A History of Bright Futures

Primary Financial
a credit union service organization

Annual Report 2003

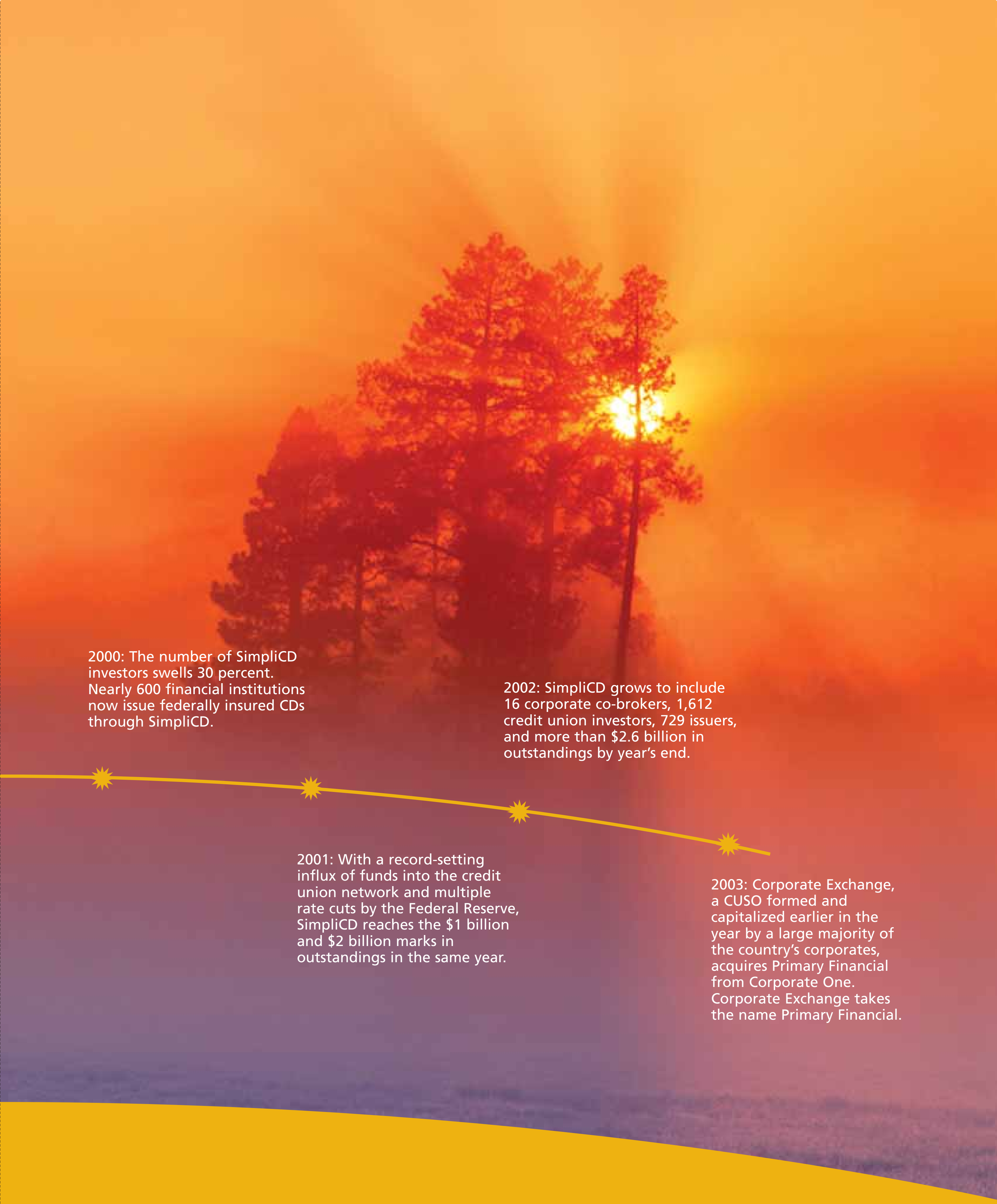
A History of Bright Futures

1996: Corporate One Federal Credit Union purchases a book of business from Irwin Union Bank and begins offering the SimpliCD program through its CUSO, Primary Financial. Corporate One begins partnering with other corporate credit unions to offer SimpliCD to their credit union members nationwide.

