



▶ A CU\*ANSWERS INITIATIVE .....1



▶ A PROTOTYPE CREDIT UNION BROCHURE.....5



▶ THE POTENTIAL FOR SCHOLARSHIPS .....11

CU\*ANSWERS  
A CREDIT UNION SERVICE ORGANIZATION

# Partnering

*with you*

ON THE ROAD TO A NEW FUTURE

*Collaborative tactics to grow our network acquiring CU\*Answers credit union partners.*



## Acquiring Credit Unions

An aggressive statement. Politically unthinkable five years ago. Potentially a mandate five years from now. What do you think?

On the one hand, we've been "acquiring credit unions" for years. As a CUSO and a collective of credit unions using the same core technologies, we've all been vested in attracting new credit unions to CU\*Answers. For the most part, credit unions just act as great references for other credit unions looking for a new vendor. And when it works really well, they end up finding a whole new set of partners and become part of our collaborative.

*continued on page 2*



## Growing a Network

Many of us look in awe at mega-size financial institutions. We can't even fathom the organization that the Bank of America has built, let alone a credit union like North Carolina State Employees CU, with over 250 branches and a million+ members. Ultimately, though, these businesses have just built a network. They've organized



their business around network resources, digital tools, and creative partnerships in serving their members.

Therefore, there *is* a blueprint for what we need to do to be successful with our members: *build a network*.

But we have an advantage that the Bank of America and NCSECU might not have. We have the flexibility and the diversity of hundreds of organizations without the constraints of trying to make everybody follow a central set of rules. We can be quicker to market. We can change faster. We can be flexible for a very diverse set of members. We do it through partnerships, not through the mandate of a single owner and set of SOPs.

**We can innovate.**

## Acquiring Credit Unions *continued from page 1*



But the world is changing. Can you sense it? Maybe the tables are about to turn. You see it all around, in almost every industry. Mergers, takeovers, consolidation—whatever the term, almost every business person is wondering how to hold on to their current market share and grow into new markets. So whether they choose a defensive or offensive strategy, credit union leaders cannot sit this debate out. Many are looking to their partners for help.

For some, there are individual and direct motivations to want to grow through partnering with others, especially partnerships that end up in acquisitions or mergers. It is a definite growth strategy. As a strategy, it requires both a business plan as well as tools and resources to carry out the plan. Therefore, there is economic opportunity to service businesses who take this tack.

For others, there is becoming a recognized need to find a model that strengthens our industry, that protects our current membership by growing, and one that will yield an industry made up of healthy competitive options for members. This group is wondering how to bolster both external organizations as well as their own. To do so, they also need a business plan and tools and resources. Therefore, there is economic opportunity to service businesses who take this tack.

“WHAT IF CU\*ANSWERS  
COULD FIND CREDIT  
UNION OPPORTUNITIES  
FOR CREDIT UNIONS?  
WHAT IF CU\*ANSWERS  
COULD BROKER YOUR  
NEXT MAJOR  
EXPANSION?”

### Turning the Tables

For those reasons, CU\*Answers feels it is time to turn the table. **What if CU\*Answers could find credit union opportunities for credit unions?** What if CU\*Answers could deliver partners to join credit unions directly as effectively as credit unions help us find new partners?

We need to get proactive and to prepare an innovative response to the challenges presented by credit union marketplace consolidation. We need to lead the way. We believe there are two major strategies related to responding to credit union consolidation as a collaborative:

### New Age Strategies

- Direct support for credit unions whose business plan is to grow and better serve their members through strategic partnerships with other credit union charters - **A New Age Consolidation Strategy**. These are credit unions who want to lead from the driver’s seat and be proactive acquirers of partners.
- Attract credit unions to the CU\*Answers collaborative who see the value in partnering and participating in an operational network - **A New Age Networked Business Strategy**. These are credit unions who recognize the need to extend their model into the future and want to accomplish that through partnerships.

