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INDEPENDENT AUDITORS' REPORT

November 13, 2009

To the Supervisory Committee and Management of
Southeast Corporate Federal Credit Union

We have audited the accompanying consolidated statements of financial condition of Southeast Corporate Federal Credit Union as of December 31, 2008 and 2007, and the related consolidated statements of operations, comprehensive operations, members' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Credit Union's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Southeast Corporate Federal Credit Union as of December 31, 2008 and 2007, and the results of its consolidated operations and its consolidated cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 11, the Credit Union has suffered substantial losses due to the impairment of paid-in capital and membership capital share investments in U.S. Central Federal Credit Union causing capital to fall below regulatory requirements. Accordingly, Southeast Corporate reported this shortfall in capital to the NCUA and received regulatory forbearance. Additionally, Southeast Corporate has initiated a capital restoration plan intended to increase earnings and capital which has been accepted by the NCUA. However, the NCUA may impose additional requirements in the future.

As discussed in Note 13, a number of significant events have occurred subsequent to December 31, 2008.

Orth, Chakler, Murnane & Co.

Orth, Chakler, Murnane & Company
Certified Public Accountants

SOUTHEAST CORPORATE FEDERAL CREDIT UNION CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
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ASSETS

	As of December 31,	
	2008	2007
Cash	\$787,663	\$9,912,891
Other receivables	623,078	504,114
Investments:		
Available-for-sale	1,039,385,823	1,475,557,807
Other	1,559,506,721	2,315,130,105
Loans to members	117,171,135	89,935,328
Accrued interest receivable:		
Investments	10,672,811	23,710,612
Loans	220,504	212,532
Prepaid and other assets	5,893,771	7,159,727
Property and equipment	9,115,964	9,565,603
NCUSIF insurance deposit	418,321	418,369
Total assets	\$2,743,795,791	\$3,932,107,088

LIABILITIES AND MEMBERS' EQUITY

	As of December 31,	
	2008	2007
LIABILITIES:		
Members' share and savings accounts	\$2,538,222,024	\$3,486,764,524
Membership capital share deposits	86,995,598	81,803,292
Member paid-in capital	20,192,948	20,192,948
Borrowed funds	235,051,387	219,846,363
Interest payable	14,010,554	24,335,159
Accounts payable	550,157	8,639,422
Other accrued liabilities	4,698,616	3,655,466
Total liabilities	2,899,721,284	3,845,237,174
Commitments and contingent liabilities	—	—
MEMBERS' EQUITY:		
Corporate reserve	—	23,033,120
Undivided earnings	612,078	89,241,363
Accumulated other comprehensive loss	(156,895,176)	(25,651,171)
Minority interest	357,605	246,602
Total members' equity	(155,925,493)	86,869,914
Total liabilities and members' equity	\$2,743,795,791	\$3,932,107,088

The accompanying notes are an integral part of these consolidated financial statements.

SOUTHEAST CORPORATE FEDERAL CREDIT UNION CONSOLIDATED STATEMENTS OF OPERATIONS

	For the years ended December 31,	
	2008	2007
INTEREST INCOME:		
Loans to members	\$3,813,421	\$3,743,960
Investments	133,141,423	200,405,177
Total interest income	136,954,844	204,149,137
INTEREST EXPENSE:		
Members' share and savings accounts	104,016,534	179,632,524
Borrowed funds	9,363,639	7,969,570
Total interest expense	113,380,173	187,602,094
Net interest income	23,574,671	16,547,043
NON-INTEREST INCOME:		
Fees and service charges	8,974,166	8,872,754
Gain on investments, net	—	689,518
Gain on disposition of property and equipment	—	91,074
Total non-interest income	8,974,166	9,653,346
	32,548,837	26,200,389
NON-INTEREST EXPENSE:		
Impairment of investments at U.S. Central FCU	108,484,281	—
Loss on investments, net	13,777,922	—
Compensation and employee benefits	12,117,833	10,514,319
Office operating costs	5,229,518	5,618,059
Professional and outside services	2,922,467	2,831,330
Other	1,568,218	944,793
Total non-interest expense	144,100,239	19,908,501
Net (loss)/income before minority interest	(111,551,402)	6,291,888
Minority interest	(111,003)	13,302
Net (loss)/income	(\$111,662,405)	\$6,305,190

The accompanying notes are an integral
part of these consolidated financial statements.

SOUTHEAST CORPORATE FEDERAL CREDIT UNION CONSOLIDATED STATEMENTS OF COMPREHENSIVE OPERATIONS

	For the years ended	
	December 31,	
	2008	2007
NET (LOSS)/INCOME	(\$111,662,405)	\$6,305,190
OTHER COMPREHENSIVE LOSS:		
Net unrealized holding losses on investments classified as available-for-sale	(145,799,005)	(26,146,163)
Net unrealized holding (losses)/gains on 457 plan investment classified as available-for-sale	(1,771,825)	532,437
Reclassification adjustment for net losses included in net income	16,326,825	—
Other comprehensive loss	(131,244,005)	(25,613,726)
Comprehensive loss	(\$242,906,410)	(\$19,308,536)

The accompanying notes are an integral part of these consolidated financial statements.

SOUTHEAST CORPORATE FEDERAL CREDIT UNION CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY
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**For the years ended
December 31, 2008 and 2007**

	Corporate Reserve	Undivided Earnings	Accumulated Other Comprehensive (Loss)/Income	Total
Balance, December 31, 2006	\$23,033,120	\$82,936,173	(\$37,445)	\$105,931,848
Net income	—	6,305,190	—	6,305,190
Other comprehensive loss	—	—	(25,613,726)	(25,613,726)
Balance, December 31, 2007	23,033,120	89,241,363	(25,651,171)	86,623,312
Net loss	—	(111,662,405)	—	(111,662,405)
Transfer	(23,033,120)	23,033,120	—	—
Other comprehensive loss	—	—	(131,244,005)	(131,244,005)
Balance, December 31, 2008	\$—	\$612,078	(\$156,895,176)	(\$156,283,098)

The accompanying notes are an integral
part of these consolidated financial statements.

