

Third Quarter Strategic Update

October 2012



Service. Growth. Strength.

Helping, Credit Unions
Serve, Grow and Remain Strong.



MCUL 2012 Objectives and Strategies





2012 MCUL Objectives and Strategies

Corporate Objectives:

<u>CU Difference & CRI Efforts</u> (1)	<u>Strength & Compliance: Regulatory Compliance Support</u> (2)	<u>Strength & Compliance: CU Net Income & Financial Strength</u> (3)	<u>Enhance Education & Information Solutions</u> (4)	<u>Regional Trade Association Efforts</u> (5)	<u>Lobbying & Political Action</u> (6)
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Strategies:

<ul style="list-style-type: none"> a) CU Difference Campaign b) Media Strategies c) CRI Project 	<ul style="list-style-type: none"> a) Strong Advocacy b) Communication of Requirements c) Implementation Assistance d) Increase MCUL Web Awareness as a Compliance Tool e) Regulatory Compliance Review f) Targeted Assistance with Regulator Communications 	<ul style="list-style-type: none"> a) Identify and Plan Lobbying for New Income Sources b) Identify New Statutory and Regulatory Authority for New Fee Income c) Develop Information and Education Tools for Competitive Fee Income d) Identify Financially Challenged CUs 	<ul style="list-style-type: none"> a) AC&E and Major Conferences b) Technical Training c) Volunteer Training d) Executive Support w/ CUES e) Distance Learning f) CUBE TV g) Publications h) Website i) Networking 	<ul style="list-style-type: none"> a) Illinois League Collaboration b) AACUL Participation Efforts c) Coordination with CUSG on Alliances 	<ul style="list-style-type: none"> a) Develop Pre- and Post Election Lobbying Plans b) Relationship Building w/ New Lawmakers c) Issue Management d) State/Federal PAC Processes and Funding e) CURE Soft Money Strategies f) Campaign Involvement Strategies
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CU Net Income and Financial Strength

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Third Quarter Highlights



Strategies:

Identify and plan lobbying for new income sources.

Identify new statutory and regulatory authority for new fee income.

Develop information and education tools for competitive fee income.

Identify financially challenged CUs for follow up, including assistance with regulators.

-The MCUL has successfully achieved approval of business equity investment authority using existing law. MCUL is working with credit union membership to define an implementation plan for the new authority.

-The monthly compliance video for September covered interest-related issues in the Service Members Civil Relief Act, and a second special edition covered recent and pending CFPB activities.

-The Rate Watch tool is in active use with over 500 unique visitors, and 23 credit unions have registered to receive pricing reports.

-Thirty-one sessions on growth, interest risk, pricing and innovation have been offered through September; with 999 credit union professionals participated in those sessions.

-The CU Assistance Fund has provided assistance to 10 of the most financially challenged credit unions. To date, \$59,000 has been used from the CU Assistance Fund.

Third Quarter Highlights



Strategies:

Strong Advocacy

Communication of Requirements

Implementation Assistance

Regulatory Review

MCUL Web Compliance Tools

Targeted Assistance with Regulator Communications

-MCUL has submitted comments on two NCUA proposals (emergency liquidity and troubled condition) and two letters on dual aspects of one CFPB proposal (mortgage servicing), and has begun comment letters on multiple CFPB proposals (high risk mortgages, TILA/RESPA forms, loan originator rules, and appraisals and valuations).

-The Compliance Helpline averaged 312 calls per month in the first half of 2012 and covered 295 calls from 126 different credit unions in September.

-Monthly compliance videos and FAQs continue to be updated. The most recent FAQs focused on FFIEC guidance on cloud computing, and the small claims court process.

-CUcorp has begun the process to hire a new consultant to take on the insourced duties associated with the Compliance/Help Line.

Third Quarter Highlights



Strategies:

Develop election lobbying plans.

Build relationships with lawmakers.

Issue management.

PAC process & funds.

CURE Soft Money.

Campaign involvement.

-The primary federal focus remains Member Business Lending, with 9 Michigan US House Members co-sponsoring their version of the bill and both Senators strongly supporting the Senate vehicle.

For the remainder of this year, the state Legislature will focus on: reauthorization of the 90 foreclosure workout period, revisions to blight violation enforcement in urban areas and finalization of the elder abuse prevention package.

-In the third quarter, 17 chapter legislative events were held.

-A new Grass Roots Coordinator, Ashley Ligon, joined the team to focus on grass roots political efforts and fundraising for MCULAF, MCULLAF, and CURE.

Successfully defended qualification of MCULLAF's raffle license which is a critical victory for continued fundraising.

Third Quarter Highlights



Strategies:

**Illinois League
Collaboration.**

-Talks continue with the ICUL regarding the potential for merging the MCUL and ICUL and/or other strategic alignments. A stock swap between ICULSC and CUSG has been done. Officers of both leagues continue to meet.

**AACUL Participation
Efforts.**

-Currently working on a collaborative product for Vendor Management with the League of Southwest Credit Unions and the Mountain West Credit Union Association.

**Coordination with
CUSG on Alliances.**

-MCUL and ICUL education departments began planning their distance learning programs (webinar and audio sessions) in early August. In addition to distance learning programs, the two groups are also discussing other ways to collaborate in 2013.

-To date, 25 Illinois credit union professionals participated in 15 MCUL webinars and 142 Michigan credit union professionals participated in 44 audio sessions hosted by ICUL.

Third Quarter Highlights



Get into **Choice.**

Think as a credit union member you've got a limited choice of branches? Think again. Our shared branching gives you a choice of going to more than **4,400 credit union branches** nationwide.

[Learn More >](#)



Strategies:

Revamp CUD campaign to include new creative, additional flights, new website, and social media targeting GEN Y.

-The second wave of media continues through October in markets where budget allowed (Detroit, Flint, Grand Rapids and Lansing). Supplemental media funded by CUcorp began this month with Member Business Lending in radio, print and digital. IIA radio spots will begin running in November throughout the remainder of the year.

-The 2012 CU Difference consumer awareness survey results show that 79% of consumers would consider a credit union if they needed a new account, and 80% would be very or somewhat likely to consider opening an account at a credit union.

-CU Link social media has generated 701 likes on Facebook and 69% are in the targeted Gen Y demographic. The page has reached over 963,000 unique individuals, delivering over 27 million impressions.

-Two prizes were awarded in conjunction with the CU Link campaign. A member of Wexford Community credit union won \$700 in the Face Book Secret Savings contest. And the \$10,000 grand prize of the Own Your Money Sweepstakes went to a member of Ishpeming Federal Credit Union.

Third Quarter Highlights

Strategies:

Develop PR and PSA media strategies.

Refocus CRI on financial education and small business support.

-Developed a PSA plan with Public News Service to distribute content that supports the credit union difference to radio and TV stations in the state and nationwide.

-The research results for the 2012 CU Link campaign are complete and will be reviewed with the CU Link Committee at the November 7 meeting. Results continue to show positive trends regarding the campaign effectiveness.

-The 2012 Financial Counseling program has concluded. There were 59 participants from 22 Michigan credit unions in 2012 bringing the three year total to 239 participants.

-A plan is in development to transition credit unions from “Just File It” to the freeTurboTax filing program. Communications on this program will begin in early November.

-Total support for CMN for Children’s hospitals in Michigan is \$102,040, which is comprised of \$73,205 from the MCUL & Affiliates auctions and golf outing, \$14,641 from the Co-Op Financial Services Miracle Match and \$14,193 from Service Centers candy bar sales.



Third Quarter Highlights



Strategies:

**AC&E / Major
Conferences.**

-Planning for the 2013 AC&E is in progress and will be held May 16-18 in Detroit. In lieu of holding a separate Chapter Leader Retreat in 2013, special sessions will be conducted for the Chapter Leaders.

Technical Training.

-Of the attendees at the HR, Trainer and Supervisor Institute, 90% said the conference greatly exceeded their expectations.

Volunteer Training.

-Nineteen webinar and audio sessions mostly on compliance are available, along with 2 IRA sessions and an in-person Telephone Collections School.

**Executive Support w/
CUES.**

Distance Learning.

-To date, 25 Illinois credit union professionals participated in 15 MCUL Webinars and 142 MCUL credit union professionals participated in 44 audio sessions hosted by Illinois.

