Primary Financial

2016 ANNUAL REPORT

A LETTER FROM THE CHAIRMAN AND PRESIDENT

Despite the continued low interest rate environment, 2016 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 $700k for the ninth consecutive year. Most importantly, as re-marketers of the SimpliCD program, our Corporate Credit Union Co-Brokers received more than $10 million in fees during 2016, up more than 18% from the prior year. Also, our customer base continues to grow as we added or revived 356 accounts in 2016 that provided over $963k in Co-Broker commissions. Further, we ended the year with over $7.75 billion in outstanding placements.

As we marked our 13th anniversary in 2016, 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.

We also continue to strive to provide return to our Corporate Credit Union owners beyond our services and direct fees paid. We paid a $2.25 million distribution in January 2016. We significantly upgraded our public website and continued our engagement with 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 $261,000 at December 31, 2016. All told, we have provided a cumulative Return on Equity of 535% 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,

Jeff Merry
Chairman

Mark Solomon
President & CEO

SimpliCD Outstandings

2013	$5,378,519,000
2014	$5,995,306,000
2015	$6,949,234,000
2016	$7,750,813,000

Co-Broker Commissions & Incentives

2013	$6,339,923
2014	$7,037,679
2015	$8,584,701
2016	$10,170,985

BOARD OF DIRECTORS

Chairman
Jeff Merry
President & CEO
Volunteer Corporate
Credit Union

Vice-Chair
Todd Adams
CEO
Alloya Corporate
Federal Credit Union

Secretary
Lee Butke
President & CEO
Corporate One
Federal Credit Union

Treasurer
Fred Eisel
Chief Investment Officer
Vizo Financial Corporate
Credit Union

Kathy Garner
President & CEO
Catalyst Corporate
Federal Credit Union

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of Primary Financial Company LLC, which comprise the balance sheets as of December 31, 2016 and 2015 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.

AUDITORS' 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 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, 2016 and 2015, 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 23, 2017

BALANCE SHEETS

ASSETS	2016	2015
Cash and cash equivalents	$21,847,631	$24,917,344
Gross spreads receivable	19,686,718	15,013,166
Net fixed assets	1,614,874	1,784,790
Goodwill	5,430,543	5,430,543
Deferred issuer incentive expense	2,492,052	1,669,733
Other assets	363,542	617,156
TOTAL ASSETS	**$51,435,360**	**$49,432,732**

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

LIABILITIES AND MEMBERS' EQUITY		
LIABILITIES		
Deferred spreads	$10,066,606	$8,194,467
Co-broker spreads payable	16,788,153	15,589,918
Amounts due to customers	2,793,884	2,831,795
Accounts payable and accrued expenses	2,188,262	1,677,151
Distributions payable		2,250,000
TOTAL LIABILITIES	31,836,905	30,543,331
MEMBERS' EQUITY	19,598,455	18,889,401
TOTAL LIABILITIES AND MEMBERS' EQUITY	**$51,435,360**	**$49,432,732**

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

STATEMENTS OF INCOME

REVENUE	2016	2015
SPREAD INCOME		
Gross spread income	$15,557,026	$13,346,843
Co-broker spread & incentives	(10,557,996)	(8,824,445)
NET SPREAD INCOME	4,999,030	4,522,398
Interest and other income	110,917	84,705
TOTAL REVENUE	**5,109,947**	**4,607,103**
EXPENSES		
Salaries and benefits	2,927,455	2,453,179
Office operations and occupancy	556,048	513,115
Settlement processing	175,761	156,394
Professional and other outside services	215,660	282,992
Advertising and promotion	405,585	245,745
Other	120,384	143,358
TOTAL EXPENSES	4,400,893	3,794,783
NET INCOME	**$709,054**	**$812,320**

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

STATEMENTS OF CHANGES IN MEMBERS' EQUITY

		MEMBERS' EQUITY
BALANCE AT JANUARY 1, 2015	75 Units Outstanding	$20,327,081
NET INCOME		812,320
DISTRIBUTIONS DECLARED TO MEMBERS	($30,000 per unit)	(2,250,000)
BALANCE AT DECEMBER 31, 2015	75 Units Outstanding	18,889,401
NET INCOME		709,054
BALANCE AT DECEMBER 31, 2016	75 Units Outstanding	$19,598,455

