

Celebrating Our Customer Owner Model

CU*ANSWERS
A CREDIT UNION SERVICE ORGANIZATION

Annual Stockholders Meeting

June 22, 2011



Agenda

- ❖ Call to Order
- ❖ Chair of the Board: Year in Review
 - Review 2010 Minutes
 - Chairman's Comments
- ❖ Election of Board Members
- ❖ CFO Report
 - Review Financial Reports
- ❖ CEO Report
 - Celebrating Our Customer Owner Model
- ❖ Board Election Results
- ❖ Adjourn

Shining a Light on a Million Reasons Cooperatives Rock

When you can't find a gigantic win to prove your point, work hard every day on having a million little wins to do it for you

2010 was a heck of a year, both good and bad



2010: The Good, the Bad, and the Ugly

7,442 U.S. Credit Unions at Mar. 2011

As of 3/31/11 12-mo. Growth 12-mo. Growth

1Q 2011 Credit Union Performance "The Year of Lending"

• Loan originations post 13% growth from 1Q
• Total assets to over \$58 billion

FINANCIAL PERFORMANCE quarterly review



Credit Union Times June 8, 2011 CU Trades Disappointed With Interchange Vote While Retailers Happy

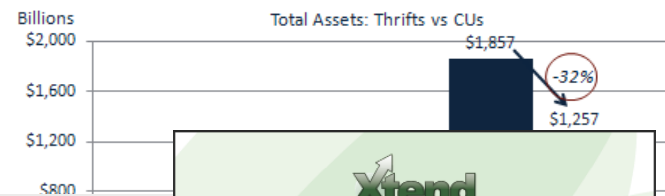
BY CLAUDE R. MARX

CUNA and NAFCU said Wednesday's defeat of an amendment by Sens. Jon Tester (D-Mont.) and Bob Corker (R-Tenn.) to delay the implementation of the Federal Reserve's rule regulating debit interchange fees would hurt credit unions and other financial institutions.

The failure to pass the measure, which received 54 votes, six short of the 60 needed under Senate rules.



Credit unions posted steady growth through the Great Recession as thrift assets dropped



WHY WE SPOKE UP

In unprecedented times, those who look to yesterday's successes will miss the parade of those marching towards future successes.

It's About the Member, Stupid...and It's About ALL the Roles They Play

This is a right modification on Ed DePue's writing you've seen in every CU magazine. It's about the member, stupid...and it's about ALL the roles they play.

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CU*Answers Announces \$1.2M Patronage Return January 6, 2011 | Partners: [Press Release Center](#)

As 2011 begins, some credit unions are reminded of the value in choosing to partner with a 100% credit union-owned CUSO. CU*Answers, a core data processing company headquartered in Grand Rapids, MI, has recently announced a \$1.2 Million Patronage Dividend return to its credit union owners.

This return is over a 71% increase from last year's Patronage Dividend of \$700,000. The CUSO attributes success of 2010 to the dedication of its owners/clients and network partners in promoting collaboration as a means for sustainability.

CU*Answers presently has 91 stockholders, with 9 of them being added in 2010 along

thanks NACUSO for their
2011 CUSO Collaboration and Innovation Award

It takes a network.

Thanks to our owners and network partners

ABA Federal CU	Bank United Federal CU	First City Federal CU
AAC Credit Union	BankSouth Credit Union	Progressive Credit Union
Aerogay Credit Union	GR Consumers Credit Union	Quest Federal Credit CU
Albany Credit Union	Grand Rapids Family Credit Union	Rochford Community Federal CU
Alpena Community Credit Union	Greater Metro Federal Credit Union	Rogue River Community Credit Union
Alpena-Alcona Area Credit Union	Honor Credit Union	Saginaw Schools Credit Union
ATL Credit Union	Horizon Utah Federal CU	Service 1 Federal CU
Banner Credit Union	Heart County Employees Credit Union	Services Center Federal CU
Baylor Credit Union	Lake Trust Credit Union	Sixth Empire Federal CU
Bay State Credit Union	Lakeview Federal CU	TBA Credit Union
BayWest Credit Union	Lakeview Credit Union	Union Credit Union
BayWest Community Credit Union	Madison County Federal CU	Vacationland Federal Credit Union
BayWest Star Credit Union	Michigan Coastal Credit Union	West Michigan Credit Union
BayWest Plus Federal CU	Madison County Federal CU	Western Credit Union
BayWest Community Credit Union	Madison County Federal CU	Western Union Members Credit Union
BayWest Plus Federal CU	Madison County Federal CU	Western Community Credit Union
BayWest Community Credit Union	Madison County Federal CU	WV United Federal CU
BayWest Plus Federal CU	Madison County Federal CU	

Visit XtendCU.com

Cooperative Principle #2 Democratic Member Control



BOARD OF DIRECTORS



Have you checked out our first-ever DVD? Top 20 on the 2010 CU Charts!

Cooperative Principle #1

Voluntary and Open Membership

❖ Welcome to our new owners...