SOUTHEAST CORPORATE FEDERAL CREDIT UNION CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the years ended	
	December 31,	
	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss)/income	(\$111,662,405)	\$6,305,190
Adjustments:		
Depreciation	1,397,061	1,557,121
Impairment of investments at U.S. Central FCU	108,484,281	—
Amortization of investment premiums/discounts	(1,174,198)	(3,514,059)
Changes in operating assets and liabilities:		
Other receivables	(118,964)	653,110
Accrued interest receivable	13,029,829	(4,688,923)
Prepaid and other assets	(505,869)	282,606
Interest payable	(10,324,605)	4,750,100
Accounts payable	(8,089,265)	7,292,608
Other accrued liabilities	1,043,150	686,008
Minority interest	111,003	(13,302)
Net cash (used in)/provided by operating activities	(7,809,982)	13,310,459
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturities, sales and repayments of available-for-sale securities	842,472,622	994,859,256
Purchase of available-for-sale securities	(534,598,620)	(1,397,525,166)
Net change in other investments	647,139,103	(198,481,511)
Net change in loans to members	(27,235,807)	27,303,217
Expenditures for property and equipment	(947,422)	(2,631,782)
Change in NCUSIF deposit	48	11,339
Net cash provided by/(used in) investing activities	926,829,924	(576,464,647)

The accompanying notes are an integral
part of these consolidated financial statements.

SOUTHEAST CORPORATE FEDERAL CREDIT UNION CONSOLIDATED STATEMENTS OF CASH FLOWS

Cash Flows: (continued)

	For the years ended December 31,	
	2008	2007
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net change in members' share and savings accounts	(948,542,500)	468,886,584
Net change in membership capital share deposits	5,192,306	290,438
Net change in short-term borrowing	15,205,024	99,931,769
Net cash (used in)/provided by financing activities	(928,145,170)	569,108,791
Net change in cash	(9,125,228)	5,954,603
Cash at beginning of year	9,912,891	3,958,288
Cash at end of year	\$787,663	\$9,912,891
SUPPLEMENTAL CASH FLOWS DISCLOSURES:		
Interest paid	\$123,704,778	\$182,851,994
SCHEDULE OF NON-CASH TRANSACTIONS:		
Other comprehensive loss	(\$131,244,005)	(\$25,613,726)

The accompanying notes are an integral
part of these consolidated financial statements.

<p style="text-align: center;">SOUTHEAST CORPORATE FEDERAL CREDIT UNION NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS</p>
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***NOTE 1: SIGNIFICANT ACCOUNTING
POLICIES***

ORGANIZATION

Southeast Corporate Federal Credit Union (the "Credit Union") is a cooperative association organized in accordance with the provisions of the Federal Credit Union Act for the purpose of providing correspondent banking services as well as investment products and a source of credit for its member credit unions.

The Credit Union also owns a majority interest in three credit union service organizations (CUSOs) which are described below:

Member Business Solutions, LLC - The Credit Union owns 66.6% of this company. The remainder of the company is owned by Georgia Central Credit Union. The primary sources of income for this CUSO are provided through fees earned for the underwriting and documenting of business loans for member credit unions. During the years ended December 31, 2008 and 2007, the revenues from this CUSO represented a nominal percentage of total revenues.

Corporate Synergies, LLC - The Credit Union owns 66.6% of this company. The remainder of the company is owned by Georgia Central Credit Union. This company was started during 2007 to purchase and develop a core data processing system to process transactions for both corporate credit unions. During the years ended December 31, 2008 and 2007, the revenues from this CUSO represented a nominal percentage of total revenues.

Accolade Investment Advisory, LLC - The Credit Union owns 100% of this company. This company was started in 2008 to provide investment advisory services to credit unions. During the year ended December 31, 2008, the revenues from this CUSO represented a nominal percentage of total revenues.

CONSOLIDATED FINANCIAL STATEMENTS/USE OF ESTIMATES

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the dates of the consolidated financial statements and the reported amounts of revenues and expenses for the periods then ended. Actual results could differ from those estimates. Estimates that are particularly susceptible to change relate to the fair value of financial instruments. The significant accounting principles and policies used in the preparation of these consolidated financial statements, together with certain related information, are summarized below.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Credit Union and the three CUSOs described above. All significant intercompany accounts and transactions have been eliminated.

CASH

Cash includes amounts due from banks and corporate credit unions as well as deposits in transit. Amounts due from banks and corporate credit unions may, at times, exceed federally insured limits.

<p style="text-align: center;">SOUTHEAST CORPORATE FEDERAL CREDIT UNION NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS</p>
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Note 1: (continued)

INVESTMENTS

Investments are classified into the following categories: available-for-sale and other. Investment securities classified as available-for-sale are measured at market value as of the consolidated statement of financial condition date. Unrealized gains and losses for available-for-sale investments are reported as a separate component of members' equity. The Credit Union has elected to classify certain cash equivalents as other investments. This election is available to the Credit Union according to the terms of Statement of Financial Accounting Standard (SFAS) No. 95, "Statement of Cash Flows." Realized gains and losses on disposition, if any, are computed using the specific identification method. Investments are adjusted for amortization of premiums and accretion of discounts over the term of the investment by a method that approximates the interest method. Adjustments are recognized to interest income on investments.

LOANS TO MEMBERS

Loans to members are stated at the amount of unpaid principal. Interest on loans is calculated using the simple-interest method on principal amounts outstanding. As of December 31, 2008 and 2007, the Credit Union maintained no allowance for loan losses. The accrual of interest is discontinued when management believes that collection of interest is doubtful.

