

**Perpetual Contributed Capital Shares II of
ALLOYA CORPORATE FEDERAL CREDIT UNION**

Pursuant to this Confidential Private Placement Memorandum (“Memorandum”), you are being offered Perpetual Contributed Capital Shares II (“Capital Shares”) in Alloya Corporate Federal Credit Union, a federally-chartered, federally-insured corporate credit union (“Alloya”).

Alloya is offering its Capital Shares at an offering price of \$1.00 per Capital Share, in additional increments of \$1.00. See “Description of Perpetual Contributed Capital Shares II” at page 15 of this Memorandum for additional information about the minimum amount of capital to be contributed by a particular investor. Credit Unions that qualify for membership in Alloya as defined in its Bylaws may invest in Capital Shares (“Membership Capital Holders”). Membership Capital Holders have full access to payment, technology, settlement, balance sheet, training and education programs, and advised lines of credit services at the published rates offered by Alloya. Alloya offers other forms of membership that do not require the purchase of Capital Shares. These forms of membership may have annual fees and higher prices than Membership Capital Holders as determined by the Board of Directors of Alloya (the “Board”).

Investors will be able to subscribe for Capital Shares by executing and submitting to Alloya a completed Subscription Agreement. Credit union investors must be members of Alloya and need to complete a Master Membership Agreement (“MMA”), which may be approved by the Board or its designee. Alloya may, in its sole discretion, reject any MMA and/or subscription in whole or in part for any reason or no reason. If a MMA or subscription is rejected, the purchase price the investor paid will be returned to such investor promptly and in no event later than (1) ten (10) Business Days (as defined herein) after receipt of the fully completed Subscription Agreement or (2) rejection of the investor’s MMA by the Board or its designee. If a fully completed MMA and Subscription Agreement are accepted by Alloya, then the subscription funds will be retained by Alloya and Capital Shares will be issued by the later of (1) ten (10) Business Days following acceptance of the Subscription Agreement by Alloya or (2) the approval of the MMA by the Board or its designee.

A capital investment in a financial cooperative is not designed to represent a good stand-alone risk/reward investment. There are risks and limited direct returns associated with purchasing the Capital Shares. The real benefit of capitalizing a financial cooperative is the value derived through pricing advantages and active participation in the services. A financial cooperative aggregates volumes and shares resources to offer services to its members that they would most likely not be able to individually support in a cost effective manner.

An investment in the Capital Shares involves risks. See “Risk Factors” beginning on page 10 of this Memorandum to read about factors you should consider before making your investment decision.

THIS MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY THE CAPITAL SHARES IN ANY STATE OR OTHER JURISDICTION TO ANY PERSON TO WHOM OR ANY ENTITY TO WHICH IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION. NO FEDERAL OR STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE CAPITAL SHARES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE CAPITAL SHARES ARE NOT INSURED OR GUARANTEED BY THE NATIONAL CREDIT UNION SHARE INSURANCE FUND (“NCUSIF”) OR BY ANY OTHER SHARE OR DEPOSIT INSURANCE PROGRAM OR GOVERNMENT AGENCY.

THIS MEMORANDUM IS DATED JUNE 21, 2013.

NOTICE TO INVESTORS

Unless the context indicates otherwise, all references in this Memorandum to the terms “we,” “our,” and “us” refer to Alloya. Unless the context indicates otherwise, all reference to the term “you” throughout this Memorandum refers to potential investors in the Capital Shares.

The sole purpose of this Memorandum is to assist you in deciding whether to proceed with a further investigation and evaluation of Alloya in connection with your consideration of an investment in the Capital Shares. **This Memorandum does not purport to contain all of the information that may be material to an investor. You should conduct your own independent evaluation into the merits and risks of investing in the Capital Shares, and arrive at an independent evaluation of such investment. See also “Risk Factors” beginning on page 10 of this Memorandum.**

The information contained in this Memorandum is accurate only as of the date found on the front cover of this Memorandum regardless of the time of delivery of this Memorandum or any subscription to purchase the Capital Shares. Our business, financial condition, results of operations, and prospects, as described in this Memorandum, may have materially changed since that date.

Prospective investors are encouraged to avail themselves of the opportunity to ask questions of us regarding our business and the terms and conditions of the offering. Except for information provided in response to such requests, potential investors should rely only on the information contained in this Memorandum or incorporated herein by reference; provided, however, that such investors are also encouraged to review the current National Credit Union Administration (“NCUA”) rules and regulations, as well as federal law and applicable state law regarding the operation of a corporate credit union. A potential investor should also consult the applicable law regarding its power to invest in the capital of a corporate credit union and as to the amount of its permitted investment in a corporate credit union. These rules change from time to time and may have changed after the date of this Memorandum.

We have not authorized anyone to provide you with information that is different from the information in this Memorandum. If unauthorized information is obtained or provided, we cannot assume responsibility for its accuracy, credibility, or validity. Any additional information given or made by us in connection with this offering, whether written or oral, is qualified in its entirety by the information set forth in this Memorandum, including, but not limited to, the risk factors set forth beginning on page 10.

You should not consider any information in this Memorandum, or any prior or subsequent communications from us or any of our officers, employees, or representatives, to be legal, tax, regulatory, investment, or accounting advice. Prior to making an investment decision regarding the Capital Shares, you should consult your legal, tax, regulatory, investment, and/or accounting advisors to determine the consequences of an investment in the Capital Shares.

The information contained in this Memorandum is confidential and proprietary to us and is being submitted to you solely for your confidential use in considering an investment in the Capital Shares. This Memorandum constitutes an offer only if an identification number appears in the appropriate space provided on the cover page hereof and constitutes an offer only to the offeree who received that numbered copy. This Memorandum may not be reproduced or distributed, in whole or in part, nor may its contents be disclosed to any person other than the prospective investors in the Capital Shares. You agree not to disclose, directly or indirectly, or permit any of your employees, affiliates or representatives to disclose, any information regarding the receipt of this Memorandum or any information contained in

it without our prior written consent. If you elect not to invest in the Capital Shares, this Memorandum and any documents furnished to you in connection with your proposed investment must be destroyed or, if requested, returned to us. By accepting delivery of this Memorandum, you agree to these restrictions. Any distribution of this Memorandum to any person other than the offeree named on the cover page hereof is unauthorized. Any person acting contrary to the foregoing restrictions may be in violation of federal and/or state securities laws.

Investors will be required to represent that they are familiar with and understand the terms of this offering and that they or their purchaser representatives have such knowledge and experience in financial and business matters that they are capable of evaluating the merits and risks of an investment in the Capital Shares.

This Memorandum was prepared by Alloya and is being furnished solely for use by prospective investors in connection with this offering. Prior to a purchase of the Capital Shares, you will be required to complete and deliver to us a Subscription Agreement. Prior to your purchase, you should carefully review the full text of the Subscription Agreement. We reserve the right to modify, cancel, or withdraw any offers, as well as reject subscriptions in whole or part in our sole discretion.

