

Court File No. CV-22-00685736-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

**IN THE MATTER OF THE *CREDIT UNIONS AND CAISSES POPULAIRES ACT, 2020*,
S.O 2020, C.36, SCHED. 7, AS AMENDED**

AND IN THE MATTER OF PACE SAVINGS & CREDIT UNION LIMITED

**APPLICATION OF PACE SAVINGS & CREDIT UNION LIMITED UNDER SECTION
240 OF THE *CREDIT UNIONS AND CAISSES POPULAIRES ACT, 2020*, S.O. 2020, C. 36,
SCHED. 7, AS AMENDED**

**THIRD REPORT OF KPMG INC. in its capacity as
LIQUIDATOR OF PACE SAVINGS & CREDIT UNION LIMITED**

MAY 5, 2023

TABLE OF CONTENTS

	Page
I. INTRODUCTION.....	1
II. PURPOSE OF REPORT.....	2
III. TERMS OF REFERENCE	3
IV. PCU SHARE STRUCTURE.....	4
V. STATUS OF THE INVESTMENT AND PROFIT SHARES	8
VI. THE REPRESENTATIVE COUNSEL MOTION	10
VII. REQUEST FOR SEALING ORDER.....	14

LIST OF APPENDICES

- Appendix A - Liquidation Order dated August 24, 2022
- Appendix B - First Report (without appendices) dated January 27, 2023
- Appendix C - Articles of Amalgamation dated September 12, 2012
- Appendix D - Markham-Stouffville CU offering statement dated September 15, 1995
- Appendix E - Uxbridge CU offering statement dated December 29, 1996
- Appendix F - GTA CU offering statement dated December 29, 2002
- Appendix G - People's CU offering statement dated July 29, 2009
- Appendix H - PCU Bylaws dated September 12, 2012
- Appendix I - Listing of Investment and Profit Shareholders (no names basis)
- Appendix J - Sample Share Subscription Form
- Appendix K - Sample Share Transfer Form

I. INTRODUCTION

1. On August 24, 2022, PACE Savings & Credit Union Limited (“PCU” or the “**Credit Union**”) was ordered to be wound up pursuant to section 240 of the *Credit Unions and Caisses Populaires Act, 2020* (the “**CUCPA**”) by an Order (the “**Liquidation Order**”) of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”), and KPMG Inc. (“**KPMG**”) was appointed as liquidator (in such capacity, the “**Liquidator**”) of all the remaining assets, undertakings and properties of PCU. A copy of the Liquidation Order is attached hereto as **Appendix “A”**.
2. Prior to the Liquidator’s appointment, on March 18, 2019, PCU commenced an action bearing Court File No. CV-19-00616388-00CL against the former President and the former Chief Executive Officer of the Credit Union (Larry and Phillip Smith (the “**Smiths**”)), their associated corporations and affiliates, certain of the Credit Union’s former directors (the “**Former Directors**”), and a number of other parties (the “**Claim Against Smiths et al**”).
3. On February 28, 2022, PCU also commenced an action bearing Court File No. CV-22-00677550 against CUMIS General Insurance Company (“**CUMIS**”) in relation to a claim detailed in a proof of loss filed by the Credit Union dated October 16, 2019 under a fidelity insurance coverage bond issued by CUMIS (the “**CUMIS Fidelity Bond**”), in respect of losses incurred by PCU in connection with alleged misconduct by the Smiths (the “**CUMIS Fidelity Bond Claim**”).
4. The above claims of the Credit Union and all related counterclaims, crossclaims and third-party claims are referred to herein collectively as the “**Recovery Litigation**”.
5. The Liquidator issued its first report to the Court, including a confidential appendix, on January 27, 2023 (the “**First Report**”) in conjunction with a motion returnable on February 8, 2023, seeking:
 - a. Approval of a settlement agreement dated December 1, 2022, between PCU, by the Liquidator, and the Former Directors (the “**Former Directors Settlement Agreement**”);

- b. Approval of a settlement agreement dated December 1, 2022, between PCU, by the Liquidator, and CUMIS in respect of the CUMIS Fidelity Bond Claim (the "**CUMIS Settlement Agreement**"); and
- c. Certain ancillary relief thereto.

A copy of the First Report (without appendices) is attached hereto as **Appendix "B"**.

6. On February 8, 2023, the Court granted an Order approving the Former Directors Settlement Agreement and the CUMIS Settlement Agreement and certain ancillary relief thereto.
7. The Liquidator issued its second report to the Court, including a confidential appendix, on April 21, 2023 (the "**Second Report**") in conjunction with a motion returnable on May 1, 2023, seeking approval of the settlement agreement dated April 3, 2023 between PCU, by the liquidator, and the remaining parties to the Recovery Litigation, CUMIS and Goodmans LLP (the "**Final Settlement Agreement**") and certain ancillary relief thereto.
8. On May 1, 2023, the Court granted an Order approving the Final Settlement Agreement and certain ancillary relief thereto.

II. PURPOSE OF REPORT

9. The purpose of this report, which is the Liquidator's third report to the Court (the "**Third Report**"), is to provide information for the purpose of the motion (the "**Representative Counsel Motion**") being brought by SMK Law P.C. ("**SMK Law**") seeking to be appointed as representative counsel for the holders of Class B Investment Shares (as defined below) and Class A Profit Shares (as defined below) (the "**Investment and Profit Shareholders**"), including:
 - a. Certain background on the Credit Union's Class B Investment Shares and Class A Profit Shares;
 - b. The amounts owing to the Investment and Profit Shareholders and the manner in which the shares were acquired; and
 - c. The Liquidator's position on the Representative Counsel Motion.

10. The Liquidator is also providing information in this Third Report in support of its request for an order sealing the confidential appendix to this Third Report.

III. TERMS OF REFERENCE

11. In preparing this Third Report, the Liquidator has been provided with, and has relied upon, the books and records and other information of PCU, including unaudited financial information and information provided by former management, advisors, and the former administrator of the Credit Union (collectively, the “**Information**”). In accordance with industry practice, except as otherwise described in this Third Report, the Liquidator has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Liquidator has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Generally Accepted Auditing Standards (“**GAAS**”) pursuant to the Chartered Professional Accountants of Canada Handbook and, accordingly, the Liquidator expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information.
12. Future oriented financial information reported or relied on in this Third Report is based on assumptions regarding future events; actual results may vary from this forecast and such variations may be material.
13. The information contained in this Third Report has been prepared based on the Liquidator and its counsel’s review of the CUCPA, the Offering Statements (as defined below), the Articles of Amalgamation (as defined below), PCU’s Bylaws (as defined below) and the Credit Union’s books and records, including documents in the member files¹ of the Investment and Profit Shareholders related to the Class B Investment Shares and Class A Profit Shares, where available. The Liquidator notes that, in some cases, the Investment

¹The Liquidator requested from Alterna Savings and Credit Union Limited documents related to the Class B Investment Shares and Class A Profit Shares contained in the member files of the Investment and Profit Shareholders. The Liquidator was provided with member files for 508 Investment and Profit Shareholders. The member files for the remaining 134 Investment and Profit Shareholders could not be located or do not exist. Furthermore, in some cases, the member files do not contain documents for some or all of the share accounts under the associated member’s name or customer identification number.

and Profit Shareholder member files do not contain documents related to these shares. The Liquidator has commented further in paragraph 33 below on the contents of those files.

14. Copies of the Liquidator's reports and all motion records and Orders in the liquidation proceedings are available on the Liquidator's website at home.kpmg/ca/pacecu.
15. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.

IV. PCU SHARE STRUCTURE

History of Amalgamations

16. Share issuances at Markham-Stouffville Community Credit Union Limited (“**Markham-Stouffville CU**”), Uxbridge Credit Union Limited (“**Uxbridge CU**”), Greater Toronto Area (GTA) Savings & Credit Union Limited (“**GTA CU**”) and People's Credit Union Limited (“**People’s CU**”) became Authorized Capital (as defined below) of PCU upon the amalgamations of each credit union. The following sets out the amalgamation dates:
 - a. Markham-Stouffville CU: Amalgamated with Uxbridge CU effective October 1, 1997 to form GTA CU;
 - b. Uxbridge CU: Amalgamated with Markham-Stouffville CU effective October 1, 1997 to form GTA CU;
 - c. GTA CU: Amalgamated with PCU effective April 1, 2003; and
 - d. People’s CU: Amalgamated with PCU effective January 1, 2013.

Authorized Capital

17. Pursuant to the Articles of Amalgamation of PCU dated September 12, 2012 (the “**Articles of Amalgamation**”), the authorized capital (the “**Authorized Capital**”) of the Credit Union consists of:
 - a. An unlimited number of Class B Special Shares (the “**Class B Investment Shares**”), issuable in series;
 - b. An unlimited number of Class A Special Shares (the “**Class A Profit Shares**”), issuable in series; and

c. An unlimited number of membership shares (the “**Membership Shares**”).

A copy of the Articles of Amalgamation is attached hereto as **Appendix “C”**.

18. As discussed in the First Report, pursuant to a purchase and assumption transaction which closed on June 30, 2022, Alterna Savings and Credit Union Limited acquired substantially all of the business and assets and assumed substantially all of the liabilities, deposits, and employees of the Credit Union except for certain excluded assets and liabilities and the Authorized Capital of PCU.
19. Class B Investment Shares are non-cumulative, non-voting and non-participating shares. These shares were offered for sale to individual members at \$1.00 per share through five separate share offerings by predecessor credit unions that ultimately amalgamated into PCU as set out in paragraph 16 above.
20. The Class B Investment Shares were issued pursuant to the following share offerings:
 - a. Class B Series 1 shares were offered for sale on September 15, 1995 and originated with Markham-Stouffville CU. A copy of the Markham-Stouffville CU offering statement is attached hereto as **Appendix “D”**;
 - b. Class B Series 2 shares were offered for sale on December 29, 1996 and originated with Uxbridge CU. A copy of the Uxbridge CU offering statement is attached hereto as **Appendix “E”**;
 - c. Class B Series 3 shares were offered for sale December 29, 2002 and originated with GTA CU. A copy of the GTA CU offering statement is attached hereto as **Appendix “F”**; and
 - d. Class B Series 4 and Class B Series 5 shares were offered for sale on July 29, 2009 and originated with People’s CU. A copy of the People’s CU offering statement is attached hereto as **Appendix “G”**.

The above-noted offering statements are referred to herein collectively as the “**Offering Statements**”.

21. Class A Profit Shares were created to reward members for their patronage. Class A Profit Shares have a value of \$1.00 per share, are non-cumulative and are generally non-voting and non-participating.
22. Class A Profit Shares were issued to members as a patronage reward or as dividends on previously issued Class A Profit Shares or Class B Investment Shares at the discretion of management and the board of directors of PCU and/or the predecessor credit unions at various instances in the history of PCU and/or the predecessor credit unions.

Payment Priority

23. The Articles of Amalgamation set out the rights, privileges, restrictions, and conditions attaching to the Authorized Capital of PCU, including the payment priorities of various holders of Authorized Capital, summarized as follows:
 - a. First, prior to any distribution to the holders of the Class A Profit Shares or the Membership Shares, the holders of the Class B Investment Shares are entitled to be paid the Redemption Amount (as defined below) of such shares (and no more), with the holders of all series of such shares participating rateably with one another;
 - b. Second, prior to any distribution to the holders of the Membership Shares, the holders of the Class A Profit Shares are entitled to be paid the Redemption Amount of such shares (and no more), with the holders of all series of such shares participating rateably with one another; and
 - c. Third, after payment of all debts and liabilities, including any dividends declared and not paid, and the purchase for cancellation or redemption of all outstanding shares, the remaining property of the Credit Union shall be distributed or disposed of among the members at the time of dissolution equally, irrespective of the length of time each member has been a member.

When used above, “**Redemption Amount**” means the Redemption Price (as defined below), plus all declared and unpaid dividends. “**Redemption Price**” means an amount for each share equal to the amount paid up thereon.

Relevant Rights Pursuant to the Offering Statements, the CUCPA and the Articles of Amalgamation

24. Pursuant to the Offering Statements and section 67(1) of the CUCPA, Class B Investment Shares can only be transferred to another member of the Credit Union, or to a person prescribed by the CUCPA and accompanying regulations. Furthermore, the Offering Statements set out that transfers are subject to the approval of the board of directors and are to be transferred to other members at a price equal to the current Redemption Amount. No member, through transfers of Class B Investment Shares from other members, will be allowed to hold more Class B Investment Shares than the member would otherwise have been able to subscribe for in the initial offering. The share terms for the Class B Investment Shares under the Articles of Amalgamation generally mirror the transfer limitation to other members and also include a requirement for board of directors' approval. The bylaws of PCU dated September 12, 2012 (the "**PCU Bylaws**") further hold that any transfer of shares must be accompanied by the actual endorsed certificate. A copy of the PCU Bylaws is attached hereto as **Appendix "H"**.
25. The CUCPA prohibits the redemption of shares of a credit union if the board of directors of the credit union has reasonable grounds to believe that the credit union is, or the payment would cause it to be, in contravention of prescribed liquidity and capital adequacy tests for credit unions. All redemptions are limited in any fiscal year to 10% of the respective balances of such shares outstanding at the beginning of that fiscal year.
26. The Offering Statements state that, given the above, holders of Class B Investment Shares may not be able sell or redeem their shares when they wish to do so.
27. Pursuant to section 45(3) of the CUCPA, the holders of patronage shares cannot transfer an interest in those shares to a person other than the credit union or another credit union and any transaction that purports to make such a transfer is void. Given that certain of the Class A Profit Shares were issued as patronage shares, those shares are not transferrable amongst members. The Class A Profit Shares that were issued as dividends on existing Class A Profit Shares or Class B Investment Shares hold the same transfer rights pursuant to the Offering Statements, the CUCPA and the Articles of Amalgamation as the Class B Investment Shares.

V. STATUS OF THE INVESTMENT AND PROFIT SHARES

Amounts Outstanding

28. There are 642 members of the Credit Union that hold Class B Investment Shares and/or Class A Profit Shares. A listing of the Investment and Profit Shareholders, on a no names basis, is attached hereto as **Appendix “I”**.
29. The Redemption Amounts of the Class B Investment Shares and the Class A Profit Shares are \$12,324,758 and \$5,634,853 respectively, for a total of \$17,959,611. The amounts attributable to each series of shares is as follows:

Share Series	Amount (\$)	Offering Date
<u>Class B Investment Shares</u>		
Series 1	1,244,760	9/15/1995
Series 2 ⁽¹⁾	652,301	12/29/1996
Series 3	7,090,677	12/29/2002
Series 4 ⁽¹⁾	2,658,806	7/29/2009
Series 5 ⁽¹⁾	678,213	7/29/2009
Class B Investment Shares	12,324,758	
Class A Profit Shares ⁽¹⁾	5,634,853	N/A
Total	17,959,611	

⁽¹⁾Based on the PCU books and records, there exist sub-series of these shares denoted as the "2010" series. The Liquidator understands that dividends declared in and after 2010 were recorded in these sub-series. Accordingly, the nature of the shares held in the sub-series is the same as the primary series and consequently the balances have been combined in the above table.

Manner in which the Investment and Profit Shares were Acquired

30. The Liquidator reviewed all available member files related to Investment and Profit Shareholders in order to determine the quantum of shares currently outstanding that were issued as part of the initial offerings versus the quantum of shares that were transferred and acquired subsequent to the initial offerings. A share subscription form was utilized to issue shares to individual members as part of the initial offerings (the “**Share Subscription Form**”). In the cases where there was a transfer of shares from one member to another, the Credit Union utilized a share transfer form (the “**Share Transfer Form**”).
31. The Share Subscription Form includes the particulars of the shareholder, the share subscription amount, the series of shares being issued, and an acknowledgement that the shareholder had received and read a copy of the offering statement related to that series of shares and understood the risk factors associated with the offering. A copy of a sample Share Subscription Form is attached hereto as **Appendix “J”**.

32. The Share Transfer Form includes the particulars of the shareholder acquiring the shares, the account that the shares are to be transferred to, the share series and the share amount being transferred. The Share Transfer Forms include signature lines for the shareholder transferee and the secretary of the Credit Union's board of directors. The Share Transfer Form does not include an acknowledgement by the transferee of the risks associated with the shares being transferred. A copy of a sample Share Transfer Form is attached hereto as **Appendix "K"**.
33. As set out in the table below, it appears that at least \$1,385,135 of Class B Investment Shares were issued to members pursuant to Share Subscription Forms. Furthermore, it appears that at least \$6,641,431 of Class B Investment Shares and \$2,560,989 of Class A Profit Shares were transferred to members pursuant to Share Transfer Forms. The books and records of PCU do not disclose whether the Class A Profit Shares that were transferred are patronage shares. The Liquidator noted that, with respect to a small amount of shares, specifically \$66,589 of Class B Investment Shares, the member files include both a Share Subscription Form and a Share Transfer Form. Member files relating to \$72,156 of Class B Investment Shares and \$200,584 of Class A Profit Shares do not include either a Share Subscription Form or a Share Transfer Form but include other documentation, primarily share certificates. Lastly, documentation for \$4,159,446 of Class B Investment Shares and \$2,873,280 of Class A Profit Shares could not be located and as a result, the Liquidator is not able to ascertain the manner in which these shares were acquired by holders of those shares.

Share Series	Subscription Form	Share Transfer Form	Both ⁽¹⁾	Other	No Documents	Total
<u>Class B Investment Shares</u>						
Series 1	348,583	635,567	26,550	40,000	194,060	1,244,760
Series 2	-	171,351	-	15,156	465,794	652,301
Series 3	1,036,553	4,384,209	40,039	17,000	1,612,877	7,090,677
Series 4	-	1,291,383	-	-	1,367,423	2,658,806
Series 5	-	158,921	-	-	519,292	678,213
Class B Investment Shares	1,385,135	6,641,431	66,589	72,156	4,159,446	12,324,758
Class A Profit Shares	-	2,560,989	-	200,584	2,873,280	5,634,853
Total	1,385,135	9,202,420	66,589	272,740	7,032,726	17,959,611

⁽¹⁾ For certain shareholdings, there is a Share Subscription Form and a Share Transfer Form which in aggregate total the shareholding amount in the account. In other cases, both forms contained the same shareholding amounts, and accordingly, the manner in which the shares were acquired cannot be ascertained from the members' files.

Share Transfers During PCU's Administration

34. As discussed in the First Report, between September 28, 2018, and the date of the Liquidator's appointment, PCU was under administration by the Financial Services Regulatory Authority of Ontario ("FSRA"), formerly the Deposit Insurance Corporation of Ontario.
35. PCU's books and records indicate that, of the shares determined to have been transferred by means of a Share Transfer Form, there were \$2,061,071 Class B Investment Shares and \$940,520 Class A Profit Shares transferred during the period of administration. Conversely, there were \$4,580,360 of Class B Investment Shares and \$1,620,469 of Class A Profit Shares transferred prior to the administration pursuant to a Share Transfer Form. The details of these share transfers are as follows:

Share Type	Before Administration	After Administration	Total (\$)
	Order (\$) ⁽¹⁾	Order (\$) ⁽¹⁾	
<u>Class B Investment Shares</u>			
Series 1	424,171	211,397	635,567
Series 2	84,523	86,828	171,351
Series 3	3,014,463	1,369,746	4,384,209
Series 4	939,535	351,847	1,291,383
Series 5	117,668	41,253	158,921
Class B Investment Shares	4,580,360	2,061,071	6,641,431
Class A Profit Shares	1,620,469	940,520	2,560,989
Total	6,200,828	3,001,592	9,202,420

⁽¹⁾ In order to determine the dollar value of shares transferred prior to and during the administration, the Liquidator used the date on which the Share Transfer Form was signed. In the cases of an unsigned Share Transfer Form, the Liquidator used the 'Issue Date' set out in the PCU books and records in relation to these shares.

VI. THE REPRESENTATIVE COUNSEL MOTION

36. In support of the Representative Counsel Motion, the only evidence submitted is an affidavit sworn by Soheil Karkhanechi, the principal lawyer at SMK Law (the "SK Affidavit").
37. According to the SK Affidavit, SMK Law has been retained only by Virginia Conrads, and Mr. Karkhanechi deposes that he was advised by Ms. Conrads, among other things, that:
- On June 16, 2020, Ms. Conrads purchased 45,803.33 units of Class B Series 4 investment shares in exchange for \$45,803.33 pursuant to a "Share Transfer Form";
 - Ms. Conrads was also "transferred an additional 10,000 investment shares on a similar form as a return on her investment"; and

- c. Ms. Conrads did not receive an offering statement relating to the securities she purchased.
38. The Liquidator makes the following observations which in its view are relevant for the Court to consider for the purpose of the Representative Counsel Motion:
- a. The recoveries to the Investment and Profit Shareholders are not currently known.**
- i. At this stage in the liquidation proceeding, the Liquidator cannot accurately determine total recoveries that might be available to the Investment and Profit Shareholders. While the Liquidator has settled the Recovery Litigation, there are other recoveries being pursued by the Liquidator. In addition, the quantum of creditor claims against the Credit Union will not be known until the Liquidator undertakes a call for claims, which has not yet been done. Accordingly, it is unknown at this time whether the recoveries to Investment and Profit Shareholders will be impaired, and if so, to what extent. Attached hereto as **Confidential Appendix “A”** is information on potential recoveries in the liquidation proceeding.
- b. The relief sought on the Representative Counsel Motion would add unwarranted costs to the liquidation proceeding.**
- i. The mandate proposed by SMK Law is defined very broadly as *“all matters pertaining to any recovery, compromise of rights and claims in these proceedings (the “Purpose”)*”. Apart from its appointment as representative counsel, SMK Law also seeks court orders:
- A. Requiring that the Liquidator provide to SMK Law contact and other information for every Investment and Profit Shareholder;
- B. Authorizing it to retain such financial advisors and other advisors and assistance as may be necessary in connection with its duties as representative counsel in relation to the Purpose;
- C. Requiring payment of all reasonable professional fees and disbursements that may be incurred by it and any advisors or assistants

retained by it, whether incurred prior to or after the date of the order sought, to be paid by the Credit Union's estate, on a monthly basis; and

- D. Imposing a charge on all of the assets, property, and undertakings of PCU for an aggregate amount of \$125,000 as security for its fees and disbursements, having the same priority as the Liquidator's Charge (as defined in the Liquidation Order).
- ii. The Liquidator has a duty to all stakeholders of PCU, including the Investment and Profit Shareholders, and is working diligently to maximize recoveries and minimize third-party claims against the Credit Union. In the Liquidator's view, the relief sought by SMK Law provides no benefit to the Credit Union's stakeholders as a whole, and it is not appropriate for the stakeholders to have to bear the fees and costs described above.
- c. The Liquidator has undertaken a review of the PCU books and records.**
- i. SMK Law has indicated that it wishes to investigate "the circumstances of holders of profit and investment shares in the Credit Union".
 - ii. The Liquidator is of the view that any such investigation falls within its mandate under the terms of the Liquidation Order.
 - iii. Furthermore, the Liquidator has undertaken a review of the Credit Union's books and records for all available information and documents related to the Class B Investment Shares and Class A Profit Shares, as described above in this Third Report.
 - iv. Accordingly, the Liquidator does not support the investigation proposed by SMK Law being conducted at the expense of the PCU estate.

d. The Liquidator can effectively communicate with the shareholders.

- i. The Liquidator has the contact information for the Investment and Profit Shareholders. The Liquidator sent a letter to all members of the Credit Union following its appointment via email, where available, and via regular mail, to those members for whom it does not have email addresses and has the ability to communicate further with Investment and Profit Shareholders (who are members of the Credit Union and would have received the Liquidator's letter) via those same channels.
- ii. Following its appointment, the Liquidator established a website, email address and telephone number via which the Credit Union's stakeholders and other interested parties may obtain information on the liquidation proceeding. Since its appointment, the Liquidator has responded to hundreds of calls and emails from Investment and Profit Shareholders regarding the status of their shares and the liquidation proceeding. The Liquidator will continue to respond to any such inquiries and post relevant updates to its website.
- iii. The draft order submitted by SMK Law for its Representative Counsel Motion seeks the assistance of the Liquidator for notice to the Investment and Profit Shareholders and requires the Liquidator to provide their personal information and "such additional documents and information as may be relevant" to SMK Law without their consent.
- iv. It doesn't appear that having SMK Law appointed as representative counsel will achieve anything to streamline or improve the efficiency of communications with the Investment and Profit Shareholders.

e. The interests of SMK Law's only client are not the same as all other Investment and Profit Shareholders.

- i. The SK Affidavit deposes that SMK Law's only client, Virginia Conrads, acquired her Class B Investment Shares by way of transfer in or around June of 2020, which was during the period that the Credit Union was under administration. As discussed above, only some Investment and Profit Shareholders acquired their shares by way

of transfer, and only a small minority of the Investment and Profit Shareholders acquired their shares during the period of administration.

- ii. The SK Affidavit deposes that all of Ms. Conrads' shares are Class B Investment Shares, which is consistent with PCU's books and records. As discussed above, the rights and entitlements of holders of Class B Investment Shares differ from those of Class A Profit Shares.
- iii. Furthermore, no evidence has been adduced that the various representations alleged by Mr. Karkhanechi (on information from Ms. Conrads) to have been made to Ms. Conrads by unnamed PCU representatives were made to any other shareholders. The nature of such representations, if any, would likely differ as between shareholders, in which case the benefits that a representation order may otherwise yield would be negated in this case.

f. Qualifications of SMK Law.

- i. The SK Affidavit does not provide adequate information on the qualifications and/or relevant experience of SMK Law to be appointed as representative counsel for its proposed mandate.
- ii. Although the Liquidator generally opposes the appointment of representative counsel in this case, it is of the view that, based on the limited information provided by SMK Law to date, there is no basis for the Court to conclude that SMK Law is qualified to be appointed as representative counsel for its proposed mandate.

VII. REQUEST FOR SEALING ORDER

39. The Liquidator respectfully requests an order sealing Confidential Appendix "A" until further order of the Court to maintain its confidentiality while the Liquidator continues to pursue recoveries on behalf of the Credit Union's stakeholders. It contains commercially sensitive information, public disclosure of which would be materially prejudicial to the interests of PCU and its stakeholders, which have an interest in maximizing recoveries. There is no alternative measure available to protect this information, and no party is materially prejudiced by the sealing of this information.

All of which is respectfully submitted at Toronto, Ontario this 5th day of May, 2023.

**KPMG Inc.,
in its capacity as Liquidator of
Pace Savings & Credit Union Limited
and not in its personal capacity**

Anamika Gadia

Per: _____

Anamika Gadia
Senior Vice President

TAB A

Court File No. CV-22-00685736-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

THE HONOURABLE)	WEDNESDAY, THE 24TH
)	
JUSTICE CONWAY)	DAY OF AUGUST, 2022

IN THE MATTER OF THE *CREDIT UNIONS AND CAISSES POPULAIRES ACT, 2020*, S.O. 2020, C. 36, SCHED. 7, AS AMENDED

AND IN THE MATTER OF PACE SAVINGS & CREDIT UNION LIMITED

APPLICATION OF PACE SAVINGS & CREDIT UNION LIMITED UNDER SECTION 240 OF THE *CREDIT UNIONS AND CAISSES POPULAIRES ACT, 2020*, S.O. 2020, C. 36, SCHED. 7, AS AMENDED

**ORDER
(WINDING UP & APPOINTING LIQUIDATOR)**

THIS APPLICATION made by the Applicant, PACE Savings & Credit Union Limited (the “**Applicant**” or “**Credit Union**”), by its administrator, Financial Services Regulatory Authority of Ontario (“**FSRA**”), for an Order pursuant to section 240 of the *Credit Unions and Caisses Populaires Act, 2020*, S.O. 2020, c. 36, Sched. 7, as amended (the “**CUCPA**”) winding up the Credit Union and appointing KPMG Inc. (“**KPMG**”) as liquidator (in such capacity, the “**Liquidator**”) without security, of all of the remaining assets, undertakings and properties of the Credit Union was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of Mehrdad Rastan sworn August 17, 2022 (the “**Rastan Affidavit**”) and the Exhibits thereto and on hearing the submissions of counsel for FSRA, KPMG, Larry Smith, 1428245 Ontario Ltd., 809755 Ontario Ltd. and Phillip Smith (collectively,

the “**Recovery Litigation Parties**”), Peter Budd, and Frank Klees and on reading the consent of KPMG to act as the Liquidator,

1. THIS COURT ORDERS that the capitalized terms which are not defined herein have the meaning given to them in the Rastan Affidavit.

SERVICE

2. THIS COURT ORDERS that the time for service of the Notice of Application and the Application is hereby abridged and validated so that this motion is properly returnable today and hereby dispenses with further service thereof.

WINDING UP

3. THIS COURT ORDERS that the Credit Union be wound up pursuant to section 240 of the CUCPA and in accordance with the terms of this Order.

APPOINTMENT

4. THIS COURT ORDERS that, pursuant to section 240 of the CUCPA, KPMG is hereby appointed Liquidator, without security, of all of the remaining assets, undertakings and properties of the Credit Union, including all proceeds thereof (the “**Property**”).

LIQUIDATOR’S POWERS

5. THIS COURT ORDERS that the Liquidator is hereby empowered and authorized, but not obligated, to act at once in respect of the Property and, without in any way limiting the generality of the foregoing, the Liquidator is hereby expressly empowered and authorized to do any of the following where the Liquidator considers it necessary or desirable:

- (a) to take possession of and exercise control over the Property and any and all proceeds, receipts and disbursements arising out of or from the Property;
- (b) to receive, preserve, and protect the Property, or any part or parts thereof, including, but not limited to, the relocating of Property to safeguard it and the placement of such insurance coverage as may be necessary or desirable;
- (c) to manage, operate, and carry on the business of the Credit Union so far as may be necessary for the beneficial winding up of the Credit Union, including the powers to enter into any agreements, incur any obligations in the ordinary course of business, cease to carry on all or any part of the business, or cease to perform any contracts of the Credit Union;
- (d) without limiting the generality of (c), to manage, operate, and carry on the Prepaid Card Business so far as may be necessary for the beneficial winding up or transition of the Prepaid Card Business, including, without limitation, the authority to deal with the Prepaid Cardholder Amounts, which include any amounts held in one or more commercial accounts, at The Toronto-Dominion Bank or elsewhere, in the name of 1961783 Ontario Limited (the “**Prepaid Card Entity**”);
- (e) to engage consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other persons from time to time and on whatever basis, including on a temporary basis, to assist with the exercise of the

Liquidator's powers and duties, including without limitation those conferred by this Order;

- (f) to receive and collect all monies and accounts now owed or hereafter owing to the Credit Union and to exercise all remedies of the Credit Union in collecting such monies, including, without limitation, to enforce any security held by the Credit Union;
- (g) to settle, extend or compromise any indebtedness owing to the Credit Union;
- (h) to execute, assign, issue and endorse documents of whatever nature in respect of any of the Property, whether in the Liquidator's name or in the name and on behalf of the Credit Union, for any purpose pursuant to this Order;
- (i) to initiate, prosecute and continue the prosecution of any and all proceedings and to defend all proceedings now pending or hereafter instituted with respect to the Credit Union, the Property or the Liquidator, including, without limitation, the Recovery Litigation and Other Ongoing Litigation, and to settle or compromise any such proceedings. The authority hereby conveyed shall extend to such appeals or applications for judicial review in respect of any order or judgment pronounced in any such proceeding;
- (j) to market any or all of the Property, including advertising and soliciting offers in respect of the Property or any part or parts thereof and negotiating such terms and conditions of sale as the Liquidator in its discretion may deem appropriate;

- (k) to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business,
- (i) without the approval of this Court in respect of any transaction not exceeding \$250,000.00, provided that the aggregate consideration for all such transactions does not exceed \$750,000.00; and
 - (ii) with the approval of this Court in respect of any transaction in which the purchase price or the aggregate purchase price exceeds the applicable amount set out in the preceding clause;
- and in each such case notice under subsection 63(4) of the Ontario *Personal Property Security Act* shall not be required.
- (l) to apply for any vesting order or other orders necessary to convey the Property or any part or parts thereof to a purchaser or purchasers thereof, free and clear of any liens or encumbrances affecting such Property;
- (m) to carry out a claims process for the purpose of identifying and determining claims against the Credit Union and/or its current and former directors and officers, as this Court may direct by further order made on not less than two weeks' notice to the Recovery Litigation Parties and to such other Persons as the Liquidator deems appropriate or this Court may direct;
- (n) to bring a motion for the power to borrow monies it may consider necessary or desirable for the purpose of carrying out its mandate under this Order, if

necessary, on such terms and upon such security over the Property as the Court may determine on such motion, which motion shall be brought on not less than two weeks' notice to the Recovery Litigation Parties and to such other Persons as the Liquidator deems appropriate or this Court may direct;

- (o) to report to, meet with and discuss with such affected Persons (as defined below), including, without limitation, FSRA, as the Liquidator deems appropriate on all matters relating to the Property and the winding up, and to share information with such Persons, subject to such terms as to confidentiality as the Liquidator deems advisable;
- (p) to apply for any permits, licences, approvals or permissions as may be required by any governmental authority and any renewals thereof for and on behalf of and, if thought desirable by the Liquidator, in the name of the Credit Union;
- (q) to enter into agreements with any trustee in bankruptcy appointed in respect of the Credit Union, including, without limiting the generality of the foregoing, the ability to enter into occupation agreements for any property owned or leased by the Credit Union;
- (r) to exercise any shareholder, partnership, joint venture or other rights which the Credit Union may have, including, without limitation, with respect to the Prepaid Card Entity, as the Liquidator deems necessary or desirable in connection with the Prepaid Card Business;

- (s) to take any steps reasonably incidental to the exercise of these powers or the performance of any statutory obligations; and
- (t) after the monetization or other disposition of the Property, to distribute the proceeds thereof only in accordance with this Order or any subsequent order of this court,

and in each case where the Liquidator takes any such actions or steps, it shall be exclusively authorized and empowered to do so, to the exclusion of all other Persons (as defined below), including the Credit Union, and without interference from any other Person.

LIQUIDATION NOMINATION AGREEMENT

6. THIS COURT ORDERS that the terms of the Liquidation Nomination Agreement between FSRA and KPMG dated August 17, 2022, appended as Exhibit “K” to the Rastan Affidavit, are hereby approved, and the Liquidator is hereby authorized and directed to perform the obligations thereunder.

DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE LIQUIDATOR

7. THIS COURT ORDERS that (i) the Credit Union, (ii) all of its current and former directors, officers, employees, agents, accountants, legal counsel and shareholders, and all other persons acting on its instructions or behalf, and (iii) all other individuals, firms, corporations, governmental bodies or agencies, or other entities having notice of this Order (all of the foregoing, collectively, being “**Persons**” and each being a “**Person**”) shall forthwith advise the Liquidator of the existence of any Property in such Person’s possession or control, shall grant

immediate and continued access to the Property to the Liquidator, and shall deliver all such Property to the Liquidator upon the Liquidator's request.

8. THIS COURT ORDERS that all Persons shall forthwith advise the Liquidator of the existence of any books, documents, securities, contracts, orders, corporate and accounting records, and any other papers, records and information of any kind related to the business or affairs of the Credit Union, and any computer programs, computer tapes, computer disks, or other data storage media containing any such information (the foregoing, collectively, the "**Records**") in that Person's possession or control, and shall provide to the Liquidator or permit the Liquidator to make, retain and take away copies thereof and grant to the Liquidator unfettered access to and use of accounting, computer, software and physical facilities relating thereto, provided however that nothing in this paragraph 8 or in paragraph 9 of this Order shall require the delivery of Records, or the granting of access to Records, which may not be disclosed or provided to the Liquidator due to the privilege attaching to solicitor-client communication or due to statutory provisions prohibiting such disclosure.

9. THIS COURT ORDERS that if any Records are stored or otherwise contained on a computer or other electronic system of information storage, whether by independent service provider or otherwise, all Persons in possession or control of such Records shall forthwith give unfettered access to the Liquidator for the purpose of allowing the Liquidator to recover and fully copy all of the information contained therein whether by way of printing the information onto paper or making copies of computer disks or such other manner of retrieving and copying the information as the Liquidator in its discretion deems expedient, and shall not alter, erase or destroy any Records without the prior written consent of the Liquidator. Further, for the

purposes of this paragraph, all Persons shall provide the Liquidator with all such assistance in gaining immediate access to the information in the Records as the Liquidator may in its discretion require including providing the Liquidator with instructions on the use of any computer or other system and providing the Liquidator with any and all access codes, account names and account numbers that may be required to gain access to the information.

NO PROCEEDINGS AGAINST THE LIQUIDATOR

10. THIS COURT ORDERS that no proceeding or enforcement process in any court or tribunal (each, a “**Proceeding**”), shall be commenced or continued against the Liquidator except with the written consent of the Liquidator or with leave of this Court.

NO PROCEEDINGS AGAINST THE CREDIT UNION OR THE PROPERTY

11. THIS COURT ORDERS, subject to paragraph 12 of this Order, that no Proceeding against or in respect of the Credit Union or the Property shall be commenced or continued (including but not limited to the actions commenced by Ying Jiang against All Trans Financial Services Credit Union Limited in the Court of Queen’s Bench for Saskatchewan in Regina under Court File Q.B.G. 2024/14 and in the Supreme Court of British Columbia in Vancouver under Court File No. S-147229) except with the written consent of the Liquidator or with leave of this Court, and any and all Proceedings currently under way against or in respect of the Credit Union or the Property are hereby stayed and suspended pending further Order of this Court.

12. THIS COURT ORDERS that nothing in this Order shall:

- (a) affect or in any way restrain the continuation of any of the proceedings or claims asserted, or the enforcement of any orders made, in the Recovery Litigation (including, but not limited to, the motions brought by the Recovery Litigation Parties relating to settlement enforcement, stay of the Recovery Litigation, and preservation of claims, which motions are pending in the Recovery Litigation), and any order made in the Recovery Litigation shall be binding on the Liquidator; or
- (b) affect the Order of this Court dated December 22, 2020 in proceedings bearing court file number CV-20-00651509-00CL between the Applicant (as Applicant) and Arn Reisler, 1428245 Ontario Ltd, Larry Smith, Phillip Smith and Mary Benincasa (as Respondents).

NO EXERCISE OF RIGHTS OR REMEDIES

13. THIS COURT ORDERS that all rights and remedies against the Credit Union, the Liquidator, or affecting the Property, are hereby stayed and suspended except with the written consent of the Liquidator or leave of this Court, provided however that nothing in this paragraph shall (i) empower the Liquidator or the Credit Union to carry on any business which the Credit Union is not lawfully entitled to carry on, (ii) exempt the Liquidator or the Credit Union from compliance with statutory or regulatory provisions relating to health, safety or the environment, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH THE LIQUIDATOR

14. THIS COURT ORDERS that no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Credit Union, without written consent of the Liquidator or leave of this Court.

CONTINUATION OF SERVICES

15. THIS COURT ORDERS that all Persons having oral or written agreements with the Credit Union or statutory or regulatory mandates for the supply of goods and/or services, including without limitation, all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Credit Union are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Liquidator, and that the Liquidator shall be entitled to the continued use of the Credit Union's current telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Liquidator in accordance with normal payment practices of the Credit Union or such other practices as may be agreed upon by the supplier or service provider and the Liquidator, or as may be ordered by this Court.

LIQUIDATOR TO HOLD FUNDS

16. THIS COURT ORDERS that all funds, monies, cheques, instruments, and other forms of payments received or collected by the Liquidator from and after the making of this Order from any source whatsoever, including without limitation the sale of all or any of the

Property and the collection of any accounts receivable in whole or in part, whether in existence on the date of this Order or hereafter coming into existence, may be deposited into existing accounts in the name of the Credit Union, or with respect to the Prepaid Card Business, in the existing accounts at The Toronto-Dominion Bank or elsewhere, or into one or more new accounts to be opened by the Liquidator, all of which shall be held by the Liquidator to be distributed in accordance with the terms of this Order or any further Order of this Court.

PIPEDA

17. THIS COURT ORDERS that, pursuant to clause 7(3)(c) of the Canada *Personal Information Protection and Electronic Documents Act*, the Liquidator shall disclose personal information of identifiable individuals to prospective purchasers or bidders for the Property and to their advisors, but only to the extent desirable or required to negotiate and attempt to complete one or more sales of the Property (each, a “Sale”). Each prospective purchaser or bidder to whom such personal information is disclosed shall maintain and protect the privacy of such information and limit the use of such information to its evaluation of the Sale, and if it does not complete a Sale, shall return all such information to the Liquidator, or in the alternative destroy all such information. The purchaser of any Property shall be entitled to continue to use the personal information provided to it, and related to the Property purchased, in a manner which is in all material respects identical to the prior use of such information by the Credit Union, and shall return all other personal information to the Liquidator, or ensure that all other personal information is destroyed.

LIMITATION ON THE LIQUIDATOR'S LIABILITY

18. THIS COURT ORDERS that the Liquidator shall incur no liability or obligation as a result of its appointment or the carrying out the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Liquidator by any applicable legislation.

LIQUIDATOR'S ACCOUNTS

19. THIS COURT ORDERS that the Liquidator and counsel to the Liquidator shall be paid their reasonable fees and disbursements incurred in relation to the winding up and liquidation of the Credit Union (including in connection with this application), in each case at their standard rates and charges unless otherwise ordered by the Court on the passing of accounts, and that the Liquidator and counsel to the Liquidator shall be entitled to and are hereby granted a charge (the "**Liquidator's Charge**") on the Property, as security for such fees and disbursements, both before and after the making of this Order in respect of these proceedings, and that the Liquidator's Charge shall form a charge on the Property in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subordinate in priority to validly perfected security interests on the Property existing as of the date of this Order.

20. THIS COURT ORDERS that the Liquidator and its legal counsel shall pass its accounts from time to time, and for this purpose the accounts of the Liquidator and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

21. THIS COURT ORDERS that prior to the passing of its accounts, the Liquidator shall be at liberty from time to time to apply reasonable amounts, out of the monies in its hands, against its fees and disbursements, including legal fees and disbursements, incurred at the standard rates and charges of the Liquidator or its counsel, and such amounts shall constitute advances against its remuneration and disbursements when and as approved by this Court.

SERVICE AND NOTICE

22. THIS COURT ORDERS that the E-Service Protocol of the Commercial List (the “**Protocol**”) is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service-protocol/>) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL: www.home.kpmg/ca/pacecu.

23. THIS COURT ORDERS that if the service or distribution of documents in accordance with the Protocol is not practicable, the Liquidator is at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the Credit Union’s creditors or other interested parties at

their respective addresses as last shown on the records of the Credit Union and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

GENERAL

24. THIS COURT ORDERS that the Liquidator may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

25. THIS COURT ORDERS that nothing in this Order shall prevent the Liquidator from acting as a trustee in bankruptcy of the Credit Union.

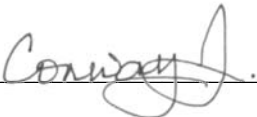
26. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Liquidator and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Liquidator, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Liquidator and its agents in carrying out the terms of this Order.

27. THIS COURT ORDERS that the Liquidator, or FSRA on behalf of the Credit Union, be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Liquidator is authorized and

empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

28. THIS COURT ORDERS that the Applicant shall have its costs of this motion, up to and including entry and service of this Order, on a substantial indemnity basis to be paid by the Liquidator from the Credit Union's estate with such priority and at such time as this Court may determine.

29. THIS COURT ORDERS that any interested party may apply to this Court to vary or amend this Order on not less than seven (7) days' notice to the Liquidator and to any other party likely to be affected by the order sought or upon such other notice, if any, as this Court may order.



IN THE MATTER OF THE *CREDIT UNIONS AND CAISSES POPULAIRES ACT, 2020*, S.O. 2020, C. 36, SCHED. 7, AS AMENDED
AND IN THE MATTER OF PACE SAVINGS & CREDIT UNION LIMITED

APPLICATION OF PACE SAVINGS & CREDIT UNION LIMITED UNDER SECTION 240 OF THE *CREDIT UNIONS AND CAISSES POPULAIRES ACT, 2020*, S.O. 2020, C. 36, SCHED. 7, AS AMENDED

Court File No. CV-22-00685736-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

**Proceeding commenced at
Toronto**

**ORDER
(WINDING UP & APPOINTING LIQUIDATOR)**

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Lawyers for the Administrator of the Applicant

TAB B

Court File No. CV-22-00685736-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

**IN THE MATTER OF THE *CREDIT UNIONS AND CAISSES POPULAIRES ACT, 2020*,
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AND IN THE MATTER OF PACE SAVINGS & CREDIT UNION LIMITED

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240 OF THE *CREDIT UNIONS AND CAISSES POPULAIRES ACT, 2020*, S.O. 2020, C. 36,
SCHED. 7, AS AMENDED**

**FIRST REPORT OF KPMG INC. in its capacity as
LIQUIDATOR OF PACE SAVINGS & CREDIT UNION LIMITED**

JANUARY 27, 2023

TABLE OF CONTENTS

	Page
I. INTRODUCTION	4
II. PURPOSE OF REPORT	4
III. TERMS OF REFERENCE	5
IV. BACKGROUND ON PCU.....	6
V. RECOVERY LITIGATION	8
VI. SETTLEMENTS IN THE RECOVERY LITIGATION	10
VII. LIQUIDATOR’S CONCLUSIONS AND RECOMMENDATIONS	14

LIST OF APPENDICES

- Appendix A - Liquidation Order dated August 24, 2022
- Appendix B - Affidavit of Mehrdad Rastan sworn August 17, 2022
- Appendix C - PCU's Further Amended as Fresh-as-Amended Statement of Claim dated October 18, 2022
- Appendix D - Further Amended Statement of Defence, Counterclaim and Crossclaim of the Larry Parties dated October 26, 2022
- Appendix E - Statement of Defence, Counterclaim and Crossclaim of Phillip Smith dated July 8, 2021
- Appendix F - Phillip Smith's Statement of Claim dated October 7, 2019
- Appendix G - Statement of Defence, Counterclaim and Crossclaim of the Former Directors dated June 10, 2022
- Appendix H - Statement of Defence and Counterclaim of Brian Hogan dated March 25, 2021
- Appendix I - Amended Statement of Defence, Counterclaim and Crossclaim of the Klees Parties dated June 8, 2022
- Appendix J - PCU's Amended Statement of Claim dated August 5, 2022
- Appendix K - Statement of Defence of CUMIS dated October 12, 2022
- Appendix L - Redacted Former Directors Settlement Agreement dated December 1, 2022
- Appendix M - Redacted CUMIS Settlement Agreement dated December 1, 2022

I. INTRODUCTION

1. On August 24, 2022, PACE Savings & Credit Union Limited (“PCU” or the “**Credit Union**”) was ordered to be wound up pursuant to section 240 of the *Credit Unions and Caisses Populaires Act, 2020* (the “**CUCPA**”) by an Order (the “**Liquidation Order**”) of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”), and KPMG Inc. (“**KPMG**”) was appointed as liquidator (in such capacity, the “**Liquidator**”) of all the remaining assets, undertakings and properties of PCU. A copy of the Liquidation Order is attached hereto as **Appendix “A”**.
2. Prior to the Liquidator’s appointment, on March 18, 2019, PCU commenced a claim in the Ontario Superior Court of Justice (Commercial List) bearing Court File No. CV-19-00616388-00CL against the former President and the former Chief Executive Officer (“**CEO**”) of the Credit Union (Larry and Phillip Smith), their associated corporations and affiliates, certain of the Credit Union’s former directors, and a number of other parties (the “**Claim Against Smiths et al**”).
3. On February 28, 2022, PCU also commenced an action bearing Court File No. CV-22-00677550 against CUMIS General Insurance Company (“**CUMIS**”) in relation to a claim detailed in a proof of loss filed by the Credit Union dated October 16, 2019 under a fidelity insurance coverage bond issued by CUMIS (the “**CUMIS Fidelity Bond**”), in respect of losses incurred by PCU in connection with various dishonest acts of the former President and CEO of the Credit Union (the “**CUMIS Fidelity Bond Claim**”).
4. The above claims of the Credit Union and all related counterclaims, crossclaims and third-party claims are referred to herein collectively as the “**Recovery Litigation**”.

II. PURPOSE OF REPORT

5. The purpose of this report, which is the Liquidator’s first report to the Court (the “**First Report**”) is to provide information to this Honourable Court in respect of:
 - a. Certain background on PCU;
 - b. The history of the Recovery Litigation and related mediation;

- c. Details of settlements that have been entered into by the Liquidator in relation to the Recovery Litigation; and
- d. The Liquidator's motion for orders substantially in the forms attached to the Liquidator's Notice of Motion seeking approval of the aforesaid settlements and ancillary relief.

III. TERMS OF REFERENCE

6. In preparing this First Report, the Liquidator has been provided with, and has relied upon, the books and records and other information of PCU, including unaudited financial information and information provided by former management, advisors, and the former administrator of the Credit Union (collectively, the "**Information**"). In accordance with industry practice, except as otherwise described in this First Report, the Liquidator has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Liquidator has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Generally Accepted Auditing Standards ("**GAAS**") pursuant to the Chartered Professional Accountants of Canada Handbook and, accordingly, the Liquidator expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information.
7. Future oriented financial information reported or relied on in this First Report is based on assumptions regarding future events; actual results may vary from this forecast and such variations may be material.
8. Copies of the Liquidator's reports and all motion records and Orders in the liquidation proceedings are available on the Liquidator's website at <http://www.kpmg.com/ca/pacecu>.
9. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.

IV. BACKGROUND ON PCU

10. PCU was formerly an operating credit union headquartered in Vaughan, Ontario, which had approximately 34,000 members, 13 branches in the greater Toronto and surrounding area, and approximately \$900 million in assets on its balance sheet. The Credit Union is incorporated under the CUCPA and is regulated by the Financial Services Regulatory Authority of Ontario (“FSRA”).
11. Since September 28, 2018, and up until the Liquidator’s appointment, PCU was under administration by FSRA, formerly the Deposit Insurance Corporation of Ontario (“DICO”). The administration was initiated by DICO in response to, among other things, certain misconduct and regulatory breaches committed by the Credit Union's former President and CEO. The affidavit of Mehrdad Rastan, Executive Vice-President, Credit Union & Insurance Prudential of FSRA, sworn on August 17, 2022 (the “**Rastan Affidavit**”) in support of the motion brought by FSRA seeking the appointment of KPMG as Liquidator, sets out in further detail the background relating to the administration of the Credit Union. A copy of the Rastan Affidavit (without exhibits) is attached hereto as **Appendix “B”**.
12. As discussed in detail in the Rastan Affidavit, at the outset of the administration, it was DICO’s intent, in its capacity as administrator of the Credit Union (in such capacity, the “**Administrator**”¹), to resolve the governance issues which gave rise to the administration and return the Credit Union to a member-controlled governance in due course. For a number of reasons, including the onset of the COVID-19 pandemic, which are more particularly described in the Rastan Affidavit, the Administrator ultimately determined that the Credit Union’s financial position had deteriorated to such extent that it would not be possible to do so. Accordingly, the Administrator made the decision to pursue a purchase and assumption transaction for the Credit Union and a sale of PCU’s then wholly-owned subsidiary, Continental Currency Exchange (“CCE”), through separate but parallel competitive sale processes.

¹ FSRA succeeded DICO as administrator of PCU and accordingly, the defined term ‘Administrator’ also refers to FSRA in its capacity as administrator of the Credit Union.

13. On January 11, 2022, PCU, FSRA and DUCA Credit Union entered into a share purchase agreement in respect of the sale of all of the issued and outstanding share capital of CCE (the “**CCE Transaction**”). The CCE Transaction closed on March 31, 2022.
14. On April 20, 2022, PCU and FSRA entered into a purchase and assumption agreement (the “**Purchase and Assumption Agreement**”) with Alterna Savings and Credit Union Limited (“**Alterna**”). Pursuant to the Purchase and Assumption Agreement, Alterna acquired substantially all of the business and assets and assumed substantially all of the liabilities, member deposits and employees of the Credit Union except for certain excluded assets and liabilities (the “**Purchase and Assumption Transaction**”). The Purchase and Assumption Transaction closed on June 30, 2022. Alterna has agreed to provide certain transition services to PCU for a limited period of time. The services include various finance and accounting services and information technology services for the purposes of facilitating the Credit Union's dealing with its remaining assets and liabilities.
15. Following the completion of the Purchase and Assumption Transaction, PCU no longer had any active business operations (other than a small prepaid card business which is being wound down) and accordingly, for the reasons set out in the Rastan Affidavit, the Administrator sought the appointment of KPMG as Liquidator for purposes of dealing with the Credit Union’s remaining assets and liabilities and ultimately winding down the Credit Union.
16. The remaining assets and liabilities of the Credit Union include, among other things, proceeds from the CCE Transaction, the prepaid card business and related litigation, claims asserted in the Recovery Litigation, certain member deposits and accounts, certain loans, insurance claims or entitlements to proceeds of insurance, certain funds held in trust by the Credit Union for the benefit of former employees, and claims made in the winding-up proceedings of PACE Securities Corporation and its direct and indirect subsidiaries. Further details regarding PCU’s remaining assets and liabilities are provided in the Rastan Affidavit. In addition to the above, the investment, profit, and membership shareholdings of PCU’s approximately 34,000 members remain with the Credit Union.

V. RECOVERY LITIGATION

Background of the Recovery Litigation

Claim Against Smiths et al

17. Attached hereto as **Appendix “C”** is a copy of PCU’s Further Amended Fresh-as-Amended Statement of Claim dated October 18, 2022², commenced against Larry and Phillip Smith (the “**Smiths**”), their associated corporations and affiliates, certain of the Credit Union's former directors (the “**Former Directors**”) and a number of other parties who PCU alleges received improper benefits from the Credit Union. The Claim Against Smiths et al advances causes of action including breach of fiduciary duty, fraud, conspiracy, breach of contract and employment duties, breach of trust, knowing proceeds of breach of trust, conversion, unjust enrichment and negligence against the Smiths, the Former Directors, and the other parties.
18. Before issuing the claim, PCU sought and obtained an interim *Mareva* injunction against the Smiths. The Credit Union and the Smiths subsequently agreed to the terms of a permanent preservation order which was made on May 7, 2019, and remains in effect.
19. The defendants deny the allegations, and several have commenced counterclaims against PCU. The Smiths have commenced third-party claims against two of the Credit Union's former directors and Phillip Smith also brought a separate claim for wrongful dismissal against the Credit Union in September 2019. A copy of the Further Amended Statement of Defence, Counterclaim and Crossclaim of Larry Smith, 1428245 Ontario Ltd. and 809755 Ontario Limited (collectively, the “**Larry Parties**”) dated October 26, 2022³, is attached hereto as **Appendix “D”**. A copy of the Statement of Defence, Counterclaim and Crossclaim of Phillip Smith dated July 8, 2021, is attached hereto as **Appendix “E”**. A copy of Phillip Smith’s Statement of Claim dated October 7, 2019, is attached hereto as **Appendix “F”**. A copy of the Statement of Defence, Counterclaim and Crossclaim of the Former Directors dated June 10, 2022, is attached hereto as **Appendix “G”**. A copy of the Statement of Defence and Counterclaim of Brian Hogan dated March 25, 2021, is attached

² PCU’s Further Amended Fresh-as-Amended Statement of Claim dated October 18, 2022, has not yet been filed.

³ The Further Amended Statement of Defence, Counterclaim and Crossclaim of the Larry Parties dated October 26, 2022, has not yet been filed.

hereto as **Appendix “H”**. A copy of the Amended Statement of Defence, Counterclaim and Crossclaim of Frank Klees and Klees & Associated Ltd. (collectively, the “**Klees Parties**”) dated June 8, 2022, is attached hereto as **Appendix “I”**.

20. PCU has a directors and officers insurance policy (the “**D&O Policy**”) which provides coverage to every director or officer of the Credit Union in connection with any loss arising from a claim made against them for which they are not indemnified by PCU, up to a limit of \$15 million. It covers losses arising from “wrongful acts”, a term which includes breach of duty, neglect, and error. The D&O Policy also restricts coverage for claims brought by PCU, except where the claim is, *inter alia*, a derivative claim. The D&O Policy has a diminishing limit given that the defence costs of the directors and officers are covered under the policy.
21. Certain of the Credit Union’s former directors and officers (including the Smiths) sought coverage from CUMIS in respect of PCU’s claims against them for breach of duty and negligence. CUMIS denied defence coverage on the basis that the claim was brought by PCU itself. The directors and officers brought an application for coverage and in an endorsement dated May 18, 2021, the Court found that PACE’s claim was a derivative action, and that CUMIS is therefore obliged to defend the directors and officers. Although CUMIS has not formally conceded any obligation to indemnify under the D&O Policy, PCU has taken the position that CUMIS will be liable to the directors and officers for any damages award against them in favour of PCU in the Recovery Litigation, up to the remaining policy limit.

CUMIS Fidelity Bond Claim

22. The CUMIS Fidelity Bond provides fidelity insurance coverage with an effective date of January 1, 2018, and an expiry date of January 1, 2019. Pursuant to the terms of the CUMIS Fidelity Bond, CUMIS is liable to indemnify PCU for covered losses, which include losses resulting from dishonest or fraudulent acts of any director, employee, or contractor of the Credit Union to a maximum of \$10.025 million.
23. PCU had claimed the maximum amount available under the CUMIS Fidelity Bond pursuant to the CUMIS Fidelity Bond Claim. Prior to the settlement discussed further in this report, CUMIS had made a partial payment to PCU in the amount of approximately \$1

million. PCU commenced an action against CUMIS in relation to the unpaid portion of the CUMIS Fidelity Bond Claim. A copy of PCU's Amended Statement of Claim dated August 5, 2022, is attached hereto as **Appendix "J"**. A copy of CUMIS' Statement of Defence dated October 12, 2022, is attached hereto as **Appendix "K"**.

Status of the Recovery Litigation

24. The Recovery Litigation is currently pending before the Ontario Superior Court of Justice under three separate actions⁴. Pleadings have been exchanged between the parties, but documentary and oral discovery have not yet taken place.
25. The Smiths and the Former Directors brought motions to dismiss or permanently stay PCU's claims against them as an abuse of process on the basis of an alleged failure to immediately disclose settlement agreements that PACE entered into in 2020 and 2021 with other defendants in the Recovery Litigation (the "**Stay Motions**").
26. The Stay Motions were scheduled to be heard on December 19, 2022; however, as a result of scheduling issues, the Court vacated that date. The Stay Motions are now scheduled to be heard on March 20, 2023.

Efforts to Settle the Recovery Litigation and the Recent Mediation

27. The main parties to the Recovery Litigation agreed to participate in a mediation session before Larry Banack in an effort to try and settle all claims. The mediation took place on November 28 and 29 and December 1, 2022.
28. While a global settlement was not reached, the mediation did result in two settlements which are discussed further in this report. Larry Banack continues to have discussions with the non-settling parties regarding a potential global settlement.

VI. SETTLEMENTS IN THE RECOVERY LITIGATION

29. The mediation before Larry Banack resulted in a partial settlement of the Claim Against Smiths et al and a settlement of the CUMIS Fidelity Bond Claim as follows:

⁴ The main action bears Court File No. CV-19-00616388-00CL, the action against CUMIS bears Court File No. CV-22-00677550 and Phillip Smith's wrongful dismissal action bears Court File No. CV-19-00628710.

- a. A settlement agreement dated December 1, 2022, between PCU, by the Liquidator, and the Former Directors (the “**Former Directors Settlement Agreement**”). A copy of the Former Director Settlement Agreement (redacted to remove the settlement amount) is attached hereto as **Appendix “L”**; and
- b. A settlement agreement dated December 1, 2022, between PCU, by the Liquidator, and CUMIS in respect of the CUMIS Fidelity Bond Claim (the “**CUMIS Settlement Agreement**”, and together with the Former Directors Settlement Agreement, the “**Settlement Agreements**”). A copy of the CUMIS Settlement Agreement (redacted to remove the settlement amount) is attached hereto as **Appendix “M”**.

The Former Directors Settlement Agreement

30. The Former Directors Settlement Agreement contains the following key terms⁵:
 - a. The Former Directors shall cause CUMIS to pay the Settlement Funds within 30 days following the effective date of the Former Directors Settlement Agreement;
 - b. On the effective date, the parties will enter into a full and final mutual release of the claims against the Former Directors which shall be held in escrow until PCU’s receipt of the Settlement Funds;
 - c. PCU will amend the Statement of Claim in the Recovery Litigation to remove the claims against the Former Directors and to clarify that any damages it is seeking from the Non-Settling Defendants do not include any amount apportionable to the fault or negligence of the Former Directors;
 - d. PCU will obtain orders dismissing the Recovery Litigation as against the Former Directors. The Former Directors will consent to dismissal of their counterclaim against PCU;
 - e. If requested by PCU, the Former Directors shall cooperate with counsel for PCU and/or the Liquidator in the prosecution of the Recovery Litigation against the Non-Settling Defendants, including by appearing and giving sworn evidence as witnesses at the trial of the Recovery Litigation as against the Non-Settling Defendants. PCU will pay the

⁵ Capitalized terms not defined herein have the meaning defined in the Former Directors Settlement Agreement.

- reasonable legal fees incurred by the Former Directors in connection with such cooperation;
- f. CUMIS will not rely on the inclusion of an obligation to provide evidence in paragraph 5 of the Former Directors Settlement Agreement to allege that it constitutes a basis for denial of coverage. Should PCU exercise any rights to obtain such evidence, CUMIS may allege that it constitutes a basis for denial of coverage and PCU will be free to allege it does not constitute such a breach;
 - g. The Liquidator will seek an order from the Court approving the terms of the Former Directors Settlement Agreement on notice to all of the parties to the Recovery Litigation and CUMIS. The Former Directors and CUMIS will consent to the order; and
 - h. PCU will disclose the existence and terms of the Former Directors Settlement Agreement to the Non-Settling Defendants as required by law and as necessary to obtain the Approval Order. The parties shall otherwise keep the existence and terms of the Former Directors Settlement Agreement confidential and shall not reveal its existence and terms except to their respective legal and financial advisors and insurers, or as otherwise required by law.

The CUMIS Settlement Agreement

31. The CUMIS Settlement Agreement contains the following key terms⁶:
- a. CUMIS shall pay the Settlement Funds from the CUMIS Fidelity Bond within 30 days following the effective date of the CUMIS Settlement Agreement;
 - b. On the effective date, the parties will enter into a full and final mutual release of the CUMIS Fidelity Bond Claim and any claims under the EPL Policy which shall be held in escrow until PCU's receipt of the Settlement Funds;
 - c. CUMIS agrees that it has waived or will waive any subrogation and/or recovery rights which arose or may otherwise arise under the terms of the CUMIS Fidelity Bond or the EPL Policy;

⁶ Capitalized terms not defined herein have the meaning defined in the CUMIS Settlement Agreement.

- d. PCU will obtain an order dismissing the action in relation to the Fidelity Bond Claim on a with-prejudice and without-costs basis; and
- e. PCU will seek an order from the Court approving the terms of the CUMIS Settlement Agreement. CUMIS will consent to the order.

Status of the Settlements

- 32. PCU's counsel in the Recovery Litigation, Lax O'Sullivan Lisus Gottlieb LLP, provided written notice of the Settlement Agreements, including a redacted copy of the Former Directors Settlement Agreement, to all defendants in the Recovery Litigation on December 1, 2022.
- 33. The Settlement Funds under the Settlement Agreements were paid by CUMIS to the Liquidator on December 22, 2022.
- 34. All releases under the Settlement Agreements have been exchanged.

Court Approval of the Settlement Agreements

- 35. The Liquidator is seeking Court approval of the Settlement Agreements pursuant to their terms.
- 36. Attached hereto as **Confidential Appendix "A"** is a summary of relevant information pertaining to the Liquidator's decision to enter into the Settlement Agreements.
- 37. In the view of the Liquidator, the terms of the Settlement Agreements are fair and reasonable, they provide substantial benefits to the Credit Union's stakeholders, and they are consistent with the purpose and spirit of the winding up provisions of the CUCPA.
- 38. The quantum of the Settlement Funds and other information contained in Confidential Appendix "A" are not being publicly disclosed. The Liquidator respectfully requests an order sealing Confidential Appendix "A" until further order of the Court to maintain its confidentiality during the pendency of the Claim Against Smiths et al. It contains commercially sensitive information, public disclosure of which would be materially prejudicial to the interests of PCU and its stakeholders, which have an interest in maximizing recoveries from those defendants who have not settled. There is no alternative

measure available to protect this information, and no party is materially prejudiced by the sealing of this information.

VII. LIQUIDATOR'S CONCLUSIONS AND RECOMMENDATIONS

39. The Liquidator submits this First Report to the Court in support of the Liquidator's Motion for the relief as set out in the Notice of Motion and recommends that the Court grant such relief.

All of which is respectfully submitted at Toronto, Ontario this 27th day of January 2023.

**KPMG Inc.,
in its capacity as Liquidator of
Pace Savings & Credit Union Limited
and not in its personal capacity**



Per: _____

Anamika Gadia
Senior Vice President

TAB C

ARTICLES OF AMALGAMATION
under section 309(8) of the
Credit Unions and Caisses Populaires Act, 1994, as amended

1. The name of the amalgamated Credit Union is PACE Savings & Credit Union Limited.
2. The effective date and time of amalgamation is 12:02 a.m. January 1st, 2013.
3. The address of the head office is Unit 1 – 8111 Jane Street, Vaughan, Ontario L4K 4L7.
4. The number of directors of the amalgamated Credit Union is a minimum of twelve (12) and a maximum of sixteen (16).
5. There shall be sixteen (16) first directors of the Credit Union, and those first directors are:

Name	Municipal Address	Occupation	Initial Term Expires	Canadian Resident?
Wendy Mitchell	26 Brooke Avenue, Collingwood, ON L9Y 5L2	Human Resources Business Development Executive IBM Canada Ltd	2014	Yes
Pauline Wainwright	3 Stornwood Court, Brampton, ON L6W 4H4	Legal Assistant	2014	Yes
Claude Duchesneau	79 Cloverdale Drive, Brampton, ON L6T 2T5	Lead Hand Custodian, Dufferin Peel DCSB	2014	Yes
Ian Goodfellow	656 Ninth Line, Innisfil, ON L9S 3Y5	Director of Finance/Treasurer, Town of Bradford	2014	Yes
Brian Burchert	88 Anglesey Blvd. Toronto, ON M9A 3C4	Real Estate Agent	2015	Yes
Deborah Baker	15334 Argyll Road, Georgetown, ON L7G 5P3	CA, COO & CFO OpenAire Inc	2015	Yes
Mel Greif	168 Howland Avenue, Toronto, ON M5R 3B6	Appointed Councillor, Ontario College of Teachers	2015	Yes

Name	Municipal Address	Occupation	Initial Term Expires	Canadian Resident?
Neil Williamson	790 Millbank Road, Pickering, ON L1V 3L5	Retired Principal/ Financial Planner	2015	Yes
George Pohle	5479 Yonge Street, Gilford, ON L0L 1R0	General Manager, Trotters' Service Centre	2015	Yes
Ken Topping	152 Muriel Street, Shelburne, ON L0N 1S1	Retired School Administrator	2015	Yes
Brent Bailey	90 Anglesey Blvd Toronto, ON M9A 3C4	Educator Geography Department Head	2015	Yes
Gerry Robin	18 Great Plains Street, Brampton, ON L6R 1Z5	CGA, Director, Corporate Services for Credit Valley Conservation	2016	Yes
Jim Tindall	6390 Owen Road, RR #1, Uxbridge, ON L9P 1R1	Food Producer	2016	Yes
Peter Rebellati	12 Hardwick Drive, Brampton, ON L6W 2Z4	Financial Support Analyst, Corporate Finance Division, Region of Peel	2016	Yes
Al Jones	43 Barre Drive, Barrie, ON L4N 7N8	Life Insurance, Certified Financial Planner	2016	Yes
Stan Dimakos	404 Rintoul Crescent, Shelburne, ON L0N 1S2	Restaurateur	2016	Yes

6. The classes and any maximum number of shares that the Credit Union is authorized to issue are:
- (a) an unlimited number of membership shares;
 - (b) an unlimited number of Class A Special Shares ("Class A Shares"), issuable in series, of which the initial series shall be:
 - (i) an unlimited number of Series 1 Shares (the "Class A Shares, Series 1"); and
 - (c) an unlimited number of Class B Special Shares ("Class B Shares"), issuable in series, of which the initial series shall be:
 - (i) an unlimited number of Series 1 Shares (the "Class B Shares, Series 1");

- (ii) an unlimited number of Series 2 Shares (the “Class B Shares, Series 2”);
- (iii) an unlimited number of Series 3 Shares (the “Class B Shares, Series 3”);
- (iv) an unlimited number of Series 4 Shares (the “Class B Shares, Series 4”); and
- (v) an unlimited number of Series 5 Shares (the “Class B Shares, Series 5”).

7. In these provisions, unless there is something in the subject matter or context inconsistent therewith, the following words and phrases shall have the following meanings:

“**Act**” shall mean the *Credit Unions and Caisses Populaires Act, 1994*, S.O. 1994, c. 11, as now enacted or as the same may from time to time be amended, re-enacted or replaced;

“**Annual Redemption Limit**” shall mean, in any one fiscal year, a limit of ten per cent of the issued and outstanding Class B Shares, Series 3 at the end of the immediately-preceding fiscal year;

“**Business Day**” shall mean a day other than a Saturday, a Sunday or any other day that is a statutory holiday in Ontario;

“**Credit Union**” means PACE Savings & Credit Union Limited;

“**Prescribed Redemption Date**” shall mean the first Business Day following the first meeting of the board of directors of the Credit Union after November 30 in any calendar year;

“**Redemption Amount**” shall mean the Redemption Price, plus all declared and unpaid dividends thereon;

“**Redemption Date**” shall mean the Business Day on which the Credit Union redeems any share of any class or series; and

“**Redemption Price**” shall mean an amount for each share, equal to the amount paid up thereon.

(b) **Other Defined Terms**

Any words or phrases used in these articles which are not specifically defined herein shall have attributed to them the meaning given to such words in the Act.

(c) **Business Day**

In the event that any date on or by which any action is required to be taken by the Credit Union hereunder is not a Business Day, then such action shall be required to be taken on or by the next succeeding date that is a Business Day.

8. Membership Shares: The rights, privileges, restrictions, and conditions attaching to the Membership Shares are:
- (a) Payment of Dividends: The holders of the Membership Shares shall be entitled to receive dividends in cash or in the form of Class A Shares, Series 1, as and when declared by the board of directors of the Credit Union out of the assets of the Credit Union properly applicable to the payment of dividends, in such amount and payable at such times and at such place or places in Canada as the board of directors may from time to time determine. Subject to the rights of the holders of Class A Shares and Class B Shares, which are entitled to receive dividends in priority to the Membership Shares, the board of directors may in their sole discretion declare dividends on the Membership Shares.
 - (b) Participation upon Liquidation, Dissolution or Winding-up: In the event of the liquidation, dissolution or winding-up of the Credit Union or other distribution of assets or property of the Credit Union among its members or shareholders for the purpose of winding-up its affairs, and after the payment of all debts and liabilities, including any dividends declared and not paid, and the purchase for cancellation or redemption of all outstanding shares, the remaining property of the Credit Union shall be distributed or disposed of among the members at the time of dissolution equally, irrespective of the length of time each member has been a member.
 - (c) Voting Rights: The holders of the Membership Shares shall be entitled to receive notice of and to attend annual and special meetings of the members of the Credit Union and to one vote at such meeting, regardless of the number of Membership Shares held by the member.
 - (d) Redemption: Subject to section 62 of the Act, the Credit Union shall redeem Membership Shares when a member withdraws or is expelled from the Credit Union. Upon expulsion from membership, the Credit Union shall, after deduction of all amounts due from the member, forthwith pay to anyone so removed from membership, in cash or by cheque, the Redemption Amount for each such share redeemed. In the case of a withdrawal from membership, payment shall be made within ninety days of his giving notice of his intention to withdraw.

- (e) Redemption on Reduction of Membership Share Requirement: Subject to the Act and Regulations, the Credit Union may, upon giving notice as provided in the Credit Union's by-laws, redeem, on the Redemption Date, the whole or any part of the then outstanding Membership Shares if:
- (1) the members of the Credit Union have passed a special resolution to amend the membership by-law to reduce the number of membership shares that a person or entity must subscribe for to become a member; and
 - (2) the payment by the Credit Union to redeem the Membership Shares would not cause the Credit Union to be in contravention of section 84 of the Act.

Payment for each share to be redeemed shall be the Redemption Amount for such share.

Payment of the Redemption Amount for each share shall be made by the Credit Union within 30 days of the Redemption Date.

- (f) Transfer: Transfer of Membership Shares other than to the Credit Union or another credit union is prohibited.

4. Class A Shares: The rights, privileges, restrictions, and conditions attaching to the Class A Shares are:

- (a) Directors' Authority to Issue Shares in Series: The board of directors of the Credit Union may issue the Class A Shares at any time and from time to time in one or more series. Before the first shares of a particular series are issued, the board of directors of the Credit Union shall fix the number of shares in such series and shall determine, subject to the limitations set out in the articles, the designation, rights, privileges, restrictions and conditions to attach to the shares of such series, including, without limiting the generality of the foregoing, the rate or rates of, amount or method or methods of calculation of preferential dividends, whether cumulative or non-cumulative or partially cumulative, and whether such rates, amounts or methods of calculation shall be subject to change or adjustment in the future, the currency or currencies of payment, the date or dates and place or places of payment thereof and the date or dates from which such preferential dividends shall accrue, the redemption price and terms and conditions of redemption (if any), the rights of retraction (if any), and the prices and other terms and conditions of any rights of retraction and whether any additional rights of retraction may be vested in such

holders in the future, voting rights and conversion or exchange rates (if any). Before the issue of the first shares of a series, the board of directors of the Credit Union shall send to the Superintendent of Financial Services articles of amendment in the prescribed form containing a description of such series, including the designation, rights, privileges, restrictions and conditions determined by the directors.

- (b) Ranking of Class A Shares: No rights, privileges, restrictions or conditions attached to a series of Class A Shares shall confer upon a series a priority, in respect of dividends or return of capital in the event of the liquidation, dissolution or winding-up of the Credit Union, over any other series of Class A Shares. The Class A Shares of each series shall rate on a parity with the Class A Shares of every other series with respect to priority in the payment of dividends and the return of capital and the distribution of assets of the Credit Union in the event of the liquidation, dissolution or winding-up of the Credit Union, whether voluntary or involuntary, or any other distribution of the assets of the Credit Union among its members or shareholders for the purpose of winding up its affairs.
 - (c) Issuance: Class A Shares may only be issued to persons who are members pursuant to the terms and conditions prescribed in the by-laws of the Credit Union. Any invitation to the public to subscribe for Class A Shares in the Credit Union is prohibited.
 - (d) Dividends Preferential: Except with the consent of the holders of all the Class A Shares outstanding, expressed by a majority vote of the Class A shareholders at a meeting called for that purpose, no dividend shall at any time be declared and paid, or set apart for payment, on the membership shares in any fiscal year, unless and until a dividend on all the Class A Shares outstanding in respect of such fiscal year has been declared and paid, or set apart for payment.
 - (e) Participation Upon Liquidation, Dissolution or Winding-up: In the event of the liquidation, dissolution or winding-up of the Credit Union, or other distribution of assets or property of the Credit Union among its members and shareholders for the purpose of winding-up its affairs, the holders of the Class A Shares shall be entitled to receive, from the assets and property of the Credit Union, a sum equivalent to the aggregate Redemption Amount (as defined in the terms and conditions of the relevant series of Class A Shares) of all Class A Shares held by them respectively, before any amount shall be paid, or any property or assets of the Credit Union distributed, to the holders of any Membership Shares. After
-

payment to the holders of the Class A Shares of the amount so payable to them as above provided, they shall not be entitled to share in any further distribution of the assets or property of the Credit Union.

- (f) Voting Rights: The holders of the Class A Shares, in their capacity as holders of Class A Shares, shall not be entitled either to receive notice of, or to attend, any meeting of the members of the Credit Union, and shall not be entitled to vote at any such meeting; the holders of the Class A Shares shall, however, be entitled to notice of meetings of the shareholders called for the purpose of authorizing the dissolution or winding up of the Credit Union, or the transfer, as that term is defined in section 206 of the Act, of all or a substantial portion of the Credit Union's assets, or the amalgamation of the Credit Union with another credit union, or the authorization of an application to the Superintendent of Financial Services for a certificate of approval of its continuance as another kind of Ontario entity, or an entity subject to the laws of a jurisdiction other than Ontario, or an amendment to the articles of the Credit Union which will have a direct effect on the terms and conditions of the Class A Shares, and each Class A Share shall entitle the holder thereof to one (1) vote at any such meeting.
 - (g) Transfer Restrictions: No Class A Share in the capital of the Credit Union shall be transferred to any person other than a person who is a member on the register of the Credit Union, and without the express consent of directors of the Credit Union expressed by a majority vote of the board of directors.
5. Class A Shares, Series 1: The first series of the Class A Shares shall be designated as the "**Series 1 Shares**". The board of directors is authorized to issue an unlimited number of Class A Shares, Series 1. In addition to the rights, privileges, restrictions, and conditions attaching to the Class A Shares as a class, the Class A Shares, Series 1 shall have attached thereto the following:
- (a) Non-cumulative Dividends: The holders of the Class A Shares, Series 1, in priority to the Membership Shares, but ranking junior to all series of Class B Shares, shall be entitled to receive and the Credit Union shall pay thereon, as and when declared by the board of directors of the Credit Union out of the assets of the Credit Union properly applicable to the payment of dividends, a preferential non-cumulative cash or stock dividend, at a rate determined by the directors from time to time on the Redemption Price per share.

If, after the expiration of any fiscal year of the Credit Union, the board of directors, in its discretion, shall not declare a dividend on the Class A Shares, Series 1, for the fiscal year, then the rights of the holders of the Class A Shares, Series 1, to such dividend, or to any undeclared part thereof, for such fiscal year shall be forever extinguished.

- (b) Redemption at Option of Holder (Retraction): Except as herein described below and subject to the terms of the Act, a holder of the Class A Shares, Series 1, who is withdrawing or expelled from the Credit Union, or who has attained the age of sixty-five years, or the estate of such a holder who has died, may require the Credit Union to redeem any of the Class A Shares, Series 1, registered in the name of such holder or his or her estate, as the case may be, on the books of the Credit Union by tendering to the Credit Union, at its head office, a share certificate or certificates representing the Class A Shares, Series 1, which the registered holder or his or her estate, as the case may be, desires to have the Credit Union redeem, together with a request in writing specifying:
- (i) that the registered holder or his or her estate, as the case may be, desires to have the Class A Shares, Series 1, represented by such certificate or certificates redeemed by the Credit Union; and
 - (ii) the Redemption Date on which the holder or his or her estate, as the case may be, desires to have the Credit Union redeem such Class A Shares, Series 1, provided that the Redemption Date shall be not less than 30 days after the day on which the request in writing is given to the Credit Union.

Upon receipt of a share certificate or certificates representing the Class A Shares, Series 1, which the registered holder or his or her estate, as the case may be, desires to have the Credit Union redeem, together with such a request, the Credit Union shall, subject to the limits detailed below, on the Redemption Date, redeem such Class A Shares, Series 1, by paying to such registered holder or his or her estate, as the case may be, the Redemption Amount for each such Class A Share, Series 1, being redeemed. The said Class A Shares, Series 1, shall be redeemed on the Redemption Date, and from and after the Redemption Date such shares shall cease to be entitled to dividends, and the holder thereof or his or her estate, as the case may be, shall not be entitled to exercise any of the rights of holders of Class A Shares, Series 1, in respect thereof, unless payment of the Redemption Amount is not made on the Redemption Date, in

which event the rights of the holder or his or her estate, as the case may be, shall remain unaffected.

In any one fiscal year the Credit Union shall only redeem a maximum of ten per cent of the number of Class A Shares, Series 1, issued and outstanding at the end of the immediately-preceding fiscal year of the Credit Union. Redemptions will be approved by the directors of the Credit Union on a first-come, first-served basis. If more than ten per cent of the issued and outstanding Class A Shares, Series 1, are presented for redemption in any one fiscal year, the Class A Shares, Series 1, not redeemed in that year shall be the first such shares redeemed in the subsequent fiscal year of the Credit Union.

(c) Redemption by the Credit Union: The Credit Union may, upon giving notice as hereinafter provided, redeem, at any time after the date five years from their date of issue (which shall be, in the case of any Class A Share, Series 1, issued by the Credit Union upon its creation by amalgamation, the date of first issue of the share which was converted into that Class A Share, Series 1, by the predecessor credit union which first issued it), the whole or from time to time any part, of the then outstanding Class A Shares, Series 1, on payment of the Redemption Amount.

(d) Idem:

(i) Notice

In the case of redemption of Class A Shares, Series 1, under the provisions of clause (c) hereof, the Credit Union shall, at least 21 days before the date specified for redemption, mail to each person who at the date of mailing is a registered holder of Class A Shares, Series 1, to be redeemed, a notice in writing of the intention of the Credit Union to redeem such Class A Shares, Series 1. Such notice shall be mailed by letter, postage prepaid, addressed to each such shareholder at his address as it appears on the records of the Credit Union, or, in the event of the address of any such shareholder not so appearing, then to the last known address of such shareholder; provided, however, that accidental failure to give any such notice to one or more of such shareholders shall not affect the validity of such redemption. Such notice shall set out the Redemption Amount and the date on which redemption is to take place, and, if part only of the shares held by the person to whom it

is addressed is to be redeemed, the number thereof so to be redeemed.

(ii) Payment

On or after the date so specified for redemption, the Credit Union shall pay, or cause to be paid, to, or to the order of, the registered holders of the Class A Shares, Series 1, to be redeemed, the Redemption Amount thereof, on presentation and surrender at the head office of the Credit Union, or any other place designated in such notice, of the certificates representing the Class A Shares, Series 1, called for redemption. Such payment shall be credited to the member's account with the Credit Union. If a part only of the shares represented by any certificate be redeemed, a new certificate for the balance shall be issued at the expense of the Credit Union. From and after the date specified for redemption in any such notice, the Class A Shares, Series 1, called for redemption shall cease to be entitled to dividends, and the holders thereof shall not be entitled to exercise any of the rights of shareholders in respect thereof, unless payment of the Redemption Amount shall not be made upon presentation of certificates in accordance with the foregoing provisions, in which case the rights of the shareholders shall remain unaffected.

(iii) Failure to Present

The Credit Union shall have the right, at any time after the mailing of notice of its intention to redeem any Class A Shares, Series 1, to deposit the Redemption Amount of the shares so called for redemption, or of such of the said shares represented by certificates as have not at the date of such deposit, been surrendered by the holders thereof in connection with such redemption, to a special account, to be paid, without interest, to, or to the order of, the respective holders of such Class A Shares, Series 1, called for redemption, upon presentation and surrender of the certificates representing the same, and, upon such deposit being made, or upon the date specified for redemption in such notice, whichever is the latter, the Class A Shares, Series 1, in respect whereof such deposit shall have been made shall be redeemed, and the rights of the holders thereof after such deposit, or such redemption date, as the case may be, shall be limited to receiving, without interest, their proportionate part of the total Redemption Amount so

deposited against presentation and surrender of the said certificates held by them respectively, and any interest allowed on such deposit shall belong to the Credit Union.

6. Class B Shares: The rights, privileges, restrictions, and conditions attaching to the Class B Shares are:
- (a) Directors' Authority to Issue Shares in Series: The board of directors of the Credit Union may issue the Class B Shares at any time and from time to time in one or more series. Before the first shares of a particular series are issued, the board of directors of the Credit Union shall fix the number of shares in such series and shall determine, subject to the limitations set out in the articles, the designation, rights, privileges, restrictions and conditions to attach to the shares of such series, including, without limiting the generality of the foregoing, the rate or rates of, amount or method or methods of calculation of preferential dividends, whether cumulative or non-cumulative or partially cumulative, and whether such rates, amounts or methods of calculation shall be subject to change or adjustment in the future, the currency or currencies of payment, the date or dates and place or places of payment thereof and the date or dates from which such preferential dividends shall accrue, the redemption price and terms and conditions of redemption (if any), the rights of retraction (if any), and the prices and other terms and conditions of any rights of retraction and whether any additional rights of retraction may be vested in such holders in the future, voting rights and conversion or exchange rates (if any). Before the issue of the first shares of a series, the board of directors of the Credit Union shall send to the Superintendent of Financial Services articles of amendment in the prescribed form containing a description of such series, including the designation, rights, privileges, restrictions and conditions determined by the directors.
- (b) Ranking of Class B Shares: No rights, privileges, restrictions or conditions attaching to a series of Class B Shares shall confer upon a series a priority, in respect of dividends or return of capital in the event of the liquidation, dissolution or winding-up of the Credit Union, over any other series of Class B Shares. The Class B Shares of each series shall rate on a parity with the Class B Shares of every other series with respect to priority in the payment of dividends and the return of capital and the distribution of assets of the Credit Union in the event of the liquidation, dissolution or winding-up of the Credit Union, whether voluntary or involuntary, or any other distribution of the assets of the Credit

Union among its members or shareholders for the purpose of winding up its affairs.

- (c) Issuance: Class B Shares may only be issued to persons who are members pursuant to the terms and conditions prescribed in the bylaws of the Credit Union, and who, if they are natural persons, have attained the age of eighteen years. Any invitation to the public to subscribe for Class B Shares in the Credit Union is prohibited.
- (d) Dividends Preferential: Except with the consent of the holders of all the Class B Shares outstanding, expressed by a majority vote of the Class B Share shareholders at a meeting called for that purpose, no dividends shall at any time be declared and paid, or set apart for payment, on the Membership Shares, the Class A Shares, or on any shares junior to the Class B Shares, in any fiscal year unless and until a dividend on all the Class B Shares outstanding in respect of such fiscal year has been declared and paid, or set apart for payment.
- (e) Participation on Liquidation, Dissolution or Winding-up: In the event of the liquidation, dissolution or winding-up of the Credit Union, or other distribution of assets or property of the Credit Union among its members and shareholders for the purpose of winding-up its affairs, the holders of the Class B Shares shall be entitled to receive, from the assets and property of the Credit Union, a sum equivalent to the aggregate Redemption Amount of all Class B Shares held by them respectively, before any amount shall be paid, or any property or assets of the Credit Union distributed, to the holders of the Membership Shares, the Class A Shares, or any class of shares ranking junior to the Class B Shares. After payment to the holders of the Class B Shares of the amount so payable to them as above provided, they shall not be entitled to share in any further distribution of the assets or property of the Credit Union.
- (f) Voting Rights: The holders of the Class B Shares, in their capacity as holders of Class B Shares, shall not be entitled either to receive notice of, or to attend, any meetings of the members of the Credit Union, and shall not be entitled to vote at any such meeting. The holders of the Class B Shares shall, however, be entitled to notice of meetings of the shareholders called for the purpose of authorizing the dissolution or winding up of the Credit Union, or the transfer, as that term is defined in section 206 of the Act, of all or a substantial portion of the Credit Union's assets, or the amalgamation of the Credit Union with another credit union,

or the authorization of an application to the Superintendent of Financial Services for a certificate of approval of its continuance as another kind of Ontario entity, or an entity subject to the laws of a jurisdiction other than Ontario, or an amendment to the articles of the Credit Union which will have a direct effect on the terms and conditions of the Class B Shares, and each Class B Share shall entitle the holder thereof to one (1) vote at any such meeting.

- (g) Transfer Restrictions: No Class B Share in the capital of the Credit Union shall be transferred to any person other than a person who is a member on the register of the Credit Union and without the express consent of directors of the Credit Union expressed by a majority vote of the board of directors.

7. Class B Shares, Series 1: The first series of the Class B Shares shall be designated as the "**Series 1 Shares**". The board of directors is authorized to issue an unlimited number of Class B Shares, Series 1. In addition to the rights, privileges, restrictions, and conditions attaching to the Class B Shares as a class, the Class B Shares, Series 1 shall have attached thereto the following:

- (a) Non-cumulative Dividends: The holders of the Class B Shares, Series 1, in priority to the Class A Shares and the Membership Shares, but ranking equally with all other series of Class B Shares, shall be entitled to receive, and the Credit Union shall pay thereon, if, as and when declared by the board of directors of the Credit Union out of the assets of the Credit Union properly applicable to the payment of dividends, a preferential non-cumulative cash or stock dividend, at a rate determined by the directors from time to time on the Redemption Price per share.

If, after the expiration of any fiscal year of the Credit Union, the board of directors in its discretion, shall not declare a dividend on the Class B Shares, Series 1, for the fiscal year, then the rights of the holders of the Class B Shares, Series 1, to any dividend for such fiscal year shall be forever extinguished.

- (b) Redemption at Option of Holder (Retraction): Except as herein described below and subject to the terms of the Act, the holders of the Class B Shares, Series 1, may require the Credit Union at any time after the date which is five (5) years following the date upon which such shares were issued (which shall be, in the case of any Class B Share, Series 1, issued by the Credit Union upon its creation by amalgamation, the date of first issue of the share which was converted into that Class B Share, Series 1, by the predecessor credit union which first issued it); and the personal

representative of a deceased holder of Class B Shares, Series 1, may require at any time; the Credit Union to redeem, at its discretion, the Class B Shares, Series 1, registered in the name of such holder on the books of the Credit Union, by tendering to the Credit Union at its head office a share certificate or certificates representing such Class B Shares, Series 1, which the registered holder, or his or her estate, as the case may be, desires to have the Credit Union redeem, together with a request in writing specifying:

- (i) that the registered holder or his or her estate, as the case may be, desires to have the Class B Shares, Series 1, represented by such certificate or certificates redeemed by the Credit Union; and
- (ii) the Redemption Date, provided that the Redemption Date shall be not less than 30 days after the day on which the request in writing is given to the Credit Union.

Upon receipt of a share certificate or certificates representing the Class B Shares, Series 1, which the registered holder or his or her estate, as the case may be, desires to have the Credit Union redeem, together with such a request, the Credit Union shall, subject to the limits detailed below, on the Redemption Date, redeem such Class B Shares, Series 1, by paying to such registered holder or to his or her estate, as the case may be, the Redemption Amount for each such Class B Share, Series 1 being redeemed. The said Class B Shares, Series 1, shall be redeemed on the Redemption Date, and from and after the Redemption Date such shares shall cease to be entitled to dividends, and the holder thereof, or his or her estate, as the case may be, shall not be entitled to exercise any of the rights of holders of Class B Shares, Series 1, in respect thereof, unless payment of the Redemption Amount is not made on the Redemption Date, in which event the rights of the holder or his or her estate, as the case may be, shall remain unaffected.

In any one fiscal year the Credit Union shall only redeem a maximum of ten per cent of the number of Class B Shares, Series 1, issued and outstanding at the end of the immediately-preceding fiscal year of the Credit Union. Redemptions will be approved by the directors of the Credit Union on a first-come, first-served basis. If more than ten per cent of the issued and outstanding Class B Shares, Series 1, are presented for redemption in any one fiscal year, the Class B Shares, Series 1, not redeemed in that year shall

be the first such shares redeemed in the subsequent fiscal year of the Credit Union.

- (c) Redemption by the Credit Union: The Credit Union may, upon giving notice as hereinafter provided, redeem, at any time after the date five years from their date of issue (which shall be, in the case of any Class B Share, Series 1, issued by the Credit Union upon its creation by amalgamation, the date of first issue of the share which was converted into that Class B Share, Series 1, by the predecessor credit union which first issued it), the whole, or from time to time any part, of the then outstanding Class B Shares, Series 1, on payment of the Redemption Amount.
- (d) Idem

(i) Notice

In the case of redemption of Class B Shares, Series 1, under the provisions of clause (c) hereof, the Credit Union shall, at least 21 days before the date specified for redemption, mail to each person who, at the date of mailing, is a registered holder of Class B Shares, Series 1, to be redeemed, a notice in writing of the intention of the Credit Union to redeem such Class B Shares, Series 1. Such notice shall be mailed by letter, postage prepaid, addressed to each such shareholder at his address as it appears on the records of the Credit Union, or, in the event of the address of any such shareholder not so appearing, then to the last known address of such shareholder; provided, however, that accidental failure to give any such notice to one or more of such shareholders shall not affect the validity of such redemption. Such notice shall set out the Redemption Amount and the date on which redemption is to take place, and, if part only of the shares held by the person to whom it is addressed is to be redeemed, the number thereof so to be redeemed.

(ii) Payment

On or after the date so specified for redemption, the Credit Union shall pay, or cause to be paid, to, or to the order of, the registered holders of the Class B Shares, Series 1, to be redeemed, the Redemption Amount thereof, on presentation and surrender at the head office of the Credit Union, or any other place designated in such notice, of the certificates representing the Class B Shares, Series 1, called for

redemption. Such payment shall be credited to the member's account with the Credit Union. If a part only of the shares represented by any certificate be redeemed, a new certificate for the balance shall be issued at the expense of the Credit Union. From and after the date specified for redemption in any such notice, the Class B Shares, Series 1, called for redemption shall cease to be entitled to dividends, and the holders thereof shall not be entitled to exercise any of the rights of shareholders in respect thereof, unless payment of the Redemption Amount shall not be made upon presentation of certificates in accordance with the foregoing provisions, in which case the rights of the shareholders shall remain unaffected.

(iii) Failure to Present

The Credit Union shall have the right, at any time after the mailing of notice of its intention to redeem any Class B Shares, Series 1, to deposit the Redemption Amount of the shares so called for redemption, or of such of the said shares represented by certificates as have not at the date of such deposit been surrendered by the holders thereof in connection with such redemption, to a special account, to be paid, without interest, to, or to the order of, the respective holders of such Class B Shares, Series 1, called for redemption, upon presentation and surrender of the certificates representing the same, and, upon such deposit being made, or upon the date specified for redemption in such notice, whichever is the latter, the Class B Shares, Series 1, in respect whereof such deposit shall have been made shall be redeemed, and the rights of the holders thereof after such deposit or such redemption date, as the case may be, shall be limited to receiving, without interest, their proportionate part of the total Redemption Amount so deposited against presentation and surrender of the said certificates held by them respectively, and any interest allowed on such deposit shall belong to the Credit Union.

8. Class B Shares, Series 2: The second series of the Class B Shares shall be designated as the “**Series 2 Shares**”. The board of directors is authorized to issue an unlimited number of Class B Shares, Series 2. In addition to the rights, privileges, restrictions, and conditions attaching to the Class B Shares as a class, the Class B Shares, Series 2 shall have attached thereto the following:
 - (a) Non-cumulative Dividends: The holders of the Class B Shares, Series 2, in priority to the Class A Shares and to the Membership

Shares, but ranking equally with all other series of Class B Shares, shall be entitled to receive, and the Credit Union shall pay thereon, as and when declared by the board of directors of the Credit Union, out of the assets of the Credit Union properly applicable to the payment of dividends, a preferential non-cumulative cash or stock dividend at a rate determined by the directors from time to time on the Redemption Price per share.

If, after the expiration of any fiscal year of the Credit Union, the board of directors, in its discretion, shall not declare a dividend on the Class B Shares, Series 2, for the fiscal year, then the rights of the holders of the Class B Shares, Series 2, to such dividend, or to any undeclared part thereof, for such fiscal year shall be forever extinguished.

- (b) Redemption at Option of Holder (Retraction): Except as herein described below and subject to the terms of the Act, a holder of the Class B Shares, Series 2, or the estate of such a holder who has died, may require at any time the Credit Union to redeem, at the Credit Union's discretion, any of the Class B Shares, Series 2, registered in the name of such holder on the books of the Credit Union, by tendering to the Credit Union at its head office a share certificate or certificates representing the Class B Shares, Series 2, which the registered holder or his or her estate, as the case may be, desires to have the Credit Union redeem, together with a request in writing specifying:
- (i) that the registered holder or his or her estate, as the case may be, desires to have the Class B Shares, Series 2, represented by such certificate or certificates redeemed by the Credit Union; and
 - (ii) the Redemption Date on which the holder or his or her estate, as the case may be, desires to have the Credit Union redeem such Class B Shares, Series 2, provided that the Redemption Date shall be not less than 30 days after the day on which the request in writing is given to the Credit Union.

Upon receipt of a share certificate or certificates representing the Class B Shares, Series 2, which the registered holder or his or her estate, as the case may be, desires to have the Credit Union redeem, together with such a request, the Credit Union shall, subject to the limits detailed below, on the Redemption Date, redeem such Class B Shares, Series 2, by paying to such registered holder or his or her estate, as the case may be, the

Redemption Amount for each such Class B Share, Series 2, being redeemed. The said Class B Shares, Series 2, shall be redeemed on the Redemption Date, and, from and after the Redemption Date, such shares shall cease to be entitled to dividends, and the holder thereof or his or her estate, as the case may be, shall not be entitled to exercise any of the rights of holders of Class B Shares, Series 2, in respect thereof, unless payment of the Redemption Amount is not made on the Redemption Date, in which event the rights of the holder or his or her estate, as the case may be, shall remain unaffected.

In any one fiscal year the Credit Union shall only redeem a maximum of ten per cent of the number of Class B Shares, Series 2, issued and outstanding at the end of the immediately-preceding fiscal year of the Credit Union. Redemptions will be approved by the directors of the Credit Union on a first-come, first-served basis. If more than ten per cent of the issued and outstanding Class B Shares, Series 2, are presented and approved for redemption in any one fiscal year, the Class B Shares, Series 2, not redeemed in that year shall be the first such shares considered for redemption in the subsequent fiscal year of the Credit Union.

(c) Redemption by the Credit Union: The Credit Union may, upon giving notice as hereinafter provided, redeem, at any time after the date five years from their date of issue (which shall be, in the case of any Class B Share, Series 2, issued by the Credit Union upon its creation by amalgamation, the date of first issue of the share which was converted into that Class B Share, Series 2, by the predecessor credit union which first issued it), the whole, or from time to time any part, of the then outstanding Class B Shares, Series 2, on payment of the Redemption Amount.

(d) Idem:

(i) Notice

In the case of redemption of Class B Shares, Series 2, under the provisions of clause (c) hereof, the Credit Union shall, at least 21 days before the date specified for redemption, mail to each person who, at the date of mailing, is a registered holder of Class B Shares, Series 2, to be redeemed, a notice in writing of the intention of the Credit Union to redeem such Class B Shares, Series 2. Such notice shall be mailed by letter, postage prepaid, addressed to each such shareholder at his address as it appears on the records of the Credit Union, or, in the event of the address

of any such shareholder not so appearing, then to the last known address of such shareholder; provided, however, that accidental failure to give any such notice to one or more of such shareholders shall not affect the validity of such redemption. Such notice shall set out the Redemption Amount, and the date on which redemption is to take place, and, if part only of the shares held by the person to whom it is addressed is to be redeemed, the number thereof so to be redeemed.

(ii) Payment

On or after the date so specified for redemption, the Credit Union shall pay, or cause to be paid, to, or to the order of, the registered holders of the Class B Shares, Series 2, to be redeemed, the Redemption Amount thereof, on presentation and surrender, at the head office of the Credit Union or any other place designated in such notice, of the certificates representing the Class B Shares, Series 2, called for redemption. Such payment shall be credited to the member's account with the Credit Union. If a part only of the shares represented by any certificate be redeemed, a new certificate for the balance shall be issued at the expense of the Credit Union. From and after the date specified for redemption in any such notice, the Class B Shares, Series 2, called for redemption shall cease to be entitled to dividends, and the holders thereof shall not be entitled to exercise any of the rights of shareholders in respect thereof, unless payment of the Redemption Amount shall not be made upon presentation of certificates in accordance with the foregoing provisions, in which case the rights of the shareholders shall remain unaffected.

(iii) Failure to Present

The Credit Union shall have the right, at any time after the mailing of notice of its intention to redeem any Class B Shares, Series 2, to deposit the Redemption Amount of the shares so called for redemption, or of such of the said shares represented by certificates as have not, at the date of such deposit, been surrendered by the holders thereof in connection with such redemption, to a special account, to be paid, without interest, to, or to the order of, the respective holders of such Class B Shares, Series 2, called for redemption, upon presentation and surrender of the certificates representing the same, and, upon such deposit

being made or upon the date specified for redemption in such notice, whichever is the latter, the Class B Shares, Series 2, in respect whereof such deposit shall have been made shall be redeemed, and the rights of the holders thereof after such deposit or such redemption date, as the case may be, shall be limited to receiving, without interest, their proportionate part of the total Redemption Amount so deposited against presentation and surrender of the said certificates held by them respectively, and any interest allowed on such deposit shall belong to the Credit Union.

