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INDEPENDENT AUDITORS' REPORT

April 22, 2010

To the Supervisory Committee of
Kansas Corporate Credit Union

We have audited the accompanying statement of financial condition of Kansas Corporate Credit Union as of December 31, 2009, and the related statements of operations, comprehensive operations, members' equity, and cash flows for the year then ended. These financial statements are the responsibility of the Credit Union's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Kansas Corporate Credit Union as of December 31, 2008, were audited by other auditors whose report dated December 16, 2009, expressed a qualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In their report dated December 16, 2009, the other auditors expressed an opinion that the financial statements as of December 31, 2008, did not fairly present the financial position of the Credit Union in conformity with accounting principles generally accepted in the United States of America because members' share and certificate accounts were classified as equity rather than as liabilities as required.

Kansas Corporate Credit Union has reported members' share and certificate accounts as equity in the accompanying statements of financial condition that, in our opinion, should be reported as liabilities to conform with accounting principles generally accepted in the United States of America. If members' share and certificate accounts were properly reported, liabilities would increase and members' equity would decrease by \$321,068,837 and \$236,856,144 as of December 31, 2009 and 2008, respectively.

In our opinion, except for the classification of members' share and certificate accounts as equity as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Kansas Corporate Credit Union as of December 31, 2009, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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To the Supervisory Committee of
Kansas Corporate Credit Union
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As discussed in Notes 6, 11, and 15, the Credit Union has suffered substantial losses due to the impairment of paid-in capital and membership capital share investments in U.S. Central Federal Credit Union which have caused a deficit in retained earnings. As a result, the Credit Union's retained earnings ratio has fallen below the minimum regulatory requirement.

Orth, Chakler, Murnane & Co.

Orth, Chakler, Murnane & Company
Certified Public Accountants

KANSAS CORPORATE CREDIT UNION STATEMENTS OF FINANCIAL CONDITION
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ASSETS

	As of December 31,	
	2009	2008
Cash	\$21,519,958	\$895,943
Investments:		
Available-for-sale	45,319,073	40,195,569
U.S. Central Federal Credit Union	235,067,471	167,977,764
Other	11,192,605	5,953,851
Loans to members	25,024,211	67,321,473
Accrued interest receivable:		
Investments	276,176	781,627
Loans	67,083	174,918
Prepaid and other assets	160,666	97,442
Property and equipment	685,430	716,089
NCUSIF deposit	271,110	122,821
Total assets	\$339,583,783	\$284,237,497

LIABILITIES AND MEMBERS' EQUITY

	As of December 31,	
	2009	2008
LIABILITIES:		
Borrowed funds	\$17,807,034	\$54,209,491
Accrued interest on share accounts	252,464	652,621
Accrued interest on borrowed funds	54,856	152,835
Accounts payable and accrued liabilities	196,310	861,040
Total liabilities	18,310,664	55,875,987
Commitments and contingent liabilities	—	—
MEMBERS' EQUITY:		
Members' share and certificate accounts	293,689,335	201,655,603
Membership capital	27,379,502	29,200,541
Member paid-in capital	—	6,000,000
Corporate reserve	—	5,744,039
Undivided earnings	311,169	(13,565,078)
Accumulated other comprehensive loss	(106,887)	(673,595)
Total members' equity	321,273,119	228,361,510
Total liabilities and members' equity	\$339,583,783	\$284,237,497

The accompanying notes are an integral part of these financial statements.

KANSAS CORPORATE CREDIT UNION STATEMENTS OF OPERATIONS

	For the years ended	
	December 31,	
	2009	2008
INTEREST INCOME:		
Investments	\$2,547,427	\$10,936,722
Loans to members	1,663,002	2,216,920
Total interest income	4,210,429	13,153,642
INTEREST EXPENSE:		
Members' share and certificate accounts	1,615,612	9,371,055
Borrowed funds	1,414,105	2,010,005
Total interest expense	3,029,717	11,381,060
Net interest income	1,180,712	1,772,582
NON-INTEREST INCOME:		
Fees and service charges	1,817,313	1,731,920
Income from NCUSIF	80,733	—
Other	26,691	186,420
	3,105,449	3,690,922
NON-INTEREST EXPENSE:		
Compensation and employee benefits	1,043,346	1,178,142
Office operating costs	1,183,053	1,214,695
Other	181,544	196,482
Professional and outside services	135,536	143,844
Office occupancy costs	129,402	131,995
Impairment of NCUSIF deposit	80,733	—
NCUSIF premium assessment	40,666	—
Impairment of investments at U.S. Central FCU	—	20,033,409
Total non-interest expense	2,794,280	22,898,567
Net income/(loss)	\$311,169	(\$19,207,645)

The accompanying notes are an integral part of these financial statements.

KANSAS CORPORATE CREDIT UNION STATEMENTS OF COMPREHENSIVE OPERATIONS

	For the years ended	
	December 31,	
	2009	2008
NET INCOME/(LOSS)	\$311,169	(\$19,207,645)
OTHER COMPREHENSIVE INCOME:		
Unrealized gains/(losses) on investments classified as available-for-sale	566,708	(560,217)
Reclassification adjustment for net losses/(gains) included in net income/(loss)	—	—
Other comprehensive income/(loss)	566,708	(560,217)
Comprehensive income/(loss)	\$877,877	(\$19,767,862)

The accompanying notes are an integral
part of these financial statements.

