

It's a Birthday Party!

CU^{*}ANSWERS
A CREDIT UNION SERVICE ORGANIZATION

Annual Stockholders
Meeting
June 23, 2010



Agenda

- Call to Order
- Chair of the Board: Year in Review
 - Review 2009 Minutes
 - Chairman's Comments
- Election of Board Members
- CFO Report
 - Review Financial Reports
- CEO Report
 - When Is "Let Them Eat Cake" a Positive...?
- Board Election Results
- Adjourn

The Power of the Network: The Shareholder Opportunity

Chairman's Comments



The Power of the Network

The Shareholder Opportunity

- Earlier today Randy made several references to the power of the network and what it means in today's marketplace
 - He highlighted the promise that the power of the network holds for credit unions, their members, their employees, and business designers
- What does this opportunity mean to us as shareholders?
 - What does it mean beyond building a great business?
 - How can we interact differently to leverage this for our personal stakeholders?
 - How can we act locally while thinking globally?
- The CU*Answers Board hopes to be at the center of shareholder network interactions

THE POWER OF THE NETWORK:

The other day I was being interviewed on Network Concepts and I was surprised by a very simple question: "Why should today's business leaders understand both the power of network designs? Why do they need to adapt these principals to their business models and operations?"

To be honest, I thought most business leaders were already past this question. Every consumer, potential employee, board member, and future leader is already immersed in the ideas of being connected. Every day they experience the flow of shared experiences, shared ideas, shared solutions, and shared challenges.

THE FOUNDATION FOR FUTURE MODELS, TODAY.

The Network has evolved from a simple concept of cooperation to the way business is done. And every day that belief system is pushing the boundaries of development and advancement in our society. My simple answer, then, was "If you are still wondering why use the networked world, you're behind the curve."

Of course using the network does not mean you don't still act for your own best interest. You're independent; you are *yourself* in a crowd that helps you get things done.

Breaking this down for a business leader then becomes very easy: The consumers you serve will expect your business solutions to take advantage of network opportunities. The employees you hire will have been trained to expect networks to be available to them in solving problems and succeeding. The volunteers who join your Boards will ask whether you are connected

The Power of the Network

The Shareholder Opportunity

- We all have the responsibility of being network architects, and designing activities and systems to harvest the power of our collaboration
 - We no longer feel it is enough to tell you we are available, to let it be known you can call us at any time
 - We want to get proactive and interact in a new way...do you?
- We're not talking about micromanagement of our CUSO team or simply responding to momentary grievances...we're talking about micro-awareness of what opportunities we might all harvest together

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The Power of the Network

New Shareholder Tactics for 2011

Shareholder Idea Form

Contact the CU*Answers Board of Directors

The CU*Answers Board of Directors' primary function is to plan the course for CU*Answers and ensure that CU*Answers maintains a sound financial condition. One of the key functions is to ensure open communication between the board and all CU*Answers clients about the direction of the CUSO, education about key initiatives and progress on CU*Answers Leadership towards goals and objectives.

Please use this contact form to initiate open communication with the entire Board of Directors and Leadership Team.

Notes: This is not a secure channel. Please do not submit private information such as account numbers, usernames or passwords through this form.

Personal Information

Thanks for Listening, I Wanted to Share the Following:

Find the Board as a Client

Call Us! 866-981-4CUA

Board of Directors

Have Something to Share with the Board?

Contact the Board of Directors directly.

Chairman of the Board
 Leadership Team
 Succession Planning
 Board of Directors
 Contact the Board
 Director Handbook
 Meeting Format

Secretary/Treasurer
 Vickie Schenzler
 CEO
 Frankensmuth, CU
 Biography Info

Advise the Board as an Industry Commentator

Call Us! 866-981-4CUA

Contact CU*Answers

Address
 CU*Answers
 6000 28th Street
 Suite 100
 Grand Rapids, MI 49548

General Phone
 616.285.5711

Toll Free
 800.327.3478

Fax
 616.285.5735

Online
<http://www.cuanswers.com/>

Customer Support
 800.327.3478 or cu@cuanswers.com

General Phone support is available from 7:30 a.m. to 5:00 p.m. Monday through Friday, though a limited number of staff may be available on weekends.

