



**SHORT FORM PROSPECTUS RELATING TO
THE OFFERING OF SERIES 1 AND SERIES 2 CLASS “A” SHARES
OF FONDACTION,
LE FONDS DE DÉVELOPPEMENT
DE LA CONFÉDÉRATION DES SYNDICATS NATIONAUX
POUR LA COOPÉRATION ET L’EMPLOI**

November 30, 2016

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

Information has been incorporated by reference in this prospectus from documents filed with securities commissions or similar authorities in Canada.

Copies of the documents incorporated herein by reference may be obtained on request without charge from the Secretary of Fondation, le Fonds de développement de la Confédération des syndicats nationaux pour la coopération et l'emploi at 2175 De Maisonneuve Blvd. East, Suite 103, Montréal, Québec H2K 4S3; by telephone at 514 525-5505 or 1 800 253-6665; by email at info.actionnaires@fondaction.com; on its website at www.fondaction.com; or on the SEDAR website at www.sedar.com.

Continuous distribution

November 30, 2016

**SHORT FORM PROSPECTUS
NEW ISSUE**



Series 1 and Series 2 Class “A” Shares

The Series 1 Class “A” shares (for the transfer to an RRSP or any other recognized registered plan) and Series 2 Class “A” shares (for holding outside an RRSP) described in this prospectus are offered solely in Québec, and only individuals may subscribe for such shares.

Class “A” shares constitute a speculative investment suitable only for investors who can invest for the long term. No broker has participated in the preparation or examined the content of the short form prospectus.

Using borrowed money to finance the purchase of securities involves greater risk than a purchase using cash resources only. If you borrow money to purchase securities, your responsibility to repay the loan and pay interest as required under its terms remains the same even if the securities decrease in value.

There is no market for trading Class “A” shares and it is not expected that such a market will be created, except with regard to the redemption rights provided by the *Act to establish Fondation, le Fonds de développement de la Confédération des syndicats nationaux pour la coopération et l'emploi* (R.S.Q., c F-3.1.2), which include redemption within 60 days of the date of subscription, of the first payroll deduction or of the first account withdrawal, as the case may be, and with regard to purchases by agreement or transfers authorized by Fondation, subject to certain conditions set forth in a policy to this effect. This affects the liquidity of Class “A” shares (see Section 8 “Redemption and purchase by agreement of shares: When, how, and at what price?”, Section 9 “Transfer of shares”, and Subsection 3.4 “Risk factors”).

SHARE PRICE¹	INVESTMENT COMMISSION	PROCEEDS RECEIVED BY THE FUND
\$10.43	None	\$10.43

1. The price per share is determined twice a year by the Board of Directors, based on the audited financial statements of Fondation as at November 30 and May 31. Fondation plans to announce this price in a press release on or about January 19, 2017 and July 13, 2017 for fiscal 2016-2017 (see Section 7 “Valuation of shares and share price”). The price may therefore vary depending on the subscription date.

As a result of the temporary maintenance of the 20% tax credit applicable against Québec income tax upon the purchase of Fondation shares (see subsection 6.1 “Tax credits”), for the fiscal years ending May 31, 2017 and May 31, 2018, a limit has been imposed on the capital that Fondation may raise (2016-2017 Québec Budget). More specifically, the amount of capital that may be raised must not exceed \$250 million for the fiscal year having begun June 1, 2016 and ending May 31, 2017 and, for the subsequent fiscal year, the total of \$250 million and the amount by which \$250 million exceeds the total of the amounts each of which is an amount paid during the fiscal year ending May 31, 2017 for the purchase of an eligible share as first acquirer.

In the event that, at the end of the fiscal year ending May 31, 2017 or that ending May 31, 2018, the amount of capital collected for the year exceeds the maximum amount authorized, Fondation will have to pay, no later than the ninetieth day following the end of that particular fiscal year, a tax equal to 20% of such excess amount.

In order to comply with the imposed limit, Fondation could suspend the issuance of Class A shares, in whole or in part, during a fiscal year. Fondation will take the appropriate measures to limit the maximum amount authorized, the amount of paid-up capital for a given fiscal year, and thus avoid payment of such special tax. Fondation intends to give preference to the maintenance of subscriptions by payroll deduction, by withdrawal under an agreement with a credit union, and by preauthorized payments from a financial institution.

Proceeds from issuance and their use

The proceeds from this issuance will be used to make development capital investments in accordance with the Fund’s mission and to purchase other investments (financial investments) on the market, as provided for in the financial investment policy (other investments) (see Section 11 “Portfolio asset management”), as well as to cover operating costs related to all the Fund’s activities, including expenses related to this issuance.

Since 2006, Fondation has been exempted from the requirement of having its shares listed on an eligible exchange, pursuant to section 2.2 of Regulation 44-101, and has thereby qualified for the short form prospectus regime.

BECAUSE OF THE SPECIAL CHARACTERISTICS AND INHERENT RISKS OF THIS INVESTMENT, EVERY PERSON SHOULD CAREFULLY REVIEW THE INFORMATION CONTAINED HEREIN BEFORE MAKING AN INVESTMENT DECISION. THE SHARES OFFERED HEREUNDER ARE SUBJECT TO CERTAIN RISK FACTORS (SEE SUBSECTION 3.4 “RISK FACTORS”).

