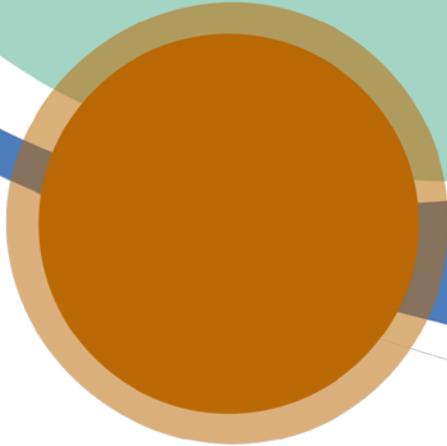




CU*ANSWERS
A CREDIT UNION SERVICE ORGANIZATION

2017 Business Plan



Revolution for Evolution

Walk the Talk on Burning It Down to
Sustain Our Future

August 2016

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*You’ll see this badge here and there throughout this document.
It refers to a topic or initiative that is also covered in the
companion 2017 Strategic Technology Plan.*



“What if” nothing was timeless?

Would we re-launch our network on a new set of guiding principles?

First thing, study our standing approach (see [Appendix A](#)). Be ready to defend what we would hold on to, and even more important, what we might adapt, adjust, or abandon between 2017 and 2020. It’s not about upsetting the apple cart, it’s about having the discipline to look at a model far ahead of forced changes. It’s about knowing how to plan for something new. Our industry needs these skills. Our network needs to be a leader when it comes to these skills. Our organization must demand these skills from current and future leaders if we are to sustain our efforts.

In studying our approach to the marketplace, we need to ask ourselves, **“What identity has emerged from the way we approach the credit union industry, and are we comfortable with it?”** We need to consider our approach from the external and internal perspectives of our stakeholders. What is our identity with our customer-owners, our owner-customers, our customers/network participants, our employees, third-party commentators, and finally the marketplace outside our network? What do they like about our identity and what might they have us change?

Next, what characteristics of our identity and business model approaches do we want to stand pat on this year, and what might we consider evolving? Is our success based on who we are now? On who we have been? Or it is based on the fact that people trust we will evolve into what we need to be? Can we disrupt the status quo and accelerate our success?

The bedrock in all of this is the **cooperative principles and how we express ourselves in alignment with those principles** – although even that alignment has to be challenged and reaffirmed regularly. The bedrock in all of this is that **we see ourselves as a network**, both technically and as designers of solutions, price, and sustainability approaches.

The reality of the marketplace and who we serve is evolving. As we look at 2017-2020, we must approach everything we do with the confidence of people constantly learning, challenging, and knowing that the designs for success have to start with disrupting the status quo. And we must do it with the spirit of a revolutionist and the patience of believing a community will work it out.

So this year’s projects will be focused on both: challenging everything for the adjustments that will disrupt the status quo for evolution, and enjoying it with the energy of those who see revolution as refreshing and positive.

It’s a World Fascinated by the Opportunity in Data

If we started the firm today, what might we change about our approach, given the market’s fascination with data?

These days almost any business leader can be heard (if only under their breath) lamenting, *“If only I knew what my organization already knows, I might get ahead of this thing! If only I really understood what we know about our customers, I could make the right adjustments for their satisfaction, the right adjustments for our bottom line, and the right adjustments to grow my market share.”*

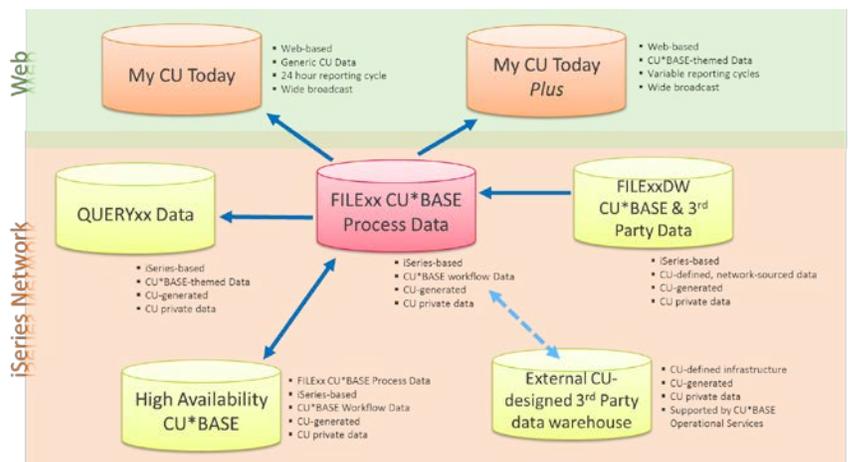
The world is coming to us (CU*Answers) again. Coming to us just like it did when plastics became the foundation for member activities (*in 2017 we’re projected to earn \$7.9 million from plastics*). Just like it did when the internet and now mobile became the foundation for member contacts (*in 2017 we’re projected to earn \$2.7 million from e-commerce and we predict significant growth in this area for years*).

And now data management and automated processes for acting on data are about to become a driving force in credit unions. We can capitalize with our CUs on this growing focus. This provides us –

CUSO and CUs – not only an opportunity to leverage the hard assets we have and will build, but also a real opportunity to build new businesses and capabilities around these assets: businesses that specialize in delivering and generating **insight**.

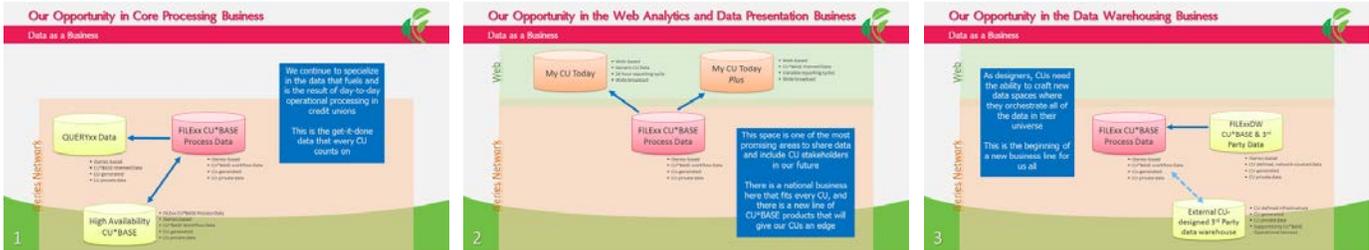
Consider this simple chain of activities that help organizations earn from data: (1) Gather, (2)

Analyze, and (3) Act. (*Similar to our ASAP Ask-See-Act-Profit product focus for past initiatives.*) We need to build and evolve our businesses around each step. Our success will rely on the fact that the



marketplace and our stakeholders see these businesses as valuable contributors to earning from data, with and for our stakeholders.

In 2017 and into the near future (2018-2020), the marketplace will want to hear how we will adjust and organize our products in a way that identifies new approaches to data with more clarity and alignment with their strategies.



We must be the catalyst for credit unions actively striving to gain insight from data. Inclusive of both the DIT crowd and the DIY crowd, we must build solutions that allow both to mutually create data, mutually manage data, and mutually store data to maximize our impact and value for our clients, and even the industry at large.

I stress the word “mutual” to highlight the fact that we’re adding a second silo to our revenue model. We will continue to earn as a collaborative provider of services (DIT). DIT services are generally packaged for the end user.

In 2017, we’ll launch a multi-year project to increase our earnings from supporting people who want to go in their own direction (DIY): Custom projects that create data in CU*BASE, solutions that move data in custom ways, and support for DIY designs to store data outside of the CU*Answers network.

In 2017, we need to work diligently so that the market recognizes our intention to enhance our identity to include our work as a contractor to support the needs of the DIY community. In 2018-2020, we’ll need to prove that our actions support this new identity.

