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Federal Express

January 11, 2011

Executive Director Stephen H. Levins
Office of Consumer Protection
Hawaii Department of Commerce & Consumer Affairs
Leiopapa A Kamehameha Building
235 South Beretania Street, Suite 801
Honolulu, Hawaii 96813

STATE OF HAWAII
CONSUMER PROTECTION

'11 JAN 12 P 3:46

RECEIVED

Re: **Pentagon Federal Credit Union**
Notification of Security Breach under Haw. Rev. Stat. § 487N-2

Dear Executive Director Levins:

On behalf of our client Pentagon Federal Credit Union and to supplement the letter we sent on December 30, 2010, we write to inform you that upon further forensic investigation of the reported breach, the number of affected individuals residing in Hawaii is approximately 3,546.

Please let us know if you have any questions or if we may be of further assistance.

Very truly yours,



Mark E. Schreiber

cc: Stephen A.J. Eisenberg
Executive Vice President & General Counsel
Pentagon Federal Credit Union

Thomas J. Kavalier
Partner
Cahill Gordon & Reindel LLP

HFD 219056.1

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December 30, 2010

Executive Director Stephen H. Levins
Office of Consumer Protection
Hawaii Department of Commerce & Consumer Affairs
Leiopapa A Kamehameha Building
235 South Beretania Street, Suite 801
Honolulu, Hawaii 96813

STATE OF HAWAII
DEPARTMENT OF COMMERCE & CONSUMER AFFAIRS
RECEIVED
JAN -3 P 1:37

**Re: Pentagon Federal Credit Union
Notification of Security Breach under Haw. Rev. Stat. § 487N-2**

Dear Executive Director Levins:

On behalf of our client Pentagon Federal Credit Union (“PenFed”), we write to inform you of unauthorized access to a database containing personal information. PenFed is a federally chartered credit union regulated by the National Credit Union Administration (“NCUA”). As such, it is subject to Title V of the Gramm-Leach-Bliley Act, 15 U.S.C. § 6801 *et seq.*, as well as the federal information security and notification requirements promulgated by the NCUA and found at 12 C.F.R. Part 748 and Appendices.

PenFed discovered on or about December 12, 2010 that a laptop had been infected with malware that permitted unauthorized access to a database containing names, addresses, Social Security numbers, PenFed account numbers, credit card numbers, and/or debit card numbers for PenFed members, joint owners, former members, employees and beneficiaries. The incident affected approximately 2,916 Hawaii residents.

Once PenFed discovered the unauthorized code, PenFed took immediate action to eliminate it. PenFed has identified the means by which the information was accessed and has taken appropriate steps to prevent this from recurring.

Executive Director Stephen Levins
December 30, 2010
Page 2

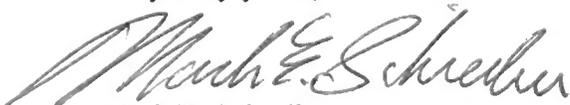
To date, PenFed has no indication that the personal information of affected individuals involved in this incident has been misused.

PenFed will promptly notify affected individuals of the incident by sending notices via first-class mail on or about Tuesday, January 4, 2011. A template of the notification letters, which provides additional information concerning the incident, is enclosed. PenFed believes the notification letters, and in particular the additional services offered to affected individuals, will help them immediately respond to any threats of identity theft, fraudulent charges or other misuse of their data as a result of this isolated incident.

PenFed, as a federally chartered credit union regulated by the NCUA, reserves all of its rights, including those pursuant to Haw. Rev. Stat. § 487N-2(g).

Please let us know if you have any questions or if we may be of further assistance.

Very truly yours,



Mark E. Schreiber

Enclosure

cc: Stephen A.J. Eisenberg
Executive Vice President & General Counsel
Pentagon Federal Credit Union

Thomas J. Kavaler
Partner
Cahill Gordon & Reindel LLP



2930 Eisenhower Avenue, Alexandria, Virginia, 22314

URGENT — Please Open Immediately.

<<FirstName>> <<MiddleName>> <<LastName>>
<<Address1>>
<<Address2>>
<<City>>, <<StateProvince>> <<PostalCode>>
<INTELLIGENT MAIL BARCODE>

ID TheftSmart™

<<FirstName>> <<MiddleName>> <<LastName>>
Membership Number: <<MembershipNumber>>

Member Services: 1-XXX-DRI-CUST

8:00 a.m. to 5:00 p.m. (Central Time), Monday through Friday

If you have questions or feel you may have an identity theft issue,
please call ID TheftSmart member services.