PROPERTY AND EQUIPMENT

Land is carried at cost. Property and equipment are carried at cost less accumulated depreciation. Buildings, furniture and equipment are depreciated using the straight-line method over the estimated useful lives of the assets. The cost of leasehold improvements is amortized using the straight-line method over the term of the lease, or the estimated life of the asset, whichever is less. The Credit Union reviews property and equipment (long-lived assets) for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

NCUSIF INSURANCE DEPOSIT

The deposit in the National Credit Union Share Insurance Fund (NCUSIF) is in accordance with National Credit Union Administration (NCUA) regulations, which require the maintenance of a deposit by each insured credit union. The deposit would be refunded to the Credit Union if its insurance coverage is terminated, it converts to insurance coverage from another source, or the operations of the fund are transferred from the NCUA Board. **(See subsequent events Note 13)**

NCUSIF INSURANCE PREMIUMS

Credit unions are required to pay an annual insurance premium equal to one-twelfth of one percent of its total insured shares, unless the payment is waived or reduced by the NCUA Board. The NCUA Board waived the 2008 and 2007 insurance premiums. **(See subsequent events Note 13)**

MEMBERS' SHARE AND SAVINGS ACCOUNTS

Members' shares are subordinated to all other liabilities of the Credit Union other than membership capital share deposits and member paid-in capital deposits upon liquidation. Interest rates on members' share and savings accounts are set by management based on a daily assessment of available earnings and are not guaranteed by the Credit Union.

<p style="text-align: center;">SOUTHEAST CORPORATE FEDERAL CREDIT UNION NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS</p>
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Note 1: (continued)

MEMBERSHIP CAPITAL SHARE DEPOSITS

Membership capital share deposits require a notification term of three years prior to their withdrawal from the Credit Union. In the event of the Credit Union's liquidation, membership capital share deposits are payable only after satisfaction of all liabilities of the Credit Union, including uninsured share obligations to members and the NCUSIF, but excluding paid-in capital deposits. The weighted-average rate paid on these deposits was 4.83% and 5.33% as of December 31, 2008 and 2007, respectively. (See subsequent events Note 13)

MEMBER PAID-IN CAPITAL

In the event of the Credit Union's liquidation, paid-in capital is payable only after satisfaction of all liabilities of the Credit Union, including uninsured share obligations to members, the NCUSIF, and membership capital share deposits. Member paid-in capital is subject to withdrawal after 20 years from the original date of deposit. The weighted-average rate paid on these deposits was 5.33% and 5.83% as of December 31, 2008 and 2007, respectively. (See subsequent events Note 13)

MEMBERS' EQUITY

The Credit Union is required to maintain a statutory reserve (corporate reserve) in accordance with the Federal Credit Union Act and NCUA's Rules and Regulations. This statutory reserve represents a regulatory restriction and is not available for the payment of interest.

FEDERAL AND STATE TAX EXEMPTION

The Credit Union is exempt from most federal, state, and local taxes under the provisions of the Federal Credit Union Act, Internal Revenue code, and state tax laws.

RECLASSIFICATION OF PRIOR YEAR BALANCES

In January 2008, the NCUA issued a letter to corporate credit unions requiring them to discontinue the practice of presenting the uncollected cash letter credits as part of cash and shares on the consolidated statements of financial condition. Therefore, the prior year balance of cash and members' share and savings account were reclassified to conform with the current year presentation.

During 2008, the Credit Union changed its presentation of funds held with the Federal Reserve Bank of Jacksonville, Florida as a component of other investments. Prior to this change, these funds were reported as a component of cash. Therefore, the prior year balance of cash was reclassified to conform with the current year presentation.

CHANGES IN ACCOUNTING PRINCIPLES AND EFFECTS OF NEW ACCOUNTING PRONOUNCEMENTS

The FASB issued SFAS No. 157, "Fair Value Measurements" effective for fiscal years beginning after November 15, 2007 in order to establish a framework for measuring fair value, expand disclosures about fair value measurements, and reduce inconsistencies in applying GAAP regarding fair value measurements. SFAS No. 157 defines fair value to be the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date within its principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. The Credit Union adopted SFAS No. 157 effective January 1, 2008.

SOUTHEAST CORPORATE FEDERAL CREDIT UNION NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 2: INVESTMENTS

The amortized cost and estimated market value of investments are as follows:

<i>Available-for-sale:</i>	As of December 31, 2008			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
Asset-backed securities	\$614,482,042	\$17,965	(\$90,250,052)	\$524,249,955
Private issue mortgage-backed securities	220,635,842	—	(61,594,511)	159,041,331
Fed agency mortgage-backed securities	210,332,265	208,333	(4,433,498)	206,107,100
Notes receivable	36,975,753	—	(505,279)	36,470,474
Fed agency securities	113,709,543	305,960	(498,540)	113,516,963
	\$1,196,135,445	\$532,258	(\$157,281,880)	\$1,039,385,823
	As of December 31, 2007			
<i>Available-for-sale:</i>	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
Asset-backed securities	\$878,985,752	\$1,371,976	(\$20,007,683)	\$860,350,045
Private issue mortgage-backed securities	334,914,724	42,415	(8,265,892)	326,691,247
Fed agency mortgage-backed securities	175,697,603	233,062	(225,844)	175,704,821
Notes receivable	77,461,467	3,128	(400,700)	77,063,895
Municipal securities	20,000,000	—	—	20,000,000
Fed agency securities	15,775,704	12,228	(40,133)	15,747,799
	\$1,502,835,250	\$1,662,809	(\$28,940,252)	\$1,475,557,807

Proceeds from the sales of investments classified as available-for-sale approximated \$55,508,000 and \$61,801,000 for the years ended December 31, 2008 and 2007, respectively. Gross gains of approximately \$8,000 and \$21,000 were realized in connection with the sale of these investments for the years ended December 31, 2008 and 2007, respectively. No losses were realized in connection with the sale of these investments for the year ended December 31, 2008. The Credit Union recognized losses of approximately \$23,000 in connection with the sale of these investments for the year ended December 31, 2007.

