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INDEPENDENT AUDITORS' REPORT

May 24, 2011

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 (the "Credit Union") as of December 31, 2010 and 2009, and the related consolidated statements of operations, comprehensive operations, 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, 2010 and 2009, 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.

The Credit Union suffered substantial operating losses during 2008 and 2009. As a result, the Credit Union's capital ratios remain below regulatory requirements as of December 31, 2010. On October 20, 2010, the NCUA issued a new corporate credit union regulation that requires the Credit Union to meet certain capital and operating requirements in various stages over the next 10 years. Management has analyzed the impact of the new corporate credit union regulations and developed a business plan to meet the requirements of the new regulations. The new regulations require the Credit Union to meet certain profitability requirements to build retained earnings and require the Credit Union to raise capital by converting existing member capital and/or requiring member credit unions to invest additional capital. There is considerable uncertainty about the Credit Union's ability to meet the profitability goals and to raise sufficient capital to satisfy the requirements of the new regulations. See notes 6, 11, and 12 for further information on the impact of this matter on the Credit Union's consolidated financial statements.

Orth, Chakler, Murnane & Co.

Orth, Chakler, Murnane & Company
Certified Public Accountants

SOUTHEAST CORPORATE FEDERAL CREDIT UNION
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

ASSETS

	As of December 31, 2010	2009
Cash	$2,272,555	$2,320,785
Other receivables	2,333,418	1,592,888
Investments:		
Available-for-sale	674,581,687	709,372,063
Other	1,857,545,907	2,563,257,552
Loans to members, net of allowance for loan losses	12,757,956	34,333,161
Accrued interest receivable:		
Investments	2,596,082	7,181,872
Loans	72,451	116,332
Prepaid and other assets	1,244,809	6,733,554
Property and equipment	7,320,038	8,211,978
NCUSIF deposit	781,363	910,837
Total assets	$2,561,506,266	$3,334,031,022

LIABILITIES AND EQUITY

	As of December 31, 2010	2009
LIABILITIES:		
Members' share and savings accounts	$2,547,451,558	$3,338,613,655
Membership capital share deposits	62,839,720	67,724,818
Interest payable	2,187,531	7,217,415
Accounts payable	1,117,862	17,092,278
Other accrued liabilities	1,804,456	4,676,963
Total liabilities	2,615,401,127	3,435,325,129
Commitments and contingent liabilities	—	—
EQUITY:		
Corporate reserve	—	—
Undivided earnings	239,863	—
Accumulated other comprehensive loss	(54,727,894)	(101,772,841)
Total members' equity	(54,488,031)	(101,772,841)
Non-controlling interest	593,170	478,734
Total equity	($53,894,861)	($101,294,107)
Total liabilities and equity	$2,561,506,266	$3,334,031,022

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, 2010	2009
INTEREST INCOME:		
Loans to members	$874,685	$1,412,316
Investments	25,294,819	48,162,468
Total interest income	26,169,504	49,574,784
INTEREST EXPENSE:		
Members' share and savings accounts	18,586,468	38,998,748
Borrowed funds	118,480	1,025,413
Total interest expense	18,704,948	40,024,161
Net interest income	7,464,556	9,550,623
PROVISION FOR LOAN LOSSES	—	35,000
Net interest income after provision for loan losses	7,464,556	9,515,623
NON-INTEREST INCOME:		
Fees and service charges	9,177,941	9,475,026
Investments	453,409	574,371
Disposition of property and equipment	17,400	8,649
Total non-interest income	9,648,750	10,058,046
	17,113,306	19,573,669
NON-INTEREST EXPENSE:		
Impairment of investments at U.S. Central FCU	—	21,709,418
Loss on investments, net	1,887,188	24,509,343
Compensation and employee benefits	8,993,820	11,257,991
Office operating costs	4,168,445	4,998,489
Professional and outside services	1,370,705	2,100,716
Other	338,849	759,446
Total non-interest expense	16,759,007	65,335,403
Net income/(loss) before non-controlling interest	354,299	(45,761,734)
Non-controlling interest	(114,436)	(55,254)
Net income/(loss)	$239,863	($45,816,988)

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, 2010	2009
NET INCOME/(LOSS)	$239,863	($45,816,988)
OTHER COMPREHENSIVE INCOME/(LOSS):		
Net unrealized holding gains/(losses) on investments classified as available-for-sale	45,646,375	29,978,823
Net unrealized holding gains/(losses) on 457 plan investment classified as available-for-sale	(488,616)	634,169
Reclassification adjustment for net losses included in net income/(loss)	1,887,188	24,509,343
Other comprehensive income	47,044,947	55,122,335
Comprehensive income	$47,284,810	$9,305,347

