

Schedule B

Business Plan

Proposal for the Amalgamation of:

Advance Savings Credit Union Limited
&
Public Service Employees Credit Union Ltd

November, 2009

Prepared for the Owners of:
Advance Savings Credit Union & Public Service Employees Credit Union

By the Boards of Directors of:
Advance Savings Credit Union & Public Service Employees Credit Union

TABLE OF CONTENTS

Introduction	3
<i>So Why Amalgamate?</i>	<i>3</i>
Principles of Amalgamation.....	5
Vision 2015	6
People	8
<i>Ownership</i>	<i>8</i>
<i>Board of Directors.....</i>	<i>8</i>
<i>Staff and Organization Structure</i>	<i>9</i>
Money.....	11
<i>Asset Mix.....</i>	<i>11</i>
<i>Equity</i>	<i>11</i>
<i>Operating Expenses</i>	<i>11</i>
<i>Allowance for Impaired Loans</i>	<i>12</i>
<i>Two Year Projections</i>	<i>12</i>
<i>Pricing and Service Charges</i>	<i>13</i>
Development.....	14
<i>Name</i>	<i>14</i>
<i>Locations</i>	<i>14</i>
<i>Products and Services.....</i>	<i>14</i>
<i>Marketing.....</i>	<i>14</i>
<i>Data Conversion.....</i>	<i>14</i>
Summary.....	15

Introduction

This business plan has been developed to ensure that an informed decision is made by the owners of Advance Savings Credit Union and Public Service Employees Credit Union on this proposal for amalgamation.

These Credit Unions include over 11,500 owners and 57 employees with current assets of \$130 million; and another \$24 million in assets under administration.

A Working Committee with representatives from the Board and Management of each Credit Union has participated in the development of this business plan. The co-operation and focus of this group and the commitment from the CEO's have been instrumental in discussing and resolving the many issues involved in such a proposed partnership.

So Why Amalgamate?

Firstly, the business of providing financial services is becoming much more challenging. Owners expect and deserve an ever increasing range of competitive products and services with convenient access including automated payments systems, ATM's and Member*Direct* home banking. These services must be supported by knowledgeable staff able to provide financial advice and build confidence in the owner relationship.

The proven results of amalgamations in other provinces, particularly in Nova Scotia, clearly show that individual Credit Unions can be better positioned to meet challenges by combining their operations. The amalgamated Credit Union is better able to focus its resources on developing owner relationships while removing duplication in the accounting and administrative functions. A combined management team will be able to provide expertise and support to the whole organization.

This same example holds true right here in South East New Brunswick where Trico Credit Union and Royal Credit Union amalgamated in July 2006 to form Advance Savings Credit Union, which has been a very successful partnership. In January 2009, Advance Savings partnered with Rexton Credit Union, and that relationship is proving successful too.

Secondly, regulatory and operating requirements are becoming much more complicated and time consuming for each Credit Union. There are significantly increased compliance requirements for privacy, money laundering, consumer disclosure, asset liability management and governance controls.

Given the current or recent turmoil and uncertainty in the financial marketplace and in particular our industry, we can expect yet further increased regulatory

requirements in our system. In an amalgamated Credit Union, the responsibilities can be better managed through trained “experts” versus having a staff person in each Credit Union responsible for regulatory compliance. Again, this will increase the ability of the staff to focus on the owner needs instead of regulatory and operational issues.

Thirdly, and perhaps most importantly, there are opportunities for growth and development that can be better addressed through a stronger, more viable Credit Union. New opportunities exist for increased small business services. The amalgamated Credit Union will have the ability to focus more management resources on such business development. As the business grows, so too will the opportunities for staff to develop their careers within a larger organization.

Finally, the Working Committee believes that a sense of community and local ownership can be retained in such an amalgamation. Both Credit Unions share similar mission statements and a common sense of values. The partnership being formed will have representation proportionate to the ownership of the two organizations.

Principles of Amalgamation

1. The initial Board of Directors will have representation from each of the amalgamating Credit Unions.
2. At the time of the amalgamation, all existing staff will be retained.
3. The amalgamated Credit Union will be profitable to the extent that it can maintain adequate reserves and have sufficient resources to fund future development.
4. With amalgamation, existing locations will be retained so long as they remain viable. There is an opportunity to consolidate the Record Street Branch into the PSE Branch on Weldon Street and this will be addressed in the business plan.
5. A full range of competitive products and services will be provided through all branches.
6. Credit Union Central of New Brunswick and the Risk Management Agency will support the amalgamation.

