

Presentation of By-law Changes

Overview

The Credit Union and Caisse Populaires Act and related regulations were amended by the Financial Services Commission of Ontario, effective October 1, 2009. These changes impact all credit unions in Ontario. Therefore FirstOntario is required to update their by-laws and present changes to the membership at the earliest annual general meeting.

The Members Committee of the Board of Directors was charged with the responsibility to review and recommend changes to the by-laws. The committee met on several occasions with the assistance of legal counsel, Penny-Lynn Rintoul from RZCD Law Firm LLP and Lloyd Smith, our VP Finance & Treasury.

Following the committee's review, the Board of Directors met to review all proposed by-law changes. The Board approved the proposed by-law changes that have been put before the membership at this evening's annual general meeting.

The by-law changes have been grouped into two categories. The first category is "**mandatory**". These are by-law changes the credit union is required to make without exception due to amendments to the Credit Union and Caisse Populaires Act as prescribed by the Financial Services Commission of Ontario. This commission is the regulatory body governing Ontario Credit Unions. Included in "mandatory" are all housekeeping changes our legal counsel recommended we make to our by-laws. The second category is "**discretionary**" which the Board of Directors believes are appropriate to improve the operations and governance of our credit union.

To assist the membership in reviewing all by-law changes, we have summarized the changes under the headings of **mandatory** and **discretionary**.

Mandatory

With the assistance of Penny-Lynn Rintoul legal counsel from RZCD Law Firm LLP, the Board of Directors has incorporated all mandatory and housekeeping changes into our by-laws. The impacted articles are set out below along with a summary of some of the more significant changes the credit union is obligated to make to our by-laws.

- **1.01 & 1.02** – housekeeping
- **2.01 (d)** – language added to explicitly expand membership to include corporations, partnerships and unincorporated associations
- **2.01 (e)** – housekeeping
- **2.02** – housekeeping
- **2.04** – individuals under the age of 18 years of age may not receive any loan unless the loan is guaranteed by a person who is older than 18 years of age or the loan is guaranteed by the government of Canada or Ontario.

- **2.05** – language added to protect the Credit Union from Members who are not in good standing (i.e., do not possess the required minimum membership share capital). Under the current by-laws there was no legal authority to exclude a Member who did not possess the required minimum membership shares
- **2.06** – expanded language pertaining to expulsion of a Member from the Credit Union. Amended language includes all procedural rights and processes for expulsion, as well as the process a Member would follow to appeal such expulsion
- **2.07** – housekeeping
- **Old 2.07 – League Dues** – Central 1, which is the company resulting from the combination of Credit Union Central of Ontario and Credit Union Central of British Columbia, is no longer a league. Therefore old sub section 2.07 is no longer applicable.
- **3.01** – housekeeping
- **3.02** – Amended Credit Union Act requires all credit unions to have a December 31st year end. The amendment to our by-laws ensures our Aug 31st year end is maintained.
- **3.03** – housekeeping
- **3.04** – housekeeping
- **3.05** – housekeeping
- **4.01** – housekeeping
- **4.02 (a) (b) (c)** – housekeeping
- **4.02 (e)** – housekeeping
- **4.02 (f)** – this sub section deals with qualifications of a Member wishing to stand for election, and the obligation of the candidate to disclose to the Board everything they are required to disclose pursuant to the Act (i.e., legal conflicts of interest)
- **4.02.1** – housekeeping
- **4.03** – language covering Director term of office under various circumstances
- **4.04** – housekeeping
- **4.05** – housekeeping
- **4.06** – housekeeping
- **4.07** – language describing the process the Board must follow in filling Director vacancies
- **4.08** – language to restrict Directors from direct management of the day to day affairs of the credit union as well as providing that Directors can't be employees of the Credit Union
- **4.09** – housekeeping
- **4.10** – housekeeping
- **4.11** – language requiring the Board to meet at least quarterly
- **4.12** – housekeeping
- **4.13** – housekeeping
- **4.14** – housekeeping
- **4.15** – housekeeping
- **4.17** – language amended to expand the conflict of interest disclosures to include employees of the credit union, and committee members
- **4.18** – housekeeping
- **4.1.01** - changed the name “Election/Nomination Committee” to “Election Committee”
- **4.1.02** - housekeeping
- **4.1.03** - housekeeping
- **5.01** – housekeeping
- **Old 5.05 - Loan Officer** – former paragraph deleted as loan officer &/or credit committee are no longer required committees in the amended Credit Union Act/new Regulations.
- **5.05** – housekeeping
- **5.06** – housekeeping
- **5.07** – housekeeping