In either case, credit unions are coming together to exchange both opportunity and capabilities in a new way. In some cases, credit unions might outsource services directly to CU\*Answers as the provider of capabilities or the driver of opportunities. In an equal number of cases, credit unions will turn directly to their peers to drive opportunities and share capabilities. The network model allows participants to pick and choose how to organize, divide, and complete the work necessary to service members.

Whether it's credit unions proactively marketing and selling their services to other credit unions, or CU\*Answers brokering credit union opportunities to credit unions, in the future we believe credit unions will recognize the need to cooperate far beyond anything we see today.

### Plain Talk

In other words, some credit unions will want to buy opportunities for their organizations, even if it is from other credit unions. And yes, ultimately, it may lead to even more mergers. Other credit unions will want to sell their opportunities, and hopefully they will want to sell them to other credit unions (as opposed to bank stockholders, etc.).

CU\*Answers hopes to help both. CU\*Answers hopes to give credit unions an edge in attracting opportunity, uniquely partnering with other credit unions, and even directly acquiring other credit unions. We hope to give credit unions with this mentality both a financial and an operational advantage over non-CU\*Answers credit unions in the competition to grow using these strategies.

On the flip side, we hope to help credit unions who are looking for partners to do so with new skills, a new awareness, and a set of best practices, so that they pick the right partners, so that their organizations are enriched through partnerships,

and so that they have options more innovative than simple mergers.

We believe both strategies represent a clear bottom-line business opportunity as well as a proactive industry effort. Both are consistent with the ideals that have governed our CUSO to date. We



Planning for the future

also believe that credit unions will find themselves alternating between both tactics. It is doubtful that credit unions can simply merge their way into a new business strategy that will be effective with today's members. Sometimes they will be merging, sometimes they'll be partnering, but they will always be active participants in networks. Ultimately, we believe a new networked business model is the future of the credit union industry.

Bottom line, our marketplace is full of creative people working on innovative solutions to acquire credit unions. Some are internal, some are external. Some are positive for our industry, and some are questionable. Some speak to the concepts of protecting our members' rights, and some don't. We believe it's time for our collaborative, for our partnership, to get into the game.

### To Date

In 2006, CU\*Answers took the first step in giving credit unions a financial edge in moving forward with partnerships and mergers. We offered an incentive to any CU\*Answers credit union merging in a non-CU\*Answers credit union: we will waive the first year member fees for the merging credit union.

*continued on page 4*

## Acquiring Credit Unions *continued from page 3*



Team Leaders

In our 2007 business plan, CU\*Answers recognized the need to build standing resources to support credit unions in completing partnerships and mergers. Over the year, CU\*Answers plans to increase its staff and formalize merger support procedures so that CU\*Answers credit unions will have more flexibility in being aggressive about partnership projects.

To this point, though, we've been less than aggressive. From this point forward, CU\*Answers needs to work with its partners, clients, and owners to accelerate the advantages that CU\*Answers credit unions have in the marketplace when it comes to attracting new partners. ●

## Marketing Your Intentions to the Credit Union Industry

*A Partners in Practice initiative*

In 2007 CU\*Answers plans to begin working with credit unions who wish to build a business effort to grow through partnering with other credit unions at a whole new level. From declaring a business plan with their Board of Directors, to developing marketing materials, to outlining the sales and implementation plans, CU\*Answers wants to be a resource to our credit unions.

### ***Are you ready to extend an offer to a potential partner?***

Marketing one on one.

### ***Are you ready to solicit opportunities from industry groups?***

Mass marketing.

### ***Have you made your intentions clear to people who might be looking for a solution?***

Building a reputation as a capable and viable solution.

## A Prototype Brochure

On the following 6 pages is a prototype brochure that would be authored by your credit union and given to prospective credit union partners. It sells your credit union as being ready to partner. It explains your process and markets your ability to get things done. It is you extending your hand in hopes of closing the deal. It is your credit union hanging out its shingle and saying you are in the business of building a unique credit union operation. It's about building a reputation as an option for your peers.