THE CAPITAL SHARES ARE SUBJECT TO STRICT LIMITATIONS ON REDEMPTION, AND NO MARKET FOR RESALE TO OTHER ELIGIBLE INVESTORS NOW EXISTS OR IS LIKELY TO ARISE IN THE FUTURE. INVESTORS WILL BE REQUIRED TO BEAR THE FINANCIAL RISKS OF AN INVESTMENT AS A PERMANENT INVESTMENT. INVESTMENTS IN CAPITAL SHARES ARE SUBJECT TO IMPAIRMENT OR LOSS IN THE EVENT THAT ALLOYA EXPERIENCES LOSSES THAT EXCEED RETAINED EARNINGS.

THE CAPITAL SHARES ARE OFFERED AND SOLD PURSUANT TO AN EXEMPTION FROM THE SECURITIES ACT OF 1933 (THE "SECURITIES ACT") AND THE LAWS OF EACH STATE IN WHICH THEY ARE OFFERED. YOU WILL HAVE TO REPRESENT THAT YOU ARE AN "ACCREDITED INVESTOR" AS DEFINED IN REGULATION D UNDER THE SECURITIES ACT. THESE SECURITIES ARE SUBJECT TO SUBSTANTIAL RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT IN ACCORDANCE WITH NCUA REGULATIONS AND PURSUANT TO REGISTRATION UNDER OR EXEMPTION FROM APPLICABLE FEDERAL AND STATE SECURITIES LAWS.

Notice to Florida Investors

If the offeree is not a bank, a trust company, a savings institution, an insurance company, a dealer, an investment company (as defined in the Investment Company Act of 1940, as amended), a pension or profit-sharing trust or a qualified institutional buyer (as defined in Rule 144a under the Securities Act, 17 C.F.R. §230.144A), the offeree acknowledges that any sale of Capital Shares to the offeree is voidable by the offeree either within three (3) days after the first tender of consideration is made by the offeree, or within three (3) days after the availability of that privilege is communicated to the offeree, whichever occurs later.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

The management of Alloya is available to answer questions from potential investors concerning this offering and will, upon request, make available such other information as prospective eligible institutional investors may reasonably request, to the extent such information is reasonably available. Prospective investors are strongly urged to carefully review this Memorandum in its entirety.

For additional information regarding the offering please contact any member of our management team at alloyacorp.org.

FORWARD-LOOKING STATEMENTS

This Memorandum contains “forward-looking statements,” which are statements that provide projections of results of operations or of financial conditions or state other forward-looking information, such as expectations about future conditions and descriptions of future plans and strategies. Forward-looking statements often contain words such as “anticipate,” “believe,” “could,” “continue,” “estimate,” “expect,” “forecast,” “goal,” “intend,” “plan,” “predict,” “project” or other words of similar meaning. Forward-looking statements involve substantial risks and uncertainties, many of which are difficult to predict and are generally beyond our control. Our ability to project results accurately or to predict the effects of plans or strategies is inherently limited. Although we believe that the expectations reflected in our forward-looking statements are based on what we consider to be reasonable assumptions, actual results and performance could differ materially from those set forth in the forward-looking statements.

Factors that could cause actual results to differ materially from those expressed in our forward-looking statements include, but are not limited to:

- deterioration of general economic and business conditions, including the real estate and financial markets in the regions and communities which we and our members serve;
- disruptions in the credit and lending markets, and the impact of such disruptions on our business and on the businesses of our members;
- our ability to comply with any requirements and restrictions imposed on us by our regulators and the potential negative consequences that may result from non-compliance;
- our ability to comply with the regulatory capital requirements contained in NCUA Regulation "Part 704" found at 12 C.F.R. Part 704 governing corporate credit unions, including costs of compliance;
- our ability to implement Alloya’s strategic objectives and business model;
- our ability to develop competitive new products and services in a timely manner and the acceptance of such products and services by our members;
- the financial information available at alloyacorp.org that is hereby incorporated by reference and may contain assumptions that may not come true and may be incorrect;
- changes in accounting standards or applications and determinations made thereunder;
- the risk that Alloya may be required to raise additional capital in the future to enable us to meet our regulatory capital requirements;
- the impact of recent and future amendments to relevant regulations governing corporate credit unions and the impact of such amendments on our business operations and competitiveness; and
- the risk that Alloya may be deemed a taxable entity for state and federal income tax purposes in the future.

You are cautioned not to place undue reliance on these forward-looking statements. We do not intend, and undertake no obligation, to update or revise any forward-looking statements, whether as a result of differences in actual results, changes in assumptions, or changes in other factors affecting such statements, except as required by law.

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Summary

This summary highlights selected information contained elsewhere in this Memorandum and may not contain all of the information that you should consider when making an investment decision in the Capital Shares. You should carefully read the entire Memorandum, including our financial information, before making a decision to invest in our Capital Shares. You should pay special attention to the "Risk Factors" section of this Memorandum to determine whether an investment in the Capital Shares is appropriate for you.

Alloya Corporate Federal Credit Union: Overview

Corporate credit unions ("Corporate(s)") were created by their credit union members over 40 years ago to provide access to markets and aggregate buying power for price efficiency. By combining product volumes, individual credit unions had access to pricing, products and expertise that few could achieve individually. This cooperation has allowed credit unions to compete against larger financial institutions.

Alloya Corporate Federal Credit Union ("Alloya") is a federally-chartered, federally-insured Corporate chartered on September 22, 2011. On October 24, 2011, Alloya assumed the operations, systems, staffing and other organizational capabilities of Members United Bridge Corporate Federal Credit Union ("Members United Bridge") through a merger with and into Alloya. On April 30, 2013, Central Corporate Credit Union ("CenCorp") merged with and into Alloya. On February 28, 2015, Systems United Corporate ("SunCorp") Federal Credit Union merged with and into Alloya.

As a financial cooperative that is capitalized by approximately 1,400 credit unions, and representing 20% of credit unions nationwide, Alloya's mission is to deliver products and services that add value to our member/owners through lower costs, increased efficiencies and improved capabilities. Alloya focuses on providing payments, technology, cash management, lending and single point settlement services to credit unions of all sizes.

Alloya offers services to members as defined in its Bylaws. To become a member of Alloya, an institution needs to be in the field of membership and must deposit one share in an account at Alloya. Such membership needs to be approved by Alloya's Board or its designee. Members who purchase Capital Shares are Membership Capital Holders. Membership Capital Holders have access to settlement at Alloya, a no fee line of credit, ownership interest and related dividends, balance sheet services, payment services, check services, domestic wires, ACH programs, coin and currency, Western Union payments, national settlement files for credit or debit card transactions, consolidated billing, transaction details and images, statements and international wires, as listed in the "Products and Services" section.

Through our cooperative structure, we strive to provide services that add value to our members through lower costs, improved efficiencies and increased capabilities so that they in turn can serve their members. On a daily basis, credit unions provide people throughout the United States with financial services through the same cooperative spirit. The focus is on the member, who is also the owner.

