

**Volunteer Corporate Credit Union**  
**A Tennessee State Chartered Credit Union**

Confidential Supplemental Information Memorandum

Perpetual Contributed Capital (PCC)

March 31, 2011

This Confidential Supplemental Information Memorandum is being delivered to Eligible Offerees (as described herein and which includes existing members of Volunteer Corporate Credit Union) and supplements certain information previously provided to existing members of Volunteer Corporate Credit Union and certain other Eligible Offerees in connection with the perpetual contributed capital offering process by Volunteer Corporate Credit Union (“VolCorp”). Existing members of VolCorp Credit Union previously have been provided certain information by VolCorp through town hall meetings, various correspondence and access to certain financial and other information via VolCorp’s website in connection with the perpetual contributed capital offering process.

Minimum Investment Per Eligible Offeree – Three-fourths of one percent (0.0075) of an Eligible Offeree’s assets as of a particular date described herein with a cap of \$1 million (subject to potential higher cap amounts in the event of a merger or combination of the applicable member credit unions and/or PCC holders). The minimum investment is required in order for Eligible Offerees to be considered for regular membership in VolCorp.

Maximum Investment Per Eligible Offeree – 2% of investing credit union’s assets, less current investment in Volunteer Corporate Membership Share Account combined with all other capital investments in other corporate credit unions.

VOLCORP PERPETUAL CONTRIBUTED CAPITAL	Placement Fees (1)	Estimated Offering Expenses (2)
Minimum Offering: \$35,000,000 (3)	\$0	\$30,000
Maximum Offering: \$100,000,000 (4)	\$0	\$30,000

(1) All VolCorp Perpetual Contributed Capital shall be offered and issued directly by VolCorp. No commissions shall be paid in connection with this Offering or the issuance of VolCorp Perpetual Contributed Capital pursuant to the Offering.

(2) Includes estimated fees of legal counsel, accountants and technical advisers, printing and marketing expenses.

(3) In order to satisfy certain NCUA regulatory capital requirements by October 2011, VolCorp believes it needs a minimum of \$35 million of perpetual contributed capital to be acquired by Eligible Offerees (including via conversion of membership share deposits in the membership share accounts of existing VolCorp members to VolCorp PCC), however, the Board of Directors of VolCorp reserves the right to decrease the minimum offering amount in appropriate circumstances as determined by the Board of Directors.

(4) The Board of Directors of VolCorp may from time to time increase the size of the maximum overall offering amount to Eligible Offerees.

The offering period commenced on or about December 2010 and shall expire on or about April 30, 2012 unless otherwise extended by the Board of Directors of VolCorp as it may determine.

Volunteer Corporate Credit Union (“VolCorp”) is chartered under Tennessee law as a corporate credit union with authority to provide financial services to credit unions falling within a field of membership consisting of natural person credit unions, whether state or federally chartered; and certain credit union affiliated organizations.

VolCorp is conducting this offering of VolCorp Perpetual Contributed Capital with the goal of satisfying the revised corporate credit union capital requirements pursuant to revised rules adopted by the NCUA in calendar year 2010 (including 12 CFR Part 704) governing corporate credit unions to which VolCorp is subject.

VolCorp is requesting member credit unions that now hold membership capital share deposits (“MCSD”) in their existing Membership Share Accounts with VolCorp to convert their existing MCSD to VolCorp Perpetual Contributed Capital (PCC), such requisite conversion amount for existing members desiring to convert to PCC to be determined based on a member credit union’s assets as of December 31, 2010. VolCorp is also extending membership to credit unions who have contacted Volunteer Corporate Credit Union and are willing to invest a minimum PCC amount as described herein and such membership is otherwise subject to VolCorp’s membership eligibility criteria as may be amended from time to time.

The NCUA is requiring corporate credit unions to submit a strategic capital plan to the NCUA. VolCorp submitted its capital plan to the NCUA which is in the form of a Strategic Business Plan and is available to Eligible Offerees for their review.

Members that acquire and maintain the requisite amount of VolCorp Perpetual Contributed Capital and otherwise satisfy the requirements for regular membership in VolCorp (as such may be amended from time to time) shall be regular members of VolCorp and deemed to hold Membership Share(s) in VolCorp. Please note that VolCorp Perpetual Contributed Capital does not in and of itself possess voting rights as there are other conditions to membership in VolCorp. Regular membership in VolCorp is conditioned on acquiring and maintaining the requisite amount of VolCorp Perpetual Contributed Capital and regular members of VolCorp do have certain member voting rights associated with their Membership Share(s) including member votes for the election of the board of directors of VolCorp. Eligible Offerees should be aware that, subject to compliance with applicable law, membership requirements for VolCorp may be modified from time to time as determined by the Board of Directors of VolCorp (“VolCorp Board”) in light of regulatory changes or other determinative factors.

VolCorp Perpetual Contributed Capital is a non-voting equity investment in Volunteer Corporate Credit Union and is intended to be consistent with the National Credit Union Administration Rules and Regulations Part 704 (12 CFR Part 704). Payment of dividends and repayment of principal with respect to VolCorp Perpetual Contributed Capital is subordinate to all liabilities of the liquidation estate including uninsured obligations to shareholders and the National Credit Union Share Insurance Fund (“NCUSIF”) but not including remaining contributed capital accounts issued before January 18, 2011 (e.g. MCSD) that are not converted to VolCorp Perpetual Contributed Capital. However, PCC that is used to cover losses in a calendar year previous to the year of liquidation have no claim against the liquidation estate.

VolCorp Perpetual Contributed Capital is not subject to share insurance covered by the National Credit Union Share Insurance Fund (“NCUSIF”) or any other deposit insurer or other insurer, and it is not releasable due solely to the merger, charter conversion or liquidation of the investing entity. VolCorp Perpetual Contributed Capital is redeemable only at the option of VolCorp and only if the NCUA and, if applicable, the Tennessee Department of Financial Institutions (“TDFI”), grant prior approval and VolCorp meets its minimum required capital and Net Economic Value ratios (as specified in Revised Part 704) after the redemption. VolCorp Perpetual Contributed Capital cannot be pledged against borrowings; has no scheduled maturity; and offers non-cumulative dividends. VolCorp Perpetual Contributed Capital is available to cover losses that exceed retained earnings and remaining MCSD that originated prior to January 18, 2011 that is not converted to VolCorp Perpetual Contributed Capital. Any such losses must be distributed *pro rata* at the time the loss is realized, among holders of VolCorp Perpetual Contributed Capital. To the extent that VolCorp Perpetual Contributed Capital funds are used to cover losses, VolCorp is prohibited from restoring or replenishing the affected accounts under any circumstances.

Upon liquidation, VolCorp Perpetual Contributed Capital accounts are payable only after satisfaction of all liabilities

of the liquidation estate including uninsured obligations to shareholders and the NCUSIF, but not including the remaining MCS D that is not converted to VolCorp PCC. However, VolCorp Perpetual Contributed Capital that is used to cover losses in a calendar year previous to the year of liquidation has no claim against the liquidation estate.

**AN INVESTMENT IN THESE SECURITIES INVOLVES A HIGH DEGREE OF RISK.**

VOLCORP PERPETUAL CONTRIBUTED CAPITAL ACCOUNTS ARE NOT INSURED BY THE NCUSIF OR BY ANY OTHER SHARE OR DEPOSIT INSURANCE PROGRAM. PERPETUAL CONTRIBUTED CAPITAL IS SUBJECT TO STRICT LIMITATIONS ON REDEMPTION, AND NO MARKET FOR RESALE TO OTHER ELIGIBLE INVESTORS NOW EXISTS OR IS LIKELY TO ARISE IN THE FUTURE. ACCORDINGLY, INVESTORS NEED TO BE PREPARED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT AS A PERMANENT NONTRANSFERABLE INVESTMENT. INVESTMENTS IN PERPETUAL CONTRIBUTED CAPITAL ARE SUBJECT TO IMPAIRMENT OR LOSS IN THE EVENT THAT VOLCORP EXPERIENCES LOSSES THAT EXCEED RESERVES AND AVAILABLE UNDIVIDED EARNINGS AND REMAINING CAPITAL ACCOUNTS ISSUED PRIOR TO JANUARY 18, 2011 THAT ARE NOT CONVERTED TO VOLCORP PERPETUAL CONTRIBUTED CAPITAL. SEE "RISK FACTORS" FOR AN OUTLINE OF THE FACTORS THAT VOLUNTEER CORPORATE MANAGEMENT BELIEVES PRESENT THE MOST SIGNIFICANT RISKS TO AN INVESTOR IN PERPETUAL CONTRIBUTED CAPITAL.

VOLCORP PERPETUAL CONTRIBUTED CAPITAL IS SUBJECT TO THE TERMS AND CONDITIONS DESCRIBED IN THIS MEMORANDUM. IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF VOLCORP AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. IN ADDITION TO REVIEW OF THIS SUPPLEMENTAL INFORMATION MEMORANDUM, AN INVESTOR SHOULD REVIEW THE CURRENT NCUA RULES AND REGULATIONS, AS WELL AS, FEDERAL LAW AND TENNESSEE STATE LAW REGARDING THE OPERATION OF A CORPORATE CREDIT UNION. AN INVESTOR SHOULD ALSO CONSULT THE APPLICABLE LAW RELATING TO ITS OWN OPERATION AS TO ITS POWER TO INVEST IN PERPETUAL CONTRIBUTED CAPITAL OF A CORPORATE CREDIT UNION AND THE AMOUNT OF ITS ALLOWED INVESTMENT IN A CORPORATE CREDIT UNION. THESE RULES CHANGE FROM TIME TO TIME AND MAY CHANGE AFTER THE DATE OF THIS SUPPLEMENTAL MEMORANDUM.

VOLCORP PERPETUAL CONTRIBUTED CAPITAL IS OFFERED, ISSUED AND/OR SOLD PURSUANT TO EXEMPTIONS FROM THE SECURITIES REGISTRATION PROVISIONS OF FEDERAL LAW AND THE LAWS OF EACH STATE IN WHICH THEY ARE OFFERED. VOLCORP PERPETUAL CONTRIBUTED CAPITAL IS SUBJECT TO SUBSTANTIAL RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT IN ACCORDANCE WITH APPLICABLE NCUA AND TDFI REGULATIONS, AS WELL AS APPLICABLE VOLCORP POLICIES, RULES AND PROCEDURES, AND PURSUANT TO REGISTRATION OR EXEMPTION UNDER APPLICABLE FEDERAL AND STATE SECURITIES LAWS.

VOLCORP PERPETUAL CONTRIBUTED CAPITAL HAS NOT BEEN RECOMMENDED OR OTHERWISE APPROVED BY THE TDFI OR THE NCUA OR BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR OTHER REGULATORY AUTHORITY. FURTHERMORE, THESE AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT.

This Supplemental Information Memorandum is provided on a confidential basis to Eligible Offerees for use solely in connection with their consideration of an investment in VolCorp Contributed Capital. The contents of this Supplemental Information Memorandum may not be reproduced or disseminated, in whole or in part, and their use for any purpose other than the recipient's consideration of an investment in VolCorp Perpetual Contributed Capital is prohibited. If you are not an Eligible Offeree as such term is used herein, please immediately return this Supplemental Offering Memorandum (together with any copies or notes related hereto) to VolCorp.

This Supplemental Information Memorandum shall not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of VolCorp Perpetual Contributed Capital in any state or other jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such state or other jurisdiction.

The information set forth herein speaks as of the date of this Supplemental Information Memorandum. The delivery of this Supplemental Information Memorandum at any time does not imply that the information herein is correct as of any time subsequent to the date of this Supplemental Information Memorandum. The facts, legal requirements and the policies and procedures of VolCorp will likely change from time to time and VolCorp shall have no duty to update this Supplemental Information Memorandum or other information provided to Eligible Offerees except as expressly required by applicable law.

**THIS SUPPLEMENTAL INFORMATION MEMORANDUM ALONG WITH ALL MATERIALS INCORPORATED BY REFERENCE HEREIN SUPPLEMENTS ALL PRIOR COMMUNICATIONS FROM VOLUNTEER CORPORATE CREDIT UNION, WHETHER ORAL OR WRITTEN, TO ELIGIBLE OFFEREES AND DESCRIBES THE DEFINITIVE TERMS AND CONDITIONS OF THE OFFERING. TO THE EXTENT ANY PREVIOUS COMMUNICATION TO ELIGIBLE OFFEREES IS INCONSISTENT WITH STATEMENTS MADE IN THIS SUPPLEMENTAL MEMORANDUM AND/OR ANY MATERIALS INCORPORATED BY REFERENCE HEREIN, THE STATEMENTS MADE IN THIS SUPPLEMENTAL MEMORANDUM AND/OR THE MATERIALS INCORPORATED BY REFERENCE HEREIN SHALL CONTROL.**

REGULARLY DURING THE TWELVE (12) MONTHS PRECEDING THE DATE OF THIS SUPPLEMENTAL MEMORANDUM, VOLCORP HAS PROVIDED TO ITS MEMBERS INFORMATION REGARDING ITS OPERATING RESULTS AND FINANCIAL CONDITION, INCLUDING THE IMPAIRMENT IN VALUE TO CERTAIN INVESTMENT SECURITIES HELD BY VOLCORP. UNAUDITED MONTHLY FINANCIAL STATEMENTS WITH COMMENTS AND ANALYSIS FROM MANAGEMENT AND THE 2009 AUDITED FINANCIAL STATEMENTS WERE POSTED AT WWW.VOLCORP.ORG. DURING THIS PERIOD, MEMBERS WERE PROVIDED A COPY OF THE STRATEGIC BUSINESS PLAN DEVELOPED AND SUBMITTED TO THE NCUA AND WERE INVITED TO ATTEND "TOWN MEETINGS" HELD AT VARIOUS LOCATIONS DEEMED TO BE CONVENIENT FOR THE MEMBERS. A COPY OF THE STRATEGIC BUSINESS PLAN SHALL BE MADE AVAILABLE TO ELIGIBLE OFFEREES FOR THEIR REVIEW.

