

Reach. Connect. Succeed.

# Report to Shareholders

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UNIVERSAL SHARING NETWORK

Reach. Connect. Succeed.

New York's shared branching organization, Universal Sharing Network, Inc. (UsNet), achieved significant success in the areas of continuing growth and development during 2004. Prior Annual Reports have demonstrated a commitment to excellence and a vision for the future, built upon a solid foundation. In conjunction, these principles have served as consistent "guiding lights" for the organization. Focusing on these principles from the perspective of the Board of Directors, shareholders, credit unions and management, an environment was created that in 2004 culminated in a new corporate image and simultaneously led to the opening of an unprecedented number of new CU Service Centers—23, bringing the total number of CU Service Centers in the UsNet family at year-end to 52. Coinciding with these milestones was the fact that effective July 1, 2004, UsNet reduced fees for the first time in the company's history, making it more cost effective for credit unions to participate in the network.

These accomplishments represent significant achievements for an organization that has continuously sought to improve its standing in the credit union environment over the last five years. Simply stated, recent accomplishments are indicative of UsNet's commitment to *Reach. Connect. Succeed.* with every participating and prospective credit union in our effort to expand the shared branching network to more credit unions and their members.

### New Name and Identity

Creating a name, image and recognizable brand that accurately represents the organization's core values was a critical first step in setting the organization apart. Based on recent network growth and current marketplace conditions, it was evident that the organization would benefit from a clearer identity as well as an enhanced image. After a thorough review, it was also clear that the values we wanted to convey in a new name should focus on service, partnership and personal commitment. Universal Sharing Network, Inc. (UsNet) was thus created, with the full name highlighting the size, strength and stability of the organization with the acronym focusing on the "people" aspect of the network and the cooperative environment in which we operate.

The name change greatly enhances the organization's ability to establish a clear, memorable identity and to develop an effective market position with brand recognition. Beyond that, the core values represented by UsNet are supported by the key benefits associated with participation in the shared branching network: convenience, increased service range and member retention through personal service. In short, the UsNet acronym describes the relationship that we continually strive to develop with credit unions. It conveys unity and builds upon the core values and benefits that inherently form the foundation of the network. The new identity will help set UsNet apart and help us to grow the business.

### Network Expansion

Much of UsNet's success continues to be measured by the expansion of CU Service Centers across New York State. There are currently 41 New York credit unions actively participating in the network and as of March 31, 2005, they account for 53 CU Service Centers. In addition, during the 1st Quarter of 2005, eight more CU Service Centers have been approved to open later in 2005.

In 2004, UsNet took advantage of this success by implementing a price reduction for the first time in the company's eleven-year history. Member verifications at all UsNet CU Service Centers were reduced from \$2.50 to \$2.00. Network expansion has meant increased convenience for all credit union members, providing greater access to their accounts from Long Island and Tarrytown to the Southern Tier and Rochester and across to Buffalo and Niagara Falls. Consequently, transaction volumes have increased, placing UsNet in a position to reward long-term network participants while also offering encouragement to prospective credit unions to join the network. From a revenue standpoint, UsNet absorbed the price reduction while maintaining its level of profitability.

The unprecedented growth experienced in 2004 was punctuated during the 4th Quarter when 13 CU Service Centers came on board in the greater-Rochester area alone. The addition of these CU Service Centers solidified the network's presence upstate and also created additional opportunities to expand the network in neighboring regions.

This growth did not happen overnight, but was driven by the vision created by the Board of Directors in 1996 when it adopted the "outlet" philosophy and encouraged network growth via the expansion of credit union-owned and operated CU Service Centers. This critical decision set the stage for the rapid growth of CU Service Centers across the state while simultaneously creating expanded opportunities in undeveloped districts. UsNet remains committed to the vision of increasing member convenience via CU Service Centers as consistent growth and expansion have provided even more credit unions with an opportunity to extend their service range.

