

**COAST CAPITAL SAVINGS CREDIT UNION**  
**5th ANNUAL GENERAL MEETING – April 20, 2005**  
**VICTORIA CONVENTION CENTRE & CRYSTAL AT YORK CONFERENCE CENTRE**

**MINUTES**

The 5th Annual General Meeting of Coast Capital Savings Credit Union was held by video simulcasting live at the Convention Centre in Victoria, British Columbia and at the Crystal at York Conference Centre, Surrey, British Columbia.

**CALL TO ORDER**

B. Wellburn, Chair, called the meeting to order at 3:00 p.m. and welcomed all members to the fifth Annual General Meeting of Coast Capital Savings Credit Union. B. Garnett, 1<sup>st</sup> Vice Chair, was introduced as host of the Victoria venue.

Tribute was paid to four staff and one Director who passed away over the last year.

**QUORUM**

Due notice of the 2005 Annual General Meeting was given via the October 2004 member newsletter and March 2005 Election Newsletter to all members as required by the Rules of the Credit Union. Pursuant to the Rules, a minimum of 50 members in good standing is required for a quorum. Based on the preliminary registration numbers, the Chair declared that the Fifth Annual General meeting of Coast Capital Savings Credit Union was duly constituted for the transaction of business. Registration was extended until 3:15 p.m.

**APPROVAL OF AGENDA AND OVERVIEW OF THE RULES OF ORDER FOR THE MEETING**

Mr. Wellburn reviewed the agenda for the evening and provided an overview of the Rules of Order and Debate and Voting Procedures.

*Moved and seconded that the Agenda of the 2005 Coast Capital Savings Annual General Meeting be approved as presented. **CARRIED.***

*Moved and seconded that the Rules of Order and Debate and Voting Procedures for the conduct of the meeting be approved as presented. **CARRIED.***

**APPOINTMENTS**

The Chair appointed Barb Smith of the law firm, Borden Ladner Gervais, Parliamentarian and appointed Sandra Parcher, Board Secretary as Recording Secretary for the meeting. In addition, Patricia Maclean and Hugh Maclean were appointed as scrutineers.

**INTRODUCTIONS**

B. Garnett introduced the Head Table at the Victoria venue:

Director	Dan Burns
Director	Karen Kesteloo
President & CEO	Lloyd Craig
Director	Gordon Munn

B. Wellburn introduced the Head Table at the Island venue:

Director  
Director  
Parliamentarian  
Recording Secretary  
Director

Christine Brodie  
Doug Stone  
Barb Smith  
Sandra Parcher  
Ken Martin

Special Guests present in Victoria:  
Elizabeth Woods, former Director  
Bert Hayes, former Director

Special Guests present in Surrey:  
Jim Chan, CUMIS  
Kevin Neville, Credit Union Central of British Columbia  
Tom Kirstein, former Director and Board Chair  
Bert Miles, former Director and Board Chair

### **APPROVAL OF THE MINUTES FROM THE FOURTH ANNUAL GENERAL MEETING**

The Minutes of the Annual General Meeting held on April 28, 2004, approved by the Directors as authorized by the members, were presented to the membership for subsequent approval. No errors or omissions were brought forward.

*Moved and seconded that the Minutes of the April 28, 2004 Coast Capital Savings Annual General Meeting be approved as presented. **CARRIED.***

### **BUSINESS ARISING FROM THE MINUTES**

Reference was made to an unanswered question from the 2004 meeting with respect to the television ads and whether the membership had increased in February 2004 over February 2003. The Chair undertook to provide an answer later in the meeting.

In response to a question it was noted that the attendance at the 2004 Annual General Meeting was 296.

There was no other business arising from the Minutes.

### **SCRUTINEER'S REPORT**

Mr. Wellburn reported that 120 registered members were in attendance at the Crystal at York Conference Centre in Surrey and 91 registered members at the Conference Centre in Victoria for a total of 211 members present at the meeting.

### **DIRECTORS' REPORT**

Mr. Wellburn cited the leadership of his Board colleagues, the CEO and the Executive Team, the hard work and dedication of employees, and the support of, and business with, members of the Credit Union as the main reasons for a successful 2004.

The mandate of the Credit Union was reviewed:

- Providing financial products and services to the membership;
- Providing an outstanding place for employees to work and to grow their careers;
- Continuing to grow roots in the communities the Credit Union serves; and,
- Weaving all components together into a strong, profitable organization for the future.

