



MEMO
September 22, 2017

To: Finance and Audit Committee

From: Bill Boni, SVP & Chief Financial Officer

Subject: **Dividend Declaration and Minimum Dividend Rate – Class A Special Shares, Series 1**

Dividend Declaration

Background

In 2013, following consultation with the FAC, the minimum dividend rate for the Class A Special Shares, Series 1 (“Class A Shares, Series 1”) was set at 3.35% on September 2013 and will remain in effect until the next Minimum Dividend Adjustment Date of September 1, 2017.

I am seeking the Committee’s recommendation to the Board of Directors to declare a dividend for the twelve-month period of September 1, 2016 to August 31, 2017.

Dividend Policy

Section 5.0 d. of the Capital Management Policy states that:

“A dividend shall be paid to Class A Special Share holders in every year in which there is sufficient consolidated net income for the fiscal year to do so, while fulfilling all regulatory capital and liquidity requirements and ongoing operational requirements. At the discretion of the Board of Directors, a dividend may be paid to Class A Special Share holders in years in which consolidated net income for the fiscal year is not sufficient to do so, provided: the insufficiency was caused by exceptional events or circumstances that are not likely to recur; regulatory capital and liquidity requirements are met; and finally, ongoing operational requirements can be met following the dividend payment.”

The dividend on the Class A Shares, Series 1 represents **\$384,425**. When added to the estimate dividend on Class A Shares, Series 2 to Series 5 of about **\$3,058,119** which will be declared in the fourth quarter, the total amount of income before taxes required to pay the dividends is **\$3,442,544**. At this time, the non-consolidated income before taxes is expected to come in between **\$7,400,000** and **\$12,600,000** for the year.

In addition, regulatory liquidity and capital ratios will continue to be met following the dividend payment.

Dividend Rate

The five-year minimum dividend rate approved by the Board for the Class A Shares, Series 1 effective September 1, 2013 was 3.35%. I recommend that this minimum rate be applied for the 2017 dividend payment.

Proposed Resolution

Should the Committee support the declaration of the dividend on the Class A Shares, Series 1, the proposed resolution is as follows:

“That the following resolution be recommended to the Board of Directors for approval”:

Resolution for Dividend Payment on Class A Special Shares, Series 1:

Whereas:

- a) Alterna Savings proposes to pay a dividend in the aggregate amount of \$384,425 (the “Dividend”) representing 3.35% per annum on each Class A Special Shares, Series 1 (the “Shares”) for the period September 1st, 2016, to August 31st, 2017, to the shareholders of record of the Shares as at August 31st, 2017.**
- b) There are no reasonable grounds for believing that Alterna Savings is, or the payment of the Dividend would cause Alterna Savings to be, in contravention of Section 84 of the Credit Unions and Caisses Populaires Act.**
- c) The directors are satisfied that payment of the Dividend would not result in a default under any agreement by which Alterna Savings is bound.**

Therefore, be it resolved that:

- 1. The Dividend in the aggregate of \$384,425 is declared payable to the shareholders of record of the Shares as of August 31st, 2017.**
- 2. Each of the President and Chief Executive Officer and the Senior Vice-President and Chief Financial Officer is authorized and directed to do all things and to execute and deliver or to cause to be executed and delivered any documents considered to be necessary or desirable to give effect to this resolution.”**

Proposed Resolution

Management is therefore proposing that the committee approve the following resolution setting a minimum dividend rate of 3.50% for Series 1, Class A shares for the next 5-years:

“That the following resolution be recommended to the Board of Directors for approval”:

“As recommended by Management, that Minimum Dividend Rate for the Series 1 Class A Shares of 3.50%, effective September 1, 2017 and to remain in effect until the next Minimum Dividend Adjustment Date of September 1, 2022, be recommended to the Board of Directors for approval.”