One of the reasons Alloya effectively serves all types of credit unions is that it maintains an industry leading technology solution, Premier View. This technology allows credit unions to perform all cash management functions and a host of payment services through a single access point. Security is robust

and requires the use of industry leading, multi-factor authentication tools.

With an aim towards minimizing new capital contributions by existing members, Alloya uses several off-balance sheet investment vehicles including its wholly-owned Credit Union Service Organization (CUSO) Balance Sheet Solutions, LLC (“BSS”) and the Excess Balance Account (“EBA”) at the Federal Reserve Bank (“FRB”). This strategy provides credit unions with access to term investments while Alloya uses its own balance sheet primarily to provide a single point settlement account and shorter-term cash management solutions.

BSS was founded in 2003 to provide credit unions access to capital market instruments without relying on broker dealer business models that focus on shareholder wealth creation, often at the expense of the member. Conversely, BSS has always focused on its clients and looks for the right risk return profile for each individual credit union. This contrasts with many competitors who look to sell their securities inventory at the maximum price, regardless of the long-term effect on the credit union.

BSS is an integral part of Alloya’s business providing members continued access to capital market term instruments, without requiring any capital to be held at Alloya. This allows Alloya to focus its limited capital on settlement and overnight funds, minimizing the capital contribution required from its members.

With a full range of investment and brokerage products and services, BSS today has over \$4 billion in assets under management. No capital is required to use BSS and since it is wholly-owned by Alloya, its profits help protect credit union capital in the parent. BSS is a vital source of differentiation for Alloya, allowing it to meet member needs more effectively and seamlessly.

By directing term investment needs to BSS, Alloya’s balance sheet is composed primarily of short-term investment assets with a portion supporting a credit union loan program. The liability-side of the balance sheet primarily contains overnight member deposits and member contributed capital.

Alloya’s capital plan aligns a member’s usage of products and services with their capital requirement. Alloya will conduct two quarterly capital reviews (semi-annually) for newly capitalized members to determine if additional capital is necessary. Members at the maximum capital level for their asset size will not be subject to review. A member will be considered in “Good Standing” if their capital contribution multiplied by 1.25 is greater than or equal to the product of their average daily debit settlement for the quarter under review multiplied by 3 (days) multiplied by 5%. If not in Good Standing, the member will be required to either add more capital or reduce settlement accordingly. Failure to do so may subject the member to a non-capitalized member fee schedule (which is higher) and other actions as may be determined by the Board of Directors of Alloya, up to and including expulsion. If after two such reviews the member is in good standing, further reviews will be suspended. However, Alloya retains the option to reinstitute the review and adjustment process in its sole discretion. The result is that the capital requirement for each credit union is unique and based on each member’s individual usage of Alloya’s services. See “Description of Perpetual Contributed Capital Shares II” at page 15 of this Memorandum for additional information about the minimum and maximum amount of capital to be contributed by a particular investor.

Merger History

Alloya offers products and services to credit unions throughout the United States and has expanded its reach through ten mergers. Credit union value has been realized from these mergers through more

efficient operations as compared to the cost of operating each of these entities separately.

1. Empire Corporate FCU – Rhode Island Corporate FCU
2. Empire Corporate FCU – Garden State Corporate Central FCU
3. Mid-States Corporate FCU – Indiana Corporate FCU
4. Empire Corporate FCU – CorpStar FCU
5. Mid-States Corporate FCU – Minnesota Corporate FCU
6. Mid-States Corporate FCU – Empire Corporate FCU
7. Members United Corporate FCU – Central Credit Union Fund, Inc.
8. Members United Bridge Corporate FCU – Constitution Corporate FCU
9. Alloya Corporate FCU – Members United Bridge Corporate FCU
10. Alloya Corporate FCU – Central Corporate Credit Union ("CenCorp")
11. Alloya Corporate FCU – System United Corporate Federal Credit Union ("SunCorp")

Competition

Alloya provides a distinctive selection of products that it believes present a valuable set of payment, technology, settlement and line of credit services. For instance, BSS, Alloya's wholly-owned CUSO, provides members access to a registered broker/dealer and registered investment adviser. Alloya also offers its proprietary Premier View technology which provides credit unions with efficient access to a wide range of services.

While it is difficult to find a direct competitor, several entities compete with Alloya for one or more of the individual services. The primary competitors are other corporate credit unions. In addition, the Federal Reserve Banks provide a few of the same payment and cash management services while the Federal Home Loan Banks provide cash management and lending services. Several broker/dealers compete with BSS, however, few are owned by credit unions or corporate credit unions.

Asset/Liability Management

Alloya's primary business function is to serve as a payments systems provider to our members. As part of that function, Alloya serves as a depository of settlement balances and short-term surplus funds of member credit unions. In addition, Alloya serves as a short-term liquidity provider. Therefore, Alloya must maintain investment programs and parameters that ensure credit union funds are invested in a safe and sound manner with liquidity as the main priority. Funds will be invested in a manner that enables Alloya to meet the liquidity agreements/terms that:

- Focuses on the return of principal over the return on principal invested.
- Maintains significant cash balances to ensure ample liquidity.
- Diversifies the investment of funds so that risks are limited.
- Conducts investment activities within the parameters set by applicable federal laws and regulations.
- Provides regular reports to the membership to provide transparency on the risk/return posture of Alloya.

Products and Services

Alloya offers a broad range of leading payments, technology, single-point settlement and advised line of credit services to credit unions. Term investment needs will be provided primarily by BSS. Alloya's services will include the following:

Efficient Single Point Technology - Premier View

- Industry Leading Security
- Online Account Management
- Online Domestic Wires
- Online International Payments
- Online Coin & Currency Ordering
- Online Western Union Processing
- Online Access to Check Images
- Online Check Return Processing
- Online ACH Origination
- Online Access to ACH Files
- Transaction Processing
- Online Statements and Invoices
- Single Point User Administration
- Token-based authentication

Correspondent Services

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

Item Processing

- Check Collection
- Share Draft
- Item Imaging and Processing

Liquidity

- Advised Line of Credit
- SimpliCD
- Loans
- Default Services

BSS, LLC

A wholly owned subsidiary

- Market Expertise and Education
- Asset/Liability Management Services
- Investment Advisory Services
- Credit Union in Transition Program
- Portfolio Benchmarking

- Share Sensitivity Study
- Marketable Securities
- SimpliCD

Investment Services (Offered on balance sheet)

- Settlement Shares
- Overnight Investment Shares
- Term Certificates

Education

- ACH
- Compliance
- Balance Sheet Tactics
- Economic Forum
- Regional Roundtables

Corporate Information

Alloya has three primary centers of operations - Albany, New York, Southfield, Michigan and its headquarters in Warrenville, Illinois. Alloya's primary membership base will cover ten core states: Connecticut, Illinois, Indiana, Massachusetts, Michigan, Minnesota, New Jersey, New York, Rhode Island and South Dakota.

