

NOTICE PURSUANT TO THE DISCLOSURE ON CONTINUANCE REGULATIONS (FEDERAL CREDIT UNIONS)



Date: October 6, 2017

To: Members of Innovation Credit Union

From November 22, 2017 to December 8, 2017, the members of Innovation Credit Union ("Innovation") will vote on a special resolution to authorize Innovation Credit Union to make an application to become a federal credit union. Members of Innovation Credit Union are invited to consider the information in this Notice before voting. Votes can be submitted during the voting period using one of the voting methods available.

In accordance with the *Disclosure on Continuance Regulations (Federal Credit Unions)* [the "Regulations"], this Notice is provided to inform Innovation Credit Union members of changes to deposit insurance coverage that would apply to their deposits held with Innovation in the event that Innovation becomes a federal credit union and, on that same day, a member of the Canada Deposit Insurance Corporation ("CDIC").

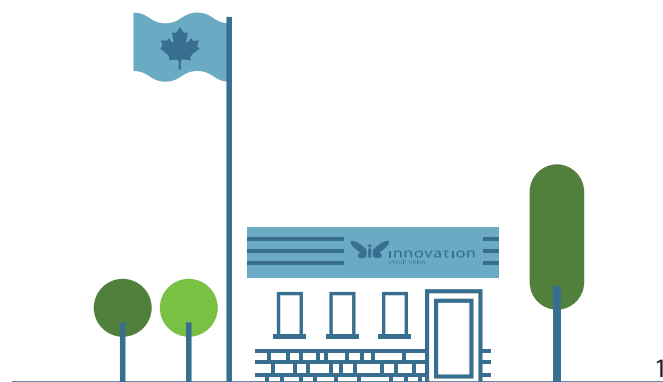
Deposit insurance automatically applies to eligible deposits held at financial institutions that are members of deposit insurance protection agencies. It protects depositors' savings in case of financial institution failure.

Deposits held with Innovation Credit Union are currently insured by the Credit Union Deposit Guarantee Corporation ("CUDGC"), which insures deposits held at credit unions incorporated in Saskatchewan. If Innovation becomes a federal credit union, it will automatically become a member of the CDIC and CUDGC deposit insurance coverage will cease to apply. The CDIC insures deposits held by its member institutions, which include banks, federal credit unions, trust and loan companies.

What is covered in this Notice

In accordance with the Regulations, this Notice includes the following:

- **Continuation day:** information about the day on which current CUDGC deposit insurance coverage for deposits held with Innovation would end and CDIC deposit insurance coverage would begin;
- **Current CUDGC deposit insurance coverage:** a description of the CUDGC coverage that currently applies to deposits held with Innovation;
- **Transitional CDIC coverage:** a description of the CDIC coverage that would apply during the transition period to pre-existing deposits held with Innovation; and
- **Standard CDIC coverage:** a description of the CDIC coverage that would apply after the transition period to deposits held with Innovation and how this coverage differs from the pre-continuance CUDGC deposit insurance coverage applicable to Innovation Credit Union.



Additional information will be provided to Innovation Credit Union members by direct mail regarding the special resolution to authorize an application to become a federal credit union, and the changes to deposit insurance that would result from becoming a federal credit union.

This information is also available at any Innovation Credit Union branch and the Innovation Credit Union web site: www.innovationcu.ca

The information includes examples to help members understand the changes to deposit insurance coverage.

Important qualifications

The information included in this Notice is current as of the date of this Notice. Deposit insurance coverage offered by CUDGC and/or the CDIC may change in the future.

The publication of this Notice and a positive vote by the members of Innovation Credit Union to apply to become a federal credit union do not guarantee that approval will be granted by Canada's Minister of Finance and other regulatory bodies or that becoming a federal credit union will occur on the dates referenced in this Notice or in any other document or that it will occur under the conditions stated in this Notice or in any other document.

