

Year-In-Review

April 2009

Highlights Include:

- Remarketing services increased credit union participation by 300%, increased vehicles sold by more than 400%, and now has 5 states nationwide participating in the program.
- Vendor management program saved credit unions an average of 16.5% through ePurchasing events.
- National Office Depot program continues to experience more than \$1,000,000 in collaborative buying purchases.
- Sprint program surpasses \$100,000 in incentives for participating credit unions.
- New products on the horizon include new collections alternative solution.





Balance Sheet

Total assets for the FCUL Service Group were \$5,597,422 as of the end of February.

- The Service Group has \$2,359,434 in cash and cash equivalents as of the end of February
- The Service Group has \$225,386 in short-term CD's at Southeast Corporate

Comments regarding February Operating Results:

Net income/loss for February was (\$7,104) which was \$4,375 ahead of budget.

- Year-to-date net loss/gain before taxes is (\$19,799), which is tracking \$5,621 above budget
- Sales & Product Support continues to track higher than budget year-to-date – this is somewhat due to our TitleAuctions program revenue being higher than expected as of the end of February
- General Administration tracked higher than budget for February – this is largely due to the difference in timing of expenses versus budget
- These statements do not include any audit adjustments for 2008
- Other variances are the result of timing issues



IN REVIEW

General Electric Capital Solutions Fleet Services (GE Remarketing)

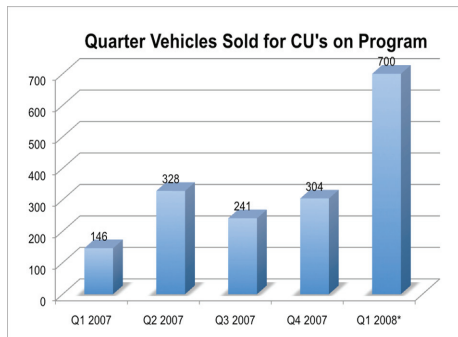
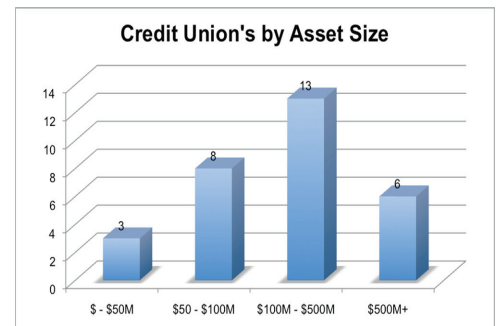
In an effort to meet the demands of the industry and maximize repossession returns for credit unions, we developed a partnership and program with General Electric specifically for credit unions. Performance is improved by:

imagination at work



- Reduced number of days-to-sale (liquidated within 29 days of repossession)
- Increased average bid amounts (average of \$600 – \$800 increase per vehicle)
- Unmatched lane position and auction experience (40+ years experience)
- Volume discounted pricing (more than 125,000 cars liquidated each year)

The number of participating credit unions increased from 10 in Q1 2008 to 30 for Q1 2009. Kennedy Space Center FCU and Insight Financial Credit Union signed agreements to participate in the program. We are currently in discussions with the California, Arizona, Texas, and Georgia Leagues to expand the program to credit unions in those states.



The volume of vehicles sold has increased dramatically over the past 12 months. In Q1 of 2008, 146 vehicles were sold through the program. For Q1 2009, we are projecting 700 vehicles will be sold. The addition of both GTE FCU and Space Coast FCU has led to the significant increase in volume. Meritrust Credit Union, formerly Boeing Wichita Employees Credit Union, is now participating in the program. This is the first \$500M+ asset credit union outside of the state of Florida to participate in the program.

Additional Activity

- Attended auction in Riverside, CA with representatives from General Electric and the California Credit Union League Service Corporation.
- Completed implementations for Sunstate, Meritrust, and Tampa Bay Federal Credit Union.



IN REVIEW

Ventelligence

The Ventelligence product was launched in the 4th Quarter of 2008. Features of the product include:



- Contract Management Software
 - Provides a centralized, built-in tracking engine with triggers, alerts, and version control along with a single repository for all contracts and related documents
- Risk Assessment & Due Diligence Process
 - Provides templates integrated into the technology platform for risk assessment, due diligence documentation, and monitoring
- Procurement Processes & ePurchasing
 - Provides a sourcing engine which enables credit unions to communicate directly with suppliers through a variety of project types such as online auctions, requests for information, requests for proposals, or sealed bids
 - Provides an infrastructure for collaborative buying by credit unions

Eight new credit unions purchased the product in the first quarter of 2009, bringing the total credit unions utilizing the program to 14. There are a total of 38 users on the system.