Vision 2015

Looking ahead five years to 2015, we envision the amalgamated Advance Savings Credit Union to be both vibrant and successful. This success will be reflected not only in our financial results, but also in the relationship with our owners, in our sound governance and internal operations, in the commitment to the knowledge and learning of our employees and in our contributions to our communities and social well being. Prudent decision making in the best interest of the Credit Union will be the key.

Financially, the Credit Union will continue to increase assets both on and off balance sheet, through alliances with system partners. The regional combination of strong rural and urban branches will provide a positive diversification in both the deposit and loan portfolios. Even in times of reduced financial margins, low interest rate environments and economic uncertainties, Advance Savings will be able to better utilize and manage liquidity because of its size and combined expertise. Operating expenses will also be more effectively managed in the amalgamated Credit Union.

Owner relationships will be enhanced with improved access points through strategically located branches, a broader ATM network and the potential to partner in such expanded services as an extended hour Call Center; Internet Banking; mobile financial planners, and small business managers. We will become the primary financial institution for a growing number of individual and business owners each year.

Our combined Board will build upon the experienced directors from each Credit Union and will provide strong leadership and commitment to setting strong policy and strategic direction for Advance Savings and influencing the Credit Union system. An effective nomination and election process will ensure the future Board reflects the demographic diversity of the owners and region. An effective committee structure will ensure that all directors are engaged with senior management and good governance.

Our internal operations will continue to gain efficiencies through centralized administration. This will enable the branches to focus on increasing product use with existing owners and developing new business opportunities. Increased regulatory compliance will be well managed with more specialized staff. We will continue to explore the potential to share these support services through partnerships with other Credit Unions.

Employees will each have annual performance and development plans that encourage continued learning and cross-training. Similar to the Board, our combined management will continue to provide strong leadership to the Credit Union and the system.

Finally, our involvement and support with our communities makes us all feel proud. Together we will explore and support opportunities that are both significant to the region and engage other organizations that improve our society.

By using a balanced score card approach, we will ensure that your Credit Union will be successful in all that we do. By focusing equally on the 4 “core” strategic areas of 1) our owners/and community; 2) our operations; 3) our employees; and 4) our finances, we will ensure that the Credit Union achieves its mandate. It is long recognized that a balanced approach is the most desired methodology to having a vibrant, progressive and sound Credit Union. Only through an aligned effort by members, employees and directors alike, can we be assured of this success.

We want to ensure that we remain leaders in all the communities we serve, and that the memberships in those communities see and can be proud of the support we give and the time we spend making our communities better places to be.

Employees will feel secure in their future with this organization. We want to ensure that our employees are the best trained financial services professionals you meet anywhere, trained to meet your needs and expectations every day and every way possible. Engaged employees challenged to serve you better, and focus on what’s important to you.

As you support your Credit Union, we want you to be assured that we will continue to operate as efficiently as possible and will always endeavor to get the best value for your expectations. In addition, we will always support the Co-operative Principles in achieving these goals.

As we come together we expect our overall performance to improve as a result of the economies of scale and efficiencies that are both predictable and necessary in today’s economy. We believe that financial performance will be significantly enhanced over a short period of time, and that, this enhanced performance can and will result in regular and higher returns to you in the form of future Patronage Dividends.

Summary

The proven approach to achieving success in the future is through a balanced score-card focusing on customer, community and employee satisfaction, along with social and corporate responsibility, and finally, profitability.

Achieving these strategic priorities include growing and engaging: memberships, business relations, corporate reputation, employee engagement, customer loyalty, and profits.

An amalgamated Credit Union will have the critical mass necessary to achieve these goals.

People

Ownership

- The current ownership of the two Credit Unions is as follows:

PSE Credit Union	2,458
Advance Savings Credit Union	<u>9,335</u>
TOTAL	11,793

- Ownership in the new Credit Union will be open to all those conveniently served.
- The ownership share requirement will be 50 shares of \$5 each (\$250). Provisions will be made in the By-Laws and Policies of the amalgamated Credit Union to allow these shares to be purchased over a reasonable time frame, so as not to cause any financial hardship to any owners. Youth under 19 years of age will be required to hold only 1 share.

