

July 26, 2011

Progress Report  
Procedural Change – Signed Agreements  
Supplement to the PPM  
Required Action

Dear Fellow Member:

I am pleased to report significant progress toward chartering Alloya Corporate; management, staff, and volunteers are working hard on your behalf. A few of the accomplishments since the distribution of the Private Placement Memorandum (PPM) in May include:

- Conducted 15 interactive webinars with over 1,000 attendees to discuss the PPM and to answer your questions.
- Thousands of visits and phone calls by Senior Business Consultants (SBC), Member Service Representatives and management to discuss Alloya one-on-one. In addition, management and volunteers have attended various credit union functions during this time to answer questions in group forums.
- The development of Alloya's Federal Reserve Excess Balance Account Program, which already has 12 credit unions participating "live" daily, with several more in queue.
- The creation of numerous documents and tools for your use in understanding the transaction and value of the corporate, completing due diligence and informing your board.
- The production of a ten minute video that explains the strategic nature of the choice to capitalize Alloya as seen through the eyes of four credit union executives.
- A new website, [www.alloyacorp.org](http://www.alloyacorp.org) (which is fully functioning) to allow for easy and efficient access to the materials and information and to report results of the capital raise.
- Planning and budgeting for 2012 has begun, with preliminary results due to the board by the end of August.

Our results have been equally impressive. Given that this is a complicated process requiring board action (which may take one or two monthly meetings to accomplish), the timing of the distribution of the PPM late in the board meeting cycle for May and the two to three week time lag between board action and the receipt of the necessary paperwork, we are off to a great start. As of today, 470 credit unions have chosen to capitalize Alloya for a total of \$40 million dollars. Hundreds of others have indicated their support and plan to take this action to their boards in late July or in August. A much smaller number (less than 200) have given a firm "no" to Alloya at this time, although some have changed their minds since this process started.

Given the lag in receiving the paperwork, we are at about the half way point of the allotted time to accomplish the capital raise. From a capital raised standpoint, we are approximately 40% of our goal of raising \$100 million in capital, and 57% of the minimum goal of raising \$70 million. And these numbers do not count the nearly \$15 million in retained earnings currently held at Members United Bridge, a portion of which will likely transfer to Alloya as part of the planned merger with the bridge after the chartering process has been completed. These numbers are updated frequently on the Capitalization Central portion of the Alloya website.

Despite our great start, success is not yet assured, and your time to act is running short. Our initial capital raise must conclude by August 31, 2011, and we must give a preliminary report to NCUA during the middle of August. The Alloya board will meet on August 29, 2011 to review the results and make the decision to formally request the NCUA board to consider our charter and merger applications. There are only two (and in many cases just one) more board meetings available to credit unions before we reach the deadline. After that, if Alloya does not achieve its capitalization effort and attendant business conditions, the capital raise will have failed and there will be no second chance. If Alloya has reached its goals and your credit union chooses to come in later, you of course may do so and will be welcomed. However, you will forfeit the opportunity to receive an advised line of credit equal to 30 times your contributed capital amount, and be eligible instead for an advised line equal to 20 times capital contributed. As you know, lines of credit through banks are very expensive (if available at all), so giving up a third of your possible advised line through delayed action carries a steep potential cost. ***Credit unions that do not capitalize will have their advised line of credit reduced to the minimum required to cover settlement (or to zero if they do not settle with the corporate) on Alloya's first day of operation.*** I urge you to act quickly, before this opportunity is gone.

#### Procedural Change in Submitting Signed Agreements

The PPM packet you received in May contained a business reply envelope for your use in sending back the required forms to capitalize Alloya. In addition to sending the forms to us in that envelope so that we may return a fully executed copy to you, and to reduce the reporting lag so that we may give the NCUA more accurate information, please email or fax the signed forms to us at [membersupport@membersunited.org](mailto:membersupport@membersunited.org) or fax them to (866) 788-2377.

#### Supplement to the Private Placement Memorandum

As time has passed, a few technical items concerning the capitalization process and how deposits of non-capitalizing credit unions (in transition) would be treated relative to Alloya's capital have been clarified. For a copy of the Supplement to the PPM dated July 25, 2011, that addresses these items, contact Member Services. A copy of the Supplement is also available to you with the rest of the PPM documents via [Premier View](#). If you have any questions, please do not hesitate to contact your senior business consultant.

#### Action Required

It is now time to act. If you have not yet decided, or taken the capitalization of Alloya to your board, I urge you to do so in the next month. If you have decided to capitalize but not yet sent in your paperwork, please do so as soon as possible using the electronic methods detailed above. And this is a grass roots effort, so please lend your support and your voice to the effort.

If you have decided not to capitalize, I would ask you to reconsider. View our video, and consider the strategic implications of your decision to your credit union, your state, and the credit union movement. If your answer is still no, please let your SBC know of your decision so that we may document your plans for the Alloya board and the regulator. And please make arrangements to have a replacement line of credit in place to cover your needs by October.

It is an exciting time. We are getting close to putting an end to this chapter, and in welcoming Alloya into existence. As always, thank you for your support as we work to build your corporate of the future.

Sincerely,

**John Fiore**  
Chairman