



A Perfect Fit

Central Corporate Credit Union • Central Credit Union Fund
• Constitution Corporate Federal Credit Union • Corporate
America Credit Union • Corporate Central Credit Union •
Corporate One Federal Credit Union • Eastern Corporate
Federal Credit Union • First Carolina Corporate Credit Union
• First Corporate Credit Union • Georgia Central Credit Union
• Kansas Corporate Credit Union • Iowa Corporate Central
Credit Union • Kentucky Corporate Federal Credit Union •
Louisiana Corporate Credit Union • Members United Corporate
Federal Credit Union • Mid-Atlantic Corporate Federal Credit
Union • Midwest Corporate Federal Credit Union • Missouri
Corporate Credit Union • Northwest Corporate Federal Credit
Union • Southeast Corporate Federal Credit Union • Southwest
Corporate Federal Credit Union • SunCorp Corporate Credit
Union • Treasure State Corporate Credit Union • TRICORP
Federal Credit Union • U.S. Central Federal Credit Union •
VACORP Federal Credit Union • Volunteer Corporate Credit
Union • West Virginia Corporate Credit Union • Western
Corporate Federal Credit Union

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PIECING IT ALL TOGETHER

When you're putting together a puzzle, success requires that you have all the right pieces and that they've been designed to fit together correctly. During 2006, Primary Financial continued to serve the needs of credit unions and our corporate credit union owners while preparing for future success. With the right pieces in place, we're poised for great things.

For corporate credit unions, our SimpliCD product is the perfect complementary piece to the on-balance-sheet investment and liquidity offerings they offer their credit union members. In fact, we like to think of ourselves as a department of the corporates who offer SimpliCD – we provide important back-office processing for their sales staff, we share their commitment to credit unions, and we're owned by corporates.


Since September 2003, when corporates across America purchased Primary Financial, we have been working to transition ourselves from an integrated credit union service organization (CUSO) wholly owned by one corporate credit union to an independent organization with its own identity. In 2006, a most significant piece fell into place in that transition. In a move that was both substantive and symbolic, new Company headquarters were established in Westerville, Ohio,

a Columbus suburb. Today, for the first time in our history, we're an organization with its own physical infrastructure and information systems. In addition, during the more than three years since our change in ownership, we've grown our market share and sales volume while maintaining profitability and eliminating our debt.

We'd like to extend our gratitude to the board of directors for their leadership and guidance. We'd also like to thank our dedicated staff, who have made this transitional year a success. Most importantly, thanks to our corporate credit union owners and to credit unions all over America for making us one of the top corporate CUSOs in America and a perfect fit for credit unions.



Lew Lambert, Chairman
President - Eagan Operations, Members United
Corporate FCU



Mark Solomon, President and CEO
Primary Financial



Mark Solomon, CEO (left) and Lew Lambert , Chair

BOARD OF DIRECTORS

Front row (L to R): Greg Moore, President & CEO, Georgia Central CU; Kathy Garner, President & CEO, Northwest Corporate FCU; Jeff Navin, Vice President, CIO, Constitution Corporate FCU

Back row (L to R): Lee Butke, President & CEO, Corporate One FCU; Lew Lambert, President - Eagan Operations, Members United Corporate FCU; Bob Burrell, Executive Vice President & Chief Investment Officer, Western Corporate FCU

WE FIT TOGETHER

Primary Financial is a CUSO owned jointly by 28 corporate credit unions and U.S. Central Federal Credit Union. This ownership structure, with the corporate owners also serving as resellers, gives Primary Financial potential relationships with more than 8,500 credit unions across America.

Primary Financial is the creator, owner and operator of SimpliCD, a turnkey certificate of deposit program that enables financial institutions to invest substantial funds in federally insured CDs or to generate liquidity by issuing certificates to a nationwide market of potential investors.

Primary Financial's relationships with its owners, co-brokers, investors and issuers can be looked at much like a puzzle. Every piece must be the right fit for success. If co-brokers make every effort to market and sell SimpliCD but receive uncompetitive products and poor support from us, we have failed. In turn, Primary Financial can provide the best rates and superior service, but if corporate co-brokers are unsuccessful in communicating the benefits of SimpliCD to their credit union members, we will never achieve our true potential. This mutual dependence is the foundation of our cooperative endeavor.

In 2006, credit unions continued to avail themselves of SimpliCD, but not at historical levels, as the rate environment generally made our offerings less attractive relative to other on-balance-sheet investment and liquidity options offered by corporates. As a result, SimpliCD outstandings were down relative to 2005, while corporates' balance sheets swelled. This inverse relationship between the amount of SimpliCD outstandings and the size of corporates' balance sheets is not surprising. It is, in fact, a clear demonstration of why corporate credit unions and SimpliCD are a perfect fit. When you put the pieces of the puzzle together, Primary Financial has become

an important partner to corporate credit unions. Last year, our efforts generated a combined \$2 million in co-broker spreads. Additionally, the value of our owners' stake in the company continues to increase. At December 31, 2003, the year of the change in ownership, the book value of a member unit was \$46,300. At December 31, 2006, a unit had a book value of \$59,000.