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

SOUTHEAST CORPORATE FEDERAL CREDIT UNION
CONSOLIDATED STATEMENTS OF EQUITY

	For the years ended December 31, 2010 and 2009				
	Corporate Reserve	Undivided Earnings	Accumulated Other Comprehensive (Loss)/Income	Non-Controlling Interest	Total
Balance, December 31, 2008	$—	$612,078	($156,895,176)	$357,605	($155,925,493)
Net (loss)/income	—	(45,816,988)	—	55,254	(45,761,734)
Sale of interest in subsidiary to non-controlling interest	—	—	—	65,875	65,875
Depletion of member capital accounts **(See Note 6)**	—	45,204,910	—	—	45,204,910
Other comprehensive income	—	—	55,122,335	—	55,122,335
Balance, December 31, 2009	—	—	(101,772,841)	478,734	(101,294,107)
Net income	—	239,863	—	114,436	354,299
Other comprehensive income	—	—	47,044,947	—	47,044,947
Balance, December 31, 2010	$—	$239,863	($54,727,894)	$593,170	($53,894,861)

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, 2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income/(loss)	$239,863	($45,816,988)
Adjustments:		
Provision for loan losses	—	35,000
Depreciation	1,023,819	1,190,870
Impairment of investments at U.S. Central FCU	—	21,709,418
Loss on investments, net	1,887,188	24,509,343
Amortization of investment premiums/discounts	335,701	(1,007,019)
Changes in operating assets and liabilities:		
Other receivables	(740,530)	(969,810)
Accrued interest receivable	4,629,671	3,595,111
Prepaid and other assets	5,488,745	(294,479)
Interest payable	(5,029,884)	(6,793,139)
Accounts payable	(15,974,416)	16,542,121
Other accrued liabilities	(2,872,507)	(21,653)
Non-controlling interest	114,436	121,129
Net cash (used in)/provided by operating activities	(10,897,914)	12,799,904
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturities, sales and repayments of available-for-sale securities	584,334,326	642,901,561
Purchase of available-for-sale securities	(504,721,892)	(281,901,959)
Net change in other investments	705,711,645	(1,025,460,249)
Net change in loans to members	21,575,205	82,891,839
Expenditures for property and equipment	(131,879)	(286,884)
Change in NCUSIF deposit	129,474	(492,516)
Net cash provided by/(used in)investing activities	806,896,879	(582,348,208)

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, 2010	2009
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net change in members' share and savings accounts	(791,162,097)	800,391,631
Net change in membership capital share deposits	(4,885,098)	5,741,182
Net change in short-term borrowing	—	(235,051,387)
Net cash (used in)/provided by financing activities	(796,047,195)	571,081,426
Net change in cash	(48,230)	1,533,122
Cash at beginning of year	2,320,785	787,663
Cash at end of year	$2,272,555	$2,320,785
SUPPLEMENTAL CASH FLOWS DISCLOSURES:		
Interest paid	$23,734,832	$46,616,905
SCHEDULE OF NON-CASH TRANSACTIONS:		
Other comprehensive income	$47,044,947	$55,122,335
Depletion of member capital accounts	$—	$45,204,910

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

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 the majority of this company. The remainder of the company is owned by Georgia Corporate Federal Credit Union, formerly known as 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 and interest income on loans. During the years ended December 31, 2010 and 2009, the revenues from this CUSO represented a nominal percentage of total revenues. This company services loans for other credit unions which are not included in the accompanying consolidated statements of financial condition. The unpaid principal balances of loans serviced approximated $51,658,000 and $43,698,000 as of December 31, 2010 and 2009, respectively.

Corporate Synergies, LLC - The Credit Union owns the majority of this company. The remainder of the company is owned by Georgia Corporate Federal Credit Union and VACORP Federal Credit Union. This company was started to provide a core data processing system to corporate credit unions. During the years ended December 31, 2010 and 2009, 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 years ended December 31, 2010 and 2009, 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 determination of the allowance for loan losses and 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.

Note 1: (continued)

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.

OTHER RECEIVABLES

Other receivables include amounts due from member credit unions for pending ACH settlements. As of December 31, 2010 and 2009, the pending ACH settlements approximated $1,709,000 and $987,000, respectively.

INVESTMENTS

Investments are classified into the following categories: available-for-sale and other. Investments 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 Cash Flows Topic of the FASB Accounting Standards Codification. 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.

