

December 20, 2011

Dear Valued Client,

In November 2010, we reported to you that LACE Financial Corporation was renamed Kroll Bond Rating Agency, Inc. At the same time, we began a comprehensive review of our ratings and methodologies with the goal of enhancing both their transparency and accuracy.

In June 2011, our Subscription Rating Service (SRS) published a new rating methodology for assessing the financial strength for U.S. Banks and Savings & Loans.

In December 2011, SRS will introduce ratings employing a new rating methodology for U.S. Credit Unions (non-corporate).

A central feature of the new rating methodology is a revised statistical scoring system that was designed to improve the transparency of our ratings and enhance rating accuracy. The new scoring system was developed following a thorough analysis of credit union failures over an 11-year period with a view towards identifying those credit union characteristics most predictive of failure. The new system generates a score for each credit union, which is then converted to a rating. As before, our analysts will continue to review each rating before its publication.

In our opinion, the revised methodology should improve upon the already strong accuracy of our ratings and allow us to provide a better and more useful service to you. Please see *Credit Union Rating Methodology – A New Financial Strength Model* (available at [http://www.krollbondratings.com/show\\_report/51](http://www.krollbondratings.com/show_report/51)) for a full description of the new methodology.

We appreciate your business and want to hear from you about this new development or any other aspect of our rating service. We look forward to continuing to improve our service to you.

Sincerely yours,



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