9. Class B Shares, Series 3: The third series of the Class B Shares shall be designated as the “**Series 3 Shares**”. The board of directors is authorized to issue an unlimited number of Class B Shares, Series 3. In addition to the rights, privileges, restrictions, and conditions attaching to the Class B Shares as a class, the Class B Shares, Series 3 shall have attached thereto the following:

- (a) Non-Cumulative Dividends: The holders of the Class B Shares, Series 3, in priority to the Class A Shares and to the Membership Shares, but ranking equally with all other series of Class B Shares, shall be entitled to receive, and the Credit Union shall pay thereon, as and when declared by the board of directors of the Credit Union, out of the assets of the Credit Union properly applicable to the payment of dividends, a preferential non-cumulative cash or stock dividend at a rate determined by the directors from time to time on the Redemption Price per share.

If, after the expiration of any fiscal year of the Credit Union, the board of directors, in its discretion, shall not declare a dividend on the Class B Shares, Series 3, for the fiscal year, then the rights of the holders of the Class B Shares, Series 3, to such dividend, or to any undeclared part thereof, for such fiscal year shall be forever extinguished.

- (b) Redemption at Option of Holder (Retraction): Subject to the following limitations and subject to the terms of the Act, as now enacted or as the same may from time to time be amended, re-enacted or replaced, the estate of any deceased holder of the Class B Shares, Series 3, or any holder of the Class B Shares, Series 3 who has been expelled from membership in the Credit Union, may require at any time; and any other holder of the Class B Shares, Series 3 may require at any time five years or more after the date on which the shares were issued (which shall be, in the case of any Class B Share, Series 3, issued by the Credit Union upon its creation by amalgamation, the date of first issue of the share which was converted into that Class B Share, Series 3, by

the predecessor credit union which first issued it); the Credit Union to redeem, in its discretion, any of the Class B Shares, Series 3, registered in the name of such holders or deceased holders, as the case may be, on the books of the Credit Union, by tendering to the Credit Union at its head office a share certificate or certificates representing the Class B Shares, Series 3, which the registered holder or his or her estate, as the case may be, desires to have the Credit Union redeem, together with a request in writing specifying:

- (i) that the registered holder or his or her estate, as the case may be, desires to have the Class B Shares, Series 3, represented by such certificate or certificates redeemed by the Credit Union; and
- (ii) the Prescribed Redemption Date on which the holder or his or her estate, as the case may be, desires to have the Credit Union redeem such Class B Shares, Series 3.

Upon receipt of a share certificate or certificates representing the Class B Shares, Series 3, which the registered holder or his or her estate, as the case may be, desires to have the Credit Union redeem, together with such a request, the Credit Union shall, subject to the limits detailed below, on the Prescribed Redemption Date, redeem such Class B Shares, Series 3, by paying to such registered holder or his or her estate, as the case may be, the Redemption Amount for each of the Class B Shares, Series 3, being redeemed. The said Class B Shares, Series 3, shall be redeemed on the Prescribed Redemption Date, and, from and after the Prescribed Redemption Date, such shares shall cease to be entitled to dividends, and the holder thereof or his or her estate, as the case may be, shall not be entitled to exercise any of the rights of holders of Class B Shares, Series 3, in respect thereof, unless payment of the Redemption Amount is not made on the Prescribed Redemption Date, in which event the rights of the holder or his or her estate, as the case may be, shall remain unaffected.

All redemption requests received from time to time will be held by the Credit Union until the Prescribed Redemption Date next following the request. On the Prescribed Redemption Date, the Credit Union shall satisfy all such redemption requests up to the Annual Redemption Limit. If the sum of all Class B Shares, Series 3 presented for redemption by such requests exceeds the Annual Redemption Limit, the Class B Shares, Series 3, not redeemed shall, at the option of the holder, be held by the Credit

Union until the next following Prescribed Redemption Date or Prescribed Redemption Dates until the shares are redeemed by the Credit Union, or returned to the holder. •

Requests for redemption made by an estate of a deceased holder of Class B Shares, Series 3, and by holders who hold Class B Shares, Series 3 in a registered retirement savings plan and have attained the age of 69 years in the calendar year in which the request is made (a "RRIF Request"), will be considered on a first-come, first-served basis, but all such requests will be considered and fully satisfied before the Credit Union considers any request for redemption not made by an estate of a deceased holder of Class B Shares, Series 3, or which is not a RRIF Request. After the Credit Union fully satisfies all requests for redemption made by estates of deceased holders of Class B Shares, Series 3 and all RRIF Requests, it will consider requests for redemption not made by estates of deceased holders of Class B Shares, Series 3, and which are not RRIF Requests, on a first-come, first-served basis.

(c) Redemption by the Credit Union: The Credit Union may, upon giving notice as hereinafter provided, redeem, at any time after the date five (5) years from their date of issue (which shall be, in the case of any Class B Share, Series 3, issued by the Credit Union upon its creation by amalgamation, the date of first issue of the share which was converted into that Class B Share, Series 3, by the predecessor credit union which first issued it), the whole, or from time to time any part, of the then outstanding Class B Shares, Series 3, on payment of the Redemption Amount.

(d) Idem:

(i) Notice

In the case of redemption of Class B Shares, Series 3, under the provisions of clause (c) hereof, the Credit Union shall, at least 21 days before the date specified for redemption, mail to each person who at the date of mailing is a registered holder of Class B Shares, Series 3, to be redeemed, a notice in writing of the intention of the Credit Union to redeem such Class B Shares, Series 3. Such notice shall be mailed by letter, postage prepaid, addressed to each such shareholder at his address as it appears on the records of the Credit Union, or, in the event of the address of any such shareholder not so appearing, then to the last known address of such shareholder, provided, however, that accidental failure to give any such notice to one or more of such shareholders shall not affect the validity of such redemption.

Such notice shall set out the Redemption Amount, and the date on which redemption is to take place, and, if part only of the shares held by the person to whom it is addressed is to be redeemed, the number thereof so to be redeemed.

(ii) Payment

On or after the date so specified for redemption, the Credit Union shall pay, or cause to be paid, to, or to the order of, the registered holders of the Class B Shares, Series 3, to be redeemed, the Redemption Amount thereof, on presentation and surrender, at the head office of the Credit Union or any other place designated in such notice, of the certificates representing the Class B Shares, Series 3, called for redemption. Such payment shall be credited to the member's account with the Credit Union. If a part only of the shares represented by any certificate is redeemed, a new certificate for the balance shall be issued at the expense of the Credit Union. From and after the date specified for redemption in any such notice, the Class B Shares, Series 3, called for redemption shall cease to be entitled to dividends, and the holders thereof shall not be entitled to exercise any of the rights of shareholders in respect thereof, unless payment of the Redemption Amount shall not be made upon presentation of certificates in accordance with the foregoing provisions, in which case the rights of the shareholders shall remain unaffected.

(iii) Failure to Present

The Credit Union shall have the right, at any time after the mailing of notice of its intention to redeem any Class B Share, Series 3, to deposit the Redemption Amount of the shares so called for redemption, or of such of the said shares represented by certificates as have not, at the date of such deposit, been surrendered by the holders thereof in connection with such redemption, to a special account, to be paid, without interest, to, or to the order of, the respective holders of such Class B Shares, Series 3, called for redemption, upon presentation and surrender of the certificates representing the same, and, upon such deposit being made or upon the date specified for redemption in such notice, whichever is later, the Class B Shares, Series 3, in respect whereof such deposit shall have been made shall be redeemed, and the rights of the holders thereof after such deposit or such Redemption Date, as the case may be, shall be limited to receiving, without interest, their proportionate part of the total Redemption Amount so deposited, against presentation and surrender of the said certificates held by them respectively, and

any interest allowed on such deposit shall belong to the Credit Union.

10. Class B Shares, Series 4: The fourth series of the Class B Shares shall be designated as the “**Series 4 Shares**”. The board of directors is authorized to issue an unlimited number of Class B Shares, Series 4. In addition to the rights, privileges, restrictions, and conditions attaching to the Class B Shares as a class, the Class B Shares, Series 4 shall have attached thereto the following:

- (a) Non-Cumulative Dividends: The holders of the Class B Shares, Series 4, in priority to the Class A Shares and to the Membership Shares, but ranking equally with all other series of Class B Shares, shall be entitled to receive, and the Credit Union shall pay thereon, as and when declared by the board of directors of the Credit Union, out of the assets of the Credit Union properly applicable to the payment of dividends, a preferential non-cumulative cash or stock dividend at a rate determined by the directors from time to time on the Redemption Price per share.

If, after the expiration of any fiscal year of the Credit Union, the board of directors in its discretion shall not declare a dividend on the Class B Shares, Series 4, for the fiscal year, then the rights of the holders of the Class B Shares, Series 4, to such dividend or to any undeclared part thereof for such fiscal year shall be forever extinguished.

- (b) Redemption at Option of Holder (Retraction): Subject to the following limitations and subject to the terms of the Act, as now enacted or as the same may from time to time be amended, re-enacted or replaced, the holders of the Class B Shares, Series 4, may request, at any time five years or more after the Class B Shares, Series 4, were initially issued by Peoples Credit Union Limited pursuant to an offering statement dated July 29, 2009; and holders of the Class B Shares, Series 4 who have been expelled from membership, or the estates of holders of the Class B Shares, Series 4 who have died, may request at any time regardless of the date on which the Class B Shares, Series 4 were issued; that the Credit Union redeem, in its sole and absolute discretion, any of the Class B Shares, Series 4, registered in the name of such holders on the books of the Credit Union, by tendering to the Credit Union at its head office a share certificate or certificates representing the Class B Shares, Series 4, which the registered holder desires to have the Credit Union redeem, together with a request in writing specifying:

- (i) that the registered holder desires to have the Class B Shares, Series 1, represented by such certificate or certificates redeemed by the Credit Union; and
- (ii) the Redemption Date on which the holder desires to have the Credit Union redeem such Class B Shares, Series 1.

All such redemption requests received during one calendar month shall be submitted to the board of directors at its meeting occurring not later than the following calendar month, and the board of directors, exercising its discretion under the Act, may approve or reject the redemption requests.

The Redemption Date for the said shares shall be a Business Day, and shall be no later than thirty (30) days after the day on which the board of directors has approved the requested redemption. If the board of directors has approved the request for redemption, the Credit Union shall redeem such Class B Shares, Series 4, by paying to such registered holder the Redemption Amount for each such Class B Share, Series 4, being redeemed. The said Class B Shares, Series 4, shall be redeemed on the Redemption Date, and, from and after the Redemption Date, such shares shall cease to be entitled to dividends, and the holder thereof shall not be entitled to exercise any of the rights of holders of Class B Shares, Series 4, in respect thereof, unless payment of the Redemption Amount is not made on the Redemption Date, in which event the rights of the holder of the said Class B Shares, Series 4, shall remain unaffected.

- (c) Redemption by the Credit Union: The Credit Union may, upon giving notice as hereinafter provided, redeem, at any time after the date five (5) years from their initial issuance by Peoples Credit Union Limited pursuant to an offering statement dated July 29, 2009, the whole, or from time to time, any part, of the then outstanding Class B Shares, Series 1, on payment of the Redemption Amount.

- (d) Idem

- (i) Notice:

In the case of redemption of Class B Shares, Series 4, under the provisions of clause (c) hereof, the Credit Union shall, at least 21 days before the date specified for redemption, mail to each person who at the date of mailing is a registered holder of Class B Shares, Series 4, to be

redeemed, a notice in writing of the intention of the Credit Union to redeem such Class B Shares, Series 4. Such notice shall be mailed by letter, postage prepaid, addressed to each such shareholder at his address as it appears on the records of the Credit Union, or, in the event of the address of any such shareholder not so appearing, then to the last known address of such shareholder, provided, however, that accidental failure to give any such notice to one or more of such shareholders shall not affect the validity of such redemption. Such notice shall set out the Redemption Amount, and the date on which redemption is to take place, and, if part only of the shares held by the person to whom it is addressed is to be redeemed, the number thereof so to be redeemed.

(ii) Payment:

On or after the date so specified for redemption, the Credit Union shall pay, or cause to be paid, to, or to the order of, the registered holders of the Class B Shares, Series 4, to be redeemed, the Redemption Amount thereof, on presentation and surrender, at the head office of the Credit Union or any other place designated in such notice, of the certificates representing the Class B Shares, Series 4, called for redemption. Such payment shall be credited to the member's account with the Credit Union. If a part only of the shares represented by any certificate is redeemed, a new certificate for the balance shall be issued at the expense of the Credit Union. From and after the date specified for redemption in any such notice, the Class B Shares, Series 4, called for redemption shall cease to be entitled to dividends, and the holders thereof shall not be entitled to exercise any of the rights of shareholders in respect thereof, unless payment of the Redemption Amount shall not be made upon presentation of certificates in accordance with the foregoing provisions, in which case the rights of the shareholders shall remain unaffected.

(iii) Failure to Present:

The Credit Union shall have the right, at any time after the mailing of notice of its intention to redeem any Class B Share, Series 4, to deposit the Redemption Amount of the shares so called for redemption, or of such of the said shares represented by certificates as have not at the date of such deposit been surrendered by the holders thereof in

connection with such redemption, to a special account, to be paid, without interest, to, or to the order of, the respective holders of such Class B Shares, Series 4, called for redemption, upon presentation and surrender of the certificates representing the same, and, upon such deposit being made or upon the date specified for redemption in such notice, whichever is later, the Class B Shares, Series 4, in respect whereof such deposit shall have been made shall be redeemed, and the rights of the holders thereof after such deposit or such Redemption Date, as the case may be, shall be limited to receiving, without interest, their proportionate part of the total Redemption Amount so deposited, against presentation and surrender of the said certificates, held by them respectively, and any interest allowed on such deposit shall belong to the Credit Union.

11. Class B Shares, Series 5: The fifth series of the Class B Shares shall be designated as the “**Series 5 Shares**”. The board of directors is authorized to issue an unlimited number of Class B Shares, Series 5. In addition to the rights, privileges, restrictions, and conditions attaching to the Class B Shares as a class, the Class B Shares, Series 5 shall have attached thereto the following:

- (a) Non-Cumulative Dividends: The holders of the Class B Shares, Series 5, in priority to the Class A Shares and to the Membership Shares, but ranking equally with all other series of Class B Shares, shall be entitled to receive, and the Credit Union shall pay thereon, as and when declared by the board of directors of the Credit Union, out of the assets of the Credit Union properly applicable to the payment of dividends, a preferential non-cumulative cash or stock dividend at a rate determined by the directors from time to time on the Redemption Price per share.

If, after the expiration of any fiscal year of the Credit Union, the board of directors in its discretion shall not declare a dividend on the Class B Shares, Series 5, for the fiscal year, then the rights of the holders of the Class B Shares, Series 5, to such dividend or to any undeclared part thereof for such fiscal year shall be forever extinguished.

- (b) Redemption at Option of Holder (Retraction): Subject to the following limitations and subject to the terms of the Act, as now enacted or as the same may from time to time be amended, re-enacted or replaced, the holders of the Class B Shares, Series 5, may request, at any time five years or more after the Class B Shares, Series 5, were initially issued by Peoples Credit Union

Limited pursuant to an offering statement dated July 29, 2009; and holders of the Class B Shares, Series 5 who have been expelled from membership, or the estates of holders of the Class B Shares, Series 5 who have died, may request at any time regardless of the date on which the Class B Shares, Series 5 were issued; that the Credit Union redeem, in its sole and absolute discretion, any of the Class B Shares, Series 5, registered in the name of such holders on the books of the Credit Union, by tendering to the Credit Union at its head office a share certificate or certificates representing the Class B Shares, Series 5, which the registered holder desires to have the Credit Union redeem, together with a request in writing specifying:

- (i) that the registered holder desires to have the Class B Shares, Series 5, represented by such certificate or certificates redeemed by the Credit Union; and
- (ii) the Redemption Date on which the holder desires to have the Credit Union redeem such Class B Shares, Series 5.

All such redemption requests received during one calendar month shall be submitted to the board of directors at its meeting occurring not later than the following calendar month, and the board of directors, exercising its discretion under the Act, may approve or reject the redemption requests.

The Redemption Date for the said shares shall be a Business Day, and shall be no later than thirty (30) days after the day on which the board of directors has approved the requested redemption. If the board of directors has approved the request for redemption, the Credit Union shall redeem such Class B Shares, Series 5, by paying to such registered holder the Redemption Amount for each such Class B Share, Series 5, being redeemed. The said Class B Shares, Series 5, shall be redeemed on the Redemption Date, and, from and after the Redemption Date, such shares shall cease to be entitled to dividends, and the holder thereof shall not be entitled to exercise any of the rights of holders of Class B Shares, Series 5, in respect thereof, unless payment of the Redemption Amount is not made on the Redemption Date, in which event the rights of the holder of the said Class B Shares, Series 5, shall remain unaffected.

- (c) Redemption by the Credit Union: The Credit Union may, upon giving notice as hereinafter provided, redeem, at any time after the date five (5) years from their initial issuance by Peoples Credit Union Limited pursuant to an offering statement dated July

29, 2009, the whole, or from time to time, any part, of the then outstanding Class B Shares, Series 5, on payment of the Redemption Amount.

(d) Idem

(i) Notice:

In the case of redemption of Class B Shares, Series 5, under the provisions of clause (c) hereof, the Credit Union shall, at least 21 days before the date specified for redemption, mail to each person who at the date of mailing is a registered holder of Class B Shares, Series 5, to be redeemed, a notice in writing of the intention of the Credit Union to redeem such Class B Shares, Series 5. Such notice shall be mailed by letter, postage prepaid, addressed to each such shareholder at his address as it appears on the records of the Credit Union, or, in the event of the address of any such shareholder not so appearing, then to the last known address of such shareholder, provided, however, that accidental failure to give any such notice to one or more of such shareholders shall not affect the validity of such redemption. Such notice shall set out the Redemption Amount, and the date on which redemption is to take place, and, if part only of the shares held by the person to whom it is addressed is to be redeemed, the number thereof so to be redeemed.

(ii) Payment:

On or after the date so specified for redemption, the Credit Union shall pay, or cause to be paid, to, or to the order of, the registered holders of the Class B Shares, Series 5, to be redeemed, the Redemption Amount thereof, on presentation and surrender, at the head office of the Credit Union or any other place designated in such notice, of the certificates representing the Class B Shares, Series 5, called for redemption. Such payment shall be credited to the member's account with the Credit Union. If a part only of the shares represented by any certificate is redeemed, a new certificate for the balance shall be issued at the expense of the Credit Union. From and after the date specified for redemption in any such notice, the Class B Shares, Series 5, called for redemption shall cease to be entitled to dividends, and the holders thereof shall not be entitled to exercise any of the rights of shareholders in respect thereof,

unless payment of the Redemption Amount shall not be made upon presentation of certificates in accordance with the foregoing provisions, in which case the rights of the shareholders shall remain unaffected.

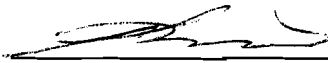
(iii) Failure to Present:

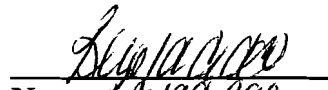
The Credit Union shall have the right, at any time after the mailing of notice of its intention to redeem any Class B Share, Series 5, to deposit the Redemption Amount of the shares so called for redemption, or of such of the said shares represented by certificates as have not at the date of such deposit been surrendered by the holders thereof in connection with such redemption, to a special account, to be paid, without interest, to, or to the order of, the respective holders of such Class B Shares, Series 5, called for redemption, upon presentation and surrender of the certificates representing the same, and, upon such deposit being made or upon the date specified for redemption in such notice, whichever is later, the Class B Shares, Series 5, in respect whereof such deposit shall have been made shall be redeemed, and the rights of the holders thereof after such deposit or such Redemption Date, as the case may be, shall be limited to receiving, without interest, their proportionate part of the total Redemption Amount so deposited, against presentation and surrender of the said certificates held by them respectively, and any interest allowed on such deposit shall belong to the Credit Union.

12. These Articles of Amalgamation correctly set out the corresponding provisions of all the Articles of Incorporation, and supersede the original Articles of Incorporation, and all amendments thereto, of both amalgamating credit unions.
-

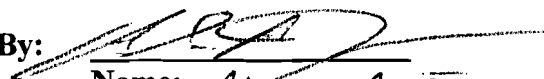
These articles are signed in duplicate under the corporate seal of the amalgamating credit unions as of the 12th day of September, 2012.

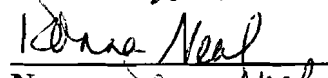
PACE SAVINGS & CREDIT UNION LIMITED

By: 
 Name: C. P. Rosin
 Title: Chair


 Name: K. C. MacCoco
 Title: Corporate Secretary

PEOPLES CREDIT UNION LIMITED

By: 
 Name: Alvin A. Smith
 Title: Chair


 Name: Donna Neal
 Title: Corporate Secretary

TAB D

This offering statement must be delivered to every purchaser of the securities described herein prior to the purchaser becoming obligated to complete the purchase and, upon request, to any prospective purchaser and member.

No official of the Government of the Province of Ontario has considered the merits of the matters addressed in this offering statement.

The securities being offered are not guaranteed by the Deposit Insurance Corporation of Ontario or any similar public agency.

The prospective purchaser of these securities should carefully review the offering statement and any other documents it refers to, examine in particular the section on risk factors beginning on page 21 and, further, may wish to consult a financial or tax advisor about this investment.

MARKHAM-STOUFFVILLE COMMUNITY CREDIT UNION LIMITED

OFFERING STATEMENT

dated September 15, 1995

MAXIMUM \$3,000,000

**SERIES 95 CLASS B INVESTMENT SHARES
(NON-CUMULATIVE, NON-VOTING,
NON-PARTICIPATING, SPECIAL SHARES)**

AND

MAXIMUM \$1,500,000

**SUBORDINATED INDEBTEDNESS IN THE FORM OF
UNSECURED SUBORDINATED DEBENTURES
(BEARING INTEREST AT A FIXED RATE OF 3% PER ANNUM)**

The subscription price for each Series 95 Class B Investment Share will be \$1 per share, to a maximum of 40,000 shares per member which may be subscribed for \$40,000. The Unsecured Subordinated Debentures will be issuable in whole multiples of \$1,000, to a maximum of \$100,000 per member.

There is no market through which these securities may be sold.

The decision to purchase these securities may be reversed by the purchaser by providing notice in writing or by facsimile transmission or by telegraph to the person from whom the purchaser purchases these securities within two days excluding weekends and holidays of having been provided with a copy of the latest offering statement.

The Series 95 Class B Investment Shares and the Unsecured Subordinated Debentures are subject to the transfer and redemption restrictions under the Credit Unions and Caisses Populaires Act, 1994 and the restrictions under this Offering Statement as set out on pages 18 to 20.

This statement of material change must be given to every person to whom the Credit Union gave a copy of the offering statement, to every registered holder of the securities described therein and, upon request, to any member. During the period of time that this issue is still being offered for sale, the statement of material change must be given to every purchaser and, upon request, to any prospective purchaser and member.

STATEMENT OF MATERIAL CHANGE (Page 1 of 2)

dated October 12, 1995

filed by

MARKHAM-STOUFFVILLE COMMUNITY
CREDIT UNION LIMITED

in respect of the

OFFERING STATEMENT

dated and received on September 15, 1995

DESCRIPTION OF THE MATERIAL CHANGE

The Director of Credit Unions has given regulatory approval for the Credit Union to purchase property which is adjacent to its head office facility in Stouffville, Ontario. This approval, which is required because the Credit Union is operating pursuant to a variation order under Section 86 of the Credit Unions and Caisses Populaires Act, 1994, has been granted on condition that the Credit Union file this statement of material change.

A commitment to purchase the property is planned to be executed on or shortly after October 16, 1995 and closing is scheduled to take place on December 29, 1995. The total acquisition cost of the property, of approximately \$575,000, will be satisfied on closing using the cash resources of the Credit Union.

The property to be acquired consists of land and buildings which presently are rented to one commercial and four residential tenants under short-term rental arrangements which currently generate net revenue of approximately \$29,000 annually.

STATEMENT OF MATERIAL CHANGE (Page 2 of 2)
dated October 12, 1995
filed by

**MARKHAM-STOUFFVILLE COMMUNITY
CREDIT UNION LIMITED**
in respect of the

OFFERING STATEMENT
dated and received on September 15, 1995

CERTIFICATE

Form 2

Credit Unions and Caisses Populaires Act, 1994

CERTIFICATE OF DISCLOSURE

(Subsection 77 (4) and Section 80 of the Act)

The foregoing constitutes full, true and plain disclosure of all material changes in the facts set out in the Offering Statement, as required by the Credit Unions and Caisses Populaires Act, 1994.

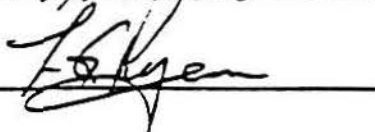
Dated at Stouffville, Ontario, October 12, 1995



Larry Smith, President and Chief Executive Officer



Kimberly Colacicco, Chief Financial Officer



Terry Ryan, Chair of the Board

TABLE OF CONTENTS

	<u>Page</u>
OFFERING STATEMENT SUMMARY	4
The Credit Union.....	4
Security Offerings	4
Use of Proceeds	5
Risk Factors.....	5
Dividend Policy.....	6
MARKHAM-STOUFFVILLE COMMUNITY CREDIT UNION LIMITED.....	7
The Credit Union.....	7
Bond of Association and Membership	7
Corporate Governance.....	8
The Regulatory Framework.....	8
BUSINESS OF MARKHAM-STOUFFVILLE COMMUNITY CREDIT UNION LIMITED	9
General Description of the Business	9
Business Strategy	11
CAPITAL STRUCTURE OF THE CREDIT UNION	11
Membership Shares	12
Class A Shares.....	12
Class B Investment Shares	14
Subordinated Indebtedness in the Form of Unsecured Subordinated Debentures	14
DESCRIPTION OF THE SECURITIES BEING OFFERED.....	15
Series 95 Class B Investment Shares	15
Subordinated Indebtedness in the Form of Unsecured Subordinated Debentures	19
CAPITALIZATION TABLE.....	21
RISK FACTORS.....	21
Redemption Restrictions	21
Capital Adequacy	22
Payment of Dividends	23
Payment of Interest.....	23
Credit Risk.....	24
Liquidity Risk.....	25
Interest Rate Risk	26
Regulatory Action	26
Reliance on Key Management	26
DIVIDEND RECORD AND POLICY	26
USE OF PROCEEDS FROM SALE OF SECURITIES	27
PLAN OF DISTRIBUTION.....	28

TABLE OF CONTENTS

	<u>Page</u>
MARKET FOR THE SECURITIES	29
SENIOR DEBT (RANKING AHEAD OF SERIES 95 CLASS B INVESTMENT SHARES AND UNSECURED SUBORDINATED DEBENTURES)	29
AUDITORS, REGISTRAR AND TRANSFER AGENT	30
DIRECTORS AND SENIOR MANAGEMENT	31
Board of Directors	31
Senior Management.....	32
LAWSUITS AND OTHER MATERIAL OR REGULATORY ACTIONS	32
MATERIAL INTERESTS OF DIRECTORS, OFFICERS AND EMPLOYEES	33
MATERIAL CONTRACTS	33
OPERATING RESULTS AND VARIATIONS	35
MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	37
MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL INFORMATION	38
REVIEW ENGAGEMENT REPORT AND AUDITORS’ REPORT	39
ANNUAL AUDITED AND INTERIM UNAUDITED FINANCIAL STATEMENTS	40
Balance Sheets.....	40
Statements of Earnings and Retained Earnings.....	41
Statements of Changes in Financial Position	42
Notes to the Financial Statements	43
SIGNED CONSENT	54
STATEMENT OF OTHER MATERIAL FACTS	55
BOARD RESOLUTION	55
CERTIFICATE	55
GLOSSARY OF TERMS	56
SUBSCRIPTION FORM	57
AUTHORIZATION TO PLACE FUNDS ON HOLD	58
AUTHORIZATION TO PLACE FUNDS IN ESCROW	59

Markham-Stouffville Community Credit Union Limited
Offering Statement for
Series 95 Class B Investment Shares
and Unsecured Subordinated Debentures



OFFERING STATEMENT SUMMARY

The following is a summary only and is qualified in its entirety by the more detailed information appearing elsewhere in this offering statement. Certain terms with initial capital letters are used throughout this Offering Statement and are defined in the "Glossary of Terms" on page 56.

The Credit Union

Markham-Stouffville Community Credit Union Limited ("Markham-Stouffville" or "Credit Union") was incorporated on October 1, 1993 as a result of the amalgamation of IBM Toronto Employees Credit Union Limited and Markham-Stouffville Community Credit Union Limited. With total assets of approximately \$95,000,000, the Credit Union was ranked number 30 by asset size in Ontario, based on the latest available published information as at December 31, 1994. Assets as at July 31, 1995 have increased to approximately \$98,000,000.

Markham-Stouffville provides a broad range of financial services and products to approximately 11,000 members through a network of four branches, two of which are located in IBM-owned facilities in Don Mills and Markham, with the remaining two branches being in commercial properties, the first owned and the second leased, located in Stouffville and Unionville, respectively. The Credit Union's primary business activities are concentrated on attracting savings deposits from members and granting mortgages, personal loans and commercial loans to members. See "Business of Markham-Stouffville Community Credit Union Limited" on pages 9 to 11.

Security Offerings

Markham-Stouffville Community Credit Union Limited offers for sale to members Class B Non-Cumulative, Non-Voting, Non-Participating, Special Shares ("Series 95 Class B Investment Shares") in the capital of the Credit Union. Series 95 Class B Investment Shares are special, non-membership shares and constitute part of the authorized capital of the Credit Union. Subscriptions will be accepted from members of Markham-Stouffville for a minimum of 1,000 shares and a maximum of 40,000 shares per member for the Series 95 Class B Investment Shares. Markham-Stouffville also offers for sale to members subordinated indebtedness in the form of Unsecured Subordinated Debentures which bear interest at a fixed rate of 3% per annum, compounded and payable annually, and which are subordinated to the rights of depositors and other creditors. The Unsecured Subordinated Debentures will be issuable to members in whole multiples of \$1,000 to a maximum of \$100,000 per member. Subscription, purchase and redemption of these shares and debentures are exclusively through the branches and head office of Markham-Stouffville. Transfer of such securities will only be effected through the Credit Union and transfers are restricted to other members of the Credit Union and certain persons as specified in the Credit Unions and Caisses Populaires Act, 1994 ("Act"). The Credit Union, at its option, may acquire the Series 95 Class B Investment Shares and the Unsecured Subordinated Debentures for cancellation after a period of five years. See "Description of Securities Being Offered" on pages 15 to 20.

Markham-Stouffville Community Credit Union Limited
Offering Statement for
Series 95 Class B Investment Shares
and Unsecured Subordinated Debentures



Subscriptions for the Series 95 Class B Investment Shares and the Unsecured Subordinated Debentures, respectively, shall be accepted as of the date of the Receipt for this Offering Statement, and for a period of six months thereafter or until the date on which subscriptions have been received for the maximum 3,000,000 shares of Series 95 Class B Investment Shares and/or the maximum \$1,500,000 of Unsecured Subordinated Debentures, whichever shall occur first in respect of each security (the "Closing Dates"). The shares and debentures so subscribed shall be issued within seven days of the Closing Date for Class B Investment Shares.

The first issuance to members of the Unsecured Subordinated Debentures will coincide with the date on which the Series 95 Class B Investment Shares are issued, as described in the preceding paragraph. Unsecured Subordinated Debentures, which are subscribed for after the date of first issuance and prior to expiry of this Offering Statement, will be issued within ten business days of such subscriptions being received by the Credit Union.

The securities to be issued under this Offering Statement are not secured by any assets of the Credit Union and are not covered by deposit insurance or any other form of guarantee as to repayment of principal amount, dividends or interest. The Series 95 Class B Investment Shares and the Unsecured Subordinated Debentures are expected to qualify as regulatory capital, to the extent permitted and as defined in the Act.

Use of Proceeds

If fully subscribed, the gross proceeds to be derived by the Credit Union from the sale of the Series 95 Class B Investment Shares shall be \$3,000,000. If fully subscribed, the gross proceeds to be derived by the Credit Union from the issuance of the Unsecured Subordinated Debentures shall be \$1,500,000. The costs of issuing these securities are not expected to exceed \$75,000 and these costs, net of applicable tax savings approximating \$15,000, will be deducted from the gross proceeds in arriving at the amount to be reported as share capital outstanding. The estimated maximum net proceeds of this offering of securities is \$4,440,000. The principal use of the net proceeds and purpose of this offering is to enable the Credit Union to satisfy the legal requirements to maintain a minimum level of regulatory capital, as set out in Section 84 of the Act, and to provide a capital base for future growth. Based on a leverage capital ratio of 5%, the Credit Union's capital base, if this offering is fully subscribed, could support growth of approximately \$35,000,000. The cash generated from the issuance of the securities, to the extent it represents new cash to the Credit Union rather than being a transfer from existing accounts, will be used for general business purposes being primarily the lending of money to members and the investment of surplus funds in high quality investments. See "Use of Proceeds From Sale of Securities" on pages 27 and 28.

Risk Factors

Investments in the Series 95 Class B Investment Shares and the Unsecured Subordinated Debentures are subject to a number of risk factors including regulatory redemption restrictions, the continuous need to maintain minimum regulatory capital levels, the uncertainty of payment of dividends, the risk that interest payments may be deferred, credit risk, liquidity risk, interest rate risk, potential regulatory actions and reliance on key management. See "Risk Factors" on pages 21 to 26.

Markham-Stouffville Community Credit Union Limited
Offering Statement for
Series 95 Class B Investment Shares
and Unsecured Subordinated Debentures



Dividend Policy

The dividend policy of the Markham-Stouffville Board of Directors for Series 95 Class B Investment Shares shall be to pay a dividend or dividends in every year in which there are sufficient profits to do so while still fulfilling all other regulatory and operational requirements. The dividend rate shall be established by the Board of Directors, in its sole and absolute discretion, based on financial and other considerations prevailing at the time of the declarations. The Board shall consider whether or not a dividend shall be declared, and at what rate and in which manner, at least annually following each fiscal year end and before each annual general meeting of members.

Although there can be no guarantee that a dividend will be paid in each year, it is the policy of the Board that an appropriate dividend will be declared and paid in each year, provided that the Credit Union is in compliance with Section 84 of the Act.

Following consideration and payment of a dividend on the Series 95 Class B Investment Shares, the Board may decide to pay a dividend on shares ranking junior to the Class B Investment Shares, including Class A Shares and Membership Shares. See "Dividend Record and Policy" on pages 26 and 27.

As a one-time event, the Board of Directors plans to hold a special meeting to consider, and if thought appropriate, declare a special dividend to holders of the Series 95 Class B Investment Shares within thirty days of issuance. The planned dividend rate for this special one-time dividend is 10% of the principal amount of Class B Shares held and it will be paid out of profits earned during the fiscal years ending September 30, 1995 and 1996, subject to meeting regulatory capital and other operating requirements. The dividend is planned to be paid in the form of Class A Profit Shares.

MARKHAM-STOUFFVILLE COMMUNITY CREDIT UNION LIMITED

The Credit Union

Markham-Stouffville Community Credit Union Limited ("Markham-Stouffville" or "Credit Union") was incorporated on October 1, 1993 as a result of the amalgamation of IBM Toronto Employees Credit Union Limited and Markham-Stouffville Community Credit Union Limited. These two credit unions were of approximately equal size and they served complementary membership groups. With total assets of approximately \$95,000,000 at December 31, 1994, the Credit Union was ranked number 30 by asset size in Ontario, based on the available published information at that time. Assets as at July 31, 1995 have increased to approximately \$98,000,000. Markham-Stouffville's head office is located at 6245 Main Street, Stouffville, Ontario, L4A 8A1 (telephone 905-640-0887; fax 905-640-0992).

Markham-Stouffville provides a broad range of financial services and products to approximately 11,000 members through a network of four branches, two of which are located in IBM-owned facilities in Don Mills and Markham, with the remaining two branches being in commercial properties, the first owned and the second leased, located in Stouffville and Unionville, respectively. The Credit Union's primary business activities are concentrated on attracting savings deposits from members and granting mortgages, personal loans and commercial loans to members. See "Business of Markham-Stouffville Community Credit Union Limited" on pages 9 to 11.

The Credit Union owns the property in which its Head Office and Stouffville branch are located. This property was owned by one of the predecessor credit unions which was a party to the amalgamation referred to above. Shortly before the amalgamation, and in contemplation thereof, the former IBM Toronto Employees Credit Union Limited acquired this property for approximately \$650,000 from the former Markham-Stouffville Community Credit Union Limited. This transaction was conducted at fair market value. The remaining three branches are in leased or rented premises.

Bond of Association and Membership

The legislation which governs credit unions and caisses populaires in Ontario specifies a bond of association which must exist among members. Typically, such bonds of association may be community or geographically-based, industry or corporate sponsor-based, or otherwise based on a group of members with a form of common association. Markham-Stouffville's bond of association is based on a combination of community and corporate sponsor association, as fully described in paragraph 2.01 of its By-laws, and as summarized below:

- Members of Stouffville Co-operative Association and persons residing generally within 50 miles of the Town of Whitchurch-Stouffville
- Employees, active or retired, of International Business Machines Corporation, its affiliates and business partners
- Employees of the Credit Union
- Related persons of all members qualifying above and all formerly-qualifying members who no longer meet the qualification requirements



Markham-Stouffville Community Credit Union Limited
Offering Statement for
Series 95 Class B Investment Shares
and Unsecured Subordinated Debentures

- Corporations, unincorporated associations, government agencies and municipalities that are eligible under the Act
- Other persons or entities who do not fall within the above bond of association, so long as the total number of such members does not exceed 3% of the total membership of the Credit Union.

Membership in Markham-Stouffville is granted to applicants who are within the bond of association by enabling them to purchase and hold the required number of Membership Shares as specified in paragraph 2.03(b) of the By-laws of the Credit Union. These By-laws were revised effective August 16, 1995 to conform with the requirements of the Credit Unions and Caisses Populaires Act, 1994 and to take advantage of certain new powers provided for in the Act.

The membership By-law requires each member aged 18 years and over to own at least 16 Membership Shares with an aggregate issue price of at least \$80, with a requirement to increase, in uniform annual increments, the number of Membership Shares owned to a maximum of 30, with an aggregate maximum issue price of \$150, no later than November 30, 2000. Members under the age of 18 are required to own only two Membership Shares, purchased at a price of \$10.

Corporate Governance

The business of the Credit Union is directed and governed by its Board of Directors ("the Board"), a group of 14 individuals who are elected by the members of the Credit Union at the annual general meeting, with each director being elected for a three year term on a staggered basis to provide for continuity of board members. The duties, powers and standards of care and performance for boards of directors of credit unions are specified in the Act and accompanying Regulations. The Board has overall responsibility for and authority within the Credit Union and directs the activities of senior management to whom it has delegated certain responsibilities according to Board policies. The Board has established committees to assist in its effective functioning and to comply with the requirements of the Act. In particular, an Audit Committee has been formed and its mandate and duties are set out in the Regulations to the Act. The Audit Committee is responsible for, among other things, the review of any financial statements which are presented to the members, either at an annual general meeting or within an offering statement, and making recommendations to the Board as to the approval of such financial statements.

For the names, municipality of residence, offices with the Credit Union and the present principal occupations of the directors and senior management of Markham-Stouffville as of the date of this Offering Statement, see "Directors and Senior Management" on pages 31 and 32.

The Regulatory Framework

Credit unions and caisses populaires in Ontario are governed by the Credit Unions and Caisses Populaires Act, 1994, with its accompanying Regulations and Guidelines (collectively referred to as the "Act"). The Director of Credit Unions is charged with the responsibility of exercising certain powers and performing certain duties which are conferred or imposed by the Act. Among these duties, the Director monitors compliance with Section 84 of the Act, which requires that adequate and appropriate forms of capital and liquidity be maintained by credit unions and caisses populaires. For institutions which do not meet the

Markham-Stouffville Community Credit Union Limited
Offering Statement for
Series 95 Class B Investment Shares
and Unsecured Subordinated Debentures



minimum capital levels required, the Director may grant a variation of the capital requirements subject to such terms and conditions as may be imposed.

The principal purpose of this Offering Statement is to raise sufficient regulatory capital to conform to sound business practices and to enable the Credit Union to conduct its operations without the restrictions and conditions presently imposed by the Director of Credit Unions and described under "Risk Factors - Capital Adequacy", beginning on page 22.

At the time of amalgamation, one of the predecessor credit unions had regulatory capital levels which did not meet minimum required levels. As a result, the Credit Union has been required to comply with certain terms and conditions imposed by regulatory authorities since its incorporation on October 1, 1993. The regulatory approval for the amalgamation was granted on the understanding that regulatory monitoring would continue until such time as appropriate capital could be raised and the financial condition of the Credit Union could be improved.

The Deposit Insurance Corporation of Ontario is responsible for insuring deposits made by members in credit unions and caisses populaires, in accordance with the requirements of the Act and the Policy of Deposit Insurance. The Deposit Insurance Corporation of Ontario is also able to impose certain requirements as a condition of continuing its deposit insurance coverage and, in the event that an institution fails to comply and is believed to represent a serious threat to the deposit insurance fund, has broader power to take corrective action which may include taking control of the board and replacing the existing directors of the institution, should circumstances so warrant.

The Credit Union has received a letter dated September 6, 1995 from the Deposit Insurance Corporation of Ontario specifying certain routine requirements for the providing of financial information on a periodic basis and other matters. The Credit Union intends to meet all of these requirements in the ordinary course of business and it is anticipated that, following the Credit Union's raising of sufficient regulatory capital, an application will be made to have these requirements withdrawn. See "Risk Factors - Capital Adequacy", beginning on page 22, for a description of the requirements.

**BUSINESS OF MARKHAM-STOUFFVILLE COMMUNITY CREDIT UNION
LIMITED**

General Description of the Business

Markham-Stouffville Community Credit Union Limited serves approximately 11,000 members through a network of four branches. With assets approximating \$98,000,000, it is ranked among the top 30 credit unions in Ontario, by asset size.

With a focus on two distinct types of membership bonds of association, Markham-Stouffville must ensure that it maintains a strong service level to all of its members, whether they are employees or otherwise connected to IBM or whether they are resident in the geographic communities served by the Credit Union. Many members who originally qualified as members within the IBM bond of association are resident in the communities served by the other predecessor credit union.

Markham-Stouffville Community Credit Union Limited
Offering Statement for
Series 95 Class B Investment Shares
and Unsecured Subordinated Debentures



The 32 full-time and 15 part-time employees of the Credit Union provide a broad range of financial services and products to members. Retail financial products for individuals include most types of deposit accounts, personal chequing services, registered retirement savings accounts and registered retirement income funds. The registered accounts are administered and held by the Credit Union and the trustee is Co-operative Trust Company of Canada. Loan products include personal loans and lines of credit for various purposes and residential mortgage loans. Services to commercial members include commercial loans which are generally secured by mortgages on real property. Other products available to all members include safety deposit boxes, travellers' cheques, credit card, payment card (direct debit), mutual fund, Canada Savings Bond and Ontario Savings Bond services. Markham-Stouffville also owns and operates 5 automated banking machines ("ABMs"), and as a member of Credit Union Central of Ontario, is linked to the Interac and PLUS System networks through Credit Union Central of Canada, giving members access to their accounts at ABMs worldwide.

By virtue of its membership in Credit Union Central of Ontario, the Credit Union also has access to the services and products which are developed either nationally or regionally and made available to all affiliated credit unions in Canada. In addition, the Credit Union is a participant in the liquidity pool operated by Credit Union Central of Ontario and is accordingly permitted to maintain a reduced level of liquid assets in comparison with credit unions which are not participants of a designated liquidity pool and which do not have specified lines of credit.

The financial transactions of the Credit Union's members are processed on a PC-based data system (known as FSPL) provided by Co-operators Data Services Limited ("CDSL") under the terms of an oral ten-year agreement which extends to the year 2004. To provide more convenient account access by members, the Credit Union plans to add audio response ("Touch-tone Banking") account access during the fall of 1995. This is intended to increase and improve the convenience of members' usage of their deposit accounts by allowing them to make account balance and transaction inquiries as well as process funds transfers between accounts from any touch-tone phone. This, in turn, will improve the Credit Union's competitive position and maintain parity with similar access being offered by other financial institutions to their customers. This new service will require an investment in capital assets of approximately \$40,000. Other new services include an electronic bill payment system and the acquisition of software to enable members to access certain banking services from their own personal computers.

To further improve convenience to members, the Credit Union plans to acquire an additional three Automated Banking Machines (ABM's) at a cost of approximately \$40,000 each, bringing the total ABM's owned by the Credit Union to eight. In addition, First Financial Building Corporation, a company with considerable experience in the design of credit union facilities, has been engaged to study and make recommendations relating to a long-term facility strategy for the Stouffville location, including the branch and head office operations. This study includes a determination of future staff and space requirements with due consideration to the type of facilities required to maximize efficiency and provide an atmosphere conducive to optimum member service. Costs to be incurred in this respect are dependant on the results of the study and the ensuing decision which will be made by the Board of Directors.

Markham-Stouffville Community Credit Union Limited
Offering Statement for
Series 95 Class B Investment Shares
and Unsecured Subordinated Debentures



The Credit Union is a part owner, with a group of credit unions, in CU-Connection Limited. This company provides on-line electronic funds transaction services, including access to Interac and other ABM networks in Canada and the United States, to approximately 50 credit unions other than Markham-Stouffville. In conjunction with the data processing agreement with CDSL, the Credit Union has the right to require CDSL to purchase its shares in CU-Connection Limited for an amount which is presently equal to the book value of this investment and which declines annually at a rate of \$30,000 per year, beginning in 1996.

During the current fiscal period, the Credit Union negotiated and completed a transaction to acquire an indirect 15% interest in Mass Insurance Brokers Limited, through the purchase of 30% of the shares of 1125750 Ontario Limited, a company which owns 50% of Mass Insurance Brokers Limited as its only asset. This investment was made for investment yield purposes as well as to enhance the Credit Union's ability to ensure that its members have access to an insurance broker which is dedicated to providing service to them. In addition, Mass Insurance Brokers Limited has an established relationship and track record with the employees of IBM Canada and currently services the home and automotive insurance needs for many of them. The purchase price for the 15% interest amounted to \$350,000 which was paid on closing in June 1995. In addition, the Credit Union is committed, provided that certain conditions are met, to a further investment of \$750,960 which is scheduled for payment over a period of 84 months at a rate of \$8,940 per month beginning in March 1996. This further investment will increase the Credit Union's ownership position to 30% and it will be recorded as payments are made, should each of the conditions be met on the payment dates. A letter of credit was issued by the Credit Union in respect of these future payments. The conditions referred to herein are generally related to events and performance factors pertaining to Mass Insurance Brokers Limited. In the event that these conditions are not met, the Credit Union will not be obligated to increase its investment and it will have the option of requiring the majority shareholder of 1125750 Ontario Limited to purchase the Credit Union's ownership interest for an amount of \$350,000.

Business Strategy

The long range objective of the Credit Union is to develop into a much larger credit union serving a broader membership. It is anticipated that growth will be achieved through providing increased services to existing members, through increased penetration of the existing bonds of association, and through mergers with and/or acquisitions of other credit unions which are viewed as being complementary to Markham-Stouffville. At the present time, no such mergers or acquisitions have been agreed to but discussions have been held with a number of parties and some discussions are ongoing.

The business strategy of the Credit Union is implicit in the above section which describes the general business of the Credit Union, together with plans for new services and products to enhance its ability to serve its members. Ultimately, the Credit Union intends to position itself to deliver most of the financial service needs of a greater portion of its total membership, making it possible to strengthen its relationship with each member and also to attract new members to the Credit Union.

CAPITAL STRUCTURE OF THE CREDIT UNION

Prior to August 1995, Markham-Stouffville's authorized capital consisted of an unlimited number of Membership Shares, as this was the only class of share that was legally permitted to be issued under the

Markham-Stouffville Community Credit Union Limited
Offering Statement for
Series 95 Class B Investment Shares
and Unsecured Subordinated Debentures



former credit union legislation. In August 1995, the Credit Union received Board and member approval to expand the authorized capital and subsequently filed Articles of Amendment to create an unlimited number of Class A Special Shares ("Class A Shares") and an unlimited number of Class B Special Shares ("Class B Investment Shares"). Further, the Board of Directors has approved an unlimited issue of Unsecured Subordinated Debentures.

Membership Shares

Membership Shares are issued at \$5 each, the price established by the Board of Directors, to persons who wish to become members of Markham-Stouffville. The holders of Membership Shares may receive dividends if, as and when declared by the directors of the Credit Union. Membership Shares are non-cumulative as to dividends and fully participating in the residual equity of the Credit Union on dissolution. The Credit Union has a lien on the Membership Shares of each member for any indebtedness of the member to the Credit Union.

Pursuant to the By-laws of Markham-Stouffville, each member aged 18 years and over must hold at least 16 Membership Shares to retain membership. Younger members must hold at least two Membership Shares to retain membership. The membership By-law requires members aged 18 years and over to increase their ownership in Membership Shares to a maximum of 30, to be reached no later than November 30, 2000, or earlier at the option of the member. Each member aged 18 years and over is entitled to one vote, regardless of the number of Membership Shares held, on resolutions of the members or in the election of directors at annual general meetings. Pursuant to the Act, this By-law can be changed by special resolution of the members.

Membership Shares are redeemable at the amount paid thereon plus any declared but unpaid dividends, when a member dies, withdraws or is expelled from membership. Membership Shares cannot be redeemed if the Credit Union is not meeting the requirements of Section 84 of the Act (see also Capital Adequacy in the section on Risk Factors, beginning on page 22). Membership Shares are not transferable between members. As at July 31, 1995, there were 157,596 Membership Shares outstanding with a total stated value of \$787,980.

Membership Shares rank junior to Class A Shares and to Class B Investment Shares for priority in the declaration and payment of dividends.

In the event of the liquidation, dissolution or winding-up of the Credit Union or other distribution of assets or property of the Credit Union among its members or shareholders for the purpose of winding-up its affairs, the holders of the Membership Shares shall each be entitled to receive an amount representing equal portions of the assets or property of the Credit Union remaining after payment of all the Credit Union's debts and obligations including redemption of all senior classes of shares, including Class B Investment Shares and Class A Shares, and the Unsecured Subordinated Debentures.

Class A Shares

The Credit Union is authorized to issue an unlimited number of Class A Shares, in series. The holders of Class A Shares may receive dividends if, as and when declared by the directors of Markham-Stouffville. The Class A Shares rank senior to the Membership Shares and junior to the Class B Investment Shares in respect



Markham-Stouffville Community Credit Union Limited
Offering Statement for
Series 95 Class B Investment Shares
and Unsecured Subordinated Debentures

of dividends. Dividends on the Class A Shares are non-cumulative and the shares are generally non-voting and non-participating.

The Class A Shares are non-voting for the purposes of annual general or special meetings of the members. In the event of a proposed dissolution or amalgamation or the purchase and sale, lease or transfer of all or a substantial portion of the assets of Markham-Stouffville or if there is a proposed resolution which affects the rights attaching to the Class A Shares, the Credit Union will hold a special meeting of the holders of Class A Shares. Holders of Class A Shares have one vote per Class A Share at such meetings held to consider such an event or resolution. The Credit Union has a lien on the Class A Shares of each member for any indebtedness of the member to the Credit Union, pursuant to its By-laws.

Class A Profit Shares, Series 1

The Board of Directors has authorized the creation and issuance of Class A Profit Shares, Series 1 (referred to herein as Class A Profit Shares), at an issue price of \$1 each. The Class A Profit Shares are intended to be used by the Credit Union to reward members for their patronage. Amounts payable, resulting either from a calculation of a patronage rebate or a dividend on Class A Shares or a dividend on any other class of shares, are rounded down to the nearest even dollar before being issued as Class A Shares and no fractional shares may be issued. Patronage rebates are based on members' usage of such Credit Union products and services as may be determined by the Board of Directors.

Pursuant to the Articles of the Credit Union, Class A Profit Shares are redeemable at the request of the holder at any time on or after the date on which the holder reaches the age of 65 years, or upon termination of the holder's membership in the Credit Union, or at any time after the death of the holder. The Board will ordinarily approve such redemption requests unless such redemptions will cause the Credit Union to be unable to comply with the capital requirements of Section 84 of the Act (see also Capital Adequacy in the section on Risk Factors, beginning on page 22). Total redemptions approved for all holders of Class A Profit Shares in any fiscal year may not exceed an amount equal to 10% of the total Class A Profit Shares outstanding at the end of the previous fiscal year. Redemption requests will be considered on a first come, first serve basis and any redemption requests not fulfilled in one fiscal year shall be carried forward and be the first considered in the following fiscal year.

The Credit Union has the option of redeeming the Class A Profit Shares, subject to restrictions in the Act, after giving at least 21 days notice of its intent to redeem, at any time after five years from the date of issuance.

In the event of liquidation or dissolution of the Credit Union or any other distribution of its assets for the purpose of winding-up its affairs, holders of Class A Profit Shares are entitled to receive the Redemption Amount for each Class A Profit Share held. The Redemption Amount of each Class A Profit Share outstanding is equal to the issue price plus declared and unpaid dividends. Class A Profit Share Redemption Amounts will be paid in priority to the Membership Shares but after provision for payment of all the Credit Union's other debts and obligations including other securities and Class B Investment Shares which rank senior to Class A Profit Shares. Holders of Class A Profit Shares are not entitled to participate in the distribution of residual assets of the Credit Union.

There are no Class A Profit Shares issued or outstanding as of the date of this Offering Statement.

Markham-Stouffville Community Credit Union Limited
Offering Statement for
Series 95 Class B Investment Shares
and Unsecured Subordinated Debentures



Class B Investment Shares

The Credit Union is authorized to issue an unlimited number of Class B Investment Shares, in series. Holders of Class B Investment Shares may receive dividends if, as and when declared by the Board. The Class B Investment Shares rank senior to the Membership Shares and the Class A Shares in respect of dividends. Dividends on the Class B Investment Shares are non-cumulative and the shares are generally non-voting and non-participating. Class B Investment Shares have redemption restrictions which may vary according to series. The Credit Union has a lien on the Class B Investment Shares of each member for any indebtedness of the member to the Credit Union, pursuant to its By-laws.

The Class B Investment Shares are non-voting for the purposes of annual general or special meetings of the members. In the event of a proposed dissolution or amalgamation or the purchase and sale, lease or transfer of all or a substantial portion of the assets of Markham-Stouffville or if there is a proposed resolution which affects the rights attaching to the Class B Investment Shares, the Credit Union will hold a special meeting of the holders of Class B Investment Shares. In some cases, there will be a separate meeting for holders of each series of Class B Investment Shares. *Holders of Class B Investment Shares have one vote per Class B Investment Share at such meetings held to consider such an event or resolution.*

In the event of liquidation or dissolution of the Credit Union or any other distribution of its assets for the purpose of winding-up its affairs, holders of Class B Investment Shares are entitled to receive the Redemption Amount for each Class B Investment Share held. The Redemption Amount of each Class B Investment Share outstanding is equal to the issue price plus declared and unpaid dividends. Class B Investment Share Redemption Amounts will be paid in priority to the Membership Shares and in priority to the Class A Profit Shares but after provision for payment of all the Credit Union's other debts and obligations including Unsecured Subordinated Debentures and any other securities which may rank senior to the Class B Investment Shares. Holders of Class B Investment Shares are not entitled to participate in the distribution of residual assets of the Credit Union.

There are no Class B Investment Shares issued or outstanding as of the date of this Offering Statement. For a complete description of the rights, terms, conditions and restrictions on Series 95 Class B Investment Shares, see the next section of this Offering Statement, beginning on page 15.

Subordinated Indebtedness in the Form of Unsecured Subordinated Debentures

Pursuant to its By-laws, the Credit Union is authorized to borrow up to 50% of its regulatory capital and members' deposits. The Unsecured Subordinated Debentures are subordinated to the rights of depositors and other creditors. Unsecured Subordinated Debentures are issuable to members in whole multiples of \$1,000, to a maximum of \$100,000 per member. The debentures are due on demand, subject to the requirements and restrictions described below, and have no fixed term to maturity.

The Unsecured Subordinated Debentures are redeemable at the request of the holder only on the complete repayment of all amounts owing to the Credit Union and the termination of any contractual commercial lending agreements between the member and the Credit Union. The aggregate of all such redemptions in any fiscal year may not, however, exceed 10% of the value of such debentures which are outstanding at the

Markham-Stouffville Community Credit Union Limited
Offering Statement for
Series 95 Class B Investment Shares
and Unsecured Subordinated Debentures

beginning of that fiscal year. Any redemption requests in excess of this limitation will be considered in the following fiscal year. In addition, the Unsecured Subordinated Debentures may, at the option of the Credit Union, be redeemed after a period of five years from the date of issuance, after giving the required notice.

Holders of the Unsecured Subordinated Debentures are entitled to interest as a first charge against the profits of the Credit Union. Interest accrues at a fixed rate of 3% per annum, compounded and payable annually on each fiscal year end date. Payments made in respect of principal and interest to the holders of the Unsecured Subordinated Debentures rank in priority to any payments which may be made to any of the classes of shares which are authorized and outstanding. However, such payments of principal and interest may be deferred, with Board approval, if the Credit Union is not meeting the capital adequacy requirements set out in the Act.

The terms of these debentures are designed to be more suited to the needs of commercial members/borrowers, as opposed to individual members. It is the policy of the Credit Union to encourage, but not require, its commercial borrowers to acquire Unsecured Subordinated Debentures in an amount equal to 8% of the commercial line of credit which is requested by each such member. Members who acquire the appropriate amount of Unsecured Subordinated Debentures will, by policy, receive terms and conditions which are generally more favourable, primarily in terms of interest rates, than those made available to members who choose not to acquire Unsecured Subordinated Debentures.

The Unsecured Subordinated Debentures are subject to certain restrictions relating to their withdrawal, based on the requirements of Section 84 of the Act to maintain minimum levels of regulatory capital and liquidity. In most cases, if the Credit Union meets the minimum capital requirements on a risk-weighted basis immediately prior to the redemption, the redemption itself will not affect or impair the net capital position of the Credit Union calculated on this basis. However, the leverage test for adequate capital will be affected by the redemption.

There are no Unsecured Subordinated Debentures issued or outstanding as of the date of this Offering Statement. For a complete description of the rights, terms, conditions and restrictions on the Unsecured Subordinated Debentures, see the next section of this Offering Statement.

DESCRIPTION OF SECURITIES BEING OFFERED

Series 95 Class B Investment Shares

Issue

Series 95 Class B Investment Shares, issuable at \$1 each, will only be issued to members of Markham-Stouffville, who are aged 18 years and over, if natural persons.

Dividends

The holders of Series 95 Class B Investment Shares are entitled, in preference to the Membership Shares and the Class A Profit Shares, to receive dividends if, as and when declared by the Board. Dividends for the Series 95 Class B Investment Shares are dependent upon, in part, the earnings and/or retained earnings of Markham-Stouffville and on its ability to comply with the capital adequacy and liquidity requirements of

Markham-Stouffville Community Credit Union Limited
Offering Statement for
Series 95 Class B Investment Shares
and Unsecured Subordinated Debentures



Section 84 of the Act (see also Capital Adequacy in the section on Risk Factors on pages 22 and 23). The payment of such dividends will be in such manner (including whether in the form of additional Series 95 Class B Investment Shares, or in the form of Class A Profit Shares or in cash or partly in shares and partly in cash), and on such terms as may be determined from time to time by the Board, including a provision for a one-time special dividend on the initial issue of this series of shares which is planned to be declared to holders of this series of shares within thirty days of issuance. Shares allotted as part of a declared dividend will only be issued in whole dollar amounts (rounded down to the nearest dollar) and no fractional shares will be issued.

The dividend policy of the Markham-Stouffville Board of Directors for Series 95 Class B Investment Shares shall be to pay a dividend or dividends in every year in which there are sufficient profits to do so while still fulfilling all other regulatory and operational requirements. The dividend rate shall be established by the Board of Directors, in its sole and absolute discretion, based on financial and other considerations prevailing at the time of the declarations. The Board shall consider whether or not a dividend shall be declared, and at what rate and in which manner, at least annually following each fiscal year end and before each annual general meeting of members.

Although there can be no guarantee that a dividend will be paid in each year, it is the policy of the Board that an appropriate dividend will be declared and paid in each year, provided that the Credit Union is in compliance with Section 84 of the Act.

As a one-time event, the Board of Directors plans to hold a special meeting to consider, and if thought appropriate, declare a special dividend to holders of the Series 95 Class B Investment Shares within thirty days of issuance. The planned dividend rate for this special one-time dividend is 10% of the principal amount of Class B Shares held and it will be paid out of profits earned during the fiscal years ending September 30, 1995 and 1996, subject to meeting regulatory capital and other operating requirements. The dividend is planned to be paid in the form of Class A Profit Shares.

Canadian Federal Income Tax Aspects

The following commentary has been prepared by Deloitte & Touche, Chartered Accountants, based solely on the information contained in this Offering Statement and their understanding of the meaning and intent of the relevant provisions of the Income Tax Act including legislation that is pending at the date of this Offering Statement. This commentary summarizes the principal Canadian federal income tax consequences to individuals, other than trusts, who are resident in Canada for income tax purposes, who become holders by acquiring shares pursuant to this Offering Statement and who hold the interest as capital property. No advance income tax ruling has been requested or obtained from Revenue Canada in connection with this Offering Statement and there is therefore the risk that it may have a different view of the income tax consequences to holders from that described herein. INVESTORS ARE CAUTIONED THAT THIS COMMENTARY IS OF A GENERAL NATURE ONLY AND IS NOT INTENDED TO CONSTITUTE ADVICE TO ANY PARTICULAR INVESTOR. INVESTORS SHOULD SEEK INDEPENDENT ADVICE FROM THEIR OWN ADVISORS.

Investors who acquire one or more Series 95 Class B Investment Shares will be required to include in income the dividends paid on the shares, whether paid in cash or in the form of additional shares, including the special

Markham-Stouffville Community Credit Union Limited
Offering Statement for
Series 95 Class B Investment Shares
and Unsecured Subordinated Debentures

dividend. This income is considered to have been received, for income tax purposes, as interest income from Canadian sources and not as dividend income.

Dividends paid in the form of Class A Profit Shares or additional Series 95 Class B Investment Shares will be considered a stock dividend for tax purposes. On the basis that the Credit Union will add to the stated capital of the Class A Profit Shares or the Series 95 Class B Investment Shares an amount equal to the amount of the dividend, it will constitute interest income to the holders and be added to the adjusted cost base of the shares for income tax purposes. The amount received on redemption of a share in excess of its paid-up capital for income tax purposes is interest income and is not included in the proceeds of disposition of the share.

The disposition of a share may give rise to a capital gain (or capital loss) to the extent that the proceeds received on the disposition exceed (or are exceeded by) the sum of the adjusted cost base of the share and any costs of its disposition. If certain criteria are met, a capital loss may be considered a business investment loss.

Generally, any interest expense incurred on money borrowed to acquire shares is deductible for income tax purposes, provided it is incurred to earn income. However, this is subject to the overriding condition that the interest expense be reasonable in the circumstances. In general, if the shares are disposed of, any interest expense would cease to be deductible.

The Series 95 Class B Investment Shares will be a qualified investment for RRSP contracts. The transfer of any shares by a holder to an RRSP constitutes a disposition of the shares by the holder for income tax purposes. In such circumstances, the holder is deemed to receive the proceeds of disposition for the shares equal to their fair market value at that time of such transfer, and this amount is included in computing the capital gain or loss from the disposition. Any capital loss arising on such disposition is denied to the shareholder. Interest expense related to shares transferred to an RRSP is not deductible for income tax purposes.

Markham-Stouffville Investment Retirement Plan

The Co-operative Trust Company of Canada is the trustee of this retirement savings plan which will accept Series 95 Class B Investment Shares as contributions.

Rights on Distributions of Capital

On liquidation or dissolution, holders of Class B Investment Shares will be paid in priority to the Membership Shares and in priority to the Class A Profit Shares but after provision for payment of all the Credit Union's other debts and obligations including the Unsecured Subordinated Debentures and any other securities which may rank senior to Class B Investment Shares. Holders of Class B Investment Shares shall not be entitled to participate in the distribution of the Credit Union's assets then remaining.

In the event of liquidation or dissolution of Markham-Stouffville or any other distribution of its assets for the purpose of winding-up its affairs, holders of Series 95 Class B Investment Shares shall be entitled to receive an amount equal to the Redemption Amount of their shares (issue price of shares issued and outstanding plus declared and unpaid dividends).

Markham-Stouffville Community Credit Union Limited
Offering Statement for
Series 95 Class B Investment Shares
and Unsecured Subordinated Debentures



Voting Rights

The Class B Investment Shares are non-voting for the purposes of annual general or special meetings of the members. In the event of a proposed dissolution, amalgamation, purchase and sale, lease or transfer of all or a substantial portion of the assets of Markham-Stouffville or if there is a proposed resolution which affects the rights attaching to the Class B Investment Shares, the Credit Union will hold a special meeting of the holders of Class B Investment Shares. In some cases, there will be a separate meeting for holders of each series of Class B Investment Shares. The holders of Class B Investment Shares of each series shall have one vote per Class B Investment Share at such meetings of that series to consider such an event or resolution.

Redemption Provisions and Restrictions

Holders of Class B Investment Shares may make a request to the Board, in writing, to redeem all or part of their Class B Investment Shares held:

- after an initial term of five years from the date of issue of each Class B Investment Share, or
- at any time after the death of the shareholder (request made by lawful representative of the estate of the deceased shareholder).

The Board will ordinarily approve such requests unless, in the opinion of the Board, such redemption will cause the Credit Union to be unable to comply with the capital requirements of Section 84 of the Act. In no case shall total redemptions approved for holders of Class B Investment Shares in any fiscal year exceed an amount equal to 10% of the total Class B Investment Shares outstanding at the beginning of that fiscal year.

When such redemption requests are approved, they shall be on a first come, first serve basis as evidenced by the time and date to be marked on each request when received by the Credit Union. Redemption requests not fulfilled during one fiscal year will be carried forward and considered at the first meeting of the Board of Directors in the following fiscal year.

The Credit Union has the option of redeeming the Series 95 Class B Investment Shares, subject to restrictions in the Act, after giving at least 21 days notice of its intent to redeem, at any time after five years from the date of issuance. The Redemption Amount will be the total of the issue price of the shares plus any dividends declared but not yet paid.

Purchasers of Series 95 Class B Investment Shares who are intending to include such shares in a Registered Retirement Savings Plan (RRSP) contract should carefully review the above redemption provisions and restrictions before proceeding.

Modification

Modification of the provisions attached to Series 95 Class B Investment Shares will require the affirmative vote of two-thirds of the members voting at a special or annual general meeting plus the approval of the holders of Series 95 Class B Investment Shares. Such shareholder approval will be expressed by a majority vote of the holders of the Series 95 Class B Investment Shares at a separate meeting of such shareholders with each shareholder having one vote per Series 95 Class B Investment Share held.

Markham-Stouffville Community Credit Union Limited
Offering Statement for
Series 95 Class B Investment Shares
and Unsecured Subordinated Debentures

Restrictions on Transfer

Series 95 Class B Investment Shares may not be transferred except to another member of Markham-Stouffville or to a person prescribed in the Act and accompanying Regulations. Transfers will be subject to the approval of the Board of Directors. Transfer requests will be in writing using a form approved by the Board. Transfer requests will be tendered to the Head Office of the Credit Union, together with the certificate or certificates representing the shares to be transferred. Series 95 Class B Investment Shares will be transferred to other members at a price equal to the current Redemption Amount (issue price of shares issued plus dividends declared and unpaid).

No member, through transfers of Series 95 Class B Investment Shares from other members, will be allowed to hold more Series 95 Class B Investment Shares than the member would otherwise have been able to subscribe for in this initial offering (40,000). **There is no market for the Series 95 Class B Investment Shares issued by the Credit Union.**

Articles of Amendment

Prospective purchasers of Series 95 Class B Investment Shares may obtain, on request at the Head Office of the Credit Union, a copy of the Special Resolution which amended Markham-Stouffville's Articles of Incorporation and defines its share capital structure including the full terms and conditions, rights and privileges of Class B Investment Shares.

Subordinated Indebtedness in the Form of Unsecured Subordinated Debentures

Issue

Unsecured Subordinated Debentures are subordinated to the rights of depositors and other creditors and will only be issued, in registered form, to members of Markham-Stouffville, who are aged 18 years and over, if natural persons.

Term

The Unsecured Subordinated Debentures are due on demand, subject to the requirements and restrictions described in the following paragraph, and have no fixed term to maturity.

Redemption Provisions and Restrictions

The Unsecured Subordinated Debentures are redeemable at the request of the holder only on the complete repayment of all amounts owing to the Credit Union and the termination of any contractual commercial lending agreements between the member and the Credit Union. The Board will ordinarily approve such requests unless, in the opinion of the Board, such redemption will cause the Credit Union to be unable to comply with the capital requirements of Section 84 of the Act. The aggregate of all such redemptions in any fiscal year may not, however, exceed 10% of the value of such debentures which are outstanding at the beginning of that fiscal year. Any redemption requests in excess of this limitation will be considered in the following fiscal year. The Unsecured Subordinated Debentures are redeemable at the face amount thereof plus accrued interest. In addition, the Unsecured Subordinated Debentures may, at the option of the Credit Union, be redeemed after a period of five years from the date of issuance.

Markham-Stouffville Community Credit Union Limited
Offering Statement for
Series 95 Class B Investment Shares
and Unsecured Subordinated Debentures



Modification

Modification of the provisions attached to Unsecured Subordinated Debentures will require the affirmative vote of two-thirds of the members voting at a special or annual general meeting plus the approval of the holders of Unsecured Subordinated Debentures. Such debentureholder approval will be expressed by a majority vote of the holders of not less than two-thirds of the total principal amount outstanding of the Unsecured Subordinated Debentures at a separate meeting of such debentureholders.

Restrictions on Transfer

Unsecured Subordinated Debentures may not be transferred except to another member of Markham-Stouffville or to a person prescribed in the Act and accompanying Regulations. Transfers will be subject to the approval of the Board of Directors. Transfer requests will be in writing using a form approved by the Board. Transfer requests will be tendered to the Head Office of the Credit Union, together with the certificate or certificates representing the debentures to be transferred. Unsecured Subordinated Debentures will be transferred to other members at the face amount thereof plus accrued interest.

No member, through transfers of Unsecured Subordinated Debentures from other members, will be allowed to hold more Unsecured Subordinated Debentures than the member would otherwise have been able to subscribe for in this initial offering (\$100,000). **There is no market for the Unsecured Subordinated Debentures issued by the Credit Union.**

Interest

Holders of the Unsecured Subordinated Debentures are entitled to interest as a first charge against the profits of the Credit Union. Interest accrues at a fixed rate of interest of 3% per annum, compounded and payable annually on each fiscal year end date. Payments made in respect of principal and interest to the holders of the Unsecured Subordinated Debentures rank in priority to any payments which may be made to any of the classes of shares which are authorized and outstanding. However, such payments of principal and interest may be deferred, with Board approval, if the Credit Union is not meeting the capital adequacy requirements set out in the Act.

Rights on Distributions of Capital

On liquidation or dissolution, holders of the Unsecured Subordinated Debentures will be paid in priority to the Membership Shares, the Class A Profit Shares and the Class B Investment Shares but after provision for payment of all the Credit Union's other debts and obligations including any other securities which may rank senior to the Unsecured Subordinated Debentures. In the event of liquidation or dissolution of Markham-Stouffville or any other distribution of its assets for the purpose of winding-up its affairs, holders of Unsecured Subordinated Debentures shall be entitled to receive the face amount thereof plus accrued interest.

Markham-Stouffville Community Credit Union Limited
Offering Statement for
Series 95 Class B Investment Shares
and Unsecured Subordinated Debentures

CAPITALIZATION TABLE

The capitalization of the Credit Union as at September 30, 1994, as at July 31, 1995 and as at July 31, 1995 after giving effect to the full issuance of the Series 95 Class B Investment Shares and the Unsecured Subordinated Debentures, is set out in the following table:

	As at <u>September 30, 1994</u> (audited)	As at <u>July 31, 1995</u> (unaudited)	As at July 31, 1995 After Giving Effect to the Full Issuance of the Class B Investment Shares and Unsecured <u>Subordinated Debentures</u> (unaudited)
Unsecured Subordinated Debentures	\$ -	\$ -	\$1,500,000
Share Capital			
Membership Shares	605,692	787,980	787,980
Class A Profit Shares	-	-	-
Class B Investment Shares	-	-	2,940,000 (3,000,000 shares)
Retained Earnings	<u>1,476,617</u>	<u>1,790,138</u>	<u>1,790,138</u>
Total	<u>\$2,082,309</u>	<u>\$2,578,118</u>	<u>\$7,018,118</u> See Note Below

Note: Excludes declaration of special dividend on Class B Investment Shares, payable in the form of Class A Profit Shares, as there is no net effect on the total.

RISK FACTORS

The following risk factors should be considered in making a decision to purchase Series 95 Class B Investment Shares and/or Unsecured Subordinated Debentures.

Redemption Restrictions

There is no market through which the Series 95 Class B Investment Shares and Unsecured Subordinated Debentures may be sold. Further, it is not expected that any market will develop. These securities may only be transferred to another member of the Credit Union or to a person prescribed by the Act and accompanying Regulations.

The Credit Unions and Caisses Populaires Act, 1994 prohibits redemption of shares or subordinated debentures of a credit union if the Board of Directors of the Credit Union have reasonable grounds to believe that the Credit Union is, or the payment would cause it to be, in contravention of prescribed liquidity and

Markham-Stouffville Community Credit Union Limited
Offering Statement for
Series 95 Class B Investment Shares
and Unsecured Subordinated Debentures



capital adequacy tests for credit unions. Further, redemptions are limited in any fiscal year to 10% of the respective balances of such securities outstanding at the beginning of that fiscal year. Consequently, holders of Series 95 Class B Investment Shares and Unsecured Subordinated Debentures may not be able to sell or redeem their securities when they wish to do so.

Capital Adequacy

The Act requires Markham-Stouffville to maintain certain levels of regulatory capital according to its risk-weighted assets ("BIS Ratio") and its actual assets ("Leverage Ratio") as follows:

	<u>BIS Ratio</u>	<u>Leverage Ratio</u>
as of March 1, 1995 (Act proclaimed)	6.5%	4.0%
as of July 31, 1995	6.5%	4.0%
as of September 30, 1995	6.5%	4.0%
as of October 1, 1995	7.0%	4.25%
as of September 30, 1996	7.0%	4.25%
as of October 1, 1996	7.5%	4.6%
as of September 30, 1997	7.5%	4.6%
as of October 1, 1997 and thereafter	8.0%	5.0%

The Credit Union is required to maintain the minimum capital ratios set out above on a continuous basis throughout the periods until the ratios increase to the next level.

As of July 31, 1995, Markham-Stouffville maintained a BIS Ratio of 4.51% and a Leverage Ratio of 2.64% and, accordingly, was not in compliance with Section 84 of the Act. As of the date of this Offering Statement, Markham-Stouffville does not meet the Act's capital adequacy requirements.

The Director of Credit Unions is empowered to specify terms and conditions with which the Credit Union must comply while its regulatory capital does not meet the minimum levels specified in Section 84 of the Act. The conditions attached to the capital variation order, dated July 15, 1994, presently in force for Markham-Stouffville are summarized below.

- The Credit Union must provide to the Deposit Insurance Corporation of Ontario the financial reports and other information that are requested to facilitate the monitoring of its performance.
- No dividends may be paid until the Credit Union is in compliance with the legislative requirements for regulatory capital, now set out in Section 84 of the Act.
- The Director's prior approval is required for all capital expenditures and commitments in respect of property and for all other capital expenditures and commitments exceeding \$50,000 in total.
- An analysis of actual and budgeted financial results, with explanatory comment of variances, is to be provided in connection with future applications for a variation of the capital requirements of the Act.
- The prior approval of the Director is required for any asset growth in excess of 5% per year.
- The Credit Union must continue to develop and implement strategies to improve profitability in order to meet the capital requirements of the Act as soon as possible. Specific strategies are recommended.



Markham-Stouffville Community Credit Union Limited
Offering Statement for
Series 95 Class B Investment Shares
and Unsecured Subordinated Debentures

In addition, in a letter dated September 6, 1995, the Deposit Insurance Corporation of Ontario has required the Credit Union to comply with the terms and conditions set out below, as a condition of maintaining its deposit insurance coverage.

- The Credit Union must report to the Deposit Insurance Corporation of Ontario (the "Corporation") any actual or anticipated event which is likely to have a material impact on the Credit Union's financial condition and increase the Corporation's insurance risk exposure.
- The Credit Union must comply with all the conditions in the capital variation order specified by the Director of Credit Unions.
- Audited financial statements and auditors' management letter are to be provided to the Corporation within 75 days of the fiscal year end.
- The Credit Union will provide to the Corporation all of the financial reports and other information which are requested on a monthly basis.
- Management of the Credit Union will meet with appointed staff of the Corporation to review financial results and progress in implementing strategies to improve profitability and raise risk capital.
- A representative of the Corporation must be given adequate notice of and may attend Board meetings.

Subscription and subsequent issue of \$3,000,000 of the Series 95 Class B Investment Shares and \$1,500,000 of the Unsecured Subordinated Debentures offered hereunder will place Markham-Stouffville in compliance with the Act's current requirements, resulting in a regulatory leverage ratio of approximately 7%. Furthermore, subscription and issue of \$1,500,000 of Series 95 Class B Investment Shares and Unsecured Subordinated Debentures will also place Markham-Stouffville in compliance with the Act's current requirements, after which time the Credit Union will apply to the Director for a release from the variation order described above and will apply to the Deposit Insurance Corporation of Ontario for a release from the conditions it has imposed.

Payment of Dividends

This is the initial offering of Series 95 Class B Investment Shares and, accordingly, there is no dividend record for the Series 95 Class B Investment Shares. The payment of dividends to the holders of Series 95 Class B Investment Shares is dependent on the ability of Markham-Stouffville to meet the capital adequacy requirements of the Act, the availability of earnings and the exercise by the Board of Directors of the Credit Union of its discretion as to whether or not to declare a dividend, the rate at which the dividend is to be declared, and the proportions and types of additional shares and cash for payment of such dividend.

Payment of Interest

Although interest accrues and is compounded annually on the Unsecured Subordinated Debentures, the Board of Directors may determine that payment of such interest should be deferred if the Credit Union is not meeting the capital adequacy requirements set out in the Act. In such circumstances, payments of the deferred interest will resume when a determination has been made by the Board that the Credit Union is in compliance with Section 84 of the Act.

Markham-Stouffville Community Credit Union Limited
Offering Statement for
Series 95 Class B Investment Shares
and Unsecured Subordinated Debentures

Credit Risk

The major activity of Markham-Stouffville is the lending of money to members and, as a result, there exists the risk of loss from uncollectible loans. Historically, commercial loans have resulted in proportionately greater loan losses than other classes of loans. The lending policies of the Credit Union, the care and attention of staff and management in applying such policies to loan applications and loans granted, and the security taken in connection with such applications will affect the future profitability of the Credit Union and impact on its ability to pay dividends and redeem Series 95 Class B Investment Shares and Unsecured Subordinated Debentures when the members wish it to do so. The loan portfolio at July 31, 1995, segregated into those classes of loans which are defined in the Regulations to the Act, and the activity in the allowance for doubtful loans are detailed below.

Loans by Classification	July 31, 1995	September 30, 1994
Mortgage	\$35,758,899	\$39,226,253
Personal	19,636,270	21,662,100
Commercial	21,528,024	20,434,933
Agricultural	<u>1,214,176</u>	<u>840,592</u>
	78,137,369	82,163,878
Less allowance for doubtful loans	<u>(1,253,634)</u>	<u>(1,152,177)</u>
	<u>\$76,883,735</u>	<u>\$81,011,701</u>

Activity in the Allowance for Doubtful Loans	Ten Months Ended July 31, 1995				Year Ended September 30, 1994
	Personal	Mortgage	Commercial	Total	Total
Balance, Beginning of period	\$310,938	\$128,058	\$713,181	\$1,152,177	\$807,513
Recovery on loans previously written-off	15,607	6,000	-	21,607	8,524
Loans written-off as uncollectible	(110,360)	(112,241)	-	(222,601)	(445,505)
Balance before provision	216,185	21,817	713,181	951,183	370,532
Provision for doubtful loans	<u>176,439</u>	<u>25,157</u>	<u>100,855</u>	<u>302,451</u>	<u>781,645</u>
Balance, end of period	<u>\$392,624</u>	<u>\$ 46,974</u>	<u>\$814,036</u>	<u>\$1,253,634</u>	<u>\$1,152,177</u>

The Credit Union is also exposed to credit risk in respect of its investments. In particular, the investments in corporate entities may decline in value as a result of poor financial performance or other factors which might affect the investee company in the future. As a result, the Credit Union may be unable to realize the full carrying value of each investment, in cash, within the time frame in which it wishes to do so.



Markham-Stouffville Community Credit Union Limited
Offering Statement for
Series 95 Class B Investment Shares
and Unsecured Subordinated Debentures

Non-performing loans are loans which, in the opinion of management, cast doubt as to the ultimate collectibility of some portion or all of the principal or interest. Accrual of interest on loans where interest is due and has not been collected for a period of 90 days is automatically discontinued, unless management determines that there is no reasonable doubt as to the ultimate collectibility of principal and interest. The criteria and methods for the determination of non-performing loans and the resulting allowances for losses on such loans are presently being modified and better codified by the Deposit Insurance Corporation of Ontario. The Credit Union will follow the new requirements once they are in force.

Markham-Stouffville has an established policy of providing, on a monthly basis, an allowance to cover potential loan losses. Each month the allowance is reviewed and, if potential loan losses are identified, an allowance is specifically allocated to each non-performing loan. The following table shows Markham-Stouffville's non-performing loan exposure net of the related allowance for loan losses:

	July 31, 1995	September 30, 1994
Non-performing loans		
Personal loans	\$ 611,031	\$ 564,251
Mortgage loans	131,712	236,706
Commercial loans	3,227,196	2,560,344
Agricultural loans	—	—
Total non-performing loans	3,969,939	3,361,301
Less allowance for loan losses	<u>(1,253,634)</u>	<u>(1,152,177)</u>
Net non-performing loans	<u>\$2,716,305</u>	<u>\$2,209,124</u>
As a percentage of net loans to members	<u>3.5%</u>	<u>2.7%</u>

Loans written-off as uncollectible during the ten-month period ended July 31, 1995 and the year ended September 30, 1994 were \$222,601 and \$445,505, respectively. Bad debt expenses for the same periods were \$302,451 and \$781,645. The allowance for doubtful loans has increased to 1.6% of total loans outstanding at July 31, 1995 from 1.4% at September 30, 1994.

Liquidity Risk

Liquidity risk is the risk that a financial institution will have to sell assets at a loss to meet cash demands. As a member of a qualifying liquidity pool, the Credit Union must maintain an amount at least equal to 8% of its members' deposits and borrowings in prescribed classes of assets pursuant to Regulations to the Act. The Credit Union has maintained an average liquidity position of 11.2% in fiscal 1994 and 12.1% during the current ten-month period. In the event that the Credit Union's liquidity were to fall below the current minimum prescribed level of 8%, the Credit Union would need to modify its business activities to preserve cash and, accordingly, it might not be in a position to redeem either shares or debentures.

Markham-Stouffville Community Credit Union Limited
Offering Statement for
Series 95 Class B Investment Shares
and Unsecured Subordinated Debentures



Interest Rate Risk

Interest rate risk arises from a mismatch between rates and maturities of members' deposit liabilities and the yields and maturities of members' loans and other investments of the Credit Union. It is the policy of the Credit Union to keep exposure to interest rate fluctuations within limits set by the Board of Directors and by the Act. These limits require management to maintain a matched asset/liability position which will generate an impact on net earnings of less than 15 basis points of average assets for reasonably expected changes in interest rates. To achieve this matched position, the Credit Union uses a comprehensive set of financial reporting systems including computerized modelling techniques. The Credit Union can respond to market interest rate changes with immediate pricing adjustments to deposit and loan products, if necessary to correct a potential mismatch. As at July 31, 1995, the Credit Union's matching analysis indicated that a change in interest rates of 100 basis points (1%) would have impacted its net earnings by a maximum of 8 basis points.

In the event that the Credit Union were to become mismatched to an extent which exceeds the limits described above, future profitability could become seriously eroded with a resulting negative impact on the ability of the Credit Union to pay dividends or redeem shares and debentures.

Regulatory Action

Under the Act, the Deposit Insurance Corporation of Ontario can ask the Director of Credit Unions to place a credit union or caisse populaire under Supervision and may, itself, place a credit union or caisse populaire under Administration should it believe that there is a potential for the credit union or caisse populaire to encounter financial or management problems which could affect its financial well-being or which could tend to increase the risk of claims by the credit union or caisse populaire against the deposit insurance fund.

Reliance on Key Management

The success of Markham-Stouffville's business strategy is dependent on the ability of the Credit Union to retain certain of its key senior management personnel. The inability to retain such persons, or replace them with individuals of equal competence, could adversely affect the Credit Union's financial performance. The Credit Union has in place an employment agreement covering the services of the President and Chief Executive Officer and the Chief Financial Officer.

DIVIDEND RECORD AND POLICY

Prior to the recent creation of the current classes of shares, Markham-Stouffville's formal capital structure consisted only of Membership Shares on which dividends could be paid. As a result of the Credit Union not meeting the capital adequacy requirements set out in the legislation, it has been unable to pay dividends on Membership Shares since inception on October 1, 1993.

The holders of Series 95 Class B Investment Shares are entitled, in preference to the Class A Profit Shares and the Membership Shares, to receive dividends if, as and when declared by the Board. Dividends for the Series 95 Class B Investment Shares are dependent upon, in part, the earnings and/or retained earnings of the Credit Union and on its ability to comply with the capital adequacy and liquidity requirements of section 84 of

Markham-Stouffville Community Credit Union Limited
Offering Statement for
Series 95 Class B Investment Shares
and Unsecured Subordinated Debentures

the Act. The payment of such dividends will be in such manner (including whether in the form of additional Series 95 Class B Investment Shares or Class A Profit Shares or in cash or partly in shares and partly in cash), and on such terms as may be determined from time to time by the Board. Shares allotted as part of a declared dividend will only be issued in whole dollar amounts (rounded down to the nearest dollar) and no fractional shares will be issued.

The dividend policy of the Markham-Stouffville Board of Directors for Series 95 Class B Investment Shares shall be to pay a dividend or dividends in every year in which there are sufficient profits to do so while still fulfilling all other regulatory and operational requirements. The dividend rate shall be established by the Board of Directors, in its sole and absolute discretion, based on financial and other considerations prevailing at the time of the declarations. The Board shall consider whether or not a dividend shall be declared, and at what rate and in which manner, at least annually following each fiscal year end and before each annual general meeting of members.

Although there can be no guarantee that a dividend will be paid in each year, it is the policy of the Board that an appropriate dividend will be declared and paid in each year, provided that the Credit Union is in compliance with Section 84 of the Act.

Following consideration and payment of a dividend on the Series 95 Class B Investment Shares, the Board may decide to pay a dividend on shares ranking junior to the Class B shares, including Class A Profit Shares and Membership Shares.

As a one-time event, the Board of Directors plans to hold a special meeting to consider, and if thought appropriate, declare a special dividend to holders of the Series 95 Class B Investment Shares within thirty days of issuance. The planned dividend rate for this special one-time dividend is 10% of the principal amount of Class B Shares held and it will be paid out of profits earned during the fiscal years ending September 30, 1995 and 1996, subject to meeting regulatory capital and other operating requirements. The dividend is planned to be paid in the form of Class A Profit Shares.

USE OF PROCEEDS FROM SALE OF SECURITIES

Shares and debentures will be issued for cash only.

If the funds to be used by a subscriber to pay for shares and/or debentures subscribed are on deposit at the Credit Union, the subscriber will authorize the Credit Union to place a hold on such accounts in an amount equal to the issue price of the number of shares and/or amount of debentures subscribed. If the offering is completed, such hold will be released and the authorized amount will be used to pay for the shares and/or debentures subscribed. If the offering is withdrawn or if the decision to buy is reversed by the subscriber (as described on page 1 of this Offering Statement), the hold will be released immediately thereafter.

If the funds to be used by a subscriber to pay for shares and/or debentures subscribed are coming from outside the Credit Union, such funds will be held in escrow, in accounts to be trusted by Co-operative Trust Company of Canada, until the offering is completed or withdrawn or until the subscriber

Markham-Stouffville Community Credit Union Limited
Offering Statement for
Series 95 Class B Investment Shares
and Unsecured Subordinated Debentures

exercises the right to reverse the decision to purchase the securities (as described on page 1 of this Offering Statement). If the offering is completed, the proceeds will be released from escrow and used to pay for the shares and/or debentures subscribed. If the offering is withdrawn or if the subscriber reverses the decision to buy, the proceeds will be refunded in full, plus interest calculated at the Credit Union's 30-day term deposit rate as at the date of this Offering Statement, prorated for the number of days the funds were in escrow, to those who subscribed.

The above-noted terms and conditions regarding holds on deposit accounts and regarding escrow accounts are detailed on the Credit Union's subscription form for Series 95 Class B Investment Shares and/or the Unsecured Subordinated Debentures and on separate agreements, to be signed by subscribers, authorizing holds on deposit accounts and/or placing proceeds in escrow accounts. Copies of the Subscription Form and the forms for authorization for placing a hold on funds in deposit accounts and/or placing funds in escrow accounts are printed in this Offering Statement on pages 57, 58 and 59.

If fully subscribed, the gross proceeds to be derived by the Credit Union from the sale of the Series 95 Class B Investment Shares shall be \$3,000,000. If fully subscribed, the gross proceeds to be derived by the Credit Union from the issuance of the Unsecured Subordinated Debentures shall be \$1,500,000. The costs of issuing these securities are not expected to exceed \$75,000 and these costs, net of applicable tax savings approximating \$15,000, will be deducted from the gross proceeds in arriving at the amount to be reported as share capital outstanding. The estimated maximum net proceeds of this offering of securities is \$4,440,000. The principal use of the net proceeds and purpose of this offering is to enable the Credit Union to satisfy the legal requirements to maintain a minimum level of regulatory capital, as set out in Section 84 of the Act, and to provide a capital base for future growth. Based on a leverage capital ratio of 5%, the Credit Union's capital base, if this offering is fully subscribed, could support growth of approximately \$35,000,000. The cash generated from the issuance of the securities, to the extent it represents new cash to the Credit Union rather than being a transfer from existing accounts, will be used for general business purposes being primarily the lending of money to members and the investment of surplus funds in high quality investments.

PLAN OF DISTRIBUTION

1. The price to members for each Class B Investment Share will be \$1.
2. The price to members for Unsecured Subordinated Debentures will be whole multiples of \$1,000.
3. There will be no discounts or commissions paid to anyone for the sale of these securities.
4. One hundred percent (100%) of the proceeds of the sale of these securities will go to the Credit Union, which will then be responsible for the payment of the costs associated with this Offering Statement.

Subscriptions for the Series 95 Class B Investment Shares and the Unsecured Subordinated Debentures, respectively, shall be accepted as of the date of the Receipt for this Offering Statement, and for a period of six months thereafter or until the date on which subscriptions have been received for the maximum 3,000,000 shares of Series 95 Class B Investment Shares and/or the maximum \$1,500,000 of Unsecured Subordinated Debentures, whichever shall occur first in respect of each security (the "Closing Dates"). Subscriptions will be accepted on a first come, first serve basis and subscription forms will be marked with the time and date accepted. The Credit Union will closely monitor subscriptions being received as the totals approach the respective maximums. Potential purchasers making subscription requests at that time may not be allowed to

Markham-Stouffville Community Credit Union Limited
Offering Statement for
Series 95 Class B Investment Shares
and Unsecured Subordinated Debentures

subscribe for the full number or amount they desire or their subscription request may be refused. This Offering may not be over-subscribed and subscriptions will not be pro-rated.

If, after six months from the date of this Offering Statement, subscriptions received for the Series 95 Class B Investment Shares and Unsecured Subordinated Debentures amount to less than \$1,500,000 in the aggregate, this offering for Series 95 Class B Investment Shares and Unsecured Subordinated Debentures will be either renewed with the approval of the Director of Credit Unions or cancelled and withdrawn and all subscriptions will be returned to the respective members within 30 days thereof, with applicable interest, with neither shares nor debentures being issued. If subscriptions for the Series 95 Class B Investment Shares and Unsecured Subordinated Debentures amounting to \$1,500,000 or more have been received, such shares and debentures for which subscriptions have been received will be issued within seven business days thereof.

The first issuance to members of the Unsecured Subordinated Debentures will coincide with the date on which the Series 95 Class B Investment Shares are issued, as described in the preceding paragraph. Subsequent issues of Unsecured Subordinated Debentures will take place, until the expiry of this Offering Statement, within ten business days of the subsequent subscriptions for such debentures being received by the Credit Union.

The Series 95 Class B Investment Shares and Unsecured Subordinated Debentures will not be sold by underwriters or other dealers in securities. The minimum subscription shall be \$1,000 for each security. The maximum subscription per member shall be \$40,000 for 40,000 of the Class B Investment Shares and \$100,000 for the Unsecured Subordinated Debentures. Shares and debentures will only be issued subject to the full price of such securities being paid.

MARKET FOR THE SECURITIES

There is no market for the Series 95 Class B Investment Shares or the Unsecured Subordinated Debentures. These securities may only be transferred to another member of the Credit Union or to a person prescribed by the Act and accompanying Regulations.

SENIOR DEBT (RANKING AHEAD OF SERIES 95 CLASS B INVESTMENT SHARES AND UNSECURED SUBORDINATED DEBENTURES)

The Unsecured Subordinated Debentures rank senior to the Series 95 Class B Investment Shares.

Markham-Stouffville has arranged a line of credit and overdraft facilities totalling CDN\$4,000,000 and US\$1,000,000 at Credit Union Central of Ontario Limited ("Ontario Central"). The purpose of this combined facility is to cover fluctuations in daily clearing volume on the chequing accounts of the members of the Credit Union. As security for these credit facilities, the Credit Union has given Ontario Central promissory notes, a general assignment of its book debts and a general security agreement covering all of its assets.

Markham-Stouffville Community Credit Union Limited
Offering Statement for
Series 95 Class B Investment Shares
and Unsecured Subordinated Debentures

During the period from October 1, 1993 to July 31, 1995, the balance owing on the Canadian dollar line of credit has fluctuated from a high of \$640,000 to a low of \$0. The U.S. dollar line of credit has not been utilized during the same period.

AUDITORS, REGISTRAR AND TRANSFER AGENT

The auditors of Markham-Stouffville Community Credit Union Limited are Deloitte & Touche, Chartered Accountants, 60 Columbia Way, Suite 400, Markham, Ontario, L3R 0C9. Deloitte & Touche have been the auditors of the Credit Union since incorporation on October 1, 1993 and were the auditors of one of the predecessor credit unions since 1992.

The registrar and transfer agent for the Series 95 Class B Investment Shares and Unsecured Subordinated Debentures is all Branch and Head Office staff of Markham-Stouffville.

Markham-Stouffville Community Credit Union Limited
Offering Statement for
Series 95 Class B Investment Shares
and Unsecured Subordinated Debentures

DIRECTORS AND SENIOR MANAGEMENT

Board of Directors

The following table sets forth the board of directors of Markham-Stouffville, with committees indicated:

<u>Committee</u> (Code on Page 32)	<u>Name/Municipality of Residence</u>	<u>Principal Occupation</u>	<u>Position/Office</u>
d,e	Terry Ryan Markham, Ontario	Data Processing Consultant	Chair of the Board
d,e	Michael Gauvreau Ajax, Ontario	Advisory Analyst	Director
e,p	William Scott Fenelon Falls, Ontario	Retired	Corporate Secretary
e	Dr. Denis O'Connor Stouffville, Ontario	Veterinarian	Vice Chair of the Board
a	Richard Wilton Scarborough, Ontario	Auditor	Director
d	Lorne Culley Oshawa, Ontario	Systems Consultant	Director
d	Duncan Deans Ajax, Ontario	Production Manager	Director
p	Bruce Johnston Stouffville, Ontario	Retired	Director
a,d	Margaret King Stouffville, Ontario	Retail Merchant	Director
p	Stanley Hatch Mount Albert, Ontario	Retired	Director
a,d	Craig Andrew Oshawa, Ontario	Accountant	Director
a	Jim Tindall Woodville, Ontario	Research Chemist	Director
a,d	Chris Naus Scarborough, Ontario	Financial Analyst	Director
p	Joe Posivy Aurora, Ontario	Retired	Director



Markham-Stouffville Community Credit Union Limited
Offering Statement for
Series 95 Class B Investment Shares
and Unsecured Subordinated Debentures

Code to Board Committees: e: member of the executive committee
a: member of the audit committee
d: member of the business development committee
p: member of the policy committee

Senior Management

The following table sets forth the senior management of Markham-Stouffville:

<u>Name/Municipality of Residence</u>	<u>Position/Title</u>
Larry Smith Aurora, Ontario	President and Chief Executive Officer
Kimberly Colacicco Aurora, Ontario	Chief Financial Officer
Mary Benincasa Stouffville, Ontario	Vice President, Administration
Susanne Jones Scarborough, Ontario	Vice President, Credit

During the past five years, each of these officers has been employed continuously by the Credit Union (or by one of its predecessor credit unions), except for Larry Smith who became employed by a predecessor credit union on December 1, 1991. Prior thereto, Mr. Smith was employed in a similar capacity with another credit union of similar size.

LAWSUITS AND OTHER MATERIAL OR REGULATORY ACTIONS

Other than actions to recover delinquent loans where Markham-Stouffville is the plaintiff, management is not aware of any material pending or contemplated legal proceedings to which the Credit Union is a party, except as explained below.

The Credit Union is named as defendant, along with four other parties including a Canadian chartered bank, in a statement of claim seeking damages for improvident sale in the amount of \$1,500,000, together with a complete accounting of all funds received pursuant to the sale of a property, punitive damages of \$500,000, pre-judgement and post-judgement interest and legal costs of the plaintiff. There is no provision for loss or settlement of this claim in the financial statements because, in the opinion of management, based on advice of counsel, it is unlikely that any material loss will be incurred by the Credit Union.

There are no regulatory actions of which the Credit Union is aware, other than the ongoing need to meet various terms and conditions set out by the Director of Credit Unions and the Deposit Insurance Corporation of Ontario, in respect of the Credit Union's lack of compliance with Section 84 of the Act, as described in the section on "Risk Factors - Capital Adequacy", beginning on page 22.

Markham-Stouffville Community Credit Union Limited
Offering Statement for
Series 95 Class B Investment Shares
and Unsecured Subordinated Debentures

MATERIAL INTERESTS OF DIRECTORS, OFFICERS AND EMPLOYEES

All loans to the directors, officers and employees and persons related to them are made in the normal course of business, using standard credit granting criteria.

Personal and mortgage loans to directors, their spouses and corporations which they control amounted to \$696,048 as at July 31, 1995. Such members additionally have available an aggregate amount of \$87,496 of authorized but unused lines of credit.

Markham-Stouffville's officers and employees qualify for a preferred interest rate, which is equivalent to the rate prescribed by Revenue Canada for each calendar quarter, for personal loans. This preferred interest rate is currently 9%. As at July 31, 1995, the aggregate balance for these loans was \$546,324. Such officers and employees also have available an aggregate amount of \$77,666 of authorized but unused lines of credit. In addition the Credit Union's officers and employees qualify for mortgage rates which are 1% below the Credit Union's "best rate" as published each month, or Revenue Canada's prescribed rate of interest, whichever is less. As at July 31, 1995, the aggregate balance for these loans was \$2,393,042. There was no allowance for doubtful loans required in respect of the loans described in this section.

