CU*ANSWERS
A Credit Union Service Organization

Evaluating CU*Answers
and Performing Due Diligence

We have developed a process to help a prospective client more easily perform an effective due diligence review of CU*Answers and the CU*BASE processing system. This document was developed after participating in the evaluation process with hundreds of credit unions over the past decade, including client surveys, RFP requests, demonstrations and pricing proposals.

*Your guide to making an informed decision about CU*Answers products*

CU*BASE

It's Me 247

Mobile Web

EasyPay

eDoc Management

Introduction

Searching for a data processing partner can be a daunting task. For many credit unions, it may have been 5, 10 or even 15+ years since the last time they performed such a search. And with literally dozens of core processing solutions to choose from, how does one go about searching out the unique features and benefits of one organization versus another?

Perhaps even more basic is determining how a credit union can quickly gain an understanding of the overall processing environment and decide what operational strategy best suits its style for performing business. How does one effectively compare SaaS to in-house or possibly a third party? What new technologies and products are available? What unique product features and services separate one vendor from another? Who can provide staff the best ongoing support? How could staff benefit from education?

If you are going to hitch your wagon to a vendor for the next five to fifteen years, which one best shares your credit union's vision for balancing technology with sound business strategy?

In today's age of information overload, making the wrong data processing (DP) partner decision can be detrimental, if not catastrophic. From receptionist to CEO, data processing touches virtually every staff desktop and member account relationship. It is the primary vehicle by which credit unions determine their future product direction, and lays the foundation for what separates your credit union from the competition.

CU*Answers understands the importance and apprehension associated with making a DP partner decision. Because of this, we have developed a process to help a prospective client more easily perform an effective due diligence review of CU*Answers and the CU*BASE processing system. This document was developed after participating in the evaluation process with hundreds of credit unions over the past decade, including client surveys, RFP requests, demonstrations and pricing proposals.

It is important to note that the process for performing a DP product search usually depends on the client (or consultant) and the level of review they wish to perform. Although there is no single right way, this process often correlates to the staff resources available. We certainly understand that most credit unions are looking for a streamlined approach to best determine who that future processing partner will be, and we hope this document will serve as a blueprint for that process.

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To offer a proven strategy for making an informed decision about CU*BASE as a data processing system and CU*Answers as a strategic partner, we gathered information from clients who recently performed such an evaluation.

This document highlights the 5 most common steps used in their evaluation process. Although any of these events may be circumvented, this is the approach that clients have told us worked for them. It may also be a helpful roadmap when evaluating other solution providers. These steps include:

1. Performing Preliminary "Homework"
- CU*Answers CUSO Cooperative Business Model – What it means.
- CU*BASE Processing System

2. Detailed Client Surveys
- Product Review Survey
- Hardware Review Site Survey
- eDocument Image Survey
- Network Services Security Survey
- Web Site Development/Hosting Review

3. CU*BASE Product Demonstration(s)

4. Comprehensive Pricing Proposal
- CU*BASE SaaS or In-house Proposal
- Hardware Proposal (including eDOC management strategy)
- Network Services Security Proposal
- Web Services Proposal (optional)

5. Contract Review, Negotiations and Signing

Step One

Preliminary Homework — An Introduction to CU*Answers and CU*BASE

An early mistake often made during a data processing search is to focus too quickly on product features rather that first learning about a vendor's business organization model and processing philosophy. This is hardly surprising since we, as technology incubators, are constantly pushing the envelope with new gadgets and software capabilities. However, one of the basics in reviewing a potential partner is to take a step back and first learn about the style and vision with which they approach the business of serving credit unions. Key background factors for consideration are:

- Who owns them and how long have they been in business?

- How dependent is your requirement for contracting/managing seperate 3rd party replationships? (ie: vender or partners)

- What is their financial performance?

- What is their core philosophy and ongoing vision for serving the Credit Union marketplace? – versus a primary emphasis upon profitability?

- How many clients have been converted during the past 3 years?

- How many clients have left during the past 3 years?

- Do they provide opportunities for credit union ownership or investment? – How about an ROI Commitment?

- Who is leading their future development direction?

- What is their philosophy on client support and on-going staff/membership education?

- Who is on their Board of Directors? Are they readily available to contact?

- How do they allocate R&D funding? Do they partner with credit unions to develop, seekout, and implement new ideas?

- What input will your credit union have in future product development?