Two e-purchasing events were performed on behalf of credit unions by Ventelligence in the first quarter. The items purchased were cash recyclers, coin counters, and an ATM. The purchase of the cash recyclers and coin counters resulted in a savings of 15.08% (\$32,000) over the initial bid received from the vendor and the purchase of the ATM resulted in a savings of 26.6% (\$17,528) over the initial bid received when the vendor offered to provide a refurbished ATM. Six ePurchasing events have been performed by Ventelligence with an average savings to credit unions of 16.5% (\$65,000).

The early stages of development are underway for enhancements that include a vendor or supplier registration capability that allows vendors the opportunity to submit company information directly into the Ventelligence platform. This will allow credit unions the chance to research vendors and view detailed information about that vendor through an online portal. This could include information that would dramatically reduce the due diligence process. This is scheduled to be available as early as fall 2009.

An additional enhancement in the early development stages is an expense management component. This would allow credit unions to aggregate expenses and facilitate an improved ability to manage expenses companywide.



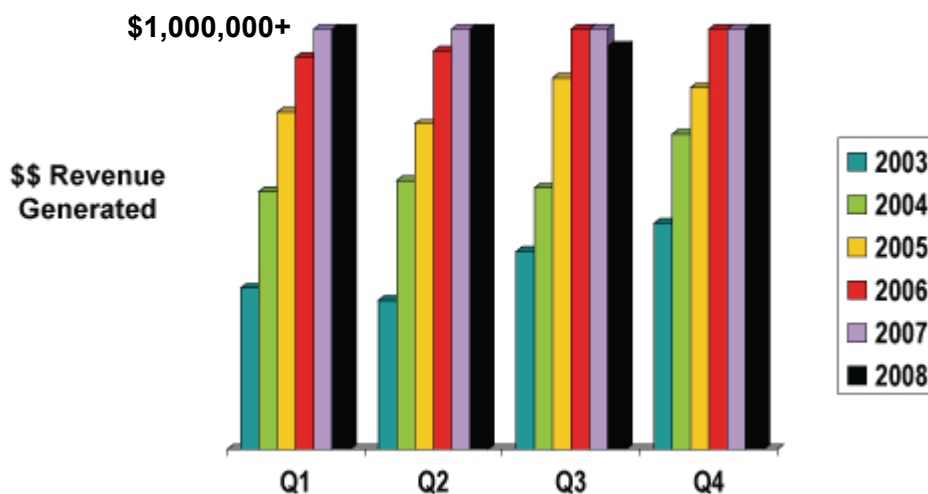
IN REVIEW

Office Depot

The Service Group's partnership with Office Depot was designed to help credit unions maximize savings through national, collaborative buying power. Through the Business Solutions Division (BSD) Program, account holders save hundreds of dollars on select office merchandise with no service fees to pay. More than 1,300 credit unions continue to benefit from the program as an efficient, cost-effective solution for office supplies, breakroom supplies, promotional products, furniture, computers, printing, and more. A new agreement was signed in late 2008 and solidifies another five years of discounted supplies for credit unions nationwide.



- Added Credit Union Association of Colorado to states offering the program and will be participating in the Annual Meeting, April 7 & 8, 2009.
- Independently working with credit unions in the following states: IL, PA, and WI to participate in the program.
- Launched the following website dedicated to the Office Depot Business Solutions Division program for credit unions www.cupurchasing.com
- Actively calling all credit unions nationwide on the program to maintain contact and promote all products.
- The Office Depot BSD program includes the following states: FL, GA, IL, TN, OR, WI, TX, AR, MI, OH, MT, LA, MS, CO, OK, and PA.





