

Central Corporate Credit Union

**Consolidated Financial Statements
Years Ended December 31, 2008 and 2007
with Independent Auditor's Report Thereon**

Central Corporate Credit Union

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Independent Auditor's Report

To the Board of Directors
Central Corporate Credit Union

We have audited the accompanying consolidated balance sheets of Central Corporate Credit Union (CenCorp) as of December 31, 2008 and 2007 and the related consolidated statements of income (loss); reserves, undivided earnings, and accumulated other comprehensive gain (loss); comprehensive income (loss); and cash flows for the years then ended. These consolidated financial statements are the responsibility of CenCorp'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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Under accounting principles generally accepted in the United States of America, members' accounts are liabilities. As discussed in Note I to the consolidated financial statements, CenCorp classifies members' accounts as equity, in accordance with the statutory conventions promulgated by the National Credit Union Administration and the Office of Financial and Insurance Regulation of the State of Michigan. Had CenCorp classified members' accounts as liabilities, as required by accounting principles generally accepted in the United States of America, members' equity would decrease and liabilities would increase by \$2,095,636,108 and \$2,852,442,651 at December 31, 2008 and 2007, respectively. The presentation followed by CenCorp has no effect on the total amount or classification of assets or on the determination of net income.

In our opinion, except for the classification of members' accounts as equity, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CenCorp at December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

Auburn Hills, Michigan
September 25, 2009

Central Corporate Credit Union

Consolidated Balance Sheets

	December 31	
	2008	2007
Assets		
Cash	\$ 7,242,272	\$ 6,247,264
Uncollected cash items	5,708,976	16,374,923
U.S. Central Federal Credit Union deposits	1,832,379,534	2,740,374,728
Investment securities available-for-sale	131,803,902	134,113,126
Investment securities held-to-maturity - Fair value of \$63,841,440 at December 31, 2008	62,402,840	-
Certificates of deposit in financial institutions	8,732,000	4,752,000
Loans to members and affiliates	233,464,603	175,713,167
Accrued interest receivable	10,235,966	25,742,555
Fixed assets - Net	1,694,326	1,739,502
NCUSIF capitalization deposit	410,835	438,199
Other assets	1,005,195	889,480
Total assets	\$ 2,295,080,449	\$ 3,106,384,944
Liabilities and Members' Equity		
Liabilities		
Notes payable to U.S. Central Federal Credit Union	\$ 121,674,997	\$ 114,060,712
Uncollected funds payable	8,024,625	25,988,256
Dividends and interest payable	9,997,105	17,310,162
Other liabilities	894,575	1,281,529
Total liabilities	140,591,302	158,640,659
Members' Equity		
Members' shares	1,254,948,808	1,600,157,461
Members' certificates	728,000,000	1,139,515,000
Members' capital share deposit accounts	112,687,300	112,770,190
Retained earnings	88,805,001	101,130,701
Accumulated other comprehensive gain (loss)	(29,951,962)	(5,829,067)
Total members' equity	2,154,489,147	2,947,744,285
Total liabilities and members' equity	\$ 2,295,080,449	\$ 3,106,384,944

Central Corporate Credit Union

Consolidated Statements of Income (Loss)

	Year Ended December 31	
	2008	2007
Interest Income		
Interest on investments	\$ 99,785,326	\$ 146,594,489
Interest on loans to members and affiliates	<u>7,906,411</u>	<u>10,712,505</u>
Total interest income	<u>107,691,737</u>	<u>157,306,994</u>
Interest Expense		
Dividends on members' accounts	86,152,161	141,594,427
Interest on borrowings	<u>6,760,633</u>	<u>5,541,659</u>
Total interest expense	<u>92,912,794</u>	<u>147,136,086</u>
Net Interest Income	<u>14,778,943</u>	<u>10,170,908</u>
Loss on U.S. Central Federal Credit Union Capital Investments	<u>(23,132,176)</u>	<u>-</u>
Other Income		
Share draft processing fees	2,504,129	2,948,509
Transit processing fees	2,101,214	1,899,003
Other income	<u>2,170,113</u>	<u>1,643,514</u>
Total other income	<u>6,775,456</u>	<u>6,491,026</u>
Income - Before general and administrative expenses	<u>(1,577,777)</u>	<u>16,661,934</u>
General and Administrative Expenses		
Compensation and benefits	4,784,011	5,137,361
Correspondent bank charges	2,259,815	2,285,479
Occupancy and equipment	1,930,400	1,342,767
Other expense	<u>1,773,697</u>	<u>1,872,324</u>
Total general and administrative expenses	<u>10,747,923</u>	<u>10,637,931</u>
Net Income (Loss)	<u>\$ (12,325,700)</u>	<u>\$ 6,024,003</u>

Central Corporate Credit Union

Consolidated Statements of Reserves, Undivided Earnings, and Accumulated Other Comprehensive Gain (Loss)

