Prospectus

CUDX

the credit union data exchange

A credit union cooperative

v.042024

At the heart of the credit union data exchange (CUDX) is a sophisticated system that facilitates the secure sharing and exchange of data among credit unions. It serves as a centralized platform where participating credit unions can collaborate and access a wide range of information relevant to their operations, members and the industry as a whole.

As important as the platform is the **governance and ownership structure** of CUDX. Credit unions will own and control CUDX through a familiar cooperative model. This will ensure the exchange is always serving credit unions' interests in a safe, controlled manner per credit union derived standards. Credit unions will collectively control the exchange and credit unions will individually control their data.

The main objective of CUDX is to **promote information sharing and collaboration** within the credit union industry. By securely exchanging data, credit unions can gain valuable insights into member behavior, market trends and industry best practices. This information empowers credit unions to make informed decisions regarding product offerings, risk management strategies and operational improvements.

CUDX will support and offer a variety of **features and functionalities**. These may include data aggregation, analytics tools, benchmarking capabilities and reporting functionalities. By leveraging these features, credit unions can analyze their own performance, compare it against industry benchmarks and identify areas for improvement. This allows them to make data-driven decisions that enhance their services, drive member satisfaction and optimize their overall performance.

Moreover, CUDX will **foster collaboration** among participating institutions. Credit unions can collaborate on research projects, share insights and experiences and collectively address common challenges faced by the industry. This collaborative approach enables credit unions to learn from each other's successes and failures, leading to collective growth and improvement.

Security and privacy are paramount in CUDX. The CUDX platforms will employ robust security measures such as encryption techniques, access controls and data anonymization practices to ensure the privacy and integrity of shared information. Compliance with all applicable data regulations or other applicable laws will also be a top priority for the exchange.

CUDX Benefits...

Data sharing has become increasingly important in the financial industry, and credit unions are no exception. By sharing data with other credit unions in the CUDX, participating credit unions can benefit from a variety of advantages that can help them better serve their members.

Better risk management:

Credit unions can use data to assess the risk of lending money to borrowers with particular attributes. By sharing data with other credit unions, they can access a wider pool of data to make more informed decisions about lending.

Improved efficiency:

Credit unions can use data to identify patterns and trends in member behavior, which can help them improve their operations and make better decisions about product offerings. Sharing data can help credit unions to access more data and insights, making them more efficient and effective.

Enhanced member experience:

By sharing data, credit unions can better understand their members' needs and preferences. This can help credit unions personalize their services, provide tailored recommendations and improve member satisfaction.

Increased collaboration:

Participating credit unions do more than share data and insights. They also join an industry-wide community of practice that not only allows them to see detect challenges and opportunities better, it also enables the sharing of ideas and approaches to successfully address them.

Competitive advantage:

Credit unions that share data can have a competitive advantage over those that don't share data. By having access to more data, credit unions can make more informed decisions and improve their services, which can lead to increased member loyalty and growth.

...and Use Cases

The use cases of an exchange are almost endless. The exchange gives credit unions the power to direct their data towards use cases that matter most to them.

Data cleansing and enhancement:

Apply AI solutions to shared data in order to clean up messy data fields, making analysis easier and more useful. For example, use cleaned up merchant data fields to better understand member spending and money movement in your credit union and across the industry.

New & more accurate predictive models:

Compare share-of-wallet against the industry. Target advertising based on purchasing behavior, consumer profiles, and demand by profile. Identify market inefficiencies.

Conversational AI:

Deploy ChatGPT services on the entire credit union data set to unlock industry level insights.

Near-real-time benchmarking:

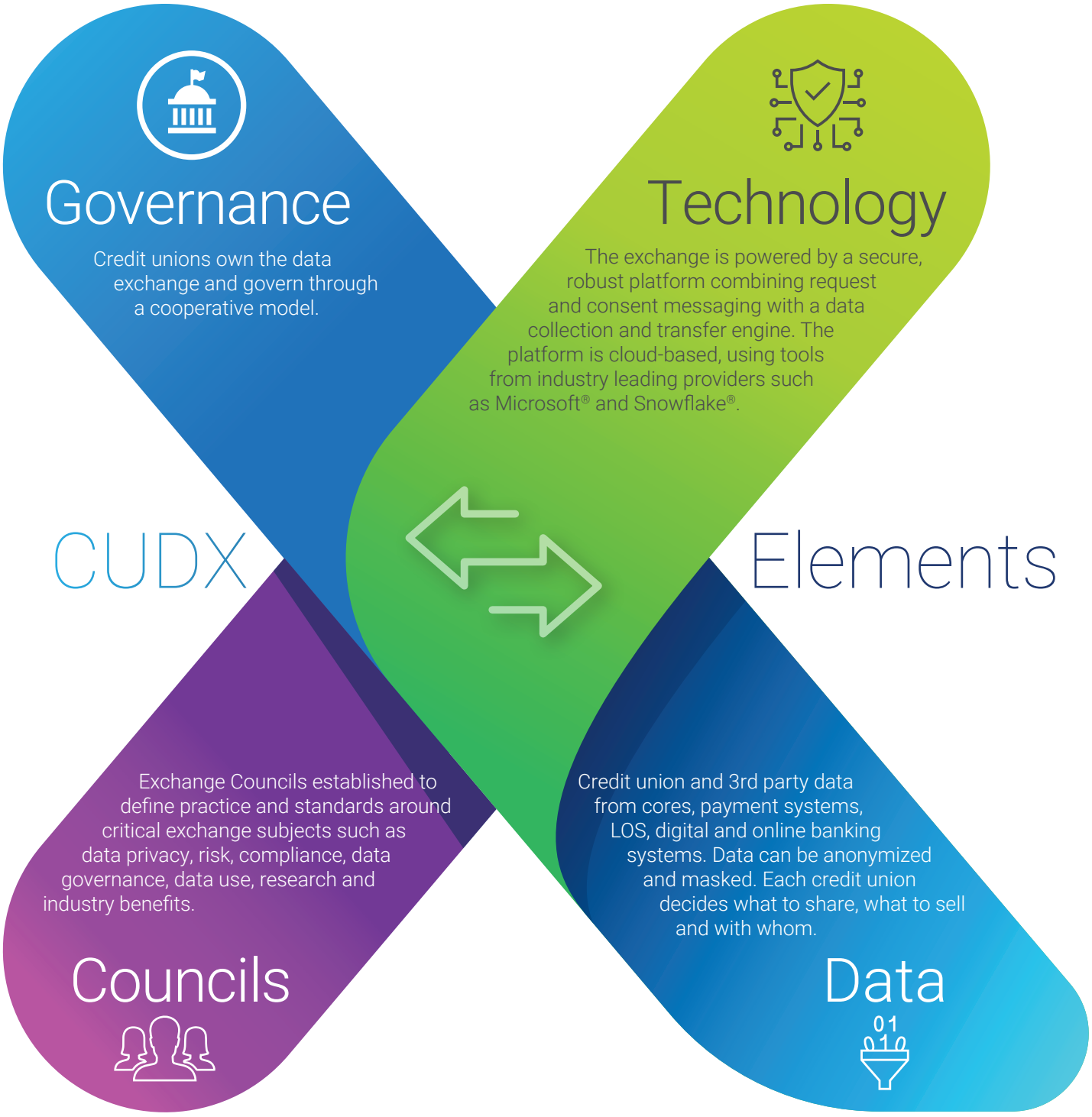
Use daily data feeds rather than quarterly 5300 reports.

Credit union data aggregation:

Combine data from financial institutions and payments providers to create a largescale, cross-sectional, generalized dataset.

3rd party data access:

Enables economies of scale in its procurement and allows new insights on member behavioral patterns.


Governance
Credit unions own the data exchange and govern through a cooperative model.
Technology
The exchange is powered by a secure, robust platform combining request and consent messaging with a data collection and transfer engine. The platform is cloud-based, using tools from industry leading providers such as Microsoft® and Snowflake®.
CUDX
Elements
Exchange Councils established to define practice and standards around critical exchange subjects such as data privacy, risk, compliance, data governance, data use, research and industry benefits.
Councils
Credit union and 3rd party data from cores, payment systems, LOS, digital and online banking systems. Data can be anonymized and masked. Each credit union decides what to share, what to sell and with whom.
Data
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The CUDX process is simple:

1. Credit unions participating in CUDX securely upload their data into their designated storage area, known as a locker. This ensures that the data is stored in a protected environment accessible only to that individual credit union. From there, a combined analytics data set is constructed without the use of any PII data to enable use cases without creating any privacy risk.

2. Participating credit unions have the authority to review and evaluate the requests received from requestors. They consider factors such as the identity of the approved requestor, the specific data being requested, the risk associated with the request and whether the data needs to be securely anonymized or not. Participating credit unions retain control of their data, and can always deny requests for access.

