Primary Financial
a credit union service organization

HEADQUARTERS

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TRADING OFFICE

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2012 ANNUAL REPORT

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A LETTER FROM THE CHAIRMAN AND PRESIDENT

Chairman
Jay Murray
President & CEO
Mid-Atlantic Corporate FCU

Mark Solomon
President & CEO
Primary Financial Company LLC

2012 was a great year for Primary Financial Company LLC (Primary Financial). Credit unions and financial institutions across the country continued to find value in SimpliCD, our signature certificate of deposit offering, enabling Primary Financial to have a successful year for the benefit of our corporate credit union owners, and the credit unions they serve.

Primary Financial saw an increase of nearly 10 percent in certificate placements in 2012 over 2011, with more than $3 billion for the year. Further, we ended 2012 with more than $5.5 billion in outstandings, exceeding the 2011 year-end level. Without a doubt this volume was fueled by our expansion into the negotiable CD market in late 2011. Our ability to offer this set of new issuers to our investors played a pivotal role in SimpliCD remaining competitive and providing value to those who use it.

As remarketers of the SimpliCD program, our corporate credit union owners earned more than $6.6 million in fees during 2012. We are proud to continue our track record of profitability for our owners. 2012 was part of a stellar five-year period, in which fees paid to corporates exceeded $41 million and Primary Financial's earnings surpassed $25 million, including more than $2.5 million in 2012.

The financial results above only tell part of the story of the benefits of being a corporate credit union owner of Primary Financial. During the past two years, we redeemed 44 units held by former members. These redemptions resulted in a nearly 60 percent increase in each members' ownership percentage. Though we did not make a direct cash distribution to members during the last two years, we did expend $9 million on the redemptions that provided the increased ownership percentage.

The benefits of the redemptions, coupled with the strong earnings, are reflected in the significantly increased book value of each membership unit. The book value of each unit has grown from the initial cost of $50,000 in 2003 to $205,000 at the end of 2011 to $295,000, as of December 31, 2012. What this means is that in the last two years alone, earnings and redemptions have provided a return of nearly 1.75 times the original unit price.

continued...

As we look ahead, we believe generating cash from operations is Primary Financial's best source of cash flow. The significant need for cash to fund transactions on behalf of customers and to fund opportunities to enhance membership value as they arise require us to remain highly liquid. This strategy has worked well for us, our owners and those we served over the course of 2012, and we believe the continued efficient and effective use of cash in the near future will serve us well.

Our deepest appreciation goes to our owners for their continued support of Primary Financial and SimpliCD. We'd also like to thank our board and staff for their dedication to this company and their hard work on behalf of our owners and clients. For everyone's exceptional effort, we are truly thankful.

Sincerely,

Chairman
Jay R. Murray
President & CEO
Mid-Atlantic Corporate FCU

Mark D. Solomon
President and CEO
Primary Financial Company LLC

BOARD OF DIRECTORS

Vice-Chair
Lee Butke
President/CEO
Corporate One Federal Credit Union

Julie Chapin
Director of Financial Services
Missouri Corporate Credit Union

Secretary
Jeff Merry
Senior Vice President/CFO
Volunteer Corporate Credit Union

Treasurer
Greg Moore
EVP/National Sales
Catalyst Corporate Federal Credit Union

A YEAR BY THE NUMBERS

Outstandings	$ 5.5 billion
Certificates Placed	$ 3 billion
Net Income	$ 2.5 million
Liquidity Raised For Credit Unions	$ 363 million
Interest To Investors	$ 60 million

Primary Financial is a credit union service organization (CUSO) jointly owned by 14 of the nation's corporate credit unions. Our signature offering is SimpliCD; a turnkey solution that allows financial institutions to invest substantial funds securely in federally insured certificates of deposits (CDs) or to generate liquidity quickly by issuing CDs to a nationwide market of potential investors. And, just like its name, SimpliCD provides a simple, hassle-free experience for users. Complement this ease of use with the superior service provided by our staff of professionals, and it is not hard to understand why SimpliCD is one of the most trusted, valuable brokered CD solutions in the country.

Unlike rate service providers, SimpliCD is a full-service solution. With SimpliCD, investors don't have to call or investigate multiple issuers to find competitive rates, nor do they have to do all the necessary work that coincides with managing such an investment. By leveraging SimpliCD, the professionals at Primary Financial do the work: searching our powerful network for the best rates and executing a single transaction settlement. Plus, each portfolio account is monitored, with comprehensive reports of holdings, settlement dates, rates and monthly interest paid to investors.

