Policy Manual

TABLE OF CONTENTS

SECTION 1 –BOARD GOVERNANCE

I. GENERAL

A. POLICY PURPOSE AND PHILOSOPHY

1. Purpose – This manual documents the strategic policies, delegation of authority, expectations for results and assignment of resources of Alloya Corporate Federal Credit Union (Alloya) Board of Directors (Board). This manual serves as the necessary link between the members' bylaw delegation of authority to the Board and the Chief Executive Officer's (CEO) plan of organization.
2. Scope – This manual does not address every possible circumstance or restate provisions in any other governing or guiding documents.

B. POLICY ADOPTION AND IMPLEMENTATION

1. Implementation – Officials, elected or appointed, and executive management should be familiar with each section of this manual as any one section or paragraph may rely heavily on others. General agreement on each section is essential for implementing policies and assuring accomplishments.
2. Adoption – Adoption of this policy manual supersedes all previous written Board policies.

C. POLICY, GUIDELINE AND PROCEDURE APPROVAL

1. Policy Approval – The Board approves all policies prior to implementation.
2. Guidelines Approval – The CEO may approve amendments to any Guideline and will report such amendments to the Board at its next regularly scheduled meeting for ratification.
3. Procedure Approval – Management sets and approves procedures to achieve the organizational policies; Board approval and or review is not required.

D. POLICY, GUIDELINE AND PROCEDURE COMPLIANCE

1. Compliance – Compliance with all Policies, Guidelines and Procedures is expected.
2. Exceptions
   a. Policies – The Board has adopted the above Policies to guide management oversight. The Board recognizes, however, that certain exceptions to this Policy may be necessary due to unforeseen circumstances and to protect the best interest of Alloya. Exceptions may thus be considered when recommended by the CEO. All Policy violations will be reported to the Board at its next regularly scheduled meeting.
   b. Guidelines – Management will adhere to all Guidelines. The CEO has the exclusive authority to make exceptions or changes to Guidelines if these exceptions meet or are within regulatory requirements. All exceptions and changes must be reported to the Board for ratification at its next regularly scheduled meeting.
   c. Procedures – Staff are expected to adhere to all written Procedures. Management has the exclusive authority to make exceptions to Procedures if these exceptions meet or are within regulatory requirements and approved Policies and Guidelines.

E. POLICY RESPONSIBILITY AND MAINTENANCE

1. Board Responsibility – Directors will receive a copy of this manual and are accountable for recommending additions, changes, or deletions to this manual by citing specific section and paragraph numbers. The Board will review and approve all Policies and Guidelines at least annually.
2. Maintenance – The SVP, Risk Management (SVP, Risk Management) is accountable for maintaining a "master" manual. The master manual will be updated within thirty (30) days of Board action. The SVP, Strategy will ensure interim and final revisions to the policy manual are made available.
3. Review Responsibility – Please see Appendix G for a listing of Policy Review responsibilities and frequency.

F. CHARTER

1. Charter – Alloya is a federally chartered credit union.
2. Charter Number – National Credit Union Administration (NCUA) number 24844.

G. TAX IDENTIFICATION NUMBER

1. The Tax Identification Number for Alloya is 45-2090875.

H. ROUTING AND TRANSIT

1. The ABA routing and transit numbers for Alloya are 274086339, 271987635, 296081516, 221381715, 272478075, 211391650, 304087237, 307087399 and 324084003.

I. OFFICE LOCATIONS

1. Corporate Headquarters – 184 Shuman Blvd. Suite 400 Naperville, IL 60563
2. Albany Office – 4 Tower Place, Ste. 500 Albany, NY 12203
3. Southfield Office – 26555 Evergreen, Suite 330, Southfield, MI 48076
4. Westminster Office – 11148 Benton Street, Westminster, CO 80021

J. HOLIDAYS

1. Regular Holidays – Alloya will be closed on all holidays observed by the Federal Reserve Bank.
2. Other Closings – With proper advance notification to the membership, the Board may elect to close other days.

K. TRANSPARENCY

1. Policies – Alloya is committed to transparency and copies of these Policies are available to any member upon request.
2. Strategic Plans – Alloya is committed to transparency and copies of Strategic Plans are available to any member upon request.

II. MEMBERSHIP

A. FIELD OF MEMBERSHIP

1. Approval – The Field of Membership (FOM) is defined in Alloya's Charter, as amended, and approved by the NCUA.

2. Current FOM – Alloya serves various groups throughout the United States, including:
   a. Credit Unions and Affiliates – Federal credit unions, state credit unions, credit union trade associations and their affiliates, credit union-related organizations, credit union service organizations and corporate credit union service organizations maintaining their principal offices in any state, the District of Columbia, the several territories and possessions of the United States and the Commonwealth of Puerto Rico.
   b. Other Entities – Various other entities are entitled to Alloya products and services. The non-credit union types of entities that Alloya may serve are defined in Alloya's Charter.

B. MEMBERSHIP

1. Fees – Membership fees, if any, shall be charged at the discretion of the Board.
2. Classes of Membership:
   a. Membership Capital Holders – Consists of natural person credit unions and other credit-union affiliated organizations in Alloya's field of membership who have met the conditions as set forth below.
   b. Non-Capitalized Associates – Consist of natural person credit unions in Alloya's field of membership who have met the conditions as set forth below.
   c. Partner Organizational Membership – Consists of credit-union affiliated organizations in Alloya's field of membership who have met the conditions as set forth below.
3. Conditions – The conditions for each class of membership, as defined above, are as follows:
   a. Membership Capital Holders
      1) Membership Capital Holders will have at least one share ($1) on deposit in an account at Alloya.
      2) Terms and conditions for Perpetual Contributed Capital (PCC) membership shares may be amended by the Board at any time for any reason or for no reason, subject to then current applicable regulation and law.
      3) Such terms and conditions shall be disclosed to members prior to joining via a Private Placement Memorandum.
   b. Non-Capitalized Associates
      1) Non-Capitalized Associates will have at least one share ($1) on deposit in an account at Alloya.
      2) Terms and conditions for Non-Capitalized Associates may be amended by Management at any time for any reason or for no reason, subject to then current applicable regulation and law.
      3) Such terms and conditions shall be disclosed to Non-Capitalized Associates prior to joining and on a periodic basis thereafter.
   c. Partner Organizational Member
      1) Partner Organizational member will have at least a one ($1) dollar share on deposit in an account at Alloya.

2) Terms and conditions for Partner Organizational members may be amended by the Board at any time for any reason or for no reason, subject to then current applicable regulation and law.

3) Such terms and conditions shall be disclosed to Partner Organizational members prior to joining.

d. Membership Approval – The Board will approve all membership agreements. The Board may deny membership to any potential members for any reason or no reason. The Board may also delegate this authority to designated Membership Officers.

e. Member Expulsion

1) The Board of Directors may expel members in accordance with the Federal Credit Union Act.

2) Unless the member ceases to participate in the Alloya in accordance with their obligations, expulsion candidates will be notified of their due process rights under the Federal Credit Union Act and our bylaws.

f. Denial of Services – Alloya may in its sole judgement deny members access to services if it believes continued access to product(s) or service(s) create unreasonable risks to Alloya. Reasons for such denial may, among other reasons, the following:

1) Failure to meet a capital call
2) Usage of Alloya products or service in an unsafe or unsound manner
3) Such other reasons as the Alloya Board or management determine.

C. ANNUAL MEMBERSHIP MEETING

1. Annual Meeting – An Annual Membership Meeting shall be held in either Colorado, Connecticut, Illinois, Indiana, Massachusetts, Michigan, Minnesota, Nebraska, New York, New Jersey, Rhode Island, South Dakota, Utah or Wyoming.
2. Elections – Election of Board members will be held in accordance with the Bylaws, and the results will be announced at the Annual Meeting. All dates established in the Bylaws that would fall on a weekend will be moved back to the first available preceding business day.

D. VOTING ELIGIBILITY

1. Appointment – A member may appoint a voting representative (Designated or Authorized Representative), who is a member or employee of its organization, to attend and vote at Alloya member meetings and to cast its ballot at the Annual Meeting.
2. Representation – A Designated Representative may represent only one member.
3. Forms – The appointment of a Designated Representative shall be accepted only on form(s) approved by Alloya.

E. VOTING RIGHTS

1. Voting – One vote per Designated Representative.
2. Par Value of Shares – The par value of a share is established at one ($1) dollar in the Bylaws.

III. BOARD AND COMMITTEE ORGANIZATION

A. BOARD OF DIRECTORS

1. Purpose – The purpose of this Board is to ensure that Alloya and its CUSOs (wholly owned and/or jointly controlled) provide quality financial solutions that benefit its members/stakeholders and avoid unacceptable actions and situations.
2. Philosophy – The Board will govern with an emphasis on outward vision rather than internal preoccupation, encouragement of diverse viewpoints, strategic leadership rather than administrative detail, clear distinction of Board and CEO roles, collective rather than individual decisions, future rather than past or present, and will be proactive rather than reactive. This philosophy shall not prohibit the Board's detailed analysis of internal matters as warranted.
3. Board Structure
   a. The Board shall consist of members elected from among the Designated Representatives of members. The number of Directors may be changed to an odd number not fewer than five by resolution of the Board.
   b. No reduction in the number of Directors may be made unless corresponding vacancies exist as a result of deaths, resignations, expiration of terms of office, or other actions provided by the Bylaws.
4. Board Terms
   a. All Board members will stand for election consistent with the Bylaws.
   b. Regular terms of office for Directors must be periods of either 1, 2 or 3 years as the Board determines; provided that all regular terms must be for the same number of years and until the election and qualification of successors.
   c. Regular terms must be fixed at the beginning, or upon any increase or decrease in the number of directors, so that approximately an equal number of regular terms expire at each annual meeting. Board terms shall:
      1) Be three (3) years based on class.
      2) Be staggered so that, on a rolling annual basis, four (4) terms expire in two subsequent years and three (3) in the following year.
5. Eligibility/ Representation
   a. The Board will be determined as stipulated the Bylaws, provided that:
      1) Directors, including the Board Chair, must serve on the Board as Designated Representatives of members;
      2) Only an individual who currently holds the position of Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, or Treasurer/Manager at a member, and will hold that position at the time he or she is seated on Alloya's board if elected, may seek election or re-election to Alloya's board;
      3) No individual may be elected or appointed to serve on the Board if, after such election or appointment, the individual would be a director at more than one corporate credit union;
      4) No individual may be elected or appointed to serve on the Board if, after such election or appointment, any member of Alloya would have more than one Designated Representative on the Board;
      5) The Board Chair may not serve simultaneously as an officer, director, or employee of a credit union trade association;

6) A majority of Directors may not serve simultaneously as officers, directors, or employees of the same credit union trade association or its affiliates (not including chapters or other subunits of a state trade association);

7) For purposes of meeting the requirements of paragraphs 5) and 6) of this section, an individual may not serve as a Director or Board Chair if that individual holds a subordinate employment relationship to another employee who serves as an officer, director, or employee of a credit union trade association.

b. Credit union trade association – As used in this section, a credit union trade association includes but is not limited to, state credit union leagues and league service corporations and national credit union trade associations.

c. Designated Representatives of Partner Organizational members

1) A Partner Organizational member may appoint one of its members or officials as a Designated Representative.

2) The Designated Representative shall be empowered to attend membership meetings, to vote, and to stand for election on behalf of the Partner Organizational member.

3) No individual may serve as the representative of more than one Partner Organizational member of Alloya.

d) Recusal provision

1) No Alloya Director, Committee member, Officer, or Employee shall in any manner, directly or indirectly, participate in the deliberation upon or the determination of any question affecting his or her pecuniary interest or the pecuniary interest of any entity (other than Alloya) in which he or she is interested, except if the matter involves general policy applicable to all members, such as setting dividend or loan rates or fees for services.

2) In the event of the disqualification of any Director respecting any matter presented to the Board for deliberation or determination, such Director must withdraw from such deliberation or determination and, in such event, the remaining qualified Directors present at the meeting, if constituting a quorum with the disqualified Director or Directors, may exercise with respect to this matter, by majority vote, all the powers of the Board. In the event of the disqualification of any member of the, ALCO or the Supervisory committee, such Committee member must withdraw from such deliberation or determination.

3) An individual is "interested" in an entity if he or she:

(a) Serves as a director, officer, or employee of the entity;

(b) Has a material business, ownership, or deposit relationship with the entity; or

(c) Has a business, financial, or familial relationship with an individual whom he or she knows has a pecuniary interest in the entity.

4) In the event of the disqualification of any directors or Committee member, by operation of this section, the remaining qualified

Directors or Committee members present at the meeting, if constituting a quorum with the disqualified Directors or Committee members, may exercise, by majority vote, all the powers of the Board with respect to the matter under consideration. Where all Directors or Committee member are disqualified, the matter must be decided by the members of Alloya.

e. When any Board or Membership officer is absent, disqualified, or otherwise unable to perform the duties of his/her office, the Board may, by resolution, designate another member of Alloya to act temporarily in his/her place. The Board may also, by resolution, designate another member or members of Alloya, when necessary, to attain a quorum.

f. If a Director fails to attend three consecutive regular meetings of the Board, or otherwise fails to perform any of the duties devolving upon him/her as a Director, his/her office may be declared vacant by the Board and the vacancy filled as herein provided. The Board may remove any board officer from office for failure to perform the duties thereof, after giving the officer reasonable notice and opportunity to be heard.

g. No member of the Board may receive any compensation or benefit solely as a result or by virtue of service as a member of the Board except for reimbursement for reasonable expenses incurred in the performance of official duties and as provided for in the Bylaws.

h. If a Board member was qualified upon election and their employment is terminated, they may continue to serve on the Alloya Board if they remain the Designated Representative of a member.

i. If a Board member was qualified upon election and their employment is terminated, and they are no longer the Designated Representative of a member, they will not be qualified as a Director and will vacate their Alloya Board seat.

j. Alloya's CEO is not eligible to serve as a Board member.

k. No officer or employee of Alloya is eligible to serve as a Board member.

l. No officer or employee of a CUSO wholly owned or jointly controlled by Alloya is eligible to serve as a Board member.

m. To be eligible for election, appointment or to serve on the Alloya Board, an individual must be bondable throughout the entire term of office.

n. Directors must be at least 21 years of age.

o. There are no term or age limits for Directors.

6. Board Directorships Types – Alloya will have three (3) types of Directors.

a. Director – This type of Directorship includes Board members elected or appointed to the Board pursuant to the Bylaws. Directors so appointed or elected have full rights, authorities and responsibilities as enumerated in the Bylaws and these Policies.

b. Director Emeritus – All directors who have retired or resigned from Alloya's Board and who have completed service on the Board for at least one full term of office are eligible to participate in the Directors Emeritus Program (DEP). The objective of the DEP is to provide the current Board with historical perspective, counsel, guidance, and succession support. Directors Emeritus have the following rights, duties, responsibilities, and privileges:

1) May attend all Board meetings by telephone.
2) May attend in-person Board meetings.
3) Must maintain the confidentiality of all Alloya business, which requires such treatment by its nature or by direction of the Board.
4) Must keep up-to-date on financial, legal, and service-oriented objectives related to promoting the welfare of Alloya.
5) Must maintain working relationships with Alloya's CEO and Committees.
6) May participate on *ad hoc* committees, as requested by the Board Chair.
7) May actively participate in Board discussions.
8) Do not vote.
9) Must publicly support and defend Alloya as its ambassador in a highly professional manner.
10) Do not attend Board Executive Sessions.

c. Associate Director – Associate Directors have all the rights, duties, responsibilities, and privileges of directors with the exception of the right to vote on motions. The duties and responsibilities of an Associate Director are as follows:

1) Maintain confidentiality of all Alloya business, which requires such treatment by its nature or by direction of the Board.
2) For educational purposes, an Associate Director is expected to spend the first year of service attending monthly Asset-Liability Committee (ALCO) meetings by telephone and personally attending the annual Board planning session. Following the first year of service, attendance at ALCO meetings is at the sole discretion of each Associate Director.
3) May attend monthly Board meetings.
4) Keep up-to-date on financial, legal, and service-oriented objectives related to promoting the welfare of Alloya.
5) Maintain working relationships with Alloya's CEO and Committees.
6) Participate on *ad hoc* committees, as requested by the Board Chair.
7) Actively participate in Board discussions.
8) Do not vote.
9) Publicly support and defend Alloya as its ambassador in a highly professional manner.
10) Do not attend Board Executive session

d. Appointment of Associate and Emeritus Directors – Associate and Emeritus Directors will be nominated by the Board Chair and voted upon by the Board. The number of Associate and Emeritus Directors, if any, is solely at the discretion of the Board. The total number of Associate and Emeritus Directors shall at no time exceed 50% of the total number of Board seats.

e. Terms

1) Emeritus Directors serve for a one (1) year term and may be re-nominated by the Board Chair each successive year.
2) Associate Directors are appointed for a term of one (1) year and may be re-nominated by the Board Chair each successive year.

7. Board Officers
    a. Alloya's Board officers are a Chair, a Vice Chairs, a Treasurer, and a Secretary, all of whom will be elected by the Board from their number.
    b. The offices of Treasurer and Secretary only may be held by the same person.
    c. Unless removed as provided in the Bylaws, the officers elected at the first meeting of the Board will hold office until the first meeting of the Board following the first annual meeting of the members and until the election and qualification of their respective successors.
    d. The Board may employ one or more Assistant Secretaries, none of whom may also hold office as Chair, Vice Chair, or financial officer, and may authorize them under direction of the Secretary to perform any of the duties devolving on the Secretary.
    e. The Board may appoint one or more Membership Officers to approve applications for membership under such conditions as the board and these bylaws may prescribe. Such Membership Officer(s) may not be authorized to disburse funds.
8. Board Meetings
    a. A regular meeting of the Board must be held each month at the time and place fixed by Board resolution.
    b. One regular meeting each calendar year must be conducted in person.
    c. If a quorum is present in person for the annual in person meeting, the remaining Board members may participate using audio or video teleconference methods.
    d. The other regular meetings may be conducted using audio or video teleconference methods.
    e. At least seven (7) days prior to each meeting, the Secretary will cause the following information to be distributed to each director:
        1) Minutes of the last meeting;
        2) Reports of officers, standing committees, or of any special committee;
        3) Special orders, or matters which have been assigned priority; and
        4) Any written information on unfinished business or new business that has been given to the secretary by any director.
    f. The Board Chair, or in the Board Chair's absence the ranking Board Vice Chair, may call a special meeting of the Board at any time and must do so upon written request of a majority of the Directors then holding office. Pursuant to the Bylaws and these Policies, the Supervisory Committee may call a Special Meeting of the members.
    g. Unless the Board prescribes otherwise, the Board Chair, or in the Board Chair's absence the ranking Vice Chair, will fix the time and place of special meetings.
    h. Notice of all meetings will be given in such manner as the Board may from time to time by resolution prescribe.
    i. Special meetings may be conducted using audio or video teleconference methods.
    j. Presiding Officer

1) The Chair will call and preside at all meetings of the members and at all meetings of the Board unless disqualified through suspension by the Supervisory Committee.
2) The Chair also performs such other duties as customarily relate to the office of the chair or as may be directed to perform by resolution of the Board consistent with the Act, regulations and the Bylaws.
3) The available ranking Vice Chair has and may exercise all the powers, the authority, and the duties of the chair during the Chair's absence or inability to act.

k. Organizational Meeting
1) Board officers will be elected at the first Board meeting following the Annual Meeting of the members, which must be held not later than seven (7) days after the annual meeting. The elected officers will hold office until the first board meeting following the next annual meeting of the members and until the election and qualification of their respective successors; provided that any person elected to fill a vacancy caused by the death, resignation, or removal of an officer is elected by the Board to serve only for the unexpired term of such officer and until a successor is duly elected and qualified.
2) Committee members will be appointed by the Board Chair and voted upon the Board at the Annual Organizational Meeting consistent with the Bylaws and these Policies.

l. Quorum – A majority of the number of Directors constitutes a quorum for the transaction of business at any meeting thereof, but fewer than a quorum may adjourn from time to time until a quorum is in attendance.

m. With proper advance notice, and at the discretion of the Board, the meeting may be moved to an alternate location. Meetings are scheduled for convenience of the majority of the Directors.

n. Parliamentary Procedure – Robert's Modern Rules of Order, 11th Edition, will be used as parliamentary procedure for all meetings.

o. Voting – Each Board member may cast one voice vote. Approval in all cases requires a simple majority of the members present, except for Bylaw, Charter, and Policy amendments, which require a two-thirds (2/3rds) majority of the Board members present. In the event of a tie, the Board Chair may break the tie. If the Board Chair is unavailable, the Vice Chair may cast the tiebreaking vote.

p. Minutes – The Secretary shall cause minutes of each meeting to be kept, which will be presented for approval at the next regularly scheduled meeting. The minutes shall reflect the names of any Directors voting against a motion. No recordation of names is required for unanimous votes. Recordings of the meetings will be destroyed immediately following approval of the minutes, unless otherwise directed by a body of competent jurisdiction.

q. Executive Sessions – At least one time per year, or more frequently as needed, the Board will hold an Executive Session, to which only Board members and the CEO are invited. Directors Emeritus and Associate Directors may attend at the discretion of the Board Chair. The Board

Secretary will keep minutes of these meetings. Should the Board meet without the CEO present, the Board Chair will verbally inform the CEO of the items discussed at the Executive Session within 24 hours of the meeting.

r. Meeting Notice – Notice of all Board meetings will be provided at least seven (7) days in advance of the meeting. Board meetings may be called without seven (7) days' notice if a simple majority of the Directors agree to waive the notice provision.

8. Board Succession Plan
   a. Vacancy
      1) Candidates to fill vacant Board seats will be nominated by the Board Chair to fill the term of the individual they replace.
      2) Any vacancy on the Board will be filled by vote of a majority of the Directors then holding office.
      3) Directors so appointed will hold office only until the next annual meeting, at which any unexpired terms will be filled by vote of the members, and until the qualification of their successors.
   b. Planned Succession
      1) The Nominating Committee shall nominate at least one eligible candidate for each vacancy, including any unexpired term vacancy, for which elections are held.
      2) Any individual interested in serving as a member of Alloya's Board or Committees should make their interest known to the Board Chair, Nominating Committee or any member of senior management.
      3) Individuals wishing to become Board members who are not selected by the Nominating Committee can be added to the slate of candidates pursuant to Alloya's Bylaws by acquiring a sufficient number of member petitions. Interested candidates should contact the Board Chair, Nominating Committee or any member of senior management for details.
   c. Unplanned Succession
      1) In the event of the unexpected vacancy of the position of Chair, the Vice Chair will become the Acting Chair. The Board will elect a new permanent Chair within two (2) months of such automatic succession pursuant to Alloya's Bylaws.
      2) In the event of an unexpected vacancy of other Board seats, pursuant to Alloya's Bylaws, the Chair will nominate a replacement who will be voted upon by the Board of Directors. The Board will elect a new Board member within four (4) months of such vacancy.
9. Board Responsibilities
   a. Alloya is under the direction and control of its Board.
   b. While the Board may delegate the performance of administrative duties, the Board is not relieved of its responsibility for their performance.
   c. The Board may employ a Chief Executive Officer who shall have such authority and such powers as delegated by the Board pursuant to these Policies to conduct business from day to day.

d. The Chief Executive Officer answers solely to the Alloya Board, and may not be an employee of a credit union trade association as defined in these Policies.

e. The Board will determine that monthly financial statements are prepared showing the condition of Alloya. These financial statements will be readily available to members monthly in a manner deemed appropriate by the Board.

f. The Board has the right, at any time, subject to existing agreement, to impose fees for such services and activities, as it deems necessary or desirable.

10. Self-Assessments

a. The Board will ensure that a self-assessment of the Board and the Supervisory Committee is administered at least once every three years.

b. Individual results of the survey will be shared only with the respective Board or Committee members.

c. A summary of the results will be provided to the Board and the Supervisory Committee respectively.

B. BOARD COMMITTEES

1. The Board will have the following Committees:

a. Executive Committee;

b. Supervisory Committee;

c. Nominating and Resolutions Committee;

d. Asset Liability Committee (ALCO);

e. Credit Committee;

f. Enterprise Risk Management Committee (ERMC);

g. Other Committees – The Board Chair may appoint other Committees, sub-Committees, and ad hoc Committees as necessary.

2. General

a. Election – Committee members shall be nominated by the Board Chair and voted upon by the Board.

b. Committee Terms – All Committee members will be elected for a term of one (1) year.

c. Eligibility

1) Managing officers of members with Membership Capital in good standing, Alloya staff and others as defined in this Policy are eligible to serve on Committees.

2) Committee members who cease to be eligible may serve until expiration of their terms if approved by the Board.

3) Committee members must be at least 21 years of age.

4) Except for the Supervisory Committee, members serve at the Board Chair's discretion and can be removed by the Board Chair at any time for any reason or no reason.

5) If specific needed expertise cannot be attracted through its existing membership, the Board Chair may nominate an expert from outside Alloya's membership, subject to Alloya's Bylaws and Policies

6) When any Committee member is absent, disqualified, or otherwise unable to perform the duties of his/her office, the Board may, by resolution, designate another member of Alloya to act temporarily in his/her place. The Board may also, by resolution, designate another Alloya member to act on said committees, when necessary, to attain a quorum.

d. Recusal provision

1) No Alloya Committee member, Officer, or Employee shall in any manner, directly or indirectly, participate in the deliberation upon or the determination of any question affecting his or her pecuniary interest or the pecuniary interest of any entity (other than Alloya) in which he or she is interested, except if the matter involves general policy applicable to all members, such as setting dividend or loan rates or fees for services.

2) An individual is "interested" in an entity if he or she:

(a) Serves as a director, officer, or employee of the entity;

(b) Has a material business, ownership, or deposit relationship with the entity; or

(c) Has a business, financial, or familial relationship with an individual whom he or she knows has a pecuniary interest in the entity.

3) In the event of the disqualification of any Committee member, the remaining qualified Committee members, if constituting a quorum with the disqualified Committee members, may exercise, by majority vote, all the powers of the Committee with respect to the matter under consideration. Where all of the Committee members are disqualified, the matter shall be decided by the Board.

e. Committee Meetings

1) Quorum – A simple majority of Committee members present either in person or by phone constitutes a quorum.

2) Parliamentary Procedure – Robert's Modern Rules of Order, 11th Edition, will be used as the parliamentary procedure.

3) Voting – Each Committee member may cast one voice vote. Approval in all cases requires a simple majority of the members present. In the event of a tie, the Board Chair may break the tie, except for the Supervisory Committee, where the Supervisory Committee Chair holds the tiebreaker. If the Board Chair is unavailable, the Vice Chair is the tiebreaker.

4) Minutes – The Secretary shall cause minutes of each meeting to be kept, which will be presented for approval at the next regularly scheduled meeting. Draft Committee minutes may be presented to the Board for review, but shall not be deemed final until approved by the Committee at its next regularly scheduled meeting. The minutes shall reflect the names of any Committee member voting against a motion. No recordation of names is required for unanimous votes. Recordings of the meeting will be destroyed

immediately following approval of the minutes, unless otherwise directed by a body of competent jurisdiction.

5) Meeting Notice – Notice of all Committee meetings will be provided at least seven (7) days in advance. Committee meetings may be called without seven (7) days' notice if a simple majority of the Directors agree to waive the notice provision.

6) Board Chair – The Board Chair may serve as an ex-officio member of any committee, except the Supervisory Committee.

3. Executive Committee

a. Composition

1) The Board may appoint an Executive Committee of not fewer than three Directors to act for it with respect to specifically delegated functions and subject to such limitations as prescribed by the Board in this Policy

2) The Executive Committee shall consist of the Board Chair, Vice Chair, Treasurer, Secretary and one at-large member.

3) The Board Chair shall chair the Executive Committee.

b. Eligibility

1) The Board will engage in an open discussion regarding candidates for Executive Committee positions for the coming year prior to each Annual Meeting. The discussion will allow individuals to express their interest in serving on the Executive Committee in specific positions and will also allow the Board to openly discuss related issues and future board leadership. The Board will consider the following for selection of Executive Committee members:

a) Succession through the offices of the Executive Committee up to the office of Chair is not guaranteed.

b) A candidate should possess the following criteria/qualities to be considered for an Executive Committee position:

(1) Be willing to serve in this capacity, and

(2) Be time-committed to undertake the duties of an Executive Committee position.

c) A candidate should possess the following criteria/qualities to be considered for the office of Chair:

(1) Previous experience as the Vice Chair of a corporate credit union.

(2) Previous experience as an ALCO liaison of a corporate credit union.

(3) Willingness to serve and be time committed to the position of Chair, which can be extensive.

(4) Willingness and ability to travel on behalf of Alloya as needed.

c. Duties

1) The Executive Committee may meet to discuss items at the request of the Executive Committee Chair.

2) Annually, the Executive Committee shall prepare and present a review of the CEO's performance and set the CEO's pay, bonus and benefit package.
   a) The Executive Committee Chair will call a meeting of the Committee immediately following the Board strategic planning session at which Alloya's Strategic Plan was approved. At this meeting, the Board Chair will present for approval the suggested annual CEO Performance Index ("Index"). This Index will be in the form of a matrix based upon objectives outlined in Alloya's Strategic Plan and will be used in the Annual CEO's Performance Review ("PR") for the following year.
   b) In January of each year, the Board Chair will e-mail a copy of the PR to all Executive Committee Members. Committee members will complete the form and return it to the Board Chair by the end of the month. The Board Chair will average each evaluation completed to determine the CEO's performance ranking. The full Board will approve the final PR.
   c) The Board Chair will meet with the CEO to share the results of the PR and Index no later than February 28th each calendar year. Once the evaluation is completed, the Board Chair will sign it and provide one copy to the CEO and one copy to the Human Resources Department. The most senior employee in Human Resources will utilize the results of the PR to administer payment of the annual incentive award.
   d) The Executive Committee Chair shall call a meeting of the Committee to review the CEO's annual merit increase before February 28theach calendar year. The Board Chair will recommend adjustment, if any, to the CEO's annual base compensation. Adjustments will be considered based upon performance as well as a review of the marketplace. An independent market review will be performed at least once every three years for comparison. If the Committee believes the CEO's performance is commendable, the targeted compensation range should be in the 75th percentile or higher of the pay range as established by Alloya's Human Resource department. The Board Chair will authorize the Human Resources Department to backdate any adjustments agreed to by the Committee to January 1st.
3) Annually, the Executive Committee shall ensure disclosure of salaries to the membership as required by applicable regulation.

d. Meetings
   1) Meetings may be held by conference call.
   2) The Executive Committee shall meet upon the request of the Executive Committee Chair.

e. Authority – The Executive Committee has the authority to review items that are brought before it. The Executive Committee will report its findings to the full Board for subsequent action, if necessary.

4. Supervisory Committee
   a. Composition
      1) The Board appoints the Supervisory Committee from among the members and/or from among the members' Designated Representatives. The Board determines the number of members on the Supervisory Committee, which may not be fewer than three nor more than five.
      2) No Alloya employee may be appointed to the Supervisory Committee.
      3) Regular terms of Supervisory Committee members are for periods 1, 2, or 3 years as the Board determines; provided that all regular terms are for the same number of years and until the appointment and qualification of successors. The regular terms expire at the first regular meeting of the board following each annual meeting
      4) Supervisory Committee members choose from among their number a Chair and a Secretary. The Secretary of the Supervisory Committee prepares, maintains, and has custody of full and correct records of all actions taken by it. The same person may hold the offices of Chair and of Secretary
      5) Any member of the Supervisory Committee may be suspended by majority vote of the Board. Alloya members will decide, at a special meeting held not fewer than seven (7) nor more than fourteen (14) days after any such suspension, whether the suspended Committee member will be removed from or restored to the Supervisory Committee.
      6) Supervisory Committee members must be independent. A Supervisory Committee member is independent if:
         a) Neither the Supervisory Committee member, nor any immediate family member of the Supervisory Committee member, is supervised by, or has any material business or professional relationship with, the Alloya's CEO, or anyone directly or indirectly supervised by the CEO, and
         b) Neither the Supervisory Committee member, nor any immediate family member of the Supervisory Committee member, has had any of the relationships described in paragraph a) above for at least the past three years.
      7) Supervisory Committee members must always remain the Designated Representative of a member.
      8) At least one Supervisory Committee member will be qualified as a "financial expert." A financial expert is one who:
      a) Understands GAAP and financial statements;
      b) Can assess the application of GAAP in connection with the accounting for estimates, accruals and reserves;

c) Has experience in preparing, auditing, analyzing, or evaluating financial statements of a breadth and complexity comparable to Alloya;
d) Understands internal controls and procedures for financial accounting; and
e) Understands Supervisory Committee functions.

b. Meetings
1) The Committee shall meet at least four (4) times per calendar year, or more frequently at the Committee Chair's request with proper notice.
2) Meetings may be held by conference call.
3) At least one meeting per year will be held in person.

c. Duties – The Supervisory Committee
1) Causes to be made such audits and to prepare and submit such written reports to the Board and the members as are required by the Act and regulations.
2) Verifies or causes to be verified the accounts of members in accordance with the Act and regulations.
3) Duties include, in addition to those specified under the Bylaws and applicable regulations, the appointment, compensation, and oversight of the Independent Public Accountant ("IPA") who performs services required under regulation and reviewing with management and the IPA the basis for all the reports prepared and issued under this section.
4) Must submit the audited comparative annual financial statements and the IPA's report on those statements to the Board.
5) In performing its duties with respect to the appointment of the Alloya's independent public accountant, must ensure that engagement letters and/or any related agreements with the IPA for services to be performed under this section:
   a) Obligate the IPA to comply with the requirements of this section (including, but not limited to, the notice of termination of services, communications with the Supervisory Committee, and notifications of peer reviews and inspection reports); and
   b) Do not contain any limitation of liability provisions that:
      (1) Indemnify the IPA against claims made by third parties;
      (2) Hold harmless or release the IPA from liability for claims or potential claims that might be asserted by the client corporate credit union, other than claims for punitive damages; or
      (3) Limit the remedies available to the client corporate credit union.
   c) May include alternative dispute resolution agreements and jury trial waiver provisions provided that the letters do not

incorporate any limitation of liability provisions set forth this section.