AnswerBook
 Our knowledge base is updated every day, fueled by questions submitted from our users. Search through our archives or ask a question of your own.

View the AnswerBook

Contact the Board of Directors
 Send an email directly to the Board of Directors

Meet the Board as a Visitor

A Guided Tour of CU*Answers : Leadership

One of the greatest assets CU*Answers has to offer is that our structure mirrors that of credit unions: the people who lead the CUSO are the same people who own it and participate in it as partners. Our Board of Directors consists of a diverse group of seven dedicated credit union CEOs that provide focused leadership. As each member has a vested interest in the success of CU*Answers clients, our CUSO model sets us apart by creating equity through ownership and maintaining high levels of cooperation and trust that you won't find in other vendor models. Directors are challenged to wear many hats and focus on addressing issues regarding vision, strategy, and development. The format taps the many talents and leadership skills of our directors and adds value for every CU*Answers client.

1. History

2. CUSO Model

3. CUPASS Software

4. Member Focus

5. Self-Service Product Line

6. Education and Support

7. Marketing

8. Mutual Partners

9. Team Ownership

10. Leadership

More Information

CEO
 Randy Gammes
 CU*Answers, Inc.
 Biography Info

CEO
 Bob Fritzsche
 CU*Answers, Inc.
 Biography Info

CEO
 Judy Karnes
 CU*Answers, Inc.
 Biography Info

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jkarnes@cuanswers.com**

Have a Question for the Board of Directors?

Contact the board of directors directly.

Ways to Stay Connected

Find the Board During Due Diligence Research

Our Responsibility to Harvest Potential

- Whenever you celebrate history, it gets you wondering about what they will say about you when your efforts have been recorded in the history books
- Consider this quote from Randy's Power of the Network:

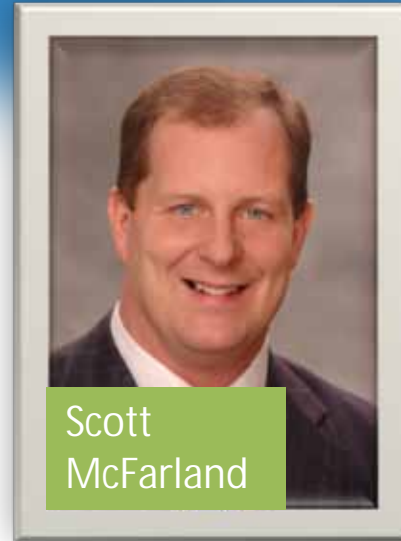
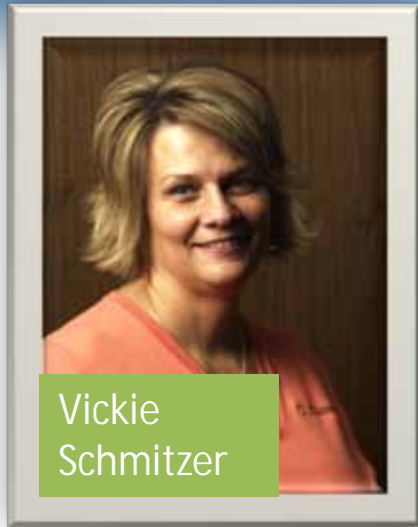


"And the cool thing about CU*Answers is, we have a short-term advantage from being in the right place at the right time. So we can get started NOW on what others are starting to think about. CU*Answers is a proof of concept for network ideas."

- What will we do with this responsibility? What will they write about us at the 80th anniversary of our CUSO?

The Board is committed to the vision of the shareholders and what they want our legacy to be

Another Great Year with a Great Team



2010 Board Elections

A New Wrinkle

- q A vote of unanimous consent for two unopposed seats
- q A Special Election for a vacated seat



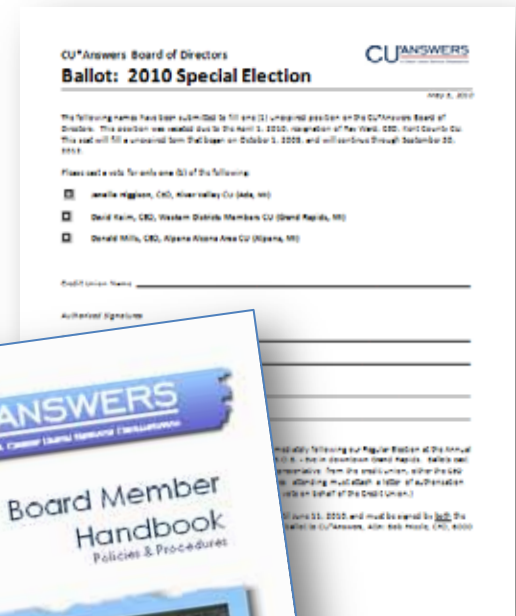
2010 Special Election

Let's Hear from the Candidates

In alphabetical order...

