

Drawing a Line In the Sand

Making Audacious Statements...
Then Working to Prove Our Point

CU*ANSWERS
A CREDIT UNION SERVICE ORGANIZATION

Annual Stockholders Meeting
June 17, 2015

WELCOME!

Agenda

- ◆ Call to Order
 - ◆ Review 2014 Minutes
- ◆ Chairman's Comments
- ◆ Election
- ◆ CFO Report
 - ◆ Review Financial Reports
- ◆ CEO Report
 - ◆ Drawing a Line in the Sand: Making Audacious Statements and then Working to Prove Our Point
- ◆ Election Results
- ◆ Adjourn



Is it hard being an optimist
these days?

I don't think so...

CHAIRMAN'S COMMENTS

Is it hard being an optimist these days?

I don't think so, but...

- ◆ ...if all you do is listen to NCUA and our trade organizations...
- ◆ ...if all you do is look at the statistics...
- ◆ ...if you've met with a regulator and tried to recommend changing the examination process...



What's next for cooperative entrepreneurs like us?

Why I'm an Optimist

- ◆ I believe in the promise that cooperative business charters have for everyday consumers
 - ◆ The people in this room specialize in delivering on that potential
- ◆ I believe that change is coming to our industry and that it's a good thing
 - ◆ It's challenging, but it's needed
 - ◆ And it's full of opportunity if we continue looking forward with our members and peers
- ◆ I believe our network has a game plan based on fundamentals that will support our success
 - ◆ Be a disruptor...innovate on price, access, and shared execution at every possible turn



If anyone can do it, we can!

Your 2014-2015 Board of Directors



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



Linda Bodie
CEO, Element Federal CU
Charleston, West Virginia
Board Member since October 2013



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



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



Jeff Jorgensen, Director
CEO, Sioux Empire Federal CU
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!

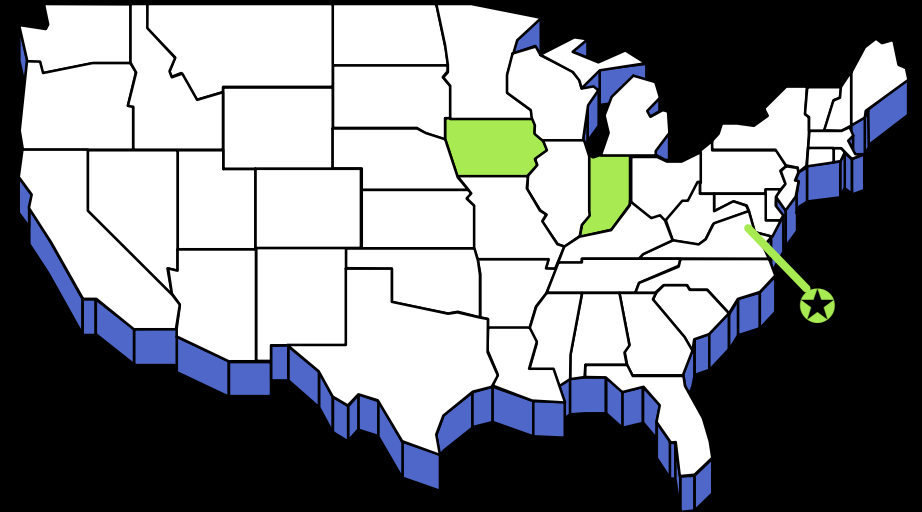
As always, I want to thank my fellow Board members for another great year, and for all their hard work

Speaking of thank yous...

Welcome to **4** new owners in **3** states!

- ◆ District Government Employees FCU
(Washington, DC)
- ◆ Notre Dame FCU
(Notre Dame, IN)
- ◆ MEMBERS1st Community CU
(Marshalltown, IA)
- ◆ Chiphone FCU
(Elkhart, IN)

Thank you!