As members of Markham-Stouffville, directors, officers and employees of the Credit Union each hold Membership Shares equal to that required to maintain membership in Markham-Stouffville. Accordingly, each director, officer and employee may subscribe for the Series 95 Class B Investment Shares and/or the Unsecured Subordinated Debentures should any of such persons wish to do so.

See also "Contracts with Officers" in the following section.

MATERIAL CONTRACTS

The following material contracts have been entered into by Markham-Stouffville since October 1, 1993.

Co-operators Data Services Limited ("CDSL")

In September 1994, the Credit Union entered into a Customer Services Agreement with CDSL for the supply of data processing services over a ten-year period to September 30, 2004. To date, this agreement has not been reduced to final written form and signed. The terms of the agreement require the supplier to provide all necessary computer hardware and software for a fee of \$500,000, which is being charged to operations over the contract term. Ongoing data processing and communications costs are being billed as incurred based on usage, though credits are to be received in the first three years to recover certain costs which the Credit Union incurred in the 1994 fiscal year. Also in conjunction with this agreement, the Credit Union obtained the right to require CDSL to purchase its shares in CU-Connection Limited for an amount which is presently equal to the book value of this investment and which declines annually at a rate of \$30,000 per year, beginning in 1996. The Credit Union has also contracted with CDSL for Touch-Tone Banking software, at a cost of approximately \$40,000, to be installed in the fall of 1995.

Markham-Stouffville Community Credit Union Limited
Offering Statement for
Series 95 Class B Investment Shares
and Unsecured Subordinated Debentures



Mass Insurance Brokers Limited

During the current fiscal period, the Credit Union negotiated and completed a transaction to acquire an indirect 15% interest in Mass Insurance Brokers Limited, through the purchase of 30% of the shares of 1125750 Ontario Limited, a company which owns 50% of Mass Insurance Brokers Limited as its only asset. This investment was made for investment yield purposes as well as to enhance the Credit Union's ability to ensure that its members have access to an insurance broker which is dedicated to providing service to them. In addition, Mass Insurance Brokers Limited has an established relationship and track record with the employees of IBM Canada and currently services the home and automotive insurance needs for many of them. The purchase price for the 15% interest amounted to \$350,000 which was paid on closing in June 1995. In addition, the Credit Union is committed, provided that certain conditions are met, to a further investment of \$750,960 which is scheduled for payment over a period of 84 months at a rate of \$8,940 per month beginning in March 1996. This further investment will increase the Credit Union's ownership position to 30% and it will be recorded as payments are made, should each of the conditions be met on the payment dates. A letter of credit was issued by the Credit Union in respect of these future payments. The conditions referred to herein are generally related to events and performance factors pertaining to Mass Insurance Brokers Limited. In the event that these conditions are not met, the Credit Union will not be obligated to increase its investment and it will have the option of requiring the majority shareholder of 1125750 Ontario Limited to purchase the Credit Union's ownership interest for an amount of \$350,000.

Credit Union Central of Ontario

Markham-Stouffville has arranged a line of credit and overdraft facilities totalling CDN\$4,000,000 and US\$1,000,000 at Credit Union Central of Ontario Limited ("Ontario Central"). The purpose of this combined facility is to cover fluctuations in daily clearing volume on the chequing accounts of the members of the Credit Union. As security for these credit facilities, the Credit Union has given Ontario Central promissory notes, a general assignment of its book debts and a general security agreement covering all of its assets.

Contracts with Officers

Markham-Stouffville has an employment agreement with a proprietorship established by its President and Chief Executive Officer which outlines the terms of employment and provides for a termination allowance. In addition, the Credit Union has an agreement which outlines the compensation and termination allowance of its Chief Financial Officer. Both of these contracts are fully funded, with the funds being held in a trust account as disclosed in note 8 to the financial statements on page 48, and the appropriate amounts are being charged to operations on an annual basis to absorb the termination costs over the period of each contract.

Lease Commitment

The Credit Union is committed to minimum annual lease payments of \$77,154, plus taxes, maintenance, hydro and GST, until November 30, 2000 for the lease of its Unionville branch. In addition, the Credit Union is permitted to locate two of its branches in IBM-owned facilities under the terms of a letter of understanding of indefinite duration, signed in 1987.

OPERATING RESULTS AND VARIATIONS

Markham-Stouffville's assets have grown since its first fiscal year end, on September 30, 1994, to July 31, 1995 by \$3,471,000, or 3.7%. This growth is a result of increased members' deposits.

Over the same period, total loans have decreased by \$4,128,000, or 5.1%, primarily due to a decline in mortgage loans of \$3,467,000, or 8.8%. A decline in personal loans of \$2,026,000 was partially offset by growth in commercial and agricultural loans of \$1,467,000. The decline in residential mortgage and personal loans is a result of the lack of demand in the housing market and generally low levels of consumer confidence. The Credit Union's liquidity position has remained at an average level of 12.1% over the ten-month period in comparison with 11.2% for the year ended September 30, 1994. The current minimum liquidity requirement is 8% (10% prior to March 1, 1995).

The Credit Union has been able to increase its net interest margin from 294 basis points for the year ended September 30, 1994 to 350 basis points for the first ten months of the current fiscal year, primarily as a result of product pricing and matching strategies.

The Credit Union continues to improve the ratio of its total operating expenses as a percentage of average assets. This ratio has decreased from 403 basis points to 380 basis points, year over year. This reflects a significant improvement in bad debt expense which has decreased from \$781,645 for the year ended September 30, 1994 to \$302,451 for the ten-month period ended July 31, 1995. The transactions in the allowance for loan losses are summarized by loan class in note 6 to the financial statements, on page 46 of the Offering Statement. As a result of all of the foregoing factors, and the extensive focus and control over the loan losses, the Credit Union's pre-tax profits have increased from a loss position of \$232,356 for the year ended September 30, 1994 to a profit of \$313,521 for the current ten-month period. This equates to an after-tax profit of 39 basis points for the current period.

Total Members' Equity has grown by \$496,000, or 23.8%, over the past ten months as a result of increased Membership Shares of \$182,000 and current period net earnings of almost \$314,000. This has further resulted in the regulatory capital ratio, on a leverage basis, increasing from 2.21% of total assets as at September 30, 1994 to 2.64% as at July 31, 1995.

Markham-Stouffville Community Credit Union Limited
Offering Statement for
Series 95 Class B Investment Shares
and Unsecured Subordinated Debentures



The following table presents financial performance indicators for the Credit Union since inception on October 1, 1993. These figures are based on the audited financial statements for 1994 and the unaudited interim financial statements for the ten months ended July 31, 1995. (1 basis point (1 bp) equals 0.01% of average assets during the year.)

Financial Performance Indicators	Ten Months Ended July 31, 1995	Year Ended September 30, 1994
Profitability		
Total Assets (\$ Thousands)	\$97,732	\$94,261
Pre-tax Profit (Loss) (\$ Thousands)	\$337	\$(232)
Pre-tax Profit (Loss) (bp)	42	(23)
Net Interest Margin (bp)	350	294
Non-Interest Income (bp)	72	86
Total Operating Expenses (bp)	380	403
Compliance with Capital Requirements		
BIS Capital Ratio	4.51%	N/A
BIS Capital Requirement (7.0% at October 1, 1995)	6.50%	N/A
Leverage Ratio	2.64%	2.21%
Leverage Requirement (4.25% at October 1, 1995)	4.00%	4.00%
Loan Composition		
Total Loans Outstanding (\$ Thousands)	\$76,884	\$81,012
Personal Loans (% of total)	25.1%	26.4%
Mortgage Loans (% of total)	45.8%	47.7%
Agricultural Loans (% of total)	1.6%	1.0%
Commercial Loans (% of total)	27.5%	24.9%
Loan Quality		
Bad Debt Allowance (% of Total Loans)	1.6%	1.4%
Bad Debt Expense (bp)	38	79
Other Factors		
Total Members' Deposits (\$ Thousands)	\$94,962	\$91,985
Average Liquidity During the Period (% of total deposits & borrowings)	12.1%	11.2%
Asset Growth (Decline) (% change for Period)	3.7%	(8.9)%
Total Members' Equity (\$ Thousands)	\$2,578	\$2,082
Equity Growth (Decline) (% change for Period)	23.8%	(6.0)%

Further analysis is presented in the financial statements which are included in this Offering Statement, beginning on page 40.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The amalgamation of the IBM Toronto Employees Credit Union Limited and Markham-Stouffville Community Credit Union Limited resulted in a major challenge to "re-engineer" each of the existing credit unions into one cost-effective and member-focused financial institution. Products, services, staffing and data processing issues had to be resolved. This required time and money which had an effect on the profitability of the Credit Union. Continuing efforts to streamline the operations of the Credit Union have been substantially completed and have had a favourable impact on profitability in the current fiscal period.

In addition, significant efforts were made to improve the quality of the loan portfolio and ensure appropriate policies and valuations were in place. Upon a detailed review of the loan portfolio, management determined that certain commercial loans which had been granted in previous years by a predecessor credit union, were not reasonably assured as to collection in accordance with the original terms of the loans. Provisions for losses against these loans were not adequate at the date of amalgamation to cover the exposure which was believed to exist. Accordingly, a special provision of \$385,000 was provided for in the statement of earnings for the year ended September 30, 1994. Through significant ongoing efforts to improve underlying security and enhance collection opportunities and by strict adherence to clearly defined credit policies and credit approval procedures, bad debt expense has decreased significantly by \$479,000 to the end of July 1995 and is expected to be maintained at a more acceptable level in the future.

Since inception, Markham-Stouffville has endeavoured to compete successfully in its market area by providing a high level of service and product quality. Its business focus has been on attracting retail savings deposits from members and using this deposit base to fund a loan portfolio comprised largely of residential first mortgage loans, personal loans and commercial loans. Management intends to continue to focus its efforts on expanding its market share in its core business.

The economic weakness in Canada, and more specifically in Ontario, and the reduction in the growth of residential and consumer loans over the past few years has affected most financial institutions. This has resulted in the loan portfolio decreasing by \$4,128,000 or 5.1% over the prior year end. This, coupled with the increase in members' deposits, caused the resulting excess liquidity to be invested in lower yielding, high quality investments which had a dilutive effect on Markham-Stouffville's overall net interest margin. However, the increase in interest rates during the year provided the opportunity to effectively reprice loan and deposit products and improve the net interest margin by 56 basis points over the prior year. Combined with a significant reduction in bad debt expense discussed above, the Credit Union achieved a pre-tax profit of \$337,000 for the ten months ended July 31, 1995.

Primarily as a result of the loss sustained in the year ended September 30, 1994, the Credit Union is able to apply tax loss-carry-forwards in the amount of approximately \$235,000 against any future taxable income, including the income generated in the 1995 taxation year. In addition, dividends paid to members may be deducted in computing taxable income.



MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

Management is responsible for the preparation, presentation and consistency of financial information, including the financial statements, and other commentary contained in this Offering Statement. The financial statements and accompanying notes, prepared in accordance with the requirements of the Credit Unions and Caisses Populaires Act, 1994 and generally accepted accounting principles, are considered by the Board and management to be fairly presented. In preparing the financial statements, *management has exercised judgement in the selection of significant accounting policies and the determination of reasonable estimates which are reflected therein.*

Management has developed and maintains the necessary systems of internal controls to provide reasonable assurance that transactions are authorized and assets are safeguarded. The controls are also designed to provide reasonable assurance that relevant and reliable financial information is produced. The Board meets monthly to oversee management's performance and to discharge its other legal obligations set out in the Credit Unions and Caisses Populaires Act, 1994. The Board has appointed an Audit Committee, comprised of five Directors, which reviews the financial statements, adequacy of internal controls, the audit process and financial reporting with management and the external auditors.

The Credit Union has engaged an Internal Auditor, on a part-time basis, to supplement and test the efficiency and effectiveness of the internal controls which are in place. The Internal Auditor reports his findings periodically to the Audit Committee.

The Ontario Ministry of Finance conducts a periodic examination and enquiry into the affairs of the Credit Union to ensure compliance with the Credit Union's By-laws and the provisions of the Credit Unions and Caisses Populaires Act, 1994 under which the Credit Union is chartered and regulated.

The independent external auditors, Deloitte & Touche, are appointed by the members of the Credit Union to conduct an examination of the financial statements in accordance with generally accepted auditing standards and to report thereon. Their report appears following this report. The external auditors have unrestricted access to the accounting records of the Credit Union and they meet periodically with management, the Audit Committee and the Board of Directors to discuss internal controls, financial reporting and other matters which come to their attention in the course of conducting their audit.

A handwritten signature in black ink, appearing to read 'Larry Smith', written in a cursive style.

Larry Smith
President and Chief Executive Officer

A handwritten signature in black ink, appearing to read 'Kimberly Colacicco', written in a cursive style.

Kimberly Colacicco
Chief Financial Officer

Markham-Stouffville Community Credit Union Limited
Offering Statement for
Series 95 Class B Investment Shares
and Unsecured Subordinated Debentures



REVIEW ENGAGEMENT REPORT, AND
AUDITORS' REPORT

To the Directors of
Markham-Stouffville Community Credit Union Limited:

Review Engagement Report:

We have reviewed the unaudited balance sheet of Markham-Stouffville Community Credit Union Limited as at July 31, 1995 and the statements of earnings and retained earnings and of changes in financial position for the ten months then ended. Our review was made in accordance with generally accepted standards for review engagements and accordingly consisted primarily of enquiry, analytical procedures and discussion related to information supplied to us by the credit union.

A review does not constitute an audit and consequently we do not express an audit opinion on these financial statements. Based on our review, nothing has come to our attention that causes us to believe that these financial statements are not, in all material respects, in accordance with generally accepted accounting principles.

Auditors' Report:

We have audited the balance sheet of Markham-Stouffville Community Credit Union Limited as at September 30, 1994 and the statements of earnings and retained earnings and of changes in financial position for the year then ended. These financial statements are the responsibility of the credit union's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the credit union as at September 30, 1994 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Deloitte + Touche

DELOITTE & TOUCHE
Chartered Accountants

Markham, Ontario
August 30, 1995

MARKHAM-STOUFFVILLE COMMUNITY CREDIT UNION LIMITED

Balance Sheets

July 31, 1995

(unaudited)

and September 30, 1994

(audited)

Page 40

	July 31, 1995 (unaudited)	September 30, 1994 (audited)
ASSETS		
CASH RESOURCES (Note 3)	\$ 4,950,512	\$ 2,678,388
INVESTMENTS (Note 4)	12,540,130	7,376,850
LOANS TO MEMBERS (Notes 5 and 6)	76,883,735	81,011,701
CAPITAL ASSETS (Note 7)	2,112,985	2,173,840
OTHER ASSETS (Note 8)	<u>1,244,616</u>	<u>1,020,655</u>
	<u>\$ 97,731,978</u>	<u>\$ 94,261,434</u>
LIABILITIES		
MEMBERS' ACCOUNTS (Note 9)	\$ 94,961,818	\$ 91,984,951
INCOME TAXES PAYABLE	23,000	-
OTHER LIABILITIES	<u>169,042</u>	<u>194,174</u>
	<u>95,153,860</u>	<u>92,179,125</u>
MEMBERS' EQUITY		
MEMBERSHIP SHARES (Note 10)	787,980	605,692
RETAINED EARNINGS	<u>1,790,138</u>	<u>1,476,617</u>
	<u>2,578,118</u>	<u>2,082,309</u>
	<u>\$ 97,731,978</u>	<u>\$ 94,261,434</u>

Approved by the Board:

(Signed) Terrance G. Ryan Director

(Signed) Richard S. Wilton Director

MARKHAM-STOUFFVILLE COMMUNITY CREDIT UNION LIMITED

Statements of Earnings and Retained Earnings

Ten Months Ended July 31, 1995

(unaudited)

and Year Ended September 30, 1994

(audited)

Page 41

	Ten Months Ended July 31, 1995 (unaudited)	Year Ended September 30, 1994 (audited)
REVENUE		
Interest on loans		
Mortgage	\$ 2,298,999	\$ 2,545,857
Personal	1,911,264	2,259,357
Commercial	1,792,208	1,786,013
Agricultural	103,734	74,813
Investment income	582,606	369,860
Other income	<u>581,523</u>	<u>854,632</u>
	<u>7,270,334</u>	<u>7,890,532</u>
FINANCIAL EXPENSES		
Interest on members' deposits		
Personal chequing accounts	39,128	23,414
Savings accounts	255,840	296,302
Term deposits	1,705,969	1,713,057
Registered retirement savings plans	1,734,569	1,955,065
Registered retirement income funds	153,709	128,748
Interest on members' share savings accounts	-	4,874
Interest on borrowings	<u>2,227</u>	<u>13,097</u>
	<u>3,891,442</u>	<u>4,134,557</u>
FINANCIAL MARGIN	<u>3,378,892</u>	<u>3,755,975</u>
OPERATING EXPENSES (INCOME)		
Administrative - Schedule	1,413,403	1,569,991
Amortization of capital assets	130,470	129,597
Gain on disposal of capital assets (Note 7)	-	(28,119)
Provision for doubtful loans (Note 6)		
Regular	302,451	396,645
Special	-	385,000
Salaries and benefits	<u>1,196,047</u>	<u>1,535,217</u>
	<u>3,042,371</u>	<u>3,988,331</u>
EARNINGS (LOSS) BEFORE INCOME TAXES	336,521	(232,356)
INCOME TAXES (Note 12)	<u>23,000</u>	<u>-</u>
NET EARNINGS (LOSS)	313,521	(232,356)
RETAINED EARNINGS, BEGINNING OF PERIOD	<u>1,476,617</u>	<u>1,708,973</u>
RETAINED EARNINGS, END OF PERIOD	<u>\$ 1,790,138</u>	<u>\$ 1,476,617</u>

MARKHAM-STOUFFVILLE COMMUNITY CREDIT UNION LIMITED

Statements of Changes in Financial Position

Ten Months Ended July 31, 1995

(unaudited)

and Year Ended September 30, 1994

(audited)

Page 42

	Ten Months Ended July 31, 1995	Year Ended September 30, 1994
	(unaudited)	(audited)
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net earnings (loss)	\$ 313,521	\$ (232,356)
Items not affecting cash resources		
Amortization of capital assets	130,470	129,597
Amortization of OSDIC deposit	4,995	20,000
Gain on disposal of capital assets	<u>-</u>	<u>(28,119)</u>
	448,986	(110,878)
Changes in non-cash operating items		
Other assets	(228,956)	(81,693)
Income taxes payable	23,000	-
Other liabilities	<u>(25,132)</u>	<u>(18,345)</u>
	<u>217,898</u>	<u>(210,916)</u>
FINANCING		
Members' accounts - net	2,976,867	(9,042,184)
Membership shares	<u>182,288</u>	<u>100,152</u>
	<u>3,159,155</u>	<u>(8,942,032)</u>
INVESTING		
Loans to members - net	4,127,966	2,268,991
Investments - net	(5,163,280)	1,968,909
Purchase of capital assets	(69,615)	(658,672)
Proceeds on disposal of capital assets	<u>-</u>	<u>158,139</u>
	<u>(1,104,929)</u>	<u>3,737,367</u>
NET CASH INFLOW (OUTFLOW)	2,272,124	(5,415,581)
CASH POSITION, BEGINNING OF PERIOD	<u>2,678,388</u>	<u>8,093,969</u>
CASH POSITION, END OF PERIOD	<u>\$ 4,950,512</u>	<u>\$ 2,678,388</u>
Represented by:		
Cash on deposit	\$ 2,450,512	\$ 1,078,280
Short-term deposits	<u>2,500,000</u>	<u>1,600,108</u>
	<u>\$ 4,950,512</u>	<u>\$ 2,678,388</u>

MARKHAM-STOUFFVILLE COMMUNITY CREDIT UNION LIMITED

Notes to the Financial Statements

July 31, 1995

(unaudited)

and September 30, 1994

(audited)

Page 43

1. ORGANIZATION

Markham-Stouffville Community Credit Union Limited was formed on October 1, 1993 as a result of the amalgamation of IBM Toronto Employees Credit Union Limited and Markham-Stouffville Community Credit Union Limited. The amalgamation was accounted for by the continuity of interest method whereby the carrying values of the assets, liabilities and members' equity of both predecessor credit unions were added together. As a new legal entity was created on October 1, 1993, only the financial results from that date are presented.

2. SIGNIFICANT ACCOUNTING POLICIES

The unaudited interim financial statements for the ten months ended July 31, 1995 and the audited annual financial statements for the year ended September 30, 1994 have been prepared in accordance with generally accepted accounting principles, and reflect the accounting policies set out below. Certain of the 1994 figures have been reclassified to conform to the financial statement presentation adopted in the current period for compliance with the requirements of the Credit Unions and Caisses Populaires Act, 1994.

(a) The Credit Unions and Caisses Populaires Act, 1994 (the "Act")

New governing legislation for Ontario's credit unions and caisses populaires was proclaimed and became effective on March 1, 1995. Regulations to the Act specify that certain items are required to be disclosed in the financial statements which are presented at annual meetings of members. This information has been integrated into the basic financial statements and notes and it is management's opinion that the disclosures in these financial statements and notes comply, in all material respects, with the requirements of the legislation. Where necessary, reasonable estimates and interpretations have been made in presenting this information.

(b) Investments

Investments in treasury bills and discount notes are stated at cost plus accrued interest thereon. Investments in co-operative organizations are stated at cost unless there is a decline in value which is considered to be other than temporary, in which case the investment would be written-down to estimated realizable value. The investment in Mass Insurance Brokers Limited is accounted for at cost in these financial statements.

Gains and losses arising on the sale of investments are included in operations.

(c) Capital assets

Capital assets are stated at acquisition cost. Amortization is calculated at the following annual rates:

Buildings	- 4% or 10% declining-balance (depending on building structure)
Furniture and equipment	- 10% straight-line
Computer equipment	- 20% straight-line
Data system	- 10% straight-line (over contract term)
Parking lot	- 10% straight-line
Leasehold improvements	- 10% straight-line

MARKHAM-STOUFFVILLE COMMUNITY CREDIT UNION LIMITED

Notes to the Financial Statements

July 31, 1995

(unaudited)

and September 30, 1994

(audited)

Page 44

3. CASH RESOURCES

The credit union has available lines of credit with Credit Union Central of Ontario in the amount of CDN\$4,000,000 and US\$1,000,000, to cover shortfalls in cash resources. These lines of credit are secured by an assignment of book debts and a general security agreement covering all assets of the credit union. At July 31, 1995 and September 30, 1994 these lines of credit were unutilized.

4. INVESTMENTS

	July 31, 1995 (unaudited)	September 30, 1994 (audited)
Credit Union Central of Ontario		
Liquidity reserve deposit	\$ 4,558,333	\$ 4,917,097
Shares	1,139,583	1,229,274
Treasury bills and discount notes	5,679,194	615,594
Co-operative Trust Company of Canada	1,497	11,430
Co-operators General Insurance Company	-	100
CU-Connection Limited	303,355	303,355
Deposit Insurance Corporation of Ontario - interest-bearing note due 1997	250,000	250,000
Government bonds (market value, 1995 - \$256,805; 1994 - \$50,000)	258,168	50,000
Mass Insurance Brokers Limited - 15% interest	<u>350,000</u>	<u>-</u>
	<u>\$ 12,540,130</u>	<u>\$ 7,376,850</u>

Credit Union Central of Ontario liquidity reserve deposit

As a condition of maintaining membership in the Central in good standing, the credit union is required to maintain on deposit in the Central an amount equal to 5% of its own members' shares and deposits as at the preceding calendar year end. The deposit bears interest at a variable rate and is for a fixed term to December 31, 1999, but subject to earlier maturity by decision of the annual meeting of the Central. In addition, the liquidity reserve deposit is callable by the credit union on ninety days' notice.

Credit Union Central of Ontario shares

As a condition of maintaining membership in the Central, the credit union is required to keep an investment in shares of the Central equal to 1.25% of the aggregate of the credit union's own shares and deposits as at the preceding calendar year end, updated in February of each year.

No market exists for shares of the Central except that they may be surrendered on withdrawal from membership for proceeds equal to the paid-in value, to be received in accordance with a Central by-law providing for the redemption of its share capital.

MARKHAM-STOUFFVILLE COMMUNITY CREDIT UNION LIMITED

Notes to the Financial Statements

July 31, 1995

(unaudited)

and September 30, 1994

(audited)

Page 45

4. INVESTMENTS (continued)

CU-Connection Limited shares

The credit union is a part owner, with a group of credit unions, in CU-Connection Limited. This company provides on-line electronic funds transaction services, including access to Interac and other ABM networks in Canada and in the United States.

In conjunction with the data processing agreement described in Note 7, the credit union acquired the right to require its data processing supplier to acquire the shares in CU-Connection Limited for an amount which declines annually. The carrying value of these shares is expected to be reduced in future years, so that it will not exceed this amount.

Mass Insurance Brokers Limited

During the current fiscal period, the credit union negotiated and completed a transaction to acquire an indirect 15% interest in Mass Insurance Brokers Limited, through the purchase of 30% of the shares of 1125750 Ontario Limited, a company which owns 50% of Mass Insurance Brokers Limited as its only asset. The purchase price for the 15% interest amounted to \$350,000 which was paid on closing in June 1995. In addition, the credit union is committed, provided that certain conditions are met, to a further investment of \$750,960 which is scheduled for payment over a period of 84 months at a rate of \$8,940 per month beginning in March 1996. This further investment will be required to increase the credit union's ownership position to 30% and it will be recorded as payments are made, should each of the conditions be met on the payment dates. A letter of credit was issued by the credit union in respect of these future payments.

Earnings of \$9,400 are included in the "investment income" category in the statement of earnings and retained earnings in respect of post acquisition earnings in the current period.

5. LOANS TO MEMBERS

	July 31, 1995	September 30, 1994
	(unaudited)	(audited)
Mortgage	\$ 35,758,899	\$ 39,226,253
Personal	19,636,270	21,662,100
Commercial	21,528,024	20,434,933
Agricultural	<u>1,214,176</u>	<u>840,592</u>
	78,137,369	82,163,878
Less allowance for doubtful loans (Note 6)	<u>(1,253,634)</u>	<u>(1,152,177)</u>
	<u>\$ 76,883,735</u>	<u>\$ 81,011,701</u>

The loan classifications set out above are as defined in the Regulations to the Credit Unions and Caisses Populaires Act, 1994.

MARKHAM-STOUFFVILLE COMMUNITY CREDIT UNION LIMITED

Notes to the Financial Statements

July 31, 1995

(unaudited)

and September 30, 1994

(audited)

Page 46

5. LOANS TO MEMBERS (continued)

Mortgage loans are repayable in monthly blended principal and interest instalments over a maximum term of five years based on a maximum amortization period of twenty-five years. Commercial loans and personal loans, including line of credit loans, are repayable to the credit union in monthly blended principal and interest instalments over a maximum amortization period of five years, except for line of credit loans which are repayable on a revolving credit basis and require minimum monthly payments. All loans, except for mortgage loans, are open and, at the option of the borrower, may be paid off at any time without notice.

6. ALLOWANCE FOR DOUBTFUL LOANS

	Ten Months Ended July 31, 1995				Year Ended September 30, 1994
	Personal	Mortgage	Commercial	Total	Total
	(unaudited)				(audited)
Balance, beginning of period	\$ 310,938	\$128,058	\$ 713,181	\$1,152,177	\$ 807,513
Recovery on loans previously written-off	15,607	6,000	-	21,607	8,524
Loans written-off as uncollectible	<u>(110,360)</u>	<u>(112,241)</u>	<u>-</u>	<u>(222,601)</u>	<u>(445,505)</u>
Balance before provision	216,185	21,817	713,181	951,183	370,532
Provision for doubtful loans	<u>176,439</u>	<u>25,157</u>	<u>100,855</u>	<u>302,451</u>	<u>781,645</u>
Balance, end of period	<u>\$ 392,624</u>	<u>\$ 46,974</u>	<u>\$ 814,036</u>	<u>\$1,253,634</u>	<u>\$ 1,152,177</u>

The allowance for doubtful loans provided for in the accounts of the credit union is in accordance with the by-law of the Deposit Insurance Corporation of Ontario governing such allowances.

At the September 30, 1994 year end, it was determined that certain commercial loans which had been granted in previous years by a predecessor credit union, were not reasonably assured as to collection in accordance with the original terms of the loans. Provisions for loss against these loans were not adequate at the date of amalgamation to cover the exposure which was subsequently believed to exist. Accordingly, management chose to reflect the probable losses inherent in these loans as a "special provision for loan losses" in the statement of earnings and retained earnings for the year ended September 30, 1994. Significant ongoing efforts to improve underlying security and enhance collection opportunities are ongoing. The resulting impact on the financial statements is that net earnings were reduced by \$385,000 for the year ended September 30, 1994, in comparison to the amount which would otherwise have been reported.

MARKHAM-STOUFFVILLE COMMUNITY CREDIT UNION LIMITED

Notes to the Financial Statements

July 31, 1995

(unaudited)

and September 30, 1994

(audited)

Page 47

7. CAPITAL ASSETS

	July 31, 1995		September 30, 1994	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
	(unaudited)		(audited)	
Land	\$ 510,405	\$ -	\$ 510,405	\$ -
Buildings	666,509	46,178	647,107	24,620
Parking lot	5,862	1,089	5,862	600
Leasehold improvements	222,157	39,916	221,294	21,438
Furniture and equipment	285,000	49,143	217,322	18,656
Computer equipment	151,207	50,179	169,534	32,370
Data system	<u>500,000</u>	<u>41,650</u>	<u>500,000</u>	<u>-</u>
	2,341,140	<u>\$ 228,155</u>	2,271,524	<u>\$ 97,684</u>
Less accumulated amortization	<u>(228,155)</u>		<u>(97,684)</u>	
Net book value	<u>\$ 2,112,985</u>		<u>\$ 2,173,840</u>	

Following the formation of the credit union, two data processing systems remained in use throughout all of the 1994 fiscal year. In September 1994, the credit union entered into an agreement for the supply of data processing services over a ten-year period to September 30, 2004. The terms of the agreement required the supplier to provide the computer hardware and software and to complete the conversion of existing data to the new system for a fee of \$500,000, which was paid prior to the 1994 year end and which is being charged to operations over the contract term. Ongoing data processing and communications costs are being billed as incurred based on usage, though credits are to be received in the first three years to recover certain costs which the credit union incurred in the year ended September 30, 1994.

To enable the credit union to enter this agreement on an economic basis, the supplier acquired at fair value most of the computer hardware, software and licences which were previously used, resulting in a recovery of prior year charges for amortization of these costs. Accordingly, an amount of \$28,119 is included in the caption "gain on disposal of capital assets" in the statement of earnings and retained earnings for the year ended September 30, 1994.

MARKHAM-STOUFFVILLE COMMUNITY CREDIT UNION LIMITED

Notes to the Financial Statements

July 31, 1995

(unaudited)

and September 30, 1994

(audited)

Page 48

8. OTHER ASSETS

	July 31, 1995	September 30, 1994
	(unaudited)	(audited)
Accrued interest	\$ 421,790	\$ 354,624
Accounts receivable	99,659	121,606
Income taxes recoverable	-	22,067
Prepaid expenses	409,152	264,546
Funds held in trust account	314,015	252,817
Deposit Insurance Corporation of Ontario deposit (non-refundable)	-	4,995
	<u>\$ 1,244,616</u>	<u>\$ 1,020,655</u>

Funds held in trust account

These funds are held in trust pursuant to the terms of contracts entered into by the credit union to provide for termination allowances for two members of senior management.

Deposit Insurance Corporation of Ontario (DICO) deposit

This deposit was amortized over a period of ten years as it was no longer refundable to the credit union.

9. MEMBERS' ACCOUNTS

	July 31, 1995	September 30, 1994
	(unaudited)	(audited)
Members' deposits		
Personal chequing accounts	\$ 11,645,768	\$ 10,960,212
Savings accounts	13,007,349	3,450,640
Term deposits	31,686,232	35,909,804
Registered retirement savings plans	33,526,335	31,988,956
Registered retirement income funds	2,807,348	2,110,658
Share savings accounts	-	5,767,988
Accrued interest on members' deposits	<u>2,288,786</u>	<u>1,796,693</u>
	<u>\$ 94,961,818</u>	<u>\$ 91,984,951</u>

MARKHAM-STOUFFVILLE COMMUNITY CREDIT UNION LIMITED**Notes to the Financial Statements****July 31, 1995**

(unaudited)

and September 30, 1994

(audited)

*Page 49***9. MEMBERS' ACCOUNTS (continued)**Term deposits

Outstanding term deposits for periods of one to five years generally may not be withdrawn prior to maturity, without penalty. Term deposits for periods less than one year may be withdrawn after 30 days, subject to an interest reduction.

Withdrawal privileges on all deposit accounts are subject to the overriding right of the Board of Directors to impose a waiting period.

Registered savings plans

Co-operative Trust Company of Canada is the trustee for the registered savings plans offered to members. Under an agreement with the trust company, members' contributions to the plans, as well as income earned on them, are deposited in the credit union. On withdrawal, payment of the plan proceeds is made to the members, or the parties designated by them, by the credit union, on behalf of the trust company.

Share savings accounts

Share savings accounts were re-designated and transferred to deposit accounts during the current fiscal period to meet the requirements of the new legislation.

10. MEMBERSHIP SHARES

As a condition of membership, each member under eighteen years of age must hold at least two shares, while all other members must hold at least sixteen shares (1994 - fourteen shares). The maximum number of membership shares that may be held by any member is thirty and all members must acquire thirty shares, in stages, no later than November 30, 2000. As at July 31, 1995, there were 11,148 members and 157,596 membership shares outstanding (September 30, 1994 - 12,683 members and 121,138 membership shares outstanding). Shares may be withdrawn on demand. Subject to:

- (a) the credit union meeting capital adequacy requirements, and
- (b) the discretion of the directors who may require notice.

Dividends on membership shares may be declared by the Board of Directors, subject to availability of sufficient earnings to meet the regulatory capital requirements of the Act described in Note 11 to the financial statements.

MARKHAM-STOUFFVILLE COMMUNITY CREDIT UNION LIMITED

Notes to the Financial Statements

July 31, 1995

(unaudited)

and September 30, 1994

(audited)

Page 50

11. CAPITAL ADEQUACY

In accordance with the requirements of the Credit Unions and Caisses Populaires Act, 1994 and accompanying Regulations, credit unions are required to maintain sufficient capital to meet two tests:

(a) Leverage test:

Regulatory capital, comprising membership shares, any other class of qualifying share capital that may be issued and retained earnings, must amount to at least 4% of total assets as at July 31, 1995, increasing to 5% by October 1, 1997.

(b) Risk-weighted assets test:

Regulatory capital, comprising membership shares, any other class of qualifying share capital that may be issued and retained earnings, must amount to at least 6.5% of risk-weighted assets as at July 31, 1995, increasing to 8% by October 1, 1997. The risk weighting of assets is specified in the Regulations to the Act.

At July 31, 1995, the credit union had regulatory capital of \$2,578,118, resulting in the following ratios and dollar shortfalls:

(a) Leverage test:

Ratio	2.64%
Shortfall	\$1,331,161

(b) Risk-weighted assets test:

Ratio	4.51%
Shortfall	\$1,133,882

For the year ended September 30, 1994, credit unions were required to maintain certain minimum levels of retained earnings and membership shares in relation to assets as outlined in a Directive issued by the Ministry of Finance. The minimum levels required by the Directive, and actual levels for the credit union as at September 30, 1994 were as follows:

	Required by Directive	Actual for Credit Union
Retained earnings, as a percentage of assets	2.55%	1.57%
Retained earnings and membership shares, as a percentage of assets	4.00%	2.21%

The credit union is required to apply annually to the Director of Credit Unions for a variation from the capital requirements specified in the Act and accompanying Regulations.

MARKHAM-STOUFFVILLE COMMUNITY CREDIT UNION LIMITED

Notes to the Financial Statements

July 31, 1995

(unaudited)

and September 30, 1994

(audited)

Page 51

12. INCOME TAXES

The credit union's basic statutory tax rate is approximately 22.4%. The credit union has tax losses carried forward of approximately \$235,000 available to apply against future taxable income. These losses expire as follows:

<u>Year Ending September 30,</u>	
2000	\$ 45,000
2001	<u>190,000</u>
	<u>\$ 235,000</u>

The benefit which may result from these losses will be recognized in the accounts when realized.

The provision for income taxes shown for the ten months ended July 31, 1995 reflects an interim estimate based on the statutory tax rate, after carry-forward of the prior year's tax losses, the benefit of which approximates \$52,640.

13. IBM EMPLOYEES CHARITABLE FOUNDATION

The credit union administers and holds funds in trust for the IBM Employees Charitable Foundation. As these funds do not belong to the credit union, they are not included in these financial statements.

14. NEW LEGISLATION

The Credit Unions and Caisses Populaires Act, 1994 was proclaimed and became effective on March 1, 1995. The new Act and accompanying Regulations provide new business powers to credit unions and establish new requirements within which they must operate. The following is a brief outline of several of the important features of the new Act:

- The credit union has the power, subject to its by-laws, to issue shares other than membership shares to its members. All shares, including membership shares, are not insured by the Deposit Insurance Corporation of Ontario, the successor to OSDIC.
- New regulations, based on risk-weighted assets, apply to the determination of capital adequacy, replacing the Ministry Directive referred to in Note 11.
- Lending limits and powers are established in lending licences granted by the Director of Credit Unions, as opposed to being matters established by by-law.

The Board of Directors and management have conducted a detailed review of all existing by-laws and have prepared new comprehensive by-laws, which conform to the new Act, for consideration and approval by the membership in 1995. See Note 19.

MARKHAM-STOUFFVILLE COMMUNITY CREDIT UNION LIMITED**Notes to the Financial Statements****July 31, 1995**

(unaudited)

and September 30, 1994

(audited)

*Page 52***15. RELATED PARTY TRANSACTIONS**

As at July 31, 1995, the aggregate value of interest-bearing personal and mortgage loans outstanding to directors, officers and other employees totalled \$3,635,414. There was no allowance for doubtful loans required in respect of these loans.

16. LEASE COMMITMENT

The credit union is committed to minimum annual lease payments of \$77,154, plus taxes, maintenance, hydro and GST, until November 30, 2000 for the lease of its Unionville branch.

17. CONTINGENCY

The credit union is named as defendant, along with four other parties including a Canadian chartered bank, in a statement of claim seeking damages for improvident sale in the amount of \$1,500,000, together with a complete accounting of all funds received pursuant to the sale of a property, punitive damages of \$500,000, pre-judgement and post-judgement interest and legal costs of the plaintiff. There is no provision for loss or settlement of this claim in the financial statements because, in the opinion of management, based on advice of counsel, it is unlikely that any material loss will be incurred by the credit union.

18. OTHER INFORMATION

The total fees paid to Credit Union Central of Ontario for the ten months ended July 31, 1995 amounted to \$115,545 (year ended September 30, 1994 - \$117,641). These fees were primarily related to banking functions, educational training courses and consulting fees.

19. SUBSEQUENT EVENTS

(a) At a special meeting of members held on August 16, 1995, approval was given to a new *comprehensive by-law to govern the operations and affairs of the credit union*. In addition articles of amendment were filed shortly thereafter to create the following new classes of authorized share capital:

- (i) an unlimited number of class A non-cumulative, non-voting, non-participating, special shares ("Class A Profit Shares"), and
- (ii) an unlimited number of class B non-cumulative, non-voting, non-participating, special shares ("Class B Investment Shares"), issuable in series.

Further, the Board of Directors approved an unlimited issue of unsecured subordinated debentures. In addition to these new classes of shares and subordinated debentures, the credit union is authorized to issue an unlimited number of membership shares, subject to its by-laws which prescribe a maximum of thirty membership shares to be owned by each member.

(b) On August 30, 1995 the Board of Directors approved and filed an offering statement with the Director of Credit Unions. It is intended that, following approval of the offering statement by the Director of Credit Unions and issuance of a "receipt" therefore, the credit union will offer to sell to its members up to \$3,000,000 of Class B Investment Shares and up to \$1,500,000 of Unsecured Subordinated Debentures, as detailed and described in the offering statement.

MARKHAM-STOUFFVILLE COMMUNITY CREDIT UNION LIMITED

Schedules of Administrative Expenses

Ten Months Ended July 31, 1995

(unaudited)

and Year Ended September 30, 1994

(audited)

Page 53

	Ten Months Ended July 31, 1995 (unaudited)	Year Ended September 30, 1994 (audited)
Advertising	\$ 63,921	\$ 36,914
Annual meeting	2,227	1,066
Automated teller charges	65,314	117,691
Board and committee	48,374	42,896
Bonding insurance	24,468	34,402
Building maintenance	25,274	29,253
Business and realty taxes	27,068	44,368
Consulting and professional fees	192,997	225,621
Conventions and conferences	11,147	9,605
Courier services	18,036	23,907
Data processing	194,843	150,626
Education	14,108	13,861
Heat, light and water	14,778	15,842
Insurance premiums	10,703	12,725
Legal and collection fees	41,949	35,843
Loan and share insurance	41,973	39,205
Office and general	256,511	260,870
Deposit Insurance Corporation of Ontario		
Deposit insurance assessment	177,107	218,686
Amortization of deposit	4,995	20,000
Postage and mailing	43,198	56,763
Rent	82,474	106,222
Telephone	43,980	59,100
Trustee fees - registered plans	7,958	14,525
	<u>\$ 1,413,403</u>	<u>\$ 1,569,991</u>

Markham-Stouffville Community Credit Union Limited
Offering Statement for
Series 95 Class B Investment Shares
and Unsecured Subordinated Debentures



Page 54

SIGNED CONSENT

To the Board of Directors of
Markham-Stouffville Community Credit Union Limited:

We refer to the Offering Statement of Markham-Stouffville Community Credit Union Limited dated September 15, 1995 related to the sale and distribution of Series 95 Class B Investment Shares and Unsecured Subordinated Debentures.

We consent to the use in the above-mentioned Offering Statement of our auditors' report dated August 30, 1995 to the Board of Directors of Markham-Stouffville Community Credit Union Limited on the following annual audited financial statements:

- Balance Sheet as at September 30, 1994; and
- Statements of Earnings and Retained Earnings and of Changes in Financial Position for the year ended September 30, 1994.

We report that we have read the Offering Statement and have no reason to believe that there are any misrepresentations in the information therein that is derived from the audited annual financial statements upon which we have reported or that is within our knowledge as a result of our audit of such financial statements.

Further, we hereby consent to the following:

- the use of our review engagement report dated August 30, 1995 to the Board of Directors of *Markham-Stouffville Community Credit Union Limited* on the following interim unaudited financial statements:
 - Balance Sheet as at July 31, 1995; and
 - Statements of Earnings and Retained Earnings and of Changes in Financial Position for the ten months ended July 31, 1995; and
- the use of our name and to the inclusion of our comments relating to certain income tax considerations in the said Offering Statement under the subheading "Canadian Federal Income Tax Aspects".

This letter is provided to the Credit Union pursuant to the requirements of the Credit Unions and Caisses Populaires Act, 1994 and not for any other purpose.

Deloitte + Touche

DELOITTE & TOUCHE
Chartered Accountants

September 15, 1995
Markham, Ontario

STATEMENT OF OTHER MATERIAL FACTS

There are no other material facts relating to the issues of securities in this Offering Statement which have not been suitably disclosed herein.

BOARD RESOLUTION

August 30, 1995

"The Board of Directors of Markham-Stouffville Community Credit Union Limited approves the issue of Series 95 Class B Special Shares (Investment Shares) and Unsecured Subordinated Debentures, subject to the Articles of Incorporation and Articles of Amendment of Markham-Stouffville Community Credit Union Limited, and as described in the Offering Statement to be dated September 15, 1995."

I certify the above to be a true copy of a resolution adopted by the Board of Directors of Markham-Stouffville Community Credit Union Limited at their meeting of August 30, 1995.


_____, Corporate Secretary

CERTIFICATE

Form 1


Credit Unions and Caisses Populaires Act, 1994

CERTIFICATE OF DISCLOSURE

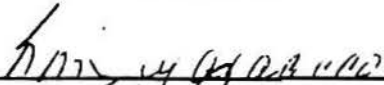
(Subsection 77 (4) of the Act)

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Offering Statement as required by the Credit Unions and Caisses Populaires Act, 1994.

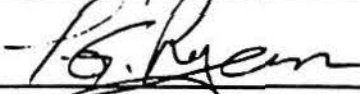
Dated at Stouffville, Ontario, September 15, 1995



Larry Smith, President and Chief Executive Officer



Kimberly Colacicco, Chief Financial Officer



Terry Ryan, Chair of the Board



Markham-Stouffville Community Credit Union Limited
Offering Statement for
Series 95 Class B Investment Shares
and Unsecured Subordinated Debentures

GLOSSARY OF TERMS

- "Administration" - a legal status under which a credit union, which is not meeting regulatory requirements and cannot demonstrate a capacity to achieve compliance in a reasonable time, can continue to operate but under the direction of the Deposit Insurance Corporation of Ontario or a stabilization authority. The Board of Directors is displaced.
- "CDSL" - Co-operators Data Services Limited, a company which provides on-line banking services to many credit unions in Ontario and elsewhere in Canada.
- "Credit Union Central of Canada" (Canadian Central) - a financial service co-operative operating at the national level, owned primarily by provincial credit union centrals, providing access to a national liquidity pool and links to the Canadian Payments Association, the Interac and PLUS networks.
- "Credit Union Central of Ontario" (Ontario Central) - a financial service co-operative operating at the provincial level, primarily owned by about 400 member credit unions, including Markham-Stouffville, and providing clearing, investment, credit and other services.
- "Escrow" - a form of trust agreement in which funds are temporarily placed under the control of a third party (trustee) until specific conditions, set out in advance, are met.
- "Leverage Ratio" - total regulatory capital divided by total assets.
- "Net Interest Margin" - the difference between the interest the credit union earns on loans to members and on investments and the interest that the credit union pays on deposits held by members and on borrowings from external sources (such as Ontario Central).
- "Non-cumulative" - dividends not declared or paid for one fiscal year are not carried forward or added to the dividend of a following year but are forever extinguished.
- "Non-participating" - in case of dissolution, shareholders receive only the Redemption Amount (see below) and do not participate in receiving any of the residual value of the credit union's assets.
- "Redemption Amount" - the amount a shareholder receives on redemption or at which shares are transferred from one member to another; this amount is equal to the issue price of the shares (\$1 per share) plus any dividends which have been declared but not yet paid.
- "Risk-weighted" - under Bank of International Settlements (BIS) capital adequacy rules, the absolute value of assets in specified categories is multiplied by a percentage, varying between 0% and 100% depending on the risk attributed to each category. The sum of all the categories is the credit union's total risk-weighted assets.
- "Special Resolution" - a resolution that is not effective until it is passed by the board of directors and confirmed by a resolution passed by a majority of not less than two-thirds of the votes of the members.
- "Subordinate" - a class of shares or debentures which ranks junior to another class of shares or behind depositors and creditors of the credit union for dividend purposes at the time of distributing net income following the end of the fiscal year or for redemption purposes in case of dissolution.
- "Special Dividend" - it is the intention of the Board of Directors to declare a one-time dividend of 10% of the issue price of the Series 95 Class B Investment Shares, payable in the form of Class A Shares, within thirty days of issuance.
- "Substantial Portion" - assets having an aggregate value equal to or greater than 15 percent of a credit union's assets at the end of its previous fiscal year.
- "Supervision" - a legal status under which a credit union, which is not meeting regulatory requirements, may continue to operate under its own board of directors but with co-management from a stabilization authority or the Deposit Insurance Corporation of Ontario.

Markham-Stouffville Community Credit Union Limited
Offering Statement for
Series 95 Class B Investment Shares
and Unsecured Subordinated Debentures



Subscription Form

Please accept my subscription for (_____) number of shares **AND** \$ _____ (Insert NIL if N/A)
Series 95 Class B Investment Shares (at \$ 1.00 per share)
of Markham-Stouffville Community Credit Union Limited
Unsecured Subordinated Debentures
of the Markham-Stouffville
Community Credit Union Limited

 Name (as it should appear on share certificate/debenture register)

 Social Insurance Number

 Street Address

 Apt. #

 Branch and Account #

 City

 Province

 Postal Code

I will be paying cash for these shares and/or debentures as follows: (check as many as apply)

- \$ _____ is already on deposit at Markham-Stouffville Community Credit Union. I have signed a separate authorization form to put these funds on hold until this offering is completed or withdrawn.
- \$ _____ is coming from outside the credit union. I have signed a separate authorization form to place these funds in escrow until this offering is completed or withdrawn.
- \$ _____ of the shares being subscribed are to be put into the Markham-Stouffville Investment Retirement Plan (RRSP). I have completed and signed a separate RRSP Contract Application Form.

By signing this form, I hereby acknowledge that I have received and read a copy of the Offering Statement dated September 15, 1995 for Markham-Stouffville Community Credit Union Limited Series 95 Class B Investment Shares and Unsecured Subordinated Debentures, serial number (_____) and that I have noted in particular the terms and conditions of the Offering as set out on pages 15 to 20 and the Risk Factors starting on page 21. I also understand that the securities being purchased are NOT guaranteed by the Deposit Insurance Corporation of Ontario.

 Member's Signature

 Date

 Time (a.m./p.m.)

FOR OFFICE USE ONLY

 Date

Accepted by:

 FSR's Signature

 FSR #

 Branch #

Markham-Stouffville Community Credit Union Limited
Offering Statement for
Series 95 Class B Investment Shares
and Unsecured Subordinated Debentures

AUTHORIZATION TO PLACE FUNDS ON HOLD

Name of Member: _____

Date: _____

I have subscribed today to buy a total of _____ Markham-Stouffville Series 95 Class B Investment Shares and \$ _____ Unsecured Subordinated Debentures. By signing this form below, I hereby authorized Markham-Stouffville Community Credit Union Limited to place the following funds on deposit at the Credit Union on hold to guarantee payment for these shares and/or debentures.

This hold will be released only on one of the following three conditions:

1. Upon the Offering being closed, the Credit Union will release the hold and then debit the accounts to pay for the shares and/or debentures on the issue date.
2. If the Offering is withdrawn or cancelled for any reason, the Credit Union will release the hold immediately.
3. If I exercise my right to reverse my decision to purchase these shares and/or debentures within two days, excluding weekends and holidays, following receipt of a copy of the Offering Statement, dated September 15, 1995, for the Series 95 Class B Investment Shares and Unsecured Subordinated Debentures, the Credit Union will release the hold on funds immediately upon being informed of such reversal.

The Credit Union account(s) and dollar amounts(s) to be placed on hold under this agreement is (are):

Branch #	Folio #	Type	Sub #	\$

 (Credit Union FSR/Witness)

 (Credit Union Member/Share Subscriber)

Markham-Stouffville Community Credit Union Limited
Offering Statement for
Series 95 Class B Investment Shares
and Unsecured Subordinated Debentures



AUTHORIZATION TO PLACE FUNDS IN ESCROW

Name of Member: _____

Date: _____

I have subscribed today to buy a total of _____ Markham-Stouffville Series 95 Class B Investment Shares and \$ _____ Unsecured Subordinated Debentures. By signing this form below, I hereby authorize Markham-Stouffville Community Credit Union to place the funds specified below, as soon as such funds are made payable to the Credit Union, into an escrow account to be trusteeed by the Co-operative Trust Company of Canada ("Co-op Trust) to guarantee payment for these shares and/or debentures.

These funds will be released from escrow only on one of the following four conditions:

1. Upon the Offering being closed, Co-op Trust will release the funds from escrow to the Credit Union to pay for the shares and/or debentures on the issue date.
2. If the Offering is withdrawn or cancelled for any reason, Co-op Trust will immediately release the non-RRSP funds from escrow and pay them to me including interest calculated at the Credit Union's 30-Day Term Deposit rate as of September 15, 1995 prorated for the number of days such funds were in escrow.
3. If I exercise my right to reverse my decision to purchase these shares and/or debentures within two days, excluding weekends and holidays, following receipt of a copy of the Offering Statement, dated September 15, 1995, for the Series 95 Class B Investment Shares and Unsecured Subordinated Debentures, Co-op Trust will immediately release the non-RRSP funds from escrow and pay them to me including interest calculated at the Credit Union's 30-Day Term Deposit rate as of September 15, 1995 prorated for the number of days such funds were in escrow.
4. If all or part of such funds which are used to purchase shares are identified as being part of a Registered Retirement Savings Plan (RRSP) contract, the RRSP funds will be transferred directly into an RRSP contract held in escrow at the Credit Union under the control of Co-op Trust. If not used to pay for shares under the terms outlined above, the RRSP funds will stay in such RRSP contract until I have given Co-op Trust direction as to their disposition.

The source(s) of funds and dollar amount(s) to be placed in escrow under this agreement is (are):

Source	\$
Source	\$

(Credit Union FSR/Witness)

(Credit Union Member/Share Subscriber)

T A B L E

This offering statement must be delivered to every purchaser of the securities described herein prior to the purchaser becoming obligated to complete the purchase and, upon request, to any prospective purchaser and member.

No official of the Government of the Province of Ontario has considered the merits of the matters addressed in this offering statement.

The securities being offered are not guaranteed by the Deposit Insurance Corporation of Ontario or any similar public agency.

The prospective purchaser of these securities should carefully review the offering statement and any other documents it refers to, examine in particular the section on risk factors beginning on page 15 and, further, may wish to consult a financial or tax advisor about this investment.

UXBRIDGE CREDIT UNION LIMITED

OFFERING STATEMENT

dated December 29, 1996

MINIMUM \$300,000, MAXIMUM \$500,000

SERIES 97 CLASS B SPECIAL SHARES

(NON-CUMULATIVE, NON-VOTING,

NON-PARTICIPATING, REDEEMABLE SPECIAL SHARES)

("Class B Investment Shares")

The subscription price for each Class B Investment Share will be \$1.00 per share with a minimum of 1,000 shares per member which may be subscribed for \$1,000.00, to a maximum of 25,000 shares per member which may be subscribed for \$25,000.00. No member, however, may purchase more than five per cent (5%) of the Class B Investment Shares sold hereunder (the "Maximum Permissible Holding")

There is no market through which these securities may be sold.

The purchaser of these securities may reverse his/her decision to purchase the securities if he/she provides notice in writing or by telegraph to the person from whom the purchaser purchases the security within two days, excluding weekends and holidays, of having been provided with a copy of the latest offering statement.

The Class B Investment Shares are subject to the transfer and redemption restrictions under the Credit Unions and Caisses Populaires Act, 1994 and the restrictions under this Offering Statement as set out on pages 9 to 13.

THESE SECURITIES ARE NOT DEPOSITS. THESE SECURITIES ARE NOT INSURED BY THE DEPOSIT INSURANCE CORPORATION OF ONTARIO. DIVIDENDS ON THESE SECURITIES ARE NOT GUARANTEED.

The following is a summary only and is qualified in its entirety by the more detailed information appearing elsewhere in this offering statement. Certain terms with initial capital letters are used throughout this Offering Statement and are defined in the "Glossary of Terms" on pages i and ii.

The Credit Union

Uxbridge Credit Union Limited ("Uxbridge" or the "Credit Union") was incorporated in 1954, and serves those resident or employed in or near the Regional Municipality of Durham. Uxbridge's assets as of September 30, 1996 were \$17,056,280, having decreased from \$17,444,476 as at September 30, 1995.

Uxbridge provides a broad range of financial services and products to approximately 3,000 members through one office, located in the Town of Uxbridge, Ontario. The Credit Union provides a full range of retail financial services and a broad range of consumer and commercial credit and non-credit financial services and products. See also "Business of Uxbridge Credit Union Limited", on pages 4 to 6.

Security Offering

Uxbridge Credit Union Limited offers for sale to members Series 97, Class B Non-Cumulative, Non-Voting, Non-Participating, Special Shares ("Class B Investment Shares") in the capital of the Credit Union. Class B Investment Shares are special, non-membership shares and constitute part of the authorized capital of the Credit Union. Subscriptions will be accepted from members of Uxbridge for a minimum of 1,000 Class B Investment Shares and a maximum of 25,000 Class B Investment Shares. However, no member may purchase more than five per cent of the Class B Investment Shares sold hereunder (the "Maximum Permissible Holding"). If a member subscribes for more than the Maximum Permissible Holding, the Credit Union will honour the subscription for the Maximum Permissible Holding and return all excess funds, with applicable interest, to the member. Subscription, purchase and redemption of these shares are exclusively through Uxbridge's offices. Transfer of such shares will only be effected through the Credit Union, and transfers are restricted to other members of the Credit Union and certain persons as specified in the *Credit Unions and Caisses Populaires Act, 1994* (the "Act"). Class B Investment Shares are redeemable; however, all redemptions are subject to Board policy and to a limit on the maximum number of shares which can be redeemed in any fiscal year. The Credit Union, at its option, may acquire the Class B Investment Shares, at the Redemption Amount, for cancellation after a period of five years. See "Description of Securities Being Offered" on pages 9 to 13.

Subscriptions for the Class B Investment Shares shall be accepted as of the date hereof, and for a period of six months after the date hereof, or until the date on which subscriptions have been received for the maximum 500,000 Class B Investment Shares, or until the date on which the Board, having received subscriptions for at least the minimum 300,000 Class B Investment Shares but not for the maximum 500,000 Class B Investment Shares, and noting that six months has not yet passed since the date of this offering statement, resolves to close the offering, whichever shall occur first (the "Closing Date"). The shares so subscribed shall be issued within sixty days of the Closing Date.

The securities to be issued under this Offering Statement are not secured by any assets of the Credit Union and are not covered by deposit insurance or any other form of guarantee as to repayment of principal

amount or dividends. The Class B Investment Shares will qualify as regulatory capital, to the extent permitted and as defined in the Act.

Use of Proceeds

If fully subscribed, the gross proceeds to be derived by the Credit Union from the sale of the Class B Investment Shares shall be \$500,000. The costs of issuing these securities are not expected to exceed \$12,500, and these costs, net of applicable tax savings approximating \$2,836, will be deducted from the gross proceeds in arriving at the amount to be reported as share capital outstanding. The estimated maximum net proceeds of this offering of securities are \$490,336. The principal uses of the net proceeds, and purposes of this offering, are to enable the Credit Union to satisfy the legal requirements to achieve and maintain a minimum level of regulatory capital, as set out in Section 84 of the Act, while at the same time proceeding with the development of a new location for the Credit Union. Based on a leverage capital ratio of 5%, the Credit Union's capital base, if this offering is fully subscribed and the Special Dividend is paid, could support additional growth of approximately \$8,364,020. If this offering is fully subscribed, Uxbridge's Leverage Ratio would be 7.45%, which is in excess of current regulatory capital requirements. The cash generated from the issuance of the securities, to the extent it represents new cash to the Credit Union rather than being a transfer from existing accounts, will be used for general business purposes, being primarily the lending of money to members and the investment of surplus funds in high quality investments. See "Use of Proceeds From Sale of Securities" on page 22.

Risk Factors

Investments in the Class B Investment Shares are subject to a number of risk factors, including regulatory redemption restrictions, the continuous need to maintain minimum regulatory capital levels, the uncertainty of payment of dividends, credit risk, risk of loss on investments, liquidity risk, interest rate risk, potential regulatory actions, reliance on key management, geographic/industry risk, competitive risk, and the risk of developing a new location for the Credit Union. See "Risk Factors" on pages 15 to 20.

Dividend Policy

The dividend policy of the Uxbridge Board of Directors for Class B Investment Shares shall be to pay a dividend or dividends for every year in which there are sufficient profits to do so while still fulfilling all other regulatory capital and operational requirements and complying with the Credit Union's Capital Policy. The dividend rate shall be established by the Board of Directors, in its sole and absolute discretion, based on financial and other considerations prevailing at the time of the declarations. The Board shall consider whether or not a dividend shall be declared, and at what rate and in which manner, at least annually following each fiscal year end and before each annual general meeting of members. There can be no guarantee that a dividend will be paid for each year; however, it is the policy of the Board that an appropriate dividend will be declared and paid for each year, provided that the Credit Union is in compliance with Section 84 of the Act. The Board has defined an appropriate rate to be, in general, the simple average of the Prime Rate, as published by Credit Union Central of Ontario from time to time, as at December 31, March 31, June 30, and September 30 of the fiscal year regarding which the dividend is to be paid. The Credit Union will pro-rate the dividend in the year the shares are issued.

As a one-time event, the Board will consider, and if thought appropriate, declare a Special Dividend to holders of the Class B Investment Shares within thirty days of issuance. The planned rate for this Special Dividend is 5% of the Class B Investment Shares held, and it will be paid out of income earned in the Credit Union's fiscal year ending September 30, 1997 to the date on which the Special Dividend is paid, subject to meeting regulatory capital requirements. The dividend is planned to be paid in the form of additional Class B Investment Shares.

The Credit Union

Uxbridge Credit Union Limited (“Uxbridge” or the “Credit Union”) was incorporated on December 17, 1954. As of September 30, 1996, total assets were \$17,056,280, decreasing from \$17,444,476 as of September 30, 1995 and \$16,649,317 as of September 30, 1994. Uxbridge’s office is located at 70 Brock Street West, Uxbridge, Ontario L9P 1P4 (phone 905-852-3388, fax 905-852-5108).

Uxbridge provides a broad range of financial services and products to approximately 3,000 members through one office located in Uxbridge, Ontario. The Credit Union provides a full range of retail financial services and a broad range of consumer and commercial credit and non-credit financial services and products. See “Business of Uxbridge Credit Union Limited” on pages 4 to 6.

The Credit Union owns the property in which its head office is located in Uxbridge. It also owns property at 99 Brock Street West, which currently contains four apartments and which the Credit Union intends to redevelop as its head office location; see page 6 for a discussion of its redevelopment plans.

Bond of Association and Membership

The legislation which governs credit unions and caisses populaires in Ontario specifies a bond of association which must exist among members. Typically, such bonds of association may be community-based, employer-based, or otherwise based on a group of members with a form of common association. Uxbridge’s bond of association is now based on a geographic area, as fully described in paragraph 2.01 of its By-laws, and as summarized below:

- people who reside or are employed within the Regional Municipality of Durham and within 16 kilometres of the Regional Municipality of Durham, in the Province of Ontario.

Membership in Uxbridge is granted to applicants who are within the bond of association by enabling them to purchase and hold the required number of Membership Shares as specified in paragraph 2.03 of the By-laws of the Credit Union. These By-laws were revised effective January 24, 1996 and further revised effective September 25, 1996 to conform with the requirements of the *Credit Unions and Caisses Populaires Act, 1994* and to take advantage of certain new powers provided for in the Act. Specifically, the By-laws now provide for the admission of up to 3% of the membership from outside the bond of association, the admission of the Credit Union's employees to membership, the continuing membership of certain individuals who no longer qualify as members, an executive committee, an audit committee appointed by the Board from among Board members, and procedures for issuing shares and holding shareholder meetings.

The membership By-law requires each adult member, over eighteen years of age, to own 10 Membership Shares with an aggregate issue price of \$50. Members under the age of eighteen years are required to hold 1 Membership Share with an aggregate issue price of \$5.00.

Corporate Governance

The business of the Credit Union is directed and governed by its Board of Directors (the "Board"), a group of seven individuals who are elected by the members of the Credit Union, over sixteen years of age, at the annual general meeting, with each director being elected for a three-year term on a staggered basis to provide for continuity of board members. The duties, powers and standards of care and performance for boards of directors of credit unions are specified in the Act and accompanying Regulations. The Board has established committees to assist in its effective functioning and to comply with the requirements of the Act. In particular, an Audit Committee has been formed and is composed of three members of the Board of Directors of the Credit Union. Its mandate and duties are set out in the Regulations to the Act. The Audit Committee is responsible for, among other things, reviewing any financial statements which are presented to the members, either at an annual general meeting or within an offering statement, and making recommendations to the Board as to the approval of such financial statements. The Credit Union, rather than striking a credit committee to oversee and approve all lending activities, has chosen to create the position of "loans officer" to perform that function. Other Board committees formed from time to time are *ad hoc*, informal and advisory in nature.

There is currently a vacancy on the Board, resulting from a resignation in the ordinary course of business.

The Board has overall responsibility for and authority within the Credit Union, and directs the activities of senior management to whom it has delegated certain responsibilities according to Board policies. Uxbridge's size and geographic concentration enable it to operate with a senior management team consisting of the General Manager, Assistant Manager, and the Loans Officer, who supervise 3 full-time and 6 part-time employees, the part-time employees equating to 3.5 full-time positions. The General Manager carries out the functions of both the Chief Executive Officer and the Chief Financial Officer of the Credit Union. For the names, municipality of residence, offices with the Credit Union and the present principal occupations of the directors and senior management of Uxbridge as of the date of this Offering Statement, see "Directors and Senior Management" on pages 24 and 25.

The Regulatory Framework

The Credit Unions and Caisses Populaires Act, 1994 (See also "Capital Adequacy", beginning on page 15)

Credit unions and caisses populaires in Ontario are governed by the Credit Unions and Caisses Populaires Act, 1994, with its accompanying Regulations and Guidelines (collectively referred to as the "Act"). The Director of Credit Unions (the "Director") is charged with the responsibility of exercising certain powers and performing certain duties which are conferred or imposed by the Act. Among these duties is monitoring compliance with section 84 of the Act, which requires that adequate and appropriate forms of capital and liquidity be maintained by credit unions and caisses populaires. Credit unions and caisses populaires which do not meet the minimum capital levels required may be granted a variation of the capital requirements by the Director, subject to such terms and conditions as he may impose. The Credit Union was, as of September 30, 1996, in compliance with these minimum regulatory capital requirements.

The principal purpose of this Offering Statement is to raise sufficient regulatory capital both to comply with the Act and also to conform to sound business practices while funding the redevelopment of the premises already owned by the Credit Union at 99 Brock Road West. Adequate capitalization would enable the Credit Union to conduct its operations without the restrictions and conditions which are imposed by any variation order. The Credit Union was in compliance with the Act's capital adequacy requirements as at September 30, 1996.

Deposit Insurance Corporation of Ontario (See also "Regulatory Action", page 20)

The Deposit Insurance Corporation of Ontario ("DICO") is a provincial Crown corporation responsible for insuring deposits made by members in credit unions and caisses populaires, in accordance with the requirements of the Act and the Policy of Deposit Insurance. DICO is also able to impose certain requirements as a condition of continuing its deposit insurance coverage and, in the event that a credit union or caisse populaire fails to comply and is believed to represent a threat to the deposit insurance fund, has broader power to take corrective action, which may include taking control of the credit union or caisse populaire and replacing the existing directors, should circumstances so warrant. By letter dated March 18, 1996, DICO renewed the deposit insurance for the Credit Union for the period May 1, 1996 through April 30, 1997 without condition. DICO reserves the right to impose further conditions as a result of any change in circumstances during the renewal period.

Credit Union Central of Ontario

Each province in Canada has one or more central credit unions which serve their member credit unions in the province. In Ontario, one of these bodies is Credit Union Central of Ontario Limited ("CUCO"), an incorporated association owned by its approximately 380 member credit unions. Uxbridge is one of those member-owners. CUCO is not a retail banking institution; its key financial roles are management of the provincial liquidity reserves of its member credit unions, and provision of central and investment banking services to its member credit unions.

As the central banker for its member credit unions, CUCO provides centralized cheque clearing and lending services to member credit unions. Lending services include overdraft facilities, demand loans, and term loans at fixed and variable rates.

CUCO also undertakes government relations, economic forecasting, and market research and planning.

As a member of Credit Union Central of Canada ("CUCC"), the national central credit union owned by the provincial central credit unions, CUCO and its member credit unions enjoy access to national government relations efforts, national marketing and research, and a voice in the World Council of Credit Unions.

To retain membership in CUCO, the Credit Union must purchase shares in CUCO valued at 1.25% of its Membership Shares and members' deposits, maintain a liquidity deposit at CUCO equal to 5% of its Membership Shares and members' deposits, and pay membership dues and advertising assessments equal to \$3.65 per adult member annually. The membership dues and advertising assessment may rise to \$4.50 per adult

member effective April 2, 1997. Uxbridge is in compliance with these requirements, and its membership is in good standing.

BUSINESS OF UXBRIDGE CREDIT UNION LIMITED

General Description of the Business

Personal Financial Services

The three senior managerial staff, together with the 3 full-time and 6 part-time employees of the Credit Union, provide a broad range of personal financial services and products to members. Retail financial products for individuals include most types of deposit accounts, personal chequing services, registered retirement savings accounts, and registered retirement income funds. The registered accounts are administered and held by the Credit Union, and the trustee is Co-operative Trust Company of Canada. Other products available to all members include safety deposit boxes, travellers' cheques, Mastercard debit cards, and Canada Savings Bond and Ontario Savings Bond services. Uxbridge, as a member of Credit Union Central of Ontario, is linked to the Interac and PLUS System networks (data service networks which enable individuals to use automated banking machines which do not belong to, and are not operated by, their financial institution) through Credit Union Central of Canada, giving members access to their accounts at automated banking machines ("ABMs") world-wide.

Members have the option, in addition to the traditional personal service offered at Uxbridge's office, of conducting transactions at an ABM, located in the vestibule of the Credit Union.

The Credit Union is licensed by the Ministry of Finance (Ontario) to offer personal loans and lines of credit for various purposes, residential mortgage loans, and commercial loans. The Board has approved, and management follows, lending policies in all areas to minimize the risk of loan losses.

Personal Loans

Personal loans to members comprise instalment loans, demand loans, and lines of credit. Uxbridge also offers a Mastercard credit card through an arrangement with CU Credit Co-operative Limited, a joint venture of the Alberta and Saskatchewan credit union systems. Under this arrangement, Uxbridge does not hold the accounts receivable owing from its credit card holders, but earns a fee, which is not material to the Credit Union's financial performance, based on the total net purchases generated by its credit card holders as compensation for its efforts in marketing the card, and providing appropriate documentation, to its members. The Board has approved, and management follows, detailed lending policies which limit the risk to which the Credit Union is exposed.

At September 30, 1996, Uxbridge had a personal loan portfolio of \$2,830,010, representing 19.78 per cent of total loans outstanding.

Residential Mortgages

Uxbridge competes for the residential first mortgages of its members. It grants mortgages to individuals according to conventional mortgage lending standards for residential property. Uxbridge offers closed, fixed-rate mortgages; closed, variable-rate mortgages; open, variable-rate mortgages; and open, fixed-rate mortgages; written with terms of six months to five years. Approximately 94% of the Credit Union's mortgage portfolio consists of conventional mortgages; the remainder are high-ratio mortgages insured by the Canada Mortgage and Housing Corporation.

At September 30, 1996, residential mortgage loans represented 56.13 per cent of total loans outstanding, and totalled \$8,030,231.

Commercial Lending

Commercial lending by Uxbridge consists both of commercial mortgages and also term loans and operating lines of credit, granted to small- and medium-sized businesses in its bond of association, which includes the Regional Municipality of Durham and surrounding area. These loans function similarly to their counterparts in "Personal Financial Services" above, but expose the Credit Union to a greater risk of loss because of the risks inherent in lending to small and growing businesses, and the skill required to administer such loans; in particular, these loans are more risky than personal loans because of the larger amounts on loan, the more sophisticated documentation required both to establish capacity to borrow and also to secure the loan, the need for more careful and continuous review to protect the Credit Union's position, and the limited liability afforded by Canadian law to corporations. Approximately 12.5% of the commercial loan portfolio, being small business loans made by the Credit Union pursuant to the Small Business Loans Administration program, are guaranteed by the federal government up to 90% of the amount on loan; the fee for the guarantee is included in the interest rate charged to the borrower.

Uxbridge has developed and follows commercial lending policies to minimize its risk of loan delinquencies and losses. These policies provide that the General Manager may approve loans fully secured by negotiable instruments, but that all other loans receive a review by CUCO's lending department or an external consultant retained by the Credit Union; only the entire Board may over-ride the decision taken by CUCO or the external consultant, as the case may be.

As of September 30, 1996, Uxbridge had a commercial loan portfolio of \$3,446,918, representing 24.09 per cent of total loans outstanding. Of the portfolio, \$2,436,344, or 17.03% of total loans outstanding, represent commercial mortgages which, by Board policy, cannot exceed 66% of the value of the property.

Administration

Affiliation

By virtue of its membership in CUCO, the Credit Union has access to the services and products which are developed, either nationally or regionally, and made available to all affiliated credit unions in Canada. In addition, the Credit Union is a participant in the liquidity pool operated by CUCO, and is accordingly permitted to maintain a reduced level of liquid assets in comparison with credit unions which are not participants of a designated liquidity pool and which do not have specified lines of credit. To participate in the liquidity pool, the Credit Union is required to maintain a liquidity deposit at CUCO equal to 5% of its Membership Shares and members' deposits.

Information Technology

The Credit Union has contracted with CDSL Canada Limited for the processing of its members' account transactions, and for access to the Interac and PLUS networks. The Credit Union plans to migrate to a new system offered by CDSL in late 1997 or early 1998. See page 26 for details.

Business Strategy

The Credit Union seeks to be a full-service financial institution meeting the needs of its members. The needs and desires of its membership, as expressed in a recent member survey, include a drive-through teller, a private location to discuss confidential financial matters with Credit Union staff, and on-site parking. The configuration of the building in which the Credit Union is currently located prevents the Credit Union from addressing these concerns, and poses additional risk-management issues. The Credit Union has therefore determined that it should redevelop the premises that it owns at 99 Brock Street West as a location for its head office; if this offering is successful, the Credit Union anticipates designing and planning the new building within the first two quarters of 1997, requiring that the current tenants vacate the building by the end of the third quarter of 1997, and constructing the new building over the last quarter of 1997 and the first quarter of 1998. The Credit Union anticipates moving into its new premises in March 1998.

CAPITAL POLICY AND STRUCTURE OF THE CREDIT UNION

Capital Policy

The Credit Union strives to have retained earnings equal to 3.15% of total assets monthly, and that, annually, the greater of 50% of net income or the amount required to comply with this policy, be allocated to retained earnings each year.

The policy also requires that the Credit Union strive to have Class B Investment Shares equal to 2% of assets monthly, and that, if this policy will not be met, the Board and management prepare a new capital plan and take necessary steps to comply with this policy. Redemptions of Class B Investment Shares will not be permitted if the Credit Union does not comply with this policy.

Finally, the policy requires that Membership Shares equal .5% of total member deposits. If the Credit Union does not comply with this policy, the policy instructs management to present for Board and membership approval an amendment to change the By-laws of the Credit Union so as to comply with this policy, or readdress the policy with the Board.

Capital Structure

Prior to January 24, 1996, Uxbridge's authorized capital consisted of an unlimited number of Membership Shares, as this was the only class of share that was legally permitted to be issued under the former credit union legislation. The Credit Union subsequently filed Articles of Amendment to create an unlimited

number of Class A Special Shares ("Class A Shares"), and an unlimited number of Class B Special Shares ("Class B Shares"), both classes being issuable in series.

Membership Shares

Membership Shares are issued at \$5 each, the price established by the Board of Directors, to persons who wish to become members of Uxbridge. The holders of Membership Shares may receive dividends if, as and when declared by the directors of the Credit Union. Membership Shares are non-cumulative as to dividends, and fully participating in the residual equity of the Credit Union on dissolution.

The Credit Union has a lien on the Membership Shares of each member for any indebtedness of the member to the Credit Union.

Pursuant to the By-laws of Uxbridge, each adult member over the age of eighteen years, must hold 10 Membership Shares to retain membership. Members under the age of eighteen years must hold 1 Membership Share to retain membership. Each member aged 16 years and over is entitled to one vote at all membership meetings, if they are a member in good standing. Pursuant to the Act, the By-laws of Uxbridge can be changed by Special Resolution of the members.

Membership Shares are redeemable at the amount paid thereon, plus any declared but unpaid dividends, when a member dies, withdraws or is expelled from membership. Membership Shares cannot be redeemed if the Credit Union is not meeting the requirements of section 84 of the Act (see also "Capital Adequacy" in the section on "Risk Factors", beginning on page 15). Membership Shares are not transferable between members. As at September 30, 1996, there were approximately 25,014 issued and outstanding Membership Shares with a total stated value of \$125,069.

Membership Shares rank junior to Class A Shares and to Class B Shares for priority in the declaration and payment of dividends.

In the event of liquidation, dissolution or winding-up of the Credit Union or other distribution of assets or property of the Credit Union among its members or shareholders for the purpose of winding-up its affairs, the holders of the Membership Shares shall each be entitled to receive an amount representing equal portions of the assets or property of the Credit Union remaining after payment of all the Credit Union's debts and obligations, including redemption of all senior classes of shares as specified in the Credit Union's Articles of Incorporation, including Class A Shares and Class B Shares.

Class A Special Shares

The Credit Union is authorized to issue to its members, at \$1.00 each, an unlimited number of Class A Special Shares ("Class A Shares"). Class A Shares will be used to pay dividends on Membership Shares, and to pay patronage rebates to members; the Credit Union has no policy, as of the date hereof, regarding the payment of patronage rebates.

Holders of Class A Shares are entitled to non-cumulative cash or share dividends, if, as, and when declared by the Board of Uxbridge, in priority to the Membership Shares, but ranking junior to the Class B Shares.

Dividend payments are subject to the Credit Union's compliance with the Risk-Weighted and Leverage Ratio requirements imposed by section 84 of the Act and the Regulations and Guidelines passed thereunder. Class A Shares allocated as dividends will be issued in whole dollar amounts; no fractional shares will be issued, and amounts due as dividends will be rounded to the nearest dollar, with .50 rounded up, before being paid as Class A Shares.

In the event of liquidation or dissolution of the Credit Union, or any other distribution of its assets for the purpose of winding-up its affairs, holders of Class A Shares are entitled to receive the Redemption Amount for each Class A Share held. Class A Share Redemption Amounts will be paid in priority to the Membership Shares, and junior to the Class B Shares, but after provision for payment of all the Credit Union's other debts and obligations, including any other securities which may rank senior to the Class A Shares. Holders of Class A Shares are not thereafter entitled to participate in the distribution of residual assets of the Credit Union.

The Class A Shares are non-voting for the purposes of annual general or special meetings of the members. In the event of a proposed dissolution or amalgamation, or the purchase and sale, lease or transfer of all or a substantial portion of the assets of Uxbridge, or if there is a proposed resolution which affects the rights attaching to the Class A Shares, the Credit Union must hold a special meeting of the holders of Class A Shares to obtain their approval of the proposed action by Special Resolution. In some cases, separate meetings of holders of each series of Class A Shares will be required. Holders of Class A Shares have one vote per Class A Share held at such meetings held to consider such an event or resolution.

Class A Shares may only be transferred to another member of the Credit Union, and all such transfers require the approval of the Board of Directors.

Pursuant to its By-laws, Uxbridge has a lien on all Class A Shares held by any member, to the extent of that member's indebtedness to the Credit Union.

There are no outstanding Class A Shares as of the date of this offering statement. The Board has no plans, as of the date of this offering statement, to issue any Class A Shares.

Class B Special Shares

The Credit Union is authorized to issue to its members an unlimited number of Class B Special Shares ("Class B Shares"), in series.

The Class B Shares rank in priority to both the Class A Shares and the Membership Shares regarding the payment of dividends.

In the event of liquidation or dissolution of the Credit Union, or any other distribution of its assets for the purpose of winding-up its affairs, holders of Class B Shares are entitled to receive the Redemption Amount for each Class B Share held. Class B Share Redemption Amounts will be paid in priority to the Membership Shares, and Class A Shares, but after provision for payment of all the Credit Union's other debts and obligations. Holders of Class B Shares are not thereafter entitled to participate in the distribution of residual assets of the Credit Union.

The Class B Shares are non-voting for the purposes of annual general or special meetings of the members. In the event of a proposed dissolution or amalgamation, or the purchase and sale, lease or transfer of all or a substantial portion of the assets of Uxbridge, or if there is a proposed resolution which affects the rights attaching to the Class B Shares, the Credit Union must hold a special meeting of the holders of Class B Shares to obtain their approval by Special Resolution of the shareholders present in person or by proxy. In some cases, a separate meeting of the holders of each series of Class B Shares will be required. Holders of Class B Shares have one vote per Class B Share held at such meetings held to consider such an event or resolution.

Class B Shares may only be transferred to another member of the Credit Union, and all such transfers are subject to Board approval.

The Credit Union has a lien on the Class B Shares of each member, not held in the member's RRSP, for any indebtedness of the member to the Credit Union, pursuant to its By-laws.

Series 97, Class B Special Shares

The Board has authorized the creation and issuance of Series 97, Class B Special Shares ("Class B Investment Shares"), at an issue price of \$1.00 each. For an outline of the terms and conditions of these shares, see "Description of Securities Being Offered", below.

There are no Class B Investment Shares issued or outstanding as of the date of this Offering Statement.

DESCRIPTION OF SECURITIES BEING OFFERED

Class B Investment Shares

Issue

Class B Investment Shares, issuable at \$1.00 each, will only be issued to members of Uxbridge who are aged 18 years and over, if natural persons.

Dividends

The holders of Class B Investment Shares are entitled, in preference to the Membership Shares and the Class A Shares, to receive dividends if, as and when declared by the Board. Dividends for the Class B Investment Shares are dependent upon, in part, the earnings and/or retained earnings of Uxbridge, and on its ability to comply with the capital adequacy and liquidity requirements of section 84 of the Act (see also "Capital Adequacy" in the section on "Risk Factors" beginning on page 15), and to comply with the Credit Union's Capital Policy. The payment of such dividends will be in such manner (including whether in the form of additional Class B Investment Shares, or in cash, or partly in shares and partly in cash), and on such terms as may be determined from time to time by the Board. Class B Investment Shares allotted as part of a declared dividend will be issued in whole dollar amounts (rounded down to the nearest dollar); no fractional shares will be issued.

The dividend policy of the Uxbridge Board of Directors for Class B Investment Shares shall be to pay a dividend or dividends for every year in which there are sufficient profits to do so while still fulfilling all regulatory capital and operational requirements, and complying with the Credit Union's Capital Policy. The dividend rate shall be established by the Board of Directors, in its sole and absolute discretion, based on financial and other considerations prevailing at the time of the declarations. The Board shall consider whether or not a dividend shall be declared, and at what rate and in which manner, at least annually following each fiscal year end and before each annual general meeting of members.

Although there can be no guarantee that a dividend will be paid in each year, it is the policy of the Board that an appropriate dividend will be declared and paid for each year, provided that the Credit Union is in compliance with section 84 of the Act. For a discussion of the Credit Union's dividend policy, see pages 21 and 22.

Canadian Federal Income Tax Aspects

The following commentary has been prepared by Tinkham & Associates, Chartered Accountants, based solely on the information contained in this Offering Statement and their understanding of the meaning and intent of the relevant provisions of the *Income Tax Act*, including legislation that is pending at the date of this Offering Statement. This commentary summarizes the principal Canadian federal income tax consequences to individuals, other than trusts, who are resident in Canada for income tax purposes, who become holders of Class B Investment Shares by acquiring shares pursuant to this Offering Statement and who hold the interest as capital property. No advance income tax ruling has been requested or obtained from Revenue Canada in connection with this Offering Statement, and there is therefore the risk that Revenue Canada may have a different view of the income tax consequences to holders from that described herein. INVESTORS ARE CAUTIONED THAT THIS COMMENTARY IS OF A GENERAL NATURE ONLY AND IS NOT INTENDED TO CONSTITUTE ADVICE TO ANY PARTICULAR INVESTOR. INVESTORS SHOULD SEEK INDEPENDENT ADVICE FROM THEIR OWN ADVISORS.

Investors who acquire one or more Class B Investment Shares will be required to include in income the dividends paid on the shares, whether paid in cash or in the form of additional shares, including the Special Dividend. This income is considered to have been received for income tax purposes as interest income from Canadian sources and not as dividend income.

Dividends paid in the form of additional Class B Investment Shares will be considered a stock dividend for tax purposes. On the basis that the Credit Union will add to the stated capital of the Class B Investment Shares an amount equal to the amount of the dividend, it will constitute interest income to the holders and be added to the adjusted cost base of the shares for income tax purposes.

Generally, any interest expense incurred on money borrowed to acquire shares is deductible for income tax purposes. However, this is subject to the overriding condition that the interest expense be reasonable in the circumstances. Revenue Canada may disallow as a deduction that portion of the holder's borrowing costs in excess of the expected dividends stated in the dividend policy. The amount received on redemption of a share in excess of its paid-up capital for income tax purposes is interest income and is not included in the proceeds of disposition of the share.

The disposition of a share may give rise to a capital gain (or capital loss) to the extent that the proceeds received on the disposition exceed (or are exceeded by) the sum of the adjusted cost base of the share and any costs of its disposition. If certain criteria are met, a capital loss may be considered a business investment loss.

The Class B Investment Shares will be a qualified investment for RRSP contracts. The transfer of any shares by a holder to an RRSP constitutes a disposition of the shares by the holder for income tax purposes. In such circumstances the holder is deemed to receive proceeds of disposition for the shares equal to their fair market value at the time of such transfer, and this amount is included in computing the capital gain or loss from the disposition. Any capital loss arising on such disposition is denied to the shareholder. Interest expense related to shares transferred to an RRSP is not deductible for income tax purposes.

Uxbridge Investment Retirement Plan

The Co-operative Trust Company of Canada is the trustee of this retirement savings plan, which will accept Class B Investment Shares as contributions.

Rights on Distributions of Capital

On liquidation or dissolution, holders of Class B Investment Shares will be paid the Redemption Amount for each such share held, in priority to the Membership Shares, and in priority to the Class A Shares, but after provision for payment of all the Credit Union's other debts and obligations. Holders of Class B Investment Shares shall not thereafter be entitled to participate in the distribution of the Credit Union's assets then remaining.

Voting Rights

The Class B Investment Shares are non-voting for the purposes of annual general or special meetings of the members. In the event of a proposed dissolution, amalgamation, purchase and sale, lease or transfer of all or a substantial portion of the assets of Uxbridge, or of a proposed resolution which affects the rights attaching to the Class B Investment Shares, the Credit Union shall hold a special meeting of the holders of Class B Investment Shares. The holders of Class B Investment Shares shall have one vote per Class B Investment Share held at such meetings, at which all matters require approval by Special Resolution.

Redemption Provisions and Restrictions

Holder of Class B Investment Shares may at any time make a request to the Board, in writing, to redeem, at the Redemption Amount, their Class B Investment Shares held. The Board will ordinarily approve such requests unless, in the opinion of the Board, such redemption will cause the Credit Union to be unable to comply with the capital requirements of section 84 of the Act, or to be unable to comply with the provision of its Capital Policy which requires that Class B Investment Shares amount to 2% of assets monthly. In no case shall total redemptions approved for holders of Class B Investment Shares in any fiscal year exceed an amount equal to 10% of the total Class B Investment Shares outstanding at the end of the previous fiscal year.

When such redemption requests are approved, they shall be on a first come, first served basis as evidenced by the time and date to be marked on each request when received by the Credit Union. Redemption requests not fulfilled during one fiscal year will be carried forward and considered at the first meeting of the Board of Directors in the following fiscal year.

The Credit Union has the option of redeeming, at the Redemption Amount, the Class B Investment Shares, subject to restrictions in the Act, after giving at least 21 days notice of its intent to redeem, at any time after five years from the date of issuance.

Purchasers of Class B Investment Shares who are intending to include such shares in a Registered Retirement Savings Plan (RRSP) contract should carefully review the above redemption provisions and restrictions before proceeding.

Modification

Modification of the provisions attached to Class B Investment Shares will require the approval by Special Resolution of the members voting at a special or annual general meeting, and the approval of the holders of Class B Investment Shares. The approval of Class A Shareholders may also be required if their rights as holders of a junior class of shares are affected. Such shareholder approval will be expressed by Special Resolution of the holders of the Class B Investment Shares present in person or by proxy at a separate meeting of such shareholders, with each shareholder having one vote per Class B Investment Share held. The approval of Class A Shareholders, if required, will be evidenced in a similar manner.

Restrictions on Transfer

Class B Investment Shares may not be transferred except to another member of Uxbridge, or to a person prescribed in the Act and accompanying Regulations. Transfers will be subject to the approval of the Board of Directors. Transfer requests will be in writing, using a form approved by the Board. Transfer requests will be tendered to the Head Office of the Credit Union, together with the certificate or certificates representing the shares to be transferred. Class B Investment Shares will be transferred to other members at a price equal to the current Redemption Amount.

No member, through transfers of Class B Investment Shares from other members, will be allowed to hold more Class B Investment Shares than the member would otherwise have been able to subscribe for in this initial offering (25,000 or the Maximum Permissible Holding, whichever is lesser). **There is no market for the Class B Investment Shares issued by the Credit Union.**

Articles of Amendment

Prospective purchasers of Class B Investment Shares may obtain, on request at the Head Office of the Credit Union, a copy of the Special Resolution of the membership, and the Special Resolution of the Board of Directors, which amended Uxbridge's Articles of Incorporation and defines its share capital structure, including the full terms and conditions, rights and privileges of Class B Investment Shares.

CAPITALIZATION TABLE

160

The capitalization of the Credit Union as at September 30, 1995, as at September 30, 1996, and as at September 30, 1996 after giving effect to the full issuance of the Class B Investment Shares, is set out in the following table:

	As at <u>September 30, 1995</u> (audited)	As at <u>September 30,</u> <u>1996</u> (audited)	As at <u>September 30,</u> <u>1996</u> , after giving effect to the full issuance of the Class B Investment Shares (unaudited)
Share Capital			
Membership Shares	\$125,011	\$125,069	\$125,069
Class B Investment Shares	\$0	\$0	\$515,336 (500,000 shares, net of offering costs and tax savings, plus Special Dividend)
Reserve	<u>\$611,271</u>	<u>\$655,610</u>	\$630,610
Total	<u>\$736,282</u>	<u>\$780,679</u>	<u>\$1,271,015</u>

RISK FACTORS

The following risk factors should be considered in making a decision to purchase Class B Investment Shares.

Transfer and Redemption Restrictions

There is no market through which the Class B Investment Shares may be sold. Further, it is not expected that any market will develop. These securities may only be transferred to another member of the Credit Union or to a person prescribed by the Act and accompanying Regulations.

The Act prohibits redemption of shares of a credit union if the Board of Directors of the Credit Union has reasonable grounds to believe that the Credit Union is, or the payment would cause it to be, in contravention of prescribed liquidity and capital adequacy tests for credit unions. Further, redemptions are limited in any fiscal year to 10% of the Class B Investment Shares outstanding at the end of the previous fiscal year, and may be constrained by the Credit Union's Capital Policy. Consequently, holders of Class B Investment Shares may not be able to sell or redeem their securities when they wish to do so.

Members who intend to hold Class B Investment Shares within an RRSP contract should carefully review this risk factor before proceeding.

Capital Adequacy

The Act requires Uxbridge to maintain certain levels of regulatory capital according to its risk-weighted assets (i.e. actual assets multiplied by a percentage, set by Regulation, to approximate the risk that the Credit Union may not realize the full value of the asset on liquidation or wind-up) ("Risk-Weighted Ratio") and its actual assets ("Leverage Ratio") as follows:

	RISK-WEIGHTED RATIO	LEVERAGE RATIO
as of March 1, 1995 (Act proclaimed)	6.5%	4.0%
as of October 1, 1995	7.0%	4.25%
as of October 1, 1996	7.5%	4.6%
as of October 1, 1997 and thereafter	8.0%	5.0%

The Credit Union is required to maintain the minimum capital ratios set out above on a continuous basis throughout the periods until the ratios increase to the next level.

As of September 30, 1996, Uxbridge maintained a Risk-Weighted Ratio of 8% and a Leverage Ratio of 4.6% and, accordingly, was in compliance with Section 84 of the Act. If this offering raises the maximum \$500,000 in capital, the Credit Union will continue to comply with all current regulatory capital requirements. If this offering is fully subscribed, assuming the levels of assets and equity stated in the September 30, 1996 financial statements, and assuming that the Special Dividend is paid from the Credit Union's reserves, the Credit Union will enjoy a Leverage Ratio of 7.45%. If this offering is minimally subscribed, on the same conditions, the Credit Union will enjoy a Leverage Ratio of 6.41%.

The Director of Credit Unions is empowered to specify terms and conditions with which the Credit Union must comply while its regulatory capital does not meet the minimum levels specified in section 84 of the Act.

Payment of Dividends

This is the initial offering of Class B Investment Shares and, accordingly, there is no dividend record for the Class B Investment Shares. The payment of dividends to the holders of Class B Investment Shares is dependent on the ability of Uxbridge to meet the capital adequacy requirements of the Act, the availability of earnings, and the exercise by the Board of Directors of the Credit Union of its discretion as to whether or not to

declare a dividend, the rate at which the dividend is to be declared, and the proportions of additional shares and cash for payment of such dividend. All dividends, including the Special Dividend, are at the discretion of the Credit Union's Board, and depend on the Credit Union's compliance with its Capital Policy.

Credit Risk

The major activity of Uxbridge is the lending of money to members and, as a result, there exists the risk of loss from uncollectible loans. The lending policies of the Credit Union, the care and attention of staff and management in applying such policies to loan applications and loans granted, and the security taken in connection with such applications, will affect the future profitability of the Credit Union and impact on its ability to pay dividends and redeem Class B Investment Shares when the members wish it to do so. The loan portfolio at September 30, 1996, and as at September 30, 1995, segregated into those classes of loans which are defined in the Regulations to the Act, and the activity in the allowance for doubtful loans are detailed below.

Loans by Classification	September 30, 1996	September 30, 1995
Personal Loans	\$1,805,774	\$2,000,493
Residential Mortgages	\$8,030,231	\$8,615,338
Commercial Loans	\$307,061	\$600,002
Commercial Mortgages	\$2,436,344	\$1,433,409
Line of Credit Advances	\$1,024,236	\$1,151,780
Commercial Line of Credit Advances	\$703,513	\$0
Less allowance for doubtful loans	<u>(\$106,828)</u>	<u>(\$60,885)</u>
	<u>\$14,200,331</u>	<u>\$13,740,137</u>

September 30/95	PERSONAL	MORTGAGE	COMMERCIAL	TOTAL
Opening Balance	\$61,799	\$0	\$0	\$61,799
Recoveries on loans written off	\$0	\$0	\$0	\$0
Accounts written off	(\$1,839)	(\$0)	(\$0)	(\$1,839)
Provision charged to operations	<u>\$925</u>	<u>\$0</u>	<u>\$0</u>	<u>\$925</u>
Balance, end of period	<u>\$60,885</u>	<u>\$0</u>	<u>\$0</u>	<u>\$60,885</u>

September 30/96	PERSONAL	MORTGAGE	COMMERCIAL	TOTAL
Opening Balance	\$60,885	\$0	\$0	\$60,885

Recoveries on loans written off	\$449	\$0	\$0	\$449
Accounts written off	(\$4,126)	(\$0)	(\$0)	(\$4,126)
Provision charged to operations	<u>(\$57,208)</u>	<u>\$19,570</u>	<u>\$87,258</u>	<u>\$49,620</u>
Balance, end of Period	<u>\$0</u>	<u>\$19,570</u>	<u>\$87,258</u>	<u>\$106,828</u>

Non-performing loans are loans which, in the opinion of management, cast doubt as to the ultimate collectibility of some portion or all of the principal or interest. Accrual of interest on loans where interest is due and has not been collected for a period of 90 days is automatically discontinued, unless management determines that there is no reasonable doubt as to the ultimate collectibility of principal and interest. The criteria and methods for the determination of non-performing loans and the resulting allowances for losses on such loans was modified and better codified by the Deposit Insurance Corporation of Ontario in late 1995. The Credit Union now follows the new requirements. All information provided in this offering statement regarding allowances for doubtful accounts and non-performing loans have been calculated in conformity with these new requirements. Significant changes in the treatment of non-performing loans are:

- secured loans not more than 180 days in arrears no longer have to be recognized as impaired, but loans rewritten to defer significantly principal repayment beyond the original term of the loan might be recognized as impaired. This has a significant impact on interest income, since interest income may be accrued only until the Credit Union recognizes a loan as impaired;
- if discounting is not used, the full gross excess of the loan amount over the fair value of the security must be included in the allowance immediately;
- all security valuations must be based on current market values and include an objective appraisal or opinion of value;
- the Credit Union may establish a non-specific loan loss provision whenever portfolio losses are likely, due to geographical or industrial risks (eg. rising unemployment rates, significant losses, industry closures, etc.); and
- total impaired loans must be disclosed in the notes to the financial statements, even if no allowance is necessary, and loans contributing to the allowance must be identified by category (eg. personal, mortgage, commercial, etc.). Any non-specific loan loss provision, and total formally-restructured loans, must be separately disclosed.

Uxbridge has an established policy of providing, on a monthly basis, an allowance to cover potential loan losses. Each month the allowance is reviewed and, if potential loan losses are identified, an allowance is specifically allocated to each non-performing loan. The following table shows Uxbridge's non-performing loan exposure, net of the related allowance for loan losses:

	September 30, 1995	September 30, 1996
Non-performing loans		
Personal loans	\$70,885	\$0

Mortgage loans	\$0	\$19,570
Commercial loans	<u>\$0</u>	<u>\$321,945</u>
Total non-performing loans	\$70,885	\$341,515
Less allowance for loan losses	<u>(\$60,885)</u>	<u>(\$106,828)</u>
Net non-performing loans	<u>\$10,000</u>	<u>\$234,687</u>

Non-performing personal loans as a percentage of gross personal loans	3.54%	0.0%
Non-performing mortgages as a percentage of gross mortgages	0.0%	.24%
Non-performing commercial loans as a percentage of gross commercial loans	0.0%	13.21%
Non-performing loans as a percentage of total loans outstanding	0.51%	2.39%

The Credit Union has two non-performing commercial loans. The first is a commercial mortgage, and the Credit Union is proceeding with a power of sale action against the subject property. The second is a loan guaranteed to 90% of the amount outstanding by the Small Business Loans Administration program. The Credit Union has fully allowed for its potential loss on both loans in accordance with DICO by-laws.

Net loans written off during the year ended September 30, 1995 and the fiscal year ended September 30, 1996 were \$1,839 and \$4,126, respectively. Bad debt expense for the same periods were \$925 and \$49,620, respectively. The allowance for doubtful loans is .44% of total loans outstanding at September 30, 1995, and .75% of total loans outstanding as of September 30, 1996.

Risk of Loss on Investments

The Credit Union is also exposed to risk in respect of its investments. The investment policy approved by the Board of the Credit Union requires that the Credit Union invest so as to maximize financial margin while continuing to comply with the Act. The Credit Union is only to invest in instruments which are completely guaranteed by deposit insurance or the guarantees of a provincial or the federal government of Canada. Unless the Board expressly approves the investment, acceptable investments are limited to term deposits in CUCO, term deposits in Canadian chartered banks or trust companies, provincial or federal government treasury bills, provincial or federal government bonds, or mortgage-backed securities where all of the supporting mortgages are CMHC-insured. All investments must be able to be "called" (converted to cash) within 90 days, except when the investment is made for matching purposes, the investment is acceptable, the investment is approved by the Board of Directors, and the investment would not reduce the Credit Union's liquidity below statutory limits. Management is authorized to invest excess funds in accordance with the policy. The Credit Union seeks to invest only within the co-operative system.

The Credit Union has, as of September 30, 1996, no significant investments outside CUCO.

The Credit Union also has policies regulating its investments in derivative instruments. One such policy prevents the Credit Union from investing in derivatives except interest rate "swaps" with CUCCO, and only for the purpose of reducing or eliminating adverse exposure to changes in interest rates. The other such policy regulates the Credit Union's sale to its members of a particular product offered by CUCCO, and permits the Credit Union's investment in derivatives only to hedge completely the risks associated with offering the product to its members.

Liquidity Risk

Liquidity risk is the risk that a financial institution will have to sell assets at a loss to meet cash demands. As a member of a qualifying liquidity pool, the Credit Union must maintain an amount at least equal to 8% of its members' deposits and borrowings in prescribed classes of assets pursuant to Regulations to the Act. The Credit Union has maintained an average liquidity position of 12.36% in the fiscal year ending September 30, 1996, and of 14.59% in the fiscal year ended September 30, 1995.