- Janelle Higgison, CEO
 - River Valley CU (Ada, MI)
- David Keim, CEO
 - Western Districts Members CU (Grand Rapids, MI)
- Donald Mills, CEO
 - Alpena Alcona Area CU (Alpena, MI)

Special thanks to this year's Board Member Handbook Committee for updating our election and appointment procedures



Tonight's song and dance team will entertain you while we wait for the results...

The CFO Report
The CEO Report



A Look at The Numbers

CFO Report



This is the 2010 Annual Meeting, but...

- Every year about this time, Randy sets the vision for next year (2011)
- But remember that our annual Stockholder's Meeting is about last year's numbers (2009), and my comments tonight are about where I see us closing out the current year (2010)



It's kind of a "who's on first" scenario, and you have to pay attention

Inventorying our Assets

There are as many perspectives as there are observers...

- The **traditionalist** perspective...

	2009 (\$K)	2008 (\$K)	% Change
Cash	\$ 5,204	\$ 3,739	39.2%
Accounts Receivable	1,069	1,329	-19.6%
Prepaid Expenses	725	691	4.9%
Fixed Assets	4,994	4,832	3.4%
Miscellaneous	3,180	5,672	-43.9%
	\$ 15,172	\$ 16,263	-6.7%

Inventorying our Assets

There are as many perspectives as there are observers...

- The cuasterisk network perspective...



2.1% ownership stake



48% ownership stake



50% ownership stake



7.7% ownership stake



50% ownership stake

Inventorying our Assets

There are as many perspectives as there are observers...

- The intellectual capital perspective...



Inventorying our Assets

There are as many perspectives as there are observers...

- And let's not forget the **future value of contracts** perspective



- In the end, the most meaningful figures to your examiners and auditors continue to be purely financial
- So let's take a look at the big picture...

2009 Numbers Worth Celebrating

- The big picture:

Detail	YE 2008	YE 2009	% Change
Total Assets	\$16,262K	\$15,172K*	-6.7%
Total Liabilities	\$12,213K	\$8,930K	-26.9%
Total Equity	\$4,050K	\$3,527K*	-12.9%
Retained Earnings	\$4K	\$716K	17,800%
Book Value of Class A Stock (<i>\$ per share</i>)	\$183.03	\$217.69	18.9%
Book Value of Ownership	\$36.606	\$43,537.85	18.9%

*Company redeemed Class B shares in 2009 for **\$1,194,264** (vs. \$52,000 at time of purchase)

2009 Numbers Worth Celebrating

- Year-end 2009 dividend payments:

Detail	YE 2008	YE 2009	% Change
Patronage Dividend (\$)	\$400,000	\$700,000	75.0%
Ownership Dividend Rate	4.25%	4.30%	1.2%
Ownership Dividend (\$)	\$125,200	\$154,489	23.4%
Class B Payout Rate	4.00%	n/a	
Class B Payout Dividend (\$)	\$22,304	n/a	
Book Value of Class A Stock (\$ per share)	\$183.03	\$217.69	18.9%
Price to Purchase Ownership in CUSO in 2010	\$92,000	\$99,000	7.6%

2009 Return on Investment

2009 Gross Income Submitted by Owners to CU* Answers <i>(Excludes all vendor pass-throughs)</i>		\$ 11,345,813
2009 Patronage Dividends Paid	\$ 700,000	
2009 Class A Stock Dividends Paid	154,489 (4.30%)	
2009 Class B Stock Dividends Paid	0 (retired in 2009)	
2009 Interest Paid Credit Unions on Loans	<u>543,371</u> (~8.00%)	
Total Revenue Returned to Credit Unions		\$ 1,397,860