During 2009, U.S. Central Federal Credit Union (USC) was conserved by the NCUA as part of the corporate credit union stabilization plan. As part of the stabilization plan, the NCUA sold certain assets including marketable securities of USC to its asset management company. The remaining assets as well as the correspondent banking services were moved to the newly formed U.S. Central Bridge Corporate Federal Credit Union (USC Bridge) on November 1, 2010. USC Bridge was chartered for two years and must seek a merger partner, reform as a new corporate credit union, or liquidate within the chartered period. USC Bridge is a federally chartered financial services cooperative which operates for the benefit of its members (primarily corporate credit unions) under the Federal Credit Union Act.

The principal activity of USC and USC Bridge is to provide wholesale investment, liquidity, custody and payment-system services to its member corporate credit unions. USC and USC Bridge investments are generally interest bearing with various maturity dates. The investments maintained by the Credit Union at USC and USC Bridge are carried at cost. Based on actions taken by the NCUA in 2009 and 2010, the remaining investments in excess of insurable limits maintained at USC and USC Bridge were temporarily guaranteed through December 31, 2012. As of December 31, 2010, the Credit Union maintained approximately $34,050,000 of investments at USC Bridge with maturity dates beyond the temporary guarantee period of December 31, 2012. **(See Note 16)**

LOANS TO MEMBERS AND ALLOWANCE FOR LOAN LOSSES

Loans are stated at the amount of unpaid principal, net of an allowance for loan losses. The allowance for loan losses is increased by a provision for loan losses charged to expense and decreased by charge-offs (net of recoveries). The allowance for loan losses is maintained at an amount that represents management's estimate of incurred losses in the outstanding loan portfolio.

Note 1: (continued)

Management's periodic evaluation of the adequacy of the allowance account is based on the Credit Union's past loan loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and current economic conditions.

Interest on loans is recognized over the terms of the loans and is calculated on principal amounts outstanding. 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 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 Note 16)**

NCUA INSURANCE PREMIUMS

During 2009, the NCUA Board assessed a 15.0 basis point insurance premium on insured deposits as of June 30, 2009. During 2010, the NCUA Board assessed a 13.4 basis point insurance premium on insured deposits as of March 31, 2010 and a 12.42 basis point insurance premium on insured deposits as of June 30, 2010. **(See Note 16)**

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.

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 0.05% as of December 31, 2010 and 2009. **(See Notes 6 and 11)**

Note 1: (continued)

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. **(See Note 11)**

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.

RECLASSIFICATIONS

Certain 2009 consolidated financial statement amounts have been reclassified to conform with classifications adopted in 2010.

SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 24, 2011, the date the consolidated financial statements were available to be issued. **(See Note 17)**

NOTE 2: INVESTMENTS

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

	As of December 31, 2010			
Available-for-sale:	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Market Value**
Asset-backed securities	$177,083,967	$266,760	($32,312,743)	$145,037,984
Private issue mortgage-backed securities	113,218,689	—	(23,757,491)	89,461,198
Fed agency mortgage-backed securities	94,245,649	374,786	(151,257)	94,469,178
Notes receivable	109,773,547	36,796	(3,486)	109,806,857
Fed agency securities	234,987,729	822,137	(3,396)	235,806,470
	$729,309,581	$1,500,479	($56,228,373)	$674,581,687

Note 2: (continued)

	As of December 31, 2009			
Available-for-sale:	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Market Value**
Asset-backed securities	$260,575,485	$188,273	($58,827,328)	$201,936,430
Private issue mortgage-backed securities	144,319,887	31,103	(43,469,478)	100,881,512
Fed agency mortgage-backed securities	160,150,750	377,371	(1,435,566)	159,092,555
Notes receivable	17,007,321	51,272	—	17,058,593
Fed agency securities	229,580,076	892,666	(69,769)	230,402,973
	$811,633,519	$1,540,685	($103,802,141	$709,372,063

Proceeds from the sales of investments classified as available-for-sale approximated $20,000,000 for the year ended December 31, 2009. No gains or losses were realized in connection with the sale of these investments for the year ended December 31, 2009.