3. Requestors, who are approved by the CU Data Exchange Council, can submit requests to access specific data from the participating credit unions. The Council approves and monitors the requestors to ensure the proper use and compliance with data privacy and security regulations.

4. Once the CU Exchange Participants have reviewed the request and determined its legitimacy and compliance, they can make the requested data accessible to the approved requestor. This all occurs securely to maintain the privacy and integrity of the shared information.

The Players

Trellance

Trellance is a 100% member-owned and controlled cooperative. Trellance is a leading technology partner for credit unions, delivering innovative technology solutions to help credit unions achieve more. With a comprehensive suite of analytics, cloud and talent solutions, the Trellance team **enables** credit unions to **achieve** increased efficiency, improved risk management, and a **deliver** a superior member experience. As a tech partner, Trellance ensures that credit unions have access to the latest generation of fintech solutions, **including the use of** powerful tools such as artificial intelligence and machine learning. Trellance will provide **the technology platform,** solutions, servicing and support to CUDX.

Filene

Filene Research Institute is an independent not-for-profit, exclusively funded and governed by Credit Unions and the Credit Union system. Filene Research Institute strengthens organizations through innovative research and incubation to improve consumer financial well-being. As an independent cooperative finance think tank, Filene's membership network connects a community of leaders and bright minds to change lives through innovation, truth and cooperation. In addition to delivering cutting-edge, actionable academic research, Filene also provides incubators to test and scale solutions, events to spark organizations into action and advisory services to help accelerate and implement innovation. Filene's unique ability to bring research and people together is perfectly suited to power CUDX to bring actionable results to member credit unions.

Credit Unions

Credit unions own the data exchange and govern through a cooperative model. The power of the credit union cooperative model in CUDX lies in its emphasis on data contribution, cooperative governance, council guidance and the overall benefit of use for all credit union members. By harnessing the collective intelligence and collaboration of its credit union members, CUDX can drive innovation, create value and foster sustainable growth for the credit union ecosystem.

3rd Party Data Providers

CUDX will provide shared access to 3rd party data that would not only reduce cost, but also enhance use cases from communal learning.

The Revenue Model

CUDX will receive revenue from Trellance based on referral fees for one-time setup fees and monthly usage subscriptions (covering data storage, compute, platform maintenance and support, development, etc.) assessed to participating credit unions, and from annual fees to seat members on Advisory Councils. Additionally, CUDX will receive a small percentage of revenues generated from data monetization such as the sale of data and insights to approved third parties (with the express consent of participating credit unions).

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Cloud Assessment Revenue

- Credit unions will be billed a one-time setup fee and then a flat rate monthly for assessments that cover data storage, compute, platform maintenance and support, and use case development.
- Those costs will be tiered according to categories of participation, existing relationships, and credit union size. The costs will include estimated usage credits for accessing the data. Categories and estimated costs are detailed in the pro forma financial estimate addendum to this prospectus.
- If credit unions need additional usage credits, they will be made available "at cost".
- Advisory Councils and technical support providers will work closely to make the most cost-effective decisions, maximizing value while keeping costs low.
- Revenue from the sale of CUDX data to approved third parties will be distributed back to participating (and consenting) credit unions to offset costs and potentially create an additional non-interest income stream. A small percentage of that revenue will be retained as revenue for CUDX.

The Offering

The CUDX Cooperative will be structured as a not for-profit cooperative registered in Colorado with an Investor class (returns) and a Membership class (governance).

Membership and Investment is restricted to credit unions or 100% credit union owned/controlled entities. Non-credit union entities will initially be limited to Trellance and Filene.

The cooperative will initially issue 10,000 preferred, non-voting class shares at $10,000/share for Investors.

CUDX will charge an annual membership fee based on the entities' size to cover administration and patronage in CUDX and as a requirement of membership.

CU Member Size	Annual Membership Fee
> 75 Thousand	$2,500
25 - 75 Thousand	$1,500
< 25 Thousand	$500

In addition to membership rights afforded by cooperative governance, Members of CUDX can also participate in financial returns and earn member-owner interest based on their level of participation with the cooperative.

Founding Members will be eligible to run for a Governing Board seat for up to three 3-year terms as seats open. Initially, the Governing Board will be limited to CEOs from the Founding Member group. Additionally, Founding Members are eligible to sit on board-appointed committees. Founding Member events will be held periodically in conjunction with key milestone events.

