

WELCOME!

The Construction and Evolution of a Network



Driving the Vision for New Markets

CU*ANSWERS
A CREDIT UNION SERVICE ORGANIZATION

Annual Stockholders Meeting
June 19, 2013



Agenda



- Call to Order
- Chair of the Board: Year in Review
 - Review 2012 Minutes
 - Chairman's Comments
- Election of Board Members
- CFO Report
 - Review Financial Reports
- CEO Report
 - The Construction and Evolution of a Network
- Board Election Results
- Adjourn

Building a Cooperative



Who better to build this cooperative than the designers of hundreds of credit union cooperatives?



Per Wikipedia:

Sustainability is the capacity to endure



- We are a diverse set of investors – we all have different priorities and ideas about what should endure
 - It might be just the software, or even a single feature, that you believe must endure for our future success
 - It might be the CUSO's ability to innovate and respond to new ideas, in a way that makes those ideas real and tangible in our day-to-day operations
 - It might be the CUSO's culture of service and commitment to responding to our immediate needs as a priority
 - It might be the voice that our CUSO adds to our market space
- Underlying all of that is an idea on which we all agree: customer-owners are best served by a cooperative effort, and we must continue to evolve our Cooperative for success

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As our CEO reminded us today, it's *how* we attack projects that proves the point that we're up to future challenges



Chris Butler, Chairman
President/CEO, Community Credit Union
La Crosse, Wisconsin
Board Member since March 2001



David Wright, Vice Chair
CEO, Services Center Federal Credit Union
Yankton, South Dakota
Board Member since October 2001



Scott McFarland, Director
CEO, Honor Credit Union
Berrien Springs, Michigan
Board Member since August 2009



Don Mills, Director
CEO, Alpena Alcona Area Credit Union
Alpena, Michigan
Board Member since June 2010



Jeff Jorgensen, Director
CEO, Sioux Empire Federal Credit Union
Sioux Falls, South Dakota
Board Member since December 2009



Dean Wilson, Director
CEO, FOCUS Credit Union
Wauwatosa, Wisconsin
Board Member since January 2008



Vickie Schmitzer, Secretary/Treasurer
CEO, Frankenmuth Credit Union
Frankenmuth, Michigan
Board Member since October 2007

Thank you!

As always, I want to thank the Board for another great year, and for all their hard work

Speaking of Thank Yous...



David Wright, Vice Chair
CEO, Services Center Federal Credit Union
Yankton, South Dakota
Board Member since October 2001



**Thank
you,
David!**

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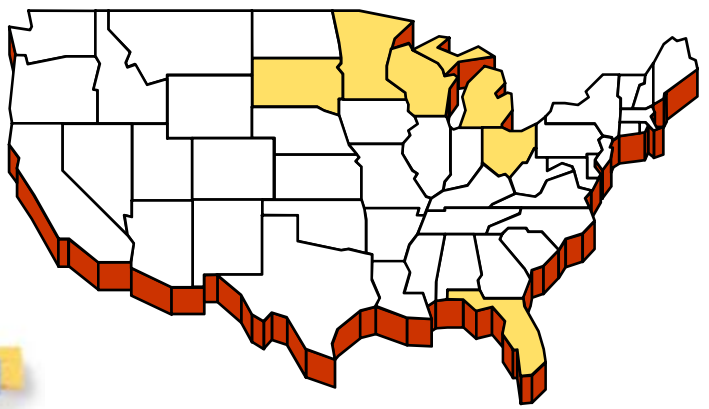
Retiring from a Board seat does not mean retiring from the network...between Services Center FCU and Site-Four, David will continue to be an active and influential partner for us all

While we're passing out thank yous, thanks to our newest owners



● Welcome to our **11 new owners** in **6 states**...

- Credit Union Plus
- State Transportation Emp. CU
- MidUSA CU
- Horizon Community CU
(converts fiscal year 2014)
- Lake State Federal CU
(converts fiscal year 2014)
- Florida Hospital CU
- Northern Hills FCU
- Muskegon Consumers Power CU
- Clarkston Brandon Community CU
- Firefighters Credit Union
- Thornapple Valley Community CU