1997: Despite the high loan-to-share ratios, SimpliCD witnesses impressive growth in certificate outstandings, progressing from approximately $100 million to nearly $400 million by year's end.

1998: Primary Financial dedicates additional staff and passes the $1 billion mark in issuance through SimpliCD. SimpliCD now reaches more than 500 financial institutions in 27 states.

1999: Primary Financial's distribution network for SimpliCD grows to include 11 corporate credit unions. Primary Financial now has access to more than 3,500 investor financial institutions nationwide.



2000: The number of SimpliCD investors swells 30 percent. Nearly 600 financial institutions now issue federally insured CDs through SimpliCD.

2001: With a record-setting influx of funds into the credit union network and multiple rate cuts by the Federal Reserve, SimpliCD reaches the $1 billion and $2 billion marks in outstandings in the same year.

2002: SimpliCD grows to include 16 corporate co-brokers, 1,612 credit union investors, 729 issuers, and more than $2.6 billion in outstandings by year's end.

2003: Corporate Exchange, a CUSO formed and capitalized earlier in the year by a large majority of the country's corporates, acquires Primary Financial from Corporate One. Corporate Exchange takes the name Primary Financial.

Row 1 (*seated, L to R*): Kathy Garner, President/CEO, Northwest Corporate Credit Union (*Vice Chairman*); Nakia Gaylord, Director, Administrative Services, Georgia Central Credit Union; **Row 2** (*standing, L to R*): Jeff Navin, Vice President/CIO, Constitution State Corporate Credit Union, Inc. (*Director*); Greg Moore, President/CEO, Georgia Central Credit Union (*Chairman*); Lee Butke, President/CEO, Corporate One Federal Credit Union (*Director*); Bob Burrell, Executive Vice President, Chief Investment Officer, Western Corporate Federal Credit Union (*Treasurer*); **Row 3** (*standing*): Lew Lambert, President, Minnesota Operations, Mid-States Corporate Federal Credit Union (*Secretary*)

A Letter from the Chairman

A new day has dawned for Primary Financial.

Today, every corporate credit union in America can give their members something they've been asking for – a turnkey certificate of deposit program that enables investors to place substantial funds in federally insured CDs.

That program, SimpliCD, was acquired by 29 corporate credit unions from Corporate One Federal Credit Union on August 31, 2003. The sale represents a phenomenal commitment by corporates to cooperate for the benefit of their member credit unions.

Already, more and more credit unions are benefiting. The number of institutions participating in SimpliCD jumped 13 percent during the four months after the sale of Primary Financial, and the numbers continue to grow.

Since its beginnings in 1996, Primary Financial has delivered SimpliCD to credit unions through a network of corporates. Credit unions know they can turn to their corporate for attractive investment solutions, and corporates understand their members' asset/liability needs better than anyone. That delivery model will continue to be important as the corporate owners of Primary Financial work together for the good of their members.

With this expanded ownership network, SimpliCD is poised to help even more credit unions. I'm proud to say that we have 100 percent participation by the corporate network. There are few endeavors in our industry with that level of cooperation.

I'd like to thank the people whose vision and persistence made this year's acquisition of Primary Financial possible. Thank you also to Corporate One Federal Credit Union, who continues to manage the SimpliCD program with years of expertise behind them.

Finally, we are very fortunate to have a board of directors with the experience and desire to help credit unions achieve their investment objectives. I'd like to thank them for their contributions this past year.

We look forward to a bright future.