SOUTHEAST CORPORATE FEDERAL CREDIT UNION NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Note 2: (continued)

The following table shows the gross unrealized losses and fair value of investments, aggregated by length of time that individual securities have been in a continuous unrealized loss position.

	As of December 31, 2008					
	Available-for-sale					
	<u>Less than 12 Months</u>		<u>12 Months or Longer</u>		<u>Total</u>	
	Fair	Gross	Fair	Gross	Fair	Gross
	Value	Unrealized	Value	Unrealized	Value	Unrealized
		Losses		Losses		Losses
Asset-backed securities	\$276,151,510	(\$11,833,310)	\$240,547,124	(\$78,416,742)	\$516,698,634	(\$90,250,052)
Fed agency mortgage-backed securities	140,969,213	(3,267,097)	50,524,617	(1,166,401)	191,493,830	(4,433,498)
Private issue mortgage-backed securities	15,781,646	(7,705,165)	143,259,685	(53,889,346)	159,041,331	(61,594,511)
Notes receivable	4,952,175	(43,903)	31,518,299	(461,376)	36,470,474	(505,279)
Fed agency securities	94,505,309	(494,691)	2,544,992	(3,849)	97,050,301	(498,540)
	<u>\$532,359,853</u>	<u>(\$23,344,166)</u>	<u>\$468,394,717</u>	<u>(\$133,937,714)</u>	<u>\$1,000,754,570</u>	<u>(\$157,281,880)</u>

	As of December 31, 2007					
	Available-for-sale					
	<u>Less than 12 Months</u>		<u>12 Months or Longer</u>		<u>Total</u>	
	Fair	Gross	Fair	Gross	Fair	Gross
	Value	Unrealized	Value	Unrealized	Value	Unrealized
		Losses		Losses		Losses
Asset-backed securities	\$419,630,718	(\$18,744,454)	\$50,419,542	(\$1,263,229)	\$470,050,260	(\$20,007,683)
Fed agency mortgage-backed securities	19,148,596	(36,026)	63,483,690	(189,818)	82,632,286	(225,844)
Private issue mortgage-backed securities	212,071,366	(6,748,005)	72,539,256	(1,517,887)	284,610,622	(8,265,892)
Notes receivable	61,615,895	(362,700)	10,462,000	(38,000)	72,077,895	(400,700)
Fed agency securities	—	—	3,387,082	(40,133)	3,387,082	(40,133)
	<u>\$712,466,575</u>	<u>(\$25,891,185)</u>	<u>\$200,291,570</u>	<u>(\$3,049,067)</u>	<u>\$912,758,145</u>	<u>(\$28,940,252)</u>

Unrealized losses on securities issued by the U.S. Government and its Agencies have not been recognized into income because the principal balances of these securities are guaranteed by the U.S. Government. The decline in the fair values of the U.S. Government and Agency securities is largely due to inactive markets for these securities and the fair values of the securities are expected to be recovered as the market for these securities improves and/or these securities approach their maturity dates. Management has the ability to hold these securities for the foreseeable future, however, this assessment is predicated on the continuance of the excess deposit guarantee provided by the NCUSIF to members of Southeast Corporate Federal Credit Union. (See subsequent events Note 13)

SOUTHEAST CORPORATE FEDERAL CREDIT UNION NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Note 2: (continued)

The principal balances of the asset-backed securities, notes receivable, and private issue mortgage-backed securities are not guaranteed; however, the decline in the fair values of these securities is primarily due to the inactive market conditions, and the fair values of the securities are expected to be recovered as the market conditions return to normal levels, and therefore have not been recognized into income. Management has the ability to hold these securities for the foreseeable future, however, this assessment is predicated on the continuance of the excess deposit guarantee provided by the NCUSIF to members of Southeast Corporate Federal Credit Union. **(See subsequent events Note 13)**

During 2008, management determined that the unrealized market losses on several individual securities was other-than-temporary. As a result, impairment charges were recorded equal to the difference between the amortized cost of these securities and their fair value totaling approximately \$16,335,000 for 2008 and are included on the consolidated statements of operations.

Other investments:

	As of December 31,	
	2008	2007
U.S. Central Federal Credit Union:		
Daily shares	\$151,360,651	\$234,047,459
Membership shares	21,709,417	59,927,162
Certificates of deposit	1,323,911,356	1,967,836,640
Paid-in capital	—	41,335,000
Paid-in capital II	—	—
Community investment fund	10,640,000	5,640,000
Fed funds sold	10,485,531	—
Certificates of deposit	22,585,000	1,996,000
FHLB:		
Member stock	13,888,700	—
Money market account	4,789	—
Federal Reserve Bank - Jacksonville Florida	4,315,576	3,892,376
Credit Union Service Organizations	605,701	455,468
	\$1,559,506,721	\$2,315,130,105

Included in the investments at U.S. Central Federal Credit Union are membership share and paid-in capital (I and II) accounts. On December 31, 2008, U.S. Central Federal Credit Union required member corporate credit unions to transfer a portion of membership shares to paid-in capital II to improve their equity position in an attempt to improve their overall credit rating. Membership shares and paid-in capital (I and II) are not insured by the NCUA. Due to substantial losses reported by U.S.

SOUTHEAST CORPORATE FEDERAL CREDIT UNION NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Note 2: (continued)

Central Federal Credit Union, management determined that these deposits were impaired as of December 31, 2008. Accordingly, the Credit Union reported an impairment loss of approximately \$108,484,000 for the year ended December 31, 2008. This consisted of all of the paid-in capital investments in U.S. Central Federal Credit Union and 64% of the membership capital shares. The 64% represents the minimum impairment recognized from a probable range of 64% to 100% impairment. Management will continue to monitor the financial statements of U.S. Central Federal Credit Union to determine whether further impairments are necessary.

The amortized cost and estimated market value of investments by contractual maturity are shown below. Expected maturities may differ from contractual maturities because issuers may have the right to call or prepay certain obligations without call or prepayment penalties.