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Sprint CU Discount Program

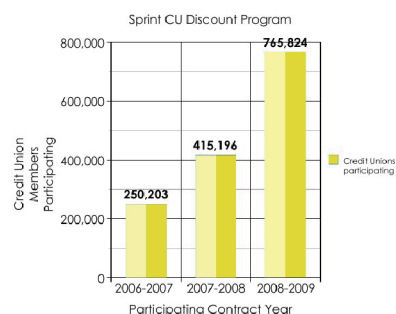
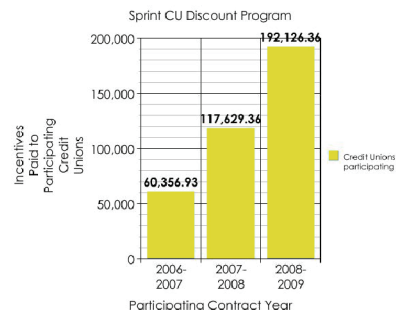
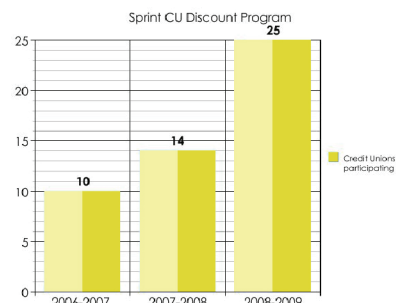
The FCUL Service Group, Inc. started offering the Sprint CU Discount Program to its credit unions in May of 2007. The program has significantly grown since its introduction. The FCUL Service Group has worked diligently to provide this member-loyalty program to its credit unions.

Through this partnership, more than \$177K worth of non-interest income was contributed to credit unions on the program, which plays a pivotal role in our current economy. Based on the growth of the program, we anticipate being able to offer more than \$190K in incentives this 2008-2009 contract year.

In Q1 2009, an additional 6 credit unions were signed when a press release was distributed about the non-interest income earned in 2008 and the ease of which the program is implemented for interested credit unions.

As the program continues to grow, so does our participating membership. In Florida, over 400,000 members were participating in the Sprint CU Discount Program, and we estimate nearly 765,000 members will be participating by the end of this current contract year.

Key contributors to the success of this program are the addition of Grow Financial FCU, Pen Air FCU, Insight Financial CU, CFE FCU and Fairwinds CU. Other participants include: UCF FCU, First Choice CU, Miami Postal Service FCU, Holmes-Washington FCU, Suwannee River FCU, DBCC FCU, Broward HealthCare FCU, Florida Transportation CU, Peoples CU, Florida State Employees FCU, Sun CU, San Antonio Citizens FCU, Okaloosa Teachers FCU, Florida Central CU, Sarasota Coastal CU, Compass Financial FCU, Multi-Media FCU, 1st CU of Gainesville, and FOCUS CU.





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HRx Recruiting

The HRx Executive Placement Service has been a feature of the FCUL Service Group and HRx since 1999. This service was developed and is provided by FCUL Service Group staff.



HRx is currently conducting a CEO search for JetStream Federal Credit Union, a \$115 million credit union in Miami Lakes, Florida. The search began in January 2009 and four qualified candidates are being recommended to the Board of Directors on April 20.

HRx has successfully placed more than 65 executives in FL, GA, and KY. Executive search target audience is credit unions in the Southeastern United States with asset sizes between \$100 to \$500 million. CEO search target audience is the same for credit unions with assets of \$25 - \$150 million.

KG & Associates – Compease & iPerformease

With a partnership established in 1999, KG & Associates is one of the first strategic partners in the HRx line of products. Compease is a salary administration program and iPerformease is a web-based performance management system.



There are currently 50 credit unions using Compease in Georgia and Florida, which are the states covered by the KG & Associates/FCUL Service Group agreement. Alabama presently has 18 credit unions utilizing Compease. The FCUL Service Group has successfully referred iPerformease to 12 credit unions in the same states.

Landrum Professional Employer Services (PEO)

The Landrum Professional partnership was formed in 2001 and was the first PEO relationship to be formed with the FCUL Service Group.



Landrum Professional Employer Services signed an agreement to provide services to Buckeye Community FCU effective May 1, 2009. Located in Perry, Florida, Buckeye Community has \$56 million in assets and 34 employees. Due to an unusually high health insurance premium, Buckeye Community will be able to realize an actual dollar savings of \$23K - \$66K, after administrative cost of the PEO.

To date, there are 19 credit union and credit union-related organizations using Landrum Professional Employer Services.

Corporate Business Solutions, PEO & Administrative Services Organization (ASO)

The Corporate Business Solutions (CBS) partnership was formed at the end of 2002 to offer PEO services to credit unions outside of the State of Florida. In 2006, CBS initiated an Administrative Service Organization (ASO) that allowed it to provide its services on a more customized basis by unbundling the administrative options. Pricing is based on services chosen.