**Notice Concerning Forward-looking Statements:** Statements regarding future economic performance, management's plans, objectives, beliefs, estimates, expectations, projections and any statements concerning its assumptions related to the foregoing contained in this Supplemental Information Memorandum or other communications concerning this Offering constitute forward-looking statements. Forward-looking statements inherently involve risks and uncertainties, and VolCorp's actual results, performance or achievements may differ materially from the results expressed in, or implied by, these forward-looking statements. The forward-looking statements regarding economic performance are based upon management's estimates of VolCorp's future performance based upon capital needs, VolCorp's ability to finance its operations, general economic conditions and many other variable, unknown and/or necessarily unpredictable factors. *In particular*, the highly volatile and uncertain conditions in the credit markets and otherwise currently affecting financial institutions nationally and worldwide, together with a rapidly changing and unpredictable regulatory environment, makes any prediction of future results of operations highly speculative, and therefore management's estimates and expectations should not be taken as an indication or assurance that any revenue or profitability can be expected in the future. VolCorp does not undertake any obligation to revise these forward-looking statements to reflect any future events or circumstances.

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**LIMITED PURPOSE OF THIS SUPPLEMENTAL  
MEMORANDUM**

This Supplemental Information Memorandum is intended to provide no more than an overview of the offering and Volunteer Corporate Credit Union; it does not include all the information that would be included in a registration statement or other more detailed disclosure document or prospectus, and it *does not* and is not intended to constitute full disclosure of all information material to a decision to invest in Perpetual Contributed Capital. All prospective investors will be afforded the opportunity, and are strongly encouraged, to review all additional information available, and to ask questions of, and receive answers from, management of Volunteer Corporate Credit Union concerning any and all aspects of the corporate credit union and this offering.

**ADDITIONAL INFORMATION**

Management of VolCorp is available to answer questions from Eligible Offerees concerning VolCorp and its Perpetual Contributed Capital, and will, upon request, make available such other information as prospective Eligible Offerees may reasonably request, to the extent such information is reasonably available. Prospective investors are strongly urged to carefully review this Memorandum in its entirety with certain additional information referenced herein (e.g. certain VolCorp financial statements) available at Volunteer Corporate Credit Union's website [www.volcorp.org](http://www.volcorp.org). Prospective purchasers of VolCorp Perpetual Contributed Capital (whether by means of conversion or otherwise) should pay particular attention to the sections dealing with Risk Factors.

For additional information and interviews please contact:

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## INTRODUCTION

VolCorp was created by a Special Act of the Tennessee State Legislature in April, 1981. Membership is limited to credit unions and certain organizations affiliated with credit unions.

VolCorp is offering to Eligible Offerees the opportunity to invest in its Perpetual Contributed Capital upon the terms described in this Memorandum. See "Terms of the Offering." VolCorp is offering and requesting all members who have membership share accounts (MCSD) as of December 2010 the right to convert the current balance in their membership share accounts to the newly created Perpetual Contributed Capital (PCC). The current capital requirements for maintaining regular membership in VolCorp are  $\frac{3}{4}$  of 1% of the assets of an Eligible Offeree as of a particular date specified by VolCorp with a cap of \$1 million (subject to potential higher cap amounts in the event of a merger or combination of member credit unions and/or PCC holders). For existing members that do not convert their membership share accounts to VolCorp Perpetual Contributed Capital in this Offering, your membership rights will be affected and there will be other consequences, certain of which are described herein.

While VolCorp has adequate total regulatory capital at the current time, it does not currently have sufficient capital to meet the new perpetual contributed capital requirements adopted by the NCUA that come into effect later in 2011.

Eligible Offerees that are existing members of VolCorp may convert their current MCSD from existing capital accounts to VolCorp Perpetual Contributed Capital subject to statutory limitations. This Offering is made pursuant to specific authority granted to VolCorp by NCUA Regulation Part 704. Perpetual Contributed Capital will replace MCSD as regulatory capital within the meaning of NCUA Regulation Part 704, as revised and effective on the date of this offering's printing ("Revised Part 704").

In order to satisfy NCUA regulatory capital requirements by October 2011, VolCorp believes it needs a minimum of \$35 million of perpetual contributed capital to be acquired by Eligible Offerees (including by means of conversion of membership share deposits in the membership share accounts of existing VolCorp members). As of December 31, 2010, the members of VolCorp had approximately \$53.8 million (unaudited) of VolCorp membership share account deposits (MCSD) with VolCorp.

## RISK FACTORS

An investment in VolCorp Perpetual Contributed Capital involves a high degree of risk. It should be considered only by Eligible Offerees able to bear the economic risk of the investment and who can hold the investment indefinitely.

The following paragraphs attempt to briefly highlight *some* of the factors that may be substantial risks of an investment in VolCorp Perpetual Contributed Capital and that are therefore material to a prospective offeree's investment decision, but this outline is not intended to mention, much less quantify, all the factors that could have a bearing on the significant risks of the investment. In particular, it should be noted that businesses, especially financial institutions in the present economic environment, are often subject to risks that may not be foreseen or fully appreciated by management, and potential investors should bear in mind other possible risks that could be important. Some of the factors described below may be more likely than others to have an adverse effect on VolCorp, its business, financial condition or results of operations. No attempt has been made to rank the factors described below in the order of either the likelihood of their occurrence or their potential impact upon VolCorp or the holders of the VolCorp Perpetual Contributed Capital.

**Priority of Paid in Capital.** Perpetual Contributed Capital is an equity interest. Perpetual Contributed Capital issued after January 18, 2011 is payable only after satisfaction of all liabilities of the liquidation estate including uninsured obligations to shareholders and the NCUSIF, but not including contributed capital accounts issued before January 18, 2011 that is not converted to VolCorp Perpetual Contributed Capital. In the event of a liquidation of VolCorp, the proceeds of the liquidation estate would be applied to pay, in the following order:

1. administrative costs and expenses of liquidation
2. claims for wages and salaries, including vacation, severance, and sick leave pay
3. taxes legally due and owing to the United States or any state or subdivision thereof,
4. other debts due and owing to the United States, including the NCUA
5. Claims of general creditors and of secured creditors to the extent their claims exceed the value of the security for those claims,
6. shareholders to the extent of their claims with respect to liabilities and for their uninsured share accounts,
7. the NCUSIF to the extent of its payment of share insurance,
8. Perpetual Contributed Capital
9. Remaining Membership Capital Share Deposits (MCSD) which is not converted to VolCorp Perpetual Contributed Capital.
10. Any surplus remaining to be distributed in accordance with applicable law.

Owners of Perpetual Contributed Capital could lose all of their investment in the event that available assets were insufficient to fully pay all such superior obligations. All losses experienced by VolCorp in excess of retained earnings and remaining capital issued prior to January 18, 2011 (e.g. MCSD) that is not converted to VolCorp PCC would affect Perpetual Contributed Capital. Such losses would result in impairment of liquidation value of the VolCorp Perpetual Contributed Capital.

In the event of a liquidation of VolCorp, VolCorp Perpetual Contributed Capital will have payment and liquidation priority over all capital issued prior to January 18, 2011 (e.g. MCSD) that is not converted to VolCorp PCC. Terms of Perpetual Contributed Capital are always subject to the possibility of regulatory change.

**Illiquid Investment.** Prospective investors should not invest any funds in Perpetual Contributed Capital that they anticipate needing for any other purpose at any time in the future. There are significant limitations on redemption and transfer, and there is no current or anticipated market in this investment. Holders of VolCorp Perpetual Contributed Capital likely will not have the ability to liquidate an investment in VolCorp Perpetual Contributed Capital and as a practical matter it should be considered a permanent investment.

**No Scheduled Maturity.** VolCorp Perpetual Contributed Capital has no scheduled maturity date. VolCorp Perpetual Contributed Capital will be redeemed by VolCorp only (i) upon call by VolCorp at its sole option; (ii) to the extent that, following the redemption, VolCorp would comply with minimum regulatory capital requirements and (iii) upon receipt of the prior, written approval of NCUA and the TDFI as applicable.

**Restrictions on Withdrawal.** VolCorp Perpetual Contributed Capital is not subject to withdrawal at the request of any holder. VolCorp may redeem Perpetual Contributed Capital only pursuant to call as described above and VolCorp has no intention to attempt to redeem its Perpetual Contributed Capital for the foreseeable future.

**Dividends Not Guaranteed.** There is no obligation for VolCorp to pay dividends on VolCorp Perpetual Contributed Capital. If the VolCorp Board determines it will pay dividends upon Perpetual Contributed Capital, any such dividends may only be paid after dividends have been paid on all superior classes of shares and deposits as applicable. VolCorp Perpetual Contributed Capital will be issued as a non-cumulative dividend product subject to the terms of this Memorandum, Tennessee and federal law, and the applicable bylaws and policies of VolCorp. VolCorp may lawfully pay dividends on VolCorp Perpetual Contributed Capital only from available current earnings and prior period earnings of VolCorp that are set apart after funding of required reserves, by a valid act of the VolCorp Board for distribution among the eligible members. Dividends may be paid only when sufficient current and/or prior earnings are available at the end of the dividend period, and only after provision for required transfers to reserves is made. Members have no right to receive dividends until dividends are declared. Dividend policies may be modified from time to time as determined by the VolCorp Board depending upon regulatory changes or other factors.

If, after transfers to required reserves and after payment of dividends on non-PCC shares and share certificates, as applicable, current period earnings are insufficient to pay dividends on the VolCorp Perpetual Contributed Capital, VolCorp may declare and pay dividends on VolCorp Perpetual Contributed Capital from retained earnings to the extent such retained earnings exceed required corporate (regular) reserves (“Surplus Retained Earnings”), provided that such payment would not cause VolCorp to drop below the capital level required to maintain its then current level of operating authority or otherwise satisfy applicable regulations. See “Regulatory Considerations Capital Standards and Levels of Operating Authority under Revised Part 704.”

No assurance is or can be given that earnings will be sufficient to declare and pay dividends at any rate on VolCorp Perpetual Contributed Capital, or to declare and pay such dividends on any date. Dividends on VolCorp Perpetual Contributed Capital will not be cumulative and, in the event available earnings (including any available Surplus Retained Earnings as applicable) are insufficient to pay dividends, the unpaid amount will not be carried forward for payment out of future earnings, if available.

**No NCUSIF or other Share Insurance.** The payment of dividends and the repayment of the principal amount of a credit union’s investment in VolCorp Perpetual Contributed Capital are NOT insured by the NCUSIF or, by any other share or deposit insurance program.

**Interest Rate Risk.** Dividends on VolCorp Perpetual Contributed Capital may be payable only from VolCorp’s current period earnings and Surplus Retained Earnings as described above. The availability of earnings depends substantially on VolCorp’s generation of net interest income which is derived from the difference between interest and dividends received on invested assets and interest and dividends paid on shares, borrowings and acceptances. Changes in prevailing market interest rates can significantly affect net interest income and VolCorp’s earnings. Rising interest rates generally result in a decline in market value of a portion of the types of investment securities held by VolCorp. The income received on VolCorp’s investment securities may then rise at a slower rate than the rates VolCorp pays on shares, borrowings and acceptances. Among other reasons, this is due to the facts that (i) while VolCorp holds mostly floating-rate securities, market rates may move faster than the contractual re-pricing of the securities’ interest rates; and (ii) the maximum increase in the interest rate on a portion of VolCorp’s securities generally is limited, while market rate increases are not limited. VolCorp currently holds less than half of its investment portfolio in floating-rate securities that carry contractual limitations on the maximum increase in the interest received on these securities. This characteristic of floating-rate securities is commonly known as an

"embedded interest rate cap." While none of the securities currently held by VolCorp have reached their embedded interest rate caps, if interest rates did increase beyond these embedded caps, VolCorp's future cash flows from these securities could be limited. As of December 31, 2010, floating rate investments with embedded interest rate caps totaled \$254.5 million. The average weighted interest rate cap for these securities was 7.57%.

During periods of declining interest rates, loans underlying certain securities in VolCorp's portfolio are more likely to prepay as borrowers refinance. VolCorp then might be unable to reinvest the proceeds from prepayments in instruments bearing yields comparable to those of the prepaying securities. This situation would reduce earnings on VolCorp's investment portfolio.

The liquidation value of VolCorp Perpetual Contributed Capital could be substantially reduced by a decline in the market value of investment securities resulting from increases in market interest rates. Market losses experienced by VolCorp, to the extent that such losses exceeded reserves and undivided earnings, would be absorbed first by the holders of the remaining MCS D (that is not converted to VolCorp PCC) and then by holders of VolCorp Perpetual Contributed Capital. This would impair the liquidation value of VolCorp Perpetual Contributed Capital.

**Projections.** With respect to any projections, including financial projections or pro forma statements, that are provided to Eligible Offerees in connection with this Offering, including any forecasts or projections set forth in the VolCorp Strategic Business Plan submitted to the NCUA and made available to Eligible Offerees, actual results may vary, perhaps significantly, depending upon numerous factors, many of which are beyond the control of VolCorp. Please read the Notice Concerning Forward Looking Statements on page 4 of this Memorandum.

**Government Regulation and Monetary Policy.** VolCorp and its business activities are subject to extensive regulation by state and federal regulatory authorities. The credit unions that constitute VolCorp's field of membership are similarly subject to extensive regulation by the NCUA and other federal and state authorities. It is not possible to predict the content or impact of future legislation and regulations on the credit union industry in general or on VolCorp's business in particular. No assurance can be given that legislative or regulatory changes, or judicial interpretations of existing law and regulations, will not have a material adverse impact on VolCorp's earnings or financial condition. Changes in government fiscal policy or in the monetary policy pursued by the Federal Reserve Board may also have a significant impact on VolCorp's interest rate risk exposure and adversely impact its earnings or financial condition. Future regulation may further expand or increase the capital requirements for corporate credit unions in which case VolCorp may then need to evaluate its alternatives, one of which may be to request additional capital commitments or other commitments from its members and/or take such other action as determined by the VolCorp Board.