	Statutory Reserves	Undivided Earnings	Total Retained Earnings	Accumulated Other Comprehensive Gain (Loss)
Balance - January 1, 2007	\$ 52,325,250	\$ 42,781,448	\$ 95,106,698	\$ 10,608
Net income	-	6,024,003	6,024,003	-
Change in unrealized gain (loss) on available-for-sale investment securities	-	-	-	(5,839,675)
Balance - December 31, 2007	52,325,250	48,805,451	101,130,701	(5,829,067)
Net loss	-	(12,325,700)	(12,325,700)	-
Change in unrealized gain (loss) on available-for-sale investment securities	-	-	-	(24,122,895)
Balance - December 31, 2008	<u>\$ 52,325,250</u>	<u>\$ 36,479,751</u>	<u>\$ 88,805,001</u>	<u>\$ (29,951,962)</u>

Consolidated Statements of Comprehensive Income (Loss)

	Year Ended December 31	
	2008	2007
Net Income (Loss)	\$ (12,325,700)	\$ 6,024,003
Change in unrealized gain (loss) on available-for-sale investment securities arising during the year	(24,122,895)	(5,839,675)
Comprehensive Income (Loss)	<u>\$ (36,448,595)</u>	<u>\$ 184,328</u>

Central Corporate Credit Union

Consolidated Statements of Cash Flows

	Year Ended December 31	
	2008	2007
Cash Flows from Operating Activities		
Net income (loss)	\$ (12,325,700)	\$ 6,024,003
Adjustments to reconcile net income to cash from operating activities:		
Depreciation and amortization	992,033	513,302
Loss on U.S. Central Federal Credit Union Capital Investments	23,132,176	-
Decrease (increase) in accrued interest receivable	15,506,589	(10,049,736)
Increase in other assets	(115,715)	(34,950)
Increase (decrease) in dividends and interest payable	(7,313,057)	5,816,961
Decrease in uncollected funds payable	(17,963,631)	(24,657,514)
Increase (decrease) in other liabilities	(386,952)	438,113
Net cash provided by (used in) operating activities	<u>1,525,743</u>	<u>(21,949,821)</u>
Cash Flows from Investing Activities		
Purchases of available-for-sale debt securities	(50,000,000)	(30,000,000)
Purchases of held-to-maturity debt securities	(69,086,475)	-
Maturities of available-for-sale debt securities	28,186,328	89,944,562
Maturities of held-to-maturity debt securities	6,683,634	13,747,288
Purchases of certificates of deposit in financial institutions	(6,950,000)	-
Maturities of certificates of deposit in financial institutions	2,970,000	-
Decrease (increase) in U.S. Central Federal Credit Union deposits - Net	884,863,018	(772,156,708)
Decrease (increase) in loans to members and member affiliates	(57,751,436)	90,658,493
Decrease (increase) in NCUSIF capitalization deposit	27,364	(5,635)
Proceeds from disposal of fixed assets	26,361	12,000
Purchases of fixed assets	(973,218)	(1,159,014)
Net cash provided by (used in) investing activities	<u>737,995,576</u>	<u>(608,959,014)</u>
Cash Flows from Financing Activities		
Increase in note payable to U.S. Central Federal Credit Union	7,614,285	7,390,475
Deposits to members' capital share deposit accounts	2,342,200	645,900
Redemptions of members' capital share deposit accounts	(2,424,300)	(20,842,210)
Increase (decrease) in members' accounts	(756,724,443)	580,230,060
Net cash provided by (used in) financing activities	<u>(749,192,258)</u>	<u>567,424,225</u>
Net Decrease in Cash and Cash Equivalents	<u>(9,670,939)</u>	<u>(63,484,610)</u>
Cash and Cash Equivalents - Beginning of year	<u>22,622,187</u>	<u>86,106,797</u>
Cash and Cash Equivalents - End of year	<u>\$ 12,951,248</u>	<u>\$ 22,622,187</u>
Supplemental Information		
Securities transferred from held-to-maturity to available-for-sale	\$ -	\$ 11,613,571
Cash paid for interest	100,225,851	141,319,125

Central Corporate Credit Union

Notes to Consolidated Financial Statements December 31, 2008 and 2007

Note 1 - Nature of Business and Summary of Significant Accounting Policies

Central Corporate Credit Union (CenCorp) is a state-chartered credit union authorized under the Michigan Credit Union Act. It is a corporate credit union operated solely for the benefit of members and affiliates. As such, CenCorp functions as a liquidity source, an investment alternative, and a provider of correspondent financial services. CenCorp has two primary sources of income. The first is the accepting of deposits from or making loans to members and affiliates. The second is acting as a third-party processor of share drafts/checks on behalf of members and affiliates.

CenCorp's primary regulator is the Office of Financial and Insurance Regulation (OFIR) of the state of Michigan, but is subject to additional regulation by the National Credit Union Administration (NCUA). Its members' shares and certificates are federally insured by the National Credit Union Share Insurance Fund (NCUSIF) up to the maximum amount set by the NCUSIF. CenCorp is exempt from federal and state income taxes and personal property taxes.

CenCorp owns 100% of a credit union service organization (CUSO), CenCorp Business Solutions LLC (CBS). CBS provides business services to members.