Corporate Business Solutions

Corporate Business Solutions signed an agreement to provide services to Gulf Winds Federal Credit Union effective January 1, 2009. Located in Pensacola, Florida, Gulf Winds has \$310 million in assets and 139 employees.

To date, there are 12 credit unions using the CBS PEO services and 2 using the CBS ASO services.



Annual Convention & Exhibition

On June 17-20, 2009, FCUL will celebrate the 75th anniversary of its annual meeting at the JW Marriott Grande Lakes in Orlando, Florida. There will be over 30 educational sessions offered on relevant topics affecting credit unions today. Last year's total attendance was 1,232 attendees, guests, and exhibitors. It is too early in the registration process to predict this year's attendance.



The sponsorship program has currently raised \$144,350. Seventy percent of the 156 exhibitor booths have been sold for total revenues of \$135,000.

Education & Training

The Leadership Councils of Florida held its annual planning meeting with the Advisory Committee Members of the CFO, HR/Training & Development, Lending, Marketing & Business Development, Operations, Sales & Service, and Technology Councils in January 2009. The group re-emphasized its commitment to the ongoing success of the Councils and stressed the importance of ongoing professional development for credit union leaders in Florida.



- The Spring Leadership Council meetings were held in Fort Lauderdale and Jacksonville, with more than 45 participants attending the two meetings.
- The amount of \$25,000 has been committed by three partners for sponsorship of the 2009 Council meetings.
- The CFO Leadership Council sponsored a special webinar on the changes to the 5300 Call Report in March, with more than 40 credit unions connected to the webinar.
- Sixteen additional webinars through FCUL's partnership with the California Credit Union League's eTrain program were also offered to Florida Credit Unions.

TitleAuctions

TitleAuctions is a provider of flexible, scalable, competitive-bid auction software designed specifically for credit unions for the profitable remarketing of motor vehicles via the Internet.



- Currently Serving 32 Credit Unions Nationwide
- Signed First Billion Dollar Asset Credit Union to the Program in 2009
- Added Mountain America Credit Union in UT
- Currently Working on Partnership with Ohio Credit Union League to Offer Program

NewGround

While NewGround is a fairly recent addition to the FCUL Service Group pool of strategic partners, the company itself has been in business since 1913. There are a few credit unions that used NewGround's service prior to the agreement.



Two credit unions have contracted with NewGround, including a signed branding agreement with City County CU of Ft. Lauderdale, which is a \$280M asset size credit union in Ft. Lauderdale, Florida.



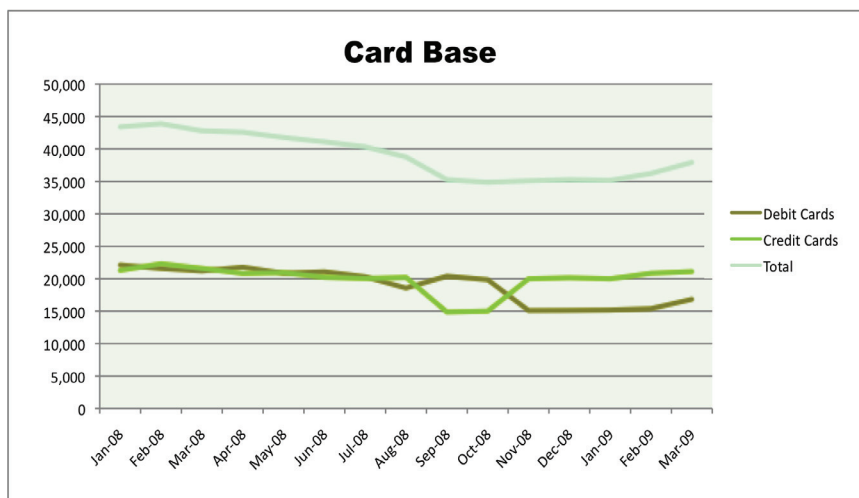
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Card Services

- Presented PBCCU with Pricing Module for Potential Credit Card Program Implementation
- Conducted 13 Credit Union Retention Visits
- Administered Annual Credit Union Survey
- Assisted FIS with Transition Goals for Credit Unions
- Staff Training for Implementation of New GUI Interface – Coming in Q2
- Signed 2 Credit Unions to Reward Programs
- Blocked & Reissued Cards for Affected Credit Unions of the Heartland Card Breach
- Enrolled 3 New Credit Unions In Compromise Manager