Member size range: 10,200 to 57,000 members

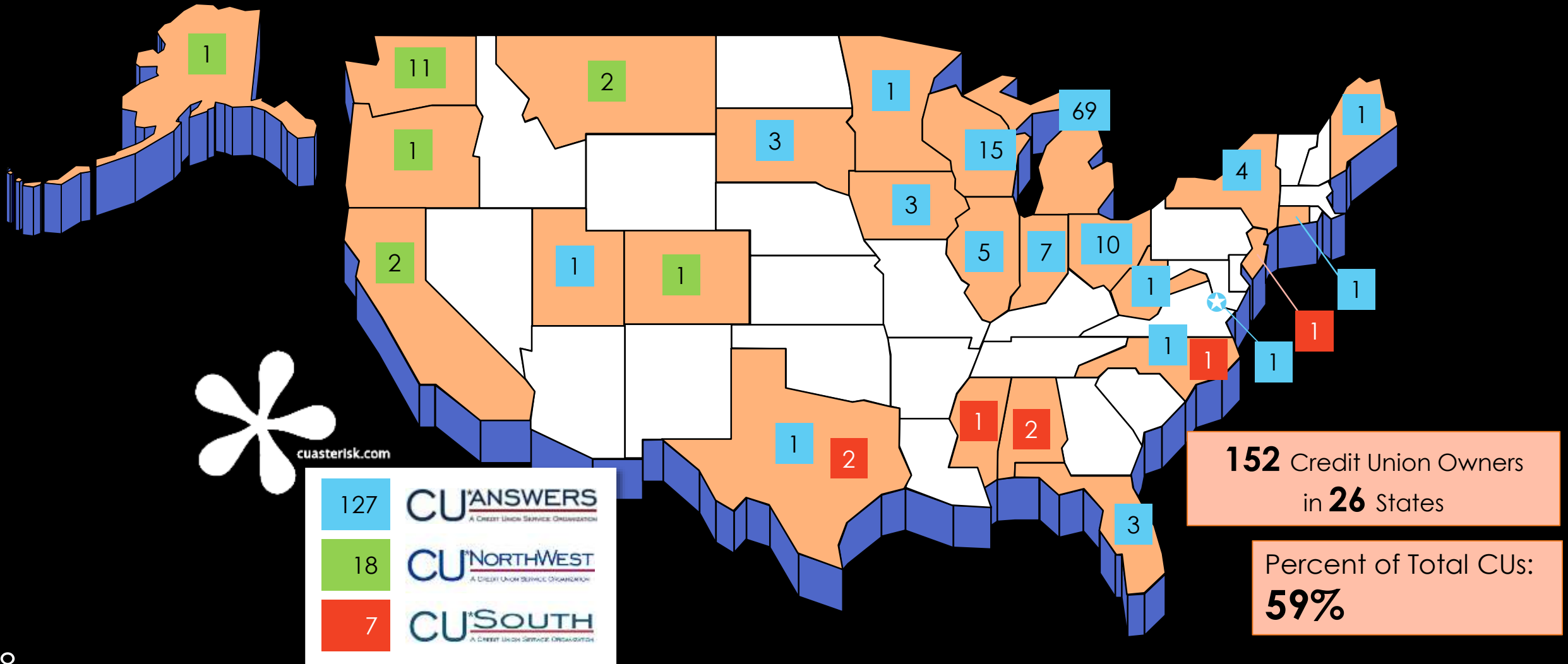
Average size: 25,200 members

Challenges: Unlimited

Ideas: Priceless

Potential: To be the customer owner that changes everything

Our Community of Owners



cuasterisk.com

127	CU ANSWERS <small>A CREDIT UNION SERVICE ORGANIZATION</small>
18	CU NORTHWEST <small>A CREDIT UNION SERVICE ORGANIZATION</small>
7	CU SOUTH <small>A CREDIT UNION SERVICE ORGANIZATION</small>

2014 Board Elections

Representing the 2015 Nominating
Committee: Linda Bodie

LET'S VOTE!

Elections Market the Power of Ownership

- ◆ 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
- ◆ Year 3 for the CU*Answers Elections website (*did you visit?*)
- ◆ Year 3 for the e-Voting option (*what did you think of the new SimplyVoting tool?*)

cooperative
SCOPE **CU*ANSWERS** This site is part of Cooperative Score. Learn More.

CU*Answers Elections

We Need YOUR Vote

The 2015 Elections are here!

These elections are very important and we need every stockholder's vote. Changes to the bylaws and three board seats are up for election.

Home Meet the Candidates Bylaws Changes Rules About Contact Us

Welcome Owners!

We believe a lively democratic process is essential for a healthy Cooperative. And since we're a Cooperative just like your credit union is, CU*Answers is walking the talk with our owners.

On this site you can meet the candidates vying to fill a spot on the CU*Answers Board of Directors. This year's election is at the Stockholders Meeting on June 17, 2015, but you can cast your vote early by participating in e-voting ([learn more](#)).

*****Special this year: Bylaws Changes***** More than ever, this year we really need every owner to participate as we will be presenting some important changes to the CUSO Bylaws ([read more](#)).

Check out this year's candidates. Read their story about how they plan to contribute on the Board and represent you as an owner. While you are here, read up on the election rules and find out more about how you can put your hat in the ring next year to serve on the Board!

2014 Annual Meeting Minutes are ready

April 16, 2015 Dawn Moore

The minutes from the 2014 Annual Stockholders Meeting, held June 18, 2014, are ready for review. Stockholders please review these minutes prior to the 2015 Annual Meeting on June 17, 2015.