Recent Developments*Mergers*

On April 30, 2013, CenCorp merged with and into Alloya and on February 28, 2015, SunCorp merged with and into Alloya. Alloya assumed the operations, systems, staffing and other organizational capabilities of both CenCorp and SunCorp. With these mergers, Alloya now has approximately 2,000 credit union members.

Regulatory Changes

The amendments to Part 704 enacted in 2010 replace the 4.00% minimum capital ratio with a 4.00% minimum leverage ratio and limits the capital that can be used to calculate the leverage ratio to include only the more permanent forms of corporate capital, or Tier 1 capital. The minimum leverage ratio requirements will be effective October 20, 2013. Between October 20, 2011 and October 20, 2013, Corporates must comply with the interim definition of leverage ratio in Part 704, which is identical to the pre-amendment minimum total capital ratio definition. In addition, Corporates must maintain a 2.00% net economic value (NEV) ratio during that interim period while also meeting NEV stress test requirements. The amendments also mandate new minimum risk-based capital ratios that are calculated based on risk-weighted assets and require Corporates to maintain a Tier 1 risk-based capital ratio of 4.00% or greater and a total risk-based capital ratio of 8.00% or greater. Alloya currently exceeds all regulatory capital requirements.

It should be noted that non-perpetual capital accounts (NCA) lose regulatory capital value and cannot be counted towards the leverage ratio as of October 20, 2013.

The Offering

The following summary contains basic information about the Capital Shares and is not intended to be complete. It may not contain all of the information that may be important to you. For a more complete description of the Capital Shares, see “Description of Perpetual Contributed Capital Shares II” beginning on page 15 and “Terms and Conditions of Perpetual Contributed Capital Shares II” on page 22.

Capital Shares Offered Alloya members who invest in Alloya will receive Capital Shares upon acceptance of their Subscription Agreement and pursuant to the terms described therein.

Offering Price The offering price is \$1.00 per Capital Share.

Minimum Investment The minimum investment amount for credit unions is \$1.00, with additional investments in increments of \$1.00.

Non-credit unions that qualify as “accredited investors” in accordance with Regulation D under the Securities Act will be required to purchase a minimum of \$250,000 of Capital Shares.

Dividends..... The Board will declare dividends as it determines in its sole discretion. Dividends will be non-cumulative.

Maturity The Capital Shares are perpetual, which means there is no maturity date.

Subscriptions..... Eligible investors will be able to subscribe for Capital Shares any Business Day by executing and submitting to Alloya a completed Subscription Agreement by 4:00 p.m. Eastern Time. A Subscription Agreement received by Alloya after 4:00 p.m. Eastern Time on a Business Day will be deemed to be received on the next Business Day for purposes of processing a subscription request. “Business Day” means a day other than a Saturday, Sunday or other day when banks and/or securities exchanges in the City of New York are authorized or obligated by law or executive order to close.

Alloya will review the Subscription Agreement and either approve or reject the request. Alloya may, in its sole discretion, reject any subscription in whole or in part for any reason and will provide notification within ten (10) Business Days of official receipt of the Subscription Agreement. Credit Union investors must be members of Alloya, and must complete a Master

Membership Agreement which is subject to Board approval.

If a fully completed MMA and Subscription Agreement are accepted by Alloya, then the subscription funds will be retained by Alloya and Capital Shares will be issued by the later of (1) ten (10) Business Days following acceptance of the Subscription Agreement by Alloya or (2) Board approval of the MMA. Prior to the issuance of capital shares, subscription funds will be held in the credit union’s settlement account established to hold these funds. Once the Subscription Agreement and MMA have been accepted, funds will be transferred from the credit union’s settlement account directly to the capital account.

The credit union may also elect to transfer the funds to an escrow account under limited conditions that may be offered from time to time as approved by the Board (for example, in the event of a merger transaction that may be conditioned upon achieving certain levels of capital support).

Alloya in its sole and absolute discretion may change the subscription procedure notice requirements.

Redemption.....	The Capital Shares may be called by Alloya only with the prior approval of the NCUA and on a <i>pro rata</i> basis.
Transferability	The Capital Shares are transferable to third parties with limitations imposed by NCUA rules and the federal and state securities laws.
Insurance and Guarantee.....	There is no insurance or guarantee provided or available on the Capital Shares.
Subordination.....	The Capital Shares are subject to subordination to the claims of other creditors in the event of the liquidation of Alloya.
Voting.....	Each investor will have one vote regardless of the number of Capital Shares held.
Eligible Investors	Credit unions, as well as certain other accredited investors, are eligible to invest in the Offering. Investors must state in the Subscription Agreement that they qualify as “accredited investors” pursuant to Regulation

D under the Securities Act of 1933, as amended. Generally, credit unions whose accounts are insured by the NCUA and entities with total assets in excess of \$5 million will qualify as “accredited investors.” Please see Annex A of the Subscription Agreement for a complete definition.

Risk Factors Prior to making an investment decision, prospective investors should carefully consider all of the information set forth in this Memorandum, including the “Risk Factors” set forth beginning on page 10 of this Memorandum. **An investment in the Capital Shares involves a high degree of risk and should be considered only by entities who can afford the loss of their entire investment.**

Use of Proceeds We intend to use the proceeds of the offering to support the balance sheet of Alloya. The offering is designed to maintain sufficient core capital to sustain a leverage ratio and risk-based capital ratios that exceed the minimum regulatory capital requirements for an adequately capitalized corporate credit union.

Fees Other than certain incentive fees paid to credit unions that refer new business to Alloya, no commissions, finder’s fees or other remuneration has been or will be paid or given, directly or indirectly, to any person for soliciting a prospective investor.

Offering Period..... The Capital Shares are being offered on a continuous basis. There is no scheduled termination date for the offering of the Capital Shares. Alloya first intends to use this Memorandum on or about June 21, 2013.

Subscription Procedures Subscription funds for Alloya will be deposited in a settlement account established for the benefit of the prospective investor and held there until the funds are either released for investment or returned to the payors of such funds. If a subscription is rejected by Alloya for any reason, the purchase price the investor paid will be returned to such investor promptly and in no event later than ten (10) Business Days after the latest request for clarification or correction of incomplete subscription documents.

If a subscription is accepted by Alloya, then the subscription funds will be transferred from the

settlement account to a capital shares account within ten (10) Business Days of receipt of the Subscription Agreement. Under certain defined circumstances (for instance, as a requirement associated with a merger transaction), credit unions may be offered an opportunity to place funds in an escrow account that would be subject to additional conditions prior to purchase of Capital Shares.

- Board Approval To invest in the Capital Shares, the directors of the investor must adopt a resolution authorizing the investment.
- Certain Services and Products Credit Unions that make an investment in Capital Shares are able to maintain a settlement account and to fully access all payment, technology, settlement and advised lines of credit services at the published rates offered by Alloya.

