Primary Financial

a history of bright futures

2011 Annual Report

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A Letter from the Chairman and President

Mark Solomon
President & CEO
Primary Financial Company LLC

Chairman
Jay Murray
President & CEO
Mid-Atlantic Corporate FCU

2011 was a year of economic stabilization in the marketplace. For our industry, it was a year to begin recovering from the volatile conditions of the recent past. For our corporate credit union owners, it was a year focused on aligning with the new regulations governing them. And, for those of us at Primary Financial Company LLC (Primary Financial), 2011 was a year of progress and moving forward, proving once again that we are one of the nation's leading credit union service organizations (CUSOs) and a provider of one of the most valuable investment and liquidity solutions available, SimpliCD.

Throughout the financial crisis, Primary Financial performed profitably for its corporate credit union owners, making more than $20 million over the past four years.

Proudly, 2011 was no different. Thanks to the support of our owners and the continued support of our SimpliCD investors and issuers, Primary Financial ended the year with more than $4 million in net income and $5.4 billion in assets under management as of December 31, 2011.

The continued success of Primary Financial in 2011 was fueled by a key broadening of our CD market, which added more than $500 million in volume in the last two months of the year. This broadening took us into a field of issuers we were previously unable to reach and enabled us to offer these new issuers to our investors. The success of this expansion underscored the value of SimpliCD and evidenced that when rates are favorable, SimpliCD is the trusted investment vehicle of choice by financial institutions across the country.

The success of our entrance into this market of issuers was two-fold for our owners, who are also re-sellers of SimpliCD. While Primary Financial's overall financial success is important to them, the value SimpliCD provides as an effective off-balance sheet investment solution is equally important. Changes to the rules governing corporate credit unions have made staying in line with important regulated ratios imperative to balance sheet maintenance. As SimpliCD can be leveraged without bloating balance sheet totals or negatively affecting these key ratios, it has become a key component to our owners' off-balance sheet offerings.

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Additionally, SimpliCD can be a liquidity vehicle for those who need to generate funds. In 2011, we continued to see confirmation of this as outstandings from credit union issuers increased to more than $1 billion at year end. Continued issuer growth, such as this, is another bright spot for Primary Financial. Having a strong foundation of issuers is paramount to maintaining a competitive inventory of investment options, and it is an area we will remain focused on growing throughout the next year.

And, finally, changes to our ownership in 2011 resulted in our remaining owners having an even greater stake in Primary Financial's continued financial success than they had previously. With fewer corporate credit unions in existence now than when the financial crisis began, our current owners now own a greater share of Primary Financial. During 2011, we redeemed 38 units from seven corporate credit union owners that ceased operations. With these redemptions, the percentage of ownership that our current corporate credit union owners holds increased by 43 percent. And, there is no doubt that we will continue to work hard on their behalf to ensure Primary Financial remains successful.

We'd like to thank our volunteer board of directors for their expert guidance and strategic vision, and our staff for their execution each day on behalf of corporates and credit unions. Our deepest appreciation also goes to our corporate credit union owners for their continued support. Together, we have built one of the most successful CUSOs in the country, while providing credit unions one of the most valuable investment and liquidity solutions available.

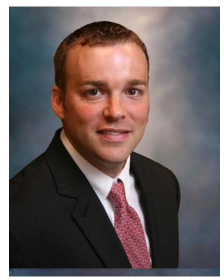
Mark Solomon
President & CEO

Jay Murray
Chairman of the Board of Directors

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

It's Simple and Profitable, with SimpliCD

$5.4 *billion in outstandings*

$2.75 *billion in certificates placed*

$4 *million in net income*

Primary Financial is a credit union service organization (CUSO) jointly owned by 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 deposit (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 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.

Trusted Relationships Yield Strong Results

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 7,700 credit unions. Understanding the worth and ease of the program, our owners know firsthand SimpliCD's value and can share it with their members, serving as a vital link connecting SimpliCD to the credit union network.

This unique infrastructure is a strategic strength as it leverages the power of trusted relationships for the benefit of everyone involved — re-sellers, investors and issuers.