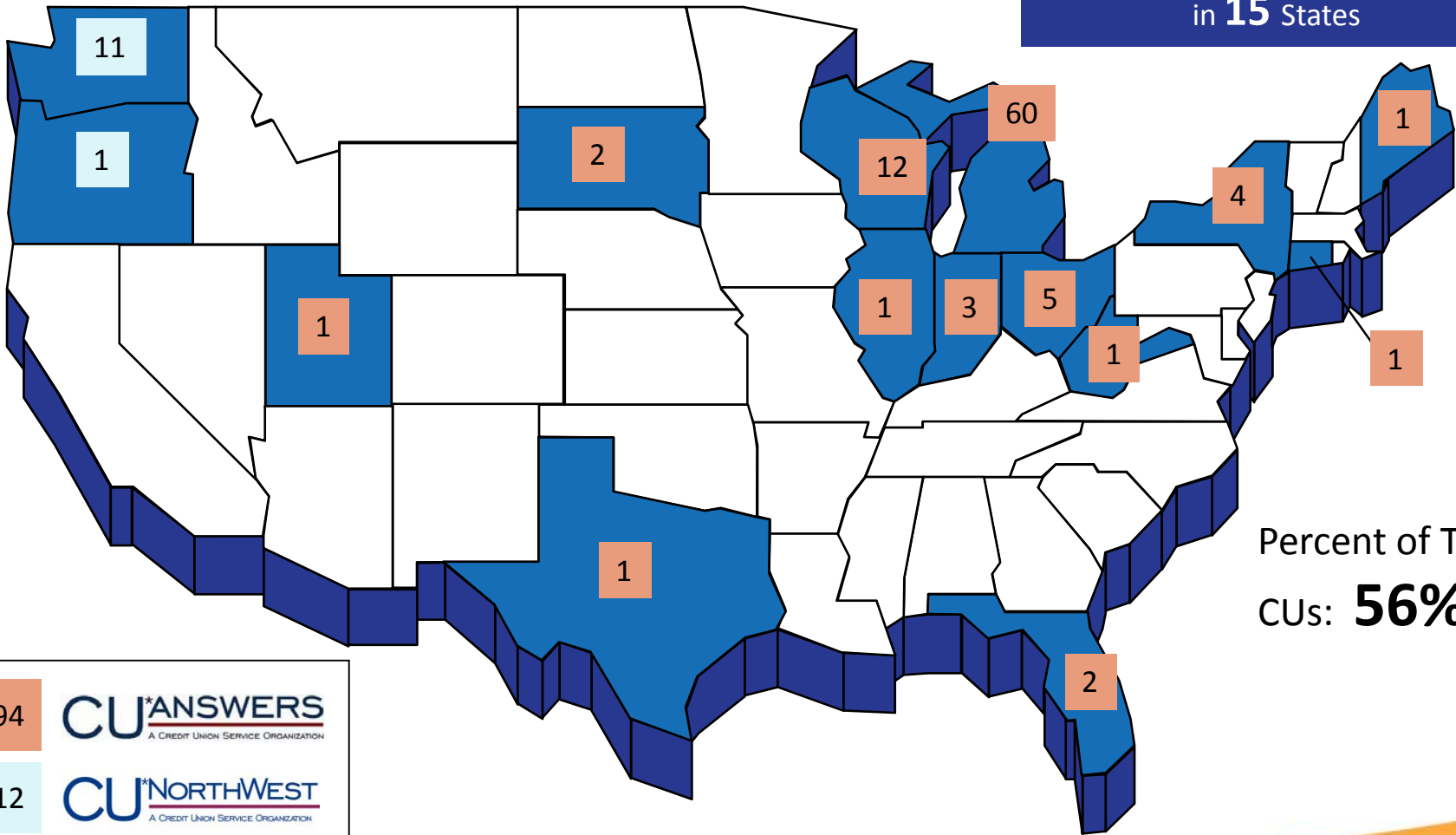
- COMM Star
- Ripco Credit Union
- Heartland CU (WI)
- Vacationland Credit Union
- WV United FCU
- First United Federal CU
- Horizon Utah Federal CU
- Farm Bureau Family CU
- Lower East Side Peoples CU
- Best Advantage CU
- Tri Cities Credit Union

Cooperatives working with cooperatives: We have **11 new owners** since we last met, our biggest gain since 1999-2000...
cooperative-designed business is a growing niche

Investment in Cooperatives is Alive and Well



106 Credit Union Owners
in **15** States



Percent of Total
CUs: **56%**

94	CU*ANSWERS A CREDIT UNION SERVICE ORGANIZATION
12	CU*NORTHWEST A CREDIT UNION SERVICE ORGANIZATION
0	CU*SOUTH A CREDIT UNION SERVICE ORGANIZATION

Cooperative Principle #7

Concern for Community

- ❖ It's easy to celebrate our partnership with CU*Answers when we have a year like we did in 2010
- ❖ But we must remember that CU*Answers exists only for and based on the strengths of credit union organizations and their members
- ❖ This Board remembers how important it is for us to focus on the goals of credit unions and how they are doing
- ❖ This cooperative is focused on your success and your members' success

Christmas in June: \$466K/year

Do smaller CU*Answers invoices lead to healthy communities?