-78 Webinar on Demands are currently available for credit union professionals.

Third Quarter Highlights



Strategies:

CUBE TV

-CUBE TV and InfoSight are working in conjunction to launch a new version of compliance videos called “CU Compliance Connection”. The new channel will launch in November

Publications

-The fourth quarter edition of Contact focused on small business lending and its impact on the economy. Due to all of the regulatory changes coming from the CFPB, the 2013 first quarter of Contact will focus on the changes and help credit unions navigate the issues.

Website

Social Networking

-Website development is in progress with the development of two concepts with a revised site architecture. Concepts will be presented to management in the next few weeks.

-MCUL has surpassed 1,000 followers on Twitter! Facebook progress has stalled out at 160, so contents and promotions are being explored to further engage credit unions.

-Currently using FB to promote CU Lunch Local, the “cash mob” event headed up by Michigan Credit Union Capital on October 16th.

Key Performance Metrics

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Strength and Compliance

Key Performance Metrics	2012 YTD & Projection		Progress	2012 Goal	2011 Actual
CU Assistance : CUs Assisted	10	10	↑	10	8
ALM & Non-Interest Income Ed. Sessions	31	31	↑	9	6
CUs With Negative Metrics: <\$50M	39	N/A		N/A	41
CUs With Negative Metrics: \$50M-\$100M	18	N/A		N/A	15
CUs With Negative Metrics: >\$100M	27	N/A		N/A	28
Compliance Services CUs Served	28	30	↑	19	23
Compliance Services Weeks Utilized	101.5	103	↑	124	90
Compliance Break-outs/CUBE TV/Other	74	76	↑	50	51
Non-Interest Income Products Implemented	0	0	↓	2	n/a

↑ ↓ ↔
On Pace Not on Pace No Data



Key Performance Metrics

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Lobbying and Political Action

Key Performance Metrics	2012 YTD & Projection		Progress	2012 Goal	2011 Actual
PAC Dollars Raised: Federal	\$154,002		↓	\$300K	\$276,350
PAC Dollars Raised: State	\$157,007		↑	\$200K	\$177,479
Quality Comment Letters Submitted	12		↑	18	25
Issues Lobbied - Federal (Leg & Reg.)	7		↑	5	6
Issues Lobbied - State (Leg & Reg.)	9		↑	5	6
"A" Grade Relationships:			↑		
State Leadership	90%		↑	100%	85%
All State Lawmakers	85%		↑	80%	75%
All Federal Lawmakers	85%		↑	100%	70%



On Pace

Not on Pace

No Data

Key Performance Metrics

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CU Difference and CRI Efforts

Key Performance Metrics (2012 YTD & Projection		Progress	2012 Goal	2011 Actual
CU Difference Campaign: Contributing CUs	62%	62%	↑	65%	52%
CU Difference Campaign: \$'s Contributed	\$985K	\$985K	↑	\$900K	\$808K
CUs Using Supplemental Marketing	190	190	↑	196	n/a
CUs Opting in For Marketing Incentives	70	70	↑	50	n/a
Positive Media Stories Placed by MCUL	44	50	↓	70	63
Save to Win: Participating Credit Unions	58	58	↑	65	44
Save to Win: \$'s Saved	\$41M	\$42M	↑	\$40M	\$37M
CRI: Financial Education Programs	3	3	↑	3	1
CRI: Coordinated Community Events	1	1	↓	3	2



On Pace

Not on Pace

No Data



Key Performance Metrics

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Education and Information Solutions

Key Performance Metrics	2012 YTD & Projection		Progress → 2012 Goal		2011 Actual
	2012 YTD	2012 Projection	Progress	2012 Goal	
AC&E: Credit Union Attendance	46%	46%	↑	40%	36%
AC&E: Net Contribution	\$96K	179K	↑	\$96K	\$95K
AC&E: Total Attendees	1137	1137	↓	1200	1021
AC&E: Credit Union Registrants	581	581	↑	560	586
CUs Using Fee-based Education	10	25	↑	15	n/a
FLDC: Credit Union Attendance	26%	28%	↑	28%	28%
Executive Summit: Credit Union Attendance	16%	25%	↓	25%	20%
Other Confs. & Education CU Attendance	81%	82%	↑	82%	80%

↑	↓	↔
On Pace	Not on Pace	No Data



Key Performance Metrics

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Education and Information Solutions

Key Performance Metrics (click KPM for chart)	2012 YTD & Projection		Progress	2012 Goal	2011 Actual
	2012 YTD	2012 Projection	Icon	2012 Goal	2011 Actual
CUBE TV Views	15.7K	20k	↑	8K	8.7K
Credit Union Satisfaction with Monitor	91%	91%	↑	91%	91%
Credit Union Satisfaction with Contact	88%	88%	↑	90%	89%
Credit Union Satisfaction with Priority Report	50%	50%	↓	80%	70%
Website Page Views	6.5M	8M	↑	8M	7.5M
Website Satisfaction (Internal & External)	96%	96%	↑	90%	90%

On Pace	Not on Pace	No Data



MCUL Financial Reports

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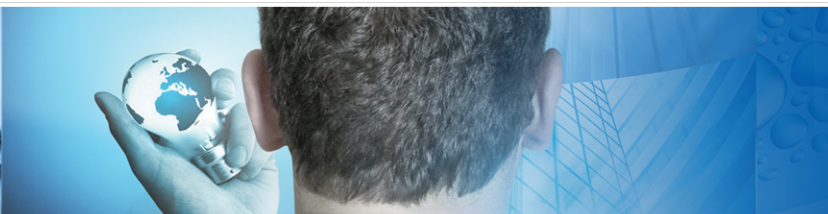


Year-to-Date Income Statement

	Y-T-D	
	2012 Actual	2012 Budgeted
Income	978,981	1,474,586
Operating Expenses	4,138,175	4,125,714
Net Operating Income (Loss)	(3,159,194)	(2,651,128)
Securities Gains	1,462,156	697,210
Other Income (Expense)	(69,389)	(100,053)
Subsidiary Income	4,453,931	3,472,829
Net Changes in Members' Net Assets	2,687,504	1,418,858

September 30, 2012 Results:

- Net Changes in Members' Net Assets increased by \$2,687,504, which is ahead of the budgeted amount of \$1,418,858 by \$1,268,646.
- Net operating losses of \$3,159,194 exceed budget by \$508,066, mainly due to the 50% MCUL dues rebate given in July.
- MCUL recorded YTD gain of \$1,462,156 on its investment portfolio, when compared to budget results in a positive variance of \$764,946.
- MCUL's subsidiaries continue to deliver strong financial results with their share of income of \$4,453,931 to MCUL. Subsidiary income is favorable to budget by \$981,102.

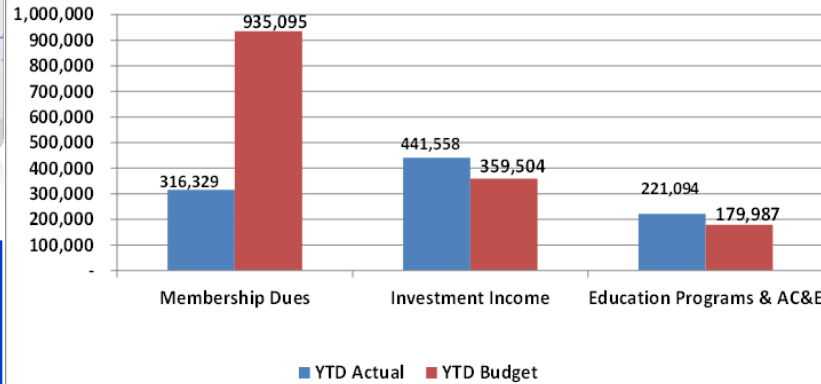


MCUL Financial Reports

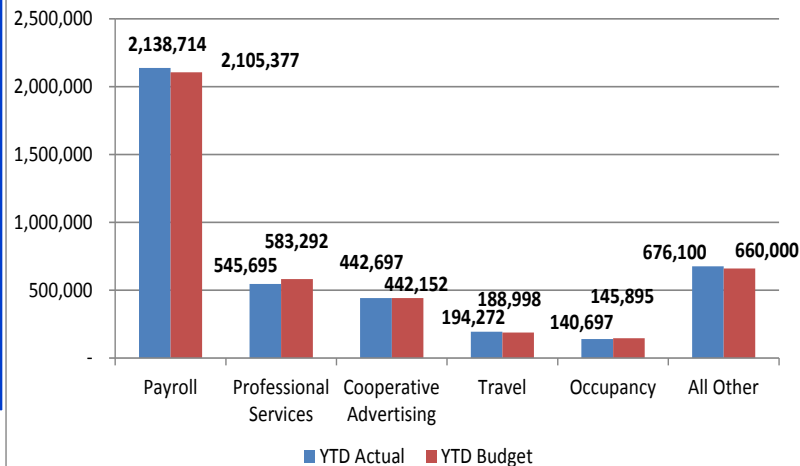
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Revenue & Operating Expenses