4,561 *total investor relationships*

2,570 *total issuer relationships*

$7.5 *million in fees returned to co-brokers*

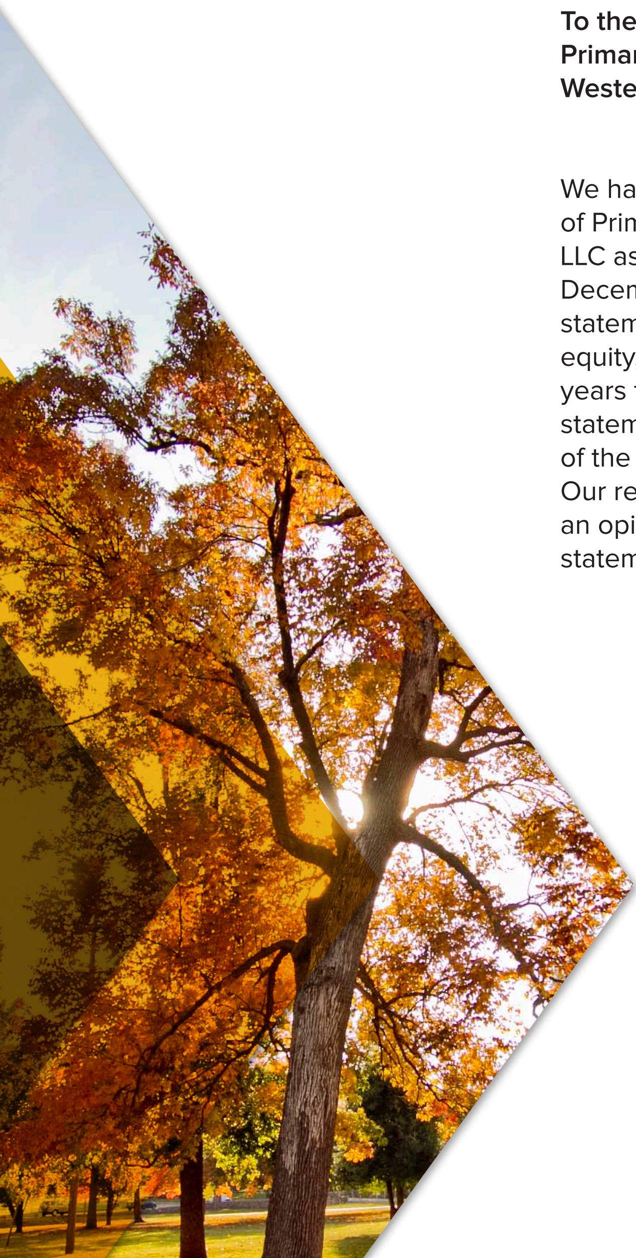
$1 *billion in liquidity raised for credit unions*

$70 *million in interest to investors*

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 2011, creating a nationwide network unlike any other. With such a large pool of investors from which to generate funds, SimpliCD is ideal for issuers who may need liquidity quickly in today's environment of constricted markets. And, investors benefit from a program that offers competitive rates from issuers. Most importantly, Primary Financial's deep industry roots and strong history make SimpliCD a trusted investment solution and liquidity source for those interested in taking advantage of brokered CDs.

Further, as an effective off-balance sheet investment solution and source of liquidity, SimpliCD is even more of a resource for our co-brokers and their members in today's changing regulatory environment. In fact, Primary Financial saw an increase in use from credit unions throughout 2011, with more than $1 billion in outstandings issued by credit unions at year end. As a result of this continued growth, Primary Financial's payments to our co-brokers reached $7.5 million in 2011.

Independent Auditors' Report



**To the Board of Directors of
Primary Financial Company LLC
Westerville, Ohio**

We have audited the balance sheets of Primary Financial Company LLC as of December 31, 2011 and December 31, 2010, and the related statements of income, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. 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 audits provide 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, 2011 and 2010, 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.

GBQ Partners LLC

GBQ Partners LLC
March 23, 2012

Balance Sheets

	December 31, 2011	December 31, 2010
Assets		
Cash and cash equivalents	$ 19,173,173	$ 23,532,627
Gross spreads receivable	15,048,797	20,434,173
Advances to customers		100,000
Goodwill	5,390,236	5,215,108
Other assets	1,340,548	827,977
TOTAL ASSETS	$ 40,952,754	$ 50,109,885
Liabilities and Members' Equity		
Liabilities:		
Deferred spreads	$ 8,468,354	$ 9,994,177
Co-broker spreads payable	8,698,812	9,844,363
Amounts due to customers	1,963,370	5,066,191
Accounts payable and accrued expenses	565,487	449,612
TOTAL LIABILITIES	19,696,023	25,354,343
Members' Equity	21,256,731	24,755,542
TOTAL LIABILITIES AND MEMBERS' EQUITY	$ 40,952,754	$ 50,109,885

See accompanying notes to financials statements.