- **6.06** – housekeeping
- **6.07** – housekeeping
- **6.09** – language outlining term of Board appointment and remuneration of an officer appointed by the Board
- **6.10** – language requiring both an employee and Director to disclose any conflicts of interest
- **6.11** – housekeeping
- **6.12** – amended language pertaining to fidelity bonds
- **7.01** – language obligating the credit union to hold its Annual General Meeting within 120 days of its year end unless another date is authorized by the Superintendent of Financial Services.
- **7.03** – language to modify the order of business to be presented at the Annual General Meeting
- **7.04** – expanded language dealing with Notice of Meeting and the method of communicating the Notice
- **7.05** – housekeeping
- **7.06** – housekeeping
- **7.07** – housekeeping
- **7.08** – housekeeping
- **7.09** – housekeeping
- **7.10** – housekeeping
- **7.11** – new section covering process for mail, electronic and branch balloting
- **7.12** – new language dealing with joint Members and associated voting rights
- **7.13** – housekeeping language dealing with proxies
- **7.14** – new language covering adjournment of membership meetings
- **7.15** – housekeeping
- **7.16** – housekeeping
- **Entire Article Eight** - housekeeping
- **Entire Article Nine** - housekeeping
- **Entire Article Ten** - housekeeping
- **Entire Article Eleven** - housekeeping
- **Entire Article Twelve** – elimination of all language dealing with lending licenses as these no longer exist
- **Entire Article Thirteen** – housekeeping
- **Entire Article Fourteen** – housekeeping
- **Entire Article Fifteen** – housekeeping

RESOLUTION #1

WHEREAS the Credit Union is required to make certain changes to its by-laws as a result of recent amendments to the *Credit Unions and Caisses Populaires Act, 1994* and new regulations passed pursuant to that Act;

NOW THEREFORE BE IT ENACTED, and it is so enacted as a by-law of the Credit Union as follows:

The amendments to the Credit Union’s By-Law No. 1, as presented are hereby confirmed without amendment or variation:

- a) Article One;
- b) Sub-sections 2.01(d) and (e);
- c) Section 2.02;
- d) The addition of a new section 2.04, and amendments to sections 2.04 (renumbered as section 2.05) and 2.05 (renumbered as section 2.06);