Member involvement was also noted as an important success factor.

Mr. Wellburn reiterated the Board of Directors' responsibilities including:

- Working with the management team to achieve the Credit Union's long term strategic goals;
- Stewardship of high ethical standards, good professional conduct and best corporate practices;
- Promoting transparency and accountability;
- Representing the interests of members and stakeholders; and,
- Building a strong Board.

In response to member feedback regarding the importance of increased communication with members about the Board's role and mandate and the Credit Union's corporate governance practices, a communication initiative was undertaken in 2004. It was felt that the campaign contributed to encouraging greater member involvement in corporate governance at Coast Capital Savings and facilitated a better understanding of, and increased interest in, the candidate recruitment and Director election process. There were more candidates on the ballot for the 2005 election and more members voted than in the previous year.

Mr. Wellburn spoke about the importance of the Credit Union playing an active role in ensuring the long-term effectiveness of the Board and referenced a recent national report on cooperative governance practices published by the Canadian Co-Operative Association and Brown Governance Inc. It was noted that the research revealed that over three-quarters of co-op boards get explicitly involved in Board renewal.

The following statistics were noted:

- 56% profile skills, desired attributes and criteria for candidates,
- 60% recruit and use some form of candidate endorsement or identification,
- 67% select individuals to stand for election,
- 80% assess their co-op's strategic needs.

It was also noted that for Coast Capital Savings, the Nominations and Election Committee undertakes these tasks on behalf of the members to add strength to the Board for the benefit of both the Credit Union and the members. Members make the ultimate decision on who is elected.

The membership was advised that with the loss of one Director, Doug Brawn, there will be a vacancy on the Board and that the intention is to leave the position vacant for the remainder of the term which would have expired in 2006.

While the current Board policy requires local representation on the Board, members were reminded that all Directors represent all members. The policy, as is the case with all policies, will be reviewed and adapted to meet changing needs as the Credit Union grows.

Members were thanked for their patience during the merger transition and the resulting changes. Staff were commended for successfully completing Canada's largest credit union merger.

Members were advised that expanding Coast Capital Savings within the province and across the country, when legislation permits, is an integral part of the business strategy. The need for growth was recognized as was the need to remain local and connected with the communities served by the Credit Union. Coast Capital Savings' growth plan is motivated by the need to remain competitive and to do the best job possible for members, employees and communities through achieving economies of scale.

In 2004, \$2.8 million of profits were invested in the community thanks to the 2003 member survey in which 70% of the membership indicated they were in favour of the Credit Union re-directing patronage dividends to community programs and activities.

An update on the five major components of the new community model was provided:

- The Coast Community Fund supports community organizations in all our regions and manages sponsorship and donation requests with a focus on programs in the areas of health and wellness, education, the environment, community services, and arts and culture.
- The Coast Capital Savings Foundation is dedicated to promoting its mandate of growing strong, confident, healthy young Canadians and focuses its support on initiatives, programs, and partnerships that build or enhance leadership skills for youth.
- The Coast Community Youth Team brings together selected grade 11 and 12 high school students in the Lower Mainland and Vancouver Island. Youth team members receive full staff training for customer service representatives, work part-time in assigned branches and are immersed in community work.
- The Education Awards Program provides scholarships to students in our communities who have demonstrated strong leadership potential. In 2004 66 scholarships, valued at \$2,000 each, were awarded to deserving students.
- The Coast Community Volunteer Program will be launched later in 2005. In 2004, employees contributed approximately 20,000 volunteer hours to community initiatives. This new program is aimed at further encouraging employee volunteerism by making it possible for employees to donate more of their time to worthy causes.

Another highlight of 2004 was that Coast Capital Savings received national recognition for leadership in corporate social responsibility through receipt of the Imagine Canada award for being the best corporate citizen in Canada's financial services industry.

The management team, all staff and Directors were again thanked for their leadership and hard work.

Retiring founding Directors of Coast Capital Savings, Georgiana Evans and John Huska, were recognized for the key roles they played throughout the mergers and transition periods.

Members were again thanked for their commitment to the Credit Union.

### **CEO'S REPORT**

Mr. Craig reported on the successes of the past year. Significant accomplishments included:

- The distinction of being selected among Canada's 50 Best Managed Companies for the fifth time;
- Completion of transitional work related to the merger;

- o Conversion to a single, integrated banking system;
- o Strong financial performance;
- o Increased awareness and recognition of Coast Capital Savings and our brand "how can we help you?" across key markets;
- o Expansion of insurance officers on Vancouver Island;
- o Conversion of Nanaimo, Duncan, and Mill Bay U-Select offices to full-fledged branches increasing the branch network to 44 locations on the Lower Mainland, Vancouver Island and the Fraser Valley.

