



Your Vote

2021

FIRST WEST
CREDIT UNION

Surpassed \$28 million
invested in our
local communities
2020

Island Savings
joins 2015

Let's keep a good thing growing

Enderby & District
Financial joins
2013

Becoming federally regulated allows First West Credit Union to build a stronger and more sustainable future for our members, employees and local communities.

Join us in voting YES for a stronger future.

keepgrowing.ca

Simply Free Account®
& free Interac e-Transfer®!!
2012

enVIsion
FINANCIAL



Valley First

Island Savings



Enderby
& District
FINANCIAL

First West Credit Union forms
(through merger of Envision Financial & Valley First)
2010

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Let's Keep A Good Thing Growing



Our credit union was founded 75 years ago on a vision of neighbour helping neighbour. Since those early days, we have remained focused on delivering simple but remarkable experiences, ensuring our members and communities thrive as the credit union succeeds. This approach has become a good thing for all of our members—and now, we need your help to keep a good thing growing.

While we are and will always be a community-based credit union, we are no longer a small credit union. In fact, First West is one of Canada's largest credit unions, stewarding \$15.5 billion in total assets and assets under administration. Since 2010, nearly 59,000 British Columbians have joined our credit union, bringing with them increasingly sophisticated personal and business banking needs.

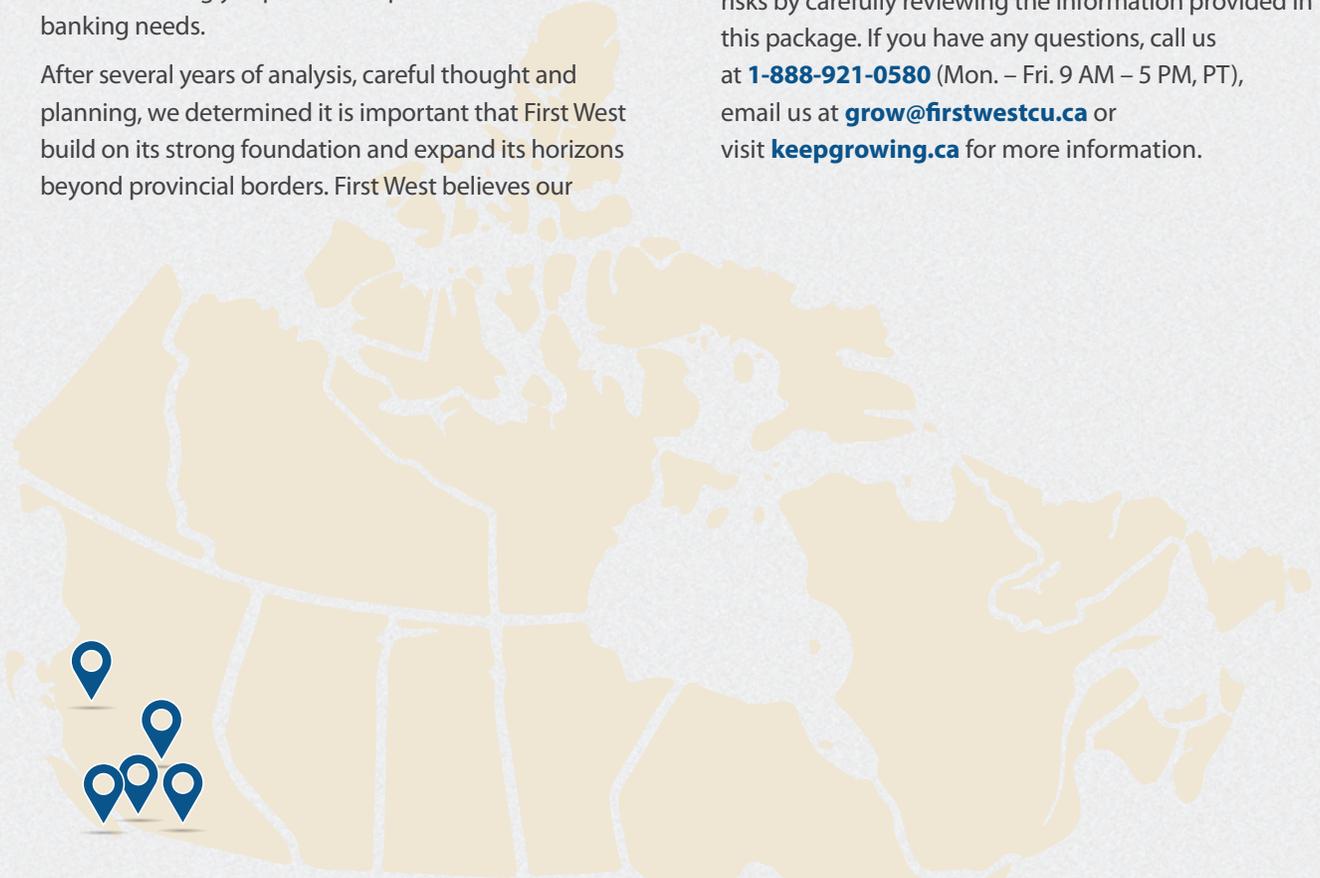
After several years of analysis, careful thought and planning, we determined it is important that First West build on its strong foundation and expand its horizons beyond provincial borders. First West believes our

members' interests will be best served if we can keep our good thing growing across the country—continuing to strengthen the foundation that supports each of our local brands. This is why we are asking for your permission to apply to become federally regulated by the Office of the Superintendent of Financial Institutions (OSFI). Becoming federally regulated will enable our credit union to grow and remain relevant today and for future generations.

Let's keep a good thing growing by voting YES for First West to become federally regulated.

Your vote counts!

We encourage you to learn more about our opportunity to become federally regulated, our growth plans and the risks by carefully reviewing the information provided in this package. If you have any questions, call us at **1-888-921-0580** (Mon. – Fri. 9 AM – 5 PM, PT), email us at grow@firstwestcu.ca or visit keepgrowing.ca for more information.



CEO's Message

Eleven years ago, members of Envision Financial and Valley First came together to create First West. Members appreciated that the efficiencies and capacity realized as a result of the credit union's increased size would bring greater value to their banking experience. They were looking to increase the strength and stability of the credit union, but expected the new credit union to maintain its local brands and community connection.

We delivered on that expectation and as a result, other credit unions saw the value in the First West model and soon joined our network. In 2013, we welcomed Enderby & District Financial and in 2015 we were proud to add Island Savings. Along the way we have kept our members' needs at the heart of everything we do. We continue to invest locally—in our brands, employees, leaders and regional offices. Decisions are made as close to our members as possible.

First West has also harnessed our increased size to keep hard-earned money in our members' pockets by introducing best-in-class products like our Simply Free Account® and Unlimited Chequing for Business®, while at the same time supporting our communities and members in times of need.

For example, during COVID-19 and the accompanying economic turmoil, First West demonstrated its ability to use its size and financial strength when needed, while nimbly responding to the needs of our local communities and members. Our members didn't have to wait for us to catch up; we were ready when they needed us most:

- We kept thousands of members in their homes by deferring payments on more than \$750 million of mortgage and loan balances, giving members peace of mind during a financially challenging time. Our proactive, advice-driven engagement with members throughout the pandemic has also resulted in members resuming payments much sooner than the financial services industry average.



- We were able to offer critical government financing programs to small businesses almost as soon as they were introduced, ensuring our small business owners had access to the capital they needed to keep their businesses running. For example, as of June 2021, First West supported the distribution of nearly \$190 million in Canada Emergency Business Account loans to our business members.
- Without missing a beat, we extended the hours and doubled the size of our telephone-accessible Member Advice Centre. As a result, we were able to assist with tens of thousands of member inquiries and make countless proactive calls to members like you—a reassuring outreach to offer assistance and a caring, understanding ear.
- We improved our already strong, industry-standard cybersecurity technologies and approaches to continue top-tier protection of members' assets.
- We accelerated roll-out of enhancements to our digital banking platform so that members could make deferral payment requests, apply for government financing or make CRA direct deposits safely online.

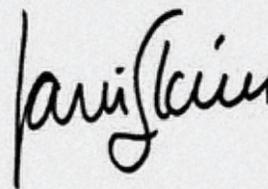
- Knowing we have a role to play in economic recovery, we distributed more than \$1.6 million in COVID-19 community funding and support in 2020 to keep our towns and cities strong during the crisis.
- Our COVID-19 recovery efforts in 2021 are even more ambitious as we anticipate investing more than \$1.5 million to help B.C. families, small businesses, social enterprises and community organizations through another year of recovery.