Board of Directors

- The board will consist of twelve directors – nine from Advance Savings, and three from PSE Credit Union. The directors selected for the new board are identified in the Amalgamation Agreement.
- Directors will have three-year terms initially staggered as follows:
 - Four 1-year terms expiring in 2011
 - Four 2-year terms expiring in 2012
 - Four 3-year terms expiring in 2013
- It is proposed that remuneration and re-imburement of expenses for directors and Committee members be based on the current policy of Advance Savings Credit Union. Out of pocket costs will be reimbursed and remuneration will include \$30/hour for Board and Committee meetings, an annual honorarium of \$250 for the Executive Committee and Chairs of Committees, and an additional honorarium of \$500 for the Chair of the Board.
- The amalgamated Credit Union may have a Credit Committee and will have an Audit Committee, each with a minimum of three and maximum of five members. The committees will be appointed by the Board of Directors, following RMA guidelines for best practices.
- The Credit Union will have such other committees as determined and appointed by the Board of Directors.

Staff and Organization Structure

The organizational structure of the new Credit Union will be according to the chart included as Appendix I of this plan. This structure is anticipated to support the growth and needs of the Credit Union for the next 4-6 years.

- Staff positions will be as follows:
 - President & Chief Executive Officer
 - Vice President – Operations
 - Vice President
 - Executive – Development
 - Commercial Loans
 - Manager –Operations
 - Manager – Finance
 - Manager – Human Resources
 - Manager – Branch Services
 - Manager IT
 - Community Promotions Officer
 - Compliance Officer
 - Branch Managers
 - Accountant
 - Lending Officers
 - Customer Service Officers
 - Board/Executive Assistant
 - Administrative Assistant

- The President & Chief Executive Officer will be Don Roper, currently the President & Chief Executive Officer of Advance Savings Credit Union. His duties will also include management of the Commercial Credit Portfolio.

- A good plan includes a succession plan. Jeannette Holmden, currently the CEO of PSE Credit Union, will be given the opportunity to be the successor to the CEO. In that regard, she will engage in various disciplines over the next 2-3 years beginning with Commercial Credit. In addition, she will be a part of the senior management team and assist in the transition of the amalgamated Credit Union.

- The Vice President Operations will be Janice Rice, currently Vice President & Chief Operating Officer of Advance Savings Credit Union. Her responsibilities will include all operating departments of the Credit Union including retail credit adjudication.

- The current position of VP Sales and Service held by Garth Lawson will change in the new organization. In addition to retaining his title of Vice President, Garth

will take on the new role of Branch Manager of the combined Record St. and Weldon St. Branch.

- The Executive Management Team will include Don Roper, Jeannette Holmden, Janice Rice and Garth Lawson.
- The new Credit Union will provide broader career opportunities for existing staff and in most cases attempt to provide more challenging opportunities. With the creation of specialized functional areas, the duties and responsibilities of some staff will change and training and coaching will be provided to facilitate these changes.
- The staff and management of the amalgamated Credit Union will receive a fair salary and benefits package. Standard salary ranges and benefit packages will be developed for the amalgamated Credit Union. As a principle of amalgamation, no staff members' salaries will be reduced. Some benefits may be enhanced.
- The registered office of the amalgamated Credit Union will be located at 663 Pinewood Road, Riverview, and N.B.

Money

Projected fiscal year-end statements for each Credit Union are attached as Appendix 2.

The amalgamated Credit Union's projected Income and Expense statements are attached as Appendix 3.

The amalgamated Credit Union's opening Balance Sheet is attached as Appendix 4, with highlights as follows:

Asset Mix

- Combined assets of the two Credit Unions as of January 1, 2010 total \$130,821,700.

Category	Dollars	Percent of Assets
Cash	\$9,978,690	7.62%
Investments	\$16,859,587	12.88%
Loans *	\$100,865,000	77.09%
Fixed Assets	\$2,596,672	1.98%
Other Assets	\$521,751	0.03%

* Allowance for Impaired Loans - \$270,000 (0.25%)

Equity

- Combined equity of the two Credit Unions as of January 1, 2010 total \$8,502,484 or 6.49% of total assets, which exceeds the minimum requirement of 5%.
- The current ownership share requirement for PSE Credit Union is \$100, and for Advance Savings Credit Union \$250. The new amalgamated Credit Union ownership share requirement will be \$250.
- For owners with less than \$250 invested in shares, the By-laws and policies of the amalgamated Credit Union will be such that they may have a reasonable period of time to acquire the shares, so as not to create any undue hardship for owners.
- As indicated in the By-laws, owners under 19 years of age will be required to hold only 1 share.

Operating Expenses

Total operating expenses are projected at 4.27% of assets as of December 31, 2010, reducing to 4.18% at December 31, 2011. The merger of resources from the two Credit Unions will position the amalgamated Credit Union to sustain growth without an increase in operating expenses. This is a significant benefit.