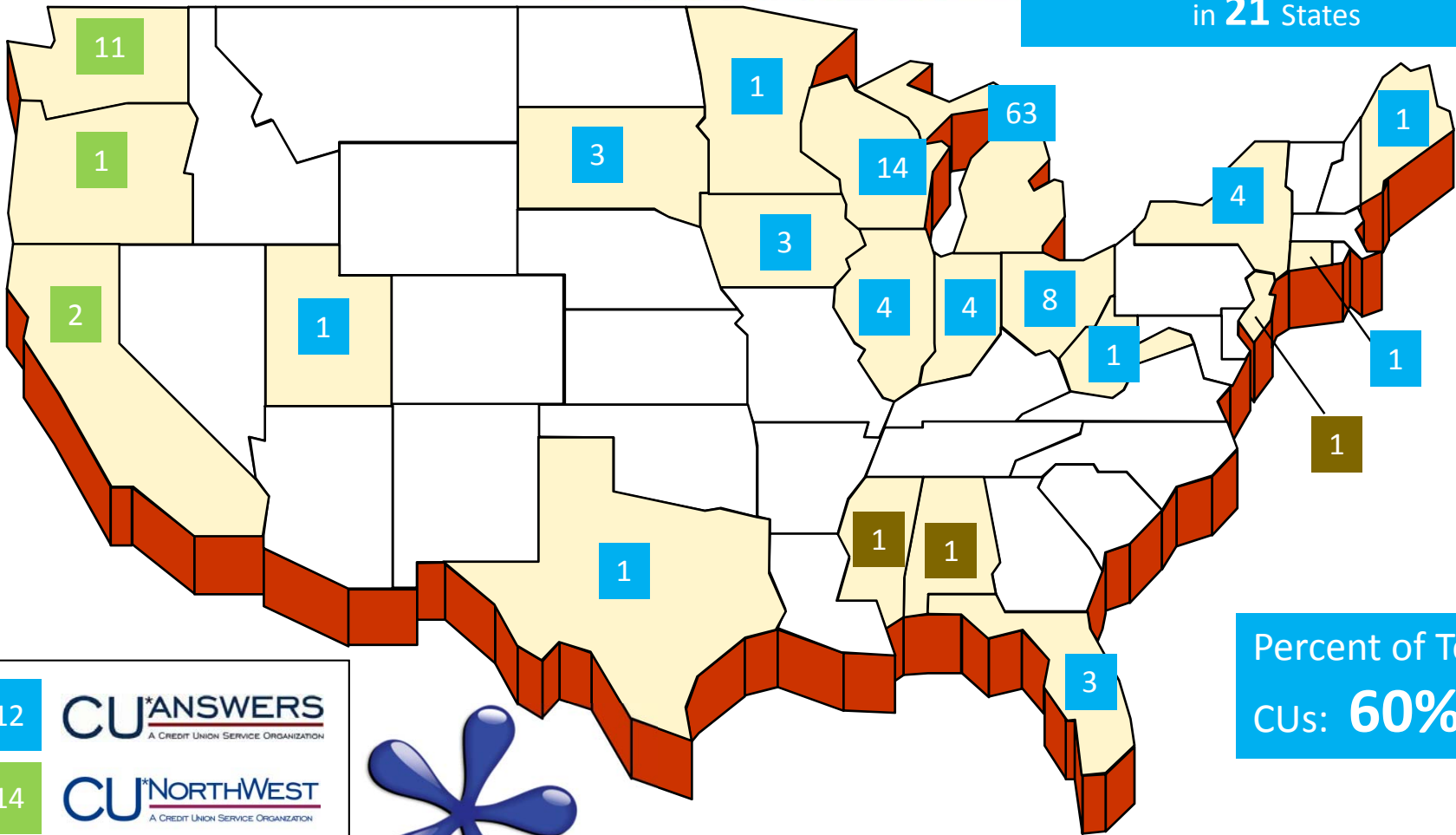


Member size range: **1,300 to 19,500 members**
Average size: **8,200 members**
Challenges: **Unlimited**
Ideas: **Priceless**
Potential: **To be the customer owner that changes everything**



Investment in Cooperatives is Alive and Well

129 Credit Union Owners
in 21 States



Percent of Total
CUs: **60%**

112	CU*ANSWERS A CREDIT UNION SERVICE ORGANIZATION
14	CU*NORTHWEST A CREDIT UNION SERVICE ORGANIZATION
3	CU*SOUTH A CREDIT UNION SERVICE ORGANIZATION



2013 Board Elections



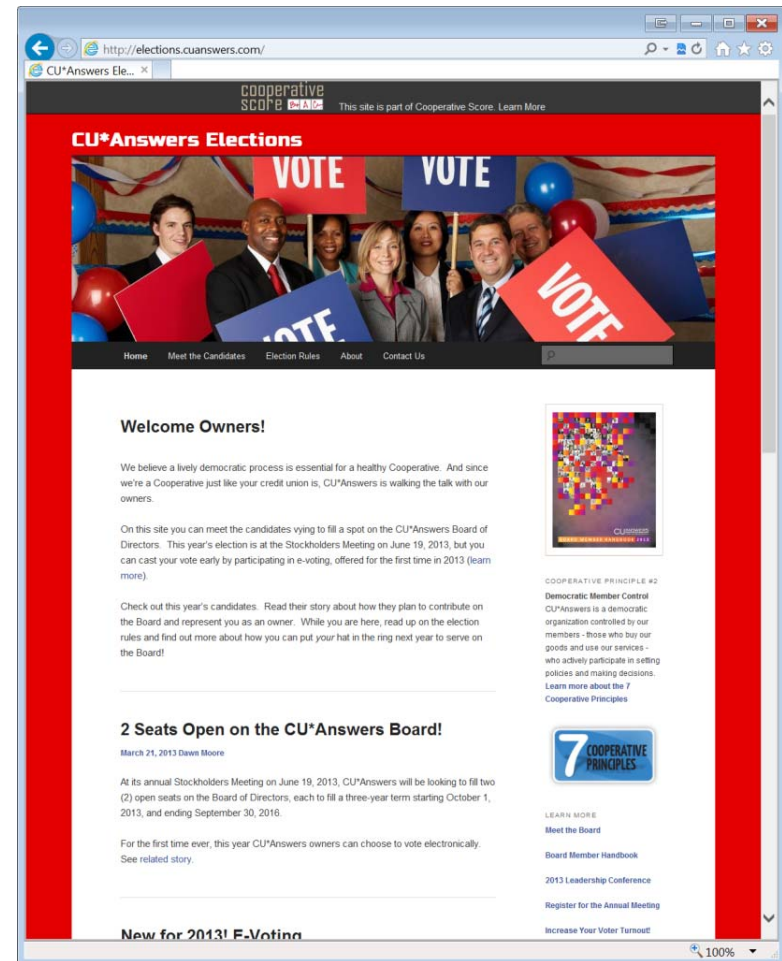
**2013 Nominating Committee Chair:
Don Mills**



Elections Market the Power of Ownership



- As we all know, a lively democratic process is essential for a healthy Cooperative
- Your participation in choosing Board members and volunteering for leadership means we're walking the talk ... **THANK YOU for participating as owners**
- In 2013, we're walking the talk even more:
 - This new CU*Answers Elections website ([what did you think?](#))
 - Option for voting electronically ([how did it go?](#))



Special thanks to this year's Nominating Committee



- Each year we work from a well-documented process
 - Helps us dot all the i's and cross all the t's
 - Ensures we keep our promise to keep ownership participation alive and well in our Cooperative



Don Mills, Director
CEO, Alpena Alcona Area Credit Union



Chris Butler, Chairman
President/CEO, Community Credit Union



Dean Wilson, Director
CEO, FOCUS Credit Union

Nomination and Election Procedures

Annual Election of Directors

The Nominating Committee will accept nominations from owners for service on the CU*Answers Board of Directors from the January Board meeting until March 31.