The following tables show 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, 2010 Available-for-sale					
	Less than 12 Months		***12 Months or Longer***		***Total***	
	Fair Value	**Gross Unrealized Losses**	**Fair Value**	**Gross Unrealized Losses**	**Fair Value**	**Gross Unrealized Losses**
Asset-backed securities	$1,301,187	($166,212)	$127,241,591	($32,146,531)	$128,542,778	($32,312,743)
Private issue mortgage-backed securities	55,208	(6,267)	89,405,990	(23,751,224)	89,461,198	(23,757,491)
Fed agency mortgage-backed securities	—	—	48,216,837	(151,257)	48,216,837	(151,257)
Notes receivable	20,503,801	(3,486)	—	—	20,503,801	(3,486)
Fed agency securities	19,998,240	(1,760)	2,008,635	(1,636)	22,006,875	(3,396)
	$41,858,436	($177,725)	$266,873,053	($56,050,648)	$308,731,489	($56,228,373)

Note 2: (continued)

As of December 31, 2009
Available-for-sale

	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Asset-backed securities	$3,462,350	($3,007,626)	$181,597,822	($55,819,702)	$185,060,172	($58,827,328)
Private issue mortgage-backed securities	6,273,985	(5,133,272)	92,798,338	(38,336,206)	99,072,323	(43,469,478)
Fed agency mortgage-backed securities	3,804,647	(30,384)	127,246,134	(1,405,182)	131,050,781	(1,435,566)
Fed agency securities	69,735,143	(69,769)	—	—	69,735,143	(69,769)
	$83,276,125	($8,241,051)	$401,642,294	($95,561,090)	$484,918,419	($103,802,141)

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. 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 and the success of the recapitalization efforts. **(See Notes 11 and 12)**

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 $2,365,000 and $24,732,000 for 2010 and 2009, respectively, and are included on the consolidated statements of operations. The following table provides a summary of OTTI on the available-for-sale portfolio.

	Available-for-sale For the years ended December 31,	
	2010	2009
Balance, beginning of year	$41,067,024	$16,334,825
Add: Net amount related to the credit loss for which an other-than-temporary impairment was not previously recognized	1,374,979	15,410,139
Add: Increases to the amount related to the credit loss for which an other-than-temporary impairment was previously recognized	990,208	9,322,060
Balance, end of year	$43,432,211	$41,067,024

Note 2: (continued)

The Credit Union placed partial reliance on the insurance provided by Ambac for determining OTTI charges during 2010. Future insurance payments are subject to the terms of the "plan of rehabilitation" proposed by the Wisconsin Office of the Commissioner of Insurance (WOCI). The proposed plan establishes a "segregated account" for some Ambac Assurance liabilities, primarily policies related to credit derivatives, residential mortgage-backed securities and other structured finance transactions. According to the proposed plan, policyholder claimants in the segregated account will receive 25 percent in cash and 75 percent in unsecured surplus notes that will bear an interest rate of 5.1% and mature on June 7, 2020. **(See Note 17)**

The Credit Union has concluded that it is unlikely that the segregated account would ultimately pay all the future claims and, as a result, recorded OTTI on all securities that are dependent upon Ambac insurance support of approximately $656,000 during the year ended December 31, 2010. The OTTI recorded in 2010, representing approximately 27% of expected future claims, is a subjective estimate determined by management based on information available as of December 31, 2010. The claim paying ability of Ambac will continue to be evaluated by management and may result in the recognition of additional OTTI in future periods which would have a negative impact on earnings and equity of the Credit Union.

The principal balances of the asset-backed securities, private issue mortgage-backed securities, and notes receivable are not guaranteed; however, the market loss on the private-issue security has been recorded through accumulated comprehensive loss and represents the interest rate differential between the expected yield on the security and the book yield. The fair value of this security is expected to be recovered as the market for this type of security improves and/or this security approaches its maturity date. 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 and the success of the recapitalization efforts. **(See Notes 11 and 12)**

Note 2: (continued)

Other investments:	**As of December 31, 2010**	**2009**
U.S. Central Bridge Corporate Federal Credit Union:		
Daily shares	$687,923,208	$—
Certificates of deposit	927,619,787	—
Community investment fund	5,640,000	—
U.S. Central Federal Credit Union:		
Daily shares	—	738,384,271
Certificates of deposit	—	1,625,405,539
Community investment fund	—	10,640,000
Money market	100,285,298	—
Certificates of deposit	4,481,000	10,963,000
FHLB:		
Member stock	5,102,100	5,102,100
Money market account	3,871,381	27,080
Federal Reserve Bank	120,989,653	171,555,491
Credit Union Service Organizations	1,633,480	1,180,071
	$1,857,545,907	$2,563,257,552

On December 31, 2008, USC required member corporate credit unions to transfer a portion of their membership shares to paid-in capital II to improve its 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 USC, 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 USC and 64% of the membership shares. During 2009, the remaining membership capital was determined to be impaired. Accordingly, the Credit Union reported an impairment loss of approximately $21,709,000 for the year ended December 31, 2009.

Note 2: (continued)

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.