Similarly, when financial institutions are in need of liquidity, one phone call allows them to issue CDs and publish rates to a nationwide network of potential investors. There is no hassle with SimpliCD, and no fee to see what other financial institutions are showing to attract investors—the work is done by us, with the professionals at Primary Financial shopping the market. Additionally, Primary Financial can provide one CD, saving issuers time and money. Instead of opening multiple accounts for multiple depositors, issuers only need to send one signature card and one monthly interest check. Primary Financial handles the rest.

Key to the success of SimpliCD is the infrastructure that supports, promotes and sells it. SimpliCD leverages a trusted network of corporate credit union re-sellers, who are also its owners and who have relationships with the majority of the nation's nearly 7,000 credit unions. Our corporate owners and Primary Financial continue to develop the investor and issuer relationships that are vital to the continued success of the program. Total issuer relationships reached more than 2,500 while investor relationships topped more than 4,300 in 2012, creating a nationwide network unlike any other.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Primary Financial Company LLC

We have audited the accompanying balance sheets of Primary Financial Company LLC as of December 31, 2012 and 2011 and the related statements of income, changes in members' equity and cash flows for the years then ended, and the related notes to the financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2012 and 2011, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

GBQ Partners LLC

Columbus, Ohio
March 20, 2013

BALANCE SHEETS

DECEMBER 31,

	2012	2011
ASSETS		
Cash and cash equivalents	$ 26,753,506	$ 19,173,173
Gross spreads receivable	10,226,641	15,048,797
Advances to customers	100,000	
Goodwill	5,430,543	5,390,236
Other assets	1,786,243	1,340,548
TOTAL ASSETS	**$ 44,296,933**	**$ 40,952,754**
LIABILITIES AND MEMBERS' EQUITY		
LIABILITIES:		
Deferred spreads	$ 7,961,512	$ 8,468,354
Co-broker spreads payable	10,365,164	8,698,812
Amounts due to customers	2,921,567	1,963,370
Accounts payable and accrued expenses	853,286	565,487
TOTAL LIABILITIES	22,101,529	19,696,023
MEMBERS' EQUITY	22,195,404	21,256,731
TOTAL LIABILITIES AND MEMBERS' EQUITY	**$ 44,296,933**	**$ 40,952,754**

See accompanying notes to financial statements.

STATEMENTS OF INCOME

YEAR ENDED DECEMBER 31,	2012	2011
REVENUE		
SPREAD INCOME:		
Gross spread income	$ 12,676,079	$ 15,068,356
Co-broker spread	(6,672,113)	(7,519,756)
NET SPREAD INCOME	6,003,966	7,548,600
Interest and other income	60,933	63,669
TOTAL REVENUE	6,064,899	7,612,269
EXPENSES		
Salaries and benefits	2,064,444	1,922,751
Office operations and occupancy	413,375	492,480
Settlement processing	249,929	363,349
Professional and other outside services	586,490	694,439
Other	183,988	110,891
TOTAL EXPENSES	3,498,226	3,583,910
NET INCOME	**$ 2,566,673**	**$ 4,028,359**

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN MEMBERS' EQUITY

		MEMBERS' EQUITY
BALANCE AT JANUARY 1, 2011	119 Units Outstanding	$ 24,755,542
NET INCOME		4,028,359
REDEMPTION OF UNITS	38 Units	(7,527,170)
BALANCE AT DECEMBER 31, 2011	81 Units Outstanding	21,256,731
NET INCOME		2,566,673
REDEMPTION OF UNITS	6 Units	(1,628,000)
BALANCE AT DECEMBER 31, 2012	75 Units Outstanding	**$ 22,195,404**

See accompanying notes to financial statements.

STATEMENTS OF CASH FLOWS

	YEAR ENDED DECEMBER 31,	
	2012	**2011**
CASH FLOWS FROM OPERATING ACTIVITIES:		
NET INCOME	$ 2,566,673	$ 4,028,359
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	106,562	151,225
NET CHANGE IN:		
Gross spreads receivable	4,822,156	5,385,376
Advances to customers	(100,000)	100,000
Deferred spreads	(506,842)	(1,525,823)
Co-broker spreads payable	1,666,352	(1,145,551)
Amounts due to customers	958,197	(3,102,821)
Other	268,147	225,099
NET CASH AND CASH EQUIVALENTS PROVIDED BY OPERATING ACTIVITIES	**9,781,245**	**4,115,864**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payment of royalties to Corporate One	(45,804)	(194,205)
Purchase of property and equipment	(527,108)	(753,943)
NET CASH AND CASH EQUIVALENTS USED IN INVESTING ACTIVITIES	**(572,912)**	**(948,148)**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Redemption of units	(1,628,000)	(7,527,170)
NET CASH AND CASH EQUIVALENTS USED IN FINANCING ACTIVITIES	**(1,628,000)**	**(7,527,170)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTIES	**7,580,333**	**(4,359,454)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**19,173,173**	**23,532,627**
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 26,753,506**	**$ 19,173,173**

