

ASSET TRANSFER AGREEMENT

THIS AGREEMENT is dated as of the ♦ day of ♦, 2021,

BETWEEN:

UNION BAY CREDIT UNION,

a credit union incorporated under the laws of the Province of British Columbia having its head office at 313 McLeod Road, P.O. Box 158, Union Bay, BC V0R 3B0

(the “**Vendor**”)

AND:

FIRST CREDIT UNION,

a credit union incorporated under the laws of the Province of British Columbia having its head office at 4448A Marine Drive, Powell River, BC V8Z 2K2

(the “**Purchaser**”)

WHEREAS:

- A. The Purchaser and the Vendor wish to combine the businesses of their respective credit unions pursuant to the business acquisition by asset transfer provisions of the Act (as hereinafter defined);
- B. The Vendor is a “transferring credit union” pursuant to section 16(1) of the Act and the Purchaser is an “acquiring credit union”;
- C. In accordance with the provisions of the Act, the BCFSa (as hereinafter defined) has consented to this Agreement, a copy of which consent is attached as Schedule “A”;
- D. In accordance with the provisions of the Act, this Agreement has been approved by special resolution of the members of the Vendor; and
- E. It is desirable and in the interests of each of the Vendor and the Purchaser and their respective members that the business acquisition by asset transfer of the Vendor as a transferring credit union should be effected on the terms and conditions set forth in this Agreement.

NOW THEREFORE this Agreement witnesses that in consideration of the mutual covenants and agreements contained herein and other good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged), the parties covenant and agree with each other as follows:

ARTICLE 1
DEFINITIONS AND INTERPRETATION

1.1 **Definitions** - In this Agreement, unless the context otherwise requires:

- (a) **“Act”** means the *Credit Union Incorporation Act*, R.S.B.C. 1996, Chapter 82, as amended from time to time;
- (b) **“Agreement”** means this Asset Transfer Agreement as the same may be amended from time to time and the expressions **“hereof”**, **“herein”**, **“hereto”**, **“hereunder”**, and **“hereby”**, and similar expressions refer to this Agreement and not to any particular provision;
- (c) **“BCFSA”** means the BC Financial Services Authority;
- (d) **“Business Day”** means each day Monday through Friday inclusive other than a day which is a statutory holiday in British Columbia;
- (e) **“Class “D” Payment”** has the meaning ascribed to that term in Article 3.1(c) of this Agreement;
- (f) **“Collective Agreement”** means the collective agreement between the Vendor and the B.C. Government and Service Employees’ Union (BCGEU) with effect from February 1, 2018 to January 31, 2021, and, upon expiry, its replacement or successor agreement;
- (g) **“Delivery Date”** means June 10, 2021, or such other earlier or later date as the Vendor and the Purchaser may agree in writing;
- (h) **“Depositor”** means a person having money on deposit with the Vendor;
- (i) **“Effective Date”** means July 1, 2021, or such other date specified by the BCFSA as the effective date of the transfer of the Vendor’s Assets and set out in the certificate of business acquisition issued by the Registrar pursuant to section 16(8)(b) of the Act;
- (j) **“Effective Time”** means 12:02 a.m. (Pacific Time) on the Effective Date;
- (k) **“Excess Membership Shares”** has the meaning ascribed to that term in Article 3.1(b) of this Agreement;
- (l) **“Financial Statements”** has the meaning ascribed to that term in Article 4.1(c) of this Agreement;
- (m) **“IFRS”** means International Financial Reporting Standards as adopted by the Accounting Standards Board, as those standards are amended from time to time;
- (n) **“Memorandum of Understanding”** means the Memorandum of Understanding dated as of April 15, 2020, between the Vendor and the Purchaser, a copy of which is attached as Schedule “F”;

- (o) **“Non-Disclosure Agreement”** means the Non-Disclosure Agreement dated as of January 10, 2020, between the Vendor and Purchaser;
- (p) **“Personal Information”** has the meaning ascribed to that term in the *Personal Information Protection Act*, S.B.C. 2003, Chapter 63, as amended from time to time;
- (q) **“Purchaser’s Solicitors”** means Edwards, Kenny & Bray LLP of Vancouver, British Columbia;
- (r) **“Redemption Value”** has the meaning ascribed to that term in Article 3.3 of this Agreement;
- (s) **“Registrar”** has the meaning ascribed to that term in the Act;
- (t) **“Rules”** means the rules of the Purchaser or the Vendor, as the case may be, as described in section 7 of the Act;
- (u) **“Shareholder”** means a person recorded in the records of the Vendor as the owner of a share or shares of the Vendor, whether or not a member of the Vendor;
- (v) **“Vendor Nominees”** has the meaning ascribed to that term in Article 7.7 of this Agreement;
- (w) **“Vendor’s Assets”** means all of the rights, property and assets of the Vendor of whatever nature and kind, real or personal, and wherever situated, owned by the Vendor on the Effective Date immediately prior to the Effective Time, including, without limiting the generality of the foregoing, all indebtedness owed to the Vendor, all actions and causes of action, all choses in action, all agreements, records and evidences of indebtedness due to it, all securities held by it with respect to any indebtedness due to it, all cash on hand and in any bank or invested in shares of, on deposit with or held in trust by Central 1 Credit Union, all bonds, shares, stocks or other securities held by it, all lands and all furnishings, furniture and equipment owned by it, all trademarks, trade names, copyrights, goodwill and the right to represent itself as carrying on the Vendor’s Business and the right to use the name “Union Bay Credit Union” or any variation thereof;
- (x) **“Vendor’s Business”** means the business carried on by the Vendor immediately prior to the Effective Time on the Effective Date; and
- (y) **“Vendor’s Liabilities”** means each and every indebtedness and liability of the Vendor, present and future, direct or indirect, absolute or contingent to any and all persons, including, without limiting the generality of the foregoing, the liability of the Vendor to Depositors for monies on deposit with the Vendor and to Shareholders with respect to monies invested in shares of the Vendor.

1.2 **Headings** - The headings herein are inserted for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

- 1.3 **Invalidity of Any Provision** - If any covenant, obligation or provision contained in this Agreement shall be invalid or unenforceable, the remainder of this Agreement shall not be affected thereby and each covenant, obligation or provision of this Agreement shall separately be valid and enforceable to the fullest extent permitted by law.
- 1.4 **Amendments** - This Agreement may only be amended from time to time in writing under seal of each of the Vendor and the Purchaser.
- 1.5 **Number and Gender** - In this Agreement, words in the singular include the plural and *vice versa* and words in one gender include all genders.
- 1.6 **Governing Law** - This Agreement shall be governed by, and construed in accordance with, the laws of the Province of British Columbia and the laws of Canada applicable therein and each of the parties submits to the jurisdiction of the Courts of British Columbia with respect to this Agreement.
- 1.7 **Date for Action** - If any date on which any action required to be taken hereunder by either party is not a Business Day, such action shall be required to be taken on the next following Business Day.
- 1.8 **Duty to Act Reasonably** - Wherever any matter hereunder is subject to approval or consent of one party, that party shall not unreasonably withhold or delay such approval or consent.
- 1.9 **Time of the Essence** - Time shall be of the essence of this Agreement.
- 1.10 **Schedules** - The following schedules are attached hereto and form part of this Agreement:
- (a) Schedule "A" – BCFSAs Consent;
 - (b) Schedule "B" – Vendor's Financial Statements;
 - (c) Schedule "C" – Purchaser's Common Bond;
 - (d) Schedule "D" – Purchaser's Services;
 - (e) Schedule "E" – Employment Matters;
 - (f) Schedule "F" – Memorandum of Understanding.

ARTICLE 2

TRANSFER OF ASSETS AND ASSUMPTION OF LIABILITIES

- 2.1 **Transfer of the Vendor's Assets** - Upon the terms and subject to the conditions hereof, the Vendor agrees to transfer to the Purchaser, and the Purchaser agrees to acquire from the Vendor, all the Vendor's Assets as of the Effective Time.
- 2.2 **Assumption of Liabilities** - In consideration of the acquisition by the Purchaser of the Vendor's Assets, the Purchaser agrees to assume, as of the Effective Time, all the Vendor's Liabilities.