Risk Factors

*An investment in the Capital Shares involves a high degree of risk. It should be considered only by eligible accredited investors able to bear the economic risk of the investment and who can hold the investment indefinitely. **You may lose your entire investment in Alloya.***

The following is an attempt to briefly highlight some of the factors that may be significant risks of an investment and that are therefore material to a prospective purchaser's investment decision. This outline is not intended to address, much less quantify, all the factors that could have a bearing on the significant risks of the investment. In particular, it should be noted that businesses, especially financial institutions in the present economic environment, are often subject to risks that may not be foreseen or fully appreciated by management, and potential investors should bear in mind other possible risks that could be important. Some of the factors described below may be more likely than others to have an adverse effect on Alloya, its proposed business, financial condition, or results of operations. No attempt has been made to rank the factors described below in the order of either the likelihood of their occurrence or their potential effect on Alloya or the investors.

The Capital Shares do not have a maturity date and there are significant limitations on your ability to redeem the Capital Shares, which are not subject to voluntary withdrawal.

Prospective investors should not invest any funds in the Capital Shares that they anticipate needing for any other purpose at any time in the future. There are significant limitations on redemption of the Capital Shares and there is no current or anticipated market for this investment. The Capital Shares may not be withdrawn at the holder's election. We will redeem investments in the Capital Shares only pursuant to limited calls or redemptions. As a perpetual instrument, the Capital Shares do not have a maturity date. We may call the Capital Shares pursuant to Section 704.3(c)(3) of Part 704 only with the prior approval of the NCUA on a *pro rata* basis across an issuance-class. Based on these restrictions, investors likely will not have the ability to liquidate an investment in the Capital Shares and should consider such investment a permanent investment.

There are significant limitations on your ability to redeem the Capital Shares.

There are significant limitations on the ability to redeem the Capital Shares. The Capital Shares may not be released due solely to the merger, charter conversion, or liquidation of a member credit union. In the event of a merger or charter conversion, the Capital Shares would transfer to the continuing institution. In the event of liquidation, the Capital Shares may be released to facilitate the payout of shares with the NCUA's prior written approval. In such events, investors likely will not have the ability to liquidate an investment in the Capital Shares and should consider such investment a permanent investment.

The Capital Shares are not insured or guaranteed interests.

The Capital Shares are perpetual contributed capital ("PCC") as defined by Section 704.2 of Part 704 and, as such, are not insured by the National Credit Union Share Insurance Fund ("NCUSIF"). As a result, there is no loss protection from the NCUSIF on an investment in the Capital Shares.

The Capital Shares cannot be pledged against other borrowings.

Pursuant to Section 704.2 of Part 704, the Capital Shares cannot be pledged against other borrowings. Based on these restrictions, investors likely will not have the ability to pledge an investment in the Capital Shares and should consider such investment as not available to be used as leverage in other investments or borrowings.

The Capital Shares are subordinate to all other claims in a liquidation event.

Pursuant to Section 704.2 of Part 704, the Capital Shares are subordinate to all other claims in a liquidation event of Alloya. If Alloya is liquidated, any claims made by the holders of the Capital Shares will be subordinate to all other claims (including NCUSIF claims).

Investors in the Capital Shares may not have a claim against the liquidation estate if Alloya is placed into liquidation.

The NCUA has opined that contributed capital that is used to cover losses that exceed retained earnings in a calendar year previous to the year a Corporate is liquidated has no claim against the liquidation estate. It is possible that if Alloya depletes capital accounts to cover losses and is subsequently placed into liquidation, investors may not have a claim against the liquidation estate.

Alloya is required to deplete the Capital Shares to cover losses that exceed retained earnings.

We are required by Section 704.2 of Part 704 to deplete the Capital Shares to the extent necessary to cover any operating losses that are realized in accordance with United States generally accepted accounting principles (“GAAP”) and that exceed retained earnings. In the event the Capital Shares are exhausted, the holders of such interests will no longer be entitled to earn dividends. In addition, Part 704 prohibits us from restoring or replenishing the depleted accounts out of future retained earnings under any circumstances. As a result, an investor could lose all of its investment in the Capital Shares if Alloya’s operating losses exceed retained earnings.

Alloya may not satisfy the minimum capital ratios required by amendments to Part 704.

The amendments to Part 704 adopted in 2010 replace the 4.00% minimum capital ratio with a 4.00% minimum leverage ratio and limits the capital that can be used to calculate the leverage ratio to include only the more permanent forms of corporate capital, or Tier 1 capital. Alloya must maintain a 2.00% NEV ratio. The amendments also mandate new minimum risk-based capital ratios that are calculated based on risk-weighted assets and require us to maintain a Tier 1 risk-based capital ratio of 4.00% or greater and a total risk-based capital ratio of 8.00% or greater. Finally, the amendments require our retained earnings to constitute a specified minimum percentage of core capital beginning October 20, 2016. If we fail to satisfy these minimum ratios at the applicable effective times, we will be required to submit a capital restoration plan and could be subject to capital restoration directives and other prompt corrective actions.

Alloya may issue additional shares in the future which could negatively impact the ownership interests of investors in this offering.

To maintain our capital at desired levels or levels mandated by regulators, we may be required to issue additional shares. We may sell such shares with dividend terms that are more favorable than the dividend

terms applicable to the shares sold in this offering, which could negatively impact the ownership interests of investors in this offering.

Diminished access to alternative sources of liquidity could adversely affect Alloya's net income, net interest margin, and our overall liquidity.

Corporates currently have and historically have had access to a number of alternative sources of liquidity; however, there is no assurance that we will be able to obtain such liquidity on terms that are favorable to us, or at all. Financial institutions may be unwilling to extend credit to Corporates because of concerns about the credit union industry and the economy generally; and, given downturns in the economy, there may not be a viable market for raising additional equity capital. If Alloya's access to these sources of liquidity is diminished or is only available on unfavorable terms, then our income, net interest margin, and our overall liquidity could be adversely affected.

The failures of other credit unions could adversely affect Alloya.

Alloya's ability to engage in routine transactions could be adversely affected by the actions and potential failures of member credit unions or of other Corporates. Credit unions are interrelated as a result of trading, clearing, counterparty relationships, and other relationships. As a result, defaults by, or even rumors or concerns about, one or more credit unions or the financial services industry generally have led to market-wide liquidity problems and could lead to losses or defaults by us or by other credit unions.

Alloya will face intense competition from other corporate credit unions and other companies and banks that offer financial services.

The financial services business is highly competitive and increased competition in our primary market areas may adversely impact our financial success. Ultimately, we may not be able to compete successfully against current and future competitors. Economic conditions have created an environment where old and new competitors alike are trying to re-enter or enter our market. We have seen increased competition from other Corporates, the Federal Reserve Bank, data processors and others.

Alloya's business is subject to the success of the economies where we operate.

The success of Alloya will significantly depend upon the communities in which its members operate. If the communities experience financial hardship and if prevailing economic conditions locally or nationally continue to be unfavorable, Alloya's business may not succeed.

