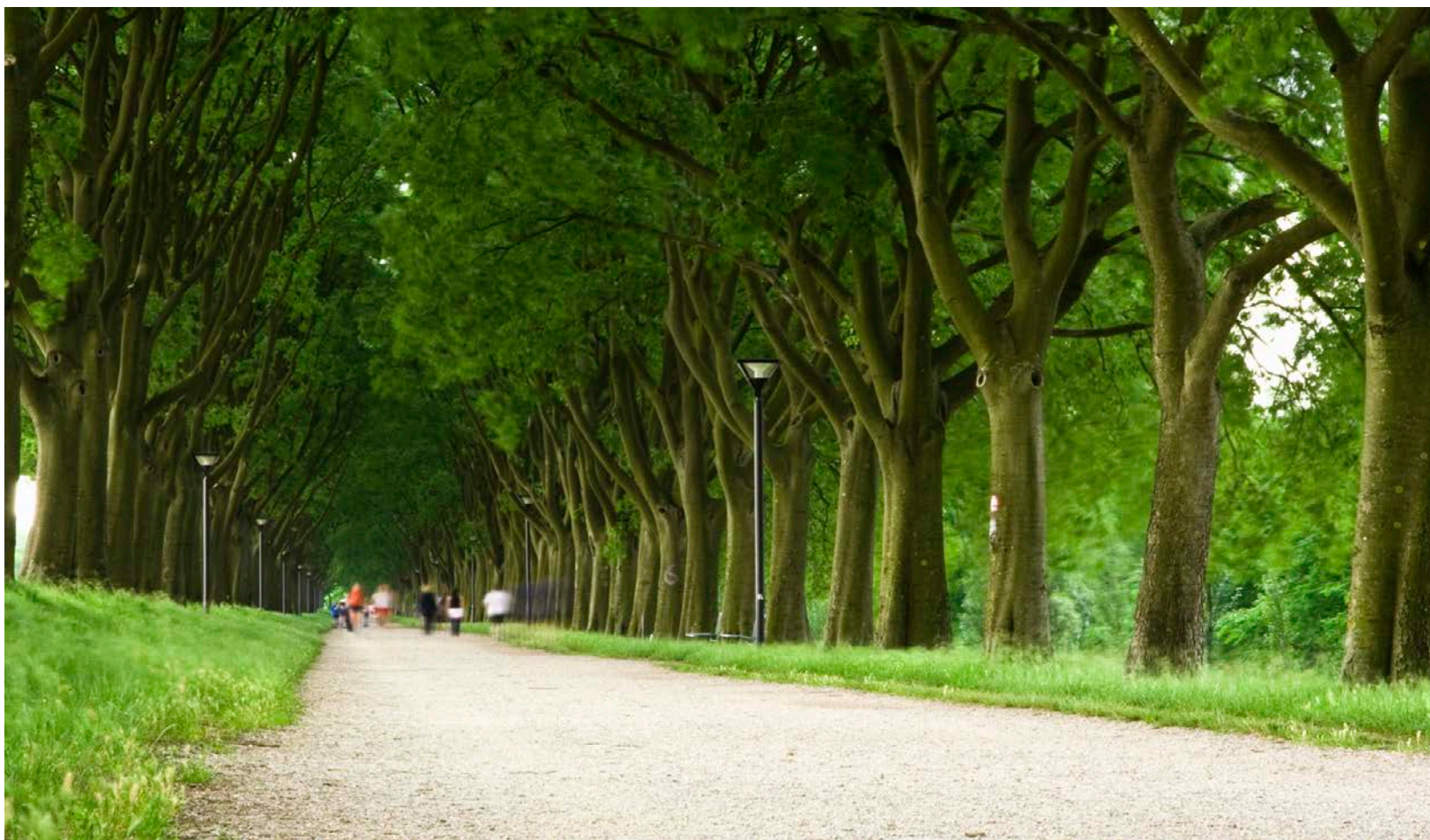


Concentra[®]

White Paper

April 2016



Creating Opportunity

Concentra Explores
Bank Continuance


Introduction: Exploring Bank Continuance

As a key strategic asset in Canada’s credit union system, Concentra embraces its responsibility as a value creator for its co-operative owners and clients.