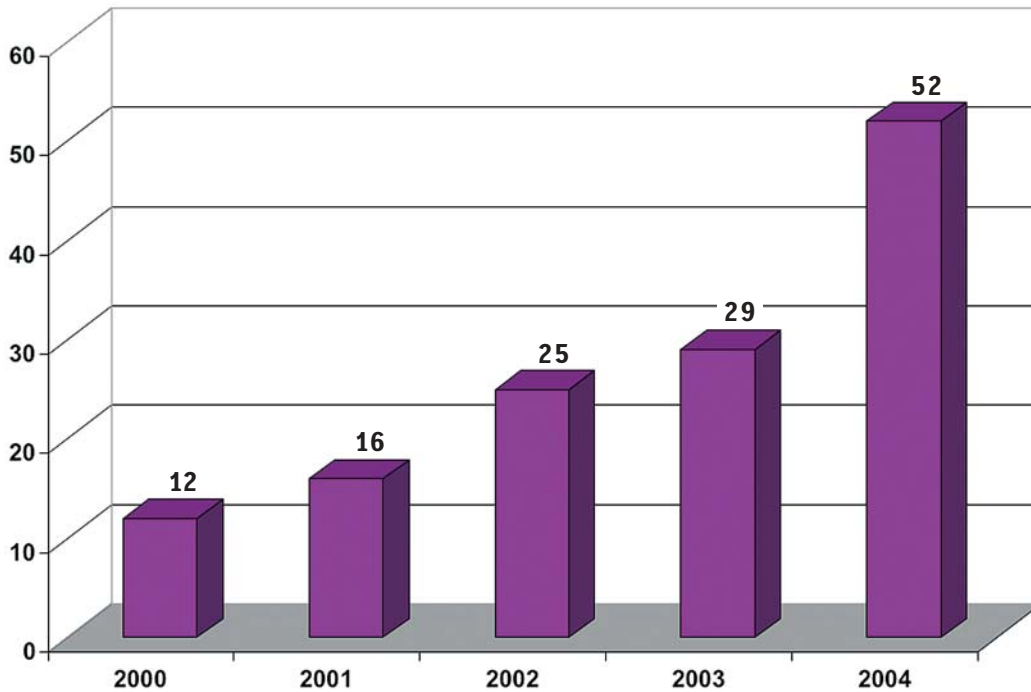
### Reach. Connect. Succeed.

The value that UsNet brings to credit unions as a shared branching network is captured in the recently adopted tag line: *Reach. Connect. Succeed.* Embracing those words not just as independent components, but recognizing them as an overall business philosophy is what sets UsNet apart. The belief in that philosophy enables participating credit unions to extend their *reach*. It gives them a greater opportunity to *connect* with their members—whether at the 53 UsNet CU Service Centers located in New York or 1,700 CU Service Centers nationwide. And finally, it allows credit unions to *succeed* in meeting their own mission to better serve members. With that philosophy and code in place, UsNet is well positioned to face new challenges and reach even higher in its quest to exceed expectations on behalf of credit unions and their members.



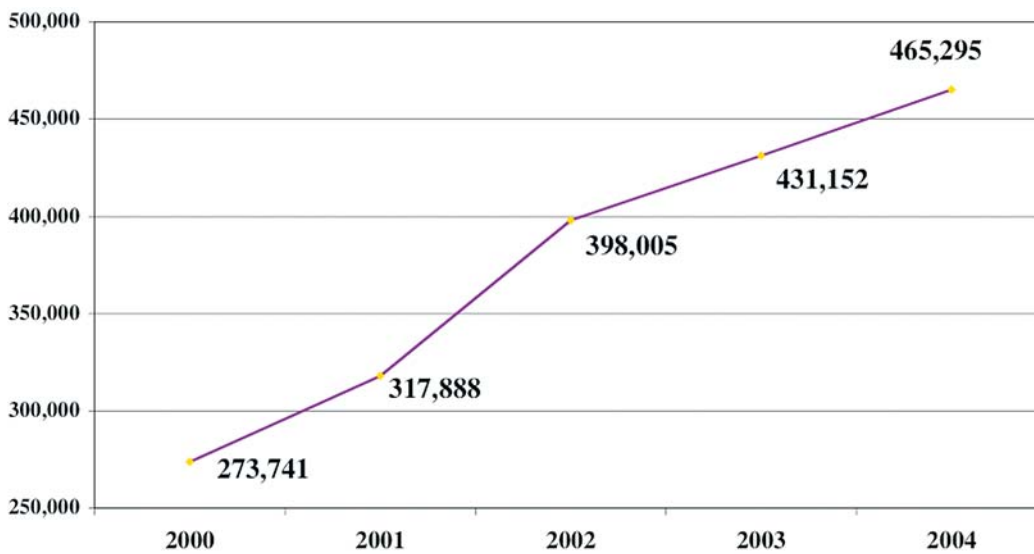
## Network Statistics

### CU Service Center Growth



In 2004, UsNet had its biggest year to date by opening 23 CU Service Centers—bringing the total number by year-end to 52. Already in 2005, the 53rd CU Service Center has been added to the network and eight more CU Service Centers have been approved to open later in the year.

### Member Verification Volume Trend



Usage of UsNet's shared branching network by New York credit unions continues to experience strong growth. In 2004, the number of member verifications grew 8% over 2003.