Allowance for Impaired Loans

As part of due diligence, the adequacy of the Allowance in each Credit Union and the relative risk in the loan portfolio was determined. The Risk Management Agency (RMA) conducted a review of loans and provided their analysis of the risk and appropriateness of the Allowance in each portfolio. Total Allowance for the new Credit Union is \$270,000 as of January 1, 2010. This represents 0.25% of assets. The level of Allowance is considered to be adequate to cover specific identified risks, as well as a general provision on the remainder of the portfolio. The level of risk in each portfolio is deemed to be appropriate within the RMA guidelines.

Two Year Projections

The financial results for the first two years of operations as an amalgamated Credit Union are included as Appendix 3 and 4. These projections include the following key assumptions:

- Interest rates on loans will remain largely consistent in 2010 with those of 2009, currently using 5.3% as a composite rate. For 2011, rates are expected to increase by .75% over the course of the year. Beginning in 2011, estimated growth is dependant upon rates increasing, booking mortgages more attractive for the Credit Union verses referring to our system partner League Savings and Mortgage.
- Conservative asset growth figure of 4% in 2010 and 8% in 2011.
- No substantial increases in personnel costs, except for an annual cost of living or market adjustment.
- Projections include amalgamation costs for website and software enhancements, signage changes, re-branding expenses, other office supplies, legal expenses, operation and data conversion. These are anticipated to be in the range of \$65,000.

The projections indicate that the amalgamated Credit Union will achieve a level of modest profitability in 2010, and very respectable profitability beginning in 2011. It is expected that on-balance sheet assets will continue to grow to \$149,521,000 over two years. Equity levels will grow, and operating costs can be well controlled.

These projections show a favourable financial future for the amalgamated Credit Union.

Pricing and Service Charges

A detailed comparison of all products will be done to ensure individual account types calculate and pay or charge interest on the same basis within the amalgamated entity. This will be completed in the first half of 2010 to ensure ongoing consistency in pricing renewals and growth. A preliminary review of the pricing structure indicated that the current service charges are very close to each other.

The amalgamated Credit Union will have standard pricing on all of its products and services. Existing loan commitments and deposit commitments will remain in place through the amalgamation. A preliminary review of all products and services indicates that both Credit Unions are similar in their products and pricing, resulting in a minimal, if any, impact on owners.

Development

Name

The proposed name of the new Credit Union will be Advance Savings Credit Union Limited and will operate under the trade name of Advance Savings.

Locations

The new Advance Savings Credit Union will maintain 7 locations throughout its network. As proposed, Peoples Park Tower, Petitcodiac, Port Elgin, Rexton, Riverview, Salisbury will remain intact. The Board of Directors have recommended the combining of 10 Record Street with PSE's Weldon Street branch into a single and large unit at the Weldon Street location commencing April 1, 2010. In addition to several significant operating cost saving measures, the new Credit Union will relocate 6 former Advance Savings staff into an owner occupied property and vacate tired, leased premises on Record Street.

Products and Services

The amalgamated Credit Union will offer a full range of competitive products and services.

New products and services will be introduced to respond to the changing needs of the owners. A relationship-servicing environment will ensure owners' needs are matched with appropriate products and services.

Marketing

An objective for the amalgamated Credit Union will be to become the primary financial institution for existing and new owners. Many of our current owners use the Credit Union for only a portion of their financial needs. Increased products, better trained and specialized staff and a refreshed professional image should support this objective.

Data Conversion

Owners account numbers will likely change for the PSE Credit Union owners. Any costs associated, like replacement cheques, etc. will be covered by the Credit Union. We expect the Data Conversion to take place between May 15, 2010 and June 15, 2010.

Summary

A partnership between Advance Savings and PSE Credit Union will create a stronger, more viable organization that is better positioned for future growth and success. Owners will benefit from improved effectiveness in a broader organization but still continue to benefit from the 'personal touch' that they are accustomed to. With further specialized functions, the Credit Union will be better positioned to expand services and access for its owners while they continue to deal with the staff they have come to know and trust.

A new combined Credit Union will provide expanded regional presence in South Eastern New Brunswick, and owners' accounts will be fully accessible at each branch. In today's market place, Credit Unions need to be big enough to compete and provide variable service options while at the same time, maintain the superior and personalized service we have become noted for. Branch staff will have more time to focus on owner needs through the consolidation of accounting administration and reporting procedures, and we will also be better able to manage and respond to more complicated business requirements including regulatory compliance.