Since its formation in 2005, Concentra has remained committed to its mandate to deliver a suite of wholesale banking and trust solutions that facilitate an increased ability for credit unions to compete with banks, and has repeatedly seized opportunities to evolve for the benefit of the credit union system. Looking to the future, there is an opportunity at hand to strengthen the ability of Concentra to create value for credit unions.

Concentra recently reviewed its corporate legal structure to determine how to best achieve credit unions’ long-term needs for wholesale and trust services. A thorough review identified certain shortcomings in Concentra’s current corporate legal structure and concluded the system and its members would be best served by Concentra continuing in the legal form of a bank under the *Bank Act*, rather than remaining a retail association under the *Co-operative Credit Associations Act (CCAA)*.

Under banking legislation, Concentra will continue to be organized and operated under co-operative principles and remain an indispensable part of Canada’s co-operative system as an organization owned by the credit unions it serves. Concentra will continue to be guided by co-operative values, which will be written into Concentra’s mission statement and operating policies, and will be guaranteed by the ongoing ownership and control of Concentra by its financial co-operative owners.



Co-operative ownership will be embedded in Concentra’s by-laws to ensure it remains a core tenet of Concentra in the future.

Continuing as a credit union owned bank will provide the greatest opportunity to support the business objectives of Concentra as it seeks to meet the current and emerging business needs of credit unions. This change will solve outstanding issues related to the ability to expand its capital base, among other things, better positioning Concentra to meet the needs of credit unions.

Access to long-term, stable sources of capital is just one of the benefits of this change. Other issues will also be addressed, including:

- Market recognition of Concentra’s role by key players in the financial markets and strategic partners will be better achieved as a bank, which is well understood in the financial environment, while a retail association is not. This will lower the

- cost of doing business and widen market access for credit unions, both of which enhance credit unions' competitive positioning in increasingly complex funding markets.
- The costs and heavy administrative burden Concentra bears as the only retail association under the CCAA would be minimized. As a bank, Concentra would be able to leverage the work and efforts of other banks relating to compliance with new rules and regulations.
 - The cost incurred to maintain licensing in all provincial jurisdictions is eliminated.
 - Facilitating the growth of Concentra Trust because it will be qualified to act as a trustee for an investment firm's registered plans if its parent is a bank.

Under the proposed structure, the wholesale banking and trust solutions currently provided to credit union clients will remain the same. Concentra will continue to be owned by credit unions and other co-operative organizations and, as a participant in the co-operative system, will continue to abide by the co-operative principles in its ownership structure, in its business model, and by supporting and participating in the credit union system and their communities. Concentra's commitment to the credit union system will be embedded in its mission statement and its by-laws.

The Canadian Financial System

Canada's Banking System

The financial services sector in Canada includes chartered banks, credit unions, trust companies, and other financial services companies offering banking services. Under the Canadian constitution, the federal government has sole jurisdiction for banks while credit unions, securities dealers and mutual funds are largely regulated by provincial regulatory authorities.

Banks are classified by their ownership as domestic banks, subsidiaries of foreign banks, or branches of foreign banks. The main federal statute for the incorporation and regulation of banks is the *Bank Act*, which permits banks to operate in Canada under these three distinct categories.

The Credit Union System in Canada

An important part of Canada's financial services sector, credit unions are financial co-operatives. While their products, services and operations resemble those of banks, there are differences. Most importantly, credit unions are locally owned by members who are also customers.

Credit unions are governed on the co-operative principle of "one member, one vote," regardless of the amount a member has on deposit or invested in the shares of a credit union. Each credit union has its own brand identity, management and Board of Directors that make decisions in view of local markets for the benefit of consumers and businesses. Credit unions are united through provincial centrals providing financial, technology and trade services to their member credit unions. Credit unions co-operate with other credit unions and co-operatives, conduct co-operative education, and support communities.


With over 11 million members across Canada in the aggregate, a third of the Canadian population is a member of at least one credit union.

Outside Quebec, 303 credit unions and their 27,000 employees serve 5.6 million members. Operating in more than 1,740 locations, these credit unions hold more than \$188 billion in assets.

Credit unions are also supported by a network of regional centrals and system partners. These partners provide services related to wholesale banking, trust, wealth management, insurance, information technology, payments and more. Concentra is a strategic system partner providing wholesale banking and trust solutions to more than 300 credit unions from coast to coast.

The Role of Concentra in the Credit Union System

The Formation of Concentra



Concentra was formed by the co-operative movement working together.

