

Forward Together

2011 Business and Strategic Plan

Members United  Bridge
CORPORATE FEDERAL CREDIT UNION

and

 alloya SM
Corporate Federal Credit Union
(In organization)

Revised: May 11, 2011



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I. Executive Summary

Members United CFCU, like all corporate credit unions (“CCUs”) was founded by visionary natural person credit union leaders almost thirty-five years ago to provide its members access to critical wholesale capital markets and payments systems, creating availability and buying power that no individual member could hope to attain. Since its humble beginnings, Members United CFCU grew through eight mergers to become the largest CCU, serving almost 20% of the nation’s credit unions, with almost \$15 billion (bb) in assets at its peak.

As the global economic credit crisis began to emerge in 2008, Members United CFCU began to feel the effects as OTTI on real estate mortgage backed securities (RMBS) caused their book values to plummet, ultimately bringing such Wall Street titans as Bear Stearns, Lehman Brothers, Wachovia and Merrill Lynch to their knees. Members United CFCU responded by re-structuring operations several times. Staffing levels were reduced through a series of reductions in force from a peak of 350 employees to about 175 today. Senior management attrition has been almost 80%. Operations have been consolidated from six sites to two and numerous other cost containment measures undertaken to reduce annual operating expenses from about \$55 million (mm) to slightly over \$30mm in eighteen months.

Despite these efforts, the losses resulting from the RMBS were too overwhelming and no amount of operating efficiency improvements could offset the likely future losses. This set of circumstances forced losses onto member credit unions via their contributed capital, something that has been painful for members and for the staff of Members United CFCU who had spent most of their professional careers trying to help credit unions save money, grow and prosper.

Ultimately, to safeguard member credit unions and the entire credit union system, NCUA undertook a strategy of stabilization, resolution and reform. In addition to the stabilizing step of the share guarantee and the reform step of a new corporate regulation, NCUA conserved several CCUs including Members United CFCU in September 2010, as part of the resolution strategy. While difficult for members, staff and NCUA, this was the first step toward a new and better future for credit unions.

Out of conservation, Members United Bridge CFCU (“Members United Bridge”) was born; an organization that today retains all the parts of the former Members United CFCU that members’ value, without the toxic balance sheet assets. Members United Bridge has continued to provide



uninterrupted access to all the products and services offered. In fact, Members United Bridge has successfully consolidated the former operations of Constitution Corporate and continues to provide services to those members, helping keep the aggregate volumes processed at high levels to ensure pricing and operational efficiency. Today, Members United Bridge still serves about 20% of the nation's credit unions in its core states of New York, New Jersey, Connecticut, Massachusetts, Rhode Island, Indiana, Illinois, Minnesota and South Dakota. The organization has also had a great start in its first six months, booking almost \$12mm in net income to help offset future assessment costs, though net income is projected to decline in the future as the balance sheet assets are converted to cash.

The creation of the bridge organization has been a great opportunity for member credit unions to decide how they would like to move forward as there now exists a fully capable corporate, with no toxic assets. However, Members United Bridge is a temporary organization and needs to transition to a permanent state, driven by member input and capital.

Four different options were identified, one of which has three different choices as shown below:

1. Charter a new stand-alone corporate – This option is based on the ***Forward Together*** business plan (originally provided to credit unions in late 2010) and assumes a smaller balance sheet based primarily on settlement accounts only, use of Balance Sheet Solutions, LLC (“BSS”) to provide investments and other balance sheet services and the continued provision of all payment services tied together with Premier View. This model has the advantages of offering the services required by members, having a much lower re-capitalization amount (15 bps versus 100 bps formerly) and being able to be implemented within the required regulatory timeframes. While the financials for this option work, its biggest disadvantage is that it is highly dependent on the existing membership support for volumes (particularly larger-asset size members which represent the lion's share of volumes) and on BSS gaining sufficient share of the dollars that deleverage off the balance sheet to support durable fee income.
2. Merge with another corporate – This option has three choices: Merger of Equals (another Tier I CCU), Merger of Disposition (another Tier I or II CCU absorbs most of our operations) and Tier II Merger (Tier II or III merges operations into us). The merger option has the advantage of being the most economically viable and stable as the



combination of volumes offsets the potential for lost volumes from departing members, some of which has and will likely occur. Further, these options provide the best long-term viability as they create the most capable corporate to meet credit unions needs. Like the stand-alone strategy it too offers all the needed products, with a lower capital requirement for owners. The biggest disadvantage to this strategy is the complexity of the merger transaction and the required time to implement, which is likely to extend beyond October 2011. Further, recent regulatory policy indicates bridge corporates may not merge due to concerns over concentration risk and possible restrictions on competition. Therefore, a Merger of Disposition or a Merger of Equals would need to occur post-bridge and would be subject to regulatory review and approval at that time.

3. Participate in creation of a National Payments CUSO – This strategy contemplates formation of a CUSO to house payment operations, likely using external capital. The most significant advantages are that credit union contributed capital is zero and consolidation of payment volumes would better protect future pricing on these products. The major disadvantages are that this would not be a financial institution, so credit unions would need to find a different settlement point and obtain a line of credit separately. Further, the strategic asset created over the last thirty-five years of the many staff, systems and processes to provide a convenient, efficient, single point of settlement would be lost. Finally, the purchaser may not be credit union owned exposing users to the risks associated with not having a say in governance. Recent regulatory policy indicates that this option may also represent significant systemic risk and is unlikely to receive regulatory approval in the near term, though it may remain a viable future option.

4. Liquidate – In this option, the products and services of Members United Bridge are sold to the highest bidder. Members United Bridge has been in contact with several different entities and this would be the option chosen, if a new capital raise fails. Members would be provided a reasonable transition period for payment and other products in this option, likely to be at least six months. The primary advantages to this strategy are its ease of implementation and the fact that it requires no credit union capital. The primary disadvantages are the same as the National Payments CUSO.

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Management has spent many months considering options and discussing these options with members via Town Hall Meetings, individual credit union visits and a Member Advisory Council. About 85% of the 862 members responding have expressed support of the options to capitalize a newly chartered stand-alone corporate (***Forward Together***) or merging as their first or second choice, with larger members, who represent the lion's share of the volume, preferring the merger option. Based on this input, and management's review of the options, we recommend implementing the ***Forward Together*** option, while aligning the organization for a merger and/or a national payments CUSO post bridge exit, for the following reasons:

- *Can be completed within the required timeframes*
- *Received the greatest indication of member support*
- *Continues to provide the value-added products and services members demand*
- *Has a low capital buy-in*
- *Minimizes member changes*
- *Aligns for future consolidation (after exit from bridge status):*
 - *A future Tier II merger which:*
 - *Aggregates volume for long-term sustainability*
 - *Best serves large NPCUs, whose volume is needed to make the model work, and ensures scale economies to support competitive price stability for all members regardless of size*
 - *A future Tier I merger which:*
 - *Further aggregates volumes for better price protection and long-term viability*
 - *Provides the greatest level of operating expense reductions for the credit union system*
 - *Performs much of the work from which to build a National Payments CUSO*
 - *A future National Payments CUSO which:*
 - *Aggregates payments volumes over the long-term to offset the natural decline in payments volumes*
 - *Creates a strategic asset for the entire credit union system for continued, sustainable, efficient, member-owned and controlled access to payments systems*



II. Plan Rationale, Summary and Benefits

A. Members United History

Corporates were created by credit union visionaries thirty-five years ago to provide access to markets and products and to scale up the buying power for price efficiency. By aggregating product volumes, individual credit unions had access to pricing, products and expertise that none could individually hope to achieve. This cooperation has allowed credit unions to compete and win against other large, complex financial institutions that have resource bases multiple times their own.

Members United CFCU's history is replete with the tenets of cooperation that have helped make the credit union system as strong as it is today. Members United Bridge reflects the power that can be created when participants cooperate for the benefit of all. Members United Bridge is the product of eight separate mergers as shown below. Each of these mergers has created additional scale at the wholesale level, which has translated to credit union and ultimately to individual member value, all through cooperation.

1. *Empire (NY) with RI Corporate (RI, 1996)*
2. *Empire with Garden State (NJ, 1997)*
3. *Mid-States (IL) with INDICORP (IN, 2000)*
4. *Empire with CorpStar (SD, 2002)*
5. *Mid-States with Minnesota (MN, 2003)*
6. *Mid-States with Empire (2006)*
7. *Members United with Central Credit Union Fund (MA, 2007)*
8. *Members United Bridge with Constitution Corporate (CT, 2010)*

Since its more humble roots, Members United Bridge today serves almost 20% of the nation's credit unions, more than any other CCU. Members United Bridge's primary markets include nine core states: Connecticut, New York, New Jersey, Rhode Island, Massachusetts, Illinois, Indiana, Minnesota and South Dakota. While Members United serves members of all asset sizes, it is unique in that it serves more credit unions with assets less than \$20mm than any other entity.

B. Current State

The last three years have wrought havoc on economies and markets worldwide. While credit unions have withstood these challenges largely unscathed as a group, corporate credit unions ("CCUs") have not. These well documented problems led NCUA to invoke a process of stabilization, resolution and reform. That process resulted in the conservatorship of five of the largest corporates, including Members United CFCU. The process also created a temporary credit union corporate charter to hold the valuable people, processes and systems in place.

From that process, Members United Bridge was born. The purpose of Members United Bridge is three fold. First, it continues to provide the needed and valuable payment products and services members use each day as well as a single point of settlement, which includes a free line of credit and secure, convenient electronic access. Second, it has been separated from the legacy assets, providing a clean balance sheet going forward. Third, it is the stepping stone that members may use to constitute a new entity to provide these valuable services into the future. While the events of the last two years have been challenging and unsettling, the table is now set to truly focus on the future for credit unions and their members.



Today, Members United Bridge still serves more credit unions than any other CCU, with total membership approaching 2,100 with the addition of the Connecticut members to the Members United Bridge family. Further, all the capabilities of the former Members United CFCU that members enjoyed have been carefully maintained. Staff, systems, processes and products remain largely unchanged to be able to provide members uninterrupted access to those products and services they need to serve their members. Staff that members rely on continues to be ready, willing and able to support your efforts in serving your members.

The process of creating a bridge institution ensured that members have a choice about their wholesale provider going forward. With all its former product, distribution and systems capabilities, fully insured shares and a balance sheet cleared of any toxic assets, Members United Bridge is ready to move forward with you as a bridge to your future. Over the last several months, we have spent considerable time asking members what they need and want from their corporate. This information was gathered via seventeen Town Hall meetings, hundreds of visits to individual credit unions and the Members Advisory Committee (MAC).

C. Future State

As we have looked to the future, we focused first and foremost on member needs. Through the process of gaining member input noted above, we found several key themes that members focused on in terms of what they want from a corporate:

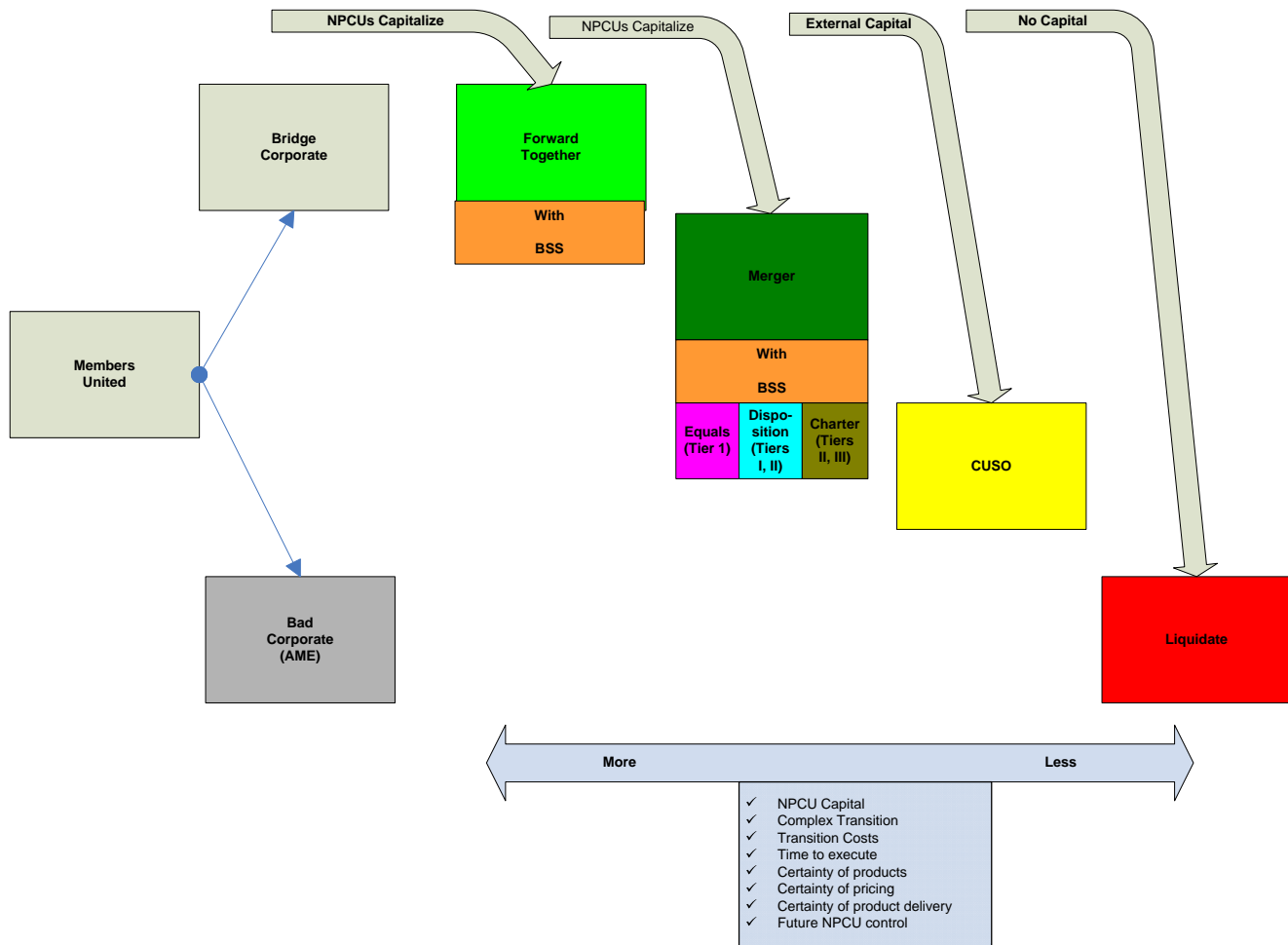
- *Access to payment systems* – Members value the item processing, wire, ACH, international and other payment services offered. These products are efficient, delivered and supported well and help credit unions meet their members' needs.
- *Convenient, single-point settlement* – Members value a single settlement point. This allows for easier, less expensive management and maintenance of daily, weekly and monthly cash management activities.
- *Secure, convenient access* – Premier View provides members easy, convenient, secure access to fit their busy work schedules. This key delivery channel cost over \$5mm to develop and is now fully paid for, making it cost-effective in addition to being user-friendly.
- *Lines of credit* – Having an advised line of credit, tied efficiently to a single settlement point, gives members peace of mind that their settlements will always be honored and that they have a reliable backstop in the event of unexpected liquidity flows.
- *Great prices* – Pressures on credit union operations continues to be intense and corporates have traditionally offered great pricing on their products as befits cooperative members.
- *Great service* – Corporates are credit unions and a hallmark of all credit unions is great service.
- *Member owned* – The history of the credit union landscape is littered with horror stories of providers who have exited products and services with little or no advance notice. Member ownership ensures control over product offerings, pricing and delivery, providing security and peace of mind.

The critical question then, is how to provide these products and services moving forward from a bridge institution? We have been evaluating different business models over the last two years and with the inception of Members United Bridge, these options narrowed to four, one of which has three different choices as shown in Figure 1 below:



Figure 1 - Strategic Options

Members United and Bridge Strategic Options



As we evaluated the pros and cons of each of the four options, it is important to note certain assumptions are common to all scenarios as follows:

- *Interest rates are expected to rise, however they will do so slowly over the near term*
- *Low interest rates, and members' desire for safety, will continue to increase credit unions' investable funds*
- *Credit unions are willing to consider the use of off-balance sheet options*

Forward Together – This option is based on capitalizing and chartering a new corporate as a stand alone entity (“Alloya”). This business plan builds on the strengths of the Members United Bridge, carrying forward the value-added products and services and the staff that deliver them through a merger into Alloya. However, there are substantial changes to the business model as the balance sheet of Alloya is reduced to carry primarily settlement funds, requiring capitalization at levels that are, on average, 25% of what they were formerly. Key tenets of the capital plan will include:

- *Set capital goals to achieve 5% “well capitalized” level by October 20, 2011. This provides a cushion over the minimum 4% threshold to be deemed “adequately capitalized” and absorb seasonal liquidity fluctuations.*
- *Minimize the amount of new capital by reducing the balance sheet size.*

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- *Require perpetual contributed capital (PCC) to access payment, technology, settlement and advised line of credit services.*
- *During the initial capital subscription period ending August 31, 2011, PCC requirements will be based on recent settlement activity for existing members. This calculation will yield a lower capital requirement for a majority of members and provide an incentive to participate in the initial capital subscription period.*
- *New members can capitalize at the minimum floor level for PCC with the understanding that additional PCC may be required in the future.*
- *During the initial capital offering period ending August 31, 2011, existing members may also elect to capitalize at the minimum floor level if they plan to adjust their settlement behavior.*
- *A PCC maximum cap is also set so that credit unions understand their maximum risk exposure. No credit unions are expected to be impacted by the cap initially.*
- *A deposit limit will be set at 20 times PCC. This plan allows a credit union to exceed their deposit cap as long as the average balance of DANA for Alloya does not pressure the capital ratios. Alloya would have the added option to sweep excess funds, if necessary, to achieve the desired balance sheet size.*
- *An advised line of credit will be set at 30 times PCC for credit unions that participate in the initial capital subscription raise ending August 31, 2011. The advised line of credit will be set at 20 times PCC for any member that capitalizes after the initial subscription period.*
- *Allow credit unions to purchase additional capital to increase their deposit cap and advised line of credit. Alloya will also offer non-perpetual contributed capital (NCA) if credit unions desire to increase their advised line of credit as long as a member has first purchased the required minimum PCC.*
- *Alloya will review debit settlement activity on a quarterly basis to evaluate if a member remains in good standing. If 5% of 3-day debit average settlement during this quarterly period is 1.25 times greater than the amount of PCC such credit union holds (subject to the cap), the credit union will be required to purchase additional PCC or adjust their settlement behavior. If the undercapitalization condition exists for more than two quarterly cycles, the credit union may be subject to a non-member fee schedule and other actions as determined by the Board of Directors of Alloya up to and including expulsion unless the PCC is adjusted back to good standing.*
- *Alloya is considering setting a standard price schedule that would apply to all capitalized members in good standing. A separate price schedule (set at a higher level) will apply to members that have not met the capital requirements.*
- *Establish a capital transfer bulletin board in Premier View that will allow credit unions the opportunity to offer their capital for sale.*
- *The schedule for minimum and maximum capital deposits will be as follows:*



Table 1 - Capital Minimums and Maximums

Segment Data Min / Max			
Credit Union Size	Number of Credit Unions	Minimum PCC (Floor)	Maximum PCC (Cap)
<\$10 million	293	10,000	50,000
\$10 - \$50 million	489	40,000	200,000
\$50 - \$250 million	250	80,000	650,000
\$250 - \$1000 million	91	150,000	2,000,000
> \$1billion	30	250,000	5,000,000
Totals	1,153		

The other traditional balance sheet products including overnight investing, certificates and term lending will be offered primarily through our wholly owned broker-dealer, BSS (see below). Providing these products off-balance sheet through BSS, using the current, efficient, secure delivery methods allows for the convenience that members demand, while minimizing contributed capital. The ***Forward Together*** Business Plan was provided to members in late 2010 and is available on Members United Bridge's web-site.

- Pros
 - *No operational changes for credit unions*
 - *Low capital requirements*
 - *Settlement, line of credit and payment products continued to be offered*
 - *Member owned and controlled*
 - *Clean balance sheet – low risk of loss day 1.*
 - *Key technology, processes and staff survives to serve credit unions.*
 - *Regulatory rules for compliance is achievable – 4% capital by 10/31/11*
 - *Alloya may attract mergers in the future or at least provides a good option for credit unions*
- Cons
 - *Credit unions will need to charter new corporate (Alloya)*
 - *Business model margins are slim and provide little cushion to absorb adverse and unexpected events*
 - *Significant reliance on additional fee income generated by BSS*
 - *To meet RUDE ratios in the future, there may be a need to raise fees, cut expenses further or reduce settlement rates if volumes decline precipitously, though the proposed model does survive reasonable stress scenarios (please see financial section)*

Merger – Another strategic option for Members United Bridge is to merge with another CCU. Redundant requirements (i.e., two audits, two bonds, etc.), would be eliminated to reduce costs. Volumes would be aggregated to increase buying power, leading to a more sustainable long-term business model with greater purchasing power. There are three different merger scenarios, each with different advantages and disadvantages. In all cases, the balance sheet mechanics are assumed to emulate ***Forward Together*** with a smaller balance sheet, BSS provided off-balance sheet products for term investing and a smaller capital requirement.

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- Merger of Equals – In this model, Members United Bridge would merge with another Tier 1 CCU and the best of breed products, services and processes would be carried forward. Based on recent regulatory policy, this could not occur until after the corporates emerged from bridge status with new stand-alone charters. The new Boards would need to negotiate such a transaction, which would be subject to regulatory review and approval at that time.
 - Pros:
 - *Minimal operational changes for credit unions*
 - *Low capital requirements*
 - *Settlement, line of credit and payment products continued to be offered*
 - *Member owned and controlled*
 - *Credit unions could realize up to \$21mm of annual operating expense savings*
 - *ROA and operating coverage ratio, once integration is complete, improves over the **Forward Together** scenario*
 - Cons:
 - *Timeframe to implement will be long*
 - *Tier I partner credit unions would experience operational conversions*
 - *Different capital plans would need to be aligned*
 - *Profitability would need to be sufficient to absorb transition costs without forcing capital impairment*
 - *Systemic concentration regulatory concerns*
 - *Anti-competitive regulatory concerns*

- Merger of Disposition – In this model, Members United Bridge merges into a Tier I or Tier II CCU and Members United Bridge's operations, processes and systems would be transferred to the merger partner. Members United Bridge would retain sales and support functions for its respective core geographies, while almost all other staff, systems and processes would be reduced or eliminated in favor of the merger partner's capabilities. While it is possible Members United could find a Tier II CCU with sufficient capacity to absorb our volumes, it is unlikely that any can do so. Therefore, this transaction, like the Merger of Equals, would need to occur post-bridge due the current regulatory policy. In this case, the newly formed Board might conclude that the members of the newly chartered CCU into which the assets of Members United Bridge are transferred would be better served by collapsing the operations into another Tier I CCU that has recently emerged from bridge status.
 - Pros:
 - *Low capital requirements*
 - *Settlement, line of credit and payment products continued to be offered*
 - *Member owned and controlled*
 - *Provides the most economically viable business plan. Fee income covers all operating expense. Better rates could be paid on settlement. Net interest income could be used to build retained earnings*
 - *Merger integration can happen more quickly*
 - *Some Tier I corporates already have alternative solutions for USC products*
 - Cons:
 - *Members United Bridge credit unions undergo operational conversions as they are moved to partner technologies*
 - *Members United Bridge and its products, technologies and processes are essentially terminated as credit unions are converted to the partner*
 - *Members United Bridge staff, other than certain member facing, call center and BSS staff are terminated*



- *The credit union system loses a large-scale alternative*
- *Governance is controlled by partner credit unions. Members United Bridge credit unions would have representation but not a majority*
- *Systemic concentration regulatory concerns*
- *Anti-competitive regulatory concerns*

- **Tier II Merger** – In this model, Members United Bridge would merge with a Tier II (or possibly a Tier III) CCU and the member-facing functions of the Tier II organization would survive, while most of the systems and processes of Members United Bridge would survive and absorb the volumes of the Tier II CCU.
 - Pros
 - *No operational change for Members United Bridge credit unions*
 - *Low capital requirements*
 - *Settlement, line of credit and payment products continued to be offered*
 - *Member owned and controlled*
 - *Financial model is stronger compared to **Forward Together**.*
 - *Consolidation in 2011 could leverage existing staff retention programs, reducing costs.*
 - *Tier II credit unions would gain new products/services/better technologies*
 - Cons:
 - *Timeframe to implement may exceed regulatory guidelines*
 - *Tier II partner credit unions would experience operational conversions*
 - *Tier II corporate may have some level of legacy assets, but may also have retained earnings that could serve as a buffer*

CUSO – In this option, most or all of Members United Bridge’s operations, products and services are moved to a CUSO and capitalized externally (i.e., not from member users). This organization would not be able to offer settlement services as it would not be a financial institution. Also, regulatory concerns have been expressed about concentration risk, so this option is likely to only be available post-bridge.

- Pros:
 - *No capital requirement*
 - *Aggregation may allow the CUSO to achieve volume discounts*
 - *May be able to sell payments business to a national credit union provider*
- Cons:
 - *Business model is undefined.*
 - *Difficulty gaining consensus among corporates and credit unions*
 - *Time to implement*
 - *Potential loss of ownership and governance*
 - *Key settlement and line of credit products not provided*
 - *May require operational changes*

Liquidate – In this option, the products and services of Members United Bridge are sold or spun-off to others in the market at the highest price and Members United Bridge is liquidated.