UsNet's financial statements are subject to an independent audit on an annual basis by the certified public accounting firm of Cusack & Company, Certified Public Accountants LLC. In conjunction with their audit for the year ended December 31, 2004, the firm rendered an unqualified opinion stating that the financial statements presented fairly, in all material respects, the financial position and results of operations in conformity with generally accepted accounting principles. In their management letter, the firm also stated that there were no matters involving internal controls and its operations that they considered to be a material weakness. In order to receive a full copy of the audit report, please contact UsNet's Chief Operating Officer.

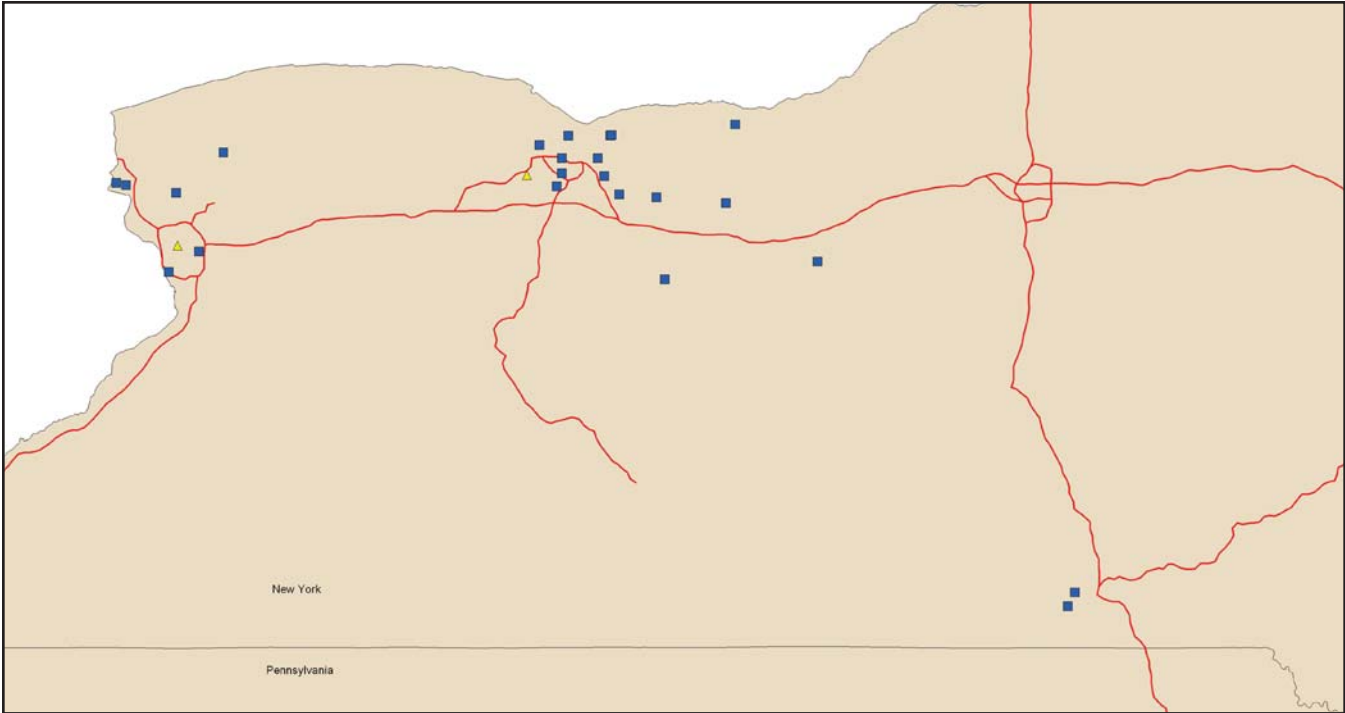
## Balance Sheets

	December 31,	
	2004	2003
<b>ASSETS</b>		
Current Assets		
Cash and Cash Equivalents	\$ 179,172	\$ 286,986
Share Certificates	750,000	950,000
Other Current Assets	48,102	46,331
Total Current Assets	977,274	1,283,317
Share Certificates - Long-Term	1,000,000	500,000
Membership Capital Account - Empire Corporate FCU	33,222	33,222
Total Assets	\$ 2,010,496	\$ 1,816,539
<b>LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>		
<i>Liabilities</i>		
Accounts Payable & Accrued Expenses	\$ 24,720	\$ 15,935
<i>Stockholders' Equity</i>		
Common Stock, Class A, no par value, 250 shares authorized, 135 shares issued and 103 shares outstanding	3,375,000	3,375,000
Treasury Stock (Common Class A), at cost, 32 shares	-	-
Common Stock, Class B, no par value, 20 shares authorized, 15 shares issued and outstanding	375,000	375,000
Total Common Stock	3,750,000	3,750,000
Accumulated Deficit	(1,764,224)	(1,949,396)
Total Stockholders' Equity	1,985,776	1,800,604
Total Liabilities & Stockholders' Equity	\$ 2,010,496	\$ 1,816,539