Gregory S. Moore, Chairman
President and CEO, Georgia Central Credit Union

The Power of the Corporate Network

Primary Financial is a credit union service organization (CUSO) owned jointly by 29 corporate credit unions nationwide and U.S. Central Credit Union, the wholesale financial center for the nation's corporate credit unions. This unique ownership structure gives Primary Financial potential relationships with more than 9,000 credit unions across America.

The corporate credit unions that own Primary Financial are no ordinary vendors. They're not-for-profit financial cooperatives that serve natural-person credit unions. Corporates provide low-cost financial services and competitive investment and lending solutions to their member credit unions. And unlike other service providers, corporates are guided by volunteer boards of directors and are totally owned by their member credit unions. In turn, U.S. Central is owned and directed by corporate credit unions, existing solely to assist them in serving their member credit unions across the country.

Much of the success of Primary Financial's SimpliCD program can be attributed to the trust that credit unions have in the safety and soundness of the corporate network. Over the years, credit unions have continued to show their loyalty to corporates. After all, they're not just their corporate's customers … they're the owners.

What does all this mean? When financial institutions participate in SimpliCD, they're plugging into a powerful network of relationships that can help meet their certificate investing needs. Simply put, it's an ownership structure and distribution network unlike any other.

We Do the Work. You Get the Glory.

While the structure of ownership changed in 2003, SimpliCD remained the same tried and true investment program that "does the work" for credit unions.

All in a few simple steps, credit unions can easily invest substantial funds in federally insured certificates of deposit. SimpliCD investors don't have to call multiple issuers to find great rates or wire funds to all of them – SimpliCD searches for the best rates and offers single transaction settlement. Plus, SimpliCD monitors each account in their portfolio, providing comprehensive reports of all holdings, settlement dates, rates, and monthly interest.