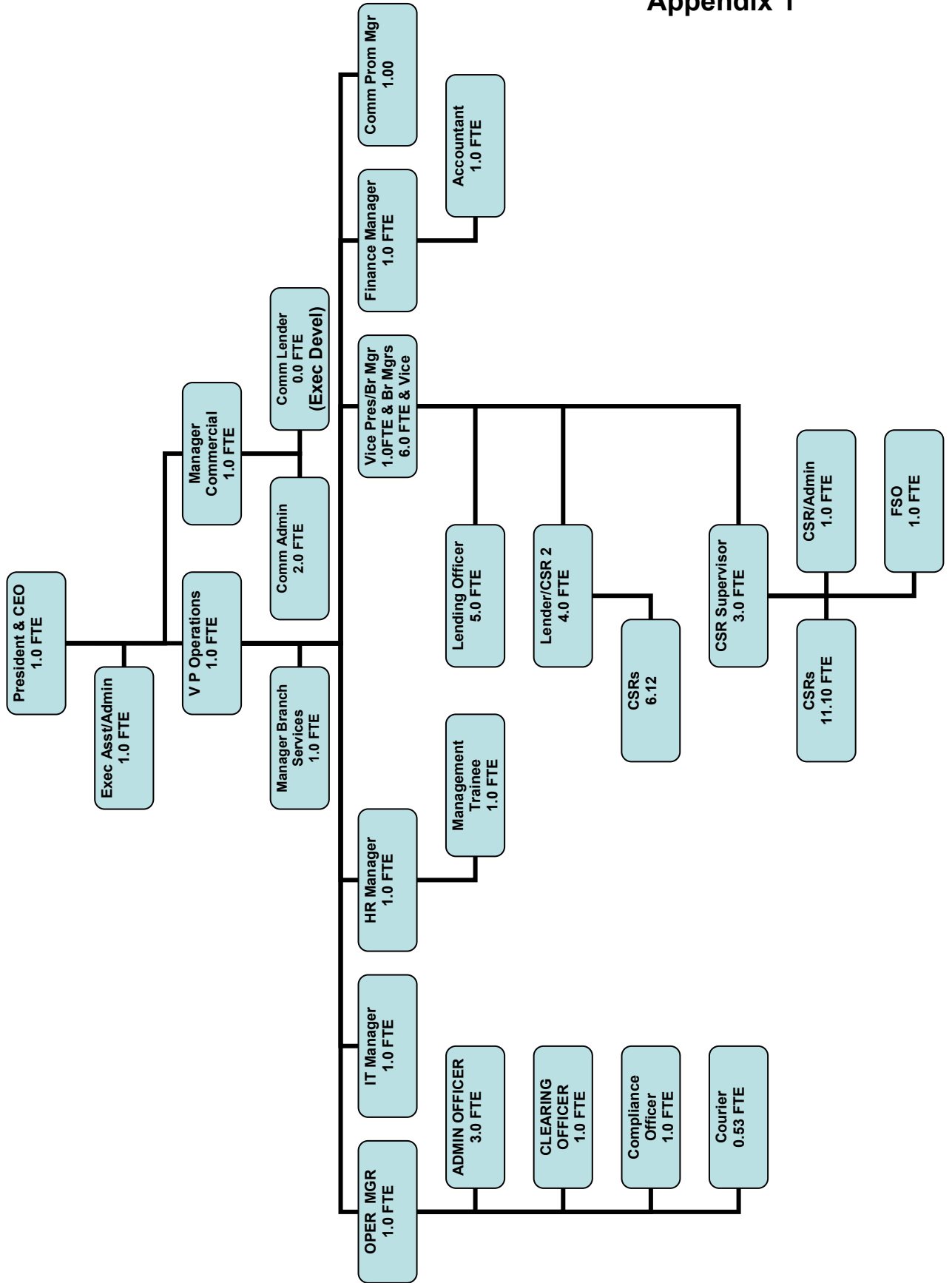
The amalgamated Credit Union will make a strong commitment to training to ensure the Credit Union will maintain a relationship-servicing environment. The quality efforts of staff working together as a team will ensure the future success of the Credit Union. The amalgamated Credit Union will provide enhanced career and job opportunities for staff.