Founding Members and their contributions are as follows:

- Trellance will contribute $300,000 in the form of resources to create and initially operate CUDX in exchange for thirty (30) shares from the initial offering. Any future servicing provided to CUDX will be under a servicing contract between CUDX and Trellance. Trellance will pledge an additional amount up to $700,000 (in return for up to seventy (70) shares) for a total initial investment capped at $1M (in return for up to one hundred (100) shares), for services provided for forming CUDX.
- Filene will contribute $300,000 in the form of resources to form CUDX, recruit members, market CUDX, and lend its brand reputation to the cooperative in exchange for 30 shares from the initial offering.
- Credit unions wishing to invest early can choose to be part of the Founding Member group. The maximum number and timeline for joining as Founding Members will be determined by the Governing Board.

Interested in **Bigger Data, Better Outcomes?**

Scan the QR Code.

CUDX Participating Member Classes

Participating Member Class

Qualifications:
- Sign CUDX Agreement
- No investment required

Obligations:
- Contribute data

Benefits:
- Earn Patronage Dividend (QWNA)
- One vote in the cooperative

Other attributes:
- No board seats (for now)

Investor Member Class

Qualifications:
- Sign CUDX Agreement
- Sign Investment Agreement
- 1 share minimum ($10K)

Obligations:
- Contribute data

Benefits:
- Earn Patronage Dividend (QWNA)
- One vote as in the cooperative
- Return on investment (pro rata)

Other attributes:
- No board seats (for now)

Founding Member Class

Qualifications:
- Sign CUDX Agreement
- Sign Investment Agreement
- 5 share minimum ($50K)

Obligations:
- Contribute data

Benefits:
- Earn Patronage Dividend (QWNA)
- One vote in the cooperative
- Return on investment (pro rata)
- Seat on Founding Member Board, eligibility for Governance Board and Board Committees
- Council seat for 1 year
- Input on bylaws

Governance Board

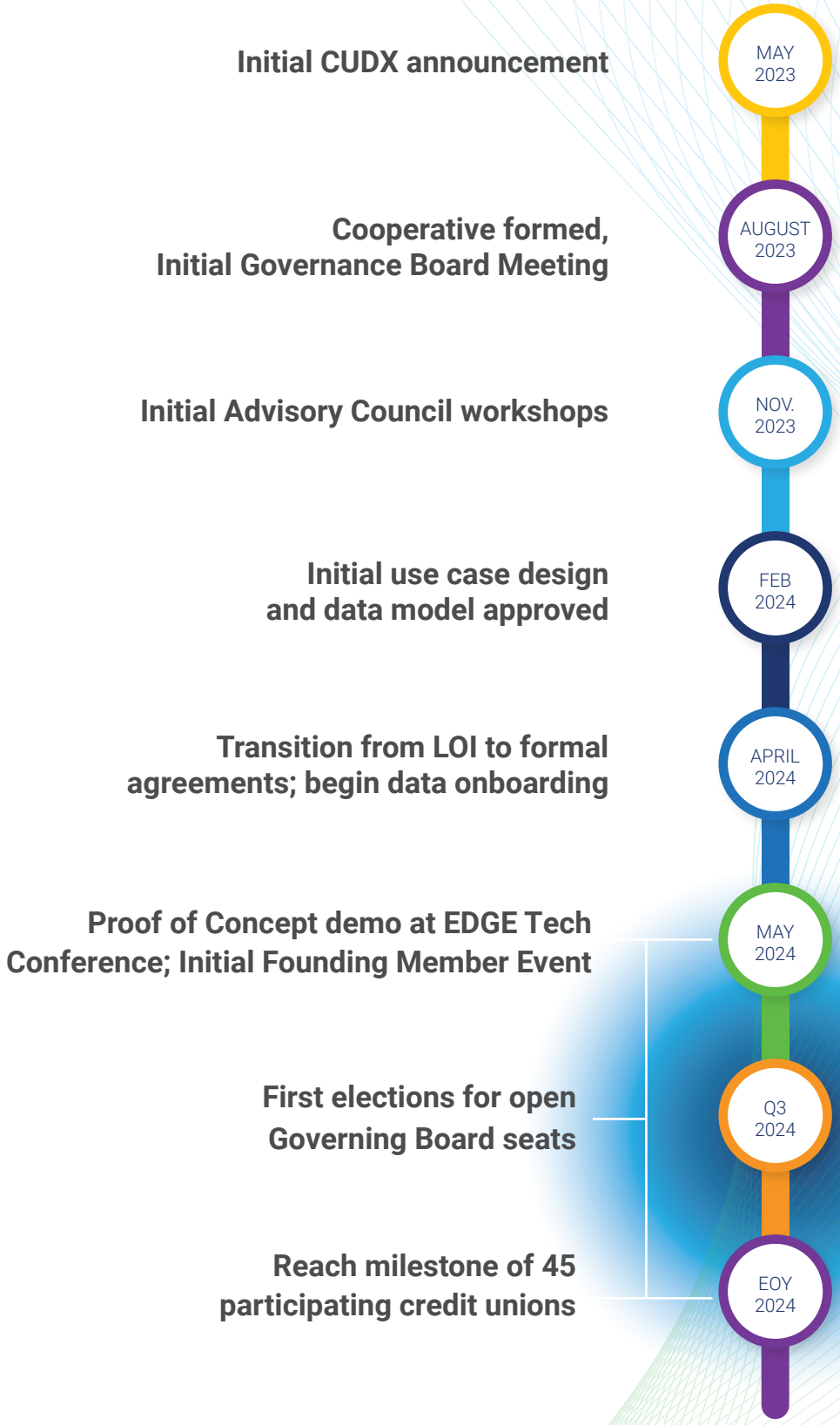
Makeup:
- 9 CEOs from the Founding Member Class