- Pros
 - *No capital required*
 - *Minimizes short-term cost to insurance fund*



- *Time to implement*
- **Cons**
 - *Loss of ownership and governance*
 - *Key settlement and line of credit products not provided*
 - *Will require operational changes*
 - *Credit unions may need to find other providers for some services*

D. Member Input

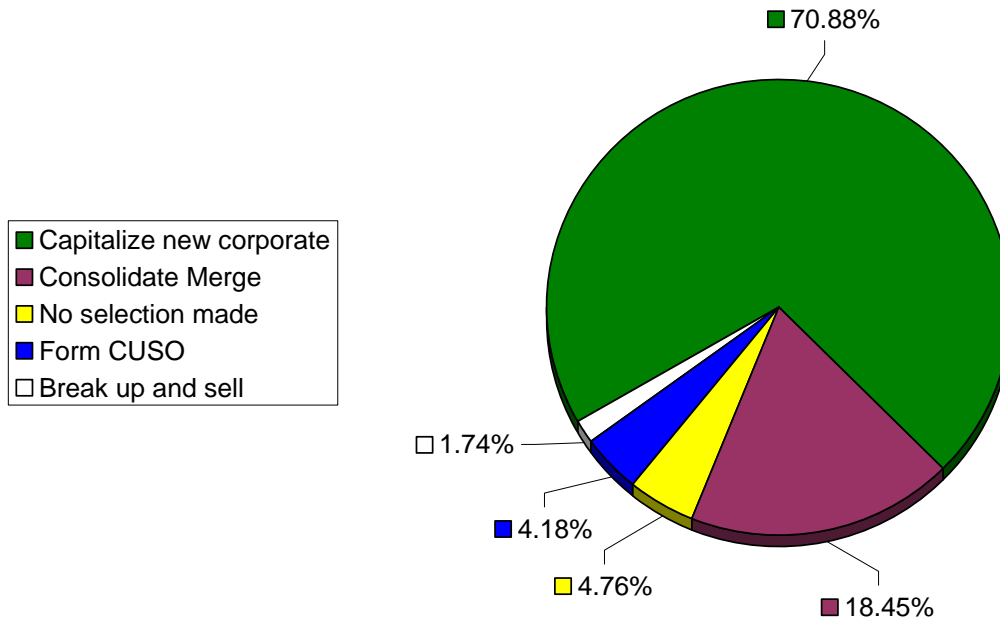
In evaluating the alternatives, the most critical decision factor has always been, what is the best for members? To that end, we held seventeen Town Hall Meetings, met with hundreds of credit unions individually and have formed a Members Advisory Council (“MAC”) to provide additional detailed input and guidance. As part of the Town Hall meetings and individual member visit processes, we performed a straw poll of the four options. Members responded as follows:

Table 2 - Town Hall Meeting Results

	<u>Capitalize New CCU</u>	<u>%</u>	<u>Consolidate or Merge</u>	<u>%</u>	<u>Form CUSO</u>	<u>%</u>	<u>Break-Up and Sell</u>	<u>%</u>	<u>Total</u>	<u>%</u>
Bloomington, MN	22	67%	10	30%	1	3%	0	0%	33	8%
Duluth, MN	13	68%	4	21%	0	0%	2	11%	19	4%
Rapid City, SD	10	77%	3	23%	0	0%	0	0%	13	3%
Sioux Falls, SD	23	82%	3	11%	2	7%	0	0%	28	6%
Oak Brook, IL	22	59%	13	35%	2	5%	0	0%	37	8%
Framingham, MA	4	27%	8	53%	1	7%	2	13%	15	3%
Warwick, RI	9	75%	3	25%	0	0%	0	0%	12	3%
Albany, NY	44	79%	9	16%	2	4%	1	2%	56	13%
East Windsor, NJ	21	84%	4	16%	0	0%	0	0%	25	6%
Brooklyn, NY	10	56%	7	39%	1	6%	0	0%	18	4%
Parsippany, NJ	15	83%	0	0%	3	17%	0	0%	18	4%
Utica, NY	14	93%	1	7%	0	0%	0	0%	15	3%
Rochester, NY	38	86%	5	11%	1	2%	0	0%	44	10%
Indianapolis, IN	20	77%	5	19%	1	4%	0	0%	26	6%
Decatur, IL	25	83%	3	10%	1	3%	1	3%	30	7%
South Bend, IN	10	59%	5	29%	2	12%	0	0%	17	4%
Rocky Hill, CT	23	70%	6	18%	3	9%	1	3%	33	8%
Totals	323	74%	89	20%	20	5%	7	2%	439	



Figure 2 Straw Poll Graph – All Respondents



As we drill into the data, two interesting results can be observed. Credit unions which voted to capitalize a new corporate as their first choice, voted for merger as their second option about 83% of the time. Similarly, those who voted first for merger, voted second for re-capitalization 65% of the time. Please see Tables 1 and 2 below:

Table 3 - Second Choice after Merger

Second Choices after first choice of charter				
	Consolidate / merge	CUSO	Sell	No Choice
	508	61	4	38

Table 4 - Second Choice after Charter

Second Choices after first choice of merge				
	Charter	CUSO	Sell	No Choice
	104	34	13	8

Second, credit union responses were not the same by asset class. The largest credit unions, who represent the lion's share of Members United Bridge's processing volumes, voted 35% for merger, while only 17% of the smallest credit unions voted in favor of merger as shown in Table 3 below:



Table 5 - Straw Poll by Asset Size

	Capitalize New CCU	Consolidate Merge	No selection made	Form CUSO	Break up and sell	
Micro (<\$10 MM)	178	47	35	7	5	272
Small (\$10 MM - \$50 MM)	244	37	3	10	3	297
Medium (\$50 MM - \$250 MM)	116	44	2	10	3	175
Large (\$250MM - \$1 Billion)	38	17	1	2	2	60
Jumbo (> \$1 Billion)	13	8	0	0	2	23
CUSO/Affiliate	1	0	0	0	0	1
N/A	21	6	0	7	0	34
	611	159	41	36	15	862

The results of Members Advisory Council (“MAC”) validated these findings, as Council members supported the ***Forward Together*** option as their preference, though this was not a unanimous decision and several were in favor of a merger either concurrent with or immediately following creation of a new CCU. In total, 611 members voted to capitalize a new CCU and another 104 voted for this as their second choice after merger. These 715 members represent 83% of the 862 members surveyed and is the basis for the 85% adoption rate used in financial pro formas.

E. Pro Forma Financials

Forward Together will require credit unions to charter a new corporate (“Alloya”) by March 31, 2011. A subset of the MAC, the Charter Advisory Group (CAG) prepared and presented Charter and Merger Applications for NCUA’s consideration. This transaction assumes capital will be raised and placed in escrow for Alloya, that Alloya will be chartered and that NCUA will approve the merger of Members United Bridge into Alloya. The first step is to raise capital and NCUA’s Office of Corporate Credit Unions has indicated that it poses no objections to raising capital for Alloya, using the tenets of the ***Forward Together*** business plan. Alloya will then need to raise capital by August 31, 2011.

Capital for Alloya will be placed into an escrow account with U.S. Central Bridge Corporate Federal Credit Union until the offering is completed and business plan conditions are met. The Private Placement Memorandum (PPM) discussing the capital raise lists three business conditions that must be met: 1) at least \$70mm in capital must be raised, 2) the NCUA Board must grant a charter for Alloya and 3) the NCUA Board must approve the merger of Alloya and Members United Bridge. Key considerations for all parties will be whether sufficient capital has been raised and whether a sufficient number of members plan to support the payment products of Alloya. Both items are required to meet the financial goals established in the PPM.

Assuming capital is released from escrow, Alloya could commence operations. The capital would provide the necessary funds for Alloya to merge the operations of Members United Bridge into it as of September 30, 2011. Any assets, staff or processes that are not transferred by Alloya will be wound down along with the charter for Members United Bridge over a brief period of time.

If the Board of Alloya decides there is insufficient member support (payment volumes, investment volume, capital and/or fee income), the capital raise will be deemed to have failed and the capital will be returned from escrow to the members no later than November 30, 2011. Members United Bridge will then pursue a strategy of selling the individual product lines over the following 12 months to allow members sufficient time to find alternate providers.



It should be noted that financial projections presented herein contain uncertainty and will need to be updated and revised once credit union support is determined at conclusion of the capital offering. The Pro Formas presented below should be considered draft.

The current CCU regulation was published in October 2010. Many capital requirements are effective 12 months after publish date, or October 2011. Therefore, the financial results presented below start with the Bridge financials from October 2010 through September 2011. The financial projections then assume that Alloya is successfully capitalized and assumes Bridge's credit union contracts, CUSO investments, and related operational infrastructure as of October 1, 2011 via a merger. The Bridge period represents a significant transition period as the company positions itself to be merged with Alloya. The financial projections highlight the required adjustments that need to be made by Bridge as it positions itself for acquisition.

Base Case Pro Forma

A "Base Case" was prepared as well as three alternate stress scenarios (please see Appendix E for details) to highlight the sensitivity to key modeling assumptions. It should be noted that financial projections presented herein will need to be updated and revised once credit union support is determined at the conclusion of the capital offering.

The base case capital target is \$100mm and would support a balance sheet of \$2.0bb. A capital ratio of 5.2 percent would be considered well capitalized under current regulations.

Credit unions currently have close to \$6.0bb in overnight settlement and investment accounts at Members United Bridge. These ratios assumed that Alloya is successful in sweeping \$4.0bb of these "cash" accounts off-balance-sheet through an Excess Balance Account with the Federal Reserve or other alternative. Alloya would still control the \$4.0bb and could transfer funds back on-balance sheet if system liquidity needs arose.

Members United Bridge's baseline operating expense run rate after the Connecticut and Indianapolis site closures and elimination of non-recurring expense items such as severance/retention is estimated at \$2.5mm per month or \$30mm on an annual basis. The financial model projections forecast expenses at \$26.5mm. It is possible that fee income will be higher than planned and could offset this gap. Otherwise, Bridge will need to cut expenses by another 12% from this run rate to better position Alloya's on-going business plan.

The regulation also requires Alloya to generate monthly profits and to build retained earnings to 45 bps by October 2013. The base case plan for Alloya projects compliance.

2011 Business and Strategic Plan



Table 6 - Base Case Pro Forma

Pro Forma Financials					
Closing Date	10/31/2012	10/31/2013	10/31/2014	10/31/2015	10/31/2016
	Year 1	Year 2	Year 3	Year 4	Year 5
# of Years from Final Rule	2	3	4	5	6
1 month Libor	0.25%	0.25%	1.25%	1.25%	1.25%
Balance Sheet					
Total Assets - DANA	2,047,341	2,051,809	2,057,053	2,063,369	2,069,752
New Assets	1,705,046	1,832,317	1,874,250	1,897,438	1,919,841
Existing Assets	342,296	219,492	182,803	165,931	149,911
Overnight Balance	1,105,172	1,385,783	1,392,078	1,392,132	1,392,132
Existing Cert Balance	286,959	6,349	54	0	0
Settlement Balance	552,843	552,843	552,843	552,843	552,843
Total Liabs	1,944,974	1,944,974	1,944,974	1,944,974	1,944,974
Contributed Capital	102,367	102,367	102,367	102,367	102,367
Retained Earnings	4,468	9,712	16,027	22,411	28,799
Income Statement					
Interest Income - New Assets	7,263	7,806	26,727	27,057	27,377
Interest Income - Existing Assets	6,841	5,863	5,408	5,114	4,748
Total Interest Income	14,104	13,669	32,135	32,171	32,125
Interest Expense - New Liabs	3,877	4,466	21,912	21,912	21,912
Interest Expense - Existing Liabs	1,373	37	1	0	0
Total Interest Expense	5,250	4,503	21,912	21,912	21,912
NII	8,854	9,166	10,223	10,259	10,213
Fee Income - Current Operations	14,500	15,225	15,986	16,786	17,625
growth rate		5.00%	5.00%	5.00%	5.00%
Fee Income - BSS	8,000	8,600	9,245	9,938	10,684
growth rate		7.50%	7.50%	7.50%	7.50%
Fee Income - New Off B/S Product	-386	78	78	78	78
growth rate		0.00%	0.00%	0.00%	0.00%
Total Fee Income	22,114	23,903	25,309	26,802	28,386
Operating Expense	-26,500	-27,825	-29,216	-30,677	-32,211
growth rate		5.00%	5.00%	5.00%	5.00%
Net Operating Income	-4,386	-3,922	-3,907	-3,875	-3,825
Net Income	4,468	5,244	6,316	6,383	6,388
Financial Ratios					
Net Interest Margin	0.43%	0.45%	0.50%	0.50%	0.49%
Net Op Exp Coverage Ratio	83.45%	85.90%	86.63%	87.37%	88.13%
Return on Assets	0.22%	0.26%	0.31%	0.31%	0.31%
Return on Equity	4.18%	4.68%	5.33%	5.12%	4.87%
Capital Ratios					
RUDE Ratio	0.22%	0.47%	0.78%	1.09%	1.39%
Requirement		0.45%			1.00%
Leverage Ratio (per Reg)	5.22%	5.46%	5.76%	6.05%	4.78%
Requirement	4.00%	4.00%	4.00%	4.00%	4.00%



F. Balance Sheet Solutions

Almost all of the business model options discussed rely heavily on BSS to provide products that CCUs are unlikely to continue to offer due to restrictions in the new corporate rule and the desire to shrink balance sheet footings and therefore capital requirements. Members United Bridge, and its members, is fortunate to have this extremely valuable business owned and operated on their behalf to continue to meet their needs. Further, BSS is already an approved CUSO under the new corporate regulation.

BSS started in 2003 with \$850,000 in capital contributed by the parent, then Mid-States CFCU. The original vision was to compliment the traditional CCU business model by helping credit unions purchase marketable securities, which were and are the largest part of credit union investment portfolios at almost 70% market share. Since that time, BSS has grown to include two mergers of its own, expanded its product line to include a full service broker dealer, a registered investment advisory and a full set of analytic and training products for its clients. The \$850,000 in capital has grown steadily to \$14mm today and climbing, assets under management have grown from zero to over \$1.2bb, total sales volume (marketable securities, CCU CDs and SimpliCD) tops \$1bb per month and BSS is the highest volume distributor of the SimpliCD product in the corporate network. The tremendous growth of BSS is a testament to its success, relevance and quality as shown in Figures 3 and 4 below.

Figure 3 - BSS Financial Product Sales

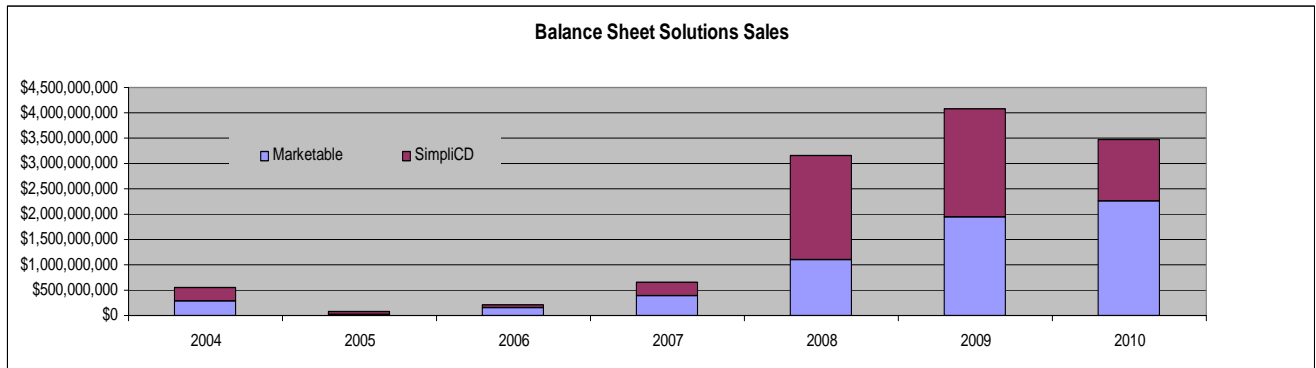
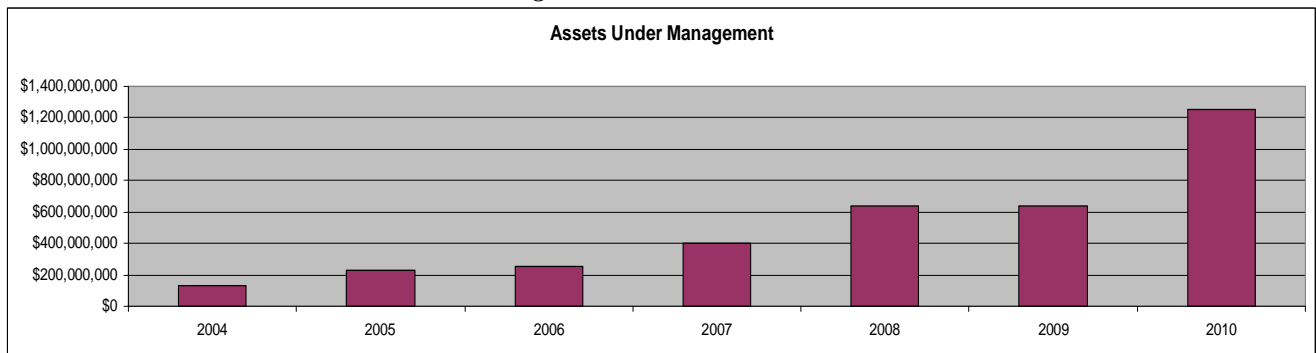


Figure 4 - BSS AUM



BSS has grown its business by having a clear focus on what it does best and making sure it has the best professionals to do it. BSS focuses on risk adjusted returns, not just the investment of the month that has the greatest return for itself, as is the case for many of its competitors. BSS focuses on understanding the desired risk return of the client credit union in the context of its entire balance



sheet and providing products and services that augment that positioning. In short, they get to do the right thing for the members.

To deliver this value proposition, BSS has assembled a talent pool that is second to none. The 32 professionals at BSS all have extensive experience in their area of expertise, culminating in hundreds of years of cumulative experience. Most also have professional designations, including seven Charter Financial Analyst holders. Please see Exhibit C for BSS current strategic plan that contains additional detail on their successes, capabilities and vision.

Members United Bridge has a unique capability in BSS that no other CCU has in its ability to offer a proven, professional alternative to members to help them manage their investment funds off-balance sheet. While others are considering creating this option, Members United Bridge already has a time-tested, proven solution available today.

G. Alternatives/Recommendation

As noted earlier, surveys conducted during the Town Hall Meetings indicated that credit unions support a plan to charter a new corporate. Over 70% of the members supported the establishment of a new corporate as their first preference with about 20% supporting merger as their first preference. Put differently, almost 90% of the members want Members United to continue in some fashion. To better evaluate merger options, management conducted preliminary due diligence activities in late November and early December 2010. This due diligence included visiting two Tier I corporates that were also in Bridge status and evaluating if a merger could improve the financial model over the Base Case.

In all cases, a merger could yield operating efficiencies, cost savings and better long-term viability via aggregated volumes. Further, a merger of disposition with another Tier I corporate produced the best efficiency ratio. While any merger could result in a more durable long-term business model, management and the MAC agreed (not unanimously) that transactions of this magnitude would substantially complicate efforts to meet regulatory capital requirements by October 2011. Further, drawing from Members United's experience in completing eight mergers, management believes that it would be impossible to complete due diligence and full operational integration of a Tier I merger during 2011 while also trying to charter, raise capital and commence profitable operations by October 1, 2011. For very similar reasons, it is also very unlikely that a merger with a Tier II or III CCU can be completed within the regulatory timelines. Finally, recent policy promulgated by NCUA has indicated that merger of bridge institutions is unlikely to receive regulatory approval. The following table highlights the more significant decision criteria that were evaluated:



Figure 5 - Business Model Key Criteria

Criteria	Reconstitute Go it Alone	Charter Merger Tier II	Merger of Equals Tier I	Merger of Disposition Tier I
Efficiency ratio (estimated after full integration)	90%	100%	95%	118%
Cost savings compared to current run rate (\$'s in millions)	\$4.3	\$5.0	\$21.5	\$11.4
Operational conversions for our existing credit union members	None	None	Some	Most
Impact on existing staff	Some	Some	More	Most
Estimated date to emerge from Bridge	October-11	October-11	December-12	December-11
New charter	Yes	No	Yes	No
NCUA waivers required for regulatory non-compliance	No	No	Yes - several	Yes - few
Capitalization appeal assuming large credit unions support a Tier I consolidation and also want to maintain identity/control.	Good	Good	Very Good	Good
Long-term viability based on aggregated volumes.	Good	Good	Very Good	Very Good

We believe that the stand-alone model of a new CCU (***Forward Together***) is sustainable and is the option we will pursue. Additionally, this option can be improved over the long term by scaling the tenets of this business model through merger or partnership. Mergers and partnerships provide additional scale through aggregation and address the risks in the stand-alone ***Forward Together*** business model. Therefore given the timeframes available, we will:

1. *Charter and capitalize as a stand-alone de novo charter (Alloya)*
2. *Align the new organization for future consolidation post-bridge, including:*
 - a. *Evaluating back office consolidation, consistent with regulatory guidance, with other Tier I CCUs up to and including a potential merger of equals **post bridge exit**.*
 - b. *Evaluating additional consolidation with other Tier II or Tier III CCUs. In both cases this is will occur **post bridge exit**.*
 - c. *Evaluating participation in a National Payments CUSO (**post bridge exit**), consistent with regulatory guidance, that leverages scale built through mergers.*

We have several reasons for that direction as follows:

- ***Forward Together***
 - *Timeframes* – While mergers or partnerships create the most value and long-term sustainability, they also take the longest time to complete, which will be beyond the regulatory mandate of October 31, 2011 for completion. The ***Forward Together*** option is the only option that can be completed by the required date.
 - *Member support* – Over 70% of members who completed the straw poll indicated a preference for this option. While results were skewed more towards smaller asset-size credit unions, this was the clear choice as the next highest first place vote getter was less than 20% (merger). This straw poll is significant as the sample size was 862 or more than 30% of the entire population.
 - *Value-added products and services* – Members have consistently indicated that payment services, single point of settlement, line of credit and secure access are the key products and services demanded. The proposed business model can deliver these products, as well as continue to meet other credit union investment needs off-balance sheet through BSS.



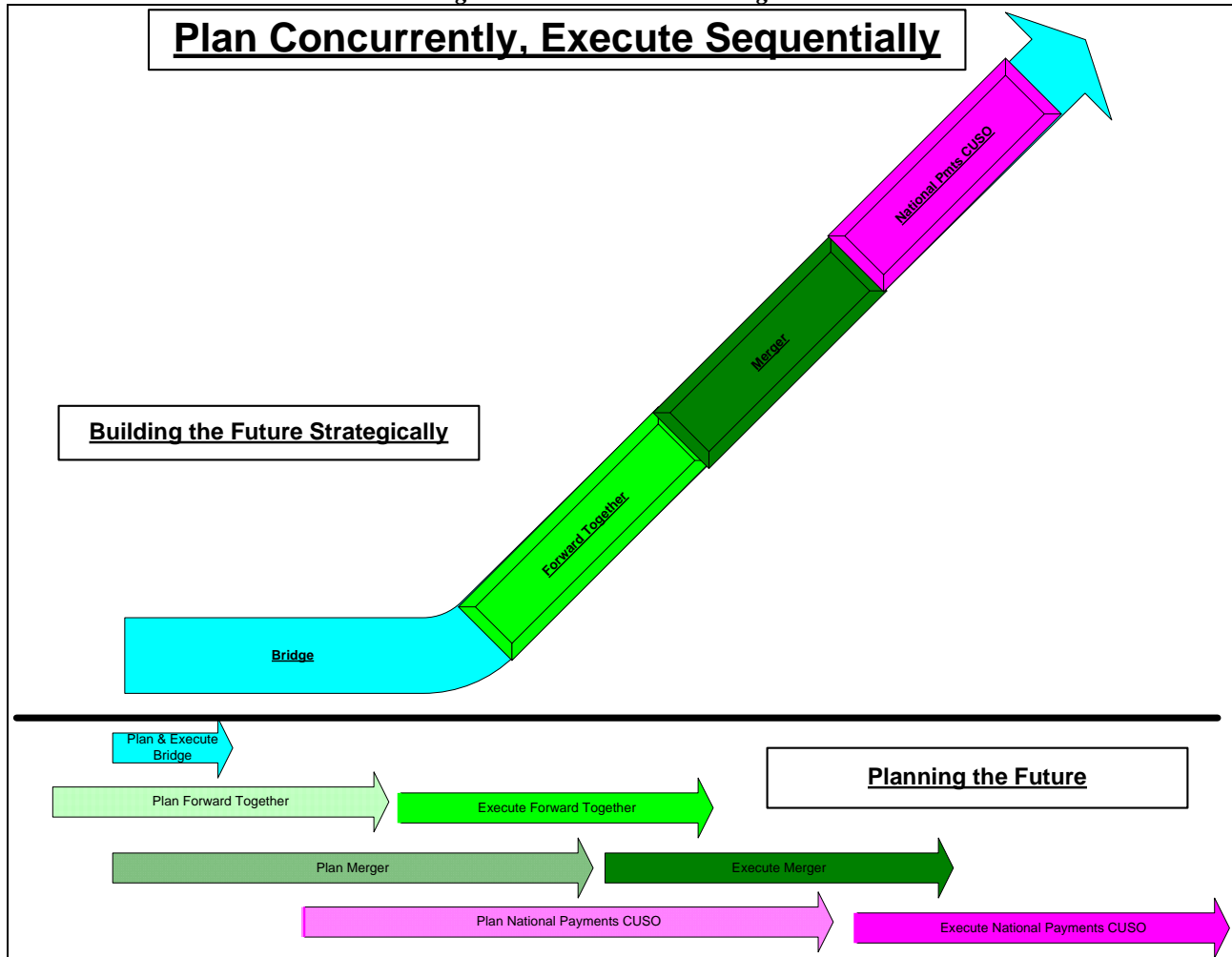
- *Low capital buy-in* – A message that resonated clearly in the Town Hall Meetings and in the individual credit union meetings was the requirement that member capitalization be at a lower level than it was formerly. This model produces an average capitalization of 20% of what it was formerly.
- *Philosophically aligned* – The **Forward Together** plan highlights a CCU that is capitalized by usage, not by the credit union's assets, which may or may not be related to CCU usage. This philosophy of fairness resonated with members.
- *Minimizes credit union impact* – This option requires no operational changes on the part of members, a critical factor for many.
- **With the potential for a merger in the future:**
 - *Volumes* – No CCU expects all its current members to capitalize and product volumes and associated fee income will decline as a result. Combining volumes through merger or partnership provides the ability to protect CCU's current pricing and value structure, both in the short and long term.
 - *Large credit union solution* – To be effective, a cooperative must be relevant to a variety of constituents. Large credit unions, that will create the volume base, have more options and CCUs need an effective scale level to bring value to this segment. Put differently, CCUs need the volume of large credit unions to be able to add value to any size credit union.
 - *Savings to the system* – CCU overcapacity continues to exist, which credit unions are paying for. Merger will eliminate overcapacity and redundant costs, with credit unions and their members benefiting.
 - *Long-Term Viability* – Members will be contributing permanent capital; scaling up volume provides the best protection against this permanent capital as a CCU with more scale can better weather adverse or unforeseen events. Geographic and revenue stream diversification also reduce business model risks going forward.
 - *Lower NII dependence* – The most significant source of traditional CCU income, NII, will be dramatically reduced. By minimizing reliance on this item, the current business model risk is reduced and the incentive to take risk in this area in the future is reduced.
- **National Payments CUSO**
 - *Volumes* – The payment systems businesses are clearly in the mature phase of their product life cycles. Volume trends have been and are projected to continue to decline. Scaling volume through merger is a great way to create a hedge against this risk. A National Payments CUSO is the next logical step in scaling volume over the long-term as this trend continues. The suggested mergers above, especially the Merger of Equals, largely build the infrastructure necessary to support this option.
 - *System Solution* – As volumes decline across the entire cooperative credit union system, it will become increasingly difficult to maintain the minimum levels to ensure effective products and pricing. This option provides a benefit to all credit unions by co-opting this solution for all CCUs.

