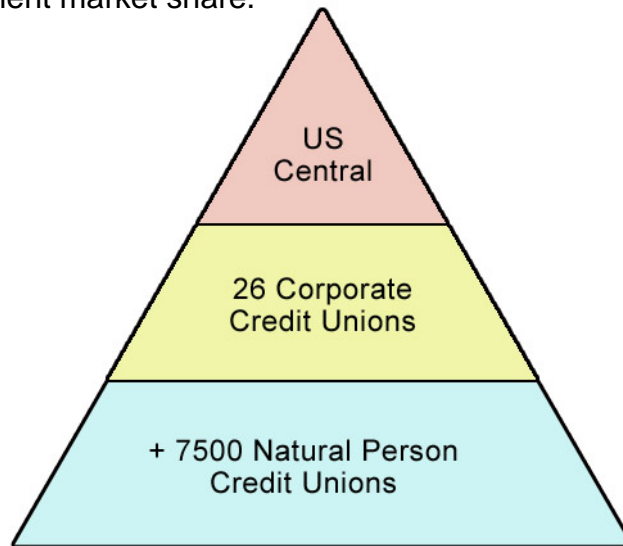


SOUTHEAST CORPORATE UPDATE - TOWN HALL MEETINGS FEBRUARY 2010

How Did We Get Here?

- Worst economic crisis since the Great Depression
- National Credit Union Administration (NCUA) conservatorship of U.S. Central and Western Corporate in March 2009.
- All 26 corporate credit unions lost the bulk of their capital at U.S. Central, resulting in a loss of almost \$2 Billion to the credit union network.
- In general, the losses affecting the credit union network were a result of the concentration risk at U.S. Central (see chart below) due to the three tiered system, the economy and its impact on private label mortgage backed securities as well as competition among corporates for the same 25% to 30% of credit union investment market share.



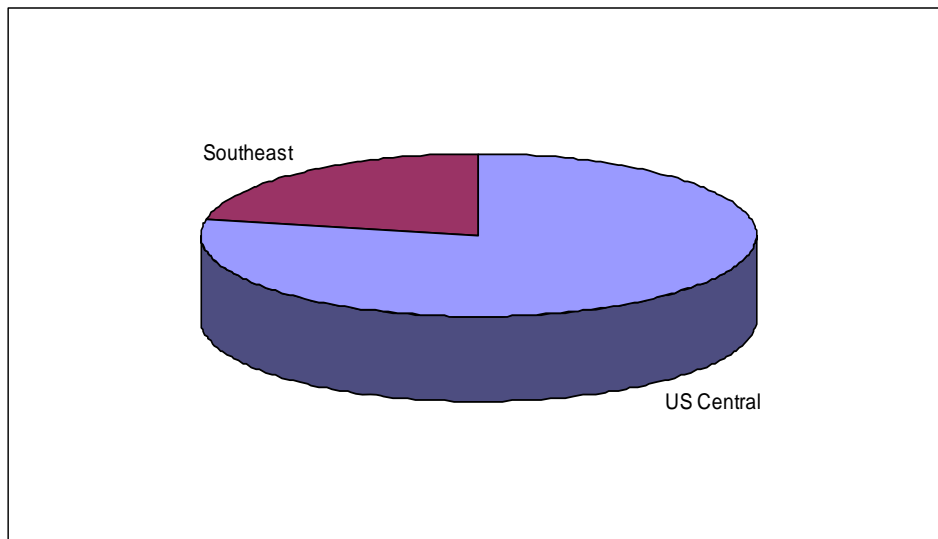
- Southeast Corporate lost its entire capital investment in U.S. Central, totaling \$130.2 Million.
- Despite a conservative investment risk posture, Southeast suffered "Other than Temporary Impairments" (OTTI) on its own securities portfolio of \$41 Million. Of the securities with losses, all but one held the highest "AAA" rating at the time of purchase.
- Of the \$41 Million in estimated future losses, less than \$1 Million have been actual or realized losses.
- Southeast Corporate's Retained and Undivided Earnings (RUDE) of \$121 Million did not fully cover these losses resulting in a negative retained earnings position.

- Once a security is impaired, losses generally cannot be recovered until sold or paid off, which is often far off in the future. In addition, though not mandated by GAAP, the NCUA is requiring that impairments that impact member capital be permanent. In other words, member capital can not be replenished if the impaired securities' performance improves in the future. As a result, Southeast Corporate has taken a very careful approach when impairing securities that may result in the depletion of member capital.
- NCUA requires that negative retained earnings be replenished from member capital. Southeast Corporate would have preferred to run a deficit retained earnings without impacting member capital, which Generally Accepted Accounting Principles (GAAP) allow.
- As of 12/31/2009 Southeast Corporate member PIC of \$20.2 Million has been fully depleted and \$25.0 Million of MCS (approximately 27% to date).

Impact on Southeast's Member Capitalization (in Millions)