Continuation day

The continuation day is the date that Innovation would become a federal credit union, as indicated in the letters patent issued by Canada's Minister of Finance granting Innovation Credit Union continuance. On that same day, Innovation Credit Union would become a member of the CDIC, CUDGC deposit insurance coverage would end and CDIC deposit insurance coverage would begin.

Current Credit Union Deposit Guarantee Corporation (CUDGC) deposit insurance coverage

Until the continuation day, the full amount of deposits held with Innovation Credit Union, including accrued interest, is insured by CUDGC as described in Table 1. The insurance applies to all forms of personal, business and trust deposits held in Saskatchewan credit unions. The insurance covers all deposits in Saskatchewan credit unions regardless of membership, citizenship, or residence of the depositor.



Table 1: Credit Union Deposit Guarantee Corporation (CUDGC) deposit insurance coverage

	Deposits held in one name	Deposits in more than one name (joint deposits)	Deposits in a trust account	Deposits in an RRSP	Deposits in a RRIF	Deposits in a TFSA
Deposits fully insured						
Savings accounts*	✓	✓	✓	✓	✓	✓
Chequing accounts*	✓	✓	✓	Not applicable	Not applicable	Not applicable
GIC and other terms*† regardless of length to maturity	✓	✓	✓	✓	✓	✓
Money orders, certified cheques, traveler's cheques, drafts, and prepaid letters of credit in respect of which a credit union is primarily liable	✓	✓	✓	Not applicable	Not applicable	Not applicable

*Including the Canadian dollar equivalent of foreign currency deposits

†Including the principal on index-linked term deposits and the return once the credit union is holding it

What is NOT covered by the CUDGC deposit insurance: (1) membership shares issued by a credit union; (2) investment shares issued by a credit union; (3) securities and shares issued by other corporations; (4) mutual funds; (5) bonds, notes, treasury bills, and debentures issued by governments or corporations; (6) money orders, certified cheques, traveler's cheques, debentures, drafts, and prepaid letters of credit in respect of which a credit union is not primarily liable; and (7) the return on index-linked term deposits before it is paid to the credit union; safety deposit box contents and other securities held for safekeeping.

Transitional CDIC coverage

Starting on the continuation day, deposit insurance coverage for deposits held with Innovation Credit Union would be covered by the CDIC so long as deposits are eligible for CDIC coverage. CUDGC deposit insurance would no longer apply, including to those deposits not eligible for CDIC coverage.

A transition period would begin on the continuation day. During this transition period, any "pre-existing deposits" — deposits that were made with Innovation before it became a federal credit union and that remain outstanding on the continuation day — would be insured by the CDIC to the same extent as the current CUDGC deposit insurance coverage described above. During this period CDIC deposit insurance coverage would not apply to

- deposits in a foreign currency or that are payable outside Canada;
- deposits in respect of which the Government of Canada is a preferred claimant; and

- investments in non-equity shares and declared but unpaid dividends on those shares

The transition period would end 180 days after the continuation day, in the case of pre-existing demand deposits; and on the date of maturity, in the case of a pre-existing deposit that is to be repaid on a fixed day (i.e., a term deposit or a GIC).

For example, and bearing in mind the above-noted exceptions to CDIC coverage, if the continuation day were January 1, 2020, any eligible pre-existing deposit that is not for a fixed period would have unlimited coverage until June 28, 2020 inclusive, minus any amount withdrawn from the eligible pre-existing deposits during this period. Any eligible pre-existing deposit that is for a fixed term, bearing in mind the above-noted exceptions to CDIC coverage, would have unlimited coverage until the end of that fixed term.

The CDIC transitional coverage does not apply to deposits that are made with Innovation Credit Union on or after the continuation day. During the transition period, these deposits would be treated as separate deposits from any pre-existing deposits and would be covered in accordance with the CDIC standard deposit insurance coverage that is described in the next section.