In 2005, SaskCentral and Co-operative Trust joined forces to create a business venture able to serve credit unions in new and different ways. Like banks, Concentra is regulated by the Office of the Superintendent of Financial Institutions (OSFI) and is unique in that it is Canada's only co-operative retail association, legislated under the CCAA. A co-operative retail association is an association that is organized and operated on co-operative principles, and that is permitted to act as a deposit-taking institution, subject to the same restrictions and safeguards as other deposit-taking institutions.

SaskCentral owned a majority stake in Co-operative Trust, which had national powers through the federal *Trust and Loan Companies Act*. The intent for the consolidation was to streamline SaskCentral to its core functions, and move all non-core functions into Co-operative Trust (such that SaskCentral would not commingle their commercial operations (non-core functions) with statutory liquidity (core functions)). This was the main driver behind creating Concentra, with a mandate to provide wholesale banking and trust solutions to the Canadian credit union system.

The founding companies envisioned a solutions provider with unprecedented national reach able to help credit unions become fierce competitors to banks in the financial services marketplace. At the time, trust services were established across the system while the idea of leveraging wholesale finance as a competitive advantage was relatively new to credit unions.

Unlike credit unions, which are owned locally by individual members, Concentra is nationally owned and its ownership is restricted to co-operative entities that include credit unions,

provincial credit union Centrals and other financial co-operatives. Currently, majority ownership rests with SaskCentral and minority shareholders include centrals and other co-operative partners. Concentra also has two classes of preferred shares, one of which is held by more than 80 credit unions from across Canada.

Concentra has established itself as a key strategic partner in the credit union system, working with more than 300 credit unions from coast to coast. Three primary business lines have emerged to support the growth and competitiveness of credit unions – wholesale banking, equipment leasing and trust solutions.

Concentra is committed to continuing to evolve to meet the changing needs of credit unions and their members.

The Challenge: Concentra's capacity to strengthen the ability of credit unions to compete with banks in a rapidly changing environment

Since 2005, Concentra has grown and matured as a strong, stable financial institution focused on delivering wholesale banking and trust solutions to credit unions to facilitate increased competition with banks. That said, Concentra is not immune to the changing global and national financial services landscape.

For example, changes to international capital adequacy standards are impacting the ability of Concentra to grow and keep pace with the demands of credit unions. When Concentra was formed in 2005, based on the original by-laws, the capital provided by Class A shareholders (mostly from regional centrals) was treated as Tier 1 capital. However, after a review of the quality of capital coincidental with the introduction of the Capital Adequacy Requirements (CAR) guideline in accordance with the Basel III international requirements, it came to light there were inconsistencies between the CAR guideline, the CCAA and Concentra's by-laws.

In addition to issues arising out of changing international capital adequacy standards, Concentra has also been faced with increased domestic competition in the financial services sector.

As a result of these new realities, Concentra recently conducted a review to determine if its existing corporate legal structure is the optimal structure to ensure the long-term viability of the organization as well as its mandate to facilitate increased competitiveness of the credit union system.

Following the review, several shortcomings related to Concentra's legal structure as a co-operative retail association were identified, including:

- 1. Capacity to effectively raise capital to support growth.** In order to deal with inconsistencies existing between the CAR guidelines, the CCAA and Concentra's by-laws, OSFI provided Concentra with a capital confirmation to issue unique Non-Viable Contingent Capital (NVCC) compliant preferred shares. The conditions attaching to such shares are unique in that they provide for a write-down of the shares on an NVCC trigger event as opposed to a conversion into common shares. Because this feature is unique, the cost of raising this type of capital outside the credit union system would be significantly higher than it would be if Concentra were able to issue NVCC shares, which were consistent with what is offered by large banks in the capital markets, which do not have this feature.

It is important for Concentra to have the flexibility to raise this type of capital at competitive rates from outside investors. This would not affect the control and ownership of Concentra by the credit union system. With improved access to capital, Concentra will be better positioned to deliver the scale and scope of commercial and residential asset management solutions required to help credit unions manage their balance sheet and to compete with banks. A large and growing capital base will result in the ability to offer asset management solutions to credit unions at a larger scale than is currently possible.