<u>Available-for-sale:</u>	As of December 31, 2008	
	Amortized Cost	Market Value
Within one year	\$100,001,632	\$99,455,080
1 to 5 years	36,995,718	36,678,516
10 years and over	13,687,946	13,853,841
	150,685,296	149,987,437
Asset-backed securities	614,482,042	524,249,955
Fed agency mortgage-backed securities	210,332,265	206,107,100
Private issue mortgage-backed securities	220,635,842	159,041,331
	\$1,196,135,445	\$1,039,385,823

NOTE 3: LOANS TO MEMBERS

The composition of loans to members is as follows:

	As of December 31,	
	2008	2007
Loans outstanding:		
Demand	\$52,499,481	\$22,312,000
Collateralized loans	7,249,999	45,000,000
Settlement	18,326,890	1,604,188
Real estate	12,073,765	269,140
Term secured	26,271,000	20,000,000
Share secured	750,000	750,000
	\$117,171,135	\$89,935,328

SOUTHEAST CORPORATE FEDERAL CREDIT UNION NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 4: PROPERTY AND EQUIPMENT

A summary of the Credit Union's property and equipment is as follows:

	As of December 31,	
	2008	2007
Land	\$1,752,393	\$1,752,393
Buildings	5,146,924	4,997,272
Furniture and equipment	2,500,023	2,273,532
Data processing equipment	6,253,944	5,771,367
Leasehold improvements	224,407	199,091
	15,877,691	14,993,655
Less accumulated depreciation and amortization	(6,761,727)	(5,428,052)
	\$9,115,964	\$9,565,603

NOTE 5: MEMBERS' SHARE AND SAVINGS ACCOUNTS

Members' share and savings accounts are summarized as follows:

	As of December 31,	
	2008	2007
Transaction accounts	\$210,191,994	\$197,656,172
Funds plus	745,589,338	1,471,685,890
CIF variable rate shares	5,640,000	5,640,000
Managed investment accounts	125,080,930	127,762,846
Collateral share accounts	2,735,585	2,888,765
Certificates	1,448,984,177	1,681,130,851
	\$2,538,222,024	\$3,486,764,524

The aggregate amount of members' time deposit accounts in denominations of \$100,000 or more was approximately \$1,448,367,000 and \$1,697,932,000 as of December 31, 2008 and 2007, respectively.

Scheduled maturities of certificates are as follows:

	As of December 31, 2008
Within 1 year	\$1,000,123,839
1 to 2 years	189,446,543
2 to 3 years	98,381,795
3 to 4 years	46,150,000
4 to 5 years	114,882,000
	\$1,448,984,177

SHARE INSURANCE

Members' shares are generally insured by the NCUSIF to a maximum of \$250,000 for each member.
(See subsequent events Note 13)

SOUTHEAST CORPORATE FEDERAL CREDIT UNION NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 6: BORROWED FUNDS

Borrowed funds are summarized as follows:

	As of December 31,			
	2008		2007	
	Weighted Average Rate	Balance	Weighted Average Rate	Balance
FHLB Advances	0.46%	\$140,571,400	—	\$—
Loans from U.S. Central CU:				
Commercial paper (due January 2009)	0.99%	51,979,987	—	—
Commercial paper (due January 2008)	—	—	4.42%	74,846,363
Central Liquidity Facility				
Term (due January 2009)	1.75%	6,000,000	—	—
Term (due January 2009)	1.75%	6,500,000	—	—
Term (February 2009)	1.25%	5,000,000	—	—
Term (due December 2008)	—	—	3.66%	20,000,000
Term (due March 2009)	—	—	4.52%	100,000,000
Repurchase note (due August 2009)	3.89%	25,000,000	3.89%	25,000,000
		<u>\$235,051,387</u>		<u>\$219,846,363</u>

NOTE 7: EMPLOYEE BENEFITS

401(k) PLAN

All full-time employees of the Credit Union are eligible to participate in a 401(k) pension plan upon attaining one year of service and 18 years of age. The Credit Union contributes up to 7% of each eligible employees' salary to the plan. Additionally, the Credit Union matches employee contributions at the rate of 100% up to 4% of their salary. Profit sharing benefits become 100% vested after an employee completes six years of service. The employer matching contributions become 100% vested after an employee completes four years of service. The Credit Union's contributions to the 401(k) plan approximated \$680,000 and \$607,000 for the years ended December 31, 2008 and 2007, respectively.

NOTE 8: POST RETIREMENT BENEFITS

The Credit Union has a post retirement benefit plan which pays for 100% of the employees' health care and life insurance premiums subsequent to retirement. Employees attaining at least age 55 and 20 years of service are eligible for a pro rata share of full benefits. Employees of the Credit Union are eligible for full benefits under this plan upon attaining age 65 and 20 years of service. The Credit Union has accrued a liability for this obligation; however, the Credit Union is not required to, and does not make cash contributions to the plan. The following table sets forth the plan's status and amounts recognized in the Credit Union's consolidated statements of financial condition:

SOUTHEAST CORPORATE FEDERAL CREDIT UNION NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Note 8: (continued)

	As of December 31,	
	2008	2007
Accumulated post retirement benefit obligation	\$1,124,946	\$963,464
Plan assets at fair value	—	—
Funded status	1,124,946	963,464
Unrecognized net actuarial loss	—	—
Accrued pension benefit cost	\$1,124,946	\$963,464

The net periodic benefit cost related to this plan was approximately \$179,000 and \$203,000 for the years ended December 31, 2008 and 2007, respectively. Employer contributions and benefits paid during the year ended December 31, 2008 approximated \$13,000. Expected contributions for the plan year beginning January 1, 2009 is approximately \$20,000.