- I believe so, and based on some recent Senate action, I imagine too... so let's get to it
- Announcing a **10% price decrease** for online ATM/Debit transactions effective October 1, 2011
 - CUs with online credit cards: \$0.0563 per transaction
 - CUs without online credit cards: \$0.0608 per transaction
 - Caps on EFT processing remain the same
 - Total savings for all CUs: ~\$341,000 in the 2012 business year
- Announcing... COLA increase for 2012 will be **cut by 50%**
 - Total savings for all CUs: ~\$107,000 next year and every year after that
- Announcing... **eliminating minimum** for check transaction fees
 - Totals savings for all CUs: ~\$18,000 annually

Disruptive pricing must be a significant goal needs to be expanding opportunity to highest possible CU*Answers



Who doesn't love a sale?

- Add any service on this list that you don't currently use, and we'll waive the ongoing service fees for 2 years
- 2012 could be a lean year, and at the same time, demand that you innovate for new opportunity
- If you've been waiting for some reason, maybe FREE will get you up and moving



Keeping CU*Answers invoices lean and mean drives innovation for us all

2011 Board Elections

Let's vote!



Let's Hear from the Candidates

In alphabetical order by first name...

- ❖ Dean Wilson
 - CEO, FOCUS Credit Union (Wauwatosa, Wisconsin)
- ❖ Kevin Ralofsky
 - CEO, VacationLand FCU (Sandusky, Ohio)
- ❖ Vickie Schmitzer
 - CEO, Frankenmuth CU (Frankenmuth, Michigan)

CU*Answers Board of Directors CUANSWERS
Ballot: 2011 Regular Election May 2, 2011

The following names have been submitted to fill two (2) positions on the CU*Answers Board of Directors, for a term to begin October 1, 2011, and continue through September 30, 2014.

Please cast a vote for only two (2) of the following (listed alphabetically by first name):

- Dean Wilson, CEO, FOCUS Credit Union (Incumbent)
- Kevin Ralofsky, CEO, Vacationland Federal Credit Union
- Vickie Schmitzer, CEO, Frankenmuth Credit Union (Incumbent)

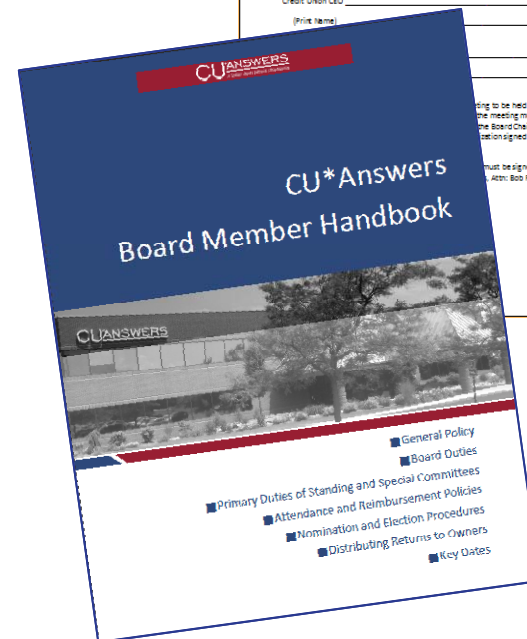
Credit Union Name _____

Authorized Signatures _____

Credit Union CEO _____

(Print Name) _____

Meeting to be held on Wednesday, June 23, 2011, at _____ The meeting must be signed by at least 20% authorized members of the Board Chairperson. (Other Credit Union members must be signed by the Credit Union CEO and Chairperson)
Must be signed by 2011 the Credit Union's CEO and _____
Attn: Bob Pizore, CFO, 8000 28th Street SE, Suite _____



A Look at The Numbers

With a year like we had in 2010, the numbers might be considered the star of this show



This is the 2011 Annual Meeting, but...

- ❖ Every year about this time, Randy sets the vision for next year (2012)
- ❖ But remember that our annual Stockholder's Meeting is about last year's numbers (2010), and my comments tonight are about where I see us closing out the current year (2011)



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...

	2010 (\$K)	2009 (\$K)	% Change
Cash	\$ 6,700	\$ 5,204	28.7%
Accounts Receivable	1,176	1,069	10.0%
Prepaid Expenses	871	725	20.1%
Fixed Assets	5,373	4,994	7.6%
Miscellaneous	3,197	3,180	0.5%
	\$ 17,317	\$ 15,172	14.1%

Inventorizing our Assets

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

❖ The **cuasterisk** network perspective...



1.8% ownership stake



48% ownership stake



50% ownership stake



7.7% ownership stake



0% 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...

