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Dear Member:

Over the past several months, many significant events have occurred in the credit union industry, the financial markets and the economy as a whole. Working through these events has been a complicated process, making it difficult to provide you with the detailed financial information you need to keep your own members informed. While there are still some open accounting issues, we now have enough information to provide you with management's estimate of our financials.

On an overview basis, the numbers themselves are not good news. Members United will be recording approximately \$511 million of losses against its capital base, a total that while high, is lower than many may have thought based on other recent news in the industry. Total capital of \$866 million can absorb this base case loss estimate, and the remaining \$355 million will either serve as the foundation to rebuild upon or will absorb future losses if the markets continue to deteriorate.

Capital Investment in U.S. Central

One of the large open items surrounding our balance sheet has been accounting for the losses announced by U.S. Central (USC) since the beginning of this year. At a meeting last week, the management of USC provided definitive guidance on the capital investment of member corporates. As of March 31, 2009, USC plans to extinguish 100% of retained earnings, 100% of paid in capital (PIC, versions I and II), and 63% of membership capital shares (MCS). Members United's capital investment in USC totals \$308 million, resulting in a recording of \$234 million in other-than-temporary impairments (OTTI).

OTTI on Residential Mortgage-Backed Securities, Lehman, Other

As noted in our most recent *Portfolio Update*, investment ratings have become a less reliable indicator of future credit losses on mortgage-related securities. For that reason, management made the decision to send 100% of our residential mortgage-backed securities (RMBS) portfolio to Clayton Investment Services for an independent third-party review. The review uses market data as of March 31, 2009, and followed a similar methodology employed recently for USC and WesCorp. As a result of that analysis, Members United expects to record OTTI for the net present value of future credit losses on the entire RMBS portfolio of \$266 million. This amount includes reducing the value of our senior unsecured debt holding in Lehman Brothers down to a price of \$0.10 (from \$0.50 recorded as of September 30, 2008).

Two additional items that have been reported in the past are an additional allowance for loan loss for a warehouse line of credit extended to Central States Mortgage (a mortgage CUSO) of \$9 million, as well as an impairment of our NCUSIF investment of \$2 million. These items, when added to the impairment of the items above, represent management's estimate for recording losses against the \$866 million capital base in the amount of \$511 million.

Effect on Member Capital

Losses are applied to member capital as follows: retained earnings (until zero), member PIC (until zero), and then MCS. Unaudited balances prior to these charges are \$303 million (retained earnings), \$79 million (PIC) and \$484 million (MCS). After accounting for these charges, the unaudited balances would be \$0, \$0 and \$355 million, respectively. Members holding MCS would be affected on a pro-rata share of the total.

With \$355 million of MCS remaining, our total capital ratio would be 3.4%. As previously stated, if members continue to support the corporate so we are not forced to sell securities at fire-sale prices, our capital should be sufficient to absorb any potential future losses.

I need to stress that these are management's estimates, and are still subject to audit review. In addition, the implementation of the new Financial Accounting Standards Board rules concerning valuing securities in dysfunctional markets adds an additional complication, as losses as of December 31, 2008, must be booked under the old rules, then reversed out on January 1, 2009, under the new rules with subsequent events through March 31, 2009, also all subject to audit review.

Moody's Withdraws its Rating on Members United

At our request, Moody's Investors Service withdrew its commercial paper rating for Members United Corporate. Under the current market conditions, maintaining this rating at this time was a needless expense. We will evaluate re-establishing this rating in the future as conditions warrant.

Moving Forward

In the coming days, we will be sending you more detail concerning these transactions. I recommend that you consult with your independent auditor to determine how to reflect these transactions on your income statement and balance sheet. In addition, our most recent *Portfolio Update* has been posted in the Transparency Center on our website (www.membersunited.org), and today's Financial Update Webinar will be posted there within a week. Our goal remains to publish audited financial statements for year-end 2008 shortly after receipt of U.S. Central's audited financials.

As I said to many of you during our recent town hall meetings, after 23 years of working to put money in the pockets of credit unions, it pains me to have to report these results to you. But with these actions, some of the items causing uncertainty are behind us. There are risks remaining, but since we have examined future credit losses on our entire portfolio and accounted for the loss of 76% of our capital investment at USC, members can have enhanced confidence in our current financial condition.

Members United continues to serve our members, every day. We are fully operational, and your regular shares and certificates remain fully insured to \$250,000, and 100% guaranteed above that until December 31, 2010. At its next meeting, our Board will consider the modified rolling two-year share guarantee program announced two weeks ago. Management fully expects it will be adopted at that time, which will extend the guarantee on shares until September 30, 2011, with the possibility of further extensions.

Our commitment to member service remains. Our focus is to reduce expenses, maintain liquidity and implement our strategic plan that competitively positions us for our vision of the future. Thank you for standing with us during this very difficult period.

Sincerely,

Joseph P. Herbst
Chief Executive Officer