KANSAS CORPORATE CREDIT UNION STATEMENTS OF MEMBERS' EQUITY
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**For the years ended
December 31, 2009 and 2008**

	Corporate Reserve	Undivided Earnings	Accumulated Other Comprehensive Income/(Loss)	Total
Balance, December 31, 2007	\$5,744,039	\$5,642,567	(\$113,378)	\$11,273,228
Net loss	—	(19,207,645)	—	(19,207,645)
Other comprehensive loss	—	—	(560,217)	(560,217)
Balance, December 31, 2008	5,744,039	(13,565,078)	(673,595)	(8,494,634)
Net income	—	311,169	—	311,169
Transfers	(5,744,039)	5,744,039	—	—
Depletion of membership capital share accounts and paid-in capital (See Note 6)	—	7,821,039	—	7,821,039
Other comprehensive income	—	—	566,708	566,708
Balance, December 31, 2009	\$—	\$311,169	(\$106,887)	\$204,282

The accompanying notes are an integral
part of these financial statements.

KANSAS CORPORATE CREDIT UNION STATEMENTS OF CASH FLOWS

	For the years ended	
	December 31,	
	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income/(loss)	\$311,169	(\$19,207,645)
Adjustments:		
Depreciation	74,253	73,524
Impairment of investments at U.S. Central FCU	—	20,033,409
Amortization of investment premiums/discounts	28,753	(13,944)
Changes in operating assets and liabilities:		
Prepaid and other assets	(63,224)	(414,813)
Accrued interest receivable	613,286	2,234,873
Accrued interest payable	(498,136)	(2,360,721)
Accounts payable and accrued liabilities	(664,730)	669,577
Net cash (used in)/provided by operating activities	<u>(198,629)</u>	<u>1,014,260</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from available-for-sale securities	27,735,305	8,314,192
Purchases of available-for-sale securities	(32,320,854)	(33,341,829)
Net change in U.S. Central Federal Credit Union	(67,089,707)	162,624,010
Net change in other investments	(5,238,754)	805,000
Net change in loans to members	42,297,262	(31,252,127)
Expenditures for property and equipment	(43,594)	(71,435)
Change in NCUSIF deposit	(148,289)	4,872
Net cash (used in)/provided by investing activities	<u>(34,808,631)</u>	<u>107,082,683</u>

The accompanying notes are an integral part of these financial statements.

KANSAS CORPORATE CREDIT UNION STATEMENTS OF CASH FLOWS

Cash Flows: (continued)

	For the years ended December 31,	
	2009	2008
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of borrowed funds	(36,402,457)	—
Change in short-term borrowed funds	—	24,487,730
Net change in members' share and certificate accounts	92,033,732	(133,941,662)
Net cash provided by/(used in) financing activities	55,631,275	(109,453,932)
Net change in cash	20,624,015	(1,356,989)
Cash at beginning of year	895,943	2,252,932
Cash at end of year	\$21,519,958	\$895,943
SUPPLEMENTAL CASH FLOWS DISCLOSURES:		
Interest paid	\$3,527,853	\$13,741,781
SCHEDULE OF NON-CASH TRANSACTIONS:		
Change in unrealized gains/(losses) on investments classified as available-for-sale	\$566,708	(\$560,217)

The accompanying notes are an integral
part of these financial statements.

<p style="text-align: center;">KANSAS CORPORATE CREDIT UNION NOTES TO THE FINANCIAL STATEMENTS</p>
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***NOTE 1: SIGNIFICANT ACCOUNTING
POLICIES***

ORGANIZATION

Kansas Corporate Credit Union (the "Credit Union") is a cooperative association organized in accordance with the provisions of the Kansas Credit Union Act for the purpose of providing correspondent banking services as well as investment products and a source of credit for its member credit unions. The Credit Union is a cooperative that is owned and directed by its member credit unions. Membership is available to retail credit unions and approved affiliates located in the 50 United States and the District of Columbia; however, a majority of the members are located in Kansas.

FINANCIAL STATEMENTS/USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the dates of the financial statements and the reported amounts of revenues and expenses for the periods then ended. Actual results could differ from those estimates. Estimates that are particularly susceptible to change relate to the fair value of financial instruments. The significant accounting principles and policies used in the preparation of these financial statements, together with certain related information, are summarized below.

CASH

Cash includes amounts due from the Federal Reserve Bank, Federal Home Loan Bank, other banks and credit unions as well as cash in transit to member credit unions. Amounts due from banks and credit unions may, at times, exceed federally insured limits.

INVESTMENTS

Investments are classified into the following categories: available-for-sale and other. Investment securities classified as available-for-sale are measured at market value as of the statement of financial condition date. Unrealized gains and losses for available-for-sale investments are reported as a separate component of members' equity. Realized gains and losses on disposition, if any, are computed using the specific identification method. Investments are adjusted for amortization of premiums and accretion of discounts over the term of the investment by a method that approximates the interest method. Adjustments are recognized to interest income on investments.

The Credit Union has elected to classify certain cash equivalents as other investments. This election is available to the Credit Union according to the terms of the Statement of Cash Flows Topic of the FASB Accounting Standards Codification. U.S. Central Federal Credit Union is a federally chartered financial services cooperative which operates for the benefit of its members under the Federal Credit Union Act. The principal activity of U.S. Central Federal Credit Union is to provide wholesale investment, liquidity, custody and payment-system services to its members, primarily corporate credit unions. U.S. Central Federal Credit Union investments are generally interest bearing with various maturity dates. The investments are carried at cost. Based on an action taken by the NCUA in 2009, the remaining investments in excess of insurable limits maintained at U.S. Central Federal Credit Union are temporarily guaranteed through June 30, 2012.