While a merger produces the best value, it is also the most difficult and costly to execute, especially given the short timeframes available. Therefore our strategy revolves around planning concurrently and executing sequentially as shown below in Figure 6. By focusing on the **Forward Together** stand-alone business plan and ensuring its launch, we guarantee the long-term strategic options related to merger and a National Payments CUSO remain viable for the future, as a newly chartered CCU under **Forward Together** would be a strong base from which to build. This base strengthens with a merger, by reducing costs and aggregating volumes. The creation of a National Payments CUSO that can add value to all credit unions thereafter becomes a natural future extension as much of the CCU system volume will have already been consolidated via merger transaction(s). Extending



the business model to a National Payments CUSO would create a cooperative solution that would benefit all credit unions and provide price protection against the long-term trends of declining payments volume. All such long-term strategic options would be subject to then current regulatory guidance relating to systemic risks.

Figure 6 - Concurrent Planning



H. Member Benefits

The proposed plan has many benefits for members. First and foremost is that credit unions have continued and uninterrupted access to the products and services that they have come to rely upon providing peace of mind and excellent pricing. Chief among these products are settlement, payment processing and lines of credit, all tied together with an efficient, secure electronic delivery system (Premier View). Please see Exhibit A for a full listing of the products and services to be offered. Second, this would continue to be an industry owned and operated solution. Credit unions would not be beholden to some of their most fierce competitors for access to critical products and services. Third, the model leverages volumes across a large number of credit unions to help maintain effective product pricing. CCU pricing, coupled with excellent service and easy, secure access, continues to be the best deal in the market for the wholesale back office services credit unions need.

In addition to the strategic benefits noted above, there are real, economic, tangible benefits. We have estimated the economic benefit that Members United Bridge creates via its product pricing and service quality. This process involved evaluating both price performance vis-à-vis market

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alternatives and the service benefit created via our product support and delivery across several different member asset classes (Please see Exhibit B for an example of one of the Value Matrices). While the value created is different by asset class and is affected by the products and services used, on average we estimate the value created as shown in Table 11 below:

Table 7 - Value Creation

<u>CU Assets</u>	<u>Annual Value</u>	<u>Bps*</u>	<u>PV @ 5%</u>	<u>PV @ 10%</u>
<\$10mm	\$ 99,727	1.99%	\$1,994,540	\$ 997,270
\$10-\$50mm	\$ 106,432	0.35%	\$2,128,640	\$1,064,320
\$50-\$250mm	\$ 108,089	0.07%	\$2,161,780	\$1,080,890
\$250-\$1bb	\$ 130,735	0.02%	\$2,614,700	\$1,307,350
>\$1bb	\$ 155,281	0.01%	\$3,105,620	\$1,552,810

* - Based on avg of tier

For smaller credit unions, the value created often exceeds their annual net income. For larger credit unions the impact is not as significant annually, but on a present value (PV) basis, will in most cases exceed the amount of contributed capital assuming a 5% perpetual discount rate (\$3.1mm). This makes a capital investment in the corporate, for both large and small credit unions, a less expensive alternative than permanently embedding additional operating expenses into their income statement and which are likely to increase in the future.

III. 2011 Detailed Plan

A. Planning Activities

Our planning process begins almost eighteen months in advance of the planning year and involves staff, owners and other stakeholders. We have largely kept this process intact as we began the discussions for 2011 as far back as September 2009, when we discussed in detail seven different planning scenarios. Based on member input from Town Hall Meetings, individual credit union visits and our Members Advisory Council, management recommends pursuing *Forward Together* based on the fact that this model continues to provide uninterrupted access to demanded products and services, has a low capital buy-in, minimizes credit union change management and is achievable within the required regulatory timeframes. The organization will align itself with other CCUs to be in a solid position to contemplate a merger and/or a National Payments CUSO post-bridge to further aggregate scale.

The newly chartered organization has created a new name for itself and for the remaining parts of this plan the newly chartered corporate will be called "Alloya". Further, 2011 will be a transitional year so the term "Members United Bridge" is used extensively, as is "Members United CFCU" which refers to the organization prior to conservation.

In pursuing this business model, we plan to use the same planning architecture we have in the past as depicted below, though some of the constructs have changed as noted. The overall strategic direction includes the Mission, Vision, Guiding Principles and Strategies. The Mission is our reason for existing, the Vision is where we want the organization to evolve. Our Guiding Principles define how we will behave in relation to our owners, our vendors, our regulators and each other in the pursuit of the Mission and Vision. Strategies are courses of action that must be successfully completed to achieve the Mission and move us forward toward the Vision. Strategies are the key elements of the overall business plan that staff will focus on and completion typically spans several years.



Next, Corporate Goals are used to measure progress towards completing these Strategies. If the Corporate Goals have been achieved, we have successfully completed the plan for that year. Over several years, continued completion of the Corporate Goals will complete the Strategies and ultimately help us achieve our Mission. Corporate Goals take two forms, Key Success Measures (KSMs), which are quantitative and Business Plan Initiatives (BPIs), which are qualitative. We also develop department plans, product plans and budgets for the upcoming year. These critical elements are where the Strategies become actionable tactics that staff can focus on during their daily activities throughout the year. Detailed product and department plans have been prepared that involve a wide variety of activities that support the Corporate Goals, Strategies and ultimately the Mission and the Vision.

The strategic plan is developed against the backdrop of the competitive, macroeconomic and associated markets that impact our business. We are also significantly impacted by the changing demographics of the natural person credit union landscape. Further, there are constraints on our business model, defined as the things we cannot do. The regulatory and legal environments in which Alloya operates are two of the key constraints we face. Finally, we have added a new constraint related to risk averse philosophies. Given the magnitude of change observed in risk parameters, we will forcefully reevaluate our risk tolerances. Please see Figure 7 below for a graphic representation of our planning process.

Figure 7 - Strategic Planning Construct



B. Environment

The frenetic pace of change in the financial markets continues its headlong pace unabated. Since the preparation of the last strategic plan, we have seen dramatic changes in the macroeconomic environment, corporates, NPCUs, the competitive landscape, and the regulatory environment.

Macroeconomic environment – While still the predominant issue of discussion, the credit markets have not been as volatile as they were in the recent past, though some of the most pernicious items continue to impact all of us. The labor markets have improved, but at a far slower pace than anticipated. In the short term this has continued to slow the economic recovery, and puts pressure on the housing markets as foreclosures remain at record highs. As a corollary to this, the housing market also remains weak. While we have seen improvement in this area as well, home inventories are still very high. We have the



highest number of “underwater” mortgages ever and price appreciation has been anemic by historical standards. Interest rates continue to be kept very low by the Fed to help stimulate the fledgling recovery and are not expected to increase significantly soon. While the stock market has rebounded from its low last year of 6,500 to over 12,000, the jitteriness of the market is all too evident as shown in the recent reaction to the European debt crisis, the “flash crash”, recent oil shocks and the daily volatility. This has led to several key observations for 2011:

- Labor markets are likely to continue their slow rebound in 2011 with unemployment dropping from the current level of almost 10%. This will create some price pressure for labor, especially at the margins. However, comparatively high unemployment will keep economic activity muted.
- Interest rates may increase slightly, but at a very muted pace if at all, so as not to snuff out the nascent recovery. This means interest rate margins for all financial intermediaries will continue to be compressed.
- The slow recovery, and the on-going fears of a “double-dip” recession, however unlikely, will continue to keep any run-ups in the equity market in check. This in turn will mean credit unions still represent a flight to quality choice, leading to significant system liquidity, especially when coupled with continued low loan demand due to both comparatively high unemployment and low economic activity.
- The housing markets will improve, but will not improve enough to either become a source of significant borrowing for consumers or a recovery of capital for owners of RMBS securities. In short, the market will reach stasis, at historically low levels, as the overcapacity and oversupply continue to be worked down over time.

NPCU Environment – 2011 is likely to be similar to 2010 for NPCUs. The recent economic issues will continue and accelerate the long-standing trend of NPCU consolidation. We ended 2009 with less than 7,700 credit unions and the number of Code 4 and 5 credit unions is at an all time high, implying the consolidation trend will continue as more credit unions are merged or liquidated. There seems to be little relief in sight for net interest income margins, given the low interest rate environment and lower lending volumes. Fee income may also be negatively impacted by the recent passage of the Financial Reform bill. Net income will continue to be further hampered by the on-going NCUSIF assessments, which are projected to be as much as 40 bps for the year, as several more high profile NPCUs have been conserved or liquidated. The brightest spot for NPCUs is that they continue to have almost 10% capital as a group and continue to be viewed as a safe, quality alternative by consumers, implying strong on-going market share growth.

CCU Environment – To say that the CCU market is evolving is a significant understatement. The legacy asset plan and the new CCU regulation are introducing sweeping changes (see below). At this point, there are several changes we anticipate. First, cooperation across the network is likely to continue to be muted as each of the remaining CCUs either works toward consolidation with selected regional partners or try to create a sustainable stand-alone business model. Second, the number of CCUs has and will continue to decline for the foreseeable future due to voluntary liquidation (i.e., North Dakota and the Southwest Georgia merger), involuntary liquidations or mergers (i.e., Mid-Atlantic and Virginia, etc.). The new Regulation has established an environment that focuses on minimization of balance sheet risk (primarily interest rate and credit) and internal capital generation, which will force much higher levels of efficiency. It is highly unlikely that these new regulations will allow the excess capacity that has existed to continue. The CCU industry is a wholesale industry in undifferentiated product lines and will require the utmost operating efficiency to succeed. This will inevitably lead to more scale and



fewer CCUs. This trend will be exacerbated by the on-going credit union consolidation, which will create a shrinking market from which to generate the required scale.

Competitive Environment – Our observations of the marketplace indicate that not only will competition continue to be fierce in our market segments, but that there has been a fundamental shift in the way competition occurs. Historically, much of the competition in the industry has been between various credit union-owned providers. Competition has often been “friendly” and marked by selling the strengths of your product, rather than the weakness of others. Further, the intangible parts of transactions related to service and relationship historically played a large role in selection of business partners. The events of the last two years have irreversibly altered competition. Many new providers see the credit union market as an opportunity to expand for two reasons. First, CCUs are now weaker from both a financial and relationship standpoint, which will be perceived as an opportunity that can be exploited. Second, as other competitors’ business models have been challenged, the credit union marketplace that may once have not seemed large enough to focus upon now becomes viable as they target available markets to absorb their excess capacity. Also, with the impact that the recent economic events have had on NPCUs’ bottom lines, decisions will now be made with much greater attention to the financial impacts, and primarily short-term ones. This will force competition to look much more like what is observed in the for-profit sector. Decisions will be made largely on economics.

Regulatory Environment – The recent regulatory changes, including the release of the legacy asset plan and the new CCU regulations, have had profound effects. The most significant impacts are listed below:

- ***Share Guaranty*** – NCUA instituted a process of stabilization, resolution and reform to address the issues in the CCU industry. As part of the stabilization process, NCUA issued a guarantee on all shares in the CCU system, including those at Members United Bridge. As a result, liquidity remains strong, though the guarantee will end in 2012 as previously planned. Further, bridge CCUs may seek to begin deleveraging to meet capital ratios, which will also keep liquidity high.
- ***Legacy Asset Plan*** – The resolution process involved isolating and selling the legacy assets, which are comprised mainly of mortgage-backed securities. To effect this change, NCUA needed to conserve the five largest corporates, including Members United CFCU. NCUA used a “good bank/bad bank” strategy that created Members United Bridge and subsequently sold the legacy assets in the market, after guaranteeing their performance. This action leaves Members United Bridge with a clean balance sheet, no toxic assets and reduced fixed overhead costs. This is a critical success factor to help build a strong, safe corporate going forward.
- ***New Regulation*** – The new corporate rule has been approved and amended and institutes a number of changes for all corporates in areas ranging from governance (see below) to capital. The changes are substantial and sweeping and will force changes at all CCUs.
- ***Governance*** – One of the key areas changed relates to corporate governance and is vital to Alloya going forward. Under the chartering process, all Board members have filled out an application for regulator review and the organization will operate under a Letter of Understanding and Agreement with NCUA once Alloya’s charter is approved. Further, per the Regulation, all new Board members will need to be CEOs, CFOs or COOs of member credit unions. It is currently proposed that the initial Board be comprised of seven (7) members with representation from most of the geographic areas served. The initial Board was selected from



among the MAC members and will serve until the first annual meeting of Alloya in June 2012 at which time all Board members will stand for election.

- *Regulatory Capital Ratios* – The Regulation has several new capital ratios that need to be met over time (please see capital section). The underlying intent of the Regulation is to have owner contributed capital minimized over time in favor of retained earnings. The Regulation also reduces the value of non-perpetual capital (NCA) over time. Since CCUs are likely to be at their lowest capital levels immediately following exit from bridge status, or currently if they are not in bridge, CCUs will initially need to be capitalized primarily with perpetual owner capital (PCC).

However, this presents two challenges. First, NPCUs will be required to make an initial comparatively larger PCC contribution. Second, if a CCU does not grow or shrinks its balance sheet, the higher level of initial PCC may become “stranded” on the CCU balance sheet. Therefore, we will look to drive down the balance sheet as quickly as we can within the existing liquidity constraints to minimize the required capital contributions on the part of the ownership.

- *Timeline* – Recent guidance provided by NCUA has established several important deadlines related to the corporate reform process. The following are key dates:
 - *March 31, 2011 – Submission of final capital plan to NCUA (complete)*
 - *April 29, 2011 – NCUA review of final plan (complete)*
 - *May 31, 2011 – Capital subscription process begins*
 - *August 31, 2011 – Capital raise benchmark report due to NCUA*
 - *September 30, 2011 – Capital subscriptions equal 4% of assets*
 - *October 31, 2011 & forward – Meet Regulation 704 for capital and earnings*

Markets – For the last year, we have focused on our core markets, largely exiting markets outside the states of New York, New Jersey, Massachusetts, Rhode Island, Illinois, Indiana, Minnesota, Connecticut and South Dakota. We continue to feel these are the correct markets for us to focus on. There is some cross-border competition in the states of Wisconsin, Missouri, Ohio and Pennsylvania and we respond to competition to and from those areas. In the remaining national markets, there are entrenched corporate competitors and history has shown it is difficult and expensive to win business in these markets. However, if we are approached by a credit union outside our core markets and we are able to capably serve them, we will offer to do so. At the same time, we will aggressively defend our core markets from other competitors through effective relationship management and product positioning.

A key component of our business is scale and Alloya’s core markets are more than sufficient to generate scale. The credit unions in Alloya’s core markets equal almost 20% of the entire credit union marketplace. Members United Bridge’s credit unions currently have \$60bb in investable funds. If Alloya can capture 30% market share in its core markets and earn 10 basis points on those funds (the amount assumed in an on- or off-balance sheet transaction), investment-related income would equal a healthy \$18mm. In short, Alloya’s footprint already makes it a regional corporate with a sufficiently large core market to ensure that it has sustainable volume levels to achieve the necessary scale for operating efficiency. To the extent that other CCUs join us in the endeavor in the future via merger or consolidation, only improves the results.

SWOT – As we look forward to 2011, we need to evaluate ourselves against the likely environment as described above. Alloya has some significant strengths that it can and should build on to take advantage



of market opportunities; however there are also threats in the marketplace that may expose our weaknesses vis-à-vis other competitors.

- *Strengths* – Alloya has significant strengths that we will need to leverage going forward. We have the strongest distribution channel in the CCU network. Serving almost 20% of the nation's credit unions provides scale efficiency in our distribution channel and experience managing across multiple geographies. A key strength in effectively serving this diverse geography is two specific capabilities. First, Premier View is the most flexible, secure, robust electronic distribution channel available to NPCUs today. Second, our field staff has tremendous relationships with their credit unions. This combination of high tech and high touch is a great asset. We also have an embedded expertise in business combinations from our prior merger experiences, which will allow us in the future to manage and execute a complex merger and partnership transactions without significantly impacting member credit unions. Another key area of expertise is in the coin and currency product where we have used our scale to create efficient national product delivery and exceptional pricing based on scale and ease of use via Premier View.
- *Weaknesses* – We have some significant challenges we will need to overcome going forward. First, our capital base has been exhausted, leaving us with little margin for error or growth. We need capital and a substantial portion of our current owners must feel comfortable capitalizing a new CCU by August 31, 2011. Second, losses over the last three years have taken a toll on owner perception of the corporate as brand trust has been eroded.
- *Opportunities* – We see several important opportunities on the horizon. First, many owners have expressed a need for a corporate and for the products, services and staff of Members United Bridge in particular as evidenced in the recent Town Hall meetings. Credit unions still need access to payments systems and investments at a wholesale level. Second, both CCUs and credit unions have long recognized that members and the industry would benefit from consolidation. The current situation has created the necessary environment for some of the largest CCUs to combine forces in the future, subject to regulatory guidance concerning systemic risks. This brings to bear not only aggregation of the larger volume processors of payments, but also combines the best of breed products, services and staff from each organization. Similarly, the fixed cost infrastructure related to many of the payment products, as well as our investment products, is largely fixed. Put differently, incremental volume is likely to only require nominal increases in variable expenses and little, if any, increase in fixed overhead. As a result, should our plan succeed beyond our expectations and more members join, we have the opportunity to take advantage of our scaled fixed cost and only add minimal additional resources.
- *Threats* – The most significant threat we face is heightened competition. The weakening of our brand and the difficult financial situation we find ourselves in has created an environment where old and new competitors alike are trying to re-enter or enter our markets. We have seen increased competition from other CCUs, the Federal Reserve Bank, data processors and others. For example, for the first time, the Federal Reserve Bank has offered a fixed volume, cross-product pricing schedule that makes it more attractive to smaller size institutions. Another threat is how well the new regulatory environment will allow us to compete and be relevant as several core products previously offered (i.e., term lending and term deposits) are unlikely to be offered at the same levels going forward. Whether these create insurmountable strategic gaps in our product lines remains to be seen. Finally, the improving labor markets create a heightened concern



of staff flight as other employers may appear to represent a more stable and/or more lucrative alternative. As thin as we plan to run the new business model, we will have little bench strength to absorb regrettable turnover.

C. 2011 Plan

Mission – Alloya’s mission is focused on our member/owners. Alloya needs to establish its brand promise with its owners and will do so by focusing on value-added products and services. Accordingly, its mission will be: **“To deliver products and services that add value to owners”**. For Alloya to be viable, it needs to have products that meet owners’ needs, are cost effective for owners and allow Alloya to make a reasonable return, so it can generate capital at the required rate.

Vision – Much of our planning is necessarily focused on the next 12-18 months as we build our business, plan, ask our owners for capital and implement the necessary processes to implement that new business model. At the same time, we are building a business model that has a long-term future. Our long-term vision is, **“To be a valued partner for our owners in their mission to serve their members”**. Our current focus is to add value through excellent products and services; however we plan to build upon and evolve this over time. While offering great products conveniently at a great price will always be a cornerstone of our business, we want to re-build that strong bond that we formerly had with our owners. The scale and scope of the proposed business model should allow us to demonstrate our value to you each day; and over time, as we move forward together, we can and will find new ways to help you achieve your mission. Your mission is your members’ needs and our vision is to be positioned to always help our owners succeed in that mission.

Guiding Principles – As the environment has changed, we have changed and one of the key changes we have made is to adopt new Guiding Principles. These principles were born of a reflection on the things we have done in the past and the things we can do better in the future. Alloya’s Guiding Principles are the guidepost for all our interactions with our owners, our vendors, our partners, our regulators and ourselves. While every business plan attempts to lay out a course for the future, inevitably circumstances change and businesses must adapt to unforeseen events. The manner in which we respond to those changes defines us and the type of organization we will be. The guiding principles will be the lens through which we view these inevitable changes and will shape both what we do and how we do it. Alloya affirms that it:

- *Exists to add value to our owners in their mission to serve their members*
- *Is committed to transparent, participative governance*
- *Is open and transparent in communications with our owners at all times*
- *Is ethical, reflecting professional behavior*
- *Ensures that the safety and soundness of our owners and their investment in us is always held paramount*
- *Goes above and beyond owners’ expectations in product and service quality*

Risk Management Philosophy – A new construct is the addition of this constraint. Perception of risk has been indelibly altered. Mortgage loan pools that, over a history of 35 years, experienced losses of 50 basis points recently saw loss levels of 50 percent, a 100 fold increase. As we move forward together, we will inculcate a risk strategy that not only pervades all that we do, but still allows us to meet your needs. Alloya is committed:

- *To focus on the return of principal versus the return on principal*
- *To utilize off-balance sheet products to protect the capital our owners entrust to us*



- *To have the proper infrastructure and resources in place to measure and report our risk level on a regular basis to our owners*
- *To share our risk profile and mitigation strategies with our owners*
- *To provide a mechanism for owner input into the risk profile*
- *To make risk assessments available to our owners*

Credit unions as financial cooperatives are founded for the benefit of their owner-users, not general equity holders who are often disconnected from the business. As a consequence, there is no justification for excessive risk-taking. We will always invest with an eye towards conservatism and will always focus on return *of* principal, rather than return *on* principal. We will use the scale levels we achieve through aggregation to generate favorable price performance versus taking additional risk to generate market level returns for our owners. In general, we plan to invest only in short-term instruments (six months or less), which are backed by the faith and credit of the U.S. Government. Further, the nature of our balance sheet will largely confine us to investments in cash, cash equivalent securities and member loans, which are generally fully secured by their balance sheet.

Strategies – Strategies are the primary focus of Alloya over the next two to three years and become the critical areas where the organization will concentrate its energies for the upcoming year. Alloya will pursue the following Strategies:

- *Create owner value* – A cornerstone strategy for 2011 will be to clearly articulate and demonstrate the value our new business model will bring to owners each and every day. As an owned cooperative, we are focused on excellent pricing and exceptional service. Our products have significant value and often much of this value is in the form of exceptional service from extraordinarily talented professionals. During 2011, in addition to ensuring uninterrupted quality products and services, we will focus on creating mechanisms to lock in the value we create today for the future. The completion of the Connecticut consolidation, aligning for future mergers and the National Payments CUSO are all steps along this path.
- *Maintain fiscal responsibility* – Members United Bridge has always focused on being fiscally responsible; however recent events will require us to re-double our efforts in this area. Alloya needs to rebuild its capital position over time and this will need to come primarily from internal sources. An improved capital position is not only required by regulation, but is also good business going forward. In fact, the new Regulation makes operating efficiency a *prima facie* requirement. We will therefore be vigilant in managing expenses at all levels.
- *Manage balance sheet assets* – Our capital ratio is a function of both the capital we have and the assets we support. Alloya will seek to reduce its on-balance sheet assets to maximize its capital ratio. All actions to move assets off-balance sheet will also be implemented with close attention to ensuring adequate on-balance sheet funding. It is critical to note that reducing balance sheet footings does not mean we will ignore owner needs. Alloya has a variety of tools to help owners with their investment needs, some of which exist today and can be supplied via BSS sponsored products. Products offered such as SimpliCD and marketable securities are effective ways to meet owner needs without leveraging our limited capital and BSS is already fully compliant with all required regulations. We are also developing a series of off-balance sheet products, including access to the risk-free Excess Balance Account at the Federal Reserve Bank, integrated to Premier View, which will allow credit unions to take excess overnight funds off-balance sheet. This also allows credit unions to choose the appropriate risk-return characteristics of those investments.



- *Seek owner contributed capital* – As discussed earlier, Alloya will need owner contributed capital to meet the requirements of the new Regulation. The amount of capital we seek will be adjusted to the expected size of the balance sheet, assuming a run down of assets. We seek the minimum amount of capital to meet this requirement as we expect our new business model to generate sufficient earnings over time to meet the new capital standards, which phase out the value of owner contributed capital over the next ten years. Capital will be mandatory, will be patronage-based and will pay a market return (please see capital section for details).
- *Regain/maintain owner confidence* – The events of the last two years have sorely tested our owners' support, but most have expressed a desire to have a corporate and are at least open to the possibility of both capitalizing and patronizing a new corporate. A critical factor in ensuring our success going forward is to continue to build our owners' trust and confidence. We achieve this through each interaction, each transaction and each conversation we have with our owners every day. This articulates in the form of high systems availability, getting things right the first time, every time, anticipating owners' needs, then exceeding them and delivering exemplary service. Each time we do this, we help owners view us as a partner, committed to their success and build their confidence in us. To help re-gain your trust, we will also focus on transparent governance and communication. All this will be done with an eye toward our new Risk Averse Philosophies.
- *Retain quality staff* – One of the differentiating points of value that Alloya brings to the marketplace is the quality of our staff. Our staff of professionals is highly trained as we employ specialists in many areas including operations experts (AAPs), information technology experts (CNA, MCSE, CISSP) and financial experts (CFAs, CPAs) to name a few. We also have a field sales and support staff that continues to reach out to our owners on a regular basis to make sure our products and services meet their needs. The staff processes millions of owner checks, ACH transactions, calls to the call center, wires and other items daily, weekly and monthly without incident. They are each driven to provide the best quality product at the best possible price. Ensuring that these skilled and dedicated people remain at Alloya to provide uninterrupted quality is critical.
- *Aggressively pursue partnerships* – We see a future where many products may be manufactured by others and distributed by Alloya. The benefit of this approach is that it should require much less capital. We will seek to partner on each product that we deliver and all processes we use. Partnership may mean we outsource, co-source or re-sell. We will continually seek to reduce costs, improve feature/function or create additional value for credit unions. Partnership also means evaluating business combinations with other CCUs. We believe that by harnessing the aggregate volumes of more credit unions, we can create more value for all owners, a true "win-win" scenario. These transactions are complex and can involve operational challenges, including managing the owner impacts of change management, but also hold tremendous advantages vis-à-vis the buying power they create through scale aggregation.