Information Resources

There are a number of tools to accomplish this initial review. To learn about the CU*Answers business model, we encourage prospective clients to review several available resources:

1. www.cuanswers.com

There are four separate sections of our web site: click "I Am A Visitor" to learn more about CU*Answers and our products and services. Click "I Would Like to Learn More About CU*Answers" to perform a variety of due diligence processes, including renewing a sample completed RFP. Click "I Am A Client" (no password is required!) to get a taste of the resources available to any CU*BASE client. Click on "CU*Answers Newsstand" to focus on industry news and information.

2. Peer Analysis

Tessentially our reference list, as it contains an annual update of all credit unions utilizing CU*BASE. More importantly, this guide can be used to review what features are being used by your peer credit unions. Find it in the "I am a Client" section under Docs & Information.

3. 11/12 Report to Owners*

Published bi-annually this report highlights not only recent financial performance, but also provides additional insight into the CU*Answers business philosophy.

4. AnswerBook

While at the CU*Answers web site, locate the "What is AnswerBook?" link. This is a digital knowledge tool allowing you to ask questions or review answers to questions previously asked by clients.

• Within AnswerBook, a category dedicated to RFP and CU Due Diligence will provide additional answers and links to other common questions about CU*Answers and the CU*BASE processing system.

5. Education Catalog*

This document describes CU*Answers' education philosophy and ongoing commitment to providing learning opportunities to clients.

6. CU*BASE Overview

While at the CU*Answers web site, click on CU*BASE (under Products & Services) and take a tour of CU*BASE Online Help screens to gain an additional perspective of the core CU*BASE system. Use the Table of Contents panel at the left to navigate to specific areas of interest.

7. On Demand/CUATV

Watch videos of CU*BASE software releases, a demo of the software, industry related videos from financial literacy for board members to regulatory information, and much more at http://ondemand.cuanswers.com/.

8. Product Brochures*

Simply request a "CU*Answers Welcome Packet" which will include a variety of information brochures and other materials that further describe CU*BASE features.

* To request any of the documents mentioned above, please contact our Sales Team at 800-327-3478 x 103 or spage@cuanswers.com.

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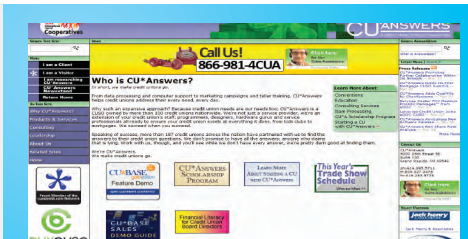
Step Two

Client Surveys

After your initial review of CU*Answers and CU*BASE, your Sales Representative will schedule an initial Survey of your credit union. The information obtained from this survey (kept in strict confidence) provides valuable input that will help us tailor our materials and presentations to your specific requirements. It also provides key insight into products you already have or are looking for and the transaction volumes used to develop a preliminary pricing proposal. This Sales Survey process typically involves the following steps:

- Initially, your Sales Representative will visit you at your credit union in order to complete a comprehensive Summary Analysis of your current data processing environment and system, including third-party vendor relationships. We will focus not only on your current processing status, but also on your desired processing needs, business goals and processing volumes.

- Based on this initial Summary Analysis, we will schedule a follow-up Hardware Survey with one of our CU*Answers Network Services Team Specialists to perform a complete site survey of hardware, including PCs, receipt printers, laser printers, TCD/TCR units, network infrastructure (including eDocument management review) and much more. A visit to various branch locations may also be included as a part of this review process. Our Systems Team Specialists are much more than simply a hardware review resource: they are constantly on the lookout for ways to help you improve team efficiencies and cost effectiveness. These recommendations will be reflected in a follow-up hardware proposal.

- As a part of the Systems Team visit, we will review your current data communications environment, including data connectivity to both your processor and branch locations. A detailed diagram of your current communications infrastructure will be developed and taken into consideration as part of our proposal.

- The network experts from our CU*Answers Network Services team will perform a comprehensive review of your current network and security systems, such as your current firewall security and anti-virus strategy. The information obtained from this survey will be included as part of a separate CNS proposal.

- If you wish, our Web Services Team will review your existing web site and provide recommendations for updating or refreshing your site. They can also provide optional CU*Answers web hosting and email services to be included as part of your CU*BASE proposal.

CU*BASE Product Demonstrations

A critical component in the evaluation of any product is a detailed product demonstration. With the input gathered in the survey we are able to assemble our CU*BASE Demonstration Team (experts from the appropriate functional areas within CU*Answers). These experts represent many different disciplines, including:

*Executive Team Leaders * Client Services * Conversion Team Coordinators Programming * Sales * Systems * Network Services * cuasterisk.com Partners*

In many cases, these presenters will also have direct responsibility for various aspects of your CU*BASE conversion.