First West and our local divisions—Envision Financial, Valley First, Island Savings and Enderby & District Financial—were able to do all this and much more because we have continually adapted and readied ourselves to meet the current and future needs of our members. What affirms that we’re assuredly on the right track for our members is the fact that as of March 2021, we’re not aware of a single First West business member that has failed due to COVID-19 and its related economic impacts.

Now we need to keep a good thing growing by becoming federally regulated. In this information package, we lay out for you why it’s important that we take the courageous next step to become federally regulated.

I hope you share a tremendous sense of pride, as I do, that we are growing responsibly and thoughtfully, ensuring we give back to our members and communities along the way. I’m confident that with our long track record of acting locally and caring for our members and communities, First West is ready to grow beyond our provincial borders.

I’m excited about the future of our credit union—but we need your support. Will you join me in voting YES on our special resolutions to keep a good thing growing as a federal credit union?



Launi Skinner, CEO



Board Chair's Message

The Board of Directors and I often ask ourselves:

How can First West draw on its cooperative values and ensure it is resilient and relevant in times of change, uncertainty and disruption?

One of the Board's most important functions is to look at how we position the credit union for success—how we create a strong financial institution to serve members' needs now and in the future. We look to the horizon, guiding our business as we anticipate the needs of our members and prospective members.

"Today, our credit union must compete with fintechs and banks that don't have the same geographic and regulatory restrictions we do."

Whether because of rapid digital advances or the ramifications of the COVID-19 crisis, the financial services landscape looks vastly different today than it did even a decade ago. Today, our credit union must compete with fintechs and banks that don't have the same geographic and regulatory restrictions we do. They can easily operate in B.C., across Canada and beyond. It is not a level playing field and this puts us at a disadvantage as we work hard to keep pace with technological changes and the investments needed to anticipate our members' needs of the future.

Standing still in a fast-moving environment creates the risk of being left behind. We must continue taking prudent, proactive steps to ensure we remain strong in times of change, uncertainty and disruption.

For the last eight years, First West's Board of Directors has explored several scenarios related to the credit union's long-term strategic direction, including becoming a federally regulated credit union. After extensive research, due diligence and important conversations with members and employees, we decided that applying to become a federal credit union so that we are no longer constrained by provincial barriers is in the best interests of our members, employees and the credit union.

In fact, part of the reason our credit union was able to successfully navigate the economic conditions resulting from COVID-19 was because of the preparatory work we have been doing to become a federally regulated credit union. We built our liquidity, grew our capital, improved our processes and invested in digital technologies, putting us in a strong position to withstand the extraordinary challenges posed by COVID-19. In doing so, our members didn't have to wait for us to catch up—we were ready when they needed us most.

Let's keep our credit union resilient for today and ready to grow for future generations.

With the unanimous support of First West's Board of Directors, I recommend and encourage you to join us in voting YES on the special resolutions to become a federal credit union.

Thank you for taking time to vote and being part of creating a strong future for your credit union.

On behalf of the Board of Directors,



Shawn Neumann, Chair, Board of Directors



Your Decision: Special Resolutions

If you are a First West Credit Union member in good standing, we ask you to consider the following special resolutions and, if deemed fit, approve the resolutions by voting “Yes—in favour” on the ballot.

If you are a member who holds Class B Equity Shares, you are also required to approve the special resolutions through a separate vote. Therefore, we also ask you to consider the same special resolutions and, if deemed fit, approve the resolutions by voting “Yes—in favour” on the ballot. In both cases, the special resolutions must be approved by no less than two-thirds of the votes cast by members and shareholders eligible to vote.

SPECIAL RESOLUTION #1: APPLYING TO BECOME A FEDERAL CREDIT UNION

BE IT RESOLVED, as a Special Resolution, that:

1. First West Credit Union is authorized to apply to the Minister of Finance for Letters Patent of Continuance under the *Bank Act*.
2. Should the application to continue as a federal credit union be approved by the Minister of Finance, First West Credit Union is authorized to operate as a federal credit union under the *Bank Act*.
3. The Board of Directors may, in their sole discretion and without further notice to or approval of the members, abandon or withdraw at any time the application to become a federal credit union.
4. Any one or more directors or officers of First West Credit Union, for and on behalf of First West Credit Union, are authorized and directed to take all necessary steps and proceedings and to execute, deliver and file any and all applications, declarations, documents and other instruments and do all such other acts or things that may be necessary or desirable to give effect to the provisions of this special resolution.

SPECIAL RESOLUTION #2: APPROVAL TO ADOPT NEW BYLAWS

BE IT RESOLVED, as a Special Resolution, that:

1. On the date First West Credit Union becomes a federal credit union, the Rules then in effect be repealed in their entirety and replaced with the Bylaws set forth in **Schedule 2**.
2. Any one or more directors or officers of First West Credit Union, for and on behalf of First West Credit Union, is authorized and directed to take all necessary steps and proceedings and to execute, deliver and file any and all applications, declarations, documents and other instruments and do all such other acts or things that may be necessary or desirable to give effect to the provisions of this special resolution.

TO FIND OUT MORE ABOUT WHAT IT MEANS TO BE A FEDERAL CREDIT UNION, TURN TO PAGE 7.

BECOMING A FEDERAL CREDIT UNION



FIRST WEST
FOUNDATION

Since inception in 1996,
over \$7 million granted
to community causes.

What It Means To Be A Federal Credit Union

Currently, First West Credit Union is a provincial credit union. Provincial credit unions are organized and governed by provincial statutes and regulated by the B.C. Financial Services Authority (BCFSA).

Federal credit unions are governed by the *Bank Act* and applicable regulations and guidelines. As well, they are regulated by the Office of the Superintendent of Financial Institutions (OSFI). The Financial Consumer Agency of Canada (FCAC) will oversee First West's compliance with federal financial consumer protection legislation. First West will also become a member of the Canada Deposit Insurance Corporation (CDIC) for all eligible deposits.

The term "federal continuance" refers to the process by which a provincial credit union transitions to federal credit union status.

Federal continuance will not affect First West's ownership of property, legal claims, causes of action, proceedings, orders or judgments.

BUSINESS OPERATIONS

As a provincial credit union, First West can only conduct its core business within B.C. As a federal credit union, First West will be free to conduct business across Canada.

COOPERATIVE GOVERNANCE CONTINUES

Under federal law, federal credit unions must operate on a cooperative basis. For First West, this includes continued adherence to the cooperative principles of "one member, one vote" and the cooperative ownership of the credit union. Subject to the *Bank Act* requirements for Board of Director composition, members will continue to nominate candidates—who must also be members—for election to the Board of Directors. The Board of Directors will appoint the Chief Executive Officer, who, under federal legislation, must also be nominated and elected to the Board by the membership.

MEMBER OVERSIGHT OF RULES AND BYLAWS CONTINUES

First West's Rules will be known as Bylaws once First West becomes a federal credit union. Until then, First West's Rules will continue to be in effect, subject to any changes approved by members. In becoming a federal credit union, First West is required to make certain changes to its Rules. The proposed Bylaws, along with a full explanation of how they differ from the current Rules, are included in this member package. See page 27 for more information.

DEPOSIT INSURANCE CHANGES

Following federal continuance, the deposit insurance program will change from the provincial Credit Union Deposit Insurance Corporation (CUDIC) to CDIC. CDIC is the federal Crown corporation that also protects eligible deposits at Canada's banks. See page 23 for more information.

Six Important Reasons To Become A Federal Credit Union

Creating options for long-term viability and sustainability of any organization is critical, which is why we're setting ourselves up for future growth opportunities and choice. Gaining access to markets beyond B.C. means that when opportunity arises for the credit union or our members, we will be well positioned for success.

HERE ARE

6 Important Reasons

FOR FIRST WEST TO BECOME A FEDERAL CREDIT UNION:

1 **Improve efficiency and create capacity by welcoming other credit unions into our model.** For more than a decade, First West has demonstrated that our multi-brand business model can be successful at working local while also leveraging the strength of our collective size. Together, Island Savings, Envision Financial, Valley First and Enderby & District Financial have been able to provide more value for members than they could have on their own.

