

Straight Talk.

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CBS Exhibits at The Ohio Credit Union Convention

Cooperative Business Services, LLC was on hand at the Ohio Credit Union Convention to discuss business lending with Ohio based credit unions. Pictured with CBS are Paul Mercer, President of the Ohio Credit Union League, Greg Kidwell, President of Members 1st Credit Union (Columbus), Sonja Hann, President and CEO of Midwest Community Federal Credit Union (Defiance), Tim Boellner (President and CEO) and Michael Cooper (Chief Financial Officer) of AurGroup Financial Credit Union (Fairfield), Jerry Guy, President and CEO of Kemba Financial Credit Union (Columbus), Barry Shaner (President and CEO) and Kathy Martin (VP of Business Development & Innovation) from Toledo Area Community Credit Union (Toledo), John Bowen, President and CEO of River Valley Credit Union (Miamisburg), Bill Burke, President and CEO of Day Air Credit Union (Kettering), and Dave Fearing, President of The Ohio Services Corporation (Columbus).



Cooperative Business Services, LLC

Writers:
Bill Burke
Andy Weingartner
Debbie Scheetz
Angela Kelley
Andrew Conley

Our sincerest thanks to everyone who contributed ideas, stories, or pictures for this issue.

CBS NEWS:

- Members Heritage Federal Credit Union (Lexington, KY) and Vacationland Federal Credit Union (Sandusky, OH) are now APPROVED to participate in the SBA 7a Program.
- Sharefax Credit Union, KMC Network Credit Union, FirstDay Financial Federal Credit Union, and Midwest Community Federal Credit Union are in the process of securing approval to participate in the SBA 7a Program.

Five New Credit Unions Join CBS

CBS would like to welcome FirstDay Financial Federal Credit Union, First Service Federal Credit Union, Ashtabula County School Employees Credit Union, Marion Community Credit Union, and Clyde-Findlay Area Credit Union as the newest credit unions to affiliate with the CUSO. We look forward to working with everyone and establishing great partnerships. WELCOME!!!



A Note From the Vice-Chairman



You may not know that Cooperative Business Services is owned by a group of credit unions. You may not be aware of the differences between banks and credit unions or know that banks are aggressively lobbying Congress to tax and restrict the activities of credit unions.

It's important that members understand why credit unions are tax-exempt, how we are different from banks, and what you can do to help us.

Credit unions are non-profit cooperatives, formed by groups of people to provide low cost financial services. Before credit unions existed, banks took advantage of consumers by charging excessively high rates or denying services altogether. In the mid-1800's, farmers and other groups grew tired of this unfair treatment and formed their own cooperatives, pooling their funds for their own benefit as a group. This idea caught on and over the last 150 years, the US credit union industry has grown to over 8,000 credit unions with over \$600 billion in assets, serving over 80 million members. That may seem huge, but it's nowhere near the many trillions that the banking industry controls. Chase, Citigroup and Bank of America individually each have more assets than all US credit unions combined.

Credit unions have grown, but their philosophy of People Helping People has never changed. We continue to serve the average consumer and small business owner by offering high rates on deposits, low rates on loans, affordable products and friendly service. We maintain just enough profit to remain safe and sound.

Why do we do this? Because we are owned by the members. You elect the volunteer Board of Directors and you tell us, through the Board, which products and services that you want. We listen to you and we work hard to provide those products and services.

A bank's motives are to generate as much profit as possible. They have shareholders to please. Banks serve customers with the objective of maximizing profit in order to enrich shareholders; while credit unions have just one constituency: members. The objective of a credit union is to provide the best services at the lowest cost possible, and pay you as much as we can while maintaining enough capital to remain safe and sound.

What can you do to help? You can make your credit union stronger by utilizing as many products and services offered by your Credit Union as possible. Whatever your financial need, from basic to sophisticated, your Credit Union can help save you money and accumulate wealth. Thank you for your past and continued support.

Bill Burke
Vice Chairman of CBS/President & CEO of Day Air Credit Union

Financial Statements

As an underwriter one of the key components is obtaining a comfort level with the financials your borrower is providing. There are two types of financials; audited statements and unaudited statements. The most reliable statements are audited. These can then be broken into 4 types; Unqualified, Qualified, Adverse and Disclaimer.

Unqualified - the audit was performed without any qualifications. The audit was performed in accordance with GAAP. An explanatory paragraph will be added under certain circumstances.

Qualified - there was an exception or departure from GAAP. An example would be that accounts receivable and inventory have not been verified.

Adverse - there were departures from GAAP so great that not even a qualified type can be given.

Disclaimer - the auditor does not wish to express an opinion because there is not even enough information to do so.

On the other hand we have unaudited Statements. These statements offer little or no assurance that the statements have been prepared in accordance with GAAP. There are 4 types of unaudited statements; Review, Compilation, Company Prepared and Cash Basis.

Review - they are less in scope than an audit and provide only limited assurance that the statements are prepared in accordance with GAAP.