Return Per Total Dollars Received: \$0.1232

\$1,397,860 ÷ \$11,345,813 (excludes vendor pass-throughs) = 12.32% return per CU*A \$ received

Thinking About 2010 Year-End

Network revenue numbers continue to impress

- CU*Answers direct revenues continue to evolve with new processes, internal capabilities, and new offerings
 - Projected for 2010: **\$30.944M**
- Just as important, CU*Answers' influence through partnering with other CU*BASE networks and investing in new initiatives is starting to really add up
 - Xtend projected for 2010: **\$1,167K**
 - eDOC projected for 2010: **\$3,552K**
 - CU*NW projected for 2010: **\$1,862K**
 - CU*S projected for 2010: **\$300K**
 - Processing Alliance proj. for 2010: **\$505K**
 - Grand total: \$39 million**

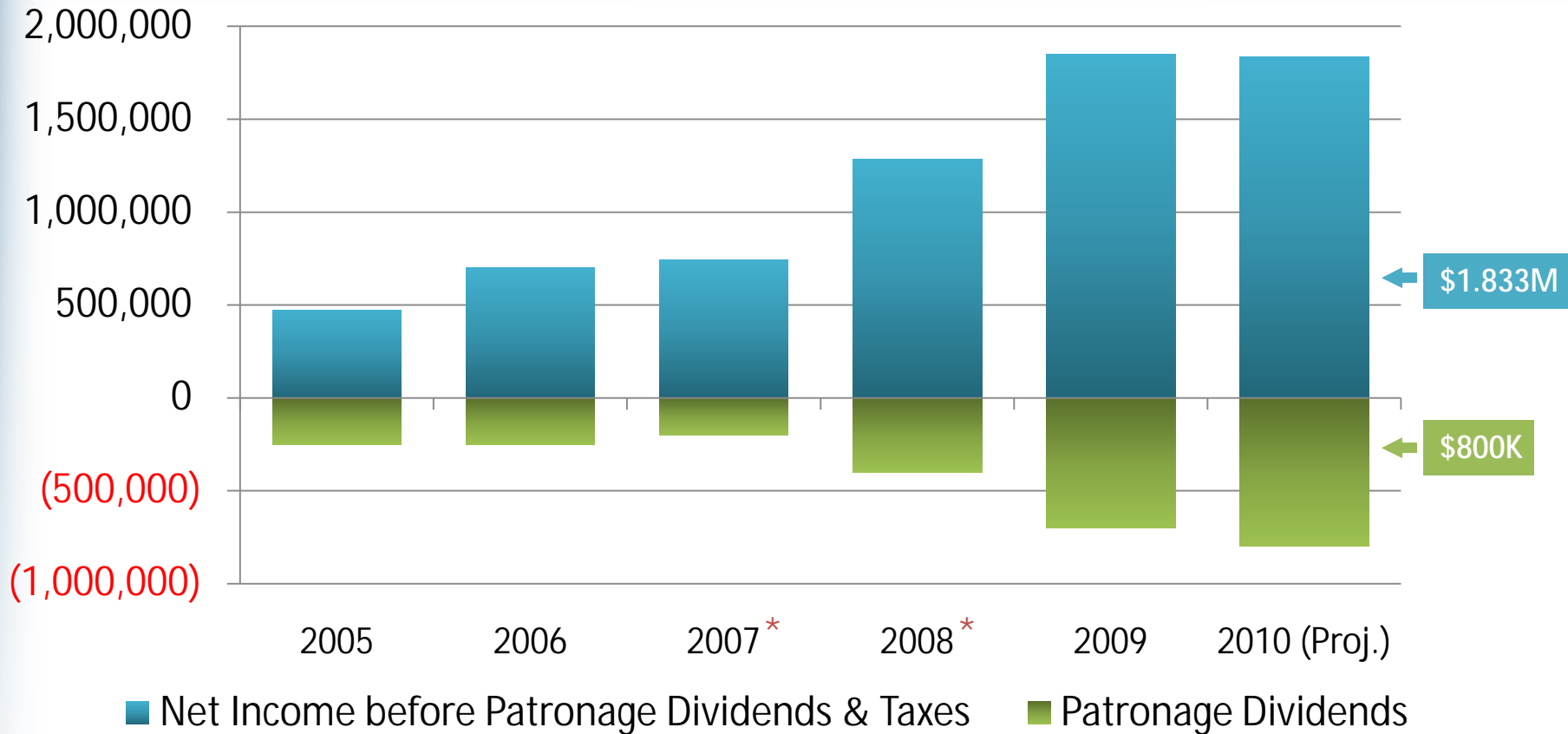


Keeping track of all of our network partners, products, and services is a real challenge