Since coming together as First West, we have been able to:

- **Eliminate or reduce every-day banking fees through best-in-class products.** For example, members who hold our no-fee Simply Free Account® (launched in 2012) save approximately \$190 in banking fees every year.¹
- **Introduce leading online and mobile banking technologies.** First West was the first credit union in Canada to release a new mobile app, online banking portal and public website using the Forge Digital Banking Platform. This superior digital experience made it simpler, more intuitive and efficient for members to interact with us.
- **Safely serve members through our Member Advice Centre.** Launched in 2015, our Member Advice Centre has responded to more than 1 million member calls. When COVID-19 required our members to bank differently to stay safe—and keep others safe—our Member Advice Centre was able to pivot, increasing its size and offerings to meet the demand.
- **Lead in our communities when they needed us most.** Together as First West, the credit union has invested more than \$28.1 million into our communities since 2010. In addition, throughout the COVID-19 crisis First West has been “in it together” with our communities, contributing more than \$1.6 million in 2020 to local organizations to help with their pandemic recovery efforts.

We do not intend at this time to grow across Canada by building new branches in communities outside of B.C. However, new branches in other provinces may be added to First West's branch network through any successful merger with other like-minded credit unions.

¹ Average monthly fees are based on products with comparable features at major Canadian banks as at February 19, 2021.

- ② **Meet and anticipate the digital needs of our members.** Members use and expect more digital solutions to manage their finances. Not surprisingly, the COVID-19 pandemic has accelerated the demand and preference for more non-physical service options. These technologies and digital solutions, however, require significant financial and resource investments by the credit union. To achieve a reasonable return on investment for digital innovation, we would benefit from access to the larger Canadian market.
- ③ **Further protect members' interests through stringent regulatory oversight.** Federal credit unions receive some of the highest levels of prudential oversight afforded to financial institutions in Canada through bodies such as OSFI, FCAC and CDIC. Stringent regulatory requirements protect our members' interests and help us continually strengthen and improve our practices.
- ④ **Extend banking services to existing members beyond B.C.** For many members, business and personal lives extend beyond B.C., whether through out-of-province job transfers, new business opportunities, children attending university or aging parents in other regions of the country. We can continue to serve our members and meet their needs outside of the province more fully by becoming federally regulated.
- ⑤ **Diversify markets and reduce the impact of regional economic downturns.** Since First West must operate in a single-province market, there is a risk to the credit union and its members if the province faces a significant economic downturn. By serving members and growing First West thoughtfully across Canada, we have greater opportunity to withstand regional economic dips or recessions.
- ⑥ **Attract and develop skilled employees to lead and safeguard our members' assets.** With growth comes the need to attract and retain employees who have the experience and specialized skill to steward members' business with the credit union. As a federally regulated credit union, First West believes it can attract a broader range of skilled applicants from across Canada in critical areas such as cybersecurity, risk management, digital services and technology, and provide compelling career paths for current employees.

IslandSavings

LET'S KEEP MONEY IN THE POCKETS OF OUR MEMBERS

When First West welcomed its Island Savings division, we were able to reduce or eliminate daily banking fees for Island residents by offering our Simply Free Account®. Since 2015, more than 39,000 First West members in the Island Savings division have opened Simply Free Accounts®. The result: Island members keep a couple hundred dollars in their pockets every year by not paying bank fees because of First West's size and strength. By keeping a good thing growing, we are better equipped to offer products and services to support our members while still maintaining our local-market approach to doing business.

Join us in voting YES to keep a good thing growing.



What Won't And Will Change As A Federal Credit Union

There are some differences between being a provincially and federally regulated credit union. That means some things we are familiar with today will change following federal continuance. But many other things—the things that really matter—will remain the same as they are today. Becoming federally regulated won't change the things you value and have grown to know and love.

WHAT WON'T CHANGE:

- **Your local division's name will not change.** First West's members love doing business with the familiar names they have known for years: Island Savings, Envision Financial, Valley First and Enderby & District Financial. These names will remain the same.
- **We will continue to offer the products and services you value, such as our Simply Free Account® and Unlimited Chequing for Business®.** Over the years, we've helped simplify our members' lives through trusted financial advice and innovative products like our Simply Free Account® and Unlimited Chequing for Business®. As a federal credit union, our commitment to providing superior products and advice won't change.
- **We will still make decisions at the local level.** One thing that sets First West apart from the big banks is that we make decisions as close to our members as possible—we don't send requests for approval to a head office back east. This will remain the same.
- **We will still provide strong and caring community support.** We are deeply committed to supporting and nurturing the communities we operate in, whether by providing sponsorships and donations, supporting the local economy through employment and procurement or through our social vision, Lead Well, enabling employees to give back with their hearts, hands and minds. This commitment will not change when we become a federal credit union.
- **Members will still nominate and vote for candidates running for election to the Board of Directors.** As a credit union member and subject to *Bank Act* requirements, you will continue to nominate and elect representatives to the First West Board of Directors.
- **Members can still vote on big decisions like changes to the bylaws and amalgamations.** Members of First West as a federal credit union will retain the right to vote on big changes to the way the credit union is structured, such as changes to the bylaws and whether to amalgamate with another credit union in the future.
- **Our governance structure will remain the same.** The phrase "governance structure" probably sounds a bit odd, but all it really means is the way our organization is organized and the policies under which we operate. Although we will be working under different laws as a federal credit union—under the *Bank Act* instead of the provincial *Credit Union Incorporation Act*, for example—we will still have a Board of Directors chosen by our members, a set of member-approved bylaws (currently called "Rules") that specify how we operate and a management team accountable to the Board of Directors.



WHAT WILL CHANGE:

- **We will be able to operate across Canada.** As a provincial credit union, First West can only conduct its core banking business within B.C. This will change as a federal credit union, with First West free to conduct business across Canada and as permitted by the *Bank Act* and subject to other applicable laws.

Additionally, we will be able to provide expanded and enhanced digital banking services to serve our members anywhere they happen to live or work in Canada.

- **We will be regulated federally and not provincially.** First West is currently regulated provincially by BCFSa. Federal credit unions and banks are governed by and organized under the *Bank Act* and regulated and governed by OSFI, FCAC and CDIC.
- **Your deposits will be protected by a different deposit insurance program.** Today, members' deposits are insured by CUDIC. If First West becomes a federal credit union, members' eligible deposits will be insured by CDIC, the same organization that protects Canadian banking customers' eligible deposits. While both CUDIC and CDIC provide coverage, there are several differences of which you should be aware. See page 23 of this notice and Schedule 1 for full information, a comparison between CUDIC and CDIC, and a list of eligible deposits.

Process And Timeline Of Federal Continuance

The process to become a federal credit union includes several stages and decision points along the way. Some of the major milestones and decision points include:

- ✓ Board of Directors asks management to analyze the risks and opportunities of becoming federally regulated. (Completed)
- ✓ First West submits pre-application to OSFI. (Completed)
- ✓ OSFI reviews pre-application and engages in initial round of bi-weekly meetings with First West. (Completed)
- ✓ OSFI holds business plan review session with First West and issues Expectations Letter to First West Board of Directors. (Completed)
- ✓ Board of Directors considers Expectations Letter and decides whether to present special resolutions to membership. (Completed)
- Members vote on federal continuance.
- First West submits application to BCFSa and CUDIC.
- BCFSa undertakes public consultation.
- BCFSa and CUDIC considers First West's business case for continuance. First West requires BCFSa and CUDIC consent to proceed.
- First West submits formal application to OSFI.
- If the application meets the requirements as per the *Bank Act* and all applicable regulations, guidelines, necessary capital, technology, policies and processes are in place, the federal Minister of Finance will review the application and render her or his decision on the issuance of the Order for Letters Patent of Continuance.
- If the Minister approves the application, First West Credit Union will commence its operations as a federal credit union.

RISK CONSIDERATIONS



Since 2010
Employees have volunteered more
than 100,000 hours to support
community causes

What Are The Risks Of NOT Becoming A Federal Credit Union?

COMPETITIVE PRESSURE AND DECLINING GROWTH OPPORTUNITIES

Every year, competition intensifies in First West's marketplace. We must compete with fintechs and banks that don't have the same geographic and regulatory restrictions we do. They can easily operate in B.C., across Canada and beyond.

