Primary Financial

2015
ANNUAL REPORT

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A LETTER FROM THE CHAIRMAN AND PRESIDENT

Despite the continued low interest rate environment, 2015 was another solid year for Primary Financial Company LLC (Primary Financial). Our signature certificate of deposit program, SimpliCD, remains the industry standard, and enables us to provide an invaluable service for the benefit of our customers.

The tremendous efforts expended by our corporate credit union owners in promoting SimpliCD to their members allowed us to continue our strong track record of profitability, as Primary Financial earned more than $750k for the eighth consecutive year. Most importantly, as re-marketers of the SimpliCD program, our Corporate Credit Union Co-Brokers received more than $8.8 million in fees during 2015, up more than 24% from the prior year. Indeed, our Corporate Co-Brokers continue to benefit by receiving an increased share of our total commission income: garnering 66% of total commissions in 2015 vs. 60% in 2014. Also, our customer base continues to grow as we added or revived 339 accounts in 2015 that provided over $800k in Co-Broker commissions. Further, we ended the year with nearly $7.0 billion in outstanding placements.

As we marked our 12th anniversary in 2015, we continue to evolve as market conditions change. Indeed, our model is built for flexibility and long term success as we are able to offer all types of product in order to provide investing credit unions the best available rates. At a time when other brokers are struggling to find enough good product for investors, we generated an increasing amount of our volume from credit union issuance. This was a direct result of our Corporate Co-Brokers aggressively promoting this liquidity option to their members, and is truly representative of the all-around value of the SimpliCD program for all credit unions.

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We also continue to strive to provide return to our Corporate Credit Union owners beyond our services and direct fees paid. We declared a $2.25 million distribution at year end, which was subsequently paid in early 2016. We engaged an external partner to provide Corporates with sales training and development. In addition, the book value of each ownership unit has increased from $50,000 in 2003 to over $251,000 at December 31, 2015. All told, we have provided a cumulative Return on Equity of 523% since our inception.

As we look ahead, there can be no doubt that the landscape will continue to change dramatically. No matter what happens, Primary Financial will continue to strive to serve credit unions and our owners in the best manner possible. We are thankful too for the efforts of our board and staff and for their dedication to our success. Together with our owners, we like to think we can experience even greater success in the coming years.

Sincerely,

Jay R. Murray

Chairman
Jay R. Murray
President & CEO
Mid-Atlantic Corporate
Federal Credit Union

Mark D. Solomon

Mark D. Solomon
President & CEO
Primary Financial Company LLC

Chairman
Jay Murray
President & CEO
Mid-Atlantic Corporate
Federal Credit Union

Mark Solomon
President & CEO
Primary Financial
Company LLC

BOARD OF DIRECTORS

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

Todd Adams
CEO
Alloya Corporate Federal Credit Union

Treasurer
Jeff Merry
President / CEO
Volunteer Corporate Credit Union

Secretary
Fred Eisel
Senior Vice President &
Chief Investment Officer
First Carolina Corporate Credit Union

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Primary Financial Company LLC

We have audited the accompanying financial statements of Primary Financial Company LLC, which comprise the balance sheets as of December 31, 2015 and 2014 and the related statements of income, 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 audits 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 judgment, 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, 2015 and 2014, 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
February 16, 2016

BALANCE SHEETS

DECEMBER 31,

	2015	2014
ASSETS		
Cash and cash equivalents	$ 24,917,344	$ 23,589,256
Gross spreads receivable	15,013,166	12,842,984
Net fixed assets	1,784,790	1,476,954
Goodwill	5,430,543	5,430,543
Deferred issuer incentive expense	1,669,733	1,094,403
Other assets	617,156	382,348
TOTAL ASSETS	**$ 49,432,732**	**$ 44,816,488**
LIABILITIES AND MEMBERS' EQUITY		
LIABILITIES:		
Deferred spreads	$ 8,194,467	$ 7,643,930
Co-broker spreads payable	15,589,918	13,471,220
Amounts due to customers	2,831,795	2,032,563
Accounts payable and accrued expenses	1,677,151	1,341,694
Distributions payable	2,250,000	
TOTAL LIABILITIES	30,543,331	24,489,407
MEMBERS' EQUITY	18.889,401	20,327,081
TOTAL LIABILITIES AND MEMBERS' EQUITY	**$ 49,432,732**	**$ 44,816,488**

The accompanying notes are an integral part of the financial statements.

STATEMENTS OF INCOME

	YEAR ENDED DECEMBER 31, 2015	2014
REVENUE		
SPREAD INCOME:		
Gross spread income	$ 13,346,843	$ 11,952,913
Co-broker spread & incentives	(8,824,445)	(7,127,069)
NET SPREAD INCOME	4,522,398	4,825,844
Interest and other income	84,705	95,198
TOTAL REVENUE	4,607,103	4,921,042
EXPENSES		
Salaries and benefits	2,453,179	2,351,724
Office operations and occupancy	513,115	457,599
Settlement processing	156,394	171,856
Professional and other outside services	282,992	398,803
Advertising and promotion	245,745	42,669
Other	143,358	118,206
TOTAL EXPENSES	3,794,783	3,540,857
NET INCOME	**$ 812,320**	**$ 1,380,185**

The accompanying notes are an integral part of the financial statements.