## INVESTING IN THE NETWORK:



If you do nothing else, drive your team to learn about the power of networked business plans. Today, everyone is part of a network, whether they know it or not. Make sure your team can leverage that power.



# Partnering *with you...*

**ON THE ROAD TO  
A NEW FUTURE**

## A Letter from the CEO of Success CU to your Leadership and Team



Jane Smith, CEO  
Success Credit Union

"ULTIMATELY WE KNEW  
WE HAD TO ACT, TO GAIN  
NEW SKILLS, AND TO BE  
BOLD IN EXTENDING THEM  
TO LIKE-MINDED  
POTENTIAL PARTNERS—  
OTHER CREDIT UNIONS."

Changing times mean evolving strategies. The first time I sat down with our team to develop a formal strategy to market to potential credit union partners, I struggled with almost every word. But today and throughout a diligence process, I would like to present you with some very direct options, strategies, and potential solutions that are now second nature to our firm. We want you to understand that we are skilled at partnering, driven to partner, and will be an effective partner should our two teams move forward together.

For years I have worked with fellow credit union leaders at cooperative events, through third party partnerships, and as part of several political/social trade group alliances, but none of it was as direct as the tactics and strategies that we all see in the industry today. Over the last several years our team came to understand that we had to respond to the pressure to be more than just a simple standalone option for our membership. We needed some new tools, some new teammates, and quite frankly some new options for member markets as well.

For far too long, our senior team and board had just accepted the consolidation of our industry as a fact of life, believing that there was little we could do beyond just waiting to see what would happen to us. We had no formal strategy for selecting partners or sharing resources. We didn't even know if we were going to be the suitor or the courted. Somehow we hoped it would all just go away. But no one can simply stop time, stand still, or close their eyes to the real challenges in growing to meet their future member's needs. Ultimately we knew we had to act, to gain new skills, and to be bold in extending them to like-minded potential partners—other credit unions.

We started with some very basic principles:

- Protect and cherish every credit union charter.
- Value and work to enrich the volunteer experience.
- Grow through activity, not acquisition.
- Include everyone, rather than segmenting members as either "us" or "them."

So as you look through this document I hope you will think well beyond the ideas of merger, and merger alone. I hope that you will consider all options for partnership and come to respect that our team already has. I hope that both your professional team members and your volunteers will get excited about working with us side by side, no matter what option seems to fit.

Finally, we all hope that you will not interpret our directness for aggression, for a nod to the sell-out concepts that many are touting in today's marketplace. For here at Success CU we believe that these concepts are an aggressive buy-in to the proactive future of the credit union industry, one team at a time.



*Jane Smith*

Jane Smith  
CEO, Success Credit Union

## A Letter from the Chairperson of Success CU to your Board and Membership



Jim Johnson, Chairman  
Success Credit Union

Greetings from our Board of Directors to yours, and from our membership to yours. We would like to extend our organization's talents and resources in helping you think about your credit union's future and your next step.

It's a unique situation being on the Board of a credit union. For many of us, it started out as a simple expression of our desire to serve others, to be part of something valuable to our community, and as an experiment in volunteering. For most of our Board, that experiment has been a ten-year commitment as part of the ongoing dedication of volunteers here at Success Credit Union that now is 35 years young. Thirty five years into a multi-generational effort to guarantee our communities a credit union option and partner for their entire lives.

For me, it was a bit fuzzy in the beginning. First, I believed that I was volunteering for a bank-like organization, a just-the-facts business that was truly needed by our community, but not that different from its competition in serving everyone that lived in our county. It sounded like a lot more fun and a bigger challenge than most of the volunteer options available at the time, so I jumped on it. That was 18 years ago, and man, has that been a ride.