First West's provincially tied operations hinder our ability to grow and compete more effectively in Canada's financial services industry. Declining growth opportunities will challenge our ability to invest effectively in product and service innovation, improved member experiences and community giving.

As a federal credit union, First West will be able to move, grow and expand with its members as they move, grow and expand their personal and commercial enterprises across Canada. First West will retain long-term business members who have grown beyond B.C. and wish to move forward with the financial institution that believes in them and has helped them get where they are. Moreover, First West will be positioned to attract new members outside of B.C.



LET'S KEEP RAISING FOOD, FUNDS AND AWARENESS FOR LOCAL FOOD BANKS



Island Savings, Envision Financial, Valley First and Enderby & District Financial are working together to eliminate hunger across B.C. Together we have raised \$4 million and 194,000 pounds of food for food banks in our local communities. This initiative was the brainchild of our Valley First division, which created the Feed the Valley initiative to raise food, funds and awareness for food banks throughout B.C.'s Okanagan, Similkameen and Thompson regions. Recognizing that we could have a greater impact together, First West launched the Full Cupboard to replicate the hugely impactful program with Envision Financial and Island Savings. When cooperative values and collaboration results in even greater community support, everybody wins.

Join us in voting YES to keep a good thing growing.

LOSS OF EXISTING MEMBERS AND IRRELEVANCE TO POTENTIAL NEW, YOUNGER MEMBERS

In today's marketplace, Canadians expect their financial institutions to deliver the best new technologies—technologies that are expanding and changing at a rapid pace. Like all credit unions, First West is at risk of losing existing members and becoming irrelevant to potential new members, particularly younger ones, if it is unable to stay ahead of the financial technology curve and offer innovative digital tools, services and experiences. The increased scale and efficiency gained by becoming a federal credit union will enable First West to better invest and deliver leading technologies to members.

MARKET SATURATION

First West intends to pursue continued growth and expansion within B.C. However, the credit union's opportunity to grow is limited by market saturation. First West anticipates that the sizeable growth it has achieved in the past 10 years will eventually slow if the credit union's offerings are restricted solely to B.C.'s population.

Becoming a federal credit union will enable First West to continue to grow by entering new markets through the acquisition of credit unions outside B.C. and by attracting new members through digital solutions. As a result of continued growth, First West will be positioned to invest effectively in product and service innovation, improved member experiences and community giving.

SUSCEPTIBILITY TO THE EFFECT OF PROVINCIAL ECONOMIC DOWNTURNS

First West's primary business areas are southern Vancouver Island and the Gulf Islands, the Fraser Valley, Kitimat and the Southern Interior. As such, First West faces a significantly higher degree of concentration risk than financial institutions with assets and operations in multiple provinces because First West's success depends on a single provincial economy. This makes the credit union more susceptible to the effects of provincial market downturns or corrections, natural disasters or other localized business disruptions. Additionally, having our business provincially tied restricts First West from diversifying its lending to businesses in sectors that may not be well represented in B.C.

Becoming a federally regulated credit union enables First West to lower its concentration risk by diversifying the credit union's operations and assets. Gathering deposits from members across Canada will increase and diversify First West's funding sources and expanding to markets in multiple provinces will insulate First West against localized downturns. Federal continuance will provide First West with a more diversified asset portfolio and make it a stronger, more stable credit union for the good of all its members.

REGULATORY CHANGES

Unlike Canada's federal regulatory bodies, many provincial regulators, including BCFSa, have not yet advanced in implementing leading global regulatory standards like the Basel III International Regulatory Accord. When provincial regulators eventually do adopt these standards, as is very likely to occur, credit unions like First West will face increased regulatory burden in a marketplace with few offsetting growth opportunities.

EMPLOYEE ACQUISITION AND RETENTION

First West has a longstanding commitment to hiring and retaining local employees. We pride ourselves not only on providing career opportunities spanning B.C.—as a result of our four divisions—allowing employees with choice on where they want to live and work, but also new and expanded roles that foster career development and engagement.

However, as a provincial credit union, both the higher cost of living (especially housing) in First West's trade areas and the higher concentration of specialized banking talent in Ontario and Quebec present challenges to acquiring and retaining specialized employees.

Continuing as a federal credit union with national growth opportunities will enable First West to recruit from other regions of Canada and retain skilled employees whose lives take them to other parts of the country.

What Are The Risks Of Becoming A Federal Credit Union?

LIQUIDITY AND FUNDING

Like all credit unions, First West continually maintains and manages a set percentage of liquid assets so that short-term financial demands and obligations—such as operating expenses, member deposit withdrawals and loans, and unforeseen events—can always be met. A change in deposit insurance coverage (see page 23) may prompt members to withdraw their deposits from First West, which could reduce the credit union's liquidity and inhibit its ability to meet its financial obligations. A reduction in deposits that is not offset by new deposits or other measures would cause First West's liquidity to diminish.

To mitigate the risk associated with changes to deposit insurance coverage, First West has a comprehensive strategy including:

- diversifying our deposit base by raising new core deposits that are less affected by deposit insurance changes
- communicating with high-dollar depositors to explain First West's ability to manage the transition to CDIC
- diversifying our overall funding base and increased liquidity levels by leveraging our short-term and long-term credit agency ratings issued by global credit rating agency DBRS Morningstar (DBRS), and issuing capital markets funding such as commercial paper, short-term notes and subordinated debt
- using securitization as another diversified funding source, which has an overall lower cost base to the credit union
- extending current external borrowing lines, which adds long-term stable funding
- developing a detailed strategy that can be activated should the credit union's liquidity be affected; this strategy will ensure appropriate liquidity is maintained in a manner that minimizes cost to the organization

First West may also apply to receive the federal loan guarantee provided for transitioning credit unions under the *Bank Act*.

EXTENDING MEMBER SERVICE BEYOND B.C.

As a federal credit union, First West will be positioned to serve members as they move, grow and expand their personal and/or business interests across Canada. We intend to invest in technology and digital solutions to serve these members effectively. It may take more time than anticipated to put these solutions in place and attract new members. To mitigate this risk, First West will develop and execute carefully designed business plans that balance cost with the goals of acquiring new personal and business members.

COMPLIANCE

Through the process of becoming a federally regulated financial institution, there is a risk the credit union will be unable to meet regulatory requirements or that meeting regulatory requirements might prove costlier than anticipated. First West continues to deepen its understanding of the elevated statutory and regulatory rigour by which federally regulated financial institutions are bound.

We have completed extensive internal assessments, met with federal regulators, conducted an in-depth legal review of the requirements, consulted experts and talked with other credit unions that are federally regulated (or aspire to be) to develop a thorough understanding of the compliance requirements. The requirements include the following:

- The *Bank Act* and regulations, including:
 - consumer protection provisions overseen by FCAC
 - guidelines issued by OSFI, which address matters including capital, liquidity, mortgage underwriting, corporate governance, outsourcing, regulatory compliance management and others
- Continued adherence to anti-money laundering and anti-terrorist financing guidelines issued by FINTRAC
- The *Canada Deposit Insurance Corporation Act (CDIC Act)*, the CDIC By-laws and CDIC information bulletins
- Federal employment legislation, including the *Canada Labour Code* and the *Employment Equity Act*
- Federal privacy legislation, including *Personal Information Protection and Electronic Documents Act (PIPEDA)*, *Canada's Anti-Spam Law (CASL)* and *Digital Privacy Act*
- Income tax obligations
- First West has planned for the costs incurred by complying with federal regulatory requirements and if these costs prove higher than anticipated, First West is confident it can absorb them

First West has already taken steps in several key areas to move toward OSFI compliance and, in other areas, is developing a detailed plan to ensure full compliance. First West is confident it can meet federal compliance requirements.

First West has also engaged its provincial regulator, BCFSa, to understand and work toward meeting the requirements related to the member and shareholder vote on federal continuance and additional requirements related to receiving permission from BCFSa and CUDIC to exit the provincial regulatory environment.

TIMELINES

First West could experience delays in the federal continuance process should compliance with federal and provincial legal and regulatory requirements prove more challenging than anticipated. First West has flexibility in its target date for federal continuance and is well prepared to handle delays in the process.

MANAGING THE TRANSITION TO FEDERAL REGULATION

Operating under federal regulation is new to First West Credit Union. There is a risk that we may not have the organizational capacity or expertise required to successfully transition to becoming a federally regulated credit union.