An amalgamated Credit Union provides PSE owners with access to a greater network of branches with products including commercial loans. It provides the existing Advance Savings with a new and significantly improved (and owned) location in Downtown Moncton; and at the same time establishes strong liquidity and capital. With 7 distinct communities, an amalgamated Credit Union will continue to operate with a "Community First" focus, combining its growth and prosperity with that of its communities. It also creates its own "Connectivity" to full service in South East N.B.

The new Credit Union can operate far more efficiently and prosperously than the existing 2 Credit Unions can separately.



Appendix 1



Appendix 2

Projected Income Statement Year Ends 2009

<u>INCOME</u>		PSE Sept 30, 2009	ASCU Dec 31, 2009
<i>INTEREST</i>	Loan Interest	\$1,182,832	\$4,853,158
<i>INCOME</i>	Investment Interest	\$150,256	\$318,630
	Total	<u>\$1,333,088</u>	<u>\$5,171,788</u>
<i>OTHER</i>	Commission	\$108,106	\$292,703
	Rental Income	\$36,959	\$0
	Other Income	\$249,003	\$1,426,870
	Total	<u>\$394,068</u>	<u>\$1,719,573</u>
<u>TOTAL INCOME</u>		\$1,727,156	\$6,891,361
<u>COST OF GOODS SOLD</u>			
	Interest Expense	\$432,989	\$1,919,727
	Total	<u>\$432,989</u>	<u>\$1,919,727</u>
GROSS PROFIT MARGIN		\$1,294,167	\$4,971,634
<u>EXPENSES:</u>			
	Personnel	\$515,136	\$2,528,309
	Occupancy	\$142,017	\$444,440
	Organization	\$59,318	\$170,861
	Member security	\$87,046	\$354,156
	General business	\$409,171	\$1,426,462
	TOTAL EXPENSES	<u>\$1,212,688</u>	<u>\$4,924,228</u>
<i>Income Before 2009 Amalgamation Expense</i>		\$81,479	\$47,406
<i>2009 Amalgamation Expense</i>		\$0	\$153,204
NET INCOME BEFORE TAXES		\$81,479	-\$105,798

Appendix 3

Advance Savings Credit Union Limited Projected Income Statement Combined

<u>INCOME</u>		2010	2011
<i>INTEREST</i>	Loan Interest	\$5,950,235	\$7,508,365
<i>INCOME</i>	Investment Interest	\$361,787	\$361,787
	Total	\$6,312,022	\$7,870,152
<i>OTHER</i>	Commission	\$448,112	\$448,112
	Rental Income	\$0	\$0
	Other Income	\$1,667,040	\$1,667,040
	Total	\$2,115,152	\$2,115,152
<u>TOTAL INCOME</u>		\$8,427,174	\$9,985,304
<u>COST OF GOODS SOLD</u>			
	Interest Expense	\$2,265,060	\$3,068,829
	Total	\$2,265,060	\$3,068,829
GROSS PROFIT MARGIN		\$6,162,114	\$6,916,475
<u>EXPENSES:</u>			
	Personnel	\$3,009,053	\$3,152,517
	Occupancy	\$570,578	\$515,220
	Organization	\$194,800	\$207,400
	Member security	\$444,600	\$478,800
	General business	\$1,733,258	\$1,903,998
	TOTAL EXPENSES	\$5,952,289	\$6,257,935
	Income Before 2010 Amalgamation	\$209,825	\$658,540
	2010 Amalgamation Expense	\$65,004	\$0
NET INCOME BEFORE TAXE:		\$144,821	\$658,540

**ADVANCE SAVINGS CREDIT UNION
COMBINED
Projected Balance Sheet, December 31st**

	2009	2010	2011
<u>ASSETS</u>			
<i>Cash</i>	\$9,978,690	\$13,442,309	\$14,887,810
<i>Investments</i>	\$16,859,587	\$17,376,087	\$17,737,874
<i>Loans/Mortgages</i>	\$100,865,000	\$105,615,000	\$114,100,000
<i>Fixed Assets</i>	\$2,596,672	\$2,387,205	\$2,216,183
<i>Other Assets</i>	\$521,751	\$439,800	\$580,000
TOTAL ASSETS	\$130,821,700	\$139,260,401	\$149,521,867
<u>LIABILITIES</u>			
<i>Owner Deposits</i>	\$120,972,000	\$129,296,516	\$138,602,022
<i>Other Liabilities</i>	\$1,347,216	\$1,316,580	\$1,614,000
<i>Equity</i>	\$8,502,484	\$8,647,305	\$9,305,845
TOTAL LIABILITIES	\$130,821,700	\$139,260,401	\$149,521,867