

# Your Common Shares

(please retain this booklet for your records)



**ENCOMPASS**

CREDIT UNION

[encompasscu.ca](http://encompasscu.ca)



# Disclosure Statement for Common Shares



**ENCOMPASS**  
CREDIT UNION

ENCOMPASS CREDIT UNION LTD. (the "Credit Union")

Price: \$1.00 per common share.

## NOTICE TO PROSPECTIVE INVESTOR IN COMMON SHARES

COMMON SHARES ARE RISK CAPITAL. THEY ARE NOT DEPOSITS, AND THEY ARE NOT INSURED OR GUARANTEED BY ANY GOVERNMENT OR GOVERNMENT AGENCY, BY THE CANADA DEPOSIT INSURANCE CORPORATION OR BY ALBERTA'S CREDIT UNION DEPOSIT GUARANTEE CORPORATION AND NO SUCH INSTITUTION HAS CONSIDERED THE MERITS OF THE SHARES AS AN INVESTMENT. THERE IS NO ASSURANCE THAT, IN THE EVENT OF THE LIQUIDATION OR DISSOLUTION OF THE CREDIT UNION, IT WILL HAVE ENOUGH ASSETS TO RETURN YOUR INVESTMENT TO YOU.

THERE ARE RESTRICTIONS ON THE REDEMPTION OF THESE SHARES AND NO CERTAINTY OF FUTURE DIVIDENDS.

COMMON SHARES ARE AN IMPORTANT PART OF THE EQUITY OF THE CREDIT UNION.

ANY RIGHTS YOU MAY HAVE TO DIVIDENDS OR TO HAVE THE SHARES REDEEMED BY THE CREDIT UNION OR TO TRANSFER THEM TO OTHERS ARE SUBJECT TO CERTAIN PRECONDITIONS, WHICH ARE REFERRED TO IN THIS DISCLOSURE STATEMENT.

THE SHARES ARE NOT TRADEABLE ON ANY STOCK EXCHANGE OR SIMILAR MARKET. YOU MAY BE ABLE TO TRANSFER YOUR SHARES IN LIMITED CIRCUMSTANCES.

THE SECURITIES ACT DOES NOT APPLY TO SHARES ISSUED BY CREDIT UNIONS.

### 1. FINANCIAL POSITION OF THE CREDIT UNION

The Credit Union's most recent audited annual financial statements and its unaudited quarterly financial statements for the most recent quarter are available in the member service area of any Encompass Credit Union location or upon request from a Member Service Representative. These financial statements provide information on the Credit Union's assets, liabilities, equity (deficit) and income (loss).

Although there will have been some changes in the ordinary course of the Credit Union's business since the dates of those annual and quarterly financial statements, to the best of the knowledge of the Board of Directors they continue to present a reasonably accurate picture of the Credit Union's financial position as of the date of this Disclosure Statement. If applicable, there are attached statements of any "material changes" (as defined in investment share provisions of the Regulations) that have occurred in the last 5 years and that may still have a significant effect on the value of the common shares.

You will be entitled to obtain from the Credit Union copies of annual and quarterly financial statements and any material change statements issued in the future. These will be available at any branch of the Credit Union, on request, and displayed prominently at each branch.

### 2. BUSINESS OF THE CREDIT UNION

The Credit Union is incorporated and regulated under Alberta's Credit Union Act. It provides a full range of financial services in east central Alberta.

If you have any questions about the business of the Credit Union, its management, the geographic area it serves or the legal or regulatory status of Alberta credit unions generally, be sure you have those questions answered to your satisfaction, either by the Credit Union or by your professional advisers, before purchasing any common shares.

### 3. RISK FACTORS

In addition to general competitive and economic risks, the Credit Union is exposed to the following risk factors: credit risk, investment risk, liquidity risk, interest rate risk and currency risk.