6) Has access to its own outside counsel, subject to the current year budget approved by the Board.
7) Is entrusted to be an independent source for ensuring that Alloya's assets are properly accounted for and safeguarded.
8) Shall ensure that Alloya satisfies its required financial reporting objectives.
9) Shall require an annual opinion audit of Alloya's financial statements by an IPA and is solely empowered to execute the Engagement Letter for this audit.
10) Shall evaluate the performance of the IPA that performs this audit.
11) Shall ensure the annual opinion audit includes the confirmation of selected member accounts at Alloya.

d. Internal Audit
1) Alloya shall have an internal audit function.
2) The internal auditor's responsibilities will, at a minimum, comply with the Standards and Professional Practices of Internal Auditing, as established by the Institute of Internal Auditors.
3) The internal auditor will report directly to the Supervisory Committee Chair, who may delegate supervision of the internal auditor's daily activities to the CEO.
4) The internal auditor's reports, findings, and recommendations will be in writing and presented to the Supervisory Committee no less than quarterly, and will be provided upon request to the IPA and NCUA.
5) The Supervisory Committee shall:
   a) Designate the Alloya employee acting as the Chief Audit Executive (CAE) annually at the Supervisory Committee Meeting immediately following the Annual Organizational Meeting.
   b) Shall perform and deliver the CAE's performance appraisal, with the input of the CEO, at least annually. This evaluation will include, within the current salary scale at Alloya, any recommendation for salary increases or bonuses.
   c) Shall annually approve the Internal Audit plan and Internal Audit Department budget.

e. Authorities
1) Has authority to engage an IPA to perform audits as deemed necessary without action of the Board.
2) Has the authority to hire and terminate the employment of the CAE. This authority may not be delegated to management.
3) Other authorities as specifically noted in Alloya's Bylaws.
4) By unanimous vote, the Supervisory Committee may suspend until the next meeting any Director, or Officer. In the event of any such suspension, the Supervisory Committee will call a special meeting of the members to act on said suspension, which meeting will be held not fewer than seven (7) nor more than fourteen (14) days after such

suspension. The Supervisory Committee Chair will act as Chair of the meeting unless the members select another person to act as Chair.

5) By the affirmative vote of a majority of its members, the Supervisory Committee may, after notification to the Board, call a special meeting of the members to consider any violation of the provisions of the Act or of the regulations, or of the Charter, or of Alloya's Bylaws, or to consider any practice of Alloya which the Supervisory Committee deems to be unsafe or unauthorized.

5. Nominating and Resolutions Committee
  a. Composition
    1) At least 120 days before each annual meeting, the Board will appoint a Nominating Committee of not fewer than three members.
    2) Alloya staff is not eligible to serve on the Committee.
    3) The Board Chair shall appoint the Committee Chair, who shall also serve as Secretary for the Committee, prior to the Committee's first meeting following the annual Organizational Meeting.
  b. Meetings
    1) The Committee shall meet at the Committee Chair's request.
    2) The Committee shall meet at least once per year, as required by the Bylaws.
    3) Meetings may be held by conference call.
  c. Duties
    1) Nominating
      a) Nominate at least one candidate for each vacancy, including any unexpired term vacancy, for which elections are being held
      b) Determine that the candidates nominated are agreeable to the placing of their names in nomination and will accept office if elected.
      c) File its nominations with the secretary of the corporate credit union at least ninety (90) days prior to the annual meeting.
      d) Identify members in good standing who may wish to serve as Directors (see Appendix D for details).
      e) Present a slate of candidates to the Board for election at the Annual Meeting pursuant to Alloya's Bylaws.
      f) If the election is contested, the Committee has the sole right to determine unacceptable content in mailing materials to members as described in Appendix D.
    2) Resolutions
      a) Review any new business to be addressed at the Annual Meeting.
      b) Only members and Alloya's Board may submit resolutions to the members.
      c) Resolutions from members must be dated, authorized by the member's Board, submitted in writing, certified by the member's Chair and Secretary, and received at Alloya's

headquarters offices no later than sixty (60) days before the Annual Meeting.

d) Resolutions submitted to Alloya sixty (60) days prior to the Annual Meeting shall be put in proper form by the Resolutions Committee in its sole discretion, and provided to all members, and shall be included on the Annual Meeting agenda.

e) Resolutions received after the sixty (60) day deadline shall not be eligible for consideration at the current year's Annual Meeting.

d. Resolution Presentation

1) The Chair of the Committee shall present the resolutions at the Annual Meeting in the form desired by the Committee;

2) The Chair of the Board shall then call for supporters of the resolutions to move and second them;

3) The Chair of the Committee shall then present the Committee's recommendations;

4) The Chair of the Board shall then call for discussion on the resolutions; and

5) At the close of discussion, the Chair of the Board shall then put the question to the Designated Representatives for a vote.

6. Asset-Liability Committee

a. Composition

1) The Board will appoint an ALCO composed of not less than three, including at least one Board member.

2) All other members may be Alloya Board members, designated representatives of members of Alloya or staff of Alloya.

3) The Board Chair shall appoint a Chair for the ALCO.

b. Meetings

1) The ALCO shall meet at least monthly, or more frequently at the ALCO Chair's request.

2) Meetings may be held by conference call.

3) The quorum for this committee will be a simple majority.

c. Duties

1) The ALCO is charged with the responsibility for and the oversight of the investment, asset/liability management, market risk and capital markets credit risk management functions at Alloya. This mandates that investment product risks are well understood, controlled, and professionally managed. The ALCO also will recommend operating policy limits related to the exercise of investment and asset/liability management activities to the Board for approval. Specific duties of the asset/liability management function are found in the ALM Oversight Policy and the ALM Operating Guideline sections of this manual. Some of the most relevant steps taken to ensure these responsibilities are fulfilled by a review of the following reports:

a) Management reports;

b) Investment reports;

c) Net interest income and net economic (NEV) simulation report;
d) Liquidity reports;
e) A written evaluation summary of the credit limit with each obligor or transaction counterparty (at least annually);
f) Other reports on an as needed basis.

d. Compliance – The ALCO is responsible for reviewing management reports, documenting asset/liability and investment compliance with NCUA regulations and Board policies. The ALCO delegates day-to-day compliance duties to management.

e. Liquidity
1) The ALCO is responsible for recommending financial benchmarks, reviewing current and prospective liquidity positions to ensure that Alloya maintains liquidity that ensures the safety and soundness of Alloya under both normal circumstances and stressed liquidity environments.
2) Contingency Funding – The ALCO shall ensure Alloya develops a Contingency Funding Plan. This plan shall be kept current and up-to-date. The ALCO will, at least annually, review the plan to ascertain the impact of changing corporate needs and market conditions.

f. Financial Structure – The ALCO shall oversee all Alloya's major sources and uses of funds.

g. Credit Analysis – The ALCO shall periodically review written credit analysis for those approved instruments that require credit analysis.

h. Authority
1) Require reports and information presented provide assurance key risk measures and guidelines are met, related activity is handled professionally and responsibly, and activities support corporate policies and objectives.
2) Investment and risk management staff perform their duties on an "act and report" basis for daily operations.

7. Enterprise Risk Management Committee ("ERMC")

a. Composition
1) ERMC members may be Alloya Board members, Designated Representatives of Alloya, Alloya staff or as otherwise authorized in these Policies.
2) ERMC members will be nominated by the Board Chair and voted upon by the Board.
3) The Board Chair shall appoint the ERMC Chair.
4) Independent Experience
a) The ERMC must include at least one (1) individual with risk management experience as defined in Regulation.
b) The individual must have at least five (5) years of experience in identifying, assessing, and managing risk exposures.

c) This experience must be commensurate with the size of the corporate credit union and the complexity of its operations.

d) The Board may hire or retain the individual with independent risk management experience to work full-time or part-time for the ERMC or as a consultant for the ERMC.

e) The independence requirement includes:

(1) Directly reporting to the ERMC and the Board;

(2) Neither the individual, nor any immediate family member of the individual, is supervised by, or has any material business or professional relationship with, Alloya's chief executive officer (CEO), or anyone directly or indirectly supervised by the CEO; and

(3) Neither this individual, nor any immediate family member, has had any of the relationships described in this section for at least the past three years.

f) The individual is not required to be a Director

b. Meetings

1) The Committee shall meet at least four (4) times per calendar year, or more frequently at the Committee Chair's request with proper notice.

2) Meetings may be held by conference call.

3) At least one meeting per year will be held in person.

c. Duties

1) Alloya must develop and follow an enterprise risk management policy.

2) The Board must establish an enterprise risk management committee (ERMC) responsible for reviewing the enterprise-wide risk management practices of the corporate credit union.

3) The ERMC must report at least quarterly to the Board.

4) Responsibilities – The ERMC is charged with the responsibility for and the oversight and coordination of all risk management functions at Alloya including those delegated to other committees. This mandates that all risks assumed by the corporate, are well understood, controlled, and professionally managed. The ERMC also will recommend operating policy limits related to the exercise of risk management activities to the Board for approval. Specific duties of the enterprise management function are found in Enterprise Risk Management section of this manual.

5) Compliance – The ERMC is responsible for reviewing management reports, documenting operational compliance with NCUA regulations and Board policies. The ERMC delegates day-to-day compliance duties to departments responsible for the individual risks addressed.

d. Authority

1) The ERMC fully delegates its authority to operate and monitor risks to management for day-to-day operations.

2) Staff members perform their duties on an “act and report” basis for daily operations.

C. BOARD AND COMMITTEE CONDUCT AND PERFORMANCE

1. Gifts and Gratuities – All Board and Committee Members will adhere strictly to the Gifts and Gratuities Policy (Appendix A).
   a. Willful violation of the Gifts and Gratuities Policy will result in progressive discipline, up to and including, official sanctioning of the behavior by the Board.
   b. Actions resulting in risk, liability, or contingent liability to Alloya may result in action by the Board and/or Supervisory Committee.
2. Performance Standards – All Board and Committee Members will adhere strictly to the Performance Standards listed below:
   a. Governance Process – Board and Committee Members shall ensure the integrity and fulfillment of the Board’s governance process as set forth in their respective position descriptions (Appendix E) and the Bylaws.
   b. Record-Keeping – The Board and Committee members will take reasonable steps to ensure that all record-keeping at Alloya is in conformance with GAAP. Further, the Board will encourage a culture of openness, integrity and transparency in all record-keeping. In all circumstances, Alloya’s management and staff shall be encouraged to report data accurately and timely. Should any Board or Committee member become aware in any manner of any Alloya transaction that may be being handled improperly, it is the duty of that individual to ensure the transaction is investigated and reported to the Board.
   c. Reporting Unethical Behavior – Directors and Committee members have a duty to report to the Board and/or General Counsel any suspected unethical behavior by Alloya’s Board, Committees, management, staff, vendors, members or business partners. This includes, but is not limited to:
      1) Misrepresenting any financial transaction;
      2) Misuse of Alloya’s resources;
      3) Not ensuring protection of Alloya‘s assets.
   d. Major Transactions – The Board has a duty to adequately evaluate any major transactions that could significantly impact Alloya. The Board will require management to present for review and approval any major transaction. Examples of major transactions can include, but are not limited to:
      1) Any single transaction whose likely impact, in a worst-case analysis, would exceed $500,000 in unbudgeted expenses.
      2) Any single transaction which management believes could have the effect of making Alloya current Strategic Plan unachievable.
      3) Major transactions do not include investment, lending, borrowing and repurchase transactions that Alloya engages in as a normal course of business and whose transaction limits are defined in those respective sections of this Policy Manual.
   e. Fair-Dealing – The Alloya Board will create an environment that fosters open, honest, ethical competition to acquire any business from any source.

f. Review of Audited Financials – Directors and Committee members will review Alloya audited financial statements at least annually.

g. Access to Management – While Directors and Committee members respect the appropriate division between the oversight function they play and the management role that staff and management play, any Director or Committee member has access to any staff member, advisor, regulator, consultant, or auditor, if necessary in the normal performance of his/her duties.

h. Knowledge – Directors and Committee members must be knowledgeable in analysis and use of financial reports, and capable of understanding and interpreting such reports as they reflect planning, operations, and results of activities of Alloya.

i. Experience – Directors and Committee members must possess management or supervisory experience of sufficient depth and duration to enable them to understand, motivate, direct, and evaluate the performance of management of Alloya.

j. Fiduciary Responsibility – Directors and Committee members must possess or promptly acquire broad understanding of their responsibility for fiduciary oversight of Alloya. This understanding must include knowledge of the unique trust a depository financial institution must those it serves and of the means and safeguards used to maintain and preserve this trust.

k. Representation – Directors and Committee members must represent the best interest of all members of Alloya.

l. Meeting Attendance – Directors and Committee members must attend meetings of the Board and/or committees, inform, and prepare themselves, and address experience and educational needs in such manner that demonstrates due diligence to these standards and other duties and responsibilities as set forth in this Policy Manual.

   1) Directors are expected to attend at least seventy-five percent (75%) of scheduled Board meetings per rolling calendar year in person or via conference call. Further, directors are expected not to be absent for more than two consecutive meetings. Directors who fail to meet any of these expectations may be removed from office by a majority vote of the remaining directors.

   2) Committee members are expected to attend at least seventy-five percent (75%) of scheduled Committee meetings per rolling calendar year in person or via conference call. Further, committee members are expected to refrain from being absent for more than two consecutive meetings. Committee members who fail to meet any of these expectations may be removed from office by the Board Chair, except for the Supervisory Committee. Supervisory Committee members may only be removed from office pursuant to Alloya's Bylaws.

m. Reelection – Directors and Committee members will serve and become eligible for reelection based upon the quality of their contribution to meeting these standards of performance which includes availability, alertness, initiative, interest, and participation in the Board's activities.

n. Other Boards – Directors and Committee members may serve on no more than five (5) other boards simultaneous with serving on Alloya's Board and/or Committees, excluding credit union related entities.

o. Recruitment – Directors and Committee Members (and former Directors and Committee members for a period of six (6) months after they cease being Alloya officials) may not recruit or solicit other Alloya's employees for employment outside of Alloya and its affiliated companies.

p. Training – Directors and Committee members are required to ensure they attend on-going training. Training will be provided at least quarterly, which Directors and Committee are required to attend.

q Support – Directors and Committee members will publicly support and defend Alloya as its ambassador in a highly professional manner.

3. Confidentiality

a. Duty of Board, Committee, and Staff Members – All Board, Committee and staff members receive confidential information in the course of their duties. Such information includes, but is not limited to, discussions of the Board, Committee, staff, Alloya legal issues, Alloya financial information and member credit union financial information. The officers, directors, members of committees, and employees of this corporate credit union must hold in confidence all transactions of this corporate credit union with its members and all information respecting their business affairs, except when permitted by state or federal law. Any dissemination of confidential information by any means could irreparably harm Alloya and its member credit unions. Board, Committee, and staff members are expected to use the utmost care and diligence with respect to keeping confidential information confidential.

b. Unauthorized Dissemination of Confidential Information, Remedies

1) Breach by Board or Committee Member – Any allegation of a breach of the duty as defined in Section 3.a above shall be reported to the Board Chair. If the Chair, with the assistance of General Counsel, determines there is a reasonable basis to believe there has been a breach of the duty as described in Section 3.a, the Chair shall refer the matter to the Executive Committee. The Executive Committee shall conduct a hearing into the allegations giving the subject individual reasonable notice and an opportunity to be heard. If a majority of the Executive Committee believes that the subject individual has breached a duty as identified in Section 3.a above, the Executive Committee shall then determine the appropriate remedy for the breach. The Chair shall then present the findings of the Executive Committee to the full Board, giving the subject individual reasonable notice and an opportunity to be heard. The Board has the authority under article VII, paragraph 7 of the Bylaws, to take the appropriate remedy as determined by a majority of the Board, which can include, but is not limited to, suspension and disqualification.

2) Breach by an Alloya Employee – All suspected breaches under Section 3.a above shall be handled per regularly established procedures pursuant to Alloya's Employee Handbook.

4. Conflict of Interest

a. No Alloya Director, Committee member, Officer, Agent, or Employee may participate in any manner, directly, or indirectly, in the deliberation upon or the determination of any question affecting his/her pecuniary interest or the pecuniary interest of any corporation, partnership, or association (other than this corporate credit union) in which he/she is directly or indirectly interested.

b. In the event of the disqualification of any Director respecting any matter presented to the Board or General Counsel for deliberation or determination, such Director must withdraw from such deliberation or determination and, in such event, the remaining qualified Directors present at the meeting, if constituting a quorum with the disqualified Director or Directors, may exercise with respect to this matter, by majority vote, all the powers of the B.

c. In the event of the disqualification of any member, ALCO or the Supervisory committee, such Committee member must withdraw from such deliberation or determination.

d. Directors and Committee members must be members of Alloya, free of conflict of interest as set forth in this manual and free of felony conviction and criminal record.

e. Conflicted Directors should recuse themselves from any vote or discussion.

f. The Board and Committee Members will adhere strictly to the Conflict of Interest guidance provided (Appendix B).

   1) Willful violation of the Conflict of Interest guidance will result in progressive discipline, up to, and including, official sanctioning of the behavior by the Board.

   2) Actions resulting in risk, liability, or contingent liability to Alloya will result in action by the Board and/or Supervisory Committee.

5. Volunteer Information Questionnaire – Each Director, person nominated to be a Director of Alloya, Director of an Alloya subsidiary as well as each member of the Supervisory Committee of Alloya is required to complete a Volunteer Information Questionnaire (Appendix C) and update the information contained therein if changes occur which cause the information previously given to be materially incorrect.

6. Reimbursement – Volunteers will be reimbursed for reasonable business-related travel and entertainment expenses (Appendix F).

7. Indemnification – The Board of Directors will ensure that indemnification parameters for volunteers, officers and employees as outlined in the Indemnification section of this manual are maintained.

8. Bond – The Board of Directors will obtain bond coverage in excess of the minimum regulatory requirements when necessary, to provide adequate protection to meet its unique circumstances.

9. Strategic Plan – Annually the Board will ensure that a Strategic Plan for the following year is developed and approved, which will include corporate goals that will form the basis for the CEO Performance Index.

10. CEO Performance – Annually, the Board will approve the CEO’s performance appraisal.

D. INDEMNITY

1. Power to Hold Harmless
   a. Alloya shall have the power to indemnify any person who was, or is, a party or is threatened to be made a party to any threatened, pending, or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of Alloya) by reason of the fact that he or she is or was a director, officer, Board committee member or employee of Alloya, against expenses (including reasonable attorneys' fees), judgments, fines, and amounts paid in settlement actually and reasonably incurred by him or her in connection with such action, suit or proceeding. To be eligible for indemnification, the subject must be determined by Alloya to have acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of Alloya, and, with respect to any civil or criminal action or proceeding, the subject neither knew nor should have known that his or her conduct was negligent or unlawful. Alloya may indemnify employees and volunteers only to the extent permitted by Regulation.
   b. The termination of any action, suit or proceeding by judgment or settlement, conviction, or upon a plea of *nolo contendre* or its equivalent, shall not, of itself, create a presumption that the subject acted in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of Alloya, and that the subject neither knew nor should have known that his or her conduct was unlawful.
2. Reimbursement Authorized
   a. Any subject requesting indemnification under Section 1.a above shall apply to the Chair in writing setting forth the reasons and justifications for the indemnification and showing how he or she has met the applicable standard of conduct set forth in Section 1.a above. If the Chair, with assistance of Legal Counsel, determines that there is a reasonable basis for indemnification as set forth in Section 1.a above, the Chair shall call a meeting of the Executive Committee to conduct a hearing on the application. The subject shall be given reasonable notice and an opportunity to be heard at the hearing. The Executive Committee, upon majority vote, shall arrive at recommendations to be presented to the Board. The determination of whether the subject is entitled to indemnification as set forth in section 1.a above shall be decided by the following factors:
      1) By the Board by a majority vote of a quorum consisting of directors who are not parties to such action, suit, or proceeding, or
      2) If such a quorum is not available, by the Board by a majority vote of a quorum consisting of directors who may or may not be parties to such action, suit, or proceeding, or
      3) If such a quorum is not obtainable, or, even if obtainable, if a quorum of disinterested directors so directs, by independent legal counsel in a written opinion.
   b. Advance of Expenses – Expenses incurred in defending a civil or criminal action, suit or proceeding may be paid on behalf of the director, officer, or

employee of Alloya in advance of the final disposition of such action, suit or proceeding. Advance payment will be made as authorized by the Board in each specific case. The Board will reserve the right not to advance expenses where it is determined that the director, officer, or employee benefiting is deemed not to have met the applicable standard of conduct in section 1.a above. The advance of expenses is not an indication that the subject has met the applicable standard of conduct as set forth in Section 1.a above, and is not a commitment by the Board to pay any future expenses including, but not limited to, fines, penalties, judgments, settlements, expenses, reasonable attorneys' fees, etc. The Board, in a situation where expenses have been authorized, has the right to approve the subject's counsel and such approval shall not be unreasonably withheld.

3. Exceptions
   a. Alloya may indemnify and advance expenses on behalf of a director, officer or employee of Alloya except for liability arising out of conduct that constitutes:
      1) Liability in connection with a proceeding by or in the right of Alloya other than for expenses incurred in connection with the proceeding, or
      2) Receipt by the director, officer, or employee of a financial benefit, to which he or she is not entitled, or
      3) An intentional infliction of harm on Alloya, its members and the other officers, directors, and employees, or
      4) Any intentional violation of applicable criminal law.
      5) Any civil or criminal action brought against an employee or volunteer by the NCUA Board.
4. Personal Indemnity Agreements – Alloya may execute Personal Indemnity Agreements with its volunteers and officers in addition to obtaining liability insurance for the protection of its officers and volunteers. The form of the Personal Indemnity Agreement as amended from time to time is approved by Alloya's Board of Directors in consultation with General Counsel, executed copies of which are maintained in Alloya's records.

IV. BOARD/CEO LINKAGE (DELEGATION)

A. DEFINITION

1. To the extent this does not abrogate the Board's duties and responsibilities imposed by statute and regulation, the Board's only official connection to the operation of Alloya, its achievement and conduct is through its CEO.

B. LINKAGE

1. Only officially passed motions of the Board are binding on the CEO.
2. The Chair will act as a direct liaison to the CEO on behalf of the Board.
3. The Board will instruct the CEO through written policies, bylaws, position description, and motions which prescribe the organizational Ends to be achieved and describe organizational situations and actions to be avoided allowing the CEO to use any reasonable interpretation of these Policies.

4. The Executive Committee is empowered to perform the evaluation of the CEO, to oversee the compensation and/or benefits of the CEO and to interface with the CEO on issues only as directed by the Board.
5. CEO evaluation and compensation will be based upon systematic and rigorous monitoring of CEO job performance and against expected CEO outputs including but not limited to:
   a. Organizational accomplishment of Board policies on Ends;
   b. Organizational operations within the boundaries established in Board policies on Executive Limitations, and
   c. The performance standards set forth in the CEO position description.

V. ENDS

A. DEFINITION

1. As a result of Alloya providing quality, competitively priced financial services and solutions, member credit unions may more effectively and efficiently serve their members while maximizing everyone's financial performance.

VI. EXECUTIVE LIMITATION

A. DEFINITION

1. The CEO will not cause or allow any practice, activity, decision, or circumstance that is either unlawful, imprudent, or in violation of generally accepted business practices, professional ethics, or regulations.

B. LIMITS

1. The CEO may not allow the assets of Alloya to be unprotected, inadequately maintained or unnecessarily risked.
2. The CEO will not permit financial benchmarks to fall outside Board-stipulated requirements as identified.
3. The CEO will not fail to submit annual financial benchmarks to the Board for acceptance and ratification.
4. The CEO will not have less than one other executive familiar with Board and CEO issues and processes, to fill the position for an interim period or in the CEO's absence.
5. The CEO will not fail to submit the annual budget, capital plan, strategic plan, and recommendation for bond coverage to the Board for approval during the fourth quarter of each calendar year.
6. The CEO may not change his or her own compensation and/or benefits.
7. The CEO will not compromise Ends achievement by limiting compensation levels below market.
8. The CEO may not purchase, encumber, or dispose of Alloya's real property.
9. The CEO may not change his or her Operating or Capital Expenditure authority, nor raise those of any staff above his or her own level.
10. The CEO may not reallocate funds within the budget more than $500,000 per item.
11. The CEO will not fail to implement a leadership plan for Alloya.

12. The CEO will not fail to keep the Board informed of important or relevant issues as they occur.
13. The CEO will not fail to keep the Board informed, via the next regularly scheduled Board meeting packet, of any changes and/or exceptions made to Alloya's operating guidelines.

VII. GOVERNANCE POLICY APPENDICES

APPENDIX A – GIFTS AND GRATUITIES

1. OBJECTIVE – To establish guidelines for the receipt of gifts, gratuities, and other items of value by Officers, Directors, and Committee members (collectively "Alloya officials") in the performance of their official duties on behalf of Alloya. Alloya officials shall conduct themselves with the utmost integrity and adherence to the laws and regulations applicable to this institution.

2. SCOPE – This Appendix encompasses the acceptance of goods, money, and services by Alloya officials and any potential conflicts of interest and restrictions these transactions could create.

3. DELEGATION OF AUTHORITY – The Board of Directors delegates to the Supervisory Committee the authority to review the information presented by any Alloya official who has been offered, has received, or anticipates receiving something of value beyond what is expressly authorized by this policy, and to adjudicate on the appropriate disposition of the matter under applicable laws and regulations, in conjunction with legal counsel, as needed.

   The Chair of the Board of Directors and CEO are authorized severally to establish such procedures as are reasonably necessary to avoid conflicts of interest by the personnel included in the scope of this Appendix resulting from gifts and/or gratuities.

4. PROHIBITED ACTIVITIES

   a. Alloya officials are prohibited from performing the following activities:

      1) Soliciting anything of value from third parties in return for any business, service, or confidential information of Alloya;

      2). Accepting items of value from third parties in return for conducting Alloya business either before or after a transaction is discussed or consummated; and

      3) Self-dealing or trading on investment positions, or accepting a business opportunity, based on information that is not available to the general public.

   b. The above prohibitions exclude normal wages, salaries, fees, and reimbursements of expenses from Alloya and the following items:

      1) Alloya officials may accept items of value based on pre-existing personal or family relationships, where the circumstances make it clear that it is those relationships that are the motivating factor in the offering of the items of value;

      2) Alloya officials may accept meals, refreshments, and entertainment of reasonable value in conjunction with meetings and other occasions during which *bona fide*

business discussions take place and provided these expenses would be paid by Alloya if not paid for by the other party as a reasonable business expense;

3) Alloya officials may accept loans to finance proper and usual activities on customary terms from other financial institutions with which Alloya has relationships, except where prohibited by law;

4) Alloya officials may accept advertising or promotional material of nominal value (pens, key chains, etc.);

5) Alloya officials may accept discounts and rebates on merchandise and services where such discounts and rebates do not exceed those available to other customers;

6) Alloya officials may accept gifts of modest value (less than $350 in estimated value). Alloya officials must report all gifts they receive of $350 or more, in estimated value, to the Supervisory Committee; and

7) Alloya officials may accept awards from civic, charitable, educational, and religious organizations for recognition of service and accomplishments.

5. DISCLOSURE REQUIREMENTS

a. Alloya officials shall submit, at the time of entering service, written acknowledgments that they have read and will follow this Guideline. Form A will be utilized for such acknowledgments.

b. Any Alloya official who is offered, receives, or anticipates receiving something of value beyond what is expressly authorized by this Appendix must disclose it to the Supervisory Committee Chair or his or her designee using Form B.

c. If any doubt exists in the mind of an Alloya official as to the appropriateness of accepting something of value, such official should seek guidance from Alloya General Counsel to determine the proper course of action.

d. The Supervisory Committee Chair or his or her designee is responsible for maintaining a written record of disclosures submitted in conjunction with this Appendix.

FORM A

GIFTS AND GRATUITIES
ACKNOWLEDGMENT FOR OFFICERS,
DIRECTORS AND BOARD COMMITTEE MEMBERS

I hereby verify by my signature below that I have read and will abide by Alloya Gifts and Gratuities Appendix and other provisions contained in the policies, rules and regulations adopted by Alloya from time to time, and will make the disclosures required by the Gifts and Gratuities Appendix.

Name:________________________________ Date:___________________________

Title:__________________________________ Signed:_________________________

FORM B

GIFTS AND GRATUITIES DISCLOSURE FORM

All Alloya officials (officers, directors, and Board Committee Members) must use this form to disclose the following items to Alloya Supervisory Committee:

1. Any instances of being offered, having received, or anticipating receiving something of value beyond what is expressly authorized by the Gifts and Gratuities Appendix;

2. Any instance of non-compliance with the Gifts and Gratuities Appendix.

Disclosure(s):____

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Name:______________________________ Date:_________________________

Title:_______________________________ Signed:__________________

APPENDIX B – CONFLICT OF INTEREST FOR OFFICIALS

The Board of Directors of Alloya, to limit the possibility of any conflict of interest which might arise because an officer, committee member or member of the Board of Directors of Alloya is also a member, director, officer or financially interested in business entity with which Alloya will be entering into a contract, hereby adopts the following:

1. Each director, committee member or officer of Alloya called upon in any manner, directly or indirectly to participate in the deliberation upon or the determination of any question affecting his/her pecuniary interest of any business entity (other than this Credit Union) in which he or she is directly or indirectly interested shall immediately, and prior to the beginning of such deliberations, bring to the attention of the deliberating body the potential conflict of interest, setting forth on the record the nature and extent thereof.

    a. An individual is "interested" in an entity if he or she
        (i) Serves as a director, officer, or employee of that entity;
        (ii) Has a business, ownership, or deposit relationship with the entity; or
        (iii) Has a business, financial or familial relationship with an individual whom he or she knows has a pecuniary interest in this entity.

    b. This disclosure shall not apply to matters involving general policy applicable to all members, such as dividend or loan rates or fees for services.

    c. Notwithstanding the foregoing, an officer, director, or committee member who is the holder of less than five (5%) percent of any other business entity, shall not be deemed to have a financial interest in such business entity.

2. If a disclosure is made pursuant to paragraph "1" herein, the matter may be submitted to Alloya's General Counsel for a determination of whether a conflict of interest exists based on the Federal Credit Union Act, the rules and regulations issued from time to time by the National Credit Union Administration, opinion letters issued by the National Credit Union Administration and general corporate law. The determination by General Counsel that a conflict of interest exists shall be binding and conclusive.

3. Except where General Counsel determines otherwise, the existence of a relationship as defined and described in paragraph "1" herein shall be deemed to constitute a conflict of interest requiring the affected director, committee member or officer to fully comply with the terms and provisions of this Guideline.

4. Where a conflict of interest exists, the director, committee member or officer shall not participate in the deliberation of any action to be taken by Alloya or vote thereon with respect to the contract, loan or transaction involving the business entity in which such director, committee member or officer has a financial interest or is a director, officer or member thereof. Such interested director, committee member or officer, however, may be present during the vote and may be counted in determining the presence of a quorum at such meeting.

5. Each director, officer, or committee member of Alloya shall be provided with this Appendix. Each director, officer and committee member shall be required to furnish a Conflict of Interest Disclosure to the Chair of Alloya Board of Directors acknowledging receipt of this Guideline and his/her agreement to fully comply with it upon election or appointment to the Alloya Board or one of its Committees.

If this Appendix should at any time conflict with the terms and provisions of any applicable laws, rules and/or regulations, including those regulations issued by the National Credit Union Administration, this Appendix shall immediately be deemed amended to comply with such applicable laws, rules, and regulations.

Conflict of Interest Considerations

1. As an official director, officer, employee, agent, nominee, or committee member of one or more of the entities indicated below, have you ever:

   a. Directly or indirectly received any commission, other compensation or financial incentive, or a promise of the same, on the business transactions of said entities, other than your normal reimbursement, salary, or compensation?

   b. Held any other position with Alloya Corporate Federal Credit Union or other entity that might conflict with the interest of or impair your independence of judgment in the exercise of your duties?

   c. Disclosed any confidential information or used such information to further your own personal interests to the disadvantage of Alloya Corporate Federal Credit Union or the other entities listed below?

   d. Received any gift or entertainment of substantial value or any personal favor from any person who has or is likely to have any business dealings with Alloya Corporate Federal Credit Union? (This is not intended to apply to the ordinary courtesies of business life such as token gifts valued at less than $350 or modest entertainment incidental to a business relationship.)

   e. Held or made any personal investment which might conflict with the interest of or impair your independence of judgment in the exercise of your duties with Alloya Corporate Federal Credit Union?

2. If the answer to any part of question one above is "YES", you must disclose this as a conflict.

Conflict of Interest Disclosure

In accordance with the Conflict of Interest Appendix, volunteers, officers and nominees of Alloya Corporate Federal Credit Union must complete this disclosure upon election, appointment or a material change in circumstance that would affect this Disclosure.

1. Please check each corporation of which you are currently a director, officer, employee, agent, nominee, committee member or have a pecuniary interest:

   ☐ Alloya Corporate Federal Credit Union

   ☐ Any state credit union league

   ☐ Subsidiaries of any state credit union league

   ☐ Other____

   ☐ Other____

2. I hereby acknowledge that I have received a copy of the Conflict of Interest Appendix adopted by Alloya Board. I agree to make full and complete disclosure of any conflict of interest that I have or may have in the future. I further agree that if I have any conflict of interest in my capacity as director, officer, employee, agent, nominee or committee member, I will adhere to the said guideline relating to said conflict of interest.