**Change in Membership Criteria and Other Changes in VolCorp Policies and Rules.**

Due to subsequent regulatory changes or changes in VolCorp's internal policies and procedures, VolCorp's Board may from time to time (subject to applicable law) modify its internal policies and procedures including the rules and criteria for membership in VolCorp. In light of the goal to protect the safety and soundness of VolCorp, the Board of VolCorp or the regulatory authorities may impose additional capital requirements upon VolCorp. Thus, members of VolCorp could be requested to contribute additional capital in the future and/or there may be additional restrictions or other terms imposed upon VolCorp Perpetual Contributed that is held by such members.

**Existing Members that do not Acquire Requisite Amount of VolCorp PCC Shall be Affected and such Members Will Eventually Lose Regular Membership Status and Other Rights.** NCUA regulations allow a corporate credit union to condition membership, services, or prices for services on a member's ownership of Perpetual Contributed Capital as defined in the regulation. VolCorp intends to condition regular membership in VolCorp and certain privileges, services, prices for services and benefits on members maintaining the requisite amount of VolCorp Perpetual Contributed Capital. Revised NCUA Rule 704.3 includes a requirement that for outstanding MCS D that is not converted to VolCorp Perpetual Contributed Capital by October 20, 2011, VolCorp is required to place the holders of such remaining MCS D accounts on notice of withdrawal. VolCorp will continue to adjust the balance of the remaining MCS D accounts in accordance with the original terms of the account until the three year notice period has run, after which time VolCorp would plan to return the remaining balance in the MCS D account less any losses to the MCS D account. The MCS D accounts will be available to cover losses at VolCorp that exceed retained earnings and will be subordinate to VolCorp Perpetual Contributed Capital in the event of applicable losses and/or certain liquidation scenarios. MCS D accounts will have no membership voting rights

associated with such MCS D accounts following such notice of withdrawal. VolCorp plans to give its members that do not acquire and maintain the requisite VolCorp Perpetual Contributed Capital amount a more formal notice later in 2011 of certain consequences of not acquiring and maintaining the requisite amount of VolCorp Perpetual Contributed Capital (see Not Converting MCS D to VolCorp PCC Will Have Certain Consequences on page 19 of this Memorandum).

**Liquidity Risk.** VolCorp acts as a central depository for many natural person credit unions. These credit unions also look to VolCorp for their liquidity needs. As a provider of liquidity, VolCorp must keep a significant portion of its assets, shares and liabilities as short term and/or demand items. This places constraints on VolCorp's ability to purchase higher yielding long term investments. Demand for redemptions, withdrawals, or for repayment of liabilities could, at particular points in time, exceed the amount of readily available cash and overnight investments. Such liquidity demands could force VolCorp either to borrow money or to liquidate assets. Both actions could result in a negative impact on net income and retained earnings.

To expand its liquidity resources, VolCorp joined the Federal Home Loan Bank (FHLB) – Cincinnati as one of VolCorp's sources of liquidity. The available line of credit with the FHLB was approximately \$223 million as of December 31, 2010 and borrowings thereunder are collateralized by securities. VolCorp has an additional line of credit facility established with Wells Fargo and any borrowings thereunder are to be collateralized by securities. As of December 31, 2010, there were no outstanding amounts borrowed by VolCorp under these credit line facilities.

**Credit Risk.** VolCorp's portfolio of investments carries various credit risks. The term credit risk encompasses (i) non-performance of mortgage or other loans that comprise the asset pool underlying certain VolCorp investment securities, (ii) deterioration in certain credit support provisions that serve to enhance credit ratings, (iii) reduction in certain insurance providers' ability to meet their obligations with respect to credit enhancements, or (iv) other conditions that may alter or call into question receipt of scheduled cash flows with respect to the particular securities. VolCorp also makes loans to members which have certain credit risks. Currently, VolCorp has a very small portion of its assets in loans to members. The larger this percentage the greater the credit risk is on this portion of the portfolio.

**Amendment of PCC Contribution Agreement.** The Perpetual Contributed Capital Agreement that VolCorp is requesting existing and new members acquiring PCC to enter into may be unilaterally amended by VolCorp from time to time in certain circumstances to comply with applicable laws and regulations and/or to comply with any change or modification to VolCorp's Bylaws, rules, policies or practices (including regarding VolCorp's capital requirement policies for its members). An affected member would be notified of any such modification or change, and while no additional obligation shall be unilaterally imposed by VolCorp on a member or holder of PCC to contribute additional capital to VolCorp without such member's or holder's consent, VolCorp does reserve the right to condition VolCorp membership and certain rights, privileges and benefits upon a member's satisfaction of VolCorp criteria for membership which may include additional capital requirements.

**Restrictions on Transfer.** The holder of VolCorp Perpetual Contributed Capital may transfer its interests in the investment to another member or to a nonmember (other than a natural person) in accordance with applicable law and subject to VolCorp's policies, rules and procedures. At least fourteen (14) days before consummating such a transfer, the member must notify VolCorp of the pending transfer. Pursuant to existing NCUA regulations, VolCorp is required, within ten (10) days of such notice, to provide the member and the potential transferee all financial information about VolCorp that is available to the public or that VolCorp has provided to its members, including any call report data submitted by VolCorp to the NCUA but not yet posted on the NCUA's website. Pursuant to existing federal regulations, credit unions in general are currently limited in their total investment in capital accounts of a corporate credit union to two percent (2%) of their total assets at the time of investment or adjustment.

**Volunteer Corporate Credit Union's Investment Portfolio.** VolCorp's investment portfolio makes up a substantial amount of its assets. The portfolio changes constantly as management adjusts to market conditions and risks factors. Portfolio investments may lose value depending upon a number of factors, many of which are beyond the control of VolCorp. For example, the price of each investment is subject to change on each day subject to then current market conditions for the type of investment and for the individual investment. Prospective investors should undertake their own review of VolCorp's portfolio to evaluate the investments.

All securities held by VolCorp on December 31, 2010 were classified as “Available for Sale”. These investments are primarily comprised of: (1) Government Sponsored Enterprise (GSE) securities, (2) Government Guaranteed Obligations, (3) Asset Backed securities, (4) Corporate Debt Obligations, (5) Private Label securities, and (6) Investments in U. S. Central Bridge Federal Credit Union and Western Bridge Federal Corporate Credit Union.

As of December 31, 2010 VolCorp’s portfolio included the following:

*Government Sponsored Enterprises (GSE):* As of December 31, 2010 VolCorp held investments in U.S. Agency CMO Securities with a market value of \$240,088,910 and a cost basis of \$239,478,889. VolCorp also owned direct obligations of GSE’s with a market value of \$67,302,874 and a cost basis of \$67,203,459. Credit risk associated with such securities has, in the past, been considered very low because of the implied guarantee for Government Sponsored Enterprises by the Federal Government. Recent changes in investment markets, and the U.S. Treasury’s subsequent bailout program, have resulted in billions of dollars being infused into various U.S. Agencies in an effort to stabilize markets and mitigate risk. Securities issued by Government Sponsored Enterprises are not explicitly rated, but rather carry an implied rating of AAA.

*Government Guaranteed Obligations:* At December 31, 2010, VolCorp’s investment in Government Guaranteed securities had a market value of \$38,020,495 and a cost basis of \$38,006,636.

*Asset Backed Securities:* VolCorp holds Asset Backed Securities (ABSs) that are collateralized by credit cards, student loans, and automobile receivables. As of December 31, 2010, VolCorp’s investments in Asset Backed Securities had a market value of \$246,654,210 and a cost basis of \$246,489,629.

*Corporate Debt Obligations:* At December 31, 2010, VolCorp’s investment in non-Government Guaranteed Corporate Debt Obligations had a market value of \$4,969,600 and a cost basis of \$4,988,132.

*Private Label Mortgage Backed Securities:* At December 31, 2010 VolCorp’s investment in Private Label Mortgage Backed Securities had a market value of \$4,497,307 and a cost basis of \$5,684,783. VolCorp’s portfolio contains one private label mortgage backed security that currently carries an impairment opinion and all OTTI accounting entries are current and up to date.

*Investments in U.S. Central Bridge Federal Credit Union and Western Bridge Federal Corporate Credit Union:* VolCorp’s overnight investments and daily shares with U. S. Central totaled \$146,608,376 and guaranteed certificates of deposit in the amount of \$464,148,048 on December 31, 2010. VolCorp held guaranteed certificates of deposit with Western Bridge in the amount of \$9,600,189 on December 31, 2010. The extent to which U.S. Central or Western Bridge might be unable to repay VolCorp’s overnight investment, daily shares, or CD represents credit risk. NCUSIF has agreed to guarantee all non-capital deposits in corporate credit unions that exceed the normal limit for a period ending on December 31, 2012. As of December 31, 2010 VolCorp has written off all of its prior investments in capital accounts at U. S. Central Federal Credit Union and Western Federal Corporate Credit Union. The total write-off was \$33,116,052 of capital in U. S. Central and \$100 of capital in WesCorp.

*Repurchase and Reverse Repurchase Agreements:* As of December 31, 2010 VolCorp held no interest in Repurchase or Reverse Repurchase Agreements.

**Limited Market.** No public or private market now exists for VolCorp Perpetual Contributed Capital and no market for the resale of VolCorp Perpetual Contributed Capital will likely develop or be sustained in the future. Purchasers must be fully aware of the long-term nature of an investment in VolCorp Perpetual Contributed Capital and should assume they will be unable to resell their VolCorp Perpetual Contributed Capital at any time in the future.

**Competition.** VolCorp has significant competition in each of its product areas. This competition is from many sources. Most corporate credit unions have a national field of membership. In addition to other corporate credit unions, other natural person credit unions provide certain similar products. Outside the credit union industry, VolCorp must compete with banks, brokers, dealers, and other providers of financial services and products. In addition to this competition, the financial services market is experiencing rapid technological and structural change. VolCorp’s member/owners are also subject to a high level of competition in their markets for providing financial and investment services to individuals. No assurance can be given that VolCorp will be able to continue to compete successfully with its existing competitors or will be able to compete successfully with new competitors.

**Volunteer Corporate Credit Union Management.** The ability of VolCorp to conduct its business successfully depends on the efforts and abilities of its officers and employees. The board of directors believes that the senior management team of VolCorp has the experience and ability to continue to manage and operate VolCorp in a safe and sound manner. The departure or loss of key executive personnel, or the inability to replace key personnel in a timely fashion with persons holding similar abilities and experience, could have a material adverse impact on VolCorp's earnings, financial condition and operational capacity and/or functionality. See "Management," starting on Page 21 of this Memorandum.

**Membership Voting Rights.** VolCorp's bylaws requires each member holding a membership share to have one and only one vote on any matters subject to vote by the membership, including election of the board of directors. Members that acquire and maintain the requisite amount of VolCorp Perpetual Contributed Capital and otherwise satisfy the requirements for regular membership in VolCorp (as such may be amended from time to time) shall be regular members of VolCorp and deemed to hold membership share(s) in VolCorp. Please note that VolCorp Perpetual Contributed Capital does not in and of itself possess voting rights as there are other conditions to membership in VolCorp. Regular membership in VolCorp is conditioned on acquiring and maintaining the requisite amount of VolCorp Perpetual Contributed Capital and satisfying other membership eligibility criteria. Regular members of VolCorp do have certain member voting rights associated with their membership share(s) including members' votes for the election of the board of directors of VolCorp. Each regular member of VolCorp is entitled to one vote in any matter placed before the membership for action. The voting rights of members arise from the ownership of a membership share. The elected board of directors has the responsibility for the management of VolCorp. The VolCorp board delegates various authorities over day-to-day operations to the President/CEO and various committees. This authority is subject to the bylaws and policies of VolCorp.

### **Terms of the Offering**

**Authorization.** The terms and conditions of this Offering, and the characteristics of the VolCorp Perpetual Contributed Capital to be issued to subscribers to this Offering, are governed by Revised Part 704 authorizing perpetual contributed capital as a new type of capital for all corporate credit unions. VolCorp Perpetual Contributed Capital constitutes "perpetual contributed capital" as described in Revised Part 704. See "Regulatory Considerations," starting on Page 20 of this Memorandum.

**The Offering.** VolCorp is offering a minimum of \$35 million and a maximum of \$100 million in VolCorp Perpetual Contributed Capital to Eligible Offerees (including existing VolCorp members who are being requested to convert their MCS D to VolCorp PCC). VolCorp reserves the right in its discretion to accept subscriptions for VolCorp Perpetual Contributed Capital. VolCorp further reserves the right in its discretion to change the stated maximum or minimum offering amount. VolCorp is requesting its existing members to convert the amount in their MCS D to VolCorp Perpetual Contributed Capital. The amount requested to be converted by the Eligible Offeree in this Offering that are existing members of VolCorp is three-quarters of one percent (0.0075) of the assets of the credit union as of December 31, 2010 with a cap of \$1 million. The amount requested of the Eligible Offeree in this Offering that are not existing members of VolCorp is three-quarters of one percent (0.0075) of the assets of the respective Eligible Offeree applying for membership in VolCorp as of a date specified by VolCorp (please contact VolCorp for the relevant date) with a cap of \$1 million.

VolCorp may change the terms of this investment to comply with any future changes in law or regulation. In the event the terms of this Offering or the underlying investment conflict with the requirements of law or regulation, the law or regulation shall take precedent over this Offering and the terms herein.

**Eligible Offerees.** Only current members of VolCorp, other credit unions and certain credit union affiliated organizations, in each case as determined by VolCorp in accordance with its membership policies and criteria (referred to herein as "Eligible Offeree(s)"), are eligible to subscribe for and invest in VolCorp Perpetual Contributed Capital (including by means of conversion of MCS D to VolCorp PCC by existing members). If a

member or proposed member is a natural person credit union it must also: (1) at the time of the purchase be a member of VolCorp and/or otherwise satisfy the membership eligibility criteria of VolCorp and (2) not have total investments in corporate credit unions capital accounts in excess of statutory and regulatory limits. In any event, an Eligible Offeree must be accepted by VolCorp prior to being admitted as a regular member of VolCorp.