- 2.3 **Deposits** - Without limiting the generality of Article 2.2, as of the Effective Time, the Purchaser shall assume the obligations of the Vendor to each Depositor on a dollar-for-dollar basis on the amount of deposits of each Depositor with the Vendor and on the same terms and conditions with respect to each deposit as existed between the Vendor and each Depositor at the time the asset transfer contemplated hereunder takes effect.
- 2.4 **No Exclusions** - For the purposes of sections 16(2)(e) and (f) of the Act, the Vendor and the Purchaser acknowledge and agree that none of the assets of the Vendor are excluded from the Vendor's Assets and that none of the liabilities of the Vendor are excluded from the Vendor's Liabilities.
- 2.5 **Income Tax Act (Canada)** - It is the intention of the Vendor and the Purchaser that the transfer and distribution of the Vendor's Assets as contemplated by the terms and conditions hereof shall take place pursuant to subsection 88(1) of the *Income Tax Act* (Canada).

ARTICLE 3 SHARES

- 3.1 **Share Exchange** - Effective at 12:01 a.m. (Pacific Time) on the Effective Date and prior to the Effective Time, the shares of the Vendor will be exchanged for shares of the Purchaser as follows:
- (a) subject to Article 3.1(b) below, each Class "A" Membership Equity Share of the Vendor will be exchanged for one fully paid Class "A" Membership Equity Share of the Purchaser, up to a maximum of 1,000 Class "A" Membership Equity Shares of the Purchaser per Shareholder;
 - (b) if any member of the Vendor holds more than 1,000 Class "A" Membership Equity Shares of the Vendor or any member of the Vendor, who is already a member of the Purchaser, would hold more than 1,000 Class "A" Membership Equity Shares of the Purchaser after the share exchange described above in Article 3.1(a), the Class "A" Membership Equity Shares in excess of 1,000, either alone or in combination with Class "A" Membership Equity Shares of the Purchaser held prior to the share exchange contemplated above (in either case, the "**Excess Membership Shares**"), will not be exchanged for Class "A" Membership Equity Shares of the Purchaser. In such case, an amount of \$1.00 shall be made available for each of the Excess Membership Shares which are not exchanged for Class "A" Membership Equity Shares of the Purchaser by depositing such amount in the demand deposit account held with the Purchaser which is in the name of the Shareholder of the Excess Membership Shares not exchanged;
 - (c) no Class "D" Non-Equity Shares of the Vendor will be exchanged for shares of the Purchaser. An amount of \$1.00 will be made available for each Class "D" Non-Equity Share of the Vendor held by any Shareholder by depositing such amount (the "**Class "D" Payment**") in accordance with the directions of such Shareholder in either: (i) the demand deposit account held with the Purchaser which is in the name of the Shareholder of the Class "D" Non-Equity Share; or (ii) a term deposit or other financial product of the Purchaser as may be directed by such Shareholder; provided that if such Shareholder does not provide directions to the Purchaser in respect of the Class D

Payment, then such Class D Payment will be deposited in the demand deposit account held with the Purchaser which is in the name of the Shareholder;

(d) the unissued shares of the Vendor will not be exchanged for shares of the Purchaser and will be cancelled on the Effective Date.

3.2 **Incorporated Companies** - Any incorporated company that is a member of the Vendor, but does not hold 100 Class "A" Membership Equity Shares of the Vendor, will be given the opportunity to subscribe and fully pay for additional Class "A" Membership Equity Shares of the Purchaser as required to reach the number of Class "A" Membership Equity Shares required for membership under the Rules of the Purchaser on the Effective Date or any time thereafter, and upon doing so shall become a member of the Purchaser provided that such party has satisfied all other conditions of membership as set out in the Act and the Rules of the Purchaser.

3.3 **Fair Market Value** - As the Class "A" Membership Equity Shares of the Vendor are, pursuant to the Vendor's Rules, to be purchased or redeemed at an amount equal to the sum of the par value of each Class "A" Membership Equity Share (\$1.00) plus any dividends declared by unpaid thereon (the "**Redemption Value**"), a willing purchaser acting in good faith and at arm's length in the open market would only pay the Redemption Value for a Class "A" Membership Equity Share of the Vendor. Accordingly, notwithstanding that the right of redemption as contemplated by section 24 of the Act is inapplicable to membership shares, the parties have determined for the purposes of this Agreement and sections 16(2)(d) and 24 of the Act that the fair market value of each Class "A" Membership Equity Share is the Redemption Value of the share.

3.4 **Purchaser Not a Member of Vendor** - Notwithstanding the exchange of shares provided for in Article 3.1, it is understood and agreed that the Purchaser does not thereby become a member of the Vendor. However, each member of the Vendor receiving Class "A" Membership Equity Shares of the Purchaser will become a member of the Purchaser entitled to participate in and use the services of the Purchaser as set out in this Agreement.

3.5 **Income Tax Act (Canada)** - It is the intention of the Vendor and the Purchaser that the exchange of shares as contemplated by the terms and conditions hereof shall take place pursuant to subsection 85.1 of the *Income Tax Act* (Canada).

ARTICLE 4 REPRESENTATIONS AND WARRANTIES OF THE VENDOR

4.1 The Vendor represents and warrants to the Purchaser that:

(a) **Status of the Vendor** - The Vendor is a credit union duly incorporated, validly existing and in good standing under the laws of the Province of British Columbia with respect to the filing of annual reports and has the power and capacity to own the Vendor's Assets and to carry on the Vendor's Business;

(b) **Authority to Sell** - The execution and delivery of this Agreement and the completion of the transactions contemplated hereby have been duly and validly authorized by all necessary corporate action on the part of the Vendor and this Agreement constitutes a legal, valid and binding obligation of the Vendor enforceable against the Vendor in accordance with its terms except as may be limited by laws of general application

affecting the rights of creditors and subject to compliance with the provisions of the *Competition Act* (Canada) relating to notifiable transactions;

- (c) **Financial Statements** - The audited financial statements of the Vendor for the fiscal year ending on December 31, 2020, a copy of which is attached as Schedule "B" (the "**Financial Statements**"), have been prepared in accordance with IFRS and present fairly and correctly the Vendor's Assets and the Vendor's Liabilities and the financial condition of the Vendor as of the date of the Financial Statements and of the operations of the Vendor during the period covered by such statements;
- (d) **Transaction Will Not Cause Default** - Neither the execution and delivery of this Agreement nor the completion of the transactions contemplated herein will:
 - (i) violate any of the terms and provisions of the constating documents or the Rules of the Vendor or any resolution of the directors or members of the Vendor, or any order, decree, bylaw, regulation, covenant or restriction applicable to the Vendor or any of the Vendor's Assets, provided the parties comply with the provisions of the *Competition Act* (Canada) relating to notifiable transactions;
 - (ii) give any person any right of termination, cancellation or acceleration with respect to any agreement, instrument or other document to which the Vendor is a party or the Vendor or any of the Vendor's Assets is subject or from which the Vendor derives a benefit save to the extent that the consent of third parties is required to assign any leasehold property of the Vendor or any material contracts of the Vendor;
 - (iii) result in the creation of a lien, encumbrance or other charge of any kind or nature whatsoever on any of the Vendor's Assets; or
 - (iv) result in any fees, duties, taxes, assessments or other amounts relating to any of the Vendor's Assets becoming due or payable other than only property transfer tax (if any), provincial sales tax, federal goods and services tax, and fees payable to the BCFSa or the Registrar in connection with the transactions contemplated herein;
- (e) **Assets** - The Vendor owns and possesses and has good and marketable title to the Vendor's Assets, free and clear of all mortgages, liens, charges, pledges, security interests, encumbrances or other claims whatsoever except for security perfected by the following financing statements registered in the British Columbia Personal Property Registry:
 - (i) transition financing statement registered under base registration # 4696610 in favour of Central 1 Credit Union;
 - (ii) transition financing statement registered under base registration # 4696613 in favour of Central 1 Credit Union;