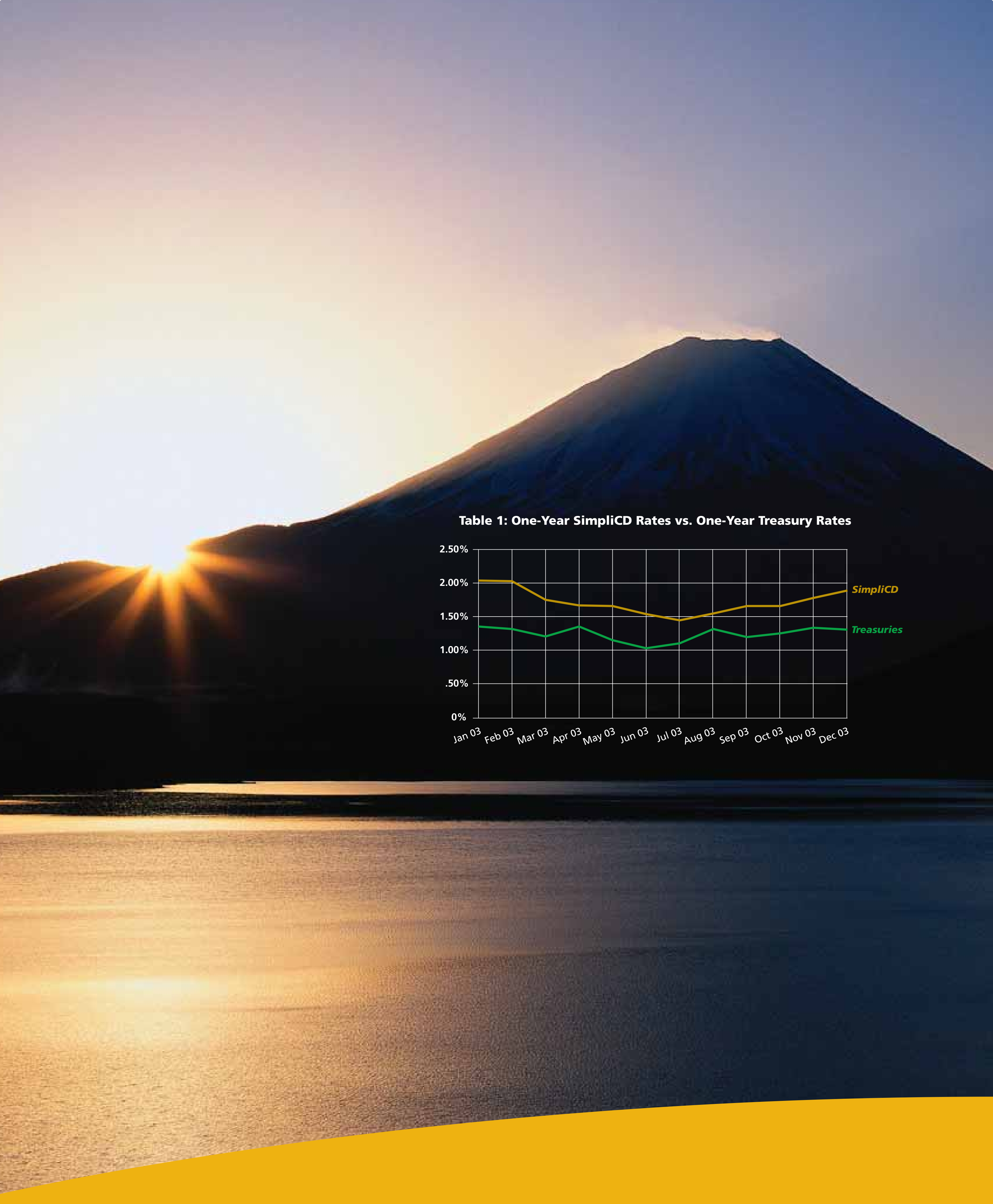


Table 1: One-Year SimpliCD Rates vs. One-Year Treasury Rates

SimpliCD also gives financial institutions all over America a convenient and effective means of generating liquidity by issuing federally insured CDs through the program. Issuers don't have to spend time and money marketing their deposit offerings – SimpliCD shows their rates to thousands of potential investors nationwide, helping them attract funds quickly and affordably. And issuers don't have to pay to see what others are showing to attract funds nationally – SimpliCD shops the market for them, providing analysis on how their rates compare with others in the national market. Plus, SimpliCD pools investors into one CD, saving issuers time and money. Issuers need only send one signature card and one monthly interest check and make one phone call. SimpliCD handles the rest.

While convenience remains a key reason for SimpliCD's success, rates may be just as big of a factor. Table 1 on page 8 shows SimpliCD rates versus one-year Treasuries during 2003. Clearly, SimpliCD investors are working smarter – while their investments work harder.

A Success Story

Last year, the sun continued to shine on the SimpliCD program.

As a result of the change in ownership of Primary Financial, the number of corporate co-brokers offering SimpliCD to their members grew from 16 in 2002 to 26 in 2003.

The growth of SimpliCD's distribution network made an immediate impact. During the eight months before the acquisition on August 31, 2003, SimpliCD's total investor relationships increased 12 percent to 1,813, up from 1,612 in December 2002. And just in the four months after the sale, that number grew another 13 percent to 2,048.

Primary Financial also continued to attract issuers to the SimpliCD program in 2003, bringing the total to 761 issuers nationwide.

By year's end, 21 percent of America's credit unions had an agreement in place to participate in SimpliCD. That impressive market penetration helped SimpliCD's outstandings grow to $3.23 billion, up from $2.68 billion at the end of 2002.

The future remains bright for the SimpliCD program, as more and more financial institutions across America experience the convenience of investing through Primary Financial.

Independent Auditors' Report

The Board of Directors
Primary Financial Company LLC

We have audited the accompanying balance sheet of Primary Financial Company LLC (the Company), formerly Corporate Exchange, LLC, as of December 31, 2003, and the related statements of operations, changes in members' equity and cash flows for the year 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 audit.