Assumptions used to develop the net periodic post-retirement benefits cost were as follows:

	For the years ended	
	December 31,	
	2008	2007
Discount rate	6.00%	5.75%
Expected long-term return on plan assets	6.00%	5.75%
Rate of compensation increase	4.00%	4.00%

The following benefit payments are expected to be paid:

Year beginning	Amount
January 1,	
2009	\$20,000
2010	23,000
2011	27,000
2012	31,000
2013	40,000
2014 - 2018	178,000
	\$319,000

NOTE 9: COMMITMENTS AND CONTINGENT LIABILITIES

LINES OF CREDIT:

As of December 31, 2008, the Credit Union had an unused Advised Line-of-Credit Agreement with U.S. Central Federal Credit Union. The terms of the agreement require the pledging of all share accounts, share certificate accounts, or other accounts maintained with U.S. Central Federal Credit Union as security for obligations under this line-of-credit agreement. The Credit Union is also required to pledge any securities held in safekeeping by U.S. Central Federal Credit Union. The line of credit was approximately \$1,250,000,000 as of December 31, 2008. (See subsequent events Note 13)

SOUTHEAST CORPORATE FEDERAL CREDIT UNION NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Note 9: (continued)

As of December 31, 2008, the Credit Union maintained an unused line-of-credit with the FHLB-Atlanta equal to 10% of their total assets. Advances under this agreement are required to be fully secured by qualifying collateral.

Lease Commitment:

The Credit Union leases certain office locations. The minimum noncancellable lease obligations approximate the following as of December 31, 2008.

Year ending December 31,	Amount
2009	\$193,000
2010	247,000
2011	256,000
2012	219,000
Thereafter	—
	<u>\$915,000</u>

The rental expense under operating leases was approximately \$227,000 and \$363,000 for the years ended December 31, 2008, and 2007, respectively.

MISCELLANEOUS LITIGATION:

The Credit Union is a party to various miscellaneous legal actions normally associated with financial institutions, the aggregate effect of which, in management's opinion, would not be material to the Credit Union's consolidated financial statements.

**NOTE 10: OFF-BALANCE-SHEET RISK
AND CONCENTRATIONS OF CREDIT RISK**

The Credit Union is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its members and to reduce its own exposure to fluctuations in interest rates. These financial instruments include commitments to extend credit. These instruments involve, to varying degrees, elements of credit and interest-rate risk in excess of the amount recognized in the consolidated statements of financial condition. The Credit Union's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit is represented by the contractual amount of those instruments.

Commitments to extend credit are agreements to lend to a member as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses. Since many of the commitments may expire without being fully drawn upon, the total commitment amounts do not necessarily represent future cash requirements. As of December 31, 2008, the Credit Union's unused lines of credit approximated \$2,011,632,000. The Credit Union evaluates each member credit union's creditworthiness on a case-by-case basis. The amount of collateral obtained, if any, is based on management's credit evaluation of the member.

SOUTHEAST CORPORATE FEDERAL CREDIT UNION NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Note 10: (continued)

The Credit Union may be exposed to credit risk from a regional economic standpoint, since a significant concentration of its funded and unfunded loans are made primarily to member credit unions in the southeastern United States. In addition, as a normal course of business operation, the Credit Union maintains a significant amount of its investments with U.S. Central Federal Credit Union. While management does not anticipate any loss as a result of this activity, these funds exceed federal deposit insurance limits of \$250,000 (See subsequent events Note 13). The balance maintained at U.S. Central Federal Credit Union was approximately \$1,518,107,000 and \$2,308,786,000 as of December 31, 2008 and 2007, respectively.

**NOTE 11: REGULATORY CAPITAL AND
MANAGEMENT'S PLANS**

The Credit Union is subject to various regulatory capital requirements administered by the NCUA. Failure to meet minimum capital requirements can initiate certain mandatory-and possibly additional discretionary-actions by regulators that, if undertaken, could have a direct material effect on the Credit Union's consolidated financial statements. Failure to meet minimum capital requirements would require the Credit Union to submit a plan of action to correct the shortfall. Additionally, NCUA could require an increase in capital to specific levels, reduction of dividends, and ceasing or limiting the Credit Union's ability to accept deposits.

Corporate credit unions must maintain a minimum capital ratio of 4% of its daily average net assets. Capital consists of retained earnings as well as membership capital and paid-in capital deposits. As of December 31, 2008 the Credit Union's capital ratio was below the regulatory required level.

Corporate credit unions that maintain a retained earnings ratio of less than 2% of its daily average net assets must meet certain minimum earnings requirements as established by NCUA Rules and Regulations. As of December 31, 2008 the Credit Union's retained earnings ratio was below the regulatory required level.

The Credit Union's actual and required capital ratios were as follows:

	As of December 31, 2008		As of December 31, 2007	
	Amount	Ratio	Amount	Ratio
<u>Capital ratio:</u>				
Actual capital:				
Retained earnings	\$612,078		\$112,274,483	
Membership capital	86,995,598		81,803,292	
Paid-in capital	20,192,948		20,192,948	
S-40 Notice	(1,534,014)		(719,615)	
	\$106,266,610	2.82%	\$213,551,108	5.33%
Required capital	\$150,615,072	4.00%	\$160,127,309	4.00%

SOUTHEAST CORPORATE FEDERAL CREDIT UNION NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Note 11: (continued)

The Credit Union's actual and required retained earnings ratios were as follows:

	As of December 31, 2008		As of December 31, 2007	
	Amount	Ratio	Amount	Ratio
<i>Retained earnings ratio:</i>				
Actual retained earnings	\$612,078	0.02%	\$112,274,483	2.80%
Required retained earnings	\$75,307,536	2.00%	\$80,063,655	2.00%

The Credit Union has sustained substantial losses due to the impairment of paid-in capital and membership capital share investments in U.S. Central Federal Credit Union which has effectively depleted undivided earnings and has resulted in non-compliance with critical regulatory capital requirements as indicated in the preceding table. The Credit Union has informed its regulator, the NCUA, and has received regulatory forbearance. Additionally, the Credit Union has submitted a capital restoration plan, including expense reductions and operational efficiencies, designed to improve profitability which have been accepted by the NCUA. However, the NCUA may impose future requirements upon the Credit Union as a result of the Advanced Notice of Proposed Rulemaking regarding corporate credit unions.