- (iii) financing statement registered under base registration # 423934A in favour of Central 1 Credit Union as amended by renewal # 725206G and renewal # 952647J; and
 - (iv) financing statement registered under base registration # 131148L in favour of GM Financial Canada Leasing Ltd.
- (f) **Books and Records** - The books and records of the Vendor fairly and correctly set out and disclose in all material respects, in accordance with IFRS, the financial position of the Vendor and all material financial transactions of the Vendor relating to the Vendor's Business have been accurately recorded in such books and records;
- (g) **Material Change** - Since the date of the statement of financial position included in the Financial Statements there has not been:
- (i) any material change in the financial condition of the Vendor's Business, the Vendor's Liabilities or the Vendor's Assets other than changes in the ordinary course of business, none of which has been materially adverse;
 - (ii) any damage, destruction, loss or other event (whether or not covered by insurance) materially and adversely affecting the Vendor's Assets or the Vendor's Business;
 - (iii) any material increase in the compensation payable or to become payable by the Vendor to any of its officers, employees or agents or any bonus, payment or arrangement made to or with any of them, save and except as agreed to in writing by the Purchaser;
- (h) **Auxiliary Members** - The Vendor has no "auxiliary members" as that expression is defined in the Act and the Vendor will have no auxiliary members on the Effective Date;
- (i) **Disclosure** - The Vendor has disclosed to the Purchaser all material facts which if known by a prospective purchaser of the Vendor's Assets might reasonably have a bearing on the prospective purchaser's decision as to whether or not to purchase the Vendor's Assets and assume the Vendor's Liabilities;
- (j) **Litigation** - Except for collection litigation by the Vendor in the ordinary course of business and as otherwise disclosed in writing by the Vendor to the Purchaser, there is no litigation or administrative or governmental proceeding or inquiry pending or, to the knowledge of the Vendor, threatened against or relating to the Vendor or the Vendor's Business or any of the Vendor's Assets nor does the Vendor know of or have reasonable grounds for believing that there is any basis for any such action, proceeding or enquiry;
- (k) **Conformity with Laws** - All governmental licenses and permits required for the conduct in the ordinary course of the operations of the Vendor's Business and the uses to which the Vendor's Assets have been put, have been obtained and are in good standing and such conduct and uses are not in breach of any statute, bylaw, regulation, covenant, restriction, plan or permit;

- (l) **Terms of Employment** - Other than the Collective Agreement, the Vendor is not a party to any collective agreement relating to the Vendor's Business with any labour union or other association of employees, no part of the Vendor's Business has been certified as a unit appropriate for collective bargaining and, except as otherwise disclosed in writing to the Purchaser, there is no employee who has an individual contract of employment with the Vendor;

- (m) **Shares** -
 - (i) the Vendor has issued no equity shares to its members other than Class "A" Membership Equity Shares of the Vendor, which have been issued to each member of the Vendor, at an issue price of \$1.00 each;
 - (ii) the only other shares (other than equity shares) issued by the Vendor are its Class "D" Non-Equity Shares, having a par value of \$1.00 each; and
 - (iii) except as disclosed in writing by the Vendor to the Purchaser on or before the date of this Agreement, there are no declared and unpaid dividends on any of the Vendor's shares and there are no unpaid bonuses, interest refunds or patronage refunds owing to the Vendor's members.

4.2 **Reliance on Representations and Warranties** - The Vendor acknowledges that the Purchaser intends to and shall rely on the foregoing representations and warranties in entering into this Agreement and in concluding the transactions contemplated hereby.

ARTICLE 5 COVENANTS OF THE VENDOR

- 5.1 **Conduct of the Vendor's Business** - Between the date of this Agreement and the Effective Date, except as agreed to in writing by the Purchaser, the Vendor will conduct its business diligently and only in the ordinary course and will use its best efforts to preserve the Vendor's Assets intact, to keep available to the Purchaser the Vendor's present employees and to preserve for the Purchaser the Vendor's relationship with its members and others having business relations with it.

- 5.2 **Access by the Purchaser** - The Vendor will give to the Purchaser and the Purchaser's counsel, accountants and other representatives full access, during normal business hours throughout the period between the date of this Agreement and the Effective Time to all of the properties, books, contracts, commitments and records of the Vendor relating to the Vendor's Business, the Vendor's Assets and the Vendor's Liabilities and will furnish to the Purchaser during such period all such information as the Purchaser may reasonably request.

- 5.3 **Disclosure** - If, on or before the Effective Date, any new or conflicting material information about the Vendor or the Vendor's Business from that previously disclosed to the Purchaser comes to the attention of the Vendor, the Vendor shall provide such new or conflicting material information to the Purchaser as soon as reasonably possible thereafter.

- 5.4 **Insurance** - From the date of this Agreement until the Effective Date, the Vendor will maintain in full force and effect the policies of insurance presently in force and if requested by the

Purchaser will cause the Purchaser to be added as a named insured under all such policies and to remain as a named insured until the Effective Date.

- 5.5 **Procure Consents** - The Vendor shall diligently take all reasonable steps necessary to obtain all consents required to vest in the Purchaser all of the Vendor's Assets.
- 5.6 **Leases** - The Vendor will cause its leases of any real or personal property to be assigned to the Purchaser or its successor, each with the prior consent of the lessor confirmed in writing if required by the terms of the lease.
- 5.7 **Contact Information** - The Vendor will cause its telephone numbers, internet access and other communication channels to be assigned to the Purchaser or its successor, each with the prior consent of the service provider where required.
- 5.8 **Employees** - The Vendor agrees with the Purchaser on various employment matters as set out in Schedule "E" hereto.
- 5.9 **Material Contracts, Dividends and Other Payments** - Between the date of this Agreement and the Effective Date, the Vendor shall not, without the prior written consent of the Purchaser:
- (a) enter any material contracts, agreements or obligations that are out of the ordinary course of business and would be binding upon the Purchaser following the Effective Date, including, but not limited to, any employment agreements with management of the Vendor; or
 - (b) incur an unbudgeted expense in excess of \$25,000 or initiate a distribution of current earnings or capital in excess of \$25,000 (in aggregate), except for expenses in relation to employee variable pay, patronage allocations or dividends, if incurred, distributed or paid in accordance with established policies and procedures for the Vendor in a manner consistent with prior years.
- 5.10 **Memorandum of Understanding** - The Vendor hereby agrees with the Purchaser that any matters set out in the Memorandum of Understanding which have not otherwise been specifically addressed in this Agreement will be dealt with as provided in the Memorandum of Understanding. In the event of a conflict between the Memorandum of Understanding and this Agreement, the terms of this Agreement will govern.

ARTICLE 6 REPRESENTATIONS AND WARRANTIES OF THE PURCHASER

- 6.1 The Purchaser represents and warrants to the Vendor that:
- (a) **Status of the Purchaser** - The Purchaser is a credit union duly incorporated, validly existing and in good standing under the laws of the Province of British Columbia with respect to the filing of annual reports and has the power and capacity to purchase the Vendor's Assets;
 - (b) **Authority to Purchase** - The execution and delivery of this Agreement and the completion of the transactions contemplated hereby have been duly and validly

authorized by all necessary corporate actions of the Purchaser and this Agreement constitutes a legal, valid and binding obligation of the Purchaser enforceable against the Purchaser in accordance with its terms except as may be limited by laws of general application affecting the rights of creditors and subject to compliance with the provisions of the *Competition Act* (Canada) relating to notifiable transactions;

- (c) **Transaction Will Not Cause Default** - Neither the execution and delivery of this Agreement, nor the completion of the transactions contemplated herein will violate any of the terms and provisions of the constating documents or the Rules of the Purchaser or any resolution of the directors or members of the Purchaser, or any order, decree, bylaw, regulation, covenant or restriction applicable to the Purchaser or any of the Purchaser's assets, provided the parties comply with the provisions of the *Competition Act* (Canada) relating to notifiable transactions;
 - (d) **Common Bond** - The common bond of membership of the Purchaser on and after the Effective Date, until amended in accordance with the Act, shall be the present common bond of the Purchaser as is set forth in Schedule "C" hereto;
 - (e) **Head Office** - The location of the head office of the Purchaser immediately after the Effective Date shall be the current head office of the Purchaser in Powell River, British Columbia;
 - (f) **Disclosure** - The Purchaser has disclosed to the Vendor all material facts which if known by a prospective vendor of the Vendor's Assets might reasonably have a bearing on the prospective vendor's decision as to whether or not to sell the Vendor's Assets and have the Purchaser assume the Vendor's Liabilities;
 - (g) **Conformity with Laws** - All governmental licenses and permits required for the conduct in the ordinary course of the operations of the Purchaser's business and the uses to which the Purchaser's assets may be put, have been obtained and are in good standing and such conduct and uses are not in breach of any statute, bylaw, regulation, covenant, restriction, plan or permit;
 - (h) **Dividends** - Except as disclosed in writing by the Purchaser to the Vendor on or before the date of this Agreement, there are no declared and unpaid dividends on any of the Purchaser's shares and there are no unpaid bonuses, interest refunds or patronage refunds owing to the Purchaser's members;
 - (i) **Litigation** - Except for collection litigation by the Purchaser in the ordinary course of business and as otherwise disclosed in writing by the Purchaser to the Vendor, there is no litigation or administrative or governmental proceeding or inquiry pending or, to the knowledge of the Purchaser, threatened against or relating to the Purchaser or the Purchaser's business or any of the Purchaser's assets nor does the Purchaser know of or have reasonable grounds for believing that there is any basis for any such action, proceeding or enquiry.
- 6.2 **Reliance on Representations and Warranties** - The Purchaser acknowledges that the Vendor intends to and shall rely on the foregoing representations and warranties in entering into this Agreement and in concluding the transactions contemplated hereby.