2011 Corporate Goals – Corporate Goals are the activities or measures that staff focuses on during the year. Achieving the Corporate Goals advances our progress towards completing the individual Strategies that make up the plan. Corporate Goals are defined one of two ways: as either a Key Success Measure (KSM) or as a Business Plan Initiative (BPI). KSMs are the key measurements that management will track and are associated with the achievement of one or more Strategies. BPIs are large cross-functional activities that support the achievement of one or more Strategies. While there are

2011 Business and Strategic Plan



many other department and product activities planned throughout the year that will help achieve the organization's mission, the BPIs and KSMs listed in Table 8 represent the most significant items planned for 2011. The KSMs in Table 8 reflect expected performance through year-end 2011, while the Pro Forma financials provided later in this plan and in the PPM reflect performance beginning in 2012. The Alloya Board will establish KSMs for 2012 as part of its planning process that is expected to be completed by year-end 2011.

Table 8 - 2011 Corporate Goals

<u>Goal Type</u>	<u>Owner Value</u>	<u>Fiscal Responsibility</u>	<u>Balance Sheet</u>	<u>Owner Capital</u>	<u>Owner Confidence</u>	<u>Quality Staff</u>	<u>Partnerships</u>
KSM		Net Income <\$2.8mm> Ops Exp \$38.0mm Fee Income \$22.2mm Coverage % 58%	Average Assets \$4.0bb	PCC Capital \$100mm	Survey Score 4.50 (out of 5.0)	Survey Score 4.50 (out of 5.0)	
BPIs							
	Implement req'd changes for USC products		Implement off balance sheet investment products	Raise new capital	Implement new Reg requirements	Implement staff environment programs	Submit charter and merger applications
	Align for future mergers		Implement additional lending products		Complete Member Advisory Meetings		
	Complete CT transaction						

The following provides a more detailed analysis of each Corporate Goal and its rationale.

Key Success Measures (KSMs) – KSMs are quantitative Corporate Goals and represent the cumulative effect throughout the year of the various activities contained in the detailed product and department plans. For example, the KSM on fiscal responsibility represents how well staff has exceeded budgeted income on products, reduced operating expenses, profitably increased volumes, etc. As 2011 reflects a transitional year from Members United Bridge to Alloya, several of the KSMs are lower and improve in subsequent years as the new business model comes on line. The rationale for each KSM is:

- *Net Income* – Increasing capital through earnings is a key component to improve our capital position and gain owner confidence. The new Regulation implies a minimum average earnings level of 15 bps for the next three years and the phase-out of owner contributed capital over years six to ten means we must operate the business profitably to create retained earnings quickly.



- *Operating Expenses* – Members United has dramatically reduced operating expenses over the last couple of years. This reduction is a result of shifting our strategic focus from growth to capital preservation. However, our new business model requires a high degree of efficiency and we will continue to focus on minimizing expenses, while maintaining our product delivery and service levels. Each dollar of operating expenses saved represents a direct contribution to owner capital in the form of net income.
- *Fee Income* – Alloya’s business model is now much more revenue dependent from fees as net interest income will largely be replaced with fees from sales of off-balance sheet investment products through BSS and others. Our ability to maintain volumes and fee income are critical to maintain our pricing for members and meeting our required net income targets.
- *Operating Expense Coverage Ratio* – As our business model evolves, it will become more focused on fee income and operating expense. Our reliance on one of our traditional sources of revenue, net interest income, will decline as the balance sheet declines. A measure of our efficiency, and that of any potential merger, is the ability to cover our operating expenses with fee income. As we cover more operating expenses with fee income, our business model becomes more sustainable and durable, further protecting permanent member capital.
- *Average Assets* – A critical element in our overall strategy is our ability to reduce our balance sheet footings, while continuing to meet owner needs via off-balance sheet products. Smaller balance sheet footings mean lower required owner contributed capital during the initial round of capitalization. It should also be noted that owner contributed capital will become less valuable from a capital ratio standpoint over the intervening years as the Regulation phases out its use in the leverage ratio calculation. We will therefore manage down the balance sheet footings as fast as possible, within any necessary liquidity constraints.
- *Permanent Contributed Capital (PCC)* – By October 31, 2011, we need to ensure we have sufficient capital to support an estimated \$2.0bb balance sheet, which equates to a capital level of \$80mm (4%) that must be raised to meet the minimum regulatory requirements. Our plan calls for a 5.2% capital raise of up to \$100mm to ensure a well capitalized status.
- *Owner Survey* – The litmus test for the success of our business model will be both owners’ patronage of our business model and how they respond on the annual owner survey. While the new business model substantially shifts our product lines, it still hinges on our ability to deliver exceptional value and service, which should show up in the owner survey results.
- *Staff Survey* – 2011 is sure to be a challenging year for managing our labor force. In the aggregate, as the labor markets improve, it will become increasingly difficult to maintain the same quality staff as market alternatives become increasingly available and attractive. At the same time, we need to manage down the labor content of our product and distribution costs to ensure sufficient profitability to grow capital. Ultimately, we believe that we need to continue to make Alloya an employer of choice based on competitive salaries, good benefits and pleasant facilities. This will allow Alloya to retain the quality employees it needs to produce and/or distribute the products and services owners demand.

Business Plan Initiatives (BPIs) – BPIs are divided into two groups: Critical and Other. Critical BPIs are deemed to be vital to the achievement of the strategic plan and will be resourced first. However, as with any plan, events that occur during the year can alter our plans. Therefore, we have a queue of

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Other BPIs that represent the items that are next most important and will be advanced during the year to the extent that organizational resources are available. These items do not rise to the level of a Corporate Goal, but we believe are valuable to the ownership and will be pursued if possible. New BPIs may also be added during the year based on developments and the relative priority of existing BPIs or their due dates may change with Board review. The following charts provide additional details on the planned BPIs.

Table 9 - 2011 Critical Path Business Plan Initiatives

#	Name	Strategies	Due Date
1	Complete Member Advisory Council meetings	Owner Confidence	02/28/11
2	Implement staff environment programs	Quality Staff	03/31/11
3	Complete CT transaction	Owner value	03/31/11
4	Submit charter and merger applications	Partnerships	03/31/11
5	Raise new capital	Owner capital	09/30/11
6	Align for future mergers	Owner value	12/31/11
7	Implement req'd changes for USC products	Owner value	12/31/11
8	Implement off-balance sheet investment products	Balance sheet	12/31/11
9	Implement additional lending products	Balance sheet	12/31/11
10	Implement new Reg requirements	Owner confidence	12/31/11

1. *Complete Member Advisory Council meetings* – NCUA has clearly stated that, as a matter of public policy, credit unions will dictate the future of CCUs. With that in mind, Members United Bridge has already completed seventeen Town Hall meetings and reviewed those results with a select group of members who are providing advice and guidance on the path that the corporate should pursue. Completion of this process to validate and finalize our direction is the first step in our strategic plan and is likely to involve several additional meetings of this group.
2. *Implement Staff Environment Programs* – Staff are vital to the success of the business. In many cases, the staff is the essence of the product or service being delivered. Alloya is fortunate that so many dedicated, qualified professionals have chosen to serve credit unions. While actions have been taken to make Alloya an employer of choice for staff, we need to ensure that the appropriate inducements and environment are in place to encourage staff to support the new organization through the critical and less certain employment circumstances the organization will face over the next several months.
3. *Complete Connecticut Transaction* – Members United Bridge has been fortunate to be trusted with bringing the members from the former Constitution Corporate into the Members United Bridge family. A key focus for Alloya for 2011 will be to complete integration of these members into the existing processes, seamlessly. Not only is this critical to building trust and confidence for both Connecticut and other members, but it is a great precursor to demonstrate our ability to handle complex transactions such as the recommended merger.



4. *Submit Charter and Merger Applications to NCUA* – As we move to the new state for Members United Bridge, we will need to gain regulatory approval and support for this transaction. Accordingly, charter and merger applications have been developed and submitted and are pending NCUA review and approval. This has been a significant development effort, taking as much as 800 man hours.
5. *Raise new capital* – Current regulatory guidance indicates we will need to have new capital on-board by the end of September 2011. Alloya will need to raise at least 4% capital by then. Currently we plan to start the capital raise no later than May 16, 2011 with a projected completion date of the initial offering by August 31, 2011. A complete PPM describing the terms and conditions of membership (please see Exhibit D), is available for member consideration. We will use an escrow account to hold these funds and once members opt into the escrow process, they will not be able to request their funds back. Alloya will update its financial pro formas as of August 2011 based on the members who have put capital in escrow. This updated pro forma will evaluate the existing capital in escrow, compared to the likely future balance sheet footings to test for regulatory capital compliance. The pro forma will also be evaluated to ensure that sufficient payment and other product volumes have been maintained to ensure the on-going revenue streams will be sufficient to support the business model. If either case is not met, and no remediation can be implemented by October 31, 2011, the capital raise will be deemed to have failed and the escrow funds will be returned to members.
6. *Align to plan for future mergers* – As noted above, mergers are contemplated in the future. We will need to plan and flawlessly execute such a transaction to create an efficient and effective long-term strategy. We feel confident in our ability to achieve this goal as evidenced by the success of the Constitution consolidation, which was achieved in about 90 days. We retain the people, processes and systems to manage this effectively. Any future mergers would occur post bridge status and would be subject to then current regulatory guidance regarding systemic risk.
7. *Implement required changes for U.S. Central (USC) products* – USC provides several key products that our members value. The future of USC is currently under discussion and the products offered may survive under new ownership and/or management; however, we need to be prepared to shift these products to other vendors, should the product set not find a viable home. We have already moved away from the USC international payments program and have developed plans to move the Apex ACH, bill payment and auto settlement products if necessary, though our preference is to follow these products to a new system-based owner.
8. *Implement off-balance sheet investment products* – A key strategy is to minimize the balance sheet footings using BSS to provide term and overnight investment products off-balance sheet. Development and implementation of the family of products in collaboration with BSS to meet these member needs effectively and efficiently across various interest rate scenarios is vital to our success.
9. *Implement additional lending products* – Members have indicated that access to liquidity sources is critical. Many have noted that they are being encouraged by their regulator to have three different sources of liquidity. While the proposed business model provides one source via the Alloya balance sheet, we will seek to provide or broker additional sources both through Alloya and BSS.



10. *Implement new reporting to ensure compliance with Regulation 704* – The new Regulation 704 has many new reporting and compliance requirements. We will need to develop and implement the appropriate processes to measure, monitor and manage the risks in our organization and transparently demonstrate compliance to both our regulator and owners.

Table 10 - 2011 Other Business Plan Initiatives

#	Name	Strategies	Due Date
1	Implement new pricing schedule	Owner value	09/30/11
2	Evaluate capital allocation model	Balance sheet	12/31/11
3	Implement product penetration	Fiscal responsibility	12/31/11
4	Evaluate National Payments CUSO	Partnerships	12/31/11

1. *Implement new pricing schedule* – Our new business model focuses heavily on the spirit of credit unions and making the value of the cooperative available to all equitably. With that in mind, we need to consolidate our fee schedules to reduce the number of fee schedules and simplify the structure. We anticipate that the new, simplified fee schedule will continue to offer volume discounts, but will not substantially increase overall prices on an individual basis in the short-term. This will need to be carefully managed as we have indicated a desire not to raise fees, while at the same time ensuring product profitability.
2. *Evaluate capital allocation models* – Going forward perpetual contributed capital is expected to have a market-based return in a range of 100-300 bps over LIBOR, while non-perpetual capital will pay a lower rate of approximately 50 bps over LIBOR. Actual rates paid will be set by the Alloya. With that in mind, each product will need to support that capital required to offer that product. We therefore will need to evaluate the use of capital allocation and return models (return on invested capital or ROIC) in the management of our product set.
3. *Implement product penetration goals* – As a corollary to the goal above on capital allocation, we also need to ensure that we offer products that are indeed serving member needs. Therefore we will need to set product penetration goals to ensure organization goals are being met effectively and resources deployed effectively.
4. *Evaluate National Payments CUSO* – As noted above this is a key strategic initiative, though also a complex one. Therefore the evaluation will begin in late 2011. Any future National Payments CUSO would occur post bridge status and would be subject to then current regulatory guidance regarding systemic risk.

D. Financial Plan

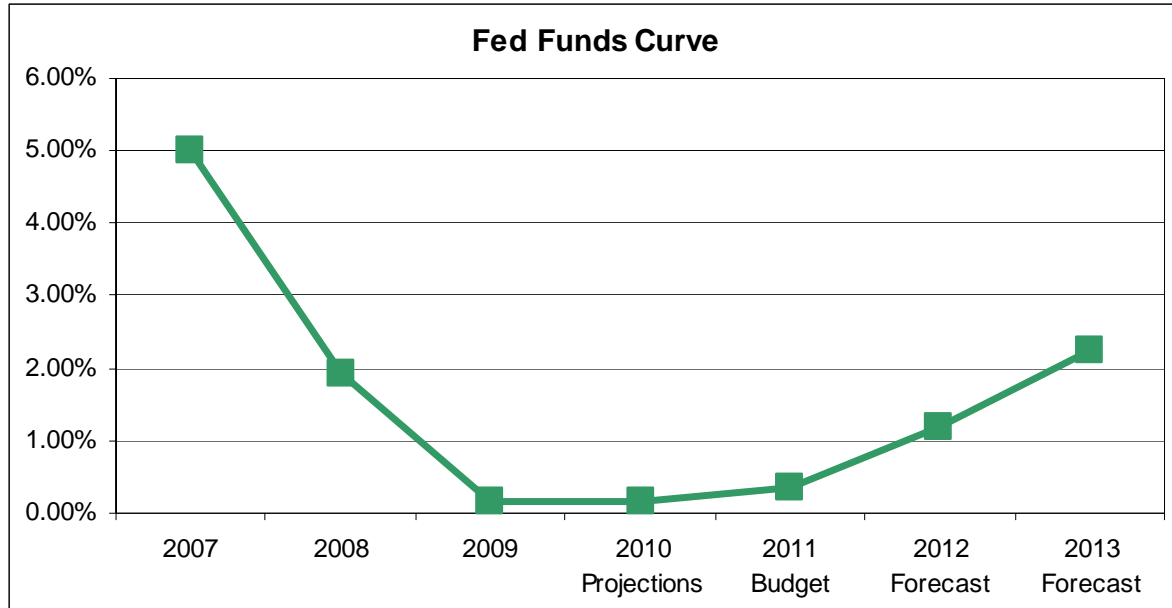
Financial Plan Summary – The following financial discussion lays out the market environment we expect to operate in, describes the key assumptions underlying the business plan and provides pro forma results for the next five years starting in 2012. As a result of this plan, we anticipate raising permanent member capital of \$100mm, based on an initial balance sheet of \$2.0bb, which would be comprised mainly of member settlement accounts. The model produces average earnings of \$5.8mm over the first five years of Alloya’s operations starting in 2012 and capital increases to 4.78% by the end of year five,



creating an adequately capitalized CCU, as some of the permanent capital is “locked-out” of the regulatory capital calculation (actual equity would exceed 6%).

Market Environment – Short-term investment rates have been, and are likely to stay, at historically low levels. There is likely to be upward pressure on interest rates over the next couple of years, but at a relatively slow pace. This will tend to keep net interest income margins for CCUs very muted in the short term as rates are compressed against zero, but should auger for improved future earnings as this compression is relieved. Please see Figure 8 below for details

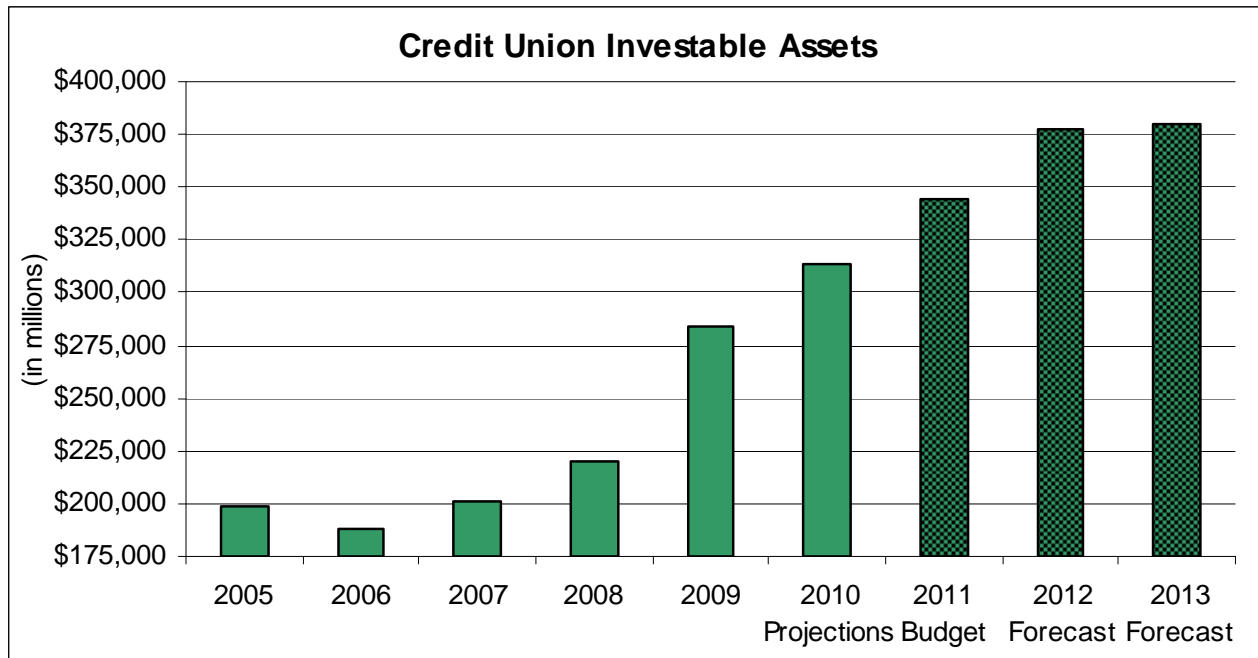
Figure 8 - Short-Term Interest Rates



Another key outcome of this dynamic is the impact this will have on credit union balance sheets. Low interest rates, and the problems observed at other financial institutions, have made credit unions the preferred choice from a safety and soundness perspective. This has resulted in significant increases in credit union deposits as a testament to the quality of their balance sheets. At the same time, due to the slow growth in the economy, loan demand has been, and is likely to remain, soft. Much of the recent lending activity was associated with refinancing on mortgages, a boom that is now past. Since savings growth will likely exceed loan growth for the next several years, investable funds in the marketplace are anticipated increase as shown in Figure 9 below:



Figure 9 – Credit Union Investable Assets



This will have two impacts on Alloya. First, Alloya will be in unique position to help credit unions manage this as new regulations place more of this burden on credit unions. With BSS, Alloya has a full set of products and a registered Investment Advisory that already has over \$1bb in assets under management. Second, with the fully integrated set of on- and off-balance sheet products Alloya stands ready to meet credit union needs efficiently, while producing a reasonable return on this business, improving internal capital generation and diversity in its revenue streams.

Plan Key Assumptions – There are several key assumptions that have been used in creating the attached pro formas. These key assumptions drive the results and if some or all turn out substantially different than expected, the pro forma results would change. Key assumptions include the following:

- *At least 85% of the pre-merger membership will capitalize and patronize the new organization*
- *The new \$2.0bb balance sheet is composed primarily of settlement accounts, with a limited certificate book. Assets are primarily short-term governments, agencies and some member loans*
- *Payment volumes and revenues decline initially, then grow at 5% thereafter starting in year two*
- *BSS captures or replaces 25% of the balance sheet roll-off at an average of 10bps and grows at 7.5% thereafter starting in year two*
- *Net interest income margins range from 43 to 50 bps on invested balances*
- *Operating expenses (excluding one-time expenses of \$8mm) decrease as a result of additional efficiencies (\$3.5mm) to \$26.5mm, then grow at 5% thereafter starting in year two.*

Financial Pro-Formas – The following pro-formas provide results of operations for the next five years, based on the contemplated transaction. After the transition to Alloya in late 2011, for 2012, the pro formas reflect a balance sheet of \$2.0bb, revenues of approximately \$31.5mm based on \$8.9mm in net interest income and \$22.5mm in fees. Operating expenses, through additional operational efficiencies, decrease by \$3.5mm to \$26.5mm, which produces net income of \$4.5mm or 22bps of ROA for the year.

2011 Business and Strategic Plan



This comfortably exceeds the required 15bps targeted in the regulation. The coverage ratio, the amount of operating expenses covered by fees, increases to 83%, placing little reliance on (and therefore little incentive to take risk on) net interest income. Please see the following table for details:

Table 11 – Base Case Pro Forma

Pro Forma Financials					
Closing Date	10/31/2012	10/31/2013	10/31/2014	10/31/2015	10/31/2016
	Year 1	Year 2	Year 3	Year 4	Year 5
# of Years from Final Rule	2	3	4	5	6
1 month Libor	0.25%	0.25%	1.25%	1.25%	1.25%
Balance Sheet					
Total Assets - DANA	2,047,341	2,051,809	2,057,053	2,063,369	2,069,752
New Assets	1,705,046	1,832,317	1,874,250	1,897,438	1,919,841
Existing Assets	342,296	219,492	182,803	165,931	149,911
Overnight Balance	1,105,172	1,385,783	1,392,078	1,392,132	1,392,132
Existing Cert Balance	286,959	6,349	54	0	0
Settlement Balance	552,843	552,843	552,843	552,843	552,843
Total Liabs	1,944,974	1,944,974	1,944,974	1,944,974	1,944,974
Contributed Capital	102,367	102,367	102,367	102,367	102,367
Retained Earnings	4,468	9,712	16,027	22,411	28,799
Income Statement					
Interest Income - New Assets	7,263	7,806	26,727	27,057	27,377
Interest Income - Existing Assets	6,841	5,863	5,408	5,114	4,748
Total Interest Income	14,104	13,669	32,135	32,171	32,125
Interest Expense - New Liabs	3,877	4,466	21,912	21,912	21,912
Interest Expense - Existing Liabs	1,373	37	1	0	0
Total Interest Expense	5,250	4,503	21,912	21,912	21,912
NII	8,854	9,166	10,223	10,259	10,213
Fee Income - Current Operations	14,500	15,225	15,986	16,786	17,625
growth rate		5.00%	5.00%	5.00%	5.00%
Fee Income - BSS	8,000	8,600	9,245	9,938	10,684
growth rate		7.50%	7.50%	7.50%	7.50%
Fee Income - New Off B/S Product	-386	78	78	78	78
growth rate		0.00%	0.00%	0.00%	0.00%
Total Fee Income	22,114	23,903	25,309	26,802	28,386
Operating Expense	-26,500	-27,825	-29,216	-30,677	-32,211
growth rate		5.00%	5.00%	5.00%	5.00%
Net Operating Income	-4,386	-3,922	-3,907	-3,875	-3,825
Net Income	4,468	5,244	6,316	6,383	6,388
Financial Ratios					
Net Interest Margin	0.43%	0.45%	0.50%	0.50%	0.49%
Net Op Exp Coverage Ratio	83.45%	85.90%	86.63%	87.37%	88.13%
Return on Assets	0.22%	0.26%	0.31%	0.31%	0.31%
Return on Equity	4.18%	4.68%	5.33%	5.12%	4.87%
Capital Ratios					
RUDE Ratio	0.22%	0.47%	0.78%	1.09%	1.39%
Requirement		0.45%			1.00%
Leverage Ratio (per Reg)	5.22%	5.46%	5.76%	6.05%	4.78%
Requirement	4.00%	4.00%	4.00%	4.00%	4.00%



2011 Capitalization – All financial institutions require capital and we have developed a capital plan that will allow owners to right-size their capital commitment to their usage. All owners will be required to capitalize their settlement activity at 5% of three days' average settlement or to place a minimum capital amount on deposit pending development of their settlement history or changes to their existing settlement behavior (please see PPM for details). As a part of that capitalization, owners will receive a line of credit equal to 20 times their contributed capital and free access to Premier View. Early adopters of the capital plan will receive a line of credit amount 50% greater as an inducement. Owners who wish to utilize our balance sheet for additional activities (investments or loans) will need to capitalize the balance sheet at 5% of the additional deposits or lines. Should an owner's on-balance sheet activity exceed 20 times their deposited capital, we will stand ready to move those funds to off-balance sheet options. Please see Section II C for details on the capital plan.

This capital plan is based on usage of the corporate, which varies substantially by user. Further, this process greatly diminishes the initial capital requirements to about 15-25 bps of credit unions' assets versus the 100 bps formerly (though it is dependent on how individual credit unions use Alloya). The initial capital deposit will be mandatory and permanent in nature, as defined in the Regulation. Further, as capital is an at-risk asset, that would absorb losses should those losses exceed retained earnings. Therefore, we plan to pay a market-based return on those funds, currently estimated to be 100-300 bps over LIBOR for permanent capital and 50 bps over LIBOR for non-permanent capital. While invested capital is an at-risk investment like many others, we believe it represents an investment for accounting treatment, versus an expense, though each member will need to seek the guidance of their independent auditor for confirmation of accounting treatment.

Permanent capital cannot be returned or redeemed unless approved by the organization's Board and NCUA and would be paid out on a pro rata basis. However, we plan to develop a secondary market that allows members to "trade" permanent capital to align members who may have more capital than required with those who may need more. Additionally, as Members United Bridge has no capital, there was no capital conversion and / or required capital priority election by January 12, 2011.

Alloya plans to continue to lead the industry in the transparency of its operations as noted above. Familiar processes such as our Transparency webinars will be instituted as outlined in the **Forward Together** plan. We have and will continue to provide visibility of our asset and liability holdings, risk positions, profitability, etc. However as we have no legacy assets or mortgage-backed securities, there will be no need to disclose to members and perform stress testing legacy assets as a separate report.

Member support to date of the plan appears to be strong; however, if we fail to raise the required capital by August 31, 2011 as noted in the BPI description above, our capital contingency plan is to move to options three and four in our survey, CUSO or liquidate the product lines. We have continued to be in contact with various parties in these market spaces. If the capital raise fails, we will seek RFPs from these vendors beginning October 31, 2011 with a year-end return date. This will allow us to effectively transition the business and/or help members find other providers by October 2012 and provide a twelve month conversion window so credit unions can convert in an orderly fashion.