2010 Numbers Worth Celebrating

❖ The big picture:

Detail	YE 2009	YE 2010	% Change
Total Assets	\$15,172K*	\$17,317K	14.1%
Total Liabilities	\$8,930K	\$12,355K	38.4%
Total Equity	\$3,527K*	\$4,963K	40.7%
Retained Earnings	\$716K	\$1,107K	54.6%
Book Value of Class A Stock (\$ per share)	\$217.69	\$275.70	26.6%
Book Value of Ownership	\$43,537.85	\$55,140.53	26.6%

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

2010 Numbers Worth Celebrating

❖ Year-end 2010 dividend payments:

Detail	YE 2009	YE 2010	% Change
Patronage Dividend (\$)	\$700,000	\$700,000	0.0%
Bonus Patronage (\$)		\$500,000	100.0%
Ownership Dividend Rate	4.30%	4.35%	1.2%
Ownership Dividend (\$)	\$154,489	\$208,611	35.0%
Book Value of Class A Stock (\$ per share)	\$217.69	\$275.70	26.6%
Price to Purchase CUSO Ownership in 2010	\$99,000	\$125,000	26.3%

2010 Return on Investment

2010 Gross Income Submitted by Owners to CU*Answers <i>(Excludes all vendor pass-throughs)</i>		\$ 11,934,393
2010 Patronage Dividends Paid	\$ 1,200,000	
2010 Class A Stock Dividends Paid	208,611 (4.35%)	
2010 Interest Paid Credit Unions on Loans	<u>484,268</u> (~6.5%)	
Total Revenue Returned to Credit Unions		\$ 1,892,879

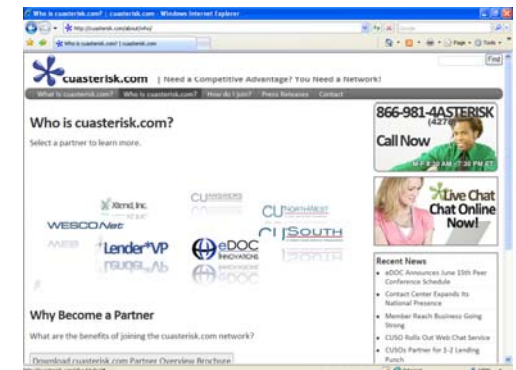
Return Per Total Dollars Received: \$0.1586

$\$1,892,879 \div \$11,934,393$ (excludes vendor pass-throughs) = 15.86% return per CU*A \$ received

Thinking About 2011 Year-End

Network revenue numbers continue to impress

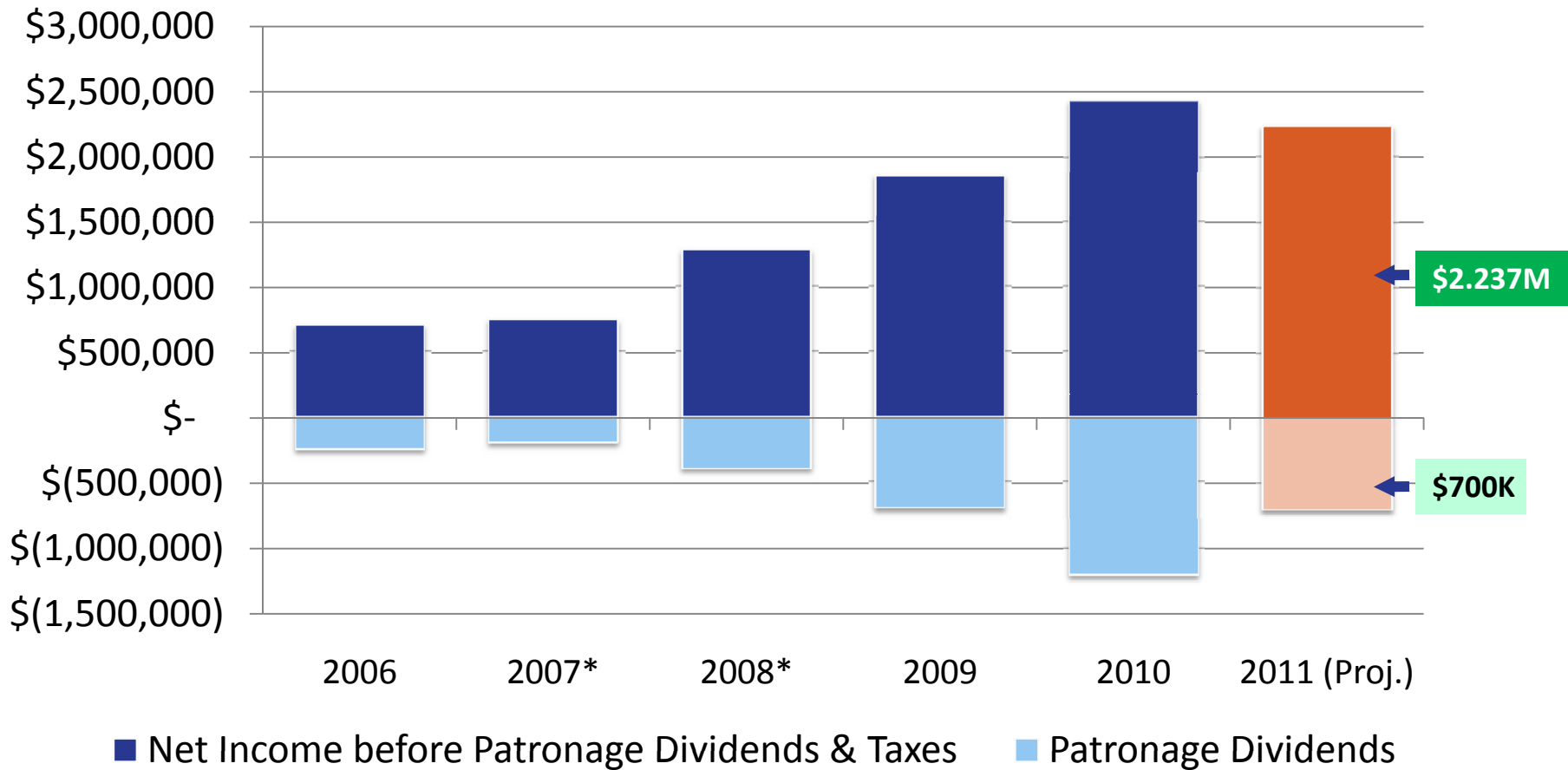
- ❖ CU*Answers direct revenues continue to evolve with new processes, internal capabilities, and new offerings
 - Projected for 2011: **\$32.474M**
 - ❖ Just as important, CU*Answers' influence through partnering with other CU*BASE networks and investing in new initiatives is starting to add up
 - Xtend projected for 2011: **\$1,243K**
 - eDOC projected for 2011: **\$3,787K**
 - CU*NW projected for 2011: **\$1,991K**
 - CU*S projected for 2011: **\$400K**
 - Processing Alliance proj. for 2011: **\$145K**
- Grand total: \$40 million**