### 4. CREDIT UNION SHARE CAPITAL

The Credit Union is permitted to issue and has issued and/or is about to issue the following kinds or “classes” of shares:

Common Shares - The rights attaching to common shares are set out in the Credit Union Act and the Regulations and, to some extent, in the Credit Union’s by laws. They are an important part of the equity of the Credit Union. The attached financial statements show the number and the total value of the Credit Union’s common shares currently issued and outstanding.

This class of shares does not carry voting rights, since credit unions operate on the principle of one vote per member. You must, however, hold the required minimum number of common shares in order to be a member of a credit union.

### 5. DESCRIPTION OF COMMON SHARES

#### A. Voting Rights:

Common shares carry no voting rights. Members are entitled to one vote each at annual and special meetings.

#### B. Dividends:

Dividends will not be paid if the Credit Union is or would become insolvent. Dividends are not permitted if dividends on investment shares (if any) have been declared and remain unpaid. Dividends become payable only when “declared” by the directors of the Credit Union. Directors have the discretion to pay patronage rebates ahead of common share dividends or to retain earnings for operational purposes. The rate of payment of dividends may be different on holdings of common shares above and below the minimum common shareholdings required for membership.

#### C. Redemptions:

Common shares are “redeemed” when the Credit Union buys them back from you and you sell them back to the Credit Union.

The Board of Directors may approve the redemption of common shares in whole as follows;

- (a) The death of the shareholder;
- (b) The winding up of a business proprietorship, partnership or limited corporation;
- (c) When the shareholder has moved from the trading area of the Encompass Credit Union Ltd. and has ceased to do business with the credit union;
- (d) Shareholders who have ceased to actively participate in the Encompass Credit Union Ltd. but continue to reside in the trading area;

- (e) Shareholdings where the shares have accumulated in reference to a trust account for a minor where the trust account is being liquidated.

The Board of Directors may redeem common shares in part as follows:

- (a) Shareholders who have reached the age of 65 years;
- (b) Shareholders that are clubs, non-profit organizations and churches;
- (c) For those personal shareholders who have exceeded the maximum common share limits of \$10,000 and;
- (d) For those shareholders for which the principal owner is involved in Commercial and /or Farming Operations and who have exceeded the maximum common share limits of \$20,000,
- (e) Or where the owner is a non-profit organization and/or a society and have exceeded the maximum common share limits of \$20,000.

However, redemption of common shares is subject to a number of preconditions. Common shares cannot be redeemed if the Credit Union is insolvent or, in certain cases, if its obligations as to certain capital requirements are not met or if the redemption would cause either of those circumstances.

#### D. Conversion:

Common shares may not be converted into any other class of shares.

#### E. Exchange of Shares:

Common shares may not be exchanged for investment shares.

### 6. APPLICATION AND PAYMENT FOR COMMON SHARES

Common shares may be sold by the Credit Union at any time during normal business hours at any branch or the head office of the Credit Union or at any other premises where its business is transacted. If you already hold, or will, after the purchase, hold 3000 or more common shares, exclusive of shares received as patronage rebates or dividends you are entitled to receive a copy of the disclosure statement and the latest audited annual financial statements and quarterly financial statements and material change statements (if any). Shares will not be issued unless fully paid for.

### 7. TRANSFER OF COMMON SHARES

Common shares issued by credit unions are not tradeable on any stock exchange or similar market. Under the Credit Union Act common shares may not be transferred unless the transfer is between members of the credit union in the same family or results only from the death of the holder or certain other limited circumstances. The by laws may contain further restrictions.

### 8. LIQUIDATION OR DISSOLUTION OF THE CREDIT UNION

If at some time in the future the Credit Union ceases to carry on business, the Credit Union may be dissolved and its assets sold to pay off its liabilities, including deposits. The proceeds received from the sale of assets will be used to repay deposits in the Credit Union, return of capital (repayment of initial investment) and unpaid dividends on investment shares and return of capital on stabilization preferred shares before payment is made on common shares. If, after those liabilities are paid, there are sufficient remaining proceeds from the sale, the holders of common shares will receive the return of their capital investment and unpaid dividends. If there are not sufficient remaining proceeds from the sale to pay out all the capital and unpaid dividends of common shareholders fully,

common shareholders will share rateably (your common shareholdings in proportion to all common shares) in the remaining proceeds.