3. Please complete the certification below:

   I certify, to the best of my knowledge and belief, that:

   ☐ I have no present conflict of interest within the Conflict of Interest Appendix.

   ☐ I have the following conflict of interest (attach page describing the conflict(s) in detail):

Name:__________________________ Date:______________________

Title:___________________________ Signed:________________

ATTENTION: Chair of the Board of Directors
Alloya Coporate Federal Credit Union
184 Shuman Blvd. Suite 400 Naperville, IL 60563

APPENDIX C – VOLUNTEER INFORMATION QUESTIONNAIRE

Name of person completing this Questionnaire:

____

ALLOYA CORPORATE FEDERAL CREDIT UNION AND SUBSIDIARIES DIRECTOR AND SUPERVISORY COMMITTEE PERSONAL INFORMATION QUESTIONNAIRE

Alloya and its Subsidiaries engage in businesses and conduct activities which are subject to regulation by numerous Federal and state regulatory agencies as well as self-regulated organizations. These agencies include, but are not limited to, the National Credit Union Administration and the United States Securities and Exchange Commission.

The information requested in this Questionnaire may be used to meet the filing requirements of the various regulatory bodies to which Alloya and its Subsidiaries are subject. In addition, the information will also be used to assess the need for various types of disclosures in connection with the offering or sale of Alloya Corporate Federal Credit Union (“Alloya”) securities, which are subject to Federal and state securities laws. If additional space is needed to respond to any question, attach a continuation sheet to the end of the Questionnaire identifying each question to which the additional information applies.

Each director or associate director of Alloya, director of a Subsidiary, and each member of the Supervisory Committee of Alloya is required to complete this Questionnaire within thirty (30) days following Alloya’s Annual or regular Meeting at which they were duly elected or appointed and to subsequently update the information contained herein if changes occur which cause the information previously given to be materially incorrect.

Several terms used in this Questionnaire, and any supplement hereto, shall have technical meanings which are explained in the “Definitions” section, which appears at the end of this Questionnaire. Before answering a question, which includes one of these technical terms, it is important that you refer to the definition explaining such term and understand its meaning.

THE CONTENTS OF THIS QUESTIONNAIRE COULD PROVIDE THE BASIS FOR DISCLOSURES IN AN OFFERING CIRCULAR AND THUS COULD CONSTITUTE REPRESENTATIONS OF A MATERIAL NATURE BEING MADE TO INVESTORS. ACCORDINGLY, CIVIL, AND/OR CRIMINAL LIABILITY TO ALLOYA FCU AND TO YOU MAY RESULT IF THOSE REPRESENTATIONS ARE INACCURATE OR INCOMPLETE. GREAT CARE SHOULD THEREFORE BE EXERCISED IN COMPLETING THIS QUESTIONNAIRE. BY COMPLETING AND FORWARDING THIS QUESTIONNAIRE YOU CONSENT TO SUCH DISCLOSURE.

QUESTION 1

Biographical Information

(a) Your full name: ______________________________

(b) Your business address: ______________________________
(Street)

____
(City) (State) (Zip Code) (Phone)

(c) Your home address: ______________________________
(Street)

____
(City) (State) (Zip Code) (Phone)

Length of time at this address: ______________________________

If less than five years, please list previous address for last five years.

____
(City) (State) (Zip Code)

Length of time at this address: ______________________________

____
(City) (State) (Zip Code)

Length of time at this address: ______________________________

(d) Your birth date: ______________________________

(e) Your place of birth: ______________________________
(City) (County) (State)

(f) If you have been known by or used any other name, please list those names, including maiden names:

____

(g) List all positions or offices which you currently hold, or which it is proposed you will hold, with Alloya or any Subsidiary, and indicate the period during which you have served in such positions and offices and the term for which you have been elected or appointed to each current position or office.

Position or Office	Period Held	Term of Office

(h) Describe any arrangement or understanding between you and any other person(s) pursuant to which you were or are to be selected as a director or an associate director of Alloya, a director of a Subsidiary or a member of Alloya Supervisory Committee, to include all nominees or appointees:

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(i) List your education, beginning with the last high school or preparatory school attended and including all colleges, universities and other schools of higher learning attended.

	Name/City/State	Dates Attended	Field of Study	Degree(s) Received
High School				

	Name/City/State	Dates Attended	Field of Study	Degree(s) Received

(j) Give a brief account of your business experience during the past ten (10) years, including your principal occupations and employment during that period.

Period of Service: ____
(Month/Year)

____
(Name of Organization)

____
(City) (State)

Principal business: ____

Size of Organization: ____

Nature of your responsibilities: ____________________________________

Supervisor: ____

Reason for leaving: ____

Period of Service: ____
(Month/Year)

____
(Name of Organization)

____
(City) (State)

Principal business: ____

Size of Organization: ____

Nature of your responsibilities: ____

Supervisor: ____

Reason for leaving: ____

(k) Provide the information set forth below with respect to any directorships held by you in corporations other than Alloya or a Subsidiary:

Position Held	Name of Company	Period of Service

QUESTION 2

Involvement in Certain Legal Proceedings

Provide the information requested below for the period indicated:

(a) Within the past ten (10) years[1] was a petition under the federal bankruptcy laws, or any state insolvency law, filed at any time by or against (i) you, (ii) any partnership in which you were a partner or general partner, or (iii) any corporation or business association or entity of which you were an executive officer, member, manager or partner;

Yes ☐ No ☐

(b) Within the past ten (10) years was a receiver, fiscal agent or similar officer appointed by a court at any time for (i) your business or property, (ii) the business or property of any partnership of which you were a partner or general partner, or (iii) the business or property of any corporation, business association or entity of which you were an executive officer, member, manager or partner;

Yes ☐ No ☐

[1]For purposes of computing the ten (10) year period, the date of the reportable event shall be deemed the date on which the final order, judgment or decree was entered, or the date on which any rights of appeal from preliminary orders, judgments or decrees have lapsed. With respect to a bankruptcy petition, the computation date shall be the date of filing for uncontested petitions or the date upon which approval of a contested petition became final.

(c) Were you ever arrested for a crime or are you a named subject of a pending criminal proceeding (excluding traffic violations)?

Yes ☐ No ☐

(d) Has any court:

(1) in the past ten (10) years, enjoined you in connection with any investment-related activity?

Yes ☐ No ☐

(2) ever found that you were involved in a violation of investment-related statutes or regulations?

Yes ☐ No ☐

(e) Has a claim pertaining to a fidelity bond ever been filed against you?

Yes ☐ No ☐

(f) Have you ever been denied coverage under a fidelity bond?

Yes ☐ No ☐

(g) Are there any civil suits pending against you?

Yes ☐ No ☐

(h) Are there any other legal proceedings, judicial or administrative, pending against you?

Yes ☐ No ☐

(i) Are there any outstanding judgments against you?

Yes ☐ No ☐

If your answer to any of the foregoing questions is "yes," please describe such events, including the date of the event, the name of the court or administrative body and its jurisdiction, and other pertinent information, including any mitigating circumstances associated with the events described herein.

____

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QUESTION 3

Foreign Corrupt Practices Act Compliance

Do you have knowledge or reason to believe that any of the activities or types of conduct enumerated below have been or may have been engaged in by Alloya, directly or indirectly, at any time since its formation?

(a) Bribes or Kickbacks. Any bribes or kickbacks to government officials, or anyone else, or their relatives, or any other payments to such persons, whether or not legal, to obtain or retain business or to receive favorable treatment with regard to business?

Yes ☐ No ☐

(b) Political Contributions. Any contributions, whether or not legal, made to any political party, political candidate or holder of governmental office?

Yes ☐ No ☐

(c) Hidden Assets. Any bank accounts, funds or pools of funds created or maintained without being reflected on the corporate books of account, or as to which the receipts and disbursements therefrom have not been reflected on such books?

Yes ☐ No ☐

(d) Disguised Receipts or Disbursements. Any receipts or disbursements, the actual nature of which have been "disguised" or intentionally mis-recorded on Alloya books of account?

Yes ☐ No ☐

(e) Excess Fees. Any fees paid to consultants or commercial agents that exceeded the reasonable value of the services purported to have been rendered?

Yes ☐ No ☐

If your answer to any of the foregoing questions is "yes," please give details.

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QUESTION 4

Performance-Related Information

(a) Are you agreeable to the nomination?
Yes ☐ No ☐

(b) Are you time committed to the duties and responsibilities required of the office?
Yes ☐ No ☐

(c) Are you open minded and willing to work in a team environment for Alloya's best interest?
Yes ☐ No ☐

(d) Do you possess the willingness to learn and be educated about corporate credit unions?
Yes ☐ No ☐

(e) Will you serve if elected?
Yes ☐ No ☐

THE UNDERSIGNED HEREBY CERTIFIES THAT THE ANSWERS WHICH HAVE BEEN SUPPLIED IN RESPONSE TO THE QUESTIONS IN THIS QUESTIONNAIRE ARE TRUE, COMPLETE, AND CORRECT TO THE BEST OF THE UNDERSIGNED'S KNOWLEDGE, INFORMATION AND BELIEF, AFTER REASONABLE INQUIRY. THE UNDERSIGNED AGREES TO PROMPTLY NOTIFY THE SECRETARY OF ALLOYA IF ANY OF THE FOREGOING INFORMATION BECOMES MATERIALLY INACCURATE OR INCOMPLETE OR OTHERWISE ADVERSELY CHANGES.

THE UNDERSIGNED ALSO ACKNOWLEDGES THAT THE INFORMATION CONTAINED HEREIN, OR A SUMMARY THEREOF, MAY BE REQUIRED TO BE DISCLOSED BY ALLOYA AND ITS SUBSIDIARIES TO THEIR REGULATORY AUTHORITIES, AND THAT A NATIONAL CREDIT CHECK OR A NATIONAL BACKGROUND CHECK MAY BE REQUIRED, WHICH CREDIT AND BACKGROUND CHECKS ARE HEREBY AUTHORIZED.

UNDERSIGNED FURTHER AGREES THAT UNDERSIGNED WILL, WITHIN THIRTY (30) DAYS OF RECEIPT OF WRITTEN REQUEST FROM ALLOYA, SUPPLEMENT THIS QUESTIONNAIRE TO THE EXTENT DEEMED NECESSARY BY ALLOYA FROM TIME TO TIME. THE FAILURE TO FULLY COMPLETE AND FILE ANY SUPPLEMENT WITHIN SAID THIRTY (30) DAY PERIOD SHALL BE GROUNDS FOR REMOVAL OF UNDERSIGNED FROM ANY OFFICE THEN HELD BY UNDERSIGNED AT ALLOYA OR ANY SUBSIDIARY.

LASTLY, UNDERSIGNED UNDERSTANDS AND AGREES THAT IF ANY INFORMATION CONTAINED HEREIN SHOULD BE FOUND TO BE MATERIALLY INCORRECT SUCH WILL BE GROUNDS FOR REMOVAL OF UNDERSIGNED FROM ANY POSITION THEN HELD OR TO BE HELD AT ALLOYA OR ANY OF ITS SUBSIDIARIES.

Name:________________________________ Date:___________________________

Title:_________________________________ Signed:___________________

Definitions

1. "**Director**" means those persons who from time to time are and/or are nominated to be a director, director emeritus and associate director of Alloya or its Subsidiaries.

2. "**Investment**" or "**Investment-Related**" means pertaining to securities, commodities, banking, insurance, or real estate (including, but not limited to, acting as or being associated with a broker-dealer, investment company, investment adviser, futures sponsor, bank, savings and loan association or credit union).

3. "**Fiscal Year**" means the period ended December 31 of the most recent previous year.

4. A "**Subsidiary**" of Alloya is any corporation, partnership, Limited Liability Company, association, or other entity that is directly, or indirectly through one or more intermediaries, controlled by Alloya.

5. "**Supervisory Committee Member**" means those persons who, from time to time, are and/or are nominated to be a member of Alloya Supervisory Committee.

APPENDIX D – NOMINATION

1. NOMINATIONS BY THE NOMINATING COMMITTEE:

a. A member may nominate a Designated Representative by filing with the Alloya Board Secretary a nomination packet, which shall include:

1) A photograph of the candidate, unless one presently is on file at Alloya;

2) A Volunteer Questionnaire completed and signed by the nominee;

3) A completed and signed Conflict of Interest Disclosure; and

4) A completed Public Relations Information Form and

5) A letter from the nominee indicating they are willing and able to serve if elected and that their Board has approved them as their Designated Representative.

b. The Alloya Board Secretary shall deliver all nominations to the Nominating Committee.

c. The Nominating Committee shall:

1) Only nominate those candidates who are the Designated Representatives and qualified as defined in these Policies.

2) Only nominate those candidates who are in good standing and have Membership Capital Shares on deposit that are not on notice of intent to withdraw.

3) Only nominate those candidates who are not in direct, purposeful competition with Alloya.

4) Only nominate those candidates who are time committed to undertake the duties as an elected director.

5) Only nominate those candidates who are open minded and willing to work in a team environment for the best interest of Alloya.

6) Only nominate those candidates who possess the willingness to learn and be educated about corporate credit unions.

7) Only nominate those candidates who have a positive influence in the credit union movement.

8) Give greater consideration to those candidates that possess prior corporate volunteer experience.

9) Not nominate candidates submitting incomplete or inaccurate packets as outlined in this document.

10) Consider candidates who will best represent the interests of Alloya and are Designated Representative of its membership base. At a minimum, consideration shall be given to credit union asset size, geographic location, and use of Alloya products and services to ensure the diverse characteristics of Alloya's membership is represented on its Board of Directors.

d. If the Nominating Committee does not receive a sufficient number of nominations to fill all the Board of Directors seats that will be available as of the Annual Meeting, the Nominating Committee may nominate designees to fill the remaining Board of Directors positions after verifying that such designees are qualified and willing to serve on the Board of Directors.

e. If the number of nominees exceeds the number of available Board of Directors positions, the Nominating Committee shall select one (1) individual for each open seat. The Nominating Committee shall select the Designated Representative(s) that best represents the membership as a whole taking into consideration geographic location, credit union size and individual experience.

f. The Nominating Committee shall file the nominations with the Alloya Board Secretary at least ninety (90) days prior to the Annual Meeting.

g. Pursuant to Alloya's Bylaws, the Alloya Board Secretary shall notify in writing all members eligible to vote at least seventy-five (75) days prior to the Annual Meeting that nominations for vacancies may also be made by petition signed by five percent (5%) of the members with a minimum of five (5) members and a maximum of one hundred (100) members. The written notice shall indicate that the election will not be conducted by ballot and that there will be no nominations made from the floor when there is only one (1) nominee for each position to be filled.

2. NOMINATIONS BY PETITION:

a. An individual may nominate a designee for a director position by submitting a petition to the Alloya Board Secretary signed by five percent (5%) of the members with a minimum of five (5) members and a maximum of one hundred (100) members.

b. The petition must be accompanied by a nomination packet, which shall include:

1) A photograph of the candidate, unless one presently is on file at Alloya;

2) A Volunteer Questionnaire completed and signed by the nominee;

3) A completed and signed Conflict of Interest Disclosure; and

4) A completed Public Relations Information Form.

5) A letter from the nominee indicating they are willing and able to serve if elected and that their Board has approved them as their Designated Representative.

b. Nominations by petition must be received at corporate headquarters addressed to the attention of the Nominating Committee Chair by the close of business at least forty-five (45) days prior to the Annual Meeting. The Nominating Committee will review the petition to determine that all the criteria set forth in Alloya's Bylaws and Policies and applicable regulations have been satisfied and, if so, the petition shall be filed with the Board Secretary within forty (40) days prior to the Annual Meeting.

c. If the petition process results in more than one person being nominated for any open Board of Directors position, the membership shall be notified and a mail ballot shall be distributed to all the Designated Representatives so that they may cast their votes as prescribed in the Bylaws.

3. MAILINGS TO MEMBRES TO SEEK NOMINATION BY PETITION

a. Members who wish to seek election by petition may submit materials to Alloya to be mailed to members to acquire the required number of signatures under the Bylaws.

b. The Nominating Committee may review these materials and, at its sole discretion, decide whether the information may be mailed to the membership in its current form and/or request the member to change the form or substance of the mailing.

c. Alloya will, upon the member's written request, mail to all Alloya's current Designated Representatives, materials approved by the Nominating Committee requesting support for a Designated Representative's petition.

1) Such materials will not contain Alloya's branding, logos, or other identification.

2) Alloya reserves the right to charge the Designated Representative for postage.

3) Alloya will cause such mailing to occur within five (5) business days of receipt.

4) Alloya will perform one such mailing for each petitioner each year.

4. MAILINGS TO MEMBERS TO SOLICIT VOTES

a. Alloya will, on behalf of any nominee whether nominated by the Board or by petition, mail materials in support of a nominee's candidacy.

1) Such materials will not contain Alloya's branding, logos, or other identification.

2) Alloya reserves the right to charge the nominee for postage and supplies.

3) Alloya will cause such mailing to occur within five (5) business days of receipt.

4) Alloya will perform one such mailing for each nominee each year.

b. Alloya may, at the sole discretion of the Nominating Committee, mail these items individually or collectively.

c. The Nominating Committee has the sole discretion of determining what is unacceptable in this mailing.

APPENDIX E – POSITION DESCRIPTIONS

Officers of the Board of Directors

In addition to the duties and responsibilities of a member of the Board of Directors of Alloya as set forth in the Bylaws of Alloya, the following duties and responsibilities apply to the specific officers of the Board of Directors.

1. CHAIR – The Chair shall call for and preside over all meetings of the Board of Directors of Alloya and its members. (S)He shall perform such duties that customarily appertain to the office of Chair or perform duties assigned to him/her by the Board of Directors. All duties performed are to be consistent with the Federal Credit Union Act, NCUA Rules and Regulations, Alloya's Bylaws, these Policies, and sound business practices. It shall be the responsibility of the Chair to:

   a. Responsibilities:
      1) Leads the organization toward the accomplishment of its Vision and Mission Statements.
      2) Leads Board meetings and official functions.
      3) Prepares an agenda for, convenes, and presides over all meetings of the Board of Directors and the members, excluding any special meetings called by the Supervisory Committee.
      4) Ensures National Credit Union Administration ("NCUA") examination reports are submitted to the Board of Directors for review and necessary action. In cooperation with CEO, informs NCUA of actions taken.
      5) Ascertains that the Supervisory Committee has conducted the required number of audits.
      6) Calls special meetings of the Board of Directors when necessary or upon proper request.
      7) Nominates all members of Board committees (i.e. Resolution and Nominating Committees), which subsequently must be approved by the Board of Directors.
      8) Appoints Committee Chairs pursuant to the Policies.
      9) Carries out special assignments in collaboration with the CEO and Board of Directors.
      10) Reports to the members at the Annual Meeting on the affairs and conditions of Alloya.
      11) Serves as the CEO's primary and administrative Board contact.
      12) Defines volunteer roles and assigns responsibilities.
      13) Encourages commitment and cooperation from each volunteer.
      14) Works with the CEO to achieve a high level of cooperation between the Board and senior management.
      15) Serves as the Executive Committee Chair.

   b. Qualifications:
      1) The ability to lead the Board of Directors to accomplish its work efficiently. This includes the ability to lead Board Meetings and Executive Sessions in a way that all opinions can be expressed, with discussions directed toward conclusions.
      2) An understanding of the long-range needs of the organization to provide an effective Board contact.

2. VICE CHAIR – The Vice Chair shall assist the Chair and provide backup in the execution of duties of the Chair. It shall be the responsibility of the Vice Chair to:

   a. Responsibilities:
      1) Assumes the duties of the Chair when the Chair is absent or unable to perform.
      2) Serves on the Executive Committee.
      3) Perform other duties as assigned by the Chair and/or Board of Directors.

   b. Qualifications:
      1) The ability to serve as Chair when necessary.
      2) An understanding of the long-range needs of the organization to provide an effective Board contact.

3. TREASURER – The Treasurer shall ensure full and complete records of all Alloya assets and liabilities are maintained in accordance with the Federal Credit Union Act, NCUA Rules and Regulations, Alloya's Bylaws, these Policies, and that the books and records are available for audit by the Supervisory Committee and examination by NCUA. It shall be the responsibility of the Treasurer to:

   a. Responsibilities:
      1) Ensures GAAP-compliant financial statements are prepared in a timely manner.
      2) Ensures timely accurate financial information is provided to the Board.
      3) Participates as a member of the ALCO.
      4) Presents written and/or verbal financial reports to the Board at least quarterly.
      5) Ensures that full and complete records of all assets and liabilities of Alloya are maintained.
      6) Performs other duties that customarily appertain to the Treasurer or that (s)he may be directed to perform by resolution of the Board of Directors consistent with the Federal Credit Union Act, NCUA Rules and Regulations, Alloya's Bylaws, these Policies.
      7) Perform special assignments as requested by the Chair and/or Board of Directors.

   b. Qualifications:
      1) The ability to oversee and evaluate the financial reporting system of Alloya and makes recommendations to correct any flaws in that system.
      2) The ability to work effectively with Alloya's Chief Financial Officer to ensure the accuracy and adequacy of Alloya financial reporting.

4. SECRETARY – The Secretary shall ensure that full and complete records of all meetings of the Board of Directors and members are prepared and maintained within seven (7) days of each meeting. It shall be the responsibility of the Secretary to:

   a. Responsibilities:
      1) Maintains Board records and official correspondence.
      2) Reviews the minutes of Board meetings, ensuring their accuracy.
      3) Maintains records of Director attendance at Board meetings and informs the Chair of excessive absences.

4) Maintains records of election and appointment of volunteers.
5) Secures appropriate Board officer signatures on documents requiring Board authorization.
6) Delegates applicable responsibilities to Recording Secretary.
7) Informs NCUA in writing of any change in:
a) The address of Alloya offices,
b) The location of its principal records, or
c) Officers and directors of Alloya.
8) Prepares notices of meetings as required by Alloya's Bylaws.
9) Serves on the Executive Committee.
10) Ensures the Supervisory Committee receives a full copy of all Board of Director's minutes.
11) Performs such other duties as (s)he may be directed by resolution of the Board of Directors not inconsistent with the Federal Credit Union Act, NCUA Rules and Regulations and Alloya's Bylaws.
12) Carries out other duties as assigned by the Chair and/or Board of Directors.
13) At the recommendation of the CEO, the Board authorizes the Board Secretary to execute all Resolutions required for the establishment or maintenance of any correspondent banking accounts without formal action by the Board. The Secretary shall sign and seal these documents as required. The Board Secretary may delegate this authority to an Assistant Board Secretary if such position(s) is appointed by the Board pursuant to the Bylaws.

b. Qualifications:
1) The ability to oversee and evaluate the record keeping system of the Board of Directors and to identify and correct flaws in that system.
2) The ability to work effectively with the Recording Secretary of the Board to ensure the accuracy and adequacy of the minutes of Board meetings.

5. DIRECTORS – The Board of Directors has fiduciary responsibility for all the operations and functions of Alloya. To carry out this responsibility, the Board of Directors must clearly establish policy, select competent management, and assure itself that management is performing properly.

a. The duties of the members of the Board of Directors are as follows:
1) Attend and actively participate in monthly Board of Directors meetings, in the annual planning sessions, and in meetings of the membership of Alloya.
2) Ensure that all business affairs of the credit union and affairs of members are kept in strictest confidence, and refrain from relationships that present a conflict of interest for Alloya.
3) Direct CEO to amend Alloya's Charter or Bylaws, when appropriate.
4) Select CEO and determine job duties and responsibilities.
5) Attend the Annual Meeting, and report to Alloya's membership on the financial progress of Alloya and Board activities during the previous calendar year.
6) Perform other duties as determined by the Board of Directors or Alloya's Bylaws.
7) Establish and approve the annual budget.
8) Review all monthly reports and financial statements.
9) Exercise due diligence to assure that Alloya meets all applicable Federal and state regulations and requirements.

10) Keep up-to-date on financial, legal, and service-oriented objectives related to promoting the welfare of Alloya.
11) Maintain working relationships with Alloya's CEO and committees.
12) Monitor the activities of the Supervisory Committee.
13) Establish Alloya's Policies, including employment policies.
14) Participate on any ad hoc committees, as requested by the Board of Directors.
15) Each director at his/her own discretion may participate in monthly ALCO meetings.
16) Publicly support and defend Alloya as its ambassador in a highly professional manner, however, this duty will not be interpreted, nor will it be enforced, to restrict or prohibit the free expression of disagreement by any Board member.

APPENDIX F – VOLUNTEERS' EXPENSES

1. Permissible Expenses – The following are permissible expenses:

   a. Travel Period – When scheduling or necessary travel time requires an overnight stay, travel days shall be allowed for the day prior and/or the day after the business purpose of the trip for domestic travel, and two days prior and/or after for international travel. Appropriate expense reimbursement will be made for permissible business-related expenses incurred during these timeframes.

   b. Transportation – Transportation to and from a location of a meeting or event will be reimbursed including bag fees, tips and other travel-related incidental expenses and should be accomplished by the most cost effective and expeditious manner possible.

      1) Travel by Air

         a) When travel by air is required, reservations should be made at economy fare on a common carrier consistent with the business requirements of the traveler.

         b) Alloya will reimburse volunteers for the cost of re-scheduling air travel to the extent that changes are required by a valid business purpose and such determination will be made by the Board Chair.

         c) When travel by air is necessary and *substantial* airfare savings can be realized by arriving or departing an additional 24 hours earlier or later, using comparable flights (i.e. staying overnight on a Saturday), the volunteer is encouraged to do so. If the net savings to Alloya is $500 or more (after hotel and meal expenses are also considered), and the volunteer can provide proof of that savings, he or she is entitled to an additional $100 personal entertainment/recreational expense to be used at his or her discretion.

      2) Travel by Rail – When traveling by rail, business class fare is permitted.

      3) Car Rental – Rental cars are only reimbursable for the authorized travel period and only for business-related travel, plus actual fuel, tolls, and parking, and are limited to a reasonable class of vehicle consistent with travel requirements.

      4) Personal Auto – Use of a personal auto will be reimbursed at the prevailing Internal Revenue Service rate per mile, plus tolls and parking. Since Alloya assumes no responsibility beyond making available a mileage reimbursement allowance, it is the volunteer's responsibility to protect against damage to his/her auto and legal liability in such forms and amounts as the volunteer deems adequate.

   c. Accommodations – Lodging shall be arranged for by the Office of the CEO of Alloya. When this is not possible, the standard room rate is reimbursable by Alloya.

   d. Telephone– When traveling on Alloya business, reimbursement of reasonable telephone calls and data services are permissible.

   e. Meals – Meal (food and beverage) expenses will be reimbursable as incurred. Volunteers should use reasonable judgment in incurring expenses for meals. Meals will only be reimbursed to the extent that the meal cost was incurred as a direct result of the business purpose.

   f. Convenience – When volunteers are together as a group, it is permissible for one individual to "pick up the tab" for the entire group only if all the individuals involved also have expense reimbursement privileges with Alloya. Reimbursement must comply with all other parameters outlined in the Volunteers' Expense Guidelines.

2. Excluded Expenses – Excluded expenses can vary significantly, and Volunteer's should seek approval from the Board Chair prior to incurring expenses if they are unsure whether an expense is reimbursable under this Policy. Items not reimbursable include, but are not limited to:
   a. Personal expenses.
   b. Lost wages.
   c. Expenses that are not for a valid business purpose.
3. Volunteer Entertainment – The following expenses may be reimbursed
   a. Group entertainment for Volunteers and Guest will typically be scheduled by the Office of the CEO and will be master billed directly to Alloya.
   b. Additional entertainment expenses incurred by the Chair, which are directly related to or associated with the business purpose of Alloya will be reimbursed.
   c. Additional entertainment expenses incurred by other Volunteers over $250 must be pre-approved by the Board Chair to be reimbursed.
   d. The basic requirements of such reimbursement for entertainment expenses are that the principle aspect of the entertainment is business with a specific business purpose rather than just "general goodwill" and the entertainment must occur in an atmosphere where business has a reasonable chance to be conducted, such as in a restaurant.
4. Guests – Volunteers will be reimbursed for one guest per meeting at two meetings per year. Applicable Guest reimbursement in excess of $600 per calendar year will be reported to the Internal Revenue Service and a 1099 provided to the Volunteer's Guest.
   a. The following Guest expenses will be reimbursable to Volunteers:
      1) Air and Ground travel
      2) Room up-charges, if any
      3) Mealswhile travelling.
      4) Incidentals
   b. The following Guest expenses will not be reimbursable to Volunteers:
      1) Personal expenses
      2) Lost wages
5. Approval – Volunteer expense reports, which may include permissible Guest expenses as outlined in this Policy,will be approved as follows:
   a. Volunteers' permissible expenses, shouldbe submitted for reimbursement within sixty (60) days after expenses are incurred. Expenses received after this date may not be approved.
   b. Vouchers may be obtained by contacting the Office of the CEO or from the Board website.
   c. Board and Committee Members
      1) The SVP, Risk Management or the CFO may approve for payment any Board or Committee member's expense report.
      2) Expense reports so authorized will be evidenced by the initials of the person authorizing the report.
6. Payment Processing – The following process will be used for payment of expenses:
   a. Most expenses associated with air travel, hotel, group meals, etc. will be arranged by the Office of the CEO and master billed to Alloya. Personal expenses charged to the master bill will be submitted to the Volunteer for timely reimbursement.
   b. Approved expense reports will be forwarded to the Accounting Department, which will issue timely payment to Volunteers.
   c. As required, the Office of the CEO will provide periodic reporting to individual Volunteers reflecting expenses paid on their behalf that will be reported as taxable income to the IRS.

7. Exceptions – The Chair must approve in advance all exceptions to the Volunteers' Expense Policy that reflect special circumstances or conditions. Regarding exceptions affecting the Chair, the Vice Chair must approve in advance all special circumstances or conditions.

APPENDIX G – POLICY REVIEW RESPONSIBILITY AND FREQUENCY

			Reviews								
#	**Policy**	**Owner**	**Board**	**CEO**	**ALCO**	**SMT**	**IA**	**NCUA**	**Legal**	**SC**	
1.	**Board Governance Policy**										
I.	General Policy	SVP, Risk Management	A	A	N	A	A	O	O	N	
II.	Membership	SVP, Risk Management	A	A	N	A	A	O	O	N	
III.	Board/Committee Organization	SVP, Risk Management	A	A	N	A	A	O	O	N	
IV.	Board/CEO Linkage	SVP, Risk Management	A	A	N	A	A	O	O	N	
V.	Ends	SVP, Risk Management	A	A	N	A	A	O	O	N	
VI.	Executive Limitation	SVP, Risk Management	A	A	N	A	A	O	O	N	
VII.	Governance Appendices	SVP, Risk Management	A	A	N	A	A	O	O	N	
2.	**Board Operating Policy**										
I.	Accounting	CFO	A	A	A	A	A	O	O	A	
II.	Administrative	SVP, Risk Management	A	A	N	A	A	O	O	N	
III.	ALM Oversight	CIO	A	A	A	A	A	O	O	N	
IV.	Bank Secrecy	CFO	A	A	N	A	O	O	O	N	
V.	Capital	CFO	A	A	A	A	A	O	O	N	
VI.	Corporate CUSOs	SVP, Risk Management	A	A	A	A	A	O	O		
VII.	Credit Risk Management (Investments)	SVP, Risk Management	A	A	A	A	A	O	O	N	
VIII.	Enterprise Risk Management	SVP, Risk Management	A	A	N	A	A	O	O	O	
IX.	Information Security	CFO	A	A	N	A	A	O	O	N	
X.	Investment	CIO	A	A	A	A	A	O	O	N	
XI.	Lending	SVP, Membership	A	A	N	A	A	O	O	N	
XII.	Liquidity Management	CIO	A	A	A	A	A	O	O	N	

	_	_	Reviews								
#	Policy	Owner	Board	CEO	ALCO	SMT	IA	NCUA	Legal	SC	
XIII.	Market Risk Management	SVP, Risk Management	A	A	A	A	A	O	O	N	
XIV.	Member Business Loans	SVP, Membership	A	A	A	A	A	O	O	N	
XV	Perpetually Contributed Capital (PCC)	CFO	A	A	A	A	A	O	O	N	
XVI.	Privacy	CFO	A	A	N	A	A	O	O	N	
XVII.	Shares	CIO	A	A	A	A	A	O	O	N	
3.	**Guidelines**										
I.	ALM Operating Guidelines	CIO	A	A	A	A	A	O	O	N	
II.	ACH	CFO	A	A	N	A	A	O	O	N	
III.	ALCO Subcommittee	SVP, Risk Management	A	A	A	A	A	O	O	N	
IV.	Bank Settlement Accounts	CFO	A	A	A	A	A	O	O	N	
V.	Budget/Expense Authorization	CFO	A	A	A	A	A	O	O	N	
VI.	Business Continuity	CFO	A	A	N	A	A	O	O	N	
VII.	Contracts/Vendor Management	SVP, Risk Management	A	A	N	A	A	O	O	N	
VIII.	Data Destruction	SVP, Risk Management	A	A	N	A	A	O	O	N	
IX	ERMC Subcommittee	SVP, Risk Management	A	A	N	A	A	O	A	N	
X.	Funds Transfer	CFO	A	A	N	A	A	O	O	N	
XI.	Human Resources	SVP, HR	A	A	N	A	A	O	O	N	
XII.	Market Risk Measurement	VP, Risk Management	A	A	A	A	A	O	O	N	
XIII.	Item Processing	CFO	A	A	N	A	A	O	O	N	
XIV.	Security Transfer	CIO	A	A	N	A	A	O	O	N	
XV.	Share Draft Settlement	CFO	A	A	N	A	A	O	O	N	

#	Policy	Owner	Board	CEO	ALCO	SMT	IA	NCUA	Legal	SC	
			Reviews								
XVI.	Technology Solutions	VP, TS	A	A	N	A	A	O	O	N	
XVII.	Travel Policy	CFO	A	A	N	A	A	O	O	N	

Legend: A=Annual, O=Ongoing, N=Not Required
SMT=Senior Management Team, IA=Internal Audit, SC=Supervisory Committee

SECTION 2 – BOARD OPERATING POLICIES

I. ACCOUNTING

A. OBJECTIVE:

1. The objective of this Policy is to ensure that Alloya accurately and timely records its transactions with the greatest transparency.

