

Vision Statement

The goal of a merger between Corporate One and Southeast Corporate is to enhance the value of ownership of our respective memberships. This will be done through:

- 1) Preservation of members' capital investments;
- 2) Continuity and enhancement of existing services along with the addition of new products and services; and,
- 3) Creating long-term value to our memberships by increasing operating efficiencies that will allow us to continue providing the kinds of unparalleled member service and support to which the memberships have been accustomed and to which they cannot find elsewhere, protecting the franchise value of both organizations.

Why was Corporate One Chosen as a Merger Partner for Southeast Corporate?

As part of Southeast's recapitalization plan, it also created a "Plan B," which it would pursue if the membership indicated that they would prefer an alternative to recapitalizing Southeast. So, even before Southeast knew that it would not meet its recapitalization goal, it was looking at several corporates who might be potential merger candidates. There are non-disclosure agreements with these other corporates, so we can't disclose who was on the list, but we can tell you that some of the corporates had overlapping fields of membership with Southeast Corporate and some did not. Corporate One fell into the latter category. In fact, there are only two capitalized members in common with Corporate One.

After an extensive and objective review by Southeast's senior management and board of potential merger partners, it became very clear that a merger between Southeast and Corporate One was the best option for Southeast's members, as it allowed Southeast to meet its three guiding principles: 1) to preserve and protect members' capital, 2) to provide continuity of services, and 3) to enhance the value of membership in Southeast.

Here are some fast facts about Corporate One that helped guide the decision by Southeast's board and management to sign a letter of intent to merge, broken down by these guiding principles: capital, services and value.

Capital

- In the new world, CAPITAL IS KING, and Corporate One has the most capital in dollars of any corporate in the system:
 - \$269 million in total regulatory capital, including
 - \$135 million in perpetual contributed capital (PCC), and
 - \$38 million in reserves and undivided earnings (RUDE).
- Corporate One has a Permanent (RUDE and PCC) Leverage ratio of 5.22%. This is important as other corporates are providing their interim leverage ratio to prospective members. The interim leverage ratio allows corporates to temporarily count paid-in-capital, membership capital, and non-perpetual contributed capital account (NCA)

instruments. But these interim capital instruments go away in 2013 under the corporate regulation and then only RUDE and PCC will count as the leverage ratio. For a true comparison, you need to compare the *permanent* leverage ratio of corporates.

- Merging with Corporate One will provide a projected \$40 million cushion (total in RUDE) to protect Southeast members' capital from impairment or losses. This is the most effective way of protecting members' capital. No other corporate has more RUDE or total capital than Corporate One and no other corporate is better able to protect Southeast's members' capital investment, both now and in the future.
- A strong capital position will allow our combined entity to invest in technology and innovative new solutions to help our members. Corporates without sufficient capital will not be able to make such investments in the future, as their focus will be in meeting earnings requirements and permanent leverage ratios.
- Capital will allow the combined entity to operate efficiently and effectively in the financial markets. All financial regulators are stressing the need for capital, not just the NCUA. To be able to provide necessary liquidity for our members, obtain and offer adequate lines of credit, provide strong returns on our members' investments, and work effectively with other banking partners and the Federal Reserve, we must have capital. Anyone without sufficient capital is not going to be able to provide the above mentioned services to their membership to the extent an organization with a strong capital position will.
- By merging with Corporate One and having Southeast members invest their existing MCS in PCC, the combined entity can meet our goal of meeting the NCUA's new ratios at the "well capitalized" levels. Most corporates are meeting just the "adequately" capitalized levels, which is the minimum allowed. As credit unions know, NCUA examiners typically do not indicate that being "adequately" capitalized is sufficient.

Products and Services

- Maintaining a high level of service while minimizing disruption to members was another primary goal of this merger. Again, we believe we hit it out of the park by merging Southeast and Corporate One, as Corporate One provides many of the same solutions as Southeast, and uses many of the same platforms. For example, both corporates offer:
 - The same ACH program, making transition nearly seamless for Southeast members.
 - The same share draft imaging platform, making integration even easier.
 - The ability to process virtual deposit (check 21) files using the same hardware and software in many of Southeast members' branches.
 - SimpliCD, brokerage services and Alaska USA Trust for safekeeping.
- Corporate One and Southeast Corporate both use the same core processor, making integration of both entities easier and smoother for the membership.
- Corporate One offers a full menu of services, just like Southeast; however, there are two lines of business that Southeast offers that will now be available to Corporate One members, making this a win-win for both memberships. These are:
 - Accolade investment advisory services, and
 - MBS Business Services.

- Corporate One will also be able to offer Southeast members some new services, such as:
 - Alliance One, a group of 5000 selective-surcharge ATMs that our members can provide to their members for only \$250 / year, and
 - A full-service ATM/debit and credit card program for small-to mid-size credit unions powered by PSCU, the largest CUSO in the nation.

Providing Long-Term Value

- Corporate One has historically been, and continues to be one of the most efficient and highest-earning corporates in the nation. Corporate One has a very diversified stream of income sources and has one of the highest coverage ratios (the ratio of ALL operating expenses covered by fee income and not interest income) in the nation at about 80%.
- Even though Corporate One has strong, diversified sources of income, pricing is very competitive. Once more of the initial due diligence review is completed, Southeast members will have access to pricing sheets and cost comparisons to demonstrate the value of the new relationship.
- Corporate One also has the infrastructure, the technology and the experience to be able to smoothly handle such a merger. Some of the other merger candidates only process for a small number of credit unions, so the board and management of Southeast didn't feel they had the expertise necessary to service Southeast members in the ways in which they are accustomed. Based solely on products and services, here's a sample of what we project the new corporate will look like:
 - Number of virtual deposit (Check 21) branches - 1428
 - Number of items cleared by our Check 21 solution – 5.2 million / month
 - Total dollars of items cleared through our Check 21 solution - \$3.2 billion / month
 - Number of Check 21 items archived – 5.5 million / month
 - Number of credit unions to process share drafts - 496
 - Total number of share draft items cleared – more than 8.8 million / month
 - Number of credit unions processing ACH - 475
 - Total number of ACH transactions cleared – 5.5 million / month

These efficiencies will keep down costs, help us retain members and help us grow our membership, all of which will help grow our earnings, which in turn provides additional protection of our collective members' capital.

To learn more about the merger between Southeast Corporate and Corporate One, check our websites at www.secorp.org and www.corporateone.coop for the latest updates, or contact your corporate representative for more details.