SUMMARY OF THE FEES TO BE PAID BY INVESTORS	
Participation fees for new shareholders ² (payable once only):	\$25
Annual fees:	NIL
Redemption or transfer fees:	NIL
Fees for the exchange of Class “B” shares for Class “A” shares:	NIL
Fees for transfer to an RRSP account or a RRIF account:	NIL
Fees to open an RRSP account or a RRIF account:	NIL
Total operating expense ratio as at May 31, 2016: ³	2.22%

This short form prospectus presents a concise account of the information pertaining to Fondation that all persons should read before deciding to subscribe.

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2. This amount includes the Goods and Services Tax (GST) and the Québec Sales Tax (QST) (see Section 4 “Cost of participation”).
 3. Various expenses are incurred in managing the Fund, such as salaries and benefits, operating expenses (telephone, courier service, photocopies, etc.), advertising expenses, occupancy fees, rent, external portfolio advisor fees, professional fees and custodial fees as well as registrar and trust fees. A note to the financial statements itemizes these expenses by type. For more information, also see Management’s Discussion and Analysis for the year ended May 31, 2016 in the “Rapport de la direction sur le rendement du Fonds” (French only) filed on the SEDAR website.

The disclosure documents, in French only, listed hereinafter and filed with the Autorité des marchés financiers are an integral part of the short form prospectus:

- the audited financial statements, the audited cost statement of development capital investments, the statement of other investments (unaudited), the index of the share of Fondation in the cost of investments made by partner or specialized funds (unaudited), and Management's Discussion and Analysis (the "MD&A") for the fiscal year ended May 31, 2016;
- the 2015-2016 notice of the 21st Annual General Meeting;
- the annual information form dated November 30, 2016;
- any material change report, except a confidential material change report.

These documents and their updates are incorporated by reference in this short form prospectus and legally form an integral part hereof, provided they are not amended or replaced by a declaration in this prospectus or in any other document filed subsequently and incorporated or deemed to be incorporated by reference herein.

All of these documents constitute the permanent information record.

The Québec *Securities Act* establishes certain rights for holders which are described in this short form prospectus.

This short form prospectus contains information that should be read in conjunction with the permanent information record. A copy of these documents may be obtained, free of charge, as follows:

In writing or in person:

**FONDACTION,
LE FONDS DE DÉVELOPPEMENT DE LA CONFÉDÉRATION DES SYNDICATS NATIONAUX
POUR LA COOPÉRATION ET L'EMPLOI**

2175 De Maisonneuve Boulevard East, Suite 103, Montréal, Québec H2K 4S3

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By Internet: www.fondation.com or www.sedar.com

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1. FONDACTION: CHARACTERISTICS, ADMINISTRATION, AND ACTIVITIES

Fondation, le Fonds de développement de la Confédération des syndicats nationaux pour la coopération et l'emploi (hereinafter called “Fondation” or the “Fund”) is an investment fund whose main purpose is to provide funding to Québec enterprises in order to maintain or create jobs, stimulate the economy, contribute to the training of Québec’s working men and women, and promote their participation in the development of such enterprises.

1.1 Characteristics of Fondation

Fondation is a business corporation constituted at the initiative of the Confédération des syndicats nationaux (CSN). The *Act to establish Fondation, le Fonds de développement de la Confédération des syndicats nationaux pour la coopération et l'emploi* (R.S.Q., c. F-3.1.2) was assented to by the Québec National Assembly and came into force on June 22, 1995, as amended subsequently by other laws (hereinafter referred to as “the Act”).

The *Act to establish Fondation*, all articles of amendment as well as Fondation’s bylaws may be consulted at Fondation’s head office or obtained free of charge by sending a written request to the head office or downloading them from Fondation’s website (www.fondation.com).

Fondation’s head office is established in the territory of the city of Montréal, at 2175 De Maisonneuve Boulevard East, Suite 103, Montréal, Québec H2K 4S3.

1.2 Administration of Fondation

Fondation’s affairs are managed by a Board of Directors, whose composition is provided for by the Act.

The Board of Directors of Fondation has ultimate oversight for observance by the Fund of the laws that apply to it. The Board of Directors has delegated responsibility for the daily management of its affairs to its senior executives.

For further information, see Section 9.1 of the annual information form.

1.3 Activities of Fondation

Under the Act, the main functions of Fondation are:

- a) to promote investment in enterprises by investing directly so as to allow the creation, maintenance and preservation of jobs or by guaranteeing or standing surety for any obligation contracted by them;
- b) to foster the development of the enterprises described in Subsection 11.1.3 “Development capital investment policies of the Board of Directors” by inviting working men and women and other community resources to participate in their development by subscribing for shares of the Fund;
- c) to develop the management skills of the working men and women in worker-controlled enterprises and facilitate their active involvement in the economic development of Québec;
- d) to help enterprises conform to environmental laws and regulations;
- e) to foster the development of environmental policies within enterprises.

