

**LE CHÂTEAU, 1321 SHERBROOKE OUEST INC.**  
**(the “Corporation”)**

**Policy on Nomination and Election of Directors**

**1. Objectives Pursued**

This policy on nomination and election of the directors of the Corporation (the “Policy”) has the purpose of strengthening the confidence of the Corporation’s shareholders in their Board of Directors and in the electoral process and, in general, stimulate the shareholders’ interest in the management of the Corporation’s business, including by way of:

- a periodic and regular renewal in the composition of the Board, while at the same time ensuring continuity in business management;
- the establishment of the principle of consensus, which facilitates good management in general, service to the residents, orderly personnel management, and the continuity of good administrative practices; and
- regular communications with the shareholders on the status of certain important matters.

**2. The Directors**

2.1. From time to time, the Board of Directors shall agree on a grid of expertise or experiences sought to constitute an optimum board of directors. This grid shall include, in addition to any other field of expertise considered useful for the Corporation’s needs, the following fields of expertise:

- customer service;
- personnel management in organizations similar to that of the Corporation;
- management of old residential heritage buildings: expertise on the corresponding architectural and technical challenges (heating and air conditioning, electricity, water supply and sewers, odours, roofs and masonry, elevators); knowledge of these markets and the professionals and service providers active therein;
- administrative management, experience with calls for tenders and contract performance monitoring; multiyear budget forecasts; rigorous cost control and budget compliance;
- financial management; knowledge of the markets, financial instruments and related legal questions; insurance; and
- knowledge of the municipal administration, particularly regarding questions of taxation and zoning.

This grid shall serve, among others, as a guide for management in its selection of the candidates that it will propose for director positions.

- 2.2. A director's mandate shall be of two (2) years and each director may serve for a maximum of three (3) consecutive mandates after this Policy comes into force, unless the Board of Directors decides otherwise regarding a specific director by means of a resolution adopted unanimously by its members.

Any director elected by the shareholders at an annual meeting to fill a vacancy created following the resignation, death or incapacity of a director will complete the current mandate of the said director, following which he may hold only two (2) more consecutive mandates.

### **3. Nominating Process**

- 3.1. At least sixty (60) days before the mailing date of the circular (as defined in Section 4 below), the management shall send a written notice to each shareholder offering him, if he so wishes, to express his interest (or that of any person related to this shareholder eligible for the position of director of the Corporation) before the date fixed by the management so that it can select the candidates it will propose and complete the circular in that respect.
- 3.2. This notice shall be accompanied by a form that must be completed, signed and returned by the interested person before the date fixed for this purpose. This form shall include a space of ten (10) lines (or a number of words, e.g., 50-75 words) for biographical notes and a message. The interested person must indicate on the form if he wishes to submit his candidacy independently, in the event that he is not nominated by management to fill the vacant director positions. The form shall also bear the signature of at least five (5) shareholders of the Corporation seconding an eventual nomination of this person to the position of director of the Corporation, other than the candidate, if applicable. A shareholder may second the eventual nomination of more than one person, up to the number of positions to be filled.
- 3.3. The management shall choose among the persons who have returned the form mentioned in subsection 3.2 before the stipulated deadline, and submit to the Board of Directors for approval by same its slate of candidates to fill the vacant director positions.
- 3.4. The management, as soon as possible following the approval of the Board of Directors, shall contact any person who has returned the form mentioned in subsection 3.2 before the stipulated deadline who will not be nominated by the management as candidate for a position of director of the Corporation.

It shall then inform every such person of this decision. If such person had indicated, in the form mentioned in subsection 3.2, his intent to submit his candidacy independently in the event that he is not nominated by the management to fill the vacant director positions, such person shall then become automatically candidate for a position of director of the Corporation.

If such person had not indicated his intent in the form mentioned in subsection 3.2, the management representative shall remind him that it is nonetheless possible for him to submit his candidacy independently, but that this will then, as a consequence, force the Corporation to organize elections with ballots and incur substantial additional costs. The management representative shall inform such person that he will then have three (3) days to confirm in writing his independent candidacy to the management in writing.

The management representative shall draw to the attention of all persons having submitted their candidacy independently the legal provisions applicable to the election of the directors and the solicitation of proxies.

- 3.5. Only the persons who have returned the form mentioned in subsection 3.2 before the stipulated deadline may be candidates for a director position of the Corporation and no other nomination will be accepted, including nominations from the floor at the annual meeting, except in the cases set forth in subsection 3.6.
- 3.6. In the event that (i) an insufficient number of persons eligible for the position of director of the Corporation to fill all vacant director positions have returned the form mentioned in subsection 3.2 before the stipulated deadline, or (ii) a candidate withdraws his candidacy after the end of the nomination period but before the election date and as a consequence of his withdrawal the number of candidates becomes inferior to the number of director positions to be filled, the management shall then be authorized to designate one or more candidates amongst the persons eligible for the position of director of the Corporation, without regards to the formalities set forth in subsections 3.2, 3.3 or 3.4. In these two cases, it will be possible to derogate to the rules relating to the mandates of directors set forth in subsection 2.2.

#### **4. Proxy Solicitation and Information Circular**

The management shall deliver a Proxy Solicitation and Information Circular (the “Circular”) to each shareholder regarding, among others, the election of the directors within the time limits stipulated in the *Canada Business Corporations Act* (the “Act”). The management shall nominate a candidate for every position to be filled on the Board and shall also include every independent nomination submitted in accordance with subsection 3.4. In addition to the requirements of the Act, the Circular shall contain the following information:

- the objectives set forth in subsection 1.1 of this policy;
- the grid of expertise indicated in subsection 2.1 of this policy; and
- a reminder of the requirements of the Act, the By-laws of the Corporation and the rules of this policy regarding the nomination and election of the directors.

#### **5. Voting System**

- 5.1. The voting system will be “cumulative voting”, whereby a shareholder holds as many votes as his number of shares multiplied by the number of positions to be filled

on the Board of Directors and may distribute his votes among one or more candidates, at his discretion.

5.2. The scrutineer will be determined by the Board of Directors at the appropriate time.

## **6. Coming into Force, Transitional Measures and Miscellaneous**

6.1. This Policy will come into force on the date of the annual meeting for the 2009-2010 financial year. Notwithstanding the foregoing, however, it will govern the nomination and election of the directors of the Corporation at the annual meeting for the 2009-2010 financial year.

6.2. To ensure the orderly transition between the current regime and the coming into force of this Policy, the Board of Directors shall select from among the candidates nominated by the management for director positions for the 2009-2010 financial year, three (3) persons who will have an initial mandate consisting of a one (1)-year term and who, exceptionally, may serve for a maximum of four (4) consecutive mandates.

6.3. Words used in this Policy importing gender include all genders.

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Approved by the directors of the Corporation on February 17, 2009.

Ratified by the shareholders of the Corporation on March 25, 2009.