Compilation - contains few or no disclosures of accounting methods. As a lender you want to guard against the reliability of these financials.

Company Prepared - financials are prepared internally by the company, but lack the independent verification that an audited financial can provide.

Cash Basis - the company reports cash receipts and disbursements rather than accrued revenues and expenses.

Business credit underwriters like to see audited financials but many times in dealing with small businesses this can be cost prohibitive to the borrower to have these financials prepared. So our job as underwriters is to get our hands around the financials provided and ask the appropriate questions to truly feel comfortable with the financials.



Andy Weingartner
AVP/Business Lending

Building Relationships: Integrity Matters

Integrity is an essential building block to starting new and maintaining existing relationships. It is a challenge to establish a trusting relationship, however, once established this trust can easily be broken if we become lazy. Therefore, our continued focus on integrity will not only enable us to build new relationships it will help maintain those existing relationships as well.

One of the professional benefits of conducting yourself with a high level of integrity is the bond that is created through mutual trust. Through this bond your member or customer will know your genuine concern for their well-being and the well-being of their business. By earning their respect and trust, the member or customer will be comfortable revealing more about themselves and their business which, in turn, arms you with the information you need to provide the best possible solutions. You will differentiate yourself from your competition and gain a member or customer for life.

Conducting yourself with integrity is personally beneficial too. Believing in yourself and how you present yourself each day creates self worth and a love for your career. For me, it is satisfying to look in a mirror each morning and feel proud of my chosen career path knowing I am trying to make a small difference every day in the lives of the members and customers who trust me. My encouragement to you – be a person of integrity and strive to do the right things for your clients and members all the time, every time.



Debbie Scheetz
VP/Business Development

Credit Union Showcase



Sharefax Credit Union, Inc.
Batavia-Evendale-Mason-Milford
(800) 733-1728
www.sharefax.org

Sharefax Credit Union, founded by the Ford Motor Company employees of Cincinnati in 1960, is a non-profit full-service financial institution. We are dedicated to fulfilling the individual needs of our members by offering the finest service, and most technologically advanced products available. We place great pride in the solid foundation in which our cooperative has developed, and continue to appreciate the financial success our members achieve through our services. Sharefax serves over 22,000 members from five counties including; Clermont, Brown, Warren, Hamilton and Butler as well as over 400 select employee groups throughout the Greater Cincinnati area. We are approximately \$203 million in assets, making us one of the largest credit unions in Southwest Ohio.

As an active member of the community, we pride ourselves on accomplishments not just through our traditional products and services but by our participation in activities throughout the area including; financial education programs, low income assistance programs, and local charity involvement.



Members Heritage Federal Credit Union
Lexington, KY - Winchester, KY - Greencastle, IN
(800) 359-3466 KY or (800) 634-2492 IN
www.membersheritage.org



Members Heritage opened its doors in April 1960 as IBM (Lexington) Employees Federal Credit Union. In 1993, our name was changed to Members Heritage Federal Credit Union, representing the concept of member ownership and respect for the IBM heritage. Today, we serve over 36,000 members with assets over \$200,000,000. Our field of membership includes over 170 Select Employee Groups in central Kentucky and Indiana. In 2003, our membership was expanded to include people who live, work, worship, and attend school in certain areas of Lexington, KY.

We strive to provide members with a safe, convenient place to save and borrow at reasonable rates while continuing to offer the most current products and services available. From eLerts to eStatements to online bill pay, Members Heritage offers a variety of online services for even our most tech savvy member. The newest service offered at Members Heritage Federal Credit Union is the addition of Business accounts and loans. Companies can choose from our Basic or Classic Business Share Draft Checking accounts, as well as Commercial Real Estate Loans, Corporate Vehicle Loans and Secured Operating Lines of Credit.

Were you there????

We held our first WebEx webinar to discuss the Call Report and how we can help. The objectives of the meeting were to (1) establish consistent reporting from credit unions serviced by Cooperative Business Services, LLC, (2) hold open dialogue concerning Schedule A of the 5300 Call Report and (3) create a list of items that will assist your credit union with the Call Report. 13 credit unions logged on and the meeting lasted just under an hour. If you were not able to attend, the meeting was recorded and you are able download it by going to:

<https://cbcsuso.webex.com/cbcsuso/servicenbrshared.php?action=playback&recordID=18351352&recordKey=F49EFCEDFBF3CEFEFC9378F4C30A3120CC72FFC16F5DC071B57015686A667A04>

Please look for your second quarter reports to arrive 2 weeks prior to the due date of the Call Report; we hope to implement the changes discussed. We also hope to have webinars on a quarterly basis to discuss the various aspects of accounting for loans serviced by Cooperative Business Services, LLC. If you have any questions please feel free to contact me.