Fondation’s main objective is to make development capital investments in eligible enterprises in order to obtain a long-term appreciation of the capital. Moreover, the Fund strives to reduce the risks usually associated with the investment of development capital by using the services of professional managers, by diversifying its portfolio, by investing in enterprises that are active in different regions or sectors and that are at various stages in their development, and by following up on these enterprises.

2. CAPITAL STOCK AND SHAREHOLDER RIGHTS

Fondaction is authorized to offer and to issue, in consideration of the subscriptions it receives, Class “A” and Class “B” shares and fractional shares having no par value. Class “A” shares and fractional shares may be issued in one or more series. Only a natural person may acquire or hold a Class “A” or Class “B” share or fractional share. For the purposes of this prospectus, the concept of “spouse” includes both spouses and common-law partners, whether they are of the opposite or same sex, as the expression “common-law partner” is defined in the *Income Tax Act*.

2.1. Class “A” shares

Class “A” shares have no par value. Fondaction may redeem these shares under the circumstances set forth in the Act or purchase them by agreement under the exceptional circumstances set forth in a purchase by agreement policy adopted by the Board of Directors of the Fund and approved by the Minister of Finance of Québec (see Section 8 “Redemption and purchase by agreement of shares: When, how, and at what price?”).

Series of Class “A” shares

Since December 1, 2007, Class “A” shares have been issued in the form of Series 1 and Series 2 Class “A” shares, as the case may be. The issuance of Series 1 Class “A” shares is reserved for persons who request the immediate transfer to a trustee in connection with a registered retirement savings plan or any other recognized registered plan; Series 2 Class “A” shares are issued to natural persons who do not request such a transfer.

The voting right attached to Series 1 and Series 2 Class “A” shares is exercised at the same meeting, regardless of the series, and shareholders may receive notice of the meeting, give proxy and generally act indiscriminately at the meeting, except in cases where the Act, incorporating instrument or bylaws, if applicable, require a separate vote.

Regardless of the series, such shares rank equally among themselves as Class “A” shares with respect to the payment of dividends and the sharing of property in the event of Fondaction’s dissolution, liquidation or the distribution of all or part of its assets among its shareholders. They also rank equally among themselves with respect to the payment of any purchase or redemption price and are at all times treated equally.

To recover refundable tax on hand and to reduce or eliminate a deficit, the Board of Directors of Fondaction may, however, from time to time, by resolution of the directors, increase or reduce the portion of the issued and paid-up capital account relating to the Series 1 Class “A” shares, without distributing or paying the amount added to or deducted from the issued and paid-up capital account, as the case may be, to the holders of such shares. The Fund may also, from time to time, by resolution of the directors, apply any contributed surplus to eliminate or reduce a deficit. Such transactions do not affect the current or future value of Fondaction’s share (see Subsection 2.5 “Dividend tax consequences”).

Amendments to the rights attached to Series 1 and Series 2 Class “A” shares are subject to the provisions of the Act and the *Companies Act*.

2.2. Class “B” shares

Class “B” shares must be issued by series, each series being related to the raising of specific funds for a specific project and bearing mention thereof. For this purpose, the directors of Fondaction are authorized to determine the number and designation of each series of Class “B” shares.

Class “B” shares are not redeemable. However, they shall be exchangeable at any time at the option of the Fund or the holder for Class “A” shares, at the rate of one share for each Class “B” share held by the shareholder. As of December 1, 2007, Class “B” shares held by a trustee are exchangeable at any time

at the option of Fondation or their holder for Series 1 Class “A” shares, and Class “B” shares held by a natural person are exchangeable at any time, at the option of Fondation or their holder for Series 2 Class “A” shares, at the rate of one Class “B” share for every Series 1 Class “A” share or, as the case may be, for every Series 2 Class “A” share.

The holder of a Class “B” share or fractional share may not alienate it.

As of the date of these presents, no Class “B” share has been issued.

2.3. Rights of Class “A” and Class “B” shareholders

Holders of Class “A” and Class “B” shares have the right:

- a) to vote at any meeting of the shareholders of the Fund on the basis of one vote per share, fractional shares not carrying a right to vote. If the shares have been transferred to a registered retirement savings plan (an “RRSP”) of which the shareholder or the spouse is the beneficiary and annuitant, the beneficiary of the plan is deemed to keep the voting rights attached to the shares thus transferred;
- b) to elect four representatives to the Board of Directors;
- c) to receive any dividend declared by Fondation, namely the portion of its profits that the Fund may decide to pay to its shareholders;
- d) to request that Fondation redeem their Class “A” shares, subject to certain conditions set forth in the Act; if the shares were transferred to an RRSP of which the spouse is the beneficiary and annuitant, the spouse is deemed to be the person who purchased the shares from the Fund for the application of the provisions regarding their redemption (see Subsection 8.2 “Redemptions provided for in the Act”);
- e) to receive a prorated portion of the remaining assets of the Fund, should the Fund be liquidated.

As such, shareholders also have the right to be informed of Fondation’s financial position, of their investments in the Fund and of the use that is made of their personal information and their right to access and correct this information (see Section 10 “Information sent to shareholders”).