2. **Ability of players in financial markets to understand the nature of a co-operative retail association.** As Concentra expands its business in the national financial markets, it is clear some banks, pension funds, rating agencies and other financial entities are unfamiliar with the nature of a co-operative retail association. This lack of understanding requires an ongoing and lengthy education process and higher funding costs, which will become an even bigger issue as Concentra engages with institutional investors for loan syndications and term funding.
3. **The administrative burden related to being the only institution under the CCAA.** As the only entity governed by the CCAA, Concentra is solely responsible to bear the costs of any changes impacting the legislation. This can take the form of responding to any potential changes as well as shouldering the financial impact of any changes that do occur.
4. **The burden required for licensing in all provincial jurisdictions.** An organization legislated under the CCAA must register in each provincial jurisdiction in which it operates, requiring it to keep abreast of changes in all jurisdictions, as well as bearing the administrative burden of ensuring all registrations are complete and compliant with any and all specific provincial requirements.
5. **The restrictions on Concentra Trust acting as a trustee for an investment firm's registered plans.** In Canada, there are currently two categories of trusteeship for registered plans – an **Acceptable Counterparty** – those institutions with greater than \$10 million in capital and an **Acceptable Institution** – those institutions with greater than \$100 million in capital. Currently, Concentra Trust qualifies as an Acceptable Counterparty, but is unable to leverage the capital base of its parent, Concentra, to be categorized as an Acceptable Institution, due to its structure as a retail association. As a bank, Concentra Trust can leverage the capital base of Concentra to qualify as an Acceptable Institution for registered plans, opening additional business opportunities, potentially for other co-operatives, subject to regulatory approval.

Now is an opportune time to address these challenges so Concentra can continue to meet the evolving needs of Canada's credit unions. A change in corporate legal structure, with continued credit-union control and ownership, will better position Concentra to facilitate improved market access and increased competitiveness of the credit-union system.

Seizing the Opportunity to Maximize Value for Credit Unions

Exploring Options

Concentra explored and evaluated alternative corporate legal structures able to address the challenges identified above, while maintaining its place in the co-operative system.

These options included:

1. Conversion to a federal credit union;
2. Seeking amendments to the CCAA to eliminate inconsistencies with Concentra's by-laws and the CAR guidelines; and
3. Continuance as a bank, regulated under the *Bank Act*.

Because the majority of members of a federal credit union must be individuals, conversion to a federal credit union is not an option. Concentra's membership consists of centrals, credit unions and other co-operative organizations. In addition, seeking amendments to the CCAA might address the capital issues but would not address the other issues identified above.

Based on comprehensive due diligence, the most viable option is for Concentra to convert to a bank under the *Bank Act*.

The Solution: A Wholesale Bank for Credit Unions

Continuing as a bank under the *Bank Act* provides the greatest opportunity to support the business objectives of Concentra and to best meet the current and emerging business needs of credit unions and their members. However, in order to be successful, the continuance of Concentra as a bank must ensure its ownership and corporate governance is designed such that Concentra remains focused on serving the needs of the credit union system – essentially a bank owned by customers, for the benefit of customers. It will also **solve the capital issue by providing Concentra long-term, stable access to a wide range of options to grow its capital base**, and therefore meet the needs of Canada's credit unions as they grow.

Prospering with Co-operative Values: A Bank Designed for Credit Unions

Concentra thrives as a valued strategic partner to credit unions, embracing the values and principles of the co-operative movement. Form of legal structure is a means to this end.

A co-operative is “an autonomous association of persons” — these may be legal persons, i.e. organizations — “united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled enterprise.”¹ In other words, a financial co-operative is owned and controlled by the people or organizations using its financial services. As a bank Concentra will adhere to the spirit of the co-operative vision by continuing to be owned by the credit unions it serves.

Following co-operative principles as they apply to a secondary co-operative (one in which its members are co-operative organizations rather than individual members), Concentra’s current governance structure takes into account that investment in Concentra varies by member, and the right to participate in the governance of Concentra reflects the amount a co-operative entity has invested in its shares. Rather than strict adherence to the “one member, one vote” structure followed by co-operatives with individual members, Concentra currently provides participation by its members that is reflective of their capital investment, subject to the provisions of the CCAA, which impose restrictions on voting control more so than the *Bank Act*.