CenCorp maintains its accounting records in accordance with accounting principles generally accepted in the United States of America (GAAP), except for the classification of members' accounts as equity rather than as liabilities. Such accounts are classified as equity in accordance with the statutory conventions promulgated by the OFIR and the NCUA.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at December 31, 2008 and 2007, and the reported amounts of revenue and expenses during the years then ended. Actual results could differ from those estimates.

The significant accounting policies are as follows:

Principles of Consolidation - The consolidated financial statements include the accounts of CenCorp and CBS. Significant intercompany accounts and transactions have been eliminated in consolidation.

Central Corporate Credit Union

Notes to Consolidated Financial Statements December 31, 2008 and 2007

Note 1 - Nature of Business and Summary of Significant Accounting Policies (Continued)

Investment Securities - CenCorp's investment securities are classified in one of two categories: (1) available-for-sale or (2) held-to-maturity. Available-for-sale securities are accounted for at fair value, with unrealized gains and losses, if any, reported as a component of accumulated other comprehensive income (loss) and reflected in the members' equity section of the balance sheet. Securities held-to-maturity are accounted for at amortized cost. The original premium or discount (if any) associated with an investment is amortized or accreted to interest income using a method that approximates level yield.

Declines in the fair value of held-to-maturity and available-for-sale securities below their cost that are deemed to be other than temporary are reflected in earnings as realized losses. In estimating potential other-than-temporary impairment losses, management considerations include (1) the financial condition and near-term prospects of the issuer, (2) the length of time and the extent to which the fair value has been less than cost, and (3) the intent and ability of CenCorp to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method. No other-than-temporary impairment losses or sales were recorded in either year for investment securities.

Loans and Provision for Loan Losses - Loans are stated at the amount of unpaid principal. Provision for loan losses (if any) is estimated based on an evaluation of potential losses in the loan portfolio. This evaluation considers inherent risks, general market conditions, historical loss experience, adverse situations that could affect repayment, and the estimated value of underlying collateral for loans. Management has determined that no allowance for loan losses is necessary as of December 31, 2008 and 2007. Accordingly, there is no provision for loan losses in either year.

Fixed Assets - Fixed assets are carried at cost, with depreciation expense recognized using the straight-line method over the estimated useful lives of the related assets.

Pension Plan - Costs of the defined contribution pension plan are expensed as incurred.

Cash Flows - For the purpose of reporting cash flows, cash and cash equivalents include cash, amounts due from banks, and uncollected cash items.

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Notes to Consolidated Financial Statements December 31, 2008 and 2007

Note 1 - Nature of Business and Summary of Significant Accounting Policies (Continued)

Comprehensive Income (Loss) - Accounting principles generally require that recognized revenue, expenses, gains, and losses be included in net income. Certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, are reported as a direct adjustment to members' equity. Such items, along with net income, are considered components of comprehensive income.

Accumulated other comprehensive income (loss) at December 31, 2008 and 2007 is comprised solely of net unrealized gains and losses on available-for-sale securities.

Note 2 - Uncollected Cash Items and Uncollected Funds Payable

Uncollected cash items represent deposits made at financial institutions that are not yet available for withdrawal. Uncollected funds payable represent deposits made at CenCorp by members that are not yet available for withdrawal. Such amounts generally become available for withdrawal within one to three business days.

Note 3 - U.S. Central Federal Credit Union Deposits

U.S. Central Federal Credit Union (US Central) is a wholesale corporate credit union in which corporate credit unions are members. Under the corporate credit union structure, US Central acts as a liquidity provider and investment alternative for corporate credit unions. US Central investments include capital contributed by CenCorp. Capital accounts and other-than-temporary-impairment losses recognized on US Central capital as of December 31, 2008 are discussed in Note 11.

The following table provides rate sensitivity information by presenting deposits in US Central as of December 31, 2008 by the contractual maturity date for fixed-rate deposits and repricing date for adjustable rate deposits:

One year or less	\$ 1,224,079,033
After one year through three years	427,841,475
After three years through five years	162,505,701
After five years through ten years	<u>17,953,325</u>
Total	<u>\$ 1,832,379,534</u>
Weighted average rate	<u>2.34 %</u>

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Notes to Consolidated Financial Statements December 31, 2008 and 2007

Note 4 - Investment Securities

Investment securities consist of U.S. agency securities and residential mortgage-backed securities (RMBSs). The RMBSs are structured with credit enhancements, such as underlying loans in excess of the RMBS amount, cash collateral, and principal repayment insurance. CenCorp invested in 10 different issues at December 31, 2008, with the largest individual issue having a principal value of approximately \$32 million.