Once the transition period ends, the CDIC standard deposit insurance coverage that is described in the next section would apply to all eligible deposits with Innovation Credit Union. For the purpose of determining deposit insurance coverage per insurance category, eligible pre-existing deposits would be combined with eligible deposits made on or after the continuation day.

Standard CDIC coverage

The CDIC's standard deposit insurance coverage would apply to all eligible deposits that are made with Innovation Credit Union after the continuation day. This is the same deposit insurance coverage that applies to all CDIC member institutions.

There are certain differences between the deposit insurance coverage provided by the CDIC and CUDGC:

- **Coverage limit:** The CDIC provides deposit insurance coverage for all eligible deposits up to a maximum amount of \$100,000 for each of the categories, in each of its member institutions (please refer to Table 2 located below). This means that, if you have deposits in more than one category, you will be insured for up to \$100,000 in each of those categories, for each CDIC member institution. CUDGC provides deposit insurance for the full amount of the deposits.
- **Term deposits or GICs with a term exceeding five years:** The CDIC's standard deposit insurance coverage does not protect deposits that have a term of more than five years. For example, coverage is available for a five-year term deposit but not for a seven-year term deposit. CUDGC provides coverage for deposits regardless of the length of any fixed repayment period.
- **Deposits in foreign currencies:** The CDIC does not provide deposit insurance coverage for any deposits in a foreign currency or any deposits that are payable outside Canada. This is different from the deposit insurance provided by CUDGC, which covers all deposits regardless of currency.
- **Government of Canada as a preferred claimant:** The CDIC does not provide deposit insurance coverage for deposits in respect of which the Government of Canada is a preferred claimant. No such restriction is expressed in respect of CUDGC deposit insurance.

For more information visit

- www.innovationcu.ca
- www.cdic.ca
- www.cudgc.sk.ca

Table 2: CDIC standard deposit insurance coverage

	Deposits held in one name	Deposits in a trust account	Deposits in an RRSP	Deposits in a RRIF	Deposits in a TFSA	Deposits in more than one name (joint deposits)	Deposits held for paying realty taxes on mortgaged property
Deposits insured up to \$100,000 (principal and interest combined) per category listed above. Must be in Canadian currency and payable in Canada.							
Savings accounts	✓	✓	✓	✓	✓	✓	✓
Chequing accounts	✓	✓	Not applicable	Not applicable	Not applicable	✓	Not applicable
GIC and other term deposits (with original terms to maturity of five years or less)*	✓	✓	✓	✓	✓	✓	Not applicable
Money orders, certified cheques, traveler's cheques, bank drafts, and prepaid letters of credit in respect of which a CDIC member institution is primarily liable	✓	✓	Not applicable	Not applicable	Not applicable	✓	Not applicable
Debentures issued as proof of deposit for CDIC member institutions (other than banks)	✓	✓	✓	✓	✓	✓	Not applicable

*Including the principal on index-linked term deposits and the return once the credit union is holding it

What is NOT covered by standard CDIC Deposit Insurance coverage: (1) membership shares issued by a federal credit union; (2) any shares issued by a federal credit union; (3) GIC and other term deposits that are repayable only after a period of greater than five years; (4) deposits in foreign currencies and deposits that are payable outside Canada; (5) debentures issued by a federal credit union; (6) shares issued by other corporations; (7) mutual funds; (8) bonds, notes, treasury bills, and debentures issued by governments or corporations; (9) money orders, certified cheques, traveler's cheques, drafts, and prepaid letters of credit in respect of which a federal credit union is not primarily liable; (10) principal protected notes (with some exceptions) (11) safety deposit box contents and (12) securities held for safekeeping.



Questions

Specific examples of how transitional coverage works are available at www.innovationcu.ca.

If you have any questions on deposit insurance, you can also visit the following Web sites:

- Canada Deposit Insurance Corporation: www.cdic.ca
- Credit Union Deposit Guarantee Corporation: www.cudgc.sk.ca



www.innovationcu.ca 1.866.446.7001