**Plan of Distribution.** VolCorp Perpetual Contributed Capital is being offered directly by VolCorp to Eligible Offerees. No brokers, agents or other intermediaries will be involved in offering VolCorp Perpetual Contributed Capital to Eligible Offerees or in collecting and acting upon subscriptions from Eligible Offerees for VolCorp Credit Union Perpetual Contributed Capital.

**Required Perpetual Contributed Capital Investment.** Each Eligible Offeree that is an existing member of VolCorp is being requested to convert its MCS D to VolCorp Perpetual Contributed Capital and each Eligible Offeree that is considering membership as a new member of VolCorp is being requested to purchase VolCorp Perpetual Contributed Capital, in each case, in an amount calculated as follows:

75 basis points (.0075) (or three-quarters of one percent) of the credit union's assets as of December 31, 2010 for existing members planning to convert their MCS D to VolCorp PCC and as of a date specified by VolCorp for new members desiring to purchase VolCorp PCC (please contact VolCorp for the relevant date), up to a maximum of \$1,000,000 (subject to potential higher cap amounts in the event of a merger or combination of member credit unions and/or PCC holders).

Unlike MCS D, the amount of a holder's investment in VolCorp Perpetual Contributed Capital will not adjust annually based on the size of its asset base, however, a member that merges or otherwise combines with another member or PCC holder may be subject to aggregate its requisite PCC amounts and in connection therewith may exceed the \$1 million cap. Under current regulatory requirements and current VolCorp policy, increases in a holder's assets will not require such holder of VolCorp Perpetual Contributed Capital to acquire additional VolCorp Perpetual Contributed Capital from VolCorp, except pursuant to a subsequent offering or pursuant to a merger or other combination of members and/or PCC holders in which case the aggregate amount of PCC may be required by applicable law to be maintained with the surviving credit union or PCC holder as applicable. Any decreases in assets will not entitle a holder of VolCorp Perpetual Contributed Capital to a refund of any portion of its VolCorp Perpetual Contributed Capital.

**Conversion of MCS D to VolCorp Perpetual Contributed Capital – No Further Three Year Right of Redemption.** Upon conversion of MCS D to VolCorp Perpetual Contributed Capital, there will be no further right of the respective holder to tender a three year redemption notice to VolCorp as was the case with MCS D.

**VolCorp Perpetual Contributed Capital Agreement – Existing Members and New Members.** Eligible Offerees should carefully review (1) the VolCorp Perpetual Contributed Capital Agreement (Existing Member) (which is substantially in the form attached to this Memorandum as Exhibit A-1 for existing members of VolCorp that are considering converting their MCS D accounts to VolCorp Perpetual Contributed Capital) and (2) the VolCorp Perpetual Contributed Capital Agreement (New Member) (which is substantially in the form attached to this Memorandum as Exhibit A-2 for Eligible Offerees that are considering a new membership relationship with VolCorp).

**Authorization by Eligible Offerees.** Eligible Offerees should take such steps to duly adopt and approve their respective investment in VolCorp Perpetual Contributed Capital (including by conversion from MCS D for existing members of VolCorp to VolCorp Perpetual Contributed Capital) The NCUA rules require that the terms and conditions of the Perpetual Contributed Capital instrument must be disclosed to the recorded owner of the instrument at the time the instrument is created and must be signed by either all the directors of the member credit union or, if authorized by board resolution, the chair and secretary of the board of the member credit union, and Model Form H under Part II of Appendix A to Revised Part 704 provides a suggested form of terms and conditions

of perpetual contributed capital, which is to be signed by all the directors of the member credit union or, if authorized by board resolution, the chair and secretary of the board of the member credit union.

For those Eligible Offerees that desire to invest in VolCorp Perpetual Contributed Capital (by conversion of MCSD for existing members or by purchase as a new member), such Eligible Offeree should have an authorized person on behalf of Eligible Offeree (which may include the CEO, President, Chairperson) execute the applicable form of VolCorp Perpetual Contributed Capital Agreement delivered to you by VolCorp, and in addition, such Eligible Offeree should have the Chair and Secretary of the board of directors of the Eligible Offeree (as authorized by the Board) sign the Appendix A notice form to such agreement. See VolCorp Perpetual Contributed Capital Agreement (including Appendix A thereto) attached as Exhibit A-1 (for existing members considering conversion) and Exhibit A-2 (for Eligible Offerees considering new membership) as part of this Supplemental Information Memorandum. If you should have any questions, please contact VolCorp.

**Offering Period.** VolCorp Perpetual Contributed Capital will be offered pursuant to the terms set forth in this Supplemental Memorandum until April 30, 2012, unless the offering period is extended by the VolCorp Board in its discretion.

**Expenses of Offering.** No securities commissions, finders' fees or other special compensation will be paid to any person in connection with the offer and issuance of VolCorp Perpetual Contributed Capital (including conversion of MCSD accounts by existing members). VolCorp will incur offering expenses for fees of legal counsel and printing and distributing costs in an amount estimated to be approximately \$30,000.

#### **CERTAIN CHARACTERISTICS OF VOLCORP PERPETUAL CONTRIBUTED CAPITAL**

**Definition.** Revised Part 704 of the NCUA rules and regulations defines "perpetual contributed capital" as follows:

Perpetual contributed capital (PCC) means accounts or other interests of a corporate credit union that: are perpetual, non-cumulative dividend accounts; are available to cover losses that exceed retained earnings; are not insured by the NCUSIF or other share or deposit insurers; and cannot be pledged against borrowings. In the event the corporate is liquidated, any claims made by the holders of perpetual contributed capital will be subordinate to all other claims (including NCUSIF claims). [Note, however, if elected by the corporate credit union and proper notification given to members, such corporate credit union may subordinate in certain respects the remaining contributed capital accounts issued before January 18, 2011 (e.g. MCSD) that are not converted to such corporate credit union's perpetual contributed capital. VolCorp's board of directors has elected to subordinate the remaining MCSD that is not converted to VolCorp Perpetual Contributed Capital (as permitted by Revised Part 704 of the NCUA rules and regulations) and described herein)].

Revised Part 704 sets forth six (6) requirements or characteristics of perpetual contributed capital.

(a) Disclosure. The terms and conditions of any perpetual contributed capital instrument must be disclosed to the recorded owner of the instrument at the time the instrument is created and must be signed by either all of the directors of the member credit union or, if authorized by board resolution, the chair and secretary of the board.

(b) Release. Perpetual contributed capital may not be released due solely to the merger, charter conversion or liquidation of a member credit union. In the event of a merger, the perpetual contributed capital transfers to the continuing credit union. In the event of a charter conversion, the perpetual contributed capital transfers to the new institution. In the event of liquidation, the perpetual contributed capital may be released to facilitate the payout of shares with NCUA's prior written approval.

(c) Callability. A corporate credit union may call perpetual contributed capital instruments only with the prior approval of the NCUA and, for state chartered corporate credit unions, the applicable state regulator. Perpetual contributed capital accounts are callable on a pro-rata basis across an issuance class.

(d) Perpetual contributed capital. A corporate credit union may issue perpetual contributed capital to both members and nonmembers.

(e) The holder of a PCC instrument may transfer its interests in the instrument to another member or to a nonmember (other than a natural person). At least 14 days before consummating such a transfer, the member must notify the corporate credit union of the pending transfer. The corporate credit union must, within 10 days of such notice, provide the member and the potential transferee all financial information about the corporate credit union that is available to the public or that the corporate credit union has provided to its members, including any call report data submitted by the corporate credit union to NCUA but not yet posted on NCUA's website.

(f) A corporate credit union is permitted to condition membership, services, or prices for services on a member's ownership of PCC, provided the corporate credit union gives existing members at least six months written notice of:

(i) The requirement to purchase PCC, including specific amounts; and

(ii) The effects of a failure to purchase the requisite PCC on the pricing of services or on the member's access to membership or services.

Revised Part 704 contains a new Appendix A entitled "Capital Prioritization and Model Forms" which is effective January 18, 2011. Part 1 of Appendix A provides that a corporate credit union may determine that capital contributed to the corporate credit union on or after January 18, 2011 will have priority, for purposes of availability to absorb losses and payment in liquidation, over capital contributed to the corporate credit union before that date.

The board of directors at a corporate credit union that desires to make this determination must:

(a) On or before January 18, 2011, adopt a resolution implementing its determination.

(b) Inform the credit union's members and NCUA, in writing and as soon as practicable after adoption of the resolution, of the contents of the board resolution.

(c) Ensure the credit union uses the appropriate initial and periodic Model Form disclosures in Part II of Appendix A.

VolCorp's board of directors adopted such a resolution on November 17, 2010. A letter notifying member credit unions was mailed on November 30, 2010. Therefore, any VolCorp Perpetual Contributed Capital (including any VolCorp PCC converted from MCSD in this Offering) shall have priority in certain respects over remaining VolCorp MCSD that is not converted to VolCorp PCC by members in the offering.

**Benefit of Perpetual Contributed Capital.** VolCorp strives to ensure that competitively priced settlement, liquidity, investment and correspondent payment services are available to its members. VolCorp is also committed to managing the assets of the organization to ensure that no future impairments of existing or future member capital accounts occur. The VolCorp Board recommends that the conversion of MCSD to VolCorp Perpetual Contributed Capital is the most practical alternative to address the new capital regulatory requirements instituted by the NCUA and to provide VolCorp with the greatest opportunity for the continued viable operations, services and growth for the foreseeable future.

VolCorp must meet minimum regulatory capital ratios by October 20, 2011 to continue operating as an independent corporate credit union. The key regulatory capital thresholds are a 4% leverage capital ratio and a 4% Tier 1 risk-based capital ratio. Leverage and Tier 1 capital both consist solely of retained earnings and perpetual contributed capital. Membership capital (MCSD) does not qualify as Tier 1 capital and therefore does not help VolCorp meet its long term capital ratio requirements.

**Dividends.** VolCorp plans to declare and pay dividends on the principal amount of a member's Perpetual Contributed Capital at a rate equal to or greater than that paid with respect to funds deposited with VolCorp in a Premium Share Account, however, there can be no assurance or guaranty that dividends will be paid or that the rate on VolCorp Perpetual Contributed Capital will exceed that of funds deposited in a Premium Share Account or other

share account. Assuming there are applicable funds available for distributions, VolCorp intends to declare and pay dividends upon VolCorp Perpetual Contributed Capital on a quarterly basis as of the last day of each calendar quarter in each year while VolCorp Perpetual Contributed Capital is outstanding. Dividends shall be calculated based on the actual number of days in a 365-day year.

Payment of dividends on VolCorp Perpetual Contributed Capital is subordinate to payment of dividends on shares and share certificates. Dividends first will be paid on shares and share certificates from available current period earnings and/or Surplus Retained Earnings. If current period earnings are insufficient, after prior payment of dividends on shares and share certificates, to pay dividends on VolCorp Perpetual Contributed Capital, VolCorp may pay dividends on its Perpetual Contributed Capital from Surplus Retained Earnings, but only to the extent such payment would not cause VolCorp to fall below the amount of capital required to maintain VolCorp's then current level of regulatory operating authority and subject to any other regulatory limitations. If current period earnings, plus such amount of Surplus Retained Earnings as is not needed to meet the regulatory capital standard required to maintain VolCorp's level of operating authority is insufficient in any quarter to pay any dividend on VolCorp Perpetual Contributed Capital, no dividends will be paid for the current period. Dividends are not cumulative. In the event available earnings are insufficient to pay dividends at the established rate on holdings of VolCorp Perpetual Contributed Capital in any period, the unpaid dividend will not be carried forward for payment out of future earnings.

There is no assurance that the dividend rate established at any time reflects any current or future fair value for an investment in VolCorp Perpetual Contributed Capital. VolCorp Perpetual Contributed Capital has no "readily determined fair value," as no regular market exists or is expected to arise for VolCorp Perpetual Contributed Capital. There is no assurance or guaranty that dividends will be paid be on a regular quarterly basis or at any particular rate.

Holders of VolCorp Perpetual Contributed Capital may call (800) 470-3444 or (615) 232-7900 during regular business hours for information about the dividend rates on VolCorp Perpetual Contributed Capital.

**No Maturity.** VolCorp Perpetual Contributed Capital has no scheduled maturity. VolCorp Perpetual Contributed Capital shall be callable with the prior written approval of NCUA and the TDFI (as applicable), only at the option of VolCorp and only if VolCorp meets its minimum level of required regulatory capital after VolCorp Perpetual Contributed Capital is called. There is no assurance that VolCorp will redeem VolCorp Perpetual Contributed Capital at any particular time in the future.

**Limitations on Recovery of Investment.** VolCorp Perpetual Contributed Capital is being issued consistent with Revised Part 704 and is an investment in the capital of VolCorp. As such, the ability of a holder to receive repayment of the PCC capital investment is severely restricted.

Pursuant to the perpetual contributed capital provisions of Revised Part 704, VolCorp Perpetual Contributed Capital is available to cover losses that exceed retained earnings and remaining MCSD that is not converted to VolCorp PCC. Further, in the event of involuntary or voluntary liquidation, VolCorp Perpetual Contributed Capital is repayable to a holder only after satisfaction of all claims against the liquidation estate, including claims by uninsured shareholders and the NCUSIF, but not including claims by holders of remaining MCSD; that is, in liquidation, holders of VolCorp Perpetual Contributed Capital would receive a payment prior to holders of remaining MCSD that is not converted to VolCorp PCC.