Interest Rate Risk

Interest rate risk arises from a mismatch between rates and maturities of members' deposit liabilities and the yields and maturities of members' loans and other investments of the Credit Union. It is the policy of the Credit Union to keep exposure to interest rate fluctuations within limits set by its Board policies. Regulations require that the Credit Union expose no more of its net income than a sum equal to 15 basis points of its total assets to a reasonably-anticipated change in interest rates. Its Board policy, which in management's opinion is more strict than the Regulations require, is to expose no more than 3% of its net interest income to a 1% change in interest rates. To achieve this matched position, the Credit Union uses a comprehensive set of financial reporting systems, including computerized modelling techniques. The Credit Union can respond to market interest rate changes with immediate pricing adjustments to deposit and loan products, if necessary to correct a potential mismatch, although such adjustments, because they only affect new transactions, may not succeed in eliminating the mismatch. As at September 30, 1996, the Credit Union's matching analysis indicated that a change in interest rates of 100 basis points (1%) would have exposed net income equivalent of 12 basis point of the total assets of the Credit Union to that fluctuation.

In the event that the Credit Union were to become mismatched to an extent which exceeds the limits described above, future profitability could become seriously eroded, with a resulting negative impact on the ability of the Credit Union to pay dividends or redeem shares.

Regulatory Action

Under the Act, the Deposit Insurance Corporation of Ontario, as stabilization authority for the credit unions and caisses populaires in Ontario, can ask the Director of Credit Unions to place a credit union or caisse populaire under "supervision", and may, itself, place a credit union or caisse populaire under "administration" should it believe that there is a potential for the credit union or caisse populaire to encounter financial or management problems which could affect its financial well-being or which could tend to increase the risk of claims by the credit union or caisse populaire against the deposit insurance fund.

Reliance on Key Management

The success of Uxbridge's business strategy is dependent on the ability of the Credit Union to retain its key senior management personnel. The inability to retain such persons, or replace them with individuals of equal competence, could adversely affect the Credit Union's financial performance. The Credit Union does not have in place written employment agreements covering the services of any key management personnel.

The Township of Uxbridge has a population of approximately 14,500 people. The Credit Union therefore, comparing its membership of approximately 3,860 to the population of its trading area, has a market share of approximately 26.62%. The township is located within easy driving distance of Metropolitan Toronto, and the most recent census revealed that, of the employed population in the Township, approximately 80% commuted to work outside of the Township. Significant commercial development on the highway into the Township, and the resultant new traffic signals and increased traffic, is contributing to residents' use of alternate routes into the Township, one of which brings significant traffic past the property owned by the Credit Union at 99 Brock Street West.

Competitive Risk

The Township of Uxbridge is served, in the downtown core where the Credit Union is located, by branches of the Canadian Imperial Bank of Commerce and the Toronto Dominion Bank, as well as Laurentian Bank. All three banks have highly visible locations, but have inadequate parking. All, except for the Laurentian Bank branch, have ABMs located in the vestibule of their branch. On the highway leading to the Township, the Bank of Nova Scotia has a branch with adequate parking, and the Royal Bank of Canada and Canada Trust have ABM's located in retail facilities with adequate parking; it is anticipated that a new supermarket to be constructed in the same location will have a scaled-down Canada Trust branch.

Redevelopment of 99 Brock Street West

The Credit Union intends to redevelop property that it owns at 99 Brock Street West, Uxbridge as its new location, and to sell its existing location. This decision will result in the eventual loss of approximately \$3,600 monthly in rental income, which has previously been included as "other income" in the Credit Union's financial statements. The Credit Union has also, in its projections, made certain assumptions regarding the costs of redevelopment, including new fixtures and furnishings, and regarding the purchase price which it can obtain for its existing location; the Credit Union anticipates capital expenditures of approximately \$425,000, and anticipates a selling price for its existing building of approximately \$250,000 to \$280,000. Management is of the opinion that these assumptions are prudent and conservative. Should these projections not be realized, the Credit Union's profitability may be negatively affected, which would impact on the Credit Union's ability to pay dividends on, and to redeem, Class B Investment Shares.

DIVIDEND RECORD AND POLICY

Prior to the recent creation of the current classes of shares, Uxbridge's formal capital structure consisted only of Membership Shares on which dividends could be paid. The Credit Union has not paid dividends regarding its last three fiscal years of operation, as outlined in the following table, because of the necessity of complying with capital adequacy requirements:

Issued and Outstanding Membership Shares	Fiscal Year Ending	Dividend Paid
\$125,069	September 30, 1996	\$0
\$125,011	September 30, 1995	\$0
\$130,724	September	\$0

The holders of Class B Investment Shares are entitled, in preference to the Class A Shares and the Membership Shares, to receive dividends if, as and when declared by the Board. Dividends for the Class B Investment Shares are dependent upon, in part, the earnings and/or retained earnings of the Credit Union, and on its ability to comply with the capital adequacy and liquidity requirements of section 84 of the Act. The payment of such dividends will be in such manner (including whether in the form of additional Class B Investment Shares, or in cash, or partly in shares and partly in cash), and on such terms as may be determined from time to time by the Board. Class B Investment Shares allotted as part of a declared dividend will only be issued in whole dollar amounts (rounded down to the nearest dollar), and no fractional shares will be issued.

The dividend policy of the Uxbridge Board of Directors for Class B Investment Shares shall be to pay a dividend or dividends in every year in which there are sufficient profits to do so while still fulfilling all other regulatory capital and operational requirements, and complying with the Credit Union's Capital Policy. The dividend rate shall be established by the Board of Directors, in its sole and absolute discretion, based on financial and other considerations prevailing at the time of the declarations. The Board shall consider whether or not a dividend shall be declared, and at what rate and in which manner, at least annually following each fiscal year end and before each annual general meeting of members.

Although there can be no guarantee that a dividend will be paid in each year, it is the policy of the Board that an appropriate dividend will be declared and paid in each year, provided that the Credit Union is in compliance with Section 84 of the Act, and with its Capital Policy. The Board of Directors has defined an appropriate dividend rate on the issue price of the share to be, in general, the simple average of the Prime Rate, as published by CUCO from time to time, as of December 31, March 31, June 30, and September 30 of the fiscal year of the Credit Union regarding which the dividend is to be paid. The dividend, in the fiscal year Class B Investment Shares are first issued, shall be pro-rated for the number of days the Class B Investment Shares were issued and outstanding in that fiscal year.

Following consideration and payment of a dividend on the Class B Investment Shares, the Board may decide to pay a dividend on shares ranking junior to the Class B Investment Shares, including Class A Shares and Membership Shares.

As a one-time event, the Board will consider, and if thought appropriate, declare a Special Dividend to holders of the Class B Investment Shares within thirty days of issuance. The planned rate for this Special Dividend is 5% of the Class B Investment Shares held, and it will be paid out of income earned in the Credit Union's fiscal year ending September 30, 1997 to the date on which the Special Dividend is paid, subject to meeting regulatory capital requirements and complying with the Credit Union's Capital Policy. The dividend is planned to be paid in the form of additional Class B Investment Shares.

USE OF PROCEEDS FROM SALE OF SECURITIES

Shares will be issued for cash only.

The principal uses of the net proceeds and purpose of this offering will be, first, to enable the Credit Union to satisfy the legal requirements to maintain a minimum level of regulatory capital, as set out in section 84 of the Act, and, second, to provide a capital base for future growth and, in particular, for the redevelopment, as a new location for the Credit Union, of the property owned by the Credit Union at 99 Brock Street West. Based on a leverage capital ratio of 5%, assuming the offering is fully subscribed and the Special Dividend is paid out of the Reserve, and that in all other respects the Credit Union's assets and equity are as stated on its September 30,

1996 financial statements, the Credit Union's capitalization could support additional growth of approximately \$8,364,020. The cash generated from the issuance of the securities, to the extent it represents new cash to the Credit Union rather than being a transfer from existing accounts, will be used for general business purposes, being primarily the lending of money to members and the investment of surplus funds in high quality investments.

PLAN OF DISTRIBUTION

1. The price to members for each Class A Investment Share will be \$1.00.
2. There will be no discounts or commissions paid to anyone for the sale of these securities.
3. One hundred percent (100%) of the proceeds of the sale of these securities will go to the Credit Union, which will then be responsible for the payment of the costs associated with this Offering Statement.

Subscriptions for the Class B Investment Shares shall be accepted as of the date hereof, and for a period of six months thereafter or until the date on which subscriptions have been received for the maximum 500,000 Class B Investment Shares, or until a date, after the Credit Union has received subscriptions for the minimum 300,000 Class B Investment Shares, but before the Credit Union has received subscriptions for the maximum 500,000 Class B Investment Shares and before six months have passed from the date hereof, on which the Board in its sole and absolute discretion shall determine to close the offering, whichever shall occur first (the "Closing Date"). Subscriptions will be accepted on a first come, first served basis, and subscription forms will be marked with the time and date accepted. The Credit Union will closely monitor subscriptions being received as total subscriptions approach the maximum. Potential purchasers making subscription requests at that time may not be allowed to subscribe for the full number or amount of shares they desire, or their subscription request may be refused. This Offering may not be over-subscribed, and subscriptions will not be pro-rated.

If the funds to be used by a subscriber to pay for shares subscribed are on deposit at the Credit Union, the subscriber will authorize the Credit Union to place a hold on such accounts in an amount equal to the issue price of the number of shares for which the member subscribes. If the offering is completed, such hold will be released, and the authorized amount will be used to pay for the shares for which the member subscribed. If the offering is withdrawn, or if the decision to buy is reversed by the subscriber (as described on the cover of this Offering Statement), the hold will be released immediately thereafter.

If the funds to be used by a subscriber to pay for shares subscribed are coming from outside the Credit Union, such funds will be held in escrow, in accounts to be trusted by Co-operative Trust Company of Canada, until the offering is completed or withdrawn, or until the subscriber exercises the right to reverse the decision to purchase the securities (as described on the cover of this Offering Statement). If the offering is completed, the proceeds will be released from escrow and used to pay for the shares for which the member subscribed. If the offering is withdrawn, or if the subscriber reverses the decision to buy, the proceeds will be refunded in full, plus interest calculated at the Credit Union's 30-day term deposit rate as at the date of this Offering Statement, pro-rated for the number of days the funds were in escrow, to those who subscribed.

If a member subscribes for more than the Maximum Permissible Holding, the Credit Union will honour the subscription to the Maximum Permissible Holding. To the extent the subscription exceeds the Maximum Permissible Holding, for the purposes of the hold and escrow arrangements described above, the Credit Union will regard the member as having properly withdrawn the over-subscribed portion of the subscription on the Closing Date, regardless of when the member received the offering statement, and will either release the hold on the member's accounts, or return funds held in escrow to the member (together with applicable interest), as required above.

The above-noted terms and conditions regarding holds on deposit accounts and regarding escrow accounts are detailed on the Credit Union's subscription form for Class B Investment Shares and on separate agreements, to

be signed by subscribers, authorizing holds on deposit accounts and/or placement of proceeds in escrow accounts. Copies of the Subscription Form and the forms for authorization of a hold on funds in deposit accounts and/or placement of funds in escrow accounts are printed in this Offering Statement on pages 45, 46 and 47.

If fully subscribed, the gross proceeds to be derived by the Credit Union from the sale of the Class B Investment Shares shall be \$500,000. The costs of issuing these securities are not expected to exceed \$12,500, and these costs, net of applicable tax savings approximating \$2,836, will be deducted from the gross proceeds in arriving at the amount to be reported as share capital outstanding. The estimated maximum net proceeds of this offering of securities are \$490,336.

The Credit Union will issue the Class B Investment Shares for which subscriptions have been received within sixty days of the Closing Date.

If, after six months from the date of this Offering Statement, subscriptions received for the Class B Investment Shares amount to less than \$300,000 in the aggregate, this offering for Class B Investment Shares will either be renewed with the approval of the Director of Credit Unions, or be cancelled and withdrawn, and all funds "frozen" or held in escrow to support subscriptions will be returned to the respective members within 30 days thereof, with applicable interest, without shares being issued.

The Class B Investment Shares will not be sold by underwriters or other dealers in securities. The minimum subscription per member shall be \$1,000 for 1,000 Class B Investment Shares. The maximum subscription per member shall be \$25,000 for 25,000 Class B Investment Shares; however, no member can purchase more than the Maximum Permissible Holding. Shares will only be issued subject to the full price of such securities being paid.

MARKET FOR THE SECURITIES

There is no market for the Class B Investment Shares. These securities may only be transferred to another member of the Credit Union or to a person prescribed by the Act and accompanying Regulations.

SENIOR DEBT (RANKING AHEAD OF CLASS B INVESTMENT SHARES)

Uxbridge has arranged a line of credit and overdraft facilities totalling CDN\$1,000,000 and US\$10,000 at Credit Union Central of Ontario Limited ("CUCO"). The purpose of this combined facility is to cover fluctuations in daily clearing volume on the chequing accounts of the members of the Credit Union. As security for these credit facilities, the Credit Union has given CUCO promissory notes, a general assignment of its book debts, and a general security agreement covering all of its assets.

During the fiscal year ended September 30, 1996, the balance owing on the Canadian dollar line of credit with CUCO has fluctuated from a high of \$729,640 to a low of \$0. The balance owing on the U.S. dollar line of credit has fluctuated from a high of \$6,110 to a low of \$0.

AUDITORS, REGISTRAR AND TRANSFER AGENT

The auditors of Uxbridge Credit Union Limited are Tinkham and Associates, Chartered Accountants, 2842 Bloor Street West, Suite 305, Toronto, Ontario M8X 1B1, telephone (416) 233-2139, fax (416) 233-1788.

The registrars and transfer agents for the Class B Investment Shares are designated staff of Uxbridge.

DIRECTORS AND SENIOR MANAGEMENT

Board of Directors

The following table sets forth the board of directors of Uxbridge:

Name/Municipality of Residence	Principal Occupation	Position/Office
William Solomon Uxbridge, Ontario.	Actuary	President; Chair of Executive Committee
Barry Bushell Uxbridge, Ontario.	Businessperson; Township Councillor	Vice-President; Member of Audit Committee
Michelle Fraser Uxbridge, Ontario.	Physiotherapist	Director; Member of Audit Committee
Milton Collingwood Uxbridge, Ontario.	Certified General Accountant	Director; Chair of Audit Committee
John Owen Uxbridge, Ontario.	Instructor, Seneca College; Building Designer	Director; Member of Executive Committee
John Cooper Uxbridge, Ontario.	Electrical Engineer	Director

There is currently a vacancy on the Board, resulting from a resignation in the usual course of business.

Senior Management

The following table sets forth the senior management of Uxbridge:

Name/Municipality of Residence	Position/Title
Terrence A. Chapman Uxbridge, Ontario	General Manager
Dorothy A. Boake Uxbridge, Ontario.	Assistant General Manager
Jane M. Johnson Uxbridge, Ontario	Loans Manager

All senior management have been employed continuously by the Credit Union during at least the previous five years.

LAWSUITS AND OTHER MATERIAL OR REGULATORY ACTIONS

Other than actions to recover delinquent loans where Uxbridge is the plaintiff, the Credit Union is not aware of any material pending or contemplated legal proceedings to which the Credit Union is a party.

The Credit Union is not aware of any regulatory actions resulting from its non-compliance with regulatory capital requirements.

MATERIAL INTERESTS OF DIRECTORS, OFFICERS AND EMPLOYEES

All loans to the directors, officers and employees and persons related to them are made in the normal course of business, using standard credit granting criteria, and are made at market rates except as disclosed below.

Staff and directors are eligible to obtain lines of credit from the Credit Union at the Prime Rate, as posted by the Credit Union from time to time. As of September 30, 1996, there was \$6,208 outstanding in such lines of credit, and the maximum authorized amount of such lines was \$42,000.

Staff and directors are eligible to obtain personal loans from the Credit Union at a discount of 2% from the rate, as posted by the Credit Union at that time, being charged to members of the Credit Union on such loans. As of September 30, 1996, there was \$87,442 outstanding in such personal loans.

Staff and directors are eligible to obtain mortgages from the Credit Union at a discount of 1% from the rate, as posted by the Credit Union at that time, being charged to members of the Credit Union on such mortgages. As of September 30, 1996, there was \$538,611 outstanding in such mortgages.

The aggregate value of loans in all categories to restricted parties (directors, officers and committee members, their relatives, their spouses, and relatives of their spouses), as of September 30, 1996, amounted to \$643,604. No allowance was required in respect of these loans.

As members of Uxbridge, directors, officers and employees of the Credit Union each hold Membership Shares in the number required to maintain membership in Uxbridge. Accordingly, each director, officer and employee may subscribe for the Class B Investment Shares, should any of such persons wish to do so.

MATERIAL CONTRACTS

The following material contracts have been entered into by Uxbridge during the last three years.

This agreement, which now expires March 31, 2000 as a result of a renewal for a 5-year term on April 1, 1995, provides the Credit Union with certain electronic data processing and network services, and automatically renews for an indefinite number of five-year periods upon the same terms and conditions, except for charges and discount rates, which will be determined for each renewal period, unless either party gives written notice of termination to the other at least six months before the expiry of the term or any renewal. Charges to the Credit Union for data processing services, and for its members' use of the Interac and PLUS systems, are as invoiced to the Credit Union by CDSL monthly; these charges may increase once annually, on at least 2 months notice to the Credit Union, and, if the increase is by more than 2% in excess of the Consumer Price Index as published from time to time for Toronto, the Credit Union has the option to terminate the contract during that 2-month period. This agreement can be terminated by either party if the other party is in default, and does not cure that default within ninety days of having been given notice of default. The Credit Union may terminate the agreement on six months notice to CDSL, by paying damages equal to all discounts received, and the average of the four previous monthly invoices, multiplied by the number of months remaining in the term of the contract.

Line of Credit with CUCCO, dated April 6, 1994

This agreement, which is renewed annually, provides the Credit Union with a CDN\$1,000,000 line of credit, a US\$10,000 line of credit. The purpose of the lines of credit is to cover fluctuations in daily clearing volume on the chequing accounts of the members of the Credit Union. This facility will next be reviewed in June, 1997.

OPERATING RESULTS AND VARIATIONS**Fiscal Year ended September 30, 1996 over Fiscal Year ended September 30, 1995**

Assets declined by 2.22%, as a result of decreases in the Credit Union's liquidity (31.58% decrease in the Credit Union's cash resources, mainly due to a 41.04% decline in the Credit Union's short-term investments. Liabilities other than deferred income taxes decreased by 2.6%, largely as a result of a decline in members' deposits (2.26%); personal chequing deposits (12.7%) and savings deposits (5.15%) declined most significantly, but their decline was offset by growth in the Credit Union's RRSP deposits (11.46%). Members' equity grew by 6.03%, as a result of the profitability of the Credit Union (7.25% increase in the Credit Union's retained earnings). Interest income declined by 6.9%, mainly due to a 6.63% decline in interest received by the Credit Union on mortgages and a 26.63% decrease in interest received by the Credit Union on its investments. Interest expense, however, also declined by 7.16%. Financial margin declined, in spite of the decline in interest expense, by 6.63%. Other income also declined by 2.15%. Operating expenses grew by 10.02%, as a result of both increases in bad debt expenses, which increased to \$49,620 from \$925 as a result mainly of a delinquent commercial mortgage which is fully allowed for, and also increases in salaries and employee benefits (4.93%) and training, committees, and conferences (138.69%). Net income before income taxes declined by 67.78% and amounted to .33% of average assets held during the year; management attributes the Credit Union's decline in profitability to both the decline in financial margin and also the increase in bad debt expense.

Fiscal Year ended September 30, 1995 over Fiscal Year ended September 30, 1994

Assets grew by 4.78%, as a result of a Board policy to limit asset growth while increasing the regulatory capital of the Credit Union; members' equity grew by 21.76%, as a result of a 4.37% decrease in Membership Shares offset by a 28.96% increase in the Reserve for Financial Stability. Asset growth resulted mainly from a 2.66% increase in the amount loaned to members, particularly in commercial mortgages (42.75% increase); this reflects the Credit Union's careful management of its liquidity to meet statutory requirements while maximizing the financial margin of the Credit Union. Liabilities other than deferred income taxes grew by 4.13%,

reflecting growth in members' accounts and deposits. This growth in members' accounts and deposits resulted largely from growth in term deposits (4.67%) and RRSP deposits (9.42%); these changes would tend to increase the Credit Union's interest expense, but these funds were required to fund the increased mortgage lending of the Credit Union. Financial margin amounted to 4.02% of average assets held during the fiscal year ended September 30, 1995, increasing from 3.84% of average assets held during the fiscal year ended September 30, 1994; financial margin grew by 6.75%. Financial margin increased, despite an 18.7% increase in interest expense, because of a 12.5% increase in income, reflecting growth in all income categories; this reflects the Credit Union's liquidity, pricing, and asset/liability matching policies. Other revenue grew by 20.61%, and amounted to 1.21% of average assets held during the fiscal year ended September 30, 1995, increasing from 1.02% of average assets held during the fiscal year ended September 30, 1994. Operating expenses remained stagnant during the year, reflecting the Credit Union's cost control efforts. Net income before taxes increased by 73.31%, and amounted to 1.05% of average assets held during the fiscal year ended September 30, 1995, increasing from .62% of average assets held during the fiscal year ended September 30, 1994.

Fiscal Year ended September 30, 1994 over Fiscal Year ended September 30, 1993

Assets grew by only .52%, as a result of a Board policy to limit asset growth while increasing the regulatory capital of the Credit Union; members' equity grew by 16.93%, as a result of both a 6.57% increase in Membership Shares and a 20.15% increase in the Reserve for Financial Stability. Liabilities were stagnant throughout the year. Income decreased by 6.68%, resulting from a decrease in mortgage loan interest received by the Credit Union from its members (11.48%), and in investment income received by the Credit Union (11.02%); these decreases result both from a decline in principal amount, as well as a decline in the yield received by the Credit Union. Interest expense, however, declined by 13.88%, as a result of better pricing of deposit products and better matching of liabilities with assets. Financial margin increased by 1.15%, and amounted to 3.84% of average assets held during the fiscal year ended September 30, 1994, increasing from 3.82% of average assets held during the fiscal year ended September 30, 1993. Other revenue increased by 10.75%, and amounted to 1.02% of average assets held during the fiscal year ended September 30, 1994, increasing from .93% of average assets held during the fiscal year ended September 30, 1993. Operating expenses decreased by 7.98%, reflecting a substantial decrease in bad debt expense; in 1994, the Credit Union actually had a net bad debt recovery of \$6,100, and therefore incurred no bad debt expense. Net income before taxes increased by 478.92%, and amounted to .62% of average assets held during the fiscal year ended September 30, 1994, increasing from .11% of average assets held during the fiscal year ended September 30, 1993.

The following table presents financial performance indicators for the Credit Union for the fiscal years ended September 30, 1996, 1995, and 1994. These figures are based on the audited financial statements for the fiscal periods. (1 basis point (1 bp) equals 0.01% of average assets during the period.)

<u>Financial Performance Indicators</u>	Year Ended September 30, 1996	Year Ended September 30, 1995	Year Ended September 30, 1994
<u>Profitability</u>			
Total Assets (\$ Thousands)	\$17,056	\$17,444	\$16,649
Pre-tax Profit (Loss) (\$ Thousands)	\$57	\$178	\$102
Pre-tax Profit (Loss) (bp)	33	105	62
Net Interest Margin (bp)	368	402	384
Non-Interest Income (bp)	116	121	102
Total Operating Expenses (bp)	451	418	424
<u>Compliance with Capital Requirements</u>			
Risk-Weighted Capital Ratio	8.00%	8.00%	n/a
Risk-Weighted Capital Requirement (7.5% at October 1, 1996)	7%	6.5%	n/a
Leverage Ratio	4.6%	4.30%	3.63%
Leverage Requirement (4.6% at October 1, 1996)	4.25%	4%	4%
	Year	Year	Year

	Ended September 30, 1996	Ended September 30, 1995	Ended September 30, 1994*
<u>Loan Composition</u>			
Total Loans Outstanding (\$ Thousands)	\$14,307	\$13,801	\$13,447
Personal Loans (% of total)	12.62%	14.5%	15.14%
Residential Mortgage Loans (% of total)	56.13%	62.42%	66.21%
Commercial Loans (% of total)	2.15%	4.35%	5.16%
Commercial Mortgages (% of total)	17.03%	10.39%	7.47%
Lines of Credit (% of total)	12.08%	8.34%	6.02%
<u>Loan Quality</u>			
Bad Debt Allowance (% of Total Loans)	.74%	.44%	.46%
Bad Debt Expense (Recovery) (bp)	29	.5	(4)
<u>Other Factors</u>			
Total Members' Deposits (\$ Thousands)	\$15,707	\$16,070	\$15,742
Average Liquidity During the Period (% of total deposits and borrowings)	12.36%	14.59%	16.73%
Asset Growth (Decline) (% change for Period)	(2.22%)	4.78%	.52%
Total Members' Equity (\$ Thousands)	\$781	\$736	\$605
Equity Growth (Decline) (% change for Period)	6.03%	21.76%	16.93%

Further analysis is presented in the financial statements which are included in this Offering Statement, beginning on page 31.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

Management has developed and maintains the necessary systems of internal controls to provide reasonable assurance that transactions are authorized and assets are safeguarded. The controls are also designed to provide reasonable assurance that relevant and reliable financial information is produced. The Board meets monthly to oversee management's performance, and to discharge its other legal obligations set out in the *Credit Unions and Caisses Populaires Act, 1994*. The Board has appointed an Audit Committee, comprised of three members of the Board of Directors, which reviews the financial statements, adequacy of internal controls, the audit process and financial reporting with management and the external auditors.

To the Board of Directors of
Uxbridge Credit Union Limited:

We refer to the Offering Statement of Uxbridge Credit Union Limited, dated December 29, 1996, related to the sale and distribution of Class B Investment Shares.

We consent to the use in the above-mentioned Offering Statement of our auditors' report dated October 10, 1996, to the Board of Directors of Uxbridge Credit Union Limited on the following annual audited financial statements:

- Balance Sheet as at September 30, 1996, 1995, and 1994; and
- Statements of Operations and Undivided Earnings and Changes in Financial Position for the three years ended September 30, 1996, 1995, and 1994.

We report that we have read the Offering Statement and have no reason to believe that there are any misrepresentations in the information therein that is derived from the audited annual financial statements upon which we have reported, or that is within our knowledge as a result of our audit of such financial statements.

Further, we hereby consent to the following:

- the use of our name and to the inclusion of our comments relating to certain income tax considerations in the said Offering Statement under the subheading "Canadian Federal Income Tax Aspects".

This letter is provided to the Credit Union pursuant to the requirements of the *Credit Unions and Caisses Populaires Act, 1994* and not for any other purpose.

Tinkham and Associates
Chartered Accountants

December 29, 1996
Toronto, Ontario

There are no other material facts relating to the issues of securities in this Offering Statement which have not been suitably disclosed herein.

Ministry Examination Report, Forwarded to the Credit Union October 11, 1996

This examination was conducted by Ministry of Finance staff between August 19 and August 28, 1996, and generally related to the state of the Credit Union's affairs at July 31, 1996.

The Ministry found that the Credit Union had exceeded its lending limits on the size of commercial loans to any single borrower and on the total size of the commercial loan portfolio. The Credit Union, as required by the Ministry, ceased granting new commercial loans as a result of this finding, and has applied for increases in its commercial individual and aggregate lending limits to bring into compliance with its by-laws all current commercial loans.

The Ministry also found that the Credit Union had made commercial loans to natural persons and sole proprietorships without proper by-law authorization. The Credit Union, as required by the Ministry, has made appropriate amendments to its by-laws and applied for a license to make these loans; in the meanwhile, the Credit Union has granted no new loans of this type.

The Ministry also noted certain weaknesses in the Credit Union's commercial loan files. The Credit Union, as recommended by the Ministry, has reviewed the files noted as weak by the Ministry, and, where possible, upgraded them as suggested; the Credit Union has also acted on Ministry recommendations to strengthen its commercial lending policies and procedures.

BOARD RESOLUTION

178

November 5, 1996

"The Board of Directors of Uxbridge Credit Union Limited approves the issue of Series 97 Class B Special Shares (Investment Shares), subject to the Articles of Incorporation and Articles of Amendment of Uxbridge Credit Union Limited, and as described in the Offering Statement to be dated December 29, 1996."

I certify the above to be a true copy of a resolution adopted by the Board of Directors of Uxbridge Credit Union Limited at their meeting of November 5, 1996.

_____ Corporate Secretary

Form 1

Credit Unions and Caisses Populaires Act, 1994

CERTIFICATE OF DISCLOSURE

(Subsection 77 (4) of the Act)

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Offering Statement as required by Part V of the Credit Unions and Caisses Populaires Act, 1994, and the regulations thereunder.

Dated at Uxbridge, Ontario, December 29, 1996

Terrence Chapman, General Manager

William Solomon, President

- "Administration" - a legal status ordered by DICO in any of the following circumstances: (1) DICO, on reasonable grounds, believes that the credit union is conducting its affairs in a way that might be expected to harm the interests of members, depositors or shareholders or that tends to increase the risk of claims against the deposit insurer, but that supervision by DICO as stabilization authority would, in this case, not be appropriate; (2) The credit union has contravened an order of DICO acting as a stabilization authority; (3) DICO is of the opinion that the assets of the credit union are not sufficient to give adequate protection to its depositors; (4) The credit union has failed to pay any liability that is due or, in the opinion of DICO, will not be able to pay its liabilities as they become due; (5) DICO, as the credit union's stabilization authority, makes a written request that the credit union be placed under administration; (6) DICO has received a report from the Director of Credit Unions that the Director has ordered the Credit Union to cease operations; under which DICO has the power to: (a) Carry on, manage and conduct the operations of a credit union; (b) Preserve, maintain, realize, dispose of and add to the property of a credit union; (c) Receive the income and revenues of the credit union; (d) Exercise the powers of the credit union and of the directors, officers, loan officers and credit committees; (e) Exclude the directors of the credit union and its officers, committee members, employees and agents from the property and business of the credit union; or (f) Require the credit union with or without obtaining member and shareholder consent, to, (i) amalgamate with another credit union, (ii) dispose of its assets and liabilities, or (iii) be wound up.
- "Commercial Loan" - a loan, other than the following, made to any person for any purpose: an agricultural loan; a bridge loan; an institutional loan; a personal loan; a residential mortgage loan; a loan to an unincorporated association; a deposit made by the credit union with a financial institution; a loan fully secured by a deposit with a financial institution (including the credit union making the loan); a loan fully secured by debt obligations guaranteed by a financial institution other than the credit union making the loan; an investment in a debt obligation that is fully guaranteed by a stabilization authority or by a financial institution other than the credit union making the loan, fully secured by deposits with a financial institution (including the credit union making the loan), or fully secured by debt obligations that are fully guaranteed by a financial institution other than the credit union making the loan; an investment in a debt obligation issued by the federal government, a provincial or territorial government, a municipality, or any agency of such a government or municipality; an investment in a debt obligation guaranteed by, or fully secured by securities issued by the federal government, a provincial or territorial government, a municipality, or by an agency of such a government or municipality; an investment in a debt obligation issued by a league; an investment in a debt obligation that is widely-distributed; an investment in shares or ownership interests that are widely-distributed; an investment in a participating share; or an investment in shares of a league
- "Credit Union Central of Canada" (CUCC) - a financial service co-operative operating at the national level, owned primarily by provincial credit union centrals, providing access to a national liquidity pool and links to the Canadian Payments Association, the Interac and PLUS networks.
- "Credit Union Central of Ontario" (CUCO) - a financial service co-operative operating at the provincial level, primarily owned by about 380 member credit unions, including Uxbridge, and providing clearing, investment, credit and other services.
- "Escrow" - a form of trust agreement in which funds are temporarily placed under the control of a third party (trustee) until specific conditions, set out in advance, are met.

- "Leverage Ratio" - total regulatory capital divided by total assets.
- "Mortgage Loan" - loan made for the purpose of purchasing, renovating or improving residential property, and secured by a mortgage on a single-family residential property occupied by the borrower; or exceeding \$25,000 and given to an individual for personal, family or household use, and secured by a mortgage on a residential property consisting of four units or less, one of which units is occupied by the borrower.
- "Net Interest Margin" - the difference between the interest the credit union earns on loans to members and on investments and the interest that the credit union pays on deposits held by members and on borrowings from external sources (such as CUCO).
- "Non-cumulative" - dividends not declared or paid for one fiscal year are not carried forward or added to the dividend of a following year but are forever extinguished.
- "Non-participating" - in case of dissolution, shareholders receive only the Redemption Amount (see below) and do not participate in receiving any of the residual value of the credit union's assets.
- "Personal Loan" - loan given to an individual for personal, family or household use; or to an individual or entity for any other use if the loan, and all other loans outstanding to that individual or entity, does not exceed \$25,000.00.
- "Redemption Amount" - the amount a shareholder receives on redemption or at which shares are transferred from one member to another; this amount is equal to the issue price of the shares (\$1 per share) plus any dividends which have been declared but not yet paid.
- "Regulatory Capital" - members' equity (Membership Shares, reserves, and undivided earnings) and shareholders' equity.
- "Risk-weighted" - the absolute value of assets in specified categories is multiplied by a percentage, varying between 0% and 100% depending on the risk attributed to each category. The sum of all the categories is the credit union's total risk-weighted assets.
- "Special Dividend" - as a one-time event, the Board will consider, and if thought appropriate, declare and pay a Special Dividend of 5% of the purchase price of Class B Investment Shares.
- "Special Resolution" - a resolution that is not effective until it is passed by the board of directors and confirmed by a resolution passed by a majority of not less than two-thirds of the votes of the members or shareholders, as the case may be, present at the meeting in person or by proxy as permitted by the Credit Union's by-laws.
- "Substantial Portion" - assets having an aggregate value equal to or greater than 15 percent of a credit union's assets at the end of its previous fiscal year.
- "Supervision" - a legal status ordered by the Director of Credit Unions when: (1) The credit union asks, in writing, that it be subject to supervision; (2) The credit union is not in compliance with prescribed capital or liquidity requirements; (3) The Director has reasonable grounds for believing that the credit union is conducting its affairs in a way that, reasonably, might be expected to harm the interests of members or depositors or that tends to increase the risk of claims against the deposit insurer; (4) The credit union or an officer or director of it does not file, submit or deliver a report or document required to be filed, submitted or delivered under this Act within the time limited under this Act; (5) The credit union did not comply with a Director's enforcement order regarding an infringement of the Act. (6) The credit union is not complying with its own investment and lending policy; (7) DICO, acting as stabilization authority, requests it; under which DICO, acting as stabilization authority, can: (a) order the credit union to correct any practices that the authority feels are contributing to the problem or situation that caused the credit union to be ordered subject to its supervision; (b) order the credit union and its directors, committee members, officers and employees to not exercise any powers of the credit union or of its directors, committee members, officers and employees; (c) establish guidelines for the operation of the credit union; (d) order the credit union not to declare or pay a dividend or to restrict the amount of a dividend to be paid to a rate or amount set by the authority; (e) attend meetings of the credit union's board and its credit and audit committee; and (f) propose by-laws for the credit union and amendments to its articles of incorporation.

Subscription Form

Please accept my subscription for (_____) (number of shares)
Class B Investment Shares (at \$ 1.00 per share)
of Uxbridge Credit Union Limited

 Name (as it should appear on share certificate/shareholders' register)

 Social Insurance Number

 Street Address

 Apt. #

 Account #

 City

 Province Postal Code

I will be paying cash for these shares as follows: (check as many as apply)

- \$ _____ is already on deposit at Uxbridge Credit Union Limited. I have signed a separate authorization form to put these funds on hold until this offering is completed or withdrawn.
- \$ _____ is coming from outside the Credit Union. I have signed a separate authorization form to place these funds in escrow until this offering is completed or withdrawn.
- \$ _____ of the shares being subscribed are to be put into the Uxbridge Investment Retirement Plan (RRSP). I have completed and signed a separate RRSP Contract Application Form.

— \$ _____ of the shares are to be held by me outside any RRSP I may have.

By signing this form, I hereby acknowledge that I am a member of Uxbridge Credit Union Limited, have received and read in its entirety a copy of the Offering Statement dated December 29, 1996 for Uxbridge Credit Union Limited Class B Investment Shares, serial number _____, and that I have noted in particular the Description of Securities Being Offered as set out on pages 9 to 13 and the Risk Factors starting on page 15. I also understand that the securities being purchased are NOT deposits, and are NOT insured by the Deposit Insurance Corporation of Ontario, and that dividends on these securities are NOT guaranteed. I have considered whether or not I should obtain independent advice on the suitability of this investment to my particular financial situation, and have either obtained such advice or determined that I do not require such advice.

 Member's Signature

 Date

 Time (a.m./p.m.)

FOR OFFICE USE ONLY

 Date and Time

Accepted by:

 FSR's Signature

 FSR #

 Branch #

AUTHORIZATION TO PLACE FUNDS ON HOLD

Name of Member: _____

Date: _____

I have subscribed today to buy a total of _____ Class B Investment Shares of Uxbridge Credit Union Limited. By signing this form below, I hereby authorize Uxbridge Credit Union Limited to place the following funds on deposit at the Credit Union on hold to guarantee payment for these shares.

This hold will be released only in one of the following three manners:

1. Upon the Offering being closed, the Credit Union will release the hold and then debit the accounts to pay for the shares on the issue date. If I have subscribed for more than the Maximum Permissible Holding, the Credit Union will release the hold and then debit the accounts to pay for the Maximum Permissible Holding on the issue date.
2. If the Offering is withdrawn or cancelled for any reason, the Credit Union will release the hold immediately.
3. If I exercise my right to reverse my decision to purchase these shares within two days, excluding weekends and holidays, following receipt of a copy of the Offering Statement, dated December 29, 1996, for the Class B Investment Shares, the Credit Union will release the hold on funds immediately upon being informed of such reversal.

The Credit Union account(s) and dollar amounts(s) to be placed on hold under this agreement is (are):

Branch #	Folio #	Type	Sub #	\$
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

(Credit Union FSR/Witness)

(Credit Union Member/Share Subscriber)

AUTHORIZATION TO PLACE FUNDS IN ESCROW

Name of Member: _____

Date: _____

I have subscribed today to buy a total of _____ Class B Investment Shares of Uxbridge Credit Union Limited. By signing this form below, I hereby authorize Uxbridge Credit Union Limited to place the funds specified below, as soon as such funds are made payable to the Credit Union, into an escrow account, to be trusted by the Co-operative Trust Company of Canada ("Co-op Trust"), to guarantee payment for these shares.

These funds will be released from escrow only in one of the following four manners:

1. Upon the Offering being closed, Co-op Trust will release the funds from escrow to the Credit Union to pay for the shares on the issue date. If my subscription exceeds the Maximum Permissible Holding, Co-op Trust will release the funds from escrow to pay for the Maximum Permissible Holding on the issue date, and deal with any excess funds as required by section 3 or 4 hereof, whichever is applicable, as if I had withdrawn my subscription within two days of having received the offering statement for Class B Investment Shares.
2. If the Offering is withdrawn or cancelled for any reason, Co-op Trust will immediately release the non-RRSP funds from escrow and pay them to me, together with interest calculated at the Credit Union's 30-Day Term Deposit rate as of December 29, 1996, prorated for the number of days such funds were in escrow.
3. If I exercise my right to reverse my decision to purchase these shares within two days, excluding weekends and holidays, following receipt of a copy of the Offering Statement, dated December 29, 1996, for the Class B Investment Shares, Co-op Trust will immediately release the non-RRSP funds from escrow and pay them to me, together with interest calculated at the Credit Union's 30-Day Term Deposit rate as of December 29, 1996, prorated for the number of days such funds were in escrow.
4. If all or part of such funds which are used to purchase shares are identified as being part of a Registered Retirement Savings Plan (RRSP) contract, the RRSP funds will be transferred directly into an RRSP contract held in escrow at the Credit Union under the control of Co-op Trust. If not used to pay for shares under the terms outlined above, the RRSP funds will stay in such RRSP contract until I have given Co-op Trust direction as to their disposition.

The source(s) of funds and dollar amount(s) to be placed in escrow under this agreement is (are):

Source	\$
_____	_____
Source	\$
_____	_____

(Credit Union FSR/Witness)

(Credit Union Member/Share Subscriber)

TAB F

This offering statement must be delivered to every purchaser of the securities described herein prior to the purchaser becoming obligated to complete the purchase and, upon request, to any prospective purchaser and member.

No official of the Government of the Province of Ontario has considered the merits of the matters addressed in this offering statement.

The securities being offered are not guaranteed by the Deposit Insurance Corporation of Ontario or any similar public agency.

The prospective purchaser of these securities should carefully review the offering statement and any other documents it refers to, examine in particular the section on risk factors beginning on page 29 and, further, may wish to consult a financial or tax advisor about this investment.

Greater Toronto Area (GTA) Savings & Credit Union Limited
OFFERING STATEMENT
 dated December 29, 2002
MINIMUM \$500,000, MAXIMUM \$8,000,000
SERIES 03 CLASS B SPECIAL SHARES
(NON-CUMULATIVE, NON-VOTING, NON-PARTICIPATING)
("New Class B Investment Shares")

The subscription price for each New Class B Investment Share will be \$1.00 per share with a minimum of 1,000 shares per member which may be subscribed for \$1,000.00, to a maximum of 100,000 shares per member which may be subscribed for \$100,000.00. No one member, however, may purchase more than 5% of the New Class B Investment Shares sold hereunder (the "Maximum Permissible Holding"). The Maximum Permissible Holding is inclusive of any Former Markham Stouffville Investment Shares or Former Uxbridge Investment Shares not redeemed to purchase New Class B Investment Shares and held by the member on the Issue Date, as a result either of purchases made of those shares in the initial offering of those shares or of purchases of those shares from other holders of those shares, or of dividends received on those shares.

There is no market through which these securities may be sold.

The purchaser of these securities may reverse his/her decision to purchase the securities if he/she provides notice in writing or by telegraph to the person from whom the purchaser purchases the security within two days, excluding weekends and holidays, of having been provided with a copy of the latest offering statement.

The New Class B Investment Shares are subject to the transfer and redemption restrictions under the Credit Unions and Caisses Populaires Act, 1994 and the restrictions under this Offering Statement as set out on pages 20 to 24.

THESE SHARES ARE NOT DEPOSITS. THESE SHARES ARE NOT INSURED BY THE DEPOSIT INSURANCE CORPORATION OF ONTARIO. DIVIDENDS ON THESE SHARES ARE NOT GUARANTEED.

TABLE OF CONTENTS

GLOSSARY OF TERMS	i
OFFERING STATEMENT SUMMARY	iv
The Credit Union	iv
The Offering	iv
Use of Proceeds	v
Risk Factors	v
Dividend Policy	v
Selected Financial Information	vi
GTA Savings & Credit Union Limited	1
The Credit Union	1
Bond of Association and Membership	1
Corporate Governance	2
Proposed Amalgamation with Pace Savings & Credit Union	2
The Regulatory Framework	11
<u>The Credit Unions and Caisses Populaires Act, 1994</u>	11
<u>Deposit Insurance Corporation of Ontario</u>	11
Credit Union Central of Ontario	11
BUSINESS OF GTA SAVINGS & CREDIT UNION LIMITED	12
General Description of the Business	12
<u>Personal Financial Services</u>	12
<u>Personal Loans</u>	13
<u>Mortgage Loans</u>	13
<u>Commercial Loans</u>	13
<u>Agricultural Loans</u>	13
<u>Unincorporated Association Loans</u>	14
<u>Institutional Loans; Syndicated Loans</u>	14
<u>Administration</u>	14
<u>Affiliation</u>	14
<u>Information Technology</u>	14
Business Strategy	14
CAPITAL STRUCTURE OF THE CREDIT UNION	15
Membership Shares	15
Class A Shares	16
<u>Profit Shares</u>	16
Class B Special Shares	17
<u>Former Markham Stouffville Investment Shares</u>	18
<u>Former Uxbridge Investment Shares</u>	18
<u>New Class B Investment Shares</u>	19
Subordinated Indebtness in the Form of Unsecured Subordinated Debentures	19
DESCRIPTION OF SECURITIES BEING OFFERED	20
New Class B Investment Shares	20
<u>Issue</u>	20
<u>Dividends</u>	21

<u>Canadian Federal Income Tax Considerations</u>	21
<u>The GTA Savings & Credit Union Limited Investment Retirement Plan</u>	22
<u>Rights on Distributions of Capital</u>	22
<u>Voting Rights</u>	22
<u>Redemption Provisions and Restrictions</u>	22
<u>Modification</u>	23
<u>Restrictions on Transfer</u>	23
<u>Amalgamation with Pace</u>	24
<u>Articles of Amendment</u>	24
CAPITALIZATION TABLE	25
SUMMARY OF SHARE TERMS AND CONDITIONS	25
RISK FACTORS	29
Transfer and Redemption Restrictions	29
Capital Adequacy	30
Payment of Dividends	30
Credit Risk	31
Risk of Loss on Investments	34
Liquidity Risk	34
Interest Rate Risk	35
Regulatory Action	35
Reliance on Key Management	35
Geographic/Industry Risk	36
Competitive Risk	36
DIVIDEND RECORD AND POLICY	36
USE OF PROCEEDS FROM SALE OF SECURITIES	38
PLAN OF DISTRIBUTION	38
MARKET FOR THE SECURITIES	40
SENIOR DEBT	40
AUDITORS, REGISTRARS AND TRANSFER AGENT	41
DIRECTORS AND SENIOR MANAGEMENT	41
Board of Directors	41
Senior Management	41
LAWSUITS AND OTHER MATERIAL OR REGULATORY ACTIONS	42
MATERIAL INTERESTS OF DIRECTORS, OFFICERS AND EMPLOYEES	44
MATERIAL CONTRACTS	44
OPERATING RESULTS AND VARIATIONS	46
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION	50
GTA SAVINGS & CREDIT UNION LIMITED	
FINANCIAL STATEMENTS AS AT SEPTEMBER 30, 2002, 2001	
AND 2000	52
AUDITORS' REPORT	53
BALANCE SHEETS	54

STATEMENTS OF EARNINGS AND RETAINED EARNINGS	55
STATEMENTS OF CASH FLOWS	56
NOTES TO THE FINANCIAL STATEMENTS	57
SCHEDULE OF ADMINISTRATIVE EXPENSES	74
AUDITOR'S CONSENT	75
STATEMENT OF OTHER MATERIAL FACTS	76
BOARD RESOLUTION	77
CERTIFICATE	78
SUBSCRIPTION FORM	79
AUTHORIZATION TO PLACE FUNDS ON HOLD	80
AUTHORIZATION TO PLACE FUNDS IN ESCROW	81
REDEMPTION REQUEST	82

GLOSSARY OF TERMS

- “Act” – the *Credit Unions and Caisses Populaires Act, 1994*, as now enacted or as the same may from time to time be amended, re-enacted or replaced.
- “Administration” - a legal status ordered by DICO in any of the following circumstances: (1) DICO, on reasonable grounds, believes that a credit union is conducting its affairs in a way that might be expected to harm the interests of members, depositors or shareholders or that tends to increase the risk of claims against the deposit insurer, but that supervision by DICO as stabilization authority would, in this case, not be appropriate; (2) A credit union has contravened an order of DICO acting as a stabilization authority; (3) DICO is of the opinion that the assets of a credit union are not sufficient to give adequate protection to its depositors; (4) A credit union has failed to pay any liability that is due or, in the opinion of DICO, will not be able to pay its liabilities as they become due; (5) DICO, as a credit union's stabilization authority, makes a written request that that credit union be placed under administration; or (6) DICO has received a report from the Superintendent of Financial Services that the Superintendent has ordered a credit union to cease operations; under which DICO has the power to: (a) Carry on, manage and conduct the operations of that credit union; (b) Preserve, maintain, realize, dispose of and add to the property of that credit union; (c) Receive the income and revenues of that credit union; (d) Exercise the powers of that credit union and of its directors, officers, loan officers and credit committees; (e) Exclude the directors of that credit union and its officers, committee members, employees and agents from the property and business of the credit union; or (f) Require that credit union, with or without obtaining member and shareholder consent, to, (i) amalgamate with another credit union, (ii) dispose of its assets and liabilities, or (iii) be wound up.
- “Agricultural Loan” – a loan to finance the production of cultivated or uncultivated field-grown crops; the production of horticultural crops, the raising of livestock, fish, poultry and fur-bearing animals; or the production of eggs, milk, honey, maple syrup, tobacco, wood from woodlots, and fibre and fodder crops.
- “Canadian Payments Association” - an association of Canadian financial institutions, for the purpose of assisting its members in the clearing of their clients' cheques and electronic debit items.
- “Commercial Loan” - a loan, other than the following, made to any person for any purpose: an Agricultural Loan; a bridge loan; an Institutional Loan; a Personal Loan; a Mortgage Loan; an Unincorporated Association Loan; a deposit made by the credit union with a financial institution; a loan fully secured by a deposit with a financial institution (including the credit union making the loan); a loan fully secured by debt obligations guaranteed by a financial institution other than the credit union making the loan; a loan that is fully secured by a guarantee of a financial institution other than the credit union making the loan; an investment in a debt obligation that is fully guaranteed by a stabilization authority or by a financial institution other than the credit union making the loan, fully secured by deposits with a financial institution (including the credit union making the loan), or fully secured by debt obligations that are fully guaranteed by a financial institution other than the credit union making the loan; an investment in a debt obligation issued by the federal government, a provincial or territorial government, a municipality, or any agency of such a government or municipality; an investment in a debt obligation guaranteed by, or fully secured by securities issued by, the federal government, a provincial or territorial government, a municipality, or by an agency of such a government or municipality; an investment in a debt obligation issued by a league; an investment in a debt obligation that is widely-distributed; an investment in shares or ownership interests that are widely-distributed; an investment in a participating share; or an investment in shares of a league.
- “Credit Union Central of Canada” (CUCC) - a financial service co-operative operating at the national level, owned primarily by provincial credit union centrals, providing links to the Canadian Payments Association, the Interac and PLUS networks.
- “Credit Union Central of Ontario” (CUCO) - a financial service co-operative operating at the provincial level, primarily owned by about 215 member credit unions, including the Credit Union, and providing access to a national liquidity pool, clearing (through an arrangement with a third party), investment, credit and other services.
- “Escrow” - a form of trust agreement in which funds are temporarily placed under the control of a third party (trustee) until specific conditions, set out in advance, are met.

- “Former Markham Stouffville Investment Shares” – Class B Special Shares, Series 95, issued by the Credit Union upon its creation by amalgamation to convert Class B Special Shares, Series 95 issued by the former Markham Stouffville Community Credit Union Limited on December 20, 1995 into shares in the capital structure of the Credit Union.
- “Former Uxbridge Investment Shares” – Class B Special Shares, Series 97, issued by the Credit Union upon its creation by amalgamation to convert Class B Special Shares, Series 97, issued by the former Uxbridge Credit Union Limited on April 1, 1997 into shares in the capital structure of the Credit Union.
- “Institutional Loan” - a loan given to the federal government or a federal government agency, a provincial or territorial government or an agency of one, a municipality or an agency of one, a school board, or an entity primarily funded by the federal government, a provincial or territorial government, or a municipality.
- “Interac” - a national network of automated banking machines and point-of-sale terminals, enabling clients of a financial institution to use automated banking machines and terminals not owned and operated by that financial institution.
- “Leverage Ratio” - Regulatory Capital divided by total assets.
- “Membership Shares” - shares required, according to the credit union’s by-laws, to maintain a membership in the credit union.
- “Mortgage Loan” - loan made for the purpose of purchasing, renovating or improving residential property, and secured by a mortgage on a single-family residential property occupied by the borrower; or exceeding \$25,000 and given to an individual for personal, family or household use, and secured by a mortgage on a residential property consisting of four units or less, one of which units is occupied by the borrower.
- “Non-Cumulative” - dividends not declared or paid for one fiscal year are not carried forward or added to the dividend of a following year, but are forever extinguished.
- “Non-Participating” - in case of dissolution, shareholders receive only the Redemption Amount (see below) and do not participate in receiving any of the residual value of the credit union's assets.
- “Non-Voting” - holders vote only at Special Meetings, as permitted and required by the Act, and have no right as shareholders (although holders retain any rights they may have as members) to vote at membership meetings.
- “Personal Loan” – a loan given to an individual for personal, family or household use; or to an individual or entity for any other use if the loan, and all other loans outstanding to that individual or entity, does not exceed \$25,000.00.
- “PLUS” - an international network of automated banking machines, functioning much like Interac.
- “Profit Shares” – Class A Special Shares, Series 1 of the Credit Union.
- “Redemption Amount” - the amount a shareholder receives on redemption or at which shares are transferred from one member to another; this amount is equal to the issue price of the shares (\$1 per share), plus any dividends which have been declared but not yet paid.
- “Regulatory Capital” - Membership Shares, Profit Shares, Former Uxbridge Investment Shares, Former Markham Stouffville Investment Shares, New Class B Investment Shares, and retained earnings.
- “Risk-Weighted Assets” - the absolute value of assets in specified categories is multiplied by a percentage, varying between 0% and 100% depending on the risk attributed to each category. The sum of all the categories is the credit union's total risk-weighted assets.
- “Risk-Weighted Assets Ratio” - Regulatory Capital divided by Risk-Weighted Assets.
- “Special Meeting” - a meeting of the members or shareholders of the credit union, other than its annual membership meeting.
- “Special Resolution” - a resolution passed by two-thirds or more of the votes cast by or on behalf of the persons who voted in respect of that resolution.
- “Substantial Portion” - assets having an aggregate value equal to or greater than 15 per cent of a credit union's assets at the end of its previous fiscal year.
- “Supervision” - a legal status ordered by the Superintendent of Financial Services when: (1) A credit union asks, in writing, that it be subject to supervision; (2) A credit union is not in compliance with prescribed Regulatory Capital or liquidity requirements; (3) The Superintendent has reasonable grounds for believing that a credit union is conducting its affairs in a way that, reasonably, might be expected to harm the interests of members or depositors or that tends to increase the risk of claims against the

deposit insurer; (4) A credit union or an officer or director of it does not file, submit or deliver a report or document required to be filed, submitted or delivered under the Act within the time limits set out under the Act; (5) A credit union did not comply with a Superintendent's enforcement order regarding an infringement of the Act; (6) A credit union is not complying with its own investment and lending policy; or (7) DICO, acting as stabilization authority, requests it; under which DICO, acting as stabilization authority, can: (a) order that credit union to correct any practices that the authority feels are contributing to the problem or situation that caused the credit union to be ordered subject to its supervision; (b) order that credit union and its directors, committee members, officers and employees not to exercise any powers of the credit union or of its directors, committee members, officers and employees; (c) establish guidelines for the operation of that credit union; (d) order that credit union not to declare or pay a dividend or to restrict the amount of a dividend to be paid to a rate or amount set by the authority; (e) attend meetings of that credit union's board of directors and its credit and audit committees; and (f) propose by-laws for that credit union and amendments to its articles of incorporation.

“Syndicated Loans” – the credit union acts as syndicator to involve a group of credit unions to make a loan, typically a Commercial Loan, which exceeds the credit union’s own lending limits.

“Unincorporated Association Loan” – a loan made to an unincorporated association of persons for any purpose.

OFFERING STATEMENT SUMMARY

The following is a summary only and is qualified in its entirety by the more detailed information appearing elsewhere in this offering statement. Certain terms with initial capital letters are used throughout this Offering Statement and are defined in the "Glossary of Terms" on pages i to iii.

The Credit Union

Greater Toronto Area (GTA) Savings & Credit Union Limited (the "Credit Union") was formed on October 1, 1997, as a result of the amalgamation of the former Markham Stouffville Community Credit Union Limited and the former Uxbridge Credit Union Limited. The Credit Union's assets as of September 30, 2002 were \$146,052,718, having increased from \$144,154,167 as at September 30, 2001 and \$139,598,942 as at September 30, 2000.

The Credit Union is presently considering an amalgamation with PACE Savings & Credit Union Limited ("PACE"), with effect from April 1, 2003. Should the Credit Union's members and shareholders approve this transaction, the Credit Union does not intend to issue the New Class B Investment Shares sold hereunder until after the closing of the transaction. It is therefore likely that purchasers of New Class B Investment Shares will be issued shares by the amalgamated credit union. Those shares will have identical terms and conditions to those of the New Class B Investment Shares. See pages 2 through 10 for further details.

The Credit Union provides a broad range of financial services and products to 12,280 members (as of September 30, 2002) through six offices, located in Stouffville, Uxbridge, Unionville, Markham, Don Mills and North York, Ontario. The Credit Union provides a full range of retail financial services and consumer and commercial credit and non-credit financial services and products. See also "Business of Greater Toronto Area (GTA) Savings & Credit Union Limited", on pages 12 to 14.

The Offering

The Greater Toronto Area (GTA) Savings & Credit Union Limited offers for sale to members Series 03, Class B Non-Cumulative, Non-Voting, Non-Participating Special Shares ("New Class B Investment Shares") in the capital of the Credit Union. New Class B Investment Shares are special, non-membership shares and constitute part of the authorized capital of the Credit Union. Subscriptions will be accepted from members of the Credit Union for a minimum of 1,000 New Class B Investment Shares and a maximum of 100,000 New Class B Investment Shares. However, no member may purchase more than five per cent of the New Class B Investment Shares sold hereunder (the "Maximum Permissible Holding"). The Maximum Permissible Holding is inclusive of any Former Markham Stouffville Investment Shares and Former Uxbridge Investment Shares not redeemed to purchase New Class B Investment Shares and held by the member as of the Issue Date, as a result of purchases made of those shares in the initial offering of those shares or from other holders of those shares, or of dividends received on those shares. If a member subscribes for more than the Maximum Permissible Holding, the Credit Union will honour the subscription for the Maximum Permissible Holding and return all excess consideration, with applicable interest, to the member. Subscription and purchase of these shares are through the Credit Union's offices, and through PACE's offices. Transfer of such shares will only be effected through the Credit Union, and transfers are restricted to other members of the Credit Union and certain persons as specified in the *Credit Unions and Caisses Populaires Act, 1994* (the "Act"). New Class B Investment Shares are not redeemable for a period of five years following their Issue Date except when the holder dies or is expelled from membership in the Credit Union, and all redemptions are subject to a limit on the maximum number of shares which can be redeemed in any fiscal year and to a redemption procedure outlined on page 23. The Credit Union, at its option, may acquire the New Class B Investment Shares, at the Redemption Amount, for cancellation after a period of five years. See "Description of Securities Being Offered" on pages 20 to 24.

Subscriptions for the New Class B Investment Shares shall be accepted as of the date hereof, and for a period of six months thereafter, or until the date on which subscriptions have been received for the maximum 8,000,000 New Class B Investment Shares, or until the date on which the Board, having received subscriptions for at least the minimum 500,000 New Class B Investment Shares but not for the maximum 8,000,000 New Class B Investment Shares, and noting that six months has not yet passed since the date of this offering statement, resolves to close the offering, whichever shall occur first (the "Closing Date"). The shares so subscribed shall be issued within sixty days of the Closing Date (the "Issue Date"). The securities to be issued under this Offering Statement are not secured by any assets of the Credit Union, and are not covered by deposit insurance or any other form of guarantee as to repayment of principal amount or dividends. The New Class B Investment Shares will qualify as Regulatory Capital, to the extent permitted and as defined in the Act.

Use of Proceeds

If fully subscribed, the gross proceeds to be derived by the Credit Union from the sale of the New Class B Investment Shares shall be \$8,000,000. The costs of issuing these securities are not expected to exceed \$100,000, and these costs, net of applicable tax savings approximating \$20,000, will be deferred and amortized during the five years following the initial issue of New Class B Investment Shares. The estimated maximum net proceeds of this offering of securities are \$7,920,000. The principal use of the net proceeds, and purpose of this offering, is to enable the Credit Union to continue both to satisfy the legal requirement to maintain a minimum level of Regulatory Capital, as set out in section 84 of the Act, and also to comply with the Credit Union's policy and with sound business practices, which encourage the Credit Union to hold Regulatory Capital in excess of the legal minimum to fund its growth. Based on a Leverage Ratio of 5%, the Credit Union's Regulatory Capital base, if this offering is fully subscribed and no conversion of existing Former Markham Stouffville Investment Shares or Former Uxbridge Investment Shares occurs, could support additional growth of \$192,544,622. If this offering is fully subscribed, the Credit Union's Leverage Ratio would be 11.59%, which is in excess of current Leverage Ratio requirements. Based on a Leverage Ratio of 5%, the Credit Union's Regulatory Capital base, if this offering is only minimally subscribed and no conversion of existing Former Markham Stouffville Investment Shares or Former Uxbridge Investment Shares occurs, however, could support additional growth of \$42,544,622. The Credit Union's Leverage Ratio in this instance would be 6.46%, which still exceeds current Leverage Ratio requirements. The cash generated from the issuance of the securities, to the extent it represents new cash to the Credit Union, will be used for general business purposes, being primarily the lending of money to members and the investment of surplus funds in high quality investments. See "Use of Proceeds From Sale of Securities" on page 38.

Risk Factors

Investments in the New Class B Investment Shares are subject to a number of risk factors, including regulatory redemption restrictions, the continuous need to maintain minimum Leverage Ratio and Risk-Weighted Assets Ratio requirements, the uncertainty of payment of dividends, credit risk, risk of loss on investments, liquidity risk, interest rate risk, potential regulatory actions, reliance on key management, geographic/industry risk, and competitive risk. See "Risk Factors" on pages 29 to 36.

Dividend Policy

The dividend policy of the Credit Union's Board for New Class B Investment Shares shall be to pay a dividend in every year in which there are sufficient profits to do so while still fulfilling all other Regulatory Capital and operational requirements. The dividend rate shall be established by the Board, in its sole and absolute discretion, based on financial and other considerations prevailing at the time of the declarations. The Board shall consider whether or not a dividend shall be declared, and at what rate and in which manner, at least annually, following each fiscal year end and before each annual general meeting of members. There can be no guarantee that a dividend will be paid for each year; however, it is the policy of the Board that an appropriate dividend will be declared and paid for each year, provided that the Credit Union is in compliance with section 84 of the Act. Board policy, based on current market conditions, defines an appropriate rate, on the Redemption Price of the shares, to be 6%; this may not, however, be indicative of dividend rates actually paid, since this

policy is subject to exception or change at any time.

Dividends paid on New Class B Investment Shares are taxed as ordinary income and not as dividend income, and are therefore not eligible for the treatment given to dividends received by Canadian taxpayers from taxable Canadian corporations, commonly referred to as the “dividend tax credit”.

As a one-time event, the Board of Directors will consider and, if thought appropriate, declare a special dividend to holders of New Class B Investment Shares within 30 days of issuance. The planned rate for this special dividend will be 10% of the acquisition cost of the New Class B Investment Shares. The Credit Union plans to pay the special dividend in the form of Profit Shares, and not in the form of cash. It is not anticipated that shares of any other class or series will receive this special dividend.

Selected Financial Information

The following table sets forth selected financial information as at the dates indicated, which has been derived from, should be read in conjunction with, and is qualified in its entirety by reference to the financial statements appearing on pages 52 to 74 in this offering statement, and should also be read in conjunction with “Management Discussion and Analysis of Financial Condition and Results of Operations” beginning on page 46.

(in thousands)	As at September 30		
	2002	2001	2000
Balance Sheets			
ASSETS			
Cash resources	\$3,137	\$3,436	\$3,379
Investments	27,156	23,390	21,740
Loans to members (net of allowance for impaired loans)	109,464	110,588	107,809
Capital and other assets	6,296	6,740	6,671
	\$146,053	\$144,154	\$139,599
LIABILITIES AND MEMBERS' EQUITY			
Members' deposits	\$135,980	\$134,204	\$129,522
Other liabilities	1,056	922	996
Liabilities qualifying as Regulatory Capital	6,104	6,218	6,338
Retained earnings	2,913	2,810	2,743
	\$146,053	\$144,154	\$139,599

(in thousands)	Years ended September 30		
	2002	2001	2000
Statements of Earnings			
Revenue	\$9,129	\$10,641	\$10,888
Financial expense	4,092	5,099	4,998
Financial margin	5,037	5,542	5,890
Operating expenses	4,901	5,428	5,540
Earnings before income taxes	136	114	350
Income taxes	34	46	85
Net earnings	\$102	\$68	\$265

The Credit Union

Greater Toronto Area (GTA) Savings & Credit Union Limited (the “Credit Union”) was formed on October 1, 1997, as a result of the amalgamation of the former Markham Stouffville Community Credit Union Limited and the former Uxbridge Credit Union Limited. The Credit Union's assets as at September 30, 2002 were \$146,052,718, having increased from \$144,154,167 as at September 30, 2001 and \$139,598,942 as at September 30, 2000. The Credit Union’s head office is located at 6245 Main Street, Stouffville, Ontario L4A 8A1 (phone 905-640-0887, fax 905-640-0992, e-mail gtacu.info@gtacu.com).

The Credit Union provides a broad range of financial services and products to approximately 12,280 members (as of September 30, 2002), through six offices, located in Stouffville, Uxbridge, Unionville, Markham, Don Mills, and North York, Ontario. The Credit Union provides a full range of retail financial services and consumer and commercial credit and non-credit financial services and products. See “Business of Greater Toronto Area (GTA) Savings & Credit Union Limited” on pages 12 to 14.

The Credit Union leases various premises from which it operates. See note 15 of the Credit Union’s financial statements included herein, at page 69, for a discussion of the financial obligation represented by those leases.

Bond of Association and Membership

The legislation which governs credit unions and caisses populaires in Ontario specifies a bond of association which must exist among members. Typically, such bonds of association may be community-based, employer-based, or otherwise based on a group of members with a form of common association. The Credit Union’s bond of association is as fully described in paragraph 2.01 of its by-laws, and as summarized below:

- Members of the Stouffville Cooperative Association;
- Persons who reside or are employed within eighty (80) kilometres of the Town of Whitchurch-Stouffville, or who, prior to their leaving the aforesaid 80 kilometre radius, were members of the former Markham Stouffville Community Credit Union Limited or the former Uxbridge Credit Union Limited;
- Any employee, active or retired, of International Business Machines Corporation;
- Any employee of any corporation affiliated with International Business Machines Corporation, provided that International Business Machines Corporation holds a majority interest in the shareholdings of such corporation;
- Any employee of a recognized “business partner” of International Business Machines Corporation. “Business partner” is defined as any business unit or partnership or corporation in which International Business Machines corporation has a minority or majority shareholding interest;
- Any employee, active or retired, of Enbridge Consumers Gas, Enbridge Home Services and Enbridge Commercial Services;
- Employees of the Credit Union;
- Persons or entities related to the above persons;
- A person who originally qualified for membership and became a member under any of the above

provisions;

- Persons or entities not otherwise qualifying for membership, as long as the aggregate number of such members does not exceed 3% of the number of members of the Credit Union; and
- Any unincorporated association, corporation, partnership or government agency that is eligible for membership under the provisions of the Act and Regulations.

Membership in the Credit Union is granted to applicants who are within the bond of association by enabling them to purchase and hold the required number of Membership Shares as specified in section 2.03 of the by-laws of the Credit Union. This section requires each member to hold, within 120 days from acceptance into membership, thirty (30) Membership Shares, with an aggregate issue price of \$150.

Corporate Governance

The business of the Credit Union is directed and governed by its Board of Directors (the “Board”), a group of twelve individuals who are elected by the members of the Credit Union, over eighteen years of age, at the annual general meeting, with each director being elected for a three-year term on a staggered basis to provide for continuity of Board members. The duties, powers and standards of care and performance for boards of directors of credit unions are specified in the Act and accompanying Regulations.

The Board has established committees to assist in its effective functioning and to comply with the requirements of the Act. In particular, an Audit Committee has been formed and is composed of a minimum of three and a maximum of five members of the Board of the Credit Union. Its mandate and duties are set out in the Regulations to the Act. The Audit Committee is responsible for, among other things, reviewing any financial statements which are presented to the members, either at an annual general meeting or within an offering statement, and making recommendations to the Board as to the approval of such financial statements. The Credit Union, rather than striking a Credit Committee to oversee and approve all lending activities, has chosen to create the position of “Loans Officer” to perform that function. Other Board committees formed from time to time are *ad hoc*, informal and advisory in nature.

The Board has overall responsibility for and authority within the Credit Union, and directs the activities of senior management, to whom it has delegated certain responsibilities according to Board policies. The Credit Union's size and geographic concentration enable it to operate with a senior management team consisting of three Vice Presidents and a President and Chief Executive Officer, who supervise 40 full-time employees and 10 part-time employees, the part-time employees equating to approximately 5 full-time positions. For the names, municipality of residence, offices with the Credit Union and the present principal occupations of the directors and senior management of the Credit Union as of the date of this Offering Statement, see “Directors and Senior Management”, beginning on page 41.

Proposed Amalgamation with PACE Savings & Credit Union Limited

The Credit Union has entered into an amalgamation agreement (the “Amalgamation Agreement”) dated November 13, 2002 with PACE Savings & Credit Union Limited (“PACE”), whereby the Credit Union and PACE would amalgamate and continue as one credit union, to be called PACE Savings & Credit Union Limited, with effect from April 1, 2003.

(i) PACE Savings & Credit Union Limited

PACE was formed by amalgamation on November 30, 1995. PACE had total assets, as of September 30,

2002, of \$113,019,195 (unaudited).

PACE provides a broad range of financial services to approximately 10,624 members within its bond of association.

PACE's capital structure as at September 30, 2002 is as follows (unaudited):

<u>Share Class</u>	<u>Authorized</u>	<u>Issued</u>	<u>Stated Capital</u>
Membership	Unlimited	339,904	\$1,699,522
Class A Special Shares	Unlimited	0	\$0

As at September 30, 2002 (unaudited), PACE's regulatory capital was equal to 5.81% on the leverage test and 13.36% on the risk-weighted test, versus regulatory requirements of 5% and 8%, respectively.

Over its past three fiscal years ended March 31, as indicated by the following chart, PACE has been profitable:

<u>Year</u>	<u>Net Earnings</u>	<u>Return on Average Assets</u>
2000	\$160,236	0.19%
2001	\$234,512	0.26%
2002	\$362,332	0.37%

PACE's dividend record during its past three fiscal years ended March 31 is as follows:

<u>Year</u>	<u>Class of Shares</u>	<u>Dividend Paid As a % of Capital</u>	
2000	Membership	\$0	0
2001	Membership	\$0	0
2002	Membership	\$0	0

PACE subsequently, as of October 1, 2002, paid a dividend on its Membership Shares in the aggregate amount of \$51,352, at a rate of 4.00%, payable in the form of Class A Shares, Series 1 ("Class A Patronage Shares").

(ii) The Amalgamated Credit Union ("Amalgamated CU")

(a) Financials

The creation of Amalgamated CU by the amalgamation would, as is set out below on the *pro forma* balance sheet, result in a new credit union with total assets of approximately \$259,072,000.

Pro forma
Balance Sheet
for
Amalgamated CU
as of September 30, 2002
(unaudited)

<u>Assets (000's)</u>		<u>Liabilities (000's)</u>	
Cash & Investments	\$ 58,437	Members' Deposits	\$239,336
Members' Loans	190,201	Other Liabilities	4,127
Capital Assets	6,002	Liabilities qualifying as	
Other	<u>4,432</u>	Regulatory Capital	<u>7,804</u>
			251,267
		<u>Members' Equity (000's)</u>	
		Retained Earnings	<u>7,805</u>
Assets	<u>\$259,072</u>	Liabilities & Members' Equity	<u>\$259,072</u>

Amalgamated CU would provide a broad range of financial services to approximately 23,000 members within its bond of association, which would include the Credit Union's bond of association as outlined at pages 1 and 2 above, together with the following additional elements:

- Employees of GE Canada Inc. and any of its affiliates, subsidiaries and related companies in the Province of Ontario;
- Employees of Camco Inc. and any of its affiliates, subsidiaries and related companies in the Province of Ontario;
- Employees of Guillevin International Limited, being the purchaser of "Gescan", a former division of Canadian General Electric Company Limited;
- Employees of Larcan Limited, being the purchaser of "CGE Broadcast Department", a former division of Canadian General Electric Company Limited;
- Employees of Ericsson – GE Mobile Communications Canada Inc., being the purchaser of the mobile communications business of Canadian General Electric Canada Inc.;
- Employees of Woolridge Team Printing, being the purchaser of the printing business of General Electric Canada Inc.;
- Employees of PC Servicepartners Inc., being the purchaser of GE Computer Services, a former business component of General Electric Canada Inc.;
- Employees of Lennox Industries (Canada) Limited and any of its affiliates, subsidiaries and related companies in the Province of Ontario;
- Employees of American Standard Inc., Toronto, Ontario;

- Members and associate members of the Steelworkers Toronto Area Council, United Steelworkers of America Union, and employees of corporations which are organized by the Steelworkers Toronto Area Council, United Steelworkers of America Union;
- Employees of Canadian National Railways, Canadian National Express, and VIA Rail at the Mimico and McMillan (Vaughan) yards;
- All natural persons residing or employed in the Regional Municipality of Peel;
- All natural persons residing or employed in the Regional Municipality of Halton, bounded on the north by Dundas Street West, on the west by the Ninth Line, on the south by North Sheridan Way, and on the east by Winston Churchill Boulevard;
- Employees of the Dufferin-Peel Roman Catholic Separate School Board;
- Employees of co-operatives in the Province of Ontario, former common shareholders of United Co-operatives of Ontario, and Canadian employees and shareholders of GROWMARK Inc. who are resident in Ontario;
- Employees of Motorola Canada;
- Employees of the Regional Municipality of Peel, the City of Mississauga, Hydro Mississauga, the City of Brampton, Brampton Hydro, and the Town of Caledon;
- Employees of Gaylea Foods Co-operative Limited and its subsidiaries;
- All persons of Slovak ethnic origin and descent, including their spouses and offspring, members of Slovak organizations and their affiliate organizations, and persons who adhere to the aims and objectives of Slovak organizations in the Province of Ontario;
- All natural persons residing or employed in Dufferin County;
- Ordained ministers within the Baptist Convention of Ontario and Quebec, and unordained persons in pastoral charge of Convention churches, commissioned missionaries of the Convention, full-time employees of the Convention, full-time employees of Convention churches who are members of the local church, Baptist students in training for the ministry and approved by the Credentials Committee, and spouses and dependents of members qualified above;
- Employees of Canco Hamilton, and any of its affiliates, subsidiaries and related companies in the Province of Ontario;
- Employees of Toromont and any of its affiliates, subsidiaries and related companies in the Province of Ontario;
- Employees of Daimler-Chrysler Canada, and any of its affiliates, subsidiaries and related companies in the Province of Ontario;
- Employees of Maple Leaf Foods Inc., CanAmera Foods, Swifts Adhesives, P & H Foods, Gordon Food Services, Cangel Inc., and Corporate Foods Ltd. in the Province of Ontario, persons who reside or work within the City of York, and persons who reside or work within the

City of Burlington;

- Persons born in Czechoslovakia (now known as the Czech Republic and the Slovak Republic); and
- Retired former employees qualifying under the employer bonds outlined above, and the Act.

Amalgamated CU's share capital structure is proposed as follows, as of October 1, 2002 (unaudited):

<u>Share Class</u>	<u>Authorized</u>	<u>Issued</u>	<u>Stated Capital</u>
Membership	Unlimited	677,266	\$3,386,330
Class A, Series 1	Unlimited	1,330,983	\$1,330,983
Class B, Series 95	Unlimited	2,563,225	\$2,563,225
Class B, Series 97	Unlimited	507,397	\$507,397
Class B, Series 03	Unlimited	0	\$0

In addition to the above-described share capital, Amalgamated CU will also have \$67,000 issued and outstanding in unsecured subordinated debentures, of which 90% is included as Regulatory Capital.

The Board and management of the Credit Union currently intend, if the membership and shareholders of the Credit Union approve the Amalgamation Agreement, not to issue the New Class B Investment Shares sold hereunder until after the closing of the amalgamation, and therefore Amalgamated CU will issue to the subscribers Class B Shares of Amalgamated CU having identical terms and conditions to those of the New Class B Investment Shares.

As at September 30, 2002, Amalgamated CU's projected regulatory capital would be equal to 6.02% on the leverage test and 11.42% on the risk-weighted test, versus regulatory requirements of 5% and 8%, respectively (unaudited).

Over the past three fiscal years of both credit unions, which ended March 31 in the case of PACE and September 30 in the case of GTA, as indicated by the following chart, the combination of the Credit Union and PACE as Amalgamated CU would have generated the following profits after the payment of dividends and taxes:

<u>Year</u>	<u>Net Profit</u>	<u>Return on Average Assets</u>
2000	\$425,263	0.19%
2001	\$302,186	0.13%
2002	\$464,250	0.19%

(b) Corporate Governance

The number of first directors of Amalgamated CU shall be sixteen (16), and the first directors shall be:

Name	Municipal Address	Occupation	Initial Term Expires	Canadian Resident?
Lorne Culley	1000 Beaufort Court Oshawa, Ontario. L1G 7J8	Systems Consultant	2004	Yes.
Deborah Baker	15334 Argyll Road Georgetown, Ontario. L7G 5P3	Vice President Finance	2004	Yes.
Craig Andrew	271 Kildeer Street Oshawa, Ontario. L1G 6X1	Controller	2004	Yes
Leo Cahill	2034 Family Crescent Mississauga, Ontario. L4X 1G6	Retired	2004	Yes.
Milos Greif	168 Howland Avenue Toronto, Ontario. M5R 3B6	Teacher	2004	Yes.
Margaret King	120 Webb Street Stouffville, Ontario. L4A 7X4	Franchise Owner	2004	Yes.
Peter Rebellati	12 Hardwick Drive Brampton, Ontario. L6W 2Z4	Finance	2005	Yes.
Bruce Croft	3256 Cindy Crescent Mississauga, Ontario. L4Y 3J6	Manager	2005	Yes.
Joe Posivy	80 Attridge Drive Aurora, Ontario. L4G 6J4	Retired	2005	Yes.
Jim Tindall	6390 Owen Road, R.R. #1 Uxbridge, Ontario. L9P 1R1	Farmer	2005	Yes.
Gerry Robin	18 Great Plains Road Brampton, Ontario. L5R 1Z5	Retired	2005	Yes.
Pauline Wainwright	3 Stornwood Crescent Brampton, Ontario. L6W 4H4	Housewife	2006	Yes.
Barry Bushell	Box 1057 Uxbridge, Ontario. L9P 1N4	Store Owner	2006	Yes.
Wendy Mitchell	29 Ochalski Road Aurora, Ontario. L4G 7H9	Human Resource Manager	2006	Yes.

Name	Municipal Address	Occupation	Initial Term Expires	Canadian Resident?
Terry Ryan	57 Eastwood Crescent Markham, Ontario. L3P 6A1	Project Manager	2006	Yes.
Claude Duchesneau	79 Cloverdale Drive Brampton, Ontario. L6T 2T5	Custodian	2006	Yes.

These individuals comprise eight nominees from the Credit Union, and eight nominees from PACE. The first directors aforesaid shall hold office until the annual general meeting of Amalgamated CU in the year indicated in the table above, under the heading "Initial Term Expires", or until their successor in office is elected by the membership of Amalgamated CU, whichever is later.

The size of the board of directors of Amalgamated CU will decrease to twelve (12) over the first three fiscal years of Amalgamated CU.

Amalgamated CU shall be operated on a day-to-day basis by a management team consisting of:

<u>Name</u>	<u>Former Position</u>	<u>Position in Amalgamated GTA</u>
Larry Smith	President and Chief Executive Officer	Chief Executive Officer
Barry Seyffert	Chief Executive Officer, PACE	President
Jim Vasko	Chief Financial Officer, PACE	Senior Vice President, Technology
Terry Chapman	Vice President, Business Development	Director, Special Projects
Kim Colacicco	Chief Financial Officer	Vice President, Finance
Mary Benincasa	Vice President, Administration	Vice President, Administration and Human Resources
Elizabeth Bruce	Operations Manager, PACE	Vice President, Operations
René Laffr�e	Commercial Credit Consultant	Vice President, Credit

The by-laws of Amalgamated CU shall be the by-laws appended to the Amalgamation Agreement, and are available for review at all offices of the Credit Union.

In lieu of a credit committee, Amalgamated CU shall appoint one or more loans officers to consider all loan applications, and to approve loans to members according to Amalgamated CU's lending

licences.

Amalgamated CU shall have an audit committee, consisting of five members appointed from among the board of directors.

Amalgamated CU shall appoint Deloitte & Touche LLP, Chartered Accountants, to be Amalgamated CU's auditor, and shall change that auditor only as provided by the Act and Amalgamated CU's by-laws.

(c) Capital Structure and Conversion

Amalgamated CU shall be authorized to issue:

- (i) an unlimited number of Membership Shares;
- (ii) an unlimited number of Class A Special Shares, issuable in series;
- (iii) an unlimited number of Series 1, Class A Special Shares (the "Class A Patronage Shares");
- (iv) an unlimited number of Class B Special Shares, issuable in series;
- (v) an unlimited number of Series 95, Class B Special Shares (the "Replacement Markham Stouffville Investment Shares");
- (vi) an unlimited number of Series 97, Class B Special Shares (the "Replacement Uxbridge Investment Shares"); and
- (vii) an unlimited number of Series 03, Class B Special Shares (the "Replacement New Class B Investment Shares").

Membership Shares, Class A Shares and Class B Shares will only be held by persons who are members pursuant to the terms and conditions prescribed in the bylaws of Amalgamated CU. Any invitation to the public to subscribe for Membership Shares, Class A Shares or Class B Shares in Amalgamated CU will be prohibited.

No Class A Share or Class B Share in the capital of Amalgamated CU will be permitted to be transferred to any person other than a person who is a member on the register of Amalgamated CU, and without the express consent of directors of Amalgamated CU, expressed by a majority vote of the board of directors.

The issued shares of the Credit Union and PACE shall be converted as follows:

1. Each issued and outstanding membership share in the capital of PACE outstanding at the Effective Date shall be converted into one membership share of Amalgamated CU;
2. Each issued and outstanding membership share in the capital of the Credit Union outstanding as of the Effective Date shall be converted into one membership share of Amalgamated CU;
3. Each issued and outstanding Profit Share in the capital of the Credit Union outstanding as of the Effective Date shall be converted into one Class A Patronage Share of Amalgamated CU;
4. Each issued and outstanding Class A Patronage Share in the capital of PACE outstanding as of the Effective Date shall be converted into one Class A Patronage Share of Amalgamated CU;
5. Each issued and outstanding Former Markham Stouffville Investment Share in the capital of the Credit Union outstanding as of the Effective Date shall be converted into one Replacement Markham Stouffville Investment Share of Amalgamated CU;

6. Each issued and outstanding Former Uxbridge Investment Share in the capital of the Credit Union outstanding as of the Effective Date shall be converted into one Replacement Uxbridge Investment Share of Amalgamated CU; and
7. Each issued and outstanding New Class B Investment Share in the capital of the Credit Union outstanding as of the Effective Date shall be converted into one Replacement New Class B Investment Share of Amalgamated CU. Board and management do not anticipate that there will be any New Class B Investment Shares issued and outstanding as of the Effective Date, and that, instead, subscribers who purchase New Class B Investment Shares hereunder will be issued Replacement New Class B Investment Shares by Amalgamated CU on the Issue Date.

Note that, while the Credit Union has a Membership Share requirement of thirty (30) shares, PACE has a Membership Share requirement of thirty-five (35) shares. Amalgamated CU has a membership share requirement of thirty-five (35) shares. Members of the Credit Union at the time of the amalgamation will have until December 31, 2005 to purchase the additional five (5) membership shares in Amalgamated CU.

Upon conversion, the shareholders of the Credit Union and PACE shall surrender all share certificates held by them, if any, representing shares of the Credit Union and PACE respectively, and shall be entitled to receive, in the case of every class of shares of both the Credit Union and PACE other than their Membership Shares, certificates representing the appropriate number and class of shares of Amalgamated CU. No share certificates shall be issued for Membership Shares in Amalgamated CU.

The share terms and conditions for the Class A Shares, the Class B Shares, the Class A Patronage Shares, the Replacement Markham Stouffville Investment Shares, the Replacement Uxbridge Investment Shares, and the Replacement New Class B Investment Shares in the capital of Amalgamated CU shall be identical to the share terms and conditions for the Class A Shares of both the Credit Union and PACE, the Class B Shares of the Credit Union, the Class A Patronage Shares of PACE, and the Profit Shares, Former Markham Stouffville Investment Shares, Former Uxbridge Investment Shares, and New Class B Investment Shares of the Credit Union. Precise share terms and conditions are attached as Schedule C to the Amalgamation Agreement, and are available for review at the head office of the Credit Union.

In addition to the above-described share capital, Amalgamated CU will also have \$67,000 issued and outstanding in unsecured subordinated debentures, of which 90% is included as Regulatory Capital.

(d) Other Issues

(i) *Proposed PACE Transaction*

PACE will, on December 31, 2002, purchase all of the assets, and assume all of the liabilities, of Czechoslovak (Toronto) Credit Union Limited ("Czech Toronto"). Czech Toronto has assets of approximately \$13.2 million, and liabilities of approximately \$12 million. PACE will purchase those assets by assuming those liabilities and issuing membership shares of PACE in the approximate amount of \$145,000, to members of Czech Toronto. The assumed liabilities include a dividend payable, on or before December 31, 2003, to members of Czech Toronto in the aggregate amount of \$738,000, which may be decreased by any liability incurred by PACE on certain contingent liabilities of Czech Toronto before the payment.

The Credit Unions and Caisses Populaires Act, 1994 (See also “Capital Adequacy”, on page 30)

Credit unions and caisses populaires in Ontario are governed by the *Credit Unions and Caisses Populaires Act, 1994*, with its accompanying Regulations and Guidelines (collectively referred to as the “Act”). The Superintendent of Financial Services (the “Superintendent”) is charged with the responsibility of exercising certain powers and performing certain duties which are conferred or imposed by the Act. Among these duties is monitoring compliance with section 84 of the Act, which requires that adequate and appropriate forms of Regulatory Capital and liquidity be maintained by credit unions and caisses populaires. Credit unions and caisses populaires which do not meet the minimum Regulatory Capital levels required may be granted a variation of the capital requirements by the Superintendent, subject to such terms and conditions as he may impose. The Credit Union, as of September 30, 2002, exceeded these minimum Leverage Ratio and Risk-Weighted Assets Ratio requirements.

The principal purpose of this Offering Statement is to raise additional Regulatory Capital so that the Credit Union continues both to conform to sound business practices and also to comply both with the Act’s minimum Leverage Ratio and Risk-Weighted Assets Ratio requirement and also with the Credit Union’s policy, which is to maintain Regulatory Capital in excess of the minimum requirements to support the Credit Union’s growth.

Deposit Insurance Corporation of Ontario (See also “Regulatory Action”, on page 35)

The Deposit Insurance Corporation of Ontario (“DICO”) is a provincial Crown corporation responsible for insuring deposits made by members in credit unions and caisses populaires, in accordance with the requirements of the Act and the Policy of Deposit Insurance. DICO is also able to impose certain requirements as a condition of continuing its deposit insurance coverage and, in the event that a credit union or caisse populaire fails to comply and is believed to represent a threat to the deposit insurance fund, has broader power to take corrective action, which may include taking control of the credit union or caisse populaire and replacing the existing directors, should circumstances so warrant. By letter dated January 15, 2002, DICO renewed the deposit insurance for the Credit Union for the period October 1, 2001 through September 30, 2002 without condition. DICO reserved the right to impose further conditions as a result of any change in circumstances during the renewal period. The Credit Union has not yet received, but shortly anticipates receiving, a similar letter renewing its deposit insurance for its current fiscal year.

Credit Union Central of Ontario

Each province in Canada has one or more central credit unions which serve their member credit unions in the province. In Ontario, one of these bodies is Credit Union Central of Ontario Limited (“CUCO”), an incorporated association owned by its approximately 215 member credit unions. The Credit Union is one of those member-owners. CUCO is not a retail banking institution; its key financial roles are management of the provincial liquidity reserves of its member credit unions, and provision of central and investment banking services to its member credit unions.

As the central banker for its member credit unions, CUCO provides, through an arrangement with a third party, centralized cheque clearing, and itself provides lending services, to member credit unions. Lending services include overdraft facilities, demand loans, and term loans at fixed and variable rates.

CUCO also undertakes government relations, economic forecasting, and market research and planning.

As a member of Credit Union Central of Canada (“CUCC”), CUCO and its member credit unions enjoy access to national government relations efforts, national marketing and research, and a voice in the World Council of Credit Unions, a world-wide association of national credit union associations of which CUCC is a member.

To retain membership in CUCO, the Credit Union must purchase membership shares in CUCO valued at 1.30% of its liabilities qualifying as Regulatory Capital (*i.e.*, Membership Shares, Profit Shares, Former Markham Stouffville Investment Shares, Former Uxbridge Investment Shares, and New Class B Investment Shares) and members' deposits, maintain a liquidity reserve deposit at CUCO equal to 5% of its liabilities qualifying as Regulatory Capital and members deposits, maintain a supplementary liquidity reserve deposit equal to 2% of its liabilities qualifying as Regulatory Capital and members' deposits, and pay membership dues equal to \$3.50 per adult member annually. The Credit Union is in compliance with these requirements, and its membership in CUCO is in good standing.

CUCO is currently considering a transaction that would involve the sale of the assets it uses in the provision of the financial services outlined above to a federal corporation. That corporation would also purchase similar assets from Credit Union Central of British Columbia, and then continue itself as an association under the *Cooperative Credit Associations Act*(Canada). That association would then provide those financial services to both Ontario and also British Columbia credit unions. CUCO would retain its remaining assets and continue providing the trade association services outlined above, and, upon the closing of this transaction, the membership dues will be calculated using a number of formulas, the net impact of which is to reduce the member dues paid by a credit union as both its membership and total assets increase. The Credit Union is in support of this transaction, and does not, at this time, contemplate withdrawing from membership in either organization.

BUSINESS OF GREATER TORONTO AREA (GTA) SAVINGS & CREDIT UNION LIMITED

General Description of the Business

Personal Financial Services

Retail financial products for individuals include most types of deposit accounts, personal chequing services, registered retirement savings accounts ("RRSPs"), and registered retirement income funds ("RRIFs"). The registered accounts are administered and held by the Credit Union, and the trustee is the Co-operative Trust Company of Canada. The Credit Union currently offers a full range of mutual funds available from CMG WorldSource Financial Service Inc., through employees of the Credit Union who are licensed to sell these mutual funds. Other products available to all members include safety deposit boxes and travellers' cheques. The Credit Union, as a member of CUCO, is linked to the Interac and PLUS System networks (data service networks which enable individuals to use automated banking machines which do not belong to, and are not operated by, their financial institution) through CUCC, giving members access to their accounts at automated banking machines ("ABMs") world-wide.

Members have the option, in addition to the traditional personal service offered at the Credit Union's office, of conducting transactions at the Credit Union's 10 ABMs, located throughout the Greater Toronto Area, or at any other ABM in the Interac or Plus networks, or at any point-of-sale terminal in the Interac network. The Credit Union also offers its members the opportunity to perform routine transactions, such as balance inquiries, transaction reviews, bill payments, and funds transfers, using either their touch-tone telephone ("telephone banking") or their personal computer connected to the Internet ("Internet banking").

The Credit Union also offers a MasterCard credit card through an arrangement with a third party. Under this arrangement, the Credit Union does not hold the accounts receivable owing from its credit card holders, but earns a fee, which is not material to its financial performance, based on the total net purchases generated by its credit card holders as compensation for its efforts in marketing the card, and providing appropriate documentation, to its members.

The Credit Union, by a lending license issued June 1, 2001, is licensed by the Superintendent to offer Personal Loans, Mortgage Loans, Commercial Loans, Agricultural Loans, Institutional Loans, Syndication Loans, and

Unincorporated Association Loans. The Board has approved, and management follows, lending policies in all areas to minimize the risk of loan losses.

Personal Loans

Personal Loans to members comprise instalment loans, demand loans, and lines of credit. The Board has approved, and management follows, detailed lending policies which limit the risk to which the Credit Union is exposed.

At September 30, 2002, the Credit Union had a net Personal Loan portfolio of \$39,820,999, representing 36.28% of total gross loans outstanding. At September 30, 2001, the Credit Union had a net Personal Loan portfolio of \$37,008,956, representing 33.28% of total gross loans outstanding. At September 30, 2000, the Credit Union had a net Personal Loan portfolio of \$36,849,829, representing 33.98% of total gross loans outstanding.

Mortgage Loans

The Credit Union offers residential first and second Mortgage Loans to its members. It grants mortgages to individuals according to conventional mortgage lending standards for residential property. The Credit Union offers closed, fixed-rate mortgages; closed, variable-rate mortgages; open, fixed-rate mortgages; and open, variable-rate mortgages; written with terms of six months to five years. As of September 30, 2002, 2001, and 2000, approximately 16.94%, 19.63%, and 19.39%, respectively, of the Credit Union's portfolio of Mortgage Loans consists of high-ratio mortgages insured by the Canada Mortgage and Housing Corporation; the remainder are conventional mortgages.

At September 30, 2002, net Mortgage Loans represented 33.94% of total gross loans outstanding, and totalled \$37,253,519. At September 30, 2001, net Mortgage Loans represented 35.94% of total gross loans outstanding, and totalled \$39,970,795. At September 30, 2000, net Mortgage Loans represented 36.08% of total gross loans outstanding, and totalled \$39,130,116.

Commercial Loans

Commercial Loans by the Credit Union consist of commercial mortgages, term loans, lines of credit and letters of credit granted to small- and medium-sized business in its bond of association. These loans function similarly to their counterparts in "Personal Loans" above, but expose the Credit Union to a greater risk of loss because of the risks inherent in lending to small and growing businesses, and the skill required to administer such loans; in particular, these loans are more risky than Personal Loans because of the larger amounts on loan, the more sophisticated documentation required both to establish capacity to borrow and also to secure the loan, the need for more careful and continuous review to protect the Credit Union's position, and the limited liability afforded by Canadian law to corporations. The Credit Union has developed and follows commercial lending policies, which are approved and reviewed annually by the Board and which comply with the recommendations of DICO, to minimize its risk of loan delinquencies and losses.

At September 30, 2002, the Credit Union had a Commercial Loan portfolio of \$32,389,924, representing 29.51% of total loans outstanding. At September 30, 2001, the Credit Union had a Commercial Loan portfolio of \$33,574,149, representing 30.19% of total loans outstanding. At September 30, 2000, the Credit Union had a Commercial Loan portfolio of \$31,596,995, representing 29.14% of total gross loans outstanding.

Agricultural Loans

The Credit Union does not actively focus on making Agricultural Loans, although it remains authorized to do so. As of September 30, 2002, the Credit Union had no Agricultural Loans outstanding. As of September 30, 2001, the Credit Union had a net Agricultural Loan portfolio of \$33,890, representing 0.03% of total gross loans outstanding. As of September 30, 2000, the Credit Union had a net Agricultural Loan portfolio of \$232,046, representing 0.21% of total gross loans outstanding.

Unincorporated Association Loans

The Credit Union, as of September 30, 2002, had \$467,568 outstanding in Unincorporated Association Loans. The Credit Union, as of September 30, 2001, had \$561,056 outstanding in Unincorporated Association Loans. The Credit Union had no such loans outstanding as of September 30, 2000. Because of the insignificant nature of the amounts outstanding, these loans have been classified for financial statement purposes as Commercial Loans.

Institutional Loans; Syndicated Loans

The Credit Union does not, and did not at any time during its fiscal years ended September 30, 2002, 2001 or 2000, hold as assets any Institutional Loans or Syndicated Loans to its members.

Administration**Affiliation**

By virtue of its membership in CUCO, the Credit Union has access to the services and products which are developed, either nationally or regionally, and made available to all affiliated credit unions in Canada. In addition, the Credit Union is a participant in the liquidity pool operated by CUCO, and is accordingly permitted to maintain a reduced level of liquid assets in comparison with credit unions which are not participants of a designated liquidity pool and which do not have specified lines of credit. To participate in the liquidity pool, the Credit Union is required to maintain a liquidity deposit at CUCO equal to 5% of its liabilities qualifying as Regulatory Capital and members' deposits; the Credit Union is also required, pursuant to CUCO's by-laws, to maintain a supplementary liquidity reserve deposit of 2% of its liabilities qualifying as Regulatory Capital and members' deposits. The Credit Union has met these requirements, and its participation in the liquidity pool is in good standing.

Information Technology

The Credit Union has contracted with Strategic Information Technology Limited for a license to use the "Portfolio Plus" computer software to process its members' in-branch, ABM, and network ABM and point-of-sale transactions. "Portfolio Plus" has interfaces to MAXXAR and Homebank technologies, which provide for telephone banking and Internet banking. See page 44 for details.

The Credit Union has contracted with The MAXXAR Corporation for its telephone banking software; see page 46 for further details of this agreement. The Credit Union has a contractual arrangement with HomeBank.Net Technologies Inc. for its Internet banking software; this contractual arrangement has not been reduced to writing, and is discussed at page 45.

The Credit Union has also contracted with CU-Connection Limited for switching services necessary for its members' ABM and network ABM and point-of-sale transactions. See page 44 for details.

Business Strategy

The long range objective of the Credit Union is to develop into a much larger credit union serving a broader membership. It is anticipated that growth will be achieved through providing increased services to existing members, through increased penetration of the existing bonds of association, and through mergers with and/or acquisitions of other credit unions which are viewed as being complementary to the Credit Union. Other than the amalgamation with PACE disclosed herein, no such mergers or acquisitions have been agreed to, but discussions have been held with a number of parties, and some discussions are ongoing.

The business strategy of the Credit Union is implicit in the above sections which describe the general business of the Credit Union. Ultimately, the Credit Union intends to position itself to deliver most of the financial service needs of a greater portion of its total membership, making it possible to strengthen its relationship with each member and also to attract new members to the Credit Union.

The Credit Union's share capital structure, pursuant to a restated Certificate of Incorporation granted on May 21, 1999 and a further resolution of the Credit Union's Board of Directors passed November 27, 2002, consists of an unlimited number of:

- (i) Membership Shares;
- (ii) Class A Special Shares, issuable in series ("Class A Shares");
- (iii) Class A Special Shares, Series 1 ("Profit Shares");
- (iv) Class B Special Shares, issuable in series ("Class B Shares");
- (v) Class B Special Shares, Series 95 ("Former Markham Stouffville Investment Shares");
- (vi) Class B Special Shares, Series 97 ("Former Uxbridge Investment Shares"); and
- (vii) Class B Special Shares, Series 03 ("New Class B Investment Shares").

In addition to the above-described share capital, the Credit Union has \$67,000 issued and outstanding in unsecured subordinated debentures, of which 90% is included as Regulatory Capital.

Membership Shares

Membership Shares are issued at a purchase price of \$5 each, the price established by the Board, to persons who wish to become members of the Credit Union. Pursuant to the by-laws of the Credit Union, each member must hold, within 120 days after acceptance into membership, thirty (30) Membership Shares to retain membership. The by-laws of Amalgamated CU require each member to hold thirty-five (35) Membership Shares to retain membership; members of the Credit Union at the time of the amalgamation will have until December 31, 2005 to purchase the additional five (5) Membership Shares.

The holders of Membership Shares may receive dividends if, as and when declared by the Board. Membership Shares are Non-Cumulative as to dividends. Membership Shares rank junior to Class B Shares and to Class A Shares for priority in the declaration and payment of dividends. Dividends may be paid in the form of cash, Class A Shares, or a combination of cash and shares. Dividends paid on the Membership Shares are taxed as ordinary income and not as dividend income, and are therefore not eligible for the treatment given to dividends received by Canadian taxpayers from taxable Canadian corporations, commonly referred to as the "dividend tax credit".

In the event of liquidation, dissolution or winding-up of the Credit Union or other distribution of assets or property of the Credit Union among its members or shareholders for the purpose of winding-up its affairs, the holders of the Membership Shares shall each be entitled to receive an amount representing equal portions of the assets or property of the Credit Union remaining after payment of all the Credit Union's debts and obligations, including redemption of all senior classes of shares as specified in the Credit Union's articles of incorporation, including Class B Shares and Class A Shares.

Each member aged 18 years and over is entitled to one vote at all membership meetings, if they are a member in good standing; members, unlike other shareholders, have the right to elect the Credit Union's Board. Pursuant to the Act, the by-laws of the Credit Union can be changed by Special Resolution of the members.