**ARTICLE 7
COVENANTS OF THE PURCHASER**

- 7.1 **Conduct of the Purchaser's Business** - Between the date of this Agreement and the Effective Date, the Purchaser will conduct its business diligently and only in the ordinary course.
- 7.2 **Disclosure** - If, on or before the Effective Date, any new or conflicting material information about the Purchaser or its business from that previously disclosed to the Vendor comes to the attention of the Purchaser, the Purchaser shall provide such new or conflicting material information to the Vendor as soon as reasonably possible thereafter.
- 7.3 **Services** - The Purchaser covenants and agrees with the Vendor that the services the Purchaser offers to its members and proposes to extend to members of the Vendor are the comprehensive range of services set forth in Schedule "D" hereto.
- 7.4 **Employees** - The Purchaser agrees with the Vendor on various employment matters as set out in Schedule "E" hereto.
- 7.5 **Branches** - The Purchaser covenants with the Vendor that there will be no reduction in the days or hours of operation of the branches of the Vendor immediately following the Effective Date; provided, however, that the days and hours of operation of all branches of the Purchaser are subject to periodic review.
- 7.6 **Financial Statements** - The Purchaser will provide to members of the Vendor a copy of the audited consolidated financial statements of the Purchaser for the fiscal year ending on December 31, 2020, upon request of the member.
- 7.7 **Directors** - As of the Effective Date, the directors of the Purchaser shall, by resolution, appoint as additional directors of the Purchaser three nominees of the Vendor, whose terms shall be assigned to a one, two and three-year term, respectively, by the Vendor (the "**Vendor Nominees**"). The Vendor Nominees shall be individuals who are directors of the Vendor immediately prior to the Effective Date. If a Vendor Nominee ceases to be a director of the Vendor for any reason prior to the Effective Date, the Vendor may appoint a replacement nominee from the directors of the Vendor. With the addition of the three Vendor Nominees, the number of directors of the Purchaser, together with the nine existing directors of the Purchaser, shall be 12. Upon expiration or earlier termination of the term of any of the Vendor Nominees for any reason whatsoever, no person will be elected or appointed to fill the vacancy and the number of directors on the Board of Directors of the Purchaser shall be reduced accordingly.
- 7.8 **Chief Executive Officer** - At the Effective Date, the Chief Executive Officer of the Purchaser shall be the person who is the Chief Executive Officer of the Purchaser immediately prior to the Effective Date.
- 7.9 **Name** - The name of the Purchaser on and after the Effective Date, until amended in accordance with the Act, shall be "First Credit Union".
- 7.10 **Personal Information** - The Purchaser shall:

- (a) only use or disclose Personal Information disclosed to the Purchaser by the Vendor for the same purposes for which it was collected, used or disclosed by the Vendor; and
- (b) notify the employees, customers, directors, officers and members whose Personal Information the Vendor has disclosed to the Purchaser without consent that the transactions contemplated by this Agreement have taken place and that Personal Information about them has been disclosed to the Purchaser.

7.11 **Memorandum of Understanding** - The Purchaser hereby agrees with the Vendor that any matters set out in the Memorandum of Understanding which have not otherwise been specifically addressed in this Agreement will be dealt with as provided in the Memorandum of Understanding. In the event of a conflict between the Memorandum of Understanding and this Agreement, the terms of this Agreement will govern.

ARTICLE 8 CONDITIONS PRECEDENT

8.1 **Purchaser's Conditions Precedent** - This Agreement and the obligations of the Purchaser under this Agreement are subject to the fulfilment of the following conditions:

- (a) the Vendor's representations and warranties contained in this Agreement shall be true at and as of the Delivery Date as though such representations and warranties were made as of such time;
- (b) the Vendor shall have performed and complied with all covenants, agreements and conditions required by this Agreement to be performed or complied with by it at or prior to the Delivery Date;
- (c) there shall have been no event, condition, change of circumstances or other fact in relation to the Vendor which has occurred between the date of this Agreement and the Delivery Date that has had a material adverse impact on the Vendor or will have a material adverse impact on the business of the Purchaser upon completion of the transactions contemplated herein;
- (d) the Purchaser shall have received from the Vendor a certified copy of resolutions of the directors of the Vendor nominating the Vendor Nominees and assigning a one, two and three-year term, respectively, to the Vendor Nominees;
- (e) the parties shall have submitted the prescribed pre-notification materials to the federal Competition Bureau pursuant to the *Competition Act* (Canada) and received confirmation of receipt of such materials and the applicable waiting period shall have expired and the parties shall have received notice from the Competition Bureau that it is of the view that there are not sufficient grounds to initiate proceedings under the merger provisions of the *Competition Act* (Canada) or the provisions of the *Competition Act* (Canada) are otherwise satisfied.

8.2 **Waiver** - The conditions described in Article 8.1 are for the exclusive benefit of the Purchaser and any such condition may be waived in whole or in part by the Purchaser.

- 8.3 **Non-Fulfilment of Purchaser's Conditions** - If, by the Delivery Date, any of the conditions described in Article 8.1 have not been fulfilled or waived by the Purchaser, this Agreement will be null and void and of no force and effect whatsoever.
- 8.4 **Deemed Fulfilment of Purchaser's Conditions** - Upon the Purchaser delivering a copy of this Agreement to the BCFSa pursuant to Article 9.2 hereof, the conditions set forth in Article 8.1 will be deemed to have been fulfilled.
- 8.5 **Notice to Vendor** - If, by the date by which the Purchaser is to deliver a copy of this Agreement to the BCFSa in accordance with Article 9.2, the Purchaser is of the opinion that any of the conditions set forth in Article 8.1 have not been fulfilled and the Purchaser is unwilling to waive the conditions, the Purchaser shall deliver to the Vendor a notice:
- (a) specifying in what respect the conditions have not been fulfilled; and
 - (b) advising the Vendor that the Purchaser will not be delivering a copy of this Agreement to the BCFSa in accordance with Article 9.2 hereof.
- 8.6 **Vendor's Conditions Precedent** - This Agreement and the obligations of the Vendor under this Agreement are subject to the fulfilment of the following conditions:
- (a) the Purchaser's representations and warranties contained in this Agreement shall be true at and as of the Delivery Date as though such representations and warranties were made as of such time;
 - (b) the Purchaser shall have performed and complied with all covenants, agreements and conditions required by this Agreement to be performed or complied with by it at or prior to the Delivery Date;
 - (c) there shall have been no event, condition, change of circumstances or other fact in relation to the Purchaser which has occurred between the date of this Agreement and the Delivery Date that has had a material adverse impact on the Purchaser;
 - (d) the Vendor shall have received from the Purchaser a certified copy of resolutions of the directors of the Purchaser appointing the Vendor Nominees as additional directors of the Purchaser as of the Effective Date and assigning the Vendor Nominees to the one, two and three-year terms identified in the resolution of the directors of the Vendor as contemplated in Article 8.1(d);
 - (e) the parties shall have submitted the prescribed pre-notification materials to the federal Competition Bureau pursuant to the *Competition Act* (Canada) and received confirmation of receipt of such materials and the applicable waiting period shall have expired and the parties have received notice from the Competition Bureau that it is of the view that there are not sufficient grounds to initiate proceedings under the merger provisions of the *Competition Act* (Canada) or the provisions of the *Competition Act* (Canada) are otherwise satisfied.
- 8.7 **Waiver** - The conditions described in Article 8.6 are for the exclusive benefit of the Vendor and any such condition may be waived in whole or in part by the Vendor.