*Involuntary Liquidation.* The priority of payment of claims against the liquidation estate in the event of an involuntary liquidation of a federally insured corporate credit union such as VolCorp is established by Part 709.5 of the NCUA Rules and Regulations (12 CFR Part 709.5). Part 709.5(b) as amended effective January 18, 2011, specifies that secured claimants shall receive their security and that unsecured claims shall have priority in the following order:

- 1) administrative costs and expenses of liquidation;
- 2) claims for wages and salaries, including vacation, severance and sick leave pay;
- 3) taxes legally due and owing to the United States or any state or subdivision thereof;

- 4) debts due and owing the United States, including the National Credit Union Administration;
- 5) general creditors, and secured creditors (to the extent that their respective claims exceed the value of the security for those claims);
- 6) shareholders to the extent of their respective uninsured shares and the National Credit Union Share Insurance Fund to the extent of its payment of share insurance;
- 7) in a case involving liquidation of a corporate credit union, holders of the then-outstanding membership capital accounts and nonperpetual capital accounts or instruments to the extent not depleted in a calendar year prior to the date of liquidation and also subject to the capital priority option described in Appendix A of Revised Part 704;
- 8) in a case involving liquidation of a low-income designated credit union, any outstanding secondary capital accounts issued pursuant to the authority of Parts 701.34 or 741.204 (c) of this chapter;
- 9) in a case involving liquidation of a corporate credit union, holders of then outstanding paid-in capital or perpetual contributed capital instruments to the extent not depleted in a calendar year prior to the date of liquidation and also subject to the capital priority option described in Appendix A of Revised Part 704; and
- 10) all unsecured claims of any category or class or priority described in paragraphs (b)(1) through (b)(7) above shall be paid in full, or provisions made for such payment, before any claims of lesser priority are paid. If there are insufficient funds to pay all claims of a category or class, payment shall be made pro rata. Notwithstanding anything to the contrary herein, the liquidation agent may, at any time, and from time to time, prior to the payments in full of all claims of a category or class with higher priority, make such distributions to claimants in priority categories described in paragraphs (b)(1), (b)(2), (b)(3), (b)(4), and (b)(5) above as the liquidating agent determines that adequate funds exist or will be recovered during the liquidation to pay in full all claims of any higher priority. If a surplus remains after making distribution in full on all allowed claims described in paragraphs (b)(1) through (b)(9) above, such surplus shall be distributed pro rata to the credit union's shareholders.

*Voluntary Liquidation.* Under Part 710 of the NCUA Rules and Regulations (12 CFR Part 710), voluntary liquidation of a state chartered federally insured credit union such as VolCorp would proceed in accordance with state law procedures. Applicable Tennessee statutes including Section 45-4-902 outline the steps that will be followed in case of voluntary liquidation of VolCorp. However, since VolCorp has the power under state law to accept shares "in any form" and has chosen to accept VolCorp Perpetual Contributed Capital in accordance with the provisions of Revised Part 704, holders thereof are subject to the priorities set forth in Revised Part 704 and would receive liquidation distributions only after all other claimants had received payments or distributions in full, including regular shareholders and the NCUSIF, but prior to the holders of remaining MCSD. If the funds remaining for distribution to VolCorp Perpetual Contributed Capital holders are insufficient to repay the holders thereof in full, the remaining funds would be distributed proportionately to such holders of VolCorp Perpetual Contributed Capital

**No Insurance.** Neither the payment of dividends on nor the repayment of the principal of an investment in VolCorp Credit Union Perpetual Contributed Capital is insured by the NCUSIF or by any other share or deposit insurer.

**Voting.** VolCorp's bylaws requires each member holding a membership share to have one and only one vote on any matters subject to vote by the membership, including election of the board of directors. Members that acquire and maintain the requisite amount of VolCorp Perpetual Contributed Capital and otherwise satisfy the requirements for regular membership in VolCorp (as such may be amended from time to time) shall be regular members of VolCorp and deemed to hold Membership Share(s) in VolCorp. Please note that VolCorp Perpetual Contributed Capital does not in and of itself possess voting rights as there are other conditions to membership in VolCorp. Regular membership in VolCorp is conditioned on acquiring and maintaining the requisite amount of VolCorp Perpetual Contributed Capital and satisfying regular membership criteria. Regular members of VolCorp do have certain member voting rights associated with their Membership Share(s) including member votes for the election of the board of directors of VolCorp. The board of directors is responsible for the management of VolCorp.

**Not Available for Use as Collateral.** VolCorp Perpetual Contributed Capital may not be pledged or otherwise used by the holder thereof as collateral or security for any borrowing or other obligation.

**Certain Consequences to Existing Members That Do Not Convert MCSD to VolCorp Perpetual Contributed Capital.** Existing VolCorp members who hold MCSD are not required to purchase VolCorp Perpetual Contributed Capital; however, Eligible Offerees that are members of VolCorp that do not to convert their MCSD to VolCorp Perpetual Contributed Capital (or otherwise purchase the requisite amount of VolCorp Perpetual Contributed Capital shall retain their MCSD shall be subject to the following consequences:

(a) as of January 18, 2011 the priority of MCSD with respect to availability to absorb losses and payment in liquidation shall be changed such that Eligible Offerees which purchased VolCorp Perpetual Contributed Capital will be exposed to loss only after the exhaustion of all retained earnings and MCSD and will be eligible for payment upon liquidation before holders of MCSD;

(b) as of October 20, 2011, it shall be a requirement for continued membership in VolCorp that a member hold the requisite amount of VolCorp Perpetual Contributed Capital;

(c) pursuant to notification to VolCorp's members (such notification planned for delivery by VolCorp in October 2011), a member that retains MCSD will be given a redemption notice for such MCSD and such MCSD will be placed for redemption by VolCorp at the end of the three (3) year notice period and there shall be no VolCorp membership or voting rights associated with MCSD during such three (3) year period;

(d) MCSD accounts that are not converted to VolCorp Perpetual Contributed Capital will be subordinated to VolCorp Perpetual Contributed Capital for covering applicable losses and in the event of certain liquidation scenarios as described herein;

(e) during the three (3) year MCSD redemption notice period, the holder of such MCSD may be required to pay prices for services which are less favorable than those prices charged by VolCorp to holders of VolCorp Perpetual Contributed Capital and some services may be restricted; and

(f) there may be other consequences to such holder of MCSD as may be noticed by VolCorp.

**Book Entry.** Registration of investment in VolCorp Perpetual Contributed Capital is by entry only on the books of VolCorp. No certificates will be issued to evidence ownership of VolCorp Perpetual Contributed Capital.

**Transfer of Perpetual Contributed Capital.** No public market exists for the sale or trade of VolCorp Perpetual Contributed Capital and there is no expectation or intent that the value of an investment in VolCorp Perpetual Contributed Capital will be determinable in any public market. Subject to any applicable limits or restrictions under applicable law, VolCorp Perpetual Contributed Capital may be transferred to a member or a non-member (other than an individual). The acquisition of VolCorp Perpetual Contributed Capital by transfer from another holder, when added to the transferee's total existing capital investments in VolCorp may not exceed the regulatory limit for capital investment in a single corporate credit union, currently two percent (2%) of the transferee's assets measured at the time of investment or adjustment. There are also regulatory limits for a credit union's investment in multiple corporate credit unions. Compliance with the applicable investment limit shall be the responsibility of the investing members. The boards of directors of both the transferor and transferee must adopt resolutions approving the transfer. The board of directors of the transferee must acknowledge in writing to VolCorp its understanding of the terms and conditions of VolCorp Perpetual Contributed Capital. The transferee or VolCorp Perpetual Contributed Capital shall not become a regular member of VolCorp unless approved by VolCorp and compliance with VolCorp's policies and procedures regarding membership. VolCorp Perpetual Contributed Capital in and of itself does not provide the holder with VolCorp membership rights or voting privileges.

**Benefits or Services.** NCUA regulations allow a Corporate Credit Union to condition membership, services, or prices for services on a member's ownership of VolCorp Perpetual Contributed Capital as defined in the regulation. VolCorp elects to so require a requisite amount of VolCorp Perpetual Contributed Capital as defined in the regulation to be acquired and held by its regular members as part of the criteria for maintaining membership share(s) in VolCorp. VolCorp plans to give a more formal and definitive notice as required by law or regulation to its

members setting forth the consequences for existing VolCorp members that do not acquire and maintain the requisite amount of VolCorp PCC. Currently, such notice is required six months before certain consequences may take effect.

## **REGULATORY CONSIDERATIONS**

VolCorp is a state chartered, federally insured corporate credit union. VolCorp is subject to the regulation, supervision and examination by the Tennessee Department of Financial Institutions (TDFI) and the National Credit Union Administration (NCUA). The NCUA administers the National Credit Union Share Insurance Fund, which currently insures member share accounts of VolCorp up to \$250,000 per member. The NCUA currently has approved an unlimited guaranty for deposits in corporate credit unions which have entered into voluntary Letter of Understanding and Agreement (LUA) agreements with the NCUA, until the end of December 2012. Neither VolCorp Perpetual Contributed Capital nor VolCorp MCSDs are included in this share guaranty program. VolCorp is classified as a depository financial institution under regulations of the Federal Reserve System and maintains a contractual clearing balance with the FRB which can be adjusted from time to time based on VolCorp's liquidity needs. As a corporate credit union, VolCorp is subject to the corporate credit union regulations contained in NCUA Rules and Regulations. Part 704 contains specific provisions governing most aspects of corporate credit union operation, including: (a) strategic and business plans; (b) asset/liability management; (c) reserves; (d) capital goals, objectives and strategies; (e) investment policies and limitations; (f) loans to member credit unions; (g) borrowing limits; (h) provision of additional financial services to member credit unions; and (i) annual audits by certified public accountants.

Part 704 of the NCUA rules and regulations establishes among other things:

1. limits on aggregate investments in mortgage-backed and asset-backed securities, repurchase and securities lending agreements, and unsecured obligations;
2. standards for credit risk of secured and unsecured loans to members;
3. the requirement that corporate credit unions maintain written short-term and long-term capital goals, objectives and strategies which provide for the building of capital consistent with regulatory requirements and sufficient to support the risk exposure that may arise from current and projected activities;
4. standards for liquidity management and divestiture requirements
5. Standards for corporate credit union transactions with credit union service organizations (CUSOs);
6. limits of ownership of fixed assets;
7. powers, duties and rules of board of directors;
8. audit requirements;
9. rules regarding contracts for shared uses of facilities, services, personnel or equipment; and
10. the requirements for fidelity bond coverage.

### **Examinations and Supervision of Volunteer Corporate Credit Union.**

VolCorp is subject to NCUA rules and regulations due to its NCUSIF insurance and the taking of deposits of federally chartered and federally insured natural person credit unions. VolCorp is also regulated by the TDFI in addition to the NCUA. Both of these governmental entities perform regular examination of all aspects of VolCorp's business. These examinations are designed to review the financial soundness of VolCorp; to appraise the quality of management; to determine the degree of risk presented to the NCUSIF; to determine VolCorp's ability to act as agents for the Central Liquidity Facility; and to develop plans with management to correct areas of weakness.

## MANAGEMENT

VolCorp's board of directors ("VolCorp Board") is responsible for the management of VolCorp, including without limitation approval of VolCorp's policies, review and approval of material contracts between VolCorp and others, the authorization and approval of issuance of equity securities, authorization for payment of dividends, and the engagement and supervision of VolCorp's chief executive officer.

The VolCorp Board delegates authority for day to day operations, under policies adopted by the VolCorp Board, to the President/CEO of VolCorp. As of the date of this Memorandum, no directors or officers have written employment or consulting agreements with VolCorp, executive officers are employed on an at-will basis and, as such, they may resign or be terminated at any time with or without cause. In addition to the 401(k) plan available to all employees, the President/CEO of VolCorp has a 457F plan which is funded by VolCorp. Under the 457F plan arrangement, VolCorp purchased an annuity whose annual earnings, if any, are credited to an account set aside for the benefit of the President/CEO of VolCorp. Subject to the terms of the plan arrangement, the account does not vest until December 31, 2012, at which time it is payable (assuming the President/CEO remains employed by VolCorp as of such date).

Directors' terms are for three years, and one third of directors terms expire each year. The directors are elected at from its field of membership subject to the bylaws, state law, federal law and state and federal regulations. Currently, the Board of Directors consists of nine (9) directors and are divided into four (4) groups designated as Groups A, B, C, and D. Group A consists of two (2) directors from member credit unions who own MCSD and have assets of less than twenty million. Group B consists of two (2) directors from member credit unions who own MCSD and have assets of twenty million dollars or more and less than fifty million dollars. Group C consists of two (2) directors from member credit unions who own MCSD with assets of fifty million dollars or more. Group D At-Large Directors consist of three (3) directors from member credit unions who own MCSD and are elected regardless of asset size. Directors serve without compensation. They may be reimbursed for out of pocket expenses connected with their official duties and responsibilities.

Biographical information about VolCorp's directors and executive officers is set forth below.

### ***Board of Directors:***

#### **Ken Swann, Director and Board Chairman (on VolCorp's Board since 2009)**

*President/CEO, City of Memphis Credit Union (Memphis, TN)*

Background: Associates Degree in Management from Community College of the Air Force in 1988; BS degree in Accounting Management from Park University in 1990; MBA from Union University in 2003; served as credit union CEO since 1999; other credit union experience includes: Kemba Delta FCU in Memphis, Southwest Financial FCU in Dallas, TX, and currently with City of Memphis Credit Union.

Affiliations: Board member for non-profit – Ad-In Association, Memphis, TN

#### **Gary Land, Director and Board Vice Chairman (on VolCorp's Board since 2010)**

*President/CEO, Chattanooga Area Schools FCU (Chattanooga, TN)*

Background: BS in Accounting from Tennessee Tech (1969); Assistant Superintendent for Fiscal Affairs – Hamilton County Department of Education (1971-1980).

**John Jacoway, Director and Board Treasurer (on VolCorp's Board since 2010)**

*Executive VP/CFO, Southeast Financial Credit Union (Nashville, TN)*

Background: Master of Business Administration from Vanderbilt University (2001-2003) and Bachelors of Business Administration from Austin Peay State University (1986-1990); Owner, CPA – John S. Jacoway, CPA, Pleasant View, TN (1997 – Present); Staff Accountant – Warren, Denney & Wallace, CPAs, Nashville, TN (1993 – 1997); Auditor – Office of Comptroller of the Treasury (1990-1993).