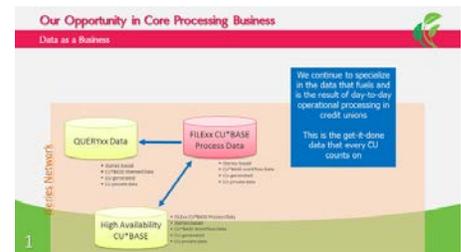
Leveraging and Evolving Our Businesses that Generate Hard Data Assets

1) Our Core Processing Data

Data generated by processing member activities and day-to-day activities — evolving our current business

2017 Focus:

- Roll out the new **CU*BASE navigation** approach during Q2 and be ready to make it a star in our 2017 development year.



- Continue with our program to broaden our supported **bill pay program vendors** (currently iPay, Fiserv and Payveris). Here are some points to consider:
 - Our bill pay project with Payveris has been by far the most disruptive to our network in 2016 and will continue to until this first batch of Fiserv conversions is completed. I anticipate an equally loud disruption from the small group of CUs who are forced to migrate to a new Fiserv platform by Fiserv. In the end we will have two sub-categories for supporting bill pay program vendors: Our VAR program (iPay and Payveris) and our client-orchestrated integrations with the vendors of their choice.
 - Project management will be focused with the following priorities: Conversion/migration project management, quality control testing for services currently in place, UI enhancements requested by CUs, the development of e-bill and electronic payment vendors for Payveris, migration projects, the development of more mobile-supported features, and custom integration responses.
 - 2017 is the year of building bill pay data capabilities, including a 90-day archive of processed payment requests (electronic, check and returns). This will be used to mine member bill payment activity and monitor/audit bill payment performance.
 - Build a subscriber and configured payee database for the new DIT data warehouse offering. This will be used by CUs to archive the data they'll need to understand should they decide to change vendors. It will also be valuable for mining the demographics of bill pay subscribers and their configured payee data.
 - As we look to 2018 and beyond, it is our intention to continue to push and innovate on bill pay distribution chains and understand how CUs can influence the final product for their members via all of the vendors in the chain. Once we have a better understanding of this chain — from the user interface to the processing of bills to the arrangements for bill presentment and electronic payments and reaching retailers — we believe that CUs will have a better opportunity to build lower cost arrangements. Once we own this information, we can decide how to apply it to other bill pay program vendors. I do anticipate a project with iPay in late 2017/early 2018, to include them in the API integration for CU*BASE's native bill pay transactions.
- Add the second underwriting **decision model** and continue to develop loan process configurations and their usage by our credit unions. Encourage a champion to come forward and pilot a project to integrate an **external LOS** into our network.

A team comprising members from several departments is currently working on a new content management platform that will generate web-based forms, including loan applications. This will be the foundation for a new service where CU clients can create forms and integrate to a developing fulfillment service from CU*Answers. In the beginning this fulfillment service will be off line, meaning forms data will not automatically feed in to the CU*BASE LOS. But we will use this new factory and template to model the viability of making forms a fully integrated service for **It's Me 247** desktop and mobile solutions.

We anticipate the MAD team to start building the platform and fulfillment center design by 3/31/2017. While we anticipate several beta and prototype projects in 2017, I would not imagine we will be aggressively marketing this before 2017 CEO Strategies.

- Continue to develop **budgeting and modeling** tools. Take advantage of the seasonal nature of this work and couple it with big rollouts for My CU Today Plus.
- By Leadership, be ready to make the case that **M-Up** is an active project with clear goals for the Q3 and Q4 business year. Deliver a bio/user-defined fields solution via active beta by no later than 2017 CEO Strategies. Sell both of these things as a big deal at the 2017 Leadership Conference.

2018-2020 Targets:

- Convince the market we are serious about **virtual contact centers** and accepting loan applications and indirect products from anywhere, at any time. We will have the tools for fluid integrations. What we will need are the business processes and an identity that says we use them like no one else in the industry.
- Be effective at identifying processes and the resulting data as either core processing, web presentation, or data warehousing. Where we might have only managed it all as core processing in the past, we need to **create robust businesses in all three areas.**

2) Our Analytical Data

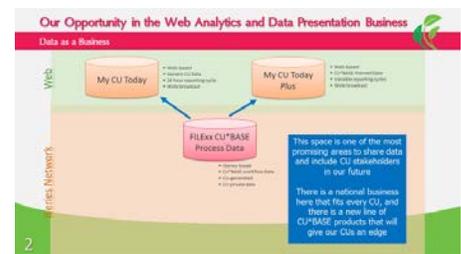
*Data generated and refined for presentation of trends, facts, and insight via CU*BASE, My CU Today, and My CU Today Plus—evolving our current business*

2017 Focus:

- Develop our approach to using **views**, both as internal tools and as end-user tools. Start with the boot campers and their goals for a data analyst products and services. Can we live up to Jody’s vision for a “views store?”
- Launch **My CU Today Plus** with the Tiered Services data by 12/31/2016. Add General Ledger data and an aggressive ability to understand the numbers via My CU Today Plus by the 2017 Leadership Conference.
- Continue to drive **exam innovation** and work to gain either the endorsement or some working prototypes with state and national examiners. At the same time, encourage CUs to openly include examiners in My CU Today / My CU Today Plus as an elective.

2018-2020 Targets:

- Find a way to market **My CU Today presentation services to non-CU*BASE credit unions.** Do so either via an indirect partnership with national influences or through our direct at-risk investment. Work to make “My CU Today powered by CU*Answers” a national brand.
- Continue to develop web-delivered products and services based on our core processing solutions to bridge the gap between our current presentation layer approach and the long-term project to move to a **browser-based approach for CU*BASE.**



3) Our Data Warehouse Data

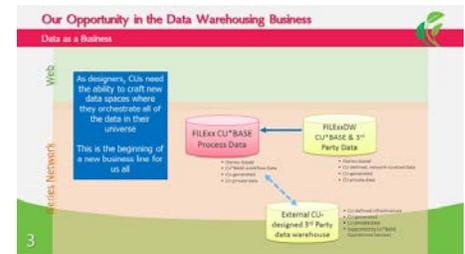
Data generated, gathered, and managed by CU operation choices to create a bigger, more comprehensive, and diverse—**offering and highlighting a new business**

2017 Focus:

- Work with the technical teams on the designs for managing a **new database library as a shared data warehouse**. Have a blueprint for how operations, network services, and our CMS team would sell this approach by 1/31/2017. Be ready to present a technical approach at the Data Investment Symposium in February 2017.
- Work with the Product Team to identify 1-3 data solutions that could **populate the data warehouse**, such as Phone Optics, archived Trackers, etc. Work with solution designers on formalizing the current upload process to include a data warehouse. Brief the Data Investment Symposium on this approach and be ready to launch betas by the 2017 Leadership Conference.

2018-2020 Targets:

- Prepare for when almost every credit union sees the need to have a data warehouse approach. I believe this will be a **new requirement in our RFPs** going forward. We need to have answers to questions such as: Do you support external data warehouses, yes or no? Do you offer some form of cloud or ASP data warehouse services? Does your core processing system auto-populate data warehouses? Can the CU buy a normalized version of your data to combine with other data in a data warehouse environment?
- Count on our **data warehousing approach for new sources of revenue**. We cannot continue to stuff more and more into CU*BASE core processing packages and innovatively manage our operations windows, requirements for new revenue, and the complexity and cost of the core system for all clients. Remember Christiansen's studies on disruption and avoiding abandoning markets by over-investing in products and services.



Building Businesses (Old and New) around Generating Insight from Data, and Teaming with a Growing Data-Centric Generation of Leaders

I submit that the marketplace is now seeing a new buyer motivation as it reviews core processors and operational vendors. CU players are identifying themselves as Data Managers (leaders assigned to the entire chain for earning from data) or Data Analysts (leaders assigned to generate insight from data). We must respond to these leaders and their growing influence in CU organizations. **Will they one day be as important as the focus groups for lending, member service, finance, or other traditional CU leaders, with influence over whether their organizations join us or not?** This group might be more influential already than most people think. When a lender needs data, who do they go to? When the finance leaders needs trends and what they mean, who do they go to?