Revenue as of 09/30/12



Operating Expenses as of 09/30/12



Revenue as of 09/30/12:

- Membership Dues: 101.8% of budget collected
- 2012 membership dues include a Board approved 35% or \$703,641 discount, as well as a 50% dues rebate (\$ 634,869).
- Investment Income: Positive variance of \$82,054.
- Education Programs
 - Overall, exceeding budget.
 - In person events tracking well.

Operating Expenses as of 09/30/12:

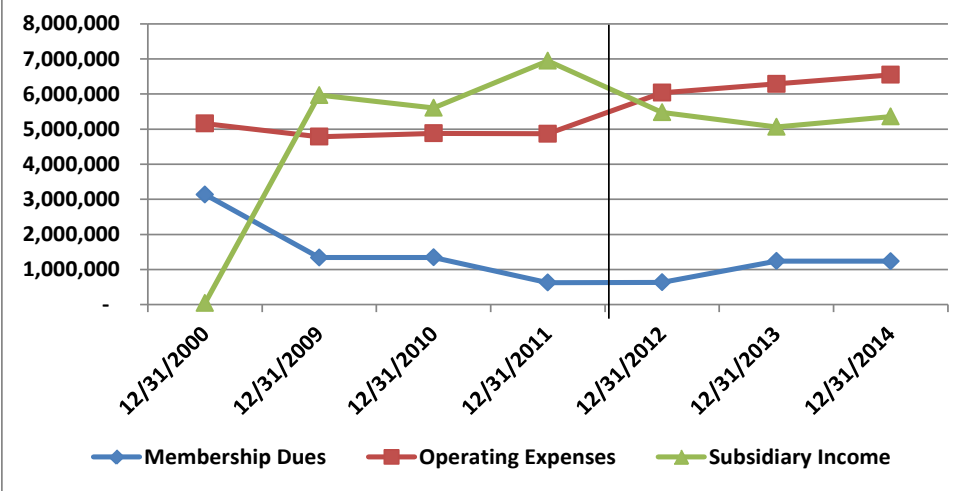
- Overall operating expenses on par with budget.
- Most individual line items are tracking at or below budget.

MCUL Financial Reports

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Member Dues & Cooperative Advertising



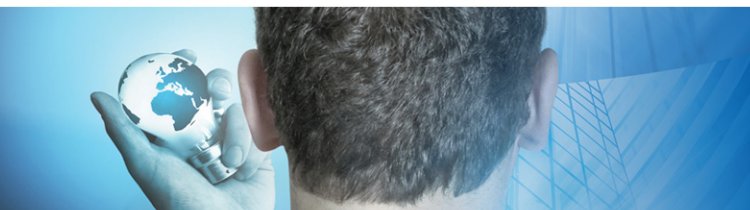
Membership Dues:

- \$3.1m at 12/31/00
- 12/31/11 The Board rebated back to the membership 50% in addition to the 35% discount
- 12/31/12 Discount of 35% and additional 50% rebated back to the membership in July 2012.
- \$635k projected at 12/31/12
- 12/31/13-12/31/14 projected with 35% discount and 50% dues rebate.

	2009	2010	2011	2012 Projected	Totals
CU Difference Campaign:					
- Credit Unions	731,922	775,723	808,990	995,813	3,312,448
- MCUL	-	-	-	280,000	280,000
- CUcorp	1,000,000	500,000	1,000,000	1,500,000	4,000,000
- CUSG	-	500,000	-	-	500,000
Sub total	1,731,922	1,775,723	1,808,990	2,775,813	8,092,448
Supplemental Advertising:					
- CUcorp	-	1,400,000	1,400,000	1,600,000	4,400,000
Total funds	1,731,922	3,175,723	3,208,990	4,375,813	12,492,448
Contributed by MCUL & Affiliates	1,000,000	2,400,000	2,400,000	3,380,000	9,180,000
% Contributed by MCUL & Affiliates	57.74%	75.57%	74.79%	77.24%	73.48%

Cooperative Advertising

- Record media budget
- MCUL budgeted \$280,000 for 2012.
- 84 full-share credit unions.
- 63% participation rate.
- MCUL & Affiliates contributed 77% of the total CU Difference campaign and supplemental advertising.
- CUD was transferred to the CURE Defense Fund during April 2012.



MCUL Financial Reports

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Projected Income Statement

	2000	2009	2010	2011	2012	Proposed Budget 2013	2014 Projected
	Actual	Actual	Actual	Actual	Projected		
Income	5,480,277	2,625,766	2,405,567	1,592,565	1,544,218	1,602,799	1,639,747
Operating Expenses	5,158,824	4,782,982	4,878,431	4,866,725	5,992,899	6,158,786	6,336,650
Net Operating Income (Loss)	321,453	(2,157,216)	(2,472,864)	(3,274,160)	(4,448,681)	(4,555,987)	(4,696,903)
Securities Gains	70,821	2,438,749	2,033,151	50,450	929,614	807,165	851,559
Other Income (Expense)	(17,061)	(151,781)	(345,457)	(173,285)	(102,740)	(137,800)	(147,445)
Subsidiary Income	43,168	5,966,987	5,605,632	6,943,681	5,394,074	4,507,615	4,570,980
Extraordinary Item - Research Fund	(86,801)	671,721	-	-	-	-	-
Net Changes in Members' Net Assets	331,580	6,768,460	4,820,462	3,546,686	1,772,267	620,993	578,191



MCUL Financial Reports

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Projected
Balance
Sheet
Page 1

	Actual				Projected		
	12/31/2000	12/31/2009	12/31/2010	12/31/2011	12/31/2012	12/31/2013	12/31/2014
ASSETS							
Current Assets:							
Chapter Cash	\$ 322,047	395,944	371,538	357,000	357,179	357,357	357,536
CU Difference Campaign Cash	-	516,237	352,843	231,659	-	-	-
Overnights	174,524	243,503	190,417	173,908	102,108	127,911	129,190
Public Investments - Short Term	8,005,810	18,894,352	17,186,606	16,040,568	18,990,737	17,982,441	16,933,800
Accounts Receivables	6,721,357	190,755	1,496,198	3,902,147	2,202,027	1,702,072	1,719,092
Prepaid Expenses	69,449	212,797	151,474	153,912	161,608	163,285	168,184
Total Current Assets	\$ 15,293,187	20,453,588	19,749,076	20,859,194	21,813,658	20,333,066	19,307,802
Public and Private Investments - Long Term							
- Corporate Bonds/CU Certificiates of Deposits	\$ 0	3,446,889	5,578,433	8,323,098	6,409,863	5,487,168	4,275,651
- Restricted Mutual Funds	0	3,342,975	3,911,390	3,876,878	4,148,259	5,037,473	5,390,096
- CUcorp	3,110,938	13,855,304	16,575,410	16,707,971	18,144,466	19,112,537	20,198,744
- NYCE	100						
- REFC	11,502						
- HRN Management Group	0	4,027,100	4,145,419	-	-	-	-
- CU Village/CUSG	783,386	1,585,783	3,074,452	6,996,136	8,792,991	10,690,189	12,386,642
- ICUL Service Corp	0			1,000,099	1,000,099	1,000,099	1,000,099
- Cencorp	0	-	-	600,000	600,000	600,000	600,000
- CU House	0	50,000	50,000	50,000	50,000	50,000	50,000
- League Infosite	0	40,000	40,000	40,000	40,000	40,000	40,000
Fixed Assets, Cost	547,140	531,398	564,620	597,718	708,871	715,960	723,119
Less: Accumulated Depreciation	(342,782)	(238,611)	(311,922)	(383,759)	(418,776)	(439,714)	(461,700)
Total Assets	\$ 19,403,471	47,094,426	53,376,878	58,667,335	61,289,431	62,626,778	63,510,453