Net Economic Value (NEV) – The proposed construction of the balance sheet also ensures we will exceed the 2% NEV regulatory requirement. Our investment strategy is to invest only in short-term cash and cash equivalents backed by U.S. government guarantees. As Alloya has no legacy assets and plans to keep its balance sheet short-term focusing on only settlement accounts, the duration mismatches



should be very minimal keeping NEV close to our capital ratio, which should be well above the 2% NEV threshold.

However, interest rate exposure has increased relative to the projected capital target of \$100mm due to termination of interest rate swaps. Specifically, Members United Bridge holds and Alloya will hold about \$300mm of term member loans that are set at a fixed rate of interest. The value of loan assets declines by \$20mm with an instantaneous 300 basis point rise in interest rates and a \$20mm decline in value against the \$100mm capital base results in an NEV decline of 20%. This exceeds the 15% rate shock limit set for corporate credit unions with a “Base” level of authority.

Alloya will therefore apply for Base +” expanded investment authority which would raise the NEV limit to 20%. Additionally, Alloya will also apply for expanded investment derivative authority so that this interest rate risk can be hedged. As Members United Bridge retains all of the necessary capabilities for derivatives authorities, the incremental operating expenses would not unfavorably impact profitability. Another alternative would be for Alloya to issue some term certificates to bring NEV into compliance but at the sacrifice of earnings. Alloya would assume fixed rate certificates which partially offset the NEV volatility associated with the loans.

In either option, \$100mm of capital should be sufficient to support the balance sheet and meet regulatory risk requirements. However, the NEV position will be close to the limits during the first month of operations and will need to be carefully monitored.

E. 2011 & 2012 Budget

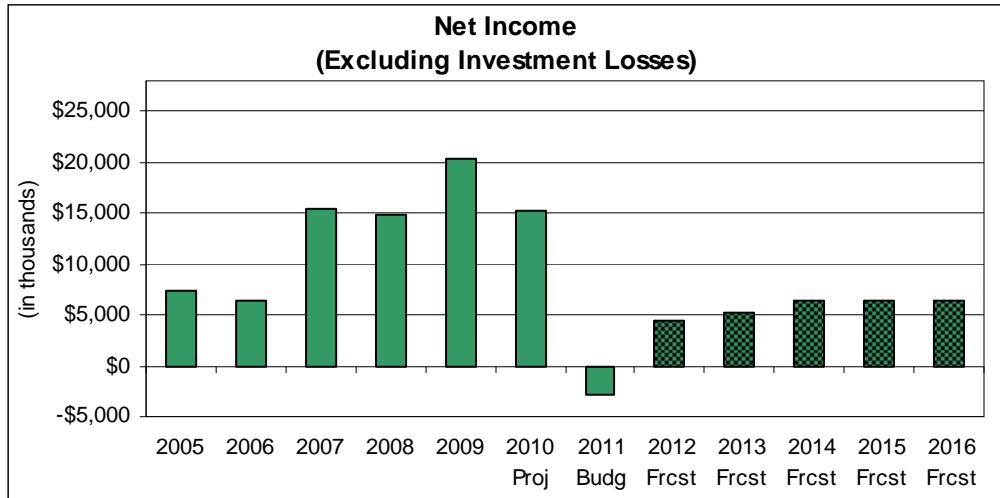
2011 will be a year of change and transition. The current balance sheet is approximately \$10bb. The Base Case business plan assumes that significant assets will be moved off-balance sheet and a settlement balance of \$2.0bb is targeted by October 1, 2011.

The following charts present historical actual results for Members United compared to the projected Base Case Results anticipated for Members United Bridge and Alloya.

Net income, excluding OTTI, is projected lower in 2011 for Bridge due to one-time costs associated with the Constitution merger, site closures and staff retention costs. These one-time costs are not expected to be incurred by Alloya which will strive to earn 22.5 basis points in 2012 to meet regulatory capital requirements.

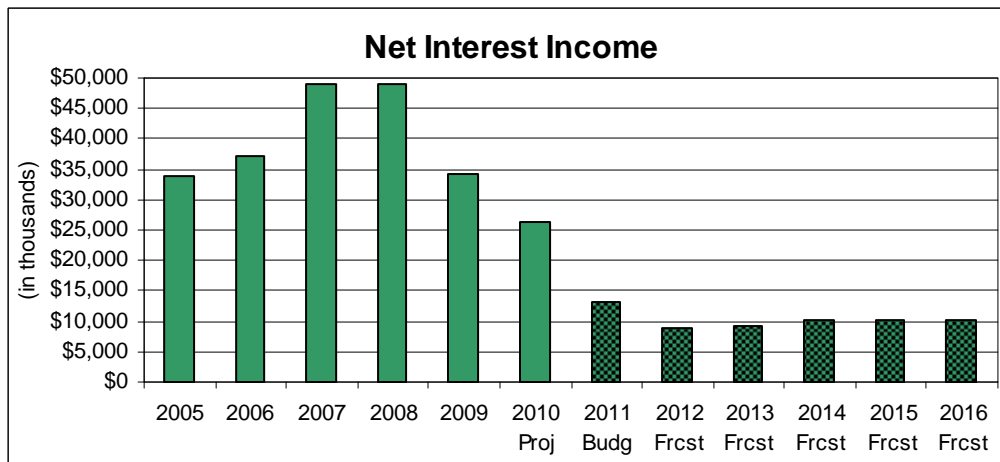


Figure 10 - Net Income



Net interest income was the primary revenue source for CCUs and totaled almost \$50mm in 2007 and 2008. This source of income is projected to stabilize around \$8 to \$10mm as Alloya manages primarily a settlement balance sheet of \$2.0bb. These results could improve if short term interest rates rise or if the Federal Reserve Bank ceases to pay interest on reserve balances.

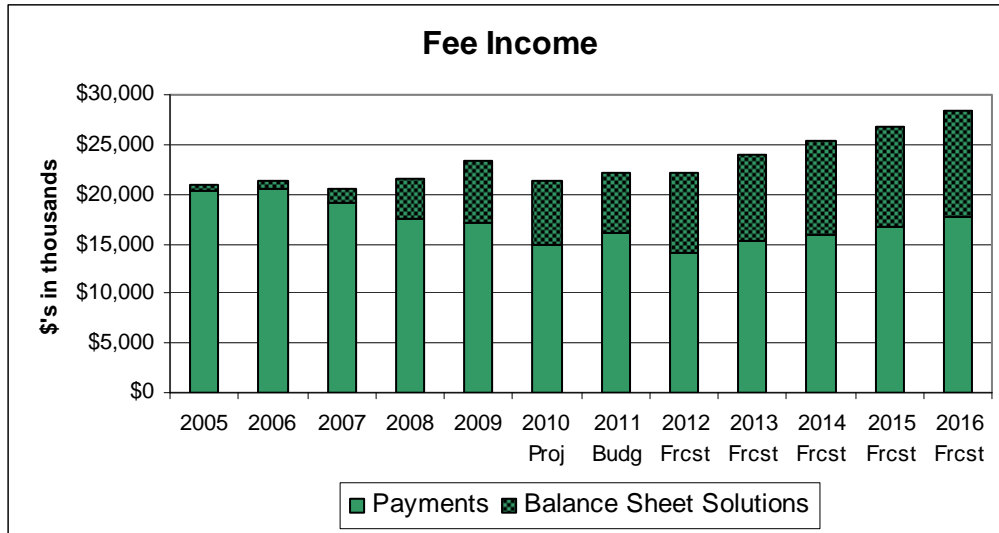
Figure 11 - Net Interest Income



The Base Case financial plan assumes that fee income will represent an increasing percentage of total revenue. Payment fee income initially declines, then grows slightly and is augmented by increasing BSS fee income.

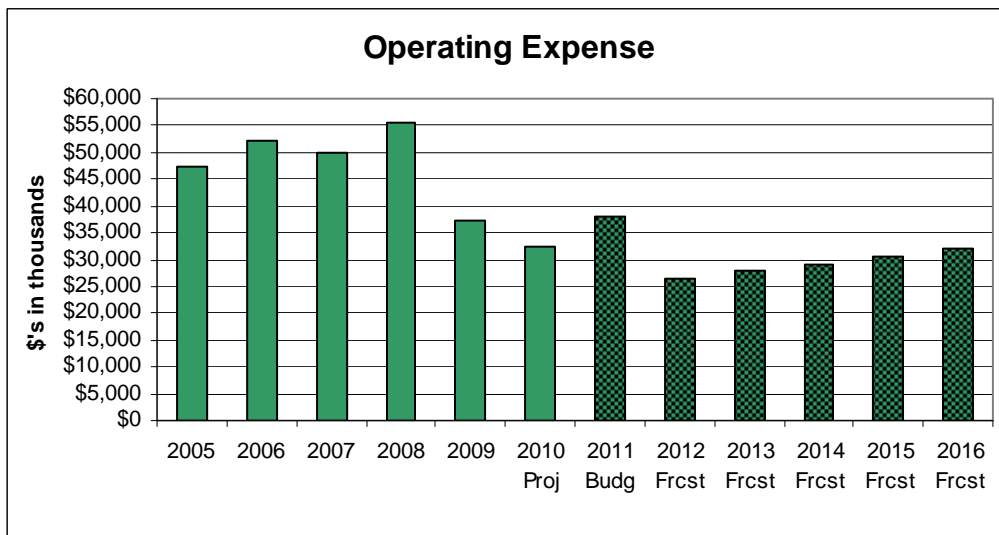


Figure 12 - Fee Income



Members United has transformed itself significantly during the financial crisis. Operating expenses were \$55mm in 2008 and are projected at \$26.5mm for the first year of Alloya’s operations in the Base Case. Staff of 330 in 2008 will decline to 165 as site closures occur in 2011.

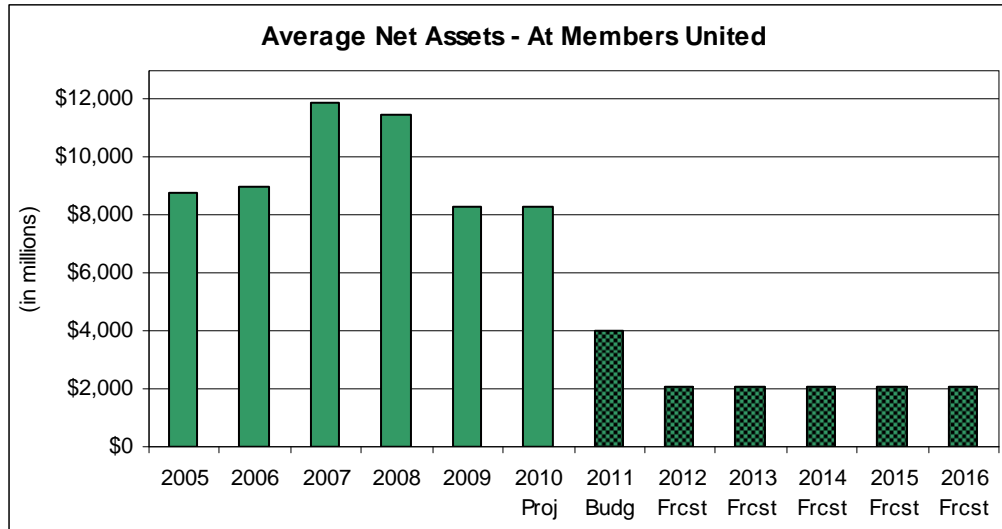
Figure 13 - Operating Expenses



A significant assumption in the Base Case is that deposits will be driven off-balance sheet and the corporate will manage a settlement book while controlling another \$4bb via an automated sweep feature.

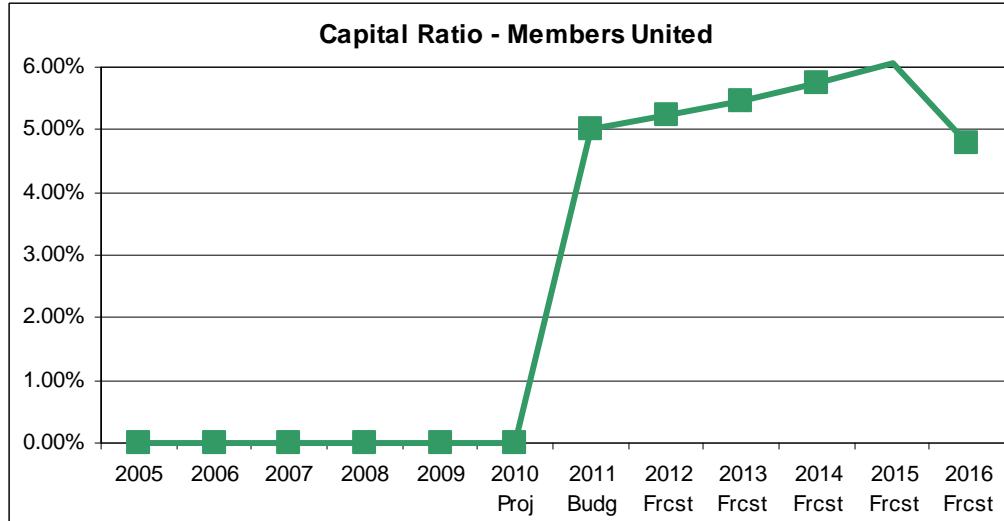


Figure 14 - Average Assets



The Base Case assumes that \$100mm of capital is raised and serves as the foundation for Alloya. It further assumes a balance sheet of \$2.0bb after implementation of the EBA. Capital declines in year five as a greater percentage of PCC is excluded from the regulatory capital calculation. Were this to be included, total capital would exceed 6%.

Figure 15 - Capital Ratio





IV. Exhibits

A. Product and Service Listing

Correspondent Services

- ACH
- Domestic & International Funds Transfer
- Coin & Currency
- Automated Settlement
- Security Safekeeping

Item Processing

- Check Collection
- Share Draft
- Virtual Item Processing

Liquidity

- Advised Line of Credit
- SimpliCD
- Loan Specials
- Central Liquidity Facility
- Altisource

Investment Services*

- Regular Share Certificates
- Special Share Certificates
- Callable Share Certificates
- Step-Up Certificates
- Amortizing Certificates
- Floating Rate Certificates

** - Offered on balance sheet with additional capital deposit*

Premier View

- Token-based authentication
- Online Account Management
- Online Transaction Processing
- Online Statements and Invoices

Education

- ACH
 - Compliance
 - Balance Sheet Tactics
 - Economic Forum
 - Operations Outlook Conference
 - Regional roundtables
-



BSS, LLC

A wholly owned subsidiary

- FINRA Registered Broker/Dealer
- Market Expertise and Education
- Asset/Liability Management Services
- Investment Advisory Services
- Credit Union in Transition Program
- Portfolio Benchmarking
- Share Sensitivity Study
- A/L Management
- Marketable Securities
- SimpliCD



B. Value Matrices

Message – From Our Credit Union to Yours

The financial crisis that started with the bursting of the housing bubble has taken a terrible toll on Members United and its member credit unions. Employees at Members United are dismayed about the losses that have been incurred and passed on to members. They also recognize that simply saying so is not enough.

The organization realizes that after suffering these types of losses, member credit unions are asking:

- Why should we continue to support the corporate?
- What value does Members United really offer? Is it needed in this day and age?
- How would a capital investment in the corporate be justified?

These questions, and others, are reasonable and necessary. The management and board of each credit union must address these questions to satisfy their fiduciary responsibility to their members and be confident in their credit union's ongoing business relationship with Members United.

Measuring Value

Obviously, the board, management and staff of Members United believe that value is created by the corporate credit union's service to members. How have credit unions gained over the years? This and the questions noted above are essential to this discussion— so too is the manner in which they are answered. With emotions running high given the reality of losses, a thoughtful, fact-based analysis can be complicated – where to even begin?

To help initiate this process, this information and several companion pieces cover:

- The purpose and philosophy of the corporate credit union system
- Benefits of a membership with Members United
- Competitive advantage - leveraging Members United so your credit union can excel
- Products available to members

Hard- and soft-dollar benefits of Members United membership, product offerings and considerations regarding switching providers will also be covered.

More Facts – A Detailed View

While this document is presented at an executive-summary level, companion pieces provide an in-depth analysis matching specific credit union needs to the value Members United delivers in satisfying them.



About Corporate Credit Unions – What They Are and Why They Were Created

Corporate credit unions were created by natural-person credit unions. Credit unions built corporates because they were tired of their dependence on banks and other vendors typically owned or controlled by banks. Credit unions recognized this practice was ultimately self-destructive.

Origins

Credit unions have typically owned a small share of the financial services market. Because they operated as independent financial institutions with relatively small volumes, it became increasingly difficult for credit unions to function efficiently in the financial marketplace. Banding together in small groups in order to aggregate volumes to attain the best pricing was ineffective and time consuming. Credit unions also found it difficult to find dependable providers for correspondent services and balance sheet products. They needed partners they could count on long-term to provide the solutions they needed to serve their members and grow their credit unions.

Stop Bankrolling the Competition

Credit unions also recognized that by working with banks, they were helping to enrich their competitors, who would then use those funds at the expense of the credit unions. Profits at the banks from credit union business went to pay better rates, reduce fees, increase infrastructure and develop new bank products. Perhaps even more importantly, these funds could (and were) used to lobby Congress in an attempt to hamstring credit unions, or even to put them out of business.

Invented by Credit Unions, For Credit Unions

Thus corporate credit unions came to be. Corporates operate with the same basic principles and values as all other credit unions. They are owned and operated by credit unions and, indirectly, by the people credit unions serve. At their inception, they were typically chartered in a single state as a member-owned credit union service organization, formed and funded by a group of credit unions.

Cooperative Ownership, Credit Union Model

Traditionally, the capital required to support corporate credit unions comes from natural person credit unions. This regulatory-required capital is needed to provide the products and services that member-owners seek, protect against losses, and enable corporates to be a liquidity source for the industry. A line of credit at Members United is often taken for granted because there is virtually no cost and it is readily accessible. Alternative sources for this basic business necessity are at best, costly (usually requiring a hefty annual fee) and at worst, not available to credit unions to the extent required.

Like all credit unions, corporates strive to provide as much benefit to their members as possible. Unlike natural person credit unions, however, the rules and business model have allowed corporates to hold very little retained (or undivided) earnings on their balance sheets. The capital deposits that credit unions invest in corporate credit unions enabled corporates to return nearly all of their profit to member-owner credit unions. This arrangement is the tradition of the not-for-profit structure.



Business Sense – Why Corporate Credit Unions are Still Needed

On the Same Team – A corporate credit union is not your typical vendor; it is a credit union. As a member-owned institution, Members United’s entire focus is on serving its member credit unions. Correspondent banks equate credit union needs to those of a small business. Worse, they often compete against you for a share of your members’ wallet. Members United is not in competition with you for your members’ business.

Advancing the Credit Union Edge – Moving your business to a bank (or a vendor whose major share of business comes from banks) increases their competitive position against your credit union. Consider that Members United earned approximately \$21 million in non-interest income in 2008, and its net interest income totaled \$61 million. Assuming those figures as constant over ten years, how would banks strategically spend \$200-800 million in additional revenues?

Advocacy – As a member of the credit union system, Members United is a dedicated supporter of credit unions. The corporate partners with trade associations both nationally and at the state level. In addition, to help lower your cost and deliver additional value, Members United contributes both time and money to chapters and credit union-focused organizations and events

Members United Enduring Value

Members United’s products and services are designed with exceptional service and tangible value in mind. In many cases, to obtain the same level of service Members United offers, a credit union would need to add internal staff and/or pay higher fees.

Benefits	Members United
Save Time	<ul style="list-style-type: none"> ■ Members United’s full suite of products and services provides the convenience of one-stop shopping for credit unions. ■ Connect to a wide array of payment and investment products (see a list at the end of this document), all of which can be easily accessed by telephone or internet. ■ Your staff can find what they need, all from one trusted source. ■ For added efficiency, your staff can utilize Members United’s web portal, Premier View, to access all of your account information and process transactions quickly and securely.
Save or Make More Money	<ul style="list-style-type: none"> ■ Aggregated volumes improve pricing on all products and services. This translates into lower expenses on fee-based products and services, lower rates on loans and a higher return on investments. ■ As a member-owned cooperative, Members United is focused on returning as much as possible to its members, not to shareholders as in a for-profit structure.
Reduce or Repurpose Staff	<ul style="list-style-type: none"> ■ An experienced financial and operations team provides insight and support. ■ This support means credit union staff can spend more time doing what you want them to do: serve your members.
Peace of Mind	<ul style="list-style-type: none"> ■ Secure account access means your credit union’s transactions are processed with the highest levels of security. ■ Members United’s staff fully understands the rules and regulations under which your credit union operates, helping to ensure that you stay in compliance.



Additional “Soft-Dollar” Value

Members United offers several other advantages over direct vendor relationships. Consider:

Members United – Extras	Value Created
Members United is a Credit Union	<ul style="list-style-type: none"> ■ Just like your credit union, the corporate is a financial cooperative sharing the same values and philosophies that you believe in.
Ownership	<ul style="list-style-type: none"> ■ Your credit union has voting authority, allowing you to set the strategic direction of Members United.
Dedicated Member Service	<ul style="list-style-type: none"> ■ Whenever you need answers to a problem, rely on a Success Team of senior business consultants, Balance Sheet Solutions analysts and member service representatives dedicated to supporting your credit union.
Support - Your Satellite Office	<ul style="list-style-type: none"> ■ Member service representatives, payment processing teams, research staff, product implementation specialists, trainers and others provide the “back office” support needed to process transactions and complete research on your behalf.
Education Resources	<ul style="list-style-type: none"> ■ A variety of educational sessions are hosted each month, offering the knowledge and tools you need to manage your credit union and support your members.
Industry Support	<ul style="list-style-type: none"> ■ Each year, Members United contributes both time and money to many different credit union organizations, lowering your cost of membership and ensuring the success of the network.

Conversion Considerations – A Partial List

Members United values your membership and understands that you have choices outside of the credit union network. If you are thinking of comparing the corporate to another provider, consider not only the costs and value of services that are provided, but also the costs involved with transitioning the relationship:

- In the event you have a liquidity need, where will you be able to secure a line of credit (LOC) swiftly? Is there a charge to establish the LOC, and what are the annual costs to maintain it? Is there other business you must place at the new provider (investments or compensating balances, for example) in order to acquire the LOC? Does the provider require specific collateral? If so, to maintain the LOC, what ongoing reporting must you provide? Are there other trade-offs in placing business there?
- Will you need to hire additional resources to complete tasks currently performed by Members United?
- What will you do to ensure the security and integrity of your credit union’s data? What steps will the vendor take to protect you? What added costs will you incur? What will happen if there are problems?
- How will your members be affected by the changes? Will they need new instructions? Will their transaction histories convert to the new system? Do you risk losing members if they are dissatisfied?
- Will your credit union’s total monthly fee expense increase or decrease?
- Will a compensating account balance be required that pays little or no dividends?
- Do you have to purchase new check stock?
- What will it cost and how long will it take to contact each of your automated clearing house (ACH) and automated settlement vendors and inform them about your new banking relationships?
- Will vendors increase their cost to you if they cannot use automated settlement? How will you manage the multiple relationships that may arise?
- What costs will you incur to learn a new online account management system, set up all users to access the system and provide training?
- All change management involves risk. Have you factored in the costs associated with managing this risk?

2011 Strategic Plan



Account Analysis

The unprecedented changes in the market require all credit unions to take a hard look at their bottom line and evaluate ways to save money. Members United understands this and your credit union's Success Team is here to help. This team would be pleased to work with you to help analyze the costs and benefits of your accounts at Members United. A detailed analysis of pricing and volumes (and that of relevant competitors in your credit union's market) can be provided. Armed with the facts, your credit union can more easily make informed choices. Please contact your credit union's Senior Business Consultant for details.

Financial Summary

Members United has compared monthly income along with fees paid by credit unions in a similar asset range as yours. In doing so, Members United has found that in addition to the value added service and product functionality that it also generates a financial value for you. *Actual results may vary based upon your specific activity.*

**MEMBERS UNITED CORPORATE FCU
ACCOUNT ANALYSIS
\$10- \$50 MILLION MARKET SEGMENT**

Product	Key Monthly Volumes	TOTAL INCOME (EXPENSE)		
		Members United	Market Basket	Increase (Decrease)
Liquidity Services				
Overnight	\$1.275 million avg	85	106	(21)
Certificate	\$418,000 avg	153	119	35
Loans (interest expense)	\$100,000 avg	(208)	(208)	0
Line of Credit - Fees	\$1.5 million avg	0	(253)	(253)
SimpliCD	\$1 million avg	1,360	1,360	0
Investment Services				
Safekeeping	Average Monthly Bill	(129)	(125)	4
Payment Services:				
ACH	7,800 items processed	(171)	(187)	(16)
Automated Settlement	40 settlement transfers	(40)	(365)	(325)
Funds Transfers	56 funds transfers	(414)	(587)	(173)
Coin and Currency	6 orders	(411)	(503)	(92)
Bill Payment	335 bills paid	(294)	(312)	(18)
Item Processing:				
Share Drafts	6,500 items processed	(332)	(329)	3
Image/Non-image Deposits	3,900 items processed	(238)	(231)	7
Monthly Income		1,599	1,585	14
Monthly Fees		(2,237)	(3,101)	(864)
Monthly Fee Savings/Additional Income		(638)	(1,516)	878
Annual Fee Savings/Additional Income				10,532
Additional Value included in Members United Relationship				
Online Access (\$100/month)				1,200
<i>Standard Services include staff resources for the following functions:</i>				
Cash Manager				40,000
Payments Specialist				40,000
Ongoing training of staff on industry rules and regulations and to maintain certifications				5,000
<i>Hardware/software requirements</i>				
Bandwidth to support sending/receiving files from the Federal Reserve				9,600
Hardware for Image Archives				100
TOTAL ANNUAL VALUE OF MEMBERS UNITED RELATIONSHIP				106,432



C. Balance Sheet Solutions 2011 Strategic Plan



Strategic and Marketing Plan

2011 – 2013



Mission

The Mission of Balance Sheet Solutions (“BSS”) is to “Integrate balance sheet management with a buy side discipline enabling institutions to align and balance opportunity against risk”. Our Vision is to “Enable Financial Excellence” to allow our customers, clients and prospects to focus on performance and results.