2.4. Other classes of shares

Furthermore, by articles of amendment, the directors may, in accordance with sections 123.101 and 123.103 of the *Companies Act*, create any other class of non-participating shares not carrying the right to vote at meetings of the shareholders. The articles of amendment shall determine the other rights, privileges, conditions and restrictions attached to the shares of each such class.

On March 12, 1998, the directors adopted a bylaw to amend Fondation’s articles to create a new class of shares and, pursuant to section 123.103 of the *Companies Act*, submitted it to a meeting of shareholders for ratification on May 2, 1998.

It was consequently decreed, as a Fondation bylaw, to create a new class of shares called Class “G” shares, without par value and not carrying the right to vote at meetings of the shareholders of the Fund.

Holders of Class “G” shares are not entitled to any dividend on their shares and do not in any way participate in the profits or surpluses of the Fund. Class “G” shares are not transferable to a third party and are redeemable at the option of the shareholder, at a price corresponding to the lesser of their issue value or their book value. In the case of a deficit, holders of Class “G” shares will assume in priority, up to the consideration paid on such shares, any deficit and any unrealized capital loss in the Fund.

Should Fondation's assets be distributed further to its dissolution or liquidation or in case of any other disposition, in whole or in part, of its assets, holders of Class "G" shares are entitled to the remainder of the assets of the Fund after holders of Class "A" and Class "B" shares have been reimbursed without, however, exceeding the paid-up capital of Class "G" shares.

As at the date hereof, no Class "G" share is issued.

2.5. Dividend tax consequences

In the event that dividends are paid, they may be paid in the form of shares rather than in cash. Consequently, a shareholder may be required to pay income tax even though he or she did not receive any cash payment. In the case of shares deposited in an RRSP, it should be noted that the resulting income tax will be deferred until such time as a withdrawal is made from the RRSP.

Fondation does not expect, however, to pay any dividends to its shareholders.

3. PARTICIPATION: WHO SHOULD PARTICIPATE, HOW TO DO SO, AND THE RISKS INVOLVED

In order to participate in Fondation and to subscribe for shares, a person must complete and sign the appropriate form or use the online subscription service on Fondation's website.

Subject to the provisions of the *Securities Act*, only certain individuals may offer shares of the Fund as an investment (see Subsection 3.3 "Collection of subscriptions").

Fondation generally issues the shares as they are paid for. The price of shares is the price in effect on the date that payment is received (see Section 7 "Valuation of shares and share price").

In the 2016-2017 Québec budget, as a result of the temporary maintenance of the 20% tax credit rate applicable against Québec income tax upon the purchase of Fondation shares (see subsection 6.1 "Tax credits"), for the fiscal years ending May 31, 2017 and May 31, 2018, a limit has been imposed on the capital that Fondation may raise. More specifically, the amount of capital that may be raised must not exceed \$250 million for the fiscal year having begun June 1, 2016 and ending May 31, 2017 and, for the subsequent fiscal year, the total of \$250 million and the amount by which \$250 million exceeds the total of the amounts each of which is an amount paid during the fiscal year ending May 31, 2017 for the purchase of an eligible share as first acquirer.

In the event that, at the end of the fiscal year ending May 31, 2017 or that ending May 31, 2018, the amount of capital collected for the year exceeds the maximum amount authorized, Fondation will have to pay, no later than the ninetieth day following the end of that particular fiscal year, a tax equal to 20% of such excess amount.

In order to comply with the imposed limit, Fondation could decide to suspend the issuance of Class A shares, in whole or in part, during a fiscal year. Fondation will issue a press release regarding any such decision. Should Fondation decide to suspend the issuance of its shares, it reserves the right, at any time, to continue the issuance of shares, in whole or in part, without any notice or formality other than that of issuing a press release in such regard.

Fondation will take the appropriate measures to limit the amount of paid-up capital for a given fiscal year to \$250 million, and thus avoid payment of the special tax. Fondation intends to give preference to the maintenance of subscriptions by payroll deduction, by withdrawal under an agreement with a credit union, and by preauthorized payments from a financial institution.

It should be noted that if Fondation were required to pay the special tax, subscribers would still be entitled to claim tax credits totalling 35%.

3.1. Persons who should invest in Fondation

The following persons would do well to subscribe to Fondation:

- a) working men and women wishing to promote investment in enterprises in order to foster the creation, maintenance, and preservation of high-quality employment in Québec from a sustainable development perspective;
- b) persons interested in fostering the development of enterprises whose work organization allows for the participation of working men and women in the organization and control of their work;
- c) investors looking for an investment eligible for an RRSP or a RRIF with an additional tax incentive;
- d) persons who encourage investment in enterprises whose commitment, conduct or activities contribute to improving the quality of the environment;
- e) persons looking for affordable investments that will make it easier to save for retirement;
- f) persons who wish, through their investment, to stimulate the development of Québec enterprises, including cooperatives or other forms of collective enterprises;
- g) persons who believe in the necessity of promoting active involvement by working men and women in Québec's economic development;
- h) persons who expect to be able to hold on to their shares until they retire;
- i) all Quebecers who pay taxes to Québec and have enough taxable income to benefit from tax credits resulting from the purchase of Fondation shares;
- j) persons who want to obtain tax benefits by saving for retirement by way of a non-registered investment.