[Open the 2014 Annual Meeting Minutes](#)

Understanding the Proposed 2015 Bylaws Changes

April 16, 2015 Dawn Moore

[Open the 8-page flyer to read a detailed explanation of changes being proposed to the CU*Answers Bylaws.](#)

7 COOPERATIVE PRINCIPLES

ABOUT OUR OWNERS
CU*Answers Audited Financial Statements
[Other CU*Answers Audit Results](#)
[Minutes from Last Year's Annual Meeting](#)
[Bi-Annual Report to Owners](#)

[LEARN MORE](#)
[Meet the Board](#)

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



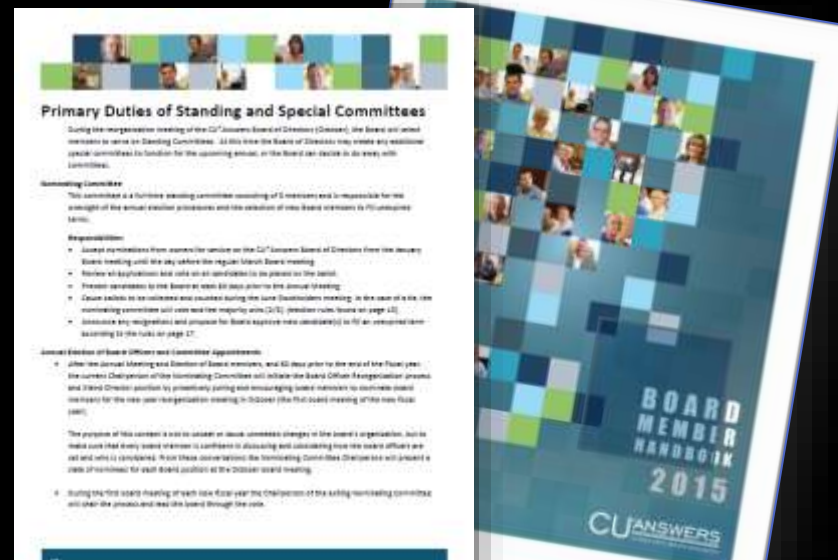
Dean Wilson, Director
CEO, Focus Credit Union



Linda Bodie, Director
CEO, Element Federal CU



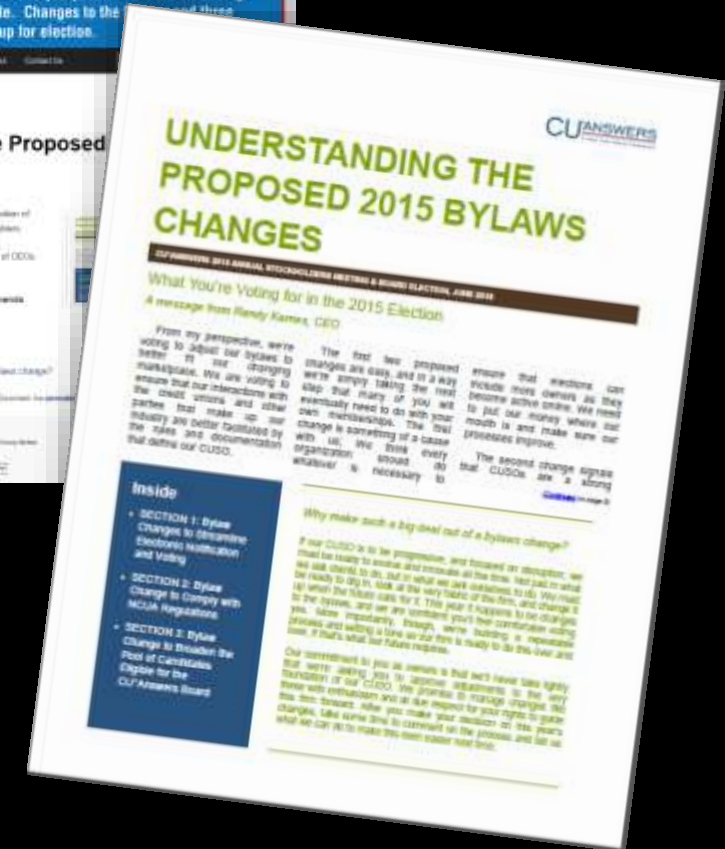
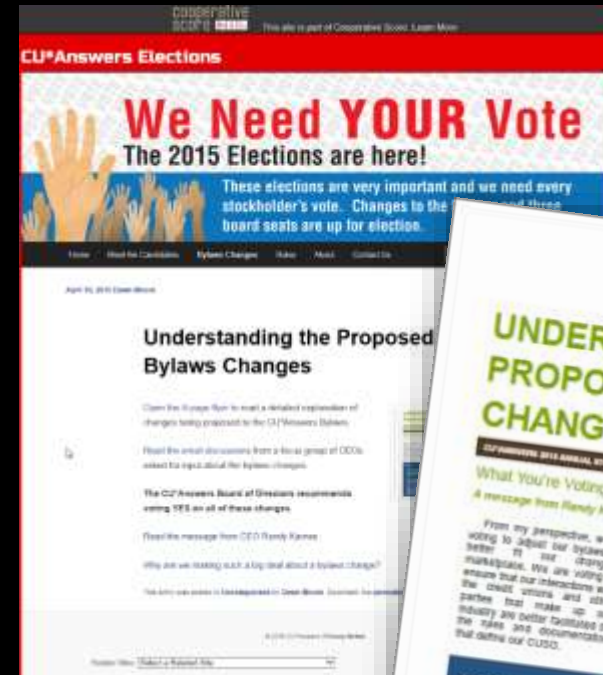
Vickie Schmitzer, Sec./Treas.
CEO, Frankenmuth Credit Union