2017 Focus:

- Continue the **Boot Camp programs** and leverage the graduation projects into market-recognized solutions by 12/31/2017. Start a data analyst business, either through the coordination of remote resources sold to CU*Answers, or as a direct employee business. Launch a crawl-before-you-run solution.

2018-2020 Targets:

- Refine our goals for **M-Up** and combine them with our **database view** projects and market a much more comprehensive and modern database approach. (Includes documenting our databases, enhancing database management tools, repositioning Query for a broader audience, and completing the shift for how we all talk about databases.) **Be a premier solution for data managers and data analysts.**
- Drive our **data analysis business** as a solid proof of concept for how CU*Answers and its credit unions can use data and our embedded tools as a competitive advantage for CUs and our CUSO.

We must be the catalyst for credit unions to more actively drive to gain insight from data and improve their operations. Our best opportunity might be to feed the need for data analysts and their role in the success of CU organizations. Once an organization commits to earning from the insight gained from data management, they will look for vendors who excel in mutually creating effective data, more effectively managing data, and more effectively storing data to maximize its impact and value.

Enhancing our Network Solutions for Harvesting Data-based Opportunities

For years we have built tools to harvest opportunity, via dashboards with Member Connect and other action steps baked in. Good examples are the Where Members Borrow and Where Members Shop dashboards. We have partnered to build companies to pick up the ball and reach out to members. The best example is Xtend, which takes data leads either directly from our tool (Member Reach combines daily processing behind the scenes to identify members that qualify for contact) or directly from the CU and other data lead sources, and contacts the member.

Our network is rich in tools and services to initiate interest by members in CU products and, in many cases, to close the deal. That said, more is needed to capture the imagination of our community to the idea that **proactively reaching out for business** is a strategy for all credit unions in our network.

2017 Focus:

- See my earlier comments about a **data analysis business**. We need a constant resource or set of resources generating ideas about who to contact, when to contact them, and how to close the business. We need to keep our outbound resources busy harvesting opportunities, whether that means Xtend or any of our CU clients.
- Drive and support Chatter Yak's and Xtend's management of the **managed Yak Tracker lead business**. Use this as a foundation to support future at-risk investments by credit unions and

the CUSO in leads and harvesting opportunities, directly or for any organization in the network.

- Complete the **Phone Optics** project, including the automated Tracker solutions for Xtend, and prioritize projects that Xtend needs to innovate for their outbound business.
- Be ready to support **Xtend's leadership transition** and guarantee the new CEO's success, whomever it might be.

2018-2020 Targets:

- Develop the concept that as credit unions have fewer physical locations for direct member contact, that **our virtual contact solutions are a viable alternative**. Build solutions that make it possible for all types of opportunities – such as loans, checking accounts, new members, etc. – to be delivered via **indirect connections**.

Adjusting our Image to Include the DIY Perspective

If we were starting our company today, would we be as single-minded about our DIT suite approach, given the “I want it my way,” do-it-yourself world of today?

At the 2016 Leadership Conference we introduced the goal for CU*Answers to build a new business focused on developers and the tools, support, and partnerships they would need to look at projects from a do-it-yourself perspective. For the last two years we have been developing an API foundation for network extensions. Our goal is to be seen as a proactive and positive force in helping credit unions focus on integrating our core solutions with any and all comers.

More than just saying it, we have to sell it. We have to walk the talk. We may even have to go over the top to be as disruptive and as powerful as we can be in helping our credit unions come closer to the marketplace's belief that easier integrations would ensure success and feed a builder's soul.

2017 Focus:

- Promote a robust **API catalog** to our network and the vendor community. Aggressively price the APIs (potentially free to all) as tools readily available to both CUs and their vendors, and even vendors who wish to speculate on their ability to sell to our network. 
- Continue with the project to convert **It's Me 247 desktop applications** to use a web service API foundation. Drive to have 75%+ of the messaging between **It's Me 247** and CU*BASE use APIs that are easily adapted for external consumption.

- Build a **DHD online store**. Use competitor sites as the benchmark for things such as developer consulting and education, project management, API documentation and coordination, custom project management and tracking, service/product fulfilment, etc. Web Services will work with our technical teams and have phase one of this site ready for a new business development manager by 3/31/2017.
- Add a **DHD business development manager** by 3/31/2017. Currently we believe this will be Scott Page. Scott will take on the challenge of building a sales culture around the DHD and throughout CU*Answers to more effectively drive custom project retailing, pricing, and fulfilment. His focus will be to evolve our current custom project retailing (CU*BASE and traditional core extensions) and our new services around web service API extensions. Even before we have a healthy market responding to our DHD efforts, we must achieve a more disruptive and proactive identity in this area. The disruption needs to be both internal and external for us to be effective.

We do believe this shift in our identity will be a proactive step in supporting our CU*BASE SE initiatives, and also be another brick in the foundation should we ever decide to aggressively act on our opportunities for expanding our in-house CU*BASE market share.

- By the 2017 Leadership Conference, the **DHD retailing initiative** needs to be ready to introduce marketing, pricing models, a store, and a few case studies where the DHD focus signals a change at CU*Answers. We will introduce a team of new and current leaders at CU*Answers who are dedicated to this effort. By 2017 CEO Strategies, we will kick it up a notch to drive the marketplace to plan for spending money with DHD in 2018.

2018-2020 Focus:

- Market, market, **market**.
 - Work with the Solutions Boot Camp as a focus and peer group that can encourage credit unions to take on projects, such as API integrations to CU intranet sites, CU-initiated mobile apps, and miscellaneous projects with Fintech-minded vendors.
 - Work with creative vendors who are trying to build services with our network credit unions, either via alliance relationships with CU*Answers/Xtend, or completely on their own initiative. We see this in the way vendor communities interact with UCI today.
 - Work with non-CU market players who might be interested in our services for their own business lines.
- Begin the **build-out of specialized team resources** who respond to the workload independently of our DIT initiatives and day-to-day work. At-risk programmers, at-risk spec writing, at-risk sales people, etc. The level of investment will be slow in the beginning, but has the potential to be a full-out unit by 2020.

Retailing Redesigns: CUs and Ours

If anyone was starting a business today, and they were thinking about how to support and serve their customers, wouldn't they have to consider online stores, virtual contact centers, and a different style of retailing?

Of course they would. Per our history, we know that a large segment of our CU marketplace adapts strategies after templates and tools become readily available, rather than adapting strategies and then looking for tools. We need to be a template that creates momentum for our CU businesses to reengineer their retailing, to be confident about reengineering their retailing, and to show that our investments are in line with theirs.

To this end, we need to totally revamp our service approach and show that we can build virtual contact centers, initiate transactions via virtual contact centers, support project tracking through virtual contact centers, allow customers to pay via virtual contact centers, and in many cases, instantly fulfill their requests via virtual contact centers. In doing so, we will not only improve our own business but will also, of course, exhibit our capabilities to help build them for credit unions.

Preparing for a New Generation of Buyers

Remembering that you have to win at the old game so that you can fund a new one, we must continue to do a great job with our current clientele. Not all clients will want to go online, order something, pay with a credit card, and track the project. There will be pushback. But we should be confident in the fact that virtual stores are a reality in most people's personal lives today, and they bring those experiences to work with them. Our staff wants to offer our services in this way. CU employees, more and more, want to buy this way.

2017 Focus:

- Drive our firm to be more comfortable with **electronic payments**, digital contract signings, and new kinds of employee authorizations that don't rely on paper and traditional contact methods.
- Plan for a **reduction in travel to client and potential client sites** by as much as 50% by 2019. Retrofit our support services with technology related to POV, and drive its usage. We started with Client Service departments and areas that have remote employees. In 2017 we need to make sure every employee's workstation has a webcam and the ability for video conversations. By the end of 2017, we need to have a proactive, trackable plan for every team that travels to take steps to cut their travel by a significant amount each annual. I will target sales and demos, conversion support, and day-to-day client service interaction teams first.

