

BY-LAW AUTHORIZING THE ISSUE OF CAPITAL SHARES FOR THE “SURPLUS SHARES” PROGRAM

CAPITAL SHARES

Resolution to be adopted by the General Meeting of the issuing Caisse

WHEREAS _____ is governed by the Act respecting Financial
(name of Caisse)
Services Cooperatives (L.R.Q., C-67.3);

WHEREAS Section 55 of said Act allows for the issue of capital shares and outlines the terms and conditions for such an issue;

WHEREAS under Sections 91 of the Act and 2.2 of its Internal By-laws, the Caisse may distribute patronage allocations in the form of shares of its social capital;

WHEREAS the Caisse would like to participate in the “Surplus Shares” Program developed by the Fédération;

WHEREAS in order to participate in the Program, the Caisse must adopt a special By-law authorizing the issue of capital shares;

IT IS RESOLVED that the following By-law authorizing the issue of capital shares be adopted.

1. Preamble

The above preamble is part and parcel of the By-law.

2. Definitions

CAISSE: _____
(name)

FÉDÉRATION: the Fédération des caisses Desjardins du Québec;

ACT: the Act respecting Financial Services Cooperatives (L.R.Q., C-67.3);

MEMBERS: the members of the Caisse, including auxiliary members.

3. Issue

The Caisse is authorized to issue to members “Surplus Share” class capital shares (hereinafter referred to as “R Shares”), having a face value of \$1 each.

4. Rights, privileges, conditions and restrictions

In addition to the **rights, privileges, conditions and restrictions provided by the Act, R Shares are subject to the following:**

- 4.1 The minimum amount per subscriber is \$ 30¹ upon initial subscription, with any amount being allowed for additional subscriptions.
- 4.2 R Shares may only be issued as total or partial payment of patronage allocations paid out annually to the member.
- 4.3 Interest on R Shares is conditional upon the Caisse having sufficient surplus earnings – no interest may be paid from the stabilization reserve – and the rate is determined by the Caisse Annual General Meeting, subject to the maximum amount set by the Fédération By-laws.
- 4.4 Interest is paid exclusively on R Shares, following the Annual General Meeting. Any interest that applies to the fiscal year preceding the Meeting will be paid to members who are registered shareholders on the date of payment.
- 4.5 R Shares are not considered deposits as defined by the Québec Deposit Insurance Act and as such are not insured under that law or any other equivalent law adopted by any other legislative authority.
- 4.6 Redemption and interest payments are subordinate to deposits and other Caisse debts as well as to permanent shareholders’ rights and those of holders of any other class of shares issued by the Caisse except for the qualifying share.

1. Each caisse may determine a different amount.

5. Title

The issue of R Shares is settled through book entries in a computerized book-based system set up by the Caisse in accordance with the law. Members may at any time obtain a copy of their entry by contacting the Caisse during normal business hours.

6. Transfer

R Shares are only transferable between Caisse members. However, the Caisse neither organizes nor maintains a market for this type of trade. The transfer of shares only takes effect as of its entry into the Caisse system, when a new minimal holding period begins for the purchaser.

7. Redemption

Except in the case of the death, total and permanent incapacity or terminal illness of the holder, R Shares may only be redeemed in the following situations:

- a) The shareholder has held the shares for at least seven (7) years, is 60 years of age or older or between the ages of 50 and 60 and is semi-retired with an employment or business income not exceeding RRQ schedules, namely 25% of the maximum pensionable earnings.
- b) The holder is not a natural person and has held the shares for at least fifteen (15) years.
- c) In other situations authorized by the Fédération, as applicable.

Redemption in these cases is subject to the financial requirements imposed by the purchasing and redemption standard adopted by the Fédération under the law and those of the Autorité des marchés financiers guidelines on the amount of base capital considered sufficient for financial services cooperatives. Should the Caisse be unable, due to these requirements, to redeem R Shares for a given period, it will do so as soon as it becomes compliant, in chronological order of requests received.

R Shares are redeemed at the lesser of their face value or their book value at the time of redemption, according to the financial statements of the Caisse

8. Repurchase

Notwithstanding Section 7, the Caisse may, by resolution of the Board of Directors, after having advised the registered shareholders in writing, purchase at its discretion and at any time as of five (5) years from their issue date, all or a portion of its R Shares. The Shares are to be repurchased at face value, and the repurchase is subject to prior authorization the Fédération, which will make its decision after taking into account the overall amount authorized for this by the Autorité des marchés financiers. A partial repurchase is carried out in proportion to the number of R Shares in circulation, without regard for share fractions.

9. Limit, suspension and cancellation

Subject to the purchasing and redemption standards adopted by the Fédération des caisses Desjardins du Québec, the Caisse may, by resolution of the Board of Directors, limit the value or the number of R Shares that may be held by a member following acquisitions by transfer.

The Caisse may also, if it deems appropriate, suspend or cancel, in whole or in part, an issue of R Shares, without further authorization or notice.