Keeping track of all 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?



*Before Consolidation

Projecting Shareholder Value

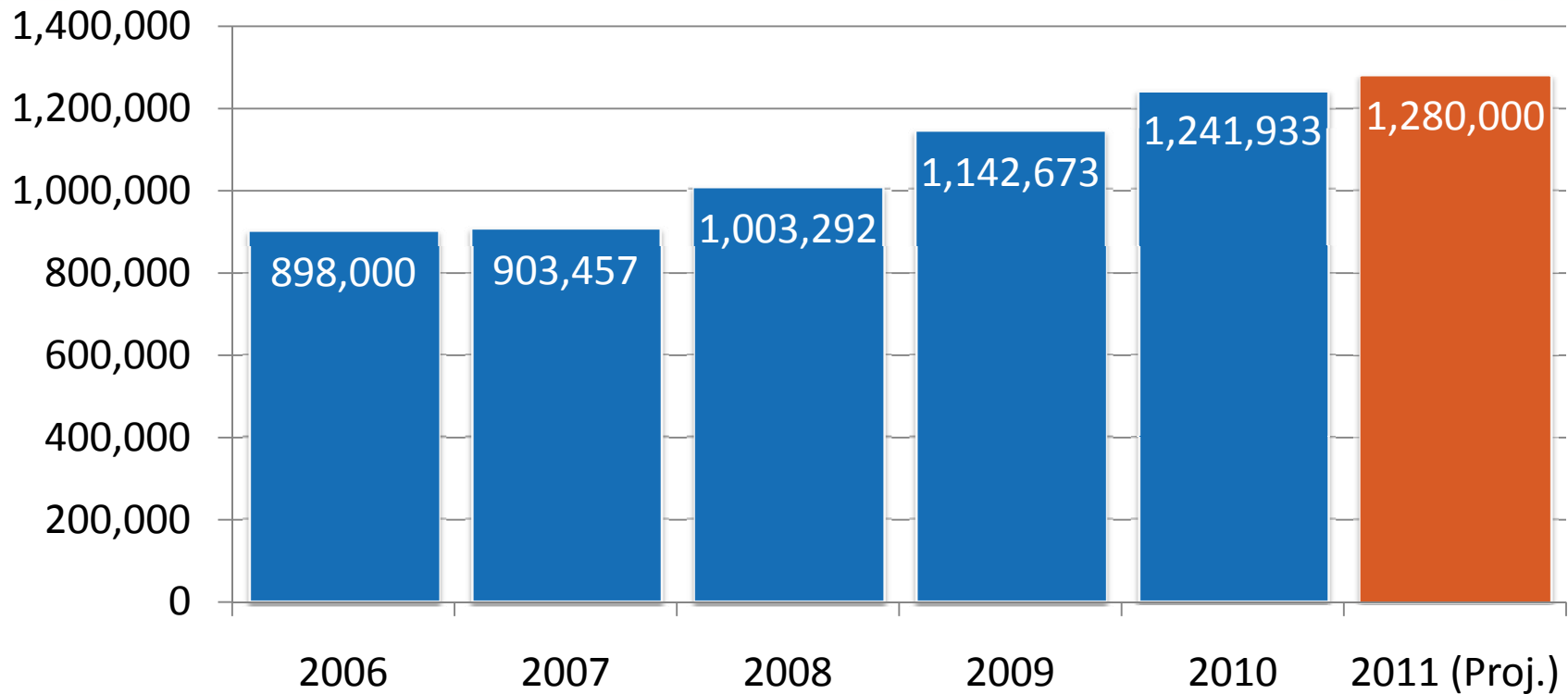
- ❖ Depending on when you bought in, your perspective is different
Ownership price 1991: **\$59.31**, 2000: **\$176**, 2005: **\$460**, 2009: **\$460**, 2010: **\$495**



*Restated 9/30/08

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

Celebrating Our Customer Owner Model



Building a Cooperative

Practicing as an IT operational collaborative

My rankings (1 being first):

1. Concern for Community
2. Cooperation Among Cooperatives
3. Autonomy and Independence
4. Voluntary and Open Membership
5. Democratic Member Control
6. Member Economic Participation
7. Education, Training, and Information



Step 1: Cooperative Business Design 101
Analyze Your Message (a quick exercise)

When your organization talks to the marketplace, to volunteers, to employees, and to all of your communities, what message about your cooperative do you lead with?