<p style="text-align: center;">KANSAS CORPORATE CREDIT UNION NOTES TO THE FINANCIAL STATEMENTS</p>
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Note 1: (continued)

FEDERAL HOME LOAN BANK (FHLB) STOCK

As a member of the FHLB, the Credit Union is required to invest in stock of the FHLB. The Credit Union's minimum stock investment is based on a formula developed by the FHLB that considers the Credit Union's total assets and outstanding advances from the FHLB. The FHLB stock is carried at cost within other investments and its disposition is restricted. No ready market exists for the FHLB stock, and it has no quoted market value.

LOANS TO MEMBERS

Loans to members are stated at the amount of unpaid principal. Interest on loans is calculated using the simple-interest method on principal amounts outstanding. The accrual of interest is discontinued when management believes that collection of interest is doubtful.

PROPERTY AND EQUIPMENT

Land is carried at cost. Property and equipment are carried at cost less accumulated depreciation and amortization. Buildings, and furniture and equipment are depreciated using the straight-line method over the estimated useful lives of the assets. The cost of leasehold improvements is amortized using the straight-line method over the term of the lease, or the estimated life of the asset, whichever is less. The Credit Union reviews property and equipment (long-lived assets) for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

NCUSIF DEPOSIT

The deposit in the National Credit Union Share Insurance Fund (NCUSIF) is in accordance with National Credit Union Administration (NCUA) regulations, which require the maintenance of a deposit by each insured credit union. The deposit would be refunded to the Credit Union if its insurance coverage is terminated, it converts to insurance coverage from another source, or the operations of the fund are transferred from the NCUA Board. **(See Notes 13 and 15)**

NCUSIF INSURANCE PREMIUMS

Credit unions are required to pay an annual insurance premium equal to one-twelfth of one percent of its total insured shares, unless the payment is waived or reduced by the NCUA Board. The NCUA Board waived the 2008 insurance premium. The NCUA Board assessed a 15 basis point insurance premium in 2009. **(See Notes 13 and 15)**

MEMBERS' SHARE AND CERTIFICATE ACCOUNTS

Members' shares are subordinated to all other liabilities of the Credit Union other than membership capital share deposits upon liquidation. Interest rates on members' share and certificate accounts are set by management based on a daily assessment of available earnings and are not guaranteed by the Credit Union.

MEMBERSHIP CAPITAL SHARE DEPOSITS

Membership capital share deposits require a notification term of three years prior to their withdrawal from the Credit Union. In the event of the Credit Union's liquidation, membership capital share deposits are payable only after satisfaction of all liabilities of the Credit Union, including uninsured share obligations to members and the NCUSIF, but excluding paid-in capital deposits. **(See Notes 6, 11 and 15)**

<p style="text-align: center;">KANSAS CORPORATE CREDIT UNION NOTES TO THE FINANCIAL STATEMENTS</p>
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Note 1: (continued)

MEMBERSHIP PAID-IN CAPITAL

Paid-in capital has a 20 year notice requirement for withdrawal. The paid-in capital is a wholly at-risk investment for the member credit unions that subscribe and neither the dividends nor the repayment of principal are guaranteed by any share or deposit insurance fund. In the event of liquidation, the paid-in capital accounts are subordinate to the payment of all shares, including membership capital shares. **(See Notes 6, 11 and 15)**

BORROWED FUNDS

The Credit Union has borrowed funds outstanding from the U.S. Central Federal Credit Union as of December 31, 2009 and 2008. The U.S. Central Federal Credit Union borrowed funds are secured by qualified collateral, as defined in the agreement.

MEMBERS' EQUITY

The Credit Union is required to maintain a statutory reserve (corporate reserve) in accordance with the Kansas Credit Union Act and NCUA's Rules and Regulations. This statutory reserve represents a regulatory restriction and is not available for the payment of interest.

FEDERAL AND STATE TAX EXEMPTION

The Credit Union is exempt from most federal, state, and local taxes.

CHANGES IN ACCOUNTING PRINCIPLES AND EFFECTS OF NEW ACCOUNTING PRONOUNCEMENTS

The FASB issued the Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification, in order to establish a framework for measuring fair value, expand disclosures about fair value measurements, and reduce inconsistencies in applying GAAP regarding fair value measurements. Furthermore, this codification topic defines fair value to be the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date within its principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. The Credit Union adopted the Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification.

RECLASSIFICATIONS

Certain 2008 financial statement amounts have been reclassified to conform with the classifications adopted in 2009.

KANSAS CORPORATE CREDIT UNION NOTES TO THE FINANCIAL STATEMENTS
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NOTE 2: INVESTMENTS

The amortized cost and estimated market value of investments are as follows:

As of December 31, 2009				
<i>Available-for-sale:</i>	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
U.S. government agencies	\$45,145,082	\$91,996	(\$58,365)	\$45,178,713
Private-issue security	280,878	—	(140,518)	140,360
	\$45,425,960	\$91,996	(\$198,883)	\$45,319,073

As of December 31, 2008				
<i>Available-for-sale:</i>	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
U.S. government agencies	\$40,546,102	\$21,679	(\$598,228)	\$39,969,553
Private-issue security	323,062	—	(97,046)	226,016
	\$40,869,164	\$21,679	(\$695,274)	\$40,195,569

The amortized cost and estimated market value of investments by contractual maturity are shown below. Expected maturities may differ from contractual maturities because issuers may have the right to call or prepay certain obligations without call or prepayment penalties.