A summary of investment securities at December 31, 2008, classified by security type, is as follows:

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-Sale				
U.S. agency securities	\$ 65,843,740	\$ 497,915	\$ 44,854	\$ 66,296,801
Residential mortgage-backed securities	95,912,124	-	30,405,023	65,507,101
Total	<u>\$ 161,755,864</u>	<u>\$ 497,915</u>	<u>\$ 30,449,877</u>	<u>\$ 131,803,902</u>
Held-to-Maturity - U.S. agency securities	<u>\$ 62,402,840</u>	<u>\$ 1,438,600</u>	<u>\$ -</u>	<u>\$ 63,841,440</u>

A summary of investment securities at December 31, 2007, classified by category and security type, is as follows:

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-Sale				
U.S. agency securities	\$ 20,258,708	\$ -	\$ 153,099	\$ 20,105,609
Residential mortgage-backed securities	119,683,485	-	5,675,968	114,007,517
Total	<u>\$ 139,942,193</u>	<u>\$ -</u>	<u>\$ 5,829,067</u>	<u>\$ 134,113,126</u>

Central Corporate Credit Union

Notes to Consolidated Financial Statements December 31, 2008 and 2007

Note 4 - Investment Securities (Continued)

Additional information pertaining to the above securities with gross unrealized losses at December 31, 2008, aggregated by investment category and length of time that individual securities have been in a continuous loss position, is as follows:

	Less Than Twelve Months		Over Twelve Months	
	Gross Unrealized		Gross Unrealized	
	Losses	Fair Value	Losses	Fair Value
Available-for-Sale				
U.S. agency securities	\$ -	\$ -	\$ 44,854	\$ 18,849,810
Residential mortgage-backed securities	877,948	8,394,537	29,527,075	57,112,564
Total	<u>\$ 877,948</u>	<u>\$ 8,394,537</u>	<u>\$ 29,571,929</u>	<u>\$ 75,962,374</u>

Additional information pertaining to the above securities with gross unrealized losses at December 31, 2007, aggregated by investment category and length of time that individual securities have been in a continuous loss position, is as follows:

	Less Than Twelve Months		Over Twelve Months	
	Gross Unrealized		Gross Unrealized	
	Losses	Fair Value	Losses	Fair Value
Available-for-Sale				
U.S. agency securities	\$ -	\$ -	\$ 153,099	\$ 20,105,609
Residential mortgage-backed securities	4,967,985	76,304,315	707,983	37,703,202
Total	<u>\$ 4,967,985</u>	<u>\$ 76,304,315</u>	<u>\$ 861,082</u>	<u>\$ 57,808,811</u>

Central Corporate Credit Union

Notes to Consolidated Financial Statements December 31, 2008 and 2007

Note 4 - Investment Securities (Continued)

CenCorp evaluates individual investment securities holdings for other-than-temporary impairment (OTTI). As part of this process, CenCorp considers its ability and intent to hold each security for a sufficient time to allow for any anticipated recovery of unrealized losses. CenCorp considers various characteristics of each security including the following: tranches subordinate to CenCorp; security overcollateralization; strength of monoline insurers' guarantee of payments; strength of the government-sponsored enterprises' guarantee of agency mortgage-backed securities; credit rating and outlook or status; creditworthiness of issuers and servicers; and the duration and level of unrealized loss. Securities believed to be at risk for OTTI are further evaluated by analyzing the performance of the security. Cash flows are projected based on the structure of the security taking into account historical and anticipated default rates and loss severity and expected guarantor (monoline insurer) payments, to determine whether CenCorp expects to receive contractual cash flows that it is entitled to. As a result of these evaluations and CenCorp's intent and ability to hold the securities through the recovery of unrealized losses, CenCorp believes that it is probable that it will be able to collect amounts when due according to the contractual terms of the individual securities and does not consider its investments to be other-than-temporarily impaired at December 31, 2008.

By NCUA regulation, CenCorp is allowed to purchase securities with ratings of AA- or higher. CenCorp generally utilizes ratings by Standard & Poor's (S&P) for its analysis of purchases of securities. The RMBSs purchased by CenCorp were originally rated AAA by S&P. S&P subsequently lowered ratings on some of these RMBSs. Where the RMBSs' ratings were lowered below AA-, CenCorp requested and received NCUA approval to continue to hold the securities.

A summary of the RMBSs' amortized cost by Standard & Poor's credit rating at December 31, 2008 is as follows:

Standard & Poor's Rating	Amortized Cost
AAA	\$ 44,900,028
AA	10,150,273
A	6,970,278
BBB+	1,869,722
B	32,021,823
Total	<u>\$ 95,912,124</u>

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Notes to Consolidated Financial Statements December 31, 2008 and 2007

Note 4 - Investment Securities (Continued)

The following table summarizes the maturities of investment securities based on estimated repayments.

	Available-for-Sale		Held-to-Maturity	
	Amortized	Fair	Amortized	Fair
	Cost	Value	Cost	Value
One year or less	\$ 51,690,927	\$ 42,119,436	\$ 9,286,808	\$ 9,500,901
After one year through three years	45,766,127	37,291,718	17,239,518	17,636,948
After three years through five years	25,818,274	21,037,563	13,362,063	13,670,105
After five years through eleven years	38,480,536	31,355,185	22,514,451	23,033,486
Total	<u>\$ 161,755,864</u>	<u>\$ 131,803,902</u>	<u>\$ 62,402,840</u>	<u>\$ 63,841,440</u>

Note 5 - Loans to Members and Affiliates

Loans outstanding were issued on a secured basis to members or affiliates located in the state of Michigan. Loans to members and affiliates include the following:

	2008	2007
Demand (overnight) loans	\$ 105,289,606	\$ 47,652,455
Term loans	<u>128,174,997</u>	<u>128,060,712</u>
Total	<u>\$ 233,464,603</u>	<u>\$ 175,713,167</u>
Weighted average rate	<u>2.96 %</u>	<u>4.62%</u>

All outstanding loans were current as to payments as of December 31, 2008. CenCorp has approved demand loans to members aggregating approximately \$2.2 billion at December 31, 2008, which would carry the interest rate in effect at the date drawn.