MCUL Financial Reports

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Projected
Balance
Sheet
Page 2

	Actual				Projected		
	12/31/2000	12/31/2009	12/31/2010	12/31/2011	12/31/2012	12/31/2013	12/31/2014
LIABILITIES & EQUITY							
Current Liabilities	\$ 688,367	1,353,749	2,154,775	1,114,768	1,696,363	1,318,074	1,257,757
Long Term Liabilities							
Post Retirement Liability	1,848,199	1,497,226	1,589,781	1,515,293	1,400,070	1,317,933	1,331,112
Accrued Deferred Compensation		342,975	911,390	876,878	1,148,259	2,007,473	2,360,096
Total Liabilities	\$ 2,536,566	3,193,950	4,655,946	3,506,939	4,244,692	4,643,480	4,948,965
MEMBERS NET ASSETS							
Ending Balance	\$ 16,866,905	43,900,476	48,720,932	55,160,395	57,044,739	57,983,298	58,561,489
Total Liabilities and Equity	\$ 19,403,471	47,094,426	53,376,878	58,667,335	61,289,431	62,626,778	63,510,453



Third Quarter Highlights



-The CUcorp Board approved an investment and marketing agreement with Michigan Business Connection, in which CUcorp acquired a 10% ownership stake in the CUSO.

-The MCUL Board approved the purchase of CU Policy Pro for all Michigan affiliated credit unions through a wholesale licensing agreement with League InfoSight.

-Over the next 30-60 days, CUSG's primary focus will be on: 1) finalized partnership with Chrysler, 2) Sprint member verification process, 3) launch of the Gas Station TV and SaveUp partnerships and 4) business development.

-Product sales for CU Solutions Group have been strong across virtually all product lines with overall sales growth surpassing 4%. Financial targets are on track to be met or surpassed by year end.



CUcorp 2012 Objectives and Strategies



2012 CUcorp Objectives and Strategies

CUcorp Corporate Objectives:

<u>Marketing, Sales, CU Relations</u> (1)	<u>Corporate Initiatives: Desjardins-like Shared Branding Project</u> (2)	<u>Corporate Initiatives: Business Investing Authority</u> (3)	<u>Corporate Initiatives: Assisting Capital Challenged Credit Unions</u> (4)	<u>Consulting, Fee-based</u> (5)	<u>Enhance Lending & Insurance Solutions</u> (6)
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Strategies:

<ul style="list-style-type: none"> a) MCUL Sales & Marketing Plan b) CUcorp Sales & Marketing Plan c) MCUL CU Relations Plan d) MCUL/CUcorp Product Development e) Enhance Methodology for Measuring MCUL & CUcorp Sales Success 	<ul style="list-style-type: none"> a) Build CU Link as Brand Descriptor b) Integrate CU Difference with CU Link c) Create Geographic Pockets of Interested CUs for Deeper Brand Integration d) Achieve Results in At Least One Pilot Market 	<ul style="list-style-type: none"> a) Seek Regulatory Authority and Legal Framework for Business Investing b) Develop Plan for Integrating this with CU MBL Activities. c) Identify Target Opportunities for Investing d) Implement PR and Monitoring Strategies 	<ul style="list-style-type: none"> a) Identify Target CUs for Capital Assistance and Targeted Regulatory Assistance b) Implement Supplemental Capital Model c) Develop Consulting and Communication Plans for Capital Challenged CUs 	<ul style="list-style-type: none"> a) Develop Plan for Consulting Services b) ALM Consulting c) Compliance Consulting d) Board Planning e) Board Governance f) Payment Systems Consulting g) Webinar on Demand 	<ul style="list-style-type: none"> a) Cards Expansion in Michigan b) Develop Regional Card Strategies c) Lending Strategies (Mortgage, Student , CUDL and MBL) d) Home and Auto Insurance Solutions and Consulting
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Third Quarter Highlights



**Strategies:
Implement
comprehensive
marketing plan**

**Clearly define CU
Relations role,
priorities and targets.**

**Refine product
development process
for MCUL and CuCorp.**

**Enhance methodology
for measuring MCUL
and CuCorp sales
success.**

-SMZ has been selected as the new agency that will work on the 2013 CU Link Campaign, as well as, specific projects for MCUL & Affiliates.

-The supplemental media plan funded by CUcorp began on October 8 and will run through December 23. Key messages focus on member business lending and Invest in America offerings.

-The 2013 Affiliation package is currently in development and will be distributed on December 7.

-Steve Willis has joined MCUL as the Director of CU Relations and Sales. The current focus in this area is redefining the sales process for a more cohesive approach with credit unions. Subsequently, the sales tracking process is being revised to work in conjunction with the sales process.

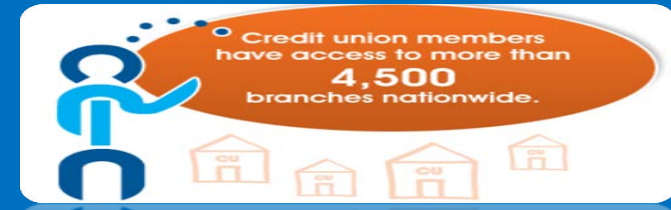
-The League Representatives are currently focused on selling the new Save Up program, Turbo Tax, CU Student Choice and Consulting Solutions.

-A new product development manager, Kellie Haynes, has joined MCUL to develop new products for both CUcorp and CUSG.

Shared Branding

Helping, Credit Unions
Serve, Grow and Remain Strong.

Third Quarter Highlights



Strategies:

Build CU Link as the brand descriptor

-Currently, the main priority for Shared Branding is to get as many Credit Unions as possible to adopt the CU Link brand and to integrate their marketing campaign.

Integrate CU Difference with CU Link

-As part of the 2012 CU Link Campaign, 70 credit unions opted-in to integrate their marketing with the campaign to receive the marketing incentive dollars funded by CUcorp. While a relatively large number of credit unions opted-in, many are not moving forward with their original plans due to other marketing priorities.

Achieve results in pilot market

Create geographic groups of deeper brand integration

-Working on an improved plan for credit union marketing integration in 2013 to not only increase the number of credit unions that opt-in but to also provide a creative product that more strongly encourages credit unions to want to participate.

Third Quarter Highlights



Strategies:

Seek regulatory authority and legal framework for business investing.

Develop plan for integrating with MBL activities.

Identify target opportunities for investing.

Implement PR and monitoring strategies.

-The MCUL successfully achieved approval of business equity investment authority.

-Preliminary work is being conducted to define a potential overall structure of the Business Investing Authority Framework. Third parties and credit unions are being engaged in order to learn about the industry and to obtain information as to what opportunities are available to credit unions. An initial meeting was held with Paul Brown from the Michigan Economic Development Committee to discuss opportunities for credit unions.

-Alan Babcock from Lending Solutions is currently acting as the project manager for Business Investing until a permanent project manager is identified.

Third Quarter Highlights



Strategies:

Identify target CUs.

Implement Supplemental Capital model.

Develop consulting and communication plans for capital challenged CUs.

-Four credit unions have received the NCUA low-income designation and many others are in the process of applying. To date, we have not had any credit unions apply for a Supplemental Capital Loan.

-Consideration is being given to combining this initiative along with the Business Investing initiative for one comprehensive capital initiative.

-Alan Babcock from Lending Solutions is currently acting as the project manager for Business Investing until a permanent project manager is identified.

Third Quarter Highlights



Strategies:

ALM Consulting

-Great progress has been made with the newly formed Consulting division. Business is ramping up in each consulting area including Board Governance and Planning, Compliance, HR, Education and Training and ALM Consulting. Revenue for this new department is just under \$1 million.