Scope:
- Responsible for overall cooperative governance

Items in bright blue are common to all classes.

Notes: Filene and Trellance are "Charter Members" within the Founding Member Class; Any member class can pay $2,500 fee for a Council seat for 1 year.

Timelines and important dates



Addendum to the Prospectus

The Credit Union Data Exchange Pro Forma Estimate of Income

The following pro forma estimate of revenues and expenses is based on a referral fee revenue model, in which a fee is paid to the Credit Union Data Exchange (CUDX) by Trellance on the revenues generated by setup and usage fees paid to Trellance to build, maintain, and manage the CUDX platform and tools. The assumptions driving the estimate are summarized below.

The Credit Union Data Exchange (CUDX), LCA
Pro Forma Estimate of Operations
For the years ending December 31, 2024 and December 31, 2025

Year ending December 31st:	2024	2025
Revenues		
Annual membership fee income	$ 70,730	$ 115,740
Council seat fee income [1]	$ 48,500	$ 80,000
Referral income from Trellance for CUDX usage fees	$ 33,208	$ 77,909
Transaction fee income on data sales to approved third parties [2]	$ -	$ -
Total Revenues	**$ 152,438**	**$ 273,649**
Expenses		
Council event expenses (covered by Trellance investment until 3Q25)	$ -	$ (118,800)
Total Expenses	**$ -**	**$ (118,800)**
Net Income	**$ 152,438**	**$ 154,849**

Assumptions:

- Referral fees paid to CUDX on setup and usage fee revenues at a rate of 10%
- Will successfully recruit and onboard 45 CUs by end of 2024, and 75 by the end of 2025
- The size distribution of participating credit unions will be similar to the first 30 participating credit unions
- Dividends on shares will begin during year after CUDX is first profitable
- Annual membership fees will be assessed at $500 for CUs with less than 25k members, $1,500 for CUs between 25k – 75k members, and $2,500 for CUs with more than 75k members
- CU participant pricing will be based on the following categories (fees for participants falling into more than one category will be assessed at the lowest rate that applies)

Data Store Setup and Monthly Costs based on Participant Categories [3]

Participant Categories	One-Time Setup Fee	Monthly Usage Fees		
		Credit Unions with <25K Members	Credit Unions with 25K - 75K Members	Credit Unions with >75K Members
Non-Trellance Client	$ 2,500	$ 300	$ 900	$ 1,800
Trellance Analytics Client	$ -	$ 100	$ 300	$ 600
CUDX Member not sharing data	$ -	$ 500	$ 1,500	$ 3,000
Investor	$ 2,500	$ 250	$ 750	$ 1,500
Founding Member	$ 2,500	$ 200	$ 600	$ 1,200

Annual Membership Fees	$ 500	$ 1,500	$ 2,500

Notes:

1) Three advisory councils will have 15 members each when filled.
2) Sale of CUDX data to approved third parties, with the consent of participating credit unions, can generate revenues to offset members' costs to participate and become a potential non-interest income stream. A portion of this revenue (5%) will be paid to CUDX.
3) The setup and monthly costs shown result in an estimated $18.3K average first-year cost to participate, and an annual average cost of $14.6K thereafter.

Thank you

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