Primary Financial

a history of bright futures

We do the work.

You get the glory.

2009 Annual Report

A Letter from the Chairwoman and President

(left to right)
Kathy L. Garner, Chairwoman
EVP, Member Relations
& Business Development,
Southwest Corporate FCU

Mark D. Solomon
President and CEO,
Primary Financial

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With SimpliCD, Primary Financial Company LLC (Primary Financial) has developed one of the most successful brokered certificate of deposit programs in the country. And, there is no better proof of this than the results we saw in 2009. Record net income, record volume of certificate placements, as well as co-broker, investor and issuer earnings made 2009 a blockbuster year for Primary Financial, and those who did business with us.

Thanks to the increased volume of placements, our net income more than doubled in 2009 to an all-time high of $8.7 million. Additionally, consistently strong certificate placements allowed us to end the year with more than $8.3 billion in assets under management. As a trusted source of competitive rates for investors and liquidity for issuers, we proudly paid more interest to investors and raised more money for issuers in 2009 than in any previous year. Similarly, payments to our owners, who are also re-sellers of the program, increased more than 57 percent in 2009.

Our success resides in the support our owners continue to provide us, and the inherent value investors and issuers find in SimpliCD's ease of use and competitive, proven results. But, we have not yet reached the pinnacle. As we look to the future, we see an opportunity for Primary Financial, and our signature SimpliCD product, to play an even more important role to our corporate credit union owners.

First, as an effective off-balance sheet investment solution for our owners, SimpliCD is a trusted, convenient investment tool that can be leveraged without bloating balance sheet totals and negatively affecting important regulatory ratios. Second, SimpliCD serves as a valuable liquidity option for those who may need to generate funds quickly. While our owners have always rallied around SimpliCD—expanding our market share among credit unions to nearly 60 percent—we are proud the future holds a place for us to be a continued solution to those who support us.

Further, Primary Financial's tenured history of success, which spans 14 years, combined with our strong national network of credit union investors and bank and credit union issuers, continues to represent a stable source of funding for those looking for liquidity and investment options. But the true value of SimpliCD is the service we provide. We provide an expert staff, who work on behalf of our owners and clients to achieve the results they need, and the results they deserve.

Our deepest appreciation goes to our corporate credit union owners for their continued support of Primary Financial and SimpliCD. We'd also like to thank our board and staff for all of their hard work during a very robust year. The dedication and commitment from each of you, along with the patronage of our thousands of investors and issuers, is what allows us to continue to thrive.

Kathy L. Garner, Chairwoman
EVP, Member Relations & Business Development
Southwest Corporate Federal Credit Union

Mark D. Solomon
President and CEO
Primary Financial

Board of Directors

(left to right)

Jay Murray, President & CEO, Mid-Atlantic Corporate FCU

Kathy L. Garner, EVP, Member Relations & Business Development, Southwest Corporate FCU

Mike Lee, VP, Member Relations, Midwest Region, Members United Corporate FCU

Greg Moore, President & CEO, Georgia Central CU

Lee Butke, President & CEO, Corporate One FCU

We do the work. You get the glory.

For financial institutions looking for a convenient and turnkey option for investing substantial funds in federally insured certificates of deposit, or those needing to generate funds quickly, it doesn't get any easier than SimpliCD.

The Value of Service

Primary Financial is one of the nation's leading credit union service organizations (CUSOs), providing a proven-effective investment solution and liquidity option to credit unions and other financial institutions through our signature product—SimpliCD. For financial institutions looking for a convenient and turnkey option for investing substantial funds in federally insured certificates of deposit (CDs), or those needing to generate funds quickly, it doesn't get any easier than SimpliCD.

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 issued to investors.

$8.5 billion
in certificates placed

$235 million
in interest to investors

$700 million
in liquidity raised for credit union issuers

Similarly when financial institutions are in need of liquidity, one phone call allows them to issue certificates of deposits 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.

As evidence of the value SimpliCD provides to the nation's credit unions and other financial institutions, nearly 3,000 financial institutions, including more than 37 percent of all credit unions, took advantage of SimpliCD's competitive rates and invested through the program, with more than $8.5 billion in certificate placements in 2009. Proudly, Primary Financial managed the payment of $235 million in interest to investors and helped generate $700 million in liquidity for credit unions over the course of 2009—more than any other year.

We do the work. You get the glory.

Primary Financial's 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.

The Power of a Nationwide Infrastructure

Integral to SimpliCD's success is its infrastructure. As a CUSO, Primary Financial is jointly owned by 27 corporate credit unions, which provide wholesale financial and investment solutions to their approximately 7,700 member credit unions. Serving also as re-sellers of SimpliCD, our corporate owners provide what no other brokered certificate of deposit program can offer—access to nearly every credit union in the country.