The performance of Alloya's investment portfolio is subject to fluctuations due to changes in interest rates and market conditions.

Changes in interest rates can negatively affect the performance of most of our investments. Interest rate volatility can reduce unrealized gains or create unrealized losses in our portfolios. Interest rates are highly sensitive to many factors, including governmental monetary policies, domestic and international economic and political conditions, and other factors beyond our control. Fluctuations in interest rates affect our returns on, and the market value of, our investment securities.

Alloya's business is highly regulated. Our compliance with existing and proposed legislation and regulations, including regulations permitting or requiring supervisory actions, could adversely limit or restrict our activities and adversely affect our business, operating flexibility, and financial condition.

We are subject to laws and regulations that govern almost all aspects of our operations and limit the businesses in which we may engage. In addition, we are subject to extensive supervision by various federal authorities. The cost of compliance with such laws and regulations and supervisory actions can be substantial and can adversely affect our ability to operate profitably.

Current economic conditions, particularly in the financial and real estate markets, have resulted in regulatory agencies increasing their scrutiny and regulation of participants in the financial services industry, including credit unions. If we fail to resolve adequately any matters that any of our regulators may require us to address in the future, we could become subject to supervisory actions, up to and including cease and desist orders, conservatorship, or liquidation. If our regulators were to take such supervisory action, we could, among other things, become subject to significant restrictions on our existing business or on our ability to develop any new business. We also could be required to raise additional capital in the future, restrict or reduce our dividends, or dispose of certain assets and liabilities within a prescribed period of time. The terms of any such supervisory action could have a material negative effect on our business, operating flexibility, and financial condition.

New regulations could materially affect our operations and our cost of doing business.

Recent changes to Part 704 impose substantial changes to the regulatory framework for Corporates. Part 704 establishes a new capital scheme, including risk-based capital requirements, imposes new prompt corrective action requirements, places various new limits on Corporate investments, imposes new asset-liability management controls, and amends certain governance provisions. These changes may materially affect the way we do business, increase our compliance requirements, and increase our regulatory compliance costs.

Our financial results could be adversely affected by changes in accounting standards.

From time to time, the Financial Accounting Standards Board will change the financial accounting and reporting standards that govern the preparation of our financial statements. These changes and their effects can be difficult to predict and can materially and adversely impact how we record and report our financial condition and results of operations.

The ultimate effect of the Dodd-Frank Wall Street Reform and Consumer Protection Act on credit unions in general, and on Alloya in particular, is uncertain at this time.

On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), which significantly changes the regulation of financial institutions and the financial services industry, including credit unions, was signed into law. The Dodd-Frank Act addresses, among other things, systemic risk, capital adequacy, deposit insurance assessments, consumer financial protection, interchange fees, derivatives, lending limits, mortgage lending practices, registration of investment advisors and changes among the bank regulatory agencies. The Dodd-Frank Act also created the Bureau of Consumer Financial Protection ("CFPB") to regulate consumer financial products and services in compliance with federal law. The CFPB will have examination and enforcement authority over credit unions with assets of \$10 billion or more. Some of these major changes implemented by the Dodd-Frank

Act could materially impact the profitability of our business, the value of assets we hold or the collateral available for our loans, require changes to business practices or force us to discontinue businesses and expose us to additional costs, taxes, liabilities, enforcement actions and reputational risk. Many of these provisions are subject to further study, rulemaking, and the discretion of regulatory bodies. Our management team is actively reviewing the provisions of the Dodd-Frank Act and assessing its potential impact on our business, financial condition, and results of operations, but we cannot predict the effect that compliance with the Dodd-Frank Act or any implementing regulations will have on Alloya's business or its ability to pursue future business opportunities. The Dodd-Frank Act may affect our cost of doing business and may affect the competitive balance within our industry.

Description of Perpetual Contributed Capital Shares II

The following summary description is qualified by reference to the provisions set forth under the heading “Terms and Conditions of Perpetual Contributed Capital Shares II” on page 22 of this Memorandum.

Investment Amount

Capital Shares will be purchased in initial increments of \$1.00, and in additional increments of \$1.00.

The amount of Capital Shares required to be purchased by a Membership Capital Holder will be equal to the greater of: (1) five percent (5%) of its average daily debit settlement activity over the most recent complete quarter (“Settlement Amount”) times three days; or (2) the minimum amount stated below (“Minimum Capital Amount”). The maximum amount of Capital Shares required for an investor is shown in the table below (“Maximum Capital Amount”).

Credit Union Size	Minimum Capital Amount (in dollars)	Maximum Capital Amount (in dollars)	Capital Based on Debit Settlement (in days)
< \$10 million	10,000	50,000	3
\$10 - \$50 million	40,000	200,000	3
\$50 - \$250 million	80,000	600,000	3
\$250 - \$1,000 million	150,000	600,000	3
> \$1 billion	250,000	600,000	3

- A deposit limit will be established equal to 20 times the amount of Capital Shares purchased or another multiple as approved by the Board from time to time. Alloya may allow a depositor to exceed its deposit cap as long as the average balance of day and night access for Alloya does not pressure the capital ratios. As of the date of this document, the deposit cap feature is suspended, but may be reinstated by the Board at its sole discretion. Alloya has the option to sweep excess funds to off-balance sheet alternatives, if necessary, to achieve the desired balance sheet size.
- An advised line of credit for a member will be equal to 50 times its contributed capital or another multiple as approved by Alloya’s Board of Directors from time to time. The proposed line of credit assumes that the credit union qualifies financially as determined by Alloya in its sole discretion at the indicated levels.
- Alloya will conduct two quarterly capital reviews (semi-annually) for newly capitalized members to determine if additional capital is necessary. Members at the maximum capital level for their asset size will not be subject to review. A member will be considered in “Good Standing” if their capital contribution multiplied by 1.25 is greater than or equal to the product of their average daily debit settlement for the quarter under review multiplied by 3 (days) multiplied by 5%. If not in Good Standing, the member will be required to either add more capital or reduce settlement accordingly. Failure to do so may subject the member to a non-capitalized member fee schedule (which is higher) and other actions as may be determined by the Board, up to and including expulsion, consistent with Board Policy and the Federal Credit Union Act. If after two such reviews the member is in good

standing, further reviews will be suspended. However, Alloya retains the option to reinstitute the review and adjustment process in its sole discretion.

Dividends

The Board will declare dividends as it determines in its sole discretion. All dividends are non-cumulative.

Maturity and Redemptions

The Capital Shares have no scheduled maturity date. The Capital Shares may be callable at the option of Alloya and only if Alloya meets its minimum required capital levels and NEV ratios after the Capital Shares are called. In addition, Alloya must obtain the approval of the NCUA prior to the redemption of any Capital Shares. The Capital Shares are callable on a *pro rata* basis across an issuance class.