NOTE 12: FAIR VALUES OF FINANCIAL INSTRUMENTS

Effective January 1, 2008, the Credit Union adopted Financial Accounting Standards Board Statement No. 157, *Fair Value Measurements* (FASB Statement No. 157), which provides a framework for measuring fair value that requires an entity to derive fair value from the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date within its principal market for the asset or liability, or in the absence of a principal market, the most advantageous market for the asset or liability. To increase consistency and comparability in fair value measurements and related disclosures, a three-level hierarchy prioritizes the inputs to valuation techniques used to measure fair value with the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3) as further described below:

Level 1

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Credit Union has the ability to access at the measurement date. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

SOUTHEAST CORPORATE FEDERAL CREDIT UNION NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Note 12: (continued)

Level 2

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability. Level 2 inputs include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are inactive; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3

Level 3 inputs are unobservable inputs for the asset or liability which reflect the Credit Union's own assumptions about the assumptions that market participants would use in pricing the asset or liability. Assumptions about risk include risk inherent in a particular valuation technique used to measure fair value, typically pricing models and/or discounted cash flow methodologies.

The methodologies and associated inputs used may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Credit Union believes its valuation methods and associated inputs are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Credit Union's financial instruments at fair value as of December 31, 2008.

	As of December 31, 2008			Total
	Quoted Prices Active Markets Identical Assets Level 1	Significant Other Inputs Level 2	Significant Unobservable Inputs Level 3	
<i>Available-for-sale:</i>				
Asset-backed securities	\$—	\$513,805,802	\$10,444,153	\$524,249,955
Private issue mortgage-backed securities	—	133,142,476	25,898,855	159,041,331
Fed agency mortgage-backed securities	206,107,100	—	—	206,107,100
Notes receivable	—	—	36,470,474	36,470,474
Fed agency securities	113,516,963	—	—	113,516,963
	\$319,624,063	\$646,948,278	\$72,813,482	\$1,039,385,823

SOUTHEAST CORPORATE FEDERAL CREDIT UNION NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Note 12: (continued)

The following table is a reconciliation of financial instruments measured using Level 3 inputs during the year ended December 31, 2008.

	Total Fair Value			Total
	Asset-backed securities	Private issue mortgage-backed securities	Notes receivable	
Balance January 1, 2008	\$13,114,691	\$42,967,945	\$77,063,895	\$133,146,531
Total gains/(losses) - realized and unrealized:				
Included in earnings	(7,033,159)	(9,301,666)	—	(16,334,825)
Included in other comprehensive operations	5,920,918	1,399,637	(107,707)	7,212,848
Purchase and principal repayments, net	(1,558,297)	(9,167,061)	(40,485,714)	(51,211,072)
	<u>\$10,444,153</u>	<u>\$25,898,855</u>	<u>\$36,470,474</u>	<u>\$72,813,482</u>

The estimated fair value amounts have been determined using available market information and appropriate valuation methodologies. However, considerable judgment is required to interpret market data to develop the estimates of fair value. Accordingly, the estimates presented are not necessarily indicative of amounts that could be realized in a market exchange. The use of different assumptions and estimation methodologies may have a material effect on the estimated fair value amounts. The following methods and assumptions were used to estimate fair value of each of the financial instruments for which it is practicable to estimate.

CASH

The carrying amount is a reasonable estimation of fair value.

INVESTMENTS

Estimated fair values for investments are obtained from quoted market prices where available. The fair value of fixed-maturity certificates of deposit was estimated by discounting the estimated cash flows using the current rate at which similar certificates would be issued.

LOANS TO MEMBERS

The estimated fair value for lines of credit is the current carrying amount due to the short-term, variable-rate nature of these instruments.

ACCRUED INTEREST RECEIVABLE

The carrying amount is a reasonable estimation of fair value.

SOUTHEAST CORPORATE FEDERAL CREDIT UNION NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Note 12: (continued)

MEMBERS' SHARE AND SAVINGS ACCOUNTS AND CAPITAL SHARES

The estimated fair value of demand deposit accounts is the carrying amount. The fair value of fixed-rate certificates of deposit was estimated by discounting the estimated cash flows using the current rate at which similar certificates would be issued.

BORROWED FUNDS

The estimated fair value of borrowed funds was estimated by discounting the estimated cash flows using similar interest rates and terms at which funds could be borrowed.

INTEREST PAYABLE

The carrying amount is a reasonable estimation of fair value.

COMMITMENTS TO EXTEND CREDIT

The fair value of commitments to extend credit is equivalent to the amount of credit extended since the Credit Union does not charge fees to enter into these commitments and the commitments are not stated at fixed rates.

The carrying value and estimated fair value of the Credit Union's financial instruments are as follows:

	As of December 31, 2008		As of December 31, 2007	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<i>Financial assets:</i>				
Cash	\$787,663	\$787,633	\$9,912,891	\$9,912,891
<i>Investments:</i>				
Available-for-sale	\$1,039,385,823	\$1,039,385,823	\$1,475,557,807	\$1,475,557,807
Other	\$1,559,506,721	\$1,572,499,890	\$2,315,130,105	\$2,324,760,164
Loans to members	\$117,171,135	\$117,171,135	\$89,935,328	\$89,935,328
Accrued interest receivable	\$10,893,315	\$10,893,315	\$23,923,144	\$23,923,144
<i>Financial liabilities:</i>				
Members' share and savings accounts	\$2,538,222,024	\$2,571,963,563	\$3,486,764,524	\$3,498,104,272
Membership capital share deposits	\$86,995,598	\$86,995,598	\$81,803,292	\$81,803,292
Member paid-in capital	\$20,192,948	\$20,192,948	\$20,192,948	\$20,192,948
Borrowed funds	\$235,051,387	\$235,051,387	\$219,846,363	\$219,846,363
Interest payable	\$14,010,554	\$14,010,554	\$24,335,159	\$24,335,159
<i>Unrecognized financial instruments:</i>				
Commitments to extend credit	\$—	\$2,011,632,000	\$—	\$1,932,233,000