The nominating committee will present candidates to the Board at least 60 days prior to the Annual Meeting. After the Board Meeting, a notice will be sent to all owner credit unions with a sample ballot to be used at the Annual Meeting. Following are guidelines for the nomination and election process:

Applications for Nomination

- Any interested candidates should submit a letter of intent along with a professional resume to CU*Answers, Attn: Nominating Committee.
- To qualify to serve on the CU*Answers Board, each candidate must be a full-time paid CEO/Manager of a Credit Union which has held CU*Answers ownership for at least one year as of the date of the application.
- All applications must be received no later than March 31 (or other specified date, in the case of a special election to fill a vacated seat).
- The Nominating Committee will review all applications and vote on all candidates to be placed on the ballot. All candidates with a majority vote (2/3) will be placed on the ballot.
- Once the ballot is reviewed by the Board at the April Board Meeting (or specified date, in the case of a special election to fill a vacated seat), the ballot will be presented to all owners. This will give each candidate as much time as possible to solicit support from other owners.
- In the case where a candidate is not put forth by the Nominating Committee for the upcoming ballot, that candidate may petition to be on the ballot outside of the nomination process. For the normal annual election, to be placed on the ballot, the candidate must present to the Board of Directors at least 30 days prior to the Annual Meeting a petition signed by at least 10% of current CU*Answers owners. For a special election to fill a vacated seat, the timeline may be shortened at the discretion of the Board. It should be clear that signatures on this petition do not constitute a vote.

Election

- The election itself will be held at the Annual Stockholders Meeting in June.
- Absentee ballots will be accepted until June 1 and must be signed by the Credit Union's CEO and Chair.
- Votes at the June Stockholders Meeting must be cast by the Credit Union CEO or Chair. Other representatives of the credit union must have a letter of authorization signed by the Credit Union CEO and Chair attached to their ballot in order to vote on behalf of the Credit Union.
- No nominations from the floor will be accepted. Candidates will be introduced by the Chair of the CU*Answers Board and will be given an opportunity to speak.

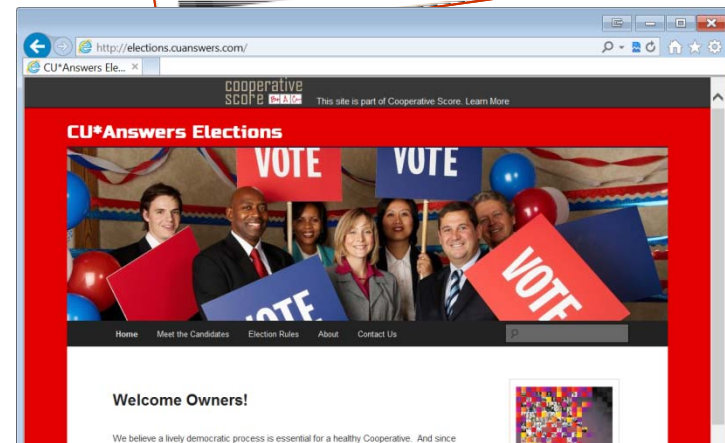
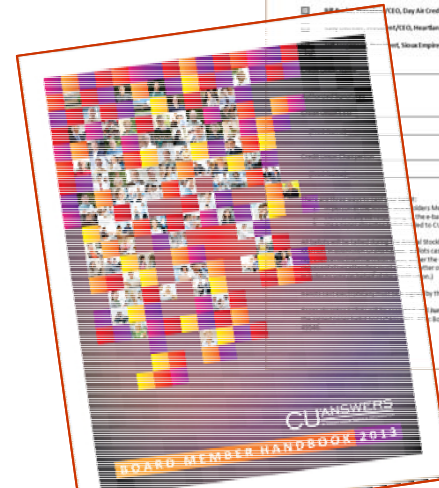
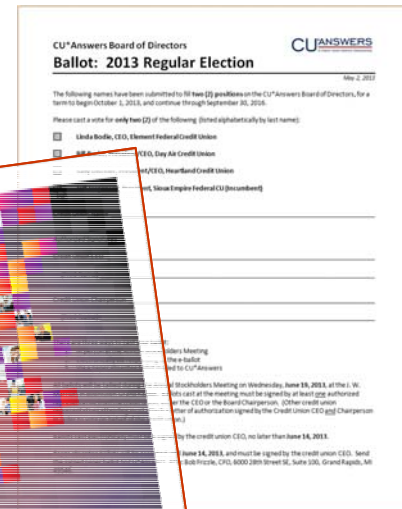


A network first: 4 candidates for 2 open slots! Let's hear from the candidates



In alphabetical order by last name...

- Linda Bodie
 - CEO, Element Federal CU (Charleston, West Virginia)
- Bill Burke
 - President/CEO, Day Air CU (Kettering, Ohio)
- Sally Dischler
 - President/CEO, Heartland CU (Madison, Wisconsin)
- Jeff Jorgensen
 - President, Sioux Empire Federal CU (Sioux Falls, South Dakota)



A network first: 4 candidates for 2 slots! Let's vote from the candidates

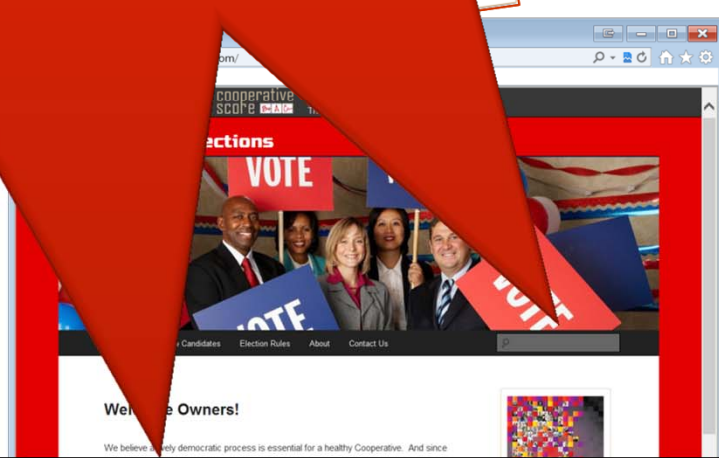


In alphabetical order

- Linda P. [Name obscured]
- Bill Burnett
● President, [Name obscured]
(Kettering, Ohio)
- Sally F. [Name obscured]
● President/CEO, [Name obscured]
(Madison, Wisconsin)
- Jeff Jorgensen
● President, Sioux Empire Fed [Name obscured]
(Sioux Falls, South Dakota)

Let's vote!