2015 is a Big Year

A word about the bylaws change process

- ◆ In an era of transition for our industry, one of the most important traits of our firm needs to be an expectation that we're ready to evolve and innovate
- ◆ While bylaws are not nearly as flashy or entertaining as new websites or apps, we need to be consistent as cooperative entrepreneurs ready to change...right down to the core of how our business is organized



Let's hear from the candidates



◆ Chris Butler

◆ CEO, Community CU
(LaCrosse, Wisconsin)



◆ Scott McFarland

◆ CEO, Honor CU
(St. Joseph, Michigan)



◆ Andy Fogle

◆ CEO, Des Moines Police
Officers' CU
(Des Moines, Iowa)



◆ Don Mills

◆ President & CEO,
Alpena Alpena Area CU
(Alpena, Michigan)

Learn from the slide

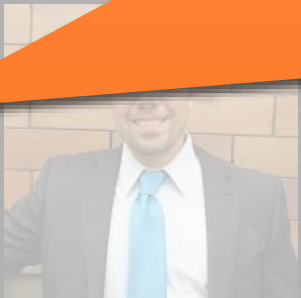


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Let's vote!



CEO
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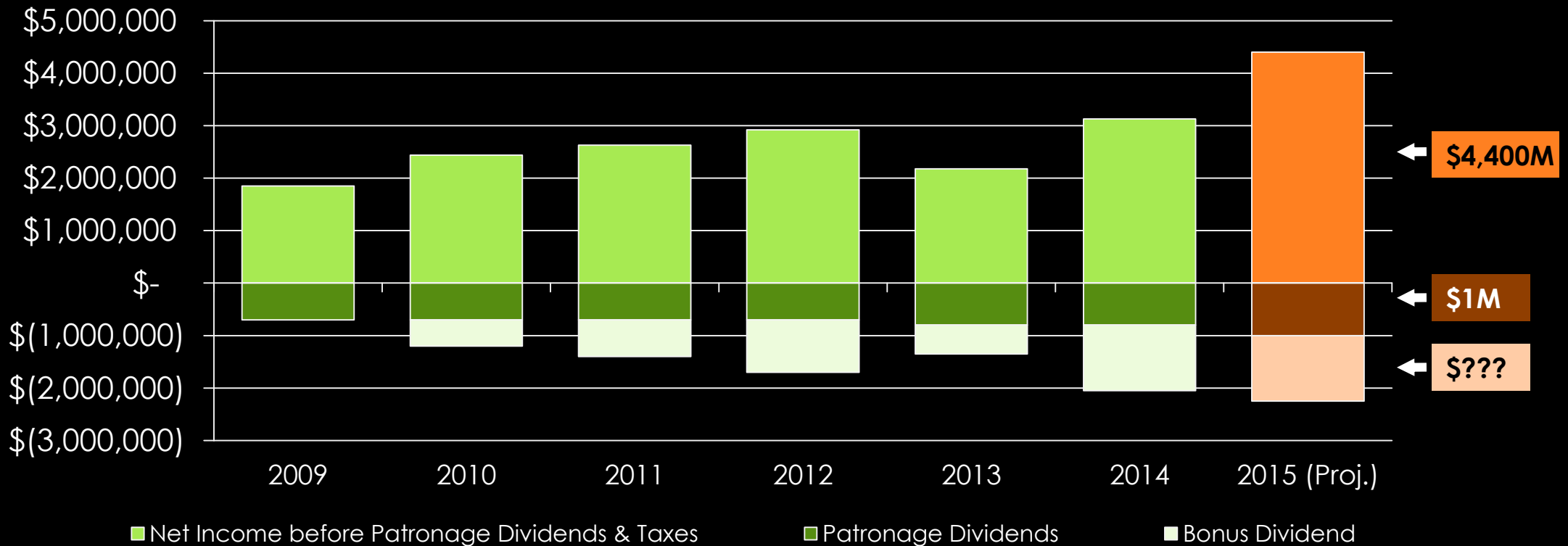
nt & CEO,
Alcona Area CU
Michigan)