MILESTONES SINCE THE CHANGE IN OWNERSHIP

- The number of SimpliCD investors has grown from 1,800 to 3,000.
- Members' equity has increased from \$5.5 to \$7 million.
- The number of credit union issuers has increased from 30 to 214.
- Co-brokers have received more than \$7.8 million in payments.

A VALUABLE PIECE OF THE PUZZLE

The value of SimpliCD to credit unions is simple – convenience.

When credit unions need liquidity, they can quickly and easily generate funds through Primary Financial. And when they want access to competitive rates on federally insured CDs, we're as simple as it gets. One phone call to their corporate is all it takes.

This convenience doesn't just apply for investors and issuers. SimpliCD is the perfect fit for our corporate co-brokers, allowing them to add an additional investment offering to their menu of solutions. Offering SimpliCD gives

sales staff another investment option to offer credit unions when corporate rates may not be as attractive or when a credit union needs to diversify. Primary Financial's staff does the work behind the scenes, supporting yesterday's sale and tomorrow's, leaving our co-brokers with more time to do what they do best – manage relationships with credit unions.

When co-brokers pair their marketing and sales efforts with our back office support, it's proven to be a great match. In 2006, Primary Financial continued to provide brand marketing and sales training. In 2007, in addition to a national advertising campaign, annual sales conference, and other educational opportunities, we'll step up our efforts with the executives

and managers at our co-brokers to keep SimpliCD “top of mind” for credit unions and corporate sales staff. These efforts have the potential to increase brand awareness, drive sales volume and even generate a greater supply of rates as issuers see growth in SimpliCD.

As always, our efforts won't put us between corporates and their member credit unions. We will continue to develop the SimpliCD brand and allow our co-brokers to own their relationships with their members. Throughout our bright history, this delicate balance has been the hallmark of our service and we have no intention of re-arranging the pieces of an already successful endeavor.

2006 HIGHLIGHTS

Managed **\$1.16 billion** of certificate sales in 2006.

Managed the payment of **\$75 million** in interest to investors in 2006.

Paid **\$2 million** to co-brokers in 2006.

A PERFECT FIT

Easy to use solutions, great rates from issuers nationwide, superior service, and a unique network of corporate credit union resellers continue to make SimpliCD the premier brokered CD program in the credit union movement.

When you put all of the pieces of the puzzle together, Primary Financial is an important partner to corporates, credit unions and issuers nationwide.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Primary Financial Company LLC

We have audited the balance sheet of Primary Financial Company LLC as of December 31, 2006, and the related statements of income, 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. The financial statements of Primary Financial Company LLC as of December 31, 2005, were audited by other auditors whose report dated March 13, 2006, expressed an unqualified opinion on those statements.

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 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 2006 financial statements referred to above present fairly, in all material respects, the financial position of Primary Financial Company LLC as of December 31, 2006, 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.

Condit and Associates, LLC
February 16, 2007

BALANCE SHEETS

	December 31,	
	2006	2005
Assets		
Cash	\$ 4,093,732	\$ 4,750,989
Gross spreads receivable	3,259,480	4,067,363
Advances to customers		99,000
Goodwill and intangible assets	3,688,018	3,682,281
Other assets	<u>576,993</u>	<u>212,213</u>
TOTAL ASSETS	<u><u>\$ 11,618,223</u></u>	<u><u>\$ 12,811,846</u></u>
Liabilities and Members' Equity		
Liabilities:		
Deferred spreads	\$ 1,553,488	\$ 1,786,664
Co-broker spreads payable	1,775,190	2,280,915
Amounts due to customers	796,436	1,336,036
Accounts payable and accrued expenses	<u>468,142</u>	<u>427,618</u>
TOTAL LIABILITIES	<u><u>4,593,256</u></u>	<u><u>5,831,233</u></u>
Members' Equity	<u><u>7,024,967</u></u>	<u><u>6,980,613</u></u>
TOTAL LIABILITIES AND MEMBERS' EQUITY	<u><u>\$ 11,618,223</u></u>	<u><u>\$ 12,811,846</u></u>

See accompanying notes to financial statements.