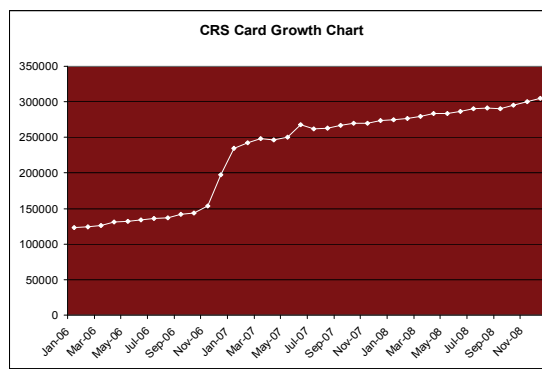
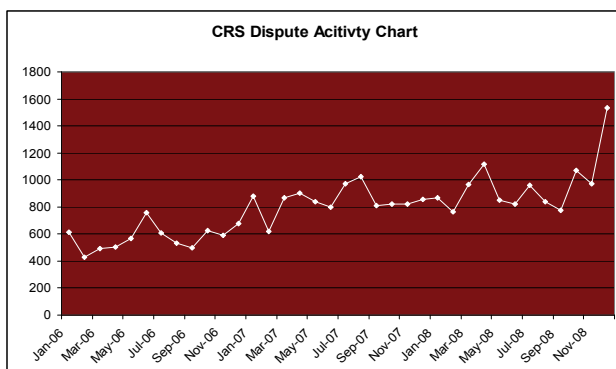
Card Services



Cardholder Recovery Services

- Saw Another Increase In Annual Dispute Activity of More Than 10%
- Recovered Over \$100,000 In Fraud Transactions for Tropical Financial Credit Union for the 2nd Year In a Row
- Cards Covered by the CRS Program Grew by More Than 10%
- Annual Client Survey Again Showed Outstanding Marks In Service from Credit Union Clients

Cardholder Recovery Services

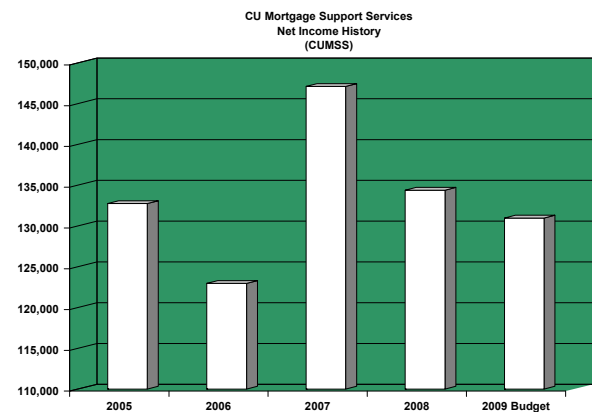
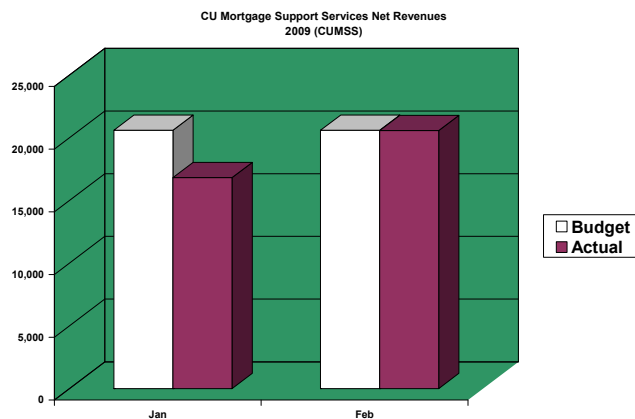




CU Mortgage Support Services

CUMSS has a marketing agreement with CU Members Mortgage (CUMEM) of Fort Worth, Texas. CUMSS rents space to CUMEM and provides marketing assistance in the State of Florida.

CUMSS receives a percentage of the servicing over the life of certain mortgage loans originated in the state of Florida. CUMSS also participates in a warehouse funding arrangement where by the mortgage loan is closed in the name of the credit union and then CUMSS purchases the loan from the credit union. CUMSS holds the loan for a few days to satisfy RESPA rules and then CUMEM purchases the loan from CUMSS. This allows CUMSS an additional revenue stream. CUMEM does all of the origination and closing of these loans per their rules and secondary market guidelines. CUMSS has no employees.