As of December 31, 2009	
<i>Available-for-sale</i>	
	Amortized Cost
Within one year	\$5,618,698
1 to 5 years	28,421,679
5 to 10 years	11,385,583
	\$45,425,960

	Market Value
Within one year	\$5,621,225
1 to 5 years	28,322,277
5 to 10 years	11,375,571
	\$45,319,073

KANSAS CORPORATE CREDIT UNION NOTES TO THE FINANCIAL STATEMENTS
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Note 2: (continued)

The following table shows the gross unrealized losses and fair value of investments, aggregated by length of time that individual securities have been in a continuous unrealized loss position.

		As of December 31, 2009					
		Available-for-sale					
		<u>Less than 12 Months</u>		<u>12 Months or Longer</u>		<u>Total</u>	
		Fair	Gross	Fair	Gross	Fair	Gross
		Value	Unrealized	Value	Losses	Value	Losses
		Value	Losses	Value	Losses	Value	Losses
U.S. government agencies		\$16,365,540	(\$20,306)	\$6,542,775	(\$38,059)	\$22,908,315	(\$58,365)
Private-issued security		—	—	140,360	(140,518)	140,360	(140,518)
		<u>\$16,365,540</u>	<u>(\$20,306)</u>	<u>\$6,683,135</u>	<u>(\$178,577)</u>	<u>\$23,048,675</u>	<u>(\$198,883)</u>

		As of December 31, 2008					
		Available-for-sale					
		<u>Less than 12 Months</u>		<u>12 Months or Longer</u>		<u>Total</u>	
		Fair	Gross	Fair	Gross	Fair	Gross
		Value	Unrealized	Value	Unrealized	Value	Unrealized
		Value	Losses	Value	Losses	Value	Losses
U.S. government agencies		\$24,636,357	(\$431,123)	\$6,722,169	(\$167,105)	\$31,358,526	(\$598,228)
Private-issued security		—	—	226,016	(97,046)	226,016	(97,046)
		<u>\$24,636,357</u>	<u>(\$431,123)</u>	<u>\$6,948,185</u>	<u>(\$264,151)</u>	<u>\$31,584,542</u>	<u>(\$695,274)</u>

Unrealized losses on securities issued by the U.S. Government and its Agencies, including the mortgage-backed securities, have not been recognized into income because of the implicit guarantee of the principal balances of these securities by the U.S. Government. Additionally, the decline in the fair values of the U.S. Government and Agency securities is expected to be recovered as the market for these securities improves and/or these securities approach their maturity dates. Management has the ability and intent to hold these securities through the recovery of fair value, which may be maturity.

Management believes that the decline in market value of the private-label collateralized mortgage obligation is mainly due to the current inactive market, downgrading of insurers, and credit exposures for this type of security. Management has concluded that the market loss is temporary and will be recovered as the market for this type of security improves and/or this security approaches its maturity date. Management has the ability and intent to hold this security through to recovery of fair value, which may be maturity.

KANSAS CORPORATE CREDIT UNION NOTES TO THE FINANCIAL STATEMENTS
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Note 2: (continued)

U.S. Central Federal Credit Union:

	As of December 31,	
	2009	2008
Daily accounts	\$123,101,669	\$200,000
Certificates of deposit	110,955,802	166,767,764
Community investment fund	1,010,000	1,010,000
	\$235,067,471	\$167,977,764

Included in the investments at U.S. Central Federal Credit Union were paid-in capital and membership capital shares. These investments are not insured by the NCUA. Due to substantial losses reported by U.S. Central Federal Credit Union, management determined that these deposits were impaired during the year ended December 31, 2008. Accordingly, the Credit Union reported an impairment loss of approximately \$20,033,000 for the year ended December 31, 2008.

Other investments:

	As of December 31,	
	2009	2008
Certificates of deposit	\$10,148,000	\$4,315,000
FHLB stock	612,600	856,431
Other	212,005	311,103
CUSOs	220,000	471,317
	\$11,192,605	\$5,953,851

NOTE 3: LOANS TO MEMBERS

The composition of loans to members is as follows:

	As of December 31,	
	2009	2008
Loans outstanding:		
Fixed rate term loans	\$24,972,424	\$45,204,609
Demand loans	51,787	2,111,084
Central liquidity facility loans	—	14,400,000
Lines of credit	—	5,605,780
	\$25,024,211	\$67,321,473

Term loan = Payment is due on the term loan upon maturity. The Credit Union has the option to pay off the loan early based on the prevailing market interest rate rather than the contract rate.

KANSAS CORPORATE CREDIT UNION NOTES TO THE FINANCIAL STATEMENTS
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NOTE 4: PROPERTY AND EQUIPMENT

A summary of the Credit Union's property and equipment is as follows:

	As of December 31,	
	2009	2008
Land	\$92,432	\$92,432
Building	763,481	760,946
Furniture and equipment	509,621	468,561
Leasehold improvements	25,653	25,654
	1,391,187	1,347,593
Less accumulated depreciation	(705,757)	(631,504)
	\$685,430	\$716,089

**NOTE 5: MEMBERS' SHARE AND CERTIFICATE
ACCOUNTS**

Members' share and certificate accounts are summarized as follows:

	As of December 31,	
	2009	2008
Daily shares	\$66,639,799	\$12,864,204
Managed liquidity shares	174,825,898	108,261,313
Member capital shares	27,379,502	29,200,541
Member paid-in capital	—	6,000,000
Certificates	52,223,638	80,530,086
	\$321,068,837	\$236,856,144

The aggregate amount of members' time deposit accounts in denominations of \$100,000 or more was approximately \$51,126,000 as of December 31, 2009.

