



To: Southeast Corporate Full Members
From: Rob Schleiter, EVP
Date: May 7, 2009
Re: Potential Impact of U.S. Central Losses on Member Capital

As promised in our bulletin of April 16th, we have additional information to share with you regarding the conservatorship of U.S. Central and the impact their securities losses may have on both Southeast Corporate's \$130 million in capital shares and your capital shares at Southeast.

As you may recall, at the time of the conservatorship NCUA advised all corporates their capital at U.S. Central was fully impaired due to credit losses estimated to be in excess of \$3.7 billion. If these estimates were confirmed, the losses would have wiped out all of Southeast Corporate's retained earnings, and likely caused Southeast Corporate Paid-in-Capital (PIC) holders to lose most, if not all of their value, and may have also impacted the value of Member Capital Shares (MCS).

Last Friday U.S. Central announced the preliminary results from Clayton Analytics, the bond analytics firm hired to confirm and finalize the credit losses at U.S. Central (For your reference, this notice is posted to our Member Owner Information Center member update thread). Clayton has provided a preliminary revised loss estimate at U.S. Central of \$2.26 billion, materially lower than the initial estimate. Should this estimate be confirmed, member PIC at Southeast Corporate may show only a small drop in value, and MCS would not be impacted at all.

I want to stress that the numbers are still preliminary, and subject to confirmation by both Clayton and, with regard to December's losses, subject to external audit review and approval as well.

We will continue to update you as additional information becomes available.