The remaining contractual maturity of term loans to members and affiliates as of December 31, 2008 is as follows:

One year or less	\$ 30,335,711
After one year through three years	58,635,714
After three years through five years	20,685,714
After five years through ten years	<u>18,517,858</u>
Total	<u>\$ 128,174,997</u>

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Notes to Consolidated Financial Statements December 31, 2008 and 2007

Note 6 - Fixed Assets - Net

Fixed assets - Net is composed of the following:

	<u>2008</u>	<u>2007</u>
Equipment, software, and furniture	\$ 4,976,756	\$ 4,437,433
Less accumulated depreciation/amortization	<u>(3,282,430)</u>	<u>(2,697,931)</u>
Net fixed assets	<u>\$ 1,694,326</u>	<u>\$ 1,739,502</u>

Note 7 - Commercial Paper

CenCorp can issue up to \$175 million of commercial paper. No amounts were outstanding at December 31, 2008 or December 31, 2007. Commercial paper is generally issued with maturities of up to 90 days.

Note 8 - Notes Payable to US Central and Line of Credit

Notes payable to US Central consist of the following:

	<u>2008</u>	<u>2007</u>
Term notes payable	<u>\$ 121,674,997</u>	<u>\$ 114,060,712</u>
Weighted average rate	<u>4.46%</u>	<u>4.54%</u>

The remaining contractual maturity of term notes payable as of December 31, 2008 is as follows:

One year or less	\$ 26,835,711
After one year through three years	55,635,714
After three years through five years	20,685,714
After five years through ten years	<u>18,517,858</u>
Total	<u>\$ 121,674,997</u>

In addition to the notes payable outstanding, CenCorp has an available line of credit from US Central aggregating \$603 million at a variable interest rate that historically is slightly over the federal funds effective rate. Draws on the line of credit are subject to US Central's approval at the time the draw is requested. No amounts were outstanding under the line of credit at December 31, 2008 or December 31, 2007. The term notes payable and line of credit with US Central are collateralized by substantially all assets of CenCorp.

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Notes to Consolidated Financial Statements December 31, 2008 and 2007

Note 9 - Members' Shares and Certificates

A summary of members' shares and certificates is as follows:

	<u>2008</u>	<u>2007</u>
Overnight (Hi-Yield) accounts	\$ 1,248,574,808	\$ 1,597,254,948
Federal Reserve accounts	<u>6,374,000</u>	<u>2,902,513</u>
Total members' shares	<u>\$ 1,254,948,808</u>	<u>\$ 1,600,157,461</u>
Weighted average rate	<u>0.35%</u>	<u>4.25%</u>
Total members' certificates	<u>\$ 728,000,000</u>	<u>\$ 1,139,515,000</u>
Weighted average rate	<u>3.80%</u>	<u>5.07%</u>

The remaining contractual maturity of members' certificates as of December 31, 2008 is as follows:

One year or less	\$ 348,985,000
After one year through three years	237,475,000
After three years through five years	131,540,000
After five years through ten years	<u>10,000,000</u>
Total	<u>\$ 728,000,000</u>

Note 10 - Members' Capital Share Deposit Accounts

CenCorp receives capital in addition to reserves and undivided earnings through voluntary deposits made by members into a Member Capital Share Deposit (MCSD) account. A member can withdraw its MCSD account in three years after giving written notice to CenCorp. MCSD accounts are not subject to share insurance coverage from the NCUSIF. In the event of the liquidation of CenCorp, MCSD accounts would be payable only after the satisfaction of all other member accounts and other liabilities.

Fully invested MCSD members receive preferential pricing on CenCorp's investment and loan products. Dividends paid to members on MCSD accounts are discretionary.

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Notes to Consolidated Financial Statements December 31, 2008 and 2007

Note 10 - Members' Capital Share Deposit Accounts (Continued)

Effective July 1, 2007, CenCorp reduced the amount required to be fully invested in a MCSD account to the lesser of 0.7 percent of a member's calendar year-end assets or \$700,000. Prior to this change, this amount was the lesser of 0.8 percent of a member's calendar year-end assets or \$800,000. As a result of this change, CenCorp refunded approximately \$19 million of the MCSD account balances in July 2007.