Over the last 18 years, I have come to understand how much more a credit union can be than simply a competitor to other options such as the bank, or the standard insurance company, mortgage firm, or any title you wish to extend to a financial service firm. As credit unions, we have a chance to be much more and make a far greater difference in the lives of our members. We can participate as partners, we can deliver on the promise of sound financial footings, and we can add to the values of individuals, families, and communities as a balancing force that only comes from a non-profit cooperative motivation. We can serve people.

In the beginning, as a young Board member, I thought that motivation was to be uniquely focused and targeted only on *our members*. But over time and due to the changing world, our Board and our senior leadership team came to understand that we had to broaden our horizons, challenge ourselves to serve where we get the chance, and try to preserve our rights to serve by strengthening all credit unions and the memberships they serve. We needed partners. We needed to invest in diversity. We needed to guarantee our membership's right to a strong and innovative credit union.

So our question to you and your team is, what do you need? What can we do to help further your goals? How can we be part of your membership's future?

To our team, partnering is not a knee-jerk reaction to the times; it is not a once-in-while project or annual task. It is a strategy, a commitment to the future, and a Board-vested responsibility to better serve our current and future members. As chairperson, I have the highest hopes for you finding the right solution for your organization, and I will make sure that our team works as diligently as yours to that end.

I look forward to our meeting in the future.

*Jim Johnson*

Jim Johnson  
Chairman, Success Credit Union

"AS CREDIT UNIONS, WE  
HAVE A CHANCE TO BE  
MUCH MORE AND MAKE A  
FAR GREATER  
DIFFERENCE IN THE LIVES  
OF OUR MEMBERS."



## Mapping the Road to a New Future



Planning your Credit Union's future.

Success CU has a plan: to build a unique partnership with other credit unions that will guarantee that what is best about credit unions will always be available to our members and the members of our partners. We hope to build a business that is both exciting and attractive to the CU professions of the future, so that our members will be served by the best possible teams, with the most creative

products, and the most convenient services that a modern financial service network can provide.

Flexibility and innovation are the keys. We do not believe the best way to build the credit union of the future is to mandate a set of standards, to force conformity on every partner, or to have one organization win out as the conquering acquirer. We know the credit union industry is challenged by

consolidation in this era. But we believe consolidation is about what we *do*. It's about magnifying the power of partnership and focusing that power on the members of tomorrow.

We hope you will take the time to review our dreams and goals for the future. Then we hope you will add your own goals to ours, and we'll start down the path toward a new future for both our organizations.

## Our Blueprint to Growing a Network

Many of us look in awe at mega-size financial institutions. We can't even fathom the organization that the Bank of America has built, let alone a credit union like North Carolina State Employees CU, with over 250 branches and a million+ members. Ultimately, though, these businesses have just built a network. They've organized their business around network resources, digital tools, and creative partnerships in serving their members.

Therefore, there *is* a blueprint for what we need to do to be successful with our members: *build a network*.

But we have an advantage that the Bank of America and NCSECU might not have. We have the flexibility and the diversity of hundreds of organizations without the constraints of trying to make everybody follow a central set of rules. We can be quicker to market. We can change faster. We can be flexible for a very diverse set of members. We do it through partnerships, not through the mandate of a single owner and set of SOPs. **We can innovate.**

## Our Board Process

Partnering is a learned skill. And we expect to learn every day. Our Board of Directors has spent a great deal of time planning on how to partner with other Boards and make sure that the leadership team(s) that result from partnering and mergers are effective and respectful of all the members in our network. We've thought it through.

During a set of meetings between our two teams, we'll go over our 6-step process on how your members will be represented by our new partnership. Your valuable volunteers will be able to be part of the new organization. Not only will they be able to participate, but they will be valued and recruited by our team to make sure that we have a diverse governing body that is effective with today's members and credit union professionals.



