



Flin Flon

Credit Union

*Together
we can do it!*

Member Equity Plan

A plan to provide each member with an opportunity to share in the earnings of the credit union while maintaining its strong equity position

The purpose of the plan

The purpose of the Member Equity Plan is to provide each member with an opportunity to share in the earnings of the credit union while maintaining its strong equity position.

In any business it is important to have an adequate level of capital, or ownership equity.

We have built up our capital position over the years at Flin Flon Credit Union, thanks to the continued use of our deposit and loan services by our membership. And we are committed to further growth and an even stronger equity base in the future.

We are involving members in the plans for future growth by allocating part of our earnings to a special Member Equity Plan.

This pool of earnings gives members the opportunity to participate in the ownership of their credit union while providing an equity base for stronger operations.

The amount any member receives is based on their use of credit union deposit and loan services, since this is primarily what makes the earnings possible.



How does the plan work?

After satisfying requirements for reserves, the Board of Directors may set aside a portion of earnings for members who have borrowed and saved at Flin Flon Credit Union.

The allocation is distributed to members in the form of Surplus Shares — ensuring a strong equity base for the future of Flin Flon Credit Union, and benefit to members in relation to their utilization of credit union services.

Members are allocated a portion of the deposit interest they earned and loan interest they paid during the year. The Board of Directors may vary the allocation rate between savings and loans.

This allocation will be credited to each member's surplus share account (each member number will automatically be assigned a separate surplus share account).

The allocation rate may vary from year to year and is dependent on the amount of earnings at year end.

Can surplus shares be withdrawn?

Any redemption of Surplus Shares will require the approval of the Board of Directors. Initially, redemption will be restricted — primarily because the shares are helping to build equity and are contributing to the long term strength of our credit union.

When the equity of our credit union reaches a level that the Board of Directors determines to be appropriate, it will review the restrictions and may increase the accessibility of these funds to members.

Currently, redemptions will be considered by the Board only in these circumstances:

- a membership is closed due to death;
- a membership is closed due to the bankruptcy or dissolution of a company; or
- a membership is closed due to a member's moving away from the credit union's service area.

The Board of Directors reserves the right to restrict redemptions in order to ensure the financial stability of the credit union.

Do all members qualify?

We are pleased to extend participation in the Member Equity Plan to all of our borrowing and saving members, including business accounts, with very few exceptions.

All interest earned by members on their deposits, and all interest paid by members on their loans, qualifies for allocation of surplus shares to the member, except:

- Registered investments (RRSPs, RESPs) and retirement income funds (RRIFs)
- Non-profit organizations and social clubs
- U.S. dollar accounts
- Insured savings accounts
- Lawyers' trust accounts
- Syndicated loans
- Tendered accounts and negotiated custom-priced accounts

Due to the cost of administering Surplus Share accounts, a minimum calculated payout of \$1.00 must be met before a member is allocated Surplus Shares to his or her Member Equity Plan.

What else should I know?

- Any allocation to the Member Equity Plan based on deposit interest — except registered plan interest — is taxable. Members will receive T-5 slips issued by Flin Flon Credit Union.
- Any allocation to the Member Equity Plan based on loan interest paid is only taxable if the loan was for a taxable expense, as in the case of a business loan. It is the responsibility of the member to determine if the allocation is taxable and, if necessary, to report it on their income tax return.
- Because the Member Equity Plan consists of Surplus Shares and represent true equity, they are considered risk capital and are not guaranteed. However, it is unlikely that they would ever be called upon because your credit union has additional levels of equity, in the form of retained earnings, and these reserves would have to be depleted first.
- No interest will be paid on Surplus Shares.
- Your regular monthly statement will reflect the balance in your Member Equity Plan.

Together we can do it!

Why not just charge less interest on loans and pay more interest on deposits?

Your Flin Flon Credit Union is committed to its tradition of fair and competitive pricing for the products and services we provide to our membership. However, the credit union operates in a constantly changing financial environment and is affected by interest rate swings and other unpredictable changes to income and expenses. Therefore, it is essential that the credit union build in a margin of safety to be able to handle these fluctuations.

This program helps maintain a strong equity position while allowing the membership to share in the earnings of the credit union. By increasing your use of Flin Flon Credit Union loan and deposit services, you increase your participation in the Member Equity Plan!



36 Main Street
Flin Flon, Manitoba R8A 1J6

Tel 687-6620 or 697-7106

Fax 687-5613

www.flinfloncu.mb.ca