- e) The repeal of the existing section 2.07, and its replacement with an entirely new section 2.07;
- f) Article 3;
- g) Section 4.01;
- h) Sub-sections 4.02(a), (b), (c), (e) and (f);
- i) Sections 4.02.1, the insertion of new sections 4.03 and 4.04, and amendments to sections 4.13 (now 4.05), 4.04 (now 4.06), 4.05 (now 4.07), 4.06 (now 4.08), 4.07 (now 4.09), 4.08 (now 4.10), 4.09 (now 4.11), 4.10 (now 4.12), 4.11 (now 4.13), 4.12 (now 4.14), 4.13 (now 4.15), the renumbering only of section 4.14 and 4.16, 4.15 (now 4.17), and 4.16 (now 4.18);
- j) Sub-sections 4.1.03(b) and (d);
- k) Section 5.01;
- l) Sub-sections 5.04(b), (c) and (d), and their renumbering as sub-sections 5.03(b), (c) and (d) if the repeal of the existing section 5.03 is confirmed;
- m) The deletion of the existing section 5.05;
- n) Sections 5.06, 5.07 and 5.08, and their renumbering as sections 5.05, 5.06 and 5.07 (or as sections 5.04, 5.05, and 5.06 if the repeal of the existing section 5.03 is confirmed);
- o) Sections 6.06 and 6.07;
- p) That portion of the proposed amendments to the existing section 6.08 which involve splitting a portion of that section into a new section 6.09;
- q) Sections 6.09, 6.10 and 6.11, and their renumbering as section 6.10, 6.11 and 6.12;
- r) Section 7.01;
- s) Sections 7.02, 7.03, 7.04, 7.05, 7.06, 7.07, 7.08, 7.09, 7.10, 7.11, 7.12, 7.13, 7.14, and 7.15, and their renumbering as section 7.03, 7.04, 7.05, 7.06, 7.07, 7.08, 7.09, 7.10, 7.11, 7.12, 7.13, 7.14, 7.15 and 7.16 if the insertion of a new section 7.02 is confirmed;
- t) Article Eight;
- u) Article Nine;
- v) Article Ten;
- w) Article Eleven;
- x) Article Twelve;
- y) Article Thirteen;
- z) Article Fourteen; and
- aa) Article Fifteen.

Discretionary – Bond of Association

- **Sub section 2.01 (a)** - The current by-law restricts membership at FirstOntario to prescribed municipalities in Ontario and employees of specified companies. To allow for future growth opportunities that may present themselves from time to time, the by-law change being recommended by the Board of Directors allows for an “open” bond of association which means we can accept membership from anywhere in Ontario. This change is consistent with many other large successful and growing Ontario credit unions.

RESOLUTION # 2

WHEREAS the Credit Union wishes to simplify and expand its bond of association;

NOW THEREFORE BE IT ENACTED, and it is so enacted as a by-law of the Credit Union as follows:

1. The amendments to sub-section 2.01(a) of the Credit Union’s By-law No. 1, as presented be hereby confirmed without amendment or variation.

Discretionary – Increase in Minimum Membership Shares

- **Sub section 2.03 (b)** - Each membership share has a value of \$5.00. Currently the maximum number of membership shares that each adult Member is required to hold is 23 shares or \$115.00. The proposed by-law change is to increase the maximum to 30 shares or \$150.00. It’s been the practice of the credit union to fund the annual \$5.00 membership share purchase by way of an annual \$5.00 cash dividend until such time as the maximum number of shares is reached. The Board of Directors plan to maintain this historical practice in the future. As several Members are already at the maximum of 23 shares, increasing the maximum to 30 shares will assist the credit union in building membership share capital.
- **Sub section 2.03 (b) (ii)**: The proposed by-law change would increase the number of years an adult Member has to purchase the maximum number of membership shares from 18 years to 25 years
- The table sets out below the current by-law and proposed by-law change.

	Current By-law	Proposed By-law
Maximum Shares	23	30
Minimum Shares	5	5
Maximum # Of Years	18	25

RESOLUTION # 3

WHEREAS the Credit Union may from time to time increase its liabilities qualifying as regulatory capital by increasing its minimum membership share requirement;

NOW THEREFORE BE IT ENACTED, and it is so enacted as a by-law of the Credit Union as follows:

1. The amendments to sub-section 2.03(b) of the Credit Union’s By-law No. 1, as presented be hereby confirmed without amendment or variation.

Discretionary – Optional Membership Shares

- **Sub section 2.03 (d)** - One of the amendments made to the Credit Union Act/Regulations is provision for credit unions to raise additional membership share capital beyond that set out in sub section 2.03 (b). Under sub section 2.03 (d), the credit union can accept additional optional membership shares to a maximum of 200 or \$1,000.