Subscriptions

Eligible investors will be able to subscribe for Capital Shares any Business Day by executing and submitting to Alloya a completed Subscription Agreement by 4:00 p.m. Eastern Time. A Subscription Agreement received by Alloya after 4:00 p.m. Eastern Time on a Business Day will be deemed to be received on the immediately following Business Day for purposes of processing a subscription request. "Business Day" means a day other than a Saturday, Sunday or other day when banks and/or securities exchanges in the City of New York are authorized or obligated by law or executive order to close.

Alloya will review the Subscription Agreement and either approve or reject the request. Alloya may, in its sole discretion, reject any subscription in whole or in part for any reason and will provide notification within ten (10) Business Days of official receipt of the Subscription Agreement. Credit union investors must be members of Alloya, and must complete a Master Membership Agreement which may be approved by the Board.

If a fully completed MMA and Subscription Agreement are accepted by Alloya, then the subscription funds will be retained by Alloya and Capital Shares will be issued by the later of (1) ten (10) Business Days following acceptance of the Subscription Agreement by Alloya or (2) the approval of the MMA by the Board. Prior to the issuance of capital shares, subscription funds will be held in the credit union's settlement account established to hold these funds. Once the Subscription Agreement and MMA have been accepted, funds will be transferred from the credit union's settlement account directly to the capital account.

The credit union may also elect to transfer the funds to an escrow account under limited conditions that may be offered from time to time as approved by the Board (for example, in the event of a merger transaction that may be conditioned upon achieving certain levels of capital support).

No Insurance or Guarantee

There is no NCUSIF, or other insurance or guarantee provided or available on the Capital Shares.

Subordination

The Capital Shares are available to cover losses that exceed retained earnings, to be distributed *pro rata* among PCC holders at the time the loss is realized. In the event of a liquidation of Alloya, Section 709.5 of the NCUA Regulations specifies that the proceeds of the liquidation estate would be applied to pay, in the following order:

- secured claims;
- administrative costs and expenses of liquidation;
- claims for wages and salaries, including vacation, severance, and sick leave pay;
- taxes legally due and owing to the United States or any state or subdivision thereof;
- other debts due and owing to the United States, including the NCUA;
- claims of general creditors and of secured creditors (to the extent their respective claims exceed the value of the security for those claims);
- shareholders to the extent of their respective uninsured shares and liabilities;
- the NCUSIF to the extent of its payment of share insurance;
- non-perpetual capital; and
- the Capital Shares.

Part 704 provides that any PCC (which includes the Capital Shares) that was used to cover losses in a calendar year previous to the year of liquidation has no claim against the corporate credit union's liquidation estate.

Voting Rights

As defined in Alloya's Bylaws, the annual meeting or a special meeting of the members must be held at such time and place as the Board will determine and announce at least 75 days before the date of any annual meeting or ten (10) days before the date of any special meeting of the members. Each member may designate an individual to cast its one vote at any regular or special meeting of the members.

The secretary must give written notice to each member appearing on the records of Alloya. Such notice must state the date, time, and location of the meeting and such other information as the Board determines. Any meeting of the members, whether annual or special, may be held without prior notice, at any place or time, if all the members entitled to vote, who are not present at the meeting, waive notice in writing, before, during, or after the meeting. The notice for the annual meeting will advise the members of the deadlines for elections. In the case of members who have previously consented to the electronic delivery of documents, said notice may be sent by electronic mail to the e-mail address that appears on the records of Alloya.

Special meetings of the members may be called by the Chair of the Board or the Supervisory Committee and may be held at any place permitted for the annual meeting. A special meeting must be called by the Chair of the Board within forty-five (45) days of receipt of a request of 5% of the members as of the day of request; provided that a request of no more than 100 members is required. Notice must be given as provided above and must state the purpose for which the special meeting is to be held. No business other than that related to this purpose may be transacted at the meeting.

The lesser of 15 members or 20% of the membership constitutes a quorum at any annual or special meeting. If a quorum is not present on the date first designated for the meeting, an adjournment may be taken to a date not fewer than seven (7) days or more than thirty (30) days thereafter, and a second notice will be given to all members setting forth the date, time, and place of the adjourned meeting. The members then present constitute a quorum, regardless of the number of members present.

Uncertificated Securities

The Capital Shares will be recorded in the books and records of Alloya. No certificates will be issued to evidence ownership of the Capital Shares.

Transferability

No public market exists for the sale or trade of the Capital Shares and there is no expectation or intent that the value of an investment in the Capital Shares will be determinable in any public market. Section 704.3(c)(5) of Part 704 of the NCUA regulations permits the holder of PCC, including the Capital Shares, to transfer its interests to another member of Alloya or to a nonmember (other than a natural person). At least 14 days before consummating such a transfer, the member must notify Alloya of the pending transfer. Alloya must, within ten (10) days of such notice, provide the member and the potential transferee all financial information about Alloya that is available to the public or that Alloya has provided to our members, including any call report data submitted by Alloya to the NCUA, but not yet posted on the NCUA's web site.

Investor Eligibility

Part 704 permits Corporates to issue PCC to both members and non-members. This offering will be made to current Alloya members and to any other accredited investors that contact us and request a copy of the Private Placement Memorandum. Accredited investors that are not credit unions are subject to a \$250,000 minimum capital contribution. An investment in Capital Shares is required to receive the benefits of a Membership Capital Holder including the ability to maintain a settlement account and to fully access all payment, technology, settlement and advised lines of credit services at the most advantageous rates offered by Alloya.

Supervision and Regulation

Alloya is subject to comprehensive supervision and regulation that affects various aspects of its operations. The following summarizes certain of the more important statutory and regulatory provisions.

Supervisory Authorities

Alloya is a federally-chartered, federally-insured Corporate. As a Corporate, Alloya is subject to extensive regulation, supervision, and examination by the NCUA, including the requirement that it maintain certain reserves against deposit liabilities. Separately, most credit unions are classified as depository institutions under the Board of Governors of the Federal Reserve System's Regulation D, and thus required to maintain certain non-interest-bearing reserve deposits at Federal Reserve Banks. However, as a Corporate, Alloya is exempt from this reserve requirement because it qualifies as a "bankers' bank" under the applicable Federal Reserve Board regulation. The Federal Reserve Board does not require bankers' banks, such as Alloya, to meet the reserve requirements it established under Regulation D.

As a Corporate, Alloya is subject to Part 704, which contains specific provisions governing Corporate operations, including but not limited to: (i) capital requirements; (ii) board responsibilities; (iii) investment policies and limitations; (iv) credit risk management; (v) lending to member credit unions; (vi) asset/liability management; (vii) liquidity management; (viii) permissible services to member credit unions; (ix) an annual audit requirement; and (x) borrowing limits.

Ongoing supervision will be provided through regular examinations by the NCUA. These examinations are designed to evaluate Alloya's financial soundness, to appraise the quality of its management, to determine the degree of risk presented to the NCUSIF by its operations, to develop plans with management to correct identified areas of weakness and to ensure its compliance with laws and regulations. As a result, the scope of routine examinations of the corporate will likely be extensive.