These will be achieved through:

- Our proprietary methodology of Balance Sheet Symmetry
- Superior staff of experienced financial professionals
- Exceptional service that focuses on being responsive and doing what is right` for the customers, clients and prospects
- Delivery of products and services that will utilize partnerships and other means to ensure the best solutions are delivered efficiently and effectively

While projecting values our clients and customers have come to expect:

- Trusted relationship focused on our customers and clients
- The integrity to do the right thing at the right time
- Providing the education necessary to provide our customers and clients with the tools to make the right choices
- Valuing the time and resources of our customers and clients as much as we value our own
- Maintaining the discipline to ensure fiscal responsibility for our actions and our customers’ and clients’ resources

Strategic Plan Objectives

In order to ensure ongoing viability, BSS must strive to build a high level of relevance to customers, clients and prospects while providing a sound return on investment to its sole owner, Members United Bridge Corporate FCU (“Members United Bridge”). These objectives will be reached through the evolution of the firm from a break-even distribution channel for CCU on- and off-balance sheet products to an efficient provider of crucial balance sheet management tools for clients, customers and prospects.

Specific Objectives are listed below:

- Provide a desired return on equity while providing a positive income stream to our sole investor
- Grow market share of marketable securities business in both core and national markets
- Grow assets under management in both core and national markets
- Provide viable option for credit unions as they move away from CCU investments
- Establish a known and viable brand for BSS and its products
- Identify and enter new markets
- Constantly evaluate and adjust product offerings to reflect then current market and industry directions
- Investigate the creation or acquisition of a trust company in order to provide trust services to customers and clients
- Implement off-balance sheet options such as mutual funds and investment pools in order to capture the run-off of Members United Bridge on-balance sheet deposits



Goals

1. Grow direct assets under management to \$1.5 billion in 2011
2. Capture a minimum of 25% of any Members United Bridge's deposit decline through the sales of marketable securities and off-balance sheet products.
3. Provide a return on adjusted equity of 15%

Environmental Analysis

Economy

Uncertainty is the tone for the markets into 2011. Questions on whether a double dip recession will develop have proven to be popular discussion topics for many of the Economists offering opinions publicly. While most are not projecting the double dip, many continue to indicate there is still such a possibility.

More likely is slowing growth into early 2011 with the economy barely maintaining itself in the positive categories. The Fed is expected to hold rates near zero while new and innovative initiatives continue to try to stimulate further growth.

With rates across the board at historically low levels, consumers will eventually return to the market to buy big ticket items. Unemployment is expected to remain high throughout 2011 as the recovery continues to crawl forward without creating new jobs. While the unemployment will slow the recovery to near stand still, it will also ensure that no tightening action will be seen for some time to come.

For credit unions this means the search for higher returns will continue. It is also anticipated that the continued low rates will ultimately cause credit unions to stop stockpiling cash and move out of the curve as the cost of liquidity becomes apparent. With credit unions seeking higher yields, BSS will continually work to place the focus on high value, high return investments and away from the highly optioned instruments being sold by the competitors.

These markets should benefit BSS as it positions itself to serve a wide range of investors with families of mutual funds, high value marketable securities offerings, commercial bank certificates of deposit and Federal Funds and Repo desks. In addition to having the necessary products to meet the broad range of investment needs, BSS will continue to position itself as a leader in assisting credit unions in maximizing their use of these products. Through the Investment Advisory service, BSS will provide guidance to the credit unions that need help navigating the unprecedented markets. At the same time, for those credit unions not wishing to move into the investment advisory arena, BSS will continue to offer educational services to provide credit unions with the tools necessary to maximize the effectiveness of the investment products offered.

Industry Overview

While credit unions have struggled to overcome the impact of the market crisis of 2008 and 2009, the initiatives implemented by the government to stimulate the economy back onto its feet landed a second blow to the credit unions' bottom lines. In past low interest rate cycles, investors would



remain on the sidelines and allow cash to build in anticipation of loan demand and then ultimately higher interest rates. However, this cycle has proven to be different than past recoveries.

With high unemployment forcing the Fed to keep rates low along with difficult lending markets, credit unions have been unable to fall back upon what has worked in the past to pull themselves back to prosperity. Credit unions entered the lending season of 2010 flush with cash, but little fundable loan demand. The result was continued pressure on margins that were needed to rebuild capital that was spent on supporting the Corporate Network.

The savings rate in America is on the increase which is providing significant opportunities for growth in the credit union industry. As the table below shows, credit unions have continued to grow while net worth has fallen, delinquencies and charge offs continue to rise and ROA is barely positive.

MEMBERSHIP				
	Dec-06	Dec-07	Dec-08	Dec-09
# of Members	87,414,670	88,500,886	89,919,778	91,192,455
# of New Members (YTD)	1,341,546	1,086,216	1,418,892	1,272,677
ASSETS				
	Dec-06	Dec-07	Dec-08	Dec-09
Total Assets \$ (In Millions)	\$726,208.52	\$770,099.73	\$823,662.49	\$896,824.20
Total Assets \$ Growth (In Millions)	\$33,935.39	\$43,891.21	\$53,562.76	\$73,161.71
Total Assets % Growth (YTD)	4.9	6.04	6.96	8.88
Return On Assets (ROA)-Annualized	0.82	0.64	-0.01	0.18
NET WORTH				
	Dec-06	Dec-07	Dec-08	Dec-09
Net Worth \$ (In Millions)	\$83,756.35	\$88,125.49	\$87,751.56	\$88,737.22
Net Worth Ratio	11.53	11.44	10.65	9.89
TOTAL LOANS				
	Dec-06	Dec-07	Dec-08	Dec-09
Total Loans (\$) (In Millions)	\$505,544.41	\$538,602.81	\$574,753.63	\$580,454.24
Total Loans (\$) Growth (In Mil)	\$37,936.77	\$33,058.40	\$36,150.82	\$5,700.61
Total Loans (\$) Growth % (YTD)	8.11	6.54	6.71	0.99
Yield on Loans (Annualized)	6.49	6.74	6.61	6.29
LOAN DELINQUENCY				
	Dec-06	Dec-07	Dec-08	Dec-09
Delinquent Loans To Total Loans	0.68	0.93	1.37	1.83
Net Charge Offs To Avg Loan	0.45	0.5	0.84	1.21



DEPOSITS				
	Dec-06	Dec-07	Dec-08	Dec-09
Total Deposits (\$) (In Mil)	\$615,303.07	\$646,819.67	\$691,764.55	\$763,341.59
Total Deposits (\$) Growth (In Mil)	\$26,125.51	\$31,516.60	\$44,944.88	\$71,577.04
Total Deposits (\$) Growth % (YTD)	4.43	5.12	6.95	10.35

In 2009, federally insured credit unions’ (FICUs) asset growth was 9.1 percent. New auto lending declined by 7.7 percent in 2009, while first-mortgage real estate loans grew by 4.4 percent. Other real estate loans experienced a 4.3 percent decline. First mortgages continued to be the lion’s share of FICUs loan growth (141.8 percent).

According to the Credit Union Economics Group, credit unions cited the current economic conditions as a concern for the upcoming year. “This fear coupled with an uncertainty about NCUA premiums in 2010 will leave credit unions cautious moving forward.”

While these conditions would not be considered stellar for the industry, they do offer substantial opportunities for BSS. As credit unions search to find their footings in these uncertain economic conditions, BSS has the opportunity to set a high standard of providing viable investment solutions, education resources and assistance to credit unions within our target market (as defined below).

There are a few long term implications for BSS. Regulatory focus has heightened over concerns of concentration risk. Through the years credit unions have grown real estate loan concentrations as mortgage lending has become the one sure way credit unions could grow their loan portfolios. Concentration limits will essentially place caps on the amount of lending a credit union can do in any one loan type.

Liquidity management regulation has changed. With credit unions having lower liquidity facilities available through the CCU network, pressure is coming requiring credit unions to have a diversified amount of redundant sources of liquidity options in place to permit the institution to safely operate at higher loan to share levels.

BSS believes these regulatory forces will lead to large investment portfolios. We also believe there will be a growing need for additional liquidity sources. BSS is well positioned to support the growing investment portfolio needs and is developing additional solutions to help the credit unions meet their liquidity needs.

Market

Today, BSS is well positioned to work with the majority of midsized and large credit unions. We believe those market segments break down as follows:

- Approximately 20% interested in IA since it is not what they are resourced to do well,
- Approximately 70% not interested since they either like managing their balance sheet, like the broker attention or they feel like it is what they are being paid to do, and
- Approximately 10% view themselves as appropriately resourced to do it internally.



For the 20% interested in IA services, we offer a full range non-discretionary advisory service; for the 80% not interested in IA services, we provide a full service fixed-income broker/dealer (“BD”) service that includes access to the markets along with high level analytics to support transactions; and, trading resources for trade execution.

BSS has traditionally designed its BD and investment advisory (“IA”) products and services for credit unions with assets of \$50 million or larger and investable funds of \$20 million or greater as smaller institutions were well covered by the traditional CCU business model. Accordingly, its primary sales efforts have focused on these credit unions. For 2011 and beyond, BSS will expand its marketing efforts to include smaller credit unions. This change is being implemented because small credit unions will need broker/dealer and investment advisory support under the new CCU business model and changes to regulation addressing concentration risk.

To be successful in these efforts, BSS must acknowledge that a singular tactical approach will not be equally effective for credit unions of different sizes. BSS will create three specific tactical approaches designed to prospect relationships with small, midsized and large credit unions.

A key objective for BSS will be to capture a significant percentage of the expected deposit runoff from Members United Bridge in off-balance sheet product offerings. Currently, credit unions that have executed broker/dealer agreements with BSS hold 39.5% (see table below) of all Members United Bridge deposits. In addition, credit unions that have SimpliCD holdings represent 10.5% of Members United Bridge deposits. Together these credit unions represent 50% of Members United Bridge deposits. To be successful in capturing the target of 25% of the runoff, BSS will need to capture 50% of the expected runoff for these credit unions or expand its footprint to include other credit unions.

As stated above, to surpass the 25% objective BSS will need to successfully capture runoff from credit unions that do not currently have a relationship. Many of the credit unions that do not have a relationship with BSS do not traditionally invest in marketable securities, while others do so sparingly. By adjusting its target to credit unions with assets below \$50 million that do not currently have a relationship, BSS can expect to access an additional 15.7% of the expected runoff. This 15.7% of deposits is spread among approximately 900 credit unions, while approximately 750 credit unions that have a BD agreement and/or SimpliCD balances outstanding represent the other 50% of Members United Bridge deposits. BSS will need to have a high success level in promoting products and services to smaller credit unions in order to significantly expand its ability to capture runoff deposits.

	Shares	Certificates	Total	%
Current BD	\$2,738,348,874	\$743,282,877	\$3,481,631,751	39.46%
Current SimpliCD	\$710,979,448	\$216,576,513	\$927,555,961	10.51%
Total BSS	\$3,449,328,322	\$959,859,390	\$4,409,187,712	49.97%
Non BSS All	\$3,790,165,612	\$624,077,111	\$4,414,242,723	50.03%
Non BSS <\$50 million	\$1,139,090,083	\$206,086,575	\$1,345,176,658	15.70%

As stated above, BSS acknowledges that multiple tactical approaches will be necessary to maximize the effectiveness of resources when marketing its services to credit unions with such diversity in sizes. At the same time, BSS recognizes the importance of providing opportunities and support for smaller credit unions. Accordingly, BSS is committed to investing the necessary resources to



building and implementing successful tactical plans targeting these smaller credit unions along side its tactical plans targeting mid-sized and large credit unions.

To date, the majority of our targeting has been within the credit union industry. While significant opportunities for growth exist within that market, other financial institution sectors also offer opportunities for growth for BSS in the future.

While targeting shows the total investable funds that we are targeting, we can look to other sources for safekeeping transactions versus those executed through BSS to determine our growth trend and the growth potential that continues to exist among credit unions that are active in the marketable securities markets. In 2007, BSS transaction volumes equaled 5.7% of the total securities transactions executed through safekeeping. In 2008 that level increased to 15%, for 2009 it rose to 19% and through 7-31-10 it was 24%. The chart below graphically illustrates this growth and the remaining potential.

Year	Safekeeping Volume	BSS Volume	Percentage
2007	\$6,082,300,407	\$ 345,172,265	5.7%
2008	\$7,218,045,761	\$1,094,987,711	15.1%
2009	\$9,900,963,412	\$1,904,813,217	19.2%
2010	\$6,568,285,602	\$1,623,741,151	24.7%

Our unique approach of combining the expertise of our investment advisory professionals with our sales group in positioning and analyzing markets and securities along with our proprietary risk analytics services rival what is available through much larger broker/dealers. Larger brokerages with the facilities to offer similar levels of risk analytics and pre-purchase support often bypass financial institutions that are attractive targets for BSS. With few comparable competitors targeting this segment, there is considerable potential for BSS to thrive.

Competitive Landscape

BSS competes in a very competitive arena for a finite number of potential clients (see market analysis above). Specifically limited to credit union investment portfolios, the potential market for new accounts is limited. With heavy pressure on credit union profitability, the willingness of potential clients to absorb additional costs relating to investment and risk management makes the growth of direct assets under management more difficult. As stated earlier we anticipate that only 20% of prospects will consider the full IA program. That same profit squeeze is likely to induce natural person credit unions to consider mergers, further limiting the potential for new clients.

The single largest competitive force may still be the desire of individual credit unions to try to navigate the process of risk and investment management without the help of professional assistance. In order to convince a potential client to hire a balance sheet manager with a very quantifiable and identifiable cost, a similar or larger, quantifiable benefit must be obvious to the potential client. Since our performance metrics are appropriately measured against custom benchmarks, unique to each credit union’s overall risk position, the ability to clearly demonstrate the additional economic benefit can be quantified. Many of these credit unions have developed solid relationships with one



or more BD firms that are more aggressively holding their business partners. Herein lies future challenges and opportunities.

Competitive Advantages

Despite all of the concerns in the landscape, BSS has several advantages that can and should be used when developing new AUM:

Current Account Base. BSS has a stable book of business that has been cultivated over the last several years. These accounts serve as a solid AUM base, providing revenue streams that allow the IA to continue to deliver advisory and risk management services.

Reputation in Industry. Much of the marketing efforts have gone to developing the brand name of BSS in the eyes of the credit union community. A repetitive presence at educational sessions for members of Members United Bridge, web broadcasts and internally published materials has put the name and the staff of BSS at the forefront of risk management and asset management. The use of total return scenario analysis has caused a shift in methodology for some competitors within the credit union industry.

Reputation with Regulatory Bodies. A considerable amount of effort has gone into the development of educational materials for better risk management and decision making. Several of these programs have been presented to various state and federal regulatory personnel.

Staff Expertise. BSS is staffed with several professionals with multiple years of experience in relevant, credit union positions. Many of these professionals have developed relationships and reputations on local, regional and national stages.

Access to Products Without Capital Investment. Unlike the direction being taken by most CCUs, financial institutions do not have to make a capital investment in BSS to access its products and services.

Focus on Long-Term Relationships. BSS factors the value of long-term relationships in its measure of success. This focus on what is right for its customers and clients versus what will provide the highest level of profit sets BSS apart from its competition.

Affiliation with CCU. The experience of the CCU network has provided Balance Sheet Solutions with a fast accumulation of volume, scale and relationships.

Competitive Disadvantages

Many hurdles still exist in the growth of Balance Sheet Solutions:

Affiliation with CCU. The experience of the CCU network and its investment losses has been well documented. Many credit unions are still stinging from the costs allocated to them related to losses at CCUs. While not insurmountable, the negative tone cast toward CCUs will probably cause difficulty in the gathering of AUM for a while.



Relatively Short Business Experience. As mentioned above, BSS personnel have a broad and deep experience level from which to draw. However, BSS has a relatively short-lived tenure. In a comparative analysis this drawback is easy to find and exploit by those with a longer track record in the AUM arena.

Coherent Marketing Efforts. During the initial stages of Balance Sheet Solutions, promotion and marketing was assigned to the SBC network within Members United Bridge. Goals for these services coincided with goals for other products from the corporate. Because the advisory service in particular is a much more complicated sale with a long sales cycle, the success of the efforts of the SBC staff was below potential. Successful marketing of the IA services requires a more focused and diligent approach in the future.

Looking Forward Together

The creation of this plan highlights a transition point for BSS' role in the long-term success of Members United Bridge. While BSS has provided the primary distribution channel for Members United Bridge on-balance sheet products, the right-sizing of the Members United Bridge's balance sheet signals a need for greater focus on off-balance sheet opportunities and revenue production. For 2011, BSS expects to assume a much larger responsibility for off-balance sheet revenue generation.

Starting with revenue of \$119,000 in 2003, BSS has provided an increasing source of off-balance sheet revenue through marketable securities sales, SimpliCD sales, reporting services fees and Investment Advisory fees. Total revenues generated by BSS in 2009 exceeded \$10 million. For 2011, the development and implementation of additional off-balance sheet investment options is expected to compliment the existing sources to offset the decreasing spread income traditionally created through traditional on-balance sheet balances.

BSS understands that it is facing a changing industry model. As a CUSO of a CCU, the firm benefited from the relationships (members) of the Corporate. Before recent industry issues, CCUs carried strong credit ratings and were considered to be low risk financial institutions. Regulators encouraged credit unions to invest in CCUs to mitigate the risks they would face by investing directly into the financial markets. The close oversight of the NCUA and limited regulatory authority added to the sense of safety felt by credit unions when investing in CCUs. For many credit unions, diversification was in the form of investing in multiple CCUs. This willingness to invest beyond one's primary CCU encouraged competition among CCUs and this competition led CCUs to expand their risk horizons to pay higher and higher returns on credit union investments.

CCUs went from being perceived as a safe haven to being considered highly risky carriers of systemic risk. The speed and severity of the impact of the market changes has brought into question the strength of the regulation that was previously seen as a safety net, and made credit unions reluctant to re-capitalize CCUs due to a lack of confidence that regulators can prevent a repeat of consumption of capital to fund failing investments.

Credit union managers were once willing to invest 100% of their investable funds in the CCU network. While confidence remains in the CCUs' ability to process settlements, a growing number of credit union managers now feel the return on any investments in the Corporate fall far below the level associated with the potential risk. As the CCUs delivered a value proposition that included



settlement services, cash management, cash investments, term investments and liquidity provider, a new CCU business model representing far less systemic risk appears to be a very critical element going forward.

Such a change threatens to leave a large void for replacement of the remaining needs. Balance Sheet Solutions feels that this void can be filled with a collection of products and services offered to credit unions by BSS. BSS also feels that this collection of products and services can be offered in a manner to ensure that risk is totally transparent and that investors have the ability to measure that risk against the return.

While BSS' traditional product lines are built around its BD and IA, it will continue to fill a valuable role for the credit unions through the development of new products and services such as mutual funds and managed investment pools that can effectively fill the void left as CCUs realign.

While some CCUs have recapitalized and are claiming to have not broken the trust of the credit unions, giving 100% of their balances to one institution and demanding far more yield with every trade was not a superior business model. Going forward, these recapitalized smaller CCUs remain susceptible to competitive pressures offering a commoditized product on a wholesale basis as a not-for-profit to a non-for-profit. Through time, we believe competitive pressures will reignite the race of shrinking spreads or risk layering.

The mutual fund model provides the same level of return to all investors. At the same time, the creation and offering of multiple fund options with differing risk/return scenarios allow investors to select the risk/return profile that best meets their needs/tolerance. The CCU model allows revenue from some products to indirectly support others; the mutual fund model ties expenses with specific mutual fund offerings. Based on Members United CFCU's net operation expense ratios of 21 bps and 31 bps for 2005 and 2006 respectively, BSS believes it can maintain a more efficient operating expense for its mutual fund solutions. Thereby matching, if not exceeding, the efficiency of the CCU model, all the while, maintaining 100% risk transparency.

Other national trade associations and industry groups also offer mutual funds to credit unions through partnership with fund issuers. This approach has drawbacks. Rather than offering one fund or one family of funds, we can offer a deep cross section of funds. This will reduce the single fund firm exposure and allow more risk/return and diversification options for our clients.

While the development of mutual fund products is seen as a significant tool for the long-term future, other alternative investment vehicles will be considered to ensure a wide range of attractive investments are available to credit unions as they seek alternatives to the traditional CCU investment. These alternatives may include acquiring the necessary expertise and resources to create Federal Funds and Repo desks within the trading area. The overall low level of interest rates limits the ability to offer money market funds with attractive returns to BSS and the investors. The creation of alternative overnight and short-term investment vehicles should provide the necessary bridge for BSS to keep credit unions engaged as they seek viable alternatives to their traditional CCU investments. At the same time, the creation of these short-term investment alternatives can also provide BSS with sources for credit unions seeking short-term funding solutions.



BSS also recognizes the need to develop its own identity to effectively compete in new and existing markets. BSS will continue to work with the Members United Bridge marketing team toward developing a readily recognizable brand for the firm.

Over the upcoming three years that are covered by this plan, BSS will continue to evolve and will seek opportunities for growth. These opportunities may exist within our traditional business model or may include expansion into new markets and new product lines mentioned previously or yet to be considered. This same process could include the retirement of existing product lines that prove to be unprofitable and/or no longer relevant to our customers, clients and prospects.

BSS anticipates evolving its existing sales force to fully capitalize on individual strengths through a team approach. This approach allows AEs to specialize in the arenas where their strengths exist. This ensures that each regional market has the necessary resources to fully cover the broad range of customers and clients. This approach also allows the account executives to maximize their production within their specialties while others within their team provide support to customers in other market types.

Finally, BSS will look to enhance its governance through the creation of a Board of Directors. While the existing Advisory Board provides valuable insight and direction in positioning BSS and its products, its role is not governance. BSS operates under a Sole Manager who is tasked with operating the firm to provide the greatest compliment and return to its owner. The lack of a governing body to direct the activities of the sole manager opens opportunities for conflicts that can threaten the corporate veil that protects the firm's status as a limited liability organization. Under the recommendation and assistance of legal counsel BSS expects to create a Board of Directors with representation from the firm, from Members United Bridge and from an independent representative.

Objectives

To date, BSS has enjoyed a high level of security supplied by the vast resources of Members United Bridge. The implementation of this plan signals the beginning of a new era for BSS. This era is one of greater independence and greater self sufficiency. The objectives highlighted below, when met, will signal success in securing a strong future for the firm.

Grow market share of marketable securities business in both core and national markets. Because Members United Bridge has a successful safekeeping service in which most of its members maintain their marketable securities, BSS has the unique ability to observe the transactions that are being done by Members United Bridge members with other broker/dealers. Over the past three years the percentage of BSS marketable securities volume has steadily grown when compared to the total volumes executed by Members United Bridge members. Accordingly, a primary objective for the next three years is to continue to improve that ratio.

Grow assets under management in both core and national markets. While the same resources that support assets under management are directed at supporting the broker/dealer sales efforts, capacity to support additional assets under management remains. As with any investment advisory, greater economies of scale provided by growing assets under management allows greater access to opportunities in the markets.



Provide a viable alternative to credit unions as they move away from Corporate investments. Changes to the CCU regulations being implemented by NCUA are expected to change the role of the Corporate from the primary investment vehicle for many credit unions. Accordingly, credit unions will be looking for alternative investment instruments to fill the gaps. BSS will position itself through the creation of new products as well as positioning of existing products to meet the growing investment needs of natural person credit unions.

Establish a viable and recognizable independent brand for BSS and its products. While its positive reputation within the credit union industry has grown, BSS has yet to establish its own brand. Its affiliation with Members United CFCU has been beneficial for the development of relationships within credit union markets. However, to successfully branch-out beyond Members United Bridge's core market and the credit union industry BSS, needs to establish an identity that is recognizable across industries and geographies. This will require BSS to create a more independent identity. This is a process that will be approached as an evolution more than an immediate change. Evaluations will be made to determine if Members United Bridge's resources or external resources provide the best means to assist in this process.

Identify and enter new markets. While significant growth potential continues to exist within the credit union industry it represents a finite source of growth for BSS. Other segments of the financial services industry offer additional opportunities for BSS to grow. These segments include, but are not limited to, commercial banks, thrifts and insurance companies. Efforts will be made to analyze the opportunities within these markets and how to effectively enter them.

Constantly evaluate and adjust product offerings to reflect then current market and industry directions. BSS will constantly evaluate its products and services to ensure they are profitable. A significant part of any evaluation must be product relevance. In order to ensure product relevance, BSS must evaluate the needs of customers, clients and prospects to ensure the product evolve with the changing markets.

Investigate the creation or acquisition of a trust company. With the number of small and medium sized credit unions seeking investment solutions expected to grow as CCUs realign under the new regulations, opportunities to create new investment solutions will present themselves. For many of these solutions the existence of a trust company to hold and manage assets will provide BSS the necessary infrastructure to provide cost effective solutions with attractive returns.

Prepare to launch off-balance sheet options such as mutual funds and investment pools to capture run-off from Members United balance sheet products. As an investment advisor, BSS has the ability to act as an advisor to existing mutual funds. At the same time, BSS has the ability to create or act as an advisor for funds with the objective of capturing deposit runoff from Members United Bridge. For 2011 BSS expects to have mutual fund options registered and ready for introduction through a partnership with US Bank. Additional investment alternatives such as Fed Funds and Repo desks will also be investigated and prepared for introduction as needs demand.

