Financial Statements

Primary Financial Company LLC

December 31, 2018 and 2017

CONTENTS

230 West Street
Suite 700
Columbus, OH 43215
tel 614.221.1120
fax 614.227.6999
www.gbq.com

GBQ Partners

To the Board of Directors of
Primary Financial Company LLC

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, 2018 and 2017 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.

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 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, 2018 and 2017, 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 8, 2019

Balance Sheets

	December 31,	
Assets	**2018**	**2017**
Cash and cash equivalents	$ 21,874,969	$ 23,431,898
Gross spreads receivable	15,362,067	18,545,296
Net Fixed Assets	1,880,914	1,607,631
Goodwill	5,430,543	5,430,543
Deferred issuer incentive expense	2,243,521	2,542,324
Other Assets	78,858	94,672
TOTAL ASSETS	$ 46,870,872	$ 51,652,364
Liabilities and Members' Equity		
Liabilities:		
Deferred spreads	$ 7,285,091	$ 9,316,360
Co-broker spreads payable	14,341,685	16,138,847
Amounts due to customers	4,666,357	2,904,215
Accounts payable and accrued expenses	336,140	2,612,031
Distributions payable		1,125,000
TOTAL LIABILITIES	26,629,273	32,096,453
Members' Equity	20,241,599	19,555,911
TOTAL LIABILITIES AND MEMBERS' EQUITY	$ 46,870,872	$ 51,652,364

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

Statements of Income

	Year Ended December 31,	
	2018	**2017**
Revenue		
Spread income:		
Gross spread income	$ 14,890,562	$ 15,779,978
Co-broker spread & incentives	(10,634,089)	(10,669,201)
NET SPREAD INCOME	4,256,473	5,110,777
Interest and other income	339,016	200,603
TOTAL REVENUE	4,595,489	5,311,380
Expenses		
Salaries and benefits	2,376,768	2,739,907
Office operations and occupancy	628,076	593,141
Settlement processing	151,747	162,501
Professional and other outside services	180,368	291,352
Advertising and promotion	388,447	287,768
Other	184,395	154,255
TOTAL EXPENSES	3,909,801	4,228,924
NET INCOME	$ 685,688	$ 1,082,456

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

Statements of Changes in Members' Equity

		Members' Equity
Balance at December 31, 2016	(75 Units Outstanding)	$ 19,598,455
Net Income		1,082,456
Distributions declared to members ($15,000 per unit)		(1,125,000)
Balance at December 31, 2017	(75 Units Outstanding)	$ 19,555,911
Net Income		685,688
Balance at December 31, 2018	(75 Units Outstanding)	$ 20,241,599

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

Statements of Cash Flows

	Year Ended December 31,	
	2018	**2017**
Cash flows from operating activities:		
Net income	$ 685,688	$ 1,082,456
Adjustments to reconcile net income to net cash and cash equivalents provided by operating activities:		
Depreciation	303,686	271,380
Net change in:		
Gross spreads receivable	3,183,229	1,141,422
Deferred spreads	(2,031,269)	(750,246)
Co-broker spreads payable	(1,797,162)	(649,306)
Amounts due to customers	1,762,142	110,331
Deferred issuer incentive expense	298,803	(50,272)
Accounts Payable and accrued expenses	(2,275,891)	423,769
Other, net	15,814	268,870
NET CASH AND CASH EQUIVALENTS PROVIDED BY OPERATING ACTIVITES	145,040	1,848,404
Cash flows from investing activities		
Purchase of property and equipment	(576,969)	(264,137)
NET CASH AND CASH EQUIVALENTS USED IN INVESTING ACTIVITIES	(576,969)	(264,137)
Cash flows from financing activities		
Distribution to members	(1,125,000)	
NET CASH AND CASH EQUIVALENTS USED IN FINANCING ACTIVITES	(1,125,000)	
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,556,929)	1,584,267
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	23,431,898	21,847,631
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 21,874,969	$ 23,431,898

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.

CU Investment Solutions LLC (ISI) has an Office of Supervisory Jurisdiction within our office at 700 Washington Street, Suite 202, Columbus, Indiana, 47201. ISI is a member of FINRA and SIPC. ISI's home office is located at 8500 W 110th St, Ste 650, Overland Park, KS 66210.

(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, which may at times exceed federally insured limits. During 2018 and 2017, 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 $20.9 million and $22.4 million, respectively. At December 31, 2018 and 2017, deposits held in interest bearing accounts at Corporate One totaled approximately $21.2 million and $22.6 million, 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, 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. 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 $7,333,561,931 and $7,477,864,731 at December 31, 2018 and 2017, respectively.

(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 on the maturity date. There were no advances as of December 31, 2018 or December 31, 2017.

(e) 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 2018 or 2017.

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

	2018	2017
Under Construction	$ 155,348	$ 37,641
Computer Equipment	3,573,342	3,119,720
Furniture, Fixtures, Other	467,939	462,299
Total Cost	$ 4,196,629	$ 3,619,660
Less: Accumulated depreciation	(2,315,715)	(2,012,029)
Net Fixed Assets	$ 1,880,914	$ 1,607,631

(g) Other Assets

Included in other assets are accounts receivable and prepaid accounts.

(h) Co-broker Spreads Payable

Co-broker spreads payable represents the amount of spread, including issuer referral incentives, the Company expects the co-brokers will earn over the life of the certificates.

(i) 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.

(j) 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.

(k) Subsequent Event

Management has performed an analysis of activities and transactions subsequent to December 31, 2018 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended December 31, 2018. 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.

(3) RELATED PARTY TRANSACTIONS

The Company maintains deposit accounts and conducts cash management activities through one of its owners, Corporate One. Expenses related to cash management activities totaled $54,743 and $58,868 for 2018 and 2017, respectively. The Company also maintains a line of credit with Corporate One. There were no expenses related to the line of credit in 2018 or 2017.

(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, 2018 and 2017, no advances were outstanding on the credit line.

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

2019	$ 109,451
2020	109,451
2021	109,451
2022	111,141
2023 and beyond	340,933

(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, 2018 and 2017.

(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 $101,940 in 2018 and $157,447 in 2017.

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 $232,356 in 2018 and $225,416 in 2017.

In addition, the Company had a long-term retention agreement with an executive officer, in which all performance and service requirements of the agreement were met on December 31, 2017, and the amount due was paid in 2018. Expense related to this agreement was $0 and $483,878 in 2018 and 2017, respectively.

(7) DISTRIBUTIONS

No distribution was declared in 2018. In December 2017, the Company declared a distribution of $1,125,000 ($15,000 per membership unit), that was paid during the first quarter of 2018 to members of record as of December 31, 2017.