Angela Kelley, CPA
SVP/Chief Financial Officer

Cooperative Business Services 1st Quarter Update

Portfolio Information:

134 Loans \$71,759,790
 Average Transaction Size \$535,520
 Average Portfolio Rate of Return 7.23%
 Approval Rate Since 2003 49%
 Approval Rate for 2007 67.86%
 Total Opportunity Since 2003 \$237,676,255



Portfolio By Product:

CRE 82 Loans : 75% of Portfolio : \$53,989,134
 Term 31 Loans : 17% of Portfolio : \$12,341,632
 LOC 8 Loans : 1% of Portfolio : \$583,469
 7(a) 13 Loans : 7% of Portfolio : \$4,845,555

SBA Growth:


CBS has closed and funded \$10,371,750 in SBA 504 business over the past 12 months. (This includes both senior loans and bridge loans)

Average Rate = Five Year Treasury Bill + 3.20

CBS has closed and funded 13 SBA 7(a) and Express loans totaling \$4,845,555 over the past 12 months.

Average Rate = Wall Street Journal Prime + 2.46

Financials:

	Month of March 2007	Month of December 2006 (Record Month)
Number of Loans	16	19
Dollar Amount	\$14,228,250	\$15,891,829

TESTIMONIALS

Premier Golf Car, Inc.



“After many months of searching unsuccessfully for a bank interested in taking the time to learn about a business I wanted to purchase, I was introduced to Debbie Scheetz at Cooperative Business Services. I was managing a division of a company for about one year when I was presented with an opportunity to purchase that division of the business. After making several attempts to find a lender who was interested in the opportunity to finance the purchase, I started working with Debbie at Cooperative Business Services. Debbie utilized her 16 years of lending experience to obtain financing through River Valley Credit Union. The Lender provided financing for the acquisition of the business and for working capital. Debbie was diligent in working with the SBA to find a loan structure that worked for both River Valley Credit Union and the SBA while at the same time providing me a loan structure and payment that I could afford. Cooperative Business Services and River Valley Credit Union delivered on their promises and I am now the proud owner of a successful company.” - Gary Riesenber

Tama Karate Martial Arts Center



“It’s great that Day Air Credit Union and Cooperative Business Services have allowed me to capitalize on their commercial business services. It has been a professional and smooth transaction.” - Manuel Taningco
 A Day Air Credit Union member since 1999, Master Taningco hopes that other Day Air members realize the advantages and convenience of doing their personal business, along side their business accounts, at Day Air Credit Union.

Certificate of Good Standing: The reason behind the requirement

Any time a borrower or guarantor is a legal entity, such as a corporation or limited liability company, the lender will require a “Certificate of Good Standing” (or “Certificate of Full Force & Effect” in the case of a limited liability company) prior to closing the loan. For most of the parties involved, this is simply another mysterious piece of the due diligence puzzle. However, this piece of paper is actually one of the most important items in a loan file and may even cause a delay or prevent a loan from closing.

Simply put, entities such as corporations and limited liability companies exist solely as the result of legislative action and must adhere to certain requirements in order to maintain their legal existence. When an entity fails to follow those requirements, such as maintaining an active statutory agent or paying franchise taxes, it will lose its authority to transact business which may include borrowing money, purchasing property or selling goods and services. A lender has an interest in knowing whether or not an entity has followed the requirements necessary to maintain its good standing. A Certificate of Good Standing provides the lender with proof that the entity is in compliance with all state-required formalities and can legally transact business.

From a borrower’s standpoint, officers of a corporation not in good standing lose the legal protection of the corporation and may be personally responsible for corporate obligations incurred while not in good standing. These obligations may include contracts, guarantees, and promissory notes. Further, if a corporation’s authority is cancelled for failure to pay any tax or fee and that corporation continues to transact business, Ohio law provides for a penalty of one hundred dollars for each day of operation, up to a maximum of five thousand dollars. From a lender’s standpoint, loans made to a corporation not in good standing carry the risk of insufficient collateral protection and collection capability.

However, all is not lost should an entity borrower or guarantor turn up not in good standing. Any entity whose authority has been cancelled can, most times, apply for reinstatement by paying all the taxes, fees and penalties incurred or, otherwise, satisfying the very requirement that led to the cancellation. When all the required information has been provided and/or fees paid, the Office of the Secretary of State will issue a formal “Certificate of Reinstatement”. This certificate is the lender’s proof that the corporation is now in compliance, authorized to transact business and, just as important, able to proceed to closing.



Andrew Conley
 General Counsel & VP of Compliance

KEY RATES

	Current	1 Month Prior	3 Month Prior	6 Month Prior	1 Year Prior
US T-Bill 1 yr Index	4.98	4.91	4.91	4.95	5.04
US T-Bill 3 yr Index	4.98	4.58	4.49	4.57	4.97
Prime Rate	8.25	8.25	8.25	8.25	8.00
US T-Bill 5 yr Index	4.98	4.54	4.45	4.53	4.95
US T-Bill 10 yr Index	5.02	4.63	4.51	4.56	5.00