

EXPLANATORY NOTE REGARDING SPECIAL RESOLUTION TO CONFIRM AMENDMENTS TO BYLAW NO. 1

Overview

Amendments to Windsor Family Credit Union Limited's Bylaw No. 1

Windsor Family Credit Union Limited ("WFCU") operates within a comprehensive regulatory framework which is underpinned by provincial legislation, the Credit Unions and Caisses Populaires Act, 2020 (the "Act"). Credit unions are regulated by the Financial Services Regulatory Authority ("FSRA"), which administers regulations under the Act, as well as Rules and Guidance.

On March 1, 2022, the Act came into force replacing the Credit Unions and Caisses Populaires Act, 1994. The new legislation creates a modern, principles-based statutory framework for Ontario's credit unions and provides FSRA with new rule-making powers. FSRA implemented the new legislative framework by developing rules, including the new Sound Business and Financial Practices Rule (the "Rule") that came into force at the same time as the new Act.

The intent of the amendments to the Act, regulations and FSRA Rules was to enable credit unions to better serve their Members and remain competitive in the financial services marketplace while preserving the soundness of the regulatory system.

During 2023, WFCU's Board of Directors reviewed WFCU's Bylaw No. 1 to ensure that it (i) reflects the principles-based approach under the Act, applicable regulations and the Rule, and (ii) is clear, concise, and reflective of, and facilitating a continuously evolving and growing WFCU.

Set out below is a high-level summary of the proposed amendments to WFCU's Bylaw No.1, including specific reference to the most notable amendments. The proposed amendments to WFCU's Bylaw No.1 were unanimously passed by WFCU's Board of Directors on August 31, 2023 and are now being placed before the Membership for confirmation by way of a Special Resolution. Also, the full text of the blacklined amendments to Bylaw No. 1 is available by contacting Susan Stockwell Andrews at corporatesecretary@wfcu.ca.

Summary of Amendments to WFCU's Bylaw No. 1

WFCU's Bylaw No. 1 relates generally to the conduct and affairs of WFCU. It addresses all matters required to be outlined within a bylaw as per the Act, and includes certain other provisions foundational to the governance of WFCU, including those in relation to:

- Admission to Membership and Member voting rights;
- The business of the Credit Union;
- Board membership and functioning of the Board and its Committees;
- Designation of Credit Union officers;
- Meetings of Members and Shareholders; and
- Shares and related dividends.

Bylaw No. 1 required several amendments in order to (i) conform to the modern, principles-based regulatory framework of the Act, applicable regulations and Rules, (ii) remove provisions that are not required within a bylaw as per such requirements, and (iii) make changes viewed by the Board as best practices.

In addition to a number of amendments related to definitions, providing clarity and updating to support electronic means, the following are the most notable proposed Bylaw amendments, including related rationale:

- 1. MEMBERSHIP (SECTION 2.01) Section 2.01** more clearly states Membership includes commercial business. The 3% limit for Members outside the bond of association is removed as this prescriptive requirement is no longer in the Act.
- 2. MEMBERSHIP SHARES (SECTIONS 2.03 AND 2.04)** Section 2.03 streamlines the membership share requirement for Credit Union Membership and the number of membership shares permitted per O.Reg 105/22.
- 3. EXPULSION OF A MEMBER (SECTION 2.06)** Section 2.06 is amended to give discretion to the Board to determine what constitutes an act of misconduct giving rise to the expulsion of a Member.
- 4. ARTICLES OF INCORPORATION (SECTIONS 3.07 AND 3.08)** Section 3.07 has been added per section 252 of the Act, to state the Credit Union's authorization to amend its Articles of Incorporation. Section 3.08 is provided to indicate any amendment must be authorized by a Special Resolution.
- 5. DIRECTOR ELIGIBILITY REQUIREMENTS (SECTION 4.02)** Section 4.02 is amended to remove the prescriptive eligibility requirements and refer to the requirements approved by the Board from time to time, subject to any provisions of the Act.
- 6. DIRECTOR TERM OF OFFICE (SECTION 4.03)** Section 4.03 (a) - (d) is amended to detail the exception to a Member holding office for a three (3) year term and the process followed to fill a position. Section 4.03 (e) reduces the maximum term of office to four (4) consecutive three (3) year terms or 12 years in the aggregate, whichever occurs first. Section 4.03 (f) - (h) details the impact of the amendment on current members of the Board.
- 7. MANNER OF ELECTION AND VOTING (SECTIONS 4.04 - 4.09)** Sections 4.04 - 4.09 are amended to include the key aspects of WFCU's director nomination policies and processes as required by section 87 of the Act.
- 8. DIRECTOR RESIGNATION (SECTION 4.13)** Section 4.13 is added to clarify the process for a director resignation and how the information will be delivered to the Membership.
- 9. DIRECTOR DISSENT (SECTION 4.23)** Section 4.23 is added per section 187 of the Act to provide clarity of director consent for passed resolutions unless they have dissented according to section 4.23.