A Look at The Numbers

The Inspiration for Optimism and
an Opportunity to Fund New
Futures

Net Income & Patronage Dividends

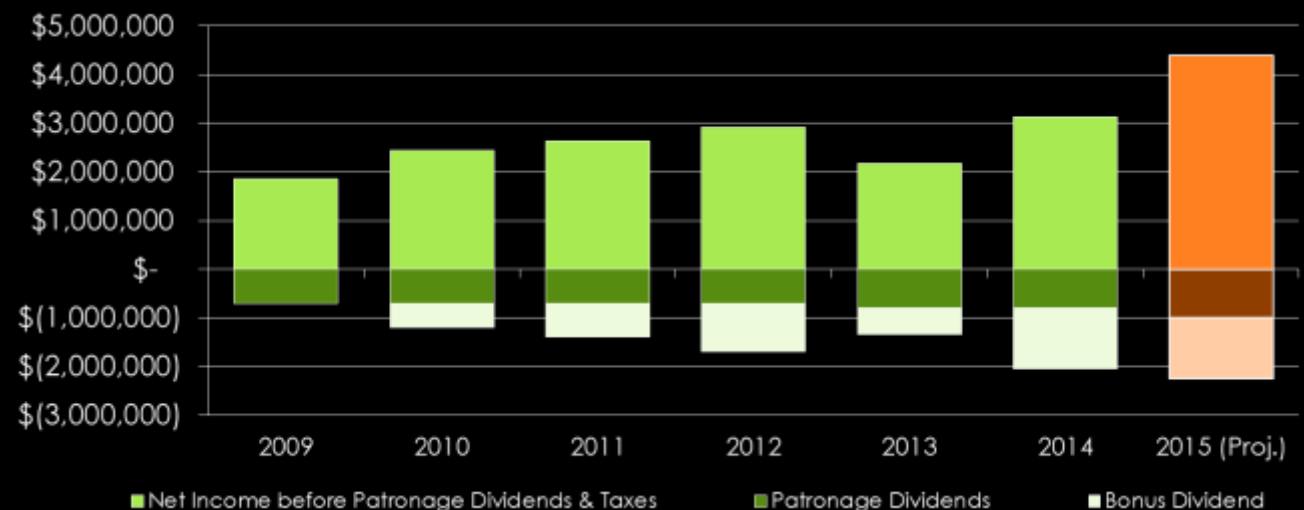
What do shareholders get, and what are we putting away for our future?



Build, reset, build again...when do we expect the next reset based on Randy's comments about new assembly lines?

We are about to reset (reload), and that's a good thing for our future

- ◆ 53% of today's slides were about investing in Internet Retailing
 - ◆ New assembly lines
- ◆ 26% were about investing in the promise of data
 - ◆ New product lines and new markets
- ◆ 7% were about an industry in flux
 - ◆ Increased investments to help our owners navigate the future
 - ◆ New investments in finding opportunities in the chaos



If you see the same cycle I see here, you know that up, up, up is not always a short-term expectation

But it's a nice long-term intent

2014 Numbers Worth Celebrating

Detail	YE 2013	YE 2014	2014-2013 % Change	2013-2012 % Change	2012-2011 % Change
Total Assets	\$26,060K	\$26,862K	3.1%	13.5%	21.2%
Total Liabilities	\$15,620K	\$14,344K	(8.2%)	5.9%	15.2%
Total Equity	\$10,440K	\$12,518K	19.9%	27.1%	33.9%
Retained Earnings	\$1,979K	\$2,125K	7.4%	1.33%	22.9%
Book Value of Class A Stock (\$ per share)	\$442.36	\$488.99	10.5%	14.2%	20.0%
Book Value of Ownership	\$88,471.65	\$97,798.99	10.5%	14.2%	20.0%

In 2014, the Board returned the maximum amount it could to our owners, to help with their agendas

Each year it's a balancing act that your Board takes very seriously

Year-end 2014 Dividend Payments

These numbers can flex, and I predict they will again in the future

Detail	YE 2013	YE 2014	2014-2013 % Change	2013-2012 % Change	2012-2011 % Change
Patronage Dividend (\$)	800,000	800,000	0.0%	14.3%	0.0%
Bonus Patronage (\$)	550,000	1,250,000	127.3%	(45.0%)	42.9%
Ownership Dividend Rate	4.0%	4.0%	0%	(10.1%)	1.1%
Ownership Dividend (\$)	406,404	502,829	23.7%	11.5%	33.0%
Book Value of Class A Stock (\$ per share)	442.36	488.99	10.5%	14.2%	20.0%
Price to Purchase CUSO Ownership	180,000	225,000	25.0%	20.0%	20.0%

At yesterday's Board meeting, I reported 2015 Net Earnings (as of 5/2015), after an adjustment for an \$660K Patronage Dividend and taxes, of \$1.25M

(Projected to be \$1.975M by 9/30/15)

2014 Return on Investment

2014 Gross Income Submitted by Owners to CU*Answers <i>(Excludes all vendor pass-throughs)</i>		\$ 19,517,845
2014 Patronage Dividends Paid	\$ 2,050,000	
2014 Class A Stock Dividends Paid	502,829 (4.0%)	
2014 Interest Paid Credit Unions on Loans	<u>354,930 (~5.1%)</u>	
Total Revenue Returned to Credit Unions		\$ 2,907,759