STATEMENTS OF INCOME

	Year ended December 31,	
	2006	2005
Revenue		
Spread income:		
Gross spread income	\$ 4,260,483	\$ 6,215,394
Co-broker spread	(2,224,731)	(3,099,013)
NET SPREAD INCOME	<u>2,035,752</u>	<u>3,116,381</u>
Interest and other income	<u>155,160</u>	<u>171,564</u>
TOTAL REVENUE	<u>2,190,912</u>	<u>3,287,945</u>
Expenses		
Salaries and benefits	989,620	1,002,802
Professional and other outside services	548,824	603,830
Settlement processing	170,842	298,786
Office operations and occupancy	212,510	223,180
Other	<u>224,762</u>	<u>286,560</u>
TOTAL EXPENSES	<u>2,146,558</u>	<u>2,415,158</u>
NET INCOME	<u>\$ 44,354</u>	<u>\$ 872,787</u>

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN MEMBERS' EQUITY

	<u>Members' Equity</u>
Balance at January 1, 2005	\$ 6,107,826
Net income	872,787
Balance at December 31, 2005	<u>6,980,613</u>
Net income	44,354
Balance at December 31, 2006	<u><u>\$ 7,024,967</u></u>

See accompanying notes to financial statements.

STATEMENTS OF CASH FLOWS

	Year ended December 31,	
	<u>2006</u>	<u>2005</u>
Cash flows from operating activities:		
Net income	\$ 44,354	\$ 872,787
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization	(22,591)	(100,208)
Depreciation	139,867	139,513
Net change in:		
Gross spreads receivable	831,724	2,478,620
Advances to customers	99,000	202,000
Other assets	2,024	42,995
Deferred spreads	(233,176)	(652,651)
Co-broker spreads payable	(506,975)	(1,135,309)
Amounts due to customers	(539,600)	30,982
Accounts payable and accrued expenses	26,012	153,165
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	<u>(159,361)</u>	<u>2,031,894</u>
Cash flows from investing activities:		
Payment of royalties to Corporate One	(83,062)	(134,952)
Purchase of property and equipment	(414,834)	(54,241)
NET CASH USED IN INVESTING ACTIVITIES	<u>(497,896)</u>	<u>(189,193)</u>
Cash flows from financing activities:		
Payment on note to Corporate One		(1,100,089)
NET CASH USED IN FINANCING ACTIVITIES		<u>(1,100,089)</u>
NET (DECREASE) INCREASE IN CASH	(657,257)	742,612
CASH AT BEGINNING OF PERIOD	<u>4,750,989</u>	<u>4,008,377</u>
CASH AT END OF PERIOD	<u>\$ 4,093,732</u>	<u>\$ 4,750,989</u>

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—28 corporate credit unions and U.S. Central. 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 non-negotiable 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 National Association of Securities Dealers (NASD). As an OSJ, 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 Federal Credit Union (Corporate One) and other financial institutions. At December 31, 2006, nearly \$4.09 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 certificates of deposit over the term of the certificates. This receivable is recorded upon placement of the certificates, along with the corresponding deferred spreads and co-broker spreads payable. 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.

(e) Goodwill and Identifiable Intangible Assets

The goodwill and identifiable intangible assets relate to the 2003 purchase of the Company from Corporate One. Goodwill is not amortizable but is subject to an annual impairment test. There were no impairment losses in 2006 or 2005. Identifiable intangible assets consist of acquired co-broker relationships and are amortized straight line over their estimated useful lives of five years. Accumulated amortization of the identifiable intangible asset was \$306,100 and \$214,300 at December 31, 2006 and 2005, respectively. The unamortized identifiable intangible asset at December 31, 2006 will be amortized over the next two years, and the expense is estimated to be as follows:

2007	\$ 91,800
2008	61,100

(f) Other Assets

Other assets primarily represent fixed assets stated at cost less accumulated depreciation. Depreciation is computed using the straight line method over the estimated useful life of the related asset. Fixed assets at December 31 are summarized as follows:

	<u>2006</u>	<u>2005</u>
Equipment	\$584,897	\$190,589
Furniture and fixtures	43,280	22,754
Total cost	628,177	213,343
Less: Accumulated depreciation	149,601	101,570
Net fixed assets	<u>\$478,576</u>	<u>\$111,773</u>

(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.

(2) 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. The Company, for five years, also agreed to 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. Such expense was \$350,300 and \$542,800 in 2006 and 2005, respectively, and is included in co-broker spread in the accompanying statements of income. For 12 years from the purchase date, the Company also agreed to pay Corporate One 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 \$97,600 and \$146,000 in 2006 and 2005, respectively.

The Company also has a management contract with Corporate One. Under this contract, Corporate One provides the Company certain support services including accounting, administration, technical support and certain treasury functions. Expense related to this agreement was \$476,800 in 2006 and \$475,000 in 2005.

(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 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, 2006 and 2005, no advances were outstanding on the credit line.