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), owned by its 14 corporate credit union members. 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 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 LLC (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

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.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include demand deposits with Corporate One Federal Credit Union (Corporate One) and other financial institutions and short-term certificates of deposit. At December 31, 2012 and 2011, demand deposits held in interest-bearing accounts at Corporate One totaled $24.7 million and $17.5 million, respectively.

NOTES TO FINANCIAL STATEMENTS

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, less the amount of spread received. This receivable is recorded upon placement of the certificates, along with the corresponding deferred spreads and co-broker spreads payable and the receivable is reduced as the spreads are received. The deferred spreads are recognized as revenue over the term of the certificates.

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 on the maturity date.

GOODWILL

The goodwill relates 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 2012 or 2011.

OTHER ASSETS

Included in other assets are accounts receivable, prepaid accounts and fixed assets. Fixed assets 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:

	2012	2011
Equipment	$ 2,339,820	$ 1,859,484
Furniture and fixtures	118,137	71,365
Total Cost	2,457,957	1,930,849
Less: Accumulated depreciation	939,656	833,094
Net Fixed Assets	**$ 1,518,301**	**$ 1,097,755**

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.

NOTES TO FINANCIAL STATEMENTS

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.

LOSS CONTINGENCIES

Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe there currently are such matters that will have a material effect on the financial statements.

SUBSEQUENT EVENT

Management has performed an analysis of activities and transactions subsequent to December 31, 2012, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended December 31, 2012. Management has performed such analysis through the date of the Independent Auditor's Report, the date which the financial statements were available to be issued.

RECLASSIFICATIONS

Certain reclassifications have been made in the prior year's financial statements to conform to the presentation for the year ended December 31, 2012. These reclassifications had no effect on revenues and net income.

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. These additional payments are considered compensatory and are expensed as incurred. Such expense was $269,400 and $341,200 in 2012 and 2011, respectively, and is included in co-broker spread in the accompanying statements of income. Prior to March 2010, Corporate One earned a royalty on all other co-broker placements through the Company. These royalties are considered additional purchase consideration and have been recorded as additional goodwill. The total of such additional goodwill was $40,300 and $175,100 in 2012 and 2011, respectively. Although no new royalties are being earned by Corporate One, the Company will continue to make royalty payments for all placements originated before March 2010. Such payments will continue until 2014.

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. Expense related to this agreement was $201,000 in 2012 and $193,000 in 2011.

NOTES TO FINANCIAL STATEMENTS

4. COMMITMENTS AND CONTINGENCIES

The Company and Corporate One have an agreement whereby Corporate One has extended an $8 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, 2012 and 2011, no advances were outstanding on the credit line.

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

2013	$ 53,608
2014	38,800
2015	39,400
2016	40,000
2017	13,400

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, 2012 and 2011.

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 $131,500 in 2012 and $132,400 in 2011.

Primary has non-qualified deferred compensation agreements with certain employees. Under such agreements the Company pays the premiums on life insurance policies that are owned by the employees. Under the terms of the agreements, though the employees own the policies, they are not fully vested in the cash value of such policies until 2021, and the unvested cash value is pledged to the Company under a collateral assignment. Expense associated with these agreements was $149,100 in 2012 and $138,700 in 2011.

In addition, the Company has a long-term retention agreement with an executive officer. Under the terms of the agreement, there are service and performance vesting provisions that, if met, provide for payout to the executive in 2017. Primary is accruing the expected cost of the agreement over the service period. Expense related to this agreement was $246,000 in 2012 and $213,900 in 2011.

7. REDEMPTIONS

During 2012, the Company redeemed the units of two of its former members. In both cases, the former members agreed to transfer their respective units to other members. The Operating Agreement provides the Company the right of first refusal to redeem units subject to a transfer between members. The Company exercised such rights and redeemed 6 total units at a total cost of $1,628,000. During 2011, the Company also redeemed the units of seven of its former members due to involuntary transfers. The 38 units held by the members were redeemed at a total cost of $7,527,170.