Return Per Total Dollars Received: **\$0.1489**

$\$2,907,759 \div \$19,517,845$ (excludes vendor pass-throughs) = 14.89% return per CU*A \$ received

Understanding this formula is important to how we set the boundaries for our future

2012 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

2013 Return Per Total Dollars Received: **\$0.1280**

$\$2,117,353 \div \$16,539,398$ (excludes vendor pass-throughs) = 12.80% return per CU*A \$ received

2014 Return Per Total Dollars Received: **\$0.1489**

$\$2,907,759 \div \$19,517,845$ (excludes vendor pass-throughs) = 14.89% return per CU*A \$ received

Thinking About 2015 Year-End

cuasterisk.com network revenue numbers continue to impress

- ◆ CU*Answers direct revenues continue to evolve

- ◆ Projected for 2015: **\$47.25M**

- ◆ CU*Answers' influence continues to grow through partnering with other networks and investing in new initiatives

- ◆ eDOC projected for 2015: **\$4.0M**
- ◆ CU*NW projected for 2015: **\$3.2M**
- ◆ Xtend projected for 2015: **\$3.0M**
- ◆ CU*S projected for 2015: **\$2.9M**
- ◆ BuffaloPacific projected for 2015: **\$1.0M**
- ◆ Site-4 projected for 2015: **\$0.5M**
- ◆ ChatterYak projected for 2015: **\$0.1M**



Grand Total: \$61.9 million

Investing in a Community and Building a Network



15%
ownership stake



1.28%
ownership stake



48%
ownership stake



A convertible
debt investment

NEW



1.18%
ownership stake



20%
ownership stake



5.3%
ownership stake



A convertible
debt investment

NEW

Projecting Shareholder Value

Depending on when you bought in, your perspective is different

Ownership price 1991: **\$59.31**, 2000: **\$176**, 2005: **\$460**, 2010: **\$495**, 2015: **\$1,250**

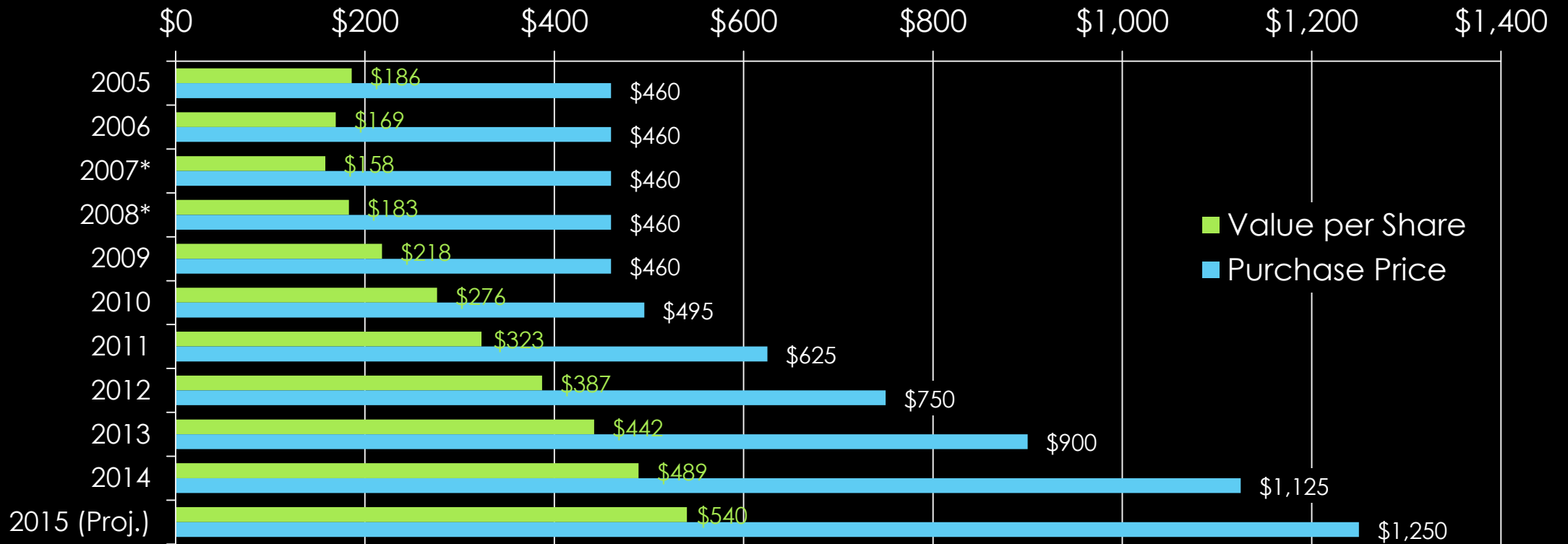


The 2015 projection is less clear than any I can remember recently

With only 3 net new owners, the Board will have a tough call balancing dividends, taxes, and retained earnings

The importance of our per-share price

Balancing today's payback against the value of your equity



*Restated 9/30/08

Let your Board know how you hope they vote

Current year dividends to help your operation or shareholder value for the long term

Lingering Echoes From My Report Last Year

Still counting RBC and CUSO rules as a potential threat

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How do the proposed RBC and CUSO rules affect how we celebrate success?

