



July 31, 2009

Earlier this afternoon, US Central announced that the estimated losses on its investment securities increased by \$0.5 billion to a total \$2.3 billion as of June 30, 2009. These losses will impact CenCorp's capital investment at US Central, but will *not* require an impairment of your Member Capital Share Deposit (MCSD) account at CenCorp. These items are discussed below.

Impact on CenCorp

CenCorp had previously disclosed to you in May 2009 that our capital investment at US Central (total of \$149 million) was impaired by \$53 million as of March 31, 2009. The additional estimated losses at US Central increases CenCorp's impairment charge to \$103 million at June 30, 2009. CenCorp's remaining capital at US Central is \$46 million (\$149 million - \$103 million).

After this additional impairment, CenCorp's total capital equals \$124 million. This consists of MCSD accounts of \$113 million and retained earnings of \$11 million. CenCorp's total capital to assets ratio using June 30, 2009 assets is 3.9%.

Impact on your CenCorp MCSD Account

As background, Doeren Mayhew and CenCorp co-hosted a Webcast on the accounting issues involved in valuing your MCSD account at CenCorp in April 2009 ([Webcast](#)). The NCUA subsequently issued guidance on this topic in May 2009 ([Credit Union Letter 09-CU-10](#)). We believe the conclusion from applying this guidance to the additional impairment charges noted above is that the value of your MCSD account is not impaired as of June 30, 2009.

Other Items

Financial Statements. The 2008 US Central audit has been delayed several times. It is our understanding that the audit fieldwork is complete and the audit should be released in mid-August 2009. We have been told that there are no changes to their financial results disclosed previously. CenCorp has delayed the completion of its 2008 audit and release of 2009 interim results until the US Central audit is received. CenCorp plans to have its 2008 audit and financial results for the first half of 2009 available to you as soon as possible after receiving the US Central audit. We estimate that this will be a few weeks after receiving the US Central audit.

NCUSIF Guarantee. The NCUSIF guarantee of CenCorp deposits continues. Existing deposits are guaranteed through September 30, 2011. This may be extended by the

NCUSIF in the future. Any new deposits at CenCorp with a maturity up to two years are guaranteed.

Liquidity. CenCorp's liquidity levels are higher than normal at this time of the year. We believe that we have ample liquidity to meet member needs during the traditionally higher borrowing periods in the next two months.

Investment Valuation. The accurate valuation of the investments at US Central and Corporates is difficult in the current uncertain environment. The valuation is based on a number of assumptions about the housing and mortgage markets in the future. These will likely change going forward and require additional adjustments.

If you have any questions on the items noted above, please contact Bill Walby at (248) 304-3004.