

Making bright futures happen



Vision and Wisdom



We know from experience that even in times of change, it's always a good time for SimpliCD. For example, when rates are dropping, SimpliCD is very competitive, as many of our issuers take longer to adjust their deposit rates. When rates are increasing, federally insured certificates of deposit from SimpliCD still serve as a great tool for credit unions to diversify their portfolio.

During 2007, the corporate credit unions that own Primary Financial Company LLC (Primary Financial) continued to show their vision and staying power by supporting SimpliCD through recent market fluctuations. That vision is now paying dividends, as sales volume for SimpliCD gained significant momentum in the last half of 2007 and is exploding in 2008. The future is looking bright.

This vision is an outgrowth of the wisdom shown by our owners in 2003 when our company was formed. The idea to acquire the SimpliCD program and to have all corporates involved is now proving to be fruitful. It took foresight to realize what corporates could do collectively. The brisk activity over the last several months provides a sort of vindication to those who believed in the power of one comprehensive brokered CD solution for credit unions. 2008 will underscore that wisdom in a powerful way.

We'd like to thank our dedicated board of directors and staff, who remain committed to helping us meet the investment needs of America's credit unions. Most importantly, thanks to our owners for their continued support.

A handwritten signature in black ink that reads "Lew C Lambert". The signature is fluid and cursive.

Lew Lambert, Chairman
President, Eagan Operations, Members United
Corporate FCU

A handwritten signature in black ink that reads "Mark D. Solomon". The signature is fluid and cursive.

Mark Solomon
President and CEO, Primary Financial



Front row (L to R): Lee Butke, President & CEO, Corporate One FCU; Kathy Garner, President - Northwest Regional Office, Southwest Corporate FCU; Jeff Navin, Vice President, CIO, Constitution Corporate FCU

Back row (L to R): Greg Moore, President & CEO, Georgia Central CU; Lew Lambert, President - Eagan Operations, Members United Corporate FCU; Bob Burrell, Executive Vice President & Chief Investment Officer, Western Corporate FCU

Making bright futures happen

Key metrics:

Primary Financial works with 3,372 of the 8,426* credit unions in America – a market share of 40 percent.

The number of issuers in the SimpliCD program grew dramatically in 2007 to 671, up from 214 at the end of 2006.

* CUNA Mutual Group Trend Report, February 2008

Primary Financial is a credit union service organization owned jointly by 27 corporate credit unions. This ownership structure, with the corporate owners also serving as resellers, gives Primary Financial potential relationships with more than 8,400 credit unions across America.

Primary Financial is the creator, owner and operator of SimpliCD, a turnkey certificate of deposit program that enables credit unions to invest substantial funds in federally insured CDs or to generate liquidity quickly by issuing certificates of deposit to a nationwide market of potential investors.

More than 3,000 credit unions nationwide rely on Primary Financial to give them convenient access to competitive rates on federally insured CDs and a simple way to generate liquidity.

When credit unions need to earn competitive rates on federally insured jumbo certificates, it doesn't get more convenient than SimpliCD. And when they need liquidity, one phone call is all it takes to market their deposit offerings nationwide and generate funds quickly. SimpliCD allows financial institutions to raise liquidity without spending time and money to market their deposit offerings nationally, analyze the market or manage multiple CDs and deposit relationships.

SimpliCD takes the time and hassle out of investing substantial funds in federally insured CDs and generating large amounts of liquidity. In short, SimpliCD does the work so credit unions can bask in the glow of success.

“SimpliCD is a great addition to the full array of investment and ALM solutions we offer.”



John Almeida

Director, Financial Product Sales -
New England

Balance Sheet Solutions, LLC, a CUSO
owned by Members United Corporate FCU

Members  United[™]
CORPORATE FEDERAL CREDIT UNION

Balance Sheet Solutions, LLC is an SEC registered broker-dealer and investment advisor and a Member of FINRA/SIPC.

The power of the network

Key metrics:

Managed the payment of more than \$80 million in interest to investors in 2007

Paid more than \$2 million to co-brokers in 2007

The corporate credit unions that own Primary Financial and offer SimpliCD to their credit union members are the lifeblood of our business.

Corporate credit unions are not-for-profit financial cooperatives that serve credit unions within their field of membership. Corporates are guided by volunteer boards of directors and were organized for the express purpose of providing low-cost financial services and competitive investment and lending rates to their members.