Dear <<FirstName>> <<MiddleName>> <<LastName>>,

We are writing to inform you of our recent discovery of a data security breach in mid December 2010 in which some of your personal information was improperly accessed. This letter also describes the services we are offering you to help relieve any concerns you may have and restore your confidence following this incident.

We have no indication that your information has been misused.

As a result of our preventive monitoring of our computer systems, we learned that some of our valued members' sensitive information was accessed and/or obtained from our computer system without authorization. This information may have included your name, address, Social Security number, credit card number and/or debit card number. No personal identification numbers (PIN) or passwords were accessed and/or obtained. We have reissued all credit and debit cards relating to those members whose account information may have been improperly obtained. You should have received a replacement card already or will receive one shortly. If you have not received your replacement card, you may call 1-800-247-5626.

We assure you that we are committed to safeguarding your personal information and have taken a number of immediate steps to fortify and enhance the protective security measures that were already in place.

Once we discovered the unauthorized code, we took immediate action to eliminate it. We have identified the means by which the information was accessed and have taken appropriate steps to prevent this from recurring.

Again, we have no indication that your information has actually been misused. Nevertheless, as a precautionary measure to help protect you against any possible misuse and because securing your personal information is important to us, we have engaged Kroll Inc. to provide you with its ID TheftSmart™ service at no cost to you. Kroll's Fraud Solutions team has more experience than any other organization in helping people who have experienced the unintentional exposure of their confidential data. We are offering you two years of FREE access to ID TheftSmart™, which includes the following:

Current Credit Report. Kroll offers you access to an up-to-date credit report from all three major national credit repositories. If you suspect fraudulent activity, please call the Kroll team at 1-XXX-DRI-CUST.

Continuous Credit Monitoring. Monitoring alerts make you aware of key changes in your credit file, that could indicate the kind of unauthorized activity commonly associated with identity theft and fraud. Once you authorize the alerts by following the instructions below, Kroll will provide continuous monitoring of your credit file.

Enhanced Identity Theft Consultation and Restoration. Licensed investigators who truly understand the problems surrounding identity theft are available to listen, to answer your questions, and to offer their expertise regarding any concerns you may have. Should your name or credit be affected by this incident, your investigator will help restore your identity to pre-theft status. The investigators will work with credit bureaus, creditors and/or collection agencies to restore your credit on your behalf.

We enclosed a brochure with simple instructions to take advantage of Kroll's ID TheftSmart service. To receive online credit services, please visit www.idintegrity.com to complete your authorization. To receive offline credit services through the mail, please fill out and return the enclosed *Consumer Credit Report and Credit Monitoring Authorization Form*. Note, however, that if you fill out and return the authorization form to receive credit services through the mail, you cannot later sign up online.

To be eligible for the credit monitoring services, you need to be over the age of 18 with credit established in the U.S, have a Social Security number issued in your name, and have a U.S residential address associated with your credit file.

We encourage you to take advantage of the free services we are offering and to remain vigilant and review your account statements and credit reports regularly. The Federal Trade Commission ("FTC") offers online guidance regarding measures you can take to protect against identity theft at www.ftc.gov/idtheft. You may also report any incidents of identity theft to the FTC at 1-877-IDTHEFT.

If you feel it is necessary, you can place a fraud alert on your credit file by contacting the fraud departments of Experian (www.experian.com), Equifax (www.equifax.com) and TransUnion (www.transunion.com). A fraud alert is attached to your credit report and puts creditors on notice that you may be a victim of fraud. Please also review the additional enclosure required by certain states.

You may call Kroll at 1-XXX-DRI-CUST, 8:00 a.m. to 5:00 p.m. (CST), Monday through Friday, if you have any questions or feel you may have an identity theft issue. If you have further concerns, or wish to speak directly with a PenFed representative, please call 1-800-247-5626 at any time.

We apologize for any inconvenience or concern this incident may cause and appreciate your continued trust in Pentagon Federal Credit Union. We are committed to maintaining your privacy as a key priority and will continue to take the steps necessary to protect your information.

Very truly yours,



Roderick B. Mitchell
Executive Vice President, Operations

Enclosures

U.S. State Notification Requirements

For residents of Hawaii, Iowa, Maryland, Michigan, Missouri, North Carolina, Oregon, Vermont, Virginia, West Virginia, and Wyoming:

It is required by state laws to inform you that you may obtain a copy of your credit report, free of charge, whether or not you suspect any unauthorized activity on your account. It is recommended by state law that you remain vigilant for incidents of fraud and identity theft by reviewing credit card account statements and monitoring your credit report for unauthorized activity. You may obtain a free copy of your credit report by contacting any one or more of the following national consumer reporting agencies:

Equifax

P.O. Box 740241
Atlanta, Georgia 30374
1-800-685-1111
www.equifax.com

Experian

P.O. Box 2002
Allen, TX 75013
1-888-397-3742
www.experian.com

TransUnion

P.O. Box 2000
Chester, PA 19022
1-800-888-4213
www.transunion.com

For residents of Iowa:

State law advises you to report any suspected identity theft to law enforcement or to the Attorney General.