Compliance Consulting

-Compliance consulting continues to be in high demand, so a fourth consultant will be added by year-end. This position will also manage the Compliance Hotline, which will be taking over Consulting Solutions in 2013.

Board Planning

Board Governance

Payment Systems

-There are currently 12 strategic planning sessions scheduled in the third quarter. Of the 32 participants in 2012, 17 have been credit unions over \$100 million in assets, including 3 credit unions over \$500 million.

Webinar on Demand

-Continuing to promote board governance services and researching potential payment systems program consulting.

Third Quarter Highlights



Strategies:

Cards expansion in MI and regionally

Lending strategies (MC, CUSC, CUDL, MBL)

Home/Auto Insurance and Consulting

-Conducting a card services training and marketing session for credit unions to learn how to expand their programs and to provide information on other products to enhance their card programs.

-Completing due diligence on a new product to bridge sub-prime lending and prime auto lending with less risk to credit unions.

-The Member Business Connection program will launch in late October. Currently, the League Representatives are being trained on the program and marketing materials are being developed.

-Researching merchant services product for businesses to accept card payments.

-Working in conjunction with CU Relations to define sales strategies, Marketing materials, and target lists of credit unions.

-Developing the 2013 sales and marketing plans in conjunction with Marketing and CU Relations teams.

Key Performance Metrics

Helping, Credit Unions
Serve, Grow and Remain Strong.



CU Relations, Marketing and Sales

Key Performance Metrics	2012 YTD & Projection		Progress	2012 Goal	2011 Actual
	2012 YTD	2012 Projection			
CU Difference \$'s Raised	\$985K	\$985K	↑	\$900K	\$808K
PAC Dollars \$'s Raised	\$311K		↑	\$420K	\$410K
Save to Win \$'s Saved	\$41M	\$42M	↑	\$40M	\$37M
IIA: GM Participating Credit Unions in MI	278		↔	280	278
IIA: GM Cars Sold in MI	1,976		↔		
IIA: Sprint Participating Credit Unions in MI	242	242	↔	235	233
IIA: Sprint Lines in MI	173K		↔	192K	175K
IIA: TurboTax Participating CUs in MI	118		↔	125	102



On Pace

Not on Pace

No Data

Key Performance Metrics

Helping, Credit Unions
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CU Relations, Marketing and Sales

Key Performance Metrics	2012 YTD & Projection		Progress → 2012 Goal	2011 Actual	
IIA: TurboTax Returns Filed in MI	8,507		↔	10K	7.4K
CUSG: MI Web & Marketing Revenue	\$274K		↔	1.4M	1.3M
CUSG: MI Performance Pro Revenue	\$19K		↔	\$45K	\$29K
CUSG: MI Compease Revenue	\$21K		↔	\$50K	\$24K
Consulting Solutions Revenue	\$643K		↑	\$602K	\$175K
Lending: Card Services Participating CUs	108	110	↑	110	100
Lending: Card Services Revenue	\$1.315M	\$1.7M	↑	\$1.5M	\$1.3M
Lending: Student Lending Participating CUs	3	15	↑	15	10

On Pace	Not on Pace	No Data



Key Performance Metrics

Helping, Credit Unions
Serve, Grow and Remain Strong.



CU Relations, Marketing and Sales

Key Performance Metrics	2012 YTD & Projection		Progress	2012 Goal	2011 Actual
	2012 YTD	2012 Projection			
Lending: Student Lending Revenue	\$43K	\$63K	↓	\$75K	\$50K
Lending: Mortgage Center Participating CUs	79	83	↑	83	78
Lending: Mortgage Center Revenue	\$500	\$2.5K	↓	\$2.5K	\$4.5K
Insurance: CMG Revenue	\$1.25M	\$1.6M	↑	\$1.3M	\$1.1M
Partnerships: COOP Revenue	\$47K		↑	\$95K	\$95K
Partnerships: CSS Revenue	\$51K		↑	\$30K	\$30K
Partnerships: Accel Revenue	\$15K		↑	\$25K	\$21K

On Pace	Not on Pace	No Data



Key Performance Metrics

Helping, Credit Unions
Serve, Grow and Remain Strong.



Consulting Services

Key Performance Metrics	2012 YTD & Projection		Progress →	2012 Goal	2011 Actual
Compliance: Credit Unions Assisted	40	45	↑	29	23
Compliance: Revenue	\$226K	\$310K	↑	\$300K	\$214K
ALM/Investment: Credit Unions	1	6	↑	n/a	n/a
ALM Investment: Revenue	\$1K	\$10K	↑	n/a	n/a
Credit Unions Assisted with Regulators	6	6	↑	5	n/a
Governance: Credit Unions Assisted	6	10	↑	10	n/a
Governance: Revenue	\$7K	\$15K	↓	\$20K	n/a
HR Projects: Credit Unions Assisted	15	18	↑	18	16
HR Projects: Revenue	\$156K	\$210K	↑	\$200K	\$175K



On Pace

Not on Pace

No Data

Key Performance Metrics

Helping, Credit Unions
Serve, Grow and Remain Strong.



Consulting Services

Key Performance Metrics	2012 YTD & Projection		Progress	2012 Goal	2011 Actual
	Strategic Planning: Credit Unions Served	31	40	↑	35
Strategic Planning: Revenue	\$83K	\$100K	↑	\$90K	\$80K
Education & Training: Credit Unions Served	22	25	↑	15	n/a
Education & Training: Revenue	\$50K	\$80K	↑	\$70K	n/a

On Pace	Not on Pace	No Data



Key Performance Metrics

Helping, Credit Unions
Serve, Grow and Remain Strong.



Enhance Lending and Insurance Solutions

Key Performance Metrics	2012 YTD & Projection		Progress → 2012 Goal		2011 Actual
	2012 YTD	2012 Projection	Progress	2012 Goal	
Mortgage Center Credit Unions Added	1	5	↓	5	71/9 new
Mortgage Center Revenue	\$500	\$2.5K	↓	\$2.5K	\$4.5K
Card Services Credit Unions	108	110	↑	110	100
Card Services Revenue	\$1.315M	\$1.7M	↑	\$1.7M	\$1.6M
CMG Contracts	224	275	↑	275	217
CMG Marketing Incentives	\$1.25M	\$1.6M	↑	\$1.6M	\$1.3M
Student Lending Credit Unions Added	3	15	↓	15	10
Student Lending Revenue	\$43K	\$63K	↓	\$75K	\$26K

On Pace	Not on Pace	No Data



CUcorp Financial Reports

Helping, Credit Unions
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Year-to-Date Income Statement

	Y-T-D	
	2012	2012
	Actual	Budgeted
Revenue	6,792,198	6,792,711
Operating Expenses	6,293,176	6,948,945
Net Income from Operations	499,022	(156,234)
Share of Earnings in Unconsolidated Subsidiaries	1,728,426	1,547,559
Gain on Sale of CU PolicyPro	780,000	-
Investment and Interest Income	326,999	140,130
Other Income (Expense)	(6,750)	(29,754)
EBITDA	3,327,697	1,501,701
Depreciation and Amortization	(69,127)	(118,875)
Income Taxes	(1,382,527)	5,000
Net Income	1,876,043	1,387,826

- CUcorp continues to have strong financial performance and closed the month with YTD EBITDA of \$3,327,697 which is \$1,825,996 ahead of budgeted earnings of \$1,387,826.
- Year-to-date net income closed at \$1,876,043 and exceeded budget by \$488,217.
- Year-to-date revenues of \$6,792,198 are in line with budget.
- Year-to-date operating expenses have a favorable variance to budget of \$655,769. This is primarily from payroll and advertising savings.
- CUcorp's share of earnings in unconsolidated subsidiaries, which is represented by CU Solutions Group and the Salus Group continues to be solid due to the successful financial performance of CUSG's Membership Enhancement Solutions.