Scheduled maturities of certificates are as follows:

	As of December 31, 2009
Within 1 year	\$45,045,705
1 to 2 years	3,945,000
2 to 3 years	1,448,000
3 to 4 years	600,000
4 to 5 years	1,100,000
Thereafter	84,933
	\$52,223,638

SHARE INSURANCE

Members' shares are generally insured by the NCUSIF to a maximum of \$250,000 for each member.

KANSAS CORPORATE CREDIT UNION NOTES TO THE FINANCIAL STATEMENTS
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***NOTE 6: PAID-IN CAPITAL AND
MEMBERSHIP CAPITAL SHARES***

Under section 704.2 of the NCUA Rules and Regulations, paid-in capital and membership capital share accounts are available to cover losses that exceed retained earnings (corporate reserves and undivided earnings). In May 2009, the NCUA published Letter to Credit Unions 09-CU-10, reinforcing their interpretation of the regulatory requirement in section 704.2 of the NCUA Rules and Regulations, stating that paid-in capital and membership capital shares must be depleted to the extent necessary to eliminate any accumulated deficit in undivided earnings. The Credit Union maintained an accumulated deficit in retained earnings of approximately \$13,565,000 and \$13,254,000 as of December 31, 2008 and 2009, respectively. Therefore, the Credit Union depleted member paid-in capital and member capital share accounts by approximately \$6,000,000 and \$1,821,000 during the year ended December 31, 2009.

NOTE 7: BORROWED FUNDS

The Credit Union maintains borrowed funds from U.S. Central Federal Credit Union which are summarized in the following table.

Interest Type	Interest Rate	Final Maturity Date	Payment Description	As of December 31, 2009
Fixed	3.71%	January 11, 2010	Balloon	\$1,992,000
Fixed	3.70%	January 11, 2010	Balloon	1,996,000
Fixed	3.71%	January 11, 2010	Balloon	999,000
Fixed	3.71%	January 11, 2010	Balloon	997,000
Fixed	3.61%	January 14, 2010	Balloon	4,990,000
Fixed	3.61%	January 14, 2010	Balloon	1,996,000
Fixed	3.61%	January 14, 2010	Balloon	1,996,000
Fixed	3.50%	January 15, 2010	Balloon	1,000,000
Fixed	2.68%	March 15, 2010	Balloon	1,000,000
Fixed	3.90%	September 1, 2011	Monthly	250,000
Fixed	4.75%	November 1, 2019	Monthly	591,034
				\$17,807,034

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KANSAS CORPORATE CREDIT UNION NOTES TO THE FINANCIAL STATEMENTS
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Note 7: (continued)

Interest Type	Interest Rate	Final Maturity Date	Payment Description	As of December 31, 2008
Fixed	1.75%	January 21, 2009	Balloon	\$3,400,000
Fixed	1.25%	January 29, 2009	Balloon	3,000,000
Fixed	5.14%	February 18, 2009	Balloon	1,000,000
Fixed	1.25%	February 23, 2009	Balloon	3,500,000
Fixed	5.05%	March 2, 2009	Balloon	100,000
Fixed	5.12%	March 18, 2009	Balloon	1,000,000
Fixed	0.50%	March 30, 2009	Balloon	3,000,000
Fixed	0.50%	March 31, 2009	Balloon	1,500,000
Fixed	5.22%	July 7, 2009	Balloon	100,000
Fixed	5.22%	July 27, 2009	Balloon	100,000
Fixed	3.46%	August 13, 2009	Balloon	2,500,000
Fixed	4.16%	December 7, 2009	Balloon	2,000,000
Fixed	4.26%	December 22, 2009	Balloon	15,000,000
Fixed	3.71%	January 11, 2010	Balloon	1,992,000
Fixed	3.70%	January 11, 2010	Balloon	1,996,000
Fixed	2.68%	March 15, 2010	Balloon	1,000,000
Fixed	3.71%	January 11, 2011	Balloon	999,000
Fixed	3.71%	January 11, 2011	Balloon	997,000
Fixed	3.61%	January 14, 2011	Balloon	4,990,000
Fixed	3.61%	January 14, 2011	Balloon	1,996,000
Fixed	3.61%	January 14, 2011	Balloon	1,996,000
Fixed	3.50%	January 15, 2011	Balloon	1,000,000
Fixed	3.90%	September 1, 2011	Monthly	392,857
Fixed	4.75%	November 1, 2019	Monthly	650,634
				\$54,209,491

Payment description

Balloon = Interest payments are due monthly. Principal is due at maturity. Should the term loan be paid off early, the borrowed funds would be paid off early at the prevailing market interest rate rather than the contract rate.

NOTE 8: EMPLOYEE BENEFITS

401(k) AND PROFIT SHARING PLAN

During the year ended December 31, 2009, the Credit Union maintained a 401(k) pension plan that allowed employees to defer a portion of their salary into the 401(k) plan. Employees are eligible to participate in the plan after 1 year of service. The Credit Union contributes up to 5% of employees' annual salary. Participants become 100% vested in employer contributions after five years of credited service. The 401(k) plan expense was approximately \$43,000 and \$46,000 for the years ended December 31, 2009 and 2008, respectively.