	As of December 31, 2010	
Available-for-sale:	**Amortized Cost**	**Market Value**
Within one year	$152,724,925	$134,858,886
1 to 5 years	184,385,470	202,677,307
10 years and over	7,650,881	8,077,134
	344,761,276	345,613,327
Asset-backed securities	177,083,967	145,037,984
Private issue mortgage-backed securities	113,218,689	89,461,198
Fed agency mortgage-backed securities	94,245,649	94,469,178
	$729,309,581	$674,581,687

NOTE 3: LOANS TO MEMBERS

The composition of loans to members is as follows:

	As of December 31,	
	2010	**2009**
Loans outstanding:		
Real estate	$9,506,653	$13,633,263
Term secured	1,188,000	4,780,000
Settlement	1,143,303	1,874,198
Demand	955,000	9,330,700
Collateralized loans	—	4,000,000
Share secured	—	750,000
	12,792,956	34,368,161
Less: allowance for loan losses	(35,000)	(35,000)
	$12,757,956	$34,333,161

A summary of the activity in the allowance for loan losses is as follows:

	For the years ended December 31,	
	2010	**2009**
Balance, beginning of year	$35,000	$—
Provision for loan losses	—	35,000
Recoveries	—	—
Loans charged off	—	—
Balance, end of year	$35,000	$35,000

NOTE 4: PROPERTY AND EQUIPMENT

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

	As of December 31, 2010	2009
Land	1,752,393	1,752,393
Buildings and building improvements	5,149,574	5,146,924
Furniture and equipment	1,751,047	1,815,034
Data processing equipment	6,520,238	7,070,697
Leasehold improvements	222,765	227,168
	15,396,017	16,012,216
Less accumulated depreciation and amortization	(8,075,979)	(7,800,238)
	$7,320,038	$8,211,978

NOTE 5: MEMBERS' SHARE AND SAVINGS ACCOUNTS

Members' share and savings accounts are summarized as follows:

	As of December 31, 2010	2009
Transaction accounts	$352,759,639	$275,728,679
Funds plus	1,364,690,374	1,733,630,845
CIF variable rate shares	140,000	5,640,000
Managed investment accounts	79,656,275	85,617,146
Collateral share accounts	1,973,106	2,287,029
Certificates	748,232,164	1,235,709,956
	$2,547,451,558	$3,338,613,655

The aggregate amount of members' time deposit accounts in denominations of $100,000 or more was approximately $747,449,000 and $1,235,563,000 as of December 31, 2010 and 2009, respectively.

Scheduled maturities of certificates are as follows:

	As of December 31, 2010
Within 1 year	$589,478,164
1 to 2 years	150,554,000
2 to 3 years	6,600,000
3 to 4 years	1,600,000
	$748,232,164

SHARE INSURANCE

Members' shares are generally insured by the NCUSIF to a maximum of $250,000 for each member. **(See Note 16)**

NOTE 6: DEPLETION OF MEMBER CAPITAL ACCOUNTS

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 (corporate reserves and undivided earnings). Southeast Corporate Federal Credit Union was instructed by the NCUA that they were expected to deplete paid-in capital and membership capital shares issued to natural person credit union members in order to restore any deficit in retained earnings. Therefore, during the year ended December 31, 2009, the Credit Union depleted member paid-in capital and membership capital shares by approximately $45,205,000.

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 hour of service and 18 years of age. The Credit Union matches employee contributions at the rate of 100% up to 4% of their salary. In prior years, the Credit Union made discretionary profit sharing contributions which were discontinued on January 1, 2009. Regarding prior profit sharing benefits, employees 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 $244,000 and $323,000 for the years ended December 31, 2010 and 2009, 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. During 2009, the Board of Directors elected to limit benefits under this plan to those participants already eligible for benefits. The result of the curtailment was a one-time reduction to the accumulated benefit obligation of approximately $691,000. The following table sets forth the plan’s status and amounts recognized in the Credit Union’s consolidated statements of financial condition:

	As of December 31,	
	2010	**2009**
Accumulated post retirement benefit obligation	$433,611	$434,134
Plan assets at fair value	—	—
Funded status	433,611	434,134
Unrecognized net actuarial loss	—	—
Accrued pension benefit cost	$433,611	$434,134

Note 8: (continued)

The net periodic benefit cost related to this plan was approximately $24,000 and $213,000 for the years ended December 31, 2010 and 2009, respectively. Employer contributions and benefits paid during the years ended December 31, 2010 and 2009 approximated $16,000 and $20,000, respectively. Expected contributions for the plan year beginning January 1, 2011 is approximately $15,000.