B. RESPONSIBILITY:

1. The function will be the responsibility of the CFO.

C. PARAMETERS:

1. GAAP
   a. Alloya will use U.S. Generally Accepted Accounting Principles (“GAAP”) in the preparation of all financial reports.
   b. Alloya will comply with GAAP requirements relating to derivative transactions.
   c. Alloya will comply with GAAP requirements relating to loans and the allowance for loan losses.
2 Financial Statements – Financial Statements will be prepared monthly and presented to the Board at its next regularly scheduled meeting.
3. 5310 – Financial reports will be filed monthly with NCUA by the required due date.
4. General Ledger Reconciliation Policy – Alloya will prepare reconciliations for all active balance sheet accounts excluding zero balance clearing accounts by the 20th of the following month (consistent with the date that the 5310 must be filed with the NCUA).

II. ADMINISTRATIVE

A. OBJECTIVE:

1. The objective of this Policy is to provide guidance on several items associated with various administrative matters.

B. RESPONSIBILITY:

1. The SVP, Risk Management is responsible for this function.

C. PARAMETERS:

1. Officers – Any employee with the title Senior Vice President will be an Officer of Alloya.
2. Charitable Contributions
   a. To be eligible to receive charitable contributions made by Alloya the recipient must be:
      1) An entity not organized for profit that is located in or conducts activities in a community in which Alloya has a place of business; or
      2) A tax-exempt organization under section 501(c)(3) of the Internal Revenue Code that operates primarily to promote and develop credit unions. Contributions, either direct or indirect, to candidates for a trade association or credit union league office and

contributions and expenditures in connection with any election to a political office are not permitted hereunder and are prohibited by the Federal Election Campaign Act (2 U.S.C. 441b).

b. The CEO may authorize charitable contributions individually and in aggregate up to the spending limits established for the CEO in these policies and within the annual budget. Charitable donations more than the amounts set forth above must be pre-approved by the Board of Directors, both as to the amount and appropriateness, and will be entered into the minutes of the Board of Directors.

3. Records Retention

a. Retention Standards

1) Records may be preserved in any format that can be used to reconstruct the records.

2) All records will be retained for the period required by applicable state and federal laws and regulations.

3) Records vital to Alloya's ongoing operations will be identified and appropriately retained and safeguarded.

4) All records necessary for business purposes will be retained for a period that will reasonably assure the availability of those records when needed.

5) Documents that are not otherwise subject to retention for regulatory or business purposes may need to be retained because of unusual circumstances, such as litigation or a government or internal investigation. When an unusual circumstance arises, the SVP, Risk Management should be notified immediately. The SVP, Risk Management will then notify the appropriate departments and direct them that the relevant categories of documents be retained until further notice.

b. Retention Periods

1) Records will be retained per the Records Retention Schedule. This schedule will be created and maintained by the SVP, Risk Management and will be provided to each department.

c. Destruction Standards

1) Destruction of records will take place only in compliance with this Board policy and the Data Destruction Guidelines.

2) All records not necessary for legal or business reasons and not required to be retained by law or regulation shall be destroyed.

3) When directed by the SVP, Risk Management, records will be retained, and not destroyed per the Data Destruction Guidelines, in the event they may be needed for litigation or an investigation.

d. Compliance Standards

1) Adequate records will be developed and maintained to document Alloya's compliance with this Board Policy and the Data Destruction Guidelines.

2) The SVP, Risk Management is responsible for the overall compliance with this Board Policy and the Records Retention Schedule, each department is responsible for adhering to this Board Policy and monitoring its compliance with the Data Destruction Guidelines.

Each department will designate a "Records Retention Coordinator" who shall be principally responsible for that department's compliance with this Board Policy and the Data Destruction Guidelines. This person is also responsible for reporting any non-compliant issues that may arise to the SVP, Risk Management.

4. Succession Plan – For the purposes of this Policy manual, Alloya has three levels of staff: the CEO, the Senior Management Team (SMT) and staff.
   a. CEO – Alloya will have a succession plan for the CEO position and a written plan will be confidentially maintained by Human Resources.
   b. Senior Management Team (SMT) – Alloya will have a succession plan for each position on the SMT. Members of the SMT will be designated by the CEO.
      1) Human Resources will confidentially maintain Written plans.
      2) No more than three (3) members of the current SMT, including the CEO will travel together on the same scheduled departure for a public carrier or in the same vehicle to any event.
   c. Staff – Alloya will have a succession plan for key staff positions, a listing of which will be maintained by Human Resources. Human Resources will confidentially maintain written plans.
5. Absence of CEO – As a member-driven organization, Alloya will always strive to have members of the SMT available for time-sensitive decisions.
   a. In the absence of the CEO, any two (2) members of the SMT, acting in concert, may act in his/her place with his/her full authority. This authority should only be exercised if:
      1) The CEO is unavailable for an extended time, both in person and by phone.
      2) The decision in question is urgent and time sensitive.
      3) A delay in making the decision in question will significantly adversely affect Alloya, its members, staff or volunteers.
   b. Actions so taken will be reported to the CEO and/or the Board as necessary in a timely manner.
6. Prohibited Activities of Senior Personnel
   a. SMT members may not simultaneously be employed by Alloya and the CPA firm performing Alloya's Annual CPA audit.
   b. Neither Alloya's CEO nor its SMT members may serve on more than three (3) other public or private, for-profit, or not-for-profit boards simultaneously, excluding entities in which Alloya has a partial or complete ownership interest.
7. Requirement to disclose material issues affecting financial information
   a. Alloya's key staff will, by April 30 each year, sign an acknowledgement indicating they understand their responsibility to ensure timely accurate financial data and to disclose any material issues related to preparation of financial information.
   b. Key staff will be defined as:
      1) SMT
      2) Staff, as designated by the CFO
   c. Acknowledgements will be maintained and administered by Human Resources.

d. Alloya will establish and train employees on the use of an independent "whistleblower" hotline, which will also be described in the Code of Conduct. The content of any calls to the hotline will be forwarded to the CEO, the Board Chair, and the Supervisory Committee Chair. Any calls initiated to the hotline may be reviewed by any Board or Supervisory Committee member at any time.

III. ALM OVERSIGHT

A. OBJECTIVE:

1. This Policy provides broad parameters for all risks associated with the management of Alloya's balance sheet. It is used in conjunction with Board policies that relate to risk management of assets and liabilities. Objectives include:
   a. Ensure responsible asset-liability management;
   b. Provide flexibility and responsible action through the delegation of responsibility and authority to senior management;
   c. Identify the effects of all risks on and off the balance sheet;
   d. Acknowledge the need to manage rate sensitive assets, rate sensitive liabilities and derivatives to ensure a fair-market value volatility that remains within regulatory limits during changes in interest rates;
   e. Provide adequate review, control, and oversight;
   f. Provide parameters that ensure separation of duties between the risk taking and risk management functions;
   g. These objectives are interrelated, and are to be managed and dependent on components of Alloya's overall risk management objectives.

B. RESPONSIBILITY:

1. The CIO is responsible for the designated oversight of the practices and operations set forth in this Policy related to "risk taking" functions. Risk taking functions include investment purchases/sales and market risk associated with management of liabilities (including capital accounts) and derivative instruments.
2. The SVP, Risk Management is responsible for the designated oversight of the practices and operations set forth in this Policy related to risk measurement and reporting functions set forth in this Policy. The SVP, Risk Management is directly responsible for the approval of all investment counterparties and instruments utilized. These include monitoring, measuring, and reporting on corporate positions and risk attributes and measures related to:
   a. Market risk.
   b. Credit risk
   c. Liquidity risk
   d. Other risks as identified.

C. PARAMETERS:

1. Conflict of Interest Statement – Management/officers, employees and immediate family members of such individuals may not receive pecuniary consideration in connection with the making of an investment or deposit by Alloya.
2. Structure

a. ALCO Appointment – An ALCO will be established as defined in Alloya's Bylaws.

b. Meeting Schedule – ALCO will meet monthly. Special meetings may be called to address specific asset/liability decisions.

c. Duties – The meetings will provide a forum for the presentation and discussions of information related to risk and asset and liability management, and provide overall direction for management of the investment portfolios. At the monthly meetings, ALCO will review:

1) Economic Outlook – Review data on current economic conditions for Alloya's member trade/market area. Review current interest rate outlook.

2) Financial Trends – Review the financial performance and trends of Alloya.

3) Objectives, Risks, and Returns – Review the progress of strategies, both long term and short term. Financial strategies are reviewed to ensure the objectives of Alloya are met.

4) Liquidity – Review balance sheet liquidity to ensure that funds are available to meet all usual and unusual needs of Alloya's members. Liquidity reports will include the impact of derivatives.

5) Compliance – Review the compliance status reports. Close attention will be given to any outstanding or unresolved issues. Compliance reports will ensure compliance with the Federal Credit Union Act, NCUA Rules and Regulations, and all risk management policies.

6) Asset/Liability Simulations – Review the simulations of net income (NI), net interest income (NII) and net economic value (NEV) and other simulations as needed.

7) ALCO Subcommittees – The ALCO may appoint subcommittees to work on certain ALCO initiatives. The activities of the subcommittee meetings will be documented through minutes and submitted to the ALCO for review.

IV. BANK SECRECY

A. OBJECTIVE:

1. Bank Secrecy Act (BSA) Compliance – The objective of this Policy is to ensure Alloya complies with legislation, statutes, regulations, and rules related to the BSA and its Anti-Money Laundering provisions including, but not limited to:

a. Bank Secrecy and related Anti-Money Laundering Legislative Acts

1) Financial Recordkeeping and Reporting of Currency and Foreign Transactions Act of 1970 known as The Bank Secrecy Act of 1970

2) Money Laundering Control Act of 1986

3) Annunzio-Wylie Money Laundering Suppression Act of 1992

4) Money Laundering Suppression Act of 1994

5) Money Laundering and Financial Crimes Strategy Act of 1998

6) Uniting and Strengthening America by Providing Appropriate Tools to Intercept and Obstruct Terrorism Act of 2001 known as The USA PATRIOT Act

b. Bank Secrecy and Anti-Money Laundering statutes found at 31 USC 5311 et. seq.
c. Bank Secrecy and Anti-Money Laundering regulations found at 31 CFR Chapter X et. seq.
d. NCUA Rules and Regulations Part 748.2, guidance letters and examination procedures for BSA compliance.
e. Financial Crimes Enforcement Network (FinCEN) forms, rulings and guidance on BSA recordkeeping and reporting requirements.
f. Office of Foreign Assets Control (OFAC) lists describing those countries, entities, and individuals upon which it has imposed sanctions or financial transaction controls.

2. BSA Compliance Reporting and Records Retention Requirements – BSA laws require Alloya to record, retain certain records and report certain financial transactions to the federal government. Alloya will comply with the BSA by filing all required reports with the federal government when appropriate and by maintaining records associated with these reports as required by law.
3. BSA Compliance Program Elements – The Alloya BSA Compliance Program will be reviewed annually and approved by the Board of Directors. The Alloya BSA Compliance Program will include the following primary elements:
   a. A system of internal controls to assure ongoing compliance, including implementation of a Customer Identification Program;
   b. Designation of an individual responsible for coordinating and monitoring day-to-day compliance (BSA Compliance Officer);
   c. Compliance training for appropriate personnel; and
   d. Independent testing for compliance to be conducted by corporate personnel or outside parties.

B. RESPONSIBILITY:

1. All Alloya employees are responsible for assisting in BSA compliance.
2. The BSA Compliance Officer is responsible for the daily administration of the Alloya BSA Compliance Program.
3. The CFO is responsible for the overall management of the Alloya BSA Compliance Program.
4. Transaction Risk Committee is responsible for assessing all aspects of Alloya's business to determine any potential BSA deficiencies and taking corrective action.
5. The CAE is responsible for overseeing the independent annual testing of the Alloya BSA Compliance program.
6. The Board of Directors is responsible for annual review and approval of the Alloya BSA Compliance Program.

C. PARAMETERS:

1. System of Internal Controls for BSA Compliance – Alloya will develop and implement a system of internal controls reasonably designed to assure and monitor compliance with BSA requirements for reporting of suspicious activities and foreign transactions; financial recordkeeping; and identification of CUSOs, Credit Union Leagues, and non-regulated affiliated accounts.
   a. Suspicious Activity Reporting (SAR) – Alloya is committed to preventing, detecting, and reporting suspicious activities or transactions.

1) A SAR will be filed in the following situations:
   a) Alloya detects a known or suspected violation of federal law and has substantial basis to believe that one of its directors, officers, employees, or other affiliated party committed or aided in the commission of the violation regardless of the dollar amount involved; or
   b) Alloya detects a known or suspected violation of federal law involving or aggregating $5,000 or more and has substantial basis for identifying a possible suspect; or
   c) Alloya detects a known or suspected violation of federal law involving or aggregating $25,000 or more and has no substantial basis for identifying a suspect; or
   d) Alloya detects transactions aggregating $5,000 or more that:
      (1) Involve potential funds from illegal activities or are intended to hide funds from illegal activities to violate or evade any federal law; or
      (2) Violate or evade any regulation set forth under the BSA; or
      (3) Have no business or apparent lawful purpose or are not the sort in which the member would normally be expected to engage, and Alloya knows of no reasonable explanation for the transaction after examining the available facts.
2) Filing a SAR
   a) The BSA Compliance Officer, and/or a Transaction Risk Committee, will carefully evaluate the facts prior to filing a SAR and only file when there is a reasonable basis for believing that a specific crime has occurred, is occurring, or may occur.
   b) Alloya will file such reports with federal law enforcement agencies subject to the provisions of the Right to Financial Privacy Act.
   c) In situations involving known or suspected violations that require immediate attention, such as terrorist financing, ongoing insider abuse or money laundering schemes, Alloya will immediately, by telephone, notify FinCEN and the NCUA in addition to filing a timely SAR.
   d) All SARs will be submitted to FinCEN in accordance with instructions outlined on the electronic SAR FinCEN's BSA E-Filing System and timing requirements (SAR must be filed within thirty (30) days of becoming aware of facts that form the basis for filing and there is a suspect identified and within sixty (60) days when no suspect has been identified).
3) Non-Filing Determination – For the instances when a decision is made to NOT file a SAR, Alloya staff will maintain all documentation gathered during the review as well as commentary explaining the decision not to file a SAR. All non-filing documentation must be

approved. Approval may be conducted by another member of Alloya's Compliance team if the approver was not involved with the full review of the activity.

4) Nondisclosure
   a) Alloya shall not provide any person involved in a transaction about which a SAR was filed with notice of the fact that a SAR was filed, and if any person inquires as to whether a SAR has been filed regarding any transaction, this inquiry may be considered a sufficient basis for filing another SAR.
   b) Any person subpoenaed or otherwise requested to disclose a SAR or the information contained in a SAR, except where the disclosure is requested from the NCUA, FinCEN, or an appropriate law enforcement agency, will decline to produce the SAR documentation or any information that would disclose that a SAR was prepared or filed and will notify the BSA Compliance Officer for Alloya regarding the request. Immediate notification shall be provided to FinCEN's Office of Chief Counsel at (703) 905-3590 and the NCUA of any such request and response.
5) Reporting of any SAR filed will be promptly notified to the Transaction Risk Committee during scheduled meetings.
6) Repetitive SAR Filings – If a subject of a SAR filing is reported to FinCEN three (3) or more times over the course of an 18-month period, progressive controls approved by senior management will be implemented. This requirement would apply only to SAR filings associated with suspicious activity involving funds transfers. Actions taken outlined in the approved progressive controls must be reported to the BSA Compliance Committee during monthly meetings.

b. Section 314(b) – Voluntary Information Sharing Amongst Financial Institutions.
   1) Pursuant to Section 314(b) financial institutions and associations of financial institutions that have completed the required certification with FinCEN may participate in information sharing with other financial institutions for purposes related to:
      a) Identifying and reporting activities that may involve terrorist or money laundering activities
      b) Determining whether to close or maintain a member relationship
      c) Determining whether to engage in a transaction
   2) Annual Certification – Alloya shall complete the required annual certification with FinCEN each year to voluntarily share information with other financial institutions or associations of financial institutions pursuant to Section 314(b).
   3) Verification – Prior to sharing any information, Alloya shall take adequate steps to verify that the financial institution with which it intends to share information has submitted the required certification form with FinCEN. Alloya shall satisfy the verification

requirement by confirming that the other financial institution appears on the list that FinCEN makes available on its Secure Information Sharing system or by confirming directly with the other financial institution that the requisite notice has been filed.

c. Currency Transaction Reports (CTR) – A financial institution within the United States generally must file a CTR for each transaction in currency over $10,000. Transactions must be reported if cash exceeding $10,000 is involved in a single transaction or in multiple transactions, during Alloya's business day. Transactions may be processed in person or through a third party. Types of transactions that must be reported if the threshold is reached include:
   1) Deposit, withdrawal or check cashing
   2) Exchange of currency
   3) Payments on treasury, tax & loan, credit cards, mortgages or other loans
   4) Purchase of U.S. Savings Bonds, cashier's checks, bank drafts, traveler's checks, and other negotiable instruments
   5) Transfer of cash by, through, or to another bank, including shipments of cash to or from any foreign bank, or foreign instrument
   6) Transactions made by different individuals for the same account during a business day
   7) Personal and business transactions that are made by the same person during a business day

d. CTR Exemption and Exemption Reporting – Of the types of transactions listed above, Alloya only conducts transactions described under section 5 "Transfer of cash by..." above. Under the product, "Coin and Currency," members contract for coin and currency delivery services through Alloya to fulfill their cash vault needs. Under the BSA regulations, members who are a financial institution are considered exempt and do not require the filing of a Designation of Exempt Person form with FinCEN. Filing requirements still exist for any non-credit union members. Alloya shall exempt those non-credit union members with whom it engages in currency transactions. An annual review will be conducted as necessary for any exempted non-credit union member.

e. Customer Identification Program (CIP) – Alloya will implement a CIP, which includes risk-based procedures to verify the identity of each CUSO, Credit Union League and non-regulated affiliated account. These procedures will enable Alloya to form a reasonable belief as to the true identity of the new member by:
   1) Obtaining the required information from every new member which may include:
      a) Name;
      b) Address;
      c) U. S. Identification number;
      d) Employer identification number;
      e) Physical address;
      f) Documents demonstrating the new member's existence.

2) Verifying the identity of new customers/members utilizing risk-based procedures when information cannot be confirmed;
3) Maintaining the required records;
4) Checking accounts against government lists;
5) Providing appropriate notice to the new member
6) Documentary Verification – Documentation shall be obtained to allow Alloya to form a reasonable belief to the true identity of the prospective new member. Documentary verification may be conducted by obtaining a copy of the prospective member's:
    a) Articles of Incorporation;
    b) Business License or;
    c) Partnership Agreement.
7) Non-Documentary Verification – Alloya may utilize the following forms of non-documentary verification.
    a) A credit report of the prospective member
8) Tax Identification Numbers – Regardless of the method of verification being used by Alloya, a Federal Employer Identification Number must be recorded for all accounts, including accounts for member credit unions.
9) Identity Verification Difficulties
    a) If Alloya is presented with circumstances that increase the risk that it cannot verify the true identity of the new member through documents or in the event that Alloya cannot form a reasonable belief that it knows the true identity of the new member, Alloya will not open the account.
    b) Information related to the prospective member must be forwarded to Alloya's compliance staff for further review to determine whether the attempt to open an account may be considered suspicious. A SAR will be filed in cases of identity theft and/or cases where the opening deposit meets reportable thresholds for either a known or unknown subject and involves some form of fraud.
10) CIP Exemption – In Alloya's case, all state and federal chartered credit unions that are members of Alloya are not "customers" within the meaning of the final regulation and Alloya is not required to develop a CIP with respect to those members. In addition, existing members of Alloya that are not federal or state chartered credit unions are also not "customers" within the meaning of the final regulation, if Alloya has a reasonable belief that it knows the true identity of such members (in this case, Alloya is also not required to develop a CIP).

f. Customer Due Diligence Rules ("Beneficial Ownership") - Alloya will implement a Beneficial Ownership review process, which includes risk-based procedures to identify and verify the beneficial owner of each CUSO, Credit Union League and non-regulated affiliated account. These procedures will enable Alloya to form a reasonable belief as to the identity of each beneficial owner associated with the entity by:

1) Obtaining the required information for every beneficial owner which may include:
    a) Name;
    b) Address;
    c) Date of birth;
    d) Taxpayer identification number.
2) Confirming all beneficial owners do not appears on government lists;
3) Documentary Verification - Documentation shall be obtained to allow Alloya to form a reasonable belief to the identity of the beneficial owner. Documentary verification may be conducted by obtaining:
    a) A certification form containing all required information for each beneficial owner and signed by the individual opening the account attesting that the information supplied is correct and complete, and;
    b) A legible photocopy of unexpired government issued identification for each beneficiary owner listed in the certification form.
4) Process to Update Records – All beneficial ownership documentation collected for each CUSO, Credit Union League and non-regulated affiliated account will be updated if:
    a) Alloya is aware that the beneficial owner with significant control (individual listed on current certification, typically CEO or CFO) has changed at the entity;
    b) A new account request is received for an existing CUSO, Credit Union League or non-regulated affiliated account, and no beneficial ownership information is on record, or;
    c) Alloya's Compliance Department is conducting an internal review of the relationship and needs updated information.
5) Identity Verification Difficulties
    a) If Alloya is presented with circumstances that increase the risk that it cannot verify the identity of the beneficial owner through documents or if Alloya cannot form a reasonable belief that it knows the identity of the beneficial owner, Alloya will not open the account.
    b) Information related to the beneficial owner must be provided to Alloya's Compliance staff for further review. Any new account shall not be opened without a completion of a compliance review to ensure all required information is collected and to determine whether the attempt to open an account may be considered suspicious. A SAR will be filed in cases of identity theft and/or cases where the opening deposit meets reportable thresholds for either a known or unknown subject and involves some form of fraud.
    c) If updated beneficial ownership documentation for an existing CUSO, Credit Union League or non-regulated affiliated account is not provided after 60-calendar days from

the receipt of the request made by Alloya, Alloya's Compliance will escalate the matter for review by management for discussion and evaluation on actions to be taken.

6) Record Retention – Records relating to all information obtained to identify and verify the beneficial ownership of a business entity must be scanned and stored in a secure environment with limited access only to Alloya's Compliance due to the presence of personally identifiable information ("PII"). The documentation must be retained for at least five (5) years after the account is closed.

g. Office of Foreign Assets Control (OFAC) Requirements – Alloya utilizes third party interdiction software that maintains a current Specially Designated Nationals (SDN) and Blocked Entities list in compliance with OFAC regulations. Alloya compares the names on new accounts, wire transfers (domestic, international, and Western Union transfers), and other required transactions against the OFAC SDN and Blocked Entities list for matches. For established accounts, member information is compared with the OFAC lists on a quarterly basis. Alloya blocks or rejects (as appropriate) the accounts and transactions that match an entry on the OFAC SDN and Blocked Entities list. Alloya also reports the blocked or rejected accounts and transactions to OFAC within ten (10) business days. Alloya will submit an annual report of such blockings in accordance with the timing requirements (must be filed by September 30th of the calendar year during which the funds are being held) and instructions outlined on the form (OFAC Blocked Properties Reporting Form TDF 90-22.50). Alloya shall maintain all records and reports associated with OFAC for at least five (5) years.

h. Other Required Reporting – Alloya will ensure the following:

1) Filing an annual statement with the NCUA ONES Director certifying compliance with the requirements of Part 748 of the NCUA Rules and Regulations.

2) Responding to FinCEN requests for information sharing on Alloya accounts and transactions under section 314(a) of The USA PATRIOT Act (31 CFR 1010.520).

3) Transmitting information provided during a funds transfer from the transmitting financial institution to the receiving institution as required under the Travel Rule (31 CFR 1010.410) and 31 CFR 1020.410 when Alloya acts as the intermediary bank. (Note: Alloya is only required to pass along information it receives from the transmitting institution, but has no duty to obtain any information that has not been provided).

4) Filing FinCEN Form 114 (Report of Foreign Bank and Financial Accounts) annually if Alloya establishes account relationships in financial institutions outside the U.S. jurisdictions that exceed $10,000 during the year.

5) Filing FinCEN Form 105 (Report of International Transportation of Currency or Monetary Instruments) if:

a) Alloya physically transports, mails or ships currency and/or monetary instruments (checks, money orders, traveler's checks, etc.) more than $10,000 at one time, into or out of the U.S., or

b) Alloya receives currency and/or monetary instruments more than $10,000 at one time, which has been transported, mailed or shipped to it by a member outside of the U.S.

6) All BSA and OFAC violations will be reported in a timely manner to the Alloya's Board of Directors, Supervisory Committee, Internal Audit, Transaction Risk Committee and the NCUA.

i. Record Retention – Alloya shall maintain all records and reports (including supporting documentation) associated with the BSA Compliance Program in accordance with BSA requirements. Alloya shall maintain records pursuant to the BSA for a period of at least five (5) years, including:

1) Required Reports – Copies of all reports filed pursuant to the BSA, and any supporting documentation, for a period of at least five (5) years from the date the report is filed;
2) Loans over $10,000 – For all extensions of credit over $10,000 (except those secured by real estate) the member's name, address, amount of transaction, date of transaction and purpose of loan;
3) Transferring currency, instruments, or credit outside USA – Details regarding each advice, request, or instruction regarding the transfer of over $10,000 in currency, monetary instruments or credit to or from anywhere outside the USA;
4) Monetary Instruments $3,000 - $10,000 – to Members: For monetary instruments purchased by members with currency, with a value between $3,000 and $10,000, Alloya must record the member's name, date, type of instrument, serial # of instrument, and the dollar amount of the transaction;
5) Monetary Instruments $3,000 - $10,000 – to Non-Members: In addition to the information contained in 4) above, for monetary instruments purchased by non-members with currency, with a value between $3,000 and $10,000, Alloya must record the person's address, social security # or alien ID # and date of birth;
6) Wire Transfers – For all wire transfers and in its capacity as an intermediary bank, Alloya shall retain either the original or a microfilm, other copy, or electronic record of the payment order;
7) Staff Training – Alloya shall document BSA training provided each year to staff for a period of five (5) years; and
8) Account Opening Documents – Alloya shall retain documents associated with the opening of any account until five (5) years after the account is closed.

j. Change Management – Alloya Managers are responsible for providing the BSA Compliance Officer with information on proposed changes involving systems, procedures, and processes surrounding member-related transactions or Alloya's CIP to ensure the proposed changes will not create a deficiency to the BSA / OFAC compliance program. Information for the proposed changes must be provided timely during meetings attended by the BSA Compliance Officer and the following areas:

1) Payment Operations

2) Product Management
3) Project Management
4) Information Security

2. Designated BSA Compliance Officer – The BSA Compliance Officer will be selected by the CFO. The BSA Compliance Officer will develop and implement the Alloya BSA Compliance Program, which includes documenting written procedures and verifying that they are distributed to appropriate personnel. In addition, the BSA Compliance Officer is responsible for the daily administration of the Alloya BSA Compliance Program, including the responsibility to ensure:
   a. the written BSA Compliance Program document is updated;
   b. required reports are filed within a timely manner;
   c. adequate records are retained;
   d. proper account opening procedures are followed;
   e. appropriate employee training is provided, as necessary;
   f. an annual independent audit is performed of the BSA Compliance Program; and
   g. senior management and officers are informed of BSA filings and provided regular reports on the BSA Compliance Program.
3. BSA Compliance Training
   a. Appropriate Training – Alloya will conduct training every twelve months (more often if necessary) for all affected personnel regarding the BSA Compliance Program and related operating procedures. The BSA Compliance Officer will ensure that current as well as newly hired personnel receive an appropriate amount of ongoing compliance training. There are three basic training approaches utilized depending on the employee's BSA role and responsibility:
      1) Overview Training – A high level overview for all Alloya's Board of Directors, Supervisory Committee members and Senior Management Team members.
      2) Enhanced Training – A specific overview of BSA requirements for personnel involved in daily transactions (e.g. Member Services, EFT, Item Processing, etc.).
      3) Comprehensive Training – In depth training for key personnel, this includes Alloya's Compliance team and members of the Transaction Risk Committee, as defined by the committee charter.
   b. Training Materials – Training may be conducted through presentations, circulations of memoranda or other written materials, or any other appropriate technique. A copy of all materials presented or circulated is retained by the BSA Compliance Officer along with written record of attendance or receipt by personnel.
4. Independent Annual Testing of the BSA Compliance Program – The BSA Compliance Officer will ensure that the Alloya BSA Compliance Program is audited every twelve to eighteen months. The CAE will oversee the annual audit to ensure that Alloya is following its BSA Compliance Program. The audit will include testing and review of: internal controls and procedures designed to ensure BSA compliance, BSA training, daily BSA reviews, large currency transactions, account-opening procedures, OFAC requirements and BSA record retention and reporting requirements. The CAE will present a written report of the audit results to the Supervisory Committee including

an explanation of deficiencies cited and verification of any measures taken to remedy those deficiencies.

V. CAPITAL

A. OBJECTIVE:

1. The objective of this Policy is to outline Alloya's goals for capital.

B. RESPONSIBILITY:

1. The CFO is responsible for reviewing and updating this policy and ensuring that Alloya has adequate capital.

C. PARAMETERS:

1. Alloya's capital plan will be included in the strategic plan and will be updated at least annually or more frequently as circumstances warrant.
2. The capital plan will ensure Alloya:

a. Maintains a level of GAAP capital commensurate with its current risk profile.

b. Meets or exceeds the regulatory standards to be Adequately Capitalized including maintaining at a minimum:

1) A leverage ratio of 4.0% and

2) A Tier 1 risk-based capital ratio of 4.0% and

3) A total risk-based capital ratio of 8.0%

c. Establishes long-term pro forma under different economic conditions to ensure its capital plan will be durable.

d. Ensures members continue to receive value for their capital investment in Alloya.

f. Balances the accumulation of retained earnings through net income with member value creation.

e. Establishes short term (one-year), intermediate term (3-5 years) and long-term (more than five years) capital goals for Alloya's retained earnings, regulatory capital and GAAP capital.

VI. CORPORATE CUSOs

A. OBJECTIVE:

1. The objective of this Policy is to establish parameters for investments in, loans to and operation of wholly- or jointly-owned CUSOs.

B. RESPONSIBILITY:

1. The SVP, Risk Management is responsible for reviewing and updating this policy and ensuring that Alloya is compliant.

C. PARAMETERS:

1. Definition – A corporate CUSO is an entity that:
   a. Is at least partly owned by a corporate credit union;
   b. Primarily serves credit unions;
   c. Restricts its services to those related to the normal course of business of credit unions as specified below; and

d. Is structured as a corporation, limited liability company, or limited partnership under state law.

2. Investment and loan limitations
   a. The aggregate of all investments in member and non-member corporate CUSOs must not exceed 15 percent of Alloya's capital.
   b. The aggregate of all investments in and loans to member and nonmember corporate CUSOs must not exceed 30 percent of Alloya's capital. Alloya may lend to member and nonmember corporate CUSOs an additional 15 percent of capital if the loan is collateralized by assets in which the corporate has a perfected security interest under state law.
   c. If the limitations in paragraphs a. and b. above are reached or exceeded because of the profitability of the CUSO and the related GAAP valuation of the investment under the equity method without an additional cash outlay by Alloya, divestiture is not required. Alloya may continue to invest up to the regulatory limit without regard to the increase in the GAAP valuation resulting from the corporate CUSO's profitability.
3. Due diligence – Alloya must comply with the due diligence requirements of §§ 723.5 and 723.6(f) through (j) of this chapter for all loans to corporate CUSOs. This requirement does not apply to loans excluded under § 723.1(b).
4. Separate entity.
   a. A corporate CUSO must be operated as an entity separate from a corporate credit union.
   b. Alloya must obtain a written legal opinion that concludes the corporate CUSO is organized and operated in a manner such that Alloya will not reasonably be held liable for the obligations of the corporate CUSO. This opinion must address factors that have led courts to “pierce the corporate veil,” such as inadequate capitalization, lack of corporate identity, common boards of directors and employees, control of one entity over another, and lack of separate books and records.
5. Permissible activities – A corporate CUSO must limit its activities to:
   a. Brokerage services,
   b. Investment advisory services, and
   c. Other categories of activities as approved in writing by NCUA and published on NCUA's Web site.
6. Alloya directors or committee members may not receive, either directly or indirectly, any salary, commission, investment income, or other income, compensation, or consideration from a corporate CUSO. This prohibition also extends to immediate family members of officials.
7. Prior to making an investment in or loan to a corporate CUSO, Alloya must obtain a written agreement that the CUSO:
   a. Will follow GAAP;
   b. Will provide financial statements to the corporate credit union at least quarterly;
   c. Will obtain an annual CPA opinion audit and provide a copy to Alloya. A wholly owned or majority owned CUSO is not required to obtain a separate annual audit if it is included in Alloya's annual consolidated audit;
   d. Will not acquire control, directly or indirectly, of another depository financial institution or to invest in shares, stocks, or obligations of an

insurance company, trade association, liquidity facility, or similar organization;

e. Will allow the auditor, board of directors, and NCUA complete access to the CUSO's personnel, facilities, equipment, books, records, and any other documentation that the auditor, directors, or NCUA deem pertinent;

f. Will inform Alloya, at least quarterly, of all the compensation paid by the CUSO to its employees who are also employees of Alloya; and

g. Will comply with all the requirements of this Policy

8. Management will review and report to the Board on corporate CUSO activities periodically.

VII. CREDIT RISK MANAGEMENT

A. OBJECTIVE:

1. This Policy is established to control and manage credit risk for investments in concert with any Board policies and management procedures that address the management of Alloya’s balance sheet. All assets and credit exposures should meet the minimum credit standards and limits expressed by the NCUA Rules and Regulations.
2. For the investment asset classes, this Policy, along with the Credit Risk Management Procedures and applicable regulations, defines the minimum credit standards for all approved activities outside the Lending function, as well as the due diligence analysis requirement for the risk management process.