<p style="text-align: center;">KANSAS CORPORATE CREDIT UNION NOTES TO THE FINANCIAL STATEMENTS</p>
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NOTE 9: COMMITMENTS AND CONTINGENT LIABILITIES

LINES OF CREDIT:

As of December 31, 2009, the Credit Union maintained a \$150,000,000 line-of-credit agreement with U.S. Central Federal Credit Union. The terms of the agreement require the pledging of all share accounts, share certificate accounts, or other accounts maintained with U.S. Central Federal Credit Union as security for obligations under this line-of-credit agreement. The Credit Union is also required to pledge any securities held in safekeeping by U.S. Central Federal Credit Union. As of December 31, 2009, the unused line of credit was approximately \$132,193,000.

The Credit Union has access to a pre-approved secured line-of-credit with the FHLB. The Credit Union has the capacity to borrow up to a certain percentage of the value of its qualified collateral, as defined in the FHLB Statement of Credit Policy. As of December 31, 2009, there were no outstanding advances under this agreement.

The Credit Union has access to a pre-approved unsecured line-of-credit with Pacific Coast Bankers' Bank of approximately \$75,000,000. This particular line-of-credit is guaranteed by NCUA as part of the Temporary Corporate Credit Union Liquidity Guarantee Program (TCCULGP). As of December 31, 2009, there were no outstanding advances under this agreement.

***NOTE 10: OFF-BALANCE-SHEET RISK
AND CONCENTRATIONS OF CREDIT RISK***

The Credit Union is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its member credit unions and to reduce its own exposure to fluctuations in interest rates. These financial instruments include commitments to extend credit. These instruments involve, to varying degrees, elements of credit and interest-rate risk in excess of the amount recognized in the statements of financial condition. The Credit Union's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit is represented by the contractual amount of those instruments.

Commitments to extend credit are agreements to lend to a member credit union as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses. Since many of the commitments may expire without being fully drawn upon, the total commitment amounts do not necessarily represent future cash requirements. As of December 31, 2009, the Credit Union's unfunded commitments approximated \$180,121,000. The Credit Union evaluates each member credit union's creditworthiness on a case-by-case basis. The amount of collateral obtained, if any, is based on management's credit evaluation of the member.

The Credit Union may be exposed to credit risk from a regional economic standpoint, since a significant concentration of its funded and unfunded loans are made primarily to member credit unions in the state of Kansas. In addition, as a normal course of business operation, the Credit Union maintains a significant amount of its investments with U.S. Central Federal Credit Union. These funds exceeded federal deposit insurance limits; however, these investments are fully guaranteed by the NCUA through June 30, 2012.

KANSAS CORPORATE CREDIT UNION NOTES TO THE FINANCIAL STATEMENTS
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NOTE 11: REGULATORY CAPITAL

The Credit Union is subject to various regulatory capital requirements administered by the NCUA. Failure to meet minimum capital requirements can initiate certain mandatory-and possibly additional discretionary-actions by regulators that, if undertaken, could have a direct material effect on the Credit Union's financial statements. Failure to meet minimum capital requirements would require the Credit Union to submit a plan of action to correct the shortfall. Additionally, NCUA could require an increase in capital to specific levels, reduction of interest, and ceasing or limiting the Credit Union's ability to accept deposits.

Corporate credit unions must maintain a minimum capital ratio of 4% of its daily average net assets. A corporate credit union's capital consists of retained earnings as well as membership capital and paid-in capital deposits. Corporate credit unions that maintain a retained earnings ratio of less than 2% of daily average net assets must meet certain minimum earnings requirements as established by the NCUA. The Credit Union's actual and required capital and retained earnings ratios are as follows:

	As of		As of	
	December 31, 2009		December 31, 2008	
	Amount	Ratio	Amount	Ratio
<i>Capital ratio:</i>				
Actual capital:				
Corporate reserves	\$—		\$5,744,039	
Retained earnings/(deficit)	311,169		(13,565,078)	
Membership capital	27,379,502		29,200,541	
Membership paid-in capital	—		6,000,000	
	\$27,690,671	7.48%	\$27,379,502	7.91%
Capital requirement	\$14,640,670	4.00%	\$16,220,694	4.00%
<i>Retained earnings ratio:</i>				
Actual retained earnings/(deficit)	\$311,169	0.09%	(\$7,821,039)	—%
Retained earnings requirement	\$7,320,335	2.00%	\$8,110,347	2.00%

The Credit Union's retained earnings ratio was not in compliance with the NCUA's retained earnings ratio requirement as of December 31, 2009 or 2008. However, the Credit Union was not subjected to supervisory action based on the April 21, 2009, NCUA Board order permitting corporate credit unions to use capital levels as reported on the November 30, 2008, Call Report for regulatory compliance. The NCUA could retract this temporary approval at any time which could result in regulatory noncompliance. Kansas Corporate Credit Union was in compliance with capital requirements as of November 30, 2008. This exception is expected to remain in place until NCUA issues new corporate credit union regulations in 2010.

<p style="text-align: center;">KANSAS CORPORATE CREDIT UNION NOTES TO THE FINANCIAL STATEMENTS</p>
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***NOTE 12: FAIR VALUES OF FINANCIAL
INSTRUMENTS***

The Credit Union adopted the Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards of Codification, which provides a framework for measuring fair value and requires an entity to derive fair value from the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date within its principal market for the asset or liability, or in the absence of a principal market, the most advantageous market for the asset or liability. To increase consistency and comparability in fair value measurements and related disclosures, a three-level hierarchy prioritizes the inputs to valuation techniques used to measure fair value with the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3) as further described below:

LEVEL 1

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Credit Union has the ability to access at the measurement date. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Level 1 assets include certain securities that are held in the Credit Union's available-for-sale portfolio as of December 31, 2009 and 2008.