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

	For the years ended December 31, 2010	2009
Discount rate	5.50%	5.75%
Expected long-term return on plan assets	5.50%	5.75%
Rate of compensation increase	4.00%	4.00%

The following benefit payments are expected to be paid:

Year beginning January 1,	Amount
2011	$15,000
2012	17,000
2013	20,000
2014	20,000
2015	22,000
2016 - 2020	131,000
	$225,000

NOTE 9: COMMITMENTS AND CONTINGENT LIABILITIES

LINES OF CREDIT:
As of December 31, 2010, the Credit Union had an unused Advised Line-of-Credit Agreement with USC Bridge of $1,000,000,000. The terms of the agreement require the pledging of all share accounts, share certificate accounts, or other accounts maintained with USC Bridge as security for obligations under this line-of-credit agreement. The Credit Union is also required to pledge any securities held in safekeeping by USC Bridge.

As of December 31, 2010, the Credit Union maintained an unused line-of-credit with the FHLB-Atlanta of approximately $86,160,000. Advances under this agreement are required to be fully secured by qualifying collateral.

Note 9: (continued)

LEASE COMMITMENT:

The Credit Union leases certain office locations. The minimum noncancellable lease obligations approximate the following as of December 31, 2010.

Year ending December 31,	Amount
2011	$256,000
2012	219,000
Thereafter	—
	$475,000

The rental expense under operating leases was approximately $247,000 and $248,000 for the years ended December 31, 2010, and 2009, 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, 2010, the Credit Union's unused lines of credit approximated $1,838,885,000. 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.

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 USC and USC Bridge.

NOTE 11: REGULATORY CAPITAL

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 (including placing the Credit Union under conservatorship) 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. 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 the NCUA. The Credit Union's actual and required capital ratios were as follows:

	As of December 31, 2010		As of December 31, 2009	
	Amount	**Ratio**	**Amount**	**Ratio**
Capital ratio:				
Actual capital:				
Retained earnings	$239,863		$—	
Membership capital	62,839,720		67,724,818	
Paid-in capital	—		—	
S-40 notice	(5,935,798)		(2,535,844)	
	$57,143,785	1.92%	$65,188,974	1.98%
Required capital	$119,280,838	4.00%	$131,625,541	4.00%

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

	As of December 31, 2010		As of December 31, 2009	
	Amount	**Ratio**	**Amount**	**Ratio**
Retained earnings ratio:				
Retained earnings	$239,863	0.01%	$—	0.00%
Required retained earnings	$59,640,419	2.00%	$65,812,770	2.00%

The Credit Union was not compliant with the NCUA's capital requirements as of December 31, 2010 or 2009. However, on April 21, 2009, the NCUA Board approved an order permitting corporate credit unions to use capital levels as reported on the November 30, 2008, call report for regulatory compliance. Therefore, the Credit Union was in compliance with capital requirements as of November 30, 2008. This exception is expected to remain in place until the requirements of the new corporate credit union regulations take effect in 2011.

Note 11: (continued)

During 2010, the NCUA issued new regulations for corporate credit unions. These regulations will be phased in beginning in October 2011. Corporate credit unions will be required to build retained earnings as well as convert existing member capital and/or solicit new capital contributions. Member credit unions must decide to either convert existing membership capital to perpetual contributed capital or non perpetual capital accounts or to put existing member capital shares on three-year notice. The following is a chart showing the future capital requirements:

Ratio	Capital	Denominator	Minimum level to be classified as adequately capitalized	Minimum level to be classified as well capitalized
Leverage Ratio	RE + PCC	DANA	4.0%	5.0%
Tier-One Risk Based Capital Ratio	RE + PCC	DANRA	4.0%	6.0%
Total Risk Based Capital Ratio	RE + PCC + NCA	DANRA	8.0%	10.0%

RE = Retained earnings　　DANA = Daily average net assets
PCC = Perpetual contributed capital　　DANRA = Daily average net risk assets
NCA = Non perpetual capital

The Credit Union will be required to meet the new interim Leverage, Tier-One Risk Based Capital, and Total Risk Based Capital Ratios by October 2011. **(See Note 12)**

NOTE 12: CAPITAL RESTORATION PLAN

The Credit Union has suffered substantial losses due to the impairment of paid-in capital and membership capital share investments in USC as well as other-than-temporary impairments of securities within the Credit Union's investment portfolio which caused a deficit in undivided earnings during 2009. Accordingly, the Credit Union signed a Supervisory Agreement with the NCUA that required that the Credit Union develop a capital restoration plan. Management developed a capital restoration plan that was approved by the NCUA. On October 20, 2010, the NCUA issued new corporate credit union regulations that require the Credit Union to meet certain capital and operating profit requirements in various stages over the next 10 years. In addition, the new corporate credit union regulation provides more stringent guidelines for management of the Credit Union's investment portfolio that aim to limit risk in the portfolio which may also result in a reduction in investment revenue. As of December 31, 2010, the Credit Union maintained approximately $219,995,000 in investment securities that will no longer be permissible under the new corporate credit union regulation and will require divestiture or explicit permission to continue to hold when the regulation becomes effective.