2018-2020 Focus:

- Lower our T&E costs and be a template for our CUs to shift their investments to **virtual contact centers** on an unprecedented scale.

- Drive our network until it can say it has over 1,000 active mobile apps with CU members.
- Drive our network until it can say it has over 750 active MAP/MOP sites to attract members.
- Drive our network until it can say it has over 2,500 active indirect opportunity sites.
- Drive our network until it can make the claim that alternative member contact retailing dwarfs the number of branches in our system.

IRSC

The Internet Retailer Support Center is up and running and, much like Web Services, gets high marks from our clients as to the tone, throughput, and effectiveness as a client service department. We will continue to invest in direct IRSC support staff and use our IRSC as a benchmark for virtual support centers over the next few years. I anticipate that our IRSC/DHD virtual centers will be able to share employees in 2017 and potentially even 2018.

2017 Focus:

- On 12/31/2016 we will **sunset the current online membership app** and in 2017 we will continue aggressively marketing to every CU to have at least one MAP/MOP site. By the end of 2017 I believe we will have as much as 80% participation with MAP, and approximately 50% of those CUs will start their automated programs with MOP.
- Goals for **MAP/MOP** in 2017:
 - Add the automation of the member's first **It's Me 247** experience to MOP by 3/31/2017.
 - Introduce funding and start marketing it by 3/31/2017.
 - Have a plan and specification for adding signatures and basic documents to MAP/MOP by 2017 Leadership Conference.
- Goals for **smart phone banking** (Mobile Web, hybrids, and API solutions):
 - Be ready to market eDOC RDC integration with our hybrid mobile apps by 3/31/2017. Beta programs to start as early as December 2016.
 - Convert CUs with an existing hybrid app to RDC. We anticipate about 50% of them to get active by the 2017 Leadership Conference.
 - Retrofit hybrid apps with new mobile app Framework tools to be more compatible with Apple and Android look-and-feel approaches.
 - Aggressively compete to win over Nitro and CU Mobile wrapper app customers to our hybrid approach.
 - Use the MAD team as the template for working with external API developers as they ratify and build proofs of concept around the Online Banking Team's API approaches.
 - Continue to drive the OBT's projects to add functionality to our mobile web solution as the foundation for both mobile web and hybrid app solutions.
- Reengage the IRSC, MAD, and the Web Services teams on the development of **Booster Page** services. The front end of MAP and MOP are a good start with promos and testimonials, but we need to capture our clients' imagination on how to put effective front ends on web offerings. We need to be an effective retailer of sales tools for a changing retail experience by members.



- Review CU testimonial programs and add new services to promote healthy testimonial selling within CUs and even CU*Answers. Add a second cylinder to the CU*Answers PR program.
- Review CU promos and the giveaway process (a la toasters for new checking accounts) and find a way to automate giveaways once a member joins. Bring some ideas to the 2017 Leadership Conference.
- Work with CU*OverDrive and Xtend teams to make sure sales booster pages can be included in our overall marketing campaigns each year. Take advantage of our ability to coordinate multiple channels inclusive of sales booster efforts.

2018-2020 Focus:

- I believe 2018 will be much like 2017, responding to our current network and just a few DHD-type mobile projects. But as 2019 fires up, it will be time to **assess our overall e-commerce program**. As we look at the overall suite of e-commerce services (audio response, desktop and mobile banking, MOP, etc.), we will need to reassess what CUs think they're paying for, and how to continue to secure the overall revenues to which we will have become accustomed. Will we adjust the package fees up or down? Will we add new services included in the package pricing, or will we have some market demand for *a la carte* projects, even beyond DHD?
- There are growing indications that **retailing websites** are changing. Instead of a large, comprehensive website, it appears that an organization's overall virtual identity will be a loosely integrated set of mobile apps and fulfillment tools like MAP or MOP. The idea that someone would pay a great deal to generate either a desktop or mobile web site might be a thing of the past. We will need to stay focused on how to generate fast-to-market, short-lived, web connections with members, desktop or phone. Tools that sell it, take the app, then fulfill it, in a small package, for a small price and almost no contract term may rule the day. This will need to be a specialty for CU*Answers via the IRSC.

Changing Our Classic Client Services

Following on the heels of the IRSC and DHD virtual contact centers, I want the COO and all of the client support department leads (CSRs, CSOs, Web Services, etc.) to do a full review of their client service models and start the process of aligning with the new standards developed by the IRSC and DHD.

2017 Focus:

- Early in 2017, establish what is the **template for a generic virtual contact center** or virtual storefront for our client service departments. What is the tone? What is the look and feel of the website? What are the services? What makes up a virtual contact center as a thing? I want to present a template to the marketplace and then work with CUs on their vision for virtual contact centers or storefronts. For example, a virtual client service storefront at CU*Answers would have x key elements and x key service measurements to qualify as a virtual contact center.

It's important that we don't just throw more money at an old support contact channel. We have to envision a new storefront for our support centers and clearly understand how

to prioritize what to invest in for the long term. For example, should we work with ZipWhip to add direct-text services between our client service reps and our clients? Or, how would we go to a enterprise-wide FaceTime approach? What investments do we need so that our support centers feel like Internet-based retailing responses?

- I'd like to be ready to **present some makeovers of our remaining client service departments** to our clients by the 2017 Leadership Conference and complete these transitions throughout the rest of the year.

2018-2020 Focus:

- Continue to focus on **emerging Internet retailing expectations** and develop products and services that our credit unions can use in interacting with their members, and retrofit our own models to interact with our clients. We need to be fast followers of Internet retailing standards to stay engaged with the market.

Leadership Transitions

Leadership Transitions: Internal Leaders

2017-2020 Will Be an Era of Resets and Handoffs

In our 2016 Business Plan we set the goals to add another talent to our resume: Managing Leadership Transition Projects. Throughout 2016 we have not only worked on specific projects (like the CIO transition) but also focused on the approach, categorizing approaches, and evolving our planning processes to look at hiring, recruiting, and interactions with third parties along these lines.

This will continue in 2017. We will complete plans for the final year of some key leaders in 2018, revamp ORD with some new approaches to hiring (contract-to-hire versus up-front direct hire fees) and recruitment tactics (external vendors, internal resources, and managing transition PR), and ultimately prepare the board for the project of a CEO transition in 2020.

Our 2017 Focus

In 2017, we will have to plan for some very important changes to how we lead on technical solutions and strategies (CIO), how we close the deal with the marketplace (sales), how we deliver on the promise of sales (conversions), and how we coordinate the executive team (administration).

We need to envision what new leaders will challenge (Burn It Down), and then in 2018 help them drive us forward with the passion of revolutionists. We don't just want to plug a new person into the hole left by someone leaving. Instead we need to focus on aligning with new leaders who are ready to become the architects of new futures.

Manage the CIO Wind Down

Manage the September 30, 2017, exit of the CIO, adjusting the format for technical team leadership and any department adjustments/re-organization. Two EVPs? Inside or outside of the Executive Council? Departmental promotions in a chain with EVP promotions?

- *Focus the Executive Council and specifically the CEO on emerging technical leaders and their agendas. Monday morning tactical/priority reviews and direct supervision of EAPs for the current three VPs will be a CEO assignment in 2017. Review and balance the three vice presidents' actual*

performance once Jody goes into her final role (January–September 2017). Work study the new executive team makeup and players for all of 2017.

- Manage the retirement celebration and expectations (the event, the budget, the template for many celebrations to come).

As we look at this project we must not fall into the trap of seeing this as a one-for-one task to fill a gap in the organizational chart. We need to anticipate strategic adjustments and how we select the right individuals and team designs to fit the future. In 1994, complex network designs were not a factor in hiring our CIO; programming and operations drove the job description. Programming styles, languages, and approaches were not as diverse. Everything was DIT, and vendor/solution extensions were a small percentage of the calculation. Today our production environment is far more complex and team member and project coordination take more time. We must design forward to business challenges and opportunity.