SOUTHEAST CORPORATE FEDERAL CREDIT UNION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13: SUBSEQUENT EVENTS

On January 28, 2009, all federally-insured credit unions were informed that actions taken by the National Credit Union Administration to enhance and support the corporate credit union system would result in a partial write-down of the Credit Union's 1 percent NCUSIF deposit. It was also determined that a premium would be assessed sufficient to return the NCUSIF's equity ratio to 1.30 percent. The results of these actions was a 69 percent write-off of the Credit Union's NCUSIF deposit of approximately \$418,000, resulting in the recognition of an impairment loss of approximately \$288,000 as well as the additional premium to be assessed in 2009. However, as a result of the establishment of the Temporary Corporate Credit Union Stabilization Fund by the NCUA, the NCUSIF deposit balance was subsequently restored and income of approximately \$288,000 was recognized.

Another action taken by the NCUA on January 28, 2009, was to provide a temporary guarantee on all deposits in excess of insurable limits maintained at U.S. Central Federal Credit Union, other than membership capital shares and paid-in capital, through February 28, 2009. U.S. Central Federal Credit Union was given the ability to voluntarily extend this guarantee through December 31, 2010, on condition that the Board of Directors of the corporate credit union sign a Supervisory Agreement with the NCUA. As a result of signing this agreement, the Credit Union's deposits in excess of insurable limits at U.S. Central Federal Credit Union, other than membership capital shares and paid-in-capital are fully guaranteed by the NCUSIF through December 31, 2010.

An additional action taken by the National Credit Union Administration on January 28, 2009, was an infusion of capital from the National Credit Union Share Insurance Fund of \$1 billion into U.S. Central Federal Credit Union.

On January 31, 2009, the NCUA issued an Advance Notice of Proposed Rulemaking (ANPR) to solicit comments and input from credit unions as to the future role of corporate credit unions. Specifically, the NCUA requested comments in the areas of payments systems, liquidity management, field of membership, expanded investment authority, a two-tiered corporate credit union structure, capitalization, permissible investments, credit risk management, asset/liability management, and corporate governance. The deadline for comments to be received by NCUA was April 6, 2009. It is not known what, if any, changes may result to the corporate credit union network.

On February 19, 2009, Southeast Federal Credit Union signed a Supervisory Agreement thereby providing its depositors with a guarantee on all deposits in excess of insurable limits maintained at the Credit Union, other than membership capital shares and paid-in capital. In April 2009, the NCUA revised the terms of the Supervisory Agreement to extend the deposit guarantees to September 30, 2011 and to provide for a rolling two-year expiration date that may be extended quarterly until December 31, 2012 with a final expiration of December 31, 2014. Both U.S. Central Federal Credit Union and the Southeast Corporate Federal Credit Union re-executed this agreement in May 2009.

SOUTHEAST CORPORATE FEDERAL CREDIT UNION NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Note 13: (continued)

On March 20, 2009, the NCUA placed U.S. Central Federal Credit Union into conservatorship. In connection with this action, the NCUA announced that uninsured deposits maintained by corporate credit unions in membership capital shares and paid-in capital at U.S. Central Federal Credit Union were impaired. The NCUA delayed the issuance of December 31, 2008, financial statements of U.S. Central Federal Credit Union until a further evaluation of the investment securities maintained by the Credit Union could be performed.

On August 31, 2009, the Credit Union was informed that CUNA Mutual Insurance Society would not renew the Credit Union's bond coverage scheduled to expire on December 31, 2009, due to substantial changes in the Credit Union's risk profile as evidenced by the reduction of the Credit Union's financial strength below the insurance company's minimum underwriting standards.

On September 8, 2009, the audited financial statements of U.S. Central Federal Credit Union were issued for the period ended December 31, 2008. These financial statements indicated substantial losses at U.S. Central Federal Credit Union due to impairment charges related to the Credit Union's investment securities. These financial statements also indicated significant further deterioration in the values of the investment securities. As a result, Southeast Corporate Federal Credit Union has recognized an impairment loss of \$108,484,000 for the year ended December 31, 2008, which represents 100% of the Credit Union's paid-in capital I and II as well as 64% of the Credit Union's membership capital shares at U.S. Central Federal Credit Union. There is substantial uncertainty about the recoverability of the remaining balance of membership capital shares of approximately \$21,709,000 as of December 31, 2008. If there are further losses recorded by U.S. Central Federal Credit Union and the remaining balance of membership capital shares is not recoverable, further impairment losses will be recorded by Southeast Corporate Federal Credit Union. A total loss of membership capital shares would have had the following impact on the Southeast Corporate Federal Credit Union as of December 31, 2008:

	<u>Amount/Ratio</u>
Undivided earnings	(\$21,097,339)
Capital ratio	2.25%
Retained earnings ratio	—%

Section 704.2 of the NCUA Rules and Regulations requires that paid-in capital and membership capital shares be available to cover losses that exceed retained earnings. Southeast Corporate Federal Credit Union has been instructed by the NCUA that they are expected to deplete paid-in capital and membership capital shares issued to their natural person credit union members in order to restore any deficit in retained earnings. Therefore, if there is a total loss of the remaining membership capital shares held by Southeast Corporate Federal Credit Union at U.S. Central Federal Credit Union, this loss would result in a depletion of all paid-in-capital totaling approximately \$20,193,000 (100%) and membership capital shares of \$904,000 (1.0%).

During the first three quarters of 2009, the Credit Union has recorded an additional impairment on securities classified as available-for-sale of approximately \$6,005,000.

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