We conducted our audit 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 the Company as of December 31, 2003 and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

Columbus, Ohio
March 5, 2004

Balance Sheet

	December 31, 2003
Assets	
Cash	$ 3,420,447
Certificates held for resale	100,000
Gross spreads receivable	6,964,102
Advances to customers	200,000
Goodwill and intangible assets	3,607,315
Other assets	188,981
TOTAL ASSETS	$ 14,480,845
Liabilities and Members' Equity	
Liabilities:	
Deferred spreads	$ 1,018,141
Co-broker spreads payable	3,361,724
Amounts due to customers	1,167,715
Note payable	3,256,986
Accounts payable and accrued expenses	163,140
TOTAL LIABILITIES	8,967,706
Members' Equity	5,513,139
TOTAL LIABILITIES AND MEMBERS' EQUITY	$ 14,480,845

See accompanying notes to financial statements.

Statement of Operations

	Year ended December 31, 2003
Revenue:	
Spread income:	
Gross spread income	$ 302,072
Co-broker spread	(160,247)
NET SPREAD INCOME	141,825
Interest and other income	385,556
TOTAL REVENUE	527,381
Expenses:	
Professional and other outside services	389,152
Salaries and benefits	216,016
Settlement processing	98,420
Office operations and occupancy	65,095
Other	143,404
TOTAL EXPENSES	912,087
NET LOSS	$ (384,706)

See accompanying notes to financial statements.

Statement of Changes in Members' Equity

	Members' Equity
Balance at January 1, 2003	$ —
Issuance of member interests	5,897,845
Net loss	(384,706)
Balance at December 31, 2003	$ 5,513,139

See accompanying notes to financial statements.

Statement of Cash Flows

	Year ended December 31, 2003
Cash flows from operating activities:	
Net loss	$ (384,706)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation and amortization	(255,741)
Net change in:	
Gross spreads receivable	442,979
Advances to customers	100,000
Other assets	49,243
Deferred spreads	1,018,141
Co-broker spreads payable	73,940
Amounts due to customers	134,474
Accounts payable and accrued expenses	(932,022)
NET CASH PROVIDED BY OPERATING ACTIVITIES	246,308
Cash flows from investing activities:	
Purchase of property and equipment	(4,433)
Purchase of SimpliCD business	(2,221,428)
NET CASH USED IN INVESTING ACTIVITIES	(2,225,861)
Cash flows from financing activities:	
Issuance of member interests	5,400,000
NET CASH PROVIDED BY FINANCING ACTIVITIES	5,400,000
Net increase in cash	3,420,447
CASH AT BEGINNING OF YEAR	—
CASH AT END OF YEAR	$ 3,420,447

See accompanying notes to financial statements.

Notes to Financial Statements

(1) Summary of Significant Accounting Policies

(a) Organization, Operations and Cash Flow Information

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, 29 corporate credit unions and U.S. Central Credit Union. The Company was established in accordance with the provisions of the National Credit Union Administration (NCUA) regulations and the Ohio Revised Code. As an LLC, the Company is not subject to federal income tax.

The Company (formerly known as Corporate Exchange, LLC (Corporate Exchange)) was capitalized by a group of corporate credit unions in January 2003. On August 31, 2003, Corporate Exchange purchased Primary Financial Company LLC from Corporate One Federal Credit Union (Corporate One) for cash, a note payable and member interests in Corporate Exchange. Corporate One remained a co-broker of the Company after the purchase. Subsequent to the purchase, Corporate Exchange and the Company merged, with the Company being the surviving entity. In December 2003, additional members acquired interests in the Company.

The Company is registered with the State of Ohio as a licensed securities dealer. The Company offers a turnkey program, called SimpliCD, which enables its customers to invest in federally insured certificates of deposit. 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 sold by the co-brokers.