Affiliations: Finance Director and Board Member, Hope Clinic for Women; Board Member, Visitors at the College of Continuing Studies, University of AL; Past Board Member, Bethlehem Centers of Nashville; Past Chair and Finance Director, Pleasant View Athletic Association; Member, Tennessee Society of Certified Public Accountants; Member, American Institute of Certified Public Accountants; Member and Past Chair, A.C. United Methodist Church Finance Committee; Certified Dixie Youth Baseball Coach; Certified Youth League Basketball Coach.

**Karen Jordan, Director and Board Secretary (on VolCorp's Board since 2003)**

*Manager, P&G Jackson Employees Credit Union (Jackson, TN)*

Background: 28 years' experience in credit unions

Affiliations: Treasurer, Jackson Chapter of Credit Unions

**Wade Stapleton, Director (on VolCorp's Board since 2009)**

*President, LifeWay Credit Union (Nashville, TN)*

Background: Graduated from East TN State University, BBA/Management, 1986; former credit union examiner for TDFI in 1986; former employee of The Tennessee Credit Union (1987-1999), left as VP/Technology; Operations Manager for Comcast Ad Sales (May 1999-December 1999).

**Mike Haggard, Director (on VolCorp's Board since 2009)**

*President/CEO, HealthNet Federal Credit Union (Memphis, TN)*

Background: BSBA in Economics/Finance, experience in the credit union industry since 1974.

Affiliations: NAFCU, CUES, Healthcare Credit Unions International Association.

**Bonnie Sensing, Director (on VolCorp's Board since 2010)**

*CEO, Nashville Firemen's Credit Union (Nashville, TN)*

Background: CEO – Nashville Firemen's Credit Union (October 2003 – Present); Operations Officer – Nashville Firemen's Credit Union (February 2001 – October 2003); Auditor – Hiram Hollifield, CPA (October 2000 – December 2003); CEO and BOD Treasurer – UAW Local 1853 Federal Credit Union (July 1997 – October 2000); VP, Operations – Blue Flame Credit Union, Charlotte, NC (1994 – July 1997); Compliance Officer/Assistant Manager - Nashville Firemen's Credit Union (1989 – 1994).

Affiliations: CUES; National Credit Union Institute; Economic Development Committee for Chamber of Commerce; Nashville Fire Department Auxiliary Treasurer; PTO Officer and School Volunteer for Financial Education.

**Janice M. Jones, CCUE, Director (Elected to VolCorp's Board in 2011)**

*CEO, United Southeast Federal Credit Union (Bristol, TN)*

Background: BS Degree in Organizational Management, over 40 years' experience in the credit union industry; graduate of CUNA's Financial Management School as well as the National Credit Union Institute; Certified Credit Union Executive Designation (CCUE), 1986; Dale Carnegie's Principles of Leadership Development

Affiliations: Past President, Northeast Tennessee Chapter of Credit Unions; Credit Union National Association's (CUNA's) Federal Union Subcommittee on regulatory and legislative concerns; Bristol Chamber of Commerce; Director on Board for Girl Scouts of the Appalachian Council, Inc.

**Todd Swims, Director (Elected to VolCorp's Board in 2011)**

*CEO, Leaders Credit Union*

Background: BS in Business Administration, University of TN; Graduate, Southeastern Regional Credit Union School; Chairman, Tennessee Credit Union League; Credit Union National Association (CUNA) Advisory Board; VolCorp's Supervisory Committee

Affiliations: Tennessee Department of Financial Institutions (TDFI) Commissioners Task Force; CUNA Mutual Advisory Committee; Director and Chairman, Star Center of West Tennessee; Jackson Rotary Club; Past Director and Chairman Jackson Credit Bureau

**Executive Officers**

**Rick Veach, President/CEO.** Mr. Veach is VolCorp's President and Chief Executive Officer. Previously at VolCorp, Mr. Veach was Chief Financial Officer with responsibilities for Accounting, Asset/Liability Management, Investments, Risk Management, and Human Resources. Before joining VolCorp in 2002, Mr. Veach worked for over thirty years in banking. He was an Executive Vice President at the \$1.5 billion SunTrust Bank of Chattanooga, Tennessee. His responsibilities at SunTrust included Finance, Investment Banking, Private Banking, Mortgage Lending, Marketing, and Asset/Liability Management. Mr. Veach also served as a Senior Vice President and Chief of Staff to the President of the \$20 billion First American Bank of Nashville. Rick holds a bachelor's degree from the University of Tennessee and an MBA from the Owen Graduate School of Management at Vanderbilt University. He has held several leadership and Board positions with non-profit organizations, including The United Way, Allied Arts, Public Television, Riverbend Festival, and Nashville Post Office Credit Union.

**Jeffrey W. Merry, SVP/CFO.** Jeff is the Senior Vice President/Chief Financial Officer for VolCorp. His responsibilities include Investments, Accounting, Credit, and Compliance. He also oversees the Corporate's own liquidity and investment strategy as well as serves on ALCO and Business Continuity Planning Committees. Jeff's previous tenure with VolCorp was in the capacity of Chief Investment Officer managing the investment portfolios on behalf of the Corporate with regards to yield and interest rate exposure. Jeff also has industry experience as a Director of Liquidity Solutions which led to Director of Member Solutions. Prior to joining the Credit Union Network, Jeff was a Senior Financial Consultant at Quick & Reilly, as well as an Options Specialist at JC Bradford. Jeff graduated Summa Cum Laude from Belmont University, with a Bachelor of Business Administration degree with an emphasis in Finance. He later returned to Belmont as an adjunct professor teaching Investment Portfolio Management, Corporate Finance, and a Mini MBA Finance Module.

**Ben Williams, SVP/CTO.** Ben Williams is Senior Vice President of Information Technology and Chief Technology Officer at Volunteer Corporate. As a member of management staff, he oversees all technology systems, programming and internal technical intranet/internet development as well as support for all systems at the corporate. In the item processing area, Ben is credited with the development of four major software programs: OnDemand,

CALM, Home Banking and eStatements. Ben leads Volunteer Corporate's seven-person information technology team, applying leading edge technology to its products and services and is responsible for applying the technology strategy. Ben joined Volunteer Corporate in 1990 and has held the positions of Programmer/Analyst, Manager of Information Technology and Director of Information Technology and Vice President of Information Technology. Ben holds a Bachelor of Science degree in computer science with a minor in both math and psychology from Middle Tennessee State. He also holds the designation of Microsoft Certified Systems Engineer.

**Karla Knisley, SVP/COO** As the Senior Vice President and Chief Operations Officer, Karla Knisley is responsible for daily processing as well as development and implementation of strategic products and services in the areas of Item Processing, ACH Services, Funds Transfer, and Member Services. Karla is also instrumental in the research and development of new products and services to meet the changing needs of our member credit unions. Karla has 25 years of corporate operations experience. Her tenure at VolCorp includes Operations Assistant Manager, Manager of Operations, and AVP of Marketing/Member Services which included business development and building strong relationships with member credit unions. Karla also managed our Consulting Department for two years which included ACH Audits, ALM Services, Charter Conversions, facilitation of Strategic Planning Sessions and Operational Efficiency Reviews. In addition to her corporate operations experience, Karla also serves as Treasurer on the Board of Directors for a local natural person credit union.

**Sandy Swofford, SVP, Marketing/Business Development.** As Senior Vice President of Marketing and Business Development, Sandy Swofford is responsible for the areas of strategic brand and image development, advertising, public relations, promotions, direct marketing, business development, legislative development and internal and external communications. She also oversees the market research function and is instrumental in the placement of Volunteer Corporate's products and services in the marketplace. Sandy began her credit union career in 1985 as Manager of AFG Employees Credit Union. From 1992 to 1997 Sandy served as President of Bristol Federal Credit Union. In the early 1990's, she was also elected to VolCorp's Board of Directors where she served in several capacities, including Chairman. Sandy holds an MBA degree and a Bachelor of Business Administration degree from East Tennessee State University as well as the Certified Credit Union Executive (CCUE) designation.

**Michelle L. Palmer, AAP, VP, Business Development and Consulting.** Michelle Palmer is our Vice President of Business Development and Consulting. Michelle was hired in July 2007 as a director in this department. She previously worked in VolCorp's operation department for over eight years managing Member Services, ACH, and wire departments. Michelle's responsibilities include supervising the business development representatives and strengthening the relationships between member credit unions and VolCorp. She is also instrumental in the research and development of new products and services to meet the changing needs of our member credit unions in the marketplace. Michelle is an Accredited ACH Professional (AAP) since 1997 and is currently serving her eighth year on the Tennessee ACH Association (TACHA) Board of Directors.

**Phillip Cochran, VP, CIO, Series 7 Licensed Broker.** Phillip is the Vice President/Chief Investment Officer for VolCorp. He is responsible for managing VolCorp's investment portfolio and sales of all liquidity and investment products to member credit unions including marketable securities. With his knowledge of financial markets and marketable securities, Phillip also serves on the ALCO committee. As VolCorp's Investment Services Manager, Phillip worked closely with member credit unions to accomplish their investment goals. Phillip began selling investment products as the Investment Services Manager in 2007 and took over management of VolCorp's investment portfolio in May of 2009 and in 2010 was promoted to Chief Investment Officer. Phillip holds a Bachelor of Business Administration degree with an emphasis in Finance from Belmont University. As a licensed broker, Phillip holds both the Series 7 and Series 63 securities licenses.

**Lisa Wright, VP, Administration.** As the Vice President of Administration, Lisa Wright is responsible for Office Management/Facilities, Administration, and Human Resources. She provides direct administrative support to VolCorp's President/CEO and Board of Directors, and works closely with the corporate's examiners, auditors, and

legal counsel. She is also responsible for Facility Management and manages VolCorp's 18,622 square foot facility which includes managing building maintenance, grounds keeping, HVAC, security systems, telephone system, generator/electrical systems, and janitorial service. In addition to these duties, Lisa also supervises the Administrative and Human Resources personnel. With over 25 years' experience at VolCorp, Lisa has held the positions of Administrative Secretary, Marketing Publications Specialist, Executive Assistant, and Assistant Vice President of Administration/Facility Services.

## **VOLUNTEER CORPORATE CREDIT UNION AND ITS BUSINESS**

VolCorp was created by a Special Act of the Tennessee State Legislature in April, 1981. Membership is limited to credit unions and organizations of credit unions. VolCorp's primary goal is to bring value to our credit unions that, in turn, allow them to better serve their members. VolCorp currently has approximately 198 credit union members.

VolCorp was only one of a very few corporate credit unions in the country that did not deplete member capital or cause losses to the share insurance fund during the recent financial crisis. The diversity of our investment portfolio limited our losses from the harsh economic environment and our retained earnings proved adequate. In fact, had we not had to charge off our capital accounts at U.S. Central, VolCorp would have achieved its budgeted net income for 2008 and 2009, despite the economy.

VolCorp offers products and services uniquely tailored to credit unions because we serve only credit unions. A broad range of traditional products and essential services are available such as correspondent services, liquidity services, investment services, item processing, ACH and electronic funds transfer. Other value-added services available to credit unions include ACH audits, strategic planning, account statement reconciliation, and website design, hosting and maintenance.

*Correspondent Services.* As a wholesale provider of services, VolCorp is a trusted source of low-cost, efficient payment services for credit unions and acts as a consolidator of transactions to provide economies of scale. VolCorp takes the hassle out of correspondent services by managing the relationship with wholesale providers such as the Federal Reserve Bank (FRB) and the National Automated Clearing House Association (NACHA), ensuring members' funds are kept in an interest bearing account for as long as possible. Settlement of vendor payments, member transactions, savings bonds, and reserve requirements can all be automated through VolCorp. Correspondent services include automated settlement, Federal Reserve check collection, Federal Reserve coin and currency; cash vault program, savings bond issuing and redemption, a treasury, tax and loan depository, and settlement of reserve requirements.

*Liquidity Services.* When the first corporate credit union was established in 1968, one of its primary functions was providing liquidity to its member credit unions. Today, VolCorp still understands the importance of lending services that meet the unique needs of our membership. We offer a wide range of cost efficient ways to meet our members' cash flow needs. Liquidity services include a line of credit, term loans, secured loans, unsecured short-term loans, letters of credit, and SimpliCD issuance. VolCorp also serves as a Central Liquidity Facility (CLF) agent for our members.

*Investment Services.* VolCorp offers a range of investment products. Furthermore, our experienced financial staff is always available to assist members with questions and planning. Services include a brokerage service, investment consultation, certificates of deposit, SimpliCD, securities settlement and safekeeping, and reverse repurchase. VolCorp also offers the following accounts:

*Transaction Account.* Each member credit union is required to have a transaction account in order to take advantage of the many correspondent opportunities VolCorp offers. The transaction account is an interest bearing account through which all automated settlement clears.

*Premier Account.* Funds in excess of the average daily settlement are swept into a member's Premier Account each night. These sweeps are automatic and at no cost to your credit union. The Premier Account is crucial for maximizing earning potential with competitive overnight rates, plus it eliminates the need for members to constantly manage liquid funds. These dividends are accrued daily and paid at the end of each month.

*Member Managed Fund Account.* The Member Managed Fund Account provides members with greater flexibility than most investment accounts. With a minimum deposit of \$1,000,000, the Member Managed Fund Account earns a premium rate of return with interest calculated daily and paid monthly. Members can choose from three deposit tiers, with each higher level tier paying a higher interest rate: Silver (\$1M-\$4.999M), Gold (\$5M-\$9.999M), and Platinum (\$10M+).

*Notice 90 Account.* Notice 90 gives members the opportunity to earn a higher rate of return while maintaining the short term liquidity of a share account. Notice 90 has no minimum deposit and requires a 90 day notice for withdrawal.