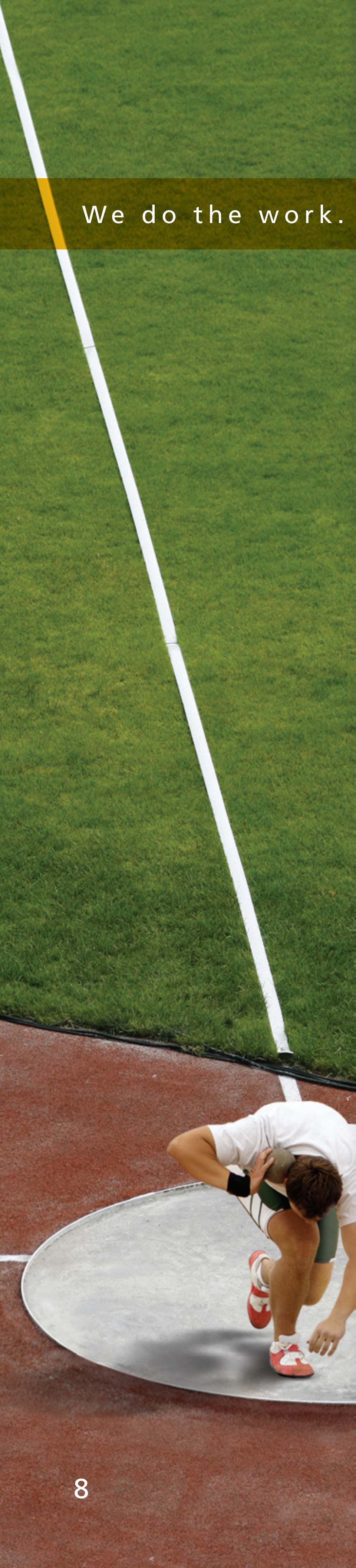
Understanding the worth and ease of the program, our corporate owners have stressed the value of SimpliCD to their members, serving as a vital link connecting SimpliCD to the credit union network. This unique infrastructure is a strategic strength as it leverages the power of trusted relationships for the benefit of everyone involved—re-sellers, investors and issuers.

4,368
total investor relationships

2,293
total issuer relationships

$11.2 million
in fees to co-brokers

Primary Financial's payments to our co-brokers increased 57 percent to $11.2 million in 2009. And, it was well deserved. 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 nearly 2,300 while investor relationships topped more than 4,300 in 2009, 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.



We do the work. You get the glory.

2009 was a banner year for Primary Financial. In our 14 years, we've been fortunate to experience consistent growth, and effectively establish SimpliCD as one of the most widely trusted and supported brokered CD products in the country.

A Successful Solution: Past, Present and Future

2009 was another banner year for Primary Financial. In our 14 years, we've been fortunate to experience consistent growth, and effectively establish SimpliCD as one of the most widely trusted and supported brokered CD products in the country. A snapshot of our success in just the last five years tells a powerful story. Compared to 2004, our total investor relationships increased 67 percent, our total issuer relationships grew 205 percent and total assets under management have surged 267 percent. Certainly, this success didn't happen overnight; both our owners and the professionals at Primary Financial have worked diligently to ensure that SimpliCD is a successful investment and liquidity option for financial institutions, and we're glad to see our efforts are yielding results.

In 2010, market conditions are continuing to present opportunities for Primary Financial to experience success. While we expect business on our issuing side to level out, SimpliCD continues to be a simple and easy alternative for financial institutions looking to generate liquidity. And, with the federal deposit insurance agencies continuing to offer expanded insurance coverage on deposits at insured institutions, allowing investors to place additional funds in a single institution, we anticipate investors will continue to take advantage of our competitive rates. Additionally, as SimpliCD is an effective off-balance-sheet solution for our co-brokers, we also expect our investment business to be a valuable resource in their product lines.

$8.3 billion
in assets under management

$8.7 million
in net income

Primary Financial will continue to attract new business and focus on serving our corporate credit union owners well and fostering relationships with our existing investors and issuers, as it is their combined support that fuels our success. Most importantly, we remain committed to maintaining the superior service, competitive rates and ease of use that differentiates us from other brokered CDs programs.

Independent Auditors' Report

To the Board of Directors of
Primary Financial Company LLC

We have audited the balance sheets of Primary Financial Company LLC as of December 31, 2009 and December 31, 2008, 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 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 Primary Financial Company LLC as of December 31, 2009 and 2008, 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.