B. RESPONSIBILITY:

1. The SVP, Risk Management is responsible for the operation and management of the credit activities outside the Lending function. Written evaluations of each credit limit with each obligor or transaction counterparty must be prepared and formally approved as outlined in the Credit Risk Management Procedures as set forth in this manual
2. The Board delegates to the SVP, Risk Management the authority to engage in credit activities to establish, increase, renew, reduce, suspend, or revoke a credit limit as listed in the Credit Risk Management Procedures. The SVP, Risk Management may further delegate these authorities as documented in the Credit Risk Management Procedures.
3. The SVP, Risk Management is responsible for reviewing and updating this policy.

C. PARAMETERS:

1. Terms in this policy bear the meaning contained in Part 704 of NCUA’s Rules and Regulations.
2. Credit Risk Approval Process
   a. Credit approval is necessary for Alloya to invest in any investment security, product or transaction including (but not limited to):
      1) U.S. Government Sponsored Agencies;
      2) U.S. Government Sponsored Enterprises;
      3) Broker/Dealers, Corporations;
      4) Corporations;

5) Corporate Credit Unions;
6) Banks;
7) Bank Holding Companies;
8) Financial Holding Companies;
9) Financial Subsidiaries;
10) Asset-backed Securities;
11) Tri-Party Custodians;
12) Security Safekeeping Custodians;
13) Settlement Institutions and other obligors as permitted by NCUA regulations.

b. Credit approval is not necessary for Alloya to engage in investments in:
 1) U.S. Government Securities.

c. The SVP, Risk Management, or his designee(s), shall have the authority to:
 1) Approve or deny a new counterparty or instrument;
 2) Establish a credit limit;
 3) Reduce a credit limit, as warranted;
 4) Remove a counterparty from the approved list, as warranted. A decision on any of the foregoing must be promptly communicated in writing to the CIO, or his designee(s) and the ALM Department staff. An approved credit limit must accompany each approval of a name.

d. The approval of a name must be supported by a credit analysis of the obligor which must be performed by the Credit Risk Management Department. Furthermore, approval of a name must precede the ALM Department entering into a transaction with or investment in the obligor. Credit analyses must be performed and documented in accordance with credit analysis criteria set forth in Alloya's Credit Risk Management Procedures Manual.

e. Following the approval of a new name by the Credit Risk Management Department, the ALCO must be notified of the new name and the approved credit limit at least quarterly. Such notice may be verbal or in writing.

f. The Credit Risk Management Department must maintain a list that sets forth approved names and the approved credit limit for each name.

g. The SVP, Risk Management or his designee will ensure a written evaluation of each credit limit with each obligor and counterparty is prepared at least annually and formally approved by the ALCO.

h. The Credit Risk Management Department reviews and monitors concentrations of credit risk as required by NCUA Regulation 704 such as geographic, insurer, industry originator of receivables, servicer of receivables, collateral type, tranche priority, and sector risk types within the aggregate portfolio as part of the regular monthly credit risk monitoring process.

3. Investment Credit Limits

a. The Credit Risk Management Department shall establish maximum credit limits for each obligor and transaction counterparty as a percentage of capital, as defined in the NCUA Regulations for this activity. Maximum credit limits should address the aggregate exposures of all investments in and transactions with the obligor, including, but not limited to, deposits, securities, repurchase agreements, securities lending, and forward settlement of purchase or sales of investments. Maximum credit limits for each obligor or transaction counterparty are documented in the Investment section of this manual.

b. The Credit Risk Management Department management is responsible for developing and maintaining detailed procedures that outline credit approval and credit risk monitoring processes, including the format for a written credit analysis for each type of obligor, sources of information, the contents and maintenance of a credit file, monitoring securities purchased under agreement to resell, and other necessary procedures for use by the Risk Management Department.

4. Credit Approval Process for Derivatives

a. A counterparty for OTC derivatives transactions, or its grantor, must have a minimal amount of credit risk. Through the structuring of the agreements, Alloya will ensure that the derivative transaction exposures with each counterparty represent a minimal amount of credit risk.

b. A counterparty that is approved for the purchase and sale of securities with Alloya may not be used as a clearing broker for derivatives contracts.

c. A counterparty for OTC transactions requires specific approval from the Credit Risk Management Department. Credit Risk Management staff will analyze, approve, and monitor the creditworthiness of counterparties for OTC derivatives transactions, using similar methodologies outlined in department procedures for the specific type of obligor. Credit Risk Management staff will immediately notify the SVP, Risk Management if they feel that Alloya should discontinue engaging in OTC derivatives with a particular counterparty due to that party's worsening creditworthiness, and Credit Risk Management staff has the authority to suspend and revoke an approved limit for cash and derivative transactions.

d. Alloya will execute industry standard agreements with each approved derivatives counterparty before engaging in transactions with the counterparty. Management and staff in the ALM Department and Credit Risk Management Department, in consultation with legal counsel, are responsible for reviewing all standard agreements before execution, and understanding Alloya's rights and responsibilities thereunder.

e. Alloya will endeavor to mitigate counterparty credit risk with each counterparty, if possible, by entering agreements to require the posting of collateral or other means to reduce current and potential credit exposure.

5. Credit Risk Monitoring Process

a. The Credit Risk Management Department will monitor the creditworthiness of all names approved for cash and derivative investments and transactions, including brokers, dealers, bank institutions, credit unions and asset-backed securities.

b. The Credit Risk Management staff will review, on a continuous basis, Bloomberg, periodicals, subscriptions, etc. for any adverse information on approved names that may impact their creditworthiness.

c. Credit Risk Management staff will provide ALCO with a monthly Watchlist of existing or potential credit problems and summary credit exposure reports, which demonstrate compliance with policy. Criteria for inclusion on the Watchlist are included in the Credit Risk Management Procedures Manual.

d. Any SMT member and/or Credit Risk Management staff member is authorized to suspend, reduce, or revoke credit limits at any time. When action is taken to suspend, reduce, or revoke a credit limit, notice shall be given to the ALM department, ALCO, and the SMT.

e. The Credit Risk Management Department has the authority to issue a “Sell Order” on any security in the investment portfolio. The “Sell Order” will be based on a significant risk of loss of principal, or the significant risk of credit deterioration below Alloya’s regulatory investment holding authority.

f. The Credit Risk Management Department will endeavor to issue a Sell Order before the market widely recognizes a credit problem and there is a material decline in price for the issuer/investment.

g. The “Sell Order” will be delivered to the SVP, Risk Management, AVP, Credit Risk, VP RIsk Management, CIO, the ALM department staff and the Risk Assessment Committee (“RAC”).

h. The ALM department will develop a disposition plan for investment securities on which a “Sell Order” has been issued within two (2) business days of the receipt of the “Sell Order.” The disposition plan will be submitted to the RAC.

i. The ALM department will endeavor to execute a sale of the position before the market widely recognizes a credit problem and there is a material decline in price for the issuer or security.

j. If there is a material decline in price for an investment that Alloya holds before the Credit Risk Management Department issues a “Sell Order” and/or the ALM Department sells the investment, the ALM Department will develop a plan of action within two (2) business days and submit it to the RAC, with the provision that the ALM Department will endeavor to sell the investment as quickly as possible and not wait for a decision from the RAC if there is a chance that holding the investment will expose Alloya to continued and permanent price deterioration.

k. This policy does not intend to force a sale of an investment if a material decline in price has occurred for the investment, and in the opinion of the RAC, the market decline in price is temporary, and the market price does not reflect the fundamental creditworthiness of the investment.

l. The RAC will revise or approve the disposition plan developed by the ALM Department and deliver the revised or approved plan to the ALM Department for execution.

m. The RAC will consist of the:

1) CFO;
2) VP, Risk Management (or delegate);
3) AVP, Investment Credit Risk
4) CIO (or delegate);
5) SVP, Risk Management
6) Chair of Alloya’s ALCO (or other Board member or Committee member as designated by the ALCO Chair).

6. Collateral Testing-Repurchase Transactions

a. The Credit Risk Management Department will ensure that it receives a daily assessment of the market value of the repurchase securities, including a market quote or dealer bid indication and any accrued interest. The tri-party repurchase agreement must require adequate margin that reflects a risk assessment of the repurchase securities and the term of the transaction.

b. Repurchase transactions must have a securities collateral margin of at least 102 percent (except for cash which is collateralized at 100 percent).

c. If the collateral delivered to the tri-party custodian fails to meet the collateral constraints, Alloya will:

1) Contact dealer and notify it of collateral deficiency.

2) Request dealer to cure the collateral deficiency that day.

3) If the deficiency is not cured and the dealer has not made a "best efforts" attempt to cure the deficiency, Alloya will revoke the tri-party agreement and close the line.

7. Credit Risk Measurement and Reporting

a. The Credit Risk Management Department, under the direction of the SVP, Risk Management, is responsible for measuring and reporting credit risk exposure to staff, senior management, the ALM Department and ALCO.

b. The Credit Risk Management Department is responsible for developing procedures to quantify credit risk that arises from all investment activities, to aggregate the risk from various activities with each obligor, and to aggregate risk from affiliated obligors. The Credit Risk Management Department will report credit risk in relation to the limit approved for each obligor.

c. For purposes of measurement, each new credit transaction must be evaluated in terms of Alloya's capital (capital as defined by NCUA Regulation 704) at the time of transaction. A subsequent reduction in the sum of reserves, undivided earnings and paid-in capital may require a suspension of additional investment transactions with the obligor until maturities, sales or terminations bring existing exposures within the requirements of policy.

8. Derivative Measurement and Reporting

a. Credit exposure from a single legal entity obligor cannot exceed the approved limit for that obligor. Derivatives must be aggregated with credit exposure from the cash investments in or cash transactions with that obligor to calculate the total exposure.

b. Credit exposure from derivatives must be aggregated with credit exposure from the cash investments in or cash transactions with that obligor and cannot exceed the approved limit for that obligor.

c. The Credit Risk Management Department will report counterparty credit exposure as part of its reporting of credit risk exposure for all derivatives, investments, and other transactions. Reports will indicate exposure in relation to approved obligor credit limits. The Interest Rate Risk Management Department will report cash collateral and derivatives credit exposure daily to the ALM department, the AVP, Credit Risk, Accounting, and the CFO positions, and monthly to the ALCO and the Board.

9. Investment and Credit Risk Management Policy Compliance

a. The SVP, Risk Management or designee is responsible for monitoring compliance with the requirements of NCUA Regulation and Alloya's Investment and Credit Risk Management Policies.

b. Credit Risk Management Department staff will report violations of obligor limits upon occurrence to the ALM Department and Credit Risk Management.

c. In the event the violation of an Alloya limit is not a violation of the regulatory limit and exposure does not fall within the approved Alloya limit within a week, i.e. as investments and derivatives mature or are closed out or sold, management of the ALM Department management will submit to ALCO a plan of action to reduce the exposure.

d. The SVP, Risk Management or his designee will report regulatory and policy compliance violations to the ALM Department staff, the SMT and the ALCO, Supervisory Committee, and Board at their monthly meeting, and will report regulatory compliance violations to the Director of the Office of National Examination and Supervision (ONES). The CIO will develop and report a plan of action to resolve the violation to the same groups.

e. Divestiture of investments or any concentration of investments not in compliance with stipulations of NCUA Regulation 704. If Alloya is in possession of an investment or concentration of investments that fails to meet a requirement of NCUA Regulation 704, it must, within thirty (30) calendar days of the failure, report the failed investment to its Board of Directors, Supervisory Committee, ALCO, and NCUA. If Alloya does not sell the failed investment, and the investment continues to fail to meet requirements of NCUA Regulation 704, it must, within thirty (30) calendar days of the failure, provide to the Director of ONES a written action plan that addresses the following:

   1) The investment's characteristics and risks;
   2) The process to obtain and adequately evaluate the investment's market pricing, cash flows, and risk;
   3) How the investment fits into Alloya's asset and liability management strategy;
   4) The impact that either holding or selling the investment will have on the corporate credit union's earnings, liquidity, and capital in different interest rate environments;
   5) The likelihood that the investment may again pass the requirements of NCUA Regulation 704.

VIII. ENTERPRISE RISK MANAGEMENT

A. OBJECTIVE:

1. This Policy provides broad parameters for management of all risks associated with Alloya. It is used in conjunction with other Board policies to measure, monitor and manage risk on an organization-wide basis. Objectives include:

   a. Ensure that Alloya understands the risks it takes, has communicated those risks, that the risks are consistent with its stated Risk Appetite and that it is adequately compensated for the risks it takes;
   b. Provide flexibility and responsible action through the delegation of responsibility and authority to senior management;
   c. Identify the effects of risks;
   d. Acknowledge the need to manage risks;

e. Provide adequate review, control, and oversight;

f. Provide parameters that ensure separation of duties between the risk taking, risk reporting, and risk management functions;

g. These objectives are interrelated, are to be managed and are dependent on components of Alloya's overall risk management objectives.

B. RESPONSIBILITY:

1. The SVP, Risk Management is responsible for this Policy and has overall responsibility for the program.
2. The CIO is responsible for the designated oversight of the practices and operations set forth in the ALM Oversight Policy related to "risk taking" functions regarding investments, which includes Interest rate, Credit, and Liquidity risk.
3. The VP, Risk Management is responsible for the designated oversight of the practices and operations set forth in this Policy manual related to interest rate risk measurement and reporting.
4. The AVP, Credit Risk Management is responsible for designated oversight of the practices and operations set forth in this Policy manual related to investment credit risk measurement and reporting.
5. The SVP, Membership is responsible for the designated oversight of the practices and operations set forth in the Lending Policy related to risk-taking and reporting in the lending functions.
6. Responsibility for Transaction risk is more distributed as several operational areas share this responsibility. Generally, the CFO oversees operations and accounting, which is where most of this type of risk is taken and reported.
7. The CFO is responsible for the overall management of the Alloya BSA Compliance Program set forth in the Bank Secrecy Policy, the operation and measurement of Alloya's Information Security Policy (as delegated by the Board via the CEO) as set forth in the Information Security Policy, and for developing, implementing, monitoring and modifying operating procedures for the privacy and information protection function set forth in the Privacy and Information Protection Policy. The CFO is generally responsible for reporting on Transaction risk taken across the organization.
8. The Board delegates to the CEO the ability to accept, mitigate, or avoid risks, unless otherwise provided for in this Policy Manual. The CEO may further delegate this authority to SMT members. Risk Assessment with an exposure of greater than one million dollars will be reviewed by the MERMC and may be reviewed by the ERMC and/or Board at least annually.

C. PARAMETERS:

1. Framework – Alloya has adopted a modified form of the Committee on Standards and Organization' (COSO) 2004 ERM framework. ERM practices will conform to this framework, including the risk assessment process.
2. Structure

   a. ERMC – Alloya has established an ERMC as defined in its Bylaws.

   b. Duties – The meetings will provide a forum for the presentation and discussions of information related to risk management, and provide overall direction for management. At the meetings, the Committee may review the following:

1) Other Committee Reports – Review the activities of these committees' meetings, as documented through minutes, reports and Committee materials.
2) Bank Secrecy – Review the trends in bank secrecy issues and review Alloya's compliance with applicable regulations and policies.
3) Information Security – Review the trends in information security and Alloya's compliance with applicable regulations and policies.
4) Business Continuity Planning – Review the status of the Business Continuity Plan.
5) Privacy and Information Protection – Review the trends in privacy issues and Alloya's compliance with applicable regulations and policies.
6) Risk Assessments – Staff shall prepare and the MERMC or ERMC shall review risk assessments for the following prior to implementation:
    (a) Critical Business Plan Initiatives from the current year strategic plan
    (b) Business Plan Initiatives undertaken during the year that are expected to have an annual expense impact of $250,000 or more
    (c) Any items at the discretion of the SMT
7) Program Documents – At least annually, the ERMC shall review and may approve changes to Alloya's ERMC Program documents, including but not limited to its Risk Appetite statement, Policies, and Program Design.
8) Existing Risks – Review reports as deemed necessary by the ERMC to review exiting Alloya risks.
9) Emerging Risks – Review the business and market trends for emerging risks.
10) Internal Controls – Review internal control structure to assure alignment with risk practices.
11) Expanded Authorities - The ERMC must periodically evaluate its existing policies, procedures, and qualifications in comparison to the Expanded Authority Submission Guidelines. The ERMC will perform and submit to NCUA an updated self-assessment of its expanded authority on at least a biennial basis.
12) Other – The ERMC may review other activities, risks, reports, etc. as it deems necessary within the scope of its responsibilities.
13) ERMC Subcommittees – The ERMC may appoint subcommittees to work on certain ERM initiatives. The activities of the subcommittee meetings will be documented through minutes and submitted to the ERMC for review.

IX. INFORMATION SECURITY

A. OBJECTIVE:

1. The objective of the Information Security Policy (ISP) is to document the purposes, scope, processes, and responsibilities related to information security for Alloya. The purposes of information security shall be to provide for:

a. The availability of systems to ensure that only authorized users have prompt access to information and protect against intentional or accidental attempts to deny authorized access to information and/or systems;

b. The integrity of data and systems to make sure information has not been altered in an unauthorized manner and that systems are protected against unauthorized manipulation that may compromise accuracy, completeness, or reliability;

c. The confidentiality of data to protect Alloya's and its members' information against unauthorized access or use;

d. System access accountability to allow the tracing of actions to their source;

e. Assurance that the above availability, integrity, confidentiality, and accountability security objectives have been met.

B. RESPONSIBILITY:

1. Through approval of this Policy, the Board of Directors has delegated responsibility for the operation and measurement of Alloya's Information Security Policy to the CEO.
2. Furthermore, the Board of Directors has delegated risk acceptance threshold definition and risk acceptance to the CEO.
3. The CEO further delegates these responsibilities to the CFO.
4. The CFO may further delegate the operation and measurement, but not responsibility, for the Information Security Policy to other designated individuals or committees.

C. PARAMETERS:

1. Scope – The scope of the Policy applies to information security policies, standards, and procedures at all locations.
2. Processes – A comprehensive Information Security Program shall be in place and include the following processes:
   a. Information Security Strategy
      1) Provide a defense in depth approach that has multiple control points between threats and organizational assets.
      2) Establish processes, guidelines and procedures that guide employees in implementing and adhering to the Information Security Program.
   b. Risk Assessment
      1) Identify and prioritize threats based on their probability of occurrence and severity in terms of a breach of security.
      2) Assess threats based on direct impact to the business and its stakeholders.
      3) Evaluate the resource requirements necessary to mitigate identified risks and achieve defined information security objectives.
   c. Security Controls Implementation
      1) Access Rights Administration
         a) Assign users' access rights to system resources in a manner that limits their access to their assigned responsibilities.
         b) Update access rights based on personnel or system changes.

c) Review users' access rights to systems and applications on a frequency that is commensurate with the inherent risk of the system or application, however, user access rights to critical systems or applications shall be reviewed at least annually.

d) Require users to acknowledge and adhere to acceptable-use guidelines.

2) Authentication

a) The transmission and storage of authenticators (e.g., passwords, PINS, digital certificates) shall be encrypted.

b) Strong user password authentication shall be utilized to authenticate a user to an application and/or system.

3) Network Access

a) Network servers, applications, data, and users shall be grouped into appropriate security domains.

b) Access requirements shall be established within and between each security domain.

4) Operating Systems

a) Privileged access shall be restricted and monitored.

b) Users or programs accessing sensitive resources shall be logged and monitored.

c) Operating systems shall be updated as soon as administratively possible following the availability of remediation of critical vulnerabilities.

d) Physical and logical security shall be in place on devices that access operating systems.

e) Access to operating system utilities shall remain secure.

f) Operating systems shall be hardened before they are placed in production.

g) Security events shall be logged.

h) Critical security events shall trigger alerts to appropriate personnel.

5) Application and Database Security

a) Utilities and software shall be configured and utilized to enable rapid analysis of user activities.

b) Security events shall be logged.

c) User access rights shall be reviewed on an appropriate frequency to ensure they are the minimum rights required for the user's current business needs.

d) Applications and databases shall be updated as soon as administratively possible following availability of remediation of critical vulnerabilities.

6) Remote Access

a) Controls shall prevent potential malicious usage of systems.

b) Remote access sessions shall be logged as considered necessary.

c) Remote access sessions shall be monitored as considered necessary.

   d) Authentication and encryption shall be utilized for remote access.

7) Physical Security – Controls shall restrict unauthorized persons from accessing restricted areas.
8) Encryption
   a) Encryption strength shall protect sensitive information from disclosure.
   b) Encryption key management controls shall protect the encryption key(s).
   c) Encrypted data communication endpoints shall be protected.
9) Malicious Code
   a) Anti-virus products shall be used and kept current on all workstations and production servers.
   b) Blocking strategies shall be employed for network perimeter devices and firewalls shall filter data packets to applications.
10) Application Development, Acquisition, Implementation, and Maintenance
   a) Security requirements shall be defined before developing or acquiring new applications.
   b) Security controls shall include audit trails and logs for data entry and data processing applications.
   c) Change control processes shall be implemented and utilized to ensure changes to production applications are authorized and documented.
   d) Applications shall be hardened before going into production.
   e) Applications shall be updated as soon as administratively possible following the availability of remediation of critical vulnerabilities.
11) Personnel Security
   a) A background check shall be performed when a new employee is hired.
   b) Accountability for security shall be established, as applicable, in job descriptions, employment agreements and job training.
12) Electronic Media
   a) Sensitive electronic media shall be secured in transmission to third parties.
   b) Sensitive electronic media shall be destroyed using a secure destruction method prior to disposal of the media.
13) Logging and Data Collection
   a) System components that warrant logging shall be identified along with the level of data logged for each component.
   b) Log files shall be secure and analyzed as considered necessary.
14) Technology Service Provider Oversight
   a) Due diligence shall be performed in the selection of technology service providers.

b) An agreement which encompasses confidentiality and nondisclosure provisions shall be obtained from technology service providers.

c) A third-party review (e.g., SSAE-16 Report) shall be obtained from technology service providers when applicable and as available.

15) Intrusion Detection/Prevention and Response – Intrusion detection and prevention technology shall be implemented to protect the network and intrusion response techniques shall be developed to include the containment of a threat, restoration of systems and incident reporting.

16) Business Recovery – Security controls commensurate with the risk to systems and applications shall be utilized in a business recovery scenario.

17) Security Testing

a) Controls shall be established to mitigate the risks posed to systems from security testing.

b) Security testing results shall be utilized to evaluate whether security objectives are met.

18) Monitoring and Updating

a) Information regarding new threats and vulnerabilities shall be routinely gathered and analyzed.

b) New threats and vulnerabilities information shall then be used to update the risk assessment, as applicable.

19) Security Training

a) Employees shall receive training on security policies and practices.

b) Security awareness training shall be provided to employees and will address information security.

20) Physical and Environmental Controls

a) Controls shall be in place to protect data and systems from fire, heat, and flooding.

b) Environmental controls shall be maintained and periodically tested to evaluate their effectiveness.

X. INVESTMENTS AND DERIVATIVES

A. OBJECTIVE:

1. This Policy is established to set forth parameters to guide the administration of the investment portfolio of Alloya in concert with Board policies related to credit risk management, asset and liability management, and liquidity management.

2. Alloya is a primary depository of short- and medium-term surplus funds of member credit unions. Therefore, Alloya must maintain investment programs and parameters that ensure credit union funds are invested in a safe and sound manner. To invest funds in a manner that enables Alloya to meet the liquidity agreements/terms that:

a. Focuses on the return of principal over the return on principal invested;

b. Diversifies the investment of funds so that risks are limited;

c. Conducts all investment activities within the parameters set by applicable federal laws and regulations;
d. Develops investment alternatives and strategies that enable Alloya to offer a broad range of short- and medium-term share accounts for member credit unions;
e. Generates sufficient earnings from investment activities to enable Alloya to pay competitive rates on share accounts/instruments while funding operating expense allocations, capital transfer requirements, and other capital transfer objectives;
f. Maximizes earnings on invested funds within the safety and liquidity constraints established;
g. Provides regular reports to the membership to provide transparency on the risk/return posture of Alloya.

B. RESPONSIBILITY:

1 The CIO is responsible for the operations and management of the investment portfolio.
2. Delegation of Authority
    a. The CIO has the authority to invest in any permissible investment security, but with no single transaction greater than the lesser of:
        1) One hundred percent (100%) of Total Capital as defined in regulation or;
        2) Policy investment limits.
    b. The CIO is authorized, for and on behalf of Alloya, to open and maintain one or more accounts for buying and selling cash instruments, such as, corporate debt, asset backed securities, bank debt and deposits, securities issued by or guaranteed by the U. S. Government or its agencies, including repurchase or reverse repurchase transactions and interest rate derivative instruments.
    c. The CIO is authorized to sign all documents and to provide written notifications of changes in authorized account or transaction signatories and their titles as may, in any officer’s discretion, be deemed necessary or advisable.
    d. The CIO is authorized to delegate the above authorities to staff. Delegation of these authorities will be documented in the Investment Management Procedures.

C. PARAMETERS:

1. General – Alloya must have the capacity to properly receive, deliver, maintain, and account for all investment products.
2. Investment Settlement – Alloya may enter agreements to purchase or sell an instrument, with settlement later than the regular way, provided that:
    a. Delivery and acceptance are mandatory;
    b. The transaction is clearly disclosed in the appropriate ALM and risk exposure reports;
    c. If Alloya is the purchaser, Alloya has adequate cash flow projections evidencing its ability to purchase the instrument;
    d. If Alloya is the seller, Alloya owns the instrument on the trade date; and
    e. The transaction is settled on a cash basis at the settlement date.

3. Pre-Purchase Analysis
    a. ALM Department staff must understand the financial risk of all products used as Alloya's investments.
    b. The ALM Department shall maintain documentation of investment analysis of each security purchased.
    c. The analysis may be in the form of an Alloya analysis or results from an outside source such as a security dealer or analytic service (e.g., Bloomberg).
    d. The risks to be reviewed include maturity (or cash flow), liquidity and return or yield risk.
    e. Prior to execution, the ALM Department will perform a pre-purchase analysis of a trade's impact on NEV sensitivity as defined in the investment management procedures.
    f. ALM Department pre-purchase shall be conducted independently and in addition to analysis performed by the Risk Management Department prior to purchase.
4. Investment Management Procedures – The Investment Management Procedures set forth analytical tests for determining the suitability of investments on both a pre-purchase and post-purchase basis. These tests include procedures to satisfy the pre-purchasing testing requirements set forth in NCUA Regulation 704. However, these tests are a basis for analysis and not necessarily all-inclusive. As new product features develop, static tests may not provide valid results and may require new or different analyses to assure the suitability of the instrument. The ALM Department will obtain a prospectus on all publicly issued securities when a prospectus is available. Details concerning limited liquidity investments may be found in the Liquidity section of this manual.
5. Investment Delivery – All Security deliveries will be delivery versus payment.
6. Investment Safekeeping – All negotiable securities will be delivered to Alloya or its authorized safekeeping agents.
7. Investment Clearing and Settlement – Management will maintain relationships as needed to clear and settle member accounts. Board authorization must be obtained before instituting any new deposit account relationships. Such authorization may be delegated to management.
8. Investment Policy Overview
    a. Alloya may invest in the various types of investment instruments as specified in this section, if such investments are permitted by applicable sections of the Federal Credit Union Act and the NCUA Rules and Regulations. Authorized investments in these instruments are governed by the following general policies.
    b. Domestic Institutions
        1) Authorized Investments – Alloya may invest in instruments identified in NCUA Regulation 704. Authorized instruments are listed in the table below. All investments must be U.S. dollar denominated.
        2) Alloya officials, employees, and immediate family members of such individuals, may not receive pecuniary consideration in connection with the making of an investment or deposit by Alloya. Employee compensation is exempt from this prohibition. All transactions not specifically prohibited by NCUA Regulation 704 must be conducted at arm's length and in the interests of Alloya.

3) Alloya's authority to hold an investment is governed by the regulations and policies in effect at the time of purchase. However, all grandfathered investments are subject to the requirements of Sections 704.8 and 704.9 of NCUA Regulation 704.

9. Permissible Investments – Sector Constraints

Issuer/Type of Investment	Maximum % of Net Assets by Sector	Maximum % of Capital by Sector	Other Constraints
U.S. Government	90%	N/A	N/A
U.S. Agencies and Agency Mortgage Backed Securities (Residential and Commercial)	90%	N/A	N/A
Debt of U.S. Sponsored Enterprises	90%	N/A	N/A
Shares in Federally Insured Credit Unions	90%	N/A	N/A
Fed Funds Sold	90%	N/A	N/A
U.S. Banks	75%	N/A	Excludes Settlement Funds
Mortgage Backed Securities (Residential plus Commercial)	50%	1,000%	All new purchases must be backed by U.S. Agencies or U.S. Government Sponsored Enterprises
Commercial Mortgage Backed Securities	15%	300%	All new purchases must be backed by U.S. Agencies or U.S. Government Sponsored Enterprises
Mortgage Backed Securities (residential plus commercial) not backed by a U.S. Agency or a U.S. Government Sponsored Enterprise	5%	50%	No new purchases permitted in this category.
FFELP Student Loan ABS	50%	1,000%	Must be domestically issued in the United States

Issuer/Type of Investment	Maximum % of Net Assets by Sector	Maximum % of Capital by Sector	Other Constraints
Private Student Loan ABS	25%	500%	Must be domestically issued in the United States
Automobile Loan/Lease ABS	25%	500%	Must be domestically issued in the United States
Credit Card ABS	25%	500%	Must be domestically issued in the United States
Other Asset-backed securities not listed above	25% in Aggregate	500% in Aggregate	Must be domestically issued in the United States
Tri-party Repos, Securities Lending, Dollar Rolls	N/A	N/A	Securities repurchased under agreement to resell or collateral for securities lending and dollar rolls must be legal investments for. These investments are subject to all the constraints of 704.5(d) & (e).
Money Market Registered Investment Companies	20%	400%	The investment company must be registered and the investments must be permissible for Alloya.
Corporate Debt	50%	1,000%	Each NAICS Category limited to the lesser of 10% of Assets and 200% of Capital. The company must be chartered in the United States.
Taxable debt obligations of U.S. state and political subdivisions	50%	1,000%	N/A
Credit Exposure from Derivatives	N/A	25%	Or $7.5 Million, whichever is less. Derivatives credit exposure will be calculated net of the market value of any collateral posted to offset Alloya's exposure. Total Notional Value of all derivatives transactions shall not exceed Alloya's Total Loan balance.

10. Permissible Investments – Individual Obligor Constraints

Issuer/Type of Investment	Maximum % of Capital by Obligor Where All Obligations are less than 30 Days	Maximum % of Capital by Obligor Where All Obligations are 30 Days or More	Other Constraints
U.S. Government	N/A	N/A	N/A
U.S. Agencies, including U.S. Government Agency Residential Mortgage Backed Securities	N/A	N/A	N/A
Debt of U.S. Government Sponsored Enterprises	100%	100%	Or $5 million, whichever is greater.
Shares in Federally Insured Credit Unions	50%	25%	Or $5 million, whichever is greater. Deposits or shares that are fully insured are exempt from this limit.
Fed Funds Sold	50%	25%	Or $5 million, whichever is greater.
U.S. Banks	50%	25%	Or $5 million, whichever is greater. Deposits or shares that are fully insured are exempt from this limit.
U.S. Government Sponsored Enterprise Residential Mortgage Backed Securities	50%	50%	Or $5 million, whichever is greater.
Commercial Mortgage Backed Securities	50%	25%	Or $5 million, whichever is greater. All new purchases must be backed by U.S. Agencies or U.S. Government Sponsored Enterprises.
Mortgage Backed Securities (residential or commercial) not backed by a U.S. Agency or a U.S. Government Sponsored Enterprise.	50%	25%	Or $5 million, whichever is greater. No new purchases permitted in this category.

Issuer/Type of Investment	Maximum % of Capital by Obligor Where All Obligations are less than 30 Days	Maximum % of Capital by Obligor Where All Obligations are 30 Days or More	Other Constraints
FFELP Student Loan ABS	50%	25%	Or $5 million, whichever is greater. Must be domestically issued in the United States.
Private Student Loan ABS	50%	25%	Or $5 million, whichever is greater. Must be domestically issued in the United States.
Automobile Loan/Lease ABS	50%	25%	Or $5 million, whichever is greater. Must be domestically issued in the United States.
Credit Card ABS – Discrete Trust	50%	25%	Or $5 million, whichever is greater. Must be domestically issued in the United States.
Credit Card ABS – Master Trust	50%	50%	Or $5 million, whichever is greater. Must be domestically issued in the United States.
Tri-party Repos, Securities Lending, Dollar Rolls	200%	200%	Or $5 million, whichever is greater. Securities repurchased under agreement to resell or collateral for securities lending and dollar rolls must be legal investments for Alloya. These investments are subject to all the constraints of 704.5(d) & (e).
Money Market Registered Investment Companies	100%	100%	Or $5 million, whichever is greater. The investment company must be registered and the investments must be permissible for Alloya.
Corporate Debt	50%	25%	Or $5 million, whichever is greater. The company must be chartered in the United States.
Taxable debt obligations of U.S. state and political subdivisions	50%	25%	Or $5 million, whichever is greater.