Reshape the Core Sales Team

Reshape the core sales team led by the current EVP of Sales & Marketing to fit our new vision for a department with two distinct focuses:

- Drive our primary new-wallet sales (core processing, imaging, and item processing). This team will focus on the new sales of CU*BASE solutions that create new natural-person credit union relationships. Grow the current pie in the current groove.
- Drive market relationships through a new Marketplace Relations Leader (new position reporting to the EVP).

We must be ready by March 1, 2017, when this area will transition from Scott Page to Scott Collins as a new member of the Executive Council.

New Sales Adjustments

- Add a new CU*BASE Sales Manager (January 2017) to coordinate day-to-day activities of two field sales reps: one existing and one apprentice starting October 1, 2016.
- Onboard a new RFP Sales Administrator starting 10/1/2016 (currently on board and training in the CSR department until 9/30/2016).
- Need another win like we achieved with moving Imaging Solutions sales from eDOC team members to our internal sales team. This move increased the revenues not only for CU*Answers and eDOC as organizations but also for our Sales Team. In doing so we helped balance the peaks and valleys inherent in CU*BASE core sales cycles. Potential ideas include focusing our sales resources on Imaging Solutions sales outside of our network and even outside the credit union industry. I will push the new sales leadership team for additional tactics by April 1, 2017.

Market Relations Adjustments

- Revamp our industry introduction program that has been split between our tactics with Vic Pantea and Susan Mitchell. In 2017 we'll focus only on Vic Pantea's efforts to introduce our network. He will become a full-fledged team member of the Sales Team, in addition to his efforts with our CMS business developers. He will be the first to fill the role as our Marketplace Relations Leader.
- Vic will be tasked with developing new governance and goals for the cuasterisk.com brand. He will formalize wholesaling governance to actively recruit and add new group providers. He will study the ideas required to create equity inclusion in cuasterisk.com external players. He'll set goals and move towards expanding our revenues from group providers as the industry contracts and our current players feel the squeeze. He will present these new goals at the August Sales Meeting 2017. Establish a new day-to-day approach and go hyper-active in 2018. Cost of the project: \$25K adjustment to VP compensation for one year.
- Vic will also work with the COO on the expansion of CU*BASE SE through marketplace introductions and mining of opportunities. Set an expectation for canvassing, mining, proposals, and miscellaneous activities to be included in an ongoing job description for 2018+.
- Vic will work with the CFO on the expansion of CU*Answers investment opportunities. He will work with the CFO on negotiating, validating, and selling the value of third party equity relationships going forward. Set an expectation for canvassing, mining, proposals, and miscellaneous activities to be included in an ongoing job description for 2018+.

We do not see our sales and new business opportunities severely restricted or limited by the general and overall consolidation of the CU marketplace in 2017-2020. We play in the middle. We're seen as an alternative to our competitors' approach, but we must anticipate that we will have to spend more and cover more territories in the future, if consolidation continues at its current pace.

To do so we need to model more investment (expense) into our sales efforts: 1) increase the size of our core sales team, and 2) enhance our design to mine alternative opportunities through a greater effort to be part of outside activities. We will need to challenge every tenet of how we have grown in the last 10 years and design for the work we will need to do in the next 10.

Developing ORD

In 2016 we added Amber Overla as our new VP of Organizational Resource Development. Once again we did not hire Amber to simply carry on with past strategies. Amber needs to work with the EC and continue to develop the VP of ORD position to take on more of a general management role alongside and even in front of the EC team. I would like ORD and the EC to work on these things:

- Respond to changes in the marketplace related to recruiting technical talent for our teams. Placement firms are having a hard time finding people that will take on contract-to-hire positions. We need to refine our direct-hire practices, both through contractors with up-front fees and our own recruiting teams. I look for a much more comprehensive plan to be presented to the Board at our April meetings.

- FLSA and the government’s push to redefine how we see exempt and non-exempt positions went into full swing in 2016. I see 2017 as a year where we will tweak our program and gather statistics as to what it means to our investment in our employee teams (overtime, additional positions, changes to positions related to responsibilities, etc.). Amber will work closely with the CFO to develop statistical analysis and trends for us to count on for the next several years.
- The COO and Amber will have to make some final decisions on where we house the Client Service Quality Assurance process. I look for some potential changes in how this program is being used today, including more open access for clients around our call recordings, a more aggressive recording program, and the development of additional quantitative client service benchmarks. I am split on whether or not it makes sense to use a traditional QA model where the team is external to the Client Service department.
- One of the key functions for the VP of ORD related to the CEO transition is to become an active and proactive member of the Board HR Committee. Throughout 2017 I will push both Amber and the Board to interact on a more regular basis and to work towards a relationship where both sides would trust Amber facilitating and being the liaison during the potential search for a new CEO in 2019-2020.

No personnel move in 2016 was more targeted as a project for “Burn It Down: Revolution for Evolution” than the VP of ORD hire. Amber’s experience with a traditional risk-averse and top-down thinking insurance firm with over 400 employees is certainly a culture-clash when you consider the dynamics of how CU*Answers looks at its team and employee models.

Preparing for Other Department Transitions

Prepare for VP changes in Administration and Delivery Services, both September 30, 2017.

2018-2020 Targets

Our goals for 2020 are to show that we navigated a team reset, and that we are stronger for it. I call it a team reset simply because we are going to have a rash of senior leaders leave between 2017 and 2020. Not the majority, but certainly a significant group of the long-term architects of many initiatives here at CU*Answers. Since this will be the first major leadership team reset, our goals are to prove by 2020 that we’ll be ready for the next one.

I see the CEO transition as the last project in this leadership reset. In 2017, I will continue to remind the Board that they are the architects of the process to select a new CEO, should the Board and I not agree to any additional extensions past November 2020.

It’s one thing to plan and execute on succession approaches, it’s another to actually survive or thrive the year after they’re gone. So here are some thoughts as I look at 2018-2020:

Technical Team Transitions

I anticipate that the technical teams have grown to the point where two key leaders with two very specific disciplines might be better than having one CIO. We need more time and analysis to make the final call.

CU*Answers Network Services has been aggressively developing multiple approaches to the market for the past few years (for example, CIO Advantage). CNS represents a fairly large business today all by itself. Does it make sense it sense just to throw more responsibility at the VP of Network Technologies?

Likewise, we are planning to add a second approach to solution development via the Developer's Help Desk (DHD) initiative. Our VP of Software Development may very well find himself with the complexity of leading our DIT efforts and building an aggressive DIY response, with the expectation of creating a \$5 million annual sales unit by 2020. Does it make sense just to throw more responsibility at the VP of Software Development?

We also have goals to drive the Ops Center more aggressively over the same time period. Things such as responding to a 24x7 credit union world, adding new types of clients through CU*BASE SE, and following up on the idea that Operators can create products to sell directly to clients, will certainly need strong leadership and a growing set of business skills. Does it make sense just to throw this responsibility on either the VP of Network Technologies or the VP of Software Development?

Given these concerns, I anticipate that somewhere between 2018 and the end of 2019, either one of these leaders will come forward and request more of an overall administrative/business development role and give up their specialized focus, or we will add a new person to our management team and keep all three technical leaders in place.

Sales Team Transitions

The thing that will become more clear after our 2017 business year is that we have split our overall sales machinery into two major categories: new-wallet sales and market relations led by its EVP, and existing wallet-share and deepening relationships led by a growing sales team developing under the supervision of the COO. I believe in 2018-2019 that Geoff Johnson and Julie Gessner will become more prominent in driving our income publicly.

Most people have no idea that CMS made over 10,000 outbound phone calls in 2016 to drive our existing wallet-share business, or that we made between 1,400 and 2,000 calls to drive new sales. Our outbound effort is growing leaps and bounds each year. Between calls, email marketing, and POV-type activities, it takes a considerable effort to grow revenue. As market opportunity becomes strained, firms generally spend more to acquire customers, not less.