Membership Shares are redeemable at the amount paid up thereon (generally the purchase price of \$5), plus any declared but unpaid dividends, when a member dies, withdraws or is expelled from membership. Membership Shares cannot be redeemed if the Credit Union is not meeting the Regulatory Capital requirements of section 84 of the Act (see also "Capital Adequacy" in the section on "Risk Factors", on page 30).

Membership Shares are not transferable between members.

The Credit Union has a lien on the Membership Shares of each member for any indebtedness of the member to the Credit Union.

As at September 30, 2002, 2001 and 2000, there were 337,362; 348,533; and 324,295 issued and outstanding Membership Shares, with a total stated value of \$1,686,810; \$1,742,665; and \$1,621,475; respectively.

Class A Shares

The Credit Union is authorized to issue to its members an unlimited number of Class A Shares, in series.

The Class A Shares rank in priority to the Membership Shares, but junior to the Class B Shares, regarding the payment of dividends. Holders of Class A Shares may, however, consent, by majority vote at a Special Meeting, to the prior payment of dividends to holders of a junior class of shares. Dividends paid on the Class A Shares are taxed as ordinary income and not as dividend income, and are therefore not eligible for the treatment given to dividends received by Canadian taxpayers from taxable Canadian corporations, commonly referred to as the "dividend tax credit".

In the event of liquidation or dissolution of the Credit Union, or any other distribution of its assets for the purpose of winding-up its affairs, holders of Class A Shares are entitled to receive the Redemption Amount for each Class A Share held. Class A Share Redemption Amounts will be paid in priority to any payments to the holders of the Membership Shares, but after provision for payment of all the Credit Union's other debts and obligations, including payments to the holders of any other securities which may rank senior to the Class A Shares, including Class B Shares, and specifically including the Former Markham Stouffville Investment Shares, the Former Uxbridge Investment Shares, and the New Class B Investment Shares. Holders of Class A Shares are not thereafter entitled to participate in the distribution of residual assets of the Credit Union.

The Class A Shares are Non-Voting for the purposes of any meeting of the members of the Credit Union. In the event of a proposed dissolution or amalgamation, or the purchase and sale, lease or transfer of all or a Substantial Portion of the assets of the Credit Union, or if there is a proposed resolution which affects the rights attaching to the Class A Shares, the Credit Union must hold a Special Meeting of the holders of Class A Shares to obtain their approval of the proposed action by Special Resolution. In some cases, separate Special Meetings of holders of each series of Class A Shares will be required. Holders of Class A Shares, present in person or by proxy at such meetings, have one vote per Class A Share held at such meetings.

Class A Shares may only be transferred to another member of the Credit Union, and all such transfers require the approval of the Board.

Pursuant to its by-laws, the Credit Union has a lien on all Class A Shares held by any member, to the extent of that member's indebtedness to the Credit Union.

Profit Shares

The Board has authorized the creation and issuance of Profit Shares, at an issue price of \$1.00 each. These shares have been paid to shareholders as dividends on Profit Shares and the Former Markham Stouffville Investment Shares.

The Profit Shares are entitled, in priority to the Membership Shares, but ranking junior to the Class B Shares, and specifically to the Former Markham Stouffville Investment Shares, the Former Uxbridge Investment Shares, and the New Class B Investment Shares, to a Non-Cumulative dividend paid in cash, in Profit Shares, or partly in cash and partly in Profit Shares, as the Board of the Credit Union sees fit, at a rate determined from time to time on the Redemption Price per share (the issue price of the shares, *i.e.*, \$1.00). Profit Shares allocated as dividends will be issued in whole dollar amounts; no fractional shares will be issued, and amounts

due as dividends will be rounded to the nearest dollar, with \$0.50 rounded down, before being paid as Profit Shares.

Profit Shares are not redeemable at the option of the shareholder (*i.e.*, retractable) unless the shareholder dies, is expelled or withdraws from membership in the Credit Union, or attains the age of sixty-five years. Redemptions are not permitted when the Credit Union is not in compliance with the Leverage Ratio and Risk-Weighted Assets Ratio required by section 84 of the Act. In any one fiscal year, the Credit Union may not redeem more than 10% of the Profit Shares outstanding; redemptions shall be processed on a first-come, first-served basis, and, if more than 10% of the Profit Shares are presented for redemption in a fiscal year of the Credit Union, the Profit Shares not redeemed in that fiscal year shall be the first shares redeemed in the following fiscal year of the Credit Union.

The Credit Union may, at its option, redeem some or all of the Profit Shares issued and outstanding at the time, at any time five years or more after the shares were issued, by following a procedure set out in the Credit Union's articles of incorporation.

The Amalgamation Agreement with PACE provides that Profit Shares will be converted into shares of Amalgamated CU with identical terms and conditions.

There were, as of September 30, 2002, 1,279,631 Profit Shares outstanding, with a total stated value of \$1,279,631. There were, as of September 30, 2001, 1,178,851 Profit Shares outstanding, with a total stated value of \$1,178,851. There were, as of September 30, 2000, 1,191,165 Profit Shares outstanding, with a total stated value of \$1,191,165.

Class B Special Shares

The Credit Union is authorized to issue to its members an unlimited number of Class B Shares, in series.

The Class B Shares rank in priority to both the Class A Shares and the Membership Shares regarding the payment of dividends. Holders of Class B Shares may, however, consent, by majority vote at a Special Meeting, to the prior payment of dividends to holders of a junior class of shares. Dividends paid on the Class B Shares are taxed as ordinary income and not as dividend income, and are therefore not eligible for the treatment given to dividends received by Canadian taxpayers from taxable Canadian corporations, commonly referred to as the "dividend tax credit".

In the event of liquidation or dissolution of the Credit Union, or any other distribution of its assets for the purpose of winding-up its affairs, holders of Class B Shares are entitled to receive the Redemption Amount for each Class B Share held. Class B Share Redemption Amounts will be paid in priority to any payments to the holders of the Class A Shares, and to the holders of the Membership Shares, but after provision for payment of all the Credit Union's other debts and obligations. Holders of Class B Shares are not thereafter entitled to participate in the distribution of residual assets of the Credit Union.

The Class B Shares are Non-Voting for the purposes of any meeting of the members of the Credit Union. In the event of a proposed dissolution or amalgamation, or the purchase and sale, lease or transfer of all or a Substantial Portion of the assets of the Credit Union, or if there is a proposed resolution which affects the rights attaching to the Class B Shares, the Credit Union must hold a Special Meeting of the holders of Class B Shares to obtain their approval by Special Resolution. In some cases, separate Special Meetings of holders of each series of Class B Shares (*i.e.*, Former Markam Stouffville Investment Shares, Former Uxbridge Investment Shares, and New Class B Investment Shares) will be required. Holders of Class B Shares, present in person or by proxy at such meetings, have one vote per Class B Share held at such meetings.

Class B Shares may only be transferred to another member of the Credit Union, and all such transfers are subject to Board approval.

Pursuant to its by-laws, the Credit Union has a lien on all Class B Shares held by any member, not held in the member's RRSP, to the extent of that member's indebtedness to the Credit Union.

Former Markham Stouffville Investment Shares

The Board has authorized the creation and issuance of Former Markham Stouffville Investment Shares, at an issue price of \$1.00 each. These shares were issued to members of the Credit Union on its creation by amalgamation, to convert, into shares in the capital structure of the Credit Union, shares which were offered to members of the former Markham Stouffville Community Credit Union Limited in an offering statement dated September 15, 1995, and which were issued on December 20, 1995.

The Former Markham Stouffville Investment Shares are entitled, in priority to the Class A Shares and to the Membership Shares, but ranking equally with the Former Uxbridge Investment Shares and the New Class B Investment Shares, to a Non-Cumulative dividend paid in cash, in shares, or partly in cash and partly in shares, as the Board of the Credit Union sees fit, at a rate determined from time to time on the Redemption Price per share (the issue price of the shares, *i.e.*, \$1.00). Former Markham Stouffville Investment Shares allocated as dividends will be issued in whole dollar amounts; no fractional shares will be issued, and amounts due as dividends will be rounded to the nearest dollar, with \$0.50 rounded down, before being paid as Former Markham Stouffville Investment Shares.

Former Markham Stouffville Investment Shares are not redeemable at the request of the shareholder (*i.e.*, retractable) for a period of five years after their issuance. The only exception is when the shareholder has died. Redemptions are not permitted when the Credit Union is not in compliance with the Leverage Ratio and Risk-Weighted Assets Ratio required by section 84 of the Act. In any one fiscal year, the Credit Union may not redeem more than 10% of the Former Markham Stouffville Investment Shares outstanding; redemptions shall be processed on a first-come, first-served basis, and, if more than 10% of the Former Markham Stouffville Investment Shares are presented for redemption in a fiscal year of the Credit Union, the Former Markham Stouffville Investment Shares not redeemed in that fiscal year shall be the first shares redeemed in the following fiscal year of the Credit Union.

The Credit Union may, at its option, redeem some or all of the Former Markham Stouffville Investment Shares issued and outstanding at the time, at any time five years or more after the shares were issued, by following a procedure set out in the Credit Union's articles of incorporation.

The Amalgamation Agreement with PACE provides that the Former Markham Stouffville Investment Shares will be converted into shares of Amalgamated CU with identical terms and conditions.

There were, as of September 30, 2002, 2,563,225 Former Markham Stouffville Investment Shares outstanding, with a total stated value of \$2,563,225. There were, as of September 30, 2001, 2,738,400 Former Markham Stouffville Investment Shares outstanding, with a total stated value of \$2,738,400. There were, as of September 30, 2000, 2,959,000 Former Markham Stouffville Investment Shares outstanding, with a total stated value of \$2,959,000.

Former Uxbridge Investment Shares

The Board has authorized the creation and issuance of Former Uxbridge Investment Shares, at an issue price of \$1.00 each. These shares were issued to members of the Credit Union on its creation by amalgamation to convert, into shares in the capital structure of the Credit Union, shares which were offered to members of the former Uxbridge Credit Union Limited in an offering statement dated December 29, 1996, and which were issued on April 1, 1997.

The Former Uxbridge Investment Shares are entitled, in priority to the Class A Shares and to the Membership Shares, but ranking equally with the Former Markham Stouffville Investment Shares and the New Class B Investment Shares, to a Non-Cumulative dividend paid in cash, in shares, or partly in cash and partly in shares, as the Board of the Credit Union sees fit, at a rate determined from time to time on the Redemption Price per share (the issue price of the shares, *i.e.*, \$1.00). Former Uxbridge Investment Shares allocated as dividends will be issued in whole dollar amounts; no fractional shares will be issued, and amounts due as dividends will be rounded to the nearest dollar, with \$0.50 rounded down, before being paid as Former Uxbridge Investment Shares.

Former Uxbridge Investment Shares are redeemable at the request of the shareholder (*i.e.*, retractable) at any time. Redemptions are not permitted when the Credit Union is not in compliance with the Leverage Ratio and Risk-Weighted Assets Ratio required by section 84 of the Act. In any one fiscal year, the Credit Union may not redeem more than 10% of the Former Uxbridge Investment Shares outstanding; redemptions shall be processed on a first-come, first-served basis, and, if more than 10% of the Former Uxbridge Investment Shares are presented for redemption in a fiscal year of the Credit Union, the Former Uxbridge Investment Shares not redeemed in that fiscal year shall be the first shares redeemed in the following fiscal year of the Credit Union.

The Credit Union may, at its option, redeem some or all of the Former Uxbridge Investment Shares issued and outstanding at the time, at any time five years or more after the shares were issued, by following a procedure set out in the Credit Union's articles of incorporation.

The Amalgamation Agreement with PACE provides that the Former Uxbridge Investment Shares will be converted into shares of Amalgamated CU with identical terms and conditions.

There were, as of September 30, 2002, 507,397 Former Uxbridge Investment Shares outstanding, with a total stated value of \$507,397. There were, as of September 30, 2001, 490,817 Former Uxbridge Investment Shares outstanding, with a total stated value of \$490,817. There were, as of September 30, 2000, 499,278 Former Uxbridge Investment Shares outstanding, with a total stated value of \$499,278.

New Class B Investment Shares

The Board has authorized the creation and issuance of Class B Special Shares, Series 03 ("New Class B Investment Shares"), at an issue price of \$1.00 each. For an outline of the terms and conditions of these shares, see "Description of Securities Being Offered", beginning at page 20.

There were, as of the date hereof, no New Class B Investment Shares outstanding.

Subordinated Indebtedness in the Form of Unsecured Subordinated Debentures

In addition to the various classes and series of shares the Credit Union is authorized to issue, the Credit Union is also responsible for the repayment of unsecured subordinated debentures offered by the former Markham Stouffville Community Credit Union Limited in an offering statement dated September 15, 1995, and which were issued, in registered form, to members of Markham Stouffville Community Credit Union Limited who had then attained the age of eighteen years, on December 20, 1995. These debentures are subordinated to the rights of depositors and other creditors of the Credit Union. These debentures are due on demand, subject to the requirements and restrictions outlined in the following paragraph, and have no fixed term to maturity.

The unsecured subordinated debentures are redeemable at the request of the holder only on the complete repayment of all amounts owing to the Credit Union and the termination of any contractual commercial lending agreements between the member and the Credit Union. The Board will ordinarily approve such requests unless, in the opinion of the Board, such redemption will cause the Credit Union to be unable to comply with the Regulatory Capital and liquidity requirements of section 84 of the Act. The aggregate of

all such redemptions in any fiscal year may not, however, exceed 10% of the value of such debentures which are outstanding at the beginning of that fiscal year. Any redemption requests in excess of this limitation will be considered in the following fiscal year. The unsecured subordinated debentures are redeemable at the face amount thereof, plus accrued interest. In addition, the unsecured subordinated debentures may, at the option of the Credit Union, be redeemed after a period of five years from the date of issuance.

Modification of the provisions attached to unsecured subordinated debentures will require the approval of the members of the Credit Union by Special Resolution at an annual or Special Meeting, and the approval of the holders of the unsecured subordinated debentures by Special Resolution at a Special Meeting.

Unsecured subordinated debentures may not be transferred except to another member of the Credit Union, or to a person prescribed in the Act and accompanying Regulations. Transfers will be subject to the approval of the Board. Transfer requests will be in writing, using a form approved by the Board. Transfer requests will be tendered to the head office of the Credit Union, together with the certificate or certificates representing the debentures to be transferred. Unsecured subordinated debentures will be transferred to other members at the face amount thereof, plus accrued interest.

No member, through transfers of unsecured subordinated debentures from other members, will be allowed to hold more unsecured subordinated debentures than the member would otherwise have been able to subscribe for in the initial offering (*i.e.*, \$100,000). There is no market for the unsecured subordinated debentures issued by the Credit Union.

Holders of the unsecured subordinated debentures are entitled to interest as a first charge against the profits of the Credit Union. Interest accrues at a fixed rate of interest of 3% per annum, compounded and payable annually at the end of each fiscal year. Payments made in respect of principal and interest to the holders of the unsecured subordinated debentures rank in priority to any payments which may be made to any of the classes of shares which are authorized and outstanding. However, such payments of principal and interest may be deferred, with Board approval, if the Credit Union is not meeting the Regulatory Capital adequacy and liquidity requirements of section 84 of the Act.

On liquidation or dissolution, holders of the unsecured subordinated debentures will be paid in priority to the Membership Shares, the Profit Shares, the Former Markham Stouffville Investment Shares, the Former Uxbridge Investment Shares, and the New Class B Investment Shares, but after provision for payment of all the Credit Union's other debts and obligations, including any other securities which may rank senior to the unsecured subordinated debentures. In the event of liquidation or dissolution of the Credit Union, or any other distribution of its assets for the purpose of winding up its affairs, holders of unsecured subordinated debentures shall be entitled to receive the face amount thereof, plus accrued interest.

DESCRIPTION OF SECURITIES BEING OFFERED

New Class B Investment Shares

Issue

New Class B Investment Shares, issuable at \$1.00 each, will only be issued to members of the Credit Union. If the purchaser is a natural person (*i.e.*, an individual), he or she must be at least 18 years of age to purchase New Class B Investment Shares. Legal persons (*e.g.*, corporations, partnerships, trusts, and unincorporated associations) may purchase New Class B Investment Shares.

Dividends

The holders of New Class B Investment Shares are entitled, in preference to the holders of the Class A Shares and the Membership Shares, but ranking equally with the holders of the Former Markham Stouffville Investment Shares and the Former Uxbridge Investment Shares, to receive dividends if, as and when declared by the Board. The holders of the New Class B Investment Shares may, however, consent, by majority vote at a Special Meeting, to the prior payment of dividends to holders of a junior class of shares. Dividends for the New Class B Investment Shares are dependent upon, in part, the earnings and/or retained earnings of the Credit Union, and on its ability to comply with the Regulatory Capital and liquidity requirements of section 84 of the Act (see also “Capital Adequacy” in the section on “Risk Factors” on page 30). The payment of such dividends will be in such manner (including whether in the form of additional New Class B Investment Shares, in Profit Shares, or in cash, or partly in shares and partly in cash), and on such terms as may be determined from time to time by the Board. New Class B Investment Shares allotted as part of a declared dividend will be issued in whole dollar amounts (rounded to the nearest dollar, with \$0.50 rounded down); no fractional shares will be issued. Dividends paid on the New Class B Investment Shares are taxed as ordinary income and not as dividend income, and are therefore not eligible for the treatment given to dividends received by Canadian taxpayers from taxable Canadian corporations, commonly referred to as the “dividend tax credit”.

For a discussion of the Credit Union’s dividend policy, see pages 36 and 37.

Canadian Federal Income Tax Considerations

The following is a summary, prepared by Deloitte & Touche LLP, of the principal Canadian federal income tax considerations generally applicable to the acquisition, holding and disposition of shares by a person who acquires shares pursuant to this offering statement. Except as otherwise provided, this summary is applicable to a purchaser of shares who, for the purposes of the *Income Tax Act* (Canada) (the “Tax Act”), is a Canadian resident individual (other than a trust) who is a member of the Credit Union as defined in the Tax Act and who holds the shares as capital property. This summary is based upon the current provisions of the Tax Act and the regulations thereunder. **INVESTORS ARE CAUTIONED THAT THIS COMMENTARY IS OF A GENERAL NATURE ONLY AND IS NOT INTENDED TO CONSTITUTE ADVICE TO ANY PARTICULAR INVESTOR. INVESTORS SHOULD SEEK INDEPENDENT ADVICE FROM THEIR OWN ADVISORS.**

Investors who acquire New Class B Investment Shares will be required to include in income the amount of the dividends on the shares, whether paid in cash or in the form of additional shares. This income will be considered to be received as interest income from Canadian sources and not as dividend income.

Dividends paid in the form of additional New Class B Investment Shares will be considered a stock dividend for income tax purposes. Generally, the amount of the dividend will equal the amount that the Credit Union will add to the stated capital of the New Class B Investment Shares. Any amount added to the stated capital by virtue of a stock dividend will constitute interest income to the holders and be deemed to be the cost base of the shares.

The disposition of a share may give rise to a capital gain (or capital loss) to the extent that the proceeds received on the disposition exceed (or are exceeded by) the sum of the adjusted cost base of the share and any costs of disposition. One-half of any capital gains realized from the disposition of shares must be included in computing the income of a holder and one-half of any capital loss may be deducted from taxable capital gains in accordance with the Tax Act. If certain criteria are met, a capital loss may be considered a business investment loss. One-half of any business investment losses from the disposition of shares may be deducted from ordinary income or taxable capital gains in accordance with the Tax Act. The amount received on redemption of a share in excess of its paid-up capital for income tax purposes is interest income and is not included in the proceeds of disposition of the share.

Generally, any interest expense incurred on money borrowed to acquire the shares will be deductible for

income tax purposes to the extent the amount is reasonable and incurred to earn income. An investor who borrows funds to acquire these shares may meet these conditions. However, Canada Customs and Revenue Agency may limit any such deduction to the amount of the dividends expected to be paid on these shares. In general, if the shares are disposed of, any interest expense would cease to be deductible.

The New Class B Investment Shares will be a qualified investment and will not constitute foreign property if held in a registered retirement savings plan (“RRSP”). The transfer of any shares by a holder to an RRSP constitutes a disposition of the shares by the holder for income tax purposes. In such circumstances, the holder is deemed to receive proceeds of disposition for the shares equal to their fair market value at the time of such transfer, and this amount is included in computing the capital gain or loss from the disposition. Any capital loss arising on a disposition of shares to a RRSP of which the annuitant is the shareholder, the shareholder’s spouse, or common law partner is deemed to be nil. Interest expense related to shares held in an RRSP is not deductible for income tax purposes.

The Greater Toronto Area (GTA) Savings & Credit Union Limited Investment Retirement Plan

The Co-operative Trust Company of Canada is the trustee of this retirement savings plan, which will accept New Class B Investment Shares as contributions to an RRSP of which the member or his or her spouse is the annuitant. Members may not hold New Class B Investment Shares in a Registered Retirement Income Fund (“RRIF”) contract. Members holding shares inside an RRSP will be required to retract or transfer those shares prior to the end of the calendar year in which they attain the age of 69 years. For that reason, the Credit Union discourages sales of New Class B Investment Shares to members over the age of 65 years, if those members intend to hold those shares in an RRSP.

Rights on Distributions of Capital

On liquidation or dissolution, holders of New Class B Investment Shares will be paid the Redemption Amount for each such share held, in priority to any payment to holders of the Class A Shares and the Membership Shares, and ranking equally with any payment to the holders of the Former Markham Stouffville Investment Shares and the Former Uxbridge Investment Shares, but after provision for payment of all the Credit Union's other debts and obligations. Holders of New Class B Investment Shares shall not thereafter be entitled to participate in the distribution of the Credit Union’s assets then remaining.

Voting Rights

The New Class B Investment Shares are Non-Voting for the purposes of any meetings of the members of the Credit Union. In the event of a proposed dissolution, amalgamation, purchase of assets representing a Substantial Portion of the Credit Union’s assets, or the sale, lease or transfer of a Substantial Portion of the Credit Union’s assets, the Credit Union shall hold a Special Meeting of the holders of New Class B Investment Shares, which may be held separately from the Special Meeting of the holders of the Former Markham Stouffville Investment Shares, Former Uxbridge Investment Shares, or any other series of Class B Shares, if their rights are affected differently from those of the holders of any other series of Class B Shares. The holders of New Class B Investment Shares shall have one vote per New Class B Investment Share held at such meetings to consider such an event or resolution, which requires approval by Special Resolution of those present in person or, as permitted by the Credit Union’s by-laws, by proxy, and voting. Approval at a membership meeting of the Credit Union, and at meetings of the holders of all other classes of shares in its capital structure, will also be required.

Redemption Provisions and Restrictions

The estates of holders of New Class B Investment Shares who have died, or shareholders who have been expelled from membership in the Credit Union, may at any time make a request to the Board, in writing, to redeem, at the Redemption Amount, the New Class B Investment Shares held by the deceased or expelled shareholder. Other holders of New Class B Investment Shares may make such a request at any time after five years have elapsed since the Issue Date of the New Class B Investment Shares held.

The Board will consider redemption requests once annually, at the first Board meeting following November 30 in each calendar year (the “Redemption Meeting”). At each Redemption Meeting, the Board may permit redemptions equal to 10% of the total New Class B Investment Shares outstanding at the end of the previous fiscal year (the “Annual Redemption Limit”).

At each Redemption Meeting, the Board will consider first, requests made by the estates of deceased holders of New Class B Investment Shares (“Estate Requests”), and requests made by those holding shares inside an RRSP for the purpose of converting that RRSP into an RRIF or similar product by the end of the calendar year in which they attain the age of 69 years (“Registered Plan Requests”), on a first-come, first-served basis without regard to whether a particular request is an Estate Request or a Registered Plan Request, and will satisfy all Estate Requests and all Registered Plan Requests completely before considering requests which are neither Estate Requests nor Registered Plan Requests (“Non-Urgent Requests”). It will consider all Non-Urgent Requests on a first-come, first-served basis. Any requests not honoured at any particular Redemption Meeting shall be considered at the next Redemption Meeting.

The Board will ordinarily approve such requests unless, in the opinion of the Board, such redemption will cause the Credit Union to be unable to comply with the Regulatory Capital requirements of section 84 of the Act.

The Credit Union has the option of redeeming, at the Redemption Amount, some or all of the New Class B Investment Shares then outstanding, subject to restrictions in the Act, after giving at least 21 days notice of its intent to redeem, at any time after five years from the Issue Date. If the Credit Union redeems some of the New Class B Investment Shares then outstanding, the Credit Union must redeem such New Class B Investment Shares *pro rata* from all holders of such shares at that time, and must provide, at its expense, each holder of New Class B Investment Shares with a certificate for the shares still held by that holder.

Purchasers of New Class B Investment Shares who are intending to include such shares in an RRSP contract should carefully review the above redemption provisions and restrictions before proceeding. The Credit Union will not permit New Class B Investment Shares to be held in the shareholder’s RRIF. For that reason, the Credit Union discourages sales of New Class B Investment Shares to members over the age of 65 years if those members intend to hold the shares in an RRSP.

Modification

Modification of the provisions attached to New Class B Investment Shares will require the approval by Special Resolution of the members of the Credit Union voting at an annual meeting or Special Meeting of those members, and the approval of the holders of New Class B Investment Shares. If the proposed amendment also applies to the Former Markham Stouffville Investment Shares and the Former Uxbridge Investment Shares, separate meetings of the holders of the New Class B Investment Shares, the Former Markham Stouffville Investment Shares, and the Former Uxbridge Investment Shares may be required if their rights are affected differently by the amendment. The approval of the holders of the Class A Shares, and specifically the Profit Shares, may be required if the rights of the holders of the Class A Shares, as holders of a junior class of shares, are affected. Such shareholder approval will be expressed by Special Resolution of the holders of the relevant class and series of shares present, in person or by proxy as permitted by the Credit Union’s by-laws, and voting at a separate meeting of such shareholders, with each shareholder having one vote per share held.

Restrictions on Transfer

New Class B Investment Shares may not be transferred except to another member of the Credit Union, or to a person prescribed in the Act and accompanying Regulations. Transfers will be subject to the approval of the Board. Transfer requests will be in writing, using a form approved by the Board. Transfer requests will be tendered to the head office of the Credit Union, together with the certificate or certificates representing the shares to be transferred. New Class B Investment Shares will be transferred to other members at a price equal to the current Redemption Amount.

No member, through transfers of New Class B Investment Shares from other members, will be allowed to hold more New Class B Investment Shares than the member would otherwise have been able to subscribe for in this initial offering (100,000 or the Maximum Permissible Holding, whichever is greater, inclusive of any Former Markham Stouffville Investment Shares or Former Uxbridge Investment Shares not redeemed to purchase New Class B Investment Shares and held by the member as of the Issue Date, either as a result of a purchase of such shares in the initial offering of those shares or from other holders of those shares, or dividends on those shares). **There is no market for the New Class B Investment Shares issued by the Credit Union.**

Amalgamation with PACE

The Amalgamation Agreement with PACE provides that the New Class B Investment Shares of the Credit Union will be converted into shares of Amalgamated CU with identical terms and conditions.

Articles of Amendment

Prospective purchasers of New Class B Investment Shares may obtain, on request at the head office of the Credit Union, a copy of the restated Certificate of Incorporation given May 21, 1999, and of a resolution of the Board passed November 27, 2002, which define its share capital structure, including the full terms and conditions, rights and privileges of New Class B Investment Shares.

The capitalization of the Credit Union as at September 30, 2001, as at September 30, 2002, and as at September 30, 2002 after giving effect to the full issuance of the New Class B Investment Shares, is set out in the following table:

	As at <u>September 30, 2001</u> (audited)	As at <u>September 30, 2002</u> (audited)	As at September 30, 2002, after giving effect to the full issuance of the New Class B Investment Shares (unaudited)
Regulatory Capital			
Unsecured Subordinated			
Indebtedness	*\$60,300	*\$60,300	*\$60,300
Membership Shares	1,742,665	1,686,810	1,686,810
Profit Shares	1,178,851	1,279,631	1,279,631
Former Uxbridge Investment Shares	490,817	507,397	507,397
Former Markham Stouffville Investment Shares	2,738,400	2,563,225	2,563,225
New Class B Investment Shares	0	0	7,920,000
Retained Earnings	<u>2,810,586</u>	<u>2,912,504</u>	<u>2,912,504</u>
Total	<u>\$9,021,619</u>	<u>\$9,009,867</u>	<u>\$16,929,867</u>

* 90% of the full amount of \$67,000. The remaining 10% is not included as Regulatory Capital.

This will not conform to the presentation of these items for financial statement purposes. The Canadian Institute of Chartered Accountants has issued section 3860 of the CICA Handbook, which establishes standards for presentation and disclosure of financial instruments. As part of its pronouncements, it has stated that where an organization has an obligation to redeem shares for a fixed amount under conditions certain to occur, such as a member's resignation or death, these obligations should be disclosed as financial liabilities and not as equity interests. Dividends on these shares are treated as interest expense and deducted from pre-tax income.

SUMMARY OF SHARE TERMS AND CONDITIONS

The following represents a summary of the rights of each class of shares regarding dividends, return of capital on dissolution, redeemability at the holder's initiative, redeemability at the Credit Union's initiative, voting, and inclusion as Regulatory Capital:

	New Class B Investment Shares	Former Markham Stouffville Investment Shares	Former Uxbridge Investment Shares	Profit Shares	Membership Shares
Right					
Dividends	The holders of New Class B Investment Shares are entitled, in preference to holders of the Profit Shares and the Membership Shares, but ranking equally with the holders of the Former Markham Stouffville Investment Shares and the Former Uxbridge Investment Shares, to receive Non-Cumulative cash or share dividends if, as, and when declared by the Board. Holders of the New Class B Investment Shares may, however, consent, by majority vote at a Special Meeting, to the prior payment of dividends to holders of a junior class of shares. See pages 36 and 37 for a discussion of the Credit Union's dividend policy regarding New Class B Investment Shares.	The holders of Former Markham Stouffville Investment Shares are entitled, in preference to holders of the Profit Shares and the Membership Shares, but ranking equally with the holders of the New Class B Investment Shares and the Former Uxbridge Investment Shares, to receive Non-Cumulative cash or share dividends if, as, and when declared by the Board. Holders of the Former Markham Stouffville Investment Shares may, however, consent, by majority vote at a Special Meeting, to the prior payment of dividends to holders of a junior class of shares.	The holders of Former Uxbridge Investment Shares are entitled, in preference to the holders of the Profit Shares and the Membership Shares, but ranking equally with the holders of the New Class B Investment Shares and the Former Markham Stouffville Investment Shares, to receive Non-Cumulative cash or share dividends if, as, and when declared by the Board. Holders of the Former Uxbridge Investment Shares may, however, consent, by majority vote at a Special Meeting, to the prior payment of dividends to holders of a junior class of shares.	The holders of Profit Shares are entitled, in preference to holders of the Membership Shares, but junior to the holders of the New Class B Investment Shares, the Former Uxbridge Investment Shares, and the Former Markham Stouffville Investment Shares, to receive cash or share dividends if, as, and when declared by the Board. Holders of the Profit Shares may, however, consent, by majority vote at a Special Meeting, to the prior payment of dividends to holders of a junior class of shares.	The holders of the Membership Shares are entitled, after payment of dividends to holders of the New Class B Investment Shares, the Former Uxbridge Investment Shares, and the Former Markham Stouffville Investment Shares, and the Profit Shares, of the Credit Union, to receive Non-Cumulative cash or share dividends if, as and when declared by the Board.

	New Class B Investment Shares	Former Markham Stouffville Investment Shares	Former Uxbridge Investment Shares	Profit Shares	Membership Shares
Right					
Return of capital on dissolution	The holders of the New Class B Investment Shares are entitled, in preference to the holders of the Profit Shares and the Membership Shares, but ranking equally with the holders of the Former Markham Stouffville Investment Shares and the Former Uxbridge Investment Shares, to receive the Redemption Amount for each share held upon the liquidation, dissolution, or winding up of the Credit Union, after payment of all of the Credit Union's other debts and obligations.	The holders of the Former Markham Stouffville Investment Shares are entitled, in preference to the holders of the Profit Shares and the Membership Shares, but ranking equally with the holders of the New Class B Investment Shares and the Former Uxbridge Investment Shares, to receive the Redemption Amount for each share held upon the liquidation, dissolution, or winding up of the Credit Union, after payment of all of the Credit Union's other debts and obligations.	The holders of Former Uxbridge Investment Shares are entitled, in preference to the holders of the Profit Shares and the Membership Shares, but ranking equally with the holders of the New Class B Investment Shares and the Former Markham Stouffville Investment Shares, to receive the Redemption Amount for each share held upon the liquidation, dissolution, or winding up of the Credit Union, after payment of all of the Credit Union's other debts and obligations.	The holders of the Profit Shares are entitled, in preference to the holders of the Membership Shares, but junior to the holders of the New Class B Investment Shares, the Former Markham Stouffville Investment Shares, and the Former Uxbridge Investment Shares, to receive the Redemption Amount for each share held upon the liquidation, dissolution, or winding up of the Credit Union, after payment of all of the Credit Union's other debts and obligations.	The holders of the Membership Shares are entitled, on dissolution of the Credit Union, to receive an amount representing equal portions of the assets or property of the Credit Union remaining after payment of all the Credit Union's debts and obligations, including redemption of the New Class B Investment Shares, the Former Markham Stouffville Investment Shares, and the Former Uxbridge Investment Shares, and the Profit Shares.

	New Class B Investment Shares	Former Markham Stouffville Investment Shares	Former Uxbridge Investment Shares	Profit Shares	Membership Shares
Right					
Redeemability at the holder's initiative (Retraction)	No holder of the New Class B Investment Shares may request retraction during the first five years following the issuance of the shares, unless the shareholder has died or been expelled from membership. In no case shall the total number of New Class B Investment Shares retracted in any fiscal year exceed 10% of the issued and outstanding New Class B Investment Shares reported on the Credit Union's audited financial statements for the preceding fiscal year, and in no case shall a retraction occur which would cause the Credit Union to fail to comply with Regulatory Capital and liquidity requirements.	No holder of the Former Markham Stouffville Investment Shares may request retraction during the first five years following the issuance of the shares, unless the shareholder has died. In no case shall the total number of Former Markham Stouffville Investment Shares retracted in any fiscal year exceed 10% of the issued and outstanding Former Markham Stouffville Investment Shares reported on the Credit Union's audited financial statements for the preceding fiscal year, and in no case shall a retraction occur which would cause the Credit Union to fail to comply with Regulatory Capital and liquidity requirements.	The holders of the Former Uxbridge Investment Shares may request retraction at any time. In no case shall the total number of Former Uxbridge Investment Shares retracted in any fiscal year exceed 10% of the issued and outstanding Former Uxbridge Investment Shares reported on the Credit Union's audited financial statements for the preceding fiscal year, and in no case shall a retraction occur which would cause the Credit Union to fail to comply with Regulatory Capital and liquidity requirements.	No holder of the Profit Shares may request retraction, unless the shareholder has died, has withdrawn or been expelled from membership in the Credit Union, or has attained the age of 65 years. In no case shall the total number of Profit Shares retracted in any fiscal year exceed 10% of the issued and outstanding Profit Shares reported on the Credit Union's audited financial statements for the preceding fiscal year, and in no case shall a retraction occur which would cause the Credit Union to fail to comply with Regulatory Capital and liquidity requirements.	Upon death or withdrawal or expulsion from membership in the Credit Union, the holder must request retraction of his or her Membership Shares held, at the amount paid up for each such Membership Share plus any declared but unpaid dividends thereon. The Credit Union will comply with all such retraction requests unless the retraction would cause the Credit Union to fail to comply with Regulatory Capital and liquidity requirements.
Redeemability at the Credit Union's initiative	The Credit Union may at its initiative redeem, subject to continued compliance with Regulatory Capital and liquidity requirements, at the Redemption Amount, all or any portion of the New Class B Investment Shares outstanding at any time five years or more after the shares are issued.	The Credit Union may at its initiative redeem, subject to continued compliance with Regulatory Capital and liquidity requirements, at the Redemption Amount, all or any portion of the Former Markham Stouffville Investment Shares outstanding at any time five years or more after the shares are issued.	The Credit Union may at its initiative redeem, subject to continued compliance with Regulatory Capital and liquidity requirements, at the Redemption Amount, all or any portion of the Former Uxbridge Investment Shares outstanding at any time five years or more after the shares are issued.	The Credit Union may at its initiative redeem, subject to continued compliance with Regulatory Capital and liquidity requirements, at the Redemption Amount, all or any portion of the Profit Shares outstanding at any time five years or more after the shares are issued.	Membership Shares are not redeemable at the Credit Union's initiative.

	New Class B Investment Shares	Former Markham Stouffville Investment Shares	Former Uxbridge Investment Shares	Profit Shares	Membership Shares
Right					
Voting	New Class B Investment Shares do not carry any voting rights, except when the Act requires that these shares carry voting rights.	Former Markham Stouffville Investment Shares do not carry any voting rights, except when the Act requires that these shares carry voting rights.	Former Uxbridge Investment Shares do not carry any voting rights, except when the Act requires that these shares carry voting rights.	Profit Shares do not carry any voting rights, except when the Act requires that these shares carry voting rights.	Each member of the Credit Union over the age of 18 years has one vote on any matter considered by a membership meeting of the Credit Union, regardless of the number of Membership Shares held.
Treatment as Regulatory Capital	The Credit Union includes 90% of the New Class B Investment Shares as Tier I Regulatory Capital. The Credit Union includes the remaining 10% of the New Class B Investment Shares as Tier II Regulatory Capital.	The Credit Union includes 90% of the Former Markham Stouffville Investment Shares as Tier I Regulatory Capital. The Credit Union includes the remaining 10% of the Former Markham Stouffville Investment Shares as Tier II Regulatory Capital.	The Credit Union includes 90% of the Former Uxbridge Investment Shares as Tier I Regulatory Capital. The Credit Union includes the remaining 10% of the Former Uxbridge Investment Shares as Tier II Regulatory Capital.	The Credit Union includes 90% of the Profit Shares as Tier I Regulatory Capital. The Credit Union includes the remaining 10% of the Profit Shares as Tier II Regulatory Capital.	The Credit Union includes all of its Membership Shares as Tier I Regulatory Capital.

Capital is defined by its relative permanence (*i.e.*, inability to be redeemed quickly), freedom from mandatory fixed charges against the earnings of the Credit Union (*e.g.*, cumulative dividends), and subordinate position to the rights of depositors and other creditors of the Credit Union, who are paid the sums they are due before the holders of capital receive any funds. Tier I capital qualifies as capital under all three definitions. Tier II capital, in general, meets only two of the three definitions. A credit union, to the extent that its Tier II capital exceeds its Tier I capital, may not include the excess Tier II capital as Regulatory Capital. A credit union's Membership Shares and retained earnings qualify as Tier I capital. Since the Credit Union's Tier I capital at all times exceeds its Tier II capital, both its Tier I capital and also its Tier II capital are included in Regulatory Capital.

RISK FACTORS

The following risk factors should be considered in making a decision to purchase New Class B Investment Shares.

Transfer and Redemption Restrictions

There is no market through which the New Class B Investment Shares may be sold. These securities may only be transferred to another member of the Credit Union or to a person prescribed by the Act and accompanying Regulations.

The Act prohibits redemption of shares of a credit union if the Board of the Credit Union has reasonable grounds to believe that the Credit Union is, or the payment would cause it to be, in contravention of prescribed

liquidity and Regulatory Capital adequacy tests for credit unions. Further, the New Class B Investment Shares are not redeemable during the five years next following the Issue Date except where the holder dies or is expelled from membership in the Credit Union, and all redemptions are limited in any fiscal year to 10% of the New Class B Investment Shares outstanding at the end of the previous fiscal year. Consequently, holders of New Class B Investment Shares may not be able to sell or redeem their securities when they wish to do so.

Members who intend to hold New Class B Investment Shares within an RRSP contract should carefully review this risk factor before proceeding. The Credit Union will not permit New Class B Investment Shares to be held in a RRIF contract. For that reason, the Credit Union discourages sales of New Class B Investment Shares to members over the age of 65 years if those members intend to hold the shares in an RRSP.

Capital Adequacy

The Act requires the Credit Union to maintain Regulatory Capital sufficient to attain at least a specified Leverage Ratio and Risk-Weighted Assets Ratio. Since October 1, 1997, the required Leverage Ratio has been 5.00% and the required Risk-Weighted Assets Ratio has been 8.00%. The Credit Union was, as of September 30, 2002, 2001 and 2000, in compliance with both the Risk-Weighted Assets Ratio and Leverage Ratio requirements of section 84 of the Act, having attained a Risk-Weighted Assets Ratio of 10.3%, 10.7%, and 11.1%, respectively, and a Leverage Ratio of 6.2%, 6.3%, and 6.5%, respectively.

If this offering is fully subscribed (8,000,000 shares), assuming the levels of assets and equity stated in the September 30, 2002 audited financial statements and no conversion of existing Former Markham Stouffville Investment Shares or Former Uxbridge Investment Shares, the Credit Union will have a Leverage Ratio of 11.59%, and could grow by approximately \$192,544,622 from its total assets as of September 30, 2002. If this offering is minimally subscribed (500,000 shares), on the same conditions, the Credit Union will have a Leverage Ratio of 6.46%, and could grow by approximately \$42,544,622 from its total assets as of September 30, 2002.

Payment of Dividends

This is the Credit Union's first issuance of New Class B Investment Shares, and there is therefore no dividend payment record established for these shares. The Credit Union has established the dividend payment record outlined at pages 36 and 37, regarding both its Former Markham Stouffville Investment Shares and its Former Uxbridge Investment Shares, and also its Profit Shares. Past payment of dividends is in no way, however, an indicator of whether or not dividends will be paid in the future. The payment of dividends to the holders of New Class B Investment Shares is dependent on the ability of the Credit Union to meet the Regulatory Capital adequacy requirements of the Act, the availability of earnings, and the exercise by the Board of the Credit Union of its discretion as to whether or not to declare a dividend, the rate at which the dividend is to be declared, and the proportions of additional shares and cash for payment of such dividend.

Dividends paid on the New Class B Investment Shares are taxed as ordinary income and not as dividend income, and are therefore not eligible for the treatment given to dividends received by Canadian taxpayers from taxable Canadian corporations, commonly referred to as the "dividend tax credit".

The Board has stated a dividend policy for New Class B Investment Shares, outlined on page 37. The Board may, at its discretion, change this policy at any time.

The major activity of the Credit Union is the lending of money to members and, as a result, there exists the risk of loss from uncollectible loans. The lending policies of the Credit Union, the care and attention of staff and management in applying such policies to loan applications and loans granted, and the security taken in connection with such applications, will affect the future profitability of the Credit Union and impact on its ability to pay dividends and redeem New Class B Investment Shares when the members wish it to do so. The loan portfolio at September 30, 2002, 2001 and 2000, segregated into those classes of loans which are defined in the Regulations to the Act, and the activity in the allowance for doubtful loans are detailed below.

Loans by Classification	September 30, 2002	September 30, 2001	September 30, 2000
Personal Loans	\$40,020,097	\$37,282,317	\$37,196,475
Mortgage Loans	37,253,519	40,023,028	39,130,116
Commercial Loans	32,481,571	33,865,882	31,886,117
Agricultural Loans	0	33,890	232,046
Less Allowance for Impaired Loans	(290,745)	(617,327)	(635,768)
	<u>\$109,464,442</u>	<u>\$110,587,790</u>	<u>\$107,808,986</u>

September 30, 2002	PERSONAL	MORTGAGE	COMMERCIAL	TOTAL
Opening Balance	\$238,004	\$0	\$379,323	\$617,327
Collection of loans previously written off	6,736	0	0	6,736
Accounts written off	(45,642)	(137,826)	(54,850)	(238,318)
Loans transferred to investments	0	0	(157,000)	(157,000)
Provision (recovery) charged to operations	0	<u>137,826</u>	<u>(75,826)</u>	<u>62,000</u>
Closing balance	<u>\$199,098</u>	<u>\$0</u>	<u>\$91,647</u>	<u>\$290,745</u>

September 30, 2001	PERSONAL	MORTGAGE	COMMERCIAL	TOTAL
Opening Balance	\$346,646	\$0	\$289,122	\$635,768
Collection of loans previously written off	11,540	0	14,551	26,091
Accounts written off	(120,182)	(0)	(131,350)	(251,532)
Provision charged to operations	<u>0</u>	<u>0</u>	<u>207,000</u>	<u>207,000</u>
Closing balance	<u>\$238,004</u>	<u>\$0</u>	<u>\$379,323</u>	<u>\$617,327</u>

September 30, 2000	PERSONAL	MORTGAGE	COMMERCIAL	TOTAL
Opening Balance	\$318,855	\$97,440	\$207,195	\$623,490
Collection of loans previously written off	\$14,870	10,000	0	24,870
Accounts written off	(107,079)	(85,604)	(69,909)	(262,592)
Provision (recovery) charged to operations	<u>120,000</u>	<u>(21,836)</u>	<u>151,836</u>	<u>250,000</u>
Closing balance	<u>\$346,646</u>	<u>\$0</u>	<u>\$289,122</u>	<u>\$635,768</u>

Allowance for credit losses represent, as of the date hereof, specific and non-specific provisions established as a result of reviews of individual loans and groups of loans. Specific allowances are established by reviewing the credit worthiness of individual borrowers and the value of the collateral underlying the loan.

A provision for loss is established when there is reasonable doubt that the full amount of principal and interest will be collected. In such case, a specific provision is established to write down the loan to its estimated realizable amount. The estimated realizable amount is measured by discounting the expected future cash flows at the effective interest rate inherent in the loan. In cases where it is impractical to estimate the future cash flows, the carrying amount of the loan is reduced to its estimated realizable value by measuring the fair value of any security, net of expected costs, or its observable market price.

The non-specific provision is established to absorb any potential credit losses, is determined through analysis of economic developments and current portfolio trends for credit losses, and cannot be determined on a loan-by-loan basis. When losses can be attributable to individual loan facilities, specific provisions are recorded.

The Credit Union has an established policy of providing, on a monthly basis, an allowance to cover potential loan losses, plus accrued interest. Each month the allowance is reviewed and, if potential loan losses are identified, an allowance is specifically allocated to each impaired loan. The Credit Union calculates its allowance in accordance with By-law No. 6 of DICO. The following table shows the Credit Union's impaired loans net of the related allowance for loan losses as of September 30, 2002, 2001, and 2000:

	September 30, 2002	September 30, 2001	September 30, 2000
Impaired loans			
Personal Loans	\$245,341	\$313,418	\$375,820
Mortgage Loans	250,127	868,551	661,800
Commercial Loans	791,975	4,190,444	1,709,347
Agricultural Loans	<u>0</u>	<u>0</u>	<u>0</u>
Total impaired loans	1,287,443	5,372,413	2,746,967
Less allowance for impaired loans	<u>(290,745)</u>	<u>(617,327)</u>	<u>(635,768)</u>
Net impaired loans	<u>\$996,698</u>	<u>\$4,755,086</u>	<u>\$2,111,199</u>
Impaired Personal Loans as a percentage of gross Personal Loans	0.61%	0.84%	1.01%
Impaired Mortgage Loans as a percentage of gross Mortgage Loans	0.67%	2.17%	1.69%
Impaired Commercial Loans as a percentage of gross Commercial Loans	2.44%	12.37%	5.36%
Impaired Agricultural Loans as a percentage of gross Agricultural Loans	0.00%	0.00%	0.00%
Impaired loans as a percentage of total loans outstanding	1.17%	4.83%	2.53%

The Credit Union's impaired loans, as a percentage of its total loans outstanding, are higher than generally seen in the financial services industry. This is particularly true of the Credit Union's Commercial Loans.

The high level of impaired Commercial Loans, particularly in the fiscal year ended September 30, 2001, is partially explained by the loans referred to under the heading "Lawsuits and other Material or Regulatory Action", beginning at page 42.

Net loans written off during the fiscal years ended September 30, 2002, 2001 and 2000 were \$231,582, \$225,441 and \$237,722, respectively. Bad debt expense for the same periods were \$62,000, \$207,000, and

\$250,000, respectively. The allowance for doubtful loans, as of September 30, 2002, 2001 and 2000, was 0.26%, 0.56%, and 0.59% of total loans outstanding, respectively.

Risk of Loss on Investments

The Credit Union is also exposed to some risk in respect of its investments. The investment policy approved by the Board of the Credit Union requires that the Credit Union invest its excess liquidity in financial assets with an objective of optimising yields in securities providing a high level of security and liquidity. The policy requires that the Credit Union seek to achieve an overall return slightly in excess of government securities. The Credit Union's policy permits the Credit Union to invest its surplus funds in deposits in a league, a Schedule I or II bank, or a loan and trust corporation registered under the *Loan and Trust Corporations Act*, treasury bills issued by Canadian governments; bond and debentures unconditionally guaranteed by Canadian governments; acceptances issued by chartered banks, Schedule I banks, or Schedule II banks with a Dominion Bond Rating Service rating of R-1 Low or better; or commercial paper issued by corporations with a Dominion Bond Rating Service rating of R-1 Low or better. The Credit Union is also permitted to invest in the common or preferred shares of a corporation, provided that the total investment complies with the Act and does not exceed \$1,000,000. The policy imposes portfolio limits on the various kinds of permitted investments, on the term for which each type of investment may be purchased, and on unhedged investments in foreign currencies. The Credit Union's investment policy also permits investments in derivative instruments solely for asset/liability matching and "hedging" purposes. This policy is reviewed annually. The Chief Executive Officer has authority to make such investments, and may delegate that authority within defined limits.

As of September 30, 2002 and in addition to the required investments in CUCO, Co-op Trust, and Credential Securities Inc., the Credit Union's investment portfolio consisted of term deposits at CUCO, property acquired through foreclosure and held for resale, government bonds, bankers' acceptances, marketable securities, the Credit Union's investment in CU-Connection Limited, and the Credit Union's investment in No Curves Automotive Financing Inc. ("NCAFI") discussed below.

The Credit Union holds 300 common shares of NCAFI, which it purchased for \$100,000. PACE holds a similar investment. A third corporation, Canadian Automotive Management Services Inc. ("CAMS"), holds 400 common shares, which were issued to it for \$133,332 in past services rendered to NCAFI. NCAFI has, in turn, entered into a management agreement with CAMS which requires CAMS to provide management services to NCAFI in return for a fee. The Credit Union, PACE, CAMS, and the two individual shareholders of CAMS are parties with NCAFI to a unanimous shareholders' agreement dated November 21, 2000 governing NCAFI's operations. The Board and management of both the Credit Union and also PACE are concerned about the performance of this investment, and have written down the total investment in the company by \$50,000 each as of September 30, 2002. The Credit Union's write-down of the value of this investment is reflected in the audited financial statements included in this offering statement.

The Credit Union has also written down the value of its investment in marketable securities by \$150,000 in the fiscal year ended September 30, 2002, and by \$100,000 in 2001, to recognize permanent impairment in the value of those investments.

A significant portion of the value of property acquired through foreclosure and held for resale relates to the loans referred to under the heading "Lawsuits and other Material or Regulatory Action", beginning at page 42.

Liquidity Risk

Liquidity risk is the risk that a financial institution will have to sell assets at a loss to meet cash demands. As a member of a qualifying liquidity pool, the Credit Union must maintain an amount at least equal to 8% of its members' deposits and borrowings in prescribed classes of assets pursuant to the Regulation passed pursuant to the Act. The Credit Union's policy is to maintain liquidity between 10% and 18% of deposits and other debt

liabilities, and the Credit Union will take corrective action if liquidity is in danger of dropping below 10% of deposits and borrowings. The Credit Union has maintained an average liquidity position of 16.53%, 18.04%, and 16.10%, respectively, in the fiscal years ended September 30, 2002, 2001, and 2000.

Interest Rate Risk

Interest rate risk arises from a mismatch between rates and maturities of members' deposit liabilities and the yields and maturities of members' loans and other investments of the Credit Union. It is the policy of the Credit Union to keep exposure to interest rate fluctuations within limits set by its Board policies. Regulations require that the Credit Union expose no more of its net income than a sum equal to 15 basis points of its total assets to a reasonably-anticipated change in interest rates. Its Board policy is in compliance with this Regulation. To achieve this matched position, the Credit Union uses a comprehensive set of financial reporting systems, including computerized modelling techniques. The Credit Union can respond to market interest rate changes with immediate pricing adjustments to deposit and loan products, if necessary to correct a potential mismatch, although such adjustments, because they only affect new transactions, may not succeed in eliminating the mismatch. As at September 30, 2002, the Credit Union's matching analysis indicated that a change in interest rates of 100 basis points (1%) would have exposed the net income equivalent of 9 basis points of the total assets of the Credit Union to that fluctuation if it were an increase, and 6 basis points if it were a decrease.

In the event that the Credit Union were to become mismatched to an extent which exceeds the limits described above, future profitability could become seriously eroded, with a resulting negative impact on the ability of the Credit Union to pay dividends or redeem shares.

Regulatory Action

Under the Act, the Deposit Insurance Corporation of Ontario, as stabilization authority for the credit unions and caisses populaires in Ontario, can ask the Superintendent of Financial Services to place a credit union or caisse populaire under Supervision, and may, itself, place a credit union or caisse populaire under Administration should it believe that there is a potential for the credit union or caisse populaire to encounter financial or management problems which could affect its financial well-being or which could tend to increase the risk of claims by the credit union or caisse populaire against the deposit insurance fund.

Reliance on Key Management

The success of the Credit Union's business strategy is dependent on the ability of the Credit Union to retain its key senior management personnel. The inability to retain such persons, or replace them with individuals of equal competence, could adversely affect the Credit Union's financial performance. The Credit Union does have in place written employment agreements covering the services of its key management personnel, providing that these employees may terminate their employment relationships with the Credit Union only on six months' written notice.

The Credit Union has employment contracts with its President and Chief Executive Officer, Chief Financial Officer, Vice President Administration, and Vice President Business Development, which outline the terms of their employment by the Credit Union and provide for termination allowances. The termination provisions of all of these contracts are fully funded, with the funds being held in a trust account as disclosed in note 7 to the financial statements on page 64. The appropriate amounts are being charged to operations annually to absorb the termination costs over the estimated average remaining service life of these four employees.

Board and management are of the opinion that the senior management team could successfully cope with the temporary absence of the President and Chief Executive Officer or any other member of the senior management team. Aside from the President and Chief Executive Officer, there are two former general managers or chief executive officers on the senior management team. The amalgamation with PACE further increases the depth

of the senior management team, by adding two additional former general managers or chief executive officers to the senior management team. The Credit Union also has an informal, verbal arrangement with a third party that he would assist the Credit Union in the absence of the President and Chief Executive Officer until the incumbent returned or a new individual could be recruited to the position.

Geographic/Industry Risk

The Credit Union believes it is at no particular risk of exposure to any particular geographic area or industrial sector. Its membership is diversified across both geographic area and industrial sector. Loans to businesses involved in particular industrial sectors are well within the Credit Union's policy limit, and any above-average delinquency in a particular sector triggers a non-specific allowance for impaired loans.

Competitive Risk

The Credit Union believes it is at no unusual competitive risk. The financial services industry remains intensely competitive, and all of the major Canadian banks, as well as numerous independent financial planners and the "branchless" banks (*i.e.*, President's Choice and ING Bank) are active in the Credit Union's geographic area. The Credit Union's approach is to stay competitive on rates and service charges, and be "neither the best nor the worst" in any particular item.

DIVIDEND RECORD AND POLICY

The Credit Union has paid dividends, in full compliance with the dividend policy stated in the offering statement issued by the former Markham Stouffville Community Credit Union Limited dated September 15, 1995 and the former Uxbridge Credit Union Limited dated December 29, 1996, regarding its Former Markham Stouffville Investment Shares and its Former Uxbridge Investment Shares, in its last five fiscal years of operation, as outlined in the following table:

Issued and Outstanding Former Markham Stouffville Investment Shares	Fiscal Year Ended	Aggregate Dividend Paid	Rate
\$2,563,225	September 30, 2002	\$153,794	6.00%
\$2,738,400	September 30, 2001	\$109,536	4.00%
\$2,959,000	September 30, 2000	\$207,130	7.00%
\$2,959,000	September 30, 1999	\$150,909	5.10%
\$2,960,000	September 30, 1998	\$148,000	5.00%

Issued and Outstanding Former Uxbridge Investment Shares	Fiscal Year Ended	Aggregate Dividend Paid	Rate
\$507,397	September 30, 2002	\$28,720	6.00%
\$490,817	September 30, 2001	\$18,878	4.00%
\$499,278	September 30, 2000	\$32,663	7.00%
\$513,256	September 30, 1999	\$24,905	5.10%
\$488,351	September 30, 1998	\$23,256	5.00%

The Credit Union has also paid dividends on its Profit Shares in three of its last five fiscal years, as follows:

Issued and Outstanding Profit Shares	Fiscal Year Ended	Aggregate Dividend Paid	Rate
\$1,279,631	September 30, 2002	\$63,727	6.00%
\$1,178,851	September 30, 2001	\$0	0.00%
\$1,191,165	September 30, 2000	\$0	0.00%
\$984,035	September 30, 1999	\$40,427	5.10%
\$794,274	September 30, 1998	\$32,028	5.00%

The dividends outlined above were all paid in the form of Profit Shares, in the case of dividends on the Former Markham Stouffville Investment Shares and the Profit Shares, and in the form of Former Uxbridge Investment Shares, in the case of dividends on the Former Uxbridge Investment Shares.

The former Markham Stouffville Community Credit Union Limited and the former Uxbridge Credit Union Limited also honoured their obligations under the above-described offering statements to pay subscription bonuses of 10% in the case of the former Markham Stouffville Community Credit Union Limited (in the aggregate amount of \$300,000) and of 5% in the case of the former Uxbridge Credit Union Limited (in the aggregate amount of \$21,094), in the form of additional shares of the series and class offered for sale pursuant to the above-described offering statements.

Past payment of dividends in no way indicates whether or not dividends will be paid in the future.

See pages 15, 16, 17, 18, 19, 20, 21, 26, and 30 for a discussion of the priority of New Class B Investment Shares in the payment of dividends.

The dividend policy of the Credit Union's Board for New Class B Investment Shares shall be to pay a dividend or dividends in every year in which there are sufficient profits to do so while still fulfilling all other Regulatory Capital and operational requirements. The dividend rate shall be established by the Board, in its sole and absolute discretion, based on financial and other considerations prevailing at the time of the declarations. The Board shall consider whether or not a dividend shall be declared, and at what rate and in which manner, at least annually following each fiscal year end and before each annual general meeting of members.

Although there can be no guarantee that a dividend will be paid in each year, it is the policy of the Board that an appropriate dividend will be declared and paid in each year, provided that the Credit Union is in compliance with Section 84 of the Act. The Board has defined, based on current market conditions, an appropriate annual dividend rate, on the Redemption Price for each New Class B Investment Share, to be 6%; this may not, however, be indicative of dividends actually paid.

Following consideration and payment of a dividend on the New Class B Investment Shares, and on the Former Markham Stouffville Investment Shares and the Former Uxbridge Investment Shares, the Board may decide to pay a dividend on shares ranking junior to the New Class B Investment Shares, the Former Markham Stouffville Investment Shares, and the Former Uxbridge Investment Shares, including Profit Shares and Membership Shares.

As a one-time event, the Board will consider and, if thought appropriate, declare a special dividend to holders of New Class B Investment Shares within 30 days of issuance. The planned rate for this special dividend will be 10% of the acquisition cost of the New Class B Investment Shares. The Credit Union plans to pay this special dividend in the form of Profit Shares, and not in form of cash. It is not anticipated that shares of any other class or series will receive this special dividend.

USE OF PROCEEDS FROM SALE OF SECURITIES

Shares will be issued for cash. If the Superintendent approves, subscribers may purchase these shares by presenting for redemption the Former Markham Stouffville Investment Shares and Former Uxbridge Investment Shares they hold as of the date of their subscription.

The principal uses of the net proceeds and purpose of this offering will be to provide a capital base for future growth of the Credit Union, so that the Credit Union continues to comply with both the Leverage and Risk-Weighted Ratio requirements of the Act, and also with its own policies and sound business practices, which encourage the Credit Union to maintain Regulatory Capital in excess of legal requirements to fund the Credit Union's growth. Based on a Leverage Ratio of 5%, assuming the offering is fully subscribed and there are no conversions of Former Markham Stouffville Investment Shares or Former Uxbridge Investment Shares and that in all other respects the Credit Union's assets and equity are as stated on its September 30, 2002 financial statements, the Credit Union's Regulatory Capital could support additional growth of \$192,544,622. On the same assumptions except that this offering is only minimally subscribed, the Credit Union's Regulatory Capital could support additional growth of \$42,544,622. The cash generated from the issuance of the securities, to the extent it represents new cash to the Credit Union rather than being a transfer from existing accounts, will be used for general business purposes, being primarily the lending of money to members and the investment of surplus funds in high quality investments.

The growth possible for the Credit Union if this offering is fully or minimally subscribed is calculated as follows. If this offering is fully subscribed, the Credit Union will have Regulatory Capital of \$16,929,867. Dividing this amount of Regulatory Capital by the required Leverage Ratio of 5% reveals that the Credit Union would then have sufficient Regulatory Capital to support assets of \$338,597,340. Subtracting from this level of assets the Credit Union's total assets as reported on its audited September 30, 2002 balance sheet indicates that the Credit Union could grow by \$192,544,622 if this offering is fully subscribed. The Credit Union's Leverage Ratio in this case will be 11.59%.

If this offering is only minimally subscribed, however, the Credit Union will have Regulatory Capital of \$9,509,867. Dividing this level of Regulatory Capital by the required Leverage Ratio of 5% reveals that the Credit Union would then have sufficient Regulatory Capital to support assets of \$188,597,340. Subtracting from this level of assets the Credit Union's total assets as reported on its audited September 30, 2002 balance sheet indicates that the Credit Union could grow by \$42,544,622 if this offering is minimally subscribed. The Credit Union's Leverage Ratio in this case would be 6.46%.

PLAN OF DISTRIBUTION

1. The price to members for each New Class B Investment Share will be \$1.00.
2. There will be no discounts paid to anyone for the sale of these securities. Any commissions paid will be considered a cost of the offering, and will not exceed \$100,000 in the aggregate.
3. One hundred percent (100%) of the proceeds of the sale of these securities will go to the Credit Union, which will then be responsible for the payment of the costs associated with this Offering Statement.

Subscriptions for the New Class B Investment Shares shall be accepted as of the date hereof, and for a period of six months after the date hereof; or until a date on which subscriptions have been received for the maximum 8,000,000 New Class B Investment Shares; or until a date, after the Credit Union has received subscriptions for the minimum 500,000 New Class B Investment Shares, but before six months have passed from the date hereof, on which the Board in its sole and absolute discretion shall determine to close the offering, whichever shall occur first (the "Closing Date"). Subscriptions will be accepted on a first come, first served basis, and subscription forms will be marked with the time and date accepted. The Credit Union will closely monitor subscriptions being received as total subscriptions approach the maximum. Potential purchasers making

subscription requests at that time may not be allowed to subscribe for the full number or amount of shares they desire, or their subscription request may be refused. This offering may not be over-subscribed, and subscriptions will not be pro-rated.

If the funds to be used by a subscriber to pay for shares subscribed are on deposit at the Credit Union, the subscriber will authorize the Credit Union to place a hold on such accounts in an amount equal to the issue price of the number of shares for which the member subscribes. If the offering is completed, such hold will be released, and the authorized amount will be used to pay for the shares for which the member subscribed. If the offering is withdrawn, or if the decision to buy is reversed by the subscriber (as described on the cover of this offering statement), the hold will be released immediately thereafter.

If the funds to be used by a subscriber to pay for shares subscribed are coming from outside the Credit Union, such funds will be held in Escrow, in accounts to be trusted by Co-operative Trust Company of Canada, until the offering is completed or withdrawn, or until the subscriber exercises the right to reverse the decision to purchase the securities (as described on the cover of this Offering Statement). If the offering is completed, the proceeds will be released from Escrow and used to pay for the shares for which the member subscribed. If the offering is withdrawn, or if the subscriber reverses the decision to buy, the proceeds will be refunded in full, plus interest calculated at the Credit Union's 30 day term deposit rate as at the date of this offering statement, pro-rated for the number of days the funds were in Escrow, to those who subscribed.

If the Superintendent approves payment for New Class B Investment Shares with property (i.e., issued and outstanding Former Markham Stouffville Investment Shares and Former Uxbridge Investment Shares), subscribers may purchase New Class B Investment Shares by submitting irrevocable requests for redemption of all or any part of the Former Markham Stouffville Investment Shares or Former Uxbridge Investment Shares they hold as of the date of their subscription, together with their share certificate(s). The Credit Union will then process those redemption requests in the normal way, as outlined on page 18 and 19 hereof, but will issue New Class B Investment Shares to those subscribers on the Issue Date instead of paying to the subscriber the Redemption Amount for each such share redeemed when the redemption is processed. If the offering is withdrawn, or if the subscriber reverses the decision to buy, the Credit Union will return the redemption request and share certificate(s) to the subscriber without processing the request, unless the subscriber otherwise directs.

If a member subscribes for more than the Maximum Permissible Holding, the Credit Union will honour the subscription to the Maximum Permissible Holding. To the extent the subscription exceeds the Maximum Permissible Holding, for the purposes of the subscription arrangements described above, the Credit Union will regard the member as having properly withdrawn the over-subscribed portion of the subscription on the Closing Date, regardless of when the member received the offering statement, and will either release the hold on the member's accounts, or return funds held in Escrow to the member (together with applicable interest), or issue to the subscriber a new share certificate for the Former Markham Stouffville Investment Shares and / or the Former Uxbridge Investment Shares not required to be redeemed to purchase New Class B Investment Shares, as appropriate. The Maximum Permissible Holding is inclusive of any Former Markham Stouffville Investment Shares or Former Uxbridge Investment Shares not redeemed to purchase New Class B Investment Shares and held by the member as of the Issue Date, whether as a result of purchases of those shares in the initial offering or from another shareholder, or of dividends received on those shares.

The above-noted terms and conditions regarding holds on deposit accounts and regarding Escrow accounts are detailed on the Credit Union's subscription form for New Class B Investment Shares and on separate agreements, to be signed by subscribers, authorizing holds on deposit accounts, placement of proceeds in Escrow accounts, and redemption of Former Markham Stouffville Investment Shares and/or Former Uxbridge Investment Shares. Copies of the Subscription Form and the forms for authorization of a hold on funds in deposit accounts, placement of funds in Escrow accounts, and redemption of Former Markham Stouffville

Investment Shares and/or Former Uxbridge Investment Shares, are printed in this Offering Statement on pages 79, 80, 81, and 82.

If fully subscribed, the gross proceeds to be derived by the Credit Union from the sale of the New Class B Investment Shares shall be \$8,000,000. The costs of issuing these securities are not expected to exceed \$100,000, and these costs, net of applicable tax savings approximating \$20,000, will be deferred and amortized during the five years following the initial issue of New Class B Investment Shares. The estimated maximum net proceeds of this offering of securities are \$7,920,000.

If, after six months from the date of this Offering Statement, subscriptions received for the New Class B Investment Shares amount to less than \$500,000 in the aggregate, this offering for New Class B Investment Shares will either be renewed with the approval of the Superintendent of Financial Services, or be cancelled and withdrawn, all funds “frozen” or held in Escrow to support subscriptions will be returned to the respective members within 30 days thereof, with applicable interest, and all redemption requests will be returned to the respective members, without shares being issued. If subscriptions for the New Class B Investment Shares amounting to \$500,000 or more have been received, such shares for which subscriptions have been received will be issued within sixty business days of the Closing Date (the “Issue Date”).

The New Class B Investment Shares will not be sold by underwriters or other dealers in securities, but may be offered to members of the Credit Union by deposit brokers with whom the Credit Union has a relationship, or by employees of PACE. The minimum subscription per member shall be \$1,000 for 1,000 New Class B Investment Shares. The maximum subscription per member shall be \$100,000 for 100,000 New Class B Investment Shares. However, no member can purchase more than the Maximum Permissible Holding, which is inclusive of any Former Markham Stouffville Investment Shares and Former Uxbridge Investment Shares not redeemed to purchase New Class B Investment Shares and held by the member at the Issue Date, whether as a result of purchases of such shares or dividends received on those shares. Shares will only be issued subject to the full price of such securities being paid, in cash or in property.

MARKET FOR THE SECURITIES

There is no market for the New Class B Investment Shares. These securities may only be transferred to another member of the Credit Union or to a person prescribed by the Act and accompanying Regulations.

SENIOR DEBT (RANKING AHEAD OF NEW CLASS B INVESTMENT SHARES)

See page 19 and 20 for a discussion of the Credit Union’s unsecured subordinated indebtedness, which ranks prior to the New Class B Investment Shares.

The Credit Union has arranged a line of credit and overdraft facilities totalling CDN\$6,000,000 at CUCO. The purpose of this combined facility is to cover fluctuations in daily clearing volume on the chequing accounts of the members of the Credit Union, whether Canadian-dollar or U.S.-dollar, to enable the Credit Union to meet its need for U.S. currency, to support the Credit Union’s extension of letters of credit to its members, and to support the Credit Union’s investments in derivative instruments. As security for these credit facilities, the Credit Union has given CUCO promissory notes, a general assignment of its book debts, and a general security agreement covering all of its assets.

The Credit Union does not utilize, and has not utilized at any time during its last three fiscal years, these credit facilities for anything other than covering an overnight cheque clearing overdraft.

AUDITORS, REGISTRAR AND TRANSFER AGENT

The auditors of the Credit Union are Deloitte & Touche LLP, BCE Place, 181 Bay Street, Suite 1400, Toronto, Ontario M5J 2V1, phone 416-601-6150, facsimile 416-601-6505.

The registrars and transfer agents for the New Class B Investment Shares are designated staff of the Credit Union.

DIRECTORS AND SENIOR MANAGEMENT

Board of Directors

The following table sets forth the board of directors of Credit Union:

Name/Municipality of Residence	Principal Occupation	Position/Office
Terry Ryan Markham, Ontario.	Project Manager	Chair
Jim Tindall Uxbridge, Ontario.	Farmer	Vice Chair
Barry Bushell Uxbridge, Ontario.	Retail Store Owner	Corporate Secretary
Richard Wilton Scarborough, Ontario.	Retired	Audit Committee Chair; Director
Craig Andrew Oshawa, Ontario.	Controller	Audit Committee Member; Director
Lorne Culley Oshawa, Ontario.	Systems Consultant	Audit Committee Member; Director
Michelle Parker Port Perry, Ontario.	Manager, Business Marketing	Audit Committee Member; Director
Joe Posivy Aurora, Ontario.	Retired	Audit Committee Member; Director
Marg King Stouffville, Ontario.	Retail Franchise Owner	Director
Wendy Mitchell Aurora, Ontario.	Human Resource Manager	Director
Bill Scott Fenelon Falls, Ontario.	Retired	Director
Andrew Trachsell Toronto, Ontario.	Senior Load Forecaster	Director

Senior Management

The following table sets forth the senior management of the Credit Union:

Name/Municipality of Residence	Position/Title
Larry Smith Aurora, Ontario.	President and Chief Executive Officer
Terry Chapman Uxbridge, Ontario.	Vice President, Business Development
Kim Colacicco Aurora, Ontario.	Chief Financial Officer
Mary Benincasa Stouffville, Ontario.	Vice President, Administration

All senior management have been employed continuously by the Credit Union during at least the previous five years.

LAWSUITS AND OTHER MATERIAL OR REGULATORY ACTIONS

The Credit Union commenced action, on August 15, 2000, against Country Read-Mix Limited, Martes Developments Limited, Gino Testa Construction Limited, Gino Testa, and Elisira Testa.

The Credit Union claims, as against Gino Testa (“Gino”), Country Read-Mix Limited (“CRM”) and Gino Testa Construction Limited (“GTC”), damages for breach of contract in the amount of \$2,912,866.80. The Credit Union claims, as against Gino, CRM, GTC and Martes Developments Limited (“Martes”), damages for breach of contract and intentional interference with contractual relations in the amount of \$82,500.00. The Credit Union claims, as against CRM, Gino, and GTC, possession of various properties on which the Credit Union is mortgagee. The Credit Union claims, as against CRM, Gino, and Elisira Testa (“Elisira”), specific performance of the obligations of Gino pursuant to an Amended Proposal in Bankruptcy dated May 20, 1998 (the “Amended Proposal”), and, in particular, specific performance in relation to Gino’s agreement in the Amended Proposal to execute and deliver a mortgage in favour of the Credit Union on a further property, or, in the alternative, damages for breach of contract against CRM and Gino in the amount of \$1,595,000.

On the same day, the Credit Union commenced a separate action against Gino and Martes. The Credit Union claims, as against Martes, damages for breach of contract in the amount of \$432,265.56. The Credit Union claims, as against Gino, damages for breach of contract in the same amount, as well as possession of a property on which the Credit Union is a mortgagee.

On February 10, 2000, Gino and CRM had commenced action against the Credit Union and its Chief Executive Officer.

Gino and CRM claim, as against the Credit Union, damages for breach of the Amended Proposal and for breach of fiduciary duty in the sum of \$25,000,000, damages for breach of a development and loan agreement regarding one of the properties on which the Credit Union is mortgagee in the amount of \$15,000,000, general damages for damage to reputation in the amount of \$25,000,000, a mandatory injunction discharging a number of mortgages in favour of the Credit Union as mortgagee, an order discharging a \$600,000 mortgage on a further property subject to the Credit Union being able to replace it with a \$250,000 mortgage, a declaration that a further mortgage in favour of the Credit Union as mortgagee is illegal and of no force or effect and for a mandatory injunction discharging it, and punitive damages in the amount of \$50,000,000. Gino and CRM claim, as against Larry Smith, President and Chief Executive Officer of the Credit Union, damages for breach of contract and breach of fiduciary obligation in the amount of \$25,000,000, punitive damages in the amount of \$50,000,000, and general damages for damage to reputation in the amount of \$25,000,000.

Although these actions have yet to proceed to trial, the Credit Union has been successful in numerous interlocutory proceedings.

Specifically:

1. On February 9, 2001, Gino and his companies commenced a Motion requesting an Order declaring that the Notices of Sale issued by the Credit Union in relation to the subject properties were invalid and enjoining the Credit Union from selling the subject properties under power of sale. The Credit Union was completely successful on this Motion, which was dismissed by the Honourable Mr. Justice Cameron of the Ontario Superior Court of Justice pursuant to written reasons released on July 5, 2001. The Credit Union was awarded its costs of defending this motion on a substantial indemnity basis, fixed and payable forthwith, in the amount of \$62,000. In his written reasons, His Honour found as a fact that Gino was clearly in default of his obligations pursuant to the relevant mortgages and that he had not remedied those defaults.
2. On November 14, 2001, Gino moved before the Ontario Divisional Court for leave to Appeal the above-noted decision of Cameron J. This Motion was dismissed pursuant to written reasons released by Madam Justice Sandra Chapnik of the Divisional Court on November 15, 2001. The Credit Union was awarded its costs of this Motion, fixed and payable forthwith, in the amount of \$6,000. In her Reasons for Decision, Her Honour found that there was no reason to doubt the correctness of the decision of Mr. Justice Cameron. Her Honour further found, as did Cameron J., that the mortgages in question had been in default for a considerable period of time.
3. In the context of Gino's injunction Motion, Gino brought two separate interim Motions, returnable on March 23, 2001 and April 23, 2001, respectively, requesting orders requiring the Credit Union to make further and better documentary disclosure in relation to various accounts allegedly held by Gino at the Credit Union. These Motions were each dismissed, and all relevant documents relating to Gino's accounts held at the Credit Union have been disclosed to Gino.
4. In September, 2001, the Credit Union commenced a Motion requesting an Order that Gino provide certain required information relating to the sale of the subject properties and requiring Gino to cooperate in the sale process. In June, 2002, the Credit Union commenced a separate Motion for possession of the subject properties. These Motions, which were opposed by Gino, were heard together in June, 2002. The Credit Union was completely successful on these Motions as well, obtaining an Order for possession of the subject properties and an Order requiring Gino to provide the required information. The Credit Union was awarded its costs of these Motions, fixed and payable forthwith, in the amount of \$1,500.
5. On November 18, 2002, the Credit Union received the proceeds of sale on the Martes property, which is the subject of the action referred to in the third paragraph under this heading. Net proceeds were \$348,178.24, and were applied to the debts of Martes.

Further, the Credit Union has received legal opinions from the law firms of Reisler Franklin and Dyer Brown, dated November 1, 2002 and November 5, 2002, respectively, which further support management's belief that the disposition of these matters is not expected to have a material adverse effect on the financial position or the results of operations of the Credit Union.

MATERIAL INTERESTS OF DIRECTORS, OFFICERS AND EMPLOYEES

All loans to the directors, and persons related to them, are made in the normal course of business, using standard credit granting criteria, and are made at market rates. Loans to officers and employees are made in the normal course of business, using standard credit granting criteria, and are made at the lower of market rates or the “prescribed rate” set out by the CCRA.

As of September 30, 2002, there was \$1,196,956 outstanding in “prescribed rate” Personal Loans and Mortgage Loans. As of September 30, 2001, there was \$2,653,283 outstanding in “prescribed rate” Personal Loans and Mortgage Loans. As of September 30, 2000, there was \$2,976,765 outstanding in “prescribed rate” Personal Loans and Mortgage Loans.

The aggregate value of loans in all categories to restricted parties (directors, officers and their dependent relatives), as of September 30, 2002, 2001 and 2000, amounted to \$1,698,898; \$2,016,628; and \$2,028,906; respectively. No allowance was required in respect of these loans.

As members of the Credit Union, directors, officers and employees of the Credit Union each hold Membership Shares in the number required to maintain membership in the Credit Union. Accordingly, each director, officer and employee may subscribe for the New Class B Investment Shares, should any of such persons wish to do so. No such person holds more than 5% of the issued and outstanding Former Markham Stouffville Investment Shares or the Former Uxbridge Investment Shares.

MATERIAL CONTRACTS

The following material contracts have been entered into by the Credit Union, or have bound the Credit Union, during the last three years.

License Agreement with Strategic Information Technology Limited, dated December 10, 2001

This agreement provides the Credit Union with a license to use the computer software it uses to process its members’ in-branch transactions, and the interface which permits the Credit Union to process its members’ ABM, network ABM and point-of-sale, bill payment, telephone banking and Internet banking functions. This agreement has an annual cost to the Credit Union of approximately \$67,500, exclusive of applicable taxes.

Draft End-User License Agreement with CU-Connection Limited

Under this draft agreement, which has never been signed by either party after being forwarded by CU-Connection Limited to the Credit Union by facsimile transmission on September 25, 1998, CU-Connection Limited provides the facilities and services necessary to permit the Credit Union to connect its banking system to the CU-Connect computer, obtain reports, access data, and store data as required by the Interac and Plus networks. CU-Connect also provides the Credit Union’s members with a toll-free number to report lost or stolen cards. The draft agreement has an initial term of five years from its execution; upon expiry of this initial term, the agreement may be renewed for an additional term of five years if it is not terminated by written notice given by one party to the other no less than ninety days prior to the expiration of the term or extension. The penalty for early termination is the payment of a sum equal to the average of the three most recent invoices, multiplied by the number of months remaining in the term or renewal. The Credit Union is invoiced daily for transaction charges, and invoiced monthly for all other charges. This agreement has an annual cost to the Credit Union of approximately \$39,000.

Maintenance and Support Agreement with The MAXXAR Corporation, dated April 12, 2002

This agreement provides the Credit Union with the maintenance and support of the hardware and software used in providing telephone banking services to the Credit Union’s members. This agreement is effective for one year, and, at the expiry of the term, is automatically renewed for a further period of one year if neither party has

given notice of termination at least thirty days prior to the expiry of the term. MAXXAR has the right to terminate the agreement immediately for default. This agreement has an annual cost to the Credit Union of approximately \$3,500.

Agreement with HomeBank.Net Technologies Inc.

This agreement, which has not been reduced to writing, provides the Credit Union with the use of the software its members use to conduct their Internet banking transactions. This agreement has an annual cost to the Credit Union of approximately \$30,000.

Administrative Services Agreement with No Curves™ Automotive Financing Inc. (“NCAFI”) and Addendum thereto dated November 6, 2000

Pursuant to this agreement, the Credit Union refers its members seeking information regarding automotive loans and leases to NCAFI, funds the loan or lease for the member, retains ownership of or a perfected first priority security interest in the vehicle, receives payments directly from the member, and carries out certain administrative functions for the automotive financing program. NCAFI provides communication channels to the Credit Union and its members, establishes a dealer network to obtain best prices for the Credit Union’s members, provides the Credit Union with lease forms, provides the Credit Union’s members with information to assist them in their purchase or leasing decision, purchases the desired vehicles for the Credit Union if leased or for the member if purchased, and performs certain other administrative functions for the automotive financing program. The Credit Union pays NCAFI certain fees for its services. This agreement has an immaterial annual cost to the Credit Union.

Lease Origination Agency Agreement with CULEASE Financial Services dated March 15, 2001; Lease Funding Agreement with CULEASE Financial Services dated March 15, 2001

The first agreement referred to above appoints the Credit Union as CULEASE’s non-exclusive agent for the purpose of taking applications for financial leases of commercial vehicles and equipment. The second agreement outlines the duties of both parties in the funding and administration of these leases. The Credit Union pays CULEASE an administration fee for its performance of its duties. These agreements do not have a material annual cost to the Credit Union.

Networking Agreement with CMG-Worldsource Financial Services Inc. (“CMG”), dated September 29, 2000

This agreement enables the Credit Union to provide a wide range of mutual funds to its members. Employees of the Credit Union, registered as salespeople of CMG, sell mutual funds to the Credit Union’s members. CMG is then responsible for processing the Credit Union’s members’ mutual fund transactions in accordance with securities law. In return for the Credit Union’s efforts in marketing mutual funds, it receives a portion of the fees earned by CMG on its members’ mutual fund transactions. Both the Credit Union and CMG may terminate this agreement on 120 days notice, and without notice in the case of default.

Operating Agreement with Qtrade Canada Inc. and Qtrade Investor Inc., dated March 1, 2001

This agreement permits the Credit Union to offer on-line brokerage services to its members. Members of the Credit Union have access to a dedicated Website, which permits them to apply for accounts with Qtrade Investor Inc., transfer funds from their accounts at the Credit Union to their trading account, and trade securities on-line. The Credit Union earns a portion of the revenue flowing to Qtrade Investor Inc. from securities transactions conducted by its members. The agreement continues for a five-year term, and may be renewed for further one-year terms upon mutual agreement.

Global Integrity Equity-Linked Term Deposit License Agreement with CUCO dated February 15, 2002; Structured Product User Agreement with CUCO dated February 15, 2002; ISDA Master Agreement and

Schedule with CUCO dated February 15, 2002; Global Blue Equity-Linked Term Deposit User Agreement with CUCO dated November 30, 2000; Various Hedge Agreements with CUCO

These agreements permit the Credit Union to offer various structured products, on which the principal is insured and guaranteed by DICO but on which returns are based on either various market indices or "baskets" of a number of individual stocks, to its members, and to use some registered trademarks in its promotion. The Credit Union has also entered into hedging agreements with CUCO to eliminate the risk it undertakes in selling these products. The Credit Union has now entered into 8 hedge agreements for the amount of \$1,474,698 in the aggregate, ranging between \$14,450 and \$869,168 and maturing between February 4, 2003 and March 1, 2007. These agreements oblige the Credit Union to make simple interest payments to CUCO, calculated on the notional principal amounts at rates ranging between 3.06% and 6.13%, in some cases periodically and in other cases in a lump sum at the commencement of the hedge. In return, CUCO is obliged to pay to the Credit Union, on the maturity date, the return that the Credit Union owes the holders of the structured products. These hedge agreements therefore eliminate the risk to the Credit Union in offering this product, and enable the Credit Union to treat amounts invested in index-linked term deposits as if the funds had been invested in standard term deposits bearing simple interest at the rates the Credit Union is obliged to pay CUCO under the hedge agreements.

Line of Credit with CUCO

This agreement, which is renewed annually, provides the Credit Union with total credit facilities amounting to CDN\$6,000,000. A purpose of these credit facilities is to cover fluctuations in daily clearing volume on the chequing accounts of the members of the Credit Union. This facility will next be reviewed in March, 2003.

OPERATING RESULTS AND VARIATIONS

Fiscal Year Ended September 30, 2002 over Fiscal Year Ended September 30, 2001

The Credit Union's total assets increased by \$1,899,000, or 1.32%, for the year ended September 30, 2002, due mainly to an increase in the Credit Union's investments, which increased by \$3,766,000, or 16.10%. This increase is partially offset by a \$1,124,000, or 1.02%, decrease in loans to members. The increase in total assets was funded by a \$1,776,000 increase in members' deposits, or 1.32%. Liabilities qualifying as regulatory capital decreased slightly by \$114,000, primarily due to redemptions of Class A Profit Shares and Class B Investment Shares. Growth in the Credit Union's investments and the decline in loans to members is a result of three mortgage loans to one member being reclassified to investments, as the Credit Union has foreclosed on the underlying properties or has power of sale privileges, and intends to sell these properties. There was modest growth in all types of deposit products (chequing, savings, term deposits, RRSPs and RRIFs), with the largest contributor to total deposit growth being the \$1,105,000, or 4.74%, increase in personal chequing accounts. The increase in personal chequing accounts is strictly dependent on the cash needs of the members and can fluctuate on a daily basis. The Credit Union's retained earnings grew by \$102,000, or 3.63%, as a result of the year's net earnings.

The Credit Union's total revenue as a percentage of average assets held during the fiscal year declined to 6.29% for the year ended September 30, 2002, from 7.50% for the year ended September 30, 2001. Similarly, financial expenses as a percentage of average assets decreased to 2.82% for the year ended September 30, 2002, from 3.59% for the year ended September 30, 2001. Both of these decreases are characterized by extremely competitive pricing for loans and deposits, combined with the falling interest rate environment that began in the second half of 2000 and continued on into 2001 and 2002. Financial margin as a percentage of average assets declined to 3.47% for the year ended September 30, 2002 from 3.91% for the year ended September 30, 2001 primarily because of a \$150,000 writedown in marketable securities and a \$50,000 equity loss on the investment in No Curves Automotive Financing Inc. Additionally, the Credit Union paid dividends on Class A Profit Shares and Class B Investment Shares for the year ended September 30, 2002 of \$246,000 compared to a dividend of \$128,000 for the year ended

September 30, 2001.

The Credit Union was able to control costs in 2002 despite the growing loan and deposit portfolio. Operating expenses as a percentage of average assets declined to 3.38% for the year ended September 30, 2002, from 3.83% for the year ended September 30, 2001. This was due in part to a \$154,000 decrease in administrative expenses due to general cost containment measures instituted by management, combined with a \$228,000 decrease in salaries and benefits. The provision for impaired loans as a percentage of average assets decreased to 0.04% for the year ended September 30, 2002 from 0.15% for the year ended September 30, 2001. Impaired loans as a percentage of the gross loan portfolio decreased to 1.17% for the year ended September 30, 2002, from 4.86% for the year ended September 30, 2001 due to the commercial loans that were transferred to investments.

Net earnings, as a percentage of average assets increased to 0.07% for the year ended September 30, 2002 from 0.05% for the year ended September 30, 2001.

Fiscal Year ended September 30, 2001 over Fiscal Year ended September 30, 2000

The Credit Union's total assets increased by \$4,555,000, or 3.26%, for the year ended September 30, 2001, due mainly to an increase in the Credit Union's investments, which increased by \$1,650,000, or 7.59%, and an increase in loans to members of \$2,779,000, or 2.58%. The increase in total assets was funded by a \$4,682,000 increase in members' deposits, or 3.61%. Liabilities qualifying as regulatory capital decreased slightly by \$120,000, primarily due to redemptions of Class A Profit Shares and Class B Investment Shares. Growth in the Credit Union's loan portfolio was particularly strong in Commercial Loans, which grew by \$1,980,000, or 6.20%. This loan product was actively promoted by the Credit Union as it typically generates a higher return than personal and mortgage loans. Mortgage loans also grew by \$893,000, or 2.29%, due to the strength of the housing market in 2001 coupled with declining mortgage interest rates. There was modest growth in all types of deposit products (chequing, savings, term deposits, RRSPs and RRIFs), with the largest contributors being savings accounts, which grew by \$1,448,000, or 14.3%, and term deposits, which grew by \$1,194,000, or 2.52%. These increases can be attributed to the uncertainties existing in the equity markets during 2001, causing members to seek out more secure investments. The Credit Union's retained earnings grew by \$102,000, or 3.63%, as a result of the year's net earnings.

The Credit Union's total revenue as a percentage of average assets held during the fiscal year declined to 7.50% for the year ended September 30, 2001, from 7.87% for the year ended September 30, 2000. Similarly, financial expenses as a percentage of average assets decreased to 3.59% for the year ended September 30, 2001, from 3.61% for the year ended September 30, 2000. Both of these decreases are characterized by extremely competitive pricing for loans and deposits, combined with the falling interest rate environment that began in the second half of 2000 and continued on into 2001. Financial margin as a percentage of average assets declined to 3.91% for the year ended September 30, 2001 from 4.26% for the year ended September 30, 2000 primarily due to falling interest rates, which experienced a greater decline in the loan portfolio when compared to deposit products. Additionally, there was a \$100,000 writedown in marketable securities. However, the Credit Union paid dividends on Class A Profit Shares and Class B Investment Shares for the year ended September 30, 2001 of \$128,000 compared to a dividend of \$240,000 for the year ended September 30, 2000.

The Credit Union was able to control costs in 2001 despite the growing loan and deposit portfolio. Operating expenses as a percentage of average assets declined to 3.83% for the year ended September 30, 2001, from 4.01% for the year ended September 30, 2000. This decrease was primarily due to a \$73,000 decrease in deposit insurance premiums as a result of the introduction of the differential premium system in 2001. The provision for impaired loans as a percentage of average assets decreased to 0.15% for the year ended September 30, 2001 from 0.18% for the year ended September 30, 2000. Impaired loans as a percentage of the gross loan portfolio increased to 4.86% for the year ended September 30, 2001, from 2.53% for the year ended September 30, 2000 due to three large commercial loans that became impaired

during the year ended September 30, 2001.

Net earnings, as a percentage of average assets decreased to 0.05% for the year ended September 30, 2001 from 0.19% for the year ended September 30, 2000.

Fiscal Year ended September 30, 2000 over Fiscal Year ended September 30, 1999

The Credit Union's total assets increased by \$2,647,000, or 1.93%, for the year ended September 30, 2000, due mainly to an increase in the Credit Union's investments, which increased by \$4,630,000, or 27.06%. This increase is partially offset by a \$3,283,000, or 2.96%, decrease in loans to members. The increase in total assets was funded by a \$2,365,000 increase in members' deposits, or 1.86%. Liabilities qualifying as regulatory capital increased slightly, by \$213,000, primarily due to a \$240,000 share dividend paid during the year. Growth in the Credit Union's investments and the decline in loans to members is a result of the Credit Union receiving approximately \$6,700,000 in proceeds from three large impaired commercial loans to one member. Not all of these proceeds were loaned out to members at year-end, hence, the growth in investments. There was modest growth in all types of deposit products (chequing, savings, term deposits, RRSPs and RRIFs). The Credit Union's retained earnings grew by \$265,000, or 10.69%, as a result of the year's net earnings.

The Credit Union's total revenue as a percentage of average assets held during the fiscal year increased to 7.87% for the year ended September 30, 2000, from 7.55% for the year ended September 30, 1999. Conversely, financial expenses as a percentage of average assets decreased to 3.61% for the year ended September 30, 2000, from 3.66% for the year ended September 30, 1999. These opposite movements are a result of an increase in interest rates on loans to members, while interest rates on personal chequing and savings accounts were reduced. Financial margin as a percentage of average assets rose to 4.26% for the year ended September 30, 2000 from 3.89% for the year ended September 30, 1999. The Credit Union paid dividends on Class A Profit Shares and Class B Investment Shares for the year ended September 30, 2000 of \$240,000 compared to a dividend of \$216,000 for the year ended September 30, 1999.

The Credit Union's operating expenses increased to 4.01% as a percentage of average assets for the year ended September 30, 2000, from 3.70% for the year ended September 30, 1999. This increase was primarily due to a \$270,000 increase in salaries and benefits as a result of some additional full-time employees that were hired to help deal with the growing volume of business at the Credit Union. The provision for impaired loans as a percentage of average assets increased to 0.18% for the year ended September 30, 2000 from 0.11% for the year ended September 30, 1999. Impaired loans as a percentage of the gross loan portfolio increased to 2.53% for the year ended September 30, 2000, from 1.53% for the year ended September 30, 1999.

Net earnings, as a percentage of average assets increased to 0.19% for the year ended September 30, 2000 from 0.18% for the year ended September 30, 1999.

The following table presents financial performance indicators for the Credit Union for the fiscal years ended September 30, 2002, 2001, and 2000. These figures are based on the audited financial statements for the fiscal periods. (1 basis point (1 bp) equals 0.01% of average assets during the period.)

Financial Performance Indicators	Year Ended September 30, 2002	Year Ended September 30, 2001	Year Ended September 30, 2000
Profitability			
Total Assets (\$ Thousands)	\$146,053	\$144,154	\$139,599
Earnings Before Income Taxes (\$ Thousands)	\$136	\$114	\$350
Earnings Before Income Taxes (bp)	9	8	25
Financial Margin (bp)	251	294	328
Other Income (bp)	96	97	98
Operating Expenses (bp)	338	383	400
Compliance with Capital Requirements			
Risk-Weighted Assets Ratio	10.3%	10.7%	11.1%
Risk-Weighted Assets Ratio Requirement	8.0%	8.0%	8.0%
Leverage Ratio	6.2%	6.3%	6.5%
Leverage Ratio Requirement	5.0%	5.0%	5.0%
Loan Composition			
Total Gross Loans Outstanding (\$ Thousands)	\$109,755	\$111,205	\$108,445
Personal Loans (% of total)	36.28%	33.28%	33.98%
Mortgage Loans (% of total)	33.94%	35.94%	36.08%
Commercial Loans (% of total)	29.51%	30.19%	29.14%
Agricultural Loans (% of total)	0.00%	0.03%	0.21%
Loan Quality			
Allowance for Impaired Loans (% of total)	0.26%	0.56%	0.59%
Provision for Impaired Loans (bp)	4	14	18

	Year Ended September 30, 2002	Year Ended September 30, 2001	Year Ended September 30, 2000
<u>Other Factors</u>			
Total Members' Deposits (\$ Thousands)	\$135,980	\$134,204	\$129,522
Average Liquidity During the Period (% of total deposits and borrowings)	16.53%	18.04%	16.10%
Asset Growth (% change for Period)	1.32%	3.61%	1.93%
Total Regulatory Capital (\$ Thousands)	\$9,010	\$9,022	\$9,074
Regulatory Capital Growth (Decline) (% change for Period)	(0.13%)	(0.58%)	5.56%

Further analysis is presented in the financial statements which are included in this Offering Statement, beginning on page 52.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

Management is responsible for the preparation, presentation and consistency of financial information, including the financial statements and other commentary contained in this offering statement. The financial statements and accompanying notes, prepared in accordance with the requirements of the Act and Canadian generally accepted accounting principles, are considered by the Board and management to be fairly presented. In preparing the financial statements, management has exercised judgment in the selection of significant accounting policies and the determination of reasonable estimates, which are reflected therein.

Management has developed and maintains the necessary systems of internal controls to provide reasonable assurance that the transactions are authorized and assets are safeguarded. The controls are also designed to provide reasonable assurance that relevant and reliable financial information is produced. The Board meets to oversee management's performance and to discharge its other legal obligations as set out in the Act. The Board has appointed an audit committee, comprised of five directors, which reviews the financial statements, adequacy of internal controls, the audit process and financial reporting with management and the external auditors.

The Financial Services Commission of Ontario and the Deposit Insurance Corporation of Ontario each conduct periodic examinations and enquiries into the affairs of the Credit Union to ensure compliance with the Credit Union's by-laws and the provisions of the Act under which the Credit Union is chartered and regulated.

The independent external auditors, Deloitte & Touche LLP, are appointed to conduct an examination of the Credit Union's financial statements in accordance with Canadian generally accepted auditing standards and to report thereon. Their report appears at page 53 of this offering statement. The external auditors have unrestricted access to the accounting records of the Credit Union and they meet periodically with management,

the audit committee and the Board to discuss internal controls, financial reporting and other matters which come to their attention in the course of conducting their audit.

Financial Statements of

**GREATER TORONTO AREA (GTA)
SAVINGS & CREDIT UNION LIMITED**

September 30, 2002, 2001 and 2000

Auditors' Report

To the Directors of
Greater Toronto Area (GTA) Savings & Credit Union Limited

We have audited the balance sheets of Greater Toronto Area (GTA) Savings & Credit Union Limited as at September 30, 2002, 2001 and 2000 and the statements of earnings and retained earnings and of cash flows for each of the years in the three-year period ended September 30, 2002. These financial statements are the responsibility of the credit union's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the credit union as at September 30, 2002, 2001 and 2000 and the results of its operations and its cash flows for each of the years in the three-year period ended September 30, 2002 in accordance with Canadian generally accepted accounting principles.