- 8.8 **Non-Fulfilment of Vendor's Conditions** - If, by the Delivery Date, any of the conditions described in Article 8.6 have not been fulfilled or waived by the Vendor, this Agreement will be null and void and of no force and effect whatsoever.
- 8.9 **Deemed Fulfilment of Vendor's Conditions** - Upon the Vendor delivering three certified copies of the resolution referred to in Article 9.1 hereof to the Purchaser, the conditions set forth in Article 8.6 will be deemed to have been fulfilled.
- 8.10 **Notice to Purchaser** - If by the Delivery Date the Vendor is of the opinion that any of the conditions set forth in Article 8.6 have not been fulfilled and the Vendor is unwilling to waive the conditions, the Vendor shall deliver to the Purchaser a notice:
- (a) specifying in what respect the conditions have not been fulfilled; and
 - (b) advising the Purchaser that the Vendor will not be delivering three certified copies of the resolution referred to in Article 9.1 hereof.
- 8.11 **Fulfilment of Conditions** - If the conditions set out in Article 8.1 and 8.6 are fulfilled or waived by the date by which the Purchaser is to deliver a copy of this Agreement to the BCFSA in accordance with Article 9.2, then:
- (a) this Agreement shall constitute the absolute sale, transfer and assignment of all of the Vendor's Assets to the Purchaser pursuant to section 18 of the Act, upon the terms and conditions herein set forth;
 - (b) this Agreement shall be binding upon the Vendor and the Purchaser and each of the members and shareholders of the Vendor and the Purchaser; and
 - (c) without any further act or deed, as of the Effective Date:
 - (i) the Vendor shall cease to carry on business;
 - (ii) all the Vendor's Assets shall be transferred to and vested in the Purchaser;
 - (iii) all of the Vendor's Liabilities:
 - A. shall be transferred to and assumed by the Purchaser;
 - B. shall become the obligations and liabilities of the Purchaser; and
 - C. shall become enforceable against the Purchaser as if the Purchaser had incurred them; and
 - (iv) each member of the Vendor will become a member of the Purchaser and will remain a member of the Purchaser until the membership ceases in accordance with the provisions of the Act or the Rules of the Purchaser.

**ARTICLE 9
PROCEDURES**

- 9.1 **Delivery by the Vendor to the Purchaser** - Not earlier than the Delivery Date and not later than three Business Days after the Delivery Date, the Vendor shall deliver to the Purchaser four executed copies of this Agreement and three certified copies of a special resolution of its members passed in accordance with section 16(4)(a) of the Act.
- 9.2 **Delivery by the Purchaser to the BCFSA** - Not later than three Business Days after the date the executed agreements and certified copies of the resolution are delivered to it by the Vendor pursuant to Article 9.1, the Purchaser shall deliver to the BCFSA three fully executed copies of this Agreement together with those certified copies of the resolution delivered to it by the Vendor.
- 9.3 **Prohibition** - The Vendor shall not deliver to the BCFSA any of the documentation described in Article 9.2, it being the intention of the parties that the Purchaser shall co-ordinate the delivery of such documentation to the BCFSA. The Vendor shall be relieved of the prohibition described in this Article 9.3 if the Purchaser fails to deliver the documentation described in Article 9.2 to the BCFSA within the time period referred to therein.
- 9.4 **Documents to be Delivered by the Vendor** - Prior to the Effective Date, the Vendor shall deliver or cause to be delivered to the Purchaser's Solicitors (unless otherwise directed by the Purchaser), in trust, the following, to be released from trust to the Purchaser only upon issuance of a certificate of business acquisition pursuant to section 16(8)(b) of the Act:
- (a) all deeds of conveyance, bills of sale, transfers and assignments executed by the Vendor, in form and content satisfactory to the Purchaser's Solicitors, appropriate to effectively vest good and marketable title to the Vendor's Assets in the Purchaser to the extent contemplated by this Agreement, and immediately registerable in all places where registration of such instruments is required; and
 - (b) all consents or approvals required to be obtained by the Vendor.

**ARTICLE 10
NOTICES**

- 10.1 **Notices** - All notices which may or are required to be given herein or pursuant to this Agreement shall be in writing and shall be given personally by serving the same upon any officer of the party to be served or by mail by posting the same by prepaid registered mail addressed:
- (a) to the Vendor at:

Union Bay Credit Union
313 McLeod Road
P.O. Box 158
Union Bay, BC V0R 3B0

Attention: Chief Executive Officer

(b) to the Purchaser at:

First Credit Union
4448A Marine Drive
Powell River, BC V8Z 2K2

Attention: Chief Executive Officer

or such other addresses as the parties may advise by notice in writing and any such notice shall be deemed to have been received and effectively served, if mailed, the second Business Day following posting and if served personally, on the day of delivery.

- 10.2 **Delays** - In the event that, at the time a notice is mailed as provided in Article 10.1 or at any time during the period of two Business Days following such mailing, postal or airline or airport employees are engaged in a strike, work slowdown or other work stoppage at the place at which the notice is mailed or at the place to which the notice is mailed or at any point through which such notice must pass, such notice shall be deemed to have been given and received at the time when such notice would be received in the ordinary course of mailings, allowing for such strikes, work slowdown or other work stoppage.

ARTICLE 11 GENERAL

- 11.1 **Further Assurances** - The parties hereto shall execute such further and other documents and do such further and other things as may be necessary to carry out and give effect to the intent of this Agreement.
- 11.2 **Entire Agreement** - This Agreement, together with the Non-Disclosure Agreement and the schedules attached hereto, constitutes the entire agreement between the parties in respect of its subject matter and there are no representations or warranties, express or implied, statutory or otherwise and no agreements collateral hereto other than as expressly set forth or referred to herein.
- 11.3 **Assignment** - Neither the Purchaser nor the Vendor may assign its rights or obligations under this Agreement.
- 11.4 **Binding Effect** - This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective successors.
- 11.5 **Counterparts** - This Agreement may be executed by the parties in any number of counterparts, each of which when so executed by one or more of the parties to this Agreement shall be deemed to be an original, and such counterparts taken together shall constitute one and the same instrument.

[Remainder of page is intentionally left blank. Signature page follows.]

IN WITNESS WHEREOF each of the Vendor and the Purchaser has executed this Agreement under seal as of the day and year first above written.

THE CORPORATE SEAL OF **UNION BAY CREDIT**)
UNION was hereunto affixed in the presence of:)
)
)
_____)
Authorized Signatory) C/S
)
_____)
Authorized Signatory)

THE CORPORATE SEAL OF **FIRST CREDIT UNION**)
was hereunto affixed in the presence of:)
)
)
_____)
Authorized Signatory) C/S
)
_____)
Authorized Signatory)

SCHEDULE "A"
BCFSA'S CONSENT

See attached.

Ms. Linda Bowyer
Chief Executive Officer
First Credit Union
4448A Marine Avenue
Powell River, BC V8A 2K2

File No.: 71500-10-X020008
71500-10-X020193
Ref. No.: 0880

Mr. Mark Jones
Chief Executive Officer
Union Bay Credit Union
313 McLeod Road, Box 158
Union Bay, BC V0R 3B0

April 1, 2021

VIA EMAIL Linda.Bowyer@firstcu.ca
mJones@ubcu.ca

Dear Ms. Bowyer and Mr. Jones,

RE: Asset Transfer Agreement – First Credit Union and Union Bay Credit Union

BC Financial Services Authority (“BCFSA”) provided consent to the proposed Asset Transfer Agreement (“ATA”) between First Credit Union and Union Bay Credit Union (“Union Bay”) pursuant to section 16(3) of the *Credit Union Incorporation Act* on March 31, 2021. If the ATA is approved by the membership of Union Bay, the effective date of the ATA is stipulated to be July 1, 2021.

If you have any questions, please feel free to contact me by phone at 604 398-5675 or by email at Priti.Hambrook@bcfsa.ca.