As a bank, Concentra will continue to be organized and operated under co-operative principles and remain an indispensable part of Canada’s co-operative system as an organization owned by the credit unions it serves. Concentra will continue to be inspired by the values of the co-operative movement: self-help, self-responsibility, democracy, equality, equity and solidarity as well as the ethical values of honesty, openness, social responsibility and caring for others. These values will be written into Concentra’s mission statement and operating policies, and will be guaranteed by the ongoing ownership and control of Concentra by its financial co-operative owners. **Co-operative ownership will be embedded in Concentra’s by-laws to ensure it remains a core tenet of Concentra in the future.**

The purpose of these changes is to strengthen the co-operative sector and credit unions in Canada. The new Concentra will be an apex institution of co-operative finance, a bank for credit unions: owned and controlled by credit unions in order to serve the needs of credit unions. Concentra is rooted in the co-operative movement, and this is also where its members, owners, and clients will continue to be.

¹ <http://ica.co-op/en/whats-co-op/co-operative-identity-values-principles>]

Key Considerations: Ownership and Governance

Ownership Post-Continuance

Following the continuance into the *Bank Act*, the authorized capital of the new bank will include an unlimited number of common shares (which will be comprised of the former Class A shares of Concentra) and an unlimited number of Class A preferred shares (which will be comprised of the former Class D shares of Concentra). Prior to the special meeting to approve the continuance, Concentra will purchase for cancellation the outstanding Class C shares of Concentra.

Membership shares are not contemplated under the *Bank Act*, and it will be necessary for the holders to either exchange these shares for Class A shares prior to the continuance (and upon the continuance, for these shares to become common shares in the bank), or for the Membership shares to be redeemed prior to the continuance becoming effective. Membership shareholders will be given the opportunity to elect to have their interests in such shares be either:

- (i) exchanged into Class A shares of Concentra immediately prior to the effectiveness of the continuance at a price per Class A share to be determined before that time (and to the extent there are any fractional amounts, a determination as to how to deal with such amounts will also be made before that time), or
- (ii) redeemed immediately prior to the effectiveness of the continuance for consideration equal to \$10 per share. If a holder does not make an election with respect to any Membership shares, such shares would be redeemed prior to the effectiveness of the continuance.

Similarly, the holder of the Class B shares will have the opportunity to elect to have its interest in such shares be either:

- (i) exchanged into Class A shares of Concentra immediately prior to the effectiveness of the continuance at a price per Class A share to be determined before that time (and upon the continuance, these shares would become common shares in the bank), or
- (ii) purchased for cancellation immediately prior to the effectiveness of the continuance for consideration equal to their fair market value. The effectiveness of any of the foregoing would be contingent upon the effectiveness of the continuance.

Looking to the future, Concentra will seek a long-term strategy of being directly owned by our clients, widely held by credit unions and other co-operative entities from across Canada.

Revised By-Laws

In order to enshrine co-operative ownership requirements and co-operative principles and values in the new bank, it is proposed that the bylaws include provisions ensuring Concentra remains a bank for the credit union system. The bylaws will provide that common share ownership in Concentra will be restricted to the same entities, which may be our member owners currently, namely credit unions, centrals or other co-operative entities (using the defined term “member” from the CCAA). New common shares would only be issued in the event Concentra required capital for the benefit of the credit union system. Any new common shares would be offered to existing Concentra shareholders. Only if existing

shareholders do not purchase all of the shares would there be potential to offer to others outside the current shareholder base, with priority to others in the co-operative system. Any issuance of common shares must be approved by the Board of Directors.

Similarly, it is proposed that the revised by-laws will specify that any proposed transfer of common shares by an existing shareholder (which would qualify as a member under s. 41 of the CCAA) to an entity outside of the co-operative system needs to be approved by the Board of Directors.²

Finally, it is proposed the revised by-laws will also specify the new bank will focus on serving the needs of credit unions and other co-operative entities.

Corporate Governance

Under banking legislation, the Concentra Board will continue to follow best practices and adhere to the OSFI Corporate Governance Guideline. The current regionally based governance structure is not contemplated under banking legislation, therefore, certain changes will be required to its corporate governance structure as a result of new legislative and regulatory requirements. The Concentra Board will strengthen corporate governance and risk frameworks while at the same time, recognize and acknowledge the evolving governance context within which Concentra operates. The objective for strong corporate governance is to provide strong leadership and robust oversight to protect the interests of our owners, their members, and the credit union system at large.