3.2. Methods of payment

- a) Payroll deduction (PD)

An individual may ask his employer to deduct the amount he determines from his salary or wages, for the period he specifies, to pay for the Class "A" shares or fractional shares he has decided to acquire from the Fund.

The employer shall, within a reasonable time, make the deduction from the salary or wages of the individual requesting it if 50 employees, or 20% of the employees, whichever number is lesser, so request.

An individual having requested a payroll deduction may at any time notify the employer of his decision to cease acquiring shares from the Fund by payroll deduction. The employer shall comply with the individual's decision with reasonable dispatch.

The employer shall remit to Fondation or to the trustee designated by Fondation the deducted or debited amounts no later than the fifteenth day of the month following the month in which the deduction or debit is made. The remittance shall be accompanied by a statement indicating the amount deducted or debited and the name and social insurance number of the employee. The amounts deducted by an employer remain due to the employee as salary or wages until they are remitted by the employer to the Fund or to the trustee designated by the Fund.

An individual for the benefit of whom sums have been remitted is deemed to have subscribed for as many Class "A" shares or fractional shares of Fondation as the amounts remitted permit him to acquire.

An individual may ask his employer to apply, on each paycheque, the income tax benefits related to the acquisition of Fund shares.

b) Contributions pursuant to an agreement with a credit union

An individual may request a credit union that is a member of the Fédération des caisses Desjardins du Québec, hereinafter called a “credit union,” if an agreement for deduction at source exists between his employer and the credit union, to debit an amount from his account, for the period he specifies, to pay for the Class “A” shares or fractional shares he has decided to acquire from the Fund.

An individual who has authorized a credit union to debit from his account the amounts required to acquire shares from the Fund may at any time notify the credit union of his decision to cease acquiring shares by account debits, and the credit union shall comply with the individual’s decision with reasonable dispatch.

The credit union shall remit to the Fund or to the trustee designated by the Fund the deducted or debited amounts no later than the fifteenth day of the month following the month in which the deduction or debit is made. The remittance shall be accompanied by a statement indicating the amount deducted or debited and the name, address, date of birth and social insurance number of the payer.

An individual for the benefit of whom sums have been remitted is deemed to have subscribed for as many Class “A” shares or fractional shares of the Fund as the amounts remitted permit him to acquire.

c) Lump-sum payment

It is possible to subscribe to Fondation for a fixed amount and to pay this amount by cheque, direct payment at Fondation’s office or bank transfer (minimum amount of \$10).

d) Periodic payments

It is also possible to subscribe to Fondation by periodic payments made through pre-authorized debits at a financial institution (for a minimum amount of \$10 per instalment). Such purchases of shares may at all times be increased, suspended or discontinued, by notifying the Fund in writing to this effect.

3.3. Collection of subscriptions

A number of individuals knowledgeable about Fondation’s activities collect subscriptions to the Fund. These individuals may be officers, permanent or temporary employees of the Fund or permanent employees, members or officers of unions affiliated with the Confédération des syndicats nationaux, or persons who subscribe to the objectives of the Fund.

a) Collection of subscriptions in the workplace

In unions affiliated with the CSN, Fondation has developed a network of representatives who volunteer to promote the Fund in their workplaces located throughout the province of Québec. Their work consists mainly in soliciting members of unions affiliated with the CSN. Each subscription is thus the result of a contact between a representative or a worker and a fellow worker for the purpose of explaining the objectives of the Fund.

b) Collection of subscriptions by employees of the Fund

Fondaction's Shareholder Services provides information about the Fund year-round and welcomes those who wish to participate in the Fund. Individuals may obtain an application and subscription form at their workplace and return it to the Fund by mail.

c) Promotion by persons who subscribe to the objectives of the Fund

A number of persons recommend that their clients subscribe for Fondaction shares. These persons must contact the Fund or its representatives to obtain an application and subscription form and a short form prospectus.

No remuneration representing a percentage of the sums raised in connection with a distribution of shares of the Fund may be paid to those persons.

3.4. Risk factors

An investment in the shares of the Fund is subject to certain risk factors, which affect Fondaction's share value and may cause it to fluctuate.

a) Risks related to the characteristics of the shares:

i) Notwithstanding Fondaction's merits and objectives, subscribers should take into consideration the intrinsic value of their investment and keep in mind that the amount they may receive upon the redemption or purchase by agreement of their shares may be lower than the price paid for such shares. The shares of a labour-sponsored fund do not constitute deposits of money within the meaning of the *Deposit Insurance Act* (Québec) and are not insured by the Autorité des marchés financiers. Therefore, investments in Fondaction are not guaranteed.

ii) Fondaction shares are suitable only for investors who can invest for the long term. There is no public market for trading the shares and it is not expected that such a market will be created. Furthermore, they may be redeemed or purchased by agreement only under specified circumstances (see Section 8 "Redemption and purchase by agreement of shares: When, how, and at what price?").

