



UNITED EMPLOYEES CREDIT UNION LTD

Proposed Merger of Operations between United Employees Credit Union Limited and DUCA Financial Services Credit Union Ltd.

Dear Member,

We are pleased to present this information package detailing the proposed merger of operations between United Employees Credit Union Limited (United) and DUCA Financial Services Credit Union Ltd. (DUCA). This information aims to provide you with a breakdown of the proposed transaction, it's benefits, information on the voting process and what to expect, and the timing of events to follow.

An Introduction to DUCA:

DUCA Financial Services Credit Union Ltd. (DUCA) was formed in 1954 and has grown from a single branch credit union in Toronto to 17 branches across Southern Ontario with 87,988 Members they are proud to serve.

DUCA ranks 12th in Canada's Largest Credit Unions (CCUA Largest 100 Credit Unions) by asset size with over \$7.15 billion in on balance sheet assets (as of Q2, 2023), and delivers comprehensive banking services to both individuals and businesses online, by phone, mobile and in-branch. DUCA also has one wholly owned subsidiary with 19 branches, Continental Currency Exchange acquired in 2022.

DUCA exists today to help people Do more, Be more and Achieve more with their money and their lives. DUCA is also proud to be Canada's first B-Corp Certified (<https://www.bcorporation.net/en-us/certification/>) credit union. This certification is for businesses that meet the highest standards of verified social and environmental performance, public transparency, and legal accountability to balance profit and purpose.

Additional information regarding DUCA can be found on online at: www.DUCA.com

We also encourage you to read DUCA's [2022 Annual Report](#) and past corporate reports accessible on their website here: <https://www.duca.com/about-us/CorporateReports>.

Benefits of the Merger of Operations between United and DUCA:

- **Enhanced Service Offering:** The transaction will allow us to broaden our service portfolio, providing an expanded range of financial products and services with a wider footprint across Southern Ontario. Additionally, all United Members will be offered equivalent or better DUCA products or services.
- **Increased Market Presence:** By combining our resources and expertise, we will strengthen our market position and increase our overall competitiveness and long-term financial stability.
- **Economies of Scale:** The merged operations will benefit from operational efficiencies, cost savings, and economies of scale, allowing us to offer more competitive rates to Members and enhance our support in the communities we serve.
- **Technology Advancements:** The transaction will facilitate the integration of innovative technologies, enabling improved digital banking experiences and enhanced Member convenience.
- **Enhanced Member Experience:** Members will gain access to an extended branch and ATM network, ensuring greater convenience and accessibility to financial services.

Transaction Structure and Voting Process:

United Members are being asked vote on the following resolutions (all resolutions are included in your information package, and also available online on United's website <https://www.unitedcu.com/>, or in branch):

- 1) Approval of the Amended and Restated Reorganization & Merger Agreement between United and DUCA (available on United's website <https://www.unitedcu.com/> or in branch), including under section 174 of the *Credit Union and Caisses Populaires Act 2020 (Ontario)*, by which various transactions take place, including those listed below;
- 2) Special resolution to reduce the stated capital amount of each United Membership share from \$5 to \$1, with the reduction of \$4 per share to be returned to United Members on December 21, 2023. Class A and a portion of class B investment shares will be redeemed, and the remaining class B investment shares will be sold to DUCA which requires separate shareholder resolutions and approvals by those shareholders as required.
- 3) By-Law Amendment to reflect the reduction in stated capital of each United Membership share down to \$1 per share, and to reduce the minimum number Membership shares to become a Member of United down to one share per Member.

Membership shares in excess of one share to be redeemed by the Board on December 21, 2023.

- 4) Amendment to United's constating documents to create the Share Sale Procedure (*see below under Step 2 - Exchanging Membership Shares*).
- 5) Special resolution to approve a dividend to be paid to DUCA upon DUCA acquiring all outstanding Membership shares of United, satisfied in kind via the distribution of all of United's assets and liabilities to DUCA followed by the wind-up and dissolution of the United entity.

Here is a simplified break down of what this means:

What's Happening: DUCA is planning to merge operations with United. This involves a series of steps that both credit unions have agreed upon, pending applicable membership approvals.

Step 1 - Simplifying United Membership:

United's minimum membership requirement is \$100.00, compared to \$1.00 for DUCA. United will change this minimum membership investment to just \$1 and have members hold only one membership share each. This change results in the return of any excess Membership dollars back to United Members. This step requires approval from United Members by special resolution via a formal Membership vote, as well as an amendment to United's By-laws.