Product Development: Current Products

Collections Alternative

TekCollect has been identified as a potential partner that offers a collections solution with a different approach to the standard collections contingency model. TekCollect operates on the philosophy that managing the member relationships before they become a problem is the key to reducing delinquency. Their approach involves them acting on behalf of the credit union in the early stages of delinquency and alerting the credit union to the opportunity to help the member before it's too late. This approach allows the credit union to focus on accounts that need attention. In most cases, TekCollect is able to secure a payment before the credit union has to devote valuable time. If accounts do get into advanced delinquency, TekCollect has additional solutions available.

eTitle Solutions

We are currently researching an easy alternative for credit unions currently managing auto titles manually. eTitle solutions are not new to Florida, but the service has not been easily accessible to all credit unions. The Service Group has been in discussion with several providers over the last year. FDI, the largest solution provider, is proposing a solution that will allow the Service Group to provide these services to credit unions at reasonable prices and no monthly minimums.

Additional Considerations

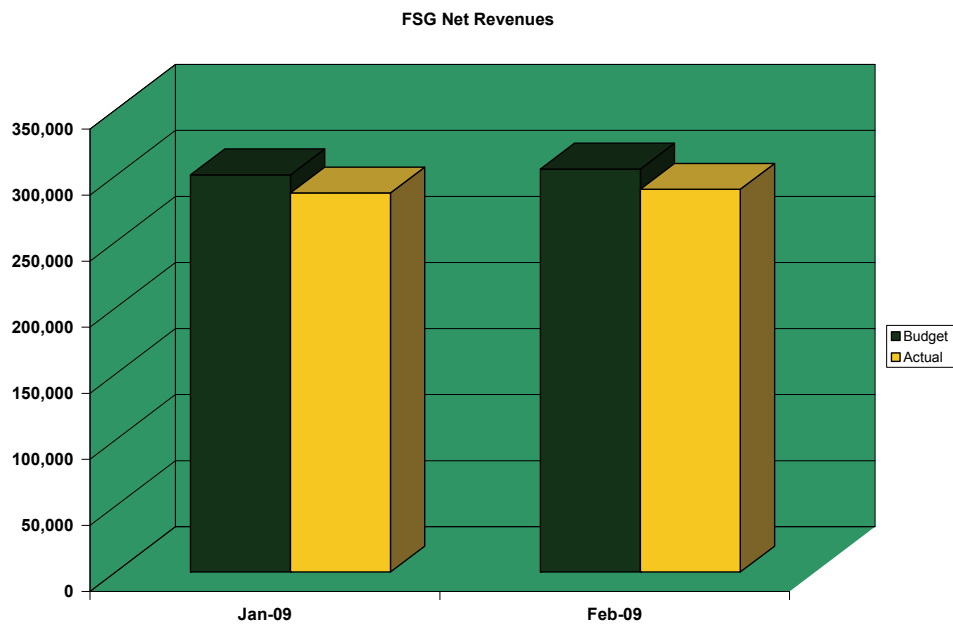
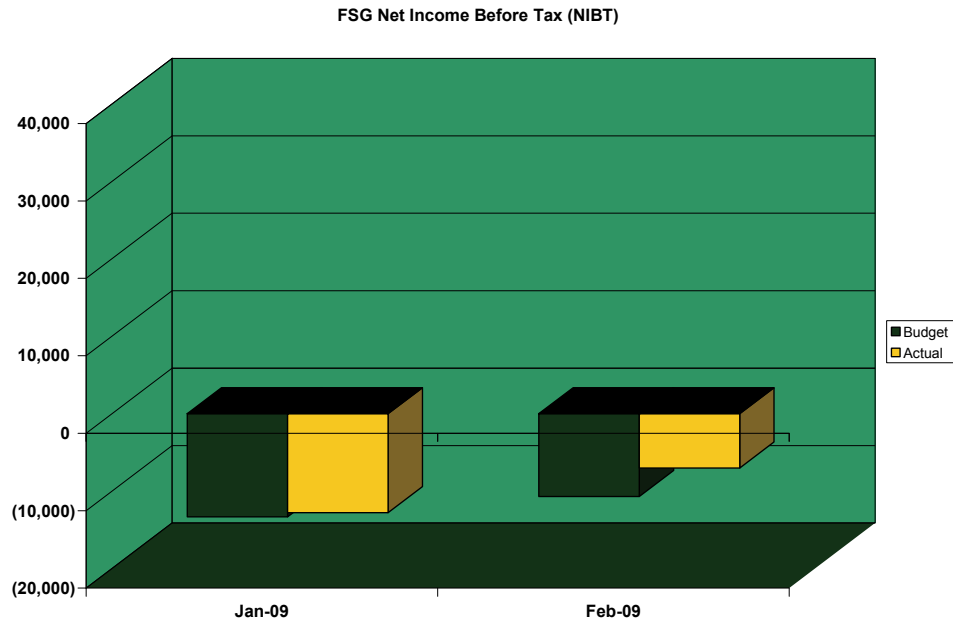
Continue to look for opportunities that provide credit unions Best-in-Class services. Currently, the following products are being reviewed:

- Expense Management Solutions
- Internet Banking
- Audio Response or IVR Solutions
- Mobile Banking
- Bill Pay
- Remote Deposit Capture
- Student Loan Alternatives
- Utility Auditing Services

The Service Group is also committed to enhancing its current solutions in order to provide credit unions additional value.



IN REVIEW





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FCUL SERVICE GROUP, INC.
CONSOLIDATED INCOME & EXPENSE ANALYSIS
FOR THE TWO PERIODS ENDED FEBRUARY 28, 2009

	Period To Date			Year To Date			
	ACTUAL	CURRENT BUDGET	BUDGET VAR	ACTUAL	CURRENT BUDGET	BUDGET VAR	ANNUAL BUDGET
REVENUE							
Sales & Product Support	208,137	202,958	5,179	421,353	405,915	15,438	2,546,280
Card Services	58,032	56,850	1,182	115,802	113,698	2,104	682,190
Mortgage Support Services	20,566	20,591	(25)	37,377	41,182	(3,805)	247,091
Shared Facilities Management	1,097	1,225	(128)	2,253	2,450	(197)	14,700
HRX General & Administrative Svcs.	12,969	32,049	(19,080)	25,364	58,649	(33,285)	413,741
	<u>19,198</u>	<u>17,006</u>	<u>2,192</u>	<u>35,593</u>	<u>34,012</u>	<u>1,581</u>	<u>204,073</u>
TOTAL REVENUE	319,999	330,679	(10,680)	637,742	655,906	(18,164)	4,108,075
COST OF SALE							
Sales & Product Support	24,328	14,308	(10,020)	48,722	28,615	(20,107)	171,690
Card Services	286	750	464	438	1,500	1,062	9,000
Shared Facilities Management	97	225	128	253	450	197	2,700
HRX	<u>5,617</u>	<u>10,371</u>	<u>4,754</u>	<u>11,680</u>	<u>19,626</u>	<u>7,946</u>	<u>117,114</u>
TOTAL COST OF SALE	30,328	25,654	(4,674)	61,093	50,191	(10,902)	300,504
GROSS REVENUE	289,671	305,025	(15,354)	576,649	605,715	(29,066)	3,807,571
EXPENSES							
Sales & Product Support	92,621	95,565	2,944	181,113	191,130	10,017	1,146,783
Card Services	38,021	40,908	2,887	78,261	81,816	3,555	490,893
Mortgage Support Services	5,716	6,176	460	11,427	12,352	925	74,110
HRX General & Administrative Svcs.	40,934	33,155	(7,779)	68,757	65,308	(3,449)	393,354
	<u>139,880</u>	<u>160,396</u>	<u>20,516</u>	<u>297,867</u>	<u>320,102</u>	<u>22,235</u>	<u>1,905,551</u>
TOTAL EXPENSES	317,172	336,200	19,028	637,425	670,708	33,283	4,010,691
CONTRIBUTION BEFORE OVERHEAD	(27,501)	(31,175)	3,674	(60,776)	(64,993)	4,217	(203,120)
Overhead	<u>20,488</u>	<u>20,488</u>	<u>0</u>	<u>40,977</u>	<u>40,975</u>	<u>2</u>	<u>245,852</u>
NET INCOME BEFORE TAXES	(7,013)	(10,687)	3,674	(19,799)	(24,018)	4,219	42,732
Income Tax	<u>0</u>	<u>701</u>	<u>701</u>	<u>0</u>	<u>1,401</u>	<u>1,401</u>	<u>8,408</u>
NET INCOME	(7,013)	(11,388)	4,375	(19,799)	(25,419)	5,620	34,324

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