CUcorp Financial Reports

Helping, Credit Unions
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Projected Summary Income Statement

	2000	2009	2010	2011	2012	2013	2014
	Actual	Actual	Actual	Actual	Projected	Proposed Budget	Projected
Revenue							
Income - In House Services	6,677,372	18,307,963	2,844,140	2,478,265	2,787,842	4,570,400	4,696,086
Income - Partnerships	1,489,403	1,907,320	5,878,742	7,598,719	5,954,392	4,292,326	4,410,365
Rental Income	458,922	-	-	-	-	-	-
Total Revenue	8,625,697	20,215,284	8,722,882	10,076,984	8,742,234	8,862,726	9,106,451
Cost of Goods Sold	1,374,670	6,172,585	-	-	-	-	-
Gross Profit	7,251,027	14,042,699	8,722,882	10,076,984	8,742,234	8,862,726	9,106,451
Operating Expenses	6,491,948	7,744,908	7,163,106	7,349,543	8,509,124	9,165,540	9,328,217
Net Income from Operation	759,079	6,297,791	1,559,776	2,727,441	233,110	(302,814)	(221,766)
Share of Earnings in Unconsolidated Subsidiaries	(108,772)	244,787	1,533,393	2,491,351	2,353,242	2,352,435	2,364,681
Gain on Sale of CU PolicyPro	-	-	-	-	780,000	-	-
Investment and Interest Income	68,592	105,949	238,431	241,390	408,715	325,634	334,589
Other Income (Expense)	-	2,075,443	(14,138)	(11,213)	(16,667)	(9,000)	(9,248)
EBITDA	718,899	8,723,970	3,317,462	5,448,969	3,758,400	2,366,255	2,468,256
Depreciation and Amortization	(185,325)	(209,574)	(234,711)	(176,737)	(113,762)	(173,482)	(178,253)
Income Taxes	(276,458)	(2,941,560)	(402,887)	(1,569,991)	(1,534,716)	(971,874)	(916,504)
Net Income	257,116	5,572,836	2,679,864	3,702,241	2,109,922	1,220,899	1,373,499

For 2012, operating expenses include the following initiatives:

➤ CU Difference Campaign matching funds	\$1,000,000
➤ Supplemental Advertising	\$1,600,000
➤ Issue Advocacy Ads (contribution to CURE)	\$ 350,000
➤ Cooperative Incentive Plan - New	<u>\$ 500,000</u>
Total	<u>\$3,450,000</u>

CUcorp Financial Reports

Helping, Credit Unions
Serve, Grow and Remain Strong.



Projected
Balance
Sheet
Page 1

	Actual 2000	Actual 2009	Actual 2010	Actual 2011	Projection 2012	Projection 2013	Projection 2014
ASSETS							
Current Assets:							
Overnight Investments	\$ 1,315,491	3,671,965	2,102,741	91,828	110,845	84,534	63,272
Accounts Receivable	1,177,167	2,368,097	3,079,075	5,954,908	4,102,659	4,029,438	3,045,541
Inventory	122,188	67,257	10	-	-	-	-
Prepaid Expenses	480,052	1,692,026	1,477,908	238,049	606,413	751,892	725,314
Public Investments Available for Sale	-	3,725,082	4,661,552	7,383,614	7,037,094	7,885,203	8,323,609
Current Assets	\$ 3,094,898	11,524,427	11,321,286	13,668,399	11,857,011	12,751,067	12,157,736
Private Investments - Long Term	416,350	7,071,145	8,067,396	8,381,305	11,692,414	13,257,593	14,841,078
Intangible Assets	-	103,584	47,084	-	-	-	-
Fixed Assets, Cost	8,144,065	440,496	603,994	386,498	326,028	286,958	311,254
Total Assets	\$ 11,655,313	19,139,652	20,039,760	22,436,202	23,875,452	26,295,619	27,310,068



CUcorp Financial Reports

Helping, Credit Unions
Serve, Grow and Remain Strong.



Project
Balance
Sheet
Page 2

	Actual 2000	Actual 2009	Actual 2010	Actual 2011	Projection 2012	Projection 2013	Projection 2014
LIABILITIES & EQUITY							
Current Liabilities	\$ 1,480,236	5,238,318	3,313,448	5,572,548	4,575,233	5,996,467	5,874,119
Long Term Liabilities	7,064,139	46,032	150,903	155,682	1,141,735	1,224,115	1,311,634
Total Liabilities	\$ 8,544,375	5,284,350	3,464,351	5,728,230	5,716,968	7,220,582	7,185,753
EQUITY							
Capital Stock-Issued	\$ 900,000	900,000	900,000	900,000	900,000	900,000	900,000
Contributed Capital	200,000	255,537	255,537	255,537	255,537	255,537	255,537
Additional Paid-in Capital - The Salus Group	-	355,003	355,003	355,003	355,003	355,003	355,003
Accumulated Other Comprehensive Income	-	191,205	231,698	56,042	451,593	757,695	1,120,225
General Reserves	1,753,822	6,580,721	12,153,557	13,524,765	15,141,390	16,196,351	16,806,801
Net Gain	257,116	5,572,836	2,679,614	3,702,242	2,109,923	1,220,899	1,373,499
Proposed Dividend		-	-	(2,085,617)	(1,054,961)	(610,450)	(686,749)
Total Equity	\$ 3,110,938	13,855,302	16,575,409	16,707,972	18,158,484	19,075,036	20,124,315
Total Liabilities/Equity	\$ 11,655,313	19,139,652	20,039,760	22,436,202	23,875,452	26,295,619	27,310,068



Third Quarter Highlights



-Over the next 30-60 days, CUSG's primary focus will be on: 1) finalized partnership with Chrysler, 2) Sprint member verification process, 3) launch of the Gas Station TV and SaveUp partnerships and 4) business development.

-Product sales for CU Solutions Group have been strong across virtually all product lines with overall sales growth surpassing 4%. Financial targets are on track to be met or surpassed by year end.



CUSG 2012 Objectives and Strategies Third Quarter Update

Service . Growth. Strength.





2012 CUSG Objectives and Strategies

Membership Enhancements (1)	Technology (2)	Marketing (3)	HRN Performance (4)	Product Development (5)	Operational Excellence (6)
<ul style="list-style-type: none"> ▪ Merchant Partners and Offers ▪ CU System Initiatives and Partnerships ▪ Execution and Promotion of Offers ▪ CU Relationships 	<ul style="list-style-type: none"> ▪ Core Product and Service Quality ▪ Inter-company Initiatives ▪ `CU System Initiatives and Partnerships ▪ Scalable Revenue Growth 	<ul style="list-style-type: none"> ▪ Core Product and Service Quality ▪ Inter-company Initiatives ▪ Business Growth and Sales ▪ Scalable Revenue Growth ▪ Expand Digital Services 	<ul style="list-style-type: none"> ▪ Core Product and Service Quality ▪ CU System Initiatives and Partnerships ▪ Scalable Revenue Growth ▪ Credit Union Focus ▪ Vertical Market Growth 	<ul style="list-style-type: none"> ▪ Strong Partnerships ▪ Unique Scalable-focused Products ▪ Dynamic Services ▪ Emerging Opportunities 	<ul style="list-style-type: none"> ▪ Client Experience and Relationships ▪ Shareholder ROI ▪ Partnership Management ▪ Effective and Efficient Operations ▪ Staff Accountability and Development ▪ Effective Board Relations and Governance





Membership Enhancements

Third Quarter Highlights



Strategies: Merchant Partners & Offers CU System Initiatives & Partnerships Execution and Promotion of Offers CU Relationships

-Overall support of Invest in America remains positive. The support includes 46 credit unions leagues, CUNA Strategic Services and 3,462 credit unions promoting IIA to 83% of national credit union membership reached. This supported has resulted 2.3 million members having taken advantage of IIA discounts with savings that total \$225 million.

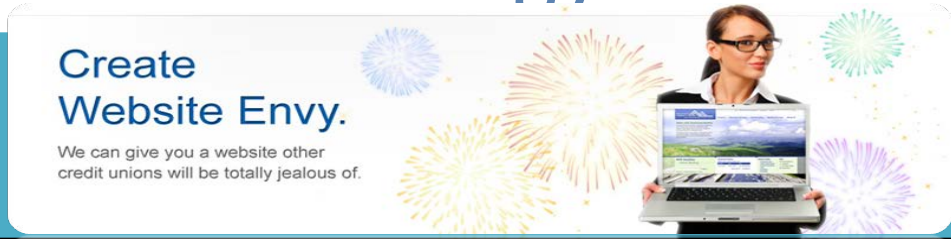
-Efforts related to delivering TurboTax for the upcoming tax season began including credit union enrollment. The program will include another sweepstakes promotion, which was very effect last year in driving member adoption. The deadline for credit unions to be able to offer the sweepstakes to their members is November 1st.