Recent Developments

Amendments to Part 704

On October 20, 2010, the NCUA adopted amendments to Part 704, its regulation governing Corporates. The major revisions involved Corporate capital, investments, asset-liability management, governance, and CUSO activities. The amendments establish a new capital framework, including risk-based capital requirements, impose new prompt corrective action requirements, place various new limits on investments, impose new asset-liability management controls, amend certain governance provisions, and limit a Corporate CUSO to categories of service pre-approved by the NCUA. Amended Part 704 requires corporate credit unions to meet a Tier 1 risk-based capital ratio of 4.00% or greater, a leverage ratio of 4.00% and a total risk-based capital ratio of 8.00%. The effective date for the two new risk-based capital requirements is October 20, 2011. Tier 1 risk-based capital is calculated as retained earnings and PCC (including the Capital Shares). The amendment requires new retained earnings requirements over a 10-year phase-in period.

Prompt Corrective Action

Amended Part 704, specifically 12 C.F.R. §704.4(d)(2), identifies five capital categories for federally-

insured Corporates (well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized) and requires the NCUA to implement systems for “prompt corrective action” for any Corporate that does not meet the requirements for classification as well capitalized or as adequately capitalized. Part 704 requires such Corporates to submit capital restoration plans. In addition, Part 704 permits, and sometimes requires, the NCUA to impose additional burdens for failure to meet such capital requirements, including the imposition of restrictions on the Corporate’s activities, investments, payment of dividends, asset growth, transactions with affiliates, and executive compensation, and requirements to elect new directors or dismiss management depending on the category in which the Corporate is classified. Part 704 also permits the NCUA to subject such Corporates to capital raising requirements or to liquidate a Corporate that has no reasonable prospect of becoming adequately capitalized.

Within the “prompt corrective action” regulations, the NCUA has also established procedures for “downgrading” a Corporate to a lower capital category based on supervisory factors other than capital. Specifically, the NCUA may, after notice and an opportunity for a hearing, reclassify a well capitalized Corporate as adequately capitalized and may require an adequately capitalized Corporate or an undercapitalized Corporate to comply with supervisory actions as if it were in the next lower category, if the Corporate is deemed to be operating in an unsafe or unsound condition or engaging in an unsafe or unsound practice. The NCUA may not, however, reclassify a significantly undercapitalized institution as critically undercapitalized.

National Credit Union Share Insurance Fund

The NCUA administers the NCUSIF, which is backed by the full faith and credit of the U.S. government. As a result, members’ share accounts are subject to insurance similar to the deposit insurance protection offered by the Federal Deposit Insurance Corporation. All shares and certificates, *except Capital Shares*, are insured by the NCUSIF up to \$250,000.

Dodd-Frank Act

The Dodd-Frank Act significantly changes the regulation of financial institutions and the financial services industry, including credit unions. The Dodd-Frank Act addresses, among other things, systemic risk, capital adequacy, deposit insurance assessments, consumer financial protection, interchange fees, derivatives, lending limits, mortgage lending practices, registration of investment advisors and changes among the bank regulatory agencies. The Dodd-Frank Act also created the Bureau of Consumer Financial Protection to regulate consumer financial products and services in compliance with federal law. The Bureau of Consumer Financial Protection will have examination and enforcement authority over credit unions with assets of \$10 billion or more. Some of these major changes under the Dodd-Frank Act could materially impact the profitability of our business, the value of assets we hold or the collateral available for our loans, require changes to our business practices or force us to discontinue businesses and expose us to additional costs, taxes, liabilities, enforcement actions and reputational risk. Many of these provisions are subject to further study, rulemaking, and the discretion of regulatory bodies. We cannot predict the effect that compliance with the Dodd-Frank Act or any implementing regulations will have on Alloya’s business or its ability to pursue future business opportunities. Our management team is actively reviewing the provisions of the Dodd-Frank Act and assessing its potential impact on our business, financial condition, and results of operations.

Other Statutes and Regulations

We are subject to numerous other statutes and regulations affecting our activities.

Use of Proceeds

The proceeds of this offering will be used to support the balance sheet of Alloya. The offering is designed to maintain sufficient core capital to sustain a leverage ratio and risk-based capital ratios that exceed the minimum regulatory capital requirements for an adequately capitalized Corporate. NCUA defines an adequately capitalized Corporate as one that has attained a leverage ratio of 4.00% or greater, a total risk-based capital ratio of 8.00% or greater, and a Tier 1 risk-based capital ratio of 8.00% or greater.

Governance and Management

Information regarding the Board of Directors and management of Alloya can be found at alloyacorp.org and is hereby incorporated by reference. Each investor should review such information before making an investment decision.

Related Party Transactions

Alloya, as a Corporate, is owned by its members, and each member holds one vote. Each of Alloya's directors is affiliated with member credit unions which engage in financial transactions with Alloya, such as share and certificate deposits, brokerage and advisory services, and lending transactions. In addition, Alloya may provide members with compensation for referring new business to Alloya. Alloya's directors may change or discontinue this program at any time in its sole discretion.

Terms and Conditions of Perpetual Contributed Capital Shares II

The following terms and conditions are required by the applicable NCUA rules and regulations.

- (1) A perpetual contributed capital account is not subject to share insurance coverage by the NCUSIF or other deposit insurer.
- (2) A perpetual contributed capital account is not releasable due solely to the merger, charter conversion, or liquidation of the member credit union. In the event of a merger, the perpetual contributed account transfers to the continuing credit union. In the event of a charter conversion, the perpetual contributed capital account would transfer to the continuing institution. In the event of liquidation, the perpetual contributed capital account may be released to facilitate the payout of shares with the prior written approval of NCUA.
- (3) The funds are callable only by and at the option of the corporate credit union and only if the corporate credit union meets its minimum required capital and NEV ratios after the funds are called. The Corporate must also obtain the prior written approval of the NCUA before releasing any perpetual contributed capital funds.
- (4) Perpetual contributed capital cannot be used to pledge borrowings.
- (5) Perpetual contributed capital has perpetual maturity and is a noncumulative dividend account, if dividends are declared.
- (6) Perpetual contributed capital is available to cover losses that exceed retained earnings. Any such losses must be distributed *pro rata* among perpetual contributed capital holders at the time the loss is realized. To the extent that perpetual contributed capital funds are used to cover losses, the Corporate is prohibited from restoring or replenishing the affected accounts under any circumstances.
- (7) Where the Corporate is liquidated, perpetual contributed capital accounts are payable only after satisfaction of all liabilities of the liquidation estate including uninsured obligations to shareholders and the NCUSIF and non-perpetual contributed capital holders. However, perpetual contributed capital that is used to cover losses in a calendar year previous to the year of liquidation has no claim against the liquidation estate.

ANNEX A

Financial Information

Financial information for Alloya can be found at alloyacorp.org and through monthly 5310 reports filed with the NCUA and available at ncua.gov. Both sources are hereby incorporated by reference. You should review such information before making an investment decision.