RESOLUTION # 4

WHEREAS the Credit Union may from time to time increase its liabilities qualifying as regulatory capital by providing Members who might wish to hold additional membership shares in the Credit Union with the opportunity to do so;

NOW THEREFORE BE IT ENACTED, and it is so enacted as a by-law of the Credit Union as follows:

1. The addition of sub-section 2.03(d) to the Credit Union's By-law No. 1, as presented be hereby confirmed without amendment or variation.

Discretionary – Member Statements

- **Sub section 2.09** - The proposed by-law change in sub section 2.09 is to replace the word "passbook" with "statement". This change is to conform to current practice for the majority of our Members who receive a statement over a passbook. Over the past decade, the credit union has worked to enhance the communication value of our Member statement. We view the Member statement as the primary method for communicating all business a Member has with the credit union. The change does not mean a Member can't receive a passbook as the phrase "or other record" is meant to include passbook.

RESOLUTION # 5

WHEREAS the Credit Union wishes to express its preference that Members receive their records pertaining to their accounts in the form of statements rather than passbooks;

NOW THEREFORE BE IT ENACTED, and it is so enacted as a by-law of the Credit Union as follows:

1. The amendments to section 2.09 of the Credit Union's By-law No. 1, as presented be hereby confirmed without amendment or variation.

Discretionary – Board Term Limits

- **Sub section 4.02 (d)** - One of the amendments to the Credit Union Act/Regulations is a requirement for the credit union to impose a maximum number of terms that a Director can serve consecutively. Presently, there are no limitations to the number of years a Director can serve on the Board. The rationale for imposing a maximum number of years a Director can serve on the Board is to ensure new Board Members with new ideas are coming onto the Board. As most Directors are elected for a three year term, the Board recommends that our by-laws be changed to restrict Director term limits to four consecutive terms to a maximum of twelve years. The effective date of this by-law change is December 2009. Therefore, the five Directors who were elected this evening would be impacted by this by-law change while the remaining seven Directors will be impacted in the next two years as their term of office expires.

RESOLUTION # 6

WHEREAS the Credit Union is required to adopt term limits for its Directors, and has determined that it wishes to permit Directors to serve for a maximum of four consecutive terms, to a maximum of twelve consecutive years;

NOW THEREFORE BE IT ENACTED, and it is so enacted as a by-law of the Credit Union as follows:

1. The amendments to section 4.02(d) of the Credit Union's By-law No. 1, as presented be hereby confirmed without amendment or variation.

Discretionary – Voting By Chair

- **Sub section 4.16** - The proposed by-law change to this sub section is to state within our by-laws the right of the Board Chair to vote at a Board meeting. While this right is prescribed within the Credit Union Act/Regulations, the Board recommends that our by-laws clearly state this right.

RESOLUTION # 7

WHEREAS the Credit Union wishes to clarify the voting rights of the Chair of its Board meetings;

NOW THEREFORE BE IT ENACTED, and it is so enacted as a by-law of the Credit Union as follows:

1. The amendments to section 4.14, now 4.16, of the Credit Union's By-law No. 1, as presented be hereby confirmed without amendment or variation.

Discretionary – Removal of Executive Committee

Sub section 5.03 - This sub section deals with the duties and responsibilities of the Executive Committee. Based on an assessment of prudent Board governance practices, the Board has concluded that the Executive Committee is not a required committee. The Board wishes to structure itself in such a way that all areas of responsibility currently delegated to the Executive Committee will be covered by other committees.

- **Sub section 5.03 (a)** - The proposed change in sub section 5.03 (a) is the removal of reference to Executive/Finance Committee.

RESOLUTION # 8

WHEREAS the Credit Union wishes to eliminate the Executive Committee from its by-laws based on the Board's assessment that the duties and role of the Executive Committee will be covered by other committees of the Board;

NOW THEREFORE BE IT ENACTED, and it is so enacted as a by-law of the Credit Union as follows:

1. The deletion of section 5.03, the renumbering of all following sections of Article Five, and the amendments to what becomes section 5.03(a) of the Credit Union's By-law No. 1, as presented be hereby confirmed without amendment or variation.