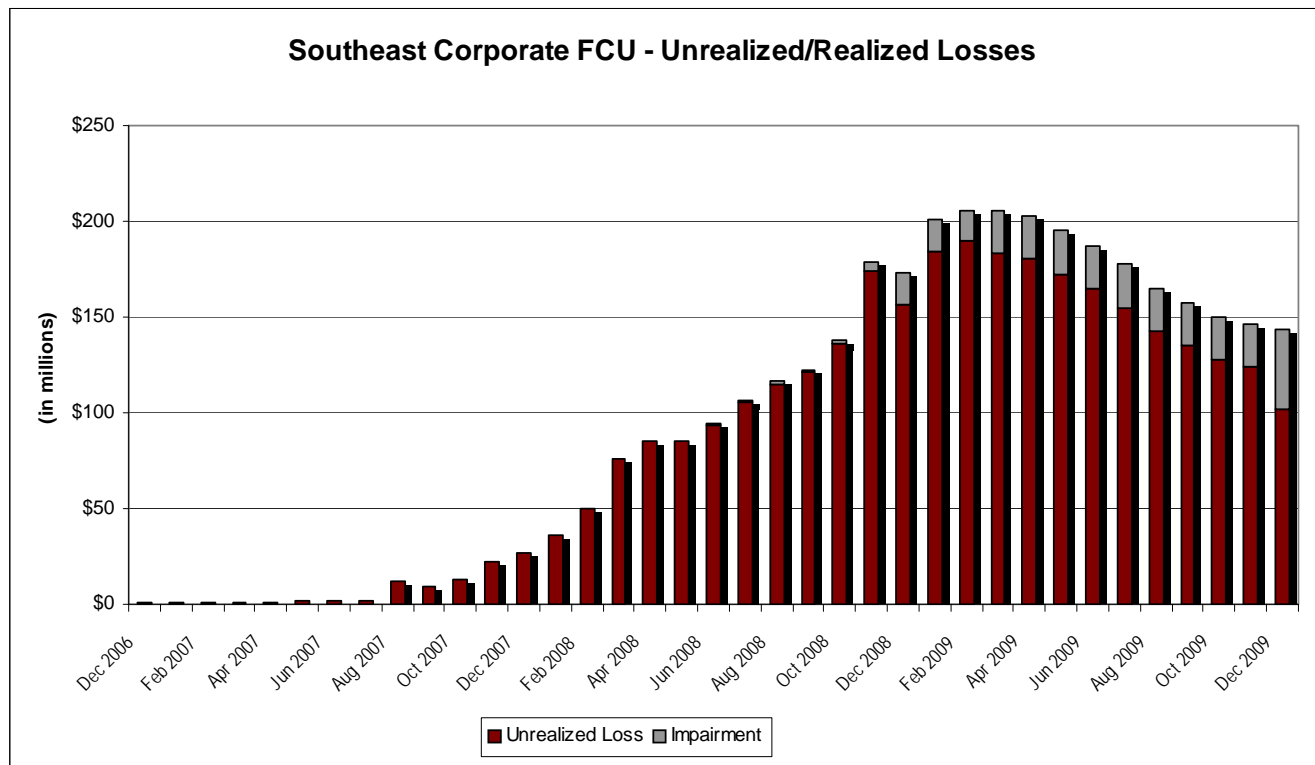
	<u>Original</u>	<u>12/31/09</u>
RUDE (Retained Earnings)	\$121.0	\$0
Member PIC	\$20.2	\$0
Member MCS	\$92.7	\$67.7

Capitalization as of 12/31/09 was impacted by both \$130.2 Million in U.S. Central related charges and \$41 Million from Southeast Corporate's Private Mortgage Backed Securities portfolio.



Where We Are Now

- Economic leveling off
 - We expect the worst is behind us now that we have reflected all U.S. Central losses and markets seem to be leveling off.
- Although the worst appears to be behind us, Southeast Corporate does expect comparatively smaller losses through 2010, possibly in the range of \$6-7 Million by year end.
- Southeast Corporate has \$67.7 Million of Member Capital Shares (MCS) remaining.
- Southeast Corporate's budget has been cut back to 2005 levels or by approximately \$2 Million annually.
- Future loss projections appear to be flattening according to outside analysis (Clayton and Risk Span).



An Improving Economy

4th quarter positive economic signs:

- Surprising fourth quarter growth occurred even as inventories were further depleted
- Improved risk asset valuations helped improve household and business balance sheets
- Consumer debt capacity has improved
- Labor markets are beginning to stabilize

The Future - Capital

- Under the proposed new Corporate Regulation 704 current MCS (three year notice account) will have no value as capital in the future and will be treated similar to a term deposit.
 - NCUA has introduced a new capital account called Perpetual Contributed Capital (PCC). It is similar to PIC. Unlike PIC, which has a 20 year maturity, PCC has no maturity.
 - Current MCS will be subordinate to PCC which means that MCS will be the first to absorb any future losses if retained earnings are not sufficient to cover any future loss.
- We will be asking members to convert their existing MCS capital to the new PCC relatively soon, but will not be asking for additional capital in the near term.
- Under the new Corporate Regulation 704, without the conversion of remaining MCS to PCC, Southeast could be under PCA (Prompt Corrective Action) within one year.

The Future - Corporate Value Proposition

The new proposed Regulation 704, though not final, is expected to affect the services and products Corporates are able to provide to credit unions.

Corporates were originally created by credit unions to harness the collective strength of members for their mutual benefit. In order for those benefits to continue into the future, Southeast Corporate and its member/owners must work together to develop a new business model. We believe the new model must include cooperation and partnership with credit union system organizations to achieve efficiencies, lower risk, and build strategic value in Southeast Corporate through:

- Strategic partnerships & collaboration with other corporates, leagues, vendors, CUSO's, and credit unions to build and deliver 'best of breed' products and services
 - Gaining operational efficiencies through consolidation of back office operations and leveraging existing systems and expertise
 - Reducing risk within the credit union system
- This is not a new concept for Southeast.
 - We partner with Georgia Central and Virginia Corporate in our core processing CUSO, Corporate Synergies.
 - We partner with Georgia Central in our Member Business Services (MBS) CUSO.
 - We partner with other corporates to offer SimpliCD and broker dealer services.

Your Corporate

- Members can continue to receive services from within the credit union movement, from entities they collectively own.
- Southeast Corporate is here to stay and will provide the same quality service, maintain the same important relationships with members, and offer the products and services members need to succeed in the future.