Regards,



Priti P. Hambrook
Senior Approvals Analyst

pc: Mr. Guy Chartier
Board Chair, First Credit Union

Ms. Sharon Hadden
Board Chair, Union Bay Credit Union

SCHEDULE "B"

VENDOR'S FINANCIAL STATEMENTS

See attached.

UNION BAY CREDIT UNION
SUMMARY FINANCIAL STATEMENTS
December 31, 2020



REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS

To the Members of Union Bay Credit Union

Opinion

The summary financial statements, which comprise the summary statement of financial position as at December 31, 2020, the summary statement of income and comprehensive income and summary cash flow statement for the year then ended, are derived from the audited financial statements of Union Bay Credit Union for the year ended December 31, 2020.

In our opinion, the accompanying summary financial statements are a fair summary of the audited financial statements, in accordance with International Financial Reporting Standards.

Summary Financial Statements

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summary financial statements and the auditors' report thereon, therefore, is not a substitute for reading the audited financial statements and the auditors' report thereon. The summary financial statements and the audited financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited financial statements.

The Audited Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated February 24, 2021.

Management's Responsibility for the Summary Financial Statements

Management is responsible for the preparation of the summary financial statements in accordance with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary financial statements are a fair summary of the audited financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standard (CAS) 810, Engagements to Report on Summary Financial Statements.

Chan Nowosad Boates Inc

Chartered Professional Accountants
Courtenay, BC

February 24, 2021

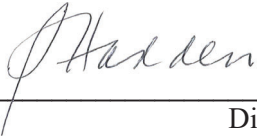
UNION BAY CREDIT UNION

Summary Statement of Financial Position


December 31, 2020

	2020	2019
	\$	\$
ASSETS		
Cash	7,813,801	655,992
Investments	10,495,518	10,900,207
Loans to Members	93,080,368	86,704,658
Income Taxes Recoverable	-	12,486
Other Assets	177,383	182,782
Property and Equipment	1,080,602	1,038,011
Intangible Assets	<u>665,694</u>	<u>774,084</u>
	<u>113,313,366</u>	<u>100,268,220</u>
LIABILITIES		
Demand Loan	-	1,000,000
Members' Deposits	101,702,999	89,110,269
Accounts Payable	210,460	167,055
Income Taxes Payable	4,992	-
Lease Liabilities	270,735	308,990
Deferred Income Tax Liability	47,034	47,034
Dividends Payable	49,294	43,951
Members' Shares	<u>5,096,059</u>	<u>4,137,564</u>
	<u>107,381,573</u>	<u>94,814,863</u>
MEMBERS' EQUITY		
Retained Earnings	<u>5,931,793</u>	<u>5,453,357</u>
	<u>113,313,366</u>	<u>100,268,220</u>

APPROVED ON BEHALF OF THE BOARD:



Director



Director

UNION BAY CREDIT UNION

Summary Statement of Income and Comprehensive Income

Year Ended December 31, 2020

	2020	2019
	\$	\$
Financial Income		
Loan Interest	3,440,931	3,247,229
Investment	<u>180,576</u>	<u>231,139</u>
	<u>3,621,507</u>	<u>3,478,368</u>
Financial Expenses		
Interest on Deposits	1,146,132	1,069,373
Interest on Borrowed Funds	<u>4,918</u>	<u>21,286</u>
	<u>1,151,050</u>	<u>1,090,659</u>
Financial Margin - 68% (2019- 69%)	2,470,457	2,387,709
Other Income	<u>389,928</u>	<u>343,947</u>
Earnings Before Operating Expenses	<u>2,860,385</u>	<u>2,731,656</u>
Operating Expenses		
Depreciation	202,443	204,298
Depreciation on Right-of-Use Assets	43,737	20,258
Operating Expense	827,475	747,087
Wages and Benefits	<u>1,187,954</u>	<u>1,179,254</u>
	<u>2,261,609</u>	<u>2,150,897</u>
Net Earnings from Operations Before Distributions and Tax	598,776	580,759
Distributions to Members	<u>48,848</u>	<u>43,264</u>
Net Earnings from Operations Before Tax	549,928	537,495
Provision for Income Taxes	<u>71,492</u>	<u>58,592</u>
Net Income and Total Comprehensive Income	<u>478,436</u>	<u>478,903</u>

UNION BAY CREDIT UNION

Summary Statement of Cash Flows

Year Ended December 31, 2020

	2020	2019
	\$	\$
Cash Flows From Operating Activities:		
Interest Received from Loans and Investments	3,621,507	3,478,368
Interest Paid on Deposits and Borrowed Funds	(1,139,613)	(1,083,318)
Increase in Members' Deposits and Shares	13,551,225	7,669,981
Payment of Short-Term Leases and Leases of Low-Value Loans to Members	(1,882)	(1,774)
Cash Paid to Suppliers and Employees	(6,375,710)	(8,047,580)
Dividends Paid to Members	(1,574,815)	(1,570,104)
Interest Paid on Lease Liabilities	(43,505)	(47,054)
Income Taxes Paid	(11,437)	(7,341)
	<u>(54,014)</u>	<u>(72,583)</u>
	<u>7,971,756</u>	<u>318,595</u>
Cash Flows From Financing Activities:		
Repayment of Lease Liabilities	(38,255)	(16,861)
Repayment of Demand Loan	<u>(1,000,000)</u>	<u>-</u>
	<u>(1,038,255)</u>	<u>(16,861)</u>
Cash Flows From Investing Activities:		
Purchase of Equipment and Software	(180,381)	(114,345)
Net Sales (Purchases) of Investments	<u>404,689</u>	<u>(1,379,231)</u>
	<u>224,308</u>	<u>(1,493,576)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	7,157,809	(1,191,842)
Cash and Cash Equivalents - Beginning of Year	<u>655,992</u>	<u>1,847,834</u>
Cash and Cash Equivalents - End of Year	<u>7,813,801</u>	<u>655,992</u>

SCHEDULE "C"

PURCHASER'S COMMON BOND

Persons who work, reside or carry on business in the Province of British Columbia.

SCHEDULE "D"

PURCHASER'S SERVICES

The Purchaser offers a full range of banking services to individuals, businesses and not-for-profit organizations. In addition to the services offered by the credit union, other subsidiaries and suppliers of the Purchaser provide additional wealth management and insurance services to members. More information about the Purchaser's products and services can be found on the Purchaser's website at www.firstcu.ca.

The following is a representative listing of the products and services which the Purchaser offers to its members:

RETAIL BANKING

Chequing and Savings Accounts
US Dollar Chequing Accounts
Term Deposits and Guaranteed Investment Certificates
RRSPs, RRIFs, RDSPs and TFSA's
Loans, Mortgages and Lines of Credit
Letters of Credit
Money Orders
Foreign Currency and Travelers Cheques
Wire Transfers in most Currencies
Telephone, Mobile and Internet Banking
Credit and Debit Cards
Automatic Teller Machines
Night Deposit Services
Safe Deposit Boxes
Official Cheques

COMMERCIAL BANKING

Chequing and Savings Accounts
US Dollar Chequing Accounts
Business Loans and Mortgages
Real Estate & Development Financing
Operating Lines of Credit
Merchant Services
Payroll Services
Letters of Credit

WEALTH MANAGEMENT (provided through First Wealth Management Ltd.)