STATEMENTS OF CHANGES IN MEMBERS' EQUITY

			MEMBERS' EQUITY
BALANCE AT DECEMBER 31, 2013	75 Units Outstanding	$	18,946,896
NET INCOME			1,380,185
BALANCE AT DECEMBER 31, 2014	75 Units Outstanding		20,327,081
NET INCOME			812,320
DISTRIBUTIONS DECLARED TO MEMBERS			(2,250,000)
BALANCE AT DECEMBER 31, 2015	75 Units Outstanding	**$**	**18,889,401**

The accompanying notes are an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

	YEAR ENDED DECEMBER 31, 2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
NET INCOME	$ 812,320	$ 1,380,185
Adjustments to reconcile net income to cash and cash equivalents provided by operating activities:		
Depreciation	224,622	178,679
NET CHANGE IN:		
Gross spreads receivable	(2,170,182)	(1,532,747)
Deferred spreads	550,537	(75,466)
Co-broker spreads payable	2,118,698	1,753,347
Amounts due to customers	799,232	(453,805)
Advances to customers		248,000
Deferred issuer incentive expense	(575,330)	(589,440)
Other, net	100,649	(166,410)
NET CASH AND CASH EQUIVALENTS PROVIDED BY OPERATING ACTIVITIES	**1,860,546**	**742,343**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(532,458)	(280,806)
NET CASH AND CASH EQUIVALENTS USED IN INVESTING ACTIVITIES	**(532,458)**	**(280,806)**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Distribution to members		(5,250,000)
NET CASH AND CASH EQUIVALENTS USED IN FINANCING ACTIVITIES		**(5,250,000)**
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**1,328,088**	**(4,788,463)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**23,589,256**	**28,377,719**
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 24,917,344**	**$ 23,589,256**

The accompanying notes are an integral part of the 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 11 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 700 Washington Street, Suite 202, Columbus, Indiana, 47201, has been designated an Office of Supervisory Jurisdiction (OSJ) of CU Investment Solutions LLC (ISI), a member of the Financial Industry Regulatory Authority (FINRA).

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, which may at times exceed federally insured limits. During 2015 and 2014, insurance coverage was $250,000 per depositor at each financial institution. The balance of cash and cash equivalents in excess of federally insured limits was approximately $22.6 million and $21.3 million, respectively. At December 31, 2015 and 2014, demand deposits held in interestbearing accounts at Corporate One totaled approximately $22.9 million and $21.6 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. Outstanding certificates of deposit placed by the Company on behalf of customers totaled $6,949,234,000 and $5,995,306,000 at December 31, 2015 and 2014, respectively.

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. Management has elected not to amortize Goodwill, but instead performs 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 2015 or 2014.

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. Equipment under construction is capitalized, however, depreciation does not begin until the asset is placed in service. Maintenance and repairs are expensed as incurred. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in income. The lives of assets range from three to ten years. Fixed assets at December 31 are summarized as follows:

	2015	2014
Equipment under construction		$ 258,560
Equipment	$ 3,118,347	2,348,787
Furniture and fixtures	167,301	145,843
Total Cost	3,285,648	2,753,190
Less: Accumulated depreciation	1,500,858	1,276,236
Net Fixed Assets	**$ 1,784,790**	**$ 1,476,954**

OTHER ASSETS

Included in other assets are accounts receivable, prepaid accounts and deferred charges.

CO-BROKER SPREADS PAYABLE

Co-broker spreads payable represents the amount of spread and incentives 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, 2015 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended December 31, 2015. 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, 2014. 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. The Company agreed to pay Corporate One amounts above the spread it pays to other corporate co-brokers for certificates of deposit that Corporate One places through August 31, 2015. These additional payments are considered compensatory and were expensed as incurred. Such expense was $565,300 and $414,500 in 2015 and 2014, respectively, and is included in co-broker spread in the accompanying statements of income.

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, 2015 and 2014, 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, with the last one expiring December 31, 2018. The minimum annual rentals related to these agreements are as follows:

2016	76,839
2017	50,239
2018	36,839

NOTES TO FINANCIAL STATEMENTS

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, 2015 and 2014.

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 $158,107 and $145,818 in 2015 and 2014, respectively.

The Company 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 to 2025, and the unvested cash value is pledged to the Company under a collateral assignment. Expense associated with these agreements was $196,088 in 2015 and $182,500 in 2014.

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. The Company is accruing the expected cost of the agreement over the service period. Expense related to this agreement was $300,000 in both 2015 and 2014.

7. DISTRIBUTION

On December 31, 2015, the Company declared a distribution of $2,250,000 ($30,000 per membership unit), payable during the first quarter of 2016 to members of record as of December 31, 2015. No distribution was declared for 2014 except as disclosed in the financial statements.

PrimaryFinancial

HEADQUARTERS

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TRADING OFFICE

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