## Our Menu of Partnering

It is not a foregone conclusion that our two teams are simply going to merge. We respect the diversity and sanctity of credit union charters far too much for that. Our goal is that all memberships feel unique in our resulting partnerships. During this process, we will review a menu of options for what we might do together:

- Driving Opportunity: Sharing and balancing our network's balance sheets
- Sharing Team Resources and building new ones
- Direct Management Partnerships
- Consolidation the next generation of Mergers



## Our Network of Resources

Ultimately, we both want to do more. To do more, we need both opportunity and the tools to meet the demand. During this process we'll go over our vision for how our network can constantly be adding more tools through partnership. We'll inventory your resources, consider how they align with our networks, and develop an aggressive plan so we both can count on adding resources every year from now on.

- Physical Branching and Network Third Party Alliances
- Virtual Branching and the Internet
- Building a Retailer Network

## Our Team Members

None of this makes any sense if we cannot build a future that can attract new team members who want a career in credit unions. We need a diverse set of talents. We need people who are dedicated to the future of credit unions and who believe that the organization we are building is timeless. During this process we'll look at how a network of partners can deal creatively with:

- Building Careers and Opportunities
- Creative Benefits and Educational Opportunities
- Our Virtual Team Member: Our Intranet

## The Devil's In the Details

Once you've caught the vision, and we can both see the project in front of us, we need to talk about the team that will make all of this promise a reality for our membership. Success CU has worked hard to build a project management team and to align some key technical partners to implement our network strategies. It won't just be our team we

bring to the table; it will be an extended team of CUSOs, key vendors, and project managers ready to lay out the blueprint to a new future. We're in the business of building a network.

See you soon so we can get started.



### Consider what you just read...

What do you think CU\*Answers needs to do to become a network that is aggressive in helping credit unions to partner for the future? That is aggressive in helping *you* be aggressive?

As you read the prototype brochure and started to think about how you could offer such services and market such offers, what immediately came to mind? What would you need from a partner like CU\*Answers so that you would be confident enough to develop your own brochure?

For example, you might have thought, "I don't have a 6-step process for board members! I'm not clear on what capabilities I have that someone might want to partner with. I'm not sure I understand the menu of partnering options."

Now you are getting it. You need a lot of support in developing a business plan and process so that you are ready to sit down with partners. So that you are ready to make an offer. CU\*Answers wants to help you with that plan and process outline.

We can help you use the CU\*Answers network as a template for the network you're going to build. We can help you apply our business philosophies for collective operations in the network that you build for your members with new credit union partners.

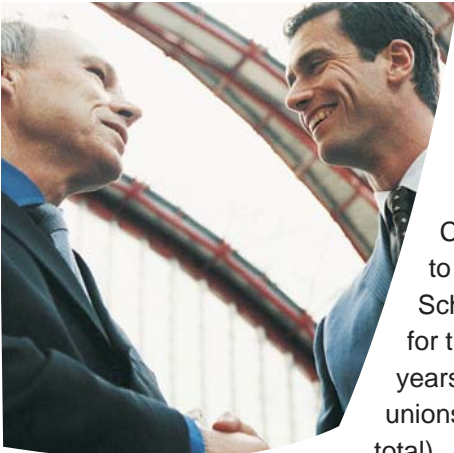
***Our model might be *your* model for the future!***



Randy Karnes, CEO



123 Your Street SE  
New Directions, USA 54321  
[www.successcu.com](http://www.successcu.com)  
800.987.6543



## A Scholarship Program

*As part of its 2006 CEO Strategies Week event, CU\*Answers proposed the following to the assembled credit union CEOs in the hope of offering an aggressive scholarship program to credit unions in 2007-2008.*

CU\*Answers would like to offer 5 Operational Scholarships each year for the next three to five years to qualifying credit unions (15-25 credit unions total). The Operational

Scholarship would provide an opportunity for credit unions who are struggling and cannot afford to make major changes in their business plan to turn things around. CU\*Answers would develop a set of criteria for analyzing credit unions who apply for the scholarship and determining which organizations warrant the support of the CUSO.