- The potential negative impact of the RBC proposal is that it will materially change how CUSOs build and retain capital
- If CUSOs are deemed a material risk to credit union agendas, every CUSO will need new targets and tactics for inspiring CU investment and sources of cash for CUSOs in the future

Detail	YE 2012	YE 2013	2013-2012 % Change
Total Assets	\$22,958K	\$26,060K	13.5%
Total Liabilities	\$14,746K	\$15,620K	5.9%
Total Equity	\$8,212K	\$10,440K	27.1%
Retained Earnings	\$1,953K	\$1,979K	1.33%
Book Value of Class A Stock (a per share)	\$387.33	\$442.36	14.2%
Book Value of Ownership	\$77,465.80	\$88,471.65	14.2%

Announcing a debenture payoff program beginning in July 2014

Not a departure from our current tactic, simply an event to set a precedent

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Balancing the perspective of a growing company

Distributing Returns to Owners

According to the class action lawsuit...

- The Board must to expedite the return of assets...
- The sale of assets to purchase Class A shares...

Detail	YE 2012	YE 2013	2013-2012 % Change
Patronage Dividend (\$)	700,000	800,000	14.3%
Bonus Patronage (\$)	1,000,000	550,000	-45.0%
Ownership Dividend Rate	4.43%	4.0%	-9.1%
Ownership Dividend (\$)	364,333	406,404	11.5%
Book Value of Class A Stock (a per share)	387.33	442.36	14.2%
Price to Purchase CUSO Ownership	130,000	180,000	20.0%

There may come a day when the NCUA will test your understanding of these models

They need to see your grasp to see the value

One of the reasons we have to keep our game plans fluid and ready to innovate

We'll continue to watch how the world responds to the NCUA's agenda (another threat...NCUA vendor oversight)

Audit Link
 RISE YOUR VOICE! Risk Based Capital
 We need you to speak up. THAT'S WHAT MEMBERS DO!
 The NCUA is accepting comments on their proposal. THE COMMENTING PERIOD ENDS ON APRIL 27, 2015.

Drawing a Line In the Sand

Making Audacious Statements...
Then Working to Prove Our Point

Are you ready to make a statement and stake out a future?

- ◆ Now is not a time to be timid about who you believe you can become
- ◆ While you need to keep a healthy respect for the work ahead, bold intentions are the only thing that will ensure you'll be hired for the job to be done



This video is not about CU*Answers, it's about inspiring you to be as bold as this CEO

Audacity

- ◆ Are you born with it, or can you learn it?
- ◆ Do you turn away from it, or can you be inspired to adopt it?
- ◆ Do you turn to it only in the face of disaster, or do you live it to redefine opportunity?
- ◆ Do you accept the norms cast upon you, or can you use it to nominate new norms?

audacious 

[aw-**dey**-shuh s]

Spell

Syllables

[Synonyms](#)

[Examples](#)

[Word Origin](#)

adjective

1. extremely bold or daring; recklessly brave; fearless:
an audacious explorer.
2. extremely original; without restriction to prior ideas; highly inventive:
an audacious vision of the city's bright future.
3. recklessly bold in defiance of convention, propriety, law, or the like; insolent; brazen.
4. lively; unrestrained; uninhibited:
an audacious interpretation of her role.

At an time when so many in our industry seem marked as on their way out, it's time for a sense of audacity about our intentions to prove them wrong

Our Ultimate Intent: To Put Ourselves to Work, and Know Why

- ◆ With an audacious swagger that is reserved only for customers who dare to be owners
- ◆ Can our cooperatives own the next era of our industry?

From last year's meeting

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The advantage of a cooperative

The drivers for reaching for opportunity

How did our founding pioneers create our current opportunity?

- They found people where the solution was based on working together
- They found people where their challenges were important enough to build a company and do it themselves
- They prioritized the mutual needs (went on offense) without allowing the fear of what they couldn't do to dissuade them (being on the defensive)
- They knew if they created a community and bonded closely with it, that would be the advantage that would sustain them
- They did something they'd never done before, in order to get something they didn't have

These are the core traditions we need to hold on to, and make them work for this economy in the next decade

Are we audacious enough to be cooperative entrepreneurs?