In accordance with the OSFI Corporate Governance Guideline and best practices, the Board of Directors of Concentra, as a group, must be comprised of individuals from diverse backgrounds, having specific skills and experience matching the financial, operational, strategic and risk oversight needs of Concentra.

Concentra's Board of Directors has established that regardless of the changes in our corporate legal structure, certain principles of governance are of utmost importance, including the need to ensure that the Board continues to reflect its ownership and customer base, and operates in a manner aligned with co-operative principles and values.

This objective will form the basis for the board succession planning process, including incorporation of the required competencies on the Concentra Board. Our members, Class A and Class B shareholders will become common shareholders (subject to the membership shareholders and the Class B shareholder electing to exchange their shares for Class A shares) and will essentially maintain their proportionate interest in Concentra. All owners will vote for all nominees for Concentra's Board at the AGM, in proportion to their share capital, subject to terms and conditions described in the following sections.

² The restrictions allow non-co-operative entities (such as pension plans and other institutional investors) to become holders of common shares in the event that OSFI issues a directive under s. 485 of the *Bank Act* to increase capital, or if an NVCC trigger event was to occur in relation to any outstanding capital investments with such features. Moreover, if an NVCC event were to occur, the bylaw provisions establishing the pre-emptive right and the restriction on transfer of existing common shares will be immediately repealed and be no longer of any force or effect. The NVCC trigger event, which is completely under OSFI's control, will only occur if OSFI believes that Concentra could no longer continue operating as a going concern.

Principles-Based Approach

Responsibility for the integrity and strength of board succession and the nominations and elections process will continue to rest with the Nominating Committee. The Nominating Committee will solicit, identify and recommend suitable candidates for the board and will be tasked with establishing an approach to the nominations and elections process taking into consideration certain nomination principles.

Flowing from a robust recruitment and candidate assessment process, the Nominating Committee is responsible to ensure the Board continues to possess the required core competencies, priority skills and expertise required to fulfill its legal and fiduciary role and responsibilities to its owners and key stakeholders. The Board will provide direction to the Nominating Committee through the development of key governance principles to ensure that Concentra's corporate governance remains aligned with co-operative principles and credit union ownership under banking legislation. The following principles will form the foundation for the creation of appropriate policy and process through which the Committee will fulfill its mandate:

- Commitment to a strong governance framework and accountability to ownership;
- Confirmation/establishment of required core competencies against which to both engage in director recruitment and guide candidate assessment;
- Development of a Board Succession Planning policy to articulate Concentra's commitment to ongoing best governance practice consistent with OSFI guidelines and aligned with the co-operative principles and values;
- Commitment to ensuring that in addition to satisfying the core competencies and priority skills; the Board also reflects:
 - The demographic characteristics of its ownership and its national customer base;
 - Diversity;
 - Independence;
 - A balance across the breadth of ownership interests; including directors proposed by both majority and minority shareholders;
 - A knowledge, understanding and commitment to the co-operative philosophy and the credit union system at large;
 - The required attributes and characteristics to be an effective Director; and
 - Evolving strategic priorities.

Independence

Following best governance practices, the by-laws are proposed to require the majority of the board must be independent³. "Independence" means a director is independent of management, does not have a material relationship⁴ with the bank and does not financially benefit from his or her relationship with the bank.

³ The concept of independence for purposes of OSFI's Corporate Governance Guideline is much broader than the notion of non-affiliated, as described in the *Bank Act*. Currently, the Concentra Board Independence Policy states that a minimum of five members of the board must be members who are positively identified by the Governance and Nominating Committee as being independent.

⁴ Concentra's Board Independence Policy defines a material relationship as any relationship where the director's personal, financial, or professional circumstances affects or would be

To that end, the board will establish an Independence Policy consistent with best practices and the OSFI Corporate Governance Guideline, which will include the following:

- Management of Concentra is not considered independent;
- Directors, officers and employees of SaskCentral (who will be the controlling shareholder) are not considered independent, as long as they own 10% or more of Concentra's shares; and
- Directors, officers and employees of Centrals/CUs that hold 10% or more of SaskCentral or that hold a 10% or more direct ownership interest in Concentra will be deemed non-independent.