Step 2 - Exchanging Membership Shares:

Members of United will exchange their one Membership share in United for one Membership share in DUCA. In order to ensure fairness and Member protection, this will be governed by the "Share Sale Procedure" which United is incorporating into its constating documents. The Share Sale Procedure works as follows:

1. Approval of the transaction of United by DUCA by way of this share sale is obtained from United Members via a formal Membership vote by special resolution.
2. Any Dissenting Member should formally lodge their dissent in writing by filing a Dissent Notice with United within ten days of United issuing notice to the Membership of the transaction having been formally approved. Any such Dissenting Members will have their remaining one Membership share redeemed, receive their \$1 of remaining capital back and will not participate in the transaction any further. For more information related to rights and obligation of Dissenting Members, see FAQ [<https://www.unitedcu.com/>].

3. For Members who do not dissent, the CEO of United will sign the necessary transfer documents on their behalf (under Power of Attorney) to transfer their Membership shares to DUCA in exchange for corresponding Membership shares of DUCA. By holding one DUCA Membership share, United Members will be able to become a member of DUCA, which is the same requirement for all other DUCA Members.

Step 3 - Returning Investment Share Money:

United will redeem all of its class A investment shares of \$700,000 and \$230,000 of its class B investment shares with the remaining \$70,000 class B investment shares to be purchased by DUCA. Class A and B investment shares are currently owned by one Member.

Step 4 - United Credit Union Becomes a Subsidiary of DUCA:

After these steps, DUCA will own all Membership shares of United, making United a part of DUCA as a subsidiary. As sole Member, DUCA will resolve to wind up United and distribute all of its assets and liabilities to DUCA via a dividend in kind. Operations will be transferred to DUCA making the former United entity a “non-operating subsidiary,” to be dissolved in due course. This step also requires approval from United Members.

Why Is This Happening: The main reason behind these steps is to simplify the Membership structure at United Credit Union, return excess Membership capital to its Members, and allow both credit unions and their Members to achieve better financial outcomes.

Note: All these steps will happen very quickly, one after the other, on the closing date of the transaction.

This transaction process was approved by FSRA (The Financial Services Regulatory Authority of Ontario), an independent regulatory agency created to improve consumer protections in Ontario. The next step is to obtain the necessary approvals from United Members.

Should this transaction proceed, we are planning on a seamless integration of both our Members and employees. DUCA’s internal teams are already preparing for this, and United Members will be provided timely information at each step in the process.

Timelines and Next Steps:

[November 27, 2023] - Special General Meeting (Voting Day):

- Members can cast votes in branch (964 Eastern Avenue location) during the Special General Meeting between 5pm - 6pm.
- For those who prefer to vote online, a dedicated voting portal will be accessible, ensuring a convenient and secure voting process. Members can register for online voting by emailing infounited@unitedcu.com.
- Please ensure that your vote is submitted before 6p on November 27th to have it counted.
- Votes will be counted, and the results will be recorded and kept confidential until the official announcement.

Important: In the event a Member submits both an online and paper ballot, only the first vote received will be counted.

[November 28, 2023] - Announcement of Results:

- The results of the vote will be announced to the Membership through email, mail, posted to United's website, and available in branch as needed, indicating whether the transaction proposal has been approved or not.
- Material will also be sent to Dissenting members via email and mail including a form of dissent notice to be completed. Dissent forms will also be available on United's website and in branch.

[December 18, 2023] - Deadline for Dissenting Members to submit their Dissent Notices

[December 20, 2023] - Legal closing date on which legal documents will be signed and exchanged to affect the transaction.

[December 21, 2023] - Transaction becomes effective, and the newly merged credit union moves forward.

Contact Information:

We trust that this information package provides a comprehensive overview of the proposed merger of operations and its potential benefits and impacts. Additional resources, including frequently asked questions, are available on our website here: <https://www.unitedcu.com/>. We remain committed to open communication and transparency throughout this process. Please do not hesitate to contact us at 416-461-9257 or infounited@unitedcu.com should you require any further information or clarification.

Thank you for your attention, and we look forward to the possibility of working together to create a stronger and more vibrant credit union for our Members.

Sincerely,

Yves Ah Chin Kow

Yves Ah Chin Kow

CEO

United Employees Credit Union Limited