(I'll be back later to
announce the results)



A Look at The Numbers



To endure, you must have the confidence of your investors that the funding for tomorrow's challenges is on solid ground



Thank goodness numbers guys don't get dragged into goofy gags



- While I have a few crazy costumes at home, here at work I try to keep the focus on the fundamentals, and why our CUSO is on solid ground for taking on big challenges in the future
- What our organization is learning from our concurrent construction sites will be critical to our ability to fund new challenges, expand our investments, and return more to owners
- 2012 was a great year for returns to owners – 2013/2014 will be the kinds of years that reset the vision for “We need it, we’ll create it, we’ll use it, we’ll own it” and carry us forward for years to come



Besides, construction guys don't wear overalls, they wear Carhartt jeans

Inventorying our Assets



	2012 (\$K)	2011 (\$K)	% Change
Cash	\$ 10,430	\$ 7,672	35.9%
Accounts Receivable	2,165	1,244	74.0%
Prepaid Expenses	969	814	19.0%
Fixed Assets	5,917	5,486	7.9%
Miscellaneous	3,477	3,720	- 6.5%
	\$ 22,958	\$ 18,936	21.2%

The Board has been working on our changing investment persona and the way that we look at broadening our marketplace through partnerships with other network businesses

Clearly our cash is in a good position to fuel that effort



Investing in a Community and Building a Network



1.4% ownership stake



48% ownership stake



6.7% ownership stake



0% ownership stake



12.25% ownership stake

Co-operative



12.5% ownership stake

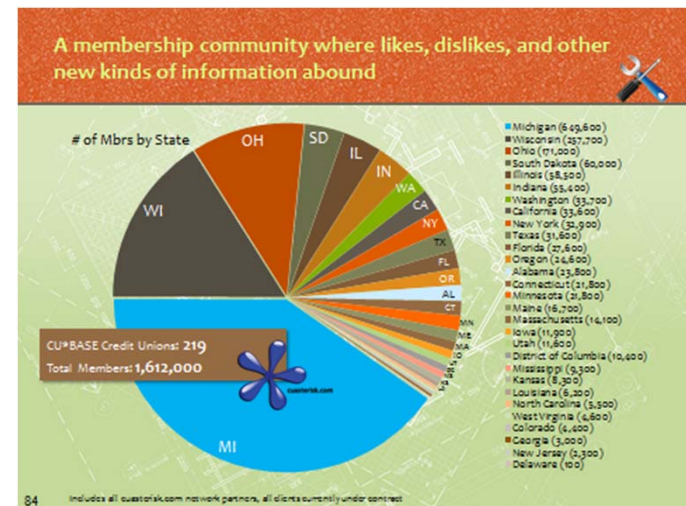
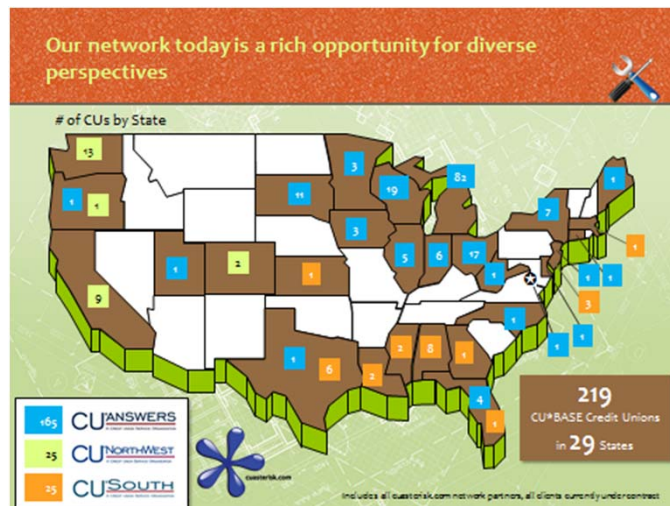


Our greatest asset is not on our balance sheet



- While others convert contracts to balance sheet value, CU*Answers sees the 1.6 million people and 219 organizations as a partnership community ... a community where the GDP of all its participants is our focus
- How can we lift everyone so that everyone shares in responding to the opportunity of millions of credit union owner-members?
- This focus on a community's yield gives our CUSO the ultimate drivers for success

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2012 Numbers Worth Celebrating



● The big picture:

Detail	YE 2011	YE 2012	% Change
Total Assets	\$18,936K	\$22,958K	21.2%
Total Liabilities	\$12,804K	\$14,746K	15.2%
Total Equity	\$6,132K	\$8,212K	33.9%
Retained Earnings	\$1,589K	\$1,953K	22.9%
Book Value of Class A Stock (\$ per share)	\$322.88	\$387.33	20.0%
Book Value of Ownership	\$64,575.72	\$77,465.80	20.0%



**Projected for 2013:
Book value of ownership may exceed \$90K**

2012 Numbers Worth Celebrating



- Year-end 2012 dividend payments:

Detail	YE 2011	YE 2012	% Change
Patronage Dividend (\$)	700,000	700,000	0.0%
Bonus Patronage (\$)	700,000	1,000,000	42.9%
Ownership Dividend Rate	4.4%	4.45%	1.1%
Ownership Dividend (\$)	273,886	364,333	33.0%
Book Value of Class A Stock (\$ per share)	322.88	387.33	20.0%
Price to Purchase CUSO Ownership in 2011	150,000	180,000	20.0%

The Board has budgeted for an \$800K Patronage Dividend for 2013...I'm already seeing actual results that should allow for some additional returns



2012 Return on Investment



2012 Gross Income Submitted by Owners to CU*Answers <i>(Excludes all vendor pass-throughs)</i>		\$ 15,094,488
2012 Patronage Dividends Paid	\$ 1,700,000	
2012 Class A Stock Dividends Paid	364,333 (4.45%)	
2012 Interest Paid Credit Unions on Loans	<u>384,974</u> (~5.1%)	
Total Revenue Returned to Credit Unions		\$ 2,449,307

Return Per Total Dollars Received: \$0.1623

$\$2,449,307 \div \$15,094,488$ (excludes vendor pass-throughs) = 16.23% return per CU*A \$ received



Thinking About 2013 Year-End

Network revenue numbers continue to impress



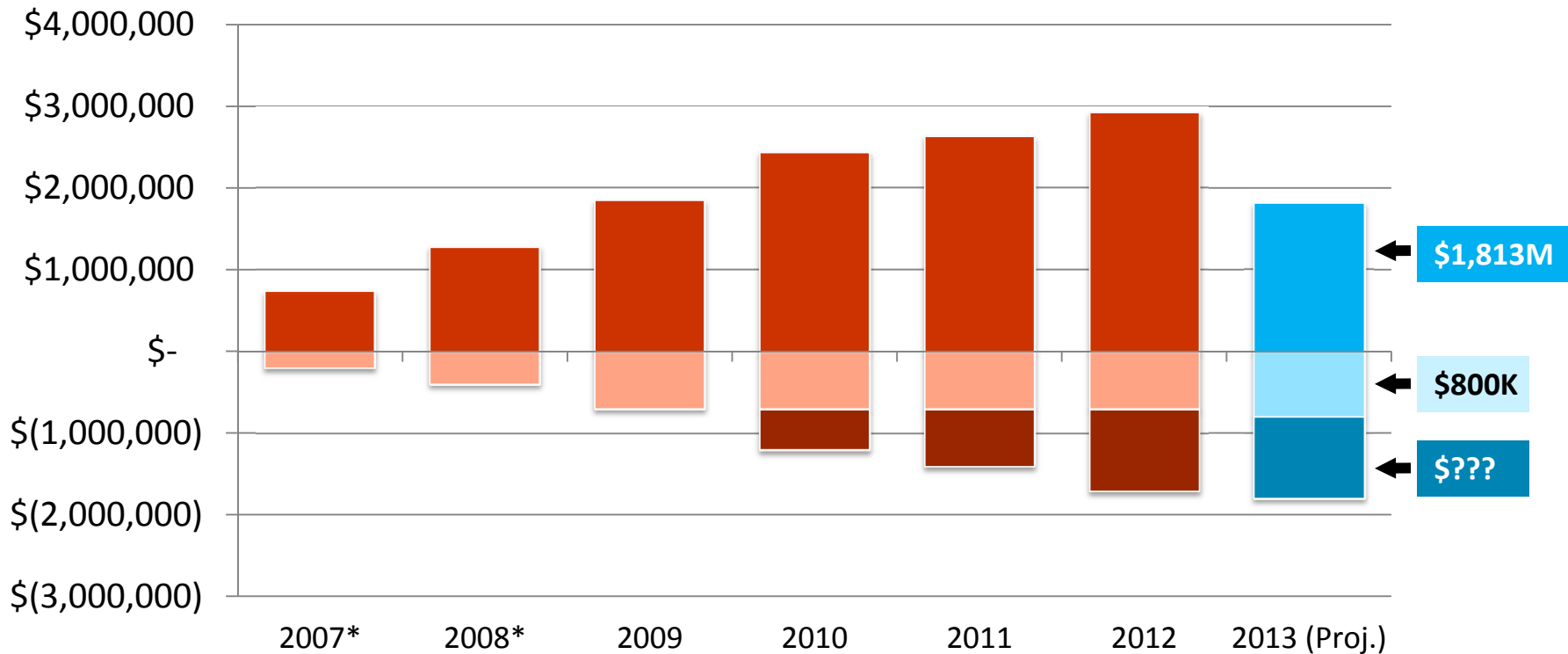
- CU*Answers direct revenues continue to evolve with new processes, internal capabilities, and new offerings
 - Projected for 2013: **\$37.52M**
 - Just as important, CU*Answers' influence through partnering with other CU*BASE networks and investing in new initiatives is starting to add up
 - Xtend projected for 2013: **\$1,815K**
 - eDOC projected for 2013: **\$4,292K**
 - CU*NW projected for 2013: **\$1,862K**
 - CU*S projected for 2013: **\$1,325K**
 - Site-4 projected for 2013: **\$420K**
 - CPS projected for 2013: **\$854K**
- Grand total: \$47.8 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?