*Item Processing Services and Check Collection.* VolCorp offers an array of item processing services to meet the needs of our members. Item processing services include member share draft processing, corporate share drafts, money orders and cashier drafts, check collection and image delivery of deposit return items.

*ACH Services.* The Automated Clearing House (ACH) is a nationwide network designed to exchange funds and related payment information in an electronic format. It is widely used among government entities, corporations, financial institutions and individuals as a cost-effective alternative to checks. APEX, VolCorp's ACH platform, is an Internet-based ACH origination, receipt and return (exception) handling system that can add flexibility to your day-to-day ACH processing. In addition to offering ACH settlement, receipt, origination, and return (exception) handling, VolCorp can also serve as an alternate access point in case of contingency.

*Electronic Funds Transfer Services.* VolCorp has a funds transfer program to match our members' specific needs. Services include wire transfers, *ezwire* (domestic wires), EPD (foreign wires), tele-transfer, and electronic debit transfer (EDT).

*Convenience Services.* VolCorp's convenience services provide member credit unions with online access to do business, as well as other electronic tools that can reduce paperwork and maximize the efficiency of their operations. Services include an interactive website, VolCorp Online, home banking images, Access Image-NET, NET-Statement, and an e-Alert system for timely email communication.

*ALM Services.* VolCorp's ALM consultants offer seasoned expertise to support the management of a credit union's balance sheet regardless of size or complexity. Full-simulation modeling services are offered on quarterly, semi-annual and annual schedules using state-of-the-art ALM software. Supplemental services are also available to provide targeted "what-if" simulation modeling; policy-based risk limit stress testing; and assistance with financial planning and analysis tasks (e.g. budgeting and forecasting.)

*Consulting Services.* VolCorp Consulting offers experienced staff and a broad base of services that provide the necessary tools to help members plan, direct, and control their credit union's future. Services include ACH audits and risk assessments, BSA independent reviews, strategic planning, charter conversion and expansion, corporate statement reconciliation, family disaster planning, and business writing along with other special projects.

*Design Services.* VolCorp Design is a creative design service created specifically for our member credit unions. Services include logo creation, newsletter design, artwork for promotional items, web graphics, web design and redesign, web maintenance, and web hosting.

*Strategic Partnerships.* VolCorp has forged several strategic partnerships to offer value and competitive advantage to our member credit unions. VolCorp maintains partnerships with the following: CU Business Group for business services, Sallie Mae for a private student loan referral program, MY CU Services for a bill pay solution, and VSoft for a check collection outsource solution.

Looking to the future, our experienced management team is proactively exploring new products and services to help our members facilitate their operations and improve their offerings to their members.

### **Safety and Soundness**

VolCorp recognizes there are two issues of critical importance to credit unions in connection with the corporate credit union network. The first critical issue centers on financial safety and soundness, and VolCorp is pleased to affirm we have not caused our member/owners to incur any loss of their membership capital. In fact, 100% of members' money remains in their membership capital accounts, and our focus is to remain profitable, meet our projected net income requirements and adhere to the timeless safety, liquidity, yield (SLY) principle with a conservative investment strategy that has been a part of VolCorp's business model since its founding in 1981.

The second critical issue centers on the reliable delivery of services and support, and VolCorp is pleased to affirm that recent economic events have validated the soundness of our business model and we are focused on continuing to provide the support and services our members count on to allow them to pursue business as usual with no disruption to them.

### **Strategic Focus**

VolCorp's strategic focus is to remain a free-standing corporate with a strong capital structure and forward-looking management. Our strategic plan for 2011 – 2020 is based on continuing with our conservative business model that has protected members' capital through this crisis. The plan was developed based on two primary planning projections, namely that our average assets growth trajectory will continue according to our historical growth rate and that our current earnings performance of 20 basis points ROAA will continue at that level. Based on these projections, VolCorp believes it can meet the regulatory requirement of 4% capital before the new regulation becomes effective in October 2011 provided our current members convert at least \$35 million of existing MCSD to VolCorp PCC. The amount of MCSD as of December 31, 2010 was approximately \$53.8 million. Furthermore, our projections provide that VolCorp can meet the 1% retained earnings requirement in three years, well ahead of the seven years allowed for under the new regulation. These projections are based on a number of assumptions which management believes to be reasonable, however, several such assumptions are dependent upon a number of factors, many of which VolCorp may have little or no control. Therefore actual results may vary perhaps significantly than projected.

VolCorp's strategic capital plan is subject to approval by the NCUA, however, please understand that neither the NCUA nor the TDFI nor any federal or state securities commission has recommended or otherwise approved an investment in VolCorp's Perpetual Contributed Capital.

## **Asset/Liability Management**

The board of directors is constantly updating VolCorp's asset/liability management policies. The policies are designed to manage investments in a safe and secure manner, to limit unnecessary or excessive exposure to interest rate and credit risk, and to provide VolCorp the ability to structure an investment portfolio that provides competitive investment yields to its members. VolCorp has created an Asset/Liability Committee that consists of representatives of member credit unions as well as senior management at VolCorp.

Asset/liability management policies are intended to sustain safety and soundness of the institution, as measured by the preservation of capital, and stability of earnings that may result from the impact of a variety of interest rate movements on the portfolio. These policies provide guidance for management in its efforts to: (i) maintain adequate liquidity for share withdrawals, repayment of indebtedness, and typical levels of loan advances; (ii) manage and control the interest and credit risk profile of its portfolio; and (iii) achieve appropriate yields on its asset/liability portfolios.

In any event, there are various risks associated with investing in liquid or illiquid securities as well as asset and liability management administration. Many of these risks are beyond the reasonable control of VolCorp. Losses on investments can occur and could perhaps be material, and in such event, VolCorp's financial conditions and your investment in VolCorp PCC may be materially and adversely affected.

## **Our Philosophy**

At VolCorp, our guiding philosophy is that all members are created equal, a principle underscored by the fact we offer our best prices to our entire membership, regardless of asset size. Furthermore, our staff includes several employees with over 20 years' experience at VolCorp as well as employees who have worked at credit unions prior to joining VolCorp. This adds up to the high standard of service and support that VolCorp consistently provides to all members. We never forget that we exist to serve our member/owners.

Along with VolCorp's employees, our Board of Directors is committed to ensuring exceptional member service levels that are rooted in conservative operating policies and secured by safe and sound financial management policies. We hope that our success in protecting our current members' capital without loss coupled with our safe and sound business model that is essentially already compliant with the new Corporate Regulation 704 invokes strong confidence that your credit union's investment will be safe at VolCorp.

## FINANCIAL INFORMATION

On our web page ([www.volcorp.org](http://www.volcorp.org)) under Member Corner is certain VolCorp financial information for, and as of the end of, each of the years in the two year period ended December 31, 2010. The financial statements as of December 31, 2010 and as of December 31, 2009 and for each of the years then ended, and the independent auditors' report on those statements are included in the download.\* In addition, there are certain VolCorp year-to-date financial statements for 2011 made available on our website under Member Corner which are unaudited. Such financial information should be downloaded and reviewed carefully.

\*The audited financial statements for fiscal years ended 2010 and 2009 contain a qualification to the auditors opinion. The qualification in the auditors opinion for VolCorp's 2010 financial statements provides that membership share capital deposit account (MCSD) amounts (which was \$53.8 million as of December 31, 2010 and \$52.7 million as of December 31, 2009) should be reported in the liability category (under U.S. generally accepted accounting principles) on VolCorp's balance sheet rather than as part of members' equity on the VolCorp balance sheet. This is due to the MCSD accounts being subject to redemption upon a three year notice. There has been a similar qualification in VolCorp's auditors report for certain prior years including fiscal years ended 2009 and 2008. A similar qualification would also be expected for our 2011 year-to-date unaudited financial statements to the extent such financial statements were audited. Management anticipates that Perpetual Contributed Capital issued by VolCorp as contemplated by this Memorandum will constitute members' equity for U.S. generally accepted accounting principles.

**Exhibit A-1**

**VOLUNTEER CORPORATE CREDIT UNION  
PERPETUAL CONTRIBUTED CAPITAL AGREEMENT  
(Existing Member)**

See Attached.

**VOLUNTEER CORPORATE CREDIT UNION**  
**PERPETUAL CONTRIBUTED CAPITAL AGREEMENT**  
(Existing Member)

For purposes of this Agreement, the following capitalized terms shall have the meanings set forth below.

“**Member**” is \_\_\_\_\_.

“**Effective Date**” is \_\_\_\_\_, 20\_\_\_\_.

“**PCC**” is perpetual contributed capital as described herein.

“**Requisite PCC Amount**” is the total amount of Member’s Membership Share Account as of the Effective Date which is to be converted to PCC as provided herein. The total amount of Member’s Membership Share Account is \$\_\_\_\_\_ (“Current Share Account Balance”) as of \_\_\_\_\_ 20\_\_\_\_. Member represents that as of the Effective Date, the Requisite PCC Amount will be no less than the Current Share Account Balance. The Requisite PCC Amount is also sometimes referred to herein as “**Member’s PCC Amount.**”

\* \* \* \* \*

This Perpetual Contributed Capital Agreement (“**Agreement**”) is entered into as the Date of Agreement set forth above by and between Volunteer Corporate Credit Union (“**VolCorp**”), a corporate credit union chartered under the laws of Tennessee, and the above-referenced Member (“**Member**”) of VolCorp that is currently a credit union member of VolCorp.

WHEREAS, VolCorp and Member previously entered into a Membership Share Account Agreement (the “**Prior MSA Agreement**”) whereby Member agreed to maintain a Membership Share account in VolCorp (“**Member’s Membership Share Account**”) in accordance with the Prior MSA Agreement and the policies of VolCorp.

WHEREAS, pursuant to the Prior MSA Agreement, amounts held in the Member’s Membership Share Account are not insured and the respective Member had the right to withdraw amounts held in Member’s Membership Share Account upon at least three years notice subject to the terms and conditions described in the Prior MSA Agreement and the policies of VolCorp;

WHEREAS, in calendar year 2010, the NCUA adopted new rules and modified certain existing rules (including 12 CFR Part 704) governing corporate credit unions to which VolCorp is subject including new rules regarding capital requirements for corporate credit unions and membership capital accounts (the “**New Corporate Credit Union Rules**”) to be effective as of certain date(s) in calendar year 2011;

WHEREAS, the New Corporate Credit Union Rules are intended to, among other things, strengthen the capital base of corporate credit unions;

WHEREAS, in light of the New Corporate Credit Union Rules, VolCorp is requesting its regular member credit unions to convert amounts within their respective membership share accounts to PCC as described herein and consistent with the New Corporate Credit Unions Rules;

NOW THEREFORE, in consideration of the premises and for such other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto agree as follows:

*Requisite PCC Amount - Conversion to PCC*

As of the Effective Date, the Requisite PCC Amount (described above) held in Member's Membership Share Account shall be automatically converted to Perpetual Contributed Capital ("**PCC**") subject to the terms and conditions described herein.

*Member's PCC Amount*

The Requisite PCC Amount is sometimes referred to herein as "**Member's PCC Amount.**" Unless and until Member is otherwise notified by VolCorp in writing to the contrary, Member is required and obligated, from the Effective Date forward, to maintain Member's PCC Amount within Member's Member Share Account and all amounts set forth therein shall be deemed PCC.

*Capital Represented by Membership Shares is PCC*

So long as Member maintains Member's PCC Amount with VolCorp and otherwise satisfies the requirements for being a regular member of VolCorp, Member shall be a regular member of VolCorp and deemed to hold Membership Share(s) in VolCorp.

*Terms and Conditions of PCC*

The terms and conditions of PCC are set forth herein including Appendix A hereto which is incorporated herein by reference. Member acknowledges and agrees that Member's PCC (a) shall comply with the terms herein and the applicable New Corporate Credit Union Rules and (b) is not subject to withdraw, cancellation or refund for any reason except in only very rare circumstances (for example, in the event VolCorp is ever liquidated, there could be a possible return or distribution of PCC to Member, which may be less than Member's PCC Amount contributed by Member) and provided that any such return or distribution of PCC is subject to the written approval of VolCorp, and, to the extent required by applicable law, the written approval of the NCUA or other regulatory authority. PCC is perpetual maturity and noncumulative dividend and may not be pledged for borrowings.

*Subsequent Change or Modification to Applicable Laws Including NCUA Rules*

In the event Member does not maintain or attempts to withdraw all or any portion of Member's PCC Amount, Member shall be in breach of this Agreement and VolCorp may take any and all such actions, as it elects in its discretion, in connection with such breach, including removing some or all of Member's rights as a member of VolCorp to the maximum extent allowed by law and VolCorp shall have such other rights and remedies available under this Agreement, at law or in equity, which rights and remedies are cumulative and non-exclusive.

*Supersedes Prior MSA Agreement as of the Effective Date*

As of the Effective Date, (a) the Prior MSA Agreement is replaced and superseded in its entirety by this Agreement and (b) the Prior MSA Agreement shall no longer be in effect.

*No Right to Require VolCorp to Return or Refund PCC*

Following the Effective Date, Member shall not have the right to require VolCorp to return or refund to Member any of its PCC account. Member acknowledges and understands that the PCC contributed and/or maintained by Member with VolCorp is highly illiquid and may never be returned or refunded to Member.

*Dividends*

VolCorp reserves the right to pay dividends to Member on Member's PCC amount maintained with VolCorp at a rate determined on a quarterly or other periodic basis by VolCorp's Board of Directors, based on various factors. Member acknowledges and understands there are no guarantees that any such dividends will be declared or paid on Member's PCC amount. Any such dividends that are declared by VolCorp's Board of Directors shall be paid to the Member on or about such date(s) as determined by VolCorp's Board of Directors in its discretion.