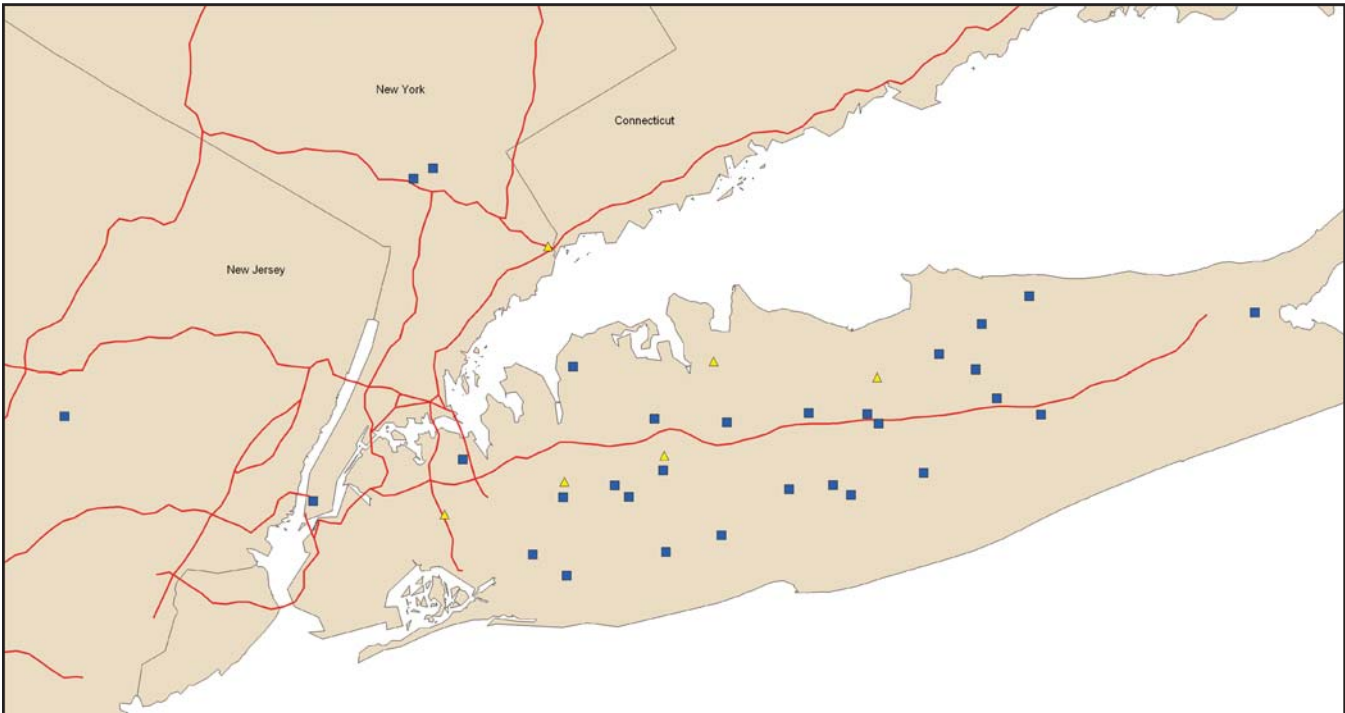
## Income Statements

	Years Ended December 31,	
	2004	2003
Service Fee Income	\$ 427,761	\$ 426,553
Interest Income	33,509	26,479
Total Revenue	461,270	453,032
Expenses	272,580	273,889
Income from Operations	188,690	179,143
Provision for Income Tax	(3,518)	(2,712)
Net Income	\$ 185,172	\$ 176,431

### Upstate CU Service Centers



### Downstate CU Service Centers



CU Service Centers	
▲	Approved CU Service Centers
■	Current CU Service Centers

## **Board of Directors**

Robert G. Allen, *Chairman*  
James Doig, *Vice Chairman*  
Mark Pfisterer, *Treasurer*  
Nancy Kasprzak-Whitmore, *Secretary*  
Frank Berrish  
Kirk Kordeleski  
William Mellin  
Ronald Oleston  
Vicki O'Neill  
Edward Paternostro  
Jeffrey Rodman  
Bruno Sementilli  
Mark Welshoff

## **Management**

William Mellin, *President*  
Edward Kovalefsky, *Senior Vice President*  
Marc Inger, *Chief Operating Officer*  
William Bywater, *Financial Network Services Manager*

## **Mission Statement**

Universal Sharing Network, Inc. (UsNet) is a competitive provider of financial network services with local connections to regional and national locations. We strive to increase network participation to meet the ongoing needs of credit unions and their members by offering the value of person-to-person branch convenience. UsNet embodies the cooperative spirit that unites the credit union movement and forms the foundation of the network.