Deloitte + Touche LLP

Chartered Accountants

Toronto, Ontario
October 25, 2002

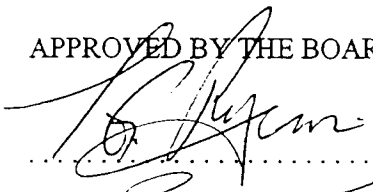
**GREATER TORONTO AREA (GTA)
SAVINGS & CREDIT UNION LIMITED**

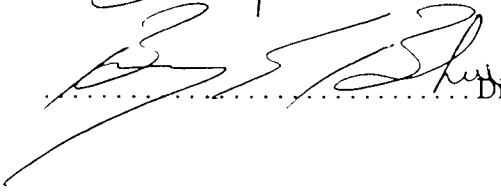
Balance Sheets

September 30, 2002, 2001 and 2000

	2002	2001	2000
ASSETS			
Cash resources (Note 2)	\$ 3,137,394	\$ 3,435,990	\$ 3,379,059
Investments (Note 3)	27,156,145	23,389,812	21,739,566
Loans to members (Notes 4 and 5)	109,464,442	110,587,790	107,808,986
Capital assets (Note 6)	3,776,022	4,085,118	4,459,477
Other assets (Note 7)	2,518,715	2,655,457	2,211,854
	<u>\$ 146,052,718</u>	<u>\$ 144,154,167</u>	<u>\$ 139,598,942</u>
LIABILITIES			
Members' deposits (Note 8)	\$ 135,979,722	\$ 134,203,599	\$ 129,522,460
Other liabilities (Note 9)	1,056,429	922,249	995,652
Liabilities qualifying as regulatory capital (Note 10)	6,104,063	6,217,733	6,337,918
Total liabilities	143,140,214	141,343,581	136,856,030
MEMBERS' EQUITY			
Retained earnings	2,912,504	2,810,586	2,742,912
	<u>\$ 146,052,718</u>	<u>\$ 144,154,167</u>	<u>\$ 139,598,942</u>

APPROVED BY THE BOARD


..... Director


..... Director

**GREATER TORONTO AREA (GTA)
SAVINGS & CREDIT UNION LIMITED**
Statements of Earnings and Retained Earnings
Years ended September 30, 2002, 2001 and 2000

	2002	2001	2000
REVENUE			
Interest on loans			
Mortgage	\$ 2,432,724	\$ 2,687,298	\$ 2,699,249
Personal	2,577,159	2,867,274	2,947,105
Commercial	2,318,333	2,592,428	2,455,938
Agricultural	600	13,034	18,580
Investment income	398,885	1,098,870	1,410,511
Other income	1,401,425	1,382,983	1,356,846
	<u>9,129,126</u>	<u>10,641,887</u>	<u>10,888,229</u>
FINANCIAL EXPENSES			
Interest on members' deposits			
Personal chequing accounts	20,590	49,852	95,823
Savings accounts	23,823	31,255	30,532
Term deposits	1,776,051	2,507,257	2,292,271
Registered retirement savings plans	1,356,519	1,654,336	1,700,081
Registered retirement income funds	666,655	726,489	637,912
Interest on unsecured subordinated debentures	2,010	2,010	2,010
Dividend on Class A Profit Shares	63,727	-	-
Dividend on Class B Investment Shares	182,514	128,414	239,793
	<u>4,091,889</u>	<u>5,099,613</u>	<u>4,998,422</u>
FINANCIAL MARGIN	<u>5,037,237</u>	<u>5,542,274</u>	<u>5,889,807</u>
OPERATING EXPENSES			
Administrative - Schedules	1,872,782	2,027,128	2,009,899
Amortization of capital assets	492,915	468,469	408,549
Deposit insurance premium	154,633	178,977	251,957
Provision for impaired loans	62,000	207,000	250,000
Salaries and benefits	2,319,256	2,546,938	2,618,903
	<u>4,901,586</u>	<u>5,428,512</u>	<u>5,539,308</u>
EARNINGS BEFORE INCOME TAXES	<u>135,651</u>	<u>113,762</u>	<u>350,499</u>
INCOME TAXES (RECOVERY) (Note 12)			
Current	100,033	39,981	(51,028)
Future	(66,300)	6,107	136,500
	<u>33,733</u>	<u>46,088</u>	<u>85,472</u>
NET EARNINGS	<u>101,918</u>	<u>67,674</u>	<u>265,027</u>
RETAINED EARNINGS,			
BEGINNING OF YEAR	2,810,586	2,742,912	2,477,885
RETAINED EARNINGS, END OF YEAR	<u>\$ 2,912,504</u>	<u>\$ 2,810,586</u>	<u>\$ 2,742,912</u>

**GREATER TORONTO AREA (GTA)
SAVINGS & CREDIT UNION LIMITED**

Statements of Cash Flows

Years ended September 30, 2002, 2001 and 2000

	2002	2001	2000
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES			
OPERATING			
Net earnings	\$ 101,918	\$ 67,674	\$ 265,027
Adjustments to determine net cash flows			
Provision for impaired loans	62,000	207,000	250,000
Amortization of capital assets	492,915	468,469	408,549
Future income taxes (recovery)	(66,300)	6,107	136,500
Writedown of marketable securities	150,000	100,000	-
Equity loss on investment	50,000	-	-
Class A Profit Shares issued, share dividend	217,520	109,536	207,130
Class B Investment Shares Series 97 issued, share dividend	28,721	18,878	32,663
Net change in accrued interest receivable and payable	(278,204)	662,435	537,778
Net changes in other items and accruals	42,852	(360,724)	(227,130)
	<u>801,422</u>	<u>1,279,375</u>	<u>1,610,517</u>
INVESTING			
Loans to members	1,061,348	(2,985,804)	3,032,919
Investments	(3,966,333)	(1,750,246)	(4,629,218)
Purchase of capital assets	(183,819)	(94,110)	(635,115)
	<u>(3,088,804)</u>	<u>(4,830,160)</u>	<u>-(2,231,414)</u>
FINANCING			
Members' deposits	2,348,697	3,856,315	1,906,195
Unsecured subordinated debentures, redeemed	-	-	(24,000)
Class B Investment Shares, Series 95 redeemed	(175,175)	(220,600)	-
Class B Investment Shares, Series 97 redeemed	(12,141)	(27,339)	(46,641)
Class A Profit Shares redeemed	(116,740)	(121,850)	-
Membership shares	(55,855)	121,190	44,135
	<u>1,988,786</u>	<u>3,607,716</u>	<u>1,879,689</u>
NET CASH INFLOW (OUTFLOW)	(298,596)	56,931	1,258,792
CASH RESOURCES, BEGINNING OF YEAR	3,435,990	3,379,059	2,120,267
CASH RESOURCES, END OF YEAR	\$ 3,137,394	\$ 3,435,990	\$ 3,379,059
SUPPLEMENTARY INFORMATION			
Cash income taxes paid	\$ 36,294	\$ 29,508	\$ 24,500
Cash interest paid	\$ 4,418,222	\$ 4,146,375	\$ 4,299,763

GREATER TORONTO AREA (GTA) SAVINGS & CREDIT UNION LIMITED

Notes to the Financial Statements

September 30, 2002, 2001 and 2000

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles, and reflect the accounting policies set out below.

The Credit Unions and Caisses Populaires Act, 1994 (the "Act")

Regulations to the Act specify that certain items are required to be disclosed in the financial statements which are presented at annual meetings of members. This information has been integrated into the basic financial statements and notes and it is management's opinion that the disclosures in these financial statements and notes comply, in all material respects, with the requirements of the legislation. Where necessary, reasonable estimates and interpretations have been made in presenting this information.

Financial instruments

The credit union's Class A Profit Shares, Class B Investment Shares and membership shares are presented in the balance sheet as financial liabilities. These liabilities qualify as capital for regulatory purposes, notwithstanding their financial statement classification. Dividends on all classes of shares are classified as financial expenses in the statement of earnings and retained earnings.

Investments

Investments in co-operative organizations and CU-Connection Limited are stated at cost unless there is a decline in value which is considered to be other than temporary, in which case the investment would be written down to estimated realizable value.

The credit union's 30% investment in No Curves Automotive Financing Inc. (the "Company") is recorded using the equity basis of accounting, where the initial investment is recorded at cost and the carrying value is adjusted to include the credit union's share of post-acquisition earnings of the Company and any additional contributions or distributions.

Marketable securities held for trading purposes are stated at the lower of cost or market value. Marketable securities held for long-term investment purposes are stated at cost unless there is a decline in value which is considered to be other than temporary, in which case the investment would be written down to estimated realizable value. Net realizable value is based on available publicly listed trading prices.

Property acquired by foreclosure and held for resale is stated at the lower of the recorded investment in the foreclosed loan or the estimated net proceeds from the sale of the assets. Such investments are intended to be sold as soon as practicable. Revenues and costs related to the investment are booked as an adjustment to the carrying value of the investment.

Gains and losses arising on the sale of investments are included in earnings from operations.

GREATER TORONTO AREA (GTA) SAVINGS & CREDIT UNION LIMITED

Notes to the Financial Statements

September 30, 2002, 2001 and 2000

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Loans to members

Loans to members are stated at cost which includes amounts advanced and applicable charges, less repayments. Interest is accounted for on the accrual basis for all loans other than impaired loans.

A loan is classified as impaired when a specific provision has been established or a write-off taken or when, in the opinion of management, there is reasonable doubt as to the ultimate collectibility of principal or interest. A loan is also classified as impaired when interest or principal is contractually 90 days past due, unless the loan is fully secured and in the process of collection. Fully secured loans are classified as impaired after a delinquency period of 180 days. Once a loan is classified as impaired all previously accrued interest is reversed and charged against current income, except for loans which are fully secured.

Loans are generally returned to accrual status when all delinquent principal and interest payments are brought current and the timely collection of both principal and interest is reasonably assured.

Allowance for impaired loans

The allowance for impaired loans is maintained in an amount considered adequate to absorb estimated credit-related losses in the loan portfolio. The allowance for impaired loans reflects management's best estimate of the losses existing in the loan portfolio and their judgments about economic conditions. If the circumstances under which these estimates and judgments were made change, there could be a significant change to the allowance for impaired loans currently recognized. The allowance for impaired loans consists of specific provisions and a general provision, each of which is reviewed on a regular basis. The allowance is increased by provisions for impaired loans which are charged to earnings and reduced by write-offs net of recoveries.

Specific provisions are determined on an item-by-item basis and reflect the associated estimated credit loss. The specific provision is the amount that is required to reduce the carrying value of an impaired loan to its estimated realizable amount, which is generally the fair value of any security underlying the loan, net of expected costs of realization.

The general provision is established to absorb any potential credit losses and is determined through analysis of economic developments and current portfolio trends for credit losses and cannot be determined on a loan by loan basis. When losses can be attributable to individual loan facilities, specific provisions are recorded.

Write-offs are generally recorded after all reasonable restructuring or collection activities have taken place and there is no realistic prospect of recovery.

**GREATER TORONTO AREA (GTA)
SAVINGS & CREDIT UNION LIMITED**

Notes to the Financial Statements

September 30, 2002, 2001 and 2000

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital assets

Capital assets are stated at acquisition cost. Amortization is calculated at the following annual rates:

Buildings	-	4% declining-balance
Parking lot	-	10% straight-line
Furniture and equipment	-	10% straight-line
Computer equipment	-	20% straight-line
Leasehold improvements	-	term of lease, straight-line

Foreign currency

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at rates prevailing on the balance sheet date; income and expenses are translated at the annual average rate.

Use of estimates

The preparation of the credit union's financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from such estimates.

2. CASH RESOURCES

The business of the credit union necessitates the management of liquidity risk. Liquidity risk is the risk of being unable to meet financial commitments, under all circumstances, without having to raise funds at unreasonable prices or sell assets on a forced basis.

The credit union has available lines of credit with Credit Union Central of Ontario (the "Central") in the amount of Cdn. \$5,500,000 and U.S. \$500,000, to cover shortfalls in cash resources. These lines of credit are secured by an assignment of book debts and a general security agreement covering all assets of the credit union. These lines of credit were unutilized at September 30, 2002, 2001 and 2000.

GREATER TORONTO AREA (GTA) SAVINGS & CREDIT UNION LIMITED

Notes to the Financial Statements

September 30, 2002, 2001 and 2000

3. INVESTMENTS

	2002	2001	2000
Credit Union Central of Ontario			
Term deposits	\$ 9,000,000	\$ 7,600,000	\$ 6,950,000
Liquidity reserve deposit	9,587,130	9,501,315	9,359,292
Shares	1,635,000	1,635,000	1,635,000
Bankers acceptances	414,784	917,624	255,110
Marketable securities	290,951	910,638	970,407
Co-operative Trust Company of Canada	1,597	1,597	1,597
Credential Securities	5,000	5,000	5,000
CU-Connection Limited	252,280	252,280	303,355
Government bonds	1,676,036	1,596,416	2,144,805
Shares in No Curves Automotive Financing Inc.	89,140	139,140	-
Property acquired by foreclosure and held for resale	4,204,227	830,802	115,000
Carrying value	\$ 27,156,145	\$ 23,389,812	\$ 21,739,566
Market value	\$ 27,096,291	\$ 23,254,449	\$ 21,799,383

The credit union recorded a writedown in marketable securities in 2002 and 2001 in the amount of \$150,000 and \$100,000 respectively, and recorded an equity loss in 2002 of \$50,000 on their investment in No Curves Automotive Financing Inc. These amounts are included in investment income on the statements of earnings and retained earnings.

Credit Union Central of Ontario - liquidity reserve deposit

As a condition of maintaining membership in the Central in good standing, the credit union is required to maintain on deposit in the Central an amount equal to 7% of the credit union's own membership shares and deposits as at the preceding calendar year end, updated in February of each year. The deposits bear interest at variable rates.

Credit Union Central of Ontario - shares

As a condition of maintaining membership in the Central, the credit union is required to maintain an investment in shares of the Central equal to the lesser of \$1,635,000 and 1.30% of the aggregate of the credit union's own membership shares and deposits as at the preceding calendar year end, updated in February of each year.

No market exists for shares of the Central except that they may be surrendered on withdrawal from membership for proceeds equal to the paid-in value, to be received in accordance with a Central by-law providing for the redemption of its share capital.

**GREATER TORONTO AREA (GTA)
SAVINGS & CREDIT UNION LIMITED**

Notes to the Financial Statements

September 30, 2002, 2001 and 2000

3. INVESTMENTS (continued)

CU-Connection Limited Shares

The credit union is a part owner (13% interest) with a group of credit unions in CU-Connection Limited. The company provides on-line electronic funds transaction services, including access to Interac and other ABM networks in Canada and in the United States.

Shares in No Curves Automotive Financing Inc.

The credit union has a 30% interest in No Curves Automotive Financing Inc. (the "Company"). The Company provides automobile leasing services on new and used vehicles to the credit union system.

4. LOANS TO MEMBERS

	2002	2001	2000
Mortgage	\$ 37,253,519	\$ 40,023,028	\$ 39,130,116
Personal	40,020,097	37,282,317	37,196,475
Commercial	32,481,571	33,865,882	31,886,117
Agricultural	-	33,890	232,046
	<u>109,755,187</u>	<u>111,205,117</u>	<u>108,444,754</u>
Less allowance for impaired loans (Note 5)	290,745	617,327	635,768
	<u>\$ 109,464,442</u>	<u>\$ 110,587,790</u>	<u>\$ 107,808,986</u>

The loan classifications set out above are as defined in the Regulations to the Act.

Mortgage loans are repayable in monthly blended principal and interest instalments over a maximum term of five years based on a maximum amortization period of twenty-five years.

As at September 30, the credit union was committed to the issuance of commercial loans to members in the aggregate amount of \$563,125; 2001 - \$6,473,000; 2000 - \$731,000 and mortgage loans aggregating \$1,359,750; 2001 - \$410,000; 2000 - \$636,495.

At September 30, the credit union was administering, on behalf of Co-operative Trust Company of Canada ("Co-operative Trust"), members' mortgage loans aggregating \$9,812,632; 2001 - \$6,213,352; 2000 - \$8,876,379, including mortgage loans transferred to Co-operative Trust in the amount of \$5,626,316; 2001 - \$234,352; 2000 - \$683,313.

Commercial loans and personal loans, including line of credit loans, are repayable to the credit union in monthly blended principal and interest instalments over a maximum term of five years, except for line of credit loans which are repayable on a revolving credit basis and require minimum monthly payments. All loans, except for mortgage loans, are open and, at the option of the borrower, may be repaid at any time without notice.

**GREATER TORONTO AREA (GTA)
SAVINGS & CREDIT UNION LIMITED**

Notes to the Financial Statements

September 30, 2002, 2001 and 2000

5. ALLOWANCE FOR IMPAIRED LOANS

The activity in the allowance for impaired loans is summarized as follows:

	2002			
	Personal	Mortgage	Commercial	Total
Balance, beginning of year	\$ 238,004	\$ -	\$ 379,323	\$ 617,327
Collection of loans				
previously written-off	6,736	-	-	6,736
Loans written-off as uncollectible	(45,642)	(137,826)	(54,850)	(238,318)
Loans transferred to investments	-	-	(157,000)	(157,000)
Provision for impaired loans	-	137,826	(75,826)	62,000
Balance, end of year	\$ 199,098	\$ -	\$ 91,647	\$ 290,745
Aggregate impaired loans, end of year	\$ 245,341	\$ 250,127	\$ 791,975	\$ 1,287,443
	2001			
	Personal	Mortgage	Commercial	Total
Balance, beginning of year	\$ 346,646	\$ -	\$ 289,122	\$ 635,768
Collection of loans				
previously written-off	11,540	-	14,551	26,091
Loans written-off as uncollectible	(120,182)	-	(131,350)	(251,532)
Provision for impaired loans	-	-	207,000	207,000
Balance, end of year	\$ 238,004	\$ -	\$ 379,323	\$ 617,327
Aggregate impaired loans, end of year	\$ 313,418	\$ 868,551	\$ 4,190,444	\$ 5,372,413
	2000			
	Personal	Mortgage	Commercial	Total
Balance, beginning of year	\$ 318,855	\$ 97,440	\$ 207,195	\$ 623,490
Collection of loans previously written-off	14,870	10,000	-	24,870
Loans written-off as uncollectible	(107,079)	(85,604)	(69,909)	(262,592)
Provision for impaired loans	120,000	(21,836)	151,836	250,000
Balance, end of year	\$ 346,646	\$ -	\$ 289,122	\$ 635,768
Aggregate impaired loans, end of year	\$ 375,820	\$ 661,800	\$ 1,709,347	\$ 2,746,967

**GREATER TORONTO AREA (GTA)
SAVINGS & CREDIT UNION LIMITED**

Notes to the Financial Statements

September 30, 2002, 2001 and 2000

5. ALLOWANCE FOR IMPAIRED LOANS (continued)

The business of the credit union necessitates the management of credit risk. Credit risk is the potential for loss due to the failure of a borrower to meet its financial obligations. The Board of Directors of the credit union oversees the risk management process. Senior management coordinates policy setting on risk management issues, assesses the risk exposure of the credit union and reviews the effectiveness of internal control processes.

The allowance for impaired loans provided for in the accounts of the credit union is in accordance, in all material respects, with the requirements of the Deposit Insurance Corporation of Ontario by-law governing such allowances.

6. CAPITAL ASSETS

	2002		
	Cost	Accumulated Amortization	Net Book Value
Land	\$ 1,447,641	\$ -	\$ 1,447,641
Buildings	1,155,170	201,436	953,734
Parking lot	35,605	14,215	21,390
Furniture and equipment	517,388	274,479	242,909
Computer equipment	2,252,121	1,303,713	948,408
Leasehold improvements	258,152	96,212	161,940
	<u>\$ 5,666,077</u>	<u>\$ 1,890,055</u>	<u>\$ 3,776,022</u>
	2001		
	Cost	Accumulated Amortization	Net Book Value
Land	\$ 1,447,641	\$ -	\$ 1,447,641
Buildings	1,153,766	161,716	992,050
Parking lot	35,605	10,654	24,951
Furniture and equipment	513,893	222,961	290,932
Computer equipment	2,074,804	931,331	1,143,473
Leasehold improvements	256,548	70,477	186,071
	<u>\$ 5,482,257</u>	<u>\$ 1,397,139</u>	<u>\$ 4,085,118</u>

**GREATER TORONTO AREA (GTA)
SAVINGS & CREDIT UNION LIMITED**

Notes to the Financial Statements

September 30, 2002, 2001 and 2000

6. CAPITAL ASSETS (continued)

	2000		
	Cost	Accumulated Amortization	Net Book Value
Land	\$ 1,447,641	\$ -	\$ 1,447,641
Buildings	1,150,646	120,476	1,030,170
Parking lot	35,605	7,606	27,999
Furniture and equipment	506,178	171,958	334,220
Computer equipment	2,012,073	582,781	1,429,292
Leasehold improvements	236,005	45,850	190,155
	<u>\$ 5,388,148</u>	<u>\$ 928,671</u>	<u>\$ 4,459,477</u>

7. OTHER ASSETS

	2002	2001	2000
Accrued interest	\$ 524,240	\$ 818,610	\$ 656,221
Accounts receivable	412,635	399,789	291,322
Prepaid expenses	476,840	332,058	521,811
Funds held in trust account	1,105,000	1,105,000	742,500
	<u>\$ 2,518,715</u>	<u>\$ 2,655,457</u>	<u>\$ 2,211,854</u>

Funds held in trust account

These funds are held in trust pursuant to the terms of employment contracts entered into by the credit union to provide for certain benefits for four members of senior management. The obligation is being accrued over the estimated average remaining service life ("EARS�") of these four employees (see Note 9). As at September 30, 2002, the remaining minimum obligation to be accrued is approximately \$261,000 and the EARS� is 7 years. Certain events, such as the termination of these employees or the potential amalgamation outlined in Note 19, would result in an increase in this obligation up to the funded amount of \$1,105,000.

**GREATER TORONTO AREA (GTA)
SAVINGS & CREDIT UNION LIMITED**

Notes to the Financial Statements

September 30, 2002, 2001 and 2000

8. MEMBERS' DEPOSITS

	2002	2001	2000
Personal chequing accounts	\$ 24,430,221	\$ 23,325,088	\$ 23,203,467
Savings accounts	11,343,167	11,588,634	10,140,889
Term deposits	48,781,762	48,569,079	47,375,079
Registered retirement savings plans	34,093,765	33,404,637	33,311,749
Registered retirement income funds	13,733,552	13,146,344	12,133,166
Ontario home ownership savings plan	2,325	2,313	15,430
Accrued interest on members' deposits	3,594,930	4,167,504	3,342,680
	<u>\$ 135,979,722</u>	<u>\$ 134,203,599</u>	<u>\$ 129,522,460</u>

Term deposits

Outstanding term deposits for periods of one to five years generally may not be withdrawn, prior to maturity, without penalty. Term deposits for periods less than one year may be withdrawn after 30 days, subject to an interest reduction.

Withdrawal privileges on all deposit accounts are subject to the overriding right of the Board of Directors to impose a waiting period.

Index-linked term deposits

The credit union has issued \$1,451,405; 2001 - \$1,128,349; 2000 - \$667,162 of an index-linked term deposit product to its members. These term deposits have maturities of three and five years and pay interest to the depositors, at the end of the respective terms, based on the performance of the Toronto 35 Index. The credit union has entered into hedge agreements with the Central to offset the exposure to the Toronto 35 Index associated with these products. The credit union pays the Central a fixed rate of interest annually on the face value of the Index-Linked Term Deposits issued. At the end of the respective terms, the Central pays to the credit union an amount equal to the amount that will be paid to the depositors based on the performance of the Toronto 35 Index.

The purpose of these agreements is to provide a hedge against market fluctuations. These agreements have a fair value that varies based on the particular contract and changes in interest rates. The current replacement cost of these contracts, representing the credit union's credit risk, was not available.

Registered retirement plans

Co-operative Trust is the trustee for the registered retirement plans offered to members. Under an agreement with the Co-operative Trust, members' contributions to these plans, as well as income earned on them, are deposited in the credit union. On withdrawal, payment of the plan proceeds is made to the members, or the parties designated by them, by the credit union, on behalf of Co-operative Trust.

**GREATER TORONTO AREA (GTA)
SAVINGS & CREDIT UNION LIMITED**

Notes to the Financial Statements

September 30, 2002, 2001 and 2000

9. OTHER LIABILITIES

	2002	2001	2000
Accounts payable and accrued liabilities	\$ 418,347	\$ 242,867	\$ 461,377
Accrued employment contract benefits (Note 7)	623,775	598,775	459,775
Future income taxes	14,307	80,607	74,500
	<u>\$ 1,056,429</u>	<u>\$ 922,249</u>	<u>\$ 995,652</u>

10. LIABILITIES QUALIFYING AS REGULATORY CAPITAL

	2002	2001	2000
Unsecured subordinated debentures	\$ 67,000	\$ 67,000	\$ 67,000
Class B Investment Shares, Series 95	2,563,225	2,738,400	2,959,000
Class B Investment Shares, Series 97	507,397	490,817	499,278
Class A Profit Shares	1,279,631	1,178,851	1,191,165
Membership shares	1,686,810	1,742,665	1,621,475
	<u>\$ 6,104,063</u>	<u>\$ 6,217,733</u>	<u>\$ 6,337,918</u>

Unsecured subordinated debentures

The debenture holders are entitled to receive interest at a fixed rate of interest of 3% per annum, payable annually on each fiscal year end date. The debentures are redeemable at the request of the holder only on the complete repayment of all amounts owing to the credit union and the termination of any contractual commercial lending agreements between the holder and the credit union. The debentures may, at the option of the credit union, be redeemed after a period of five years from the date of issuance, which was in 1995. These debentures qualify as Tier 2 capital for determining regulatory capital and the related ratios described in Note 11.

Authorized share capital

The authorized share capital of the credit union consists of the following:

- (i) an unlimited number of Class B, Series 95 non-cumulative, non-voting, non-participating special shares ("Class B Investment Shares, Series 95"), issuable in series, with an issue price of \$1 each;
- (ii) an unlimited number of Class B, Series 97 non-cumulative, non-voting, non-participating special shares ("Class B Investment Shares, Series 97"), issuable in series, with an issue price of \$1 each; and
- (iii) an unlimited number of Class A non-cumulative, non-voting, non-participating special shares ("Class A Profit Shares") with an issue price of \$1 each.

**GREATER TORONTO AREA (GTA)
SAVINGS & CREDIT UNION LIMITED**

Notes to the Financial Statements

September 30, 2002, 2001 and 2000

10 LIABILITIES QUALIFYING AS REGULATORY CAPITAL (continued)

Authorized share capital (continued)

In addition to these two classes of shares, the credit union is authorized to issue an unlimited number of membership shares, subject to its by-laws which prescribe a maximum of thirty membership shares to be owned by each member, with an issue price of \$5 each.

Membership shares rank junior to Class A Profit Shares and to Class B Investment Shares for priority in the declaration and payment of dividends and in the event of the liquidation, dissolution or winding-up of the credit union. In addition, Class A Profit Shares rank junior to the Class B Investment Shares. All classes of shares are redeemable at the amounts paid thereon, plus declared and unpaid dividends, under various conditions and in accordance with the terms set out in the articles of the credit union, and subject to certain restrictions which are set out in governing legislation.

Class B Investment Shares, Series 95

Class B Investment Shares, Series 95 may be redeemed in any fiscal year, after the first five years subsequent to issuance, to the extent of 10% of the total Class B Investment Shares, Series 95 outstanding at the end of the previous fiscal year, or after the death of the shareholder.

Class B Investment Shares, Series 97

Class B Investment Shares, Series 97 may be redeemed in any fiscal year, to the extent of 10% of the total Class B Investment Shares, Series 97 outstanding at the end of the previous fiscal year, or after the death of the shareholder.

Class A Profit Shares

The Class A Profit Shares are redeemable at the issue price at any time on or after the date on which the shareholder reaches the age of 65 years, or upon termination of membership, or after the death of the shareholder. Redemptions in any fiscal year may not exceed 10% of the total Class A Profit Shares outstanding at the beginning of that fiscal year.

Membership Shares

As a condition of membership, each member under eighteen years of age must hold at least two shares, while all other members must hold 30 shares; 2001 - 30 shares; 2000 - 26 shares.

As at September 30 there were 12,280 members; 2001 - 12,642 members; 2000 - 13,627 members and 337,362; 2001 - 348,533; 2000 - 324,295 membership shares outstanding, respectively. Shares may be withdrawn on demand, subject to the credit union meeting capital adequacy requirements and the discretion of the Board of Directors, who may require notice.

GREATER TORONTO AREA (GTA) SAVINGS & CREDIT UNION LIMITED

Notes to the Financial Statements

September 30, 2002, 2001 and 2000

10. LIABILITIES QUALIFYING AS REGULATORY CAPITAL (continued)

Dividends

Dividends on shares may be declared by the Board of Directors, subject to availability of sufficient earnings to meet the regulatory requirements of the Act described in Note 11 to the financial statements.

The Board of Directors declared a dividend equivalent to 6%; 2001 – 4%; 2000 – 7% on the principal amount of each of the Series 95 Class B Investment Shares and Series 97 Class B Investment Shares, payable to the shareholders of record on September 30, 2002, 2001 and 2000, respectively, in the form of Class A Profit Shares and Series 97 Class B Investment Shares, respectively.

In addition, the Board of Directors declared a dividend equivalent to 6% on the principal amount of the Class A Profit Shares, payable to the shareholders of record on September 30, 2002 in the form of additional Class A Profit Shares.

These dividends are reflected in the financial statements.

11. CAPITAL ADEQUACY

In accordance with the requirements of the Act and accompanying Regulations, credit unions are required to maintain sufficient capital to meet two tests.

Leverage test: Regulatory capital, comprising membership shares, any other class of qualifying capital that may be issued and retained earnings, must amount to at least 5% of total assets.

Risk-weighted assets test: Regulatory capital must amount to at least 8% of risk-weighted assets. The risk weighting of assets is specified in the Regulations to the Act.

As at September 30 the credit union met regulatory capital requirements based on capital of \$9,009,867; 2001 - \$9,021,619; 2000 - \$9,074,130.

	<u>2002</u>	<u>2001</u>	<u>2000</u>
Leverage ratio:	6.2%	6.3%	6.5%
Risk-weighted assets ratio:	10.3%	10.7%	11.1%

**GREATER TORONTO AREA (GTA)
SAVINGS & CREDIT UNION LIMITED**

Notes to the Financial Statements

September 30, 2002, 2001 and 2000

12. INCOME TAXES

The credit union's basic statutory tax rate is approximately 19%; 2001 - 20%; 2000 - 22%. Future income taxes included in other liabilities is the cumulative amount of tax applicable to temporary differences between the carrying amount of the assets and liabilities and their values for tax purposes. The temporary differences relate primarily to claiming capital cost allowance for income tax purposes in excess of amortization on capital assets for financial reporting purposes.

13. IBM EMPLOYEES CHARITABLE FOUNDATION

The credit union administers and holds funds in trust for the IBM Employees Charitable Foundation. As these do not belong to the credit union, they are not included in these financial statements.

14. RELATED PARTY TRANSACTIONS

As at September 30, the aggregate value of interest-bearing personal and mortgage loans outstanding to directors, officers and their related parties totalled \$1,698,898; 2001 - \$2,016,628; 2000 - \$2,028,906. There was no allowance for impaired loans required in respect of these loans.

15. COMMITMENTS

The credit union is committed to the following minimum annual payments for its leased premises:

2003	\$ 70,542
2004	70,542
2005	70,542
2006	21,150
2007	21,150
2008 and thereafter	42,300
	<u>\$ 296,226</u>

16. CONTINGENCIES

Currently, there are two claims which have been instituted against the credit union. Management believes the disposition of the matters that have been asserted is not expected to have a material adverse effect on the financial position, results of operations or cash flows of the credit union.

**GREATER TORONTO AREA (GTA)
SAVINGS & CREDIT UNION LIMITED**

Notes to the Financial Statements

September 30, 2002, 2001 and 2000

17. OTHER INFORMATION

The total fees paid to the Central for the years ended September 30 amounted to \$128,909; 2001 - \$133,967; 2000 - \$131,131. These fees were primarily related to banking functions, educational training courses and consulting fees.

Outstanding letters of credit at September 30 amounted to \$543,707; 2001 - \$508,707; 2000 - \$258,460.

18. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value

The amounts set out below represent the fair values of the credit union's financial instruments using the valuation methods and assumptions described below. The fair values disclosed do not reflect the value of assets that are not considered financial instruments, such as capital assets.

The estimated fair value amounts are designed to approximate amounts at which instruments could be exchanged in a current transaction between willing parties who are under no compulsion to act. Fair values are based on estimates using present value and other valuation techniques, which are significantly affected by the assumptions used concerning the amount and timing of estimated future cash flows and discount rates which reflect varying degrees of risk. Because of the estimation process and the need to use judgment, the aggregate fair value amounts should not be interpreted as being necessarily realizable in an immediate settlement of the instruments.

	2002		Fair value over (under) book value
	Fair value	Book value	
Assets			
Cash resources	\$ 3,137,394	\$ 3,137,394	\$ -
Investments	27,096,291	27,156,145	(59,854)
Loans to members	109,687,069	109,464,442	222,627
Other assets	2,041,875	2,041,875	-
Liabilities			
Members' deposits	137,911,540	135,979,722	1,931,818
Other liabilities	1,042,122	1,042,122	-
Liabilities qualifying as regulatory capital	6,104,063	6,104,063	-

**GREATER TORONTO AREA (GTA)
SAVINGS & CREDIT UNION LIMITED**

Notes to the Financial Statements

September 30, 2002, 2001 and 2000

18 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Fair value (continued)

	2001		Fair value over (under) book value
	Fair value	Book value	
Assets			
Cash resources	\$ 3,435,990	\$ 3,435,990	\$ -
Investments	23,254,449	23,389,812	(135,363)
Loans to members	110,965,979	110,587,790	378,189
Other assets	2,655,457	2,655,457	-
Liabilities			
Members' deposits	136,613,490	134,203,599	2,409,891
Other liabilities	841,642	841,642	-
Liabilities qualifying as regulatory capital	6,217,733	6,217,733	-
2000			
	Fair value	Book value	Fair value over (under) book value
Assets			
Cash resources	\$ 3,379,059	\$ 3,379,059	\$ -
Investments	21,799,383	21,739,566	59,817
Loans to members	106,229,390	107,808,986	(1,579,596)
Other assets	1,690,043	1,690,043	-
Liabilities			
Members' deposits	129,384,008	129,522,460	(138,452)
Other liabilities	921,152	921,152	-
Liabilities qualifying as regulatory capital	6,337,918	6,337,918	-

**GREATER TORONTO AREA (GTA)
SAVINGS & CREDIT UNION LIMITED**

Notes to the Financial Statements

September 30, 2002, 2001 and 2000

18. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The following methods and assumptions were used to estimate the fair value of financial instruments:

- (i) The fair values of cash resources, certain other assets and certain other liabilities are assumed to approximate their carrying values, due to their short-term nature.
- (ii) The fair value of investments is based on quoted market values where available (see Note 3).
- (iii) The estimated fair value of floating rate loans and floating rate deposits is assumed to be equal to book value as the interest rates on these loans and deposits reprice to market on a periodic basis.
- (iv) The estimated fair value of fixed rate loans, fixed rate deposits and liabilities qualifying as regulatory capital is determined by discounting the expected future cash flows of these loans, deposits and capital accounts at current market rates for products with similar terms and credit risks.

Interest rate risk

Interest rate risk refers to the potential impact of changes in interest rates on the credit union's earnings when maturities of its financial liabilities are not matched with the maturities of its financial assets. It is the policy of the credit union to keep exposure to interest rate fluctuations within limits set by the Board of Directors and by the Act.

The table below summarizes amounts by maturity dates and effective interest rates for the following on-balance sheet financial instruments:

	2002				Total	Effective Interest Rate
	Variable Rate	Less than one year	One to five years	Non-rate Sensitive		
	(in thousands of dollars)					
Cash resources	\$ 2,068	\$ -	\$ -	\$ 1,069	\$ 3,137	0.19%
Investments	1,635	20,653	25	4,843	27,156	2.57%
Loans to members	37,174	28,037	43,641	903	109,755	6.63%
Members' deposits	37,500	44,289	40,574	10,022	132,385	2.66%
Liabilities qualifying as regulatory capital	6,037	67	-	-	6,104	4.31%

**GREATER TORONTO AREA (GTA)
SAVINGS & CREDIT UNION LIMITED**

Notes to the Financial Statements

September 30, 2002, 2001 and 2000

18. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Interest rate risk (continued)

	2001					Effective Interest Rate
	Variable Rate	Less than one year	One to five years	Non-rate Sensitive	Total	
	(in thousands of dollars)					
Cash resources	\$ 932	\$ -	\$ -	\$ 2,504	\$ 3,436	0.29%
Investments	-	19,569	46	3,775	23,390	2.83%
Loans to members	38,066	27,757	44,416	966	111,205	6.98%
Members' deposits	37,881	49,203	33,414	9,538	130,036	3.09%
Liabilities qualifying as regulatory capital	6,218	-	-	-	6,218	2.08%
	2000					
	Variable Rate	Less than one year	One to five years	Non-rate Sensitive	Total	Effective Interest Rate
	(in thousands of dollars)					
Cash resources	\$ 1,751	\$ -	\$ -	\$ 1,628	\$ 3,379	0.29%
Investments	1,635	18,451	259	1,395	21,740	4.92%
Loans to members	33,635	27,803	45,892	1,115	108,445	7.64%
Members' deposits	31,940	49,074	35,458	9,708	126,180	3.54%
Liabilities qualifying as regulatory capital	6,271	67	-	-	6,338	3.82%

19. PROPOSED AMALGAMATION

On September 3, 2002, a letter of intent was signed between the credit union and PACE Savings & Credit Union Limited to negotiate the terms of an amalgamation agreement, subject to the approval of the membership of each credit union and regulatory approval.

**GREATER TORONTO AREA (GTA)
SAVINGS & CREDIT UNION LIMITED**
Schedules of Administrative Expenses
Years ended September 30, 2002, 2001 and 2000

	2002	2001	2000
Advertising	\$ 123,155	\$ 155,740	\$ 119,475
Annual meeting	3,111	12,305	6,412
Automated teller charges	96,562	76,371	86,586
Board and committee	94,936	76,511	85,452
Bonding insurance	40,564	36,094	33,220
Building maintenance	74,047	76,522	71,582
Business and realty taxes	71,738	75,377	115,738
Consulting and professional fees	295,302	296,263	293,215
Conventions and conferences	9,205	20,515	17,161
Courier services	48,716	56,426	57,710
Data processing	281,753	267,137	232,231
Education	7,383	8,685	5,901
Heat, light and water	28,451	23,920	25,089
Insurance premiums	48,087	38,176	45,322
Legal and collection fees	31,625	31,470	18,749
Loan and share life insurance	14,849	14,640	15,291
Office and general	359,546	443,422	423,517
Postage and mailing	47,079	60,439	58,662
Rent	125,043	182,671	222,074
Telephone	54,493	59,756	58,055
Trustee fees - registered plans	17,137	14,688	18,457
	\$ 1,872,782	\$ 2,027,128	\$ 2,009,899

Auditors' Consent

We consent to the use of our report dated October 25, 2002 to the Directors of Greater Toronto Area (GTA) Savings & Credit Union Limited included in this Offering Statement dated December 29, 2002 relating to the sale and issue of Series 03 Class B Special Shares.

Deloitte + Touche LLP

Chartered Accountants

Toronto, Ontario
December 29, 2002

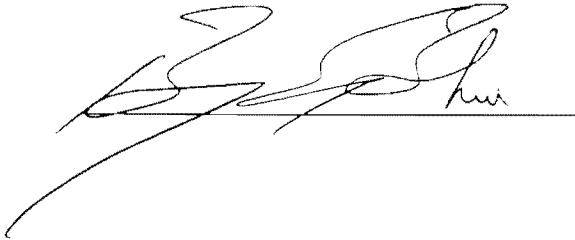
STATEMENT OF OTHER MATERIAL FACTS

There are no other material facts relating to the issues of securities in this Offering Statement which have not been suitably disclosed herein.

November 13, 2002

“The Board of Directors of Greater Toronto Area (GTA) Savings & Credit Union Limited approves the issue of Series 03 Class B Special Shares (New Class B Investment Shares), subject to the restated Certificate of Incorporation of Greater Toronto Area (GTA) Savings & Credit Union Limited, as amended to December 29, 2002, and as described in the Offering Statement to be dated December 29, 2002.”

I certify the above to be a true copy of a resolution adopted by the Board of Directors of Greater Toronto Area (GTA) Savings & Credit Union Limited at their meeting of November 13, 2002.

A handwritten signature in black ink, appearing to read 'Barry Bushell', is written over a horizontal line. The signature is stylized and cursive.

Barry Bushell, Corporate Secretary

CERTIFICATE

Form 1

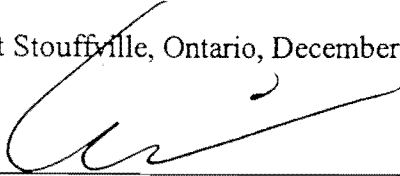
Credit Unions and Caisses Populaires Act, 1994

CERTIFICATE OF DISCLOSURE

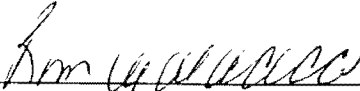
(Subsection 77 (4) of the Act)

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Offering Statement as required by Part V of the Credit Unions and Caisses Populaires Act, 1994, and the regulations thereunder.

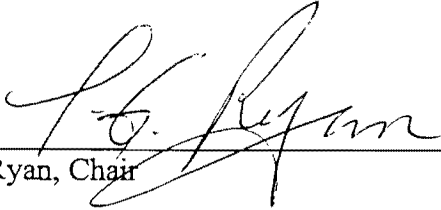
Dated at Stouffville, Ontario, December 29, 2002



Larry Smith, Chief Executive Officer



Kim Colacicco, Chief Financial Officer



Terry Ryan, Chair

TAB G

This offering statement must be delivered to every purchaser of the securities described herein prior to the purchaser becoming obligated to complete the purchase and, upon request, to any prospective purchasing member. Any prospective purchaser is also encouraged to obtain and to review a copy of the Supplementary Information Filing referred to in this offering statement.

No official of the Government of the Province of Ontario has considered the merits of the matters addressed in this offering statement or in the Supplementary Information Filing.

The securities being offered are not guaranteed by the Deposit Insurance Corporation of Ontario or any similar public agency.

The prospective purchaser of these securities should carefully review the offering statement and any other documents it refers to, including the Supplementary Information Filing, examine in particular the section on risk factors beginning on page 9 and, further, may wish to consult a financial or tax advisor about this investment.

Peoples Credit Union Limited

OFFERING STATEMENT

dated July 29, 2009

AGGREGATE MINIMUM \$2,000,000 – AGGREGATE MAXIMUM \$5,000,000
SERIES 1, CLASS B SPECIAL SHARES and SERIES 2, CLASS B SPECIAL SHARES
(NON-CUMULATIVE, NON-VOTING,
NON-PARTICIPATING SPECIAL SHARES)

("Class B Investment Shares, Series 1" and "Class B Investment Shares, Series 2")

The subscription price for each Class B Investment Share, Series 1 or Series 2, will be \$1.00 per share, with an aggregate minimum of 1,000 shares per member of either or both series, which may be subscribed for \$1,000.00, to an aggregate maximum of 100,000 shares per member of either or both series, which may be subscribed for \$100,000.00.

There is no market through which these securities may be sold.

The purchaser of these securities may reverse his/her decision to purchase the securities if he/she provides notice in writing, or by facsimile, or by e-mail in combination with a telephone call, to the person from whom the purchaser purchases the security, within two days, excluding weekends and holidays, of having signed a subscription form.

The Class B Investment Shares, Series 1 and Series 2, are subject to the transfer and redemption restrictions under the Credit Unions and Caisses Populaires Act, 1994 and the restrictions under this offering statement as set out on pages 8 and 9.

THE SECURITIES OFFERED ARE NOT DEPOSITS. THE SECURITIES OFFERED ARE NOT INSURED. THE DIVIDENDS ON THE SECURITIES ARE NOT GUARANTEED.

TABLE OF CONTENTS

OFFERING STATEMENT SUMMARY	i
Peoples Credit Union Limited (the “Credit Union”)	i
The Offering	i
Use of Proceeds	ii
Risk Factors	ii
Dividend Policy	ii
Summary Financial Information	iv
DETAILED OFFERING STATEMENT	1
The Credit Union	1
BUSINESS OF THE CREDIT UNION	1
General Description of the Business	1
Personal Financial Services	1
Lending Services	2
Personal Loans	2
Residential Mortgages	2
Commercial Loans	2
Agricultural Loans	2
Unincorporated Association Loans	2
Syndicated Loans	3
Institutional Loans	3
Summary Lending Comments	3
Additional Information	3
CAPITAL STRUCTURE OF THE CREDIT UNION	3
DESCRIPTION OF SECURITIES BEING OFFERED	5
Class B Investment Shares, Series 1 and Series 2	5
Issue	5
Dividends	5
Canadian Federal Income Tax Considerations	6
Dividends	6
Redemptions	6
Other Dispositions	7
RRSP- and TFSA - Eligible	7
Rights on Distributions of Capital	7
Voting Rights	7
Redemption Provisions and Restrictions	8
Restrictions on Transfer	8
Articles of Amalgamation	9

RISK FACTORS	9
Transfer and Redemption Restrictions	9
Capital Adequacy	10
Payment of Dividends	10
Credit Risk	10
Market Risk	11
Liquidity Risk	11
Structural Risk	12
Operational Risk	13
Regulatory Action	13
Reliance on Key Management	13
Economic Risk	13
Competitive Risk	14
Reputational Risk	14
DIVIDEND RECORD AND POLICY	14
USE OF PROCEEDS FROM SALE OF SECURITIES	15
PLAN OF DISTRIBUTION	15
MARKET FOR THE SECURITIES	17
SENIOR DEBT (RANKING AHEAD OF CLASS B INVESTMENT SHARES, SERIES 1 and SERIES 2)	17
AUDITORS, REGISTRAR AND TRANSFER AGENT	18
DIRECTORS AND SENIOR MANAGEMENT	18
Board of Directors	18
Senior Management	19
LAWSUITS AND OTHER MATERIAL OR REGULATORY ACTIONS	20
MATERIAL INTERESTS OF DIRECTORS, OFFICERS AND EMPLOYEES	20
MANAGEMENT'S DISCUSSION AND ANALYSIS	20
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION	25
Peoples Credit Union Limited	
Consolidated Financial Statements as of April 30, 2009	27
Interim Review Report	28
Consolidated Balance Sheet	29
Consolidated Statement of Operations	30
Consolidated Statement of Comprehensive Income	31
Consolidated Statement of Cash Flows	32
Summary of Significant Accounting Policies	33
Notes to Financial Statements	38
Auditors' Report	48
Prior Auditors' Report	49
Consolidated Balance Sheet	50
Consolidated Statement of Operations	51
Consolidated Statement of Comprehensive Income	52
Consolidated Statement of Cash Flows	53
Summary of Significant Accounting Policies	54
Notes to Financial Statements	59
AUDITORS' CONSENT	70
PRIOR AUDITORS' CONSENT	71
STATEMENT OF OTHER MATERIAL FACTS	72
BOARD RESOLUTION	73
CERTIFICATE	74

OFFERING STATEMENT SUMMARY

The following is a summary only and is qualified in its entirety by the more detailed information appearing elsewhere in this offering statement, and in the Supplementary Information Filing which is available upon request from the Credit Union. A “Glossary of Terms” can be found at the end of the Supplementary Information Filing.

Peoples Credit Union Limited (the “Credit Union”)

The Credit Union was formed by the amalgamation, on August 31, 2004, of Innisfil Credit Union Limited and Shelburne Credit Union Limited. Innisfil Credit Union Limited had been formed as Innisfil Farmers’ Credit Union on July 6, 1944, by a group of local farmers who had formed a Farm Forum Group, falling under the organization wing of the Federation of Agriculture. Shelburne Credit Union Limited had been incorporated on August 12, 1947 as a result of a desire by rural people in the Shelburne area to take greater control of their lives and to charter their own credit union. Both credit unions were formed as part of a larger transformation which took place across rural Ontario during and following the Second World War.

The Credit Union serves more than 9,681 members through 4 branches located in Innisfil, Shelburne, and Barrie, Ontario. The Credit Union offers a full range of personal and business financial products and services. See also “Business of the Credit Union”, on pages 1 through 3.

The Offering

The Credit Union offers for sale to its individual members, at \$1.00 per share, Class B Non-Cumulative, Non-Voting, Non-Participating, Redeemable Special Shares, Series 1 and Series 2 (“Class B Investment Shares, Series 1” and “Class B Investment Shares, Series 2”) in the capital of the Credit Union. Class B Investment Shares, Series 1 and Series 2, are special, non-membership shares and constitute part of the authorized capital of the Credit Union. Subscriptions will be accepted from individual members of the Credit Union for an aggregate minimum of 1,000 Class B Investment Shares, Series 1 and/or Series 2, and an aggregate maximum of 100,000 Class B Investment Shares, Series 1 and/or Series 2. Subscription, purchase and redemption of these shares are exclusively through the Credit Union’s offices. Class B Investment Shares, Series 1 and Series 2, are not redeemable for five years following their issuance, except upon the death or expulsion from membership of the holder of those shares. All redemptions, including those resulting from the death or expulsion from membership of the holder of such shares, are also subject to a limit (of 10% of the number of the Class B Investment Shares, Series 1 or Series 2, as the case may be, issued and outstanding at the end of the prior fiscal year) on the maximum number of shares of either series that can be redeemed in any fiscal year. Transfer of such shares will only be affected through the Credit Union, and transfers are generally restricted to other members of the Credit Union. The Credit Union, at its option, may acquire the Class B Investment Shares, Series 1 and/or Series 2, at the Redemption Amount, for cancellation after a period of five years following the issuance of the shares. See “Description of Securities Being Offered” on pages 5 to 9.

Subscriptions for the Class B Investment Shares, Series 1 and/or Series 2, shall be accepted as of the date of this offering statement, and for a period of six months thereafter, or until the date on which subscriptions have been received for either or both series of shares for the aggregate maximum 5,000,000 Class B Investment Shares, Series 1 and/or Series 2, or until the date on which the Board, having received subscriptions for either or both series of shares for at least the aggregate minimum 2,000,000 Class B Investment Shares, Series 1 and/or Series 2, but not for the aggregate maximum 5,000,000 Class B

Investment Shares, Series 1 and/or Series 2, and noting that six months has not yet passed since the date of this offering statement, resolves to close the offering, whichever shall occur first (the “Closing Date”). The offerings for both series will be closed simultaneously. The shares so subscribed shall be issued within sixty days after the Closing Date (the “Issue Date”).

The securities to be issued under this offering statement are not secured by any assets of the Credit Union, and are not covered by deposit insurance or any other form of guarantee as to repayment of the principal amount or dividends. The Class B Investment Shares, Series 1 and Series 2, will qualify as Regulatory Capital, to the extent permitted and as defined in the Act.

Use of Proceeds

If fully subscribed, the gross proceeds of this issue will be \$5,000,000. The costs of issuing these securities are not expected to exceed \$80,000, and these costs, approximating \$66,800 after applicable tax savings, will be deferred and charged directly to retained earnings when this offering is completed. The estimated maximum net proceeds of this offering are \$4,933,200. The principal use of the net proceeds, and the purpose of this offering, is to add to the Credit Union’s Regulatory Capital in order to provide for future growth, development and stability, while maintaining a prudent cushion in the amount of Regulatory Capital above regulatory requirements.

Based on the total assets, risk-weighted assets and regulatory capital at April 30, 2009 (unaudited), the Credit Union's Leverage Ratio would increase to 6.11% and its Risk-Weighted Assets Ratio would increase to 10.67% if this offering is minimally subscribed, and its Leverage Ratio would increase to 8.37% and its Risk-Weighted Assets Ratio would increase to 14.63% if fully subscribed, both well above the regulatory minimum requirement of 4%. Based upon the Credit Union's unaudited April 30, 2009 balance sheet, this offering would support additional growth of \$69,503,250 if minimally subscribed, and \$144,503,250 if fully subscribed.

Risk Factors

Investments in the Class B Investment Shares, Series 1 and Series 2, are subject to a number of risks, including regulatory redemption restrictions, the continuous need to maintain minimum Regulatory Capital levels, the uncertainty of payment of dividends, credit risk, market risk, liquidity risk, structural risk, operational risk, potential regulatory actions, reliance on key management, economic risk, competitive risk and reputational risk. See “Risk Factors” on pages 9 to 14.

Dividend Policy

The dividend policy of the Credit Union’s Board, as it relates to Class B Investment Shares, Series 1 and Series 2, shall be to pay a dividend or dividends in every year in which there are sufficient profits to do so while still fulfilling all other Regulatory Capital, liquidity, and operational requirements. The dividend rates to be paid on each series of Class B Investment Shares shall be established by the Board, in its sole and absolute discretion, based on financial and other considerations prevailing at the time of the declarations, and, in particular, on the Credit Union’s earnings. The Board shall consider whether or not a dividend shall be declared on both series of Class B Investment Shares, the rate of that dividend and the manner in which it is paid, including whether in the form of additional Class B Investment Shares of the

appropriate series, in cash, or partly in shares and partly in cash. The Board shall consider this at least annually, and any declared dividend will be paid following each fiscal year end and before each annual general meeting of members. There can be no guarantee that a dividend will be paid in each year. The Board has defined an appropriate dividend rate for the Class B Investment Shares, Series 1, to be 4.50% for fiscal years ending on or before December 31, 2014, and thereafter as determined by the Board. The Board has defined an appropriate dividend rate for the Class B Investment Shares, Series 2, to be a rate equal to or greater than a rate which exceeds by 100 Basis Points the simple average of the yields on the monthly series of the Government of Canada five-year bonds (CANSIM Identifier VI22540) as published by the Bank of Canada on its website, www.bank-banque-canada.ca for each month in the Credit Union's fiscal year. These dividend policies are subject to change or exception at any time, at the Board's discretion.

Dividends paid on Class B Investment Shares, Series 1 and Series 2, will be deemed to be interest and not dividends, and are therefore not eligible for the tax treatment given to dividends from taxable Canadian corporations, commonly referred to as the "dividend tax credit".

Summary Financial Information

This summary financial information should be read in conjunction with the more detailed consolidated financial statements beginning at page 25, including the notes to those statements, and Management's Discussion and Analysis beginning at page 20.

SUMMARY CONSOLIDATED BALANCE SHEET (in thousands)

	<u>As at April 30,</u> <u>2009</u>	<u>As at December 31,</u> <u>2008</u>	<u>As at December</u> <u>31, 2007</u>	<u>As at December</u> <u>31, 2006</u>
ASSETS				
Cash resources	2,553	\$4,017	\$1,841	\$3,822
Investments	12,966	12,829	12,102	13,055
Loans to members, net of allowance for impaired loans	112,887	113,639	111,004	103,273
Capital assets, net of accumulated amortization	3,524	3,591	3,733	3,620
Other assets	690	423	302	343
Derivative financial instruments	<u>78</u>	<u>60</u>	<u>105</u>	<u>0</u>
Total assets	<u>\$132,698</u>	<u>\$134,559</u>	<u>\$129,087</u>	<u>\$124,113</u>
LIABILITIES				
Term loan	\$0	\$3,500	\$2,000	\$0
Accounts payable and accrued liabilities	247	141	153	\$319
Derivative financial instruments	<u>78</u>	<u>60</u>	<u>169</u>	<u>0</u>
	325	3,701	2,322	319
MEMBER ENTITLEMENTS				
Members' deposits	126,275	124,305	119,291	116,137
Accrued dividends payable	0	0	60	50
Members' certified cheques outstanding	<u>120</u>	<u>21</u>	<u>58</u>	<u>48</u>
	126,395	124,326	119,409	116,235
LIABILITIES QUALIFYING AS REGULATORY CAPITAL				
Membership Shares	225	226	231	234
MEMBERS' EQUITY				
Contributed surplus	1,460	1,460	1,460	1,460
Retained earnings	4,293	4,846	5,708	5,865
Accumulated other comprehensive	<u>0</u>	<u>0</u>	<u>(43)</u>	<u>0</u>
Total Capital	<u>5,978</u>	<u>6,532</u>	<u>7,356</u>	<u>7,559</u>
Total liabilities and members' equity	<u>\$132,698</u>	<u>\$134,559</u>	<u>\$129,087</u>	<u>\$124,113</u>

**SUMMARY
CONSOLIDATED INCOME
STATEMENT (in thousands)**

	<u>Four Months Ended April 30, 2009</u>	<u>Fiscal Year Ended December 31, 2008</u>	<u>Fiscal Year Ended December 31, 2007</u>	<u>Fiscal Year Ended December 31, 2006</u>
Interest income	\$2,021	\$7,230	\$7,596	\$7,168
Interest expense	<u>808</u>	<u>2,789</u>	<u>2,938</u>	<u>2,500</u>
Net interest income	1,213	4,441	4,658	4,668
Other income	503	1,438	1,386	1,254
Patronage dividends	<u>0</u>	<u>0</u>	<u>(60)</u>	<u>(50)</u>
Net interest and other income	1,716	5,879	5,984	5,872
Non-interest expenses	<u>2,387</u>	<u>6,667</u>	<u>6,151</u>	<u>5,526</u>
Income (loss) for the period before other items	(671)	(788)	(167)	346
Write-down of ABCP Limited Partnership	<u>0</u>	<u>(218)</u>	<u>0</u>	<u>0</u>
Income (loss) for the period before provision for income taxes	(671)	(1,006)	(167)	346
Provision for (recovery of) income taxes	<u>(118)</u>	<u>(145)</u>	<u>(28)</u>	<u>77</u>
Net income (loss) for the period	(\$553)	<u>(\$861)</u>	<u>(\$139)</u>	<u>\$269</u>

DETAILED OFFERING STATEMENT

The Credit Union

The Credit Union was formed by the amalgamation, on August 31, 2004, of Innisfil Credit Union Limited and Shelburne Credit Union Limited. Innisfil Credit Union Limited had been formed as Innisfil Farmers' Credit Union on July 6, 1944, by a group of local farmers who had formed a Farm Forum Group, falling under the organization wing of the Federation of Agriculture. Shelburne Credit Union Limited had been incorporated on August 12, 1947 as a result of a desire by rural people in the Shelburne area to take greater control of their lives and to charter their own credit union. Both credit unions were formed as part of a larger transformation which took place across rural Ontario during and following the Second World War.

The Credit Union serves more than 9,681 members through 4 branches located in Innisfil, Shelburne, and Barrie, Ontario. The Credit Union offers a full range of personal and business financial products and services. See also "Business of the Credit Union", below through page 3.

BUSINESS OF THE CREDIT UNION

General Description of the Business

An overview of the products and services offered by the Credit Union follows:

Personal Financial Services

The Credit Union provides a broad range of personal financial products and services to its members. Retail financial products for individuals include savings and chequing accounts and an extensive variety of Canadian and US-dollar term deposit products in both long terms of one to five years, and short terms of 30 to 364 days. Registered investment options include registered retirement savings plans ("RRSPs"), registered retirement income funds ("RRIFs"), and tax-free savings account ("TFSA"). Investment services also include mutual funds and online brokerage services offered through an arrangement with Credential Asset Management Inc., Credential Financial Strategies Inc. and Credential Direct outlined at page 7 of the Supplementary Information Filing. As at December 31, 2008, members of the Credit Union had \$4,716,525 invested through the Credit Union in various mutual funds, equities and bonds. All RRSPs, RRIFs, and TFSAs are administered and held by the Credit Union and are trusted by Concentra Trust. The Credit Union also offers Concentra Trust RESPs as an agent of Concentra Trust.

The Credit Union has six full-service Automated Banking Machines ("ABMs") located at each Credit Union branch, with the Innisfil and Alcona branches having full-service lobby ABMs as well as drive-through ABMs; the Credit Union also has two ABMs which dispense cash only, located outside its branches. The Credit Union is also linked to the Interac and Cirrus System networks and is a member of The Exchange® Network, giving members access to their accounts at point of sale terminals and ABMs well beyond its own branch network and throughout Ontario and Canada. In addition, members have the option of conducting transactions using the Credit Union's Internet and telephone banking facilities.

The Credit Union offers a MasterCard credit card through an arrangement with a third party. The Credit Union does not hold the accounts receivable owing from its credit card holders.

Lending Services

The Credit Union is licensed by the Financial Services Commission of Ontario, pursuant to a lending license issued February 1, 2007, as a Class 2 Credit Union, allowing it to offer Personal Loans, Mortgage Loans, Bridge Loans, Commercial Loans, Agricultural Loans, Institutional Loans, Syndicated Loans and Unincorporated Association Loans, up to limits defined in its lending policies, which are required by regulation to meet a “prudent person” standard. The Board has approved, and management follows, its lending policies in all areas to minimize the risk of loan losses. A variety of loan-related group insurance products are also available to members for all types of loans.

Personal Loans

Personal Loans consist of instalment loans, demand loans, and lines of credit. The Credit Union’s lending policy prevents it from making unsecured Personal Loans exceeding \$40,000 to any borrower. As at April 30, 2009, the Credit Union’s Personal Loan portfolio totalled \$6,669,408.

Residential Mortgages

The Credit Union offers Mortgage Loans and Bridge Loans to its members. It grants Mortgage Loans to individuals according to conventional mortgage lending standards for residential property. As of April 30, 2009, approximately 82% of the Credit Union’s portfolio of Mortgage Loans consists of conventional mortgages; the remainder are high-ratio mortgages insured by the Canada Mortgage and Housing Corporation, AIG United Guaranty and Genworth Financial Canada. AIG United Guaranty and Genworth Financial Canada are fully self-sustaining and maintain assets and capital which meet and exceed all requirements as regulated by the Office of the Superintendent of Financial Institutions. These assets are held in Canada for the Canadian mortgage insurance business. Both insurers are backstopped by a Government of Canada guarantee. As at April 30, 2009, the Credit Union’s portfolio of Mortgage Loans and Bridge Loans totalled \$65,495,338. In addition, as at April 30, 2009, the Credit Union’s members had \$4,139,006 outstanding in Mortgage Loans which had been securitized by the Credit Union through the securitization program discussed at page 6 of the Supplementary Information Filing.

Commercial Loans

Commercial Loans consist of mortgages, term loans and operating lines of credit to small and medium-sized businesses, and mortgages that do not meet the definition of a Mortgage Loan because the property is non-owner-occupied, multi-unit residential, or non-residential property. Commercial Loans, Agricultural Loans, Institutional Loans and Unincorporated Association Loans are collectively limited in the aggregate to 40% of the Credit Union’s Regulatory Capital and members’ deposits. As at April 30, 2009 the Credit Union’s Commercial Loan portfolio totalled \$42,093,478.

Agricultural Loans

Agricultural Loans consist of mortgages, term loans and operating lines of credit to all types of agricultural businesses. Commercial Loans, Agricultural Loans, Institutional Loans and Unincorporated Association Loans are collectively limited in the aggregate to 40% of the Credit Union’s Regulatory Capital and members’ deposits. As at April 30, 2009, the Credit Union’s Agricultural Loan portfolio totalled \$1,931,192.

Unincorporated Association Loans

Unincorporated Association Loans consist of any loan made to an unincorporated association. Unincorporated associations are not recognized legally as persons, and therefore loans to such associations need to be carefully made and secured. Commercial Loans, Agricultural Loans, Institutional Loans and Unincorporated Association Loans are collectively limited in the aggregate to 40% of the

Credit Union's Regulatory Capital and members' deposits, and each Unincorporated Association Loan is generally limited to \$1,750,000. As at April 30, 2009, the Credit Union's Unincorporated Association Loan portfolio totalled \$9,711.

Syndicated Loans

Syndicated Loans are loans where the Credit Union, based on its portfolio management parameters, involves Central 1 Credit Union ("Central 1") or other financial institutions in making the requested loan. As at April 30, 2009, the Credit Union's Syndicated Loan portfolio totalled \$1,097,849.

Institutional Loans

Institutional Loans are loans to the federal or a provincial or municipal government or governmental agency, a school board, or an entity funded primarily by the federal or a provincial or municipal government. Commercial Loans, Agricultural Loans, Institutional Loans and Unincorporated Association Loans are collectively limited in the aggregate to 40% of the Credit Union's Regulatory Capital and members' deposits, and each Institutional Loan is generally limited to a maximum of \$1,750,000. As at April 30, 2008 the Credit Union did not have any Institutional Loans outstanding.

Summary Lending Comments

For further information regarding any of these loan portfolios, see the "Loan Composition" heading in the table presented in the "Management Discussion and Analysis" section, on page 24, and also note 3 in the Credit Union's audited consolidated financial statements, on pages 40 and 41 regarding the unaudited April 30, 2009 statements, and pages 62 and 63 regarding the audited December 31, 2008 statements.

Additional Information

For more information regarding the Credit Union's current strategic plan, see "Business Strategy" on page 2 in the Supplementary Information Filing. For more information regarding the Credit Union's operations, see "Management Discussion and Analysis" beginning on page 20, and the consolidated financial statements beginning on page 27.

CAPITAL STRUCTURE OF THE CREDIT UNION

The Credit Union has three classes of shares in its capital structure: Membership Shares, Class A Special Shares (the "Class A Shares"), and Class B Special Shares (the "Class B Shares"), of which both classes are issuable in series. The Credit Union has created and authorized one series of Class A Shares, called the "Class A Shares, Series 1", and two series of Class B Shares, called the "Class B Investment Shares, Series 1" and the "Class B Investment Shares, Series 2". The Credit Union does not currently have any Class A Shares, Series 1, issued or outstanding.

The following represents a summary of the rights of the Membership Shares and the Class A Shares, Series 1, in the capital structure of the Credit Union regarding dividends, return of capital on dissolution, redeemability at the holder's initiative, redeemability at the Credit Union's initiative, voting, and treatment of shares as Regulatory Capital. Information on the Class B Investment Shares, Series 1 and Series 2 follows on page 5 under the heading "Description of Securities Being Offered":

Right	Membership Shares	Class A Shares, Series 1
Dividends	The holders of the membership Shares are entitled, after payment of dividends to holders of the Class B Investment Shares, Series 1 and Series 2, and of the Class A Shares, Series 1, to receive Non-Cumulative cash or share dividends if, as and when declared by the Board. Dividends are taxed as interest income and not as dividends.	The holders of Class A Shares, Series 1, are entitled, in preference to holders of the Membership Shares, but ranking junior to the holders of Class B Investment Shares, Series 1 and Series 2, to receive Non-Cumulative cash or share dividends if, as, and when declared by the Board. Holders of Class A Shares, Series 1, may, however, consent, by majority vote at a special meeting, to the prior payment of dividends to holders of a junior class of shares. Dividends are taxed as interest income and not as dividends.
Return of capital on dissolution	The holders of the Membership Shares are entitled, on dissolution of the Credit Union, to receive an amount representing equal portions of the assets or property of the Credit Union remaining after payment of all of its debts and obligations, including redemption of the Class B Investment Shares, Series 1 and Series 2, and the Class A Shares, Series 1.	The holders of Class A Shares, Series 1, are entitled, in preference to the holders of the Membership Shares, but junior to the holders of the Class B Investment Shares, Series 1 and Series 2, to receive the Redemption Amount for each share held upon the liquidation, dissolution, or winding up of the Credit Union, after payment of all of its other debts and obligations.
Redeemability at the holder's initiative (Retraction)	Upon death, or upon withdrawal or expulsion from membership in the Credit Union, the Credit Union must redeem the member's membership Shares held at the amount paid up for each such membership Share, plus any declared but unpaid dividends thereon, unless such redemption would cause the Credit Union to fail to comply with Regulatory Capital and liquidity requirements.	Holders who are withdrawing or expelled from membership in the Credit Union, or who have died, may request that the Credit Union redeem the Class A Shares, Series 1, they hold, at any time. All redemptions are at the discretion of the Board. In no case shall the total number of Class A Shares, Series 1, redeemed in any fiscal year exceed 10% of the issued and outstanding Class A Shares, Series 1, reported on the Credit Union's audited financial statements for the preceding fiscal year, and in no case shall a redemption occur which would cause the Credit Union to fail to comply with Regulatory Capital and liquidity requirements.

Right	Membership Shares	Class A Shares, Series 1
Redeemability at the Credit Union's initiative	Membership Shares are not redeemable at the Credit Union's initiative, except as outlined above upon the death, expulsion or withdrawal from membership of the holder.	The Credit Union may at its initiative purchase for cancellation, subject to continued compliance with Regulatory Capital and liquidity requirements, at the Redemption Amount, all or any portion of the Class A Shares, Series 1, outstanding at any time five years or more after the shares were issued.
Voting	Each member of the Credit Union over the age of 18 years has one vote on any matter considered by any annual or special meeting of its membership, regardless of the number of membership Shares held.	Class A Shares, Series 1, do not carry any voting rights, except when the Act requires that those shares carry voting rights. When the Class A Shares, Series 1, carry voting rights, each Class A Share, Series 1, carries one vote.
Treatment as Regulatory Capital *	The Credit Union includes all of its membership Shares as Tier I Regulatory Capital.	The Credit Union includes 90% of the Class A Shares, Series 1, as Tier I Regulatory Capital, and includes the remaining 10% of the Class A Shares, Series 1, as Tier II Regulatory Capital.

*For more information on Tier I and Tier II Regulatory Capital, see "Tier I and Tier II Regulatory Capital" on page 4 in the Supplementary Information Filing.

DESCRIPTION OF SECURITIES BEING OFFERED

Class B Investment Shares, Series 1 and Series 2

Issue

Class B Investment Shares, Series 1 and Series 2, issuable at \$1.00 each, will only be issued to members of the Credit Union (both individuals and "legal persons" such as corporations and trusts), to RRSPs with an individual member of the Credit Union who has not yet attained the age of 66 years as the annuitant, or to TFSA's with an individual member of the Credit Union as the holder. An individual must be at least 18 years of age and a resident of Ontario to purchase Class B Investment Shares, Series 1 or Series 2. Members will not be permitted to hold Class B Investment Shares, Series 1 or Series 2, in RRIFs of which they are annuitants.

Dividends

The holders of Class B Investment Shares, Series 1 and Series 2, are equally entitled, in preference to the Class A Shares and to the Membership Shares, to receive dividends if, as and when declared by the Board. Holders of the Class B Investment Shares, Series 1 and Series 2, may, however, by majority vote at a special meeting, consent to the prior payment of dividends to holders of a junior class of shares.

The payment of such dividends will be in cash, in additional Class B Investment Shares of the applicable series, or in a combination of both, and on such terms as may be determined from time to time by the Board.

The dividend policy to be followed for the Class B Investment Shares, Series 1 is different from that to be followed for the Class B Investment Shares, Series 2. For a discussion of the Credit Union's dividend policies regarding Class B Investment Shares, Series 1 and Series 2, see pages 14 and 15.

Canadian Federal Income Tax Considerations

The following summary has been prepared by Tinkham & Associates LLP, Chartered Accountants, Licensed Public Accountants, in its capacity as tax advisor to the Credit Union, of the principal Canadian federal income tax consequences applicable to a holder of a Class B Investment Share, Series 1 or Series 2, who acquires the share pursuant to this Offering and who, for the purposes of the *Income Tax Act* (Canada) (the "Act"), is resident in Canada and holds the share as capital property.

This summary is based on the facts contained in this offering statement and based upon Tinkham & Associates understanding of the provisions of the Act and the regulations thereunder as they currently exist, and current published administrative policies and assessing practices of the Canada Revenue Agency (the "CRA"). This summary takes into account specific proposals to amend the Act and the regulations thereunder that have been publicly announced by the Minister of Finance (Canada) prior to the date hereof. There can be no assurance that these proposals will be enacted in their current form or at all, or that the CRA will not change its administrative and assessing practices.

This summary does not otherwise take into account or anticipate any changes in law, whether by legislative, governmental or judicial decision or action. This summary does not also take into account provincial, territorial or foreign tax legislation or considerations. No advance income tax ruling has been requested or obtained in connection with this offering statement, and there is a risk that the CRA may have a different view of the income tax consequences to holders from that described herein. INVESTORS ARE CAUTIONED THAT THIS COMMENTARY IS OF A GENERAL NATURE ONLY AND IS NOT INTENDED TO CONSTITUTE ADVICE TO ANY PARTICULAR INVESTOR. INVESTORS SHOULD SEEK INDEPENDENT ADVICE FROM THEIR OWN TAX ADVISORS.

Dividends

A holder of a Class B Investment Share, Series 1 or Series 2, will be required to include in computing income the dividends paid on the shares, whether paid in cash or in the form of additional shares. Dividends paid to a holder of a Class B Investment Share, Series 1 or Series 2, are deemed to be interest for Canadian income tax purposes. This income will be subject to income tax in the same manner as other interest income.

Redemption

On a redemption of a Class B Investment Share, Series 1 or Series 2, to the extent that the redemption proceeds exceed the paid-up capital of the share, the excess is deemed to be interest received by the holder of the Class B Investment Share, Series 1 or Series 2. This interest must be included in computing the income of the holder in the year of redemption. The proceeds of disposition under these circumstances are reduced by the amount of deemed interest. To the extent that the proceeds of disposition exceed (or are exceeded by) the adjusted cost base and reasonable disposition costs, a capital gain (or capital loss) may be realized and taxed as described below.

Other Dispositions

The disposition of a Class B Investment Share, Series 1 or Series 2, to another member, may give rise to a capital gain (or capital loss) to the extent that the proceeds of disposition exceed (or are exceeded by) the aggregate of the adjusted cost base of the Class B Investment Share, Series 1 or Series 2, and reasonable disposition costs. One-half of the capital gain is included in computing the income of the holder of the Class B Investment Share, Series 1 or Series 2, and one-half of any capital loss may be deducted but only against capital gains of the holder. Unused capital losses may be carried back to the three preceding taxation years to offset capital gains in those years, and they may be carried forward indefinitely. Under certain specific circumstances, the capital loss may be denied and therefore not available to offset capital gains of the holder. In addition, if certain criteria are met, an allowable capital loss may be considered a business investment loss and may be applied to reduce other income of the holder. This loss or a portion thereof may be carried back to the three preceding taxation years to reduce income in those years and may be carried forward for 10 taxation years.

The Class B Investment Shares, Series 1 and Series 2, will be a qualified investment for registered plans other than RRIFs (*i.e.*, RRSP, TFSA). The transfer of any shares by a holder to a registered plan constitutes a disposition of the shares by the holder for income tax purposes. In such circumstances, the holder is deemed to receive the proceeds of disposition for the shares equal to their fair market value at that time of such transfer, and this amount is included in computing the capital gain or loss from the disposition. Any capital loss arising on such disposition is denied to the shareholder until the share is disposed to an arm's length person. Interest expense related to shares transferred to an RRSP is not deductible for income tax purposes.

RRSP- and TFSA-Eligible

Concentra Trust will accept Class B Investment Shares, Series 1 and Series 2, purchased in this offering to be contributed to a member's RRSP (provided the member is under the age of 66 years as of the Issue Date) or TFSA. The Credit Union will not permit a member to hold Class B Investment Shares in a RRIF of which the member is the annuitant. The proceeds of redemption or transfer of Class B Investment Shares, Series 1 or Series 2, held in an RRSP will remain inside that RRSP unless the annuitant specifically requests otherwise in writing.

Rights on Distributions of Capital

On liquidation or dissolution, holders of Class B Investment Shares, Series 1 and Series 2, are rateably entitled to be paid the Redemption Amount for each such share held, in priority to the Class A Shares and to the Membership Shares, but after provision for payment of all the Credit Union's other debts and obligations. Holders of Class B Investment Shares, Series 1 and Series 2, shall not thereafter be entitled, as holders of Class B Investment Shares, Series 1 or Series 2, to participate in the distribution of the Credit Union's assets then remaining, but will retain any rights they may have to such a distribution as holders of Class A Shares or Membership Shares. Distributions regarding Class B Investment Shares, Series 1 or Series 2, held in an RRSP will remain in that RRSP unless the annuitant specifically requests otherwise in writing.

Voting Rights

The Class B Investment Shares, Series 1 and Series 2, are Non-Voting for the purposes of annual or special meetings of the members of the Credit Union. In the event of a proposed dissolution, amalgamation, purchase of assets representing a Substantial Portion of the Credit Union's assets, the sale, lease or transfer of a Substantial Portion of its assets, or a proposed resolution which affects the rights

attaching to the Class B Investment Shares, Series 1 and Series 2, it shall hold a special meeting of the holders of Class B Investment Shares, Series 1 and Series 2. There may be a meeting held for the holders of each series of Class B Investment Shares, if their rights are affected differently from those of the holders of the other series. The holders of Class B Investment Shares, Series 1 and Series 2, shall have one vote per Class B Investment Share, Series 1 and/or Series 2, as the case may be, held at such meetings to consider such an event or resolution, which requires approval by Special Resolution. Approval at a meeting of the members of the Credit Union, and at meetings of the holders of all other classes of shares in its capital structure, will also be required.

Redemption Provisions and Restrictions

Holders of Class B Investment Shares, Series 1 and Series 2, may not request that the Credit Union redeem the shares they hold until the fifth anniversary of the Issue Date. Exceptions arise when a shareholder dies or is expelled from membership in the Credit Union, when he or she, or his or her estate, can request redemption regardless of the Issue Date. Redemptions are subject to the aggregate limits detailed below.

Approval of any redemption request is in the sole and absolute discretion of the Board. The Board may not approve a request if, in the opinion of the Board, honouring such redemption request will cause the Credit Union to be unable to comply with the Regulatory Capital and liquidity requirements of section 84 of the Act.

In no case shall total redemptions approved for holders of Class B Investment Shares, Series 1 or Series 2, in any fiscal year exceed an amount equal to 10% of the total Class B Investment Shares, Series 1 or Series 2, as the case may be, outstanding at the end of the previous fiscal year. The Board will approve redemption requests monthly on a first come, first served basis, as evidenced by the time and date to be marked on each request when received by the Credit Union. Redemption requests not fulfilled during one fiscal year will be carried forward and considered in the following fiscal year.

The Credit Union has the option of redeeming, at the Redemption Amount, all or any portion of the Class B Investment Shares, Series 1 or Series 2, then outstanding, subject to restrictions in the Act, after giving at least 21 days notice of its intent to redeem, at any time after the fifth anniversary of the Issue Date. If the Credit Union redeems only a portion of the Class B Investment Shares, Series 1 or Series 2, as the case may be, then outstanding, the Credit Union must redeem such Class B Investment Shares, Series 1 or Series 2, as the case may be, *pro rata* from all holders of such shares at that time. The proceeds of any redemption of Class B Investment Shares, Series 1 or Series 2, held inside an RRSP will remain inside the RRSP unless the annuitant specifically requests otherwise in writing.

Purchasers of Class B Investment Shares, Series 1 or Series 2, who are intending to include such shares in an RRSP contract should carefully review the above redemption provisions and restrictions before proceeding. The Credit Union will not permit a member to hold Class B Investment Shares, Series 1 or Series 2, in a RRIF of which the member is the annuitant.

Restrictions on Transfer

Class B Investment Shares, Series 1 or Series 2, may not be transferred except to another member of the Credit Union. Transfers will be subject to the approval of the Board. Transfer requests must be in writing, using a form approved by the Board. Transfer requests will be tendered to the registered office of the Credit Union. Class B Investment Shares, Series 1 or Series 2, will be transferred to other members at a price equal to the current Redemption Amount. The proceeds of disposition of Class B Investment

Shares, Series 1 or Series 2, held inside an RRSP will remain inside that RRSP unless the annuitant specifically requests otherwise in writing.

No member, through transfers of Class B Investment Shares, Series 1 or Series 2, from other members, will be allowed to hold more Class B Investment Shares, Series 1 or Series 2, than the member would otherwise have been able to subscribe for in this initial offering (100,000 shares). **There is no market for the Class B Investment Shares, Series 1 or Series 2, issued by the Credit Union.** The Credit Union may, however, choose to maintain a list of willing buyers, and attempt to facilitate a transfer to a willing buyer rather than process a redemption when a holder of Class B Investment Shares, Series 1 or Series 2, requests redemption; this procedure will not apply when a holder of Class B Investment Shares, Series 1 or Series 2, or his or her estate, is required by law to transfer the shares to another member of the Credit Union (*e.g.*, by the Will of a deceased shareholder), or has already located a purchaser for his or her Class B Investment Shares, Series 1 or Series 2.

Articles of Amalgamation

Prospective purchasers of Class B Investment Shares, Series 1 or Series 2, may obtain, on request at the registered office of the Credit Union, a copy of the articles of amalgamation, and the resolutions of the membership and of the Board which amended its articles of amalgamation. These documents define its share capital structure, including the full terms and conditions of the Class B Investment Shares, Series 1 or Series 2.

RISK FACTORS

The following risk factors should be considered in making a decision to purchase Class B Investment Shares, Series 1 or Series 2.

Transfer and Redemption Restrictions

There is no market through which the Class B Investment Shares, Series 1 or Series 2, may be sold. Further, it is not expected that any market will develop. These securities may only be transferred to another member of the Credit Union. Note that such a transfer is not treated as redemption, and is therefore not limited as outlined below. See “Restrictions on Transfer”, beginning on page 8, for a further discussion of transfers of Class B Investment Shares, Series 1 and Series 2.

The Act prohibits redemption of shares if the Board of the Credit Union has reasonable grounds to believe that the Credit Union is, or the payment would cause it to be, in contravention of prescribed liquidity and Regulatory Capital adequacy tests for credit unions.

Redemptions of Class B Investment Shares, Series 1 or Series 2, are permitted at the sole and absolute discretion of the Board, and are not permitted during the five years following their issuance except when the shareholder dies or is expelled from membership in the Credit Union. Redemptions are limited in any fiscal year to 10% of the Class B Investment Shares, Series 1 or Series 2, as the case may be, outstanding at the end of the previous fiscal year. Consequently, holders of Class B Investment Shares, Series 1 or Series 2, may not be able to sell or redeem their securities when they wish to do so.

Members who intend to hold Class B Investment Shares, Series 1 or Series 2, within an RRSP contract should carefully review this risk factor before proceeding. The Credit Union will not

permit a member to hold Class B Investment Shares, Series 1 or Series 2, in a RRIF of which the member is the annuitant.

Capital Adequacy

The Act requires the Credit Union to maintain a Risk-Weighted Assets Ratio and a Leverage Ratio equal to or greater than a percentage stated in the Regulations passed pursuant to the Act. The Credit Union has, during its current fiscal year ending December 31, 2009, been required to maintain a Leverage Ratio of 4.00% and a Risk-Weighted Assets Ratio of 8.00%. The Credit Union complied fully with all Regulatory Capital requirements as of April 30, 2009.

For further information regarding the Credit Union's Regulatory Capital adequacy, see "Capital Adequacy" beginning at page 4 in the Supplementary Information Filing.

Payment of Dividends

There is no record of dividend payments to the holders of Class B Investment Shares, Series 1 or Series 2, since this is the Credit Union's first issuance of such shares. The Credit Union has, however, established a record for the payment of dividends on its Membership Shares in its first five fiscal years of operation, detailed on page 14.

Past payment of dividends or other distributions in no way indicates the likelihood of future payments of dividends. The payment of dividends to the holders of Class B Investment Shares, Series 1 and Series 2, is dependent on the ability of the Credit Union to meet the Regulatory Capital requirements of the Act, and on the availability of earnings.

Dividends on Class B Investment Shares, Series 1 and Series 2, are taxed as interest and not as dividends, and are therefore not eligible for the tax treatment given to dividends from taxable Canadian corporations, commonly referred to as the "dividend tax credit".

The Board has stated a dividend policy for Class B Investment Shares, Series 1, which differs from that it has stated for Class B Investment Shares, Series 2, as outlined on pages 14 and 15 hereof; these policies may be changed at any time, at the discretion of the Board, and the Board may at any time approve exceptions to these policies. Dividends paid may therefore not be in accordance with these policies.

Credit Risk

The major activity of the Credit Union is the lending of money to members and, as a result, there exists the risk of loss from uncollectible loans. The lending policies of the Credit Union, the care and attention of staff and management in applying such policies to loan applications and loans granted, and the security taken in connection with such applications, will affect the future profitability of the Credit Union and impact on its ability to pay dividends and redeem Class B Investment Shares, Series 1 and Series 2, when the members wish it to do so.

Commercial loan reviews conducted in July, 2007 and December, 2008 expressed concern about the Credit Union's monitoring and control of its commercial portfolio, particularly the tardiness of its annual reviews of these credits, and noted that there was no non-specific loan loss allowance in place. Board and management of the Credit Union are of the opinion that these weaknesses have been addressed, and the

Credit Union has accrued a non-specific loan loss allowance of \$380,000 according to the unaudited April 30, 2009 financial statements included in this offering statement commencing at page 27.

A discussion of the Credit Union's accounting policies regarding its loans to its members is found in the Summary of Significant Accounting Policies to the audited and reviewed consolidated financial statements included in this offering statement under the heading "Allowance for impaired loans", beginning at page 34 respecting the reviewed statements, and page 56 respecting the audited statements.

Further discussion of the composition of the Credit Union's loan portfolio, and its allowance and provision for impaired loans, appears in note 4 to the audited and reviewed consolidated financial statements included in this offering statement, at page 42 respecting the reviewed statements, and pages 64 and 65 respecting the audited statements, and in the table of financial performance indicators, at page 25.

Market Risk

The Credit Union is also exposed to risk in respect of its investments. The investment policy of the Credit Union, approved by its Board, permits the Credit Union to invest its excess liquidity in financial assets with the objective of optimizing yields in securities providing a high level of security. The policy permits the Credit Union to invest its excess liquidity in deposits in Central 1, Government of Canada treasury bills and bonds, provincial and municipal treasury bills, promissory notes and bonds, Schedule 1 bank deposits and bankers' acceptances issued by a bank of a Dominion Bond Rating Service rating of at least "R-1 Low", the required membership shares to maintain membership in Central 1, derivatives (subject to the structural risk policy outlined at page 23, and its proportionate share of the units of the limited partnership established by Credit Union Central of Ontario Limited to hold its restructured asset-backed commercial paper ("ABCP") (see pages 3 and 4 of the Supplementary Information Filing for further information). The policy imposes limits on the amount which can be invested in any one type of investment, and the maximum term length for each type of investment. As of April 30, 2009, the Credit Union complied with this investment policy.

The Credit Union does not currently have any interest rate swap agreements in place, but is permitted to purchase these instruments for interest rate risk management purposes.

Liquidity Risk

Liquidity risk is the risk that a financial institution will have to sell assets at a loss to meet cash demands. Since the Credit Union has a qualifying line of credit from its financial institution, the Credit Union must maintain an amount at least equal to 8% of its members' deposits and borrowings in prescribed classes of assets pursuant to Regulations to the Act.

The Credit Union's liquidity policy provides that it should maintain liquidity between 8% and 10% of total deposits and borrowings. The Credit Union may invest its liquidity portfolio in deposits with Central 1, deposits in a Schedule 1 or 2 bank, treasury bills issued by Canadian governments, bond and debentures unconditionally guaranteed by Canadian governments, and Canadian dollar deposits with or acceptances issued by Schedule 1 banks with a Dominion Bond Rating Service rating of at least "R-1 Low". The policy imposes limits on the percentage of the portfolio which can be invested in any type of asset, and the maximum term for each type of investment. The Credit Union maintained an average

liquidity position of 10.71% in its fiscal year ended December 31, 2008, and of 9.82% in the four-month period ended April 30, 2009.

The Credit Union has access to a CDN\$7.1 million credit facility from Central 1, which is available to cover shortfalls in cash resources and for liquidity purposes if warranted. For further information, see "Senior Debt" at page 17.

As part of its liquidity management practices, the Credit Union may securitize residential mortgages through a securitization program, the details of which are provided on page 6 of the Supplementary Information Filing. Total outstanding securitizations as of April 30, 2009 are \$5,236,855.

Structural Risk

Structural risk is comprised of asset/liability matching risk, interest rate risk and funding risk. Regarding sources and uses of funds, it is the Credit Union's policy to price all loans and deposits so that, overall, a net contribution to earnings is provided and will be in line with member expectations. The Credit Union will maintain an appropriate asset mix of loans and investments consistent with the Credit Union's annual business plan; maximum loan terms will not exceed five years without Board approval. The Credit Union will maintain a prudent mix of assets in accordance with the annual business plan; maximum terms for maturity will not exceed 5 years without Board approval. The Credit Union will maintain a prudent mix of deposits, relating appropriately to the asset mix maintained by the Credit Union and reflecting member expectations; deposit terms will also not exceed five years. Regarding interest rate risk, it will be evaluated using stress tests that measure the estimated reduction in forecasted net income margin at fiscal year-end and for the next twelve months under a series of rate shock scenarios to be defined by management and approved by the Board, the reduction in net income margin in relation to forecasted earnings and surplus to year-end, and a method for measuring, monitoring and managing interest rate risk associated with all on- and off-balance-sheet activity. The Credit Union uses both a market valuation model and also an income simulation model, and evaluates equity at risk for a 100 Basis Point upward or downward shock to interest rates, and income at risk for a 25 Basis Point upward or downward shock to interest rates, against limits established by management and approved by the Board. The Credit Union can respond to market interest rate changes with immediate pricing adjustments to deposit and loan products, if necessary, to correct a potential mismatch, although such adjustments may not succeed in fully eliminating the mismatch; the Credit Union may also use derivatives to reduce interest rate risk to an acceptable level.

As at April 30, 2009, there is an exposure to an increase in interest rates of 100 Basis Points, of (1.79%) of net interest income and 0.92% of economic value of equity, and to a decrease in interest rates of 100 Basis Points, of 1.79% of net interest income and (0.92%) of economic value of equity. Peoples's balance sheet has short term exposure to increasing interest rates, but, as interest rates continue to increase, long term earnings are expected to increase.

In the event that the Credit Union's exposure to interest rate risk were to exceed the policy limits described above, future profitability could become seriously eroded should interest rates move in the direction where the Credit Union has an exposure, with a resulting negative impact on the ability of the Credit Union to pay dividends or redeem shares. Management, however, could employ one or more of several techniques to mitigate the potential risk.

The Credit Union currently employs derivative financial instruments to manage its exposure to interest rate risk. See page 6 of the Supplementary Information Filing for further information.

Operational Risk

Operational risk is the risk that, in any operational area of the Credit Union (*i.e.*, capital, credit, market, structural, and liquidity management), a financial loss will result from fraud, human error, or bad judgement. The Credit Union's operational risk management policy requires that the Credit Union periodically analyze this risk, and put in place appropriate, cost-effective risk management controls to minimize this risk. This policy requires appropriate and effective internal control policies, segregation of duties, information systems, accounting and record-keeping, safeguarding of physical assets from loss or misappropriation, and valuation methods.

The Credit Union is currently involved in an enterprise risk management process which involves identifying and, if feasible and reasonable, planning for the minimization of the risks facing the Credit Union. The Credit Union's Board and management are satisfied with the progress made in implementing its action plans for minimizing the risks facing the Credit Union.

Regulatory Action

Under the Act, the Deposit Insurance Corporation of Ontario ("DICO"), as stabilization authority for credit unions and caisses populaires in Ontario, can ask the Superintendent of Financial Services to place a credit union or caisse populaire under Supervision, and may, itself, place a credit union or caisse populaire under Administration should it believe that there is a potential for that credit union or caisse populaire to encounter financial or management problems which could affect its financial well-being or which could tend to increase the risk of claims by that credit union or caisse populaire against the deposit insurance fund. Currently- unproclaimed amendments to the Act, to be proclaimed October 1, 2009, will give DICO the power to place a credit union under Supervision.

Reliance on Key Management

The success of the Credit Union's business strategy is dependent on the ability of the Credit Union to retain its senior management personnel. The inability to retain such persons, or replace them with individuals of equal competence, could adversely affect the Credit Union's financial performance.

The Credit Union does not have employment contracts with any of its senior managers that require such persons to provide the Credit Union with notice, longer than that which would be ordinarily required by law, of the termination of his or her employment relationship with the Credit Union. The Credit Union does carry "key person" life insurance on its Chief Executive Officer and its Chief Financial Officer.

The Credit Union has a succession planning policy.

Economic Risk

Like every other financial institution, the Credit Union is affected by periods of economic downturn that result in a lack of consumer confidence, a drop in demand for loans and mortgages, or a reduction in the level of savings. The Credit Union, as a community-bond credit union, is dependent to a significant degree on the economic performance of the communities that it serves.

Please see “Economic Risk” on page 5 in the Supplementary Information Filing for further information regarding the local economies in the areas served by the Credit Union.

Competitive Risk

The financial services industry continues to be extremely competitive. The major banks have expanded their traditional core banking business into other financial services, where they now dominate the brokerage and trust industries. As a result, the sheer size and increasing scope of their diversified operations represent both a challenge and an opportunity to credit unions. The success of credit unions depends largely on their ability to differentiate themselves from large banks, and on their ability to provide personal service while supplying new products and services to meet their members’ needs, thereby ensuring that they earn sufficient profits to continue to grow and prosper. The Credit Union offers a full range of products and services.

Reputational Risk

The current recession, which originated with the collapse of the US housing market in 2008, has created a heightened awareness of the safety and security of financial markets and institutions in Canada and around the world. The confidence of depositors is critical to the long-term viability of all financial institutions. The failure of a major credit union or a large number of credit unions could place the Credit Union at significant reputational risk. Reputational risk could result in a reduction of membership or members not taking advantage of product and service offerings by the Credit Union, which would impact the Credit Union’s profitability or liquidity. In order to mitigate this risk, the Credit Union exercises prudent and proactive financial management and sound financial and business practices, including an enterprise risk management system. This ensures that members’ assets and their relationship with the Credit Union are secure.

DIVIDEND RECORD AND POLICY

The Credit Union has paid the following dividends with regard to its fiscal years noted since its creation by amalgamation on August 31, 2004:

Fiscal Year Ended	Membership Shares	
	Amount	Rate
December 31, 2008	\$0	0%
December 31, 2007	\$60,000	0.85% of interest paid and received
December 31, 2006	\$50,100	0.69% of interest paid and received
December 31, 2005	\$53,245	1.01% of interest paid and received
December 31, 2004	\$60,000	1.41% of interest paid and received

Past payment of dividends is in no way an indicator of the likelihood of payment of future dividends.

For a discussion of the priority of the various classes of shares in the payment of dividends, and the restrictions placed on the Board in the declaration of dividends, see pages 5 and 6.

The dividend policy of the Credit Union's Board for Class B Investment Shares, Series 1 and Series 2, shall be to pay a dividend or dividends in every year in which there are sufficient profits to do so while still fulfilling all Regulatory Capital, liquidity, and operational requirements. The dividend rate shall be established by the Board, in its sole and absolute discretion, based on financial and other considerations prevailing at the time of the declarations. The Board shall consider whether or not a dividend shall be declared, and at what rate and in which manner, including whether in the form of additional Class B Investment Shares of the appropriate series, in cash, or partly in shares and partly in cash. The Board shall consider this at least annually, and any declared dividend will be paid following each fiscal year end and before each annual general meeting of members. There can be no guarantee that a dividend will be paid each year. The Board has defined an appropriate dividend rate to be, for the Class B Investment Shares, Series 1, 4.50%, for fiscal years ending on or before December 31, 2014; thereafter, the Board will define the appropriate dividend rate in its sole and absolute discretion. The Board has defined an appropriate dividend rate to be, for the Class B Investment Shares, Series 2, a rate which exceeds by 100 Basis Points the simple average of the yields on the monthly series of the Government of Canada five-year bonds (CANSIM Identifier VI22540) as published by the Bank of Canada on its website, www.bank-banque-canada.ca for each month in the Credit Union's fiscal year. The dividend, in the fiscal year Class B Investment Shares, Series 1 or Series 2, sold pursuant to this offering statement are issued, shall be pro-rated for the number of days the Class B Investment Shares, Series 1 or Series 2, as the case may be, were issued and outstanding in that fiscal year.

Dividends paid on Class B Investment Shares, Series 1 and Series 2, will be taxed as interest and not as dividends, and are therefore not eligible for the tax treatment given to dividends received from taxable Canadian corporations, commonly referred to as the "dividend tax credit".

The dividend policy followed by the Credit Union is at the discretion of the Board, and is subject to change or exception at any time. Dividends paid may therefore not be in accordance with the policy outlined above.

Following consideration and payment of a dividend on the Class B Investment Shares, Series 1 and Series 2, the Board may decide to pay a dividend on shares ranking junior to the Class B Investment Shares, Series 1 and Series 2, including the Class A Shares and the Membership Shares.

USE OF PROCEEDS FROM SALE OF SECURITIES

The principal uses of the net proceeds and purpose of this offering will be to enable the Credit Union to add to its Regulatory Capital to provide for future growth, development and stability, while maintaining a prudent cushion in the amount of Regulatory Capital above regulatory requirements.

PLAN OF DISTRIBUTION

1. The price to members for each Class B Investment Share, Series 1 and Series 2, will be \$1.00.
2. There will be no discounts or commissions paid to anyone for the sale of these securities.

3. One hundred percent (100%) of the proceeds of the sale of these securities will go to the Credit Union, which will then be responsible for the payment of the costs associated with this offering statement.

Subscriptions for the Class B Investment Shares, Series 1 and Series 2, shall be accepted as of the date hereof, and for a period of six months thereafter, or until the date on which subscriptions have been received for the aggregate maximum 5,000,000 Class B Investment Shares, Series 1 and Series 2, or until a date, after the Credit Union has received subscriptions for the aggregate minimum 2,000,000 Class B Investment Shares, Series 1 and Series 2, but before the Credit Union has received subscriptions for the aggregate maximum 5,000,000 Class B Investment Shares, Series 1 and Series 2, and before six months have passed from the date hereof, on which the Board, in its sole and absolute discretion, shall determine to close the offering, whichever shall occur first (the "Closing Date"). Subscriptions will be accepted on a first come, first served basis, and subscription forms will be marked with the time and date accepted. The Credit Union will closely monitor subscriptions being received as total subscriptions approach the maximum. Potential purchasers making subscription requests at that time may not be allowed to subscribe for the full number or amount of shares they desire, or their subscription request may be refused. This offering may not be over-subscribed, and subscriptions will not be pro-rated. The offerings of Class B Investment Shares, Series 1 and Series 2, will be closed simultaneously.

If the funds to be used by a subscriber to pay for shares subscribed are on deposit at the Credit Union, the subscriber will authorize the Credit Union to place these funds "on hold" to guarantee payment of these shares. If the offering is completed, such hold will be released, and the authorized amount will be used to pay for the shares for which the member subscribed. If the offering is withdrawn, or if the decision to buy is reversed by the subscriber (as described on the cover of this offering statement), the hold on the funds will be released immediately thereafter.

If the funds to be used by a subscriber to pay for shares subscribed are coming from outside the Credit Union, such funds will be held in Escrow, in accounts to be trusted by Concentra Trust, until the offering is completed or withdrawn, or until the subscriber exercises the right to reverse the decision to purchase the securities (as described on the cover of this offering statement). If the offering is completed, the proceeds will be released from Escrow and used to pay for the shares for which the member subscribed. If the offering is withdrawn, or if the subscriber reverses the decision to buy, the proceeds will be refunded in full, plus interest calculated at the rate of 2.0%, pro-rated for the number of days the funds were in Escrow, to those who subscribed.

The above-noted terms and conditions regarding holds on subscribers' deposit accounts and regarding Escrow accounts are detailed on the Credit Union's subscription form for Class B Investment Shares, Series 1 and Series 2, and on separate agreements, to be signed by subscribers, authorizing transfers and holds on deposit accounts and/or placement of proceeds in Escrow accounts. Copies of the subscription form and the forms for authorization of a hold on funds in deposit accounts and/or placement of funds in Escrow accounts are printed in the Supplementary Information Filing on pages 9, 10 and 11.

If fully subscribed, the gross proceeds to be derived by the Credit Union from the sale of the Class B Investment Shares, Series 1 and Series 2, shall be \$5,000,000. The costs of issuing these securities are not expected to exceed \$80,000, and these costs, approximating \$66,800 after applicable tax savings, will be deferred and charged directly to retained earnings when this offering is completed. The estimated maximum net proceeds of this offering of securities are \$4,933,200.

If, after six months from the date of this offering statement, subscriptions received for the Class B Investment Shares, Series 1 and Series 2, amount to less than \$2,000,000 in the aggregate, this offering for Class B Investment Shares, Series 1 and Series 2, will either be renewed with the approval of the Superintendent of Financial Services, or be cancelled and withdrawn, and all funds "frozen" or held in Escrow to support subscriptions will be returned to the respective members within 30 days thereof, with applicable interest, without shares being issued. If at that time, however, aggregate sales amount to at least \$2,000,000 but do not amount to \$5,000,000, the Credit Union may proceed to close the offering, or apply to the Superintendent of Financial Services for a renewal of the offering for a period not exceeding six months.

If the offering is successfully completed, such shares for which subscriptions have been received will be issued within sixty business days after the Closing Date (the "Issue Date").

The Class B Investment Shares, Series 1 and Series 2, will not be sold by underwriters or other dealers in securities. The minimum subscription per member shall be \$1,000 for 1,000 Class B Investment Shares, Series 1 and/or Series 2. The maximum subscription per member shall be \$100,000 for 100,000 Class B Investment Shares, Series 1 and/or Series 2. Shares will only be issued subject to the full price of such securities being paid.

MARKET FOR THE SECURITIES

There is no market for the Class B Investment Shares, Series 1 and Series 2. These securities may only be transferred to another member of the Credit Union.

SENIOR DEBT (RANKING AHEAD OF CLASS B INVESTMENT SHARES, SERIES 1 and SERIES 2)

The Credit Union has arranged a credit facility, totalling CDN \$7.1 million, at Central 1. That amount is available to cover fluctuations in daily clearing volume on the Canadian-dollar chequing accounts of the members of the Credit Union, and to provide liquidity if warranted. As security for these credit facilities, the Credit Union has given Central 1 a general security agreement and an assignment of book debts. The line of credit will next be reviewed on March 31, 2010.

The balance outstanding on the credit facilities of the Credit Union during the four-month period ended April 30, 2009 and its fiscal years ending December 31, 2008, 2007 and 2006 is outlined below.

Fiscal Period Ended	Canadian-Dollar Operating Account		Term Loans	Capital Markets/Other	
	High Balance	Low Balance	Balance	High Balance	Low Balance
April 30, 2009	\$1,514,538	\$0	\$3,500,000	\$0	\$0

December 31, 2008	\$2,682,794	\$0	\$3,500,000	\$47,783	\$0
December 31, 2007	\$1,838,082	\$0	\$2,000,000	\$31,635	\$0
December 31, 2006	\$2,561,808	\$0	\$5,000,000	\$137,623	\$0

There were no overdrafts on the US-dollar operating account or in the “letters of credit” credit facilities in any of the above-noted periods.

Members’ deposits in the Credit Union, as well as its other liabilities, including unsecured creditors, rank prior to the Credit Union’s obligations to the holders of any class or series of its shares, including the Class B Investment Shares, Series 1 and Series 2.