The Company leases 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:

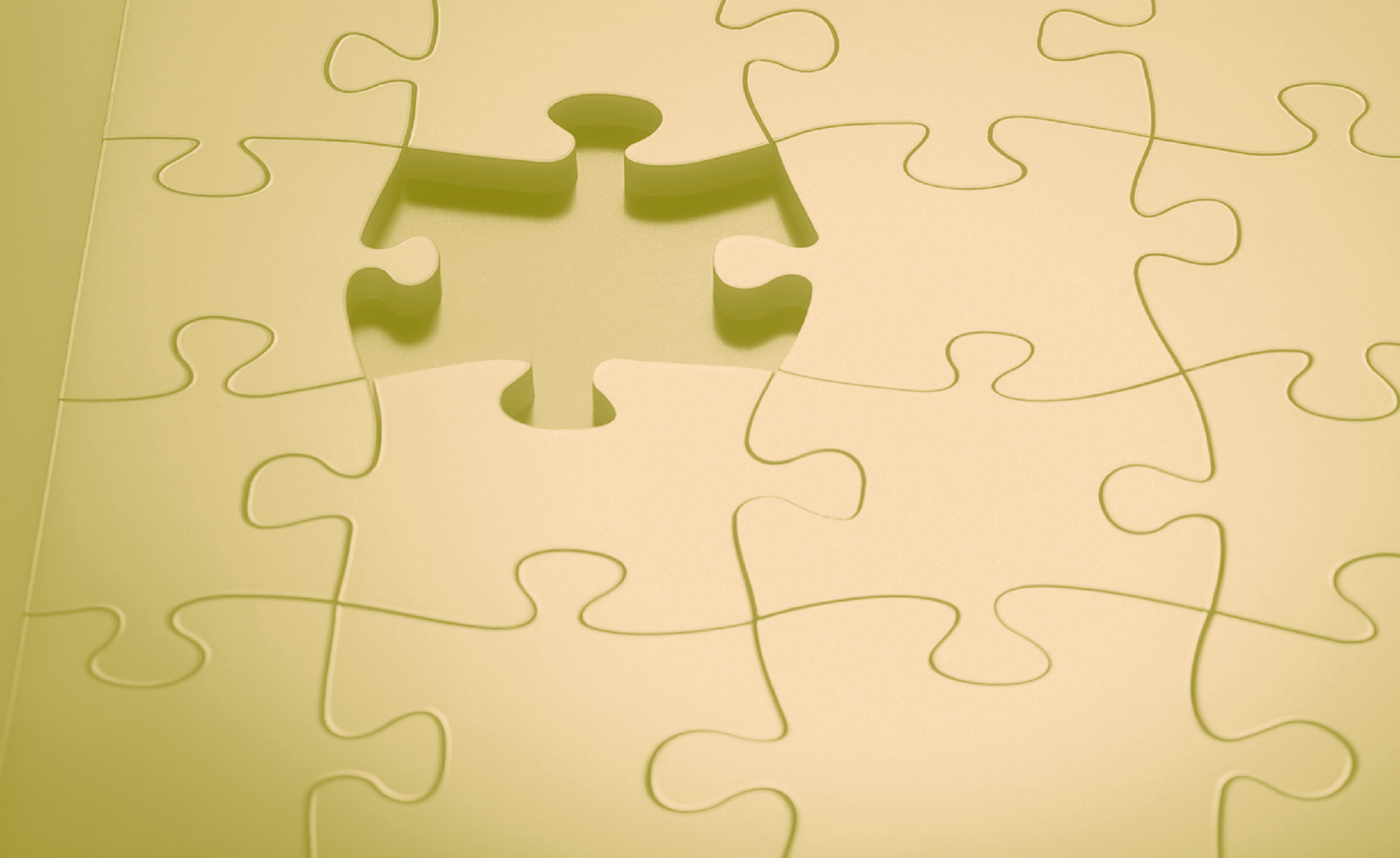
2007	\$57,900
2008	34,900
2009	19,000
2010	19,000
2011	19,500

4) Net Capital Requirement

As a licensed securities dealer with the State of Ohio, the Company is required to maintain net capital, as defined, of at least \$25,000. The Company was in compliance with this requirement at December 31, 2006 and 2005.

(5) Retirement Plan

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-tax basis. Retirement expense was approximately \$70,000 in 2006 and \$88,000 in 2005.



Primary Financial
a history of bright futures

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Primary Financial Company LLC is a credit union service organization owned by the nation's corporate credit unions. Primary Financial's office located at 3260 Middle Road, Columbus, Indiana, 47203, has been designated an Office of Supervisory Jurisdiction of CU Investment Solutions, Inc. (ISI), Member NASD-SIPC. Primary Financial is a registered trademark of Primary Financial Company LLC.