The board will therefore have both independent and non-independent directors. The expectation is that independent directors with the requisite skills and knowledge for the Concentra Board are available within the credit union and co-operative system. In the event there is a need for directors with a specific skill set or expertise not available in the credit union system or to achieve diversity on the board, such candidates will be sourced in a manner fully aligned with a commitment to the credit union system and the principles established by the Nominating Committee.

Election of Directors

The Nominating Committee, following the principles and guidelines noted above, will present the recommended number of director candidates to the shareholders for election each year.

Voting by shareholders for Directors will take place at the Annual General Meeting through a cumulative voting process, which is mandatory under the *Bank Act* when any shareholder owns greater than 10% of the voting shares. Where directors are to be elected by cumulative voting, each shareholder entitled to vote at an election of directors has the right to cast a number of votes equal to the number shares held by the shareholder, multiplied by the number of directors to be elected. The shareholder may cast all such votes in favour of one candidate, or distribute them among the candidates in any manner.

The role of the Nominating Committee, and ultimately the Board, is to ensure Concentra is operating effectively and efficiently in accordance with its strategic objectives. To this end, Concentra's ability to maintain a strong governance framework relies heavily on the strength and integrity of the nomination process. A key element of this process is the recruitment of a robust pool of potential director candidates. All shareholders will be encouraged to engage fully with Concentra's Nominating Committee to ensure the candidate pool not only satisfies the required core competencies, but also reflects the key principles highlighted above to ensure an appropriate balance across a diversified shareholder base.

affected by decisions of Concentra in such a way that it is reasonable to believe that individual's judgement would be affected.

The Governance Model

Concentra's major shareholder, SaskCentral, currently owns approximately 84% of the ownership shares of Concentra. Accordingly, under the *Bank Act*, it will have a controlling interest with respect to shareholder votes⁵.

While it is typical for a controlling shareholder to have representation on the Board of Directors, it is also common in such circumstances for the majority of the Board of Directors to be independent, as defined above. SaskCentral has committed to working with Concentra to ensure it continues to operate in a manner consistent with OSFI guidelines and continues to maintain best corporate governance practices which are in the best interests of all shareholders.

The proposed governance model will include representation from SaskCentral as the majority shareholder and, to ensure a minority shareholder perspective continues to be reflected in the total board composition, the Nominating Committee will ensure individuals proposed for election or re-election by the minority shareholder ownership base will be nominated to sit on the board. Although Concentra's governance will evolve from its current regional representation model, the nominations principles will safeguard existing practice for the board to contain directors who are reflective of all owners and our national customer base. The Nominating Committee will be composed of a majority of directors who are independent of both Concentra and the controlling shareholder.

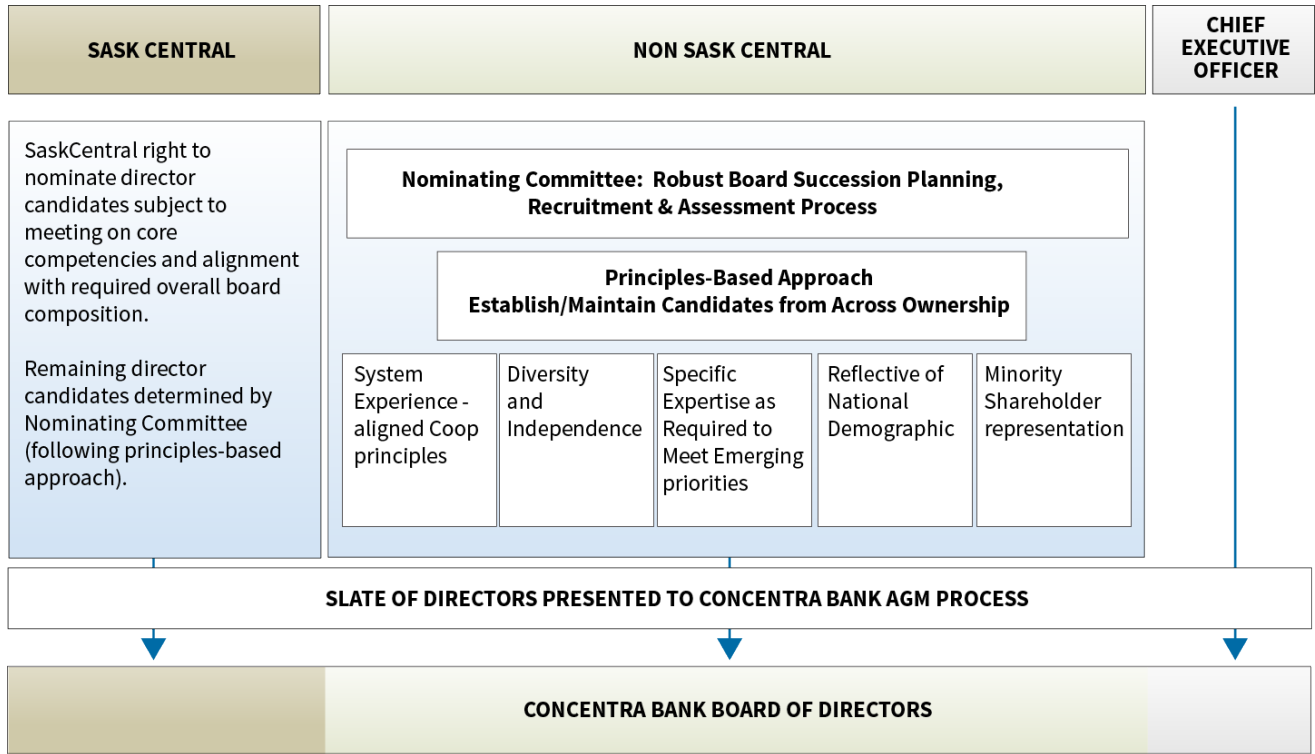
This proposed shareholder representation both aligns with the independence requirement established by OSFI as well as the key governance principles established by the Board with the intent to ensure the full Board reflects the breadth of shareholder perspective and interests, while maintaining and preserving the essential characteristic of independence.