Visit www.cuasterisk.com for a running total

Net Income & Patronage Dividends

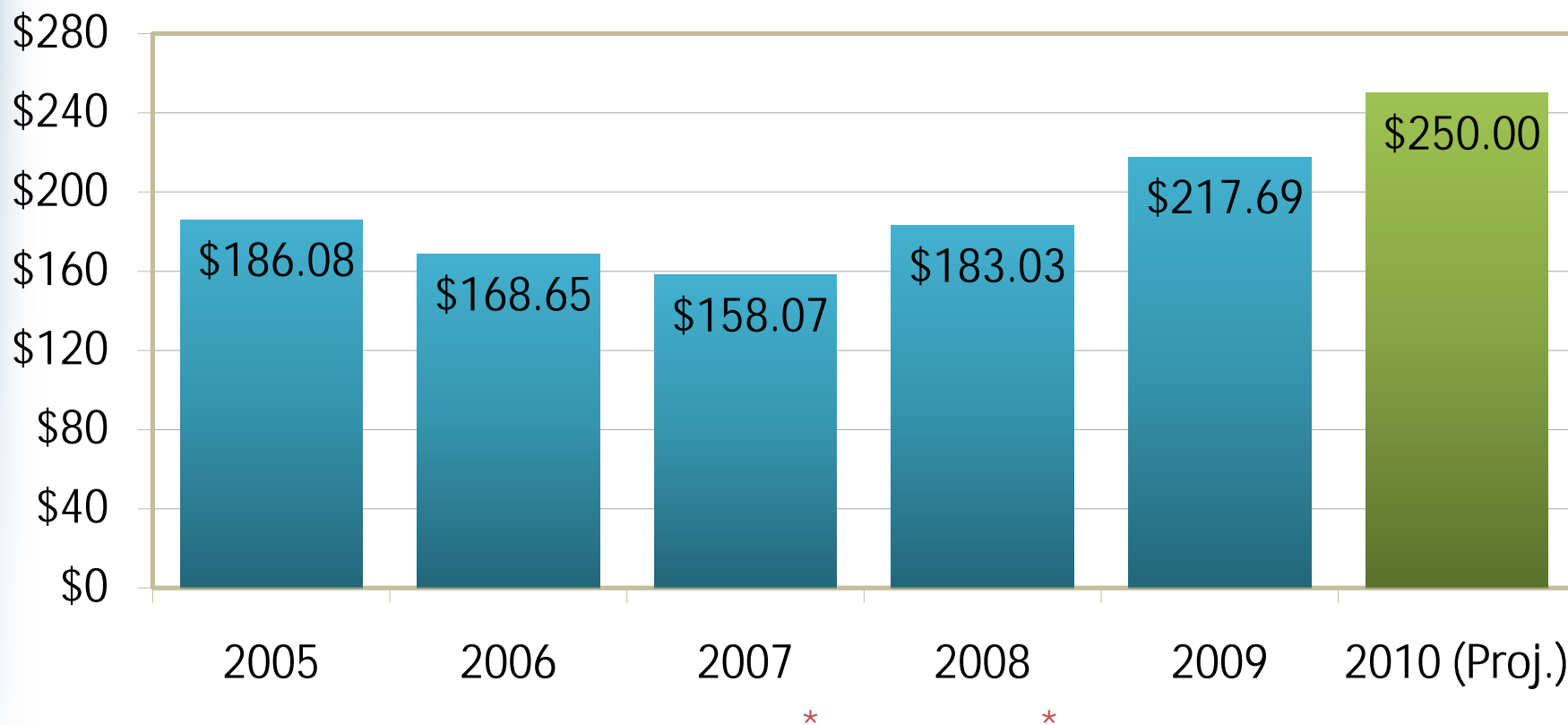
What do shareholders get, and what are we putting away for our future?