Statements of Income

	Year ended December 31, 2011	Year ended December 31, 2010
Revenue		
Spread Income:		
Gross spread income	$ 15,068,356	$ 19,882,244
Co-broker spread	(7,519,756)	(9,531,433)
NET SPREAD INCOME	7,548,600	10,350,811
Interest and other income	63,669	49,487
TOTAL REVENUE	7,612,269	10,400,298
Expenses		
Salaries and benefits	1,922,751	1,997,614
Office operations and occupancy	492,480	492,171
Settlement processing	363,349	506,335
Professional and other outside services	694,439	751,297
Other	110,891	161,539
TOTAL EXPENSES	3,583,910	3,908,956
NET INCOME	$ 4,028,359	$ 6,491,342

See accompanying notes to financial statements.

Statements of Changes in Members' Equity

	Members' Equity
Balance at January 1, 2010	$ 18,264,200
Net income	6,491,342
Balance at December 31, 2010	24,755,542
Net income	4,028,359
Redemption of units	(7,527,170)
Balance at December 31, 2011	$ 21,256,731

See accompanying notes to financial statements.

Statements of Cash Flows

	Year ended December 31,	
	2011	2010
Cash flows from operating activities:		
Net income	$ 4,028,359	$ 6,491,342
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	151,225	156,403
Net change in:		
Gross spreads receivable	5,385,376	2,413,836
Advances to customers	100,000	(100,000)
Deferred spreads	(1,525,823)	(942,098)
Co-broker spreads payable	(1,145,551)	(1,408,659)
Amounts due to customers	(3,102,821)	262,675
Other	225,099	50,789
NET CASH AND CASH EQUIVALENTS PROVIDED BY OPERATING ACTIVITIES	4,115,864	6,924,288
Cash flows from investing activities:		
Payment of royalties to Corporate One	(194,205)	(476,611)
Purchase of property and equipment	(753,943)	(342,361)
NET CASH AND CASH EQUIVALENTS USED IN INVESTING ACTIVITIES	(948,148)	(818,972)
Cash flows from financing activities:		
Redemption of units	(7,527,170)	
NET CASH AND CASH EQUIVALENTS USED IN FINANCING ACTIVITIES	(7,527,170)	
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(4,359,454)	6,105,316
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	23,532,627	17,427,311
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 19,173,173	$ 23,532,627

See accompanying notes to financial statements.

Notes to Financial Statements

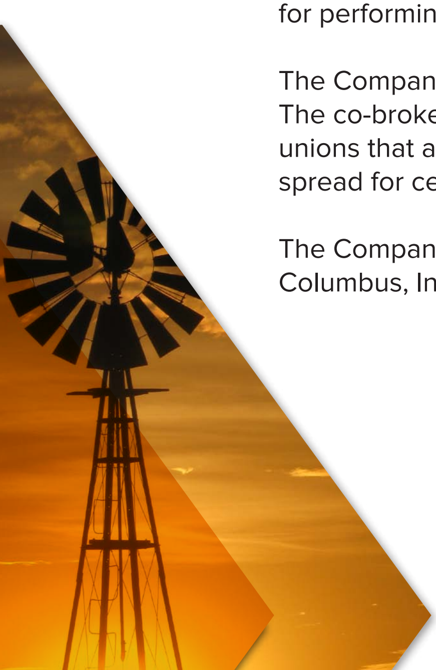
(1) Organization

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 members -- 17 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 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.

(b) 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, 2011 and 2010, demand deposits held in interest-bearing accounts at Corporate One totaled \$17.5 million and \$21.3 million, respectively.

Notes to Financial Statements

(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, 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.

(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 on the maturity date.

(e) 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 2011 or 2010.

Notes to Financial Statements

During 2011, FASB ASC 350, Intangibles, was updated by Accounting Standards Update (ASU) 2011-08, Testing Goodwill for Impairment. The objective of the ASU is to simplify how companies test goodwill for impairment. The amendments in the update permit an entity to first assess qualitative factors to determine whether there is impairment of goodwill. Based on the qualitative assessment, management will determine if it is necessary to perform the two-step goodwill impairment test described in FASB ASC 350. The update will be effective for the Company beginning with its first fiscal year that begins after December 15, 2011. Management does not expect this update to have an impact on the financial statements.

(f) 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:

	2011	2010
Equipment	$1,859,484	$1,136,117
Furniture and fixtures	71,365	71,365
Total cost	1,930,849	1,207,482
Less: Accumulated depreciation	833,094	712,445
Net Fixed Assets	$1,097,755	$495,037

(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) 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.

Notes to Financial Statements

(j) Subsequent Event

Management has performed an analysis of activities and transactions subsequent to December 31, 2011 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended December 31, 2011. Management has performed such analysis through the date of the Independent Auditors' Report, the date which the financial statements were available to be issued.