The State of Our Partnership with Our Customer-Owners

THE OLD GAME

- ◆ CU*Answers is uniquely connected to an active CEO community among our CU owners – these CEOs built this CUSO
- ◆ They know the difference between owners and customers when it comes to building our business

THE NEW GAME

- ◆ As leaders change in CUs, and as CUs grow, we must connect in a new way with the entire executive community among our CU owners
- ◆ We need a succession plan not only for CUSO executives but for credit union executives as well

It's not enough to value credit union executives as competent customers referencing our value


We must inspire these same executives to be cooperative entrepreneurs, that partner with peers as vested owners

Developing Succession Plans for Owners

Two 8-day Executive Study Groups

- ◆ What makes information valuable? Connecting with executives focused on analytics and leveraging what they can mean to the CUs
- ◆ Designing technical and software solutions as a collaborative – connecting with executives focused on building solutions for the future

Owners Build Cooperatives
EXECUTIVE STUDY DESIGNED TO BUILD A NEW COMMUNITY OF COOPERATIVE LEADERS



Track 1: What Makes Data Valuable?	2016 Executive Boot Camp Series
<ul style="list-style-type: none">■ Brainstorming with CU*Answers data architects and credit union peers around the data available to CU organizations■ Work as a group to identify the characteristics of data that help discern the difference between information and knowledge■ Create a foundation for all CUs in the cuasterisk.com network to up their game for a future based on intuition from data	<ul style="list-style-type: none">■ 12 candidates to be selected from a group nominated by their credit union<ul style="list-style-type: none">■ 1 representative per CU■ Nominations due Nov. 1, 2015■ Four 2-days sessions (8 days total)<ul style="list-style-type: none">■ 1 session per quarter■ CU*Answers to pay overnight lodging and food■ Work-study program■ Must attend all 8 days to graduate<ul style="list-style-type: none">■ Schedule to be announced soon

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Owners Build Cooperatives
EXECUTIVE STUDY DESIGNED TO BUILD A NEW COMMUNITY OF COOPERATIVE LEADERS



Track 2: Building Solutions as a Co-op	2016 Executive Boot Camp Series
<ul style="list-style-type: none">■ Brainstorming with CU*Answers solution designers and credit union peers around the concepts that turn ideas into working technical solutions■ Work as a group to understand the creative and day-to-day work processes that yield solutions for our network■ Create a foundation for all CUs in the cuasterisk.com network to ensure a long future from the investments we make to get things done	<ul style="list-style-type: none">■ 12 candidates to be selected from a group nominated by their credit union<ul style="list-style-type: none">■ 1 representative per CU■ Nominations due Nov. 1, 2015■ Four 2-days sessions (8 days total)<ul style="list-style-type: none">■ 1 session per quarter■ CU*Answers to pay overnight lodging and food■ Work-study program■ Must attend all 8 days to graduate<ul style="list-style-type: none">■ Schedule to be announced soon

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An Industry in Recombination

Could we be a cooperative investing to win here?

- ◆ What if all mergers were free?
- ◆ What if we paid credit unions to extend the life of membership communities?
- ◆ What if we openly declared our intent and invested capital as peers, not competitors for the next deal?
- ◆ What if the next generation of credit union leaders felt comfortable talking about uncomfortable realities?

In an Era of Recombination, Which Do We Choose?
WORKING ONE ON ONE, OR WORKING AS A NETWORK?

The diagram illustrates two organizational models. On the left, 'A Hub' shows a central blue circle connected to seven surrounding blue circles. On the right, 'A Network' shows a central blue circle connected to seven surrounding blue circles, which are themselves interconnected in a mesh. Both diagrams include the text 'What is the opportunity, and where is it focused?'.

A Hub

A Network

As I approached the 2015 business year, my goal was to create a network of leaders who were ready to face the recombination of our entire industry as an opportunity
Back to the drawing board in 2016...

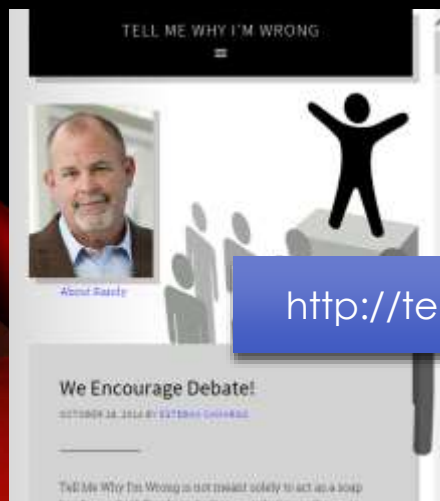
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As a technical network, our roadmap is clear as we respond to our customers

But as a cooperative network, our futures are not as easily interpreted, based on how our owners see the world

Thanks for another year

Here's to my sense of audacity
that I plan to see all you again
next year...tell me why I'm
wrong



<http://tellmewhyimwrong.com/>

Election Results

Let's see who won!

AND THE WINNERS ARE...



Back to the party!