There may also be no remaining proceeds from the sale once all liabilities, including prior claims of depositors, investment shareholders and stabilization preferred shareholders, are paid, in which case there will be no money available to pay common shareholders their capital and unpaid dividends. In this event you will lose the entire value of your investment and unpaid dividends.

NO LOSS FROM A HOLDING OF COMMON SHARES IS INSURED OR GUARANTEED; PLEASE SEE "THE NOTICE TO PROSPECTIVE INVESTOR IN COMMON SHARES" ON PAGE 1 OF THIS DISCLOSURE STATEMENT. Since a loss of your investment is possible, a decision to purchase common shares should reflect your judgment that the Credit Union is and will remain financially sound.

## 9. TAX CONSEQUENCES

This summary is of a general nature only and is not intended to be, nor should it be understood as, legal or tax advice to any particular person. Therefore, prospective investors should inform themselves of, and if appropriate consult their own tax or other professional advisers on, the possible tax consequences of any share transaction they might enter into, based on their own particular circumstances.

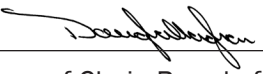
## 10. FOR FURTHER INFORMATION

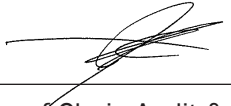
This Disclosure Statement is only a summary. If you or your professional adviser are interested in further details, you should obtain a copy of the Credit Union Act and the regulations under it.

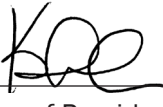
THIS DISCLOSURE STATEMENT APPLIES ONLY TO THE CREDIT UNION'S COMMON SHARES.

The form of this Disclosure Statement is prescribed by the Regulations. THE INFORMATION INCLUDED IN IT IS CERTIFIED TO BE COMPLETE AND ACCURATE BY THE BOARD OF DIRECTORS AND THE CHIEF EXECUTIVE OFFICER OF THE CREDIT UNION BASED ON DUE DILIGENCE AND REASONABLE INQUIRY.

BOARD OF DIRECTORS OF ENCOMPASS CREDIT UNION LTD.

Date: March 31, 2016 Per:   
(signature of Chair, Board of Directors)  
Doug Callaghan

Date: March 31, 2016 Per:   
(signature of Chair, Audit & Finance )  
Jeremy Belbeck

Date: March 31, 2016 Per:   
(signature of President & CEO)  
Ken Morris

Encompass Credit Union Ltd.  
Financial Highlights  
for the five year period 2011 to 2015

<b>Balance Sheet Items</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Member Loans	\$380,376,138	\$306,717,450	\$295,461,277	\$280,936,154	\$269,098,475
Member Deposits	\$488,458,021	\$385,939,055	\$372,342,406	\$345,440,620	\$334,633,588
Member Common Shares	\$16,653,137	\$12,927,336	\$12,191,511	\$11,461,145	\$10,778,205
Retained Earnings	\$31,723,501	\$23,604,978	\$22,267,529	\$20,511,691	\$19,236,106
Total Assets	\$539,149,310	\$424,093,021	\$408,283,126	\$377,972,205	\$365,172,177
<b>Income Statement Items</b>					
Financial Margin	\$12,194,201	\$10,795,853	\$10,987,677	\$9,536,461	\$9,990,318
Operating Expenses	\$11,972,200	\$10,319,255	\$9,794,857	\$8,845,529	\$8,879,444
Income before patronage allocation and income taxes	\$2,661,996	\$3,017,084	\$3,342,372	\$2,665,370	\$3,227,583
Net Income	\$936,257	\$1,518,446	\$2,011,762	\$1,506,944	\$1,897,916