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 National Association of Securities Dealers (NASD). As such, the Company is subject to the jurisdiction of the Securities and Exchange Commission under the Securities and Exchange Act of 1934.

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

Cash represents demand deposits with Corporate One and other financial institutions. At December 31, 2003, approximately $3.1 million was held in interest earning demand deposit accounts at Corporate One.

(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 the certificates of deposit over the term of the certificates. This receivable is recorded upon placement of the certificate, along with the corresponding deferred spreads and co-broker spreads payable. The gross spreads receivable is recognized as revenue over the term of the certificate.

(d) Advances to Customers

Principal from certificates of deposit that have matured is generally received on the day of maturity and remitted to the customer. 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

Goodwill is not amortizable but is subject to annual impairment tests. Identifiable intangible assets are amortized straight line over their estimated useful lives of five years.

(f) 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.

(g) 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.

(2) Acquisition

On August 31, 2003, Corporate Exchange acquired the Company from Corporate One for cash of $3.95 million, a $3.30 million non-interest bearing note payable and shares of member interest in Corporate Exchange valued at $498,000. The note is due in three equal installments of $1.10 million every six months over an 18-month period, beginning six months after the date of the acquisition. The fair value of the assets acquired was $9.91 million, consisting primarily of gross spreads receivable, identifiable intangibles and cash. The fair value of liabilities assumed at the date of the acquisition were $5.40 million, consisting primarily of co-broker spreads payable and amounts due to customers. The excess of the purchase price over the fair value of the net assets acquired, or goodwill, was $3.17 million.

The identifiable intangible asset totaling $459,000 consists of co-broker relationships acquired. Accumulated amortization of the identifiable intangible asset was $30,600 at December 31, 2003. Amortization expense for the identifiable intangible asset over the next five years is estimated to be as follows:

2005	$91,800
2006	91,800
2007	91,800
2008	91,800
2009	61,200

In addition to the consideration paid at closing, the Company will pay Corporate One, for 12 years, amounts above the spread it pays for placements under the existing co-broker agreement. The Company, for five years, will also 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. For 2003, such expense was $28,000 and is included in co-broker spread in the accompanying statement of operations. For 12 years, the Company will also pay Corporate One a royalty on all other co-broker placements of certificates of deposit through the Company, including all placements by new co-brokers. These royalties are considered additional purchase consideration and have been recorded as additional goodwill in 2003. The total of such royalties was $6,000 in 2003.

Simultaneous with the acquisition of Primary Financial Company LLC, the Company entered into a management contract with Corporate One. For a period of two years beginning September 1, 2003, Corporate One agreed to provide the Company executive management services, including executive oversight, event planning and marketing services. For a period of three years beginning September 1, 2003, with the option to renew annually, Corporate One agreed to provide the Company certain support services including accounting, payroll and benefits administration, technical support and certain treasury functions. Expense related to this agreement in 2003 was $160,000.

(3) 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 line of credit and the note payable issued in connection with the acquisition are secured by the assets of the Company. The interest rate on the line is equal to the fed funds rate plus 40 basis points (1.4 percent as of December 31, 2003). This is the same rate Corporate One charges to other borrowers under similar lending agreements. At December 31, 2003, no advances were outstanding on this line.

The Company leases certain office facilities under operating leases that expire in 2004, but can be renewed annually as specified in the lease agreement.

4) 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, 2003.

(5) Pension Plan

All of the Company's employees participate with Corporate One employees in two defined contribution plans in which the Company contributed a total of 11.5 percent of the participant's eligible compensation to the participant's accounts in the plans. One of the plans is a contributory plan, to which employees can contribute a portion of their compensation on a pre-tax basis. Retirement plan expense was approximately $18,000 in 2003.

Primary Financial
a credit union service organization

3260 Middle Road
Columbus, Indiana 47203

P.O. Box 2616
Columbus, Ohio 43216-2616

800/639-0339
www.epfc.com