First West has demonstrated a thoughtful, responsible approach to growing the credit union and delivering on its strategy. Since 2010, First West has demonstrated a consistent history of prudently stewarding assets, growing to more than \$15.5 billion in total assets and assets under administration.

First West is equally confident in its leaders: many members of its executive leadership team and Board of Directors have managed and grown national and even international companies. We believe we have the leadership capacity to excel as a federal credit union. We further intend to mitigate this risk through the development and execution of carefully designed business plans that will identify opportunities and barriers to attracting new personal and business members.

Finally, First West has effectively implemented other transitions and projects of equal or greater magnitude in terms of organizational change. Having carefully examined the requirements for successfully managing and growing a national organization, First West has developed a multi-phase strategy that will enable a successful federal transition while ensuring the credit union's ongoing business operations in B.C. continue to thrive.

MEMBERSHIP AND REGULATORY APPROVALS

To become a federal credit union, First West requires members and holders of Class B Equity Shares to approve two special resolutions. In addition to member approvals, regulatory approvals from the following governing bodies are also required:

- BCFSFA
- CUDIC
- OSFI
- Federal Minister of Finance

Should First West fail to obtain any of these approvals, it will continue serving its current membership while remaining within B.C.'s provincial regulatory framework.

To mitigate the risk of not receiving regulatory approvals, First West has carefully examined the criteria and process for federal continuance. We have also initiated consultation and maintained ongoing dialogue with the appropriate regulatory entities to discuss our intentions and objectives.

Additionally, to mitigate the risk of credit union members and holders of Class B Equity Shares not approving the two special resolutions by the required margin, First West has developed a comprehensive member education program and will ensure members and shareholders can access all of the information they require to make an informed vote through a variety of communication channels, including online, print and by phone.

IMPORTANT NOTE REGARDING FORWARD-LOOKING INFORMATION CONTAINED IN THIS PACKAGE

This package contains information describing what First West Credit Union's state could look like if federal continuance is achieved and what the credit union could look like if continuance isn't achieved. Often, but not always, forward-looking statements can be identified by the use of forward-looking terminology such as "may", "will", "expect", "intend", "believe", "estimate", "plan", "can", "could", "should", "would", "outlook", "forecast", "anticipate", "aspire", "foresee", "continue", "ongoing" or the negative of these terms or variations of them or similar terminology.

By their very nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties, which give rise to the possibility that our assumptions, estimates, analyses, beliefs and opinions may not be correct and that our expectations and plans will not be achieved. While we believe any forward-looking statements in this document such as plans, forecasts or positive changes to be transparent and reasonable, it is important to note that they are based on our assumptions and opinions as of the date of this package.

These assumptions are considered reasonable as of today, but given that we cannot predict the future, specific outcomes are not guaranteed. There are also many factors that we cannot control which can have a significant impact on outcomes. As a result of these factors, outcomes may differ from the forward-looking statements contained in this package. There could be unexpected changes that cause our beliefs and assumptions to be different than outcomes.

Members are urged to consider the risks, uncertainties, factors and assumptions carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on such forward-looking statements. With that in mind, this package provides you with the necessary information required to cast an informed vote. We invite you to review it in detail. If there is anything that is unclear or raises additional questions or concerns, email us at grow@firstwestcu.ca, call **1-888-921-0580** (Mon. – Fri. 9AM – 5 PM, PT) or visit keepgrowing.ca for more information.



LET'S AVOID SAD GOODBYES



Miles and Tara were members of the Valley First division of First West for more than 30 years before life moved them to Alberta. Their local Oliver Branch had been with them from the moment they arrived in Oliver until the moment they left, being by their side for many of life's ups and downs. When they arrived in Oliver and experienced roadblocks trying to finance their business, Valley First was there to support them to see their business grow and thrive. When Miles's mother passed away, his advisor was with him every step of the way, not only to help navigate the financial complexities of wills and estates but also as a listening ear when he needed it most. Rather than being able to keep a good thing growing by continuing to serve Miles and Tara remotely through digital capabilities, the financial institution they knew and trusted was no longer able to serve them across provincial borders. As if moving wasn't already enough change for the couple, they also had to add another change and task to their to-do list: find a new financial institution along with a new advisor.

A provincial boundary shouldn't end a valued relationship.

Join us in voting YES to keep a good thing growing.

YOUR VOTE MAKES A DIFFERENCE IN THE COMMUNITY



2020
Surpassed \$4 million in donations
to fight hunger across B.C.

Influencing your credit union's future by participating in the democratic process is a fundamental part of being a member. But did you know you can make a difference to our local communities simply by voting on this historic decision to become a federal credit union?

It's true. To thank you for voting, we will donate on your behalf to the communities we serve. As a bonus, you can choose where your donation is directed.

For each valid ballot **cast online, by telephone or by text message**, First West will donate \$2 to its signature cause (The Full Cupboard/Feed the Valley), the First West Foundation or a charitable cause you choose from the list below.

When the number of valid ballots received exceeds 2,500, we'll donate \$4 per valid ballot. We don't want to ruin the surprise, but the amount donated could jump significantly.

This means even more charitable dollars going to our local partners to support the important work they do in our communities.

If you choose to vote by mail, we will donate \$1 to our signature cause to help eradicate hunger in the communities we serve.

Your vote gives back

For every valid ballot cast, we will make a donation to a charitable cause.

The more members that vote, the more we donate!

	SENIORS	ANIMAL WELFARE	YOUTH	SIGNATURE CAUSE	CHARITABLE FOUNDATION
	Sources BC	SAINTS Rescue Mission	Reach Child & Development Centre	The Full Cupboard	First West Foundation
 	One Sky Community Services	Critteraid Penticton	Foundry (Penticton & Kelowna)	Feed The Valley	First West Foundation
	Pacific Centre Family Services Association	BC & Alberta Guide Dogs	The Circle	The Full Cupboard	First West Foundation

HOW AND WHEN TO VOTE



Over \$40,000 raised for charitable causes through our director elections and special resolution votes since 2014

VOTING PERIOD: NOV. 1, 2021 – NOV. 21, 2021

Voting opens 9 AM (PT) on Nov. 1 and closes at 11:59 PM (PT) on Nov. 21, 2021

INDIVIDUAL MEMBERS

To be eligible to vote, you must be a member in good standing as of June 30, 2021. This means you must:

- Be 19 or older
- Hold a minimum of five Class A Membership Equity Shares
- Not be more than 90 days delinquent in any obligation to the credit union

Proxy voting is not permitted.

PRE-REGISTER TO VOTE NOW THROUGH OCTOBER 24, 2021

- 1 From keepgrowing.ca, the First West website or the webpage where you normally login for your banking, click the **pre-register to vote now** link.
- 2 Enter the requested information. Your last name must match the one on your account statement with no hyphens, special characters or spaces. ***Note:** If your information changed after July 31, 2021, use your previous information when requested.
- 3 Select your preferred method of voting; you will receive notification when voting opens.
- 4 When the voting period opens, **VOTE**.



FOUR WAYS TO CAST YOUR VOTE



ONLINE (DESKTOP AND MOBILE BANKING APP)

1. Click “**VOTE NOW**” on the webpage where you normally login for your banking, on our mobile app under Quick Links or go to firstwestvote.com.
2. Enter your last name, date of birth and postal code when prompted. Your last name must match the one on your account statement with no hyphens, special characters or spaces.
***Note:** If your information changed after July 31, 2021, use your previous information when requested.
3. Follow the instructions to select, confirm and submit your votes.
4. Choose your donation recipient.



TEXT

1. Text **VOTE** to 1-855-999-1716.
2. Enter your last name, date of birth and postal code as indicated when prompted. Your last name must match the one on your account statement with no hyphens, special characters or spaces.
***Note:** If your information changed after July 31, 2021, use your previous information when requested.
3. Follow the instructions you receive to select, confirm and submit your votes (carrier SMS or data charges may apply).
4. Choose your donation recipient.



TELEPHONE

1. Call 1-855-999-1716 toll-free.
2. Enter your last name, date of birth and postal code as indicated when prompted. Your last name must match the one on your account statement with no hyphens, special characters or spaces.
***Note:** If your information changed after July 31, 2021, use your previous information when requested.
3. When prompted, follow the instructions to select, confirm and submit your votes.
4. Choose your donation recipient.