■ Net Income before Patronage Dividends & Taxes
 ■ Patronage Dividends
 ■ Bonus Dividend

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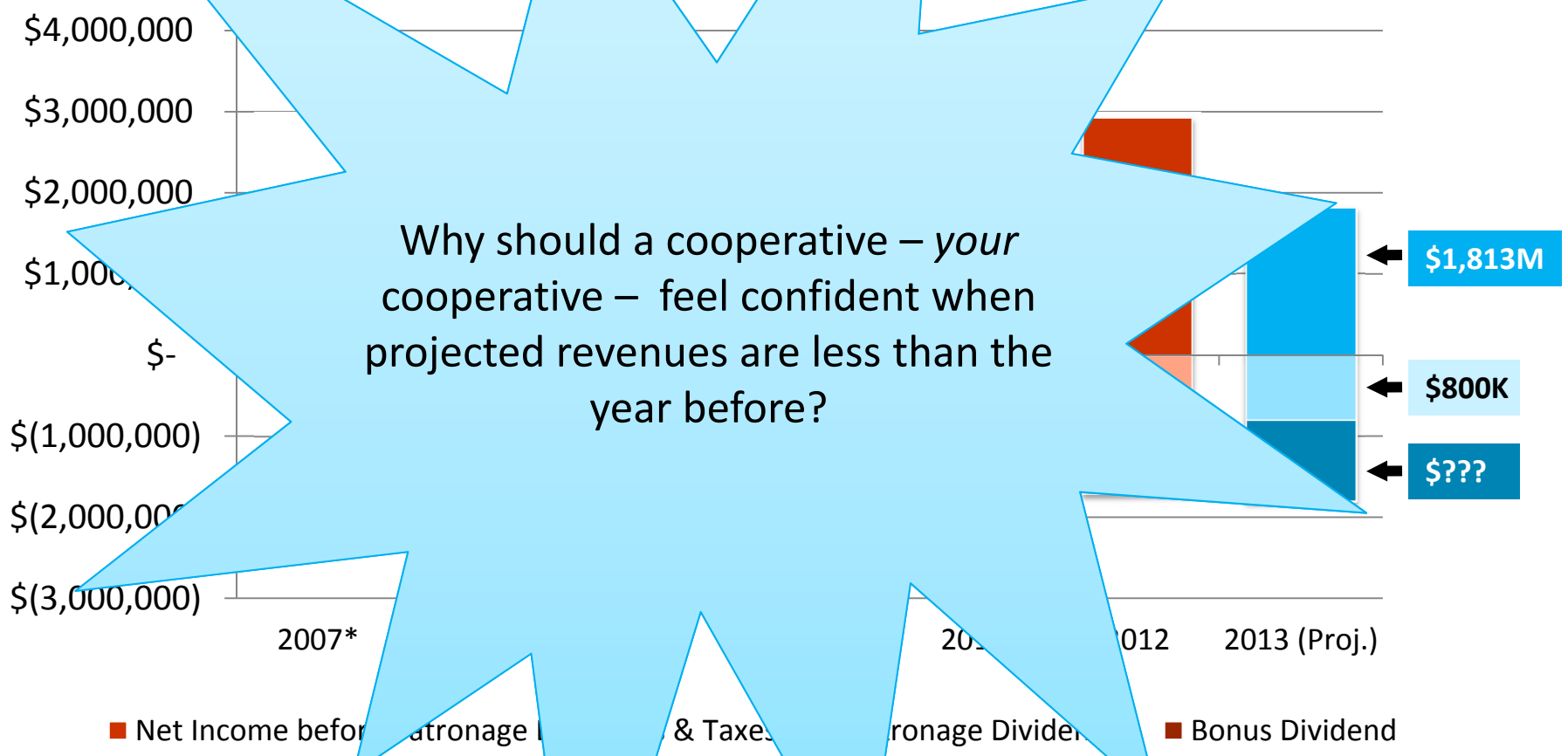


We understood the economic crunch, and we've been burning the candle at both ends...it's what a co-op does

*Before Consolidation

Net Income & Patronage Dividends

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



Why should a cooperative – *your* cooperative – feel confident when projected revenues are less than the year before?

We oversteered the economic crunch, and we've been burning the candle at both ends...it's what a co-op does