Rank these 1 through 7 (1 being first):

- Voluntary and Open Membership
- Democratic Member Control
- Member Economic Participation
- Autonomy and Independence
- Education, Training, and Information
- Cooperation Among Cooperatives
- Concern for Community



Are your priorities the result of time?
Happenstance? Habit?

Is your message based on the saying,
"life happens," or are you accentuating
the power of these ideas?

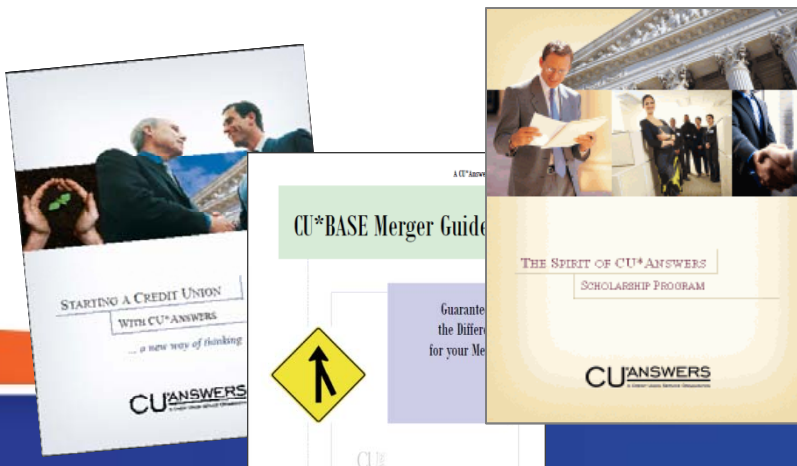
19

Can we be the inspiration to business designers building their own cooperatives, practicing as a financial institution?

Building a Cooperative

#1: Concern for Community

- ❖ **Concern:** relate to, affect, involve, be about, have to do with, be connected with, matter, interest...
- ❖ **Affiliate:** associate, partner, colleague, member, link, connect, join, associate, belong to...
- ❖ **Represent:** stand for, symbolize, correspond to, signify, embody, epitomize, act for, speak for, stand for, stand in for...
- ❖ **Foster:** promote, further, advance, cultivate, forward, encourage, look after, care for, nurture...



Those who work in a community and drive a cooperative for that community first and foremost need to be members of that community

We are not DP professionals, we are credit union DP professionals

Building a Cooperative

#2: Cooperation Among Cooperatives



Introducing **cuasterisk.com**

Bringing the power of the network
to the credit union industry.



