



Primary**Financial**

2013

ANNUAL REPORT

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A LETTER FROM THE CHAIRMAN AND PRESIDENT

Despite the continued low interest rate environment, 2013 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.

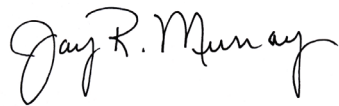
The tremendous efforts expended by our corporate credit union owners in promoting SimpliCD to their members allowed us to continue our strong track record of profitability, as Primary Financial earned more than \$2 million overall for the sixth consecutive year. Indeed, as re-marketers of the SimpliCD program, our corporate credit union owners earned more than \$6.3 million in fees during 2013. Further, our customer base continues to grow: the percentage of credit unions nationwide with which we have signed agreements now exceeds a record 61%, and we ended the year with nearly \$5.4 billion in outstandings.

As we marked our 10th anniversary in 2013, we continue to provide return to our corporate credit union owners beyond our services and direct fees paid. Our cash position enabled us to accrue a \$5.25 million distribution at year end, which was subsequently paid in early 2014. In addition, the book value of each ownership unit has increased from \$50,000 in 2003 to over \$252,000 at December 31, 2013. All told, we have provided a cumulative Return on Equity of 577% since our inception.

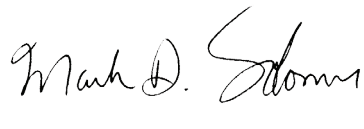
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As we look ahead to the next 10 years and beyond, there can be no doubt that the landscape will continue to change dramatically. No matter what happens, Primary Financial will continue to strive to serve credit unions and our owners in the best manner 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 10 years to follow.

Sincerely,



Chairman
Jay R. Murray
President & CEO
Mid-Atlantic Corporate FCU



Mark D. Solomon
President and CEO
Primary Financial Company LLC



Chairman
Jay Murray
President & CEO
Mid-Atlantic Corporate FCU



Mark Solomon
President & CEO
Primary Financial
Company LLC

BOARD OF DIRECTORS



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



Julie Chapin
Director of Financial Services
Missouri Corporate Credit Union



Treasurer
Jeff Merry
Senior Vice President / CFO
Volunteer Corporate Credit Union



Secretary
Greg Moore
EVP / National Sales
Catalyst Corporate Federal 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, 2013 and 2012 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, financial statements referred to above present fairly, in all material respects, the financial position of Primary Financial Company LLC as of December 31, 2013 and 2012, 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
March 27, 2014*

BALANCE SHEETS

ASSETS

Cash and cash equivalents
Gross spreads receivable
Advances to customers
Goodwill
Other assets

TOTAL ASSETS

LIABILITIES AND MEMBERS' EQUITY

LIABILITIES:

Deferred spreads
Co-broker spreads payable
Amounts due to customers
Accounts payable and accrued expenses
Distributions Payable

TOTAL LIABILITIES

MEMBERS' EQUITY

TOTAL LIABILITIES AND MEMBERS' EQUITY

See accompanying notes to financial statements.

DECEMBER 31,

2013

2012

\$	28,377,719	\$	26,753,506
	11,310,237		10,226,641
	248,000		100,000
	5,430,543		5,430,543
	1,994,475		1,786,243

\$ 47,360,974

\$ 44,296,933

\$	7,719,396	\$	7,961,512
	11,717,873		10,365,164
	2,486,368		2,921,567
	1,240,441		853,286
	5,250,000		

28,414,078

22,101,529

18,946,896

22,195,404

\$ 47,360,974

\$ 44,296,933

STATEMENTS OF INCOME

YEAR ENDED
DECEMBER 31,

REVENUE

SPREAD INCOME:

Gross spread income

Co-broker spread

NET SPREAD INCOME

Interest and other income

TOTAL REVENUE

EXPENSES

Salaries and benefits

Office operations and occupancy

Settlement processing

Professional and other outside services

Other

TOTAL EXPENSES

NET INCOME

See accompanying notes to financial statements.

2013

2012

\$ 11,743,508	\$ 12,676,079
(6,340,749)	(6,672,113)
5,402,759	6,003,966
86,535	60,933
5,489,294	6,064,899
2,199,174	2,064,444
449,710	413,375
191,372	249,929
458,628	586,490
188,918	183,988
3,487,802	3,498,226
\$ 2,001,492	\$ 2,566,673

STATEMENTS OF CHANGES IN MEMBERS' EQUITY

BALANCE AT JANUARY 1, 2012	81 Units Outstanding
NET INCOME	
REDEMPTION OF UNITS	6 Units
BALANCE AT DECEMBER 31, 2012	75 Units Outstanding
NET INCOME	
DISTRIBUTIONS DECLARED TO MEMBERS	\$70,000 per Unit
BALANCE AT DECEMBER 31, 2013	75 Units Outstanding

See accompanying notes to financial statements.