With respect to financial performance, Mr. Craig reported that:

- o net income for 2004 was \$44.8 million, an increase of 20% or \$7.3 million;
- o net income expressed as a return on average assets increased from 0.60% in 2003 to 0.68% in 2004;
- o net income expressed as a return on average equity was 17.7% in 2004 showing a slight increase from 17.4% in 2003;
- o assets totaled \$7.2 billion as at December 31, 2004 compared to \$6.4 billion in 2003;
- o member equity increased from \$237 million in 2003 to \$278 million in 2004
- o regulatory capital increased in 2004 to \$355.8 million from \$323.9 million in 2003

A review of subsidiary operations was undertaken to ensure alignment with strategic goals, market realities and the changing needs of members. As a result, Coast Appraisals was sold to its employees. In addition, the U-Select subsidiary was streamlined to focus exclusively on mortgage brokerage services and the operations of Coast Capital Real Estate were combined with Victoria-based Royal LePage Realty to establish Royal LePage Coast Capital Realty.

To date, two major initiatives have been rolled out in 2005 – the Free Chequing, Free Debit and More Account and the No Worry Mortgage. Three new innovative branches are planned for the coming year. Extended hours have been introduced in a number of branches. There is a continued commitment of staff resources to the Contact Centre to further improve those services and to speed up response time.

Mr. Craig commented on the new Coast University initiative that will be launched in the near future, the focus of which will be to nurture our human resources and build leadership within the organization.

Mr. Craig commended the vision and bold leadership of his colleagues on the executive team and their individual contributions to the 2004 successes and also saluted the Board for its foresight in leading the way. Members were thanked for continually sharing ideas and for challenging the Credit Union to raise the bar of service excellence. Staff were recognized for their outstanding talents and resourcefulness.

### **AUDITOR'S REPORT**

Brian Atkins, external auditor and Managing Partner from KPMG, was introduced.

The Auditor provided the members with the standard audit report:

- o management is responsible for the financial statements and it is the auditor's responsibility to audit those financial statements
- o the audit was conducted in accordance with Canadian Generally Accepted Auditing Standards

and provided an opinion that the consolidated financial statements present fairly, in all material respects, the financial position of Coast Capital Savings Credit Union as at December 31, 2004 and the results of its operations and cash flows for the year then ended.

In answer to a question regarding the availability of the Annual Reports prior to the Annual General Meeting to allow members ample time to review the financial statements, it was noted that that is the preference; however, circumstances do not always allow for this. Members were also reminded that financial highlights are available in the election booklet mailed to all members in March who were eligible to vote.

The 2004 Auditor's Report and the Financial Statements were received.

### **MOTION TO APPOINT AUDITOR FOR THE ENSUING YEAR**

*Moved and seconded that the firm of KPMG be appointed external auditors for the year 2004 and that their remuneration be set by the Board of Directors. CARRIED.*

### **COMMITTEE REPORTING – NOMINATIONS & ELECTION COMMITTEE**

K. Kesteloo, Chair of the Nominations and Election Committee, was introduced to report on the results of the 2005 election.

It was noted that the Nominations and Election Committee is appointed annually by the Board of Directors and is comprised of a number of Directors who are not currently eligible for re-election. The Committee is accountable directly to the membership.

Mr. Wellburn's comments regarding the national governance report were reiterated. Coast Capital Savings has embraced the practice of sound corporate governance and, as such, the Committee undertook a structured process to first identify the governance needs of the Credit Union in terms of the skills, competencies, experience and backgrounds currently required for the Board to successfully direct the organization in concert with its strategic plan. From this gap analysis, a candidate description was developed and published to the membership.

It was noted that the candidate description will change from year to year in response to the changing needs of the Credit Union and the skills available at the Board table. It was also noted that if a candidate's skills do not align with the current year's candidate description, that candidate may not be endorsed as the candidate's skills may be adequately represented at the Board table or do not coincide with the current strategic focus of the Credit Union.

Ms. Kesteloo outlined the awareness and recruitment campaign that was undertaken during late summer and throughout the fall of 2004.