Management has analyzed the impact of the new corporate credit union regulation and developed a business model to manage the Credit Union's financial condition within the constraints of the new regulations and developed a plan to solicit capital contributions to recapitalize the Credit Union. Management has submitted the recapitalization plan to the regulators for their review. Once the review is complete, management will begin the process to raise capital in order to comply with the

Note 12: (continued)

new corporate credit union regulations. However, there is considerable uncertainly regarding the Credit Union's ability to raise sufficient capital to conform with the new regulations in time for the initial deadline of October 20, 2011. Additionally, there is considerable uncertainly regarding the Credit Union's ability to meet profitability goals required by the new regulations. The Credit Union's ability to meet the profitability goals of the new regulations is largely contingent upon the amount and timing of any additional impairment charges on investment securities over the next three to ten years. Should the Credit Union be unable to meet profitability goals or raise sufficient capital to adequately capitalize the Credit Union by the required deadline, the Credit Union would need to either amend its business model to conform with the balance of capital raised or seek a merger partner with sufficient capital. **(See Note 17)**

NOTE 13: RELATED PARTY TRANSACTIONS

The Credit Union serves as a central credit union for its members and substantially all transactions (except certain banking transactions and the purchase and sale of securities through outside brokers) are with member credit unions. Transactions with such affiliated organizations include the borrowing and lending of money.

Each of the directors of Southeast Corporate Federal Credit Union is affiliated with a member credit union that, in the ordinary course of business, may engage in financial transactions with the Credit Union. All such member credit union transactions have been made on the same terms, including interest rates, as those prevailing at the time for comparable transactions with unrelated parties.

NOTE 14: FAIR VALUES OF FINANCIAL INSTRUMENTS

The Credit Union adopted Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards of Codification, which provides a framework for measuring fair value and 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.

Note 14: (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. 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, 2010			
Available-for-sale:	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	
	Level 1	**Level 2**	**Level 3**	**Total**
Asset-backed securities	$—	$106,998,628	$38,039,356	$145,037,984
Private issue mortgage-backed securities	—	56,479,784	32,981,414	89,461,198
Fed agency mortgage-backed securities	94,469,178	—	—	94,469,178
Notes receivable	109,806,857	—	—	109,806,857
Fed agency securities	235,806,470	—	—	235,806,470
	$440,082,505	$163,478,412	$71,020,770	$674,581,687

Note 14: (continued)

	As of December 31, 2009			
	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	
Available-for-sale:	**Level 1**	**Level 2**	**Level 3**	**Total**
Asset-backed securities	$—	$168,528,586	$33,407,844	$201,936,430
Private issue mortgage-backed securities	—	68,073,487	32,808,025	100,881,512
Fed agency mortgage-backed securities	159,092,555	—	—	159,092,555
Notes receivable	17,058,593	—	—	17,058,593
Fed agency securities	230,402,973	—	—	230,402,973
	$406,554,121	$236,602,073	$66,215,869	$709,372,063

The following tables reconcile financial instruments measured using Level 3 inputs:

	Total Fair Value		
	Asset-backed securities	**Private issue mortgage-backed securities**	**Total**
Balance December 31, 2009	$33,407,844	$32,808,025	$66,215,869
Transfers into Level 3	639,875	2,533,675	3,173,550
Total gains/(losses) - realized and unrealized:			
Included in earnings	(80,456)	(2,284,731)	(2,365,187)
Included in other comprehensive operations	12,678,482	10,056,353	22,734,835
Purchase and principal repayments, net	(8,606,389)	(10,131,908)	(18,738,297)
Balance December 31, 2010	$38,039,356	$32,981,414	$71,020,770

Note 14: (continued)

	Total Fair Value		
	Asset-backed securities	Private issue mortgage-backed securities	Total
Balance December 31, 2008	$10,444,153	$25,898,855	$36,343,008
Transfers into Level 3	46,150,825	37,058,453	83,209,278
Total gains/(losses) - realized and unrealized:			
Included in earnings	(14,052,362)	(10,679,837)	(24,732,199)
Included in other comprehensive operations	3,703,342	2,024,198	5,727,540
Purchase and principal repayments, net	(12,838,114)	(21,493,644)	(34,331,758)
Balance December 31, 2009	$33,407,844	$32,808,025	$66,215,869

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.