For residents of Oregon:

State laws advise you to report any suspected identity theft to law enforcement, as well as the Federal Trade Commission.

For residents of Maryland and North Carolina:

You can obtain information from the Maryland and North Carolina Offices of the Attorneys General and the Federal Trade Commission about steps you can take to avoid identity theft.

Maryland Office of the Attorney General

Consumer Protection Division
200 St. Paul Place
Baltimore, MD 21202
1-888-743-0023
www.oag.state.md.us

North Carolina Office of the Attorney General

Consumer Protection Division
9001 Mail Service Center
Raleigh, NC 27699-9001
1-877-566-7226
www.ncdoj.com

Federal Trade Commission

Consumer Response Center
600 Pennsylvania Avenue, NW
Washington, DC 20580
1-877-IDTHEFT (438-4338)
www.ftc.gov/bcp/edu/microsites/idtheft/

For residents of Massachusetts and West Virginia:

It is required by state law that you are informed of your right to obtain a police report if you are a victim of identity theft. You also have the right to place a security freeze on your credit report. A security freeze is intended to prevent credit, loans and services from being approved in your name without your consent; however, using a security freeze may delay your ability to obtain credit.

To place a security freeze on your credit report, you need to send a request to a consumer reporting agency by certified mail, overnight mail, or regular stamped mail. The following information must be included when requesting a security freeze (note that if you are requesting a credit report for your spouse, this information must be provided for him/her as well): (1) full name, with middle initial and any suffixes; (2) Social Security number; (3) date of birth; (4) current address and any previous addresses for the past five years; and (5) any applicable incident report or complaint with a law enforcement agency or the Registry of Motor Vehicles. The request must also include a copy of a government-issued identification card and a copy of a recent utility bill or bank or insurance statement. It is essential that each copy be legible, display your name and current mailing address, and the date of issue. The consumer reporting agency may charge a fee of up to \$5.00 to place a freeze or lift or remove a freeze, unless you are a victim of identity theft or the spouse of a victim of identity theft, and you have submitted a valid police report relating to the identity theft incident to the consumer reporting agency.

Equifax Security Freeze

P.O. Box 105788
Atlanta, Georgia 30348
www.equifax.com

Experian Security Freeze

P.O. Box 9554
Allen, TX 75013
www.experian.com

TransUnion (FVAD)

P.O. Box 6790
Fullerton, CA 92834-6790
www.transunion.com

ID TheftSmart™ Quick, Correct Steps to Protect You

Your ID TheftSmart safeguards are designed to provide you the most comprehensive and effective identity theft detection, protection, and recovery services available.

When it comes to guiding people and companies through a security incident, ID TheftSmart has more experience than any other organization. We know what to do, who to call, and how to help. Using our thousands of hours of investigative work with consumers and decades of risk management, we've developed ID TheftSmart—a comprehensive series of safeguards to help protect you against identity theft.

If you have questions or feel you have an identity theft issue, call today and talk confidentially with a knowledgeable team member about your particular situation.

Restoration Service Exclusions

Legal Remedy. Any Stolen Identity Event where the victim is unwilling to prosecute the person who caused the victim to suffer the fraud or its consequences.

Dishonest Acts. Any dishonest, criminal, malicious, or fraudulent acts, if the Member(s) that suffered the fraud personally participated in, directed, or had knowledge of such acts.

Financial Loss. Membership Services do not cover any financial losses attributed to the Stolen Identity Event, including but not limited to, money stolen from a wallet, unauthorized purchases of retail goods, or services online, by phone, mail, or direct.

Pre-existing Stolen Identity Event Limitations. If either the victim had knowledge of, or reasonably should have had knowledge of, a pre-existing stolen identity event (not this one) based on information provided to them prior to enrollment in the program, such an event or the consequences caused by it are not covered.

Business. A covered stolen identity event does not include the theft or unauthorized or illegal use of their business name, DBA, or any other method of identifying their business activity.

Minors. Minors are fundamentally excluded given that (a) credit reporting agencies do not knowingly maintain credit files on minor children, and (b) minor children are unable to execute the Limited Power of Attorney (LPOA) required for certain processes as described herein. However, Kroil agrees to try to resolve identity theft issues for participant-minors through the processes listed in the master agreement, with additional reasonable efforts to address the challenges of working with minors, and within the solutions available through existing legislation and established industry and organizational procedures.