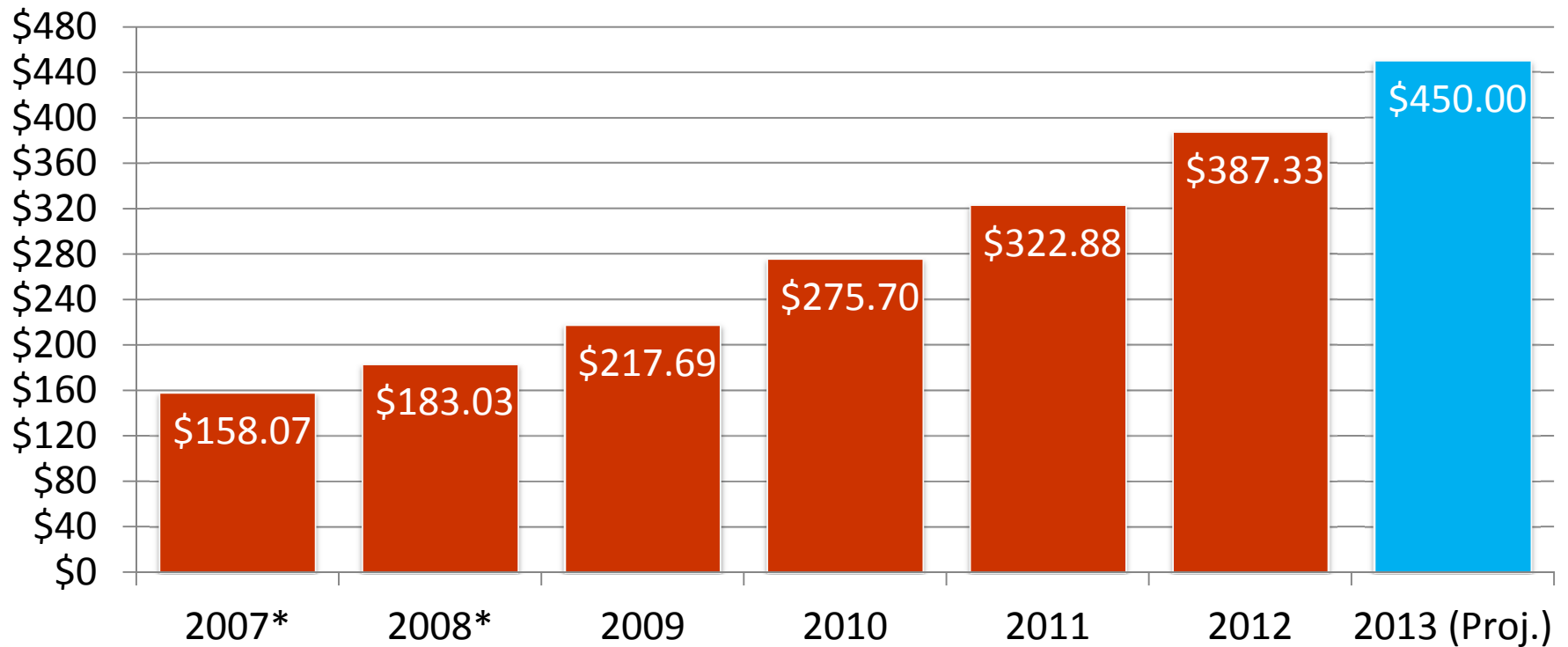
*Before Consolidation

Projecting Shareholder Value



Depending on when you bought in, your perspective is different

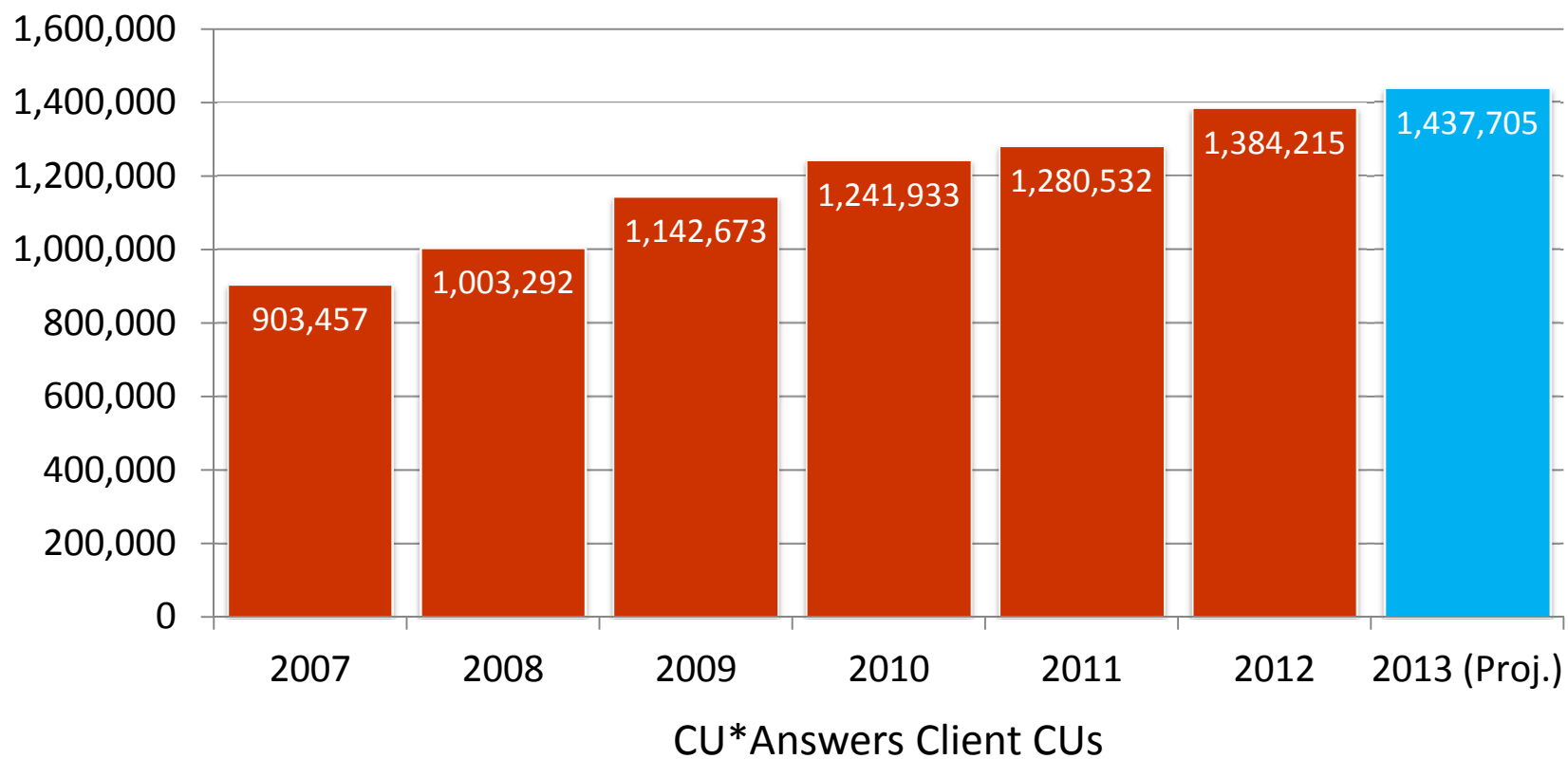
Ownership price 1991: **\$59.31**, 2000: **\$176**, 2005: **\$460**, 2010: **\$495**, 2012: **\$750**, 2013: **\$900**



*Restated 9/30/08

Members Served

The Point of All of Our Efforts...



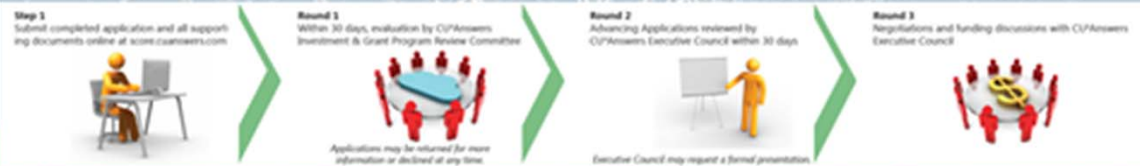
A project I'm looking forward to in the coming year



- Earlier today Randy talked about the 2013-2014 Innovator Investment & Grant Program
- I look forward to this new format, giving me a chance to work more closely with all of you on future initiatives

2013-2014 Innovator Investment & Grant Program

- We want to make this a year-round process with quicker turnaround and more interaction for the innovator
 - No longer part of the CEO Roundtable event
 - Submit when you are ready and we'll respond on a regular schedule
- Who can apply?
 - Credit unions
 - CU employees
 - cuasterisk.com employees
- Same budget, bigger focus on getting the money into the hands of active innovators



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See you next year!