(k) Reclassifications

Certain reclassifications have been made in the prior year's financial statements to conform to the presentation for the year ended December 31, 2011. 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 $341,200 and $509,500 in 2011 and 2010, 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, 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 $175,100 and $476,800 in 2011 and 2010, 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 $193,000 in 2011 and $185,600 in 2010.

(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, 2011 and 2010, 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.

Notes to Financial Statements

The minimum annual rentals related to these agreements are as follows.

2012	$50,653
2013	64,614
2014	38,800
2015	39,400
2016	40,000
Thereafter	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, 2011 and 2010.

(6) Retirement Plans

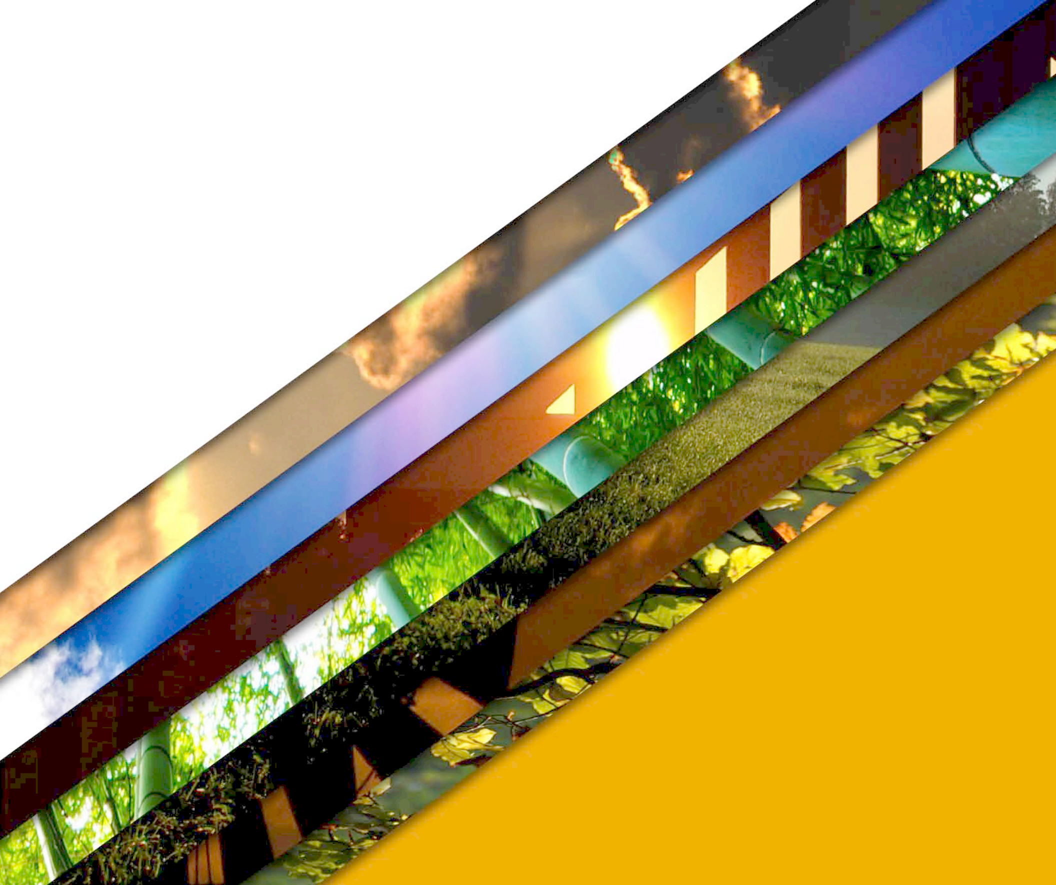
The Company's employees participate in a defined contribution plan in which the Company contributed a total of 11.5 percent of the participant's eligible compensation to the participant's account in the plan. Employees can also contribute a portion of their compensation on a pre- or post-tax basis. Retirement expense was $132,400 in 2011 and $148,800 in 2010.

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 $138,700 in 2011 and $140,600 in 2010.

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 $213,900 in 2011 and $64,000 in 2010.

(7) Redemptions

During 2011, the Company redeemed the units of seven of its former members. All seven of its former members entered into liquidation, some voluntarily and others through regulatory takeover. In all cases, such liquidations triggered an involuntary transfer of the units they held in the Company. The Operating Agreement provides the Company the right to redeem units upon an involuntary transfer. The Company exercised such rights and redeemed the 38 units held by the liquidating members at a total cost of $7,527,170.



Primary Financial

a history of bright futures

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