cuasterisk.com is
over **150**
Credit Union Owners

cuasterisk.com is

over **6** Million
Members



cuasterisk.com is

1.5 Million
Electronic Communications
with Members
each year



cuasterisk.com is

over **600**
Credit Unions
Nationwide

cuasterisk.com is

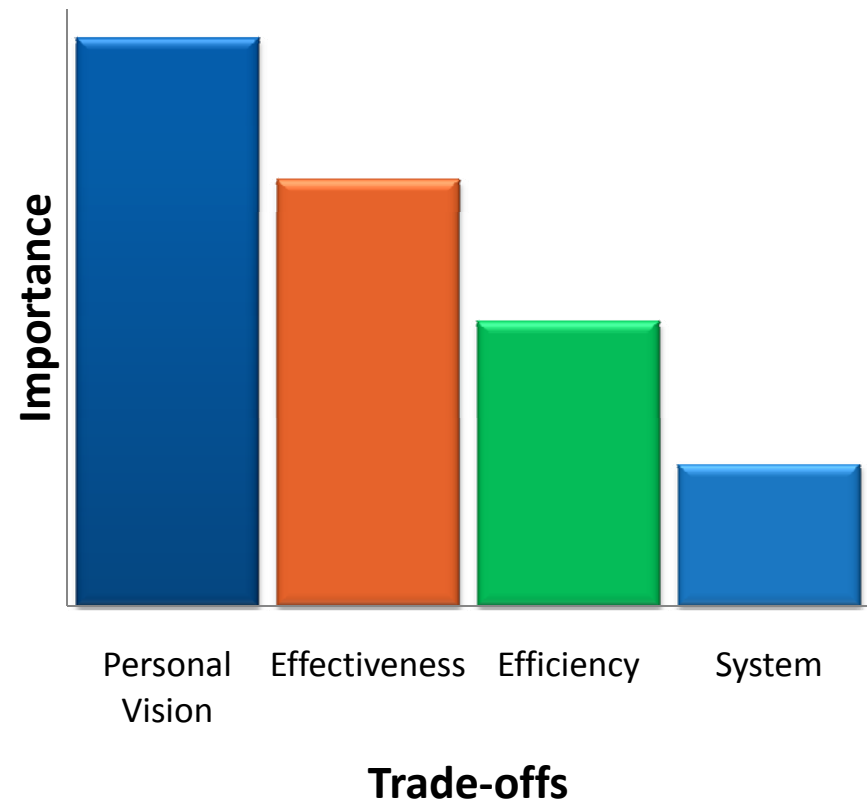
\$37 Billion
in combined assets

**We don't just ask CUs to
cooperate; we walk the talk**

Building a Cooperative

#3: Autonomy and Independence

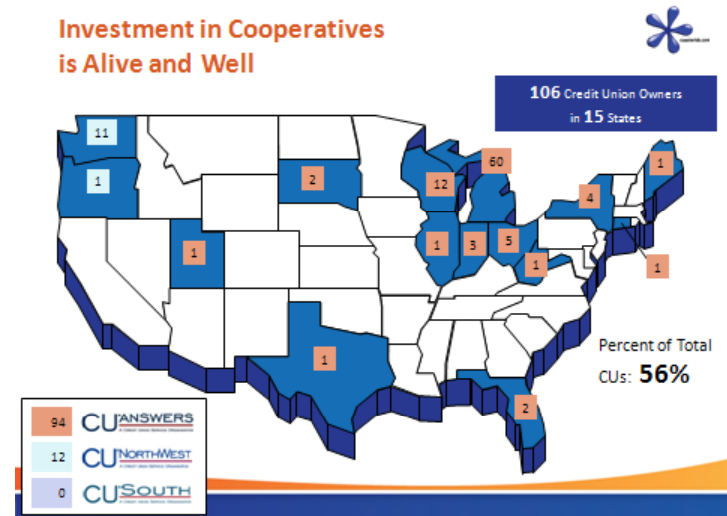
- ❖ Whether it be our cooperative, our industry, or our country, we are strongest when we combine and aggregate as individuals
- ❖ It is our differences that allow us to choose the best from hundreds of ways to do things
- ❖ It is the passion we have for our own independent, personal vision of where we are going that gives us the strength of commitment and the power of perseverance to achieve our goals



Building a Cooperative

#4: Voluntary and Open Membership

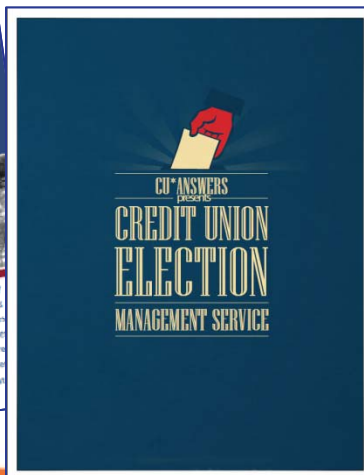
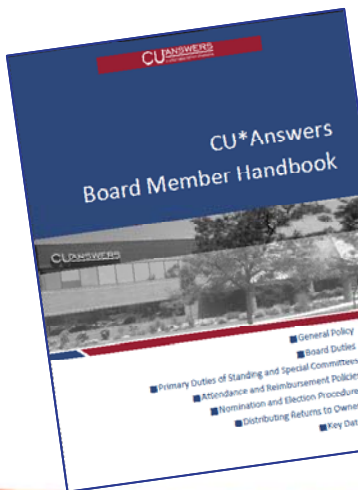
- ❖ CU*Answers is built on patronage capital
 - Patronage and an ongoing interest to build the firm is almost more important than the monies invested in capital...success can always build capital
- ❖ For this reason, we must always welcome new owners, new ideas, new passions, and new hopes for the future with wide-open arms and a sense of equal equity from the first handshake
 - One owner, one vote...
 - Each new owner adds to the value (2.x)...
 - Equating our deal with the member's deal
 - Pricing that says "owner" before you invest



Building a Cooperative

#5: Democratic Member Control

- ❖ So easily doubted by those who care too much
- ❖ So easily taken for granted by those who do not care enough
- ❖ It is for us to find a balance and build a cooperative network that can use the power of the customer's voice to truly blend with all participants in a way that yields a firm that is different from our competitors