-Invest in America discount partner CUNA Mutual Group through MemberCONNECT has unveiled a new brand for what was MEMBERS Auto and Home Insurance. The new brand is TruStage and it represents MemberCONNECT's consumer insurance brand.

-Sprint implemented a new member verification process for existing accounts. The process was put into place last year for all new accounts. While it is very simple and takes members just a few minutes to complete, it does require members to fax or upload a verification form.

Technology

Third Quarter Highlights



Strategies:

Improve the competitiveness and quality of tech services

- The Technology Solutions division collaborated with Filene to develop a working prototype of a product concept called HomeTrak. The concept was conceived by a Filene i3 Working Group to help credit union members manage their home appliance and maintenance expenses, and drive credit union financing for major home improvement decisions. The product prototype was presented at Filene's recent "Big.Bright.Minds." event.

CU systems initiatives and partnerships

A mid-year release of Technology Solutions' flagship content management system was completed and launched. The release included an image gallery module, an event management system and improved reporting. Over 200 client websites use the content management system, including CUNA's aSmarterChoice.org consumer website.

Create scalable revenue growth

Support intercompany initiatives

Through an important management contract, the Technology Solutions division continued to make significant progress on behalf of League InfoSight in driving sales adoption of their key products: 1) InfoSight, 2) CU PolicyPro and 3) RateMap. To date, 43 states are participating in InfoSight, 24 states have adopted a wholesale agreement for CU PolicyPro, including Michigan most recently, and 13 states for RateMap.

Develop new CMS

Marketing

Third Quarter Highlights



Pictures and Words to Create a Stir.

Your credit union. Our creative. Big results.



Strategies:
Improve competitiveness and quality of core services

-The new partnership with GSTV finished the third quarter strong. Six credit unions committed to at-the-pump advertising campaigns using GSTV and taking advantage of the exclusive 30% discount made available to credit unions because of the CUSG partnership.

CU system initiatives and partnerships

-A partnership with SaveUp was launched. SaveUp is an exciting new online financial rewards product that credit unions can brand and deliver to their members. It encourages deeper member engagement and product usage, and is ideal for attracting and retaining younger members. Along the with partnership, Filene published a research report detailing the findings of pilot conducted with 14 credit unions, which included Frankenmuth Credit Union.

Create scalable revenue growth

Support intercompany initiatives

-For the fourth year, CU Solutions Group's marketing design team has earned American Graphic Design Awards from Graphic Design USA. In the past several years CU Solutions Group had already received eight American Graphic Design Awards, this year's six additional awards brings the total up to fourteen.

Develop digital services

-Monthly webinars were started as a means to provide education on effective social media strategies for credit unions, and to provide information on CU Solutions Group's social media and online marketing services.



HRN Performance

Third Quarter Highlights



Your Personal Personnel Toolbox.

A one-stop shop for human resource solutions.



Strategies:

Improve core performance, compensation, and HRM products and services

CU system initiatives and partnerships

Create scalable revenue growth

Focus on CU needs

Vertical market growth

Improve client experience

-A new version of Performance Pro was released, which improved overall functionality including a customizable dashboard with alerts and dual appraiser evaluation capabilities. The release also included integration with HR Bamboo, which provides a leading edge online human resource management system.

The Compease 2013 product software-based release is nearing completion. The update will provide all credit union clients with updated salary information and ranges for the next calendar year. Current clients will receive the update as part of their annual subscription agreement.

Product development is well underway for the upcoming web-based version of Compease. The new release will take all the functionality available in the current software version into a new easy-to-use online system. It is slated to be released in the first-to-second quarter timeframe and will include integration with Performance Pro.

The annual update of HR Suite, an online resource that includes a turnkey and customizable HR Policy Manual, forms and other related resources. The update included 10 new or updated HR Suite forms and 12 new or updated policy documents.

Product Development

Third Quarter Highlights



Get a Piece of the (Inter) Action.

Connect with your members the interactive way.



- Strategies:**
- Membership Enhancements**
- Technology**
- Marketing**
- HRN**
- Next Generation**

-Credit Union Solutions Group's newest Invest in America partner is Auto Knight Motor Club, the second largest motor club in the country. The partnership will provide motor assistant services to members at a very rate competitive rate and non-interest income for credit unions. The new program is expected to become available in the next 45-90 days.

-Management continued work to finalize a proposal to Chrysler to develop a new credit union member discount offer. Credit Union Solutions Group is cautiously optimistic that the proposal will be accepted and a new program will in the first quarter of 2013.

-An agreement with PopStar is slated to be closed in Q4, which will give Credit Union Solutions Group's exclusive sales rights in the credit union system. The partnership will represent a new source of scalable revenue. PopStar is a leading provider of electronic displays.

-Working with MCUL to develop a coordinated sales approach with Save to Win and SaveUP, offering joint pricing. Also, working with SaveUp to integrate areas of Save to Win into the SaveUp experience.





Membership Enhancements

Key Performance Metrics)	2012 YTD & Projection		Progress →	2012 Goal	2011 Actual
GM: Participating Credit Unions	308P/225E*	400	↑	400P	2,752**
GM: Authorizations	65,073	90,300	↑	85,000	120,000
Sprint: Participating Credit Unions	1,813	2,000	↑	2,000	1,570
Sprint: Line Activations	1,382,439	1,402,000	↓	1,562,871	270K New
TurboTax: Participating Credit Unions	1,103	200 new	↑	1,282	200 New
TurboTax: Units Sold	195,000	196,000	↑	210,000	180,000
New Product Revenue Potential	\$1.5M	\$0	↓	\$1.5M	\$500K
Membership Enhancements Revenue	\$32.4M	\$42M	↑	\$42M	\$43M
Membership Enhancements Revenue Growth	2.89%	2%	↑	12%	54%

*Represents CUs new to premium and enhanced program









**Represents All Participants




	
On Pace	Not on Pace
	No Data





Technology

Key Performance Metrics (click KPM for chart)	2012 YTD & Projection		Progress → 2012 Goal	2011 Actual	
Website Sales	16	20		30	22
Website Enhancement Sales	20	30		30	13
Scalable Products Sales	8	15		24	4
New Product Revenue Potential	\$10K	\$60K		\$150K	n/a
Technology Solutions Revenue	\$2.614M	\$3.485M		\$3.78M	\$3.12M
Technology Solutions Revenue Growth	2.39%	3%		6%	13%
Technology Solutions Operating Income	\$561K	\$748K		\$551K	\$435.4K
Technology Solutions Op. Income Growth	50.02%	48%		32%	30%

		
On Pace	Not on Pace	No Data





Marketing

Key Performance Metrics	2012 YTD & Projection		Progress → 2012 Goal	2011 Actual	
Marketing Consulting - External	\$90.8K	\$120K	↓	\$155.6K	\$36K
Media Buying & Production Sales	\$184.5K	\$190K	↑	\$134K	\$0
Creative Service Sales - External	\$215.4K	\$287K	↓	\$408K	\$294K
New Product Revenue Potential	\$87K	\$100K	↓	\$300K	n/a
Marketing Solutions Revenue	\$1,560K	\$2,108K	↑	\$2,108K	\$1,603K
Marketing Solutions Revenue Growth	21.46%	31%	↑	20%	11.2%
Marketing Solutions Operating Income	\$91.2K	\$122K	↓	\$160K	\$211.7K
Marketing Solutions Operating Inc. Growth	-24.41%	-42%	↓	113%	n/a




On Pace	Not on Pace	No Data





HRN Performance







Key Performance Metrics	2012 YTD & Projection		Progress → 2012 Goal	2011 Actual
Performance Pro Sales	86	105	↑	120
Compease Sales	40	55	↑	50
Consulting Sales	69	95	↑	30
New Product Revenue Potential	\$68.3K	\$110K	↓	\$150K
HRN Performance Revenues	\$4.5M	\$6.1M	↓	\$6.6M
HRN Performance Revenue Growth	4.5%	6%	↓	15%
HRN Performance Operating Income	\$1.4M	\$2.1M	↑	\$1.9M
HRN Performance Operating Income Growth	6.19%	6%	↑	4.8%