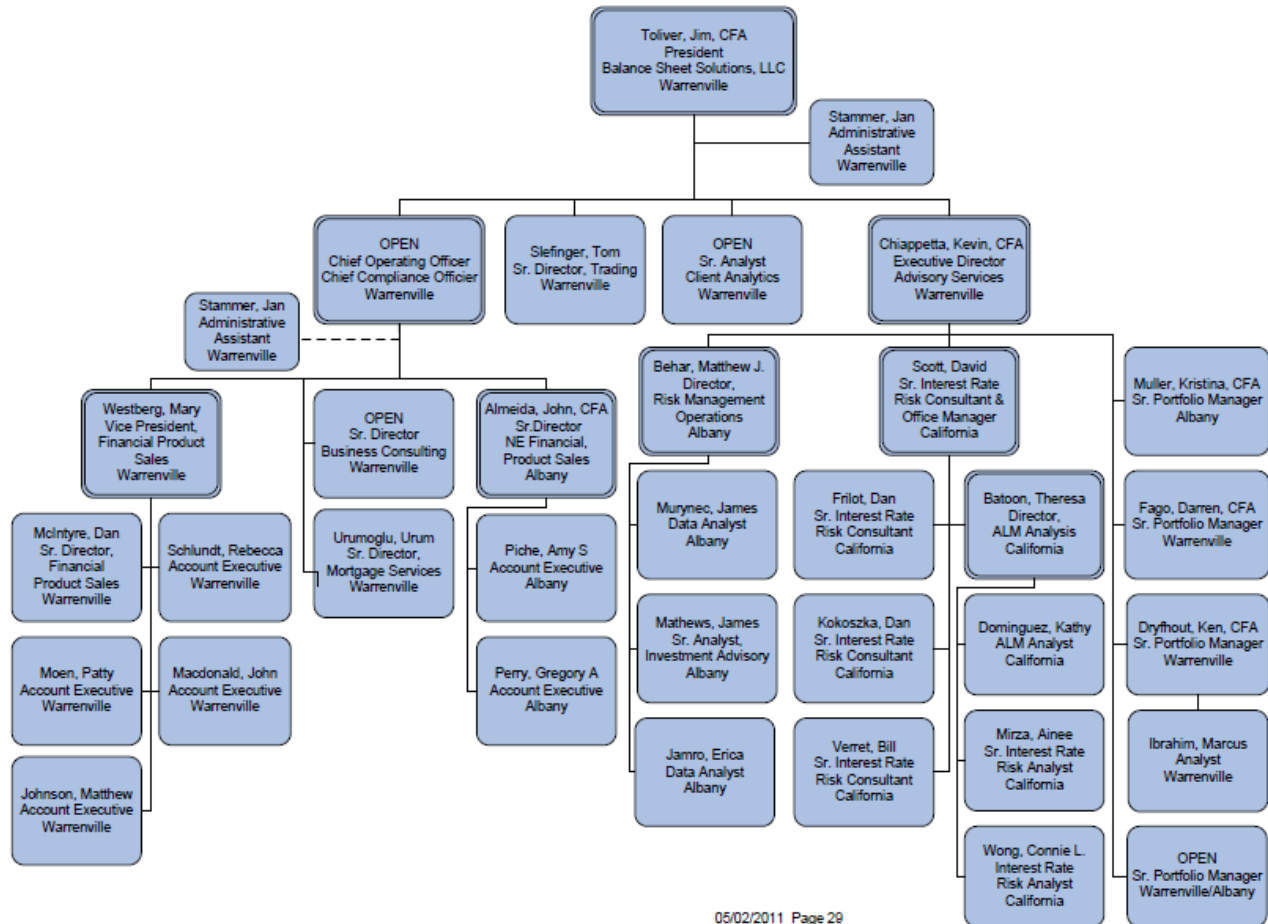
Provide a desired return on equity while providing a positive income stream to our investor. BSS is targeting a return on allocated adjusted equity of 15% in each of the years covered by this plan. A key component of self sufficiency is providing an attractive return to investors. It is anticipated that Members United Bridge will continue to be the sole owner and maintain a minimum allocated capital investment in BSS of \$2 million. Realizing BD revenues are cyclical, the volatility of return

Draft 2011 Strategic Plan



on equity within the BD will be high as well. In times of tight liquidity, client lending activities dominate the use of excess funds and return on equity targets will be hard to meet. During periods of high liquidity, return on equity targets can more easily be exceeded – provided we maintain client confidence.

An organization chart showing the current structure is shown below.



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D. Private Placement Memorandum and Capital Subscription

Provided under separate cover to credit unions.



E. Capital Plan

The NCUA issued a guidance letter on December 10, 2010 which provided additional information regarding capital compliance under the revised Part 704 corporate credit union regulation. The guidance letter provided “recommended capital compliance plan components”. This document is structured to provide a response to each component and further clarify the capital plan of Forward Together.

Component 1 – Description of how the CCU will bring capital and NEV ratios into compliance, to include expectations of capital conversions or additional capital contributions.

Members United is in bridge status and, therefore, cannot be recapitalized. Instead, the membership intends to charter a new corporate credit union (Alloya), conduct a capital raise and effectively complete a merger with Members United Bridge, effective October 1, 2011. In summary, Alloya is targeting to raise approximately \$100 million of capital to support a balance sheet of \$2 billion.

Alloya’s strategic plan is focused on payments, technology, single point settlement and overnight lines of credit. A percentage of the balance sheet will be allocated to supporting existing term loan assets. Alloya will direct term investments off-balance sheet to minimize capital requirements. A primary objective of the capital plan is to minimize the perpetual capital requirement in an effort to retain as much fee income business as possible.

A critical assumption of the capital plan is the implementation of an “Excess Balance Account” program to efficiently transfer non-core settlement funds off-balance sheet (please see below for details).

Member input supports this strategic direction. Surveys were conducted at seventeen Town Hall sessions, hundreds of individual credit union meetings and input from the Members Advisory Council (“MAC”). To date members have responded as follows:

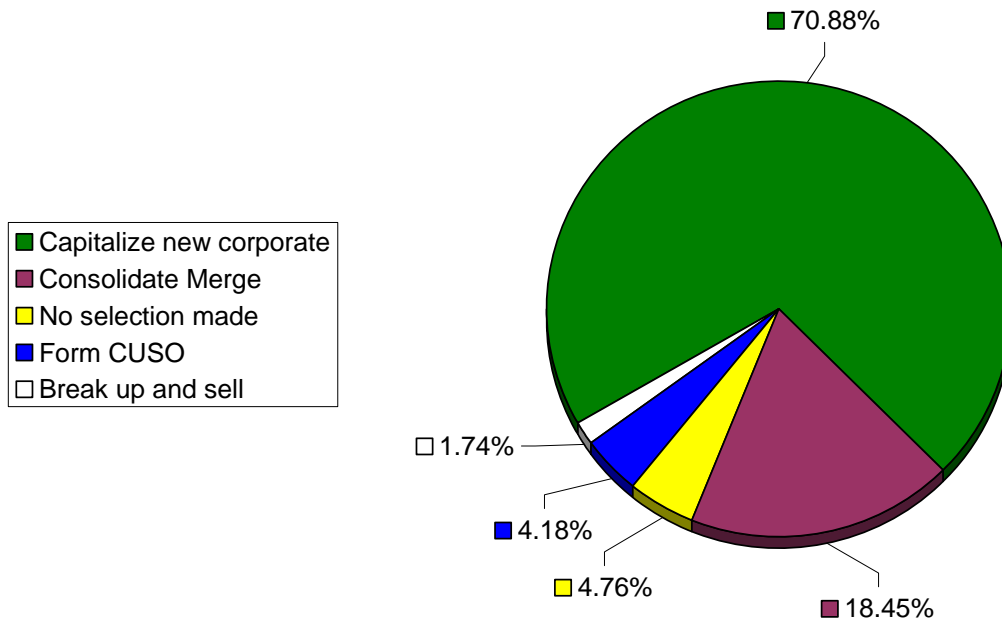


Town Hall Meeting Results

	<u>Capitalize New CCU</u>	%	<u>Consolidate or Merge</u>	%	<u>Form CUSO</u>	%	<u>Break- Up and Sell</u>	%	<u>Total</u>	%
Bloomington, MN	22	67%	10	30%	1	3%	0	0%	33	8%
Duluth, MN	13	68%	4	21%	0	0%	2	11%	19	4%
Rapid City, SD	10	77%	3	23%	0	0%	0	0%	13	3%
Sioux Falls, SD	23	82%	3	11%	2	7%	0	0%	28	6%
Oak Brook, IL	22	59%	13	35%	2	5%	0	0%	37	8%
Framingham, MA	4	27%	8	53%	1	7%	2	13%	15	3%
Warwick, RI	9	75%	3	25%	0	0%	0	0%	12	3%
Albany, NY	44	79%	9	16%	2	4%	1	2%	56	13%
East Windsor, NJ	21	84%	4	16%	0	0%	0	0%	25	6%
Brooklyn, NY	10	56%	7	39%	1	6%	0	0%	18	4%
Parsippany, NJ	15	83%	0	0%	3	17%	0	0%	18	4%
Utica, NY	14	93%	1	7%	0	0%	0	0%	15	3%
Rochester, NY	38	86%	5	11%	1	2%	0	0%	44	10%
Indianapolis, IN	20	77%	5	19%	1	4%	0	0%	26	6%
Decatur, IL	25	83%	3	10%	1	3%	1	3%	30	7%
South Bend, IN	10	59%	5	29%	2	12%	0	0%	17	4%
Rocky Hill, CT	23	70%	6	18%	3	9%	1	3%	33	8%
Totals	323	74%	89	20%	20	5%	7	2%	439	



Straw Poll Graph – All Respondents



Credit unions that voted to capitalize a new corporate as their first choice also voted for merger as their second option in about 83% of the responses. Similarly, those who voted first for merger, voted second for re-capitalization 65% of the time.

Second, credit union responses were not the same by asset class. The largest credit unions, who represent the lion's share of Members United Bridge's processing volumes, voted 35% for merger, while only 17% of the smallest credit unions voted in favor of merger:



Straw Poll by Asset Size

	Capitalize New CCU	Consolidate Merge	No selection made	Form CUSO	Break up and sell	
Micro (<\$10 MM)	178	47	35	7	5	272
Small (\$10 MM - \$50 MM)	244	37	3	10	3	297
Medium (\$50 MM - \$250 MM)	116	44	2	10	3	175
Large (\$250MM - \$1 Billion)	38	17	1	2	2	60
Jumbo (> \$1 Billion)	13	8	0	0	2	23
CUSO/Affiliate	1	0	0	0	0	1
N/A	21	6	0	7	0	34
	611	159	41	36	15	862

The results of the Members Advisory Council ("MAC") validated these findings, as Council members supported the capitalize option as their preference, though this was not a unanimous decision and several were in favor of a merger either concurrent with or immediately following constitution of the new CCU. In total, 611 members voted to capitalize a new CCU and another 104 voted for this as their second choice after merger. These 715 members represent 83% of the 862 members surveyed and is the basis for the 85% adoption rate used in financial pro formas

Key Tenets of the Capital Plan

- Set capital goals to achieve 5% "well capitalized" level by October 20, 2011. This provides a cushion over the minimum 4% threshold to be deemed "adequately capitalized" and absorb seasonal liquidity fluctuations.
- Minimize the amount of new capital by reducing the balance sheet size.
- Require perpetual contributed capital (PCC) to access payment, technology, settlement and advised line of credit services.
- During the initial capital subscription period ending August 31, 2011, PCC requirements will be based on recent settlement activity for existing members. This calculation will yield a lower capital requirement for a majority of members and provide an incentive to participate in the initial capital subscription period.
- New members can capitalize at the minimum floor level for PCC with the understanding that additional PCC may be required in the future.
- During the initial capital offering period ending August 31, 2011, existing members may also elect to capitalize at the minimum floor level if they plan to adjust their settlement behavior.



- A PCC maximum cap is also set so that credit unions understand their maximum risk exposure. No credit unions are expected to be impacted by the cap initially.
- A deposit limit will be set at 20 times PCC. This plan allows a credit union to exceed their deposit cap as long as the average balance of DANA for Alloya does not pressure the capital ratios. Alloya would have the option to sweep excess funds, if necessary, to achieve the desired balance sheet size.
- An advised line of credit will be set at 30 times PCC for credit unions that participate in the initial capital subscription raise ending August 31, 2011. The advised line of credit will be set at 20 times PCC for any member that capitalizes after the initial subscription period.
- Allow credit unions to purchase additional capital to increase their deposit cap and advised line of credit. Alloya may consider offering non-perpetual contributed capital (NCA) if credit unions desire to increase their advised line of credit as long as a member has first purchased the minimum PCC.
- Alloya will review debit settlement activity on a quarterly basis to evaluate if a member remains in good standing. If 5% of 3-day debit average settlement during this quarterly period is 1.25 times greater than the amount of PCC such credit union holds (subject to the cap), the credit union will be required to purchase additional PCC or adjust their settlement behavior. If the undercapitalization condition exists for more than 2 quarterly cycles, the credit union may be subject to a non-member fee schedule and other actions as determined by the Board of Directors of Alloya up to and including expulsion unless the PCC is adjusted back to good standing.
- Alloya is considering setting a standard price schedule that would apply to all capital members in good standing. A separate price schedule (set at a higher level) would apply to members that have not met the capital requirements.
- Establish a capital transfer marketplace in Premier View that will allow credit unions the opportunity to offer their capital for sale.
- Require new members that join in the future or those existing credit unions that need to purchase more PCC based on the adjustment process described above to first purchase any capital that is offered for sale by existing members before Alloya issues additional capital.

Segment Analysis of the Capital Plan

The following chart illustrates the capital option that is only available for existing members during the initial capital period (i.e., capital requirement based 100% on settlement that is not subject to a floor or cap). If all credit unions participate, Alloya would raise \$120 million in capital as reflected in the chart below.

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Segment Data					
Credit Union Size	Number of Credit Unions	PCC Floor Applies	PCC Cap Applies	Settlement Applies	Possible Capital Raise (in Millions)
<\$10 million	293	-	-	293	\$ 1.65
\$10 - \$50 million	489	-	-	489	13.64
\$50 - \$250 million	250	-	-	250	35.25
\$250 - \$1000 million	91	-	-	91	40.39
> \$1billion	30	-	-	30	29.50
Totals	1153	-	-	1153	\$ 120.43

The surveys conducted at the conclusion of each town hall indicated that 70% of members favor chartering Alloya while another 20% favor merger to gain efficiencies. Since merger is not an option until Alloya emerges and is operational, the model assumes that the capital plan will achieve 85% success. Therefore, a capital goal of approximately \$100 million has been established.

While existing members will have the option to purchase PCC based on their settlement history, new members will be allowed to join Alloya but would be subject to a floor and a cap on their capital requirements since they have no settlement history with Bridge or Alloya.

It should be noted that existing members may also elect to capitalize at the minimum level during the initial capital subscription period if they plan to modify their settlement behavior before Alloya commences operations (i.e., settles certain products directly with the Federal Reserve).

Segment Data Min / Max			
Credit Union Size	Number of Credit Unions	Minimum PCC (Floor)	Maximum PCC (Cap)
<\$10 million	293	10,000	50,000
\$10 - \$50 million	489	40,000	200,000
\$50 - \$250 million	250	80,000	650,000
\$250 - \$1000 million	91	150,000	2,000,000
> \$1billion	30	250,000	5,000,000
Totals	1,153		

The minimum capital requirements are used to create a foundation to support the fixed cost infrastructure that provides significant value to each member. For example, Premier View efficiently provides credit unions a single and secure access point to several products and services. It has been estimated that without the shared corporate infrastructure, several credit unions would most likely need to add at least one full time employee to manage the multiple vendor relationships that would replace the corporate



services. Alloya’s annual value-add has been estimated at \$100,000 to \$150,000 which represents less than a 1 year payback on the minimum capital requirements for many members.

The following chart illustrates the capital raise assuming that existing members were subject to the same floor and cap.

Segment Data					
Credit Union Size	Number of Credit Unions	PCC Floor Applies	PCC Cap Applies	Settlement Applies	Possible Capital Raise (in Millions)
<\$10 million	293	252	-	41	\$ 3.14
\$10 - \$50 million	489	381	-	108	21.92
\$50 - \$250 million	250	74	-	176	38.06
\$250 - \$1000 million	91	18	-	73	42.22
> \$1billion	30	8	-	22	31.19
Totals	1,153	733	-	420	\$ 136.52

Alloya could potentially raise an additional \$16 million of capital by implementing the floor requirement for existing members during the initial capital subscription period. However, the floor would then apply to a majority of credit unions and would be inconsistent with the Forward Together plan which was based on settlement activity.

Strategic Importance of the Excess Balance Account

One of the key concepts in our plan is to minimize capital required from member credit unions by actively managing the size of our balance sheet. One key tool to manage Alloya’s balance sheet is to utilize the Federal Reserve Bank’s (“FRB”) Excess Balance Account (“EBA”) program. This program allows correspondent banks to accept deposits to support settlement and other activities without maintaining the full member balances on their books. At instruction of the member, the correspondent bank (or Agent Bank in the FRB program) moves funds (of the respondent banks) to an account at the FRB and the FRB accepts the deposit on their own balance sheet. Alloya’s use of the EBA will allow members to minimize their balance sheet footing, and therefore required capital, while retaining the convenience and efficiency of single-point settlement using our secure web interface, Premier View.

Corporate credit unions provide a very similar portfolio of services and would be a natural candidate to be Agent banks under the FRB program. However, the FRB will not allow any conserved/bridge corporates to participate in the EBA program. We are in the process of developing a relationship with a current EBA Agent bank to permit our members to access the FRB’s EBA program. The relationship will be between our member and the Agent Bank, and Alloya will remit funds to EBA agent bank. The funds will be on the books of the FRB, so credit union credit risk will be minimized and we will also effectively minimize our balance sheet. We feel it is of critical importance to have this program up and running, even if on a test basis, during the capital raise to



demonstrate our ability to manage our balance sheet effectively. We are well on our way with this project and hope to have test credit unions using the EBA by mid-summer.

The next step in our plan is to apply for Agent bank membership once Alloya begins full operations. Once approved as Agent Bank by the FRB, Alloya would migrate members from the interim Agent bank to Alloya's Agent bank program. This process should be able to begin within 60 days of Alloya's operations commencing. The EBA program will enable Alloya to continue to offer the products and services our credit unions members need while optimizing our capital relative to our balance sheet. Should there be material changes to the EBA program that would make it unavailable to Alloya, we would work with credit unions to enforce the member deposit cap at Alloya by wiring funds to either their own FRB account or another reputable liquidity alternative (mutual fund, etc.).

The EBA is part of a "family of products" strategy. The EBA is being offered by the Fed in this low rate environment to help soak-up excess liquidity. As rates rise, the Fed, as a matter of public policy, is likely to terminate the EBA program. We are working with Balance Sheet Solutions to develop a series of money market mutual funds as future alternatives to the EBA. Today's low rate environment makes these mutual funds not feasible currently as the fixed cost of operating the funds exceeds their return. However as rates rise, these mutual funds become profitable. We can then use the money market mutual fund product to replace the EBA in the product family.

Basis for Merger instead of Purchase and Assumption

NCUA has indicated its preference for the transaction to be completed as a merger of Members United Bridge into Alloya. A merger would ensure that 100% of the assets and liabilities of Bridge were transferred to Alloya. A merger is different than a purchase and assumption transaction which could potentially leave the NCUSIF responsible for assets and liabilities that were not acquired by Alloya.

Net Economic Value Considerations

Members United Bridge has minimal credit risk exposure. However, interest rate exposure has increased relative to the projected capital target of \$100 million due to termination of interest rate swaps. Specifically, Bridge holds over \$300 million of term member loans that are set at a fixed rate of interest. The value of loan assets declines by \$20 million with an instantaneous 300 basis point rise in interest rates. A \$20 million decline in value against the \$100 million capital base results in a NEV decline of 20%. This exceeds the 15% rate shock limit set for corporate credit unions with a "Base" level of authority.

Ideally, Alloya will apply and receive "Base +" authority which would raise the NEV limit to 20%. Alternatively, Alloya would like to apply and receive expanded derivative authority so that this interest rate risk could be hedged. As Members United Bridge retains all of the necessary capabilities for derivative authorities, the incremental operating expense would not unfavorably impact profitability.



Another alternative would be for Alloya to issue term certificates to bring NEV into compliance but at the sacrifice of earnings.

It should be noted that Alloya would assume some fixed rate certificates that would partially offset the NEV volatility associated with the loans.

In summary, \$100 million of capital should be sufficient to support the balance sheet and meet regulatory risk requirements. However, the NEV position is projected close to the limits during the first month of operations and would need to be carefully monitored unless mitigating strategies are implemented.

Component 2 – Description of any capital subscription process. Indicate targeted capital subscription goals, timelines, and the process by which capital will be pledged and actually subscribed. Also, describe how the corporate will return pledged capital to members if the targeted capital goals are not achieved.

A Charter Advisory Group (CAG) has been formed with the intent to complete an application to charter a new corporate credit union by March 31, 2011. Assuming NCUA approves the application and grants a charter for Alloya by April 30, 2011, the initial capital subscription period will begin May 15, 2011 and conclude on August 31, 2011.

Alloya is targeting to raise \$100 million of new perpetual contributed capital shares to support a balance sheet of \$2.0 billion. Existing credit union members will need to purchase a minimum amount of PCC based on 3-days of average debit settlement. As noted earlier, if a credit union does not want to capitalize Alloya based on this settlement data, the member may elect to capitalize at the minimum floor level that will apply for new members. However, if the credit union does not adjust their settlement behavior, the credit union may need to purchase additional PCC in the future to remain in good standing.

Alloya will set up an escrow account to hold the PCC during the initial subscription period. Once the subscription period concludes and the credit union support for Alloya is better known, the financial projections will be updated to determine if a profitable and sustainable business model will exist. If key business conditions are met, capital will be released from escrow in September 2011.

Key business conditions will include;

- A minimum of \$100 million of capital is raised (could decline to \$70 million if expanded derivative authority is granted and interest risk associated with loan assets is mitigated).
- An EBA account is functional and is sweeping excess balances or an alternative plan is available to return balances to credit unions that exceed their capitalized deposit cap to ensure the balance sheet is reduced.
- Profitable operations are projected.
- Alloya meets the minimum capital requirements during the first month of operation.



- Loans, shares and certificates merged into Alloya are supportable by the capital base.
- Alloya is able to merge the assets and liabilities of Bridge without incurring significant additional purchase premiums.

Assuming capital is released from escrow, Alloya could commence operations. The capital would provide the necessary funds for Alloya to complete its merger with Members United Bridge as of September 30, 2011. Any assets, staff or processes that are not assumed by Alloya will be ended along with the charter for Members United Bridge.

Alloya could most likely operate with as little as \$70 million of PCC supporting a balance sheet of \$1.4 billion. However, raising less than \$100 million of capital will most likely require significant expense reductions and/or price increases.

If the key business conditions are not met, capital will be returned to the credit unions on September 30, 2011. Bridge will remain in existence for at least another 6 months to provide credit unions with a transition period.

The NCUA has been clear – Bridge credit unions have until October of 2011 to find a **collective** solution. In our case, the members plan to charter and capitalize Alloya. If this plan fails, Bridge will continue uninterrupted service for at least 6 months while credit unions find an **individual** solution.

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Component 3 – Tactical plans to achieve compliance, to include milestones for implementation, measurable goals, and discussion with members.

The tactical plan is presented below with a description and due date for each key milestone.

Milestone	Date
1. Conduct town halls and member surveys.	Completed.
2. A charter application, merger application and capital/business plan for Alloya are submitted to the NCUA for review and approval	March 31, 2011
3. Alloya receives approval and retains external legal counsel to assist with development of the capital offering disclosure document. In addition, Alloya receives approval to retain an accounting firm to assist in the valuation of Bridge assets and liabilities.	March 31, 2011
4. NCUA approves the Alloya plan and grants a charter. Note, NCUA may elect to grant a conditional 90 day charter until the capital conditions are met.	April 30, 2011
5. Alloya capital offering disclosure document is available. Capital offering discloses that members who do not capitalize will have higher fees in six months.	April 30, 2011
6. Alloya to retain an accounting firm to value Bridge assets and liabilities. The current models assume fair value will approximate book value.	April 30, 2011
7. Alloya establishes an escrow account with a third party.	May 15, 2011
8. Initial capital subscription period commences (existing Bridge members are allowed to purchase minimum PCC based on settlement while new members are required to purchase PCC at 25 bps of their total assets).	May 15, 2011
9. EBA is functional, at least in beta, given its strategic significance.	June 30, 2011
10. Alloya completes and submits applications for expanded investment and derivative authorities, as applicable, to mitigate risk.	July 31, 2011
11. Initial subscription period concludes.	August 31, 2011

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Milestone	Date
12. Financial projections for Alloya are updated to consider PCC support	September 10, 2011
13. Alloya Board makes determination that key business conditions are met and capital can be released from escrow.	September 15, 2011
14. Alloya determines which Bridge employees will be offered employment at Alloya	September 15, 2011
15. Alloya completes negotiations with the NCUA to merge Bridge assets, liabilities and operations	September 30, 2011
16. Staff are notified of their status (i.e., were they offered employment at Alloya or will employment end when Bridge is dissolved.	September 30, 2011
17. Alloya commences operations	October 1, 2011
18. Standardized price sheet for PCC members goes into effect.	October 1, 2011
19. Capital regulations for Alloya become effective.	October 20, 2011
20. Effective date of price increases for those members that elected not to purchase PCC. Such members will be subject to a non-member price sheet and will be given no more than 12 months to transfer services.	October 30, 2011
21. Bridge staff is released as operations have transferred to Alloya.	October 30, 2011
22. Permanent Board replaces interim Board of Alloya.	June 2012
23. Retained earnings ratio of 45 bps is achieved. NCA's lose regulatory capital value.	October 20, 2013



Component 4 – Contingency plans for replacing services provided by U.S. Central Bridge

Alloya only uses U.S. Central for ACH, Automated Settlement, Safekeeping and Bill Payment services. Plans have been prepared to convert these products to alternate vendors although the first preference is for the products to seamlessly transfer away from U.S. Central Bridge to a new owner. Alloya will plan to retain its key project management staff that has successfully completed several large scale conversions. With this team, we are reasonably confident that we could transfer services to another provider, if necessary, given six months notice.

Component 5 – Balance sheet and income projections for 2011 through 2013

It should be noted that financial projections presented herein will need to be updated and revised once credit union support is determined at conclusion of the capital offering.

The base case capital target is \$100 million and would support a balance sheet of \$2.0 billion. A capital ratio of 5.2 percent would be considered well capitalized.

Credit unions currently have close to \$6.0 billion in overnight settlement and investment accounts at Members United Bridge. These ratios assumed that Alloya is successful in sweeping \$4.0 billion of these “cash” accounts off-balance-sheet through an Excess Balance Account with the Federal Reserve or other alternative.

Members United Bridge’s baseline operating expense run rate after the Connecticut site closure, Indy site closure and elimination of non-recurring expense items such as severance/retention is estimated at \$2.5 million per month or \$30 million on an annual basis. The financial model projections forecast expenses at \$26.5 million. It is possible that fee income will be higher than planned and could offset this gap. Otherwise, Bridge may need to cut expenses by another 12% from this run rate to better position Alloya’s on-going business plan. If expense reductions are necessary, Alloya would utilize existing budgeting and planning processes to identify cost cutting opportunities while minimizing credit union impact. These processes have been proven successful as Members United reduced its expense base and staffing levels by 50 percent with no impact on its high standards of member service.