b) Risks related to the type of development capital investments and other investments (financial investments) made by the Fund:

i) Fondaction aims to maintain a percentage of its average net assets for the preceding year in eligible investments that are at least equal to the investment requirement percentage then set by the Act, essentially in investments in small and medium-size Québec enterprises and in enterprises whose activities have an impact on the increase or maintenance of the level of employment or economic activity in Québec. Such investments are unsecured and each of these enterprises is subject to different factors that could create an inability to respect its commitments in whole or in part. This risk constitutes a credit risk. These risks include economic cycle developments, operating risks, the volatility of financial markets and technological risks as well as the introduction, amendment or repeal of legislative or regulatory measures.

ii) The portfolio of other investments (financial investments), which contains investments other than those that qualify for the investment requirement, is comprised of fixed-term securities (bonds, derivatives and money market instruments) whose values fluctuate according to interest rate changes and market expectations. Therefore, rising interest rates will have a negative impact on the value of the securities in the portfolio, thereby constituting, *inter alia*, an interest rate risk. This impact is mitigated by the active management of the portfolio for which the distribution of bond maturity dates is regularly

reviewed on the basis of expected interest rates. Derivative financial instruments as well as bond futures and over-the-counter bond forward transactions may also be used to protect the value of the portfolio or capitalize on interest rate fluctuations.

- iii) The value of Fondation's share varies with changes in the value of its development capital investments and other investments (financial investments). It is affected by numerous factors, including interest rate risk, currency risk and stock market volatility risk. These risks constitute market risk. The value of Fondation's shares also varies with economic developments, technological risks and the introduction, amendment or repeal of legislative or regulatory measures. Fondation's 2015-2016 MD&A provides a more detailed explanation of these risks and the principal measures taken to manage them.
- iv) A portion of the Fund's net assets is made up of investments in private enterprises for which there is no public market. These investments are valued by an in-house accountant using appropriate valuation techniques. This valuation requires the use of estimates and assumptions, and the resulting values may differ from the price obtained at the sale of these investments. This risk constitutes, *inter alia*, a "valuation risk". More information about the valuation process used by Fondation is found in the annual information form and the MD&A.
- v) Credit, counterparty and concentration risk

Credit and counterparty risk is defined as the risk of financial loss due to the failure of a company, issuer or counterparty to honour its financial commitments toward Fondation. Concentration risk contributes to this risk because it is the probability that a significant portion of Fondation's outstanding financial commitments is being confined to a single company, a single financial product or a single economic sector or geographic region. Credit and counterparty risk is mainly found in the development capital investment portfolio because Fondation operates in the area of venture capital. Developments in companies and investment funds in which Fondation has invested are subject to various risks that could prevent such companies and funds from meeting their commitments, including changes in the business cycle, operating risk, the volatility of capital markets, technological risks and the introduction of, amendments to or the abolition of legislative or regulatory measures.

Balancing analytical and selection criteria, the quality of support to companies in their development and ongoing monitoring of capital development investments are key factors in limiting this risk for each of the investments. Portfolio diversification by sector of activity, by developmental stage and by company also helps to reduce the volatility linked to companies' risk of financial difficulties. Only very rarely has the Fund resorted to taking guarantees to secure its development capital investments. Guarantees disqualify an investment for purposes of computing the investment requirement.

In the other investments portfolio, Fondation conducts trading only with counterparties of impeccable quality, mainly the major Canadian banks. The financial investment policy (other investments) limits exposure by issuer and by sector in the bond portfolio, in addition to imposing minimum credit rating standards. The credit rating for a security is determined using benchmark methodology. A credit rating is defined as the debt security rating of Dominion Bond Rating Service ("DBRS"), Standard & Poor's ("S&P") or Moody's.

- c) Risks arising from the current operations of the Fund:
 - i) Fondation is required to comply with a number of solvency tests, and given that a portion of its investments cannot be sold on short notice, there could be a delay in the

payment of the redemption price or purchase by agreement price of the shares for which a request has been made to the Fund. This risk constitutes a liquidity risk. Consequently, Fondation shall ensure that it has the required liquid assets to meet its commitments.