Issuer/Type of Investment	Maximum % of Capital by Obligor Where All Obligations are less than 30 Days	Maximum % of Capital by Obligor Where All Obligations are 30 Days or More	Other Constraints
Credit exposure from derivatives	5%	5%	Or $2.5 Million, whichever is less. Derivatives credit exposure will be calculated net of the market value of any collateral posted to offset Alloya's exposure. No transaction shall have a maturity longer than 15 years. Total Notional Value of all derivatives transactions with any single counterparty shall not exceed Alloya's Total Loan balance.

11. Pre-Purchase Analytics for Derivatives Transactions – The ALM Department will perform the following pre-trade analytics for each derivatives transaction:
    a. Impact on NEV sensitivity;
    b. Description of the hedge, i.e., the risk management objectives and strategy and the risk being hedged;
    c. For OTC derivative transactions, verification of the counterparty credit limit and room under the limit for potential exposure over the life of the transaction; and
    d. Impact on cash requirements.
12. Repurchase Agreements – Repurchase agreements must be for the purchase of approved investment securities and other acceptable securities and further limited as follows:
    a. Alloya, directly or through its agent, will receive written confirmation of the transaction and take physical possession or must be recorded as owner.
    b. The repurchase securities must be legal investments under Alloya's level of expanded authority.
    c. The collateral margins must meet the minimum requirements for each collateral type given the risk assessment and term of the transaction. This is negotiated and documented for each counterparty per contract. Alloya will receive a daily assessment of the market value of the repurchase securities. Repurchase transactions must have a collateral margin as determined by Alloya's third party agent that is sufficient given the type of collateral, associated risk, and industry standards.
    d. Alloya will enter into signed contracts with all approved counterparties and agents, and will ensure compliance with the contracts. The contracts must address any supplemental terms and conditions necessary to meet regulatory requirements. Third party arrangements must be supported by tri-party contracts in which the repurchase securities are priced and reported daily and the tri-party agent ensures compliance. Alloya will maintain the following signed agreements on file for repurchase transactions with approved banks and broker/dealers:

1) Master Repurchase Agreement (using the Public Securities Association Agreement or other formats as approved by the Board of Directors).
2) Tri-Party Custody Agreement (not required if collateral is received delivery versus payment at Alloya's Federal Reserve account).

13. Securities lending – Alloya may enter into a securities lending transaction provided that:
    a. Alloya, directly or through its agent, receives written confirmation of the loan, obtains a first priority security interest in the collateral by taking physical possession or control of the collateral, or is recorded as owner of the collateral through the Federal Reserve Book-Entry Securities Transfer System;
    b. The collateral is a permissible investment for Alloya;
    c. The collateral margins must meet the minimum requirements for each collateral type given the risk assessment and term of the transaction. This is negotiated and documented for each counterparty per contract. Alloya will receive a daily assessment of the market value of the repurchase securities. Repurchase transactions must have a collateral margin as determined by Alloya's third party agent that is sufficient given the type of collateral, associated risk, and industry standards;
    d. Alloya will enter signed contracts with all agents and, directly or through its agent, has executed a written loan and security agreement with the borrower. Alloya or its agent will ensure compliance with the agreements.
14. Investment Companies – Alloya may invest in an investment company registered with the SEC, provided the prospectus of the company restricts the investment portfolio to investments and investment transactions that are permissible for Alloya.
15. Investment Concentration Limits
    a. To assume credit risk in a controlled manner, Alloya has policy limits for an obligor's minimum credit profile, the maximum exposure to an obligor as a percentage of Alloya's capital, and the maximum exposure to a sector as a percentage of net assets.
    b. The definition of capital, shall be "Total Capital" in accordance with NCUA Regulation 704.
    c. Alloya may engage in when-issued trading, when accounted for on a trade date basis.
16. Derivatives Transactions
    a. Alloya may engage in:
        1) Over-the-Counter (OTC) interest rate derivatives transactions, limited to:
            a) Plain Vanilla Swaps.
            b) Purchased Interest Rate Caps.
        2) These OTC instruments may have a fixed or predetermined notional amount. The start date shall be no more than 90 days forward from the trade date.
        3) The list of permissible types of hedge transactions will be maintained in the ALM Derivatives Operating Procedures.

b. Alloya may engage in the derivatives transactions listed above for the following purposes:
   1) Hedge traditional fixed rate Member Credit Union Loans.
   2) Hedge floating rate, capped Member Credit Union Loans.

c. Alloya's management will design, establish, and maintain an adequate and effective system of internal controls over derivatives activities commensurate with the type and level of risk associated with derivatives activities. Control activities shall ensure effective and efficient operations, reliable financial and regulatory reporting, compliance with relevant laws and regulations, and compliance with Alloya's policies.

17. Grand-fathering – Unless otherwise noted by regulation, Alloya will hold all investments that were permissible under the regulation in effect at time of purchase.

18. Safekeeping
   a. All investment transactions will be executed on a delivery versus payment (DVP) basis.
   b. If settlement is later than the "regular way," it must take place as DVP and delivery and acceptance are mandatory. The transaction is clearly disclosed in the monthly ALCO purchases and sales report created by the Finance Department, and within the security file. Adequate funds must be available to make the purchase.
   c. Alloya must own all investments it plans to sell prior to the transaction.

19. Prohibited Investments/Activities – Alloya may not engage in the following types of investments or investment activity:
   a. Standby commitments. (This does not pertain to standby letters of credit issued for members)
   b. Adjusted trades or pair-off transactions.
   c. Stripped mortgage-backed securities other than principal only mortgage-backed securities purchased to reduce market risk, residual interests in CMO/REMICs.
   d. Mortgage-servicing rights.
   e. Purchase of private (not U.S. Agency or GSE) residential mortgage backed securities.
   f. Small business-related securities, excepting Small Business Administration securities permissible under 107(7).
   g. Net Interest Margin securities.
   h. Collateralized Debt Obligations.
   i. Trading Accounts – Any form of speculative trading activity is expressly forbidden.
   j. Off balance sheet financial derivatives such as futures, or forward rate agreements, Alloya may only engage in derivative products with characteristics approved by the NCUA.
   k. Settlements that are not considered purchase agreements or which are funded by the selling dealer supplying source funds (Repositioning Repurchase Agreements).
   l. Delegation of discretionary authority to non-employees.
   m. Sales or purchases of securities at prices related to the fair market value (adjusted price trading).

n. Alloya may not own any bonds that will result in Alloya owning equity due to conversion.

o. Alloya may not purchase "subordinated securities" as defined in NCUA Regulation 704.

20. Contracts – Alloya will have signed contracts with all approved counterparties prior to engaging in repurchase transactions, securities lending, and any other type of approved investment where market convention requires a contract between counterparties. Management is responsible for ensuring that such contracts will address any supplemental terms and conditions necessary to meet the specific requirements of NCUA Regulation 704. Staff that engage in such investments transactions must be familiar with the terms of such contracts.

21. Alloya's General Risk Management Philosophy

a. The focus of the Board, volunteers and management shall be on the return of principal, versus the return on principal invested.

b. The Board is responsible for ensuring that management is familiar with the usage, risks, and operating practices for managing investment, derivative, asset/liability, operating and other risks. Management will develop, present or contract for the presentation of training on investment instruments, usage, risks and other aspects of fixed-income risk management for the Board and ALCO.

c. Management will ensure the appropriate separation of duties exists to ensure adequate internal controls for all cash investment and derivative activities. The general responsibilities are listed below:

1) The ALM department is responsible for developing, documenting, and executing cash and derivative transactions.

2) Risk Management is responsible for measuring and reporting the values of all cash and derivatives transactions and positions to ALCO for purposes of compliance with interest rate risk and credit limits, for analyzing, approving, and monitoring the creditworthiness of obligors, and monitoring and reporting compliance with NCUA Rules and Regulations Part 704 and Alloya's Policies.

3) Accounting is responsible for the accounting for all transactions, for GAAP reporting on financial positions and performance, regulatory and other reporting.

4) EFT is responsible for the actual movement of cash.

XI. LENDING

A. OBJECTIVE:

1. Alloya's objective is to provide loans that are for sound and lawful purposes to members, as defined in these Policies. The loans granted will demonstrate the creditworthiness of the borrower and the likelihood of repayment within proposed terms. It is the policy of Alloya to comply with federal and state laws and regulations relating to the granting of loans, recognizing that these regulations are designed to protect our members and assist the entities in operating in a safe and sound manner.

2. The authority for Alloya to invest in or loan to members is contained in NCUA Rules and Regulation Part 704, and the member must be organized in accordance to these rules.
3. Officers with authority to lend are responsible for having sufficient knowledge and understanding of the policies and procedures, maintaining, and supporting them, complying with them, and adhering to them in the spirit of applicable laws and regulations.
4. Alloya's management is directed to grant loans to members of acceptable quality and liquidity and to create a system for reviewing and monitoring loans for credit quality, documentation and regulatory and policy compliance.

B. AUTHORIZATION:

1. Responsibility – The SVP, Membership is responsible for the operations and management of the lending function.
2. Delegation of Authority – The Board delegates its lending authority to management.
3. Required Experience – The personnel involved in the underwriting of the credit union and other member loans must have consumer lending experience, or comparable business lending experience. Alloya's personnel involved in underwriting member business loans must have at least two (2) years of lending experience.

C. PARAMETERS:

1. Limits
   a. Membership capital holders
      1) Secured
         a) The maximum aggregate amount in loans, lines of credit, and letters of credit to any one member is one hundred percent (100%) of Alloya's capital.
         b) The maximum aggregate amount in loans, lines of credit, and letters of credit to any one member is 50 times their contributed capital (excluding additional availability obtained via supplemental line of credit products, partner membership or through Alloya settlement line requirements).
      2) Unsecured – Alloya does not offer unsecured lending.
      3) Maximum Borrowing Authority – Alloya will not in aggregate, lend to an individual credit union more than fifty percent (50%) of the sum of that credit union's paid-in-capital, unimpaired capital, and surplus (shares and undivided earnings, plus net income or minus net loss). The 50 per centum calculation will be applied when a new line of credit is established, and when an existing line of credit is reviewed or modified.
   b. Other Members
      1) Maximum aggregate loans and LOC to any one other member shall not exceed 15% of capital plus pledged shares.
   c. Member Business Loans

1) The aggregate limit of net member business loan balances is the lesser of 1.75 times Alloya's net worth of 12.25% of Alloya's total assets.

2. Corporate CUSO – Alloya will make loans to corporate CUSO and investments in CUSOs upon the following terms and conditions:
   a. The corporate CUSO must submit evidence of its authority to borrow, commit collateral and negotiate contract in the form of a corporate Board of Directors resolution, organization resolution, or partnership resolution.
   b. The corporate CUSO must submit sufficient information to adequately analyze the ability to support and repay the debt. Some examples would be financial statements, purpose of the loan and description of the planned activity of the borrower.
   c. The Lending Department or other qualified resource identified herein will analyze and document the ability of the borrower(s) and/or guarantor(s) to repay the loan. Considerations include: existing and projected/pro-forma financials with industry/peer averages, balance sheet, cash flow analysis, income statements, business and strategic plans, the borrower's history and experience, recourse to Owners and Principles, and loan purpose.
   d. Conflicts of Interest – Any third party used by a credit union must be independent from the transaction and is prohibited from having a participation in the loan or an interest in the collateral securing the loan with the following exceptions:
      1) The third party may provide a service to the credit union related to the transaction, such as loan servicing;
      2) The third party may provide the requisite experience to the credit union and purchase a loan or a participation interest in a loan originated by the credit union that the third party reviewed; or
      3) A credit union may use the services of a CUSO that otherwise meets the requirements of this section even though the CUSO is not independent from the transaction, provided the credit union has a controlling financial interest in the CUSO as determined under Generally Accepted Accounting Principles.
   e. The Lending Department will review the financial condition and the value and marketability of the collateral of the corporate CUSO on at least an annual basis. Servicing, collection, and follow-up on Corporate CUSO loans will follow the same procedures as member credit union loans.
   f. The determination of priority and the weight to be afforded the factor of the corporate CUSO operations and activities shall be in the sole judgment and discretion of Alloya.
   g. The qualifications and experience of personnel (minimum of two (2) years) involved in making and administering business loans and analyzing financial statements. The experience must provide the credit union sufficient expertise given the complexity and risk exposure of the loans in which the credit union intends to engage. A credit union can meet the experience requirement through using the services of a credit union service organization (CUSO), an employee or another credit union, an independent contractor, or other third parties insuring the external resource does not

have any conflict of interest in the credit decision and maintains a non-discretionary position in the process.

3. Types of Loans
   a. Alloya's loan products are designed to meet the financing requirements of its members and may be any one or combination of the following types:
      1) Multipurpose Revolving Line of Credit (overdraft or for any other purpose, such as contingency liquidity term loans, warehouse lending);
      2) Letters of Credit;
      3) CLF/208 Assistance Loans.
   b. Various line of credit facilities are available, including advised and committed facilities. Periodically, Alloya will develop new loan types to meet the needs of our members. Credit union and/or other members who have vendor settlement must maintain a line of credit. Members who settle Alloya's services may or may not have a line of credit, depending upon the circumstances and approval of the CEO.
4. Unacceptable Loans
   a. Other Members – The following is intended to serve as a guide in determining the proper purpose of only those Other Member loans fully subject to Part 723. Normally, applications for these types of loans will be declined:
      1) Loans to Alloya's Officers as defined in this Policy Manual;
      2) Loans to associated members or immediate family members of Alloya's Officers as defined in this Policy Manual;
      3) Loans where any additional income received by Alloya or a member of Senior Management is tied to the profits or sale of the business or commercial endeavor for which the loan is made. Also phrased as "equity agreement/joint venture";
      4) Loans to a compensated director, unless the Board of Directors approves the loan and the compensated Director is recused from the decision-making process.
5. Loan Pricing
   a. Variable and fixed-rate loan pricing will be determined by management and reviewed by the ALCO or another appropriate ALCO subcommittee. In no case will the pricing of loans exceed the regulatory limits.
6. Repayment, Maturities, and Penalties
   a. Repayment
      1) The terms of repayment of a loan are related to the loan type. Some repayment terms can be principal and interest, interest only, lump sum payments, scheduled principal payments, and any other repayment type.
   b. Maturities
      1) No loan can exceed the NCUA maturity requirement of fifteen (15) years.
   c. Penalties
      1) A penalty may be assessed to members and non-members for overdrawn lines of credit, early repayment of term loans, or other reasons as detailed in the loan agreements. If the loan agreement

does not state a penalty rate, the penalty will be equivalent to market rates. Alloya's lending procedures detail the assessment of penalties.

7. Underwriting Requirements for Loans – Alloya will focus on lending to creditworthy credit unions and other members where the risks of repayment are clearly identified, and the primary and secondary sources of repayment are realistic and substantive.
8. Application Process – The application process is detailed in the Lending Procedures.
9. Documented Analysis – The primary objective of the credit underwriting process is to protect Alloya from undue risk of loss through the application of safe and sound lending practices. An important secondary objective is to provide the borrowing capacity deemed necessary for the successful operation of the member credit union or other member. The Lending Procedures identify specific underwriting processes to follow and will at a minimum include:
   a. A credit file for each credit. This file may be electronic in form.
   b. Alloya Risk Rating for each credit, documenting the level of risk of actual credit loss to Alloya. This risk rating drives the plan for future reviews; a higher risk credit warrants more frequent reviews (see Lending Procedures for Risk Rating Matrix).
10. Lending Authority
    a. On a quarterly basis, all loan decisions are submitted and reported to the Credit Committee.
    b. Secured Lending Limits (initial approval or increase to Advised LOC)

Position Title	Secured Limit
Senior Loan Analyst	10% Capital
AVP - Lending	20% Capital
SVP*	40% Capital
CEO	50% Capital
Board	>50% Capital

* - Includes SVP MS, SVP Risk, CIO, CFO

    c. Credit Review Authorities
       1) The Lending Department shall be responsible for the review of all approved credit facilities per the approved criteria.
       2) All settlement advances shall be reviewed daily and approved by the SVP of Lending, AVP - Lending or Senior Loan Analyst.
       3) All term advances shall be reviewed by the Position Title applicable under the Secured Lending Limits above and shall be a different Position Title than originated and negotiated the term loan request.
11. Commitment and Closing – Once Alloya has completed the underwriting analysis, Lending drafts the contracts using forms preapproved by counsel and they are delivered to the credit union for execution.
12. Geographic Restrictions – Loans to members and non-members may be made anywhere within Alloya's field of membership.
13. Collateral – Alloya's line of credit facilities will be targeted to all credit unions and other members and will be secured by loans, investments, real estate, shares, or

other such collateral, if applicable for the type of facility extended. Alloya will perfect its security interest in the collateral provided.

14. Collateral Valuation – Collateral valuation will be accomplished by various methods, commensurate with the size of the transaction, Alloya's total exposure and the collateral type. Collateral value may be re-assessed if the primary source of repayment (cash flow) is in doubt.
15. Loan to Value
    a. Credit Union – The maximum loan-to-value requirements for credit extensions to credit unions are described in the Lending Procedures and vary by collateral type and the financial condition of the borrower. The loan-to-value percentages are based on the ability of Alloya to recover value in the event of collateral liquidation.
    b. Other Members – The maximum loan-to-value requirements for credit extensions to other members are described in the Lending Procedures and vary by collateral type and the financial condition of the borrower. The loan-to-value percentages are based on the ability of Alloya to recover value in the event of collateral liquidation.
    c. Alloya will not allow a Borrower to substitute an insurance, guarantee or advance commitment to purchase by any agency of the federal government, a state, or any political subdivision of such state for the collateral requirements of this paragraph.
16. Annual Review – Extensions of credit to credit unions and other members are reviewed at least annually through an applicable Credit Union Analysis System and/or internal review process. Alloya employs a method of risk-based reviews and the level of exposure will determine the frequency of the review. The criteria for this determination shall be approved by Alloya's ALCO whenever changes are made to the review process. The risk based methodology is outlined in the procedures and includes a review of liquidity, capital, and earnings of the member. Alloya will identify those credit unions whose financial position and/or loan exposure warrants increased monitoring, and, as such, will be added to Alloya's watchlist. The criteria in which a credit union can be added to Alloya's watchlist are identified in the Lending Procedures and shall be approved by Alloya's ALCO whenever changes are made to the criteria. Once placed on the watch list, a credit union will undergo a due diligence review at least twice within a twelve-month period. Credit unions may be required to submit additional documentation for Alloya to make an accurate assessment of its financial position.
17. Loan Collateral Access
    a. A borrower that has pledged shares, marketable securities and reverse repurchase transactions will not have access to collateral that secures repayment of an advance, except to the extent that the advance is paid off. Alloya retains the discretion to accept collateral substitutions.
    b. Borrowers that have collateralized advances by blanket lien via the Credit and Security Agreement shall not be restricted in their access to assets if adequate collateral remains available to support the member's line and borrowing position.
18. Loan Collateral Types – Acceptable collateral includes the following:
    a. Shares and Deposit Accounts– Shares, share certificates, deposit accounts, certificates of deposit, drafts, money, and instruments maintained in the

name of the borrower at any credit union, bank or other depository institution or in the possession of any third-party agent. The pledge of shares by borrower excludes Membership Capital Share Deposits maintained at Alloya.

b. Accounts and Other Rights to Payment– Borrower's rights to payment arising out of debt instruments and loans and obligations receivable.

c. General Intangibles– All the borrower's right, title, and interest in general intangibles.

d. Investment Property– Investment property, securities, financial assets, securities accounts, and securities entitlements.

e. Acceptable securities are limited to U.S. Government and government agency securities.

f. Alloya will ensure a UCC-1 is filed with the Secretary of State's office in connection with members for which Alloya has credit exposure. Filings will be in the appropriate State(s) as per Revised Article 9 of the Uniform Commercial Code (effective July 1, 2013). Additionally, for members outside the United States, a UCC-1 will be filed with the Secretary of State in Washington D.C.

19. Monitoring Securities pledged as collateral – Alloya will monitor all securities pledged as collateral toward a line of credit or term loan and notify the member when a pledged security is about to expire/mature. To maintain the existing credit limit, the member will be requested to pledge additional collateral as required.

20. CLF Loans – Loans guaranteed by the CLF are made in accordance with criteria established by CLF.

21. Loan Calls

    a. Any credit union that is placed in voluntary or involuntary liquidation will be sent a notice calling in the balance of outstanding loans in full.

    b. Any credit union placed in suspension will be asked to submit a plan of repayment and to state what steps are being taken to remove the credit union from suspension status.

22. Other Line of Credit Types – Any other credit arrangement is a custom line of credit, which will be supported by its own unique documents.

23. Letters of Credit – Alloya may issue Letters of Credit on behalf of eligible members.

24. Member Reverse Repurchase Transactions – Alloya may enter into a member reverse repurchase transaction on behalf of eligible members, subject to the following:

    a. Member's Line of Credit is not affected by reverse repurchase transactions.

    b. Member must sign a Safekeeping Agreement and a General Repurchase Agreement.

    c. The transaction is done directly with the Securities/Cash Positioning Analyst.

    d. The Securities/Cash Positioning Analyst will issue a Confirmation for Reverse Repurchase Transaction (which contains certificate amount, certificate rate and maturity, loan amount, loan rate and maturity).

    e. At all times during a member reverse repurchase transaction, the aggregate market value of the securities shall equal at least one hundred percent (100%) of the repurchase price (margin). On any business day that the aggregate market value of the securities is not equal to the required margin, the Seller (member credit union) shall sell and deliver to the purchaser

(Alloya) by the next business day additional securities reasonably acceptable to the purchaser (Alloya), so that the aggregate market value of all securities equals the required margin. Alloya will monitor the value of the collateral and will notify the Seller should additional collateral be required.

XII. LIQUIDITY/FUNDS MANAGEMENT

A. OBJECTIVE:

1. The purpose of managing liquidity at Alloya is to ensure the ability to meet the members' liquidity needs during usual and critical times.

B. RESPONSIBILITY:

1. The CIO is responsible for managing, tracking, and monitoring Alloya's liquidity position. The CIO, CFO or VP, Risk Management is responsible for reporting on liquidity positions. The SVP, Membership is responsible for tracking and monitoring member loan commitments.

C. PARAMETERS:

1. Liquidity & Funds Management Overview
   a. As a provider of liquidity to the credit union network, Alloya will strive to ensure that it always has a balanced liquidity position.
   b. Alloya recognizes that liquidity risk management involves the ability to convert assets to cash or to use assets to obtain cash, and the ability to borrow.
2. Borrowing Authority
   a. The Board authorizes Alloya to borrow up to the regulatory limit of ten (10) times its Total capital, provided that Alloya maintains its minimum capital ratio as required by regulation and policy. CLF Borrowings and borrowed funds created by the use of member reverse repurchase agreements are excluded from this limit.
   b. Secured borrowing can only be done for liquidity purposes and only within a maximum maturity of 180 days if Alloya is less than well-capitalized as defined in regulation 704. If Alloya is well-capitalized, it can do secured borrowing for non-liquidity purposes up to an amount equal to the difference between the corporate's Tier 1 Capital and five percent of its twelve-month moving DANA.
   c. The CFO shall report on borrowing activity that occurs each month to the ALCO.
   d. The Contingency Funding Plan shall contain a detailed delegation of borrowing authority that reflects the chain of command at Alloya.
   e. The CEO is authorized to borrow up to $500 million per transaction, so long as that amount does not exceed ten (10) times Total Capital.
      1) The CIO is responsible for developing and maintaining Alloya's ability to borrow from diverse sources. The Contingency Funding Plan shall list Alloya's borrowing sources, estimates of the amount Alloya could borrow from each source, and the reliability of each source.
3. Commercial Paper
   a. Alloya is authorized to issue up to $1 billion in commercial paper.

   b. If it chooses to issue commercial paper, Alloya shall try to maintain a minimum rating of A-1/P-1 or equivalent for its commercial paper liabilities.
4. Reverse Repo
   a. Alloya is permitted to sell securities under agreement to repurchase to maintain its ability to borrow, for reinvestment, and to meet maturing liabilities.
   b. Reverse repurchase securities must be legal investments for Alloya.
   c. Investments made with proceeds from reverse repurchase transactions shall not be used for further reverse repurchase transactions or collateralization for loans.
   d. The investments or deposits made with funds obtained through a reverse repurchase transaction must have a maturity date not materially later than the maturity date for the reverse repurchase transaction.
   e. Overnight Repurchase transactions will be periodically tested as defined in procedures.
5. Limited Liquidity Investments
   a. Limited Liquidity Investments are Investment Securities that are:
      1) Private placement securities–Registered 144a securities as defined by SEC regulation.
   b. Limited Liquidity Investments plus non-liquid investments shall not exceed 200% of Total Capital or 10% of Total Assets.
   c. Limited Liquidity Investments shall not exceed 25% of Total Capital per Obligor.
   d. The AVP, Credit Risk Management is responsible for the classification of Limited Liquidity Investments. The VP, Risk Management is responsible for reporting the amount of such investments and compliance with these limits monthly to ALCO.
6. Non-Liquid Investments
   a. Non-Liquid Investments are Investment Securities that are:
      1) Private Placements securities –Non-registered 144a securities as defined by SEC regulation.
      2) Any other investment that is not a publicly registered security or mutual fund (but not including cash and cash equivalents.).
      3) Loan Participations purchased.
      4) Whole Loans purchased.
   b. Non-Liquid Investments shall not exceed 75% of total Capital nor 4% of Total Assets.
   c. Non-Liquid Investments shall not exceed 20% of Total Capital per Obligor.
   d. The VP, Risk Management is responsible for the classification of Non-Limited Liquidity Investments and for reporting the amount of such investments and compliance with these limits monthly to ALCO.
7. Non-Rated or Single-Rated Investments
   a. Non-Rated or Single-rated Investments are not rated by any of the publicly available NRSRO's or only hold one rating, respectively.
   b. Non-Rated plus Single-Rated Investments should not exceed 10% of Investments.
8. Funds Management

a. The CIO is responsible for the daily management of the balance sheet and for assuming and managing liquidity risk in accordance with ALCO's limits for liquidity risk.

b. The CIO is responsible for developing detailed procedures for ALM Department staff regarding liquidity risk for each book of business.

c. The ALM Department management will monitor cash requirements related to derivatives transactions in both the base case and under the interest rate scenarios required by Policy to meet liquidity requirements such as margin calls, posting collateral, and funding assets when a callable certificate has been called.

d. The Contingency Funding Plan for managing liquidity risk shall provide for the following:

1) Developing and monitoring sources of borrowing;

2) Monitoring asset liquidity;

3) Analysis of the current and estimates of the future level of member shares.

9. Contingency Funding

a. Contingency Funding Plan – The ALCO shall ensure that Alloya develops a Contingency Funding Plan in accordance with the requirements of Part 704.9 of NCUA Rules and Regulations. The CIO is responsible for keeping this plan current and up-to-date. The ALM Department will review the plan at least annually to ascertain the impact of changing corporate needs and market conditions, and will report the plan at least annually to the ALCO.

10. Liquidity Risk Monitoring, Measurement, and Reporting

a. The CFO is responsible for developing and maintaining the liquidity analysis report.

b. The CIO shall comment on Alloya's liquidity position monthly to the ALCO.

11. Liquidity and Funds Management Compliance

a. The VP, Risk Management is responsible for monitoring compliance with the regulatory borrowing limit and the regulatory requirements for a contingency funding plan and with Alloya's liquidity and funds management policies.

b. The VP, Risk Management will report policy violations to the ALM Department, the LT, ALCO, Supervisory Committee and the Board, and will report regulatory violations to these bodies and the Director of ONES. A plan of action shall accompany a report of a compliance violation to remedy the violation.

XIII. MARKET RISK MANAGEMENT

A. OBJECTIVE:

1. Alloya's asset, liability and derivatives portfolios are managed, in part, through the establishment of market risk benchmarks. These benchmarks assist management in establishing investment and funding strategies that reflect the desired risk profile identified through the benchmarks. Alloya's members' needs change and this document will address the need to manage market risk through an ever-changing portfolio. Therefore, Alloya's strategies consistently and effectively ensure prudent risk management. A summary of our purpose follows:

a. Alloya will maintain a prudent level of market risk.

b. In general, the value and yield of amortizing securities and securities with embedded options are relatively sensitive to interest rate movements. The strategy, volume and characteristics of these holdings will conform to and support Alloya's overall market risk management strategy.

c. NEV – The calculation of Net Economic Value (NEV) will capture all risks associated with the assets, liabilities, and derivatives on and off Alloya's balance sheet. Management will emphasize the importance of the calculation as an overall measure of Alloya's risk on its balance sheet in a variety of rate shock and economic scenarios. NEV is generally considered a longer-term measure of interest rate risk. NEV modeling does not, however, capture the value of retaining overnight funds at below market rates.

d. WAL – The calculation of Weighted Average Life (WAL) will measure relative risks associated with the assets and liabilities on Alloya's balance sheet.

e. NII – The calculation of Net Interest Income (NII) will measure relative risks associated with the assets and liabilities on Alloya's balance sheet over a defined planning horizon. NII is generally considered a shorter-term measure of interest rate risk. It differs from NEV modeling in that it assumes maintenance of shorter-term funds, both assets and liabilities, some of which may be at rates below market rates and adding value to the organization.

f. NI – The calculation of Net Income (NI) will measure relative risks associated with the assets and liabilities on Alloya's balance sheet over a defined planning horizon.

B. RESPONSIBILITY:

1. The VP, Risk Management is responsible for the operation and measurement of Alloya's market risk. The day-to-day operational responsibilities may be delegated at the direction of the VP, Risk Management.
2. The SVP, Risk Management is responsible for reviewing and updating this policy.

C. PARAMETERS:

1. Market Risk Management
   a. The separation of duties shall be distinct between the risk-taking function and the risk monitoring functions.
   b. Alloya will perform the required analysis monthly. The reports will be reviewed by Alloya management and ALCO.
2. Modeling of Balance Sheet Risk
   a. NEV – The NEV is the mark to market of both sides of the balance sheet and the computation of fair market values under various interest rate scenarios. The definition of NEV excludes Perpetual Contributed Capital and Non-perpetual Capital from Total Liabilities and disallows the use of core deposit valuation methodologies.
   b. NII – The NII is the expected Net Interest Income over a given planning horizon, given reasonable assumptions consistent with the way Alloya expects to conduct business. This measurement excludes Non-Interest Income, Non-Interest Expense and Provision for Loan and Lease Losses.

c. NI – The NI is the expected Net Income (or Net Loss) over a given planning horizon, given reasonable assumptions consistent with the way Alloya expects to conduct business. This measurement includes Non-Interest Income, Non-Interest Expense and Provision for Loan and Lease Losses.

d. Pre-purchase analysis – The impact on NEV of new purchases is defined in the Investment section of this manual.

3. Market Risk Identification, Measuring, and Reporting

   a. Alloya seeks to control market risk by measuring its effects and establishing operating limits on Net Economic Value (NEV) and Weighted Average Life (WAL) in both current market conditions and in various interest rate scenarios. Alloya will model the indices that best represent the basis for the performance of each underlying instrument.

   b. Monthly, the Market Risk Management Department will simulate changes in the NEV ratio and WAL of the investment portfolio based on standardized assumption stresses. The VP, Risk Management will report the results of these simulations to the ALCO.

   c. Unless otherwise recommended by NCUA (such as when rates are too low for downward shocks to maintain positive rates), NEV sensitivity will measured the following parallel and instantaneous yield curve shifts:

      1) -300 basis points.
      2) -200 basis points.
      3) -100 basis points.
      4) No change or Base Case.
      5) +100 basis points.
      6) +200 basis points.
      7) +300 basis points.

   d. Unless otherwise recommended by NCUA, WAL sensitivity will be measured by slowing assumed prepayment speeds by to 50% of original speeds.

   e. For both the modeling of WAL in both (a) and (d), Alloya will take the impact of any instrument fully guaranteed by the US Government, its Agencies or its Sponsored Enterprises and multiply them by a factor of 0.50, per directions in Part 704.8(h).

4. Market Risk from Derivatives

   a. Risk management staff will report the value of derivatives transactions daily to the ALM Department, the VP, Risk Management, Credit Risk Management staff, and the CFO.

      1) Risk Management is responsible for the valuation of all cash and derivative transactions and for reporting NEV to ALCO and the Board.
      2) Simulations of NEV in the base case and in all interest rates scenarios will be based upon valuations of all cash and derivative instruments.
      3) Market Risk Management staff will include the value of all derivatives transactions in its monthly simulation reports of NEV to the ALCO and Board

5. Simulation Assumptions

   a. At least annually, Risk Management will review key assumptions, including the modeling of indices that serve as references in financial instruments coupon formulas, used within the asset/liability model. The results of this analysis will be presented to the ALCO at its next regularly scheduled meeting.

b. Key assumptions will be updated monthly to reflect the changing environment. Growth assumptions will also be updated periodically to reflect the current trends.