I anticipate that we will launch a new advertising approach in 2017 to compliment our growing sales tactics. To date, we have classically advertised themes that represent who we are culturally, what we're interested in, and our special business approach. Starting in 2017, we will start to do direct product advertising and focus on reaching more clients as

a product sales team, as much as we are a relationship sales team. By 2020, I would anticipate that we would be spending 2-3 times as much on advertising as we have over the past five years. This is one of the reasons we must drive the Creative Council to become a significant leadership cadre by 2020.

Leadership Transitions: External Leaders

Extending Owner Participation

As we look at the 2017-2020 time frame, we also have to consider the evolution of our external network leaders (customer-owner teams and our client teams). To sustain the model, the life cycle of our customer-owners comes into play. As the CIO retires, some of her strongest supporters and partners in the client base are facing the same challenges in their careers. Our EVP of Sales has been a mainstay in our Tier 1 and Tier 2 territories and these relationships have helped us extend the terms of some of our biggest supporters over the past two decades. But his peers will roll out of their jobs in the not-too-distant future as well. Certainly PJ Haehnel and Martha Ford also have a community of customer-owners who have counted on their relationships for many years.

New alliances have to be built, and new leaders need to earn their support within the client base as new leaders emerge at our credit unions. Many have already started, and certainly the CMS team builds more every day as they drive our business development initiatives in lending, member services, accounting, auditing, business recovery, networks, compliance, etc. But we must be constantly diligent in linking new leaders to external stakeholders.

Thinking About CU Network Leaders Participating as Board Members

What is the community of credit union leaders that participate in the leadership of our CUSO network and investments? What does it mean for us to look at them more in the aggregate and understand how their transition impacts our continuity, sustainability, and our ability to evolve and innovate? Is this a healthy community? Is it a community that inspires others to join us or them? Does it prove our point that customer-owners make the difference in the win-win for clients of the cooperative?

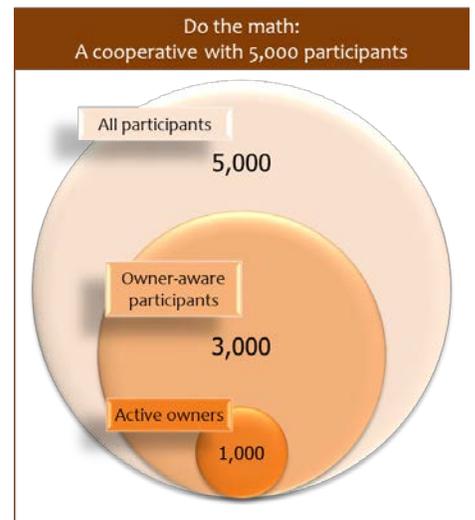
I do not look to make any radical changes here, and certainly I believe in the chaos baked into wide-open democratic elections. But I do want all of us to review how this community of leaders is at the core of a cooperative design. What might we burn down and what evolution might we push for here in the next year? How might it align with 2020 and the reset of the current employee leadership?

In preparation for the 2017 Board Strategic Planning Session, I will work with the CEOs of all of these firms to better understand our board member and executive leadership community, and to look at what innovations we should consider for the 2018 business year.

Remember this illustration? It suggests that a healthy cooperative has goals for how much of the cooperative’s participating community identifies themselves as owners (60%). Further, it states that you need a third of the 60% to reach a goal of having 20% of your overall participants be active owners in the leadership of the cooperative. In 2017, we need to get proactive about measuring our community and our future in maintaining a healthy ownership perspective.

Using the stats from the 2016 Leadership Conference and Stockholders Meeting, we have **261** participating credit unions across the entire CU*BASE network. Within those 261, there are **161** owners, or **62%**. CU*Answers by itself has a ratio of 69%.

Based on the Board of Directors stats listed below, the active owner ratio is **13%** (33 organizations). To reach the 20%, our goal would be **52** organizations.



Board 2017-2020	# of Members (# of CUs)	Composition
CU*Answers Board	7 (7)	1 member sits on the Xtend Board, 3 EC members participate in each meeting. States represented: 3 MI, 1 SD, 1 WI, 1 IN, 1 WV. CU*A has ownership equity in CU*NW, Xtend, eDOC, SF, but not CU*S.
Xtend Board	9 (8)	Inclusive of 1 CU*A board member, the CEO of CU*A. 2 Xtend executives participate in each meeting. States represented: 7 MI, 1 IN, 1 IA. Xtend has no equity position in any other companies or CUSOs at this time.
CU*NorthWest Board	7 (6)	Inclusive of 1 CU*A Executive. 1 CU*NW executive, and 1 Outsourced CFO participates in each board meeting. States Represented: 3 WA, 3 CA, 1 MI (CU*A Executive). CU*NW has equity in SF.
Site-Four Board of Managers	5 (2)	1 Services Center FCU executive, 1 VFCU executive (proxy by Site-Four CEO), 1 CU*A executive, 1 CU*South executive, 1 CU*NW executive. Additional member executives participate in meetings; all Site-Four Board Members serve on other boards. Site-Four is fully represented within the state of South Dakota. Site-Four has no ownership in any other CUSO.
eDOC Board	7 (1)	2 Bret Weekes owner votes (River Valley CEO and Bret W represent in board room), 2 Corporate One owner votes (CEO and CFO of Corporate One represent in the board room), 3 CU*A ownership votes (CEO, CFO, and VP of Imaging Solutions represent in the board room). States represented: 1 VT, 2 OH, 4 MI.
CU*South Board	7 (5)	2 members are CU*South Executives: CEO and VP of Finance of CU*South. States represented: 4 AL, 1 MS, 1 TX, 1 OR. CU*S has ownership equity in SF.
TOTALS	42 (33)	

I believe each cooperative must have their own formula for how they measure the cooperative health of their organization. By no means am I saying this 60/20 ratio is the benchmark for a credit union. But if a credit union does not have a formula and does not manage to some set of cooperative ownership goals, I worry that you could see an organization that had 100,000 credit union consumers with only 5,000 consumers identifying with the idea that they own the place, and only 7-12 active customer-owner leaders. That is a 5/.01 ratio.

Thinking About Committees and Advisory Participation

Expand Participation via Board Committees

With the growing diversity of CU*Answers operations I believe we are late in driving ourselves to focus on expanding the roles for our customer-owner community. I would like to encourage the CU*Answers Board Chair to enhance the committee structures to include one elected or appointed non-board representative from our ownership community on each committee. This committee member would be supported by a budget for T&E, invited to the annual planning retreat, and be marketed as a full member of our active core owner leadership.

I am hoping that this program will get started as early as possible in 2017. Given the current committees in play today (Handbook, HR, Nominating, and Investment), this would add at least four new leaders to our cadre. The makeup of these participants could mirror the board member requirements or be entirely different. I look forward to our Board's leadership in this area.

Expand Participation via Business Unit Advisory Councils

CU*Answers is certainly a grocery store of brands. Some of our brands are small, embedded product brands, while some are major business initiatives that approach wholly-owned subsidiary status. The potential for these major brands to spin out into independent businesses is certainly a popular topic of discussion within our network. When an initiative becomes focused and clearly important enough for its own leadership unit, how do we involve customer-owners participate in that very specific group?

For example, if **AuditLink**'s goal is to become a high-quality and successful compliance CUSO, should we trust the leadership and creative drivers to the generalist Board that oversees all of CU*Answers operations? In other words, how do we get more direct customer-owner input and market it as more than just a focus group?

In 2017, I hope to find the way to create a very special advisory board made up of customer-owners who wish to proactively contribute to the project of building a very successful compliance effort within our CUSO. This group of customer-owner leaders may be the precursor to a formal board, should we ever spin out AuditLink as its own company.

The AuditLink agenda is not the point here; it's just a vehicle and potential template for how to include more customer-owners as formal participants in building our cooperative community.

Thinking About Boot Camps 2017-2020

In 2016 we started a Boot Camp program to involve additional customer-owner representatives in a new way. Our goal was simple: To get to know emerging leaders in the network who had specific interests in the promise of data and building solutions. Both CU*Answers and boot camp attendees got a chance to find the middle ground between the vendor and customer perspectives, and in doing so, enhanced our teamwork, chances for innovation, and organizational alignment.