- ii) Subscriptions may be accepted in whole or in part, or refused altogether, at Fondation's sole discretion. If a subscription request is refused, all amounts paid by the subscriber in relation to the request will be returned within a reasonable period of time, generally within 15 days of the refusal.
 - iii) Investors in Fondation shares will rely on the professional judgement, expertise and integrity of the Board of Directors and senior executives of the Fund. There is no guarantee that the Fund will find suitable investments in the enterprises targeted by its investment policies. It is likely that some of the Fund's investments will not mature or produce the expected returns, thus resulting in less liquidity.
 - iv) Under the *Taxation Act* (Québec), Fondation must pay a penalty to the Québec government when the total amount paid following purchases by agreement made during a given fiscal year, excluding those which are paid under the Home Buyers' Plan and the Lifelong Learning Plan, exceeds 2% of the paid-up capital in relation to the shares of its capital stock. To date, the amount of purchases by agreement made by the Fund has always been below this limit. The Board of Directors could decide to maintain all purchases made by agreement during the same year below this limit and, as a result, it could postpone authorizations or deny requests.
 - v) The capital that Fondation may raise has been limited as of the fiscal year beginning June 1, 2016 until that ending May 31, 2018. Fondation intends to comply with this annual limit. However, should it be exceeded, the Fund would be required to pay a special tax equal to 20% of such excess amount raised, thereby negatively impacting the net assets per share. It should be noted that subscribers would still be entitled to claim tax credits totalling 35%.
- d) Regulatory risks:
- Fondation is governed by or indirectly affected by both federal and provincial laws, regulations, standards, rules and policies, as well as by internal rules, by-laws and policies providing a framework according to which it must operate. The risk lies in Fondation's ability to adapt to any material regulatory change or any stricter application of policies already in effect. For instance, a change in the tax credits granted to Fondation's shareholders by the Québec or federal government could result in a change in shareholder subscription habits and, as a result, lead to a repositioning in Fondation's offer of development capital investment.

4. COST OF PARTICIPATION

Shareholders pay no subscription or sales commission, no transfer or exchange fees, and no redemption or cancellation fees when closing their accounts. They do not pay any fees for trustee services when their shares are transferred to an RRSP.

As of October 5, 2001, individuals who become participants in Fondation must pay a one-time \$25 participation fee. Participation fees are deducted from the first dollars collected by the Fund. They are not refundable, even in the event of a redemption or purchase by agreement.

Since January 1, 1999, no annual fee has been charged to shareholders. However, shareholders who had incurred annual fees for inactive accounts (\$5 per year) under the previous fee policy shall have to pay these fees at the time of their next purchase or withdrawal from the Fund.

The above-mentioned fees may at any time be raised or lowered, as the case may be, on the sole decision of Fondation's directors. A notice regarding such changes will be sent to shareholders prior to their taking effect, except when a change is made to the participation fees.

5. EXPENSES PAYABLE BY FONDACTION

Various expenses are incurred in managing the Fund, such as salaries and benefits, operating expenses (telephone, courier service, photocopies, etc.), advertising expenses, occupancy fees, rent, external portfolio advisor fees, professional fees and custodial fees as well as registrar and trust fees. A note to the financial statements itemizes these expenses by type. For more information, also see Management's Discussion and Analysis for the year ended May 31, 2016 in the "Rapport de la direction sur le rendement du Fonds" (French only) filed on the SEDAR website.

The total operating expense ratio for the year ended May 31, 2016 was 2.22%.

6. SUBSCRIPTION: INCOME TAX CONSIDERATIONS

The explanation given below deals with general issues and is not exhaustive. It is not intended as a fiscal or legal opinion for any given purchaser. Therefore, potential purchasers should see a tax consultant to find out the tax consequences applicable to their own situation.

6.1. Tax credits

From January 1, 2016 until May 31, 2018, the purchase of Fondation shares carries entitlement to two tax credits totalling 35% of the amount paid for such shares. This includes a 20% credit applicable against the Québec income tax payable and a 15% credit applicable against the federal income tax payable.

During the relevant period, subscribers to Fondation shares may therefore deduct from their income taxes payable under Québec and federal income tax laws an amount equal to 35% of the amount paid for such shares during that year or within the sixty days following the end of each calendar year.

For the relevant period, the maximum total annual amount of income tax savings that a person may obtain using both tax credits is \$1,000 for Québec and \$750 at the federal level, which represents the purchase of \$5,000 worth of Fondation shares.

The total amount of the offering price for shares acquired in a labour-sponsored fund that an individual may consider in calculating the tax credit for the acquisition of such shares for a given taxation year is \$5,000.

In Québec, any portion of this tax credit that cannot be deducted for the year in which the shares in a labour-sponsored fund were purchased (or within the following 60 days) may be deducted in subsequent taxation years. At the federal level, the deferral of unused tax credits is not authorized.

6.2. Tax credit eligibility

SUBSCRIBERS ARE RESPONSIBLE FOR MAKING CERTAIN THAT THEIR SUBSCRIPTIONS TO THE FUND ARE ELIGIBLE FOR TAX CREDITS AND DEDUCTIONS.

Under the *Taxation Act* (Québec), no income tax credit may be deducted by subscribers if:

- a) they have reached 45 years of age before the end of the year and have availed themselves of their right to retirement or early retirement, unless their employment or business income is higher than the general exemption applicable to the Québec Pension Plan – \$3,500 for 2016 – and if they have not, before the end of the year, either reached the age of 65 or obtained the redemption, as set forth in the Act, of part or all of their shares;
- b) they have contributed to their spouse's RRSP, and their spouse has reached the age of 45 before the end of the year and has availed himself of his right to retirement or early

- retirement, unless their employment or business income is higher than the general exemption applicable to the Québec Pension Plan – \$3,500 for 2016 – and if they have not, before the end of the year, either reached the age of 65 or obtained the redemption, as set forth in the Act, of part or all of their shares;
- c) they have reached the age of 65 before the end of the year or, if deceased, would have reached that age had they lived;
 - d) they contributed to their spouse’s RRSP and their spouse has reached the age of 65 before the end of the year, or, if deceased, would have reached that age had he lived;
 - e) for shares contributed during a year, they, or their spouse into whose RRSP they have contributed, requested the redemption of their shares within sixty days following their subscription date or, if applicable, within sixty days following the first payroll deduction or following the first debit from their account (see the table in Appendix I);
 - f) the shares were acquired after they requested the redemption of their shares by the Fund for reasons of disability.