LEVEL 2

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability. Level 2 inputs include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are inactive; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. Level 2 assets include one security that is held in the Credit Union's available-for-sale portfolio as of December 31, 2009 and 2008.

LEVEL 3

Level 3 inputs are unobservable inputs for the asset or liability which reflect the Credit Union's own assumptions about the assumptions that market participants would use in pricing the asset or liability. Assumptions about risk include risk inherent in a particular valuation technique used to measure fair value, typically pricing models and/or discounted cash flow methodologies. The Credit Union maintained no Level 3 assets and liabilities as of December 31, 2009 or 2008.

The methodologies and associated inputs used may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Credit Union believes its valuation methods and associated inputs are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

KANSAS CORPORATE CREDIT UNION NOTES TO THE FINANCIAL STATEMENTS
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Note 12: (continued)

The following table sets forth by level, within the fair value hierarchy, the Credit Union's financial instruments at fair value:

Assets at Fair Value as of December 31, 2009				
	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	Total
	Level 1	Level 2	Level 3	Total
Assets:				
Available-for-sale securities:				
U.S. government agencies	\$45,178,713	\$—	\$—	\$45,178,713
Private-issue security	—	140,360	—	140,360
	\$45,178,713	\$140,360	\$—	\$45,319,073
Assets at Fair Value as of December 31, 2008				
	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	Total
	Level 1	Level 2	Level 3	Total
Assets:				
Available-for-sale securities:				
U.S. government agencies	\$39,969,553	\$—	\$—	\$39,969,553
Private-issued security	—	226,016	—	226,016
	\$39,969,553	\$226,016	\$—	\$40,195,569

The estimated fair value amounts have been determined using available market information and appropriate valuation methodologies. However, considerable judgment is required to interpret market data to develop the estimates of fair value. Accordingly, the estimates presented are not necessarily indicative of amounts that could be realized in a market exchange. The use of different assumptions and estimation methodologies may have a material effect on the estimated fair value amounts. The following methods and assumptions were used to estimate fair value of each of the financial instruments for which it is practicable to estimate.

CASH

The carrying amount is a reasonable estimation of fair value.

INVESTMENTS

Estimated fair values for investments are obtained from quoted market prices where available. The fair value of fixed-maturity certificates of deposit was estimated by discounting the estimated cash flows using the current rate at which similar certificates would be issued.

LOANS TO MEMBERS

The estimated fair value for lines of credit is the current carrying amount due to the short-term, variable-rate nature of these instruments.

ACCRUED INTEREST RECEIVABLE

The carrying amount is a reasonable estimation of fair value.

KANSAS CORPORATE CREDIT UNION NOTES TO THE FINANCIAL STATEMENTS
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Note 12: (continued)

MEMBERS' SHARE AND CERTIFICATE ACCOUNTS, CAPITAL SHARES AND PAID-IN CAPITAL

The estimated fair value of demand deposit accounts is the carrying amount. The fair value of fixed-rate certificates of deposit was estimated by discounting the estimated cash flows using the current rate at which similar certificates would be issued.

BORROWED FUNDS

The estimated fair value of borrowed funds was estimated by discounting the estimated cash flows using similar interest rates and terms at which funds could be borrowed.

ACCRUED INTEREST PAYABLE

The carrying amount is a reasonable estimation of fair value.

COMMITMENTS TO EXTEND CREDIT

The fair value of commitments to extend credit is equivalent to the amount of credit extended since the Credit Union does not charge fees to enter into these commitments and the commitments are not stated at fixed rates.

The carrying value and estimated fair value of the Credit Union's financial instruments are as follows:

	As of December 31, 2009		As of December 31, 2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<i>Financial assets:</i>				
Cash	\$21,519,958	\$21,519,958	\$895,943	\$895,943
<i>Investments:</i>				
Available-for-sale	\$45,319,073	\$45,319,073	\$40,195,569	\$40,195,569
U.S. Central FCU	\$235,067,471	\$235,067,471	\$167,977,764	\$167,977,764
Other	\$11,192,605	\$11,192,605	\$5,953,851	\$5,953,851
Loans to members	\$25,024,211	\$25,189,300	\$67,321,473	\$68,329,000
Accrued interest receivable	\$343,259	\$343,259	\$956,545	\$956,545
<i>Financial liabilities:</i>				
Members' share and certificate accounts	\$293,689,335	\$293,914,366	\$201,655,603	\$208,140,459
Membership capital shares	\$27,379,502	\$27,379,502	\$29,200,541	\$29,200,541
Membership paid-in capital	\$—	\$—	\$6,000,000	\$—
Borrowed funds	\$17,807,034	\$17,865,824	\$54,209,491	\$54,982,000
Accrued interest payable	\$307,320	\$307,320	\$805,456	\$805,456
<i>Unrecognized financial instruments:</i>				
Commitments to extend credit	\$—	\$180,121,000	\$—	\$132,044,512

<p style="text-align: center;">KANSAS CORPORATE CREDIT UNION NOTES TO THE FINANCIAL STATEMENTS</p>
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NOTE 13: NCUA CORPORATE STABILIZATION PROGRAM

On January 28, 2009, all federally-insured credit unions were informed that actions taken by the NCUA to enhance and support the corporate credit union system would result in a partial write-down of the Credit Union's 1 percent NCUSIF deposit. It was also determined that an insurance premium would be assessed sufficient to return the NCUSIF's equity ratio to 1.30 percent. The Credit Union recognized the 69% impairment of the NCUSIF deposit of approximately \$81,000 and the 30 basis point insurance premium assessment of approximately \$35,000 during the year ended December 31, 2009.