We'll continue this program in 2017, and offer both "What Makes Data Valuable?" and "Building Solutions in a Cooperative" Boot Camps 2.0 to the client base starting in September 2016. The basic programs will look like this:

- 12 slots will be available for each Boot Camp, with the goal of having 6 participants returning from the 2016 plus 6 new participants. This blend is designed to provide some continuity while bringing new ideas and approaches to the 2017 group.
- The general learning sessions will be very close to the principles we covered in 2016, but the new group will build on the projects started in 2016:
 - Build a Data Analysts bench within our network, and a new CUSO Data Analysis business.
 - Drive the development of data solutions at the core of automated service/transition denials and CU*Answers fraud solutions.
 - Contribute to the effort in bringing the Developers Help Desk to market by the November 2017 CEO Strategies event.
 - Take to market the idea that network participants could vote on development priorities; launch a solution by year-end 2017.

The Boot Camps have been very successful, and I can see our community wanting to do even more of them, with many different areas of focus. As we look to 2018-2020, I'll work hard with the Creative Council and specifically Dawn Moore to figure out how these should blend with a very active calendar of client events and opportunities for customer interaction. Is the calendar too full? Do we have a process to abandon events so that we can innovate with new ones?

1. Monthly Board Meetings and Team Reports	Periodically, 7x/yr
2. CU Board Planning sessions	Periodically, 3-5/yr
3. Executive Study Group series/Dashboard Dives	Periodically, 8-10/yr
4. General Education Catalog events	Every month, all year long
5. Lending Webinar series	Periodically, 8 sessions/yr
6. Boot Camps (8 two-day events)	4 days/quarter
7. Collections Focus Group	Quarterly
8. Data Investment Symposium	February
9. Accounting Top 10	March
10. CFO Roundtable	March
11. Employee Resource Outlook	April
12. Mid-Year Budget Recast	April
13. Mid-year CEO School	May
14. Leadership Conference/Golf Outing (3 days)	June

15. Sales Planning Meeting	July
16. Board Strategic Planning (3 days)	August
17. Business Plan/Budget	August
18. CTE Focus Group	September
19. CEO Strategies Week (3 days)	November
20. Self Processor Summit	Bi-annually
21. Five-Year Pricing Outlook	Next one: 2019
22. cuasterisk Partner Meeting	Annually/bi-annually

In the end, any organization with an aggressive retailing plan will constantly add more and more to its outbound efforts. It has no choice; it gets harder year after year to get your customers' attention. You have to compete for their time, and you have to work very hard to keep them from taking you for granted, or just getting bored with a one-stop vendor relationship.

We excel, and have for years, at growing the number of client interactions we have, market-testing with focus groups, and giving our clients every opportunity to stay in tune with what we are doing. I'm sure that between 2018 and 2020 we'll innovate and find a way to do this even better (POV).

But we are more than a retailer, and our focus on cooperative health, and how being a cooperative gives us a very distinct competitive advantage, requires constant diligence and innovation if we are to maintain that advantage. In an era where our credit unions feel under pressure to abandon cooperative principles and cooperative retailing, we need to constantly renew their support for these ideas. Like we feed the souls of solution builders, we need to feed the souls of cooperative business designers.

You Become What You Study

Study Projects

There are several pending initiatives where we need to spend money on getting to know another firm, creating proofs of concept around developing capabilities, and potentially studying business processes or scenarios where the knowledge will be valuable in the future.

As an example, I'm often asked things like, "Is CU*Answers going to buy another core data processor someday?" Or, "Has CU*Answers analyzed what kinds of potential offers would be considered?" As we break through certain annual revenue marks (\$50 million, \$75 million, \$100 million...), we become more attractive, and we get more questions. I recently commented to the Board that I thought it was time for us to understand how we would respond to a scenario where a serious offer had to be considered. This is just an example of a scenario where I think the Board should spend some time studying processes and considering tactics that might one day need to be engaged.

Look for proposals on the following projects, early in the business year. Be prepared to be part of the customer-owner focus groups that need to validate these ideas and help craft our expression of how we might leverage what we learn.

Understanding How to Spin Off New Organizations: Disrupting the Status Quo

This is the exact opposite of the example I gave above. This is about creating a new firm within our network, adding new stakeholders to foster our future. Like when we started Xtend, a new network firm for sharing employees that welcomed a new board of directors of CU leaders into our CUSO community, spinning a unit off would give another set of network stakeholders an opportunity to lead on a very focused effort.

But Xtend was a brand-new firm. What if we started a firm with the assets that had already been developed via CU*Answers shareholder investment? We have no experience in how to spin off a firm.

We don't know to negotiate with the current CU*Answers shareholders to share their assets to a new set of shareholders who might buy an organization that we would like to spin off. What are the legal ramifications? What are the accounting ramifications? What is the process to recruit new stakeholders and partner them with the interests of old ones?

Our CFO and the AuditLink business development manager will start a project in early 2017 to take us through the development of a generic outline to spin off a firm, then test it using AuditLink as a case study. I am not promoting we actually execute a spin-off of AuditLink in 2017, and have my doubts as to whether we'll ever do it. But we need to consider it as a project.

Understanding Using 3rd-Party Authentication Solutions

Today I would say that as much as 80% of the drive for a better member experience in mobile apps is related to authentication. Specifically we're talking about **Daon** here, as a proof-of-concept project I'd like to engage in 2017. We simply did not have the time to vet the product before completing the 2017 budget and business plan.

Authentication is simply a set of tactics, an approach, and it appears that the firms that are proposing these tactics are going to become very specialized and innovative with extensive menus from which to choose. It also appears that people will pay more for authentication tactics than they might for the entire application.

I do not believe our firm should get aggressive about creating its own authored menu of approaches. We're too influenced by credit union regulators and risk-averse security thinkers. *An a la carte* approach is needed, and CUs need to make this decision as individuals, not as a CUSO. But as a CUSO, we need to build connections and even group-buying approaches to facilitate connecting choices for authentication as options for members. There is even a potential that our core processing system would need to be able to present choices to members, with automated pricing/billing features, in **It's Me 247** mobile solutions.

Early in 2017, I will push for us to decide on a proof-of-concept project and hopefully announce its engagement by the 2016 CEO Strategies event. Both Verve, A Credit Union, and Fox Communities CU have communicated that they have directly talked with Daon, and this may work in our favor.

Understanding Our Options for a Browser-based CU*BASE

"Everyone is doing it, why aren't you?" Worse, "We're doing it, why isn't CU*Answers?" The first statement is our clients, and even sometimes our employees, wondering about when our presentation layer will be a non-distributed, browser-based approach. The second statement is our competition putting doubt into the minds of potential clients as they sell against us.

While I would never move simply to answer this question, there are reasons that we need to be diligently thinking about some major changes for how we approach our presentation layer.

- Distribution to user desktops has more friction than a browser-based solution.

- Marketplace look-and-feel expectations (colors, fonts, scalability/responsive design).
- The potential to reduce the overhead for integrations by being in a more active solution space.

The Strategic Technology Plan does a good job in laying out our 2017 approach for CU*BASE GOLD. I am simply calling out that I believe we will make a more significant investment in learning about this during this annual.



Study the Potential of an Enterprise Fraud Detection System

Early in 2017, we will work with the AuditLink business development leaders to chart a path on how our network might develop a series of tools and services for fraud detection and automated service denials.

It's clear that CUs are aggressively engaging fraud-detection systems, channel by channel. Fraud detection for EFT products. Fraud detection for bill pay products. Fraud detection for over-the-counter solutions. But few of these actually have any vision across channels. Our solution could. We can already identify abnormal activity in multiple channels, we just have not written cross-channel formulas. And we have not activated any automated responses to suspect situations.