*Changes in Laws, Policies and Other Matters*

The terms of Membership Share Accounts and the PCC therein are subject to all applicable present and future laws and regulations, including all present and future laws of the State of Tennessee and of the United States or any agency or instrumentality thereof, including the NCUA; to the VolCorp Bylaws and all present and future amendments thereto; and to all regulations, rules, policies and practices now or hereafter adopted by VolCorp with respect to any of the matters set forth or described herein. Notwithstanding any provision to the contrary herein, in the event of a subsequent change or modification to any applicable laws, rules, regulations pertaining to the subject matter of this Agreement including any changes or modification to the New Corporate Credit Union Rules, or in the event of any subsequent change or modification to VolCorp's Bylaws, rules, policies or practices, VolCorp may, in its discretion unilaterally make such amendments or modifications to this Agreement and/or its policies, rules, practices regarding any of the subject matters of this Agreement including, without limitation, Member's PCC Amount.

*Miscellaneous*

This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement.

This Agreement, Member's PCC amount and rights and obligations relating thereto may be assigned by Member (and any transferee) only in accordance with applicable laws and VolCorp's policies, rules and procedures. Subject to compliance with applicable laws and the policies and rules of VolCorp, VolCorp may assign this Agreement and any related PCC amount without the prior consent of Member (or any subsequent transferee thereof). This Agreement shall inure to the benefit of, and be enforceable by, VolCorp and its successors and assigns.

*Signature Page on Following Page*

IN WITNESS WHEREOF, the parties have entered into and executed this Perpetual Contributed Capital Agreement as of the above referenced Date of Agreement.

\_\_\_\_\_  
Member Credit Union

**Volunteer Corporate Credit Union**

\_\_\_\_\_  
VolCorp Account Number

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Authorized Signature

\_\_\_\_\_  
Type or Print Name

\_\_\_\_\_  
Type or Print Name

\_\_\_\_\_  
Title

\_\_\_\_\_  
Title

## Appendix A

### Additional Terms and Conditions of Volunteer Corporate Credit Union's PCC Membership Share Accounts

#### PCC Membership Share Accounts at Volunteer Corporate:

1. Member's PCC account is not subject to share insurance coverage by the NCUSIF or other share or deposit insurer.
2. Member's PCC account is not releasable due solely to the merger, charter conversion or liquidation of Member. In the event of a merger of Member, Member's PCC account transfers to the continuing credit union. In the event of a charter conversion applicable to Member, Member's PCC transfers to the new institution. In the event of the liquidation of Member, Member's PCC may be released to facilitate the payout of Member shares only with the prior written approval of the NCUA and subject to such other conditions to release of PCC as may be required by VolCorp.
3. The funds representing Member's PCC are callable only at the option of VolCorp and only if VolCorp meets its minimum required capital and NEV ratios after the funds are called and further provided that any release or distribution of funds within Member's PCC account are subject to the prior written approval of the NCUA.
4. PCC cannot be used to pledge borrowings.
5. PCC is perpetual maturity and noncumulative dividend.
6. PCC is available to cover losses that exceed retained earnings and any contributed capital (e.g. membership share account amounts) issued before January 18, 2011 that is not converted to PCC or otherwise redeemed by VolCorp according to the terms of such contributed capital (such contributed capital that is not converted to PCC is referred to herein as "***Non-Converted Membership Share Capital***"). Any such losses in excess of retained earnings and Non-Converted Membership Share Capital shall be distributed pro rata among perpetual contributed capital holders at the time the loss is realized. To the extent that perpetual contributed capital funds are used to cover losses, VolCorp is prohibited from restoring or replenishing the applicable PCC accounts under any circumstances.
7. In the event VolCorp is liquidated, perpetual contributed capital accounts are payable only after satisfaction of all liabilities of the liquidation estate including uninsured obligations to shareholders and the NCUSIF, but not including Non-Converted Membership Capital (which is subordinate to PCC in the event of liquidation). However, perpetual contributed capital that is used to cover losses in a fiscal year previous to the year of liquidation has no claim against the liquidation estate.

*In Addition to Completion and Execution of Signature Page to the Perpetual Contributed Capital Agreement*

*Please Complete and Sign Next Page as Appropriate*

**Evidence of Disclosure to Board of Directors of Member Credit Union**

**Resolution:**

At a duly called meeting of the Board of Directors of the \_\_\_\_\_ Credit Union, held on \_\_\_\_\_, 20\_\_\_\_, the following resolution was adopted.

“The Board of Directors has read and acknowledges the Volunteer Corporate Credit Union Perpetual Contributed Capital Agreement (Existing Member) including the terms and conditions of the PCC Membership Share Account at Volunteer Corporate Credit Union.

This disclosure and any subsequent disclosures of the PCC Membership Share Account terms and conditions will be maintained in the Credit Union’s files.”

**Attest:**

The above is a true copy of a resolution passed by the Board of Directors on the above date.

\_\_\_\_\_

Chair

\_\_\_\_\_

Date

\_\_\_\_\_

Secretary

\_\_\_\_\_

Date

**Exhibit A-2**

**VOLUNTEER CORPORATE CREDIT UNION  
PERPETUAL CONTRIBUTED CAPITAL AGREEMENT  
(New Member)**

See Attached.

**VOLUNTEER CORPORATE CREDIT UNION**  
**PERPETUAL CONTRIBUTED CAPITAL AGREEMENT**

(New Member)

For purposes of this Agreement, the following capitalized terms shall have the meanings set forth below.

The “Effective Date” is \_\_\_\_\_, 2011.

“Member” is \_\_\_\_\_.

“PCC” is perpetual contributed capital as described herein.

“Requisite PCC Amount” is the amount of \$\_\_\_\_\_ that Member is required to contribute to VolCorp as PCC, such contribution to be made within thirty (30) days following the Effective Date.

This Perpetual Contributed Capital Agreement (“Agreement”) is entered into as of the Effective Date set forth above by and between Volunteer Corporate Credit Union (“VolCorp”), a corporate credit union chartered under the laws of Tennessee (“VolCorp”), and the above-referenced new Member (“Member”) of VolCorp.

WHEREAS, in calendar year 2010, the NCUA adopted new rules and modified certain existing rules (including 12 CFR Part 704) governing corporate credit unions to which VolCorp is subject including new rules regarding capital requirements for corporate credit unions and membership capital accounts (the “New Corporate Credit Union Rules”) to be effective as of certain date(s) in calendar year 2011;

WHEREAS, the New Corporate Credit Union Rules are intended to, among other things, strengthen the capital base of corporate credit unions;

WHEREAS, credit unions joining VolCorp as members are required to make PCC contributions as described herein and consistent with the New Corporate Credit Union Rules;

NOW THEREFORE, in consideration of the premises and for such other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto agree as follows:

*Requisite PCC Amount*

Member agrees to contribute the Requisite PCC Amount in accordance with the terms set forth herein.

*Member’s PCC Amount*

The Requisite PCC Amount is sometimes referred to herein as “Member’s PCC Amount.” Unless and until Member is otherwise notified by VolCorp in writing to the contrary, Member is required and obligated,

from the Effective Date forward, to maintain Member's PCC Amount within Member's Member Share Account and all amounts set forth therein shall be deemed PCC.

*Capital Represented by Membership Shares is PCC*

So long as Member maintains Member's PCC Amount with VolCorp and otherwise satisfies the requirements for being a regular member of VolCorp, Member shall be a regular member of VolCorp and deemed to hold Membership Share(s) in VolCorp.

*Terms and Conditions of PCC*

The terms and conditions of PCC are set forth herein including Appendix A hereto which is incorporated herein by reference. Member acknowledges and agrees that Member's PCC (a) shall comply with the terms herein and the applicable New Corporate Credit Union Rules and (b) is not subject to withdraw, cancellation or refund for any reason except in only very rare circumstances (for example, in the event VolCorp is ever liquidated, there could be a possible return or distribution of PCC to Member, which may be less than Member's PCC Amount contributed by Member) and provided that any such return or distribution of PCC is subject to the written approval of VolCorp, and, to the extent required by applicable law, the written approval of the NCUA or other regulatory authority. PCC is perpetual maturity and noncumulative dividend and may not be pledged for borrowings.

*Subsequent Change or Modification to Applicable Laws Including NCUA Rules*

In the event Member does not maintain or attempts to withdraw all or any portion of Member's PCC Amount, Member shall be in breach of this Agreement and VolCorp may take any and all such actions, as it elects in its discretion, in connection with such breach, including removing some or all of Member's rights as a member of VolCorp to the maximum extent allowed by law and VolCorp shall have such other rights and remedies available under this Agreement, at law or in equity, which rights and remedies are cumulative and non-exclusive.

*No Right to Require VolCorp to Return or Refund PCC*

Following the Effective Date, Member shall not have the right to require VolCorp to return or refund to Member any of its PCC account. Member acknowledges and understands that the PCC contributed and/or maintained by Member with VolCorp is highly illiquid and may never be returned or refunded to Member.

*Dividends*

VolCorp reserves the right to pay dividends to Member on Member's PCC amount maintained with VolCorp at a rate determined on a quarterly or other periodic basis by VolCorp's Board of Directors, based on various factors. Member acknowledges and understands there are no guarantees that any such dividends will be declared or paid on Member's PCC amount. Any such dividends that are declared by VolCorp's Board of Directors shall be paid to the Member on or about such date(s) as determined by VolCorp's Board of Directors in its discretion.

*Changes in Laws, Policies and Other Matters*

The terms of Membership Share Accounts and the PCC therein are subject to all applicable present and future laws and regulations, including all present and future laws of the State of Tennessee and of the United States or any agency or instrumentality thereof, including the NCUA; to the VolCorp Bylaws and all present and future amendments thereto; and to all regulations, rules, policies and practices now or hereafter adopted by VolCorp with respect to any of the matters set forth or described herein. Notwithstanding any provision to the contrary herein, in the event of a subsequent change or modification to any applicable laws, rules, regulations

pertaining to the subject matter of this Agreement including any changes or modification to the New Corporate Credit Union Rules, or in the event of any subsequent change or modification to VolCorp's Bylaws, rules, policies or practices, VolCorp may, in its discretion unilaterally make such amendments or modifications to this Agreement and/or its policies, rules, practices regarding any of the subject matters of this Agreement including, without limitation, Member's PCC Amount.

*Miscellaneous*

This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement.

This Agreement, Member's PCC amount and rights and obligations relating thereto may be assigned by Member (and any transferee) only in accordance with applicable laws and VolCorp's policies, rules and procedures. Subject to compliance with applicable laws and the policies and rules of VolCorp, VolCorp may assign this Agreement and any related PCC amount without the prior consent of Member (or any subsequent transferee thereof). This Agreement shall inure to the benefit of, and be enforceable by, VolCorp and its successors and assigns.

*Signature Page on Following Page*

IN WITNESS WHEREOF, the parties have entered into and executed this Perpetual Contributed Capital Agreement as of the Effective Date.

\_\_\_\_\_  
Member Credit Union

**Volunteer Corporate Credit Union**

\_\_\_\_\_  
VolCorp Account Number

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Authorized Signature

\_\_\_\_\_  
Type or Print Name

\_\_\_\_\_  
Type or Print Name

\_\_\_\_\_  
Title

\_\_\_\_\_  
Title

## Appendix A

### Additional Terms and Conditions of Volunteer Corporate Credit Union's PCC Membership Share Accounts

#### PCC Membership Share Accounts at Volunteer Corporate:

1. Member's PCC account is not subject to share insurance coverage by the NCUSIF or other share or deposit insurer.
2. Member's PCC account is not releasable due solely to the merger, charter conversion or liquidation of Member. In the event of a merger of Member, Member's PCC account transfers to the continuing credit union. In the event of a charter conversion applicable to Member, Member's PCC transfers to the new institution. In the event of the liquidation of Member, Member's PCC may be released to facilitate the payout of Member shares only with the prior written approval of the NCUA and subject to such other conditions to release of PCC as may be required by VolCorp.
3. The funds representing Member's PCC are callable only at the option of VolCorp and only if VolCorp meets its minimum required capital and NEV ratios after the funds are called and further provided that any release or distribution of funds within Member's PCC account are subject to the prior written approval of the NCUA.
4. PCC cannot be used to pledge borrowings.
5. PCC is perpetual maturity and noncumulative dividend.
6. PCC is available to cover losses that exceed retained earnings and any contributed capital (e.g. membership share account amounts) issued before January 18, 2011 that is not converted to PCC or otherwise redeemed by VolCorp according to the terms of such contributed capital (such contributed capital that is not converted to PCC is referred to herein as "***Non-Converted Membership Share Capital***"). Any such losses in excess of retained earnings and Non-Converted Membership Share Capital shall be distributed pro rata among perpetual contributed capital holders at the time the loss is realized. To the extent that perpetual contributed capital funds are used to cover losses, VolCorp is prohibited from restoring or replenishing the applicable PCC accounts under any circumstances.
7. In the event VolCorp is liquidated, perpetual contributed capital accounts are payable only after satisfaction of all liabilities of the liquidation estate including uninsured obligations to shareholders and the NCUSIF, but not including Non-Converted Membership Capital (which is subordinate to PCC in the event of liquidation). However, perpetual contributed capital that is used to cover losses in a fiscal year previous to the year of liquidation has no claim against the liquidation estate.

*In Addition to Completion and Execution of Signature Page to the Perpetual Contributed Capital Agreement*

*Please Complete and Sign Next Page as Appropriate*

**Evidence of Disclosure to Board of Directors of Member Credit Union**

**Resolution:**

At a duly called meeting of the Board of Directors of the \_\_\_\_\_ Credit Union, held on \_\_\_\_\_, 20\_\_\_\_, the following resolution was adopted.

“The Board of Directors has read and acknowledges the Volunteer Corporate Credit Union Perpetual Contributed Capital Agreement (New Member) including the terms and conditions of the PCC Membership Share Account at Volunteer Corporate Credit Union.

This disclosure and any subsequent disclosures of the PCC Membership Share Account terms and conditions will be maintained in the Credit Union’s files.”

**Attest:**

The above is a true copy of a resolution passed by the Board of Directors on the above date.

_____	_____
Chair	Date
_____	_____
Secretary	