CONDIT AND ASSOCIATES LLC

February 19, 2010

Balance Sheets

	December 31, 2009	December 31, 2008
Assets		
Cash and cash equivalents	$ 17,427,311	$ 11,969,610
Gross spreads receivable	22,848,009	18,033,647
Advances to customers		100,000
Goodwill	4,738,279	4,051,336
Other assets	752,962	636,978
TOTAL ASSETS	$ 45,766,561	$ 34,791,571
Liabilities and Members' Equity		
Liabilities:		
Deferred spreads	$ 10,936,275	$ 8,655,258
Co-broker spreads payable	11,253,022	8,832,366
Amounts due to customers	4,803,516	6,962,638
Accounts payable and accrued expenses	509,548	825,257
TOTAL LIABILITIES	27,502,361	25,275,519
Members' Equity	18,264,200	9,516,052
TOTAL LIABILITIES AND MEMBERS' EQUITY	$ 45,766,561	$ 34,791,571

See accompanying notes to financial statements.

Statements of Income

	Year Ended December 31, 2009	2008
Revenue		
Spread income:		
Gross spread income	$ 24,466,909	$ 15,288,299
Co-broker spread	(11,246,336)	(7,134,805)
NET SPREAD INCOME	13,220,573	8,153,494
Interest and other income	12,484	41,324
TOTAL REVENUE	13,233,057	8,194,818
Expenses		
Salaries and benefits	2,571,115	2,533,118
Office operations and occupancy	524,729	508,191
Settlement processing	641,144	495,245
Professional and other outside services	537,391	431,100
Other	210,530	256,795
TOTAL EXPENSES	4,484,909	4,224,449
NET INCOME	$ 8,748,148	$ 3,970,369

Statements of Changes in Members' Equity

	Members' Equity
Balance at January 1, 2008	$ 6,735,683
Net income	3,970,369
Distribution to members ($10,000 per unit)	(1,190,000)
Balance at December 31, 2008	9,516,052
Net income	8,748,148
Balance at December 31, 2009	$ 18,264,200

See accompanying notes to financial statements.

Statements of Cash Flows

	Year Ended December 31, 2009	2008
Cash flows from operating activities:		
Net income	$ 8,748,148	$ 3,970,369
Adjustments to reconcile net income to net cash provided by operating activities:		
Net amortization		60,826
Depreciation	145,805	145,758
Net change in:		
Gross spreads receivable	(4,814,362)	(12,397,729)
Advances to customers	100,000	
Deferred spreads	2,281,017	6,090,332
Co-broker spreads payable	2,420,656	5,941,750
Amounts due to customers	(2,159,122)	5,075,358
Other, net	(459,115)	279,814
NET CASH PROVIDED BY OPERATING ACTIVITIES	6,263,027	9,166,478
Cash flows from investing activities:		
Payment of royalties to Corporate One	(771,912)	(285,076)
Purchase of property and equipment	(33,414)	(65,954)
Distribution to members		(1,190,000)
NET CASH USED IN INVESTING ACTIVITIES	(805,326)	(1,541,030)
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,457,701	7,625,448
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	11,969,610	4,344,162
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 17,427,311	$ 11,969,610

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) of its members — 27 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 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 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, 2009 and 2008, demand deposits held in interest-bearing accounts at Corporate One totaled $16.8 million and $814,000, respectively.

(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

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 2009 or 2008.

(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:

	2009	2008
Equipment	$ 806,694	$ 773,279
Furniture and fixtures	58,428	58,428
Total cost	865,121	831,707
Less: Accumulated depreciation	556,042	410,237
Net Fixed Assets	$ 309,079	$ 421,470

(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.

(j) Subsequent Event

Management has performed an analysis of activities and transactions subsequent to December 31, 2009 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended December 31, 2009. Management has performed such analysis through February 19, 2010. No adjustments to the financial statements were necessary. However, see additional disclosure regarding an event that occurred subsequent to December 31, 2009 in Note 3 - Related Party Transactions.

(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, 2009. 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. 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. This five-year period ended August 31, 2008. These additional payments are considered compensatory and are expensed as incurred. Such expense was $704,400 and $763,900 in 2009 and 2008, respectively, and is included in co-broker spread in the accompanying statements of operations. 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 $686,900 and $424,200 in 2009 and 2008, respectively. In February 2010, because of certain other rights exercised by Corporate One, the Company's obligation for such royalties ended for all future placements. 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 $178,500 in 2009 and $171,600 in 2008.

(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, 2009 and 2008, no advances were outstanding on the credit line.

The Company leases various office facilities under operating leases that range in term from one to four years. The minimum annual rentals related to these agreements are as follows.

2010	$ 24,493
2011	25,453
2012	25,453
2013	26,414

(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, 2009 and 2008.

(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 $153,500 in 2009 and $152,000 in 2008.

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