The asset/liability management professionals at our corporate owners have gained the trust of their members and have developed a unique understanding of their members' needs. We're proud to feature a few of those professionals in this year's annual report.

Even with the convenience, ease of use, great rates and great service of SimpliCD, it's the efforts of these corporate owners and their management and staff that make SimpliCD a success. Our owners continue to find SimpliCD to be a valuable enhancement to their investment offerings, and more and more of them are actively promoting SimpliCD to their members.

Much of our success can be attributed to this unique, cooperative ownership structure and the powerful distribution network that allows SimpliCD to reach nearly every credit union in America. Best of all, because we're owned by corporate credit unions, who are in turn owned by credit unions, the earnings generated by Primary Financial stay in the network.



"Our members really like the convenience of SimpliCD."

Linda Gassen
Investment Portfolio Manager
Central Corporate Credit Union



CenCorp[®]
CENTRAL
CORPORATE
CREDIT
UNION

A bright future ahead

Key metrics:

\$1.9 billion in sales in 2007

\$2.2 billion in assets
under management at the
end of 2007

As the conditions that created an increase in activity in the fourth quarter of 2007 continue into this year, we expect 2008 to be a blockbuster year for SimpliCD and Primary Financial.

We expect to see dramatic growth in the number of credit unions participating in SimpliCD, as well as unprecedented growth in volume during 2008. As more investors participate, issuers will benefit from a larger pool of investors from which to generate funds. Furthermore, adding issuers to the program will give investors more choice, with access to more rates from an even more diverse group of financial institutions.

In 2008, Primary Financial remains committed to strengthening our relationships with corporate credit unions and keeping SimpliCD top of mind for credit unions and corporate sales staff.

Momentum is building, as corporates focus on SimpliCD and even more credit unions see the value of this unique national service.

Convenient, easy to use solutions, great rates, exceptional service, and a powerful network of corporate credit union resellers – that's the bright future that's happening at Primary Financial.

“Offering SimpliCD to our members gives them a very competitive option when they need to diversify.”



Brady McLeod

Senior Financial Analyst
Kansas Corporate CU



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Primary Financial Company LLC

We have audited the balance sheets of Primary Financial Company LLC as of December 31, 2007 and December 31, 2006, and the related statements of operations, members' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Primary Financial Company LLC as of December 31, 2007 and 2006, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Condit and Associates LLC
March 7, 2008

BALANCE SHEETS

	December 31,	
	<u>2007</u>	<u>2006</u>
Assets		
Cash	\$ 4,344,162	\$ 4,094,576
Gross spreads receivable	5,286,301	3,259,480
Advances to customers	100,000	
Goodwill and other intangible assets	3,688,304	3,688,018
Other assets	<u>633,429</u>	<u>576,149</u>
TOTAL ASSETS	<u><u>\$ 14,052,196</u></u>	<u><u>\$ 11,618,223</u></u>
Liabilities and Members' Equity		
Liabilities:		
Deferred spreads	\$ 2,564,926	\$ 1,553,488
Co-broker spreads payable	2,890,592	1,775,190
Amounts due to customers	1,538,073	796,436
Accounts payable and accrued expenses	<u>322,922</u>	<u>468,142</u>
TOTAL LIABILITIES	<u>7,316,513</u>	<u>4,593,256</u>
Members' Equity	<u>6,735,683</u>	<u>7,024,967</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY	<u><u>\$ 14,052,196</u></u>	<u><u>\$ 11,618,223</u></u>

See accompanying notes to financial statements.

STATEMENTS OF OPERATIONS

	Year Ended December 31,	
	<u>2007</u>	<u>2006</u>
Revenue		
Spread income:		
Gross spread income	\$ 4,054,226	\$ 4,260,483
Co-broker spread	<u>(2,145,260)</u>	<u>(2,224,731)</u>
NET SPREAD INCOME	1,908,966	2,035,752
Interest and other income	<u>97,030</u>	<u>155,160</u>
TOTAL REVENUE	<u>2,005,996</u>	<u>2,190,912</u>
Expenses		
Salaries and benefits	1,208,139	989,620
Office operations and occupancy	411,565	212,510
Professional and other outside services	321,123	548,824
Settlement processing	146,197	170,842
Other	<u>208,256</u>	<u>224,762</u>
TOTAL EXPENSES	<u>2,295,280</u>	<u>2,146,558</u>
NET (LOSS) INCOME	<u>\$ (289,284)</u>	<u>\$ 44,354</u>

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN MEMBERS' EQUITY

	<u>Members' Equity</u>
Balance at January 1, 2006	\$ 6,980,613
Net income	44,354
Balance at December 31, 2006	<u>7,024,967</u>
Net loss	(289,284)
Balance at December 31, 2007	<u><u>\$ 6,735,683</u></u>

See accompanying notes to financial statements.

STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Net (loss) income	\$ (289,284)	\$ 44,354
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Net amortization	86,508	69,245
Depreciation	145,169	48,031
Net change in:		
Gross spreads receivable	(2,021,181)	831,724
Advances to customers	(100,000)	99,000
Other assets	(64,874)	2,868
Deferred spreads	1,011,438	(233,176)
Co-broker spreads payable	1,115,091	(506,975)
Amounts due to customers	741,637	(539,600)
Accounts payable and accrued expenses	(165,702)	26,012
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>458,802</u>	<u>(158,517)</u>
Cash flows from investing activities:		
Payment of royalties to Corporate One	(71,640)	(83,062)
Purchase of property and equipment	<u>(137,576)</u>	<u>(414,834)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(209,216)</u>	<u>(497,896)</u>
NET INCREASE (DECREASE) IN CASH	249,586	(656,413)
CASH AT BEGINNING OF PERIOD	<u>4,094,576</u>	<u>4,750,989</u>
CASH AT END OF PERIOD	<u>\$ 4,344,162</u>	<u>\$ 4,094,576</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

(1) Organization

Primary Financial Company LLC (the Company) is a multiple-member limited liability company and is a corporate credit union service organization (CUSO) of its members — 27 corporate credit unions. The Company was established in accordance with the regulations of the National Credit Union Administration (NCUA) and the Ohio Revised Code. Because of its structure, the Company is not subject to federal or state income tax.

The Company is registered with the State of Ohio as a licensed securities dealer. The Company brokers non-negotiable certificates of deposit through a turnkey program called SimpliCD, which enables its customers to invest in federally insured certificates of deposit. As part of this service, the Company places certificates and collects principal and interest on behalf of its customers. The Company earns a spread over the term of the certificates for performing the services of the SimpliCD program.

The Company sells SimpliCD via its co-broker network. The co-brokers, most of which are the corporate credit unions that are also the owners, earn a portion of the spread for certificates of deposit they sell.

The Company's office located at 3260 Middle Road, Columbus, Indiana, 47203, has been designated an Office of Supervisory Jurisdiction (OSJ) of CU Investment Solutions Inc. (ISI), a member of the Financial Industry Regulatory Authority (FINRA). As an OSJ, the Company is subject to the jurisdiction of the Securities and Exchange Commission under the Securities and Exchange Act of 1934.

(2) Summary of Significant Accounting Policies

(a) Use of Estimates

The accounting and reporting policies of the Company conform to accounting principles generally accepted in the United States of America (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

NOTES TO FINANCIAL STATEMENTS

(b) Cash

Cash represents demand deposits with Corporate One Federal Credit Union (Corporate One) and other financial institutions. At December 31, 2007 and 2006, demand deposits held in interest-bearing accounts at Corporate One totaled \$3.88 million and \$3.92 million, respectively.

(c) Gross Spreads Receivable and Deferred Spreads

Gross spreads receivable represents the total amount of spread the Company expects to receive from the placement of certificates of deposit over the term of the certificates. This receivable is recorded upon placement of the certificates, along with the corresponding deferred spreads and co-broker spreads payable. The deferred spreads are recognized as revenue over the term of the certificates.

(d) Advances to Customers

The Company generally receives the proceeds of its customers' maturing certificates of deposit from the certificate issuer and remits the proceeds to the customer on the maturity date. Occasionally, there is a slight delay in the receipt of principal from the issuer. In those instances, as a service to its customers, the Company advances the principal to its customers.

