

September 16, 2009

Dear VolCorp Members:

U.S. Central released its 2008 Annual Report late Friday afternoon and I thought that I would provide you with a quick recap of the report and what the impact will be on VolCorp and its members.

U.S. Central Losses

Despite what has been reported in the press, the numbers released by U.S. Central were very close to what had been expected. The NCUA is working with the press to clear up the misunderstanding. The confusion revolves around the change in accounting rules that occurred between 2008 and 2009. During 2008, accounting rules stated that OTTI, or other than temporary impairment, was the difference between the book and market value of a security that was projected to have credit losses. The rule was revised in 2009 to where OTTI should just reflect the credit losses. U.S. Central must abide by the accounting rules that were in effect during the time periods covered, even if they were later changed.

Using the accounting rules that were in force for 2008, U.S. Central reported OTTI charges of \$4.9 billion as of December 31, 2008. In accordance with the 2009 accounting rules, the non-credit losses of \$3.7 billion were reversed off on the first day of 2009, leaving an OTTI balance of \$1.2 billion.

U.S. Central continues to have an OTTI analysis performed on its investment portfolio on a quarterly basis. In the first two quarters of 2009, U.S. Central recorded additional OTTI charges of \$1.1 billion. Combined with the \$1.2 billion balance at the beginning of the year, the current OTTI is \$2.3 billion. This leaves \$1.4 billion in unimpaired capital, a billion of which is a NCUA capital note and the rest is membership capital.

Impact on VolCorp

Since the OTTI charges at U.S. Central exceeded their retained earnings on December 31, 2008, its member's capital accounts were depleted by an amount equal to the excess. In turn, U.S. Central's members must deplete the same amount of U.S. Central capital on their books. For VolCorp, this amounted to \$10.5 million. The \$10.5 million charge was partially offset with \$4.5 million in operating profit, leaving VolCorp with a net loss of \$6 million for 2008. Now that U.S. Central's Annual Report has been completed, VolCorp's 2008 Annual Report can be prepared and you should be receiving a copy in a few weeks.

VolCorp will also have to recognize an additional charge of \$15.5 million for the first two quarters of 2009, due to the additional OTTI taken by U.S. Central and the resulting capital depletion. This leaves VolCorp with \$7 million in remaining membership capital at U.S. Central, as of June 30, 2009. Further Impairment analyses will be conducted by U.S. Central in the third and fourth quarters. It would be reasonable to expect that all of U.S. Central's capital accounts will be depleted by the end of 2009.

Impact on VolCorp Members

After the depletion of \$10.5 million of its U.S. Central capital accounts on December 31, 2008, VolCorp's financials reflected positive retained earnings of \$22.5 million. VolCorp members, therefore, will not see any depletions of their capital at VolCorp for 2008 and should not have to book any charges related to VolCorp.

For 2009, VolCorp currently has \$9 million in retained earnings and should have \$10 million by year-end. Should U.S. Central take any more impairments in its investment portfolio which deplete VolCorp's capital account at U.S. Central, even to the full amount of the \$7 million that's left, VolCorp will continue to have positive retained earnings and should not have to deplete any of its member's capital.

Sincerely,

Rick Veach, President/CEO