The regulation also requires Alloya to generate monthly profits and to build retained earnings to 45 bps by October 2013. Five-year pro forma projections are provided on the next page and project compliance. Financial highlights of the plan include:

- A balance sheet of \$2.0 billion funded primarily by settlement shares, overnight deposits and legacy certificates on the liability side of the balance sheet. Cash, existing term loans and an investment portfolio that complies with regulation are on the asset side of the balance sheet.
- Capital of \$102 million is projected.
- An EBA account is operational and sweeping excess funds off-balance sheet.
- Net income of \$4.5 to \$6.4 million is projected each year of the five-year plan.
- Payment and technology fee income grows at 5% annually.
- Balance Sheet Solutions fee income grows 7.5% annually



- Operating expenses are projected to begin at \$26.5 million (down from \$31 million today) and then increase 5.0% annually.
- The leverage ratio increases to 6.05% by 2015.
- The leverage ratio declines to 4.78% in 2016 when regulatory provisions take hold. In summary, the amount of PCC that counts towards the ratio is limited beginning in 2016.

Balance Sheet Solutions (BSS) is a wholly-owned CUSO of Members United Bridge and represents a key component of Forward Together. As noted above, the business model assumes BSS will increase fee income 7.5% annually as credit unions transition term investments away from corporate credit unions.

To ensure ongoing viability, BSS must strive to build a high level of relevance to customers, clients and prospects while providing a sound return on investment to its sole owner, Members United Bridge Corporate FCU (“Members United Bridge”). These objectives will be reached through the evolution of the firm from a break-even distribution channel for CCU on- and off-balance sheet products to an efficient provider of crucial balance sheet management tools for clients, customers and prospects. Specific objectives are listed below:

- Provide a desired return on equity while providing a positive income stream to our sole investor
- Grow market share of marketable securities business in both core and national markets
- Grow assets under management in both core and national markets
- Provide viable option for credit unions as they move away from CCU investments
- Establish a known and viable brand for BSS and its products
- Identify and enter new markets
- Constantly evaluate and adjust product offerings to reflect then current market and industry directions
- Investigate the creation or acquisition of a trust company in order to provide trust services to customers and clients
- Implement off-balance sheet options such as mutual funds and investment pools in order to capture the run-off of Members United Bridge on-balance sheet deposit

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Pro Forma Financials					
Closing Date	10/31/2012	10/31/2013	10/31/2014	10/31/2015	10/31/2016
	Year 1	Year 2	Year 3	Year 4	Year 5
# of Years from Final Rule	2	3	4	5	6
1 month Libor	0.25%	0.25%	1.25%	1.25%	1.25%
Balance Sheet					
Total Assets - DANA	2,047,341	2,051,809	2,057,053	2,063,369	2,069,752
New Assets	1,705,046	1,832,317	1,874,250	1,897,438	1,919,841
Existing Assets	342,296	219,492	182,803	165,931	149,911
Overnight Balance	1,105,172	1,385,783	1,392,078	1,392,132	1,392,132
Existing Cert Balance	286,959	6,349	54	0	0
Settlement Balance	552,843	552,843	552,843	552,843	552,843
Total Liabs	1,944,974	1,944,974	1,944,974	1,944,974	1,944,974
Contributed Capital	102,367	102,367	102,367	102,367	102,367
Retained Earnings	4,468	9,712	16,027	22,411	28,799
Income Statement					
Interest Income - New Assets	7,263	7,806	26,727	27,057	27,377
Interest Income - Existing Assets	6,841	5,863	5,408	5,114	4,748
Total Interest Income	14,104	13,669	32,135	32,171	32,125
Interest Expense - New Liabs	3,877	4,466	21,912	21,912	21,912
Interest Expense - Existing Liabs	1,373	37	1	0	0
Total Interest Expense	5,250	4,503	21,912	21,912	21,912
NII	8,854	9,166	10,223	10,259	10,213
Fee Income - Current Operations	14,500	15,225	15,986	16,786	17,625
growth rate		5.00%	5.00%	5.00%	5.00%
Fee Income - BSS	8,000	8,600	9,245	9,938	10,684
growth rate		7.50%	7.50%	7.50%	7.50%
Fee Income - New Off B/S Product	-386	78	78	78	78
growth rate		0.00%	0.00%	0.00%	0.00%
Total Fee Income	22,114	23,903	25,309	26,802	28,386
Operating Expense	-26,500	-27,825	-29,216	-30,677	-32,211
growth rate		5.00%	5.00%	5.00%	5.00%
Net Operating Income	-4,386	-3,922	-3,907	-3,875	-3,825
Net Income	4,468	5,244	6,316	6,383	6,388
Financial Ratios					
Net Interest Margin	0.43%	0.45%	0.50%	0.50%	0.49%
Net Op Exp Coverage Ratio	83.45%	85.90%	86.63%	87.37%	88.13%
Return on Assets	0.22%	0.26%	0.31%	0.31%	0.31%
Return on Equity	4.18%	4.68%	5.33%	5.12%	4.87%
Capital Ratios					
RUDE Ratio	0.22%	0.47%	0.78%	1.09%	1.39%
Requirement		0.45%			1.00%
Leverage Ratio (per Reg)	5.22%	5.46%	5.76%	6.05%	4.78%
Requirement	4.00%	4.00%	4.00%	4.00%	4.00%



Component 6 – Those CCUs that have private label mortgage-backed securities and/or commercial mortgages must provide a plan to independent stress test the capital adequacy.

Not applicable for Alloya.

Component 7 – New or revised business model or strategic direction.

Alloya's strategic plan would be to continue to offer a broad range of leading payments, technology, single point settlement and advised line of credit services to credit unions. Term investment needs will be provided by Balance Sheet Solutions, a wholly-owned CUSO. Alloya will strive to maintain efficient operations and generate sufficient net income to rebuild retained earnings.

Correspondent Services

- ACH
- Domestic & International Funds Transfer
- Coin & Currency
- Automated Settlement
- Security Safekeeping

Item Processing

- Check Collection
- Share Draft
- Virtual Item Processing

Liquidity

- Advised Line of Credit
- SimpliCD
- Loan Specials
- Central Liquidity Facility
- Altisource

BSS, LLC

A wholly owned subsidiary

- FINRA Registered Broker/Dealer
- Market Expertise and Education
- Asset/Liability Management Services
- Investment Advisory Services
- Credit Union in Transition Program
- Portfolio Benchmarking
- Share Sensitivity Study
- A/L Management
- Marketable Securities
- SimpliCD

Premier View

- Token-based authentication
- Online Account Management
- Online Transaction Processing



- Online Statements and Invoices

Investment Services*

- Settlement Shares
- Overnight Investment Shares

Education

- ACH
- Compliance
- Balance Sheet Tactics
- Economic Forum
- Operations Outlook Conference
- Regional roundtables

Component 8 – Options or contingency plans in case Alloya makes insufficient progress or is unable to comply with the new regulatory requirements.

If the capital raise efforts for Alloya fail, capital held in escrow will be returned to members on September 30, 2011. Bridge will continue to provide uninterrupted services for at least a six month period as credit unions implement conversions to an alternate service provider.

Component 9 – Investment portfolio changes to comply with Part 704.

Alloya will adopt an investment policy that is compliant with Part 704. In summary, 45% could be stored in cash, 20% allocated to member credit union loans with the remaining investments diversified across the approved sectors. This example meets the 2-year weighted average life regulatory requirement while providing 22 bps of income above Libor. Assuming \$2 billion in deposits, the following chart provides one example of how these funds would be invested by Alloya:

Assets

	% of Portfolio	Balance	Spread to Libor*	WAL	WAL Adjusted	Annual Interest Inc
FFELP	5%	\$ 102,367	45	5.0	5.0	\$ 717
Autos	10%	\$ 204,734	28	2.0	2.0	\$ 1,085
Cards	5%	\$ 102,367	38	5.0	5.0	\$ 645
Corp	0%	\$ -	82	3.5	3.5	\$ -
Agency RMBS**	15%	\$ 307,101	35	3.5	1.8	\$ 1,843
Loans	20%	\$ 409,468	50	4.0	4.0	\$ 3,071
O/N	45%	\$ 921,304	0	0.0	0.0	\$ 2,303
Total Assets	100%	\$ 2,047,341	22	2.0	1.8	\$ 9,663



Capital Stress Scenario 1 – The purpose of this scenario is to evaluate the impact of the option for credit unions to purchase PCC at the minimum floor level. Please recall that credit unions can either purchase capital during the initial subscription period based on their settlement activity or they can elect to purchase capital at the floor level if they plan to reduce their settlement behavior before October 1, 2011.

This specific stress scenario assumes that all credit unions over \$1 billion elect to capitalize at the minimum floor of \$250,000 while all credit unions over \$250 million but less than \$1 billion elect to capitalize at the minimum floor of \$150,000. Additional expense cuts and fee income increases would be necessary but a business model could be compliant. It assumes that loan assets, as is, are not supportable on this balance sheet. The following summarizes the more significant financial assumptions of this scenario:

- Capital of \$71 million would be raised instead of \$102 million.
- Balances would total \$1.4 billion instead of \$2.0 billion.
- The capital base of \$71 million would not support the interest rate risk associated with the existing term loans so the model assumes those assets and associated income is gone.
- Operating expenses would need to be reduced to \$22.5 million instead of \$26.5 million and would be flat in year 2 before increasing at 5%.
- Payment fee income would increase 10% in year 2 and 5% thereafter.
- Due to lower expenses and fee increases, net income projections build from \$1.0 million in year 1 to \$8.9 million in year 3. Alloya barely meets the retained earnings requirement of 45 bps in 2013.

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Pro Forma Financials - Scenario 1

Closing Date	10/31/2012	10/31/2013	10/31/2014	10/31/2015	10/31/2016
	Year 1	Year 2	Year 3	Year 4	Year 5
# of Years from Final Rule	2	3	4	5	6
1 month Libor	0.25%	0.25%	1.25%	1.25%	1.25%
Balance Sheet					
Total Assets - DANA	1,432,515	1,433,607	1,438,978	1,447,829	1,457,156
New Assets	1,432,515	1,433,607	1,438,978	1,447,829	1,457,156
Existing Assets	0	0	0	0	0
Overnight Balance	808,046	808,046	808,046	808,046	808,046
Existing Cert Balance	0	0	0	0	0
Settlement Balance	552,843	552,843	552,843	552,843	552,843
Total Liabs	1,360,889	1,360,889	1,360,889	1,360,889	1,360,889
Contributed Capital	71,626	71,626	71,626	71,626	71,626
Retained Earnings	1,092	6,463	15,315	24,641	34,483
Income Statement					
Interest Income - New Assets	5,823	5,828	20,239	20,364	20,495
Interest Income - Existing Assets	0	0	0	0	0
Total Interest Income	5,823	5,828	20,239	20,364	20,495
Interest Expense - New Liabs	2,869	2,869	14,153	14,153	14,153
Interest Expense - Existing Liabs	1,373	37	1	0	0
Total Interest Expense	4,242	2,906	14,154	14,153	14,153
NII	1,581	2,922	6,085	6,211	6,342
Fee Income - Current Operations	14,500	15,950	16,748	17,585	18,464
growth rate		10.00%	5.00%	5.00%	5.00%
Fee Income - BSS	8,000	8,600	9,245	9,938	10,684
growth rate		7.50%	7.50%	7.50%	7.50%
Fee Income - New Off B/S Product	-489	399	399	399	399
growth rate		0.00%	0.00%	0.00%	0.00%
Total Fee Income	22,011	24,949	26,391	27,922	29,547
Operating Expense	-22,500	-22,500	-23,625	-24,806	-26,047
growth rate		0.00%	5.00%	5.00%	5.00%
Net Operating Income	-489	2,449	2,766	3,116	3,500
Net Income	1,092	5,371	8,852	9,326	9,842
Financial Ratios					
Net Interest Margin	0.11%	0.20%	0.42%	0.43%	0.44%
Net Op Exp Coverage Ratio	97.82%	110.88%	111.71%	112.56%	113.44%
Return on Assets	0.08%	0.37%	0.62%	0.64%	0.68%
Return on Equity	1.50%	6.88%	10.18%	9.69%	9.28%
Capital Ratios					
RUDE Ratio	0.08%	0.45%	1.06%	1.70%	2.37%
Requirement		0.45%			1.00%
Leverage Ratio (per Reg)	5.08%	5.45%	6.04%	6.65%	6.73%
Requirement	4.00%	4.00%	4.00%	4.00%	4.00%



Capital Stress Scenario 2 – A key assumption in the base case plan is that Alloya is able to purchase the existing loan assets at book value from Bridge. This stress scenario evaluates the financial impact assuming loans are either terminated by Bridge or must be purchased by Alloya at a significant premium. In either event, Alloya would not receive the income from these assets while still being required to pay higher dividends on existing term certificates/liabilities.

The following summarizes the more significant financial assumptions of this scenario:

- Key base case assumptions remain intact. For instance, Alloya raises \$102 million of capital to support a \$2 billion balance sheet. Payment and technology fee income grows at 5% and Balance Sheet Solutions fee income grows at 7.5%.
- Existing term loan income of \$6.8 million is eliminated and is only partially offset by \$1.6 million of additional investment income.
- Due to the lost loan income, beginning operating expenses are \$21.5 million compared to \$26.5 million in the base case. Alloya would need to implement a 20% expense reduction from the base case.

In summary, if fee income or payment income is less than base case projections, Alloya will be required to implement additional expense reductions. Alloya can meet regulatory requirements in this case; however, organizational capabilities would suffer. The organization could only afford to retain resources that were directly associated with daily operational duties.

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Pro Forma Financials - Scenario 2					
Closing Date	10/31/2012	10/31/2013	10/31/2014	10/31/2015	10/31/2016
	Year 1	Year 2	Year 3	Year 4	Year 5
# of Years from Final Rule	2	3	4	5	6
1 month Libor	0.25%	0.25%	1.25%	1.25%	1.25%
Balance Sheet					
Total Assets - DANA	2,047,341	2,051,427	2,057,206	2,066,684	2,076,860
New Assets	2,047,341	2,051,427	2,057,206	2,066,684	2,076,860
Existing Assets	0	0	0	0	0
Overnight Balance	1,105,172	1,385,783	1,392,078	1,392,132	1,392,132
Existing Cert Balance	286,959	6,349	54	0	0
Settlement Balance	552,843	552,843	552,843	552,843	552,843
Total Liabs	1,944,974	1,944,974	1,944,974	1,944,974	1,944,974
Contributed Capital	102,367	102,367	102,367	102,367	102,367
Retained Earnings	4,086	9,865	19,343	29,518	40,457
Income Statement					
Interest Income - New Assets	8,722	8,739	29,336	29,471	29,616
Interest Income - Existing Assets	0	0	0	0	0
Total Interest Income	8,722	8,739	29,336	29,471	29,616
Interest Expense - New Liabs	3,877	4,466	21,912	21,912	21,912
Interest Expense - Existing Liabs	1,373	37	1	0	0
Total Interest Expense	5,250	4,503	21,912	21,912	21,912
NII	3,472	4,236	7,423	7,559	7,704
Fee Income - Current Operations	14,500	15,225	15,986	16,786	17,625
growth rate		5.00%	5.00%	5.00%	5.00%
Fee Income - BSS	8,000	8,600	9,245	9,938	10,684
growth rate		7.50%	7.50%	7.50%	7.50%
Fee Income - New Off B/S Product	-386	78	78	78	78
growth rate		0.00%	0.00%	0.00%	0.00%
Total Fee Income	22,114	23,903	25,309	26,802	28,386
Operating Expense	-21,500	-22,360	-23,254	-24,185	-25,152
growth rate		4.00%	4.00%	4.00%	4.00%
Net Operating Income	614	1,543	2,055	2,617	3,234
Net Income	4,086	5,779	9,478	10,176	10,938
Financial Ratios					
Net Interest Margin	0.17%	0.21%	0.36%	0.37%	0.37%
Net Op Exp Coverage Ratio	102.86%	106.90%	108.84%	110.82%	112.86%
Return on Assets	0.20%	0.28%	0.46%	0.49%	0.53%
Return on Equity	3.84%	5.15%	7.79%	7.72%	7.66%
Capital Ratios					
RUDE Ratio	0.20%	0.48%	0.94%	1.43%	1.95%
Requirement		0.45%			1.00%
Leverage Ratio (per Reg)	5.20%	5.47%	5.92%	6.38%	5.90%
Requirement	4.00%	4.00%	4.00%	4.00%	4.00%



Capital Stress Scenario 3 – The current interest rate environment is very challenging for corporate credit unions today. As a settlement provider, corporates historically have earned good net interest margins on their transactional accounts just like credit unions themselves earn good margins on their checking account balances or other demand deposits.

The base case projections assume that short term rates will begin to rise by year 3 and approximate 125 bps. It is possible that rates will remain low. Scenario 3 assumes that rates will remain at the current 25 bps level.

The following summarizes the more significant financial assumptions of this scenario:

- Financial projections are met in the first two years but earnings in year 3 through 5 are lower than base case which assumed a more favorable rate environment for Alloya.
- No additional business model changes are required, however, Alloya may need to reduce expenses or cut back on annual increases if this rate environment continues for five years.

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Pro Forma Financials - Scenario 3

Closing Date	10/31/2012	10/31/2013	10/31/2014	10/31/2015	10/31/2016
	Year 1	Year 2	Year 3	Year 4	Year 5
# of Years from Final Rule	2	3	4	5	6
1 month Libor	0.25%	0.25%	0.25%	0.25%	0.25%
Balance Sheet					
Total Assets - DANA	2,047,341	2,051,809	2,057,053	2,062,058	2,066,895
New Assets	1,705,046	1,832,317	1,874,250	1,896,128	1,916,984
Existing Assets	342,296	219,492	182,803	165,931	149,911
Overnight Balance	1,105,172	1,385,783	1,392,078	1,392,132	1,392,132
Existing Cert Balance	286,959	6,349	54	0	0
Settlement Balance	552,843	552,843	552,843	552,843	552,843
Total Liabs	1,944,974	1,944,974	1,944,974	1,944,974	1,944,974
Contributed Capital	102,367	102,367	102,367	102,367	102,367
Retained Earnings	4,468	9,712	14,717	19,553	24,164
Income Statement					
Interest Income - New Assets	7,263	7,806	7,984	8,078	8,166
Interest Income - Existing Assets	6,841	5,863	5,408	5,114	4,748
Total Interest Income	14,104	13,669	13,393	13,191	12,914
Interest Expense - New Liabs	3,877	4,466	4,479	4,479	4,479
Interest Expense - Existing Liabs	1,373	37	1	0	0
Total Interest Expense	5,250	4,503	4,480	4,479	4,479
NII	8,854	9,166	8,912	8,712	8,435
Fee Income - Current Operations	14,500	15,225	15,986	16,786	17,625
growth rate		5.00%	5.00%	5.00%	5.00%
Fee Income - BSS	8,000	8,600	9,245	9,938	10,684
growth rate		7.50%	7.50%	7.50%	7.50%
Fee Income - New Off B/S Product	-386	78	78	78	78
growth rate		0.00%	0.00%	0.00%	0.00%
Total Fee Income	22,114	23,903	25,309	26,802	28,386
Operating Expense	-26,500	-27,825	-29,216	-30,677	-32,211
growth rate		5.00%	5.00%	5.00%	5.00%
Net Operating Income	-4,386	-3,922	-3,907	-3,875	-3,825
Net Income	4,468	5,244	5,005	4,836	4,610
Financial Ratios					
Net Interest Margin	0.43%	0.45%	0.43%	0.42%	0.41%
Net Op Exp Coverage Ratio	83.45%	85.90%	86.63%	87.37%	88.13%
Return on Assets	0.22%	0.26%	0.24%	0.23%	0.22%
Return on Equity	4.18%	4.68%	4.27%	3.97%	3.64%
Capital Ratios					
RUDE Ratio	0.22%	0.47%	0.72%	0.95%	1.17%
Requirement		0.45%			1.00%
Leverage Ratio (per Reg)	5.22%	5.46%	5.69%	5.91%	4.34%
Requirement	4.00%	4.00%	4.00%	4.00%	4.00%



Appendix A – Risk Based Capital Estimates

To estimate risk based capital for Alloya and evaluate compliance with regulatory requirements, the following analysis was prepared. Please note that the assets used in this analysis are those held by Bridge as of February 28, 2011. The analysis assumes that capital of \$102.4 million is raised by Alloya. Assuming we have interpreted regulation correctly, the risk based capital ratio will easily meet regulation. In summary, since most assets are held in cash accounts at the FRB or at U.S. Central which have a 0% risk weight, the risk weighted assets total \$86 million and are supported by regulatory capital in excess of \$100 million if Alloya is successful in its capital raise efforts.

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ASSETS	Assets as of February 28, 2011	Risk Weight	Risk Weighted Assets February 2011	
710370	CASH - FRB (WRNV)	6,441,625,672	0%	-
774005	NOTE REC FROM ESTATE - FLOATING	1,754,084,290	0%	-
722115	INVEST - USC S-010	800,955,948	0%	-
774000	NOTE REC FROM ESTATE - FIXED	609,006,372	0%	-
722120	USC FIXED CERT MONTHLY	597,000,000	0%	-
710148	FUTURE DATED ACH - FED	454,844,113	0%	-
722100	USC C-020/C-015 FIXED RATE CER	325,500,000	0%	-
737000	TERM LOANS	192,000,000	20%	38,400,000
737040	CALLABLE TERM LOAN	140,500,000	20%	28,100,000
710145	FUTURE DATED ACH - EPN	51,404,962	20%	10,280,992
722170	USC STRUCTURED INVESTMENTS	39,710,600	0%	-
722180	USC FRAP INVESTMENTS	31,000,000	0%	-
722160	USC C-040 CIF 3-YR INVESTMENTS	21,502,940	0%	-
710480	CASH - FGO MONEY MARKET FUND	12,940,729	0%	-
722000	USC S-115 CIF 90-DAY ACCOUNT	11,242,177	0%	-
710210	CASH - BANK OF AMERICA	10,495,856	20%	2,099,171
710235	CASH - JP MORGAN CHASE - IP	6,206,094	20%	1,241,219
776000	SOFTWARE	6,119,692	100%	6,119,692
734000	DEMAND LOANS	5,709,855	20%	1,141,971
774020	COMPUTER EQUIPMENT	5,256,627	100%	5,256,627
790000	SHARE INSURANCE DEP - NCUSIF	4,010,202	0%	-
752900	ACCR INT - NOTES RECEIVABLE	3,631,805	0%	-
737030	AMORT TERM LOANS	2,686,207	20%	537,241
720100	INVEST - US TREASURIES - AFS	2,599,493	0%	-
752100	ACCR INT - USC C-020/015 FIXED	2,051,168	20%	410,234
740100	A/R - FEE BILLING	2,048,711	20%	409,742
760000	PREPAID EXPENSES	1,688,639	100%	1,688,639
752040	ACCR INT - FRB RESERVE	699,500	0%	-
710197	VAULT CASH - SD	629,935	0%	-
723000	CUSO INVESTMENTS - CUBG	594,425	100%	594,425
752120	ACCR INT-USC FIXED CERT MNTHLY	476,813	20%	95,363
757000	ACCR INT - TERM LOANS	445,489	20%	89,098
710230	CASH - BNY MELLON	393,604	20%	78,721
722800	CUSO INVESTMENTS - PRIMARY FINANCIAL	375,000	0%	-
777780	(DUE TO)/FROM MU ESTATE	208,151	0%	-
740200	FEES RECEIVABLE - SIMPLICD	198,003	100%	198,003
740060	SHARE DRAFT RETURN ITEMS	191,745	0%	-
740115	NE FRB ADJUSTMENTS	188,003	0%	-
710390	FUTURE C/L AVAILABILITY	134,614	0%	-
710360	COIN AND CURRENCY ADJ	126,874	20%	25,375
710245	CASH - JP MORGAN CHASE - WEST	82,278	20%	16,456
722140	USC I-800 AMORTIZING CERT	71,177	0%	-
710155	ACCOUNTING - CLEARING ACCOUNT	58,651	20%	11,730
710400	ACH IMMEDIATE	58,618	20%	11,724
777781	(DUE TO)/FROM CE ESTATE	40,147	0%	-
757030	ACCR INT - AMORT TERM LOANS	25,139	20%	5,028
740080	CK COLL RETURNS - INDY	23,455	0%	-
752160	ACCR INT - USC C-040 CIF 3-YR	20,176	20%	4,035
710180	CASH - WARRENVILLE ATM	18,620	0%	-
710280	CASH - FIRST SIOUX FALLS	15,986	20%	3,197
752180	ACCR INT - USC FRAP INV	13,661	20%	2,732
752170	ACCR INT - USC STRUCTURED INV	12,513	20%	2,503
710240	CASH - JP MORGAN CHASE	10,450	20%	2,090
764000	VIP EQUIPMENT INVENTORY	7,455	100%	7,455
754000	ACCR INT - DEMAND LOANS	5,178	20%	1,036
766000	OTHER ASSETS	5,101	100%	5,101
752110	ACCR INT - USC S-010	5,047	20%	1,009
740180	A/R - EFT	4,590	100%	4,590
792000	CHECK COLLECTION CONTROL	3,949	20%	790
710250	CASH - FHLB	3,158	20%	632
752000	ACCR INT-USC S-115 CIF 90-DAY	1,506	20%	301
740135	SHARE SYSTEM ADJUSTMENTS	444	20%	89
722010	INVEST-USC S-018	441	0%	-
752140	ACCR INT-USC I-800 AMORT CERT	150	20%	30
752010	ACCR INT - USC S-018	8	20%	2
710375	MNIPC CORP DRAFTS	(6,820)	20%	-
746000	INTERNATIONAL WIRES	(11,615)	20%	-
740050	UNPAID ITEMS IN TRANSIT	(16,740)	0%	-
784020	ACC DEPR - COMP EQT	(4,836,131)	100%	(4,836,131)
786000	ACC AMORT - SOFTWARE	(5,751,541)	100%	(5,751,541)
774006	CONTRA NOTE REC	(21,730,113)	0%	-
803020	FUTURE DATED MEMBER TRANS	(506,249,075)	20%	-
Total Assets		11,002,370,171		86,259,369
Estimated Capital		102,367,000		
Deduct investments in unconsolidated CUSOS (assume \$2 million)		(2,000,000)		
Capital				100,367,000
Risk Based Capital Ratio				116%



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