Projecting Shareholder Value

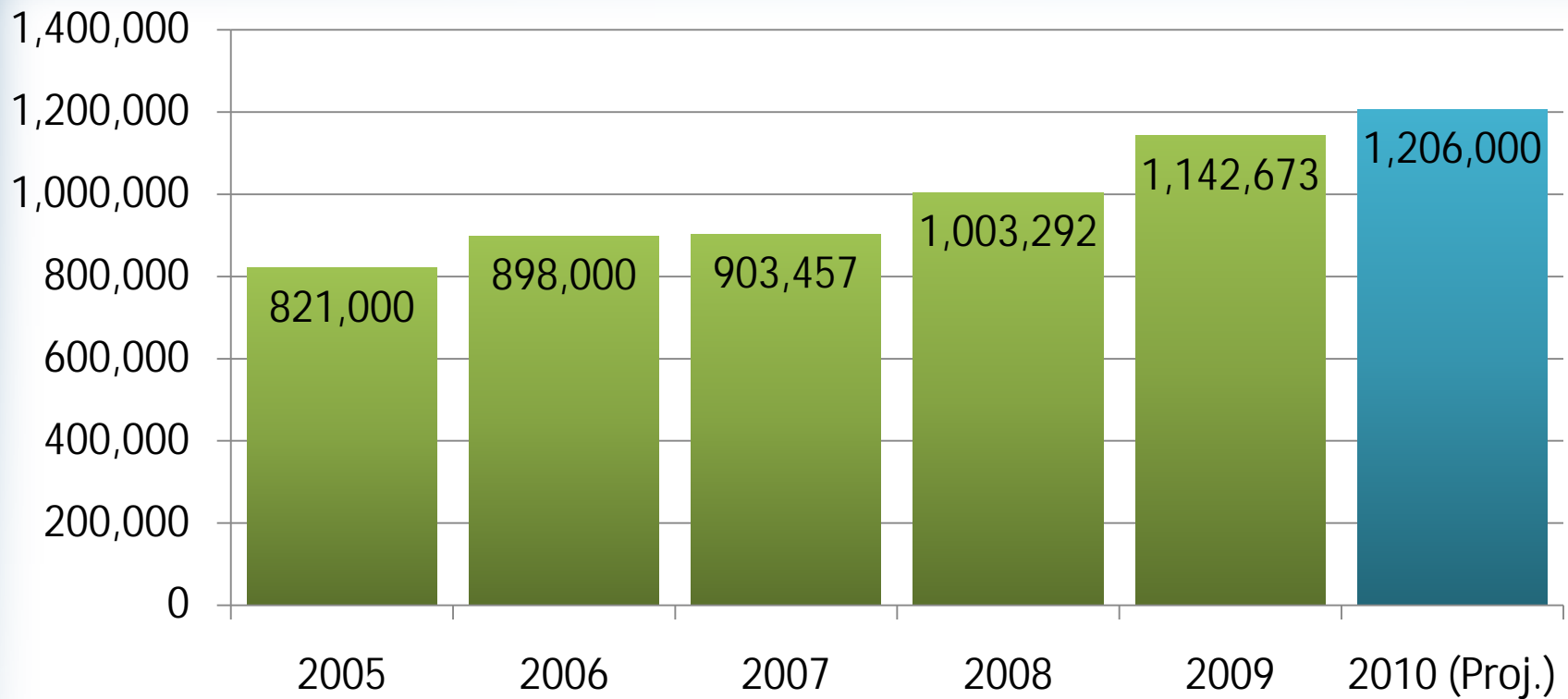
- Depending on when you bought in, your perspective is different

Ownership price 1991: \$59.31, 2000: \$176, 2005: \$460, 2009: \$460, 2010: \$495




Members Served

The Point of All of Our Efforts...




What some might consider to be Randy's "sales jargon" is truly the driving force behind our financial model – we are built to facilitate credit union success

The CFO's Perspective...