AUDITORS, REGISTRAR AND TRANSFER AGENT

The auditors of the Credit Union were, until its fiscal year ended December 31, 2007, BDO Dunwoody LLP, Chartered Accountants, Licensed Public Accountants, 300 Lakeshore Drive, Suite 300, Barrie, Ontario L4N 0B4 (phone 705-726-6331, facsimile 705-722-6588, website www.bdo.ca).

For its fiscal year ended December 31, 2008 and presently, the auditors of the Credit Union are Tinkham & Associates LLP, Chartered Accountants, 2842 Bloor Street West, Suite 300, Toronto, Ontario M8X 1B1 (phone 416-233-2139, facsimile 416-233-1788).

The registrars and transfer agents for the Class B Investment Shares, Series 1 and Series 2, are designated staff of the Credit Union.

DIRECTORS AND SENIOR MANAGEMENT

Board of Directors

The following table sets forth the board of directors of the Credit Union:

Name/Municipality of Residence	Principal Occupation	Position/Office
Kevin Augustyn Innisfil, Ontario.	Business Owner	Chair
Al Jones Barrie, Ontario.	Financial Advisor	Vice Chair
June Money Utopia, Ontario.	Retired Educator	Corporate Secretary
Stan Dimakos Shelburne, Ontario.	Business Owner	Director

Name/Municipality of Residence	Principal Occupation	Position/Office
Earl Feren Innisfil, Ontario.	Retired Engineering Assistant	Director
Douglas Fuller Innisfil, Ontario.	Retired Educator	Director
Chris Hand Shelburne, Ontario.	Certified Management Accountant	Director
Brian Horner Shelburne, Ontario.	Business Owner, Farmer	Director
Donna Young Barrie, Ontario.	Legal Assistant	Director

Senior Management

The following table sets forth the senior management of the Credit Union:

Name/Municipality of Residence	Position/Title
Heather MacDonald Barrie, Ontario.	Chief Executive Officer
Pat Ashwood Innisfil, Ontario.	Human Resources Manager
Sandra Delabbio Innisfil, Ontario.	Chief Financial officer
Brian Moss Barrie, Ontario.	Commercial Services Manager
Michèle Newton Barrie, Ontario.	Marketing Manager
Kim Stoddart Barrie, Ontario.	Operations Manager
J. Michelle Thompson Barrie, Ontario.	Retail Services Manager

All of the senior management of the Credit Union has been employed by the Credit Union since its formation by amalgamation on August 31, 2004, except Brian Moss, Commercial Services Manager. Brian Moss has been with the Credit Union since November 2006, and was previously employed by a major Canadian chartered bank in roles of increasing responsibility.

LAWSUITS AND OTHER MATERIAL OR REGULATORY ACTIONS

The Credit Union has been named as a defendant in several lawsuits. It is management's opinion that the Credit Union has no liability with respect to these actions and accordingly no amounts have been accrued in the financial statements. Losses, if any, will be accounted for at the time the case(s) are settled.

The Credit Union is not aware of any regulatory actions pending or contemplated against the Credit Union.

MATERIAL INTERESTS OF DIRECTORS, OFFICERS AND EMPLOYEES

All loans to the directors, officers and employees of the Credit Union and their spouses and immediate dependent family members are made in the normal course of business, using standard credit granting criteria. With the exception of pricing, the loans are made to these individuals on the same terms and conditions as loans are made to the general membership. The Credit Union's employee benefit program includes a discount of 2.5% from the rate which would be calculated using the Credit Union's risk weighting policy on personal residential mortgages only. If the discounted rate is lower than the rate prescribed by the Canada Revenue Agency to calculate taxable benefits for employees and shareholders from interest-free and low-interest loans, a taxable benefit is reported. The program also includes loans at preferential rates for office clothing, and for educational courses approved by the Chief Executive Officer before enrollment.

The aggregate value of loans in all categories to restricted parties of the Credit Union, as of April 30, 2009, amounted to \$400,603. In addition, unused lines of credit to restricted parties of the Credit Union, as of April 30, 2009, amounted to \$40,563. No allowance was required in respect of these loans.

As members of the Credit Union, directors, officers and employees of the Credit Union each hold membership Shares in the number required to maintain membership in the Credit Union. Accordingly, each director, officer and employee may subscribe for the Class B Investment Shares, Series 1 and Series 2, should any of such persons wish to do so.

MANAGEMENT DISCUSSION AND ANALYSIS

Four-Month Period Ended April 30, 2009

Peoples Credit Union continued to grow and build member relationships by providing competitive products and services. In the first four months of 2009, member deposits grew by 1.59% to \$126 million. Loans to members remained relatively unchanged at \$116 million on-balance sheet, \$5 m off-balance sheet for total assets under administration of \$121 million.

The credit union reflects a loss of \$553,000 as of April 30, 2009. The primary impact is in two areas:

- Loan costs, and
- interest rates

Actual loan write offs to April 30, 2009 of \$202,000 were lower than prior years. The increase in the loan allowance (specific and general) of \$898,000 is attributed to what we set aside for possible future loan losses.

Interest rates are at record lows. For our credit union this resulted in reduction in interest income of \$207,000 from the same period last year.

Year end projections project a profit. The Credit Union has made several improvements during 2009. A floor of the prime lending rate was set at 3.5% to improve the interest margin. Loan composition and risk profiles have been reviewed and identified. Service charges were reviewed and changes made. It had been 5 years since the last review of service charges. Although some service charges did increase, charges remained the same or lower than the competition. Personnel costs have been reduced and all staff have taken part in reducing salary costs.

The Credit Union's liquidity level, consisting primarily of cash and short-term investments, was 9.82% as of April 30, 2009. This exceeds the statutory minimum level of 8% liquidity the Credit Union is required to maintain to ensure that there are sufficient funds to meet all cash outflow commitments as they come due. The Credit Union was in compliance with the Act and regulations regarding regulatory capital. The Credit Union actively manages its capital structure and its objective is to maintain a level of capital that meets all regulatory requirements.

Fiscal Year Ended December 31, 2008

Peoples Credit Union continued to grow and build member relationships by providing competitive products and services. Assets increased by 4.24% to \$135 million, with an additional \$10 million in off-balance sheet relationships comprised of mortgages, mutual funds and other investments purchased by members.

Peoples Credit Union offered special rates on member deposits throughout the year. Member deposits grew by 4.2% to \$124 million, with the strongest growth in our premium savings account. Members benefited from an increasingly competitive market as \$2.7 million of total income was returned to our members in interest on deposits and investments. Deposit growth provided the principal source of funds for the increase in loans during the year.

Loans to members grew by \$7 million. On balance sheet growth reflects growth of 3.31% to \$116 million. Off-balance sheet assets include mortgages sold with the Credit Union retaining the member relationship. Together with loans sold in the amount of \$4.2 million, assets grew by 6.7% to \$140 million. Loan growth was the result of another successful member directed mortgage campaign.

In 2008, the credit union had a loss of \$861,000. The primary impact on the credit union was in three areas:

- Loan costs,
- interest rates, and
- our investment in our Ontario Central.

Actual loan write offs were consistent with the prior year in the amount of \$593,000. The increase is attributed to what we set aside for an allowance for possible future loan losses. With the difficulties that

our members continue to experience and with the uncertainty that remains in the economy, we set aside an additional provision of \$925,000.

Interest rates continued to fall, in fact, to record lows. For our credit union this resulted in reduction in interest income of \$148,000.

The final factor relates to our provincial central. On July 1, 2008, our Central merged with Credit Union Central of British Columbia to form a new national Central which we now call Central 1. Due to a shortfall valuation in Ontario Central, member credit unions assumed a permanent impairment in the valuation of Central 1 shares in the amount of \$58,706. There was also a cost that resulted from Central's investment in asset-backed commercial paper in the amount of \$218,000.

Our liquidity level, consisting primarily of cash and short-term investments, was 10.71% as of December 31, 2008. This exceeds the statutory minimum level of 8% liquidity the Credit Union is required to maintain to ensure that there are sufficient funds to meet all cash outflow commitments as they come due.

The Credit Union continues to surpass compliance with all legislated requirements. Our capital to asset ratio was 5.4% and our capital to risk-weighted asset ratio was 9.4%. These values exceeded the legislated regulatory capital ratio levels of 4.25% and 8% respectively, that the Credit Union is required to maintain in order to provide a safety net for our members.

Income for 2008, prior to taxes, the Central 1 costs and general provision that I spoke of was \$196,017.

Fiscal Year Ended December 31, 2007

Peoples Credit Union grew assets by 3.9% to \$129 million, with an additional \$4.5 million in off-balance sheet relationships, comprised of mutual funds and other investments purchased by members. Member deposits grew by 2.7% to \$119 million, with the strongest growth in our term deposits. Deposit growth provided the principal source of funds for the increase in loans during the year. Loans to members grew by 8.3% to \$113 million, the result of a highly successful member directed mortgage campaign.

The credit union is committed to providing competitive rates of return to its membership, reducing interest margin. In 2007, our loss of \$138,000 resulted from a decrease in financial margin and increasing loan costs.

Loan losses were 0.55% of average loans, which is consistent with prior years. We are committed to following sound and prudent lending practices and to deal with problem loans on a timely basis. The mix between mortgage and non-mortgage loans is considered prudent, profitable and well secured. Our liquidity level, consisting primarily of cash and short-term investments, was 9.47% as of December 31, 2007. This exceeds the statutory minimum level of 8% liquidity the Credit Union is required to maintain to ensure that there are sufficient funds to meet all cash outflow commitments as they come due.

The Credit Union continues to surpass compliance with all legislated requirements. Capital to asset ratio was 5.7% and the capital to risk-weighted asset ratio was 9.3%, providing ample room to finance future growth and expansion. These values exceeded the legislated regulatory capital ratio levels of 4.5% and 8% respectively, that the Credit Union is required to maintain in order to provide a safety net for our members.

Fiscal Year Ended December 31, 2006

Peoples Credit Union had a strong financial year, achieving growth consistent with prior years. Assets increased by 9.2% to \$124 million. Member deposits grew by 9.67% to \$116 million, with the strongest growth in our demand deposits, a result of the success of our new premium savings account. Deposit growth provided the principal source of funds for the increase in loans during the year. Loans to members grew by 9.01% to \$104 million, due primarily to the continued strong demand for our commercial services and mortgages.

Loan losses were 0.54% of average loans, which is a slight decline from the prior year. We are committed to following sound and prudent lending practices and to deal with problem loans on a timely basis. The mix between mortgage and non-mortgage loans is considered prudent, profitable and well secured. Our liquidity level, consisting primarily of cash and short-term investments, was 12.25% as of December 31, 2006. This exceeds the statutory minimum level of 8% liquidity the Credit Union is required to maintain to ensure that there are sufficient funds to meet all cash outflow commitments as they come due.

Our capital to asset ratio was 6.1% and the capital to risk-weighted asset ratio was 10.0%. These values also surpassed the legislated regulatory capital ratio levels of 5% and 8% respectively, that the Credit Union is required to maintain in order to provide a safety net for our members.

In 2006, the Credit Union achieved net income, after income taxes and member distributions, of \$269 thousand, representing an increase of 7.4% from the prior year. Different from the chartered banks, our profits, after taxes, were returned to our members, building member-owned financial reserves and, to approximately 1200 members, through cash dividends that were based on interest paid and/or earned throughout the year. In addition, members benefited from rising interest rates and an increasingly competitive market as \$2.3 million of total income was returned to our members in interest on deposits and investments.

The following table presents financial performance indicators for the four-month period ended April 30, 2009 and the fiscal years ended December 31, 2008, 2007 and 2006. These figures are based on the unaudited financial statements as at April 30, 2009 and the audited consolidated financial statements as at each fiscal year-end. (Figures provided as Basis Points (“bp”) are calculated on the basis of average assets held during the period except for the 4-month period unaudited consolidated financial statements, calculated using a simple average of the opening and closing total asset balance.)

<u>Financial Performance Indicators</u>	Four Month Period Ended April 30, 2009	Fiscal Year Ended December 31, 2008	Fiscal Year Ended December 31, 2007	Fiscal Year Ended December 31, 2006
<u>Profitability</u>				
Total assets (\$ thousands)	\$132,698	\$134,559	\$129,087	\$124,113
Net income (loss) for the period (\$ thousands)	(\$553)	(\$861)	(\$139)	\$269
Net income (loss) for the period (bp)	(41)	(65)	(11)	23
Net interest income (bp)	91	337	368	393
Other income (bp)	38	109	109	105
Patronage dividends (bp)	0	0	5	4
Non-interest expenses (bp)	179	506	486	465
Write-down of ABCP LP (bp)	0	16	0	0
Provision for (recovery of) income taxes (bp)	(9)	(11)	(2)	6
<u>Compliance with Capital Requirements</u>				
Risk-Weighted Assets Ratio	8.03%	9.4%	9.3%	10.0%
Minimum Risk-Weighted Assets Ratio Requirement	8.00%	8.0%	8.0%	8.0%
Leverage Ratio	4.6%	5.4%	5.7%	6.1%
Minimum Leverage Ratio Requirement	4.00%	4.25%	4.5%	5.0%
<u>Loan Composition</u>				
Total gross loans outstanding (\$ thousands)	\$116,199	\$116,254	\$112,534	\$103,949
Mortgage Loans (% of total gross loans)	56.36%	57.23%	57.36%	52.85%
Commercial Loans (% of total gross loans)	36.23%	35.10%	32.75%	35.54%
Agricultural Loans (% of total gross loans)	1.66%	1.69%	2.96%	3.15%
Unincorporated Association Loans (% of total gross loans)	0.01%	0.01%	0.02%	0.01%
Personal Loans (% of total gross loans)	5.74%	5.97%	6.91%	8.45%

<u>Financial Performance Indicators</u>	Four Month Period Ended April 30, 2009	Fiscal Year Ended December 31, 2008	Fiscal Year Ended December 31, 2007	Fiscal Year Ended December 31, 2006
<u>Loan Quality</u>				
Allowance for impaired loans (% of total gross loans)	2.85%	2.25%	1.36%	0.65%
<u>Other Factors</u>				
Total members' deposits (\$ thousands)	\$126,275	\$124,305	\$119,291	\$116,138
Average liquidity during the period (% of total deposits and borrowings)	9.82%	10.81%	9.64%	12.3%
Asset growth (% change for period)	(1.38%)	4.24%	4.01%	9.16%
Total Regulatory Capital (\$ thousands)	\$6,088	\$7,252	\$7,311	\$7,514
Regulatory Capital growth (decline) (% change for period)	(16.05%)	(0.80%)	(2.71%)	3.99%

Further analysis is presented in the consolidated financial statements that are included in this offering statement, beginning on page 26.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

Management is responsible for the preparation, presentation and consistency of the consolidated financial statements. This responsibility includes selecting appropriate accounting principles consistent with generally accepted accounting principles in Canada. The preparation of the consolidated financial statements necessarily involves the use of estimates and approximations which are made using careful judgment. Management is responsible for maintaining a system of internal controls designed to provide reasonable assurance as to the reliability of financial information and to ensure assets under the control of the Credit Union are safeguarded and accurate records are maintained.

The Audit Committee of the Board meets periodically with management and the external auditors to review the internal accounting controls and the quality of the financial reporting process. The committee reviews the financial statements and the management letter with management and the external auditors, and reports to the Board on its findings prior to the Board's approval of the audited financial statements. The committee then ensures that appropriate and timely action is taken to address any identified exposures in the management letter. The Audit Committee's role is discussed further at page 2 in the Supplementary Information Filing.

The Board is responsible for ensuring that management fulfils its responsibilities for financial reporting and meets monthly to review and approve management's financial reports.

The Deposit Insurance Corporation of Ontario conducts a periodic examination of the financial conditions and affairs of the Credit Union. The examination includes a review of the Credit Union's compliance with the provisions of the Act.

The members' external auditors conduct an independent examination of the financial statements and report on the fairness of the statements and the application of generally accepted accounting principles in their preparation in all material respects. The auditors have free and independent access to the Audit Committee.



Heather MacDonald
Chief Executive Officer



Sandra Delabbio
Chief Financial Officer

Consolidated Interim Financial Statements of

PEOPLES CREDIT UNION LIMITED

April 30, 2009

Tinkham & Associates LLP
 CHARTERED ACCOUNTANTS

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INTERIM REVIEW REPORT

In accordance with our engagement letter dated May 11, 2009, we have reviewed the consolidated balance sheet of Peoples Credit Union Limited as at April 30, 2009, the consolidated statements of operations, comprehensive income, members' equity and cash flows for the four months then ended. These financial statements are the responsibility of the Credit Union's management.

We performed our review in accordance with Canadian generally accepted standards for a review of interim financial statements by an entity's auditor. Such an interim review consists principally of applying analytical procedures to financial data, and making enquiries of and having discussions with persons responsible for financial and accounting matters. An interim review is substantially less in scope than an audit, whose objective is the expression of an opinion regarding the financial statements; accordingly, we do not express such an opinion. An interim review does not provide assurance that we would become aware of any or all significant matters that might be identified in an audit.

Based on our review, we are not aware of any material modification that needs to be made for these interim financial statements to be in accordance with Canadian generally accepted accounting principles.

This report is solely for the use of the Audit Committee of Peoples Credit Union Limited to assist it in discharging its obligation to review these financial statements, and should not be used for any other purpose. Any use that a third party makes of this report, or any reliance or decisions made based on it, are the responsibility of such third party. We accept no responsibility for loss or damages, if any, suffered by any third party as a result of decisions made or actions taken based on this report.

Tinkham & Associates LLP
 CHARTERED ACCOUNTANTS

Licensed Public Accountants

TORONTO, Ontario
 May 29, 2009


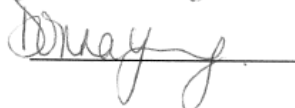
Peoples Credit Union Limited
Consolidated Balance Sheet

As at	April 30 2009	December 31 2008
Assets		
Cash (note 1)	\$ 2,552,901	\$ 4,017,372
Accrued interest receivable	409,936	360,608
Investments (note 2)	12,555,307	12,468,102
Loans to members (note 3)	112,887,251	113,639,486
Property, plant and equipment (note 5)	3,524,246	3,590,746
Other assets (note 6)	586,023	374,089
Income taxes recoverable	104,194	49,118
Derivative financial instruments (note 7)	77,673	59,536
	\$ 132,697,531	\$ 134,559,057
Liabilities, Member Entitlements and Members' Equity		
Liabilities		
Term loan (note 11(a))	\$ -	\$ 3,500,000
Accounts payable and accrued liabilities	246,488	141,372
Derivative financial instruments (note 7)	77,673	59,536
	324,161	3,700,908
Member entitlements		
Members' deposits (note 7)	126,275,259	124,304,644
Members' certified cheques outstanding	120,080	20,899
	126,395,339	124,325,543
Liabilities Qualifying as Regulatory Capital		
Members' capital shares (note 8)	224,902	226,059
Members' Equity		
Contributed surplus	1,459,999	1,459,999
Retained earnings	4,293,130	4,846,548
	5,753,129	6,306,547
	\$ 132,697,531	\$ 134,559,057

Commitments (note 11)
Contingent liabilities (note 16)

UNAUDITED - See accompanying notes to financial statements.

On behalf of the Board:

 Director
 Director

Peoples Credit Union Limited
Consolidated Statement of Operations

	4 months ended April 30 2009	12 months ended Dec 31 2008
Interest income		
Interest on member loans (note 3)	\$ 1,933,995	\$ 6,612,852
Investment interest and dividends	87,583	616,849
	2,021,578	7,229,701
Interest expense		
Interest on members' deposits (note 7)	797,306	2,748,426
Interest on external borrowings	10,919	41,035
	808,225	2,789,461
Net interest income	1,213,353	4,440,240
Other income	502,726	1,438,579
Net interest and other income	1,716,079	5,878,819
Non-interest expenses		
Administration costs	176,276	671,457
Advertising and communications	86,953	348,020
Computer, office and other equipment	165,842	541,653
Loan costs	899,132	1,654,897
Member security costs	84,472	225,300
Occupancy costs	151,204	429,796
Other miscellaneous	17,191	38,361
Salaries and benefits	806,225	2,757,024
	2,387,295	6,666,508
Loss for the period before other items	(671,216)	(787,689)
Write-down of ABCP Limited Partnership (note 2)	-	(218,087)
Loss for the period before provision for income taxes	(671,216)	(1,005,776)
Provision for (recovery of) income taxes (note 12)		
Current	(53,254)	16,000
Future	(64,544)	(160,456)
Net loss for the period	\$ (553,418)	\$ (861,320)

UNAUDITED - See accompanying notes to financial statements.

Peoples Credit Union Limited

Consolidated Statement of Comprehensive Income

	4 months ended April 30 2009	12 months ended Dec 31 2008
Net loss for the period	\$ (553,418)	\$ (861,320)
Other comprehensive income (loss), net of tax Reclassification to income	-	43,365
Comprehensive loss for the period	\$ (553,418)	\$ (817,955)

Consolidated Statement of Members' Equity

	4 months ended April 30 2009	12 months ended Dec 31 2008
Contributed Surplus		
Balance, beginning and end of the period	\$ 1,459,999	\$ 1,459,999
Retained Earnings		
Balance, beginning of period	\$ 4,846,548	\$ 5,707,868
Net loss for the period	(553,418)	(861,320)
Balance, end of period	\$ 4,293,130	\$ 4,846,548
Accumulated Other Comprehensive Loss		
Balance, beginning of period	\$ -	\$ (43,365)
Other Comprehensive income for the period	-	43,365
Balance, end of period	\$ -	\$ -

UNAUDITED - See accompanying notes to financial statements.

Peoples Credit Union Limited
Consolidated Statement of Cash Flows

	4 months ended April 30 2009	12 months ended Dec 31 2008
Cash provided (used) by operations		
Net comprehensive loss for the period	\$ (553,418)	\$ (817,955)
Items not requiring cash		
Amortization of capital assets	84,778	267,262
Provision for (recovery of) future tax	(64,544)	(160,456)
Provision for losses on loans	897,914	1,643,910
Loans written off	(202,071)	(593,047)
Impairment of shares in Credit Union Central of Ontario	-	58,706
Realized gain on cash flow hedges	-	(63,970)
Unrealized loss on ABCP Limited Partnership	-	218,087
	162,659	552,537
Net change in non-cash working capital balances		
Accrued interest receivable	(49,328)	57,321
Accounts receivable and prepaid expenses	(147,390)	(38,890)
Income taxes recoverable	(55,076)	78,459
Accounts payable and accrued liabilities	105,117	(12,331)
Accrued dividends payable	-	(60,000)
Net cash provided (used) by operating activities	15,982	577,096
Cash provided (used) by investing activities		
Increase in loans to members	55,298	(8,195,353)
Proceeds on sale of mortgages	-	4,475,421
Loans recovered	1,094	33,198
(Purchase) sale of investments (net)	(87,204)	(1,060,565)
Purchase of capital assets	(18,280)	(125,396)
	(49,092)	(4,872,695)
Cash provided (used) by financing activities		
Increase in members' deposits	1,970,615	5,013,721
Decrease in members' capital shares	(1,157)	(4,967)
Increase (decrease) in members' certified cheques outstanding	99,181	(37,130)
Term loan advanced (repaid)	(3,500,000)	1,500,000
	(1,431,361)	6,471,624
Increase (decrease) in cash	(1,464,471)	2,176,025
Cash, beginning of period	4,017,372	1,841,347
Cash, end of period	\$ 2,552,901	\$ 4,017,372
Other information		
Interest paid during the period	\$ 972,215	\$ 2,901,280
Income taxes paid during the period	\$ 1,411	\$ 52,956

UNAUDITED - See accompanying notes to financial statements.

Peoples Credit Union Limited
Summary of Significant Accounting Policies

April 30, 2009

Nature of Business

The Credit Union is incorporated under the Credit Union and Caisses Populaires Act, 1994, ("The Act") and is affiliated with Central 1 Credit Union. The Act specifies that certain items are required to be disclosed in the financial statements which are presented at annual meetings of members. This information has been integrated into the basic financial statements and notes and it is management's opinion that the disclosures in the financial statements and notes comply, in all material respects, with the requirements of the legislation. Where necessary, reasonable estimates and interpretations have been made in presenting this information. These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and reflect the following significant accounting policies.

Basis of Consolidation

These financial statements have been prepared and are presented using the purchase method of consolidation. The assets and liabilities of the acquired companies are initially recorded at their cost. The results of operations of the acquired companies are included from the dates of acquisition. All significant intercompany transactions and balances have been eliminated upon consolidation.

The assets, liabilities, and operations of the following subsidiaries are included in these financial statements:

2049945 Ontario Ltd.	100% owned
2049958 Ontario Ltd.	100% owned

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the reporting period. The principal estimates used in the preparation of these financial statements are the determination of the allowance for impaired loans, estimated useful life of property, plant and equipment, fair value disclosures and the provision for income taxes. Actual results could differ from management's best estimates as additional information becomes available in the future.

Allowance for Impaired Loans

The allowance for impaired loans is maintained in an amount considered adequate to absorb estimated credit-related losses in the loan portfolio. The allowance for impaired loans reflects management's best estimate of the losses existing in the loan portfolio and their judgments about the economic conditions. If the circumstances under which these estimates and judgments were made change, there could be a significant change to the allowance for impaired loans currently recognized. The allowance for impaired loans consists of specific provisions and a general provision, each of which is reviewed on a regular basis. The allowance is increased by provisions for impaired loans which are charged to earnings and reduced by write-offs net of recoveries.

Specific provisions are determined on an item-by-item basis and reflect the associated estimated credit loss. The specific provision is the amount that is required to reduce the carrying value of an impaired loan to its estimated realizable amount, which is generally the fair value of any security underlying the loan, net of expected costs of realization.

UNAUDITED

Peoples Credit Union Limited
Summary of Significant Accounting Policies

April 30, 2009

Allowance for Impaired Loans (continued)

The general provision is established to absorb any potential credit losses and is determined through analysis of economic developments and current portfolio trends for credit losses and cannot be determined on a loan by loan basis. When losses can be attributable to individual loan facilities, specific provisions are recorded.

Write-offs are generally recorded after all reasonable restructuring or collection activities have taken place and there is no realistic prospect of recovery.

Financial Instruments

The Credit Union recognizes and measures financial assets and financial liabilities on the consolidated balance sheet when they become a party to the contractual provisions of a financial instrument. All transactions related to financial instruments are recorded on a trade date basis. All financial instruments are measured at fair value on initial recognition. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, loans and receivables, available for sale or other financial liabilities.

Held for Trading.

Financial instruments are classified under this category if they are:

- i) acquired principally for the purpose of selling or repurchasing in the near term;
- ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- iii) a derivative, except for a derivative that is a financial guarantee, contract or a designated effective hedging instrument; or
- iv) designated at fair value using the fair value option ("FVO")

Financial instruments cannot be transferred into or out of the Held for Trading category after inception. For designation at fair value using the FVO option, reliable fair values must be readily available.

The Credit Union has classified cash resources and certain investments into the held for trading category. These instruments are recognized initially at fair value and transaction costs are taken directly to the Statement of Operations. They are subsequently measured at fair value and gains and losses arising from changes in the Statement of Operations.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable repayment dates, usually with interest, that are not debt securities or instruments classified as held for trading on initial recognition.

The Credit Union has classified its member loans and other receivables as loans and receivables. These instruments are initially recognized at fair value including direct and incremental transaction costs. They are subsequently valued at amortized cost using the effective interest method less any provision for impairment.

UNAUDITED

April 30, 2009

Financial Instruments (continued)

Held to Maturity

Held to maturity investments include financial assets with fixed or determinable payments that the Credit Union's management has the intention and ability to hold to maturity. Certain investments have been classified as held to maturity. They are initially recognized at fair value including direct and incremental transaction costs. They are subsequently valued at amortized cost using the effective interest method less any provision for impairment.

Available for Sale

Available for sale assets are non-derivative financial assets that are designated as available for sale or are not categorized into any of the other categories described above. The Credit Union has classified certain investments as available for sale. They are initially recognized at fair value and transaction costs are expensed as incurred. They are subsequently held at fair value with gains and losses arising from changes in fair value being recognized in other comprehensive income in the Statement of Comprehensive Income when they have a quoted market price in an active market. Where a decline in market value is determined to be other than temporary, the amount of the loss is removed from other comprehensive income and recognized in the Statement of Operations.

Other Financial Liabilities

Other financial liabilities are non-derivative financial liabilities and include members' deposits, accounts payable and term loans payable. These instruments are initially recognized at fair value including direct and incremental transaction costs. They are subsequently measured at amortized cost using the effective interest method.

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair values are determined by reference to quoted bid or asking prices as appropriate, in the most advantageous active market for that instrument to which the Credit Union has immediate access.

Fair values determined using valuation models require the use of assumptions concerning the amount and timing of estimated future cash flows and discounted rates. In determining those assumptions, external readily observable market inputs including interest rate yield curves, currency rates and price and rate volatilities are considered, as applicable.

Derivative Financial Instruments and Hedges

Derivative financial instruments are contracts that require or provide the opportunity to exchange cash flows or payments determined by applying certain rates, indices or changes therein to notional contract amounts.

The Credit Union, in accordance with its risk management strategies, enters into various derivative contracts to protect itself against the risk of fluctuations in interest rates as well as its customers' demands and to earn trading income.

UNAUDITED

Peoples Credit Union Limited
Summary of Significant Accounting Policies

April 30, 2009

Financial Instruments (continued)

Derivative Financial Instruments and Hedges (continued)

The Credit Union manages interest rate risk through interest rate swaps. These derivatives are carried at fair value and are reported as assets where they have a positive fair value and as liabilities where they have a negative fair value, and in both cases are shown as derivative financial instruments on the Balance Sheet.

The swap contracts can be designated as fair value hedge instruments or cash flow hedge instruments. Fair value hedges modify exposure to changes in a fixed rate instrument's fair value caused by changes in interest rates. These hedges convert fixed rate assets and liabilities to floating rate. The Credit Union has not entered into any fair value hedges at this time.

Cash flow hedges modify exposure to variability in cash flows for variable rate interest bearing instruments or the forecasted issuance of fixed rate liabilities. The Credit Union has not entered into any cash flow hedges at this time.

For cash flow hedges that meet hedging documentation criteria, gains and losses resulting from changes in the fair value of the effective portion of the derivative instrument are recorded in other comprehensive income until the hedged item is recognized in income, at which time such change is recognized as interest income. The ineffective portion is recognized immediately in income as other income.

For derivative financial instruments that are not part of a hedging relationship (or do not meet the criteria for hedge accounting), the changes in fair value of the hedged items are recognized as other income.

Other Comprehensive Income

Other comprehensive income includes, in particular, unrealized gains and losses on available for sale financial assets, and the change in the effective portion of a cash flow hedge transaction.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. The Credit Union provides amortization on its capital assets to amortize costs over the expected useful life of the respective assets using the straight line method as follows:

Buildings	40 years
Furniture and fixtures	5 to 10 years
Computer equipment	3 years
Parking lot	25 years
Leasehold improvements	10 years

Future Income Taxes

Future income tax assets and liabilities are recognized for the future income tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective income tax bases. Future income tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates is recognized in operations in the year in which the change occurs.

UNAUDITED

Peoples Credit Union Limited
Summary of Significant Accounting Policies

April 30, 2009

Sales of Mortgages

Transfers of residential and/or commercial mortgages to unrelated parties are treated as sales provided that control over the transferred loans has been surrendered and consideration other than beneficial interests in the transferred mortgages has been received in exchange. The mortgages are removed from the balance sheet and a gain or loss is recognized in income immediately based on the carrying value of the mortgages transferred, allocated between the assets sold and the retained interests in proportion to their fair values at the date of transfer. The fair values of mortgages sold, retained interests and recourse liabilities are determined using pricing models which take into account management's best estimates of key assumptions such as expected losses, prepayments and discount rates commensurate with the risks involved. Where the Credit Union continues to service the mortgages sold, a servicing liability or asset is recognized and amortized over the servicing period as servicing fees.

Dividend Accrual

Dividends on members' shares are recorded as a distribution of net income in the year to which they pertain, not in the year they are paid.

Revenue Recognition

Interest income on member loans and investments is recorded as revenue using the accrual method based on the number of days the loan or investment is outstanding.

Other income includes service charges and various fees. Service charges are generally for monthly services and are charged and recorded as revenue on a monthly basis. Fees are recorded as revenue when the service generating the fee has been provided.

New Accounting Pronouncements

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the Credit Union, are as follows:

International financial reporting standards

In February 2008, the Canadian Accounting Standards Board announced that Canadian Generally Accepted Accounting Principles (GAAP) for publicly accountable enterprises will be replaced by International Financial Reporting Standards (IFRS) for fiscal years beginning on or after January 1, 2011. The Credit Union is specifically scoped into the definition of a publicly accountable enterprise and accordingly, the Credit Union will be required to adopt IFRS. The financial statements for the year ended December 31, 2011, including comparative information, will be in compliance with IFRS. The Credit Union is currently assessing the potential impact of the transition to IFRS on the financial statements, disclosures and broader financial reporting systems and controls.

UNAUDITED

Peoples Credit Union Limited

Notes to Financial Statements

April 30, 2009

1 Cash

Cash consists of cash on hand and in current accounts. The average yield for cash deposits for the four month period ended April 30, 2009 was 0.1% (year ended December 31, 2008 - 0.5%). The carrying value of cash approximates its fair market value.

The Credit Union and Caisses Populaires Act, 1994, requires that the Credit Union maintain adequate liquidity. The Credit Union must maintain a minimum of 8% of its borrowings and members' deposits in certain classes of short-term or liquid assets as defined in the regulations. The cash and certain investments of the Credit Union meet the definitions of the asset classes that qualify for liquidity purposes. The Credit Union complies with requirements regarding adequate liquidity as at April 30, 2009.

2 Investments

	April 30 2009	December 31 2008
Central 1 Credit Union / Credit Union Central of Ontario		
Central 1 - Class A shares	\$ 342,902	\$ 749,493
Central 1 - Class B shares	-	100
Central 1 - Class E shares	494,400	-
Credit Union Central of Ontario shares	176,692	342,902
Liquidity reserve deposit	9,430,824	9,219,416
U.S. Term deposits, rates of interest vary from 1.18% to 1.28% with maturity dates from August 4 to December 4, 2009	499,450	-
U.S. Term deposits, rates of interest vary from 1.28% to 2.63% with maturity dates from February 2 to December 4, 2009	-	499,299
Province of Ontario Bond, due May 19, 2009, 4.00% yield to maturity, face value \$1,000,000	1,001,426	1,011,273
Co-operators General Insurance Company, 44 preference shares	1,700	1,700
ABCP Limited Partnership	607,913	643,919
	\$ 12,555,307	\$ 12,468,102

Terms and conditions

Central 1 Credit Union / Credit Union Central of Ontario shares

On July 1, 2008, Credit Union Central of Ontario merged with Credit Union Central of British Columbia to form a new national financial services entity named Central 1 Credit Union (Central 1). Shares required as a condition of membership in Credit Union Central of Ontario (CUCO), were exchanged for shares of Central 1. Due to the shortfall valuation in CUCO, it was determined that a permanent impairment in the valuation of the CUCO shares existed at December 31, 2008. Accordingly, the Credit Union recorded a loss in the amount of \$58,706 in investment interest and dividends in the Statement of Operations at that time.

The Credit Union is required to maintain an investment in shares of Central 1 based on the aggregate of the Credit Union's own shares and members' deposits. The investment is adjusted each February based on the share and deposit balances as at the preceding December 31st. The shares are redeemable at cost only if there is a reduction in the Credit Union's own shares and deposits or upon withdrawal of membership from Central 1. The shares in Central 1 are realizable only through the redemption process described above and accordingly, there is no separately quoted market value. The shares in Central 1 have been classified as available for sale. Dividends recognized as revenue on these shares in the four month period ended April 30, 2009 amounted to \$2,376 (2008 - \$195).

UNAUDITED

Peoples Credit Union Limited

Notes to Financial Statements

April 30, 2009

2 Investments (continued)*Central 1 Credit Union / Credit Union Central of Ontario liquidity reserve deposit*

As a condition of membership in Central 1, (Credit Union Central of Ontario), the Credit Union is required to maintain a liquidity reserve deposit with Central 1 equal to 7% of the Credit Union's total assets of the immediately preceding year. The reserve deposit is adjusted quarterly based on the total assets of the Credit Union. The deposit can be withdrawn only if there is a sufficient reduction in the Credit Union's assets or upon withdrawal of membership from Central 1. The liquidity reserve deposit is invested in term deposits with interest rates from 0.47% to 3.28% and maturities from May 5, 2009 to January 29, 2010 (December 31, 2008 - 1.42% to 3.28%, maturities from January 30 to June 17, 2009). The average yield for the liquidity reserve deposit for the four month period ended April 30, 2009 was 2.5% (year ended December 31, 2008 - 3.4%). At maturity, these deposits are reinvested at market rates for various terms.

The reserve deposit with Central 1 qualifies as liquidity under Section 84 of the Act and can only be withdrawn under certain conditions. Contributions to the reserve deposit are shown as an investment as it is not the intention of the Credit Union to draw down on this deposit unless the program is suspended.

The Credit Union has classified the liquidity reserve deposit as held to maturity and as a result, these investments have been recorded at cost.

Province of Ontario Bond

The Credit Union has classified the bond as held for trading and as a result, this investment has been recorded at fair value.

Asset-Backed Commercial Paper Limited Partnership and Central 1 Credit Union merger

At a special general meeting held May 31, 2008, members of Credit Union Central of Ontario Limited (CUCO) approved a resolution to facilitate the merger of CUCO and Credit Union Central of British Columbia (CUCBC) to form a new national financial services entity named Central 1 Credit Union (Central 1).

As a pre-condition of this merger, CUCO was required to divest itself of investments in certain third-party asset-backed commercial paper (ABCP). The resolution approved the creation of a limited partnership (ABCP LP) to acquire these investments funded by member credit unions in proportion to their share investment in CUCO. As a result, on July 1, 2008, immediately prior to the merger of CUCO and CUCBC, the excluded ABCP with a total par value of \$186,916,000 was acquired by the ABCP LP at its estimated fair value of \$133,564,000 including accrued interest, net of expenses and other assets. As there is still no liquid market in these ABCP investments, the fair values used to determine the acquisition price were provided by Edenbrook Hill Capital Ltd., a firm engaged by CUCO to provide an independent valuation of the assets underlying the ABCP investments.

The valuation for each credit union's share of the ABCP was provided to them before closing.

The ABCP LP is governed by a Board of Directors that was elected by Ontario member credit unions and each limited partner will record its proportionate share of net income or loss in the ABCP LP as determined by Canadian generally accepted accounting principles and subject to an annual external audit.

As at December 31, 2008, the Credit Union had \$862,006 invested in ABCP LP units. The fair value of the investment in ABCP LP was estimated by management of the limited partnership to be \$643,919 as at December 31, 2008 and the Credit Union accordingly recorded a loss in the Statement of Operations of \$218,087 at that date in accordance with the directive from the Deposit Insurance Corporation of Ontario dated February 10, 2009. There has been no change in value as at March 31, 2009, which is the most recent valuation date. The next valuation will be done at June 30, 2009.

U.S. Term Deposits

Term deposits are denominated in U.S. dollars. The average yield for term deposits was 1.6% (2008 - 2.3%).

UNAUDITED

Peoples Credit Union Limited

Notes to Financial Statements

April 30, 2009

3 Loans to members

	April 30 2009	December 31 2008
Principal		
Residential mortgages	\$ 65,495,338	\$ 66,524,652
Commercial	42,093,478	40,804,633
Agricultural	1,931,192	1,965,937
Unincorporated associations	9,711	14,881
Personal non-mortgage	6,669,409	6,944,323
	116,199,128	116,254,426
Allowance for impaired loans (note 4)	(3,311,877)	(2,614,940)
	\$ 112,887,251	\$ 113,639,486
	4 months ended April 30 2009	12 months ended Dec 31 2008
Interest Income		
Residential mortgages	\$ 1,090,114	\$ 3,526,482
Commercial	657,796	2,319,489
Agricultural	30,963	137,291
Unincorporated associations	75	1,046
Personal non-mortgage	155,047	628,544
	\$ 1,933,995	\$ 6,612,852

Terms and conditions

Member loans can have either a variable or a fixed rate of interest and mature within five years.

Variable rate loans are based on a "prime rate plus" formula, ranging from prime to prime plus 14%. The rate above prime is determined by the security offered and the member's credit worthiness. The Credit Union's prime rate at April 30, 2009 and at December 31, 2008 was 3.50%. The net carrying value of the variable rate loans to members approximates their fair value.

The interest rate offered on fixed rate loans being advanced on April 30, 2009 ranges from 3.50% to 13.90% (2008 – 3.50% to 8.00%) The rate offered to a particular member varies with the type of security offered and the member's credit worthiness.

Residential mortgages are secured by residential property and are repayable in monthly blended payments of principal and interest.

Personal loans consist of term loans and lines of credit and, as such, have various repayment terms. Some of the personal loans are secured by wage assignment and/or personal property or investments.

Agricultural loans consist of term loans, operating lines of credit and mortgages to individuals, partnerships and corporations for agricultural purposes and have various repayment terms. They are secured by various types of collateral, including mortgages on real property, general security agreements, charges on specific equipment, assignments of crop and livestock, investments and personal guarantees.

Commercial loans consist of term loans, operating lines of credit and mortgages and have various repayment terms. They are secured by various types of collateral, including mortgages on real property, general security agreements, charges on specific equipment, investments and personal guarantees.

UNAUDITED

Peoples Credit Union Limited

Notes to Financial Statements

April 30, 2009

3 Loans to members (continued)

The loans to members had the following average yields:

4 months ended April 30, 2009	Principal	Yield
Variable rate	\$ 62,392,239	4.95%
Fixed rate due less than one year	10,341,212	5.69%
Fixed rate due between one and five years	43,465,677	5.54%
12 months ended December 31, 2008		
Variable rate	\$ 61,438,926	4.92%
Fixed rate due less than one year	9,862,669	5.88%
Fixed rate due between one and five years	44,952,832	5.54%

4 Allowance for impaired loans

The activity in the allowance for impaired loans account has been as follows

4 months ended April 30, 2009	General Reserve	Commercial	Personal Non-Mortgage	Total
Balance, beginning of period	\$ 925,000	\$ 1,548,769	\$ 141,171	\$ 2,614,940
Recoveries on loans previously written off	-	14	1,080	1,094
Provision charged to operations	(545,000)	1,234,850	208,064	897,914
	380,000	2,783,633	350,315	3,513,948
Loans written off	-	(153,510)	(48,561)	(202,071)
Balance, end of period	\$ 380,000	\$ 2,630,123	\$ 301,754	\$ 3,311,877

12 months ended December 31, 2008

Balance, beginning of year	\$ -	\$ 1,276,590	\$ 254,289	\$ 1,530,879
Recoveries on loans previously written off	-	9,120	24,078	33,198
Provision charged to operations	925,000	749,531	(30,621)	1,643,910
	925,000	2,035,241	247,746	3,207,987
Loans written off	-	(486,472)	(106,575)	(593,047)
Balance, end of year	\$ 925,000	\$ 1,548,769	\$ 141,171	\$ 2,614,940

The allowance for impaired loans, which is calculated on specific accounts per directives from DICO, also includes a non-specific allowance of \$380,000 (December 31, 2008 - \$925,000). It is reasonably possible that changes in future conditions in the near term could require a material change in the recognized amount of the allowance for impaired loans.

The business of the Credit Union necessitates the management of credit risk. Credit risk is the potential for loss due to failure of a borrower to meet its financial obligations. The Board of Directors of the Credit Union oversees the risk management process. Senior management coordinates policy setting on risk management issues, assesses the risk exposure of the Credit Union and reviews the effectiveness of internal control processes.

UNAUDITED

Peoples Credit Union Limited

Notes to Financial Statements

April 30, 2009

5 Property, plant and equipment

	April 30, 2009		December 31, 2008	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 393,654	\$ -	\$ 393,654	\$ -
Buildings	3,088,253	840,930	3,071,096	818,420
Furniture and fixtures	1,189,871	628,250	1,188,748	594,940
Computer equipment	987,275	965,051	987,275	958,992
Parking lot	18,888	18,888	18,888	18,888
Leasehold improvements	687,006	387,582	687,006	364,681
	\$ 6,364,947	\$ 2,840,701	\$ 6,346,667	\$ 2,755,921
		\$ 3,524,246		\$ 3,590,746

6 Other assets

	April 30 2009	December 31 2008
Accounts receivable	\$ 14,449	\$ 16,503
Prepaid expenses	301,574	152,130
Future income tax asset (note 12)	270,000	205,456
	\$ 586,023	\$ 374,089

7 Members' deposits

	April 30 2009	December 31 2008
Deposits		
Chequing accounts	\$ 25,834,243	\$ 26,852,809
Demand deposits	56,982,218	52,395,483
Term deposits	25,213,885	28,717,586
Registered savings plans	12,922,902	12,064,103
Registered income funds	3,775,175	3,545,284
Tax-free savings deposits	981,447	-
	125,709,870	123,575,265
Accrued interest payable	565,389	729,379
	\$ 126,275,259	\$ 124,304,644
Interest expense	4 months ended April 30	12 months ended Dec 31
Chequing accounts	\$ 5,203	\$ 46,044
Demand deposits	347,729	1,084,489
Term deposits	282,839	1,117,548
Registered savings plans	119,333	379,456
Registered income funds	36,169	120,888
Tax-free savings deposits	6,032	-
	\$ 797,305	\$ 2,748,425

UNAUDITED

Peoples Credit Union Limited

Notes to Financial Statements

April 30, 2009

7 Members' deposits

Terms and conditions

Chequing accounts are due on demand and bear interest at variable rates of 0.00% to 0.25% at April 30, 2009 (December 31, 2008 - 0.00% to 0.875%).

Demand deposits are due on demand and bear interest at variable rates of 0.00% to 1.25% at April 30, 2009 (December 31, 2008 - 0.00% to 2.25%). Interest is calculated daily and paid on the account monthly.

Term deposits bear fixed rates of interest for terms up to five years. Interest can be paid annually, semi-annually, monthly or upon maturity. The interest rates offered on term deposits issued on April 30, 2009 range from 0.20% to 7.00% (December 31, 2008 - 0.15% to 7.75%).

Registered savings plans consist of registered retirement savings plans (RRSP's). The RRSP accounts can have fixed or variable rate. The fixed rate RRSP's have terms and rates similar to the term deposit accounts described above. The variable rate RRSP's bear interest at 0.20% at April 30, 2009 (December 31, 2008 - 1.00%).

Registered income funds consist of registered retirement income funds (RRIF's) at both fixed and variable rates with terms and conditions similar to those of the RRSP's described above. Members may make withdrawals from a RRIF account on a monthly, quarterly, semi-annual or annual basis. The regular withdrawal amounts vary according to individual needs.

Tax-free savings deposits are due on demand and bear interest at a rate of 1.25% at April 30, 2009. Interest is calculated daily and paid on the account monthly. Tax-free term deposits bear fixed rates of interest for terms of up to five years. Interest can be paid annually, semi-annually, monthly or upon maturity. The interest rate offered on tax-free term deposits issued on April 30, 2009 range from 0.50% to 1.90%. Tax-free term deposits are also available in an index-linked product.

Included in members' accounts and deposits are \$811,618 (December 31, 2008 - \$719,110) of an Index-Linked Term Deposit product. The Index-Linked Term Deposit is a three or five year deposit that pays interest to the depositor, at the end of the term, based on the performance of the associated index.

The Credit Union has entered into a hedge agreement with Credit Union Central of Ontario (CUCO) to offset the exposure to these products, whereby the Credit Union pays CUCO a fixed rate of interest annually for three or five years on the face value of the Index-Linked Term Deposits sold. At the end of the three and five year terms, CUCO pays to the Credit Union an amount equal to the amount that will be paid to the depositor based on the performance to the index.

The purpose of these agreements is to provide a hedge against market fluctuations. These agreements have a fair value that varies based on the particular contract and changes in interest rates. The fair value of these SWAP agreements is \$77,673 at April 30, 2009 (December 31, 2008- \$59,536) and has been accounted for as a derivative in accordance with the Credit Union's accounting policy.

Members' deposits had the following average yields:

4 months ended April 30, 2009	Principal	Yield
Variable rate	\$ 85,958,517	0.83%
Fixed rate due less than one year	17,792,795	2.80%
Fixed rate due between one and five years	21,958,558	3.39%
12 months ended December 31, 2008		
Variable rate	\$ 82,003,428	1.44%
Fixed rate due less than one year	20,134,772	2.82%
Fixed rate due between one and five years	21,437,065	3.65%

UNAUDITED

Peoples Credit Union Limited

Notes to Financial Statements

April 30, 2009

8 Members' share capital

The authorized share capital of the Credit Union consists of an unlimited number of membership shares and an unlimited number of Class A special shares. The issued share capital consists of the following:

	April 30 2009	December 31 2008
Membership shares	\$ 224,902	\$ 226,059

Terms and conditions

Funds invested by members in shares are not insured by DICO. The withdrawal of membership shares are subject to certain restrictions as provided by the Credit Union's by-laws and by the Credit Union maintaining adequate regulatory capital (see note 9), as is the payment of any dividends on these shares. The fair value of these shares is not determinable.

As a condition of membership, each member over 18 years of age is required to hold \$25 in membership shares and each member under 18 years of age is required to hold \$5 in membership shares. These membership shares are redeemable at cost only when a membership is withdrawn. Dividends are at the discretion of the Board of Directors.

9 Regulatory capital

(a) Capital

The Credit Union and Caisses Populaires Act, 1994 requires the Credit Union to maintain regulatory capital of 4% of total assets (4.25% as at December 31, 2008) and 8% of total risk weighted assets. As at April 30, 2009, the Credit Union is in compliance with the Act and regulations regarding regulatory capital with 4.6% and 8.0% respectively (5.4% and 9.4% as at December 31, 2008).

(b) Management of capital structure

The Credit Union actively manages its capital structure which includes its members' equity, its share capital and member accounts and deposits. To maintain or adjust the capital structure, the Credit Union considers the following: interest rate trends, loan and mortgage demand, deposit demand, matching of deposit and loan terms, current level of line of credit, and the availability of interest rate swaps. The Credit Union's objective is to maintain a level of capital that meets all regulatory requirements and provides opportunities for growth while balancing a fair return to its members on deposits with reasonable loan rates.

10 Restricted party transactions

a) Loans

Restricted parties include all directors, officers and committee members as well as their spouses and immediate dependent family members. The total amount of loans outstanding to restricted parties as at April 30, 2009 was \$400,603 (December 31, 2008 - \$582,182). The loans conform to the Credit Union's policies with respect to term, interest rates and limits and have been approved by the Board of Directors. None of the loans to restricted parties were impaired as at April 30, 2009.

b) Director remuneration

Director and committee member remuneration amounted to \$5,680 for the four month period ended April 30, 2009 (twelve month period ended December 31, 2008 -\$36,999) and is included in salaries and benefits expense.

UNAUDITED

Peoples Credit Union Limited

Notes to Financial Statements

April 30, 2009

11 Commitments

(a) Credit facilities

The Credit Union has a total authorized credit facility with Central 1 of \$7,100,000 which includes authorized lines of credit totaling \$2,400,000-CDN\$ and \$150,000-US\$. Outstanding term loans bear interest at fixed rates determined by Central 1 and the authorized lines of credit bear interest at prime. These credit facilities are secured by a registered assignment of book debts and a general security agreement covering all assets of the Credit Union. There are no term loans outstanding at April 30, 2009 (term loans outstanding at December 31, 2008 totaling \$3,500,000 matured January 12, 2009 to January 30, 2009, interest at 2.22% to 2.33%. The carrying value of the outstanding term loans approximated its fair value).

(b) Member loans

The Credit Union has the following commitments to its members as at April 30, 2009 on account of unadvanced loans and unused lines of credit:

Unadvanced loans	\$ 675,000
Unused lines of credit	17,300,476
Letters of credit	134,003
	<u>\$ 18,109,479</u>

When the above loans are advanced, they are subject to the same terms and conditions as loans described in note 3.

(c) Computer services

Pursuant to an agreement with CGI Information Systems effective January 1, 2004, the Credit Union is committed to utilizing CUDATA on-line banking computer services for a 10 year period ending December 31, 2013. Under the terms of the agreement, the Credit Union makes annual payments of approximately \$275,000 for these services.

(d) Operating leases

The Credit Union leases premises at its branch locations in Alcona and Tollendale. These operating leases expire May 31, 2012 and February 28, 2010 respectively. The Credit Union has an option to review the lease for the Tollendale premises for a further five year term.

The minimum lease payments required over the next five years related to these leases are as follows:

May-Dec, 2009	\$ 37,690
Jan-Dec, 2010	47,203
Jan-Dec, 2011	46,011
Jan-May, 2012	19,308

In addition to the minimum lease payments, the operating leases require the payment of property taxes, insurance and/or maintenance fees.

(e) Shelburne Branch

The Credit Union has entered into an agreement to lease for its branch location in Shelburne. The start date for the lease is based on the completion of the construction of the building by the lessor and the subsequent completion of the Credit Union's leasehold improvements. The lease is for a twenty year period, with options to renew the lease for two additional five year terms. The minimum annual lease payments for the first five years of the lease term are \$120,000 per year. The construction has not been completed as at April 30, 2009 and accordingly the start date of the lease has not yet been determined.

UNAUDITED

Peoples Credit Union Limited

Notes to Financial Statements

April 30, 2009

12 Future income taxes

The Credit Union has cumulative timing differences between taxable reserves and those allowed for accounting purposes of \$809,896 as well as losses for income tax purposes of \$791,605 for a total of \$1,601,501 (December 31, 2008 - \$1,245,187). These timing differences have resulted in a future income tax benefit in the amount of \$270,000 (December 31, 2008 - \$205,456). The cumulative corporate income tax drawdown rate is 16.50%.

13 Segment disclosures

The Credit Union operates in the loans and deposit taking industry in Ontario and, based on the Credit Union's internal management reporting structure, has only one operating segment. Products and services offered to its members include mortgage loans, commercial loans, personal loans, and lines of credit. Management and the Board of Directors regularly review the risks and returns related to each of these products and services and make operating decisions accordingly.

No single member accounts for 10 percent or more of the Credit Union's interest revenue.

14 Financial instruments

(a) Fair value

The amounts set out below represent the fair value of the Credit Union's financial instruments using the valuation methods and assumptions described below. The fair values disclosed do not include the value of assets that are not considered financial instruments, such as property, plant and equipment, accounts receivable, prepaid expenses and future income taxes.

The estimated fair value amounts approximate the amounts at which instruments could be exchanged in a current transaction between willing parties who are under no compulsion to act. Fair values are based on estimates using present value and other valuation techniques, which are significantly affected by the assumptions used concerning the amount and timing of estimated future cash flows and discount rates, which reflect varying degrees of risk. Because of the estimation process and the need to use judgment, the aggregate fair value amounts should not be interpreted as being necessarily realizable in an immediate settlement of the instruments.

	April 30, 2009		
	Fair value	Book value	Fair value over (under) book value
Assets			
Cash	\$ 2,552,901	\$ 2,552,901	\$ -
Investments	12,570,073	12,555,307	14,766
Accrued interest receivable	409,936	409,936	-
Member loans receivable	114,734,000	112,887,251	1,846,749
Derivative financial instruments	77,673	77,673	-
Liabilities			
Accounts payable	246,488	246,488	-
Members' accounts and deposits	127,072,000	125,709,870	1,362,130
Accrued member interest	565,389	565,389	-
Derivative financial instruments	77,673	77,673	-
Members' share capital	224,902	224,902	-

UNAUDITED

Peoples Credit Union Limited

Notes to Financial Statements

April 30, 2009

14 Financial instruments (continued)

The following methods and assumptions were used to estimate the fair value of financial instruments:

- i) The fair values of cash and cash resources, certain other assets and other liabilities are assumed to approximate their carrying values, due to their short-term nature;
- ii) The fair value of investments is assumed to be equal to the estimated market value;
- iii) The estimated fair values of floating rate loans and floating rate deposits are assumed to be equal to the respective book values as the interest rates on these loans and deposits reprice to market on a periodic basis;
- iv) The estimated fair values of fixed rate loans and fixed rate deposits are determined by discounting the expected future cash flows of these loans and deposits at current market rates for products with similar terms and credit risks; and
- v) The fair value of derivative instruments is calculated using pricing models that incorporate current market prices and contractual prices of the underlying instruments.

(b) Interest rate risk

Interest rate risk refers to the potential impact of changes in interest rates on the Credit Union's earnings when maturities of its financial liabilities are not matched with the maturities of its financial assets. It is the policy of the Credit Union to keep exposure to interest rate fluctuations within limits set by the Board of Directors and by the Act.

(c) Foreign currency exchange risk

Foreign currency exchange risk refers to the potential impact of changes in foreign exchange rates on the Credit Union's earnings when balances of its foreign currency liabilities are not matched with the balances of its foreign currency assets. It is the policy of the Credit Union to mitigate exposure to foreign exchange rate fluctuations by matching its foreign currency liabilities to its foreign currency assets to ensure an exposure of no more than \$75,000.

As at April 30, 2009, the Credit Union had U.S. dollar denominated liabilities of \$894,909 (December 31, 2008 - \$724,151) and U.S. dollar denominated assets of \$850,548 (December 31, 2008 - \$787,237).

15 Sale of mortgages

In June 2008 the Credit Union sold certain residential mortgages with a face value of \$4,475,421 to Credit Union Central of British Columbia, now Central 1 ("Central"). Under the terms of the transaction, the Credit Union received a premium of \$36,564 at the time of the sale, representing the difference between the fair value of the loans sold and their book value. The Credit Union and Central have entered into a swap agreement whereby the Credit Union pays to Central 1 a fixed rate of 4.20% of the outstanding principal balances in addition to a portion of the premium initially received and in exchange, Central 1 pays the Credit Union the actual fixed rate of interest on the outstanding mortgage balances. The Credit Union continues to bear the risk of loss in connection with these mortgages in the event of default or impairment. The principal balance of the mortgages sold as at April 30, 2009 is \$4,139,008 (December 31, 2008 - \$4,185,560) and is excluded from Loans to Members in the Balance Sheet. None of the loans sold were impaired as at April 30, 2009 or December 31, 2008. In 2006, the Credit Union sold certain commercial mortgages with a face value of approximately \$2.8 million to Credit Union Central of Ontario. Under the terms of the transaction, the Credit Union will receive a quarterly payment equal to 0.25% of the monthly interest income spread on the mortgages sold, in exchange for services to administer the mortgages over their remaining term.

16 Contingent liabilities

The Credit Union has been named as a defendant in several lawsuits. It is management's opinion that the Credit Union has no liability with respect to these actions and accordingly no amounts have been accrued in these financial statements. Losses, if any, will be accounted for at the time the case(s) are settled.

UNAUDITED

Tinkham & Associates LLP
 C H A R T E R E D A C C O U N T A N T S

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AUDITORS' REPORT

To the Members of
PEOPLES CREDIT UNION LIMITED

We have audited the consolidated balance sheet of Peoples Credit Union Limited as at December 31, 2008 and the consolidated statements of operations, comprehensive income, members' equity and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Credit Union's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Credit Union as at December 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Tinkham & Associates LLP
 C H A R T E R E D A C C O U N T A N T S

Licensed Public Accountants

TORONTO, Ontario
 January 26, 2009



BDO Dunwoody LLP
Chartered Accountants
and Advisors

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Auditors' Report

To the Directors of Peoples Credit Union Limited

We have audited the consolidated balance sheets of Peoples Credit Union Limited as at December 31, 2007 and 2006 and the consolidated statements of operations and comprehensive income, members' equity and cash flows for the years then ended. These financial statements are the responsibility of the Credit Union's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Credit Union as at December 31, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants, Licensed Public Accountants

Barrie, Ontario
January 25, 2008

BDO Dunwoody LLP is a Limited Liability Partnership registered in Ontario

Peoples Credit Union Limited
Consolidated Balance Sheet


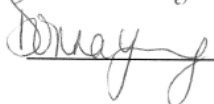
As at December 31	2008	2007	2006
		(note 17)	(note 17)
Assets			
Cash (note 1)	\$ 4,017,372	\$ 1,841,347	\$ 3,821,611
Accrued interest receivable	360,608	417,929	485,020
Investments (note 2)	12,468,102	11,684,330	12,569,338
Loans to members (note 3)	113,639,486	111,003,614	103,273,351
Property, plant and equipment (note 5)	3,590,746	3,732,613	3,620,433
Other assets (note 6)	374,089	174,743	264,155
Income taxes recoverable	49,118	127,577	79,286
Derivative financial instruments (note 7)	59,536	104,646	-
	\$ 134,559,057	\$ 129,086,799	\$ 124,113,194
Liabilities, Member Entitlements and Members' Equity			
Liabilities			
Term loan (note 11(a))	\$ 3,500,000	\$ 2,000,000	\$ -
Accounts payable and accrued liabilities	141,372	153,703	318,926
Derivative financial instruments (note 7)	59,536	168,616	-
	3,700,908	2,322,319	318,926
Member entitlements			
Members' deposits (note 7)	124,304,644	119,290,923	116,137,661
Accrued dividends payable	-	60,000	50,100
Members' certified cheques outstanding	20,899	58,029	47,628
	124,325,543	119,408,952	116,235,389
Liabilities Qualifying as Regulatory Capital			
Members' capital shares (note 8)	226,059	231,026	234,306
Members' Equity			
Contributed surplus	1,459,999	1,459,999	1,459,999
Retained earnings	4,846,548	5,707,868	5,864,574
Accumulated other comprehensive (loss)	-	(43,365)	-
	6,306,547	7,124,502	7,324,573
	\$ 134,559,057	\$ 129,086,799	\$ 124,113,194

Commitments (note 11)

Contingent liabilities (note 16)

See accompanying summary of significant accounting policies and notes to financial statements.

On behalf of the Board:

 Director
 Director

Peoples Credit Union Limited
Consolidated Statement of Operations

Year ended December 31	2008	2007	2006
		(note 17)	(note 17)
Interest income			
Interest on member loans (note 3)	\$ 6,612,852	\$ 7,037,897	\$ 6,768,530
Investment interest and dividends	616,849	557,930	399,238
	7,229,701	7,595,827	7,167,768
Interest expense			
Interest on members' deposits (note 7)	2,748,426	2,931,655	2,349,258
Interest on external borrowings	41,035	6,187	150,297
	2,789,461	2,937,842	2,499,555
Net interest income	4,440,240	4,657,985	4,668,213
Other income	1,438,579	1,386,093	1,253,840
Patronage dividends (note 8)	-	(60,000)	(50,100)
Net interest and other income	5,878,819	5,984,078	5,871,953
Non-interest expenses			
Administration costs	671,457	635,948	683,543
Advertising and communications	348,020	338,477	371,383
Computer, office and other equipment	541,653	576,495	651,421
Loan costs	1,654,897	1,455,058	651,323
Member security costs	225,300	192,881	205,085
Occupancy costs	429,796	404,171	396,590
Other miscellaneous	38,361	5,926	43,405
Salaries and benefits	2,757,024	2,542,293	2,523,200
	6,666,508	6,151,249	5,525,950
Income (loss) for the year before other items	(787,689)	(167,171)	346,003
Write-down of ABCP Limited Partnership (note 2)	(218,087)	-	-
Income (loss) for the year before provision for income taxes	(1,005,776)	(167,171)	346,003
Provision for (recovery of) income taxes (note 12)			
Current	16,000	(28,520)	48,673
Future	(160,456)	-	27,850
Net income (loss) for the year	\$ (861,320)	\$ (138,651)	\$ 269,480

See accompanying summary of significant accounting policies and notes to financial statements.

Peoples Credit Union Limited
Consolidated Statement of Comprehensive Income

Year ended December 31	2008	2007	2006
		(note 17)	(note 17)
Net income (loss) for the year	\$ (861,320)	\$ (138,651)	\$ 269,480
Other comprehensive income (loss), net of tax Reclassification to income	43,365	-	-
Comprehensive income (loss) for the year	\$ (817,955)	\$ (138,651)	\$ 269,480

Consolidated Statement of Members' Equity

Year ended December 31	2008	2007	2006
		(note 17)	(note 17)
Contributed Surplus			
Balance, beginning and end of the year	\$ 1,459,999	\$ 1,459,999	\$ 1,459,999
Retained Earnings			
Balance, beginning of year	\$ 5,707,868	\$ 5,864,574	\$ 5,595,094
Transition adjustment on adoption of financial instrument standards	-	(18,055)	-
Adjusted undivided earnings	5,707,868	5,846,519	5,595,094
Net income (loss) for the year	(861,320)	(138,651)	269,480
Balance, end of year	\$ 4,846,548	\$ 5,707,868	\$ 5,864,574
Accumulated Other Comprehensive Income (Loss)			
Balance, beginning of year	\$ (43,365)	\$ -	\$ -
Transition adjustment on adoption of financial instruments standards	-	(43,365)	-
Other Comprehensive income for the year	43,365	-	-
Balance, end of year	\$ -	\$ (43,365)	\$ -

See accompanying summary of significant accounting policies and notes to financial statements.

Peoples Credit Union Limited
Consolidated Statement of Cash Flows

Year ended December 31	2008	2007	2006
		(note 17)	(note 17)
Cash provided (used) by operations			
Net comprehensive income (loss) for the year	\$ (817,955)	\$ (138,651)	\$ 269,480
Items not requiring cash			
Amortization of capital assets	267,262	281,107	297,363
Provision for (recovery of) future tax	(160,456)	-	27,850
Provision for losses on loans	1,643,910	1,440,265	627,000
Loans written off	(593,047)	(593,360)	(532,290)
Impairment of shares in Credit Union Central of Ontario	58,706	-	-
Realized gain on cash flow hedges	(63,970)	-	-
Unrealized loss on ABCP Limited Partnership	218,087	-	-
	552,537	989,361	689,403
Net change in non-cash working capital balances			
Accrued interest receivable	57,321	67,091	(54,719)
Accounts receivable and prepaid expenses	(38,890)	89,411	(37,107)
Income taxes recoverable	78,459	(48,291)	40,727
Accounts payable and accrued liabilities	(12,331)	(165,223)	45,563
Accrued dividends payable	(60,000)	9,900	(3,145)
	577,096	942,249	680,722
Cash provided (used) by investing activities			
Increase in loans to members	(8,195,353)	(8,585,888)	(11,428,945)
Proceeds on sale of mortgages	4,475,421	-	2,834,949
Loans recovered	33,198	8,719	12,001
(Purchase) sale of investments (net)	(1,060,565)	887,560	(1,203,636)
Purchase of capital assets (net)	(125,396)	(393,287)	(149,907)
	(4,872,695)	(8,082,896)	(9,935,538)
Cash provided (used) by financing activities			
Increase in members' shares and deposits	5,008,754	3,149,982	10,231,896
Increase (decrease) in members' certified cheques outstanding	(37,130)	10,401	(125,687)
Term loan advanced	1,500,000	2,000,000	-
	6,471,624	5,160,383	10,106,209
Increase (decrease) in cash	2,176,025	(1,980,264)	851,393
Cash, beginning of year	1,841,347	3,821,611	2,970,218
Cash, end of year	\$ 4,017,372	\$ 1,841,347	\$ 3,821,611
Other information			
Interest paid during the year	\$ 2,901,280	\$ 2,867,087	\$ 2,251,479
Income taxes paid during the year	\$ 52,956	\$ 19,228	\$ 9,302

See accompanying summary of significant accounting policies and notes to financial statements.

Peoples Credit Union Limited
Summary of Significant Accounting Policies

December 31, 2008

Nature of Business

The Credit Union is incorporated under the Credit Union and Caisses Populaires Act, 1994, ("The Act") and is affiliated with Central 1 Credit Union. The Act specifies that certain items are required to be disclosed in the financial statements which are presented at annual meetings of members. This information has been integrated into the basic financial statements and notes and it is management's opinion that the disclosures in the financial statements and notes comply, in all material respects, with the requirements of the legislation. Where necessary, reasonable estimates and interpretations have been made in presenting this information. These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and reflect the following significant accounting policies.

Basis of Consolidation

These financial statements have been prepared and are presented using the purchase method of consolidation. The assets and liabilities of the acquired companies are initially recorded at their cost. The results of operations of the acquired companies are included from the dates of acquisition. All significant intercompany transactions and balances have been eliminated upon consolidation.

The assets, liabilities, and operations of the following subsidiaries are included in these financial statements:

2049945 Ontario Ltd.	100% owned
2049958 Ontario Ltd.	100% owned

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the reporting period. The principal estimates used in the preparation of these financial statements are the determination of the allowance for impaired loans, estimated useful life of property, plant and equipment, fair value disclosures and the provision for income taxes. Actual results could differ from management's best estimates as additional information becomes available in the future.

Allowance for Impaired Loans

The allowance for impaired loans is maintained in an amount considered adequate to absorb estimated credit-related losses in the loan portfolio. The allowance for impaired loans reflects management's best estimate of the losses existing in the loan portfolio and their judgments about the economic conditions. If the circumstances under which these estimates and judgments were made change, there could be a significant change to the allowance for impaired loans currently recognized. The allowance for impaired loans consists of specific provisions and a general provision, each of which is reviewed on a regular basis. The allowance is increased by provisions for impaired loans which are charged to earnings and reduced by write-offs net of recoveries.

Specific provisions are determined on an item-by-item basis and reflect the associated estimated credit loss. The specific provision is the amount that is required to reduce the carrying value of an impaired loan to its estimated realizable amount, which is generally the fair value of any security underlying the loan, net of expected costs of realization. The general provision is established to absorb any potential credit losses and is determined through analysis of economic developments and current portfolio trends for credit losses and cannot be determined on a loan by loan basis. When losses can be attributable to individual loan facilities, specific provisions are recorded.

December 31, 2008

Allowance for Impaired Loans (continued)

Write-offs are generally recorded after all reasonable restructuring or collection activities have taken place and there is no realistic prospect of recovery.

Financial Instruments

The Credit Union recognizes and measures financial assets and financial liabilities on the consolidated balance sheet when they become a party to the contractual provisions of a financial instrument. All transactions related to financial instruments are recorded on a trade date basis. All financial instruments are measured at fair value on initial recognition. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, loans and receivables, available for sale or other financial liabilities.

Held for Trading.

Financial instruments are classified under this category if they are:

- i) acquired principally for the purpose of selling or repurchasing in the near term;
- ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- iii) a derivative, except for a derivative that is a financial guarantee, contract or a designated effective hedging instrument; or
- iv) designated at fair value using the fair value option ("FVO")

Financial instruments cannot be transferred into or out of the Held for Trading category after inception. For designation at fair value using the FVO option, reliable fair values must be readily available.

The Credit Union has classified cash resources and certain investments into the held for trading category. These instruments are recognized initially at fair value and transaction costs are taken directly to the Statement of Operations. They are subsequently measured at fair value and gains and losses arising from changes in the Statement of Operations.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable repayment dates, usually with interest, that are not debt securities or instruments classified as held for trading on initial recognition.

The Credit Union has classified its member loans and other receivables as loans and receivables. These instruments are initially recognized at fair value including direct and incremental transaction costs. They are subsequently valued at amortized cost using the effective interest method less any provision for impairment.

Held to Maturity

Held to maturity investments include financial assets with fixed or determinable payments that the Credit Union's management has the intention and ability to hold to maturity. Certain investments have been classified as held to maturity. They are initially recognized at fair value including direct and incremental transaction costs. They are subsequently valued at amortized cost using the effective interest method less any provision for impairment.

December 31, 2008

Financial Instruments (continued)

Available for Sale

Available for sale assets are non-derivative financial assets that are designated as available for sale or are not categorized into any of the other categories described above. The Credit Union has classified certain investments as available for sale. They are initially recognized at fair value and transaction costs are expensed as incurred. They are subsequently held at fair value with gains and losses arising from changes in fair value being recognized in other comprehensive income in the Statement of Comprehensive Income when they have a quoted market price in an active market. Where a decline in market value is determined to be other than temporary, the amount of the loss is removed from other comprehensive income and recognized in the Statement of Operations.

Other Financial Liabilities

Other financial liabilities are non-derivative financial liabilities and include members' deposits, accounts payable and term loans payable. These instruments are initially recognized at fair value including direct and incremental transaction costs. They are subsequently measured at amortized cost using the effective interest method.

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair values are determined by reference to quoted bid or asking prices as appropriate, in the most advantageous active market for that instrument to which the Credit Union has immediate access.

Fair values determined using valuation models require the use of assumptions concerning the amount and timing of estimated future cash flows and discounted rates. In determining those assumptions, external readily observable market inputs including interest rate yield curves, currency rates and price and rate volatilities are considered, as applicable.

Derivative Financial Instruments and Hedges

Derivative financial instruments are contracts that require or provide the opportunity to exchange cash flows or payments determined by applying certain rates, indices or changes therein to notional contract amounts.

The Credit Union, in accordance with its risk management strategies, enters into various derivative contracts to protect itself against the risk of fluctuations in interest rates as well as its customers' demands and to earn trading income.

The Credit Union manages interest rate risk through interest rate swaps. These derivatives are carried at fair value and are reported as assets where they have a positive fair value and as liabilities where they have a negative fair value, and in both cases are shown as derivative financial instruments on the Balance Sheet.

The swap contracts can be designated as fair value hedge instruments or cash flow hedge instruments. Fair value hedges modify exposure to changes in a fixed rate instrument's fair value caused by changes in interest rates. These hedges convert fixed rate assets and liabilities to floating rate. The Credit Union has not entered into any fair value hedges at this time.

Peoples Credit Union Limited
Summary of Significant Accounting Policies

December 31, 2008

Financial Instruments (continued)

Derivative Financial Instruments and Hedges (continued)

Cash flow hedges modify exposure to variability in cash flows for variable rate interest bearing instruments or the forecasted issuance of fixed rate liabilities. The Credit Union has not entered into any cash flow hedges at this time.

For cash flow hedges that meet hedging documentation criteria, gains and losses resulting from changes in the fair value of the effective portion of the derivative instrument are recorded in other comprehensive income until the hedged item is recognized in income, at which time such change is recognized as interest income. The ineffective portion is recognized immediately in income as other income.

For derivative financial instruments that are not part of a hedging relationship (or do not meet the criteria for hedge accounting), the changes in fair value of the hedged items are recognized as other income.

Other Comprehensive Income

Other comprehensive income includes, in particular, unrealized gains and losses on available for sale financial assets, and the change in the effective portion of a cash flow hedge transaction.

Property, Plant and Equipment Property, plant and equipment are recorded at cost. The Credit Union provides amortization on its capital assets to amortize costs over the expected useful life of the respective assets using the straight line method as follows:

Buildings	40 years
Furniture and fixtures	5 to 10 years
Computer equipment	3 years
Parking lot	25 years
Leasehold improvements	10 years

Future Income Taxes Future income tax assets and liabilities are recognized for the future income tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective income tax bases. Future income tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates is recognized in operations in the year in which the change occurs.

Sales of Mortgages Transfers of residential and/or commercial mortgages to unrelated parties are treated as sales provided that control over the transferred loans has been surrendered and consideration other than beneficial interests in the transferred mortgages has been received in exchange. The mortgages are removed from the balance sheet and a gain or loss is recognized in income immediately based on the carrying value of the mortgages transferred, allocated between the assets sold and the retained interests in proportion to their fair values at the date of transfer. The fair values of mortgages sold, retained interests and recourse liabilities are determined using pricing models which take into account management's best estimates of key assumptions such as expected losses, prepayments and discount rates commensurate with the risks involved. Where the Credit Union continues to service the mortgages sold, a servicing liability or asset is recognized and amortized over the servicing period as servicing fees.

Peoples Credit Union Limited
Summary of Significant Accounting Policies

December 31, 2008

Dividend Accrual Dividends on members' shares are recorded as a distribution of net income in the year to which they pertain, not in the year they are paid.

Revenue Recognition Interest income on member loans and investments is recorded as revenue using the accrual method based on the number of days the loan or investment is outstanding.

Other income includes service charges and various fees. Service charges are generally for monthly services and are charged and recorded as revenue on a monthly basis. Fees are recorded as revenue when the service generating the fee has been provided.

Changes in Accounting Policies On January 1, 2008, the Credit Union adopted CICA Handbook Section 3862, "Financial Instruments – Disclosure", Section 3863, "Financial Instruments – Presentation", Section 1535 "Capital Disclosures" and Section 1400, "General Standards on Financial Statement Presentation". Section 3862 increases the disclosures currently required to include the extent to which an entity is exposed to risks arising from financial instruments, the nature of those risks and a description of management's objectives, policies and processes for dealing with them. Section 3863 replaces the existing requirements on the presentation of financial instruments, which have been carried forward unchanged. Section 1535 requires disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital and whether the entity has complied with any capital requirements and, if it has not complied, the consequences of such non-compliance. Section 1400 requires management to assess and disclose the entity's ability to continue as a going concern. The adoption of Sections 3862, 3863, and 1535 required additional note disclosure. The adoption of section 1400 had no impact on the Credit Union's financial statements.

New Accounting Pronouncements Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the Credit Union, are as follows:

International financial reporting standards

In February 2008, the Canadian Accounting Standards Board announced that Canadian Generally Accepted Accounting Principles (GAAP) for publicly accountable enterprises will be replaced by International Financial Reporting Standards (IFRS) for fiscal years beginning on or after January 1, 2011. The Credit Union is specifically scoped into the definition of a publicly accountable enterprise and accordingly, the Credit Union will be required to adopt IFRS. The financial statements for the year ended December 31, 2011, including comparative information, will be in compliance with IFRS. The Credit Union is currently assessing the potential impact of the transition to IFRS on the financial statements, disclosures and broader financial reporting systems and controls.

Peoples Credit Union Limited

Notes to Financial Statements

December 31, 2008

1 Cash

Cash consists of cash on hand and in current accounts. The average yield for cash deposits for the year ended December 31, 2008 was 0.5% (2007 - 1.7%, 2006 - 1.6%). The carrying value of cash approximates its fair market value.

The Credit Union and Caisses Populaires Act, 1994, requires that the Credit Union maintain adequate liquidity. The Credit Union must maintain a minimum of 8% of its borrowings and members' deposits in certain classes of short-term or liquid assets as defined in the regulations. The cash and certain investments of the Credit Union meet the definitions of the asset classes that qualify for liquidity purposes. The Credit Union complies with requirements regarding adequate liquidity as at December 31, 2008.

2 Investments

	2008	2007	2006
		(note 17)	(note 17)
Central 1 Credit Union / Credit Union Central of Ontario			
Central 1 - Class A shares	\$ 749,493	\$ 992,905	\$ 682,171
Central 1 - Class B shares	100	-	-
Credit Union Central of Ontario shares	342,902	-	-
Liquidity reserve deposit	9,219,416	8,691,334	5,684,754
Discount note, 4.20%, matures February 16, 2007	-	-	2,000,000
U.S. Term deposits, rates of interest vary from 1.28% to 2.63% with maturity dates from Feb 2 to Dec 4, 2009	499,299	-	-
Term deposits, rates of interest vary from 2.88% to 4.70% with maturity dates from Jan 2 to Feb 19, 2008	-	999,781	-
Term deposits, rates of interest vary from 3.85% to 4.86% with maturity dates from Jan 12 to Feb 14, 2007	-	-	2,700,000
Province of Ontario Bond, due May 19, 2009, 4.00% yield to maturity, face value \$1,000,000	1,011,273	998,610	1,001,585
City of Toronto Bond, due October 29, 2007, 3.50% yield to maturity, face value \$500,000	-	-	499,728
Co-operators General Insurance Company 44 preference shares	1,700	1,700	1,100
ABCP Limited Partnership	643,919	-	-
	\$ 12,468,102	\$ 11,684,330	\$ 12,569,338

Terms and conditions

Central 1 Credit Union / Credit Union Central of Ontario shares

On July 1, 2008, Credit Union Central of Ontario merged with Credit Union Central of British Columbia to form a new national financial services entity named Central 1 Credit Union (Central 1). Shares required as a condition of membership in Credit Union Central of Ontario (CUCO), are being exchanged for shares of Central 1. Due to the shortfall valuation in CUCO, it has determined that a permanent impairment in the valuation of the Central 1 shares exists at December 31, 2008. Accordingly the Credit Union has recorded a loss in the amount of \$58,706 in investment interest and dividends in the Statement of Operations.

The Credit Union will be required to maintain an investment in shares of Central 1 based on the aggregate of the Credit Union's own shares and members' deposits. The investment will be adjusted each February based on the share and deposit balances as at the preceding December 31st. The shares are redeemable at cost only if there is a reduction in the Credit Union's own shares and deposits or upon withdrawal of membership from Central 1.

Peoples Credit Union Limited

Notes to Financial Statements

December 31, 2008

2 Investments (continued)

The shares in Central 1 are realizable only through the redemption process described above and accordingly, there is no separately quoted market value. The shares in Central 1 have been classified as available for sale. Dividends received on these shares in 2008 amounted to \$195 (2007 - \$28,604, 2006 - \$29,686).

Central 1 Credit Union / Credit Union Central of Ontario liquidity reserve deposit

As a condition of membership in Central 1, (Credit Union Central of Ontario), the Credit Union is required to maintain a liquidity reserve deposit with Central 1 equal to 7% of the Credit Union's total assets of the immediately preceding year. The reserve deposit is adjusted quarterly based on the total assets of the Credit Union. The deposit can be withdrawn only if there is a sufficient reduction in the Credit Union's assets or upon withdrawal of membership from Central 1. The liquidity reserve deposit is invested in term deposits with interest rates from 1.42% to 3.28% and maturities from Jan 30 to Jun 17, 2009 (2007 - 4.17% to 4.68%, maturities from Jan 17 to Mar 25, 2008, 2006 - 3.69% to 4.11%, maturities from Jan 2 to Oct 31, 2007). The average yield for the liquidity reserve deposit for the year ended December 31, 2008 was 3.4% (2007 - 4.3%, 2006 - 3.9%). At maturity, these deposits are reinvested at market rates for various terms.

The reserve deposit with Central 1 qualifies as liquidity under Section 84 of the Act and can only be withdrawn under certain conditions. Contributions to the reserve deposit are shown as an investment as it is not the intention of the Credit Union to draw down on this deposit unless the program is suspended.

The Credit Union has classified the liquidity reserve deposit as held to maturity and as a result, these investments have been recorded at cost.

Province of Ontario Bond

The Credit Union has classified the bond as held for trading and as a result, this investment has been recorded at fair value.

Asset-Backed Commercial Paper Limited Partnership and Central 1 Credit Union merger

At a special general meeting held May 31, 2008, members of Credit Union Central of Ontario Limited (CUCO) approved a resolution to facilitate the merger of CUCO and Credit Union Central of British Columbia (CUCBC) to form a new national financial services entity named Central 1 Credit Union (Central 1).

As a pre-condition of this merger, CUCO was required to divest itself of investments in certain third-party asset-backed commercial paper (ABCP). The resolution approved the creation of a limited partnership (ABCP LP) to acquire these investments funded by member credit unions in proportion to their share investment in CUCO. As a result, on July 1, 2008, immediately prior to the merger of CUCO and CUCBC, the excluded ABCP with a total par value of \$186,916,000 was acquired by the ABCP LP at its estimated fair value of \$133,564,000 including accrued interest, net of expenses and other assets. As there is still no liquid market in these ABCP investments, the fair values used to determine the acquisition price were provided by Edenbrook Hill Capital Ltd., a firm engaged by CUCO to provide an independent valuation of the assets underlying the ABCP investments.

The valuation for each credit union's share of the ABCP was provided to them before closing.

The ABCP LP is governed by a Board of Directors that was elected by Ontario member credit unions and each limited partner will record its proportionate share of net income or loss in the ABCP LP as determined by Canadian generally accepted accounting principles and subject to an annual external audit. As at December 31, 2008, the Credit Union had \$862,006 invested in ABCP LP units.

The fair value of the investment in ABCP LP has been estimated by management of the limited partnership to be \$643,919 and the Credit Union has accordingly recorded a loss in the Statement of Operations of \$218,087 in accordance with the directive from the Deposit Insurance Corporation of Ontario dated February 10, 2009.

Term Deposits

The average yield for term deposits was 2.3% (2007 - 4.4%, 2006 - 4.4%).

Peoples Credit Union Limited

Notes to Financial Statements

December 31, 2008

3 Loans to members

	2008	2007	2006
		(note 17)	(note 17)
Principal			
Residential mortgages	\$ 66,524,652	\$ 64,553,672	\$ 54,942,947
Commercial	40,804,633	36,858,382	36,943,589
Agricultural	1,965,937	3,326,516	3,269,278
Unincorporated associations	14,881	19,827	7,806
Personal non-mortgage	6,944,323	7,776,096	8,784,986
	116,254,426	112,534,493	103,948,606
Allowance for impaired loans (note 4)	(2,614,940)	(1,530,879)	(675,255)
	\$ 113,639,486	\$ 111,003,614	\$ 103,273,351
Interest income			
Residential mortgages	\$ 3,526,482	\$ 3,277,100	\$ 2,964,197
Commercial	2,319,489	2,707,539	2,640,544
Agricultural	137,291	253,872	244,414
Unincorporated associations	1,046	1,645	803
Personal non-mortgage	628,544	797,741	918,572
	\$ 6,612,852	\$ 7,037,897	\$ 6,768,530

Terms and conditions

Member loans can have either a variable or a fixed rate of interest and mature within five years.

Variable rate loans are based on a "prime rate plus" formula, ranging from prime to prime plus 14%. The rate above prime is determined by the security offered and the member's credit worthiness. The Credit Union's prime rate at December 31, 2008 was 3.50% (2007 - 6.00%, 2006 - 6.00%). The net carrying value of the variable rate loans to members approximates their fair value.

The interest rate offered on fixed rate loans being advanced on December 31, 2008 ranges from 3.50% to 8.00% (2007 - 5.09% to 9.65%, 2006 - 5.30% to 15.35%) The rate offered to a particular member varies with the type of security offered and the member's credit worthiness.

Residential mortgages are secured by residential property and are repayable in monthly blended payments of principal and interest.

Personal loans consist of term loans and lines of credit and, as such, have various repayment terms. Some of the personal loans are secured by wage assignment and/or personal property or investments.

Agricultural loans consist of term loans, operating lines of credit and mortgages to individuals, partnerships and corporations for agricultural purposes and have various repayment terms. They are secured by various types of collateral, including mortgages on real property, general security agreements, charges on specific equipment, assignments of crop and livestock, investments and personal guarantees.

Commercial loans consist of term loans, operating lines of credit and mortgages and have various repayment terms. They are secured by various types of collateral, including mortgages on real property, general security agreements, charges on specific equipment, investments and personal guarantees.

Peoples Credit Union Limited

Notes to Financial Statements

December 31, 2008

3 Loans to members (continued)

The loans to members had the following average yields as at December 31:

	December 31, 2008		December 31, 2007		December 31, 2006	
	Principal	Yield	Principal	Yield	Principal	Yield
Variable rate	\$ 61,438,926	4.92%	\$ 57,966,981	7.84%	\$ 60,601,780	7.60%
Fixed rate						
Due less than one year	9,862,669	5.88%	10,215,998	5.97%	6,622,271	5.90%
Due between one and five years	44,952,832	5.54%	44,351,514	5.54%	36,724,555	5.50%

4 Allowance for impaired loans

The activity in the allowance for impaired loans account has been as follows

2008	General Reserve	Commercial	Personal Non-Mortgage	Total
Balance, beginning of period	\$ -	\$ 1,276,590	\$ 254,289	\$ 1,530,879
Recoveries on loans previously written off	-	9,120	24,078	33,198
Provision charged to operations	925,000	749,531	(30,621)	1,643,910
	925,000	2,035,241	247,746	3,207,987
Loans written off	-	(486,472)	(106,575)	(593,047)
Balance, end of period	\$ 925,000	\$ 1,548,769	\$ 141,171	\$ 2,614,940
2007	General Reserve	Commercial	Personal Non-Mortgage	Total
Balance, beginning of year	\$ -	\$ 556,694	\$ 118,561	\$ 675,255
Recoveries on loans previously written off	-	329	8,390	8,719
Provision charged to operations	-	1,215,297	224,968	1,440,265
	-	1,772,320	351,919	2,124,239
Loans written off	-	(495,730)	(97,630)	(593,360)
Balance, end of year	\$ -	\$ 1,276,590	\$ 254,289	\$ 1,530,879

Peoples Credit Union Limited

Notes to Financial Statements

December 31, 2008

4 Allowance for impaired loans (continued)

2006	General Reserve	Commercial	Personal Non-Mortgage	Total
Balance, beginning of year	\$ -	\$ 431,610	\$ 136,935	\$ 568,545
Recoveries on loans previously written off	-	503	11,498	12,001
Provision charged to operations	-	423,195	203,805	627,000
Loans written off	-	855,308 (298,614)	352,238 (233,677)	1,207,546 (532,291)
Balance, end of year	\$ -	\$ 556,694	\$ 118,561	\$ 675,255

The allowance for impaired loans, which is calculated on specific accounts per directives from DICO, also includes a non-specific allowance of \$925,000 (2007 and 2006 - \$NIL). It is reasonably possible that changes in future conditions in the near term could require a material change in the recognized amount of the allowance for impaired loans.

The business of the Credit Union necessitates the management of credit risk. Credit risk is the potential for loss due to failure of a borrower to meet its financial obligations. The Board of Directors of the Credit Union oversees the risk management process. Senior management coordinates policy setting on risk management issues, assesses the risk exposure of the Credit Union and reviews the effectiveness of internal control processes.

5 Property, plant and equipment

2008	Cost	Accumulated Amortization	Net Book Value
Land	\$ 393,654	\$ -	\$ 393,654
Buildings	3,071,096	818,420	2,252,676
Furniture and fixtures	1,188,748	594,940	593,808
Computer equipment	987,275	958,992	28,283
Parking lot	18,888	18,888	-
Leasehold improvements	687,006	364,681	322,325
	\$ 6,346,667	\$ 2,755,921	\$ 3,590,746

	2007 Cost	2007 Accumulated Amortization	2006 Cost	2006 Accumulated Amortization
Land	\$ 393,654	\$ -	\$ 76,289	\$ -
Buildings	3,069,100	750,900	3,055,601	684,122
Furniture and fixtures	1,152,005	495,928	1,108,880	401,988
Computer equipment	969,326	922,882	954,658	868,953
Parking lot	18,888	18,888	18,888	18,888
Leasehold improvements	618,299	300,061	618,299	238,231
	\$ 6,221,272	\$ 2,488,659	\$ 5,832,615	\$ 2,212,182
Net Book Value		\$ 3,732,613		\$ 3,620,433

Peoples Credit Union Limited

Notes to Financial Statements

December 31, 2008

6 Other assets

	2008	2007	2006
		(note 17)	(note 17)
Accounts receivable	\$ 16,503	\$ 16,841	\$ 17,257
Prepaid expenses	152,130	112,902	59,932
GST recoverable	-	-	141,966
Future income tax asset (note 12)	205,456	45,000	45,000
	\$ 374,089	\$ 174,743	\$ 264,155

7 Members' deposits

	2008	2007	2006
		(note 17)	(note 17)
Deposits			
Chequing accounts	\$ 26,852,809	\$ 27,886,671	\$ 28,732,165
Demand deposits	52,395,483	46,612,593	47,927,416
Term deposits	28,717,586	29,959,376	25,447,329
Registered savings plans	12,064,103	10,395,953	9,597,947
Registered income funds	3,545,284	3,595,132	3,703,656
	123,575,265	118,449,725	115,408,513
Accrued interest payable	729,379	841,198	729,148
	\$ 124,304,644	\$ 119,290,923	\$ 116,137,661
Interest expense			
Chequing accounts	\$ 46,044	\$ 71,494	\$ 53,430
Demand deposits	1,084,489	1,352,219	1,010,905
Term deposits	1,117,548	1,044,250	889,988
Registered savings plans	379,456	333,316	272,453
Registered income funds	120,888	130,376	122,482
	\$ 2,748,425	\$ 2,931,655	\$ 2,349,258

Terms and conditions

Chequing accounts are due on demand and bear interest at variable rates of 0.00% to 0.875% (2007 - 0.00% to 0.845%, 2006 - 0.05% to 0.625%).

Demand deposits are due on demand and bear interest at variable rates of 0.00% to 2.25% (2007 - 0.00% to 3.50%, 2006 - 0.00% to 3.25%). Interest is calculated daily and paid on the account monthly.

Term deposits bear fixed rates of interest for terms up to five years. Interest can be paid annually, semi-annually, monthly or upon maturity. The interest rates offered on term deposits issued on December 31, 2008 range from 0.15% to 7.75% (2007 - 2.30% to 7.60%, 2006 - 2.00% to 7.25%).

Registered savings plans consist of registered retirement savings plans (RRSP's). The RRSP accounts can have fixed or variable rate. The fixed rate RRSP's have terms and rates similar to the term deposit accounts described above. The variable rate RRSP's bear interest at 1.00% at December 31, 2008 (2007 - 3.00%, 2006 - 3.00%).

Peoples Credit Union Limited

Notes to Financial Statements

December 31, 2008

7 Members' deposits (continued)

Registered income funds consist of registered retirement income funds (RRIF's) at both fixed and variable rates with terms and conditions similar to those of the RRSP's described above. Members may make withdrawals from a RRIF account on a monthly, quarterly, semi-annual or annual basis. The regular withdrawal amounts vary according to individual needs.

Included in members' accounts and deposits are \$719,110 (2007 - \$458,963, 2006 - \$451,762) of an Index-Linked Term Deposit product. The Index-Linked Term Deposit is a three or five year deposit that pays interest to the depositor, at the end of the term, based on the performance of the associated index.

The Credit Union has entered into a hedge agreement with Credit Union Central of Ontario (CUCO) to offset the exposure to these products, whereby the Credit Union pays CUCO a fixed rate of interest annually for three or five years on the face value of the Index-Linked Term Deposits sold. At the end of the three and five year terms, CUCO pays to the Credit Union an amount equal to the amount that will be paid to the depositor based on the performance to the index.

The purpose of these agreements is to provide a hedge against market fluctuations. These agreements have a fair value that varies based on the particular contract and changes in interest rates. The fair value of these SWAP agreements is \$59,536 at December 31, 2008 (2007- \$104,646) and has been accounted for as a derivative in accordance with the Credit Union's accounting policy.

Members' deposits had the following average yields as at December 31:

	December 31, 2008		December 31, 2007		December 31, 2006	
	Principal	Yield	Principal	Yield	Principal	Yield
Variable rate	\$ 82,003,428	1.44%	\$ 77,239,597	2.07%	\$ 78,631,380	1.69%
Fixed rate						
Due less than one year	20,134,772	2.82%	26,560,021	3.92%	22,838,750	3.53%
Due between one and five years	21,437,065	3.65%	14,650,107	3.66%	13,938,383	3.48%

8 Members' share capital

The authorized share capital of the Credit Union consists of an unlimited number of membership shares and an unlimited number of Class A special shares. The issued share capital consists of the following:

	2008	2007	2006
Membership shares	\$ 226,059	\$ 231,026	\$ 234,306

Terms and conditions

Funds invested by members in shares are not insured by DICO. The withdrawal of membership shares are subject to certain restrictions as provided by the Credit Union's by-laws and by the Credit Union maintaining adequate regulatory capital (see note 9), as is the payment of any dividends on these shares. The fair value of these shares is not determinable.

As a condition of membership, each member over 18 years of age is required to hold \$25 in membership shares and each member under 18 years of age is required to hold \$5 in membership shares. These membership shares are redeemable at cost only when a membership is withdrawn. Dividends are at the discretion of the Board of Directors.

Peoples Credit Union Limited

Notes to Financial Statements

December 31, 2008

9 Regulatory capital

(a) Capital

The Credit Union and Caisses Populaires Act, 1994 requires the Credit Union to maintain regulatory capital of 4.25% of total assets (2007 - 4.50%, 2006 - 5.00%) and 8% of total risk weighted assets. As at December 31, 2008, the Credit Union is in compliance with the Act and regulations regarding regulatory capital with 5.4% and 9.4% respectively (2007 - 5.7% and 9.3%, 2006 - 6.1% and 10.0% respectively).

(b) Management of capital structure

The Credit Union actively manages its capital structure which includes its members' equity, its share capital and member accounts and deposits. To maintain or adjust the capital structure, the Credit Union considers the following: interest rate trends, loan and mortgage demand, deposit demand, matching of deposit and loan terms, current level of line of credit, and the availability of interest rate swaps. The Credit Union's objective is to maintain a level of capital that meets all regulatory requirements and provides opportunities for growth while balancing a fair return to its members on deposits with reasonable loan rates.

10 Restricted party transactions

a) Loans

Restricted parties include all directors, officers and committee members as well as their spouses and immediate dependent family members. The total amount of loans outstanding to restricted parties as at December 31, 2008 was \$582,182 (2007 - \$1,022,874, 2006 - \$644,389). The loans conform to the Credit Union's policies with respect to term, interest rates and limits and have been approved by the Board of Directors. None of the loans to restricted parties were impaired as at December 31, 2008.

b) Director remuneration

Director and committee member remuneration amounted to \$36,999 for the year ended December 31, 2008 (2007 - \$33,418, 2006 - \$32,733) and is included in salaries and benefits expense.

11 Commitments

(a) Credit facilities

The Credit Union has a total authorized credit facility with Central 1 of \$7,100,000 which includes authorized lines of credit totaling \$2,400,000-CDN\$ and \$150,000-US\$. Outstanding term loans bear interest at fixed rates determined by Central 1 and the authorized lines of credit bear interest at prime. These credit facilities are secured by a registered assignment of book debts and a general security agreement covering all assets of the Credit Union. The term loans outstanding at December 31, 2008 totaling \$3,500,000 mature January 12, 2009 to January 30, 2009 (2007 - \$2,000,000 matured May 10, 2008). The carrying value of the outstanding term loans approximates its fair value.

(b) Member loans

The Credit Union has the following commitments to its members as at December 31, 2008 on account of unadvanced loans and unused lines of credit:

Unadvanced loans	\$ 2,664,115
Unused lines of credit	16,275,882
Letters of credit	169,003
	<u>\$ 19,109,000</u>

When the above loans are advanced, they are subject to the same terms and conditions as loans described in note 3.

Peoples Credit Union Limited

Notes to Financial Statements

December 31, 2008

11 Commitments (continued)

(c) Computer services

Pursuant to an agreement with CGI Information Systems effective January 1, 2004, the Credit Union is committed to utilizing CUDATA on-line banking computer services for a 10 year period ending December 31, 2013. Under the terms of the agreement, the Credit Union makes annual payments of approximately \$266,000 for these services.

(d) Operating leases

The Credit Union leases land and building at its branch location in Alcona. This operating lease expires May 31, 2012. The Credit Union leases land and building at its branch location in Tollendale. This operating lease expires February 28, 2010 with an option to renew the lease for a further five year term.

The minimum annual lease payments required over the next five years related to these leases are as follows:

2009	\$	53,624
2010		54,372
2011		55,120
2012		29,688
2013		11,300

In addition to the minimum lease payments, the operating leases require the payment of property taxes, insurance and/or maintenance fees.

(e) New Rental Agreement

The Credit Union has entered into an agreement to lease for its branch location in Shelburne. The start date for the lease is based on the completion of the construction of the building by the lessor and the subsequent completion of the Credit Union's leasehold improvements. The lease is for a twenty year period, with options to renew the lease for two additional five year terms. The minimum annual lease payments for the first five years of the lease term are \$120,000 per year.

12 Income taxes

The Credit Union has cumulative timing differences between taxable reserves and those allowed for accounting purposes of \$1,245,187 (2007 - \$187,296, 2006 - \$132,310). These timing differences have resulted in a future income tax benefit in the amount of \$205,456 (2007 - \$45,000, 2006 - \$45,000). The cumulative corporate income tax drawdown rate is 16.50% (2007 - 18.62%, 2006 - 36.12%).