MEMBERS' EQUITY

\$	21,256,731
	2,566,673
	(1,628,000)
	22,195,404
	2,001,492
	(5,250,000)
\$	18,496,896

STATEMENTS OF CASH FLOWS

CASH FLOWS FROM OPERATING ACTIVITIES:

NET INCOME
Adjustments to reconcile net income to net cash provided by operating activities:
Depreciation
NET CHANGE IN:
Gross spreads receivable
Advances to customers
Deferred spreads
Co-broker spreads payable
Amounts due to customers
Other

NET CASH AND CASH EQUIVALENTS PROVIDED BY OPERATING ACTIVITIES

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of property and equipment

NET CASH AND CASH EQUIVALENTS USED IN INVESTING ACTIVITIES

CASH FLOWS FROM FINANCING ACTIVITIES:

Redemption of units

NET CASH AND CASH EQUIVALENTS USED IN FINANCING ACTIVITIES

NET INCREASE IN CASH AND CASH EQUIVALENTS

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR

CASH AND CASH EQUIVALENTS AT END OF YEAR

See accompanying notes to financial statements.

YEAR ENDED DECEMBER 31,

2013

\$ 2,001,492

177,494

(1,083,596)

(148,000)

(242,116)

1,352,709

(435,199)

35,448

1,658,232

(34,019)

(34,019)

1,624,213

26,753,506

\$ 28,377,719

2012

\$ 2,566,673

106,562

4,822,156

(100,000)

(506,842)

1,666,352

958,197

222,343

9,735,441

(527,108)

(527,108)

(1,628,000)

(1,628,000)

7,580,333

19,173,173

\$ 26,753,506

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 14 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.

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.

CU Investment Solutions LLC (ISI), a member of the Financial Industry Regulatory Authority (FINRA) has an Office of Supervisory Jurisdiction (OSJ) within our office at 700 Washington Street, Suite 202, Columbus, Indiana 47201. As an OSJ, that office 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

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. At December 31, 2013 and 2012, demand deposits and other short term deposits held in interest-bearing accounts at Corporate One totaled \$25.6 million and \$24.7 million, respectively. This cash on deposit at Corporate One exceeded the insured limit of \$250,000 by \$25.4 million at December 31, 2013.

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.

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. 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 2013 or 2012.

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. The lives of assets range from 3 to 10 years. Fixed assets at December 31 are summarized as follows:

	2013	2012
Equipment	\$ 2,342,408	\$ 2,339,820
Furniture and fixtures	149,568	118,137
Total Cost	2,491,976	2,457,957
Less: Accumulated depreciation	1,117,150	939,656
Net Fixed Assets	\$ 1,374,826	\$ 1,518,301

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.

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.

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. These additional payments are considered compensatory and are expensed as incurred. Such expense was \$303,100 in 2013 and \$269,400 in 2012, respectively, and is included in co-broker spread in the accompanying statements of income.

Corporate One performed accounting and marketing services for the Company under a support services contract. Expense related to this agreement was \$209,000 in 2013 and \$201,000 in 2012. This contract was terminated by the Company on December 31, 2013.

RECLASSIFICATIONS

Certain reclassifications have been made in the prior year's financial statements to conform to the presentation for the year ended December 31, 2013. These reclassifications had no effect on revenues and net 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, 2013 and 2012, 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. The minimum annual rentals related to these agreements are as follows:

2014	\$ 75,639
2015	76,239
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, 2013 and 2012.

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 associated with this plan was \$123,800 in 2013 and \$131,500 in 2012.

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, and the unvested cash value is pledged to the Company under a collateral assignment. Expense associated with these agreements was \$169,600 in 2013 and \$149,100 in 2012.

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. Primary is accruing the expected cost of the agreement over the service period. Expense related to this agreement was \$327,700 in 2013 and \$246,000 in 2012.

7. REDEMPTIONS

During 2012, the Company redeemed the units of two of its former members. In both cases, the former members agreed to transfer their respective units to other members. The Operating Agreement provides the Company the right of first refusal to redeem units subject to a transfer between members. The Company exercised such rights and redeemed 6 total units at a total cost of \$1,628,000. No redemptions occurred during 2013.

8. DISTRIBUTION

On December 31, 2013, the Company declared a distribution of \$70,000 per membership unit, payable to members during the first quarter of 2014. The distribution, which totaled \$5,250,000, was paid on February 28, 2014.

9. DATE OF MANAGEMENT'S REVIEW OF SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date of the Independent Auditor's Report, the date on which the financial statements were available to be issued.



Primary**Financial**

I HEADQUARTERS

5131 Post Road
Suite 300
Dublin, OH 43017

I TRADING OFFICE

700 Washington St, Suite 202
Columbus, Indiana 47201

Primary Financial Company LLC is a credit union service organization owned by 14 of the nation's corporate credit unions. Primary Financial's office located at 700 Washington St, Suite 202, Columbus, Indiana, 47201, has been designated an Office of Supervisory Jurisdiction of CU Investment Solutions LLC (ISI), Member FINRA-SIPC. Primary Financial is a registered trademark of Primary Financial Company LLC.