Note 14: (continued)

MEMBERS' SHARE AND SAVINGS ACCOUNTS
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.

MEMBER CAPITAL ACCOUNTS
The carrying amount is a reasonable estimation of fair value for purposes of disclosure. However, these balances are not insured or guaranteed by the NCUA, are subject to a significant withdrawal notification period and would be used to absorb any deficit in retained earnings should the Credit Union incur an operating loss in excess of the balance of retained earnings.

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, 2010		As of December 31, 2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Cash	$2,272,555	$2,272,555	$2,320,785	$2,320,785
Investments:				
Available-for-sale	$674,581,687	$674,581,687	$709,372,063	$709,372,063
Other	$1,857,545,907	$1,863,410,991	$2,563,257,552	$2,572,710,965
Loans to members, net	$12,757,956	$12,757,956	$34,333,161	$34,333,161
Accrued interest receivable	$2,668,533	$2,668,533	$7,298,204	$7,298,204
Financial liabilities:				
Members' share and savings accounts	$2,547,451,558	$2,552,350,308	$3,338,613,655	$3,349,885,483
Membership capital share deposits	$62,839,720	$62,839,720	$67,724,818	$67,724,818
Interest payable	$2,187,531	$2,187,531	$7,217,415	$7,217,415
Unrecognized financial instruments:				
Commitments to extend credit	$—	$1,838,885,000	$—	$1,983,811,000

NOTE 15: CHANGE IN OWNERSHIP OF SUBSIDIARIES

The effect of changes in the Credit Union's ownership interest in subsidiaries is shown below:

	For the years ended December 31, 2010	2009
Transfer to non-controlling interest:		
Sale of 8% interest of Corporate Synergies, LLC	$—	$65,875

During the year ended December 31, 2009, the Credit Union sold 8% of its interest in the consolidated subsidiary, Corporate Synergies, LLC, to an unrelated party. This transaction resulted in a 59% remaining ownership interest by the Credit Union. Prior to the sale, the Credit Union owned 67% of the subsidiary.

NOTE 16: INDUSTRY EVENTS

In January 2009, the NCUA informed federally-insured credit unions that it was taking actions to enhance and support the corporate credit union system as well as the NCUSIF. In addition to placing USC into conservatorship, the NCUA established the Temporary Corporate Credit Union Share Guarantee Program, whereby all deposits in excess of insurable limits maintained at corporate credit unions, other than membership capital shares and paid-in capital, will be guaranteed through December 31, 2012.

In connections with the conservatorship of USC, the NCUA depleted all of the paid-in capital and membership capital shares maintained by corporate credit unions in USC. The losses incurred by corporate credit unions on their at-risk investments with USC, along with other in-house investment securities showing other-than-temporary impairment, resulted in significant operating losses throughout the corporate credit union system. These operating losses resulted in a material negative impact on the level of retained earning and regulatory capital ratios at most corporate credit unions. As a result, many corporate credit unions were forced to deplete some or all of their members' paid-in capital and membership capital shares. This action led to material reductions in the earnings and retained earnings of many natural person credit unions. In some cases, the losses recognized by natural person credit unions from their at-risk investments in corporate credit unions, coupled with high loan losses and other non-corporate investment losses, resulted in regulatory actions by the NCUA, including conservatorship, assisted mergers, and liquidations. All of these factors contributed to significant losses to the NCUSIF and resulted in the assessment of insurance premiums by the NCUA Board during 2009 and 2010 to increase the NCUSIF's equity ratio to above 1.20%

Note 16: (continued)

During May 2009, legislation was created to establish a Temporary Corporate Credit Union Stabilization Fund (Stabilization Fund) to absorb the corporate stabilization costs by borrowing money from the U.S. Treasury. During September 2010, the NCUA received approval from the U.S. Treasury to extend the life of the Stabilization Fund to June 2021. The funds borrowed from the U.S. Treasury will be repaid from assessments authorized by the NCUA Board. The NCUA Board has levied assessments during 2009 and 2010 to repay borrowed funds to the U.S. Treasury. It is anticipated that the NCUA Board will be making annual assessments over at least the next five years to cover costs associated with the corporate credit union system.

NOTE 17: SUBSEQUENT EVENTS

During January 2011, the bankruptcy court accepted the rehabilitation plan proposed by the WOCI.

During April 2011, the Credit Union was informed by USC Bridge that its advised line of credit was reduced to $500,000.

During May 2011, the regulators reviewed the Credit Union's recapitalization plan and the Credit Union began its recapitalization process.

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