Note 11 - US Central Capitalization Deposits

Corporate credit unions (Corporates) capitalize US Central by purchasing Membership Capital Shares (MCS) or Paid-in Capital (PIC). Corporates that are fully invested in MCS and PIC receive preferential pricing on products and services offered by US Central. Terms and conditions of MCS are similar to CenCorp's MCSD account offered to members and qualify as capital for regulatory purposes. PIC has no stated maturity, is subordinated to MCS and other deposit accounts at US Central, and qualifies as both GAAP and regulatory capital. Dividends paid on MCS and PIC are discretionary. In 2009, the NCUA modified the computation of the regulatory capital ratios to use the capital ratios calculated by Corporate credit unions as of November 30, 2008 going forward. See Note 17 for a further discussion of this change.

To increase GAAP capital at US Central, CenCorp authorized the transfer of \$23,062,601 of MCS to PIC on December 31, 2008. CenCorp was fully invested in MCS and PIC at US Central at December 31, 2008 and 2007.

On March 20, 2009, NCUA placed US Central into conservatorship. CenCorp determined that the majority of its \$ 23,262,601 in PIC at US Central was impaired at December 31, 2008 and recognized an impairment charge of \$23,132,176. See Note 17 for a discussion of this and other subsequent events in 2009.

A summary of CenCorp's capital accounts at US Central (after impairment charges in 2008) is as follows:

	2008	2007
Membership Capital Shares	\$ 126,221,849	\$ 103,104,555
Paid-in Capital	130,425	200,000
Total Capital at US Central	<u>\$ 126,352,274</u>	<u>\$ 103,304,555</u>

Central Corporate Credit Union

Notes to Consolidated Financial Statements December 31, 2008 and 2007

Note 12 - Regulation

The NCUA has specific regulations that affect corporate credit unions, including CenCorp. The regulations require a corporate credit union to have a minimum total capital-to-average net asset ratio (Total Capital Ratio) of 4.0 percent. CenCorp's total capital consists of retained earnings and MCSD accounts. Average net assets consist of the average of total assets (as defined by the NCUA) over the most recent 12 months. The regulations also have an earnings retention requirement if a corporate credit union's retained earnings-to-average net asset ratio (Retained Earnings Ratio) falls below 2 percent. CenCorp's Total Capital and Retained Earnings Ratios were in excess of the minimum requirements at 6.48 percent and 2.86 percent, respectively, for the period ending December 31, 2008.

The NCUA regulations require a corporate credit union to measure and limit its sensitivity to changes in market interest rates using a Net Economic Value (NEV) methodology. The "base" NEV is calculated by taking the difference between the current value of assets and liabilities (as defined in the regulations). For regulatory purposes, MCSD accounts are considered equity (i.e., not a liability).

The NEV calculation assumes market interest rates would instantaneously increase or decrease by up to 3 percent (commonly known as shock analysis). The regulations require that the interest rate risk assumed by a corporate credit union must be less than the amount that would reduce the base NEV more than 20 percent in the event of a 3 percent change in market interest rates. CenCorp operated within this limitation during 2008 and 2007.

CenCorp is required to maintain a statutory reserve. This reserve, which represents a regulatory restriction of retained earnings, is not available for payment to members.

Note 13 - Related Party Transactions

CenCorp has had, and may continue to have, transactions in the ordinary course of business with members whose officials are directors of CenCorp. Such transactions are on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties.

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Note 14 - Disclosures About Fair Value of Financial Instruments

CenCorp adopted SFAS 157 on January 1, 2008. SFAS 157 defines fair value, establishes a framework for measuring fair value (Levels 1 to 3), establishes a fair value hierarchy based on the inputs used to measure fair value and enhances disclosure requirements for fair value measurements. In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that CenCorp has the ability to access. Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals. Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability. In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level (Level 3 being the lowest level) input that is significant to the valuation. CenCorp's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

SFAS 157 requires disclosures for assets and liabilities that are subject to measurement at fair value, and a distinction between those assets and liabilities measured on a recurring basis and a non-recurring basis. Investment securities available-for-sale are CenCorp's only asset or liability that is subject to measurement at fair value on a recurring basis at December 31, 2008. CenCorp did not have any assets or liabilities that were subject to measurement at fair value on a non-recurring basis at December 31, 2008.

The following table presents information about CenCorp's investment securities available-for-sale that are measured at fair value on a recurring basis at December 31, 2008, and the valuation techniques used by CenCorp to determine those fair values.

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Assets - Investment securities available-for-sale	\$ 66,296,801	\$ -	\$ 65,507,101	\$ 131,803,902

Central Corporate Credit Union

Notes to Consolidated Financial Statements December 31, 2008 and 2007

Note 14 - Disclosures About Fair Value of Financial Instruments (Continued)

The following table presents changes in the investment securities available-for-sale that are measured by Level 3 inputs on a recurring basis in 2008.

Balance December 31, 2007	\$ 114,007,517
Total unrealized losses included in other comprehensive income (loss)	(24,729,055)
Maturities	<u>(23,771,361)</u>
Balance December 31, 2008	<u>\$ 65,507,101</u>

Both observable and unobservable inputs may be used to determine the fair value of assets classified as Level 3. As a result, unrealized losses for these assets presented in the tables above may include changes in fair value that were attributable to both observable and unobservable inputs.

Investment securities available-for-sale categorized as Level 3 assets consist of RMBSs. CenCorp estimates the fair value of these securities based on the present value of expected future cash flows using management's assumptions, including credit quality, forecasted prepayment rates and a discount rate commensurate with the current market and other risks involved.