		
On Pace	Not on Pace	No Data





Product Development

Key Performance Metrics	2012 YTD & Projection		Progress → 2012 Goal	2011 Actual	
Revenue Potential: M. Enhancements	\$500k	\$1.5M		\$1.5M	\$500K
Revenue Potential: Technology	\$100k	\$444K		\$150K	\$200K
Revenue Potential: Marketing	\$1.0M	\$1.125M		\$300K	n/a
Revenue Potential: HRN	\$107K	\$147K		\$150K	n/a
New Products Evaluated	14	56		30-40	n/a
New Products Launched	3	16		5-10	11

		
On Pace	Not on Pace	No Data





CUSG Financial Reports



Year-to-Date Income Statement

	Y-T-D	
	2012 Actual	2012 Budgeted
Revenues	41,118,704	45,678,038
Costs of Products and Services	757,771	732,002
Gross Profit Margin	40,360,933	44,946,036
Operating Expenses	30,306,278	35,348,191
Net Operating Income	10,054,654	9,597,845
Other Income	525,022	304,625
EBITDA	10,579,676	9,902,470
Amortization	(861,819)	(1,151,806)
Depreciation	(97,308)	(191,454)
Income Taxes	(3,756,030)	(3,320,982)
Net income	5,864,518	5,238,228

- September closed with positive year to date net income results of \$5,864,518 which was \$626,290 better than the budgeted amount of \$5,238,228.
- Revenue of \$41.1 million was behind the budgeted amount of \$45.7 million. However, the combination of lower costs along with positive investment returns overcame the revenue shortage to produce a bottom line result that exceeded expectations.
- The main contributor to net income is Membership Enhancements Solutions where income from Sprint Wireless, GM and TurboTax is recorded.
- For September, positive financial contributions are provided by all business solutions of CUSG.
- Similar to the previous year, dividend is expected to be \$3.1 million.



CUSG Financial Reports

	Actual 2011	Projection 2012	Proposed Budget 2013	Projection 2014
REVENUE				
Membership Enhancements	\$ 43,116,608	43,033,831	37,647,703	33,082,591
HRN Performance Solutions	5,459,023	6,121,130	6,480,194	7,015,185
Technology Solutions	3,444,158	3,572,629	3,768,976	4,124,022
Marketing Solutions	1,589,690	2,015,664	2,377,140	2,633,396
TOTAL REVENUE	\$ 53,609,479	54,743,253	50,274,013	46,855,194
COST OF PRODUCTS AND SERVICES				
Marketing Solutions	\$ 444,970	515,555	496,473	521,297
Technology Solutions	10,657	231,699	324,918	341,164
HRN Performance Solutions	336,787	208,486	264,833	278,075
TOTAL COST OF PRODUCTS AND SERVICES	\$ 792,414	955,740	1,086,224	1,140,535
GROSS PROFIT	\$ 52,817,064	53,787,513	49,187,789	45,714,659
OPERATING EXPENSES				
Partner Marketing Reimbursements	\$ 16,417,332	16,209,391	13,987,943	12,220,568
Marketing Costs	2,934,650	9,447,947	6,396,065	5,544,344
Payroll and Related Expenses	7,511,522	7,608,011	8,376,017	8,276,017
Licensing Fees	4,975,870	3,244,967	3,353,761	2,545,600
Legal/Professional Fees	711,125	1,814,320	1,789,841	1,807,739
Travel	325,391	400,530	473,077	496,731
Occupancy	317,819	344,440	337,723	354,609
Technology Costs	509,008	333,354	378,571	397,500
Supplies & Other Operating	260,474	325,576	361,555	379,633
Syndication Fees	199,508	215,646	220,877	231,921
Insurances	77,659	100,475	96,863	101,706
Miscellaneous	46,086	71,312	63,912	67,108
Management Fees	372,734	-	-	-
TOTAL OPERATING EXPENSES	\$ 34,659,177	40,115,968	35,836,205	32,423,475
NET OPERATING INCOME (LOSS)	\$ 18,157,887	13,671,545	13,351,584	13,291,183

Projected Income Statement Page 1



CUSG Financial Reports

**Projected
Income
Statement
Page 2**

	Actual 2011	Projection 2012	Proposed Budget 2013	Projection 2014
OTHER INCOME				
Interest Income	\$ (3,183)	281,849	472,577	486,512
Realized Gain (Loss) on Equity Portfolio	52,775	202,157	-	-
Dividend income on Equities	80,666	175,545	317,616	333,497
Gain/Loss-Asset Disposals	(1,572,619)	268	-	-
TOTAL OTHER INCOME	\$ (1,442,362)	659,820	790,193	820,009
EBIDTA	\$ 16,715,525	14,331,365	14,141,777	14,111,192
Amortization of Intangibles	\$ (1,726,185)	(1,145,407)	(872,562)	(816,129)
Depreciation Expense	(257,307)	(168,376)	(181,222)	(190,283)
Provision for Federal/State Income Tax				
- Current	(6,224,571)	(4,971,737)	(5,097,800)	(5,159,833)
- Deferred		(60,000)	-	-
NET INCOME AFTER TAXES	\$ 8,507,462	7,985,845	7,990,193	7,944,947
RETAINED EARNINGS, BEGINNING BALANCE	\$ -	5,407,462	10,293,307	15,183,500
DECLARED DIVIDEND	(3,100,000)	(3,100,000)	(3,100,000)	(3,100,000)
RETAINED EARNINGS, ENDING BALANCE	\$ 5,407,462	10,293,307	15,183,500	20,028,447





CUSG Financial Reports

**Projected
Balance
Sheet
Page 1**

	Actual 12/31/11	12/31/12	Projected 12/31/13	12/31/14
ASSETS				
Cash	\$ 1,309,255	1,309,255	1,391,310	1,460,875
Accounts Receivable	13,340,045	13,336,166	13,341,193	13,345,879
Inventory	61,887	64,981	68,230	71,642
Prepaid Expenses	680,402	592,109	621,715	652,800
Short Term Investments	12,028,501	13,909,595	19,462,196	24,012,627
Total Current Assets	\$ 27,420,089	29,212,107	34,884,644	39,543,823
Long Term Investments	-	3,500,000	3,500,000	3,500,000
Fixed Assets	276,616	290,447	304,970	320,218
Other Assets:				
Goodwill	4,929,080	4,929,080	4,929,080	4,929,080
Other Intangible Assets - HRN Management Group, Inc.	3,220,000	3,220,000	3,220,000	3,220,000
Less: Accumulated Amortization	(1,902,196)	(2,115,973)	(2,213,384)	(2,277,445)
Other Intangible Assets - KG & Associates	4,005,000	4,005,000	4,005,000	4,005,000
Less: Accumulated Amortization	(1,345,184)	(1,738,791)	(1,987,931)	(2,219,251)
Other Intangible Assets - CU Tax Services	3,264,124	3,264,124	3,264,124	3,264,124
Less: Accumulated Amortization	(564,291)	(1,013,583)	(1,405,875)	(1,798,167)
Net Book Value	\$ 11,606,532	10,549,856	9,811,013	9,123,340
Total Assets	\$ 39,303,238	43,552,410	48,500,627	52,487,381





CUSG Financial Reports

**Projected
Balance
Sheet
Page 2**

	Actual	Projected		
	12/31/11	12/31/12	12/31/13	12/31/14
LIABILITIES & EQUITY				
Current Liabilities	\$ 18,700,296	17,941,492	17,515,634	16,649,867
Long Term Liabilities	553,549	174,353	150,875	110,251
Total Liabilities	\$ 19,253,845	18,115,845	17,666,509	16,760,118
EQUITY				
Capital Stock	\$ 14,607,375	14,607,375	14,607,375	14,607,375
Other Comprehensive Income	34,556	535,883	1,043,243	1,091,441
Retained Earnings	5,407,462	10,293,307	15,183,500	20,028,447
Total Equity	\$ 20,049,393	25,436,565	30,834,118	35,727,263
Total Liabilities/Equity	\$ 39,303,238	43,552,410	48,500,627	52,487,381