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

STATEMENTS OF CASH FLOWS

CASH FLOWS FROM OPERATING ACTIVITIES	2016	2015
NET INCOME	$709,054	$812,320
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	256,702	224,622
NET CHANGE IN		
Gross spreads receivable	(4,673,552)	(2,170,182)
Deferred spreads	1,872,139	550,537
Co-broker spreads payable	1,198,235	2,118,698
Amounts due to customers	(37,911)	799,232
Deferred issuer incentive expense	(822,319)	(575,330)
Other, net	764,725	100,649
NET CASH AND CASH EQUIVALENTS (USED IN) PROVIDED BY OPERATING ACTIVITIES	(732,927)	1,860,546
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(86,786)	(532,458)
NET CASH AND CASH EQUIVALENTS USED IN INVESTING ACTIVITIES	(86,786)	(532,458)
CASH FLOWS FROM FINANCING ACTIVITIES		
Distribution to members	(2,250,000)	
NET CASH AND CASH EQUIVALENTS USED IN FINANCING ACTIVITIES	(2,250,000)	
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(3,069,713)	1,328,088
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	24,917,344	23,589,256
CASH AND CASH EQUIVALENTS AT END OF YEAR	$21,847,631	$24,917,344

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 10 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. Certain co-brokers also earn an incentive for referring institutions that issue certificates through the SimpliCD program. These incentives are recognized over the respective term of the certificate as a part of the Co-Broker spread and incentives as an adjustment to the spread.

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).

NOTES TO FINANCIAL STATEMENTS

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 2016 and 2015, 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 $19.5 million and $22.6 million, respectively. At December 31, 2016 and 2015, demand deposits held in interest bearing accounts at Corporate One totaled approximately $19.8 million and $22.9 million, respectively.

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 $7,750,813,000 and $6,949,234,000 at December 31, 2016 and 2015, 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. There were no advances as of December 31, 2016 or December 31, 2015.

Goodwill

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 2016 or 2015.

NOTES TO FINANCIAL STATEMENTS

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 as income. The lives of assets range from three to ten years. Fixed assets at December 31 are summarized as follows:

	2016	2015
Under Construction	$1,250	
Computer Equipment	3,119,720	3,081,606
Furniture, Fixtures, Other	234,553	204,042
Total Cost	3,355,523	3,285,648
Less: Accumulated depreciation	1,740,649	1,500,858
NET FIXED ASSETS	**$1,614,874**	**$1,784,790**

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 the Company expects the co-brokers will earn over the life of the certificates sold by the co-brokers.

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, 2016 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended December 31, 2016. 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, 2016. These reclassifications had no effect on revenues and net income.

3. RELATED PARTY TRANSACTIONS

The Company maintains deposit accounts and conducts cash management activities through one of its owners, Corporate One. Expenses related to the cash management activities totaled $71,645 and $59,348 for 2016 and 2015, respectively. The Company also maintains a line of credit with Corporate One. There were no expenses related to the line of credit in 2016 or 2015.

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, 2016 and 2015, no advances were outstanding on the credit line.

The Company leases various office facilities under operating leases with remaining terms from two to five years. The minimum annual rentals related to these agreements are as follows:

2017	$93,671
2018	$98,920
2019	$65,151
2020	$65,151
2021	$65,151

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, 2016 and 2015.

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 $171,234 in 2016 and $158,107 in 2015.

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 $210,555 in 2016 and $196,088 in 2015.

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 on December 31, 2017, provide for a payout to the executive within 30 days after December 31, 2017. The company is accruing the expected cost of the agreement over the service period. Expense related to this agreement was $350,216 and $300,000 in 2016 and 2015, respectively.

7. DISTRIBUTION

In December 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. The distribution was paid on January 29, 2016. No distribution was declared in 2016.

PrimaryFinancial

Corporate Office

6640 Riverside Drive
Suite 430
Dublin, OH 43017
614-825-9380

Trading Office

700 Washington St
Suite 202
Columbus, IN 47201
800-639-0339

www.epfc.com