6. Simulation Reports – The Market Risk simulation reports will, at a minimum, detail simulation results and simulation compliance with limits defined below.

   a. NEV Simulation Limits – NEV simulation should not project a decrease of greater than twenty percent (20%) of the base case NEV, and the NEV ratio shall not fall below two percent (2%) under any of the standardized scenarios identified above.

   b. WAL Simulation Limits – WAL simulation should not project an asset WAL of greater than two (2.00) years under the base case scenario or greater than 2.25 years under the 50% prepayment speed scenario.

   c. NII Modeling – NII shall be projected for a planning horizon of no less than two years. The modeling shall assume the current rate environment held constant throughout the horizon as its Base Case, as well as performing the NEV-mandated rate shocks of +/- 100, 200, and 300 basis points, unless otherwise recommended by NCUA (such as when rates are too low for downward shocks to maintain positive rates). Other scenarios may be performed and reviewed at management's or the ALCO's request. The balances shall incorporate seasonality typical of Alloya's member funds flow.

7. Limit Triggers – Management will provide the ALCO, at its next regularly scheduled meeting, through its Compliance Reporting function, a written analysis describing the cause and planned remedial activities if any of the following simulation limits are exceeded:

   a. NEV

      1) -12.5% at +/- 100 basis points.
      2) -15.0% at +/- 200 basis points.
      3) -17.5% at +/- 300 basis points.
      4) Decrease in base case NEV month over month of more than fifteen percent (15%).

8. Other ALM Limits

   a. Additional Tests – The Risk Management Department will assess annually if it should conduct additional periodic tests to address market factors that may materially impact NEV. These factors should not result in a decline in excess of:

      1) 20% of NEV.
      2) The additional tests will include the four (4) listed below, however, based on market conditions and Alloya's balance sheet, other tests may be performed. The rationale for the tests chosen will be presented to the ALCO with the test results.

         a) Changes in anticipated prepayments – prepayment speeds will be tested to a statistically significant level to expose Alloya's NEV to decreases and increases to prepayment speeds.

b) Changes in market spreads for non-Treasury instruments – Spreads for non-Treasury instruments will be widened to historic change maxima.

c) Alloya will test its exposure to increases and decreases in volatility and the impact these shocks have to NEV.

d) Statistically significant changes in the shape of the yield curve to incorporate a steeper and flatter yield curve.

b. Model Validation – Internal Audit shall ensure that Alloya's NEV models are validated by an external source every other calendar year.

9. Market Risk Compliance

a. Policy Compliance – If any simulation results exceed any policy limits, the VP, Risk Management will report the violation to the ALM Department, the ALCO, Supervisory Committee, and the Board at the next regularly scheduled meeting. The CIO will submit a plan of action to the ALCO and Board of Directors within thirty (30) days of the initial notification of non-compliance.

b. Regulatory Compliance–- If Alloya's base case NEV, NEV ratio or WAL or the NEV, NEV ratio or WAL resulting from the respective tests listed above declines below the limits established by NCUA Regulation 704 Base-Plus Expanded Authority and are not brought into compliance within ten (10) calendar days, the VP, Risk Management must immediately report the information to the ALM Department, the ALCO, the Board of Directors, the Supervisory Committee, and the Director of ONES. If any of these measures remain below the limits established by NCUA Regulation 704 Base-Plus Expanded Authority thirty (30) calendar days after the violation, the CIO must submit a detailed, written action plan to NCUA that sets forth the time needed and means by which it intends to correct the violation.

XIV. MEMBER BUSINESS LOANS

A. OBJECTIVE:

1. Alloya's objective is to provide member business loans that are for sound and lawful purposes to partner members, as defined in these Policies. The loans granted will demonstrate the creditworthiness of the borrower and the likelihood of repayment within proposed terms. It is Alloya's policy to comply with federal and state laws and regulations relating to the granting of member business loans, recognizing that these regulations are designed to protect our members and assist the entities in operating in a safe and sound manner.
2. The authority for Alloya to invest in or loan to partner members is contained in NCUA Rules and Regulation Part 704, and the partner member must be organized in accordance to these rules.
3. Officers with authority to lend are responsible for having sufficient knowledge and understanding of the policies and procedures, maintaining, and supporting them, complying with them, and adhering to them in the spirit of applicable laws and regulations.
4. Alloya's management is directed to grant loans to partner members of acceptable quality and liquidity and to create a system for reviewing and monitoring loans for credit quality, documentation, and regulatory and policy compliance.

B. AUTHORIZATION:

1. Responsibility – The SVP Membership is responsible for the operations and management of the member business lending function.
2. Authority to Conduct Business – The personnel involved in the underwriting of member business loans must have business lending experience or comparable lending experience. Alloya's personnel involved in underwriting member business loans must have at least two (2) years of lending experience.

C. PARAMETERS:

1. Definition – A member business loan is any loan, line of credit or letter of credit to partner member disbursed for which the funds are used to finance any business/commercial effort, and the repayment is primarily from the cash flow of the business or activity financed.
2. Exclusions – The policy excludes all loans, lines and other extensions of credit to natural person credit union members, corporate credit union service organizations (Corporate CUSO's) and other credit union service organizations (CUSO's) guaranteed by a credit union.
3. Limits – The following limits will apply to member business lending:
   a. Total – The maximum amount of all member business loans will not exceed 1.75 times total capital or 12.25% of total assets, whichever is less.
   b. Type – The maximum amount of member business loan by type (as defined above) will be 1.75 times total capital or 12.25% of total assets, whichever is less.
   c. Borrower – The maximum amount of member business loans to any one obligor or group of borrowers or associated borrowers who are joint obligors may not exceed 15% of total capital excluding the allowance for loan losses or $100,000, whichever is greater.
   d. Unsecured Limit – Alloya does not offer unsecured lending.
   e. Capital – Capital as used in this section is defined as the sum of a corporate credit union's reserves, undivided earnings, paid in capital and membership capital.
4. Types of Member Business Loans
   a. Loans may be made for any business purpose. All loans will be fully secured. The types of loans Alloya may extend the above are:
      1) Demand Loan – To cover short-term liquidity needs and/or working capital commonly extended under an advised line of credit facility.
      2) Term Loan – To finance a specific purchase or to fund a project.
      3) Warehouse Loan – To fund residential real estate loans.
      4) Letter of Credit – An instrument issued by Alloya guaranteeing the payment of a member's obligation up to a specific amount for a specific period of time.
5. Loan Pricing
   a. Variable and fixed-rate loan pricing will be determined by management. In no case will the pricing of loans exceed the regulatory limits.
   b. The rate charged on a member business loan shall reflect the quality of the credit, the business record of the applicant, the liquidity and coverage of the security and the terms and periodic payment requirements, the overall risk, as well as the market rates involved.

c. Points or fees may be charged in addition, but the corporate is prohibited from receiving any "equity kickers"; that is fees or income as a share of or proportion of the profits.

6. Repayment, Maturities, and Penalties
   a. Repayment – The terms of repayment of a loan are related to the loan type. Some repayment terms can be principal and interest, interest only, lump sum payments, scheduled principal payments, and any other repayment type.
   b. Maturities – No loan can exceed the NCUA maturity requirement of fifteen (15) years.
   c. Penalties – A penalty may be assessed for overdrawn lines of credit, early repayment of term loans, or other reasons as detailed in the loan agreements. If the loan agreement does not state a penalty rate, the penalty will be equivalent to market rates. Alloya's lending procedures detail the assessment of penalties.
7. Underwriting Requirements for Loans – Alloya will focus on lending to creditworthy partner members where the risks of repayment are clearly identified, and the primary and secondary sources of repayment are realistic and substantive.
8. Application Process – The application process is detailed in the Lending Procedures.
9. Documented Analysis – The primary objective of the credit underwriting process is to protect Alloya from undue risk of loss through the application of safe and sound lending practices. An important secondary objective is to provide the borrowing capacity deemed necessary for the successful operation of partner member. The Lending Procedures identify specific underwriting processes to follow including but limited to:
   a. A credit file will be maintained for each borrower. The file may be electronic.
   b. At underwriting an Alloya Risk Rating is assigned to each credit, documenting the level of risk of actual credit loss to Alloya. This risk rating drives the plan for future reviews; a higher risk credit warrants more frequent reviews (see Procedures for Risk Rating Matrix).
10. Lending Authority
   a. On a quarterly basis, all loan decisions are submitted and reported to the ALCO.
   b. Lending Limits

Position	$ Limit – Member Business Loans
Loan Analyst	N/A
Senior Loan Analyst	N/A
AVP, Lending	$500,000
SVP, Membership	$5,000,000
Board	Amounts over $5,000,000, up to policy limits

11. Geographic Restrictions – Member Business Loans to partner members may be made anywhere within Alloya's field of membership.

12. Collateral – Member business loans will be secured by proper levels of collateral as determined by the analyst and approver. In addition, Alloya will perfect its secured interest by filing a UCC financing statement, if appropriate.
13. Collateral Valuation – The determination of value for the security will be determined based on the underlying collateral. Collateral valuation will be accomplished by various methods, commensurate with the size of the transaction, Alloya's total exposure and the collateral type. Collateral value may be re-assessed if the primary source of repayment (cash flow) is in doubt.
14. Annual Review – Extensions of credit to partner members are reviewed at least annually through an applicable system and/or internal review process. Alloya employs a method of risk-based reviews and the level of exposure will determine the frequency of the review. The risk based methodology is outlined in the procedures and includes a review of liquidity, capital and earnings of the partner member. Alloya will identify those partner members whose financial position and/or loan exposure warrants increased monitoring, and, as such, will be added to Alloya's watch list. Once placed on the watch list, a partner member will undergo a due diligence review under the same parameters as watch list credit unions. The partner member will continue to be monitored via the watch list until it no longer meets criteria. Partner members may be required to submit additional documentation for Alloya to make an accurate assessment of its financial position.
15. Loan Collateral Access
    a. Borrower that has pledged shares, marketable securities and reverse repurchase transactions will not have access to collateral that secures repayment of an advance, except to the extent that the advance is paid off. Alloya retains the discretion to accept collateral substitutions.
    b. Borrowers that have collateralized advances by blanket lien via the Credit and Security Agreement shall not be restricted in their access to assets if adequate collateral remains available to support the member's line and borrowing position.
16. Monitoring Securities pledged as collateral – Alloya will monitor all securities pledged as collateral toward a line of credit or term loan and notify the partner member when a pledged security is about to expire/mature. To maintain the existing credit limit, the partner member will be requested to pledge additional collateral as required.

XV. PERPETUAL CONTRIBUTED CAPITAL (PCC)

A. OBJECTIVE:

1. The purpose of this Policy is to describe the terms and conditions under which Alloya may issue PCC.

B. RESPONSIBILITY:

1. The CFO is responsible for managing this Policy and the PCC Program.

C. PARAMETERS:

1. Authorization Limit – Alloya is authorized to issue PCC to its members subject to the direction of the Board and consistent with Regulation 704.
2. Maturity – PCC has a perpetual maturity.

3. Callability
   a. PCC is callable only by Alloya and only if Alloya meets the minimum regulatory capital and NEV requirements after the call would be exercised.
   b. PCC is only callable with the approval of NCUA.
4. Insurance – PCC is not insured by the NCUSIF or other share or deposit insurers and is an at-risk deposit.
5. Liquidation – In the event of a liquidation of Alloya, PCC is payable only after satisfaction of all liabilities of the liquidation estate, including uninsured share obligations to shareholders, the NCUSIF, and membership capital holders.
6. Depletion – Should Alloya operate unprofitably and produce negative retained earnings, PCC will be depleted in accordance with NCUA Regulations.
7. Mergers – In the event of a merger where Alloya is not the continuing credit union, PCC will not be called.
8. Disclosure – The terms and conditions of any PCC instrument must be disclosed to the record owner of the instrument at the time the instrument is created and must be signed by either all the directors of the member credit union or, if authorized by board resolution, the chair and secretary of the board.
9. Release – PCC may not be released due solely to the merger, charter conversion or liquidation of a member credit union. In the event of a merger, the PCC transfers to the continuing credit union. In the event of a charter conversion, the PCC transfers to the new institution. In the event of liquidation, the PCC may be released to facilitate the payout of shares with the prior written approval of the ONES Director.
10. Assumptions – Alloya may assume the PCC issuance from corporate credit unions that merge into Alloya. Generally, this will be done under the original terms of the issuance.
11. Pledging – PCC may not be pledged against borrowings.
12. Dividends – PCC dividends are payable at the sole discretion of the Board and may not be paid if Alloya fails to meet its minimum regulatory requirements.
13. Transfer
    a. PCC may be transferred between members at par value, subject to meeting their then current capital requirements
    b. Transfer of PCC is subject to Alloya Board approval and NCUA Regulations
14. PCC may be adjusted semi-annually

XVI. PRIVACY AND INFORMATION PROTECTION

A. OBJECTIVE:

1. Alloya is firmly committed to maintaining the privacy of its member credit unions, their members, and the confidentiality of all personal, corporate and financial information. Alloya recognizes a right to information privacy and, in turn, accepts the responsibility to keep information confidential. This Policy defines Alloya's commitment to privacy and applies to all business conducted by Alloya.
2. This document addresses not only good business practice, but also the following federal regulations, public law, and National Credit Union Administration (NCUA) Letters and Regulatory Alerts:
   a. Public Law 15 U.S.C. 6801 and 6805(b) – Title V, Sections 501 and 505(b) - The Gramm-Leach-Bliley Act

b. Title 12 CFR Parts 700-795 – NCUA Rules & Regulations
   1) Part 716 Privacy of Consumer Financial Information and Appendix
   2) Part 717 – Subpart J – Identity Theft Red Flags
   3) Part 748 Security Program, Report of Crime & Catastrophic Act, and Bank Secrecy Act Compliance

c. U.S.A. Patriot Act of 2001

B. RESPONSIBILITY:

1. The CFO is responsible for developing, implementing, monitoring, and modifying operating procedures for the privacy and information protection function.

C. PARAMETERS:

1. Collection of Nonpublic Consumer Information
   a. In general, Alloya does not collect consumer or customer information as defined in Title 12 CFR Part 716.3(c) Definitions section of the NCUA Rules and Regulations. As Alloya's members are exclusively other credit unions, most nonpublic consumer information collected is related to business-to-business transactions, financial servicing or processing, or relationships with Alloya's members, not consumers.
   b. Title V of the Gramm-Leach-Bliley Act concerns the collection and disclosure of consumer and customer information. In the course of Alloya's business, nonpublic consumer information is visible and accessible to certain Alloya employees and select third parties. Title 12 CFR Part 716.3(e)(2)(iv) specifically excludes processing services, such as those Alloya provides to its members, from regulation.
   c. In addition, Part 716.14 contains exceptions to the notice and opt out requirements for such processing transactions as well as proposed securitization, secondary market sale or similar transaction such as a loan participation related to the transaction of the consumer. Alloya includes contractual confidentiality provisions in its contracts that may be subject to the exception to opt out requirements for service providers and joint marketing (12 C.F.R. Part 716.13) and executes a non-disclosure agreement with its member credit unions.
   d. Despite these exceptions, Alloya feels disclosure of any information used in processing and servicing must be mitigated and limited by confidentiality agreements between Alloya and its members, Non-Disclosure Agreements with Alloya's vendors and affiliated third parties, and information security best practices.
2. Disclosure of Confidential Information to Non-Affiliated Entities
   a. Regarding non-affiliated entities and organizations, information is disclosed only to those parties who assist Alloya in conducting business, or organizations that may assist Alloya in the future.
   b. To ensure that the highest privacy and information security standards are maintained, Alloya requires that any relationship in which nonpublic information is exchanged include confidentiality standards and a Non-Disclosure Agreement, or non-disclosure language. An authorized employee of Alloya must sign such contracts and non-disclosure agreements.

c. Sometimes it is necessary to provide information to organizations outside of Alloya including:
   1) Requests necessary to comply with a government agency or court order, or
   2) Requests based on explicit permission of the member to disclose such information.

d. Alloya utilizes a process of due diligence review surrounding each relationship with third party service providers.

3. Information Security Program – In addressing Part 748 Appendix A of the NCUA Rules & Regulations, Alloya employs internal resources tasked with the maintenance of Alloya's Information Security Policy and other security-related documents and procedures. Alloya implements and maintains such physical, electronic, and procedural safeguards and measures to protect confidential information from unauthorized use, disclosure or reproduction by third parties. Alloya regularly performs data sensitivity reviews and vulnerability assessments on its technology-related and electronic data business processes.

4. Prevention of Consumer Identity Theft – In compliance with NCUA Rules and Regulations – Part 716, Alloya takes the following steps to prevent identity theft:
   a. Security and Privacy Awareness training for all employees.
   b. Criminal and credit background checks on employees
   c. Due diligence for contracts.
   d. Destruction of non-essential data.
   e. Vulnerability and penetration tests.

5. Identity Theft Red Flags Part 717 – Subpart J of NCUA's Rules and Regulations requires all federal credit unions that offer or maintain one or more "covered accounts" to develop and maintain an Identity Theft Prevention Program.
   a. Alloya does not offer or maintain accounts to individual consumers; it in turn does not offer or maintain covered accounts as defined in the regulation. As such, it is not required to develop and maintain a separate Identity Theft Prevention Program under the Identity Theft Red Flags Regulation.
   b. Alloya will comply with NCUA Regulation 717 as it pertains to corporate credit unions. Alloya will re-assess its accounts on at least an annual basis to determine whether it is offering or maintaining "covered accounts".

6. Information Requests Pertaining to Suspected Terrorist Activity – In compliance with the USA Patriot Act requirements, Alloya has designated its Compliance Officer to receive and respond to any applicable information requests, including but not limited to Section 314(a) requests.

7. Acceptable Usage Statement – The Computer and Internet Guideline provided to and acknowledged by every employee defines appropriate use of the computing systems and facilities located at or operated by Alloya. The definition of Alloya's computing facilities includes any computer, server or network provided, owned, or supported by Alloya. Use of the computer facilities includes the use of data/programs stored on Alloya computing systems, data/programs stored on magnetic tape, removable disk, CD ROM or other storage media that is owned and maintained by Alloya. Use of computer facilities also includes data transmitted using network devices owned and operated by Alloya. The "user" of the system is the person requesting an account (or accounts) to perform work in support of Alloya or a project authorized for Alloya. Alloya accounts and systems are to be

used only for the purpose for which they are authorized. Unauthorized use of Alloya computing systems and facilities may constitute grounds for termination of employment, and/or either civil or criminal prosecution.

8. Alloya Privacy Policy to Members – In compliance with NCUA Rules & Regulations – Part 716 (a) (1) which requires credit unions to provide notice to members about its privacy policy and practices, Alloya does the following:
   a. Alloya posts a privacy statement on its publicly accessible web sites. This privacy statement:
      1) Details the information collected from visitors to Alloya public websites, and those operated for Alloya subsidiaries. These sites may be located anywhere under the Alloya domain, its wholly owned CUSOs, or any other domain name registered and owned by Alloya or its subsidiaries. This statement also discusses why the information is collected and how it is used. It explains user options for accessing and managing information, our data security practices and other matters.
      2) Explains that the IP address and/or hostname and domain name of the computer or network used is logged in site logs, firewall logs, and/or network- and host-based intrusion detection systems. This is done as an audit requirement of the National Credit Union Administration. Alloya may automatically collect information about visitors' computer configurations. This may include browser type, version, and operating system. This information is not disclosed to any party outside of Alloya without prior non-disclosure agreements in place and is kept highly confidential.
      3) Provides notice that if a feature is used that requires an individual to explicitly submit information (such as an information request or our guest book), we may collect a visitor's name, email address, telephone and fax numbers, and mailing address, should the visitor choose to provide us with this information. In addition, we collect information about the services a visitor is interested in, such as electronic payment services, investment services and credit services. This is necessary to process and deliver the information requested. We retain this information to serve visitors and other members better and to provide the best information possible regarding services visitors may be interested in. If visitors experience problems or have a question, we may refer to the information request to help resolve it.

XVII. SHARES

A. OBJECTIVE:

1. The purpose of this Policy is to define the terms and conditions under which Alloya will offer and manage share accounts.

B. RESPONSIBILITY:

1. The CIO is responsible for managing this Policy and managing Alloya's share accounts.

C. PARAMETERS:

1. Member Share Account Types – Alloya will offer the following investment options to member credit unions:
   a. Overnight share accounts that provide members with competitive alternatives that deliver liquidity access and convenience for settlement.
   b. Share Certificates – This is a term investment that pays a dividend based on the terms of the individual certificate.
      1) Rates – Rates paid are subject to market conditions and the amount involved.
      2) Early Certificate Redemption – No partial redemptions are allowed. Early redemption of Alloya's certificates that are not in redeemable form is at the sole discretion of Alloya's management. Early redemptions, if given, will be in accordance with the following:
         a) The redemption value of certificates issued by Alloya will be calculated by discounting the certificates' remaining cash flows at the replacement cost of funds for a similar term certificate. The Alloya certificate or Treasury security with a maturity date and terms closest to the remaining maturity date and terms of the certificate to be redeemed will be considered of "similar term."
         b) Discounting will be done on an industry-recognized standard such as the Bloomberg system or other system chosen by Alloya's management.
         c) Certificates with embedded options (such as ACPs and Step-Up Certificates) will be valued for early redemption using appropriate industry-recognized valuation systems chosen by Alloya's management.
   c. Notice Accounts (30- and 90-day) – These accounts have a dividend declared daily and posted monthly. To withdraw funds, a credit union must give appropriate notice. The notice accounts are designed to take advantage of a falling or flat yield curve environment.
   d. Perpetual Membership Capital Shares (PCC) – Please see preceding PCC Policy.
2. Share Certificate Participants – Certificates of Indebtedness may be offered to organizations other than credit unions.

SECTION 3–GUIDELINES

I. ALM OPERATING

A. OBJECTIVE:

1. This Guideline provides broad parameters for all risks associated with the management of Alloya's balance sheet. It is used in conjunction with the Board policies that relate to risk management of Alloya's assets and liabilities. The objectives are to:
   a. Ensure responsible asset liability management;
   b. Provide flexibility and responsible action through the delegation of responsibility and authority to senior management;
   c. Identify the effects of all risks on the balance sheet;
   d. Acknowledge the need to manage rate sensitive assets and rate sensitive liabilities to ensure fair-market value volatility that remains within regulatory requirements during changes in interest rates;
   e. Provide adequate review, control, and oversight;
   f. Provide parameters that ensure separation of duties between the risk taking and risk measurement function.
2. These objectives are interrelated and are to be managed and dependent on components of Alloya's overall risk management objectives.

B. RESPONSIBILITY:

1. The CIO is responsible for overseeing the implementation and monitoring operations of the ALM function. Generally, the CIO is responsible for "risk taking" functions as well as related operation and management activities. In addition, the CIO is responsible for:
   a. Operations and management of the investment portfolio
   b. Operations and management of Alloya's capital and liability programs.
2. The SVP, Membership is responsible for the operations and management of the lending function.
3. The VP, Risk Management is responsible for monitoring, measuring, and reporting on corporate positions and risk attributes and measures.
   a. The measurement and appropriate reporting of Alloya's market (interest rate) and other risks/positions as appropriate.
4. The AVP, Credit Risk Management is responsible for the operation and management of:
   a. The credit approval, monitoring and reporting activities for investments and derivatives,
   b. The measurement and appropriate reporting of Alloya's market credit risks/positions as appropriate.

C. PARAMETERS:

1. Investment
   a. Investment Strategies
      1) Alloya will manage its investment portfolios by developing a written investment strategy for each book of business. As the markets are subject to change at any time, when deemed necessary, these

strategies will be modified and presented in the form of an ALCO reporting item by the CIO. Material changes will be modeled prior to execution. The recommended strategy must fall within the targeted risk levels, as measured by NEV and NII, to be implemented. The report, along with the modeling results, will be presented to the ALCO.

2) Monthly, the expected and actual performance of the portfolios shall be reviewed at the ALCO meeting. Investment transactions will be reported monthly and show, at a minimum, par value, book value, net proceeds, and realized gain/loss.

b. Safekeeping

1) All investments will be held in safekeeping independently of a securities broker or dealer.

2) Unless pledged as collateral, all investments are held in safekeeping at a contracted provider.

3) All investments held in safekeeping will be evidenced by a safekeeping receipt or similar form of notification from the safekeeping institution.

4) Safekeeping statements will be reconciled monthly by individuals independent of the Investments Department.

5) Under certain circumstances, Alloya may accept or deliver “free” securities. This is outlined in the safekeeping procedures.

2. Lending

a. Lending Strategies

1) Alloya will manage its lending portfolios by developing a written lending strategy. As the markets are subject to change at any time, when deemed necessary, this strategy will be modified and presented to the ALCO by the Vice President, Lending. Material changes will be modeled prior to execution. The recommended strategy must fall within the targeted risk levels, as measured by NEV, to be implemented. The report, along with the modeling results, will be presented to the ALCO.

2) Monthly, the expected and the actual performance of the lending book of business shall be reviewed at the ALCO meeting.

b. Central Liquidity Facility (CLF) – The CLF is a mixed-ownership government corporation under the Government Control Act that exists within the National Credit Union Administration (NCUA) and is managed by the NCUA Board. The CLF provides a source of credit to credit unions when funds are not available from traditional sources. CLF borrowings are excluded from the total borrowing limit per NCUA Regulation 704.

3. New Products and Businesses

a. Prior to the execution of any strategy that results in the assumption of risks arising from a new product line or business impacting Alloya’s market and credit risks, a thorough analysis demonstrating Alloya’s ability to accurately model all salient risks of said business or product shall be successfully performed and presented to the ALCO.

4. Compliance

a. If Alloya maintains any positions it has the inability to accurately model and monitor, as established by the guideline limits in this section, the VP, Risk Management will report the violation to the ALM Department, the ALCO, Supervisory Committee, and the Board at the next regularly scheduled meeting. The VP, Risk Management will submit a plan of action to the ALCO within thirty (30) days of the initial notification of non-compliance. Any such violations will continue to be reported until they have been effectively remediated.

II. ACH

A. OBJECTIVE:

1. This Guideline outlines Alloya's parameters regarding ACH transaction risk controls. Alloya provides a full suite of ACH services for credit unions and partner organizations. Alloya, as a Third-party Service Provider, provides transaction processing software and file transfers between the ACH Operator and members. By aggregating the transaction volume, Alloya can secure beneficial pricing for the members while providing subject matter expertise. Members can choose to be an ACH Receiver, ACH Originator or both. Additionally, Alloya originates and receives transactions on its own behalf.

B. RESPONSIBILITY:

1. The CFO is responsible for developing, implementing, monitoring and modifying operating procedures in the ACH function.

C. PARAMETERS:

1. There are various types of risks associated with ACH transaction processing. To mitigate risk for both the corporate and its members, the following risk areas have been identified and controls have been implemented to mitigate the potential for loss:

Credit Risk	Managing Risk / Control
Member utilizes Alloya as a pass-through for their ACH settlement and they do not have sufficient funds to settle their ACH obligations	• All credit unions that settle with Alloya must have a line of credit to utilize the ACH product. • ACH exposure limits are established based on usage and available line of credit and reviewed annually. • Daily activity is monitored against exposure limits. • Product contract limits Corporate liability.
Transaction Risk – Operations	**Managing Risk / Control**

Corporate user processing error, Member user processing error	• Automation and technology reduce manual processing thereby reducing possible errors. • Technology has validations in place to warn of possible errors. • Dual control enforced on all origination processing • Daily activity is monitored against exposure limits.
Failure to comply with regulations	• ACH annual audit performed to ensure compliance with NACHA and federal regulations. • Written procedures in place and reviewed annually • Annual BSA compliance training • Ongoing ACH training • AAP accreditations
System Failure	• Business continuity procedures in place and regularly tested. • Redundant vendor backup site
Transaction Risk – Fraud	**Managing Risk / Control**
Internal Alloya employees attempting to embezzle funds	• Controls and balances have been established for segregation of duties • Daily reconciliations are performed on all applications by non-ACH staff • Background checks performed on new and existing ACH personnel annually • Internal audit performed at least annually • Dual control enforced on all origination processing
External individual gaining unauthorized access	• Unique passwords and multi-factor authentication for all systems • System session time out set at 10 minutes • Required password reset every 45 days • Security administrator duties assigned to non-ACH production staff • Dual control enforced on all origination processing • Daily monitoring against established origination exposure limits
Transaction Risk – Reputation	**Managing Risk / Control**

Credit Union Relationship	• Due diligence is performed on all relationships • Product contracts and service level agreements are in place • Business continuity plans in place and tested regularly • Small credit union program in place to assist credit unions with ACH processing
Transaction Risk – Vendor	**Managing Risk / Control**
Vendors	• Contracts are established • Contracts reviewed by legal counsel • Due diligence is performed • Annual vendor review

III. ALCO SUBCOMMITTEE

A. OBJECTIVE:

1. The objective of this Guideline is to delineate the responsibilities of the current ALCO subcommittee. This subcommittee is currently known as the Management Asset-Liability Committee (MALCO). The MALCO will review in detail results of operations and strategies related to Alloya Asset/Liability and Risk Management activities on at least a monthly basis. The MALCO serves as a layer of review before material is presented to the ALCO and Board. Performing a review by cross-functional managers obtains better opportunity for vetting and clarification.

B. RESPONSIBILITY:

1. The responsibilities for overseeing the implementation and monitoring of the ALM function are delineated in the ALM Oversight Policy and the ALM Operating Guideline.
2. The VP, Risk Management is responsible for reviewing and updating this Guideline.

C. PARAMETERS:

1. Composition – The MALCO shall have the following membership and representation:
   a. CEO
   b. CIO – Chair
   c. VP, Risk Management – Vice Chair
   d. CFO
   e. SVP, Risk Management
   f. SVP, Membership
   g. AVP, Credit Risk Management
   h. Staff invited at the discretion of the Chair
2. Responsibilities – The MALCO shall fulfill the following roles:
   a. Strategy – Review financial products strategies to meet Alloya's financial goals for NII within established market, liquidity, and credit risk tolerances.
   b. Planning – Review, at least annually, financial product plans to achieve NII targets within established risk tolerances.

c. Assumptions – At least annually the MALCO will review and approve the assumptions used for the monthly NEV and NII modeling and submit to the ALCO.
d. Staffing – Reviews hiring, training and retention of qualified staff commensurate with the complexity of instruments and risks in which Alloya invests.
e. Leadership – Provides necessary leadership to ensure achievement of financial goals within established policy.
f. Budget – Monitors corporate performance against budget monthly.
g. Communication – Minutes are provided to the Board ALCO monthly. Minutes, reports, and an agenda are provided to the MALCO monthly.

3. Reports – May include, but not be limited to:
   a. Same reports as ALCO
   b. Detailed Strategies for each book
   c. Budget variance by book for volumes and NIM
   d. Review of risk levels (NEV, NII, NI)
   e. Alternative rate shock scenarios
   f. Review of model assumptions
   g. Management forecasts of NII and NI using alternate assumptions
4. Meeting Frequency – The MALCO shall meet monthly in person or by teleconference.

IV. BANK SETTLEMENT ACCOUNTS

A. OBJECTIVE:

1. The objective of this Guideline is to delegate Board authority and create parameters for the establishment and maintenance of the bank and settlement accounts Alloya uses.

B. RESPONSIBILITY:

1. The Board delegates its authority to establish bank settlement accounts for transactions to the CFO.
2. Such accounts will be established consistent with Alloya's Credit Risk Management and other Policies.
3. The CFO is responsible for maintaining this Policy

C. PARAMETERS:

1. Establishing Accounts – The CFO may establish bank settlement accounts as needed. The CFO may delegate this responsibility, which shall be documented in Alloya procedures. Bank settlements accounts include, but are not limited to:
   a. Federal Reserve Bank(s)
   b. National Banks
   c. Regional Banks
2. Maintenance – The CFO will ensure establishment of proper processes and internal controls over such accounts. The CFO may delegate this authority, which shall be documented in Alloya procedures and includes, but is not limited to:
   a. Authority to sign on accounts
   b. Authority to transact on accounts

b. Authority to change account access
c. Authority to reconcile accounts

V. BUDGET/EXPENSE AUTHORIZATION

A. OBJECTIVE:

1. To establish parameters for the development, implementation, monitoring and modification of the annual operating budget.

B. RESPONSIBILITY:

1. The CFO is responsible for developing, implementing, monitoring, and modifying the annual operating budget

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C. PARAMETERS:

1. Budget Overview
   a. Alloya will prepare a Financial Plan that reflects projected results for the upcoming year.
   b. The plan will be presented to the Board no later than the December meeting.
   c. The plan will at minimum address the following items:
      1) Net Interest Income;
      2) Non-Interest Income;
      3) Operating Expenses;
      4) Capital Expenditures (if over $2 million in aggregate);
      5) Growth Rates;
      6) Capital Accumulation;
      7) The budget may be amended during the year by approval of the Board;
      8) Significant assumptions that drive the budget outcome will be documented.
2. Budget Reporting
   a. Alloya will report performance against budget at least quarterly to the ALCO and Board.
   b. Alloya will prepare a written analysis of budget variances on at least a quarterly basis. Variances will be documented when summary income statement line items exceed budget by $100,000 for the applicable reporting period.
3. Budget Expense Authorization
   a. The budget acts as an approval for the items it contains, both Operating Expenses and Capital Expenses. In approving the budget, the Board has authorized management to expend the funds as noted.
4. Expenses
   a. Staff expense reports will be approved by the employee's immediate supervisor or a member of management in that reporting chain.
   b. The CEO's expense report will be approved by a member of the Board.
   c. To ensure compliance with Guidelines, a random sample of employee expense reports will be audited at least every three years.

d. Designated personnel may authorize purchases and secure services up to his/her invoice approval limits. To monitor actual compliance, Accounting will prepare internal financial statements by the 6th business day of each month for each responsibility center. It is then the responsibility of the manager to ensure that actual expenditures are within the limits established with the budget approved by the Board of Directors.

e. Unbudgeted expenses – Unbudgeted expenses may be approved by the following:
   1) CEO
      a) Operating Expenses – Any individual expense up to $500,000
      b) Capital Expense – Any individual expense up to $1,000,000
   2) CFO
      a) Operating Expenses – Any individual expense up to $250,000
      b) Capital Expense – Any individual expense up to $500,000
   3) SMT
      a) Operating Expenses – Any individual expense up to $100,000
      b) Capital Expense – Any individual expense up to $250,000
   4) Other Staff – As determined by the CFO not to exceed the SMT levels

f. Individual invoices for operating or capital expenditures must be approved prior to being submitted to Accounting for payment, regardless of whether they are budgeted or unbudgeted. Invoices exceeding the following limits must be approved by the named positions:
   1) $500,000 - CEO
   2) $250,000 – CFO/Controller
   3) $100,000 - SMT
   4) Other management and staff – As determined by the CFO, not to exceed the SMT levels. A list of individuals with their signing authority will be maintained in the Accounting Department and be used to verify against signed invoices prior to payment.

g. The CFO is authorized to delegate signing authority for budgeted and unbudgeted expenses to other personnel based upon management level and responsibility (but never exceeding the limits established by this Policy for the CFO).

h. The CFO shall ensure financial statements are provided periodically to the membership consistent with regulation and not less frequently than annually.