Another action taken by the NCUA on January 28, 2009, was to provide a temporary guarantee on all deposits in excess of insurable limits maintained at corporate credit unions, other than membership capital shares and paid-in capital, through February 28, 2009. Corporate credit unions, including U.S. Central Federal Credit Union, were given the ability to voluntarily extend this guarantee on condition that the Board of Directors of the corporate credit union sign a Supervisory Agreement with the NCUA. As a result of signing this agreement, the NCUA has extended this guarantee through June 30, 2012.

An additional action taken by the National Credit Union Administration on January 28, 2009, was an infusion of capital from the National Credit Union Share Insurance Fund of \$1 billion into U.S. Central Federal Credit Union.

On March 20, 2009, the NCUA placed U.S. Central Federal Credit Union into conservatorship in an effort to stabilize the corporate credit union system. In connection with this action, the NCUA announced that uninsured deposits maintained by corporate credit unions in membership capital shares and paid-in capital at U.S. Central Federal Credit Union were impaired. The NCUA delayed the issuance of December 31, 2008, financial statements of U.S. Central Federal Credit Union until a further evaluation of the investment securities maintained by the Credit Union could be performed.

On September 8, 2009, the audited financial statements of U.S. Central Federal Credit Union were issued for the period ended December 31, 2008. These financial statements indicated substantial losses at U.S. Central Federal Credit Union due to impairment charges related to the Credit Union's investment securities. These financial statements also indicated significant further deterioration in the values of the investment securities. As a result, Kansas Corporate Credit Union has recognized an impairment loss of approximately \$20,033,000 for the year ended December 31, 2008, which represented 100% of the Credit Union's paid-in capital I and II and membership capital shares at U.S. Central Federal Credit Union.

On March 2, 2010, the fourth-quarter financial statements (unaudited) of U.S. Central Federal Credit Union were issued for the period ended December 31, 2009. The financial statements indicated further losses at U.S. Central Federal Credit Union due to additional impairment charges related to the Credit Union's investment securities and full depletion of all membership capital shares. Additionally, U.S. Central Federal Credit Union has depleted approximately \$331 million of the \$1 billion infusion of capital noted above.

<p style="text-align: center;">KANSAS CORPORATE CREDIT UNION NOTES TO THE FINANCIAL STATEMENTS</p>
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NOTE 14: CAPITAL RESTORATION PLAN

The Credit Union had suffered substantial losses due to the impairment of paid-in capital and membership capital share investments in U.S. Central Federal Credit Union which has caused a deficit in undivided earnings. Accordingly, the Credit Union has signed a Supervisory Agreement with the NCUA that requires, among other things, that the Credit Union develop a capital restoration plan. Management has developed a capital restoration plan and has submitted it to the NCUA. The NCUA has approved the Credit Union's capital restoration plan.

In January 2009, the NCUA issued an Advance Notice of Proposed Rulemaking (ANPR) to solicit comments and input from credit unions as to the future role of corporate credit unions. In December 2009, the NCUA issued their proposed corporate credit union regulation for review and comment which were due by March 9, 2010, with the final rule due to be issued during 2010. Management will need to amend its capital restoration plan to conform with the requirements of the new regulation once it is issued.

Based on the support by the NCUA for the corporate credit union network, Kansas Corporate Credit Union continues to operate as a going concern and in accordance with its charter and bylaws. However, there is uncertainty about whether the Credit Union will be able to restore retained earnings to a level necessary to meet the requirements of the new regulation.

NOTE 15: NEW LEGISLATION

On May 20, 2009, President Obama signed into law S.896, the Helping Families Save Their Homes Act of 2009. This legislation created the Corporate Credit Union Stabilization Fund and includes the following provisions with respect to mitigating the costs incurred by credit unions as a result of the NCUA's corporate stabilization program:

- Enables credit unions to spread the cost of the 69 percent NCUSIF deposit impairment over seven years;
- Extends to eight years the restoration period when the NCUSIF equity ratio falls below 1.20 percent. This provision applies to the 30 basis point premium assessment that would return the NCUSIF to an equity ratio of 1.30 percent.

On June 18, 2009, the NCUA Board met and approved the following action with respect to implementing the Helping Families Save Their Homes Act of 2009:

- Approved the legal transfer of assets and liabilities associated with the Corporate Stabilization Program to the Corporate Credit Union Stabilization Fund;
- Fully restored the Credit Union's NCUSIF deposit;
- Change the 2009 premium assessment from 30 basis points on insured deposits up to \$100,000 to 15 basis points on insured deposits up to \$250,000.

**KANSAS CORPORATE CREDIT UNION
NOTES TO THE FINANCIAL STATEMENTS**

Note 15: (continued)

The financial impact of these actions was to increase the Credit Union's non-interest income by approximately \$81,000 (the same amount as the impairment of the NCUSIF deposit) and to increase the NCUSIF premium assessment by approximately \$5,000 during the year ended December 31, 2009.

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