Discretionary – Realignment of Officers Duties

- **Sub section 6.01** - The proposed by-law change to sub section 6.01 is to ensure our by-laws clearly state that the position of Corporate Secretary, Chair and Vice Chair are Board members. Secondly the by-law is being changed to remove reference to First and Second Vice-Chair and replace it with only Vice Chair. This is more consistent with the Board's preferred governance structure.
- **Sub section 6.02** - The amendments to the Credit Union Act/Regulations require credit unions to impose a maximum number of terms that a Board member can serve as Chair. The proposed by-laws are recommending the Board Chair may not serve for more than three consecutive one year terms. The effective date of this by-law change is December 2009. The present practice is for the Chair to be elected annually.
- **Sub section 6.03** - The change in sub section 6.03 is to remove reference to First and Second Vice-Chair.
- **Sub section 6.04** - The change in sub section 6.04 is to clearly state the Corporate Secretary shall be a Director.
- **Sub section 6.05** - The amended language to sub section 6.05 is to encompass a more general description for the position of the President and Chief Executive Officer.
- **Sub section 6.08** - The change to this sub section is to set out the Board Chair's term of office. Specifically, the term of office is 1 year.

RESOLUTION # 9

WHEREAS the Credit Union wishes to make its by-laws consistent with its practice and eliminate the office of First Vice-Chair and Second Vice-Chair from its by-laws in favour of a single Vice-Chair; convert all references to the "Chief Executive Officer" into references to the "President and Chief Executive Officer"; to require that the Chair, Vice-Chair and Corporate Secretary be Directors and that the President and Chief Executive Officer be an employee; to impose a term limit of three consecutive one-year terms on the Chair of the Board; and to clarify the term of office of the various officers of the Credit Union;

NOW THEREFORE BE IT ENACTED, and it is so enacted as a by-law of the Credit Union as follows:

1. The amendments to sections 6.01, 6.02, 6.03, 6.04, and 6.05, and that portion of the amendments to section 6.08 which do not involve the splitting of a portion of that section into a new section 6.09, of the Credit Union's By-law No. 1, as presented be hereby confirmed without amendment or variation.

Discretionary – Electronic Meetings

- **Sub section 7.02** - The proposed by-law change to sub section 7.02 is to prohibit the hosting of an annual general meeting by way of purely electronic means. The Board has concluded that in addition to the hosting the Annual General Meeting at a physical location, the Board may permit electronic participation in the meeting by way of a simple non-interactive broadcast of the meeting over the World-Wide Web.

RESOLUTION # 10

WHEREAS the Credit Union does not, at this point, envision permitting electronic participation in meetings beyond a simple non-interactive broadcast of its annual general meeting over the World-Wide Web;

NOW THEREFORE BE IT ENACTED, and it is so enacted as a by-law of the Credit Union as follows:

1. The addition of the proposed new section 7.02 to the Credit Union's By-law No. 1, as presented, be hereby confirmed without amendment or variation.

Repeal & Replacement

Now that the membership has approved resolutions 1-10, the Board of Directors have been advised and encouraged by our legal counsel that we approve a resolution encompassing all by-law changes presented and approved this evening as part of the Financial Services Commission of Ontario's acceptance of our by-law amendments.

Resolution # 11

WHEREAS the Credit Union has adopted all of the resolutions amending its by-laws proposed at this meeting without amendment or variation;

AND WHEREAS the Credit Union wishes to submit to the Superintendent, for its files, a single resolution encompassing all of the changes which have been approved.

NOW THEREFORE BE IT ENACTED, and it is so enacted as a by-law of the Credit Union as follows:

The Credit Union's current By-law # 1 be hereby repealed and replaced with the amended By-law # 1 which encompasses resolutions 1 to 10 presented and approved by the Members.