The provision for income taxes differs from the result which would be obtained by applying the combined Canadian Federal and Provincial income tax rates to income before income taxes. This difference results from the following items:

	2008	2007	2006
Income (loss) before income taxes	\$ (1,005,776)	\$ (note 17) (167,171)	\$ (note 17) 346,003
Statutory income tax rate	33.50%	36.12%	36.12%
Expected income tax expense (recovery)	(336,935)	(60,382)	124,976
Increase (decrease) in taxes resulting from:			
Small business deduction	170,982	26,804	(45,746)
Other	21,497	5,058	(2,707)
Income tax expense (recovery)	\$ (144,456)	\$ (28,520)	\$ 76,523
Current provision (recovery)	\$ 16,000	\$ (28,520)	\$ 48,673
Future provision (recovery)	(160,456)	-	27,850
	\$ (144,456)	\$ (28,520)	\$ 76,523

Peoples Credit Union Limited

Notes to Financial Statements

December 31, 2008

13 Segment disclosures

The Credit Union operates in the loans and deposit taking industry in Ontario and, based on the Credit Union's internal management reporting structure, has only one operating segment. Products and services offered to its members include mortgage loans, commercial loans, personal loans, and lines of credit. Management and the Board of Directors regularly review the risks and returns related to each of these products and services and make operating decisions accordingly.

No single member accounts for 10 percent or more of the Credit Union's interest revenue.

14 Financial instruments

(a) Fair value

The amounts set out below represent the fair value of the Credit Union's financial instruments using the valuation methods and assumptions described below. The fair values disclosed do not include the value of assets that are not considered financial instruments, such as property, plant and equipment, accounts receivable, prepaid expenses and future income taxes.

The estimated fair value amounts approximate the amounts at which instruments could be exchanged in a current transaction between willing parties who are under no compulsion to act. Fair values are based on estimates using present value and other valuation techniques, which are significantly affected by the assumptions used concerning the amount and timing of estimated future cash flows and discount rates, which reflect varying degrees of risk. Because of the estimation process and the need to use judgment, the aggregate fair value amounts should not be interpreted as being necessarily realizable in an immediate settlement of the instruments.

	2008		
	Fair value	Book value	Fair value over (under) book value
Assets			
Cash	\$ 4,017,372	\$ 4,017,372	\$ -
Investments	12,406,979	12,468,102	(61,123)
Accrued interest receivable	360,608	360,608	-
Member loans receivable	113,559,060	113,639,486	(80,426)
Derivative financial instruments	59,536	59,536	-
Liabilities			
Accounts payable	141,372	141,372	-
Members' accounts and deposits	124,461,000	123,575,265	885,735
Accrued member interest	729,379	729,379	-
Derivative financial instruments	59,536	59,536	-
Members' share capital	226,059	226,059	-

The following methods and assumptions were used to estimate the fair value of financial instruments:

- i) The fair values of cash and cash resources, certain other assets and other liabilities are assumed to approximate their carrying values, due to their short-term nature;
- ii) The fair value of investments is assumed to be equal to the estimated market value;
- iii) The estimated fair values of floating rate loans and floating rate deposits are assumed to be equal to the respective book values as the interest rates on these loans and deposits reprice to market on a periodic basis;

Peoples Credit Union Limited

Notes to Financial Statements

December 31, 2008

14 Financial instruments (continued)

- iv) The estimated fair values of fixed rate loans and fixed rate deposits are determined by discounting the expected future cash flows of these loans and deposits at current market rates for products with similar terms and credit risks; and
- v) The fair value of derivative instruments is calculated using pricing models that incorporate current market prices and contractual prices of the underlying instruments.

(b) Interest rate risk

Interest rate risk refers to the potential impact of changes in interest rates on the Credit Union's earnings when maturities of its financial liabilities are not matched with the maturities of its financial assets. It is the policy of the Credit Union to keep exposure to interest rate fluctuations within limits set by the Board of Directors and by the Act.

(c) Foreign currency exchange risk

Foreign currency exchange risk refers to the potential impact of changes in foreign exchange rates on the Credit Union's earnings when balances of its foreign currency liabilities are not matched with the balances of its foreign currency assets. It is the policy of the Credit Union to mitigate exposure to foreign exchange rate fluctuations by matching its foreign currency liabilities to its foreign currency assets to ensure an exposure of no more than \$75,000.

As at December 31, 2008, the Credit Union had U.S. dollar denominated liabilities of \$724,151 (2007 - \$774,461, 2006 - \$523,884) and U.S. dollar denominated assets of \$787,237 (2007 - \$763,818, 2006 - \$736,095).

15 Sale of mortgages

In June 2008 the Credit Union sold certain residential mortgages with a face value of \$4,475,421 to Credit Union Central of British Columbia, now Central 1 ("Central"). Under the terms of the transaction, the Credit Union received a premium of \$36,564 at the time of the sale, representing the difference between the fair value of the loans sold and their book value. The Credit Union and Central have entered into a swap agreement whereby the Credit Union pays to Central 1 a fixed rate of 4.20% of the outstanding principal balances in addition to a portion of the premium initially received and in exchange, Central 1 pays the Credit Union the actual fixed rate of interest on the outstanding mortgage balances. The Credit Union continues to bear the risk of loss in connection with these mortgages in the event of default or impairment. The principal balance of the mortgages sold as at December 31, 2008 is \$4,185,560 and is excluded from Loans to Members in the Balance Sheet. None of the loans sold were impaired as at December 31, 2008.

In 2006, the Credit Union sold certain commercial mortgages with a face value of approximately \$2.8 million to Credit Union Central of Ontario. Under the terms of the transaction, the Credit Union will receive a quarterly payment equal to 0.25% of the monthly interest income spread on the mortgages sold, in exchange for services to administer the mortgages over their remaining term.

16 Contingent liabilities

The Credit Union has been named as a defendant in several lawsuits. It is management's opinion that the Credit Union has no liability with respect to these actions and accordingly no amounts have been accrued in these financial statements. Losses, if any, will be accounted for at the time the case(s) are settled.

17 Comparative figures

The consolidated financial statements as at December 31, 2007 and 2006 and for the years then ended were audited by BDO Dunwoody LLP who expressed an opinion without reservation on those consolidated financial statements in their report dated January 25, 2008. Certain comparative figures for 2007 and 2006 have been reclassified to conform with the financial statement presentation adopted for the current year.

Tinkham & Associates LLP
 C H A R T E R E D A C C O U N T A N T S

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AUDITORS' CONSENT

To the Board of Directors of Peoples Credit Union Limited

We have read the offering statement and supplementary information filing of Peoples Credit Union Limited (the "Credit Union") dated July 29, 2009 relating to the issue and sale of Class B Investment Shares, Series 1 and Series 2 of the Credit Union. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above-mentioned offering statement of our report to the members of the Credit Union on the balance sheet of the Credit Union as at December 31, 2008, and the statements of operations, comprehensive income, members' equity and cash flows for the year ended December 31, 2008. Our report is dated January 26, 2009.

Tinkham & Associates LLP
 C H A R T E R E D A C C O U N T A N T S
 Licensed Public Accountants

TORONTO, Ontario
 May 29, 2009



BDO Dunwoody LLP
Chartered Accountants
and Advisors

300 Lakeshore Drive
Suite 300
Barrie, Ontario, Canada L4N 0B4
Telephone: 705.726.6331
Fax: 705.722.6588

www.bdo.ca

Prior Auditors' Consent

We have read the offering statement and supplementary information filing of Peoples Credit Union Limited (the "Credit Union") dated July 29, 2009 relating to the issue and sale of Class B Investment Shares, Series 1 and Series 2 of the Credit Union. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the reference in the above-mentioned offering statement to our report to the members of the Credit Union dated January 25, 2008 on the balance sheets of the Credit Union as at December 31, 2007 and 2006, and the statements of operations and comprehensive income, members' equity, and cash flows for the fiscal years ended December 31, 2007 and 2006.

BDO Dunwoody LLP

Chartered Accountants, Licensed Public Accountants

Barrie, Ontario
July 29, 2009

BDO Dunwoody LLP is a Limited Liability Partnership registered in Ontario

STATEMENT OF OTHER MATERIAL FACTS

There are no other material facts relating to the issues of securities in this offering statement which have not been suitably disclosed herein or in the Supplementary Information Filing.

BOARD RESOLUTION

June 16, 2009

"The Board of Directors of Peoples Credit Union Limited approves the issue of Series 1 and Series 2, Class B Special Shares (Class B Investment Shares, Series 1 and Series 2), subject to the Articles of Amalgamation and Articles of Amendment of Peoples Credit Union Limited, and as described in the Offering Statement and Supplementary Information Filing to be dated July 29, 2009."

I certify the above to be a true copy of a resolution adopted by the Board of Directors of Peoples Credit Union Limited at their meeting of June 16, 2009.


June Money, Corporate Secretary

CERTIFICATE

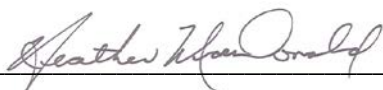
Form 1

*Credit Unions and Caisses Populaires Act, 1994***CERTIFICATE OF DISCLOSURE**

(Subsection 77 (4) of the Act)

The foregoing, together with the Supplementary Information Filing referred to therein, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Offering Statement as required by Part V of the Credit Unions and Caisses Populaires Act, 1994, and the regulations thereunder.

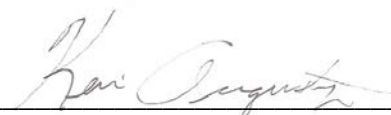
Dated at Innisfil, Ontario, July 29, 2009



Heather MacDonald, Chief Executive Officer



Sandra Delabbio, Chief Financial Officer



Kevin Augustyn, Chair

TAB H

BY-LAW NO. 1**A by-law relating generally to the conduct of the affairs of****PACE Savings & Credit Union Limited****CONTENTS**

1. Interpretation
2. Membership
3. Business of the Credit Union
4. Directors
5. Committees
6. Officers
7. Meetings of Members
8. Protection of Directors, Officers & Others
9. Shares
10. Dividends and Rights
11. Meetings of Shareholders
12. Lending
13. Information to Members and Shareholders
14. Notices
15. Effective Date

BE IT ENACTED AND IT IS HEREBY ENACTED as a by-law of PACE Savings & Credit Union Limited (hereinafter called the "Credit Union") as follows:

ARTICLE ONE

INTERPRETATION

Definitions

1.01 In the By-laws of the Credit Union, unless the context otherwise requires:

- (1) "Act" means the *Credit Unions and Caisses Populaires Act, 1994* and the regulations made pursuant thereto, as from time to time amended, and every statute that may be substituted therefor and, in the case of such substitution, any reference in the By-laws (as hereinafter defined) of the Credit Union to provisions of the Act shall be read as references to the substituted provisions therefore in the new statute or statutes;
- (2) "Articles" means the articles of incorporation or other instrument by which the Credit Union is incorporated;
- (3) "Appoint" includes "elect" and *vice versa*;
- (4) "Board" means the board of directors of the Credit Union;
- (5) "By-laws" means this by-law and all other by-laws of the Credit Union from time to time in force and effect;
- (6) "Immediate Family Member" means, regarding a natural person, that person's spouse (as defined in section 29 of the *Family Law Act*, R.S.O. 1990, c. F.3, as amended, for the purposes of determining spousal support obligations under that statute, or any successor provision), child, parent, or sibling, whether by blood, marriage or adoption. For greater certainty, but without limiting the generality of the foregoing, a person who has one but not both parents in common with that person shall be deemed to be that person's sibling; the child of that person's spouse shall be deemed to be that person's child by marriage; the parent of that person's spouse, and the spouse of that person's parent, shall be deemed to be that person's parent by marriage; and the sibling of that person's spouse, and the child of the spouse of that person's parent, shall be deemed to be that person's sibling by marriage;
- (7) "Non-Business Day" means Saturday, Sunday and any other day that is a holiday as defined in the *Legislation Act, 2006* (Ontario);

- (8) "Recorded Address" means, in the case of a member or shareholder, his or her address as recorded in the members or securities register; and, in the case of joint members or shareholders, the address appearing in the members or securities register in respect of such joint holding, or the first address so appearing if there is more than one; and, in the case of a director, officer, auditor or member of a committee of the Board, his or her latest address as recorded in the records of the Credit Union;
- (9) "Shares" means membership shares and any other share issued by the Credit Union, unless a form of Share is specifically excluded in the By-laws or the context otherwise requires;
- (10) "Signing Officer" means, in relation to any instrument, any person authorized to sign the same on behalf of the Credit Union by section 3.03 hereof or by a resolution passed pursuant thereto; and
- (11) All terms contained in the By-laws and which are defined in the Act shall have the meanings given to such terms in the Act.

Gender, Plural, etc.

1.02 In these By-laws, the singular shall include the plural and the plural shall include the singular; references to any gender shall be deemed to be references to all genders; and the word "person" shall include individuals, bodies corporate, corporations, cooperatives, companies, partnerships, syndicates, trusts, unincorporated organizations and any number or aggregate of persons.

ARTICLE TWO

MEMBERSHIP

Bond of Association

2.01 Membership in the Credit Union shall be limited to:

- (a) (i) Members of the Stouffville Cooperative Association;
- (ii) Persons who reside or are employed within eighty (80) kilometres of the Town of Whitchurch-Stouffville, or who, prior to their leaving the aforesaid 80 kilometre radius, were members of the former Markham Stouffville Community Credit Union Limited or the former Uxbridge Credit Union Limited;

- (iii) Any employee, active or retired, of International Business Machines Corporation;
- (iv) Any employee of any corporation affiliated with International Business Machines Corporation, provided that International Business Machines Corporation holds a majority interest in the shareholdings of such corporation;
- (v) Any employee of a recognized "business partner" of International Business Machines Corporation. For purposes of these By-laws, "business partner" is any business unit or partnership or corporation in which International Business Machines Corporation has a minority or majority shareholding interest;
- (vi) Any employee, active or retired, of Enbridge Consumers Gas, Enbridge Home Services and Enbridge Commercial Services;
- (vii) Employees of GE Canada Inc. and any of its affiliates, subsidiaries and related companies in the Province of Ontario;
- (viii) Employees of Camco Inc. and any of its affiliates, subsidiaries and related companies in the Province of Ontario;
- (ix) Employees of Guillevin International Limited, being the purchaser of "Gescan", a former division of Canadian General Electric Company Limited;
- (x) Employees of Larcan Limited, being the purchaser of "CGE Broadcast Department", a former division of Canadian General Electric Company Limited;
- (xi) Employees of Ericsson – GE Mobile Communications Canada Inc., being the purchaser of the mobile communications business of Canadian General Electric Canada Inc.;
- (xii) Employees of Woolridge Team Printing, being the purchaser of the printing business of General Electric Canada Inc.;
- (xiii) Employees of PC Servicepartners Inc., being the purchaser of GE Computer Services, a former business component of General Electric Canada Inc.;
- (xiv) Employees of Lennox Industries (Canada) Limited and any of its affiliates, subsidiaries and related companies in the Province of Ontario;

- (xv) Employees of American Standard Inc., Toronto, Ontario;
- (xvi) Members and associate members of the Steelworkers Toronto Area Council, United Steelworkers of America Union, and employees of corporations which are organized by the Steelworkers Toronto Area Council, United Steelworkers of America Union;
- (xvii) Employees of Canadian National Railways, Canadian National Express, and VIA Rail at the Mimico and McMillan (Vaughan) yards;
- (xviii) All natural persons residing or employed in the Regional Municipality of Peel;
- (xix) All natural persons residing or employed in the Regional Municipality of Halton, bounded on the north by Dundas Street West, on the west by the Ninth Line, on the south by North Sheridan Way, and on the east by Winston Churchill Boulevard;
- (xx) Employees of the Dufferin-Peel Roman Catholic Separate School Board;
- (xxi) Employees of co-operatives in the Province of Ontario, former common shareholders of United Co-operatives of Ontario, and Canadian employees and shareholders of GROWMARK Inc. who are resident in Ontario;
- (xxii) Employees of Motorola Canada;
- (xxiii) Employees of the Regional Municipality of Peel, the City of Mississauga, Hydro Mississauga, the City of Brampton, Brampton Hydro, and the Town of Caledon;
- (xxiv) Employees of Gaylea Foods Co-operative Limited and its subsidiaries;
- (xxv) All persons of Slovak ethnic origin and descent, including their spouses and offspring, members of Slovak organizations and their affiliate organizations, and persons who adhere to the aims and objectives of Slovak organizations in the Province of Ontario;
- (xxvi) All natural persons residing or employed in Dufferin County;

- (xxvii) All natural persons residing or employed in Simcoe County;
- (xxviii) Ordained ministers within the Baptist Convention of Ontario and Quebec, and unordained persons in pastoral charge of Convention churches, commissioned missionaries of the Convention, full-time employees of the Convention, full-time employees of Convention churches who are members of the local church, Baptist students in training for the ministry and approved by the Credentials Committee, and spouses and dependents of members qualified above;
- (xxix) Employees of Canco Hamilton, and any of its affiliates, subsidiaries and related companies in the Province of Ontario;
- (xxx) Employees of Toromont and any of its affiliates, subsidiaries and related companies in the Province of Ontario;
- (xxxi) Employees of Daimler-Chrysler Canada, and any of its affiliates, subsidiaries and related companies in the Province of Ontario;
- (xxxii) Employees of Maple Leaf Foods Inc., CanAmera Foods, Swifts Adhesives, P & H Foods, Gordon Food Services, Cangel Inc., and Corporate Foods Ltd. in the Province of Ontario, persons who reside or work within the City of York, and persons who reside or work within the City of Burlington;
- (xxxiii) Persons born in Czechoslovakia (now known as the Czech Republic and the Slovak Republic);
- (xxxiv) Retired former employees qualifying under any clause above, and (c) below, and the Act;
- (xxxv) Employees of the Board of Education for the City of Etobicoke;
- (xxxvi) Persons who reside or are employed within the boundaries of the former City of North York;
- (xxxvii) Persons employed by or students of McMaster University
- (xxxviii) persons employed by any of Hamilton Health Sciences Centre; Navistar International Corporation Canada; Case Canada Corporation, Hamilton Port Authority; Royal Hamilton Yacht Club and other waterfront organizations; and Procter & Gamble Inc.;
- (xxxix) members of Local 105 International Brotherhood of Electrical

Workers; and

- (xl) Persons residing in the Province of Ontario;
- (b) For greater certainty, employees of the Credit Union;
- (c) Related persons or entities of such members qualifying under paragraph (a) and (b) hereof, and under the Act;
- (d) Her Majesty the Queen in right of Ontario or in right of Canada; corporations, including municipalities as defined in the *Municipal Affairs Act*; unincorporated associations; or partnerships registered under the *Business Names Act* or a predecessor thereof, subject to any conditions that may be imposed by the Act;
- (e) Persons or entities not otherwise qualifying for membership under the Credit Union's bond of association, as long as the aggregate number of such members does not exceed 3% of the number of members of the Credit Union, the admission to membership of such persons or entities has been specifically approved by the Board, and the names of such persons or entities admitted to membership on this basis are identified as such in the records of the Credit Union; and
- (f) A person or entity who originally qualified for and became a member under paragraphs (a) or (b) above, and who no longer qualifies under paragraphs (a) or (b) above.

Membership Application

2.02 Application for membership shall be made in writing, and the Board may from time to time specify the form of such application. No person shall become a member of the Credit Union until that person's application for membership has been approved by the Board or by an employee authorized by resolution of the Board to approve such applications on its behalf.

Membership Shares

2.03 No person shall become a member of the Credit Union until that person has fully paid for at least two (2) five-dollar (\$5.00) membership Shares, and every member who is a legal person, or who is a natural person over the age of eighteen years shall, within one hundred and twenty (120) days of the later of acceptance into membership and attaining the age of eighteen years, acquire thirty-five (35) five-dollar (\$5.00) membership Shares. Every member shall maintain ownership of at least this minimum number of membership Shares in order to keep his, her or its voting rights. Any member of the Credit Union may also hold, in his, her or its discretion, additional membership Shares, provided that the total number of such additional membership Shares does not exceed two hundred (200) such shares.

Minors

2.04 Individuals under the age of eighteen years may become members of the Credit Union, but may not receive any loan from the Credit Union unless a person of the age of eighteen years or more is jointly and severally liable for such loan, or unless the loan is guaranteed by the government of Canada, the government of a Canadian province or territory, or the government of a Canadian municipality.

Voting Rights

2.05 Each member of the Credit Union who complies fully, as of the record date (as hereinafter defined) for any membership meeting of the Credit Union, with all requirements of membership outlined herein, including, without limitation, the minimum membership share requirements contained in section 2.03 hereof, has one vote at that meeting. Notwithstanding the above, no member of the Credit Union who is an individual under the age of 18 years shall be entitled to vote.

Expulsion

2.06

(a) Where a member:

- (i) commits an act of misconduct in the affairs of the Credit Union;
- (ii) fails to abide by the By-laws, including, without limitation, failing for any reason to hold the required minimum number of membership Shares of the Credit Union pursuant to section 2.03 hereof; or
- (iii) fails to repay indebtedness to the Credit Union in accordance with the conditions of repayment,

the Board may give ten (10) days' advance notice to such member of intent to remove such member from membership, personally or by prepaid mail addressed to such member at such member's Recorded Address, and, after giving the member an opportunity to be heard and to be represented at the Board meeting by a person authorized under the *Law Society Act* to represent the member, by resolution at a Board meeting, such member may be expelled from membership. The Corporate Secretary shall, within five (5) days after the resolution expelling a member was passed, notify the member of the decision of the Board by registered mail to the member's Recorded Address. Subject to section 62(3) of the Act in respect of Shares, the Credit Union shall forthwith pay to a member so expelled any balance standing to the credit of such person on the books of the Credit Union, after deducting all amounts due from the member to the Credit Union, within ninety (90) days after the day on which the member is expelled.

(b) An expelled member may appeal the decision of the Board at the next annual or general meeting of the Credit Union by giving the Board notice of his or her intention to appeal the expulsion within twenty-one (21) days after receiving the notice of expulsion. If

written representations of not longer than two thousand (2,000) words from an expelled member appealing his or her expulsion are received by the Credit Union at least seven (7) days before the mailing or publication of the notice of the general meeting, the Board shall, at the expense of the Credit Union, include with the notice of meeting a notice that those representations are available for inspection by members at the head office and branches of the Credit Union. The members of the Credit Union, at that general meeting, by resolution passed by a majority of the votes cast at the meeting, may confirm, vary, or set aside the Board's decision to expel the member.

Withdrawal

2.07 Where a member wishes to withdraw from the Credit Union, the member shall give notice in writing of the member's intention to withdraw to the Board. Subject to section 62 of the Act and the Articles, the Credit Union shall, after deducting all amounts due from the member to the Credit Union, remit the balance of his or her or its Shares and deposits to such member, within ninety (90) days after the member gives notice of intention to withdraw.

Language

2.08 The Credit Union's language of operation shall be English.

Records

2.09 Each member is entitled to a record specifying the amount paid upon Shares, deposits and loans by him or her.

ARTICLE THREE

BUSINESS OF THE CREDIT UNION

Corporate Seal

3.01 The Credit Union may have a corporate seal, which shall be adopted and may be changed by resolution of the Board.

Financial Year

3.02 The financial year of the Credit Union shall end on December 31 of each calendar year.

Execution of Instruments

3.03 Contracts, documents or instruments in writing requiring the signature of the Credit Union may be signed on behalf of the Credit Union by any two officers or directors, and instruments in writing so signed shall be binding upon the Credit Union without any further

authorization or formality. The Board shall have power from time to time by resolution to Appoint any officer or officers, or any person or persons, on behalf of the Credit Union, either to sign contracts, documents and instruments in writing generally, or to sign specific contracts, documents or instruments in writing.

The seal of the Credit Union may, when required, be affixed to contracts, documents and instruments in writing signed as aforesaid, or by any officer or officers, or person or persons, appointed as aforesaid by resolution of the Board.

The term "contracts, documents, or instruments in writing" as used in these By-laws shall include deeds, mortgages, hypothecs, charges, conveyances, transfers and assignments of property, real or personal, movable or immovable, agreements, releases, receipts and discharges for the payment of money or other obligations, conveyances, transfers and assignments of shares, share warrants, stocks, bonds, debentures, notes or other securities and all paper writings.

The signature or signatures of the Chair of the Board (if any), a Vice Chair, the Corporate Secretary, an Assistant Corporate Secretary, the Chief Executive Officer, the President, or any director of the Credit Union, and/or any other officer or officers, or person or persons, appointed as aforesaid by resolution of the Board, may, if specifically authorized by resolution of the Board, be printed, engraved, lithographed or otherwise reproduced upon instruments in writing, or bonds, debentures, notes or other securities of the Credit Union executed or issued by or on behalf of the Credit Union, and all contracts, documents or instruments in writing or bonds, debentures, notes or other securities of the Credit Union upon which the signature or signatures of any of the foregoing officers or directors or persons authorized as aforesaid shall be so reproduced pursuant to special authorization by resolution of the Board, shall be deemed to have been manually signed by such officers or directors or persons whose signature or signatures is or are so reproduced, and shall be as valid to all intents and purposes as if they had been signed manually and notwithstanding that the officers or directors or persons whose signature or signatures is or are so reproduced may have ceased to hold office at the date of the delivery or issue of such contracts, documents or instruments in writing or bonds, debentures, notes or other securities of the Credit Union.

Banking Arrangements

3.04 Subject to section 3.05 and the Act, the banking business of the Credit Union, or any part thereof, including, without limitation, the borrowing of money and, subject to the Act, the giving of security therefor, shall be transacted with such banks, trust companies or other bodies corporate or organizations as may from time to time be designated by or under the authority of the Board. Such banking business or any part thereof shall be transacted under such agreements, instructions and delegations of power as the Board may from time to time by resolution prescribe or authorize.

Borrowing

3.05 The Credit Union shall be authorized to borrow money on the credit of the Credit Union at such rates of interest and on such conditions as the Board may determine, provided that the Credit Union shall not borrow in the aggregate an amount exceeding fifty percent (50%) of its regulatory capital and deposits.

ARTICLE FOUR**DIRECTORS****Number of Directors and Quorum****4.01**

- (a) *Number* – Subject to the provisions of subsection (b), the Board shall consist of twelve (12) directors.
- (b) *Transition* - Notwithstanding subsection (a), the Board shall consist of the following number of directors for the following specified years, commencing at the annual meeting of members in the indicated calendar year:
 - (i) **2014** – sixteen (16) directors;
 - (ii) **2015** – thirteen (13) directors; and
 - (iii) **2016** – twelve (12) directors.
- (c) *Quorum* – The quorum for the transaction of business at any meeting of the Board shall be a majority of the Board.

Qualification**4.02** Only a natural person who:

- (a) is a member of the Credit Union in full compliance with the minimum membership share requirements contained in section 2.03 hereof, who has maintained that status with the Credit Union or a predecessor credit union for at least one (1) year prior to the date on which he or she may be elected to the Board;
- (b) is at least eighteen years of age;
- (d) is a Canadian citizen or a person lawfully admitted to Canada for permanent residency and ordinarily resident in Canada;

- (e) is not an Immediate Family Member of any director or employee of the Credit Union, or of another candidate for election as a director of the Credit Union in the same election in which the person is a candidate;
- (f) has then served as a director of the Credit Union for not more than five (5) consecutive terms, to a maximum of fifteen years, since their first election to the Board occurring after the formation of the Credit Union by amalgamation;
- (g) is not disqualified under the Act; and
- (h) has disclosed to the Board, in a timely fashion before the election in which the natural person is a candidate is held, everything he or she is required by the Act to disclose as a candidate for director of a credit union,

is eligible to be a director of the Credit Union.

Director Term of Office

4.03

- (a) Subject to the Act, a member elected as a director shall take office at the close of the membership meeting at which he or she is elected.
- (b) Except where an election is held to fill the unexpired portion of a director's term or as otherwise specifically provided in this section, directors shall be elected or acclaimed for terms of three (3) years, or until their successors in office are elected or Appointed.
- (c) If, in an election, terms of office of varying lengths are to be filled, the nominees obtaining the greater number of votes shall be declared to be elected to the longer terms of office available.
- (d) If, in an election, an equality of votes results which must be resolved to determine which person or persons are elected to the Board and which person or persons are not so elected, there shall be a run-off election involving only those candidates involved in the equality of votes.
- (e) If, in the case of an acclamation of all nominees or an equality of votes between two or more of the persons elected to the Board, terms of office of varying lengths are to be filled, the terms shall be assigned by voluntary agreement among the nominees or the persons involved in the equality of votes, as the case may be, or, failing that, by chance in a manner determined by the Chair of the Board in his or her sole and absolute discretion.

Manner of Election

4.04 At every annual general meeting of the Credit Union, an election shall be held to fill the places of members of the Board whose terms of office have expired.

Removal of Directors by Members

4.05 Subject to the provisions of the Act, the members may, by special resolution passed at a meeting specially called for such purpose, remove any director from office, and the vacancy created by such removal shall be filled at the same meeting.

Vacation of Office

4.06 A director ceases to hold office when he or she dies, resigns, becomes disqualified pursuant to the Act or pursuant to section 4.02 hereof, is removed from office by the members or the Superintendent of Financial Services in accordance with the Act, or his or her term expires, except that a death, resignation or removal which occurs, or a disqualification which is first discovered after nominations have opened pursuant to section 7.09 hereof but before the annual general meeting with respect to which nominations are being solicited, shall be deemed to result in a vacation of office on the day following that annual general meeting.

Vacancies

4.07 Subject to the Act, a quorum of the Board may fill a vacancy in the Board by appointing a qualified person to serve as a member of the Board until the next annual general meeting of the Credit Union, when the members will elect a qualified person to fill the unexpired term of the director who vacated his or her office. In the absence of a quorum of the Board, the directors then in office shall forthwith call a special meeting of members to fill the vacancy. If the directors then in office fail to call such meeting or if there are no directors then in office, any member may call the meeting.

Action by the Board

4.08 The Board shall manage or supervise the management of the business and affairs of the Credit Union, but shall not directly manage, or be involved in, the day to day activities of the Credit Union. Subject to section 4.09, the powers of the Board may be exercised at a meeting at which a quorum is present. Where there is a vacancy in the Board, the remaining directors may exercise all the powers of the Board so long as a quorum of the Board remains in office.

Meeting by Telephone

4.09 If all the directors of the Credit Union present or participating in the meeting consent, a director may participate in a meeting of the Board or of a committee of the Board by means of such telephone, electronic or other communications facilities as permit all persons participating in the meeting to communicate with each other simultaneously and

instantaneously, and a director participating in such a meeting by such means is deemed to be present at the meeting.

Place of Meeting

4.10 Meetings of the Board may be held at any place within Ontario.

Calling of Meetings

4.11 Subject to the Act, meetings of the Board shall be held from time to time, on such day and at such time and at such place as the Board, the Chair of the Board, a Vice-Chair or any two directors may determine, and the Corporate Secretary, when directed by the Board, the Chair of the Board, a Vice-Chair or any two directors, shall convene a meeting of the Board.

Notice of Meeting

4.12 Notice of the date, time and place of each meeting of the Board shall be given to each director not less than 48 hours (exclusive of any part of a Non-Business Day) before the time when the meeting is to be held. A notice of a meeting of directors need not specify the purpose of or the business to be transacted at the meeting, except where the Act requires such purpose or business to be specified.

A director may in any manner waive notice of or otherwise consent to a meeting of the Board.

First Meeting of New Board

4.13 Provided a quorum of directors is present, each newly elected Board may without notice hold its first meeting immediately following the meeting of members at which such Board is elected.

Adjourned Meeting

4.14 Notice of an adjourned meeting of the Board is not required if the time and place of the adjourned meeting is announced at the original meeting.

Regular Meetings

4.15 The Board may appoint a day or days in any month or months for regular meetings of the Board, at a place and hour to be named. A copy of any resolution of the Board fixing the place and time of such regular meeting shall be sent to each director forthwith after being passed, but no other notice shall be required for any such regular meeting except where the Act requires the purpose thereof or the business to be transacted thereat to be specified.

Votes to Govern

4.16 At all meetings of the Board every question shall be decided by a majority of the votes cast on the question, except for a decision:

- (a) taken at a meeting of the Board held prior to April 30, 2017, to close a branch of the Credit Union, which closure would adversely impact the level of service by the Credit Union to its members who had been members of the former McMaster Savings and Credit Union Limited;
- (b) taken at a meeting of the Board held prior to October 1, 2017, to close a branch of the Credit Union, which closure would adversely impact the level of service by the Credit Union to its members who had been members of the former ETCU Financial Credit Union Limited, or to relocate the branch of the Credit Union formerly operated by ETCU Financial Credit Union Limited, where unanimity is required in either case; and
- (c) taken at a meeting of the Board held prior to January 1, 2018, to close a branch of the Credit Union, which closure would adversely impact the level of service by the Credit Union to its members who had been members of the former Peoples Credit Union Limited;

when in all cases unanimity is required. In case of an equality of votes, the chair of the meeting shall not be entitled to a second or casting vote.

Conflict of Interest

4.17 Subject to the Credit Union's conflict of interest policy, a director, officer, committee member or employee of the Credit Union who is a party to, or who is a director or officer of or has a material interest in any person who is a party to, or is a spouse, parent or child of an individual who is a party to, a material contract or transaction or proposed material contract or transaction with the Credit Union, shall disclose in writing to the Credit Union or request to have entered in the minutes of the meetings of the directors the nature and extent of his or her interest at the time and in the manner provided by the Act. Any such contract or transaction or proposed contract or transaction shall be referred to the Board for approval, even if such contract is one that in the ordinary course of the Credit Union's business would not require approval by the Board, and a director interested in a contract that ought to be referred to the Board shall not vote on or be present at the consideration of any resolution to approve the same except as permitted by the Act.

Remuneration and Expenses

4.18 The directors shall be paid such honoraria for their services as the Board may from time to time determine. The directors shall also be entitled to be reimbursed for traveling and other expenses specifically authorized and approved by the Board and incurred in attending meetings of the members, the Shareholders or the Board or any committee thereof or otherwise

in the performance of their duties, notwithstanding that the budgeted total amount of remuneration to be paid to the directors shall be approved by the membership at the annual meeting each year.

Statement of Principle Regarding Board of Directors

4.19 The Board will use all means possible, including, without limiting the generality of the foregoing, the Nominating Committee, branch councils, branch identification, advertising campaigns in all areas of the Credit Union's bond of association, and selection of appropriate locations for meetings of members, to ensure that the Board is representative of the original bonds of association from which the members of the Credit Union have come.

ARTICLE FIVE

COMMITTEES

Committee of Directors

5.01 The Board may Appoint a committee of directors, however designated, and delegate to such committee any of the powers as set out by the Board except those which pertain to items which, under the Act, a committee of directors has no authority to exercise.

Transaction of Business

5.02 The powers of a committee of directors may be exercised by a meeting at which a quorum is present.

Audit Committee

Appointment

5.03 (a) The Board shall elect annually, from among its members, an audit committee, to be composed of at least three directors. The audit committee shall have the powers and duties provided in the Act.

Chair and Meetings

(b) The audit committee shall elect a Chair, and meetings of the audit committee shall be at the call of the Chair of the audit committee, the Credit Union's auditor or a director, provided that the audit committee shall meet at least quarterly.

Duties

(c) The audit committee shall perform such duties as are set out in the Act, and

shall monitor the Board's conflict of interest policy.

Nominating Committee

5.04 A nominating committee of not fewer than three members shall be appointed by the Board. The members of the nominating committee shall be natural persons at least 18 years of age who may, but need not, be directors. No employee of the Credit Union, and no director who is eligible for re-election at the annual general meeting of the Credit Union for which nominations are being sought (whether or not that director stands for re-election), shall be eligible to serve on the nominating committee. The Nominating Committee shall make reasonable efforts to ensure that:

- (a) at least one member is nominated for election to each vacancy in the Board;
- (b) all nominees are eligible for election to, and have the experience, expertise and qualifications to serve on, the Board, and
- (c) all nominees understand, and are committed to performing, the duties and obligations of a director member of the Credit Union.

Advisory Committee

5.05 The Board may from time to time Appoint such other committees as it may deem advisable, but the functions of any such other committees shall be advisory only.

Procedure

5.06 Subject to these By-laws and unless otherwise determined by the Board, each committee shall have power to fix its quorum at not less than a majority of its members, to elect its chair and to regulate its procedure.

ARTICLE SIX

OFFICERS

Appointment

6.01 The Board shall Appoint a Chair of the Board, a Corporate Secretary, and a Chief Executive Officer, and may Appoint, from time to time, one or more Vice-Chairs (to which title may be added words indicating seniority or function), a President, and such other officers as the Board may determine, and including one or more assistants to any of the officers so appointed. The Board may specify the duties of and, in accordance with these By-laws and subject to the provisions of the Act, delegate to such officers powers to manage the business and affairs of the Credit Union. The Chair and the Vice Chair must be directors. The Chief Executive Officer and the President must be employees of the Credit Union, but any other officer may but need not be a director, and one person may hold more than one office. All

officers shall sign such contracts, documents, or instruments in writing as require their respective signatures. In the case of the absence or inability or refusal to act of any officer or for any other reason that the Board may deem sufficient, the Board may delegate all or any of the powers of such officer to any other officer or to any director for the time being.

Chair of the Board

6.02 The Chair of the Board shall be a director who has not, at the time of election or appointment, served as Chair of the Credit Union for longer than fifteen (15) consecutive terms since the formation of the Credit Union by amalgamation, and shall, when present, preside at all meetings of the Board and committees of the Board other than the Audit Committee. The Chair of the Board shall be vested with and may exercise such powers and shall perform such other duties as may from time to time be assigned to him or her by the Board. During the absence or disability or refusal to act of the Chair of the Board, his or her duties shall be performed and his or her powers exercised by the Vice-Chair.

Vice-Chair

6.03 Each Vice-Chair shall be a director, and shall have such powers and duties as the Board or the Chair may specify. The Vice-Chair or, if more than one, the Vice-Chair designated from time to time by the Board or by the Chair, shall be vested with all the powers and shall perform all the duties of the Chair in the absence or inability or refusal to act of the Chair.

Corporate Secretary

6.04 The Corporate Secretary shall give or cause to be given as and when instructed, all notices to members, shareholders, directors, officers, auditors and members of committees of the Board; he or she shall be the custodian of all books, papers, records, documents and instruments belonging to the Credit Union, except when some other officer or agent has been appointed for that purpose; he or she shall ensure that the records of the By-laws of the Credit Union and the minutes of meetings of the Board, the members, and the shareholders are kept up to date; and he or she shall have such other powers and duties as the Board may specify.

Chief Executive Officer

6.05 Subject to the duties of the President, the Chief Executive Officer of the Credit Union, under the immediate supervision of the Board, shall, subject to the Act and these By-laws, be the chief operating officer of the Credit Union and manage the affairs of the Credit Union, and the Chief Executive Officer shall, from time to time without further formality, assume the duties, responsibilities and authority of the President in the absence of the President.

President

6.06 The President of the Credit Union, under the immediate supervision of the Board, shall carry out such duties as the Board may from time to time delegate to the President, and the

President shall, from time to time without further formality, assume the duties, responsibilities and authority of the Chief Executive Officer in the absence of the Chief Executive Officer.

Powers and Duties of Other Officers

6.07 The powers and duties of all other officers shall be such as the terms of their engagement call for or as the Board may specify. Any of the powers and duties of an officer to whom an assistant has been appointed may be exercised and performed by such assistant, unless the Board otherwise directs.

Variation of Powers and Duties

6.08 The Board may from time to time and subject to the provisions of the Act, vary, add to or limit the powers and duties of any officer.

Term of Office

6.09 The Chair shall be elected or appointed to serve for terms of one (1) year or until his or her successor in office is elected or appointed. Each officer appointed by the Board, who is not an employee of the Credit Union, other than the Chair, shall hold office indefinitely until his or her successor is appointed or until the earlier of his or her resignation or death. Every employee appointed as officer shall hold office indefinitely, but the appointment shall automatically terminate upon the officer's termination of employment. Notwithstanding the foregoing, the Board, in its discretion, may remove any officer of the Credit Union from his or her office with or without cause, without prejudice to such officer's rights under any employment contract.

Terms of Appointment and Remuneration

6.10 The terms of appointment and the remuneration of an officer appointed by the Board shall be settled by it from time to time. The fact that any officer is a shareholder of the Credit Union shall not disqualify him or her from receiving such remuneration as may be so determined.

Conflict of Interest

6.11 An officer or employee of the Credit Union shall disclose his or her interest in any material contract or transaction or proposed material contract or transaction with the Credit Union in accordance with section 4.17.

Agents and Attorneys

6.12 The Board shall have power from time to time to Appoint agents or attorneys for the Credit Union in or outside Canada with such power of management or otherwise (including the powers to sub-delegate) as may be thought fit.

Fidelity Bonds

6.13 Subject to the Act, the Board shall require directors, officers, employees and agents of the Credit Union receiving or having charge of money to furnish bonds for the faithful discharge of their powers and duties, provided by an insurer licensed under the *Insurance Act* (Ontario) to write surety and fidelity insurance, and in an amount at least equal to any minimum amount required by the Act or calculated in accordance with the formula specified in the Act, but no director shall be liable for failure to require any such bond or for the insufficiency of any such bond or for any loss by reason of the failure of the Credit Union to receive any indemnity thereby provided.

ARTICLE SEVEN

MEETINGS OF MEMBERS

Annual Meeting

7.01 Unless otherwise authorized by the Superintendent, the annual meeting of the Credit Union shall be held within one hundred and twenty (120) days following the fiscal year-end. Subject to the above-noted restriction, meetings of the members of the Credit Union shall be held on such date, at such time, and at such place within the Province of Ontario as the Board may by resolution determine.

Electronic Meetings

7.02 A membership meeting may, if the Board determines by resolution to do so, and pursuant to such conditions, rules and procedures which may be approved by the Board, be held by telephonic or electronic means. A member who, by such means, votes at the meeting or establishes a communications link to the meeting shall be deemed for all purposes, including, without limiting the generality of the foregoing, the calculation of quorum pursuant to section 7.07 hereof, to have been present at the meeting.

Order of Business at Membership Meetings

7.03 At an annual meeting, the Board shall place before the members:

- (a) the audited financial statements of the credit union;
- (b) the report of the auditor;
- (c) the report of the audit committee; and
- (d) such further information respecting the financial position of the credit union and the results of its operations as the Board determines should be presented to the members.

The order of business at any special meeting of the members of the Credit Union shall be as

determined by the Board.

Notice of Meeting

7.04 Notice of all meetings of the Credit Union shall be given by the Corporate Secretary, who shall, not later than ten (10) days before the date of the meeting or earlier than fifty (50) days before the date of the meeting, give notice of the meeting to each member of the Credit Union who is, as of the record date for such meeting determined in accordance with section 7.05 hereof, a member of the Credit Union in full compliance with the minimum membership share requirements contained in section 2.03 hereof, by posting a notice of the meeting in each office of the Credit Union, and either

- (a) sending the notice by prepaid mail to the Recorded Address of the member; or
- (b) publishing the notice in a newspaper that is circulated in the community in which the head office of the Credit Union is situated.

Notice may also be delivered electronically to members who have authorized the Credit Union to communicate with them in this fashion and provided the Credit Union with an electronic mail address to which to send such electronic communications.

Notice of a meeting at which a special resolution is to be considered, including, without limitation, a special resolution to amend the Credit Union's by-laws, shall include a summary of the special resolution.

The notice shall specify that copies of the financial statements and the reports of the audit committee and the auditor will be available for inspection at the meeting and at the offices of the Credit Union ten (10) days before the date of the meeting, and shall set out any matters to be dealt with at the meeting, other than the audited financial statements and the reports of the auditor and of the audit committee, in sufficient detail to permit members to form a reasonable judgment on the matter.

Record Date

7.05 The Board may fix in advance a date preceding the date of any meeting of members by no more than fifty (50) days and not less than ten (10) days, as a record date for the determination of the members entitled to notice of the meeting, provided that notice of such record date shall be given not less than seven (7) days before such record date by newspaper advertisement. If no record date is fixed, the record date for determining the members entitled to notice of the meeting shall be at the close of business on the day immediately preceding the day on which the notice is given.

Accidental Omission

7.06 Where notice of a meeting is received generally by the members of the Credit Union entitled to receive such notice pursuant to section 7.04 hereof, the accidental omission to give

notice to any member thereof, or the non-receipt of the notice by any member thereof, shall not invalidate any resolution passed or any proceedings taken at the meeting.

Quorum

7.07 At all meetings of the members of the Credit Union twenty (20) members shall constitute a quorum, but, if no quorum is present, the presiding officer of the meeting shall adjourn the meeting to a date not less than seven (7) or more than fifteen (15) days thereafter, and the decision of the adjourned meeting shall be binding upon the Credit Union regardless of the number of members then present, provided that notice of the adjourned meeting shall be given by the Corporate Secretary in the manner herein provided, at least seven (7) days prior to the date of the adjourned meeting.

New Business

7.08 At all meetings of the members of the Credit Union, only the business stated in the notice calling such meeting may be transacted.

Elections

7.09 Every member who is entitled to receive notice of the meeting of members pursuant to section 7.04 hereof shall be entitled to one vote thereat. Elections shall be by ballot, and, if a poll is demanded on any question, it too shall be taken by ballot. A demand for a poll may be withdrawn.

Any three members of the Credit Union may nominate any other qualified person, not already nominated by the Nominating Committee, for election to the Board. Such nominations must be in writing, signed by the nominators. Each nomination must be accompanied by the nominee's consent to act as a director, if elected, and a resume of the nominee's career and Credit Union involvement. Nominations must be received by the Nominating Committee at least thirty (30) days prior to the annual meeting at which the nominee seeks election to the Board of the Credit Union.

At the annual meeting, the Chair of the annual meeting shall place before the meeting only those nominations received in accordance with this section, and shall not call for further nominations from the floor of the annual general meeting.

Where a director or directors are to be elected at a special meeting of the members of the Credit Union, the Credit Union shall not be obliged to comply with this section, but shall conduct the election in such manner as may be determined by the Board.

Show of Hands

7.10 Every question submitted to any meeting of members, except for an election and unless a poll is demanded or required, shall be decided in the first instance by a show of hands. In the case of an equality of votes, the chair of the meeting shall, both on a show of hands and at a

poll, have a second or casting vote in addition to the vote or votes to which he or she may be entitled as a member.

At any meeting, unless a poll is demanded, a declaration by the chair of the meeting that a resolution has been carried or carried unanimously or by a particular majority, or lost or not carried by a particular majority, shall be conclusive evidence of the fact.

Mail, Electronic and Branch Balloting

7.11 Members may, if the Board determines by resolution to do so, and pursuant to such conditions, rules and procedures which may be approved by the Board, vote at meetings of members by mail, or by in-branch, telephonic, or electronic means. A member who, by such means, casts a vote shall be deemed for all purposes, including, without limiting the generality of the foregoing, the calculation of quorum pursuant to section 7.07 hereof, to have been present at the meeting.

Joint Members

7.12 (a) Where two or more persons hold the same Share or Shares jointly, any one of such persons present at a meeting of members has the right, in the absence of the other or others, to vote in respect of such Share or Shares, but, if more than one of such persons are present, they shall vote together as one on the Share or Shares jointly held by them.

(b) Two or more persons jointly holding enough membership Shares to entitle each of them to be a member in his or her own right are all considered as separate members.

Proxies

7.13 A member of the Credit Union which is Her Majesty the Queen, a corporation, a partnership or an unincorporated association shall only cast its vote as a member through a written proxy, signed by the president or other head officer or by the vice-president or secretary or treasurer of such entity, and appointing some one or more persons to vote on its behalf. Any person so appointed need not be a member of the Credit Union. Unless expressly stated otherwise in this By-law, any such proxy shall cease to be valid after the expiration of one year from its date or the end of any meeting for which it was expressly granted, whichever is earlier.

Adjournment

7.14 The chair of a meeting of members may, with the consent of the meeting and subject to such conditions as the meeting may decide, or where otherwise permitted under the provisions of the Act, adjourn the meeting from time to time and from place to place. If a meeting of members is adjourned for less than thirty (30) days, it shall not be necessary to give notice of the adjourned meeting, other than by announcement at the earliest meeting which is adjourned. If a meeting of members is adjourned by one or more adjournments for an aggregate of thirty (30) days or more, notice of the adjourned meeting shall be given as for an original meeting.

Proposals

7.15 Upon receipt of a proposal from a member to raise an issue at the annual meeting and a request that a statement in relation to that issue be attached to the notice of meeting, the Board shall, within ten (10) days of its receipt, meet to consider whether or not the proposal is to be included in the notice of meeting and, where the Board refuses to include the proposal in the notice of meeting, the Chair of the Board shall notify the member submitting it of the refusal, and give reasons therefore.

Requisitions

7.16 Upon the written request of at least 5% of the members of the Credit Union, signed by each such member, stating the general nature of the business to be presented at the meeting, and deposited at the head office of the Credit Union, the Board shall call, as nearly as possible in the same manner as a membership meeting is called pursuant to these By-laws, a general meeting of the Credit Union for the transaction of that business, not later than twenty-one (21) days from the date the written request was deposited at the head office, and such meeting shall be held within sixty (60) days from the date of the deposit of the requisition. Requisitions may be made in counterpart.

ARTICLE EIGHT

PROTECTION OF DIRECTORS, OFFICERS AND OTHERS

Submission of Contracts or Transactions to Shareholders for Approval

8.01 The Board in its discretion may submit any contract, act or transaction for approval, ratification or confirmation at any meeting of the members or shareholders called for the purpose of considering the same, and any contract, act or transaction that shall be approved, ratified or confirmed by a resolution passed by a majority of the votes cast at any such meeting (unless any different or additional requirement is imposed by the Act or by the Credit Union's Articles or any other By-law) shall be as valid and as binding upon the Credit Union and upon all the members and shareholders as though it had been approved, ratified or confirmed by every member or shareholder of the Credit Union.

Indemnity

8.02 Subject to the limitations contained in the Act, the Credit Union shall indemnify a director, officer, or committee member, a former director or officer or committee member, or a person who acts or acted at the Credit Union's request as a director or officer of a body corporate of which the Credit Union is or was a member, shareholder or creditor, and his or her heirs and legal representatives, against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by him or her in

respect of any civil, criminal or administrative action or proceeding to which he or she is made a party by reason of being or having been a director or officer of the Credit Union or such body corporate, if

- (a) he or she acted honestly and in good faith with a view to the best interest of the Credit Union; and
- (b) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, he or she had reasonable grounds for believing that his or her conduct was lawful.

The Credit Union shall also indemnify such person in such other circumstances as the Act permits or requires.

Insurance

8.03 Subject to the Act, the Credit Union may purchase and maintain insurance for the benefit of any person referred to in section 8.02 against such liabilities and in such amounts as the Board may from time to time determine.

ARTICLE NINE

SHARES

Allotment

9.01 The Board may from time to time allot or grant options to purchase the whole or any part of the authorized and unissued Shares of the Credit Union, at such times and to such persons and for such consideration as the Board shall determine, provided that no Share shall be issued until it is fully paid as provided by the Act.

Commissions

9.02 Except in respect of membership Shares and subject to the Act, the Board may from time to time authorize the Credit Union to pay a reasonable commission to any person in consideration of his or her purchasing or agreeing to purchase Shares of the Credit Union, whether from the Credit Union or from any other person, or procuring or agreeing to procure purchasers for any such Shares.

Registration of Transfers

9.03 Subject to the provisions of the Act, no transfer of Shares shall be registered in a securities register except upon presentation of the certificate representing such Shares with an endorsement which complies with the Act made thereon or delivered therewith, duly executed

by an appropriate person as provided by the Act, together with such reasonable assurance that the endorsement is genuine and effective as the Board may from time to time prescribe, upon payment of all applicable taxes and any fees prescribed by the Board, upon compliance with such restrictions on transfer as are authorized by the Articles and upon satisfaction of any lien referred to in section 9.05.

Transfer Agents and Registrars

9.04 The Board may from time to time Appoint one or more agents to maintain, in respect of each class of securities of the Credit Union issued by it in registered form, a securities register and one or more branch securities registers. Such a person may be designated as transfer agent and registrar according to his or her functions, and one person may be designated both registrar and transfer agent. The Board may at any time terminate such appointment.

Lien for Indebtedness

9.05 The Credit Union shall have a lien on any membership Share registered in the name of a member or his or her legal representatives for any liability of that member to the Credit Union. The Credit Union may enforce any lien that it has on membership Shares registered in the name of a member who has a liability to the Credit Union by any action, suit, remedy or proceeding authorized or permitted by law and, pending such enforcement, the Credit Union may refuse to redeem the whole or any part of such Shares. Notwithstanding the above, the Credit Union may not apply any service charges or other deductions against a member's membership Share account except upon the termination of the member's membership.

Non-recognition of Trusts

9.06 Subject to the provisions of the Act, the Credit Union may treat the person in whose name the Share is registered in the securities register as if that person had full legal capacity and authority to exercise all rights of ownership, irrespective of any indication to the contrary through knowledge or notice or description in the Credit Union's records or on the Share certificate.

Share Certificates

9.07 (a) The Credit Union shall not issue certificates for membership Shares, provided that a member shall be entitled to a statement of the number of membership Shares held by the member upon request.

(b) Subject to paragraph (a) hereof, every holder of one or more Shares of the Credit Union shall be entitled, at his or her option, to a Share certificate, or to a non-transferable written acknowledgment of his or her right to obtain a Share certificate, stating the number and class or series of Shares held by him or her as shown on the securities register. Share certificates and acknowledgments of a shareholder's right to a Share certificate, respectively, shall be in such form as the Board shall from time to time approve. Any Share certificate shall be signed in accordance with section 3.03 and need not be under the corporate seal; provided

that, unless the Board otherwise determines, certificates representing Shares in respect of which a transfer agent and/or registrar has been Appointed shall not be valid unless countersigned by or on behalf of such transfer agent and/or registrar. The signature of one of the Signing Officers or, in the case of Share certificates which are not valid unless countersigned by or on behalf of a transfer agent and/or registrar, the signatures of both Signing Officers, may be printed or mechanically reproduced in facsimile upon Share certificates, and every such facsimile signature shall for all purposes be deemed to be the signature of the officer whose signature it reproduces and shall be binding upon the Credit Union. A Share certificate executed as aforesaid shall be valid notwithstanding that one or both of the officers whose facsimile signature appears thereon no longer holds office at the date of issue of the certificate.

Replacement of Share Certificates

9.08 The Board or any officer or agent designated by the Board may in its or his or her discretion direct the issue of a new Share certificate in lieu of and upon cancellation of a Share certificate that has been mutilated, or in substitution for a Share certificate claimed to have been lost, destroyed or wrongfully taken, on payment of such fee, and on such terms as to indemnity, reimbursement of expenses and evidence of loss and of title as the Board may from time to time prescribe, whether generally or in any particular case.

Joint Shareholders

9.09 If two or more persons are registered as joint holders of any Share, the Credit Union shall not be bound to issue more than one certificate in respect thereof, and delivery of such certificate to one of such persons shall be sufficient delivery to all of them. Any one of such persons may give effectual receipts for the certificate issued in respect thereof or for any dividend, bonus, return of capital or other money payable or warrant issuable in respect of such Shares.

Deceased Shareholders

9.10 In the event of the death of a holder, or of one of the joint holders, of any Share, the Credit Union shall not be required to make any entry in the securities register in respect thereof or to make payment of any dividends thereon, except upon production of all such documents as may be required by law and upon compliance with the reasonable requirements of the Credit Union and its transfer agents.

ARTICLE TEN

DIVIDENDS, PATRONAGE RETURNS, AND RIGHTS

Dividends

10.01 Subject to the provisions of the Act, the Board may, from time to time, declare dividends payable to members and shareholders according to their respective rights and interest in the Credit Union, and may, on such terms as it deems fit from time to time, declare a patronage return to its members in proportion to the business done by each member with or through the Credit Union. Dividends and patronage returns may be paid in accordance with the Act.

Cheques

10.02 A dividend or patronage return payable in cash may be paid by cheque drawn on the Credit Union's bankers or one of them, to the order of each member or registered holder of shares of the class or series in respect of which it has been declared, and mailed by prepaid ordinary mail to such member or registered holder at his or her Recorded Address, or credited to the member's or shareholder's account with the Credit Union, unless such member or holder otherwise directs. In the case of joint members or holders, the cheque shall, unless such joint members or holders otherwise direct, be made payable to the order of all of such joint members or holders and mailed to them at their Recorded Address. The mailing of such cheque as aforesaid, unless the same is not paid on due presentation, shall satisfy and discharge the liability for the dividend or patronage return to the extent of the sum represented thereby, plus the amount of any tax which the Credit Union is required to and does withhold.

Non-receipt of Cheques

10.03 In the event of non-receipt of any dividend or patronage return cheque by the person to whom it is sent as aforesaid, the Credit Union shall issue to such person a replacement cheque for a like amount, on such terms as to indemnity, reimbursement of expenses and evidence of non-receipt and of title as the Board may from time to time prescribe, whether generally or in any particular case.

Record Date for Dividends and Rights

10.04 The Board may fix in advance a date, preceding by not more than fifty (50) days the date for the payment of any dividend or the date for the issue of any warrant or other evidence of the right to subscribe for securities of the Credit Union, as a record date for the determination of the persons entitled to receive payment of such dividend or to exercise the right to subscribe for such securities, and notice of any such record date shall be given not less than seven (7) days before such record date in the manner provided by the Act. If no record date is so fixed, the record date for the determination of the persons entitled to receive payment of any dividend, or to exercise the right to subscribe for securities of the Credit Union, shall be at the close of business on the day on which the resolution relating to such

dividend or right to subscribe is passed by the Board.

Unclaimed Dividends and Patronage Returns

10.05 Any dividend or patronage return unclaimed after a period of six (6) years from the date on which the same has been declared to be payable shall be forfeited, and shall revert to the Credit Union.

ARTICLE ELEVEN

MEETINGS OF SHAREHOLDERS

Not to Govern Certain Meetings

11.01 This Article Eleven is not to govern members' meetings, which are governed by Article Seven hereof.

Meetings

11.02 Subject to the Act, meetings of shareholders shall be held at such time as the Board or the Chair of the Board may from time to time determine, for the purpose of transacting any business required by the Act to be placed before the shareholders and for the transaction of such other business as may properly be brought before the meeting.

Special Meetings

11.03 The Board or the Chair of the Board shall have power to call a special meeting of shareholders at any time.

Place of Meetings

11.04 Meetings of shareholders shall be held at the registered office of the Credit Union or at such place within the Province of Ontario as the directors may by resolution determine.

Notice of Meetings

11.05 Notice of the time and place of each meeting of shareholders shall be given in the manner provided in section 14.01 not less than ten (10) days nor more than fifty (50) days before the date of the meeting to each director, to the auditor and to each shareholder who at the close of business on the record date for notice is entered in the securities register as the holder of one or more Shares carrying the right to vote at the meeting. Notice of a meeting of shareholders shall state or be accompanied by a statement of the nature of such business in sufficient detail to permit the shareholder to form a reasoned judgment thereon and the text of any special resolution to be submitted to the meeting. A shareholder and any other person

entitled to attend a meeting of shareholders may in any manner waive notice of or otherwise consent to a meeting of shareholders.

List of Shareholders Entitled to Notice

11.06 For every meeting of shareholders, the Credit Union shall prepare a list of shareholders entitled to receive notice of the meeting, arranged in alphabetical order and showing the number of Shares held by each shareholder entitled to vote at the meeting. If a record date for the meeting is fixed pursuant to section 11.07, the shareholders listed shall be those registered at the close of business on such record date. If no record date is fixed, the shareholders listed shall be those registered at the close of business on the day immediately preceding the day on which notice of the meeting is given, or where no such notice is given, the day on which the meeting is held. The list shall be available for examination by any shareholder during usual business hours at the registered office of the Credit Union or at the place where the central securities register is maintained and at the meeting for which the list was prepared.

Record Date for Notice

11.07 The Board may fix in advance a date, preceding the date of any meeting of shareholders by not more than fifty (50) days and not less than twenty-one (21) days, as a record date for the determination of the shareholders entitled to notice of the meeting, provided that notice of any such record date shall be given not less than seven (7) days before such record date by newspaper advertisement in the manner provided in the Act and, if any Shares of the Credit Union are listed for trading on a stock exchange in Canada, by written notice to each such stock exchange. If no record date is so fixed, the record date for the determination of the shareholders entitled to notice of the meeting shall be at the close of business on the day immediately preceding the day on which the notice is given or, if no notice is given, the day on which the meeting is held.

Chair, Secretary and Scrutineers

11.08 The chair of any meeting of shareholders shall be the first mentioned of such of the following officers as have been appointed and who is present at the meeting: the Chair, or a Vice-Chair who is a director. If no such officer is present within 15 minutes from the time fixed for holding the meeting, the persons present and entitled to vote shall choose one of their number to be chair. If the Corporate Secretary of the Credit Union is absent, the chair shall Appoint some person, who need not be a shareholder, to act as secretary of the meeting. If desired, one or more scrutineers, who need not be shareholders, may be appointed by a resolution or by the chair with the consent of the meeting.

Persons Entitled to be Present

11.09 The only persons entitled to be present at a meeting of shareholders shall be those entitled to vote thereat, the directors and the auditor of the Credit Union and others who, although not entitled to vote, are entitled or required under any provision of the Act or the

Articles or the By-laws to be present at the meeting. Any other person may be admitted only on the invitation of the chair of the meeting or with the consent of the meeting.

Quorum

11.10 (a) Subject to sections 11.11 and 11.12, regarding Class B Special (Investment) Shares issued by the Credit Union, two persons present in person, each being a shareholder entitled to vote at the meeting, or a duly appointed proxy-holder for an absent shareholder entitled to vote at the meeting, shall be a quorum at any meeting of the shareholders for the choice of a chair of the meeting and the adjournment of the meeting; for all other purposes a quorum at any meeting of the Class B shareholders, unless a greater number is required to be present or a greater number of shares are required to be represented at the meeting by the Act or by the Articles or any other By-law, shall be persons present in person, each being a shareholder entitled to vote at the meeting or a duly appointed proxy-holder for an absent shareholder entitled to vote at the meeting, not being less than two in number and holding or representing by proxy not less than fifty-one percent (51%) of the total number of the issued Class B Shares of the Credit Union for the time being enjoying voting rights at such meeting.

(b) Subject to sections 11.11 and 11.12, regarding Class A Special (Profit) Shares issued by the Credit Union, two persons present in person, each being a Class A Shareholder entitled to vote at the meeting or a duly appointed proxy-holder for an absent Class A Shareholder entitled to vote at the meeting, shall be a quorum at any meeting of the Class A Shareholders for the choice of a chair of the meeting and the adjournment of the meeting; for all other purposes a quorum at any meeting of Class A Shareholders, unless a greater number is required to be present or a greater number of shares are required to be represented at the meeting by the Act or by the Articles or any other By-law, shall be persons present in person, each being a Class A Shareholder entitled to vote at the meeting or a duly appointed proxy-holder for an absent Class A Shareholder entitled to vote at the meeting, not being less than twenty (20) in number.

(c) If there is no quorum at any meeting of shareholders of the Credit Union, then the meeting shall be adjourned to such date not being less than ten (10) days later, and to such time and place as may be announced by the chair at the meeting, and, subject to section 11.18 hereof, it shall not be necessary to give notice of the adjourned meeting.

At such adjourned meeting, the persons present at such meeting, provided that there are at least two such persons present in person, each being a shareholder entitled to vote at the meeting or a duly appointed proxy-holder for an absent shareholder entitled to vote at the meeting, shall be a quorum for the transaction of the business for which the meeting was originally called.

Right to Vote

11.11 Subject to the provisions of the Act as to authorized representatives of any other body corporate or association, at any meeting of shareholders for which the Credit Union has prepared the list referred to in section 11.06, every person who is named in such list shall be

entitled to vote the Shares shown opposite his or her name except to the extent that such person has transferred any of his or her Shares after the record date determined in accordance with section 11.07 and the transferee, having produced properly endorsed certificates evidencing such Shares or having otherwise established that he or she owns such Shares, has demanded not later than ten (10) days before the meeting that his or her name be included in such list. In any such case the transferee shall be entitled to vote the transferred Shares at the meeting. At any meeting of shareholders for which the Credit Union has not prepared the list referred to in section 11.06, every person shall be entitled to vote at the meeting who at the time is entered in the securities register as the holder of one or more Shares carrying the right to vote at such meeting.

Proxies

11.12 Every shareholder entitled to vote at a meeting of shareholders may Appoint a proxy holder, or one or more alternate proxy holders, who need not be shareholders, to attend and act at the meeting in the manner and to the extent authorized and with the authority conferred by the proxy. A proxy shall be in writing, executed by the shareholder or his or her attorney authorized in writing, and shall conform with the requirements of the Act.

Time for Deposit of Proxies

11.13 The Board may by resolution specify in a notice calling a meeting of shareholders a time, preceding the time of such meeting or an adjournment thereof by not more than 48 hours, exclusive of any part of a Non-Business Day, before which time proxies to be used at such meeting must be deposited. A proxy shall be acted upon only if, prior to the time so specified, it shall have been deposited with the Credit Union or an agent thereof specified in such notice or, if no such time is specified in such notice, only if it has been received by the Corporate Secretary of the Credit Union or by the chair of the meeting or any adjournment thereof prior to the time of voting.

Joint Shareholders

11.14 If two or more persons hold Shares jointly, any one of them present in person or represented by proxy at a meeting of shareholders may, in the absence of the other or others, vote the Shares; but if two or more of those persons are present in person or represented by proxy and vote, they shall vote as one the Shares jointly held by them.

Votes to Govern

11.15 At any meeting of shareholders every question shall, unless otherwise required by the Articles or By-laws or by law, be determined by a majority of the votes cast on the question. In case of an equality of votes, either upon a show of hands or upon a poll, the chair of the meeting shall not be entitled to a second or casting vote.

Show of Hands

11.16 Subject to the provisions of the Act, any question at a meeting of shareholders shall be decided by a show of hands unless a ballot thereon is required or demanded as hereinafter provided. Upon a show of hands every person who is present and entitled to vote shall have one vote. Whenever a vote by show of hands shall have been taken upon a question, unless a ballot thereon is so required or demanded, a declaration by the chair of the meeting that the vote upon the question has been carried or carried by a particular majority or not carried, and an entry to that effect in the minutes of the meeting, shall be *prima facie* evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against any resolution or other proceeding in respect of the said question, and the result of the vote so taken shall be the decision of the shareholders upon the said question.

Ballots

11.17 On any question proposed for consideration at a meeting of shareholders, and whether or not a vote by show of hands has been taken thereon, any shareholder or proxy holder entitled to vote at the meeting may require or demand a ballot. A ballot so required or demanded shall be taken in such manner as the chair shall direct. A requirement or demand for a ballot may be withdrawn at any time prior to the taking of the ballot. If a ballot is taken each person present shall be entitled, in respect of the Shares which he or she is entitled to vote at the meeting upon the question, to that number of votes provided by the Act or the Articles, and the result of the ballot so taken shall be the decision of the shareholders upon the said question.

Adjournment

11.18 The chair at the meeting of shareholders may, with the consent of the meeting and subject to such conditions as the meeting may decide, or where otherwise permitted under the provisions of the Act, adjourn the meeting from time to time and from place to place. If a meeting of shareholders is adjourned for less than thirty (30) days, it shall not be necessary to give notice of the adjourned meeting, other than by announcement at the earliest meeting that is adjourned. If a meeting of shareholders is adjourned by one or more adjournments for an aggregate of thirty (30) days or more, notice of the adjourned meeting shall be given as for an original meeting.

ARTICLE TWELVE**LENDING****Lending**

12.01 The Credit Union may make loans in accordance with the Act and its lending policies as adopted by the Board from time to time.

ARTICLE THIRTEEN**INFORMATION AVAILABLE TO MEMBERS AND SHAREHOLDERS****Annual Statements**

13.01 Every member or shareholder applying in writing therefore shall be entitled to receive a copy of the Credit Union's annual statement. Copies of the annual statements of any subsidiaries of the Credit Union shall be open to inspection by the members and shareholders, and to the making of extracts thereof, during normal business hours free of charge.

Members and Shareholders Registers

13.02 A member or shareholder shall be entitled to have access to or to review an extract from the members or shareholders register, containing only the names of the members or shareholders, at the head office of the Credit Union during normal business hours on not less than three (3) full business days' written notice to the Credit Union by such member or shareholder.

Information Available to Shareholders

13.03 Except as provided by the Act, no shareholder shall be entitled to discovery of any information respecting any details or conduct of the Credit Union's business which in the opinion of the directors it would be inexpedient in the interests of the Credit Union to communicate to the public.

Directors' Determination

13.04 The directors may from time to time, subject to the rights conferred by the Act, determine whether and to what extent and at what time and place and under what conditions or regulations the documents, books and registers and accounting records of the Credit Union or any of them shall be open to the inspection of shareholders, and no shareholder shall have any right to inspect any document or book or register or accounting record of the Credit Union except as conferred by statute or authorized by the Board or by a resolution of the shareholders in general meeting.

Fee

13.05 A member of the Credit Union shall be entitled to a copy of the By-laws upon payment of a fee of twenty-five dollars (\$25.00), or such lesser amount as the Board may from time to time establish.

ARTICLE FOURTEEN

NOTICES

Method of Giving Notices

14.01 Any notice (which term includes any communication or document) to be given (which term includes sent, delivered or served) pursuant to the Act, the Articles, the By-laws or otherwise to a member, shareholder, director, officer, auditor or member of a committee of the Board, shall be sufficiently given if delivered personally to the person to whom it is to be given, or if delivered to his or her Recorded Address, or if mailed to him or her at his or her Recorded Address by prepaid mail, or if sent to him or her at his or her Recorded Address by any means of prepaid transmitted or recorded communication. A notice so delivered shall be deemed to have been given when it is delivered personally or to the Recorded Address as aforesaid; a notice so mailed shall be deemed to have been given when deposited in a post office or public letter box, and shall be deemed to have been received on the fifth (5th) day after so depositing; and a notice so sent by any means of transmitted or recorded communication shall be deemed to have been given when dispatched or delivered to the appropriate communication company or agency or its representative for dispatch. The Corporate Secretary may change or cause to be changed the Recorded Address of any shareholder, director, officer, auditor or member of a committee of the Board in accordance with any information believed by him or her to be reliable.

Signature to Notices

14.02 The signature of any director or officer of the Credit Union to any notice or document to be given by the Credit Union may be written, stamped, typewritten or printed, or partly written, stamped, typewritten or printed.

Proof of Service

14.03 A certificate of the Chair, a Vice-Chair, the Corporate Secretary, the Chief Executive Officer, the President, or of any other officer of the Credit Union in office at the time of the making of the certificate, or of a transfer officer of any transfer agent or branch transfer agent of Shares of any class of the Credit Union, as to the facts in relation to the mailing or delivery of any notice or other document to any shareholder, director, officer or auditor, or publication of any notice or other document, shall be conclusive evidence thereof and shall be binding on every shareholder, director, officer or auditor of the Credit Union as the case may be.

Computation of Time

14.04 In computing the date when notice must be given under any provision requiring a specified number of days notice of any meeting or other event, both the date of giving the notice and the date of the meeting or other event shall be excluded.

Undelivered Notices

14.05 If any notice given to a member or shareholder pursuant to section 14.01 is returned on three consecutive occasions because he or she cannot be found, the Credit Union shall not be required to give any further notices to such member or shareholder until he or she informs the Credit Union in writing of his or her new address.

Omissions and Errors

14.06 The accidental omission to give any notice to any member, shareholder, director, officer, auditor or member of a committee of the Board or the non-receipt of any notice by any such person or any error in any notice not affecting the substance thereof shall not invalidate any action taken at any meeting held pursuant to such notice or otherwise founded thereon.

Deceased Members or Shareholders

14.07 Any notice or other document delivered or sent by post or left at the Recorded Address of any member or shareholder shall, notwithstanding that such member or shareholder be then deceased, and whether or not the Credit Union has notice of his or her decease, be deemed to have been duly served in respect of the Shares held by such member or shareholder (whether held solely or with any person or persons) until some other person be entered in his or her stead in the records of the Credit Union as the holder or one of the holders thereof, and such service shall for all purposes be deemed a sufficient service of such notice or document on his or her heirs, executors or administrators and on all persons, if any, interested with him or her in such Shares.

Persons Entitled by Death or Operation of Law

14.08 Every person who, by operation of law, transfer, death of a member or shareholder or any other means whatsoever, shall become entitled to any Share, shall be bound by every notice in respect of such Share which shall have been duly given to the shareholder from whom he or she derives his or her title to such Share prior to his or her name and address being entered on the securities register (whether such notice was given before or after the happening of the event upon which he or she became so entitled) and prior to his or her furnishing to the Credit Union the proof of authority or evidence of his or her entitlement as prescribed by the Act.

Waiver of Notice

14.09 Any member or shareholder (or his or her duly appointed proxy holder), director, officer, auditor or member of a committee of the Board or advisory committee may at any time waive any notice, or waive or abridge the time for any notice, required to be given to him or her under any provision of the Act, the regulations thereunder, the Articles, the By-laws or otherwise, and such waiver or abridgement, whether given before or after the meeting or other event of which notice is required to be given, shall cure any default in the giving or in the time

of such notice, as the case may be. Any such waiver or abridgement shall be in writing, except for a waiver of notice of a meeting of members or shareholders or of the Board or of a committee of the Board, which may be given in any manner.

ARTICLE FIFTEEN

EFFECTIVE DATE

Effective Date

15.01 Subject to the Act, these By-laws shall come into force upon being passed by the Board and confirmed by a special resolution of the members.

Repeal

15.02 All By-laws previously enacted are revoked upon the coming into force of these By-laws.

PASSED by the Board of Directors of Peoples Credit Union Limited under an Amalgamation Agreement dated as of the 29th day of June, 2012.

WITNESS the corporate seal of Peoples Credit Union Limited.

CONFIRMED by two thirds of the votes cast at a general meeting of the members of Peoples Credit Union Limited duly called for the purpose and held at Innisfil, Ontario, this 10th day of September, 2012.

AND CONFIRMED by two thirds of the votes cast at a general meeting of the Class B Shares, Series 1 and 2, of Peoples Credit Union Limited duly called for the purpose and held at Innisfil, Ontario this 10th day of September, 2012.


Chair


Corporate Secretary

-AND-

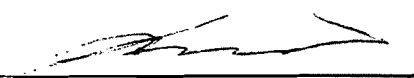
PASSED by the Board of Directors of PACE Savings & Credit Union Limited under an Amalgamation Agreement dated as of the 29th day of June, 2012.

WITNESS the corporate seal of PACE Savings & Credit Union Limited.

CONFIRMED by two thirds of the votes cast at a general meeting of the members of PACE Savings & Credit Union Limited duly called for the purpose and held at Vaughan, Ontario this 12th day of September, 2012.

AND CONFIRMED by two thirds of the votes cast at a general meeting of the holders of the Class A Shares, Series 1, of PACE Savings & Credit Union Limited duly called for the purpose and held at Vaughan, Ontario, this 12th day of September, 2012.

AND CONFIRMED by two thirds of the votes cast at a general meeting of the holders of the Class B Shares, Series 95, Series 97, and Series 03, of PACE Savings & Credit Union Limited duly called for the purpose and held at Vaughan, Ontario this 12th day of September, 2012.



Chair



Corporate Secretary

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TAB I

Summary of Investment and Profit Shares by CIF

CIF	Class B Investment Shares (\$)	Class A Profit Shares (\$)	Total
11	56,704	16,092	72,796
489	-	2,927	2,927
957	9,993	-	9,993
1418	25,000	19,997	44,997
1460	29,794	2,789	32,583
1479	9,000	3,358	12,358
1718	5,200	6,869	12,069
2173	5,400	4,683	10,083
2184	4,869	-	4,869
2252	12,721	-	12,721
2432	1,690	1,215	2,905
2595	4,000	4,183	8,183
3357	17,649	10,950	28,600
3908	48,507	6,451	54,959
3952	96,700	21,024	117,724
4143	99,873	8,832	108,705
4204	15,450	3,192	18,643
4218	5,442	-	5,442
4280	3,745	2,379	6,124
4367	7,000	4,330	11,330
4601	9,700	10,317	20,017
4622	2,469	-	2,469
4899	1,273	-	1,273
4941	33,005	35,034	68,038
6360	1,000	30	1,030
6447	5,504	-	5,504
6461	1,100	954	2,054
7400	13,464	5,024	18,488
7839	22,500	11,261	33,761
8595	20,000	4,717	24,717
8646	28,703	3,817	32,520
8753	1,500	343	1,843
9215	3,000	1,201	4,201
9645	9,758	11,305	21,063
10526	29,342	13,018	42,360
10592	6,365	-	6,365
10790	19,892	13,613	33,505
11174	2,000	1,735	3,735
11177	2,544	-	2,544
11196	5,242	4,257	9,499
11214	6,116	-	6,116
12487	13,618	3,301	16,919
12610	3,000	2,000	5,000
12753	36,180	13,501	49,681
12755	4,470	-	4,470
13101	30,000	12,488	42,488
13170	35,400	57,615	93,015
13252	67,700	25,379	93,079
13803	2,000	640	2,640
14082	1,170	638	1,808
14647	16,222	-	16,222
14779	1,273	-	1,273
14930	9,187	-	9,187
15164	10,000	8,479	18,479
15410	6,116	-	6,116
15842	36,500	16,077	52,577
15857	18,000	7,807	25,807
16417	9,000	4,911	13,911
16485	127,210	-	127,210
16561	2,250	840	3,090
16739	10,000	1,998	11,998
17292	1,014	1,000	2,014
17425	90,000	37,292	127,292
17612	5,740	1,681	7,421

Summary of Investment and Profit Shares by CIF

CIF	Class B Investment Shares (\$)	Class A Profit Shares (\$)	Total
11	56,704	16,092	72,796
17680	12,505	4,422	16,927
18055	21,150	10,585	31,735
18218	33,000	11,861	44,861
18858	100,000	31,983	131,983
19181	100,000	159,779	259,779
19254	-	2,414	2,414
19402	10,098	1,426	11,524
19989	13,000	5,118	18,118
19997	200,000	63,967	263,967
20289	79,300	39,479	118,779
20825	50,000	20,011	70,011
21128	14,904	1,982	16,886
21568	20,000	7,189	27,189
21805	8,910	3,325	12,235
21945	60,150	51,679	111,829
22230	5,000	2,001	7,001
22231	5,000	2,001	7,001
23279	2,250	840	3,090
23456	90,000	268,240	358,240
24198	8,104	-	8,104
24257	5,243	697	5,940
24842	41,566	-	41,566
25643	30,500	26,453	56,953
25675	30,000	7,075	37,075
26205	3,670	-	3,670
26322	42,047	13,438	55,484
26594	7,300	219	7,519
26682	110,161	6,329	116,490
27530	2,560	1,830	4,390
27576	8,500	3,906	12,406
27640	34,893	-	34,893
28052	1,248	-	1,248
28580	5,700	1,433	7,133
28980	8,584	-	8,584
29175	4,833	-	4,833
29716	1,273	-	1,273
30247	10,000	11,321	21,321
30924	10,980	-	10,980
31360	14,068	-	14,068
31600	17,332	4,334	21,667
32090	9,187	-	9,187
32308	1,223	-	1,223
32697	7,489	-	7,489
32810	10,000	1,998	11,998
33330	-	36,260	36,260
34070	11,405	3,469	14,874
34264	5,000	150	5,150
34769	6,030	2,250	8,280
35104	37,700	18,283	55,983
35820	12,100	19,694	31,794
36773	1,000	359	1,359
36863	73,561	-	73,561
42242	3,769	-	3,769
43866	4,932	-	4,932
44792	14,500	14,816	29,316
45790	33,660	3,729	37,390
46620	169,400	244,916	414,316
47746	4,600	1,653	6,253
50047	8,100	7,025	15,125
50620	1,300	906	2,206
51545	1,800	1,561	3,361
52155	2,469	-	2,469
52614	1,000	867	1,867

Summary of Investment and Profit Shares by CIF

CIF	Class B Investment Shares (\$)	Class A Profit Shares (\$)	Total
11	56,704	16,092	72,796
52888	31,850	7,512	39,362
53171	7,031	1,908	8,939
53743	5,000	4,337	9,337
53790	55,793	-	55,793
54675	12,343	-	12,343
54737	4,000	2,880	6,880
55137	4,500	3,903	8,403
56084	11,237	-	11,237
56117	6,313	451	6,764
56305	16,938	12,229	29,167
56475	1,273	-	1,273
56636	19,871	-	19,871
56700	5,488	-	5,488
56779	10,745	2,958	13,703
57274	4,800	4,163	8,963
57430	4,500	2,253	6,753
57502	33,121	-	33,121
57541	12,332	-	12,332
57714	7,545	2,000	9,545
57807	14,810	-	14,810
57840	16,476	867	17,344
57946	12,332	-	12,332
57997	10,000	8,669	18,669
58066	13,500	6,089	19,589
58175	9,000	3,358	12,358
58238	17,240	-	17,240
58442	2,469	-	2,469
58456	24,466	9,549	34,015
58644	16,000	8,837	24,837
61525	29,536	16,872	46,407
61713	9,970	5,449	15,419
62000	1,273	-	1,273
67140	16,591	-	16,591
71779	1,713	-	1,713
72207	5,558	739	6,298
75705	2,546	-	2,546
84541	9,200	7,979	17,179
85456	1,000	867	1,867
86414	40,324	16,774	57,098
86853	1,300	1,163	2,463
87726	5,000	4,337	9,337
87874	1,500	1,301	2,801
90019	1,000	867	1,867
91389	83,880	12,646	96,526
93856	3,000	811	3,811
94615	31,600	9,988	41,588
95372	95,408	-	95,408
96750	25,000	21,672	46,672
98053	63,626	-	63,626
98384	24,520	-	24,520
100049	16,000	5,961	21,961
100107	900	491	1,391
100130	34,650	12,930	47,580
100298	40,025	11,794	51,819
100322	10,000	16,287	26,287
100334	22,500	11,261	33,761
100344	8,000	13,020	21,020
100802	5,220	2,848	8,068
100940	2,270	1,471	3,741
101362	93,350	19,843	113,193
102029	3,000	2,602	5,602
102093	4,950	2,478	7,428
102222	10,000	8,673	18,673

Summary of Investment and Profit Shares by CIF

CIF	Class B Investment Shares (\$)	Class A Profit Shares (\$)	Total
11	56,704	16,092	72,796
103176	5,000	5,661	10,661
103390	20,000	35,946	55,946
105940	2,100	1,465	3,565
108480	6,365	-	6,365
109074	2,000	1,735	3,735
112409	6,361	-	6,361
112610	1,880	1,127	3,007
113010	74,516	21,162	95,678
113030	4,500	2,456	6,956
113033	24,500	19,793	44,293
114860	10,000	10,350	20,350
114863	5,000	2,211	7,211
116400	11,605	9,827	21,432
117077	71,417	-	71,417
118190	13,578	-	13,578
120933	2,830	1,934	4,764
122620	9,000	4,911	13,911
125410	2,800	1,448	4,248
125810	2,600	1,942	4,542
130950	1,400	1,214	2,614
132890	9,214	276	9,491
135350	7,070	1,135	8,206
136250	2,200	1,771	3,971
137430	10,000	8,673	18,673
137600	1,000	697	1,697
142650	1,120	781	1,901
145760	10,282	4,066	14,348
146610	7,460	5,070	12,530
150730	22,600	19,601	42,201
151217	33,100	23,031	56,131
151506	-	4,922	4,922
153234	1,840	957	2,797
154218	3,000	2,602	5,602
154830	1,600	1,388	2,988
155188	1,400	1,214	2,614
155850	1,435	1,031	2,466
156141	1,200	1,074	2,274
159180	28,959	481	29,440
161960	-	334	334
163311	4,500	2,456	6,956
168280	62,368	22,180	84,548
171310	42,989	19,592	62,582
178880	50,043	4,906	54,949
179540	1,300	1,163	2,463
180480	1,160	953	2,113
182010	31,603	18,918	50,520
182210	3,000	2,330	5,330
183250	10,000	6,985	16,985
183253	5,000	2,650	7,650
183460	17,100	14,831	31,931
184331	7,637	-	7,637
185060	1,280	666	1,946
185690	2,130	1,519	3,649
189660	16,740	13,987	30,727
190980	3,100	1,600	4,700
191574	24,624	9,708	34,332
195330	21,463	8,916	30,379
196402	12,427	6,935	19,362
200271	1,156	-	1,156
201810	1,300	1,163	2,463
202120	2,400	3,909	6,309
202330	1,298	779	2,076
206900	21,216	5,000	26,216

Summary of Investment and Profit Shares by CIF

CIF	Class B Investment Shares (\$)	Class A Profit Shares (\$)	Total
11	56,704	16,092	72,796
207090	1,100	984	2,084
208880	1,200	1,074	2,274
209243	21,029	2,663	23,692
210526	-	9,746	9,746
212460	2,790	1,396	4,186
213480	1,120	805	1,925
215988	2,000	1,735	3,735
217026	34,900	17,361	52,261
218065	5,000	8,144	13,144
218850	3,110	1,949	5,059
221370	29,925	21,026	50,951
221800	2,400	1,764	4,164
221804	20,000	17,337	37,337
221860	26,600	3,538	30,138
222370	5,000	8,144	13,144
225290	16,465	494	16,959
225563	2,917	-	2,917
226970	11,000	5,470	16,470
236470	5,000	2,533	7,533
237280	-	7,761	7,761
237282	-	8,925	8,925
250430	1,470	1,208	2,678
268850	17,196	9,811	27,007
275503	2,546	-	2,546
277100	3,265	2,141	5,406
277230	1,000	1,629	2,629
277231	4,900	7,981	12,881
277430	8,000	6,938	14,938
277837	1,248	-	1,248
277962	22,000	9,740	31,740
278023	18,030	6,839	24,869
278119	4,259	-	4,259
282509	11,000	6,985	17,985
284380	1,530	1,257	2,787
288620	3,150	1,577	4,727
300036	6,000	3,169	9,169
300070	-	12,103	12,103
300133	13,100	5,795	18,895
300360	1,200	1,074	2,274
300390	86,874	36,861	123,735
300550	17,250	6,874	24,124
310185	23,000	690	23,690
313304	1,628	163	1,790
314650	20,000	17,337	37,337
317893	6,116	-	6,116
318443	15,000	15,900	30,900
318470	43,298	4,717	48,015
319037	11,600	9,295	20,894
319369	22,395	672	23,067
319533	1,490	1,071	2,561
319541	3,183	-	3,183
319544	1,248	-	1,248
319644	6,365	38,431	44,797
319727	15,072	7,392	22,464
319890	15,000	955	15,955
319995	9,805	88	9,893
320164	20,393	612	21,005
320624	12,114	3,582	15,697
320639	10,405	-	10,405
321262	6,361	4,982	11,342
321384	115,852	11,000	126,852
321687	70,000	10,486	80,486
321848	12,721	-	12,721

Summary of Investment and Profit Shares by CIF

CIF	Class B Investment Shares (\$)	Class A Profit Shares (\$)	Total
11	56,704	16,092	72,796
322274	2,958	89	3,047
322535	304	-	304
322794	54,902	-	54,902
323774	37,935	-	37,935
324005	63,605	-	63,605
324200	1,273	-	1,273
324242	1,273	-	1,273
325656	73,550	29,711	103,261
325677	6,300	2,264	8,564
326209	10,000	2,078	12,078
326431	15,000	7,518	22,518
327063	1,642	-	1,642
327466	29,100	6,686	35,786
327514	4,643	-	4,643
327912	3,430	2,212	5,642
356920	1,360	884	2,244
369990	2,730	1,757	4,487
389750	7,750	6,660	14,410
421580	2,500	2,168	4,668
428409	4,950	2,478	7,428
454009	28,000	24,272	52,272
464008	2,000	266	2,266
483280	4,350	2,456	6,806
484014	15,000	24,431	39,431
488400	50,000	1,500	51,500
510450	5,019	5,662	10,681
511850	1,850	962	2,812
515254	22,500	13,687	36,187
516420	1,120	805	1,925
516840	9,726	-	9,726
530540	4,479	2,194	6,673
530710	8,437	2,000	10,437
531460	12,954	1,723	14,676
536840	3,644	1,654	5,298
537380	2,730	1,609	4,339
539850	4,502	-	4,502
540710	1,440	1,035	2,475
544420	-	109,803	109,803
544850	-	15,907	15,907
545470	1,460	629	2,089
548320	15,185	265	15,450
548570	1,570	1,128	2,698
559030	11,991	1,595	13,586
569490	1,120	805	1,925
574150	3,042	304	3,346
580260	6,237	6,808	13,045
583815	2,000	800	2,800
589430	1,691	169	1,860
600547	3,400	2,949	6,349
600778	3,600	3,122	6,722
600964	19,900	17,259	37,159
604520	1,060	467	1,527
614230	1,300	1,163	2,463
620800	3,190	1,939	5,129
628920	2,780	1,895	4,675
665980	19,000	9,452	28,452
666200	15,593	11,690	27,283
681230	7,969	239	8,208
682880	7,001	7,520	14,520
709320	-	5,391	5,391
709410	3,105	93	3,198
735540	13,727	5,000	18,727
736830	3,786	1,316	5,102

Summary of Investment and Profit Shares by CIF

CIF	Class B Investment Shares (\$)	Class A Profit Shares (\$)	Total
11	56,704	16,092	72,796
738960	1,439	628	2,067
742400	15,046	13,216	28,262
821314	30,000	43,367	73,367
851960	2,200	1,375	3,575
852330	93,000	27,230	120,230
868000	8,316	4,538	12,854
879809	101,817	22,178	123,995
903823	7,800	5,486	13,286
905000	20,970	8,689	29,659
905240	24,750	10,255	35,005
907642	3,150	1,305	4,455
910307	29,354	18,179	47,533
911313	51,000	27,270	78,270
911743	106,800	107,811	214,611
912022	6,102	3,330	9,432
913517	98,700	100,786	199,486
916916	2,500	4,069	6,569
921064	2,407	-	2,407
923136	-	57,125	57,125
927475	2,400	2,081	4,481
927871	-	57,098	57,098
928564	4,500	1,865	6,365
930701	14,400	7,858	22,258
934000	9,000	7,806	16,806
935551	8,500	10,036	18,536
937698	7,500	12,215	19,715
940429	-	729	729
941476	2,000	1,735	3,735
968925	10,400	16,927	27,327
969675	11,842	14,433	26,275
972539	2,000	3,258	5,258
972547	2,000	3,258	5,258
973370	100,872	25,655	126,527
978510	23,800	20,642	44,442
981340	1,000	867	1,867
984401	22,500	8,396	30,896
985861	90,000	13,000	103,000
988253	2,000	1,734	3,734
999993	10,000	16,276	26,276
1000082	30,000	11,200	41,200
1000246	6,365	-	6,365
1000507	10,057	-	10,057
1001664	25,500	6,014	31,514
1002303	35,567	13,218	48,785
1005486	7,633	-	7,633
1005764	4,758	6,891	11,649
1006395	43,442	6,157	49,599
1006430	5,034	670	5,704
1007768	53,793	29,548	83,341
1008086	9,736	-	9,736
1008804	118,397	-	118,397
1010231	20,000	7,189	27,189
1010233	14,484	-	14,484
1010504	6,365	-	6,365
1011395	18,000	6,034	24,034
1013366	98,716	10,820	109,535
1015693	2,801	-	2,801
1016365	1,000	200	1,200
1016520	8,000	6,935	14,935
1016561	8,610	-	8,610
1017937	3,400	1,431	4,831
1018390	52,721	9,434	62,155
1018521	7,639	-	7,639

Summary of Investment and Profit Shares by CIF

CIF	Class B Investment Shares (\$)	Class A Profit Shares (\$)	Total
11	56,704	16,092	72,796
1018602	9,500	2,241	11,741
1020487	12,635	-	12,635
1021121	6,875	-	6,875
1021122	12,731	-	12,731
1022154	6,365	-	6,365
1022402	54,202	2,745	56,946
1022978	1,273	-	1,273
1023070	1,273	-	1,273
1023425	124,906	-	124,906
1023650	6,116	-	6,116
1025932	3,745	-	3,745
1032810	6,365	-	6,365
1041904	75,203	-	75,203
1081778	40,086	7,548	47,634
1086710	3,310	-	3,310
1093799	25,447	-	25,447
1102178	34,215	4,907	39,122
1241174	49,500	24,781	74,281
1241637	20,547	10,000	30,547
1242005	40,000	65,101	105,101
1242119	48,100	26,241	74,341
1242199	30,060	12,928	42,988
1248250	12,480	-	12,480
1443360	7,254	2,707	9,961
1668000	2,000	1,734	3,734
1668036	1,440	537	1,977
1669209	25,000	21,683	46,683
1670120	13,842	-	13,842
1882750	17,000	4,961	21,961
1941064	1,000	895	1,895
1941096	2,000	1,295	3,295
1941238	13,343	400	13,743
1941280	6,500	5,637	12,137
1941336	-	878	878
1941352	4,000	3,469	7,469
1941375	2,000	1,735	3,735
1941383	3,700	3,209	6,909
1941639	5,000	4,337	9,337
1941644	21,000	18,213	39,213
1941674	18,297	9,984	28,281
1941678	1,436	783	2,219
1941803	85,233	30,874	116,107
1941839	3,500	5,699	9,199
1941967	11,500	11,009	22,509
1942044	16,150	7,144	23,294
1942175	10,200	5,985	16,185
1942206	1,300	1,163	2,463
1942220	1,690	1,215	2,905
1942282	1,310	942	2,252
1942326	80,876	2,426	83,302
1942389	67,485	36,104	103,589
1942657	12,082	7,011	19,093
1942739	35,011	20,638	55,649
1942812	6,969	3,903	10,872
1942900	6,300	2,610	8,910
1942959	50,000	61,511	111,511
1943094	5,203	1,301	6,504
1943171	67,409	2,022	69,431
1943207	4,069	1,388	5,457
1943209	23,126	5,408	28,535
1943357	3,518	867	4,385
1943527	20,699	-	20,699
1943814	2,000	1,297	3,297

Summary of Investment and Profit Shares by CIF

CIF	Class B Investment Shares (\$)	Class A Profit Shares (\$)	Total
11	56,704	16,092	72,796
1943937	44,000	34,220	78,220
1944197	1,920	999	2,919
1944249	1,500	1,301	2,801
1944330	1,870	1,122	2,992
1944425	20,518	82	20,600
1944453	-	3,278	3,278
1944600	1,600	960	2,560
1945462	1,980	1,080	3,060
1945467	2,000	1,735	3,735
1945646	-	26	26
1945768	4,500	1,620	6,120
1946052	99,763	22,887	122,651
1946231	1,000	867	1,867
1946268	3,640	2,303	5,943
1946449	5,600	4,857	10,457
1947269	4,500	3,903	8,403
1948103	16,686	-	16,686
1948262	4,000	3,469	7,469
1948263	3,000	2,602	5,602
1948268	1,000	867	1,867
1948269	2,500	2,168	4,668
1948276	6,000	5,204	11,204
1948279	6,600	5,724	12,324
1948438	61,248	33,330	94,579
1948509	5,000	2,459	7,459
1948600	4,000	6,515	10,515
1948636	1,200	1,074	2,274
1948652	17,000	22,358	39,358
2005201	109,577	106,902	216,479
2006293	4,500	1,679	6,179
2006308	5,000	1,797	6,797
2006702	2,400	2,291	4,691
2006885	1,066	-	1,066
2006982	10,000	2,358	12,358
2007160	2,300	542	2,842
2007476	10,000	3,594	13,594
2007678	4,525	1,724	6,249
2008331	5,000	3,378	8,378
2008493	5,655	-	5,655
2008685	45,235	3,078	48,313
2008780	25,606	-	25,606
2008956	82,981	58,325	141,306
2010863	44,884	9,845	54,729
2011534	109,803	-	109,803
2011598	53,667	33,394	87,062
2012651	4,000	4,240	8,240
2013577	3,500	2,363	5,863
2013578	5,000	150	5,150
2013988	4,580	642	5,222
2014047	55,000	16,372	71,372
2014563	7,899	-	7,899
2017594	20,250	3,063	23,313
2017846	2,262	226	2,488
2018274	26,000	17,921	43,921
2019398	4,700	4,076	8,776
2021076	9,719	5,972	15,691
2021090	8,000	2,661	10,661
2021321	10,986	5,480	16,466
2022893	15,000	13,003	28,003
2024667	4,404	440	4,844
2025104	10,000	11,321	21,321
2026156	1,000	133	1,133
2026162	15,000	6,961	21,961

Summary of Investment and Profit Shares by CIF

CIF	Class B Investment Shares (\$)	Class A Profit Shares (\$)	Total
11	56,704	16,092	72,796
2026235	2,054	1,008	3,062
2028573	1,000	66	1,066
2028805	100,000	243,785	343,785
2030518	4,900	4,250	9,150
2031113	5,182	1,320	6,501
2031292	19,589	5,000	24,589
2032179	55,803	-	55,803
2034562	1,000	133	1,133
2035500	36,258	10,378	46,636
2035803	222,500	122,213	344,713
2101095	3,000	2,602	5,602
2101195	3,466	12,599	16,064
2153670	-	1,098	1,098
2192520	2,000	679	2,679
2229830	18,000	6,717	24,717
2285010	15,759	-	15,759
2647014	71,510	35,095	106,605
2886610	10,300	3,473	13,773
2979440	4,461	134	4,594
3191160	100,000	86,687	186,687
3283920	16,205	5,000	21,205
3417260	17,085	513	17,598
3469150	19,088	4,909	23,997
3517820	4,170	417	4,586
3699900	7,752	233	7,984
3719130	106,605	-	106,605
3752520	35,893	4,774	40,666
4330312	24,142	-	24,142
4330346	25,625	3,356	28,981
4330388	8,817	3,417	12,234
4330668	72,218	5,000	77,218
4331068	47,064	30,798	77,862
4331131	56,549	-	56,549
4333083	89,928	18,674	108,602
4333771	10,000	2,358	12,358
4333884	78,160	35,140	113,300
4335072	49,796	-	49,796
4335395	12,160	-	12,160
4336057	25,000	4,996	29,996
4337095	25,000	4,996	29,996
4337453	95,000	14,803	109,803
4337558	24,903	9,182	34,085
4337685	19,554	-	19,554
4337762	8,000	2,980	10,980
4337818	9,741	4,598	14,340
4338181	5,000	1,407	6,407
4338222	7,200	6,396	13,596
4338404	13,759	-	13,759
4338580	45,730	-	45,730
4338620	41,000	1,230	42,230
4338678	4,934	-	4,934
4338696	43,825	4,000	47,825
4338940	10,000	4,250	14,250
4339225	10,000	10,000	20,000
4339243	33,342	6,890	40,232
4339282	46,078	15,497	61,575
4339286	5,246	-	5,246
4339444	5,000	3,691	8,691
4339652	92,930	3,000	95,930
4339663	5,000	863	5,863
4339760	7,196	2,000	9,196
4339762	24,718	143	24,861
4825494	40,461	14,716	55,177

Summary of Investment and Profit Shares by CIF

CIF	Class B Investment Shares (\$)	Class A Profit Shares (\$)	Total
11	56,704	16,092	72,796
4840667	3,600	1,964	5,564
5003512	49,000	28,530	77,530
5030471	4,500	1,363	5,863
5044040	-	57,788	57,788
5044041	-	57,989	57,989
6161301	7,098	4,733	11,831
6690504	2,800	1,513	4,313
7102721	70,714	12,809	83,523
9127550	18,920	13,862	32,782
9151258	1,600	1,388	2,988
9155888	63,535	16,589	80,124
Total	12,324,758	5,634,853	17,959,611

TAB J

TAB K

PACE SAVINGS & CREDIT UNION LIMITED

SHARE TRANSFER/REDEMPTION REQUEST FORM

CLASS _____ SERIES _____

TRANSFER/REDEMPTION DATE _____

Name of Share Holder (s) _____

Certificate Number _____

of Shares to be transferred/redeemed _____

I/We do hereby certify that I/We are the recipient(s) of the shares described herein and request that the Board of Directors of Pace Savings & Credit Union Limited transfer/redeem the shares described above. I/We acknowledge and agree to pay consideration of \$ _____ plus the administration fee of \$ _____

Witness

Transferee

Witness

Transferee

Approved by the Board of Directors of Pace Savings & Credit Union Limited on

Date

Secretary of the Board

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

PROCEEDING COMMENCED AT
TORONTO

**THIRD REPORT OF KPMG INC. IN ITS CAPACITY AS
LIQUIDATOR OF PACE SAVINGS & CREDIT UNION
LIMITED**

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**Lawyers for KPMG INC. in its capacity as Court-
Appointed Liquidator of Pace Savings & Credit Union
Limited**