The following disclosure of the estimated fair value of financial instruments is made in accordance with the requirements of Statement No. 107, *Disclosures About Fair Value of Financial Instruments*. The estimated fair value amounts have been determined by CenCorp using available market information and appropriate valuation methodologies. However, considerable judgment is required to interpret market data used in developing the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts CenCorp could realize in a current market exchange.

The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair-value amounts. The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash, Uncollected Cash Items and Uncollected Funds Payable - The carrying amount is a reasonable estimate of fair value.

US Central Deposits - For overnight deposits, the carrying amount is a reasonable estimate of the fair value. For term deposits, the fair value is estimated using the remaining maturity and interest rate of each individual deposit compared to the currently available interest rates on similar deposits/investments.

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Notes to Consolidated Financial Statements December 31, 2008 and 2007

Note 14 - Disclosures About Fair Value of Financial Instruments (Continued)

Investment Securities - Fair value is determined based on the framework established by FAS 157 discussed above.

Certificates of Deposit in Other Financial Institutions - The carrying amount is a reasonable estimate of fair value.

Loans to Members and Affiliates - For demand (overnight) loans, the carrying amount is a reasonable estimate of fair value. The fair value of other loans is estimated using the interest rates currently offered on loans with similar maturities.

Accrued Interest Receivable - The carrying amount is a reasonable estimate of fair value.

Notes Payable to US Central - The fair value of term notes payable is estimated using the interest rates currently available on notes with similar maturities.

Dividends and Interest Payable - The carrying amount is a reasonable estimate of fair value.

Members' Shares and Certificates - For share accounts, the carrying value is a reasonable estimate of fair value. The fair value of certificates is estimated using the interest rates currently offered on similar certificates.

MCSD Accounts - The carrying amount is a reasonable estimate of fair value, as the interest rates on these accounts are reset on a monthly basis.

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Notes to Consolidated Financial Statements December 31, 2008 and 2007

Note 14 - Disclosures About Fair Value of Financial Instruments (Continued)

The estimated fair values of the financial instruments as of December 31, 2008 and 2007 are as follows:

	2008		2007	
	Book Value	Fair Value	Book Value	Fair Value
Financial Assets				
Cash	\$ 7,242,272	\$ 7,242,272	\$ 6,247,264	\$ 6,247,264
Uncollected cash items	5,708,976	5,708,976	16,374,923	16,374,923
US Central deposits	1,832,379,534	1,848,542,924	2,740,374,728	2,750,573,801
Investment securities	194,206,742	195,645,342	134,113,126	134,113,126
Certificates of deposit in financial institutions	8,732,000	8,732,000	4,752,000	4,752,000
Loans to members and affiliates	233,464,603	236,219,507	175,713,167	177,982,923
Accrued interest receivable	10,235,966	10,235,966	25,742,555	25,742,555
Financial Liabilities				
Notes payable to US Central	121,674,997	123,957,992	114,060,712	116,009,749
Uncollected funds	8,024,625	8,024,625	25,988,256	25,988,256
Dividends and interest payable	9,997,105	9,997,105	17,310,162	17,310,162
Members' shares	1,254,948,808	1,254,948,808	1,600,157,461	1,600,157,461
Members' certificates	728,000,000	734,116,279	1,139,515,000	1,144,667,515
Members' capital share deposit accounts	112,687,300	112,687,300	112,770,190	112,770,190

Off-balance-sheet Instruments - CenCorp has approved demand loans to members aggregating approximately \$2.2 billion. CenCorp also has an available line of credit with US Central aggregating \$603 million and a commercial paper line of credit equal to \$175 million at December 31, 2008. No fair-value adjustment is necessary on these items, as the related interest rates are based on market rates when funds are drawn.

Note 15 - Pension Plan

CenCorp is a member of a multi-employer defined contribution pension plan covering substantially all employees. Net contributions in 2008 and 2007 were approximately \$231,000 and \$239,000, respectively.

Central Corporate Credit Union

Notes to Consolidated Financial Statements December 31, 2008 and 2007

Note 16 - Lease Commitment

CenCorp leases its office facility under a noncancelable operating lease through October 31, 2015. Net expenses under the operating lease in 2008 and 2007 were approximately \$370,000 and \$362,000, respectively. The approximate future minimum lease payments are as follows:

2009	\$	376,000
2010		384,000
2011		392,000
2012		400,000
2013		408,000
2014 and thereafter		<u>766,000</u>
Total	\$	<u>2,726,000</u>

Note 17 - Subsequent Events

Several significant events regarding US Central, accounting rules and CenCorp's commercial paper program occurred in 2009. A summary of these events and the financial impact on CenCorp in 2008 and into 2009 is described below.

US Central recorded other-than-temporary-impairments (OTTI) on its investment portfolio at December 31, 2008 aggregating \$4.927 billion, using accounting rules applicable at that time. Of this amount, approximately \$1.238 billion was attributed to credit losses and \$3.689 billion was attributed to declines in fair value.