BY MAIL UPON REQUEST

Requests for mail-in ballots must be received by Nov. 5, 2021.

1. Call 1-888-921-0580 (Mon. – Fri. 9 AM – 5 PM, PT) to request a mail-in paper ballot.
2. Upon receipt, make your vote selections on the provided ballot where indicated.
3. Close and seal the ballot.
4. Drop off the postage-paid ballot at any Canada Post mailbox. All mail-in ballots **must be received by Nov. 19, 2021, in order to be counted.**
5. We will donate \$1 to Feed the Valley or The Full Cupboard (based on your region).

BUSINESSES AND ORGANIZATIONS

Businesses and organizations may vote by designating a non-member to vote on their behalf using the following method:



ONLINE

1. Go to firstwestvotebusiness.com. Or, click the “VOTE NOW” link on the webpage where you normally login for your business banking.
2. Enter your business member number and postal code. ***Note:** If your information changed after July 31, 2021, use your previous information when requested.
3. When prompted, follow the instructions.
4. Choose your donation recipient.
5. An email with voting instructions will be sent to the designated non-member (pending verification of membership status).
6. The designated non-member will follow the provided instructions to select, confirm and submit his or her vote on your behalf.
7. You will receive confirmation the vote has been cast.

If you have questions about the process, contact our Member Outreach Team at **1-888-921-0580** (Mon. – Fri. 9AM – 5 PM, PT) or email our governance team at governance@firstwestcu.ca for assistance.

IslandSavings

LET'S GROW ALONGSIDE OUR MEMBERS



Stacey Toews and Laurie Klassen know how it feels to face the potential of falling behind. A few years ago, the two founders of Level Ground Trading found themselves scrambling for a new financial institution for their business. Their financial partner at the time severed the relationship because Level Ground didn't meet the bank's business size requirements. The turn of events couldn't have come at a worse time for the fair-trade company: Stacey and Laurie were gearing up with growth plans to achieve their vision of the business and needed funding to make it happen. With access to funding evaporated, the playing field had suddenly become uneven in an already competitive marketplace.

But then the co-founders crossed paths with locally based Island Savings. Stacey and Laurie soon discovered the Island Savings difference: not only was the financial support there for them, but it was also packaged with expert business advice and a team that quickly became Level Ground's biggest fan—regardless of their size. The relationship has thrived since 2016, with Level Ground expanding their product lineup and opening a brand-new operating facility in 2018. In every sense, the partnership has levelled the playing field again for Stacey and Laurie.

Help us continue growing alongside our business members to fully support their needs, so businesses like Level Ground don't have any concerns that they will outgrow us as their financial partner.

Join us in voting YES to keep a good thing growing.

VOTING FAQ

2013

Launched Deposit Anywhere for our members, becoming one of the first financial institutions in Canada to offer mobile cheque deposit



WHO IS ELIGIBLE TO VOTE?

To be eligible to vote, you must be a member in good standing as of June 30, 2021. This means you must be 19 or older, hold a minimum of five Class A Membership Equity Shares and not be more than 90 days delinquent in any obligation to the credit union.

WHEN IS THE VOTING PERIOD?

Voting will begin at 9 AM (PT), Nov. 1, 2021, and close at 11:59 PM (PT), Nov. 21, 2021. All mail-in ballots must be received by our third-party counters by Nov. 19, 2021.

WHAT ARE MY OPTIONS TO CAST A BALLOT?

Eligible members have four ways to vote:

1. Online (desktop and mobile banking app)
2. Text message
3. Telephone
4. By mail upon request

Details for how to vote using each method are included on pages 20-21 of this package.

CAN I DROP OFF MY BALLOT AT A BRANCH?

No. For COVID-19 safety reasons, we will not be accepting mail-in ballots at branches. Paper ballots can be deposited at any Canada Post mailbox and must be received by our third-party counters by Nov. 19, 2021.

I HAVE MORE THAN ONE ACCOUNT—MAY I CAST MORE THAN ONE BALLOT?

Each member in good standing who holds a minimum of five Class A Membership Equity Shares may cast one ballot, regardless of the number of accounts or memberships he or she holds.

I ALSO HOLD CLASS B EQUITY SHARES—AM I ELIGIBLE TO VOTE FOR THIS CLASS OF SHARES?

Each member who holds Class B Equity Shares may cast two ballots: one for the Class A Membership Equity Shares held and one for the Class B Equity Shares held.

I HAVE A BUSINESS MEMBERSHIP. HOW CAN I VOTE?

A business or organization may vote online by assigning a non-member to vote on its behalf. Our voting team at governance@firstwestcu.ca can explain the process. Or, refer to page 21 of this package for more information.

CAN SOMEONE ELSE VOTE ON MY BEHALF?

First West's rules do not allow individual members to vote by proxy. As noted above, however, a business or organization must assign a non-member to vote on its behalf.

MY VOTING INFORMATION ISN'T WORKING—WHAT DO I DO?

Contact us toll-free at 1-888-921-0580 (Mon. – Fri. 9 AM – 5 PM, PT) for assistance.

I DON'T WANT PEOPLE TO KNOW HOW I VOTED—HOW ARE YOU PROTECTING MY PRIVACY?

All ballots are retained and counted by a neutral, third-party agency under the supervision of a returning officer who is not a First West employee. Following the ballot count, the returning officer will ensure all paper and digital ballots are destroyed.

WHEN WILL THE RESULTS BE ANNOUNCED?

In keeping with First West's rules, results will be shared on or before Dec. 1, 2021, and will be posted to firstwestcu.ca and our divisional sites:

islandsavings.ca
envisionfinancial.ca

valleyfirst.com
enderbyfinancial.com

DEPOSIT INSURANCE CHANGES

2018

Reached \$10 billion in assets under management, reinforcing a long history of responsible, sustainable growth; by 2020, grew to \$15.5 billion



If First West becomes a federal credit union, there will be changes in how eligible deposits are insured. Currently, eligible deposits held with First West are insured to the full amount through the Credit Union Deposit Insurance Corporation (CUDIC).

Provinces can review and change deposit insurance coverage and as a result, the coverage through CUDIC has changed several times over the years. For example, the change to unlimited deposit insurance was made by the B.C. government during the 2008 recession as part of a plan to protect British Columbians' deposits during a time of economic uncertainty. Across Canada, the deposit insurance coverage ranges from province to province.

As a federal credit union, eligible deposits will be insured through the Canada Deposit Insurance Corporation (CDIC), meaning CUDIC coverage will no longer apply, including to those deposits not eligible for CDIC coverage.

CDIC's deposit insurance provides coverage for eligible deposits held in CDIC member institutions. CDIC insures eligible deposits separately (up to \$100,000, including principal and interest) in each of the following categories:

- deposits held in one name: a chequing account, savings account and any unregistered term deposits would be combined for a maximum coverage limit of \$100,000
- deposits held in joint names (in the names of two or more people) are insured separately from the owner's eligible deposits held in other insured categories; each eligible joint deposit is protected for up to \$100,000 per set of joint owners, regardless of the number of people who own the deposit
- eligible deposits held in an RRSP are insured for up to \$100,000
- eligible deposits held in an RRIF are insured for up to \$100,000
- eligible deposits held in a tax-free savings account are insured for up to \$100,000
- trust accounts: the total eligible deposit held in a trust is insured to a limit of \$100,000 per named beneficiary provided certain reporting and disclosure requirements are met
- property tax holding accounts are insured up to \$100,000, but see further details on the following pages

What is CDIC?



CDIC is a federal crown corporation—established by the Government of Canada—that provides deposit insurance coverage for its members. CDIC is well-funded and has the authority to borrow additional funds from the federal government, if necessary, with Parliamentary approval. If First West becomes a federal credit union, it will become a member of CDIC and First West's members will have the same deposit insurance coverage as other CDIC member institutions, such as Canada's major banks. Since its creation in 1967, no insured depositor has lost a single dollar under CDIC protection.



Full details regarding the changes in deposit insurance and the transition period are also included in the Notice Pursuant to the Disclosure on Continuance Regulations included in this package (see Schedule 1).

Effective April 30, 2022, CDIC's coverage categories will expand to include eligible deposits held in RESPs and RDSPs at CDIC member institutions. As a result, eligible deposits held in an RESP or an RDSP at a CDIC member institution will be separately insured for up to \$100,000. Also, effective April 30, 2022, property tax holding accounts will no longer be insured as a separate insured category, but will remain eligible for coverage (within one of the remaining CDIC coverage categories).

