenues for recapturing previous losses are very narrow.

Cash flow projections for seven previously impaired investments resulted in \$1.4 million of additional projected losses. The additional losses did not reach one or more of the thresholds for impairment set forth in our internal procedures, and therefore were not recorded in earnings for September. Our internal procedures were previously explained in our June 26 memo regarding OTTI, listed below on our website.

For the remaining previously impaired investments, loss projections improved during the recent analysis which resulted in improvements in OTTI projections of \$4.0 million. The improved loss projections largely stem from stable or lower delinquency rates from the previous analytical period. Unfortunately, GAAP does not provide for immediate recapture of over-impairments. As a result, we have extensively analyzed the over-impairments to redefine the probable amount of the current projected losses. This revised methodology was employed to determine the current impairment amount and this revised methodology will be subject to review by our external auditor.

Two additional investments not currently impaired reported \$1.4 million in losses. Again, the projected OTTI on these investments does not satisfy the materiality or timing criteria set forth in procedures. In addition, the loss projections for these two securities have flattened or declined since the third-quarter 2009 analysis. We continue to hold three investments that are insured by Ambac Assurance that project \$2.7 million in losses. The \$2.7 million in projected losses assume that we receive no further claims payments from the insurer and we do not deem that scenario probable at this time. We continue to receive principal and interest on the Ambac insured investments and we maintain the position that we will receive all accruing and future claims expected from Ambac Assurance. Therefore, no investment impairments have been recorded on the Ambac insured investments.

Looking Ahead

Because of these unstable economic times, future investment impairments may occur. As I have detailed, approximately \$2.8 million (\$1.4 million on the seven investments plus \$1.4 million on the two investments) in projected losses have not been recorded since the amounts and/or timing of the losses on the individual investments do not meet the guidelines set forth in procedures that guide us in determining "probable losses." This amount will undoubtedly differ in future analyses based on the dynamics of the underlying collateral performance for each investment and the general economic conditions which drive model assumptions. Additionally, we have recently received the Ambac rehabilitation plan which we are currently reviewing to see if additional impairments are warranted.

As previously stated, our ultimate goal is to provide the most accurate account of our financial position while striving to protect your remaining capital. The timing and amount of future losses will ultimately determine the impact to retained earnings and your membership capital. While current loss projection trends for our investment portfolio are

flattening, many factors that we cannot predict at this time, such as the economy, future delinquencies, and adherence to the new corporate rule, may have a significant impact on our future earnings and capital level.

Thank you for your continued support of Southeast Corporate. If you have any questions regarding our OTTI process, please contact me at 1-800-342-0203 ext. 4043.

Sincerely,

A handwritten signature in blue ink, appearing to read "Robert F. Schleiter". The signature is fluid and cursive, with a large loop at the end.

Robert F. Schleiter
Executive Vice President