Wills & Estate Planning and Management
Financial Planning
On-Line Brokerage Services

Investment Services
Mutual Funds, Segregated Funds & RESPs
Annuities
Group & Self-Administered Retirement Plans
Pension Plans
LIFs

INSURANCE (certain insurance products are provided by the credit union or a subsidiary of the credit union, and others are provided through a strategic alliance with Co-operators Insurance Agencies Limited)

Life, Health & Disability Insurance
ICBC & General Insurance
Roadside Assistance Coverage
Travel Insurance
Credit Insurance

SCHEDULE "E"

EMPLOYMENT MATTERS

The Purchaser and the Vendor acknowledge and agree that the employees of the Vendor are a key component of the proposed transaction and the parties agree as follows:

1. On the Effective Date, the Purchaser shall assume the employment obligations of the Vendor for all employees of the Vendor. The Purchaser shall recognize the length of service for all employees of the Vendor for all matters for which length of service is relevant.
2. Integration of the employees of the Vendor shall be guided by the following general principles:
 - (a) it is intended that all non-management and management employees of the Vendor shall be integrated into the business and operations of the Purchaser;
 - (b) on and after the Effective Date, the Purchaser will assume all obligations and liabilities of the Vendor under the following agreements:
 - (i) the Collective Agreement; and
 - (ii) any employment agreements or contracts between the Vendor and non-unionized employees of the Vendor in place as of the Effective Date, subject to Article 5.9(a) of this Agreement;
 - (c) it is intended that no employees shall be disadvantaged as a result of the merger; that is, all employees of the Vendor will be treated fairly as they are integrated into the business and operations of the Purchaser;
 - (d) all employees of the Vendor who are affected by the merger shall have opportunities for continued employment;
 - (e) training and personal development will be provided for employees of the Vendor to meet the needs of their positions within the Purchaser (with such training to be paid for by the Purchaser in accordance with its policies in respect of such matters);
 - (f) although it is not anticipated that any employees of the Vendor will cease to be employed by the Purchaser because of a reason solely related to the merger, if, subject to the terms of the Collective Agreement or any employment agreement, the Purchaser elects to terminate the employment of an employee of the Vendor other than for cause on or after the Effective Date, the Purchaser shall provide such employee:
 - (i) notice and severance pay in accordance with the Collective Agreement or any successor collective agreement if the employee is an employee to whom the certification, issued by the appropriate legislative authority, applies; or
 - (ii) otherwise, notice or pay in lieu of notice in accordance with the employee's employment agreement or, in the absence of an employment agreement or if

such agreement does not contain termination or severance provisions, in accordance with the common law relating to length of service and payment in lieu of notice of termination of employment; and

- (g) the Purchaser shall make available career path counselling to all employees of the Vendor who do not continue with the Purchaser as a result of the merger.

SCHEDULE "F"

MEMORANDUM OF UNDERSTANDING

See attached.

MEMORANDUM OF UNDERSTANDING

THIS MEMORANDUM OF UNDERSTANDING is dated as of the 15th day of April, 2020. BETWEEN:

UNION BAY CREDIT UNION,

a credit union incorporated under the laws of British Columbia, having its head office at 313 McLeod Road, P.O. Box 158, Union Bay, British Columbia, V0R 3B0

("UBCU")

AND:

FIRST CREDIT UNION,

a credit union incorporated under the laws of British Columbia, having its head office at 4448A Marine Drive, Powell River, British Columbia, V8Z 2K2

("FCU")

1. INTRODUCTION

1.1 UBCU and FCU have held some preliminary discussions concerning a proposed merger of the two credit unions. As a result of those discussions, there is consensus between the two credit unions that further discussions and negotiations between UBCU and FCU leading towards a merger should proceed. This Memorandum of Understanding sets out the issues that have been discussed and agreed upon by the Boards of Directors of the credit unions and identifies other issues that have yet to be resolved. Each of the credit unions acknowledges that this Memorandum of Understanding is non-binding (except for Clauses 12 and 14 hereof, which shall be binding agreements between UBCU and FCU), and any agreement to merge the two credit unions is still subject to:

- (a) Completion and acceptance of the due diligence reviews and business case analysis by the respective Boards of Directors of the merging credit unions;
- (b) Receiving the consent of the BC Financial Services Authority ("FSA");
- (c) Such approvals by the membership and Boards of Directors of the merging credit unions as are required by the selected merger process;
- (d) Entering into an Asset Transfer Agreement in form and content acceptable to both parties and FSA; and
- (e) Such other third party consents and approvals as may be required.

1.2 UBCU and FCU have acknowledged the following guiding principles for the proposed merger:

- (a) A partnership between the credit unions must create tangible value and benefits for the members of each credit union. This will be the ultimate test.

- (b) Each of the partner credit unions contributes uniquely and it is the collective breadth and depth of those contributions that makes the organizations stronger together. The partner credit unions can use collective contributions to build new value for their members and communities.
- (c) Any collaboration must leverage all of the talent that the credit unions have in their existing credit unions and any changes will be managed fairly and transparently. This is the right thing to do.
- (d) Where possible the collaboration will take a long-term view in the best interests of members, staff and the two credit unions. This is future focus.
- (e) Together the credit unions will design a future where they are focused on the mutual gains that can be generated. This collaboration is not a negotiation, it is a creation.
- (f) The credit unions' goals and objectives, issues and concerns will be openly and transparently discussed. Together the organizations are stronger.
- (g) The he merger discussions are confidential to the Boards and Management Teams of two credit unions. This is what respect looks like.

1.3 The parties each intend to undertake their best efforts to satisfy the above pre-conditions within the time lines set out in Clause 15 (Timetable) of this Agreement.

2. FORM OF MERGER

2.1 Subject to tax or legal advice recommending an alternate method of merging the two credit unions, the merger would be accomplished by the two credit unions entering into an asset transfer agreement pursuant to Section 16(2) of the Credit Union Incorporation Act (B.C.) (the "**CUIA**"), whereby FCU would purchase all of the assets and assume all of the liabilities of UBCU (the "**Asset Transfer Agreement**"). The Asset Transfer Agreement would contain those matters referred to in this Memorandum of Understanding and such other matters as are normally addressed in an asset transfer agreement pursuant to Section 16(2) of the CUIA.

3. EFFECTIVE DATE

3.1 The effective date is the date upon which the merger of the two credit unions comes into effect. The effective date for the purposes of this Memorandum of Understanding and the timetable later described is July 1, 2021, or such other date as the parties may agree in writing (the "**Effective Date**").

4. NAME AND COMMON BOND

4.1 The name of the merged credit union (the "**Merged CU**") on the Effective Date shall be First Credit Union.

4.2 The common bond of the Merged CU on the Effective Date shall be the present common bond of FCU.

5. BOARD OF DIRECTORS

5.1 The present FCU Board of Directors is comprised of nine positions. As of the Effective Date, the FCU Board of Directors shall be comprised of 12 positions. This temporary increase in positions will be made up of the following:

- (a) Three Directors from the transferring credit union's Board of Directors, each being assigned a one, two, and three-year term respectively. It is agreed that when these terms expire or one of these positions becomes vacant, no vacancy will be deemed to exist.

6. CHIEF EXECUTIVE OFFICER

6.1 The Chief Executive Officer of the Merged CU on the Effective Date shall be the person who is the Chief Executive Officer of FCU immediately prior to the Effective Date.

7. CONTINUITY OF EMPLOYMENT

7.1 The parties intend that the Merged CU will be committed to the principles of continuity of employment for all employees of the merging credit unions and opportunities for personal development for such employees.

7.2 On the Effective Date, the Merged CU shall assume the employment obligations of UBCU for all employees of UBCU. The Merged CU shall recognize the length of service for all employees of UBCU for all matters within the Merged CU for which length of service is relevant.

7.3 Assuming the merger is accomplished by the two credit unions entering into an Asset Transfer Agreement pursuant to Section 16(2) of the CUIA, with FCU purchasing the assets and assuming the liabilities of UBCU, the provisions described in Clause 7.4 below shall apply with respect to UBCU employees.

7.4 Integration of the employees of the merging credit unions shall be guided by the following general principles:

- (a) It is intended that all UBCU non-management and management employees shall be integrated into the Merged CU;
- (b) On and after the Effective Date, the Merged CU will assume all obligations and liabilities of UBCU under the following agreements:
- (c) the Collective Agreement between UBCU and the BC Government and Services Employees' Union (BCGEU) effective from February 1st, 2018 to February 1st, 2021 (the "Collective Agreement"); and
- (d) any employment agreements or contracts between UBCU and management employees of UBCU in place as of the Effective Date (subject to Clause 12.2 hereof);
- (e) It is intended that no UBCU employees shall be disadvantaged as a result of the merger; that is, employees will be treated fairly as they are integrated into the merged credit union.
- (f) All employees of UBCU who are affected by the merger shall have opportunities for continued employment. Training and personal development will be provided for UBCU employees to meet the needs of their positions within the merged credit union (with such training to be paid for by FCU in accordance with its current policies in respect of such matters).
- (g) Although it is not anticipated that any UBCU employee will cease to be employed by the Merged CU because of a reason solely related to the merger, if, subject to the terms of the Collective Agreement or Employment Agreement, the Merged CU elects to terminate the employment of a UBCU employee other than for cause on or after the Effective Date, the Merged CU shall provide such employee:
- (h) notice and severance pay in accordance with the Collective Agreement or any successor collective agreement if the employee is an employee to whom the certification, issued by the appropriate legislative authority, applies; or

- (i) otherwise, notice or pay in lieu of notice in accordance with the employee's employment agreement or, in the absence of an employment agreement or if such agreement does not contain termination or severance provisions, in accordance with the common law relating to length of service and payment in lieu of notice of termination of employment; and
- (j) The Merged CU shall make available career path counselling to all UBCU employees.