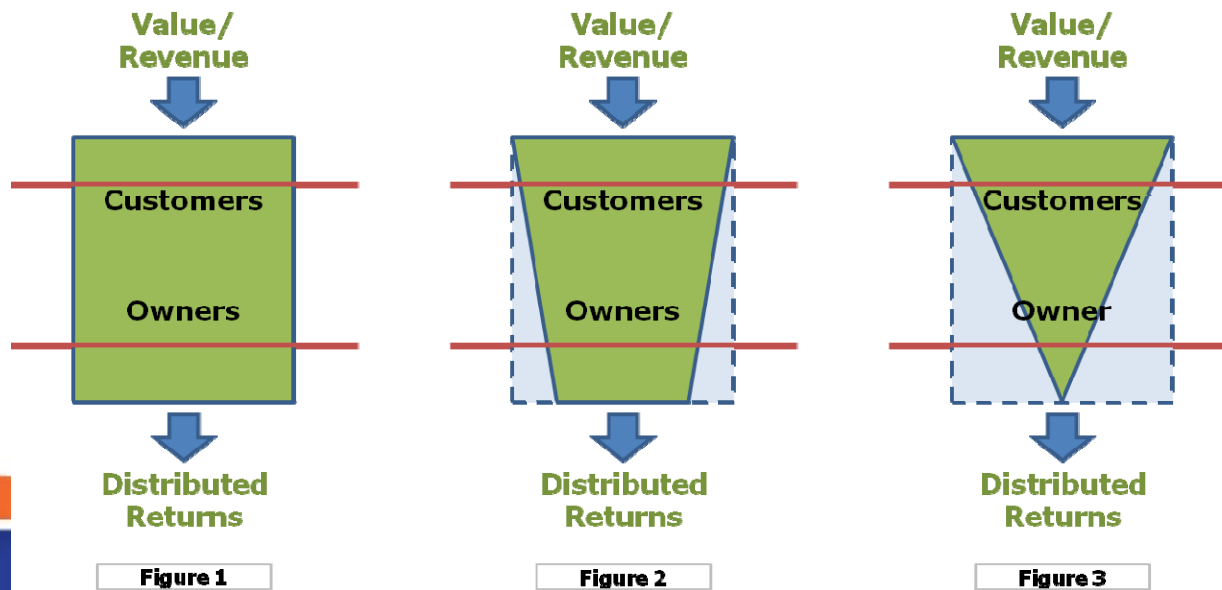
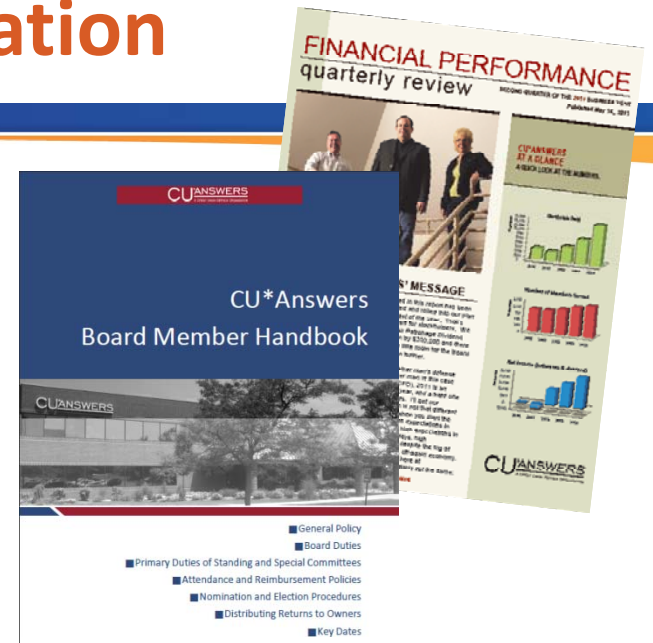


The image is a screenshot of an online banking interface. At the top, it says "Me24/7 Online Banking". Below this is a navigation bar with icons for "My Messages", "My Accounts", "New Accounts", "E-Statements", "Vote Now", and "Contact Us". A large red arrow points from the top right towards the "Vote Now" button. Below the navigation bar, there is a section titled "Cast Your Vote!" with a sub-heading "Annual Meeting 2009". The text below reads: "This is your official voting ballot. Before you proceed to cast your vote, be sure to use the link to read more about the items included on this ballot. The voting period for this ballot ends on 9/28/". At the bottom of this section is a blue button that says "I'm Ready To Cast My Vote".

Building a Cooperative

#6: Member Economic Participation

- ❖ Maximizing current-year distributions
 - Target 1: Patronage Dividends
 - Target 2: Stock Dividends
- ❖ Maximizing Stockholder Value
 - Target 3: New Owners
 - Target 4: Per-Share Value



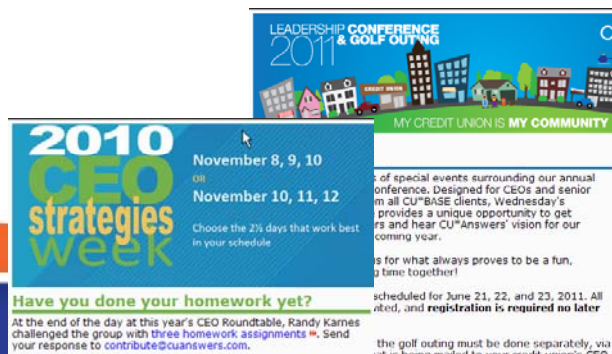
Building a Cooperative

#7: Education, Training, and Information

- ❖ This principle is not just about educating the customer in the services you provide
- ❖ It's educating the customer-owner about the business that they own
- ❖ It's giving special insight to the customer-owner about both sides of the transaction, and creating a win-win empathy between the supplier and the consumer



Like a member who never becomes an owner, if you see CU*Answers as only a data processing vendor, you're missing half the equation



Designing Businesses Is a Moving Target

- ❖ We sit here tonight celebrating our partnership in an ongoing effort: an effort to build cooperatives that generate not only financial success, but also pride in a job well done
- ❖ It is my hope that over the years people will look at us and say, “You’re not the businesses you used to be” – for we must adapt to the market and to our members as they move forward
- ❖ But should those people dig a little deeper, I hope they will find that we are still true to the principles of being a cooperative: **true to our members**

**Thanks for another year and for allowing
this business designer the chance to
hone his skills**

Election Results



Back upstairs!