(e) Goodwill and Identifiable Intangible Assets

The goodwill and identifiable intangible assets relate to the 2003 purchase of the Company from Corporate One. Goodwill is not amortizable but is subject to an annual impairment test. The annual impairment test involves comparing the fair value of the Company to its carrying amount. If the fair value exceeds the carrying amount, goodwill is considered not to be impaired. The fair value of the Company is an estimate, as no ready market exists for the ownership interests of the Company. Such estimate of fair value is calculated based upon the present value of estimated future cash flows. There were no impairment losses in 2007 or 2006. Identifiable intangible assets consist of acquired co-broker relationships and are amortized straight-line over their estimated useful lives of five years. Accumulated amortization of the identifiable intangible asset was \$398,000 and \$306,100 at December 31, 2007 and 2006, respectively. The unamortized portion of the identifiable intangible asset at December 31, 2007 will be amortized over the next year, and the expense is estimated to be \$61,200.

(f) Other Assets

Other assets primarily represent fixed assets that are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful life of the related asset. Maintenance and repairs are expensed as incurred. Fixed assets at December 31 are summarized as follows:

	2007	2006
Equipment	\$707,325	\$584,897
Furniture and fixtures	58,428	43,280
Total cost	765,753	628,177
Less: Accumulated depreciation	294,770	149,601
Net Fixed Assets	<u>\$470,983</u>	<u>\$478,576</u>

(g) Co-broker Spreads Payable

Co-broker spreads payable represents the amount of spread the Company expects the co-brokers will earn over the life of the certificates sold by the co-brokers.

(h) Amounts Due to Customers

Amounts due to customers represents interest that the Company has received on behalf of its customers, but has not yet remitted to its customers.

(i) Reclassifications

Certain reclassifications have been made in the prior year's financial statements to conform to the presentation for the year ended December 31, 2007. These reclassifications had no impact on total assets, total liabilities and members' equity or net income.

NOTES TO FINANCIAL STATEMENTS

(3) Related Party Transactions

In conjunction with the purchase of the business in 2003, the Company agreed to make additional payments to Corporate One, the seller. For 12 years from the purchase date, the Company agreed to pay Corporate One amounts above the spread it pays to corporate co-brokers for placements of certificates of deposit. The Company, for five years, also agreed to pay Corporate One a portion of the spread on all certificates placed by certain co-brokers that were placing certificates at the time of the purchase. These additional payments are considered compensatory and are expensed as incurred. Such expense was \$363,200 and \$350,300 in 2007 and 2006, respectively, and is included in co-broker spread in the accompanying statements of operations. For 12 years from the purchase date, the Company also agreed to pay Corporate One a royalty on all other co-broker placements through the Company, including all placements by new co-brokers. These royalties are considered additional purchase consideration and have been recorded as additional goodwill. The total of such additional goodwill was \$92,100 and \$97,600 in 2007 and 2006, respectively.

Corporate One performs accounting and marketing services for the Company under a support services contract. The contract is a one-year contract with provisions for automatic annual renewals. Prior to 2007, the contract included additional services such as information technology management, payroll and benefits administration and rental of office space. Expense related to this agreement was \$165,000 in 2007 and \$476,800 in 2006.

(4) Commitments and Contingencies

The Company and Corporate One have an agreement whereby Corporate One has extended a \$3 million line of credit to the Company to be used to facilitate the settlement of customer transactions. The credit line is secured by the assets of the Company. The interest rate on the credit line is equal to the rate Corporate One charges other borrowers under similar lending agreements. At December 31, 2007 and 2006, no advances were outstanding on the credit line.

The Company leases various office facilities under operating leases that range in term from one to four years. The minimum annual rentals related to these agreements are as follows.

2008	\$34,900
2009	19,000
2010	19,000
2011	19,500

(5) Net Capital Requirement

The Company, as a licensed securities dealer with the State of Ohio, is required to maintain net capital, as defined, of at least \$25,000. The Company was in compliance with this requirement at December 31, 2007 and 2006.

(6) Retirement Plans

The Company's employees participate in a defined contribution plan in which the Company contributed a total of 11.5 percent of the participant's eligible compensation to the participant's account in the plan. Employees can also contribute a portion of their compensation on a pre- or post-tax basis. Retirement expense was approximately \$100,900 in 2007 and \$70,000 in 2006.



HEADQUARTERS

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Primary Financial Company LLC is a credit union service organization owned by the nation's corporate credit unions. Primary Financial's office located at 3260 Middle Road, Columbus, Indiana, 47203, has been designated an Office of Supervisory Jurisdiction of CU Investment Solutions, Inc. (ISI), Member FINRA-SIPC. Primary Financial is a registered trademark of Primary Financial Company LLC.