The Construction and Evolution of a Network



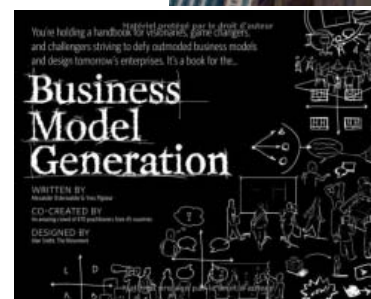
Life is a Construction Zone and a Constant Negotiation



Life is a Construction Zone and a Constant Negotiation



- Business development and opening new markets must become a driving force at our network
- Should we choose not to open new markets and deepen our relationships, the pressure to reduce prices will ultimately lead to the pressure to reverse ourselves and *raise* prices
- We must constantly enforce the faith people have in us that we can generate more opportunity and continue to be disruptive for the participants of our network



Life is a Construction Zone and a Constant Negotiation



- We're not about chasing the next biggest CU – we're chasing an overall revenue foundation that allows us to continue to raise everyone's chances of success, from the smallest *de novo* CU to the largest CU that would ever trust CU*Answers
- The talents to develop new markets must constantly be renewed so that our investors trust our future, to continue to do new things and to grow
- Chris talked about the vision to endure, Bob talked about the financial model to endure, I'm talking about both, married to a staff that can execute

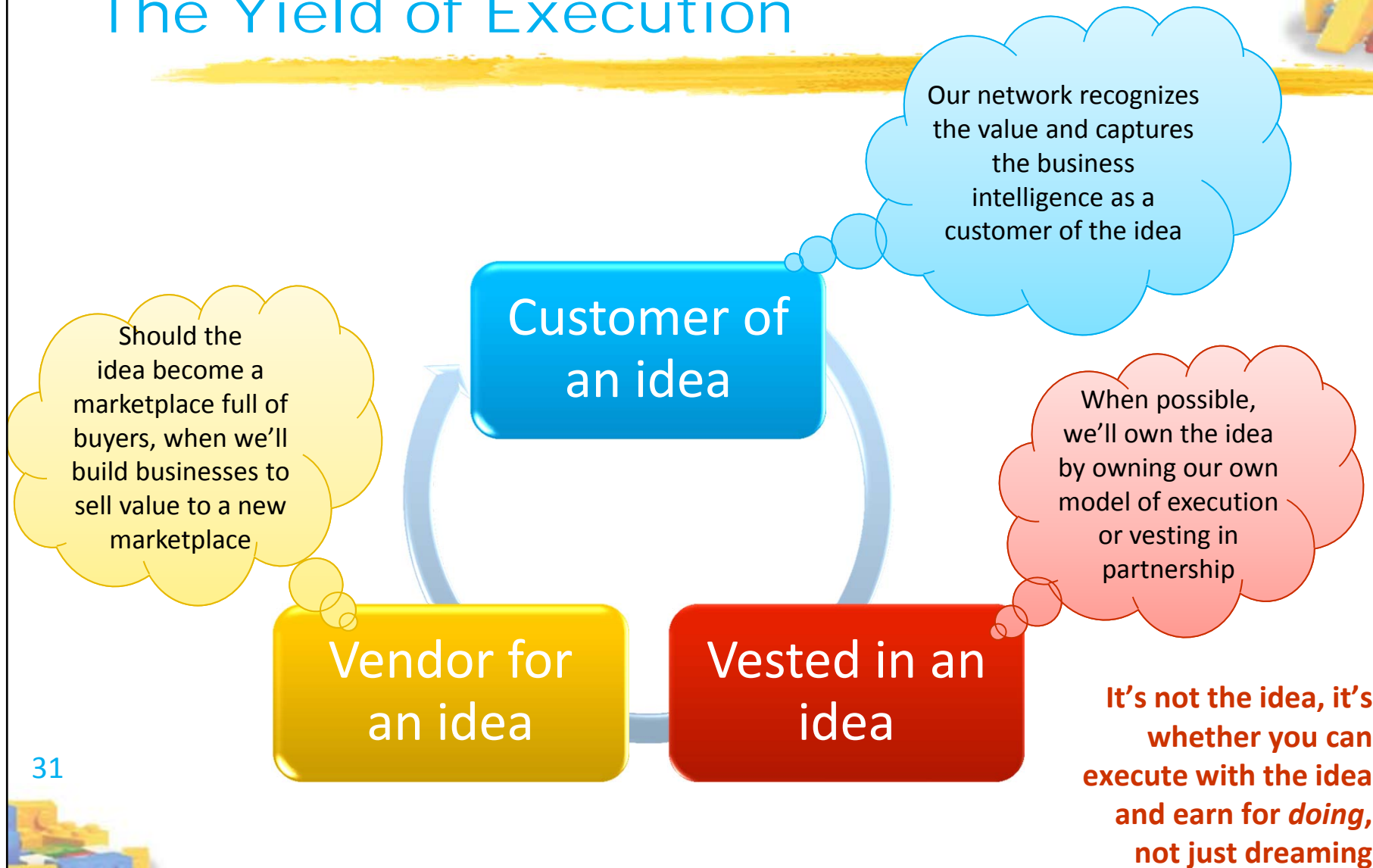


Always remembering that we must a choir for *credit union* success, or the whole thing falls apart



Life is a Construction Zone and a Constant Negotiation

The Yield of Execution



AND THE WINNERS ARE...

Election Results



Let's see who won!



Back to the party!

THANK YOU!