The Financial Accounting Standards Board (FASB) changed the applicable accounting rules in 2009. FASB Staff Position (FSP) 115-2 requires that the expected credit loss portion of an investment be recognized as a component of net income, and that the remaining decline in fair value be recognized through accumulated other comprehensive income (AOCI). Further, previously recognized non-credit losses should be reversed and recorded as part of AOCI. Following this guidance, US Central adopted FAS 115-2 in 2009. The \$3.689 billion in non-credit losses at December 31, 2008 were reversed and AOCI was adjusted for the same amount effective on January 1, 2009.

The estimated investment losses at US Central exceeded its retained earnings at December 31, 2008. CenCorp and other corporate credit unions previously contributed capital to US Central in the form of PIC and MCS (see description of capital accounts in Note 11). The losses in excess of retained earnings were absorbed by the Corporate credit union PIC investments at US Central. Additional losses in excess of the PIC investments are absorbed by MCS investments.

Central Corporate Credit Union

Notes to Consolidated Financial Statements December 31, 2008 and 2007

Note 17 - Subsequent Events (Continued)

Aggregate Corporate credit union investment in PIC at US Central totaled \$750 million and was impaired by \$554 million on December 31, 2008. US Central determined that its investment portfolio was further impaired in 2009 and recognized additional OTTI credit losses of \$1,073 million in the first two quarters of 2009. These additional impairments were primarily due to increases in estimated mortgage loan defaults on US Central-owned securities and a decline in overall economic conditions since December 31, 2008. US Central fully impaired its remaining \$196 million in PIC and depleted about \$806 million in MCS in 2009 (\$350 million in the first quarter and \$456 million in the second quarter), net of earnings in 2009.

On January 28, 2009, the NCUSIF infused capital of \$1 billion into US Central. This action was taken by the NCUA primarily due to estimates of potentially higher credit losses in US Central's investment portfolio.

The following chart summarizes the above discussion of US Central's capital position and recognition of OTTI through June 30, 2009 (dollars in millions). The 2009 information is unaudited.

	Retained Earnings (Deficit)	Paid-in Capital	Membership Capital Shares	NCUSIF Capital Note	Total
December 31, 2008 - Balance before OTTI	\$ 708	\$ 750	\$ 1,243	\$ -	\$ 2,701
OTTI credit losses	(708)	(554)	-	-	(1,262)
OTTI non-credit loss declines in fair value	(3,689)	-	-	-	(3,689)
December 31, 2008 - Balance after OTTI	(3,689)	196	1,243	-	(2,250)
January 1, 2009 - Adoption of FSP 115-2	3,689	-	-	-	3,689
January 28, 2009 - NCUSIF capital infusion	-	-	-	1,000	1,000
February 1, 2009 - MCS adjustment	-	-	6	-	6
First quarter 2009 - Earnings	15	-	-	-	15
March 31, 2009 - OTTI credit losses	(15)	(196)	(350)	-	(561)
Second quarter 2009 - Earnings	56	-	-	-	56
June 30, 2009 - OTTI credit losses	(56)	-	(456)	-	(512)
June 30, 2009 - Balance	\$ -	\$ -	\$ 443	\$ 1,000	\$ 1,443

The losses at US Central resulted in CenCorp recognizing OTTI charges equal to its portion of the capital investments at US Central. These charges were \$23.1 million for 2008 and \$80.5 million for the first half of 2009. CenCorp's remaining investment in US Central capital at June 30, 2009 was \$46.4 million.

US Central's member deposits, excluding PIC and MCS, were originally guaranteed through December 31, 2010 when the \$1 billion in capital was infused into US Central on January 28, 2009. The NCUA subsequently placed US Central into conservatorship on March 20, 2009.

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Notes to Consolidated Financial Statements December 31, 2008 and 2007

Note 17 - Subsequent Events (Continued)

NCUA extended the guarantee period on existing member deposits through December 31, 2011 and indicated that this period may be extended to as long as December 31, 2014 in the future. The guarantee was also modified to exclude any new deposits made on or after June 1, 2009 with maturities of greater than two years. CenCorp deposits at US Central that are not included under the revised NCUSIF guarantee (excluding US Central capital investments) totaled \$110 million at August 31, 2009.

CenCorp met the requirements to participate in the new Temporary Corporate Credit Union Share Guarantee Program in 2009. Under this program, substantially all CenCorp member deposits are guaranteed through December 31, 2011. The NCUA has indicated that the guarantee period may be extended to as long as December 31, 2014 in the future.

On April 21, 2009, the NCUA Board granted a waiver to Corporate credit unions, including CenCorp, to calculate their regulatory total capital and retained earnings ratios using capital and retained earnings balances as of November 30, 2008. CenCorp's December 31, 2008 total capital and retained earnings ratios for regulatory purposes, using November 30, 2008 data, would have been 7.04 percent and 3.50 percent, respectively.

In 2009, CenCorp eliminated its commercial paper program and requested a withdrawal of ratings from the credit rating agencies. This action was taken due to the limited ability of CenCorp to issue commercial paper in the current economic climate and the availability of liquidity from other sources.