VI. BUSINESS CONTINUITY

A. OBJECTIVE:

1. The objective of the Business Continuity Guideline is to document the purposes, scope, processes, and responsibilities related to business continuity and disaster recovery for Alloya.
2. The purposes of business continuity and disaster recovery are:
   a. Provide for the safety of employees, members and others affected;
   b. Mitigate disruption of critical business services and operations to acceptable levels;
   c. Protect members' assets and minimize financial loss;

d. Resume normal operations in a reasonable period.

B. RESPONSIBILITY

1. The CFO has oversight responsibility for developing, implementing, monitoring, and modifying operating procedures in the Business Continuity/Disaster Recovery function.
2. Business Continuity Governance Responsibilities – Responsibility for the Guideline and the Plan is assigned to the following governing bodies:
    a. Board of Directors
        1) Approve Guideline and Plan on an annual basis.
        2) Review and acknowledge the results of testing critical business services.
    b. Transaction Risk Committee
        1) Allocate sufficient staff and resources to design, develop, implement, test, and maintain the Plan.
        2) Implement and enforce the Guideline.
        3) Manage and support an effective and appropriate contingency management program that meets the business continuity and disaster recovery requirements of Alloya.
        4) Ensure the contingency management program is aligned with Alloya's strategic business plans.
        5) Review the results of component tests and disaster recovery tests of the Plan.
        6) Evaluate the effectiveness of employee training as it relates to disaster recovery tests and emergency response procedures.

C. PARAMETERS

1. Business Continuity Scope – The scope of the Guideline applies to all critical business services and operations at all locations. Although Alloya's Business Continuity Plan (Plan) is designed to address a "worst-case" scenario, it must be flexible enough to be suitable for less severe incidents.
2. Business Continuity Program – A comprehensive contingency management program shall be developed and maintained using the following processes:
    a. Business Impact Analysis
        1) Identify and assess the potential impact of disasters affecting Alloya's critical business services and operations.
        2) Establish Alloya's recovery time objectives and recovery point objectives for critical business services and operations.
    b. Risk Assessment
        1) Prioritize threats based on their probability of occurrence and severity in terms of a potential business disruption.
        2) Assess threats based on direct impact to the business and its stakeholders.
        3) Evaluate resource requirements necessary to mitigate risk and achieve defined business continuity and disaster recovery objectives.
    c. Risk Management

1) Design, develop, implement, test, and maintain a Plan that is effective in meeting objectives of the Guideline.
2) Document, train, and test actions to be performed during the initial response to a disaster.
3) Specify actions to take under various conditions based on the severity and duration of impact to critical business services and operations.
4) Develop a Plan that facilitates a response to unforeseen threats and changing internal or external conditions.
5) Integrate business continuity and disaster recovery practices into all appropriate areas supporting critical business services and operations.
6) Establish a contingency management committee which has representation from critical business services and operations to provide guidance and oversight to the contingency management program.

d. Risk Monitoring
1) Perform disaster recovery testing of all critical business services and operations at least annually.
2) Report test results and state of readiness to the Senior Management Team and to the Board of Directors at least annually.
3) Schedule other types of tests as appropriate (e.g., walk-through, tabletop and functional) to validate that selected components of the Plan meet objectives of the Guideline.
4) Conduct drills of emergency procedures to promote employee awareness and measure the effectiveness of the Plan's emergency response procedures.
5) Update the Plan based on test results, major changes to the operating environment and/or regulations in a timely manner.
6) Update the Plan for new or modified critical business services and operations within a reasonable period after implementation unless granted a temporary extension by the Senior Management Team.
7) Act to remediate other significant issues in a timely manner.
8) Subject the Business Impact Analysis, Risk Assessment, Risk Management, and Risk Monitoring processes to review by independent parties.

VII. CONTRACTS/VENDOR MANAGEMENT

A. OBJECTIVE:

1. This Guideline outlines the process for entering contractual relationships with third-party vendors.
2. This Guideline outlines the process for the selection and due diligence of and the ongoing monitoring of third-party vendors.

B. RESPONSIBILITY:

1. The SVP, Risk Management is responsible for developing, implementing, monitoring, and modifying operating procedures with the contract/vendor management function.

2. Delegation of Authority – The Board delegates its authority to execute contracts pursuant to the parameters established in this Policy.

C. PARAMETERS:

1. Member Contracts
   a. Alloya employees with the title Senior Vice President are authorized to approve and execute contracts and/or agreements with Alloya's members.
   b. Member contracts that do not contain any alterations from the current standards may be executed by the persons noted above without review of General Counsel.
   c. Any changes to standard Member contracts must be reviewed by General Counsel prior to execution.
   d. All member contracts, agreements, documents, and like instruments are entrusted to the Office of the CEO and will be kept in a manner conducive to quick and easy retrieval, while maintaining the safety and security of the documents.
2. Vendor Contracts
   a. Alloya employees with the title Senior Vice President are authorized to approve and execute contracts and/or agreements with third-party vendors.
   b. All vendor contracts must be solicited following the Vendor Management Program (VMP) program.
   c. All outside vendor contracts and/or agreements will be forwarded to the contract administration function to ensure compliance with the VMP program.
   d. General Counsel Review
      1) General Counsel shall review all contracts which, in the opinion of a Senior Vice President:
         a) Could result in a breach or loss of Alloya NPI or
         b) Have more the $500,000 in potential liability or
         c) Whose economic value over the life of the contract exceeds the Senior Vice President's spending authority as established in these Policies.
         d) Should be reviewed by legal counsel.
      2) Contracts previously reviewed by General Counsel that have not been changed since, may be renewed without General Counsel subsequent review.
   e. Non-Public Information (NPI) – Wherever applicable, Alloya contracts with third party vendors shall:
      1) Have a security program designed to comply with the Gramm-Leach-Bliley Act, NCUA 748a, and other applicable privacy laws, ensure the security and confidentiality of member information, protect against any anticipated threats or hazards to the security or integrity of such information and protect against unauthorized access to or use of such information that could result in substantial harm or inconvenience to members.
      2) The contract shall include language for service providers to comply with GLBA and NCUA 748 and take appropriate actions to address

incidents of unauthorized access to or use of the credit union's member information, or other NPI.

3) The contract language shall require the vendor to notify Alloya as soon as possible of any incident or security breach and those steps the vendor will take to remedy the breach. This shall apply to vendor sub-servicers as applicable.
4) Execute Alloya NPI Addendum.
5) Third party vendors must have appropriate processes in place to properly dispose of member and consumer information. This shall apply to vendor sub-servicers as applicable.

f. The CEO or the CFO are the only positions authorized to execute contracts for the sale or lease of Alloya property in which a lien or encumbrance being placed against the property of Alloya would result.

g. The termination of all contracts and/or agreements prior to their stated term must be supported by appropriate documentation, and such documentation will be retained.

h. Business owners shall be responsible for negotiating contracts that meets business objectives and legal requirements in conjunction with General Counsel.

i. All agreements, documents, and instruments are entrusted to the Office of the CEO and will be kept in a manner conducive to quick and easy retrieval, while maintaining the safety and security of the document.

3. Vendor Management – Management shall establish and maintain a Vendor Management Program (VMP) consistent with industry standards and regulatory guidance. The parameters of this program shall include:

a. Define Business Objectives – Business objectives shall be identified and documented. The business objectives should identify: an opportunity that exists; a concept that will satisfy or achieve the opportunity and consequences to the organization for not pursuing the concept.

b. Perform a Risk Analysis – A risk assessment shall be completed for all vendors engaged to support critical business processes. A risk rating shall be assigned to vendors as described in the Vendor Management Guidelines and Procedures.

c. Vendor Selection Process – Business owners will identify potential vendors with the relevant skills, experience and knowledge.

d. Pre-Qualification of Vendors – Vendors shall be qualified at various times during the procurement process. Pre-qualification can include, but is not limited to:

1) Credit Review
2) Internal Audit Review
3) Technology Solutions Review
4) Other review as determined by the Contract Administrator and/or the business owner as described in the Vendor Management Program Reference Guide.

e. Develop a Request For Proposal (RFP) – An RFP shall be used when both the business objectives and business needs are clearly defined. An RFP shall include the statement of work plus a subset of the defined requirements as determined in selection criteria and scope. Alloya shall ensure that all terms are carefully and explicitly defined and reviewed with the vendors to ensure accurate understanding of the terminology. Responses are received in a set format required by Alloya. Any contract whose total estimated economic impact, including future year(s) contractual commitments which exceeds $500,000 shall require an RFP.

f. Vendor Pre-Award Due Diligence – Alloya will perform additional due diligence for the vendors chosen for advancement.

g. Capability Assessment – Alloya shall complete an assessment of the vendor's technical, industry and process expertise and history as it applies to the engagement.

h. Vendor System Access – Third party vendors who will have access to and will be performing functions in Alloya's applications and Systems shall be required to submit a Vendor System Access form and Alloya shall perform a background check on each person granted access prior to providing access.

VIII. DATA DESTRUCTION

A. OBJECTIVE:

1. This Guideline outlines the way all sensitive Alloya and member credit union information not in use or required for data retention purposes will be destroyed in accordance with regulatory guidelines and best practices. Credit Union information can include financial information, transactions, employee information, vendor contracts, trade secrets, or e-mails.

B. RESPONSIBILITY:

1. The SVP, Risk Management is responsible for developing, implementing, monitoring, and modifying guidelines for data destruction.

C. PARAMETERS:

1. Paper records – The security provided by the shredding of records depends on how fine the paper is shredded. Cross shredding is Alloya's standard method for destruction of sensitive documents. Cross shredding may be achieved using cross shredding devices or disposing of sensitive documents in vendor provided containers located at all offices.
2. Magnetic Media – Records stored on magnetic media (tapes) shall be shredded or otherwise destroyed by a qualified vendor providing certificates of destruction. This includes any backup copies of the records. Alloya has contracted with qualified vendors providing certificates of destruction.
3. Optical Media – Records held on optical media can be destroyed by cutting, crushing, or other physical means of destruction. Rewritable optical disks should also be reformatted before being disposed of or re-used. For magnetic or optical media that needs to be destroyed on a routine basis, such as CD's or small DVD's, a desktop CD/DVD shredder/destroyer may be used. Alloya has also contracted with a qualified vendor providing certificates of destruction.
4. Computer Hard Drives – Hard drives of personal computers and servers should be reformatted before computers are disposed. Alloya uses a software application

that is D.O.D. 5220.22-M compliant, which uses multiple overwrites with random characters. Reformatted hard drives are to be sent to a qualified compliant vendor where they will be disposed of in an environmentally safe manner. If a drive cannot be reformatted, it will be shredded by a vendor that must provide certificate of destruction if the shredding is not witnessed by Alloya staff person. Technology Solutions will be responsible for ensuring that all applicable hard drives are appropriately reformatted and disposed.

IX. ERMC SUBCOMMITTEE

A. OBJECTIVE:

1. The objective of this Guideline is to delineate the responsibilities of the ERMC subcommittee. This subcommittee is currently known as the Management Enterprise Risk Management Committee (MERMC). The MERMC has been created to ensure Alloya is measuring, monitoring, and reporting on current and emerging risks. The MERMC will meet at least monthly and provide a summary of its work to the Board Enterprise Risk Management Committee.

B. RESPONSIBILITY:

1. The responsibilities for overseeing the implementation and monitoring of the ERM function are delineated in the Enterprise Risk Management Policy.
2. The VP, Risk Management is responsible for reviewing and updating this Guideline.

C. PARAMETERS:

1. Composition – The MERMC shall have the following membership and representation:
   a. CEO
   b. CFO
   c. SVP, Risk Management
   d. VP, Risk Management
   e. AVP, Credit Risk Management
   e. VP, Operations
   f. VP, Technology Solutions
   g. CIO
   h. SVP, Membership
   i. ERMC Independent Risk Expert, ERMC Members, other Alloya Board or Committee members, its CAE and key staff invited at the discretion of the Chair
2. Responsibilities – The MERMC shall fulfill the following roles:
   a. Unification – The MERMC will unify the risk activities at Alloya. Alloya believes it has strong risk management strategies and tactics. Organizational structure for these practices is disseminated throughout the organization. The MERMC will bring together the various practices in a common format, so senior managers can discuss and evaluate the risks that Alloya has undertaken, determine which risks it may choose to accept, mitigate, or avoid.
   b. Development – the MERMC will foster the development of common practices to describe risk and mitigation activities. Developing these

common practices will help the organization talk about and manage risk on a consistent and holistic basis.

c. Communication – Minutes are provided to the Board ERMC monthly and all materials are available for ERMC, Board or Committee review. Prior meeting minutes, reports and an agenda are provided to the MERMC monthly.

3. Reports – Shall include, but not be limited to:
   a. Prior meeting minutes
   b. Action Items (as needed)
   c. Risk Assessments
   d. Future Meeting Topics
   e. BSA Update
   f. BCP Update
   g. Information Security Update
   h MALCO Update
   i. Threat Landscape
   j. Policy/Programs/Awareness
   k. Other Updates and Discussion Items as appropriate
4. Meeting Frequency – The MERMC shall meet monthly in person or by teleconference in months where the ERMC does not meet or at the call of the Chairman.

X. FUNDS TRANSFER

A. OBJECTIVE:

1. This Guideline outlines Alloya's parameters regarding controlling risk related to funds transfers. Alloya offers several funds transfer products to credit unions and partner organizations. FedWire transfers allow for transfers through the Federal Reserve Banks. International Wires are available through a third-party provider. Alloya has the responsibility for ensuring the transfer solutions comply with federal regulations and NCUA guidelines.

B. RESPONSIBILITY:

1. The CFO is responsible for developing, implementing, monitoring, and modifying operating procedures in the funds transfer function.

C. PARAMETERS:

1. There are various types of risks that associated with funds transfer transactions. The following risks are identified, the listed controls are regularly reviewed, and updated as necessary:

Credit Risk	Managing Risk / Controls
Credit union unable to fund transfer	• Funds for all wire transfers are deducted from credit union accounts prior to transfers being completed
Transaction Risk - Operations	**Managing Risk / Controls**

Corporate user processing error, Member user processing error	• Automation and technology reduce manual processing thereby reducing possible errors • Technology has validations in place to warn of possible errors • Dual control enforced on all origination processing • User transaction limits enforced
Failure to comply with regulations	• Internal Audit performed annually • Written procedures in place and reviewed annually • OFAC Filtering software in place • Bank Secrecy procedures in place including annual training
System Failure	• Business continuity plan in place and tested regularly • Fedline access at two offices
Transaction Risk – Fraud	**Managing Risk / Controls**
Internal Alloya employees attempting to embezzle funds	• Controls and balances have been established for segregation of job duties • Daily reconciliation performed on all applications • Internal audit performed annually • FedLine security administrator duties assigned to non-funds transfer staff • Background checks performed on new and existing funds transfer personnel • Required dual control for all wires created. • Unique passwords for all systems
External individual gaining unauthorized access	• Random call backs performed on wires initiated through member service department • PIN system in place for member remote access • Callbacks performed on large dollar wire requests initiated through member service department • Required dual control for all wires created. • Multi-factor authentication for funds transfer access including, unique passwords, PINs, and one-time token response.

Transaction Risk – Reputation	Managing Risk/Controls
Credit Union Relationship	• Due diligence is performed on all relationships • Product contracts and service level agreements with Alloya in place for credit unions • Business continuity plans in place and tested regularly. • Small credit union program in place to assist smaller credit unions with funds transfer transactions.
Transaction Risk – Vendor	**Managing Risk / Controls**
Vendors	• Due diligence is performed • Contracts are established • Contracts reviewed by legal counsel • Annual vendor review

XI. HUMAN RESOURCES

A. OBJECTIVE:

1. The objective of this Guideline is to ensure that Alloya has an effective Human Resources process such that Alloya hires, rewards and retains an excellent staff.

B. RESPONSIBILITY:

1. The SVP, HR is responsible for the review, implementation, and maintenance of this Guideline.

C. PARAMETERS:

1. Human Resource Philosophy
   a. Alloya intends to provide a career opportunity for our employees that is financially rewarding; however, making the most of that opportunity is largely dependent on each employee's contribution to our success.
   b. Alloya believes in providing excellent compensation opportunity and in return expects commensurate individual and business performance.
   c. Alloya rewards our employees based on internal equity considerations and market conditions, always recognizing that the purpose of our organization is to provide financial services and support to members.
   d. The compensation program is intended to be responsive to the changing needs of our organization and marketplace, always considering what is economically feasible and beneficial for our organization and the members we serve. While it is important to provide fair and competitive compensation, employees are not motivated primarily by money alone. There are other, more significant factors accounting for the loyalty and motivation of our employees. These include the mission, quality, and reputation of the organization, and satisfaction that is derived from working in a highly ethical, professional, and caring environment.
   e. We recognize that these and other benefits are not a substitute for financial compensation, but they are, and should remain, important in comparing compensation levels.

2. Compensation Authority – The Board delegates its full authority for hiring, developing, paying, motivating, and terminating employees to the CEO. This includes the structure of the organization, the positions defined, promotions, demotions, etc. The CEO may delegate this authority, as necessary.
3. Compensation Philosophy – Alloya will develop a compensation plan that includes salary ranges for base, incentive and bonus pay. The following will be considered:
   a. The marketplace and external data are primarily based on commercially published survey information for national, and/or local credit unions, banks, financial institutions, and other businesses (as appropriate) with comparable organizational structure and size.
   b. Base salary levels and salary ranges are assessed on an annual basis to reflect movement in the marketplace and changes in our business and economic conditions.
   c. Individual performance is measured based on performance outcomes against stated objectives/expectations and each individual's contribution to the organization. In return, we reward strong performance through competitive annual cash incentives.
   d. A detailed review of the total cash compensation program will be performed as required to ensure Alloya remains an employer of choice and continues to attract and retain qualified employees. This comprehensive evaluation is conducted to determine if the program is effective, efficient, and appropriate for our organization at a given time and context. This evaluation is designed to accomplish the following goals:
      1) Determine if the compensation program is meeting the objectives established by SMT and the Executive Committee;
      2) Establish that the program is being administered per stated employee policies and procedures;
      3) Reduce the risk of challenge to the program from employees and third-party organizations;
      4) Improve understanding of the roles and responsibilities of all parties relative to program administration;
      5) Improve internal communications and understanding of the program;
      6) Provide information for future program enhancements or modifications.
   e. This philosophy will enable us to achieve the following:
      1) Maintain fair, consistent, and equitable pay practices in alignment with our core business values and mission;
      2) Attract, retain, and motivate employees with the skills, abilities, and motivation required to achieve our objectives;
      3) Provide competitive total cash compensation opportunities directly linked to individual and organizational performance outcomes;
      4) Focus employees on those activities that positively impact the level of service we provide to our members.
4. Human Resources Compliance – Alloya will comply with all pertinent labor laws in each state in which it operates. Alloya is an equal employment opportunity employer and does not make employment decisions based upon race, religion, sex,

national origin, age, marital status, known physical or mental disabilities or membership in the uniformed services.

5. Employee Practices – Alloya will periodically review and ensure the Employee Handbook complies with all applicable laws and regulations. This document lists Alloya's various practices related to expected employee behavior, attendance, benefits, etc.

XII. ITEM PROCESSING

A. OBJECTIVE:

1. This Guideline outlines Alloya's parameters regarding controlling risk related to item processing services.

B. RESPONSIBILITY:

1. The CFO is responsible for developing, implementing, monitoring, and modifying operating procedures in the item processing function.

C. PARAMETERS:

1. There are various types of risks that Alloya faces within its servicing environment. The following risks are identified, and the listed controls are regularly implemented to mitigate their occurrence:

Credit Risk	Managing Risk / Controls
Disbursing credit union unable to settle check obligations or debit settlement	• Line of credit is necessary for all settlements that are not pre-funded • Ability to return items if finality of settlement does not occur • Existing contractual obligations which limits liability
Transaction Risk – Operations	**Managing Risk / Controls**
Internal error during processing Failure to comply with regulations	• Written procedures in place and reviewed annually • Use of process automation to reduce manual intervention • Internal audit performed • Disaster recovery procedure in place • Bond Coverage • Daily reconciliation performed on all applications by Cash Managers and Accounting Personnel

Transaction Risk – Fraud	Managing Risk / Controls
Internal Alloya Employees attempting to embezzle funds External individual gaining unauthorized access	• Controls and balances have been established for segregation of job duties • System access controlled by "userid" and password • Daily reconciliation performed on all applications • External audit and SSAE16 performed. • Bond Coverage
Transaction Risk – Reputation	**Managing Risk / Controls**
Clearing House Relationship Correspondent Relationship	• Under Clearing House relationships, the settlement is re-cast and items are returned • Due diligence is performed on all relationships • On-going credit analysis is performed for all correspondents
Transaction Risk – Vendor	**Managing Risk / Controls**
Vendors	• Due diligence is performed • Contracts are established • Contracts reviewed by legal counsel

XIII. MARKET RISK MEASUREMENT

A. OBJECTIVE:

1. Alloya's asset, liability and derivative portfolios are managed, in part, through the establishment of market risk benchmarks. These benchmarks assist management in establishing investment and funding strategies that reflect the desired risk profile identified through the benchmarks. Alloya's members' needs are changing and this document will address the need to manage market risk through an ever-changing portfolio. Therefore, Alloya's strategies consistently and effectively ensure prudent risk management. A summary of our purpose follows:
   a. Alloya will maintain financial positions that will optimize its Net Interest Income, while managing a prudent level of market risk.
   b. In general, the value and yield of amortizing securities and securities with embedded options are relatively sensitive to interest rate movements. The strategy, volume and characteristics of these holdings will conform to and support Alloya's overall market risk management strategy.

B. RESPONSIBILITY:

1. The VP, Risk Management is responsible for the operation and measurement of Alloya's market risk. The day-to-day operational responsibilities may be delegated at the direction of the VP, Risk Management.

C. PARAMETERS:

1. Market Risk Management

a. The separation of duties shall be distinct between the risk-taking function and the risk monitoring function.

b. Alloya will perform the required analysis monthly. The reports will be reviewed by Alloya management and ALCO.

2. Market Risk Identification, Measuring and Reporting

a. Alloya seeks to control market risk by measuring its effects and establishing operating limits on Net Interest Income (NII) and Net Income (NI) in both current market conditions and in various interest rate scenarios.

b. Monthly, the Risk Management Department will simulate changes in NII and NI based on standardized yield curve shifts. The VP, Risk Management will report the results of these simulations to the ALCO.

c. These shifts will consist of the following parallel and instantaneous yield curve shifts (downward rate scenarios suspended when rates modeled would be negative):

1) -300 basis points.
2) -200 basis points.
3) -100 basis points.
4) No change or Base Case.
5) +100 basis points.
6) +200 basis points.
7) +300 basis points.

d. Additionally, the following "ramped" yield curve shifts over a twelve-month horizon shall be performed and measured (downward rate scenarios suspended when rates modeled would be negative):

1) -300 basis points.
2) -200 basis points.
3) -100 basis points.
4) No change or Base Case.
5) +100 basis points.
6) +200 basis points.
7) +300 basis points.

3. Market Risk from Derivatives

a. Risk management staff will report the value of derivatives transactions daily to the ALM Department, the VP, Risk Management, Credit Risk Management staff, and the CFO.

1) Market Risk Management staff is responsible for modeling the impact of all cash and derivative transactions for reporting NII, and NI simulations to ALCO and Board.
2) Simulations of NII and NI in the base case and in all interest rates scenarios will be based upon projected impacts of all cash and derivative instruments.
3) Market Risk Management staff will include the impact of all derivatives transactions in its monthly simulation reports of NII, and NI to the ALCO and Board.

4. Simulation Assumptions

a. NII and NI simulation will be for the following 24 monthly calendar periods. Example: The September 2014 ALCO reports would have NII and NI simulation for October 2014 through September 2016.

b. At least annually, Risk Management will review key assumptions, including the modeling of indices that serve as references in financial instruments coupon formulas, used within the asset/liability model. The results of this analysis will be presented to the ALCO at its next regularly scheduled meeting.

c. Key assumptions will be updated monthly to reflect the changing environment. Growth assumptions will also be updated periodically to reflect the current trends.

5. Model Parameterization and Back-testing – Alloya shall maintain its interest rate risk models to ensure accuracy. The following parameterizations and back-testing shall be performed at least annually. Specific methods for performing each test shall be described in the Market Risk Management Procedure Manual.

a. Term Structure Model review – A review of all term structure models available in the modeling setup shall be reviewed. Strengths and weaknesses of each model shall be noted, as well the impact of additional tuning parameters specific to a particular mode (mean reversion factor, etc.). The results of monthly modeling will be presented under different model setups and a recommendation will be made as to the selection of term structure models and related parameters going forward.

b. Monte Carlo Path Convergence review – A review of the number of paths run under Monte Carlo simulation shall be reviewed. Resulting changes to key measures from altering the number of paths will be reviewed and a recommendation will be made as to the selection of an appropriate number of paths to model going forward.

c. Prepayment Speed Back-Testing – A review of prior periods' prepayment estimates to actual remaining balances shall be performed. Based on the findings, prepayment speed assumptions may need adjustment. Once an appropriate adjustment algorithm has been developed, it shall be back-tested against the previously compiled pre-payment reports for fit. Once an appropriate level has been found, a recommendation will be made as to adoption of this prepayment modification going forward.

6. Simulation Reports – The NII and NI simulation reports will, at a minimum, detail NII and NI simulation results and simulation compliance with limits defined below.

a. NII Simulation Limits – NII simulation for the following twelve (12) months should not project a decrease of more than the following amounts:

1) 50% for a projected interest rate change of 100 basis points.
2) 60% for a projected interest rate change of 200 basis points.
3) 70% for a projected interest rate change of 300 basis points.
4) Rate increases above are parallel, instantaneous and permanent.

b. NI Simulation Limits – NI simulation for the following twelve (12) months should not project a decrease of more than:

1) 70% for a projected interest rate change of 100 basis points.
2) 80% for a projected interest rate change of 200 basis points.
3) 90% for a projected interest rate change of 300 basis points.
4) Rate increases above are parallel, instantaneous and permanent.

7. Limit Triggers – Management will provide the ALCO, at its next regularly scheduled meeting, a written analysis describing the cause and planned remedial activities if any of the following simulation limits are exceeded:

a. Net Interest Income
1) Projected 12-month Net Interest Income decline from previous month of more than twenty percent (20%).
b. Net Income
1) Projected 12-month Net Income value for any scenario is less than $1,000,000.
2) Projected 12-month Net Income decline from previous month of more than fifty percent (50%).
8. Model Validation
a. Internal Audit shall ensure that Alloya's NII models are validated by an external source every other calendar year.
9. Market Risk Compliance
a. Guideline Compliance
1) If income simulation results exceed any guideline limits established in this section, the VP, Risk Management will report the violation to the ALM Department, the ALCO, Supervisory Committee, and the Board at the next regularly scheduled meeting. The CIO will submit a plan of action to the ALCO and Board of Directors within thirty (30) days of the initial notification of non-compliance.

XIV. SECURITY TRANSFER

A. OBJECTIVE:
1. Alloya provides full safekeeping and custodial service for credit unions. The settlement and safekeeping program is designed to settle and store securities safely and economically.
2. Transacting business daily under this program, Alloya must have safeguards in place for the transfer of securities. Alloya exercises reasonable care with respect to the purchasing and selling of securities, coupon and interest payments and any other property transferred to, or received by Alloya under the Security Safekeeping Agreement.

B. RESPONSIBILITY:
1. The Senior ALM Manager is responsible for developing, implementing, monitoring, and modifying operating procedures in the security transfer function.

C. PARAMETERS:
1. Potential risks and controls to manage risks associated with security transfers are outlined below:

Credit Risk	Managing Risk/Control
Disbursing credit union unable to fund security transactions	• Disbursing/Receiving institution must have sufficient collateral/funds • Securities transferred under agreement are specifically settled through delivery versus payment method

Transaction Risk – Operations	**Managing Risk/Control**
Internal error due to processing System Failure	• Established Operational Procedures manuals • BCP procedures in place • Delivery versus payment (DVP) used • Manager approval required on monthly reconciliation report
Free delivery with dual approval	• Review/Release features in place for release of all securities. Call back procedure in place to verify all free deliveries with a second authorized individual at the credit union. The dual approval process is repeated between Alloya and the custodian. • Annual/Regular review by Internal Auditor • Annual Independent Audit by outside third-party auditor • Maintain appropriate Fidelity Bond Coverage
Transaction Risk – Fraud	**Managing Risk/Control**
Alloya's employees attempting to redirect funds for securities/investments to unauthorized locations	• Verification of trade entry and custodian confirmation of payment • Custodian requires dual approval from authorized Alloya employees for free security movements • A cash reconciliation is performed daily • No removal, commingling, assigning securities without approval from credit union • Specific wiring instructions needed • Delivery versus payment (DVP) method used • Fidelity Bond Coverage • Transaction phone lines recorded
External individual gaining unauthorized access	• For all security transfers, PIN is requested from authorized individual • Authorized individuals must ascertain appropriate sights in the Premier View system • Annual review by Internal auditor • Annual Independent audit by outside third-party auditor • Passwords are required for access to the custodians' online system • Maintain appropriate fidelity bond coverage • Transaction phone lines recorded
Transaction Risk – Vendors	**Managing Risk/Control**
Custodian	• Due diligence is performed

	• Agreements in place that are reviewed by legal counsel • On-going credit analysis is performed • Maintain appropriate fidelity bond coverage • Annual review of custodians SSAE 16 or comparable due diligence document. Internal Audit performs confirmation of receipt

XV. SHARE DRAFT SETTLEMENT

A. OBJECTIVE:

1. The objective of this Guideline is to ensure that Alloya processes share draft settlement for members through appropriate organizations.

B. RESPONSIBILITY:

1. The CFO is responsible for the maintenance, review and implementation of this Policy and the attendant settlement programs.

C. PARAMETERS:

1. Share Draft Settlement
   a. Share draft settlement for members may be processed through the following organizations:
      1) Any Federal Reserve Bank;
      2) Any approved correspondent service provider.
   b. Net Settlement may be processed through the following organizations:
      1) The Clearing House Association (SVPCO);
      2) Any Federal Reserve Bank;
      3) Any approved correspondent service provider.
   c. Social Security Direct Deposits may be processed through the following organizations:
      1) Any Federal Reserve Bank;
      2) Any approved correspondent service provider.

XVI. TECHNOLOGY SOLUTIONS

A. OBJECTIVE:

1. Alloya provides a Technology Solutions function the delivery of products and services. The Technology Solutions function directly interfaces with credit unions in Alloya's field of membership in the areas of:
   a. Item Processing;
   b. Automated Settlement;
   c. Automated Returns;
   d. Statement Production;
   e. Automated Reconciliation;
   f. Billing;
   g. Cash Management Services;
   h. Electronic Commerce.

2. The Technology Solutions Department includes internal programming and operations staff, as well as external vendors to maintain the computing facilities. The definition of Alloya's computing facilities includes any computer, server or network provided, owned, or supported by Alloya.

B. RESPONSIBILITY:

1. The VP, TS is responsible for developing, implementing, monitoring, and modifying operating procedures in the Information Systems function.

C. PARAMETERS:

1. There are various types of risks that Alloya faces within its servicing environment. The following risks are identified, and the listed controls are regularly implemented to mitigate their occurrence:

Transaction Risk – Operations	Managing Risk / Controls
Internal Alloya functions	• Establish operational procedures • Testing of system or programming changes before implementation • System and programming documentation standards • Supervisory review of processing exceptions • Written disaster recovery procedures and periodic testing • Fire suppression system in computer room • Privacy and Information Protection Policy • Annual review by internal audit department • Bond coverage
Transaction Risk – Fraud	**Managing Risk / Control**
Internal Alloya employees attempting fraud	• Access controlled by user ID and password • Corporate Security Guideline
External individuals gaining unauthorized system access	• Access documented and reviewed at least annually by department heads • Review of access attempts and security violations • Programming staff restricted from live programs and data • Access to computer room restricted by security system • Bond coverage • Firewalls • Intrusion Testing
Transaction Risk – Vendors	**Managing Risk / Control**
Vendors/Consumer Privacy	• Software contracts established • Maintenance contracts established • Non-disclosure agreements established • Vendor guidelines established • Credit Review • Counsel review of all contracts

XVII. TRAVEL POLICY

A. OBJECTIVE:

1. The objective of this Guideline is to ensure that Alloya employee travel expenses are appropriately authorized and reported.

B. RESPONSIBILITY:

1. The CFO is responsible for the maintenance, review, and implementation of this Policy.

C. PARAMETERS:

1. This Policy applies to all staff
2. All travel will require pre-approval of any employee's direct supervisor and must be within budget.
3. Travel will be booked in accordance with the published travel procedures for staff.