Specifically, the new governance model at Concentra is proposed to consist of a 12 member board, which best practice indicates is an appropriate number of directors for an organization of the size and complexity of Concentra. A board of 12 will provide sufficient diversity and scale to effectively represent shareholder interests, while enhancing the Board's efficiency and responsiveness, and allowing for an effective decision-making process. In accordance with modern corporate governance practices and the provisions of the *Bank Act*, directors will be elected for one-year terms. It is proposed they would serve for a maximum of nine years.

Unlike the CCAA, the *Bank Act* requires the Chief Executive Officer of a bank to be a member of the board of directors. The remaining 11 candidates for election would be identified and recruited by the Nominating Committee in accordance with provisions set out above. All shareholders will be encouraged to bring candidates to the attention of the Nominating Committee and the Nominating Committee may retain the services of consultants with expertise in board recruitment and governance to ensure the recruitment process achieves Concentra's objectives.

⁵ The *Bank Act* permits any bank with less than \$2 billion in equity to be up to 100% owned by any person or group. The widely held perception that no single shareholder may own more than 10% of the shares of a bank applies only to publicly-traded banks, which have a significantly higher equity base.

Concentra's Proposed Governance Model with a Controlling Shareholder



Next Steps

Stakeholder Engagement

Throughout 2016, Concentra has been undertaking a significant stakeholder engagement plan, consulting with credit unions, centrals, co-operative partners, federal and provincial regulators, employees and more. As of April 2016, the response from stakeholders has been positive. Questions from stakeholders have focused on issues related to governance, ownership, competition within the credit union system, and the state of wholesale consolidation initiatives. Credit unions and centrals have confirmed the important role Concentra plays as a strategic investment for credit unions as it relates to wholesale and trust solutions.

Concentra will continue to engage with all stakeholders in the coming weeks as the bank continuance initiative continues. The Board of Directors for Concentra will be meeting in June 2016 to discuss formal approval of the application for continuance of Concentra from a retail association under the CCAA to a bank under the *Bank Act*. Subject to the board's approval, a special meeting of our members and shareholders to approve the application for continuance is expected to take place in the summer of 2016. Once the appropriate approvals are obtained, Concentra will submit a formal application to both OSFI and the Department of Finance.

There will be further opportunities for discussion prior to the member vote:

1. **Friday, April 22, 2016** - 1st Live session Webinar on continuance governance share restructure
2. **Tuesday, April 26, 2016** - 2nd Live session Webinar on continuance governance share restructure

In advance of the vote, members will receive:

1. The formal notice of the Special General Meeting, draft bylaws and the resolutions for approval.
2. Information on the majorities required for a successful vote.
3. An explanation of the voting process.

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Committed to
credit union success

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