Our ultimate goal is to be viewed by our clients as extensions of their staff: VP's down the hall if you will. We treat demonstrations as a critical part of earning your trust and confidence in not only our products, but also our people. During our demos you will meet and engage the people who will be part of that extension of your staff.

We typically offer five types of demos. In all cases, various combinations or multiple product demonstrations may be appropriate to ensure you have the information necessary to make an informed decision.

Executive Overview

Executive Overview
An executive or preliminary high-level demo conducted between the Sales Representative and CEO/Senior Management leaders. In addition to presenting highlights of the software, this meeting focuses on a business-oriented discussion, including reviewing the CU*Answers business model, the value of partnering with a CUSO, overall benefits of the CU*BASE system and discussions related to SaaS vs. in-house processing environments. This meeting sets the direction for the next CU*BASE demonstration.

Web Conference

This 1-3 hour demo can be valuable when a CEO wishes for many staff members to be able to review select features of the system when travel time and budget are limited. (A web conference <u>cannot</u> take the place of face to face value of the credit union management team visiting CU*Answers and seeing our entire infrastructure first hand.)

CU*BASE Overview

This one-day review of the CU*BASE modules is a condensed, targeted format. Select CU*BASE highlights will be presented as a part of this demonstration. This demo is not normally designed as a detailed Operations demo, as time is limited. The demo can take place at the credit union, at CU*Answers, or at a designated off-site location.

Our experience has taught us that having your team visit CU*Answers allows them to better gauge the level of partnership that will exist with CU*Answers by viewing firsthand operation, education, technical and support resources. In many cases, we will participate in the cost of bringing credit union team leaders to CU*Answers.

CU*BASE "Deep-Dive"

This is generally a two-day demo at CU*Answers. This expanded format provides an opportunity to review greater details of the system, including configuration of products and services, automated fee strategies, member relationship tools, daily and month-end operational functions, and much more. This type of demo is often completed following an initial one-day visit to CU*Answers, and often includes key credit union leaders from each department.

Follow-up Demonstrations

Sitting through presentations and demonstrations by multiple vendors can sometimes lead to confusion by the search team about "who said what". A follow-up demonstration is often used by the team to clarify discrepancies or inferences, validate previous notes, or to secure answers to some remaining questions. This is normally a 1-2 hour presentation and focuses on select CU*BASE disciplines, the CU*Answers business model and value of ownership, and is often a pre-cursor to taking a recommendation to the Board of Directors.

Step Four

CU*BASE Proposal Development

Following a CU*BASE demonstration, your Sales Representative will develop a comprehensive pricing proposal to review all aspects of the system. This pricing proposal will include the following components:

- The CU*BASE processing system (SaaS or in-house), including all referenced modules.

- A detailed Cost Analysis showing what your projected CU*BASE monthly invoice would look like. We can also assist you in comparing multiple systems on an "apples to apples" basis.

- A preliminary CU*Answers Services Agreement for review.

- A recommended strategy for data line connectivity to CU*Answers and branch locations (as desired), including back-up data connectivity, routers and disaster recovery solutions.

- A recommended hardware configuration developed by our Systems Team, including PC upgrades, receipt and laser printers, cabling, eDOC management review considerations and more.

- An optional CNS proposal, reviewing your current internal network and providing recommendations on network architecture and design, server firewall security, anti-virus protection, Internet access and other hosted management services. In many cases, credit unions are using this proposal as a blueprint to update their internal information security and procedures.

- Optional Web Services information related to CU*Answers developing and/or hosting your credit union's web site.

Step Five

Contract Negotiations and Contract Signing

Our goal is to ensure that a CEO will have all the necessary information and materials to make an informed recommendation of approval to their Board of Directors. Once this is completed, a final Services Agreement will be presented for signing. This Agreement will include any Addendum information related to special pricing considerations. Your Sales Representative will work closely with you to answer questions and provide additional insight to specific contract language. We have a corporate attorney available to assist with any language that needs further legal clarification. In any case, CU*Answers will work closely with you throughout the entire contract review process and final signing.

We will also spend time with you to make sure you understand potential CUSO investment opportunities and ownership options. We will present a detailed Prospectus for both CU*Answers and Xtend, Inc., which will detail these offerings.

Your Conversion Team

Finally, after a Services Agreement has been completed, you will be contacted by our Conversion Department to begin making arrangements for your upcoming conversion to CU*BASE. A tentative date will be scheduled for the conversion and an initial Pre-site Conversion Meeting date will be determined. For additional details regarding the conversion process, review our Conversion Promise — Guaranteeing the Difference and The CU*Expert Program booklets. Both are available in print, as well as on www.cuanswers.com.

Discover More!

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