

September 8, 2008

Dear Member:

In addition to the letter we sent to you on August 13<sup>th</sup>, some members have asked for additional information to use in communication with their Board of Directors about the financial health of Volunteer Corporate and U.S. Central. In order to assist any members who have similar needs, we have compiled the enclosed information.

While these certainly are unprecedented times for the financial markets, VolCorp will continue to diligently monitor changing market conditions and remain transparent with its members as to how its portfolio is affected. I hope you find this information helpful. If you have any questions, please do not hesitate to call me directly at (615) 232-7920 or our Chief Financial Officer Jeff Merry at (615) 232-7965.

Sincerely,

A handwritten signature in black ink that reads "Albert P. Veach". The signature is written in a cursive style with a large initial 'A'.

Albert P. Veach  
President & CEO

## Volunteer Corporate Credit Union

### Information for CEOs and Boards

- VolCorp has a strong capital position  
As of June 30, 2008, VolCorp total capital stood at \$78.9 million and had a regulatory capital ratio of 6.38 percent. Total Capital increased by \$4.5 million from a year earlier and far exceeded NCUA requirements.
- VolCorp maintains a high quality investment portfolio  
As of June 30, 2008, 98.3% of VolCorp's securities are rated "AAA", 1.2% are rated "AA", and only 0.5% are rated less than "AA". Furthermore, VolCorp maintains most of its non-security investments at U.S. Central, which is rated "AA+" by S&P.
- VolCorp has strong earnings  
VolCorp has recorded earnings of \$2.1 million through June 2008, compared to \$0.8 million through June 2007, an increase of 174 percent.
- VolCorp is highly liquid  
More than 17.2 percent of VolCorp's \$1.1 billion investment portfolio is comprised of overnight investments and 37 percent mature within six months. VolCorp also has access to a total of \$250 million in external credit facilities, none of which were used on June 30, 2008.
- VolCorp's balance sheet remains strong despite the market dislocation  
VolCorp is not immune from the market dislocation which has negatively impacted the marketability of securities, particularly those backed by mortgages. As of June 30, VolCorp recorded mark-to-market unrealized losses of \$3.8 million, compared to capital of \$78.9 million. It should be noted that unrealized losses are not permanent losses which must flow through the income statement, but are by definition temporary price impairments, that in this instance reflect the market's unsettled state.
- VolCorp maintains rigorous credit standards  
VolCorp's risk management department is segregated from its investment department in order to maintain objectivity. The risk management department thoroughly reviews all investments prior to purchase and monitors their performance on a monthly basis for as long as the investment is owned. Instruments with negative trends will be escalated to management for possible action.

## **U.S. Central Credit Union**

### **Information for CEOs and Boards**

- U.S. Central maintains a high quality investment portfolio  
U.S. Central, by policy, limits its investments to the most highly credit-rated investments. The vast majority of mortgage related securities held by U.S. Central continue to be highly rated and perform as expected. U.S. Central's portfolio as of June 2008 is comprised of 93 percent of term investments that are rated "AAA" and "AA". In addition, U.S. Central has obtained independent, third-party analysis showing that all downgraded securities perform within original expectations and that full cash flow will be received.
  
- U.S. Central is highly liquid  
U.S. Central continues to maintain abundant and deep sources of liquidity to support the needs of the Corporate Credit Union Network. This includes both advised and committed lines of credit from global financial institutions and the Federal Home Loan Bank, as well as its demonstrated access to the capital markets.
  
- U.S. Central has strong earnings  
U.S. Central's ongoing financial performance is strong, reporting earnings of \$29.6 million for the first half of 2008.
  
- U.S. Central continues to be highly rated  
In July, both S&P and Fitch validated U.S. Central's strength and stability when each maintained the long term debt ratings of U.S. Central at "AA+".

## Standard and Poor's (S&P) Long Term Debt Ratings

AA+ U.S. Central

AA Bank of America

A+ Wachovia

A+ SunTrust

A+ Fifth Third

A+ Regions

BBB First Tennessee