Also, under CDIC there is no need to file a claim. If a CDIC member institution closes, CDIC will reimburse insured deposits (including interest) within days of the event.

DEPOSIT INSURANCE CAN BE TAILORED FOR YOUR NEEDS

CDIC provides deposit insurance coverage of up to \$100,000 for each of the categories described on the previous page. This means that if a member has more than \$100,000 in a savings account, amounts above \$100,000 could be moved from the savings account to a TFSA or RRSP and be separately protected by CDIC's deposit insurance coverage, up to \$100,000. Also, it is worth noting that a spouse's eligible deposits are separately covered by CDIC insurance. Joint accounts that a member may hold with his or her spouse are protected by CDIC's deposit insurance coverage separately from the member and his or her spouse's deposits held in their own name. First West's member service advisors are well-equipped to help members determine appropriate coverage strategies based on their circumstances.

MEMBER IMPACT

As of April 30, 2021, less than 3.5% of First West's members would be affected by the change from CUDIC to CDIC. For more than 96% of First West's members, the \$100,000 for each of the above CDIC categories would be sufficient and would fall within CDIC's coverage limits.

180-DAY TRANSITION PERIOD

If First West becomes a federal credit union, there will be a 180-day transition period during which CDIC will provide the same coverage as CUDIC on "pre-existing" deposits that are eligible under CDIC's deposit insurance coverage. "Pre-existing" deposits are deposits held by First West on the continuation date. With the exception of eligible pre-existing term deposits, the transition period will start on the day First West becomes a federal credit union and end after 180 days. Eligible pre-existing term deposits (e.g. GICs) will be fully insured until they mature or are redeemed.

FIRST WEST IS FINANCIALLY STRONG AND STABLE

First West has a long history of responsible, sustainable growth spanning more than 75 years. Using a variety of safeguards and processes, such as comprehensive risk management systems, we are better suited to protect member deposits and ensure liquidity. If First West becomes a federal credit union, it will need to comply with federal liquidity and capital adequacy guidelines. This will only enhance First West's ability to remain a secure and financially strong credit union and First West will continue to protect its members' deposits.

First West has never made a claim against deposit insurance.

WHAT IS NOT COVERED BY CDIC'S DEPOSIT INSURANCE

CDIC's deposit insurance will not apply to the following:

1. membership shares issued by a federal credit union
2. any shares issued by a federal credit union
3. deposits that are payable outside of Canada
4. debentures issued by a federal credit union
5. shares issued by other corporations
6. mutual funds
7. traveller's cheques
8. bonds, notes, treasury bills and debentures issued by governments or corporations
9. money orders, certified cheques, drafts and prepaid letters of credit in respect of which a federal credit union is not primarily liable
10. principal-protected notes (with some exceptions)
11. safe-deposit box contents
12. securities held for safekeeping

EXAMPLES OF HOW DEPOSIT INSURANCE WILL CHANGE

EXAMPLE OF CURRENT CDIC COVERAGE (BEFORE FEDERAL CONTINUANCE)

PRODUCT	AMOUNT	CUDIC COVERAGE
DEPOSITS ARE HELD IN ONE NAME		
Simply Free Account®	\$6,000	\$6,000
Savings Account	\$55,000	\$55,000
US Chequing Account	\$7,000	\$7,000
3-Year Term Deposit	\$80,000	\$80,000
Term Deposit (5-year term) held in an RRSP	\$125,000	\$125,000
Mutual Funds	\$85,000	Not an eligible deposit

EXAMPLE OF TRANSITIONAL CDIC COVERAGE (FOR 180 DAYS AFTER BECOMING A FEDERAL CREDIT UNION)

PRODUCT	AMOUNT	CDIC COVERAGE
DEPOSITS ARE HELD IN ONE NAME		
Simply Free Account®	\$6,000	\$6,000
Savings Account	\$55,000	\$55,000
US Chequing Account	\$7,000	\$7,000
3-Year Term Deposit	\$80,000	\$80,000, until maturity
Term Deposit (5-year term) held in an RRSP	\$125,000	\$125,000, until maturity
Mutual Funds	\$85,000	Not an eligible deposit

This member's pre-existing eligible demand deposits, minus any withdrawals, would be eligible for CDIC deposit insurance coverage. Eligible term deposits would receive insurance coverage until they mature or are redeemed. If a member makes any new deposits during the 180-day transition period, those deposits would be insured separately by CDIC's standard coverage.

EXAMPLE OF CDIC COVERAGE (FOLLOWING TRANSITION PERIOD)

PRODUCT	AMOUNT	AMOUNT INSURED BEFORE TERM DEPOSITS MATURE	AMOUNT INSURED AFTER TERM DEPOSITS MATURE
DEPOSITS ARE HELD IN ONE NAME			
Simply Free Account®	\$6,000	\$68,000	\$100,000
Savings Account	\$55,000		
US Chequing Account	\$7,000		
3-Year Term Deposit	\$80,000	\$80,000, until maturity	
Term Deposit held in an RRSP	\$125,000	\$125,000, until maturity	\$100,000*
Mutual Funds	\$85,000	Not an eligible deposit	Not an eligible deposit

After the 180-day transition period ends, standard CDIC deposit insurance coverage would protect eligible deposits up to \$100,000 in each of the eligible categories described above. If one of a member's eligible deposits was greater than \$100,000, First West could assist with ensuring available options are considered to maximize CDIC coverage.

* If proceeds are re-invested in an eligible category under CDIC's deposit insurance framework and subject to the coverage limit of \$100,000 per eligible category.

If you have any questions regarding deposit insurance, visit:

- First West Credit Union: www.firstwestcu.ca
- Credit Union Deposit Insurance Corporation: www.cudicbc.ca
- Canada Deposit Insurance Corporation: www.cdic.ca

enVision
FINANCIAL



LET'S KEEP A GOOD THING GROWING FOR OUR EMPLOYEES

Like many born and raised in B.C.'s Lower Mainland, Susan had enjoyed vacationing in B.C.'s Okanagan for years, to the point that B.C.'s wine country began to feel like a second home to her and her husband. That's when dreams of putting down permanent roots there started. The question was, could they make the move and allow Susan to continue her career with First West?

After all, Susan's journey at First West speaks volumes. From the early days as an executive assistant, to community investment manager, to where she is now—leading community investment and serving as executive director of the First West Foundation—her career trajectory is a testament to the commitment she brings to bettering communities every day. While First West has grown,

its community giving has also flourished under Susan's leadership—she continues to work tirelessly as a community champion, compelling First West's employees to give back with their hearts, hands and minds.

Leaving the credit union for the sake of relocating to the Okanagan was an option Susan had been trying to avoid. Fortunately, First West's multi-brand model would spare her a difficult decision: the credit union operates with many geographically distributed teams spanning B.C., making it easier for employees like Susan to relocate without leaving their jobs.

Through healthy and sustained growth, First West has been able to retain talented employees like Susan by providing them with career advancement opportunities and flexibility in where they live, work and play.

Join us in voting YES to keep a good thing growing.

PROPOSED BYLAWS: SUMMARY AND RATIONALE

Simplified members lives with
Deposit Anywhere™ (2013)



SPECIAL RESOLUTION #2: APPROVAL TO ADOPT NEW BYLAWS

If First West becomes a federal credit union, it will no longer be governed by British Columbia's *Credit Union Incorporation Act* or *Financial Institutions Act*. Instead, the credit union will be governed by the federal *Bank Act*, which requires First West to adopt a set of Bylaws. The new Bylaws are similar to the credit union's current Rules.

The new Bylaws will only become effective if members authorize First West to apply to become a federal credit union and all regulatory approvals to become a federal credit union are received. Members are required to approve the Bylaws in advance, however, through a special resolution. A special resolution is a significant action or change by First West that must be approved by the Board of Directors, then voted on and passed by the general membership before adoption. To pass, a special resolution must be approved by no less than two-thirds of the votes cast by members eligible to vote.

While the proposed Bylaws are similar to the current rules and will not affect day-to-day products and services, there are some important differences and changes, summarized below.

HOW THE PROPOSED BYLAWS WERE DEVELOPED

The proposed Bylaws are based on the current First West Credit Union Rules. The parts of the Rules that did not need to be changed were left as is, while other areas were updated to remove references to and requirements imposed by provincial legislation and regulation, and to add references to and requirements imposed by federal legislation and regulation.