I would like us to consider three projects in 2017:

- Develop specifications and outline projects to **upgrade our current Abnormal Activity Monitoring tool** to include new capabilities. As already mentioned, we will work with the Boot Camp group and AuditLink clients as a focus group.
- Develop and consider formalizing a relationship with a **third-party fraud prevention vendor**. Develop an interface where the vendor had sufficient integration with our data to bend their solutions to be across channels, and potentially send signals to us on when to act or interrupt member activities. We have started some conversations with Fortress, as they are the developing vendor for Payveris' Paywatch and are part of the same investment group.
- I would like the investment committee and the Board at large to consider a relationship with **OnDot**, and to think about a series of projects, with or without OnDot, to develop automated member connections to validate transactions. Currently, most CUs only think of the MasterCard/Visa mandate to validate EFT card-based transactions. Could we develop our own engines, or partner to use OnDot engines, for a growing list of communications based on this template? If we consider how we might use what we learn from both OnDot and Daon, I believe we might develop some new capabilities for the future.

Conclusion

As executives, when you think about the future, how do you add it all up in a way that says you're confident and can't wait to move forward? Is it because you're going to make a lot of money, or that the budget tells you you're on solid ground? Certainly our 2017 budget gives you that warm-and-fuzzy.

Is it because you see no serious challenges that might significantly hurt you in the next few years? Certainly we see nothing on our horizon between 2017 and 2020 that appear to be devastating to our forward motion.

Is it because you might be bored with the riddle or the potential of your firm to be dynamic, innovative or important to your marketplace? Certainly the challenges laid out in this business plan are all of those things, and no one would say it's going to be a boring ride for the next few years.

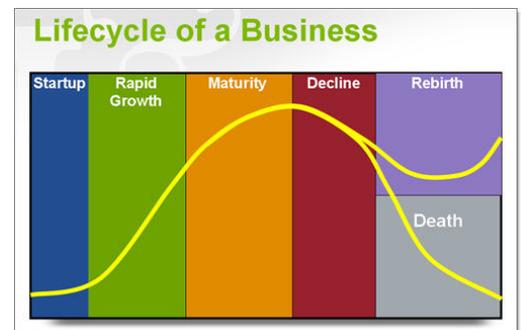
The budget is sound, the business plan feels on track, and all of the riddles in front of us are engaging. So I would tell you that I am confident about the future. But I would also tell you that I have a nagging sense that it's not just about CU*Answers' confidence. It's about the confidence our customer-owners and clients have in their futures. It's about that terrible feeling you get when your peers feel disappointed that things didn't work out the way they'd hoped.

It is because of that nagging feeling that I want everyone involved with CU*Answers to be focused on the preparation it will take to relaunch those hopes for all of our stakeholders. We need to be an example of a firm that is in constant search of new strategies, tactics, and investments that inspire new agendas and the success that comes from leading via disruption.

On to the future...



Randy Karnes, CEO



Appendices

Appendix A: Reviewing Our Approach

Every year the Business Plan includes this high-level overview of the three core ideas that define our strategic foundation and how we think about our ongoing tactics. These concepts are always up for debate; if you have any questions or ideas about how we might use them differently in 2015 or beyond that aren't included in this plan, please let me know.

(1) Differentiating Our Network Approach (Old Game/New Game)



Sectors 1 through 5 (Old Game): These represent our business when thinking about what we do for credit unions with a standalone mentality. They own and manage the concepts identified in sectors 1-4. Sectors 1-4 create a need for tools, and in this game CU*Answers' primary role is providing the tools to the credit union-directed team. In this situation, the relationship between Sector 4 and Sector 5 is what generates the largest percentage of our client service, education,

and development response activity. We still do this today. (Consider the CFO's budget graphs related to how revenue and expenses are tied to our business initiatives.)

Sectors 6 through 10 (New Game): These represent how we think about the CMS/shared employee business solutions we provide. In this case, Sectors 1-3 are a new type of customer for consulting and buying employees. For example, Sector 10 creates services to sell to Sector 1. Can you identify potential services and products we could develop to serve Sectors 1-4, with solutions from Sectors 7-10?

(2) Attacking Our Marketplace With a Layered Design

We develop solutions based on three different layers: Layer 1 represents our traditional products and services focused at the standalone credit union buyer (old game). Layer 2 represents our extended consulting and service products leveraging our investments from Layer 1 (new game). Layer 3 adds a wholesale set of partners and services that create a national network approach and provides CU*Answers with alternative revenues beyond our direct credit unions under contract.

Layer 1: CU*A Tool Provider/Classic Core Processing

1. Packaged revenue expectations
2. Diverse and general approaches
3. Responding to operational models and configurations
4. Leveraging an active audience upstream to conceptual models, and their evolution

Layer 2: CU*Answers Management Services

5. *A la carte* service revenue expectations
6. Specialty services and expert approaches
7. Driving conceptual models and change into credit union configurations
8. Leveraging expertise downstream for core processing depth and expertise

Layer 3: cuasterisk.com Network Configurations

9. Wholesale and alliance-based revenue expectations
10. Franchise-like business expansion (cuasterisk operations)
11. Alliance-based alternative business expansion (non-CU*BASE leverage)
12. Shared infrastructure projects
13. Leveraging expertise across shared commonalities

Every Board member and leader should be able to identify the activities of CU*Answers and its network partners under its corresponding level in our layered approach. These are 13 key concepts that help us respond to opportunity and match it to the right resource.

(3) Goals for Expanding our Client Base

Every business has to anticipate that their clients will grow and the things they need will change. Often people will say we need bigger, more complex clients and forget that to keep your clients, you

need to understand that they will naturally become more than they are today. Luckily, keeping your clients and attracting larger clients both require the same thing: do more, do it better, do it faster, and do it cheaper. Goals 3 and 4 are related more to expanding *where* we do it and new types of clients other than credit unions.

Goal To Expand Our Client Base	How
<p>1. Work with more diverse and complex CUs who have dedicated and specialized teams.</p>	<p>Expand our resume to include professional services that specialize and go deeper on topics such as mortgage lending, business lending, checking account design, auditing, etc. Use these new capabilities to drive development of more complex products.</p>
<p>2. Increase our solutions’ viability for larger CUs and match up better with a wider set of CU decision-makers.</p>	<p>Field a team of managers and specialized services that appeal to credit union leaders beyond the CEO; match up with larger CU organization charts. Develop shared businesses to drive innovation and to create reference models (e.g., Audit Link, Lender*RE, even Lender*VP Collections).</p>
<p>3. Broaden our geographic marketplace and build additional regional intensity to expand where we are doing business.</p>	<p>Create franchise-like licensors of our products and services (e.g., CU*NorthWest and CU*South). Invest and partner with alternative non-core providers (like eDOC) whose products and services naturally align with ours. Sell through both channels. Reference our ability to collaborate with vendors as proof of the model for credit unions collaborating with credit unions.</p>
<p>4. Leverage our capabilities, talents, and software copyrights to expand into other businesses, both inside and outside the credit union industry.</p>	<p>Aggressively inventory our talents for general business management (accounting, HR services, technical writing, technology management, etc.) and where the barriers are low, extend these talents to other marketplaces (such as CUSOs, law firms, manufacturers, and even firms like Callahan and NACUSO). Inventory our technical products such as CU*BASE and see where we can offer features within CU*BASE <i>a la carte</i> to other vendors (CU*BASE SE). Consider where ancillary products like <i>It’s Me 247</i> might be developed for other core processors.</p>

Appendix B: Related Reading

Related Strategic Plans

■ 2017 Strategic Technology Plan	Jody Karnes, CIO
■ Strategic Sales Planning 2017	Scott Page, EVP Sales & Marketing
■ CU*Answers Management Services Sales Plans	Geoff Johnson, COO

Other Related Reading

- 2016 Business Plan (for staff members, see the Leadership page on the Portal; Board members go to <http://board.cuanswers.com>)
- 2016 Leadership Conference Presentation Handouts (available at <http://www.cuanswers.com/events/lc/2016-redefine-everything-credit-union/>)