- 10. GOVERNANCE COMMITTEE (SECTION 5.03)** Section 5.03 is amended to include the location of the publication of WFCU's Diversity Report to be in the Credit Union Annual Report to Members or as otherwise determined by the Board.
- 11. NOMINATION COMMITTEE (SECTION 5.04)** Section 5.04 is added to define the Nominating Committee, which is referenced as part of the election and voting process.
- 12. BOARD CHAIR TERM OF OFFICE (SECTION 6.03)** Section 6.03 is amended to reduce the maximum term of office to no more than 10 consecutive one (1) year terms or 10 years in the aggregate.
- 13. NOTICE OF MEETINGS OF MEMBERS (SECTION 7.03)** Section 7.03 is streamlined and consequently, section 7.05 no longer applies.
- 14. DEFAULT RULES OF ORDER (SECTION 7.12)** Section 7.12 is added to provide default rules of order at meetings of Members.
- 15. SUBMISSION OF CONTRACTS OR TRANSACTIONS TO SHAREHOLDERS FOR APPROVAL (REMOVED - FORMER SECTION 8.01)** Former section 8.01 was removed as it is not required by the Act for inclusion in the Bylaw.
- 16. COMMISSIONS (SECTION 9.04) Section 9.04** is amended to clarify that the Board's authorization to pay a reasonable commission in connection with a purchase of WFCU Shares does not apply to membership shares and is subject to the Act.
- 17. SHARE CERTIFICATES AND JOINT SHAREHOLDERS (SECTIONS 9.09 AND 9.10)** Sections 9.09 and 9.10 are amended per section 44(3) of the Act, which no longer requires WFCU to provide share certificates. Details of Shares are provided on Member statements.
- 18. DIVIDENDS (ARTICLE 10)** Article 10 Sections 1 – 9 have been amended to comply with section 57(1) of the Act. Article 10 outlines how dividend payments will be made and the timing of payments based on the various series of Shares requiring Board approval of dividend payments.
- 19. RECORD DATE FOR NOTICE (SECTION 11.06)** Section 11.06 is streamlined as a result of timing for the record date as outlined in section 11.03.
- 20. QUORUM (SECTION 11.09)** Section 11.09 is amended to provide clarity on the calculation of a quorum for a Shareholder Meeting. The section states the number of Shareholders required to be present and the percentage of the Shares they must hold based on the Shareholders in attendance and entitled to vote at a meeting. This applies to Shareholder meetings only.
- 21. METHODS OF VOTING (SECTION 11.15)** Section 11.15 is amended to provide greater detail and clarity on the methods and process of voting at Shareholder meetings.
- 22. LENDING (SECTION 12.01)** Section 12.01 is amended per section 74(1) of O.Reg 105/22 to indicate WFCU will establish prudent lending limits for each class of loans.
- 23. INFORMATION AVAILABLE TO MEMBERS AND SHAREHOLDERS (ARTICLE 13)** Article 13 is streamlined and per the Act clarifies the various information available to Members and how Members may access the information. Section 13.06 Subsidiaries is removed as it is referenced in section 13.01 Annual Statements.
- 24. FEE FOR COPY OF BYLAWS (SECTION 13.06)** Section 13.06 is amended to refer to an electronic copy of the Bylaws, free of charge.

The full text of the blacklined amendments to WFCU's Bylaw No.1 is available by request by contacting Susan Stockwell Andrews at corporatesecretary@wfcu.ca.



WFCU's Board has unanimously passed a resolution approving the amendments to WFCU's Bylaw No. 1, as presented, and wishes to implement such bylaw following Membership confirmation.

THE TEXT OF THE SPECIAL RESOLUTION

As per the Act, a Bylaw is not effective until it is

- (i) passed by Windsor Family Credit Union's Board of Directors, and
- (ii) confirmed, with or without variation, by Special Resolution passed by the Members.

In accordance with this requirement, set out below is the text of the proposed Special Resolution to confirm the amendments to Bylaw No. 1.

WHEREAS Windsor Family Credit Union Limited ("the Credit Union") wishes to amend its Bylaw No. 1;

AND WHEREAS the Credit Union's Board of Directors has unanimously passed a resolution approving the amendments to the Credit Union's Bylaw No. 1 at a meeting duly constituted on August 31, 2023;

AND WHEREAS a copy of the amendments to Bylaw No. 1 has been made available to Members and presented to the Membership for confirmation.

NOW THEREFORE BE IT RESOLVED AS A SPECIAL RESOLUTION OF THE MEMBERS OF WINDSOR FAMILY CREDIT UNION LIMITED THAT:

The amendments to the Credit Union's Bylaw No. 1 passed by the Board of Directors on August 31, 2023, as presented, be confirmed, without amendment or variation, as the Bylaws of the Credit Union.



Resolution



As per the Act, a Bylaw is not effective until it is (i) passed by Windsor Family Credit Union Limited's Board of Directors, and (ii) confirmed, with or without variation, by Special Resolution passed by the Members. In accordance with this requirement, set out below is the text of the proposed Special Resolution to confirm the amendments to Bylaw No. 1.

SPECIAL RESOLUTION TO AMEND THE BYLAW OF WINDSOR FAMILY CREDIT UNION LIMITED

WHEREAS Windsor Family Credit Union Limited ("the Credit Union") wishes to amend its Bylaw No. 1;

AND WHEREAS the Credit Union's Board of Directors has unanimously passed a resolution approving the amendments to the Credit Union's Bylaw No. 1 at a meeting duly constituted on September 1, 2023;

AND WHEREAS a copy of the amendments to Bylaw No. 1 has been made available to Members and presented to the Membership for confirmation.

NOW THEREFORE BE IT RESOLVED AS A SPECIAL RESOLUTION OF THE MEMBERS OF WINDSOR FAMILY CREDIT UNION LIMITED THAT:

The amendments to the Credit Union's Bylaw No. 1 passed by the Board of Directors on September 1, 2023, as presented, be confirmed, without amendment or variation, as the Bylaws of the Credit Union.

PASSED by the Board of Directors of Windsor Family Credit Union Limited at a meeting duly constituted the 1st day of September, 2023.

CONFIRMED by the affirmative votes of at least two-thirds of the votes cast at a meeting of Members of Windsor Family Credit Union Limited duly constituted this 20th day of September 2022.

WITNESS the corporate seal of Windsor Family Credit Union Limited.

Chair

Corporate Secretary