The Power of the Network

The Ability to Have Christmas in June



- What better tradition could a network have than an expectation of increasing its value and lowering its costs every year?
- In the most recent published quarterly Financial Performance report, here were my top 5 for investments we could make with our 2010 returns:
 - Regulatory changes without fees
 - DR/BC for online banking and web services without fees
 - Announce more fee reductions (e.g., ATM/debit/credit)
 - Continued COLA relief (2 years in a row)
 - Match or exceed our 2009 Patronage Dividend of \$700K

If you don't get this newsletter, owner or not, contact us to be added to our distribution list, or check them out at http://www.cuanswers.com/client_financials.php

Christmas in June!

Savings for Your 2011 Business Plan

Goal	Christmas in June
1. Regulatory changes for free	You've heard all day that we are on track and I don't see that changing – this is a major investment by the CUSO
2. DR/BC for the web	You saw in the Gap Analysis that It's Me 247 is now part of our redundant services; Web Services is next in 2011
3. More fee reductions	Here's how far we can go today (Reg. E has even us a bit spooked): <ul style="list-style-type: none"> Reducing ATM/Debit card fees by 3%, starting with July 1 activity (for online switches) 2011 Special: Waiving fee for converting from batch ATM/debit to an existing online switch Eliminating the per transaction fee for CUSC shared branding Eliminating the setup fee on Spanish CU*Talk
4. Continued COLA relief	We will waive the COLA increase for 2011 (2nd year in a row) – but don't count on this in 2012
5. Match 2009 Patronage Dividend	I won't steal the Board of Directors' thunder here, but boy does it look good!

It's been a tough year for credit unions, and looks like a rocky future until we get through special assessments
CU*Answers is vested in your future and will do all we can

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It's a point of pride that our cooperative thinks about all network participants, not just shareholder return

But it's also a great driver for growth when you drive more margin in the day-to-day for an entire network

When Is “Let Them Eat Cake” a Positive...?

CEO Report



...when a CEO knows to keep the comments short and get everybody to the party!

- I have been humbled many times by all of the wonderful things accomplished by so many people involved in this network
- Earlier today, we showed the “We Get It” model to the Leadership Conference audience – did you catch these numbers?

1 EMPLOYEE WORKING WITH 150 CU*ANSWERS EMPLOYEES SUPPORTING THEIR 390 FAMILY MEMBERS SERVING 216 CREDIT UNIONS WITH 3379 EMPLOYEES AND THEIR 8785 FAMILY MEMBERS IN 138 COMMUNITIES IN 22 STATES SERVING 1,000,000 MEMBERS 1 EMPLOYEE WORKING WITH 150 CU*ANSWERS EMPLOYEES SUPPORTING THEIR 390 FAMILY MEMBERS SERVING 216 CREDIT UNIONS WITH 3379 EMPLOYEES AND THEIR 8785 FAMILY MEMBERS IN 138 COMMUNITIES IN 22 STATES SERVING 1,000,000 MEMBERS 1 EMPLOYEE WORKING WITH 150 CU*ANSWERS EMPLOYEES SUPPORTING THEIR 390 FAMILY MEMBERS SERVING 216 CREDIT UNIONS WITH 3379 EMPLOYEES AND THEIR 8785 FAMILY MEMBERS

We could have continued with what a million citizens touched by CU*Answers means to the U.S.

Almost to the party...



- When an anniversary like this comes around, I am humbled by the fact that generations before me had the vision to get the whole thing started, that year after year they laid the foundation to bring us where we are today
- Earlier tonight the Chairman challenged us to remember our responsibility to the people who worked together, giving us this opportunity to be in the right place at the right time
- Our industry is being challenged like never before, and many think that we are precariously close to the end of what our industry has meant to so many...I do not agree
- In the power of collaboration and the models presented in the networked world, I see all the inspiration I need to believe that our 80th anniversary is a solid bet

*A legacy is not defined by what you **did** in your life, but by what you **gave** to the future...an opportunity*

You're at the door, get your drink order ready...

- Your personal situation, or your credit union's status, might have you doubting the potential of where we are today
- You are challenged by your concern that the models we used in the past don't seem to be what we can count on for the future...and you're right
- That reality is exactly why CU*Answers is in the right place at the right time
- We need a new solution, we need a new model...and we *are* a new model
- Consider Chip Filson's article, "The Emergence of CUSO Power," marry that to the power of the network, and you will conclude that there is an opportunity to be the new model for the future



Please join me upstairs for
my last speaking assignment
of the night...a toast to all of
you!