Seventeen members submitted their nominations papers. Following a rigorous evaluation process, the Committee endorsed seven candidates who, in its opinion, would add strength to the Board of Directors and best represent the current needs of the Board as set out in the 2005 candidate description. A total of 13 candidates were presented on the ballot for the 2005 Board of Directors election.

Recognizing that a critical part of the 2005 election process was member awareness and participation, numerous articles were published regarding the role of the Board.

It was noted that six Director's terms were expiring and that the Board was downsizing to 12. It was further noted that there was one Island vacancy on the Board with the remaining positions on the Mainland to be filled.

The results of the election were close and one candidate asked for a recount. For the purpose of the recount, an auditor from KPMG joined the independent Returning Officer to ensure that the procedures followed were in keeping with the Rules of the Credit Union and the results were accurate. The recount confirmed the accuracy of the Credit Union's election process.

It was acknowledged that there is the potential for human error as there is in any process. Through the review, an error in the spreadsheet of votes cast was discovered in the original count in that while the spreadsheet ranked each candidate's standing correctly, it incorrectly tabulated the number of votes for each candidate. While unfortunate, the error did not have any bearing on the election results.

Both the third-party Returning Officer and the KPMG auditor concluded in their respective reports that the Credit Union followed the required procedures for the election correctly. In addition, the Returning Officer informed the Committee that the process is very thorough and comprehensive and compares favourably to the process used by other organizations and in municipal and provincial elections.

As a result of the learnings from this experience, the 2005 – 2006 Nominations and Election Committee will be asked to consider a policy for consideration of the Board of Directors that automatically requires a recount of election results under certain circumstances.

In this year's election, a total of 7,025 ballots were cast including 450 rejected ballots resulting in 6,575 valid ballots. The individual results for each candidate were as follows:

Christine Brodie	2,880
Mary Jane Stenberg	2,438
Doug Stone	2,213
John Jansen	2,108
John Page	1,994
Elizabeth Rhett Woods	1,843
Iain Hooey	1,832
Stan Hartfelder	1,742
Dave Sela	1,677
Hart Pfortmueller	1,054
Ben Phillips	935
Ragini Rankin	868
Bill Hall	707

Ms. Kesteloo declared Christine Brodie, Mary Jane Stenberg, Doug Stone, and Elizabeth Rhett Woods elected to the Coast Capital Savings Board of Directors for three-year terms. All candidates were thanked for their interest in the Credit Union.

As well, the Committee members were thanked for their contributions.

Mr. Wellburn reported to the membership that Mr. Hooley, a candidate in the 2005 Director election, commenced a lawsuit this morning (April 20, 2005) in Victoria challenging the results of the election. As part of his lawsuit, Mr. Hooley's counsel brought forward an interim injunction which was heard this morning. In the interim injunction, he requested that the results of the election not be released to the meeting today, and that Ms. Woods not be allowed to take office. Coast Capital Savings' counsel was present to oppose the application and the application for the injunction was not successful.

It was noted that it was likely that a hearing would take place in the next few weeks to hear Mr. Hooley's concerns and that at that time the Court would make a ruling.

Mr. Wellburn further reported that the newly elected Directors will take office at the conclusion of the 2005 Annual General Meeting and will remain in office for their elected terms unless decided otherwise by the Court.

The newly elected Directors were congratulated and the members were thanked for voting as were the Returning Officer and auditor.

## **MEMBERS' RESOLUTIONS AND NEW BUSINESS**

No resolutions were received from the members by the published deadline of December 31, 2004.

### **Report on the Special Resolution regarding the Corporate Rules**

It was noted that the full text of the Special Resolution was published in the 2005 Election Booklet.

The proposed revisions of the Credit Unions were briefly reviewed. Members were advised that a two-thirds majority was required to pass the resolutions and that the resolutions had been approved.

On the Special Resolution regarding the corporate rules, members voted 74.4% in favour; 25.3% against. There was a total of 4,464 valid ballots cast.

### **Ordinary Resolution regarding Board Chair Remuneration**

*Moved and seconded that Bob Garnett, 1<sup>st</sup> Vice Chair of the Board, assume the role of Board Chair for the discussion on the ordinary resolution regarding Board Chair remuneration. **CARRIED.***

D. Burns, Chair of the Governance and Member Relations Committee, was introduced to provide information to the members as to why the ordinary resolution was being proposed.

