



**To: Southeast Corporate Members**  
**From: Rob Schleiter, EVP**  
**Date: July 26, 2010**  
**Re: Additional OTTI, Does Not Impact Membership Capital**

In June we recorded an additional investment impairment, which impacted our earnings and retained earnings, **but did not impact your membership capital.** This communication and supporting documentation provided serves as an overview of our June results and provides additional insight on our other than temporary impairment (OTTI) process, the results of the OTTI and commentary on future impairments. ([Click here](#) for supporting documentation). Our June financials can be viewed by [clicking here](#).

We recorded \$173,794 in earnings prior to recording additional OTTI on one investment during June 2010. Additional OTTI for the investment totaled \$795,662, which resulted in a net loss for June of \$621,868. **Despite the additional OTTI recorded in June, our year-to-date earnings total \$767,164.** This amount has been transferred to retained earnings and serves as first loss protection for your membership capital, which currently totals \$59.9 million at June 30, 2010.

The \$795,662 additional OTTI was recorded on one investment that we had previously impaired by \$7.4 million. Projected losses on this investment have remained flat since the fall of 2009. However, due to a trustee reporting error that understated our book value at year-end 2009, additional OTTI on this security was warranted as of June 30<sup>th</sup> based on the actual book value. This security is expected to mature in early 2011 and, as a result, the window for recording additional impairment is closing. Therefore, the additional impairment was taken after we had analyzed it with the same measure of scrutiny as described more fully in the supporting documentation.

Because of these unstable economic times, future investment impairments may occur. 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 projections for our investment portfolio appear very manageable, many factors that we cannot predict at this time, such as the economy, future delinquencies, and NCUA's new corporate rule and legacy asset plan, 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.