Recipients of the scholarships would receive CU\*Answers core data processing services at no charge for a two-year period. They would participate in our network as independent credit unions with the same tools and options for bookkeeping services, internet banking, call center services, etc., in the hope that their business plans could be reenergized and their futures assured.

Qualifying credit unions would sign an agreement with CU\*Answers with the caveat that on the two-year anniversary of converting to CU\*Answers, the CU can decide whether or not to continue as an independent credit union charter and pay for CU\*Answers-provided services at the then-current rates for five years. The operational contract would be consistent with contracts offered to all credit unions, including cancellation fees and penalties.

In effect, the credit union would be signing a 7-year agreement with CU\*Answers, with the first two years free. However, if at the two-year anniversary the credit union decides it cannot complete the full 7-year contract and wants to merge, it has two choices:

- Merge with a CU\*Answers stockholder credit union, in which case there would be no cancellation fee; or
- Merge with a non-CU\*Answers credit union, in which case the credit union would agree to pay the standard cancellation fee based on 50% of the remaining term of the initial 7-year contract.

### A Turnaround Program

In essence, CU\*Answers would offer a “turnaround program” for between 15 and 25 credit unions in the next three to five years. This turnaround program would represent CU\*Answers credit union owners’ desire to support credit union charters and give these credit unions options for their future. We believe that from the beginning, these credit unions would start to participate in the CU\*Answers network, benefiting everyone through:

- Purchasing ancillary CU\*Answers services such as bookkeeping, call center, home banking, and third-party network revenues.
- Participating in balance sheet sharing programs through loan participations or providing liquidity to credit unions who need it.

Imagine the value to CU\*Answers owners in being part of 15 to 25 credit unions securing a new future. Being part of a proactive solution to ensure the success of our industry. CU\*Answers already has programs to support start-ups...*new* credit unions. Why shouldn’t we be part of renewing credit unions?

### Why would a CU\*Answers owner support this program?

In the long run, we believe this program would also give CU\*Answers credit unions a far better chance of securing these memberships, in contrast to watching these credit unions fail without any alliance or allegiance to CU\*Answers. What if CU\*Answers credit unions had a leg up in securing 15 to 25 additional membership bases in the next three to five years?

We believe it’s a win win. And if we’re lucky, we might even inspire other CUSOs and credit union players to start programs like this themselves.



## About CU\*Answers

We have a simple goal: to expand the capabilities of our partners so that they can remain relevant in the lives of their members. We believe that we need to work on that goal day in and day out. For us it starts with a perspective that is bigger than life and pulls us forward. We work hard to be a catalyst for innovation and collaboration, and to be a key force in the constant renewal of the industry's focus on today's credit union member.

CU\*Answers is an energetic business network of 175 credit unions and multiple CUSOs serving well over one million members. Our foundation is a technical network based on the CU\*BASE<sup>®</sup> core processing suite. But we go far beyond a data processing solution. From the front lines of credit union lobbies all the way to the desktops of credit union members at work and at home, CU\*Answers partners with credit unions to make sure that members receive the services they need and the returns they deserve. With over 70 credit union owners, we're more than a vendor; we are a credit union *partner*.

*CU\*Answers participates actively in the industry as a vested credit union team. Mr. Karnes has been a Board member of Callahan & Associates since 2001, and is a co-founder of the Member Value Network along with Ed Callahan and Chip Filson. Mr. Karnes is an active commentator and contributor in the industry through forums such as creditunions.com and cuanswers.com. The CU\*Answers team regularly participates in industry events, from local Leagues to the national scene. Mr. Karnes is also an active speaker and facilitator for credit union Board planning sessions and educational events.*

*To learn more please visit [www.cuanswers.com](http://www.cuanswers.com).*



Randy Karnes, CEO  
CU\*Answers



CU\*Answers

6000 28th Street SE  
Grand Rapids, MI 49546  
[www.cuanswers.com](http://www.cuanswers.com)  
800.327.3478