*Moved and seconded that commencing immediately after the 2005 Annual General Meeting of Coast Capital Savings Credit Union that the annual remuneration of the Chair of the Board of Directors be established at a rate two times the annual remuneration ordinarily paid to a Director in relation to their service as a Director of the Credit Union.*

Discussion on the motion:

- D. Burns provided information regarding governance best practices with respect to Board Chair remuneration and outlined the extensive duties of the Chair including, but not limited to, sitting on six Committees (voting member of three and ex-officio member of three), providing leadership and guidance to the Board of Directors, establishing and maintaining an effective working relationship with the CEO and Board, acting as a spokesperson for the Board, managing the affairs of the Board ensuring good governance of the Credit Union's business and affairs and ensuring the Board is alert to its obligations under the law, ensuring appropriate representation at official functions and meetings with major member groups and other stakeholder groups, and dealing with member correspondence and participating in community activities.
- While not opposed in principle to an increase for the Board Chair position, it was felt that any increase should not take effect until a newly elected Chair took office. It was suggested that it might be appropriate to also increase the remuneration received by the other Directors.
- For clarification, it was noted that the Board Chair is elected on an annual basis and that a new Chair would be elected at the first Board meeting following the AGM. It was also noted that all Directors are eligible to put their name forward for the position.

- In response to a question regarding the comparisons that the Governance Committee had reviewed, it was noted that Vancity, Envision, Canadian Western Bank, and Alberta Treasury Board were included in the comparison bearing in mind some of the institutions were larger and some were smaller. Advice was also sought from governance consultants. The job of the Chair has become much more onerous as has that of Directors.
- It was felt that remuneration should not be the motivation for a Director seeking the Chair position and that any increase should be guided by sound principles.
- It was noted that the Board Chair had not requested an increase at any point; rather, the Governance Committee had reviewed the position and the Terms of Reference and determined that the remuneration was out of line and subsequently made the recommendation to the Board.
- The concerns of other members were recognized; however, it was felt that a large number of members deserved the proposed amount and more and that the motion should be passed.
- Support for the motion was expressed although at the same time there was a concern that the vote on the motion would be by show of hands and it was felt that this was inappropriate given that staff members would be voting.
- There was a suggestion that the motion be deferred until the next Annual General Meeting so as to eliminate the perception that the increased remuneration was self-serving since the current Chair's term would expire at that time.

Being that there was no further discussion on the matter, the vote was called and the motion was **CARRIED**.

The Board Chair resumed the Chair for the remainder of the meeting.

In response to an earlier question regarding the television advertisements and whether the membership had increased as a result, it was noted that the advertisements began in 2004 and it takes time for any apparent impact to occur. Further, in 2003, Coast Capital Savings was still two organizations and the banking system was not converted until 2004. Information provided by staff indicated that there were 275,799 members (after adjustment for duplicates) and the current membership was 286,240, an approximate 8% increase.

It was reiterated that the purpose of the advertisements was to raise awareness of the Credit Union and not necessarily to immediately impact membership growth. From the overall awareness perspective, it was reported that, according to IPSO Reid, the awareness rate at the end of 2003 was 63% and the current awareness rate was 86%.

John Jansen, a former Director who ran in the election but was not successful, was recognized for his contributions to the Board.

#### New Business

Comments were made on the following:

- A challenge to the statement that Coast Capital Savings was the first Canadian financial institution to launch a free chequing account as First Pacific Credit Union apparently offered the product.
- Disagreement with the statement that the "Nominations and Election Committee chose the best possible candidates to endorse" when one candidate's

qualifications indicated no board or financial experience. It was reiterated that when the Nominations Committee does its work, it looks for specific skills sets and although one candidate did not have the depth of board experience, he did have a depth of experience in other areas of expertise. On that basis, the Committee determined that those skill sets and expertise would add value to the Board notwithstanding the fact that he did not have Board experience.

- In response to a question regarding the percentage year over year of members who voted, it was noted that the percentage would be very similar since even though the number of returned ballots rose in 2005, so did the membership.

### **CLOSING REMARKS**

Closing remarks included:

- Encouragement to remain for the Members' Open Forum and to speak to Directors and Management following the meeting
- An announcement regarding departure time for transportation that was provided to members
- Encouragement to provide feedback via the survey that was included in the meeting package
- Encouragement to recycle the meeting packages

### **CONCLUSION**

Having no further business brought forward, the meeting was declared concluded at 4:50 p.m. followed by a Members' Open Forum.

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**SANDRA PARCHER**  
Recording Secretary

**BILL WELLBURN**  
Chair