8. HEAD OFFICE

8.1 The location of the head office of the Merged CU after the merger shall be in Powell River, British Columbia.

9. BRANCHES

9.1 There is no overlap in retail distributions of products and services by the two credit unions; and accordingly, it is intended that all existing branches of UBCU and FCU would continue to operate from and after the Effective Date of the merger. It is presently not intended that there shall be any reduction of hours for the existing branches of UBCU; provided however, that FCU may vary the current hours of business after the Effective Date to better suit the members of the UBCU branches and the communities that they serve. The parties acknowledge, however, that a definitive commitment on the matters described in this paragraph is subject to a due diligence review and must be supportable by a business case analysis.

10. PRODUCTS/SERVICES

10.1 As part of the business integration process, the parties will compare products and services currently offered to the respective memberships of the merging credit unions and will develop a list of products and services to be offered to all members of the Merged CU. If as a result of the merger, there will be changes to fees, products or services that were provided by the merging credit unions to their members prior to the Effective Date, the merging credit unions or the Merged CU, as the case may be, shall provide any affected members with reasonable notice before such changes take effect.

11. LEGAL, FINANCIAL AND CONSULTING ADVICE

11.1 It is recognized that both credit unions will incur costs associated with the merger process. The following principles are acknowledged:

- (a) Each credit union will be responsible for its own costs incurred prior to the approval of this Memorandum of Understanding;
- (b) Each credit union will conduct its own due diligence review of the other credit union at its own expense. It is up to each credit union as to whether it has such due diligence review carried out by in-house staff or whether it contracts to an independent third party consultant to carry out a due diligence review;
- (c) Each credit union will obtain its own legal representation at its own expense, provided that the parties may agree to share common expenses relative to the preparation of legal documentation and the submission of materials to regulatory authorities. It is understood that if the parties choose to share certain common legal expenses and a circumstance should arise where either UBCU or FCU determines that it requires independent legal advice, then such credit union will forthwith obtain such independent advice at its own expense;

- (d) The two credit unions will agree upon and share other common expenses relative to accounting advice and consulting services in proportion to the individual credit union's asset base. Where possible the parties will endeavour to use the same accounting and consulting firm to carry out work common to both and those costs will be shared as above; provided, however, it is understood that should a circumstance arise where either UBCU or FCU determines that it requires independent financial or consulting advice, then such credit union will forthwith obtain such independent advice at its own expense; and
- (e) The parties will utilize the most tax advantageous allocation of merger expenses between UBCU and FCU. Such allocation will be determined based upon legal and accounting advice.

12. STANDSTILL

12.1 Each credit union represents to the other that from the date of this Memorandum of Understanding until the Effective Date (or until such time as one of the parties hereto has advised the other in writing that the merger will not proceed due to the inability of that party to satisfy one or more of the pre-conditions set forth in Clause 1.1) (the "**Standstill Period**"), it shall not, and shall not authorize or permit any of its directors, officers, employees, agents or representatives to, directly or indirectly, initiate, participate in or conclude any negotiations regarding the sale of all or substantially all of its assets to, or the amalgamation with or acquisition of, any corporation, person or other entity (other than with the other, except with the prior written consent of the other).

12.2 During the Standstill Period, UBCU shall fully consult with FCU and obtain the approval of FCU prior to entering into any material contracts, agreements or obligations that are out of the ordinary course of business and would be binding upon the Merged CU following the Effective Date (including, but not limited to, any employment agreements with management of UBCU). Further, UBCU agrees that it will not initiate a distribution of current earnings or capital in excess of \$25,000 (cumulative) during the Standstill Period, except with the prior written approval of FCU. Any such approvals as contemplated in this paragraph shall not be unreasonably withheld.

12.3 The parties each undertake with the other to utilise their best efforts to ensure the merger process set forth herein proceeds in an expeditious manner and results in a merger between the two credit unions.

13. DUE DILIGENCE

13.1 It is a pre-condition of each credit union proceeding with the merger that the respective due diligence reviews of each other are presented and approved by the respective Board of Directors of each credit union, and management of each credit union is responsible for ensuring that full, complete and ongoing disclosure is made to the other of all aspects of the operations of the credit union and its subsidiaries.

14. COMMUNICATION

14.1 UBCU and FCU covenant each with the other that the discussions between the two credit unions, and all materials and information exchanged between them during the due diligence process and in negotiations will be kept confidential. The two credit unions shall consult with one another prior to issuing any press releases or other public announcements in respect of the merger. The credit unions will discuss a communications plan covering the period of time from the date of the signing of this Memorandum of Understanding through to the Effective Date. The confidentiality covenant in this clause is binding on the parties and survives the termination of this Memorandum of Understanding.

14.2 UBCU and FCU may hold a member information meeting or meetings for the purpose of consulting with and obtaining the views of its membership concerning the proposed merger. The timing of such information meeting(s) will be worked into the detailed time table that is developed as the merger process proceeds.

14.3 The parties acknowledge and agree that communication with UBCU employees and the inclusion of the UBCU employees in the business integration process is an important component of having a successful and positive integration between the merging credit unions. As such, UBCU agrees to provide opportunities from the date of this Memorandum of Understanding until the Effective Date for FCU management to meet with and engage UBCU employees in a manner and at times mutually agreed between the merging credit unions.

15. TIMETABLE

15.1 The credit unions wish to proceed with the merger process in such an expeditious manner as is possible and agree that a priority is to complete the first phase of a business case as quickly as is possible. If the first phase of the business case appears satisfactory to both credit unions, then preparation of a final business case and request for regulatory approvals would follow thereafter. The following is a tentative timetable to be achieved on a best efforts basis so that all effort is made to meet the June 30, 2021 target date for the merger:

- (a) March 20, 2020 - Memorandum of Understanding signed by both credit unions; due diligence and business case studies get underway;
- (b) April 2020 - Approval of a conceptual design of the Merged CU;
- (c) August 2020 - Final due diligence and business case reviewed and approved by both Boards of Directors;
- (d) August 2020 - Draft Asset Transfer Agreement, proposed resolution and separate resolution (if required) and any supporting materials approved by both Boards of Directors and forwarded to FSA;
- (e) February 2021 – FSA’s preliminary review and consent;
- (f) March 2021 - Membership voting by UBCU; Asset Transfer Agreement, certified special resolution, and support materials submitted to FSA and Registrar of Companies;
- (g) May 2021 - Approval by the federal Competition Bureau;
- (h) July 1, 2021 - Effective Date of merger.

15.2 The above timetable is a general outline only and specific dates may be adjusted as dictated by circumstances. It is intended, however, that the Effective Date will, if at all possible, be on or about July 1, 2021.

16. BANKING SYSTEM

16.1 It is acknowledged that the merging credit unions utilize the same banking system and the same technology services provider to administer their respective banking systems. The unification of the banking systems shall be implemented in accordance with the business integration plan after completion of the merger.

17. SHARE EXCHANGE

- (a) Assuming the merger is accomplished by the two credit unions entering into an Asset Transfer Agreement pursuant to Section 16(2) of the CUIA, with FCU purchasing the assets and assuming the liabilities of UBCU, the shares of UBCU will be exchanged for those of FCU on the Effective Date with terms and conditions that are acceptable to both parties.

THIS MEMORANDUM OF UNDERSTANDING has been executed on behalf of UBCU and FCU as of the day and year first written above.

UNION BAY CREDIT UNION

Per:

E-SIGNED by Sharon Hadden
on 2020-06-10 13:33:29 PDT

Chair

E-SIGNED by Edith Skiber
on 2020-06-10 11:23:07 PDT

Director

FIRST CREDIT UNION

Per:

E-SIGNED by Guy Chartier
on 2020-06-08 17:15:14 PDT

Chair

E-SIGNED by Catherine Bell
on 2020-06-08 16:35:28 PDT

Director