Millions of People



Safeguard Their Identities

Helping



Enhanced Identity Theft Consultation and Restoration

Restore Your Credit, Regain Your Peace of Mind

You can rely on the expertise of this specialized team to help search out suspicious activity and, as necessary, fight back against the evolving tactics used by identity thieves. Our ID TheftSmart™ Licensed Investigators have thousands of hours of experience working in the laws, regulations, and investigative techniques used for credit and non-credit-related identity theft restoration.

Our consultation services allow you to minimize your risk and place extra precautions if circumstances indicate your personal data has been compromised. In the event of an identity theft, we provide full-service restoration, which means our experienced Licensed Investigators do the bulk of the work on your behalf. And since one dedicated investigator is assigned to your case, you won't have to explain your situation over and over again.

You now have easy access to the resources you need to search out suspicious activity and, if necessary, to fight back if you have been exposed to the threat of identity fraud. Our in-depth investigations explore:

- › Criminal data at federal and state levels;
- › State department of motor vehicles (DMV) records;
- › Public records, where liens or bankruptcies could surface;
- › Social Security tracing, for fraudulent address or status entries;
- › Certain 'watch lists' familiar to the security industry; and more.

Continuous Credit Monitoring

Early Detection is Key

Consumer agencies and government bodies alike recommend that you keep a close eye on your credit activity. Early detection is key to identifying fraud and the damage it can cause. Monitoring alerts make you aware of changes in your credit file that could indicate the kind of unauthorized activity commonly associated with identity theft and fraud.

You'll be notified by email when your credit files show certain credit activity in your name that's commonly associated with identity theft, such as applying for a new credit card or loan, a change of address, etc.

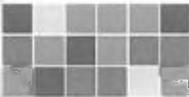
If the transaction isn't one you initiated, simply call ID TheftSmart toll-free and we'll immediately put you in touch with a licensed investigator to find out what's happening and correct the problem. We'll even send you "no activity" notices when there's been no activity in your credit file, so you always know your credit is closely monitored.

Simple Steps to Protect Your Identity

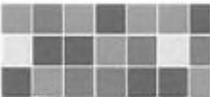
Enroll Today to Receive Your ID TheftSmart Solutions

To receive your email alerts online, visit www.idintegrity.com. Please be prepared to provide your membership number. Instructions are provided online.

To receive your alerts through the mail, fill out the enclosed *Consumer Credit Report and Credit Monitoring Authorization Form* and return it in the enclosed postage-paid envelope.



If you feel you have an identity theft issue, call us today using the toll-free telephone number listed in the accompanying letter.



Take advantage of this no-cost opportunity and let the experts at Kroll help you assess your situation and safeguard your identity.

Help is only a phone call away.



Consumer Credit Report and Credit Monitoring Authorization Form

<FirstName> <MiddleName> <LastName>
 <Address> (Line 1)
 <Address> (Line 2)
 <City> <State> <Zip>

930 123 456 789 <<Package Code and Membership !!!!ID Place in this location!!!!>>

Do not make any address changes to the top half of this authorization form.
 Please use the Change of Address Request section below.

Personal Information

Social Security #:

Date of Birth:

m m d d y y y y

Telephone #:

Email Address: _____
 (for monitoring alerts — PLEASE PRINT CLEARLY)

Printed Name: _____
 First Middle Initial Last

Signature

I authorize First Advantage Credco, provider of the credit report and credit file monitoring for ID TheftSmart, to obtain my consumer report/credit information from one or more of the three national credit repositories (Equifax, Experian, TransUnion).

Signature: _____

Current Date:

m m d d y y y y

Change of Address Request

Do not complete this section if your address printed above is correct.

Street Address: _____

Suite/Apt #: _____

City: _____

State: _____ ZIP Code: _____

Instructions**Step 1. Personal Information**

Complete all of the personal information required using black or blue ink only. Please print clearly.

Step 2. Signature

Sign your name and date in the signature box.

Step 3. Verify Printed Address

Please verify that your address printed above is accurate.

If the address above is not your **residential** address, please provide your residential address in the box titled "Change of Address Request."

Step 4. Return Authorization Form

Return this completed form using the postage-paid return envelope we've supplied.

If you do not have your postage-paid return envelope, mail your authorization form to:

Administrator
 PO Box 826
 Minneapolis, MN 55440-9597

Illinois Residents: Credit reporting agencies are required by law to give you a copy of your credit record upon request at no charge or for a nominal fee.

Consumers residing in the states of Colorado, Massachusetts, Maryland, New Jersey and Vermont may receive a free copy of their consumer credit report once per year, and residents of the state of Georgia may receive two copies per year.