

To: Member Credit Unions
From: Rob Schleiter, EVP
Date: July 31, 2009
Re: U.S. Central Losses Likely to Impact Member PIC

U.S. Central, under the conservatorship of the NCUA, has released its second quarter financial results and other-than-temporary-impairment (“OTTI”) charges. They reported additional OTTI of \$537.0 million at the end of June, resulting in a quarterly loss of \$470.5 million. These losses are in addition to the \$1.8 billion U.S. Central announced in May when we informed our members 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. (The full announcement is located in the Member-Owner Information Center of our website at www.secorp.org.)

We are still awaiting U.S. Central’s 2008 audited financials, but assuming previously reported results are confirmed, the impact of their \$470.5 million loss to Southeast Corporate’s financials will be an additional loss of approximately \$24 million. The loss would deplete all of our remaining \$18 million in retained earnings, and result in an estimated 30% impairment of any Paid in Capital (PIC) shares you hold at Southeast. (We say estimate because the final impairment amount will be impacted by Southeast’s July earnings amount, which should be available within the next two weeks.) We do not expect this event to have an impact on Member Capital Shares (MCS) you may hold at Southeast.

However, until U.S. Central releases its 2008 audited financials, these numbers are subject to change. A change may impact either or both our 2008 and 2009 financial statements, and may ultimately have a downstream effect on your financial statements. With this in mind, we recommend that you consult with your independent auditors regarding your accounting treatment of these events.

We will discuss these recent events in more detail next week in our Mid-Year Investment Webinar scheduled for August 5, starting at 11:00 a.m. EDT. To register, go to www.secorp.org.

If you have any questions or need additional information, please contact me or Gregory Wirthmann, SVP/CIO. You may reach me directly at 1-800-342-0203, extension 4043 or Gregory Wirthmann at extension 4060.