To avoid repeating specific requirements already stated in the *Bank Act*, items not required to be set out in the Bylaws have not been included. Where the *Bank Act* requires certain items to be explicitly set out in the Bylaws and the current Rules do not address those requirements, new sections were created. Any ambiguities that existed in the Rules have been clarified in the Bylaws.

WHY APPROVING ADOPTION OF THE BYLAWS IS IMPORTANT

First West has become financially strong, stable and successful because of members' active participation during key moments in the credit union's history. This truly is the credit union difference—the ability to vote on the future of an organization in which you are a member.

The changes outlined in this section are necessary to meet the requirements of the *Bank Act* and are essential to First West becoming a federal credit union. Having carefully reviewed all aspects of the proposed Bylaws, the First West Board of Directors recommends members vote in favour of the special resolution approving the adoption of the Bylaws upon First West becoming a federal credit union.

GUIDE TO THE PROPOSED BYLAWS

The following information outlines the content of the proposed Bylaws and notes significant differences between the Bylaws and the credit union's current Rules. This information should be read in conjunction with the full text of the proposed Bylaws, as well as a copy of the current Rules with changes indicated. Both of those documents are included in **Schedule 2** of this mailing.

Section 1: Interpretation

As in the current Rule 1, this section includes definitions that pertain to the Bylaws. Definitions no longer relevant under federal requirements and legislation have been deleted and new definitions have been included where necessary.

Section 2: Name

The *Bank Act* requires a federal credit union to set out its name in the Bylaws; this has been addressed in section 2. This was not a requirement under provincial legislation and therefore there is no corresponding section in the current Rules.

Section 3: Membership

This section sets out membership requirements, including the requirement to purchase and hold membership shares. It also outlines the circumstances under which a membership may be withdrawn or terminated. Specifically, section 3.4 of the Bylaws describes the requirements and associated time periods for terminating a membership.

This section also explains how a member can appeal a resolution made by the Board with respect to the termination of that member's membership.

Section 4: Shares

This section provides details on First West's approved share classes and certain other related matters, such as how shares may be transferred. For ease of reference and better organization, the rights and restrictions attached to each share class are included in Schedule A.

Operational matters related to share certificates and transfers have been deleted from the Bylaws as they are already addressed in the *Bank Act*. The *Bank Act* requires that a credit union's shares cannot have a par value and therefore, references to par value in this section and in Schedule A have been deleted and where applicable and appropriate, such references have been replaced with "issue price."

One significant difference between the current Rules and the proposed Bylaws is that the *Bank Act* requires the Bylaws to include the formula used to determine the value of a credit union's membership shares. Based on a review of comparable financial institutions and internal considerations, First West determined the formula set out in section 4.2 of the Bylaws was appropriate. The value of each membership share, as determined by the formula, will continue to be \$1, which is the same as the current par value for these shares. This is a technical change only and will not change the issue price of membership shares, the redemption price of membership shares or members' entitlement to the residual assets in the unlikely event of winding-up or dissolution.

The *Bank Act* also requires that the Bylaws set out the requirements for distribution of any surplus earnings arising from First West's operations; this is set out in section 4.7 of the Bylaws. Similar to the discretion granted to the directors regarding declaring dividends under the current Rules, section 4.7 of the Bylaws provides discretion to the directors to determine how best to distribute the surplus (via dividend or patronage allocation).

Section 5: Officers

This section is not included in the current Rules. It has been included in the Bylaws to make clear the Board's ability to appoint and remove officers of the credit union and to specify the officers' duties.

Section 6: Directors

Section 6 of the Bylaws includes important information pertaining to First West's directors, such as the size of the Board, eligibility to sit as a director, criteria for dismissal, elections and details related to how meetings are scheduled and run.

There are a number of noteworthy changes to this Bylaw when compared to the current Rules. One such change is that rather than a fixed number of directors (currently the Rules fix the number of directors at 12), a range of seven to 20 is specified (ranges are permitted by the *Bank Act*).

The *Bank Act* requires the directors to appoint one of the directors to be the CEO; this means the CEO must be a director. In addition, regions are no longer defined or included—in effect, all directors would be what the credit union currently refers to as "at large." This allows all candidates to participate in the Board electoral process no matter where they live, ensuring geography is no longer a barrier.

Another significant change relates to the ability to remove directors. The current Rules allow a director to be removed by the other directors provided a resolution is passed by two-thirds of the directors. This is not the case under the *Bank Act*, which specifies that removal of a director is an action restricted to the membership; this requirement is reflected in section 6.6 of the Bylaws.

Most of the processes and procedures for nominations and elections in the current Rules have been removed and are not included in the Bylaws, as these are procedural matters not required to be set out in the Bylaws. Sections relating to how meetings are scheduled and held have also been removed, as they are either already included in legislation and are therefore redundant or they would be better included in a policy.

The *Bank Act* requires that the aggregate amount of director remuneration be set out in the Bylaws. Accordingly, the cumulative limit for total Board remuneration will be set at an annual maximum of \$2 million, not including compensation paid to the CEO. Currently, there is no maximum threshold stipulated in the Rules.

To be clear, this is a maximum amount that cannot be exceeded. This is not intended to be the amount the directors will actually be paid or the amount the directors plan on being paid. The \$2 million threshold was deemed appropriate considering the number of directors, current remuneration, First West's size and a review of comparable financial institutions. Having a threshold in place is required under the federal regulatory environment and a good governance practice.

Section 7: Indemnity

Current Rule 5.57 outlines the conditions under which the credit union will indemnify its directors and officers against any legal action they may face related to actions taken in fulfilling their role. This information is expanded into a full section in the proposed Bylaws to ensure it incorporates current legal and governance standards for such indemnification.

Section 8: Meetings of Members

Section 8 of the Bylaws concerns matters related to member meetings. The Bylaws now include explicit sections that allow member meetings to be held and voting to be conducted using telephone or other electronic means. Sections in the current Rules that deal with matters proposed by members and requisition requirements for special general meetings have been removed as they are included in legislation and need not be repeated.

Section 9: Borrowing and Lending

This section of the Bylaws, which establishes the Board's powers related to borrowing and lending, is essentially the same as the current Rule 4, with updates to remove references to provincial legislation.

Section 10: Resolutions

This section affirms the validity of resolutions consented to in writing by the Board or committees outside of regular meetings. The wording is the same as the current Rule 5.49.

Section 11: Miscellaneous

This section includes items not covered in other parts of the Bylaws and that, in themselves, do not merit inclusion as separate sections.

One example is Section 11.4, which was included to ensure the credit union may, with the Board's approval, issue subordinated indebtedness instruments to attract investments. Such investments could be used to grow First West, introduce new products, deliver new means of banking and technology to members, meet regulatory requirements and ensure First West's continued stability and soundness.

While First West is financially strong, prudent use of these types of financial instruments can assist in meeting future capital needs or complying with regulatory requirements while protecting members deposits.

Schedule A: Rights and Restrictions of Shares

Changes to the rights and restrictions for membership shares largely relate to deleting concepts required by the *Credit Union Incorporation Act* but not permitted or not applicable under the *Bank Act*.

For example, and as described above, the *Bank Act* does not permit a credit union to have shares with par value; references to par value have therefore been deleted.

In addition, the *Bank Act* requires that dividends on any membership share must be limited to the maximum percentage fixed in the bylaws (this percentage is fixed at a maximum of 1,000 per cent of the value of the issue price for the Membership Shares). Another requirement of the *Bank Act* is that shares cannot be redeemed without the consent of the Superintendent and the rights and restriction for each of the classes of shares of First West include this requirement.

The rationale behind changes to the rights and restrictions attached to Class C Preferred Shares (referred to as "Class C Equity Shares" in the current Rules) is similar to the rationale related to subordinated debt. Class C Preferred Shares could be used in addition to subordinated debt to raise capital from non-members. The ability to issue Class C Preferred Shares is another prudent measure that would give First West additional tools to meet its future capital needs.

Class C Preferred Shares do not have the right to attend or vote at any meeting of First West's members but would have priority ranking over membership shares and Class B Equity Shares. First West does not anticipate issuing Class C Preferred Shares in the near future, as it has a healthy balance sheet.



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