Under federal legislation, a federal tax credit is offered to subscribers for Fund shares provided that a tax credit is also offered in Québec for such shares.

Moreover, no tax credit will be granted for shares acquired to reimburse amounts withdrawn from the Fund’s RRSP within the scope of the Home Buyers’ Plan (HBP) or the Lifelong Learning Plan (LLP) (see Section 8 “Redemption and purchase by agreement of shares: When, how, and at what price?”).

Shareholders who have obtained the purchase by agreement of shares within the scope of the Lifelong Learning Plan (LLP) or the Home Buyers’ Plan (HBP) may, at any time, acquire shares and benefit from tax credits and RRSP deductions after making the annual repayments required by these plans. Between the time of the purchase by agreement and the start of repayments, shareholders are eligible for tax benefits if they acquire Fund shares.

Employees who subscribe for shares through payroll deductions may ask their employers to reduce their income tax deductions at source to take into account the tax credits for contributions to a labour-sponsored fund and, if applicable, the transfer of shares to an RRSP.

6.3. Transfer to an RRSP

Class “A” shares or fractional shares may be transferred to a trustee or may be acquired by the trustee within a registered retirement savings plan. Fondaction, in cooperation with Viation Insurance Inc., offers its shareholders a registered retirement savings plan. Shareholders may also choose to transfer their shares to another trust governed by an RRSP.

Subscribers may choose to transfer their shares to an RRSP of which they themselves or their spouse are the beneficiary and annuitant. Beneficiaries of these plans retain the voting rights attached to the shares thus transferred. In the case of shares that were transferred to an RRSP of which the spouse is the beneficiary, the spouse is deemed to be the person who acquired from the Fund the shares or fractional shares thus transferred.

To transfer their shares to the Fund’s RRSP, subscribers shall fill out and sign the appropriate section of the application form, indicating the relevant type of RRSP.

However, the trustee must comply with section 9 of the Act regarding any transfer to persons other than shareholders from whom it acquired Class “A” shares or fractional shares.

The transfer to an RRSP entitles individuals to deduct in the calculation of their income, within the limits prescribed for contributions to an RRSP, both federally and in Quebec, an amount equal to the share price in effect at the time of the transfer. Thus, subscribers may benefit from an income tax

reduction that is proportional to their marginal taxation rate (federal and Québec). The share price in effect at the time of the transfer may differ from their acquisition cost, i.e. the price paid to purchase the shares. If the effective price exceeds the cost, a taxable capital gain may result. In this way, if a shareholder has acquired a share at \$10 and the price in effect is \$10.50 at the time of its transfer, the shareholder must include 50% of \$0.50 as a taxable capital gain in his income for the transfer year. However, if a capital loss is incurred by reason of this transfer, this loss will be deemed null from a taxation standpoint, since the loss resulted from the disposal of property in favour of a trust governed by an RRSP.

On the other hand, all the amounts from their RRSPs received personally by subscribers, or by their spouse in some cases, must be declared as income and shall be taxed at the current taxation rate, except for withdrawals authorized within the scope of the following government programs: Home Buyers' Plan (HBP) and Lifelong Learning Plan (LLP). In the event of a shareholder's death, the surviving spouse who is designated as beneficiary of the totality of property contained in the plan may request that the proceeds of the share redemption be transferred into his or her own RRSP.

Subscribers are responsible for making sure that their total contributions to their own RRSPs or to their spouse's RRSP do not exceed the maximum allowable deduction for RRSP contributions prescribed by the income tax laws. Notices of Assessment issued by the Canada Revenue Agency for the year preceding a subscription show the amount available for the current year.

6.4. Transfer to a RRIF

Fondaction shares are, from a taxation standpoint, qualified investments for trusts governed by a registered retirement income fund (RRIF). Transfer to the trustee of a RRIF of Class "A" shares of the Fund, held in an RRSP account or possibly in another RRIF account, is thus permitted.

Consequently, shareholders may request that shares held in their RRSP account be transferred to a trust governed by a RRIF. The transfer of shares already registered in an RRSP is without tax consequences. The RRSP shares are transferred to the RRIF account at the price in effect at the time of transfer. These transferred shares remain subject to the conditions of redemption and purchase by agreement set forth in this prospectus. Such a transfer will not entitle shareholders to tax credits for contribution to a labour-sponsored fund. Shares can be transferred back into an RRSP until age 71. Upon a shareholder's death, the surviving spouse who is designated as beneficiary of the total assets contained in the plan may request the transfer of the proceeds of the share redemption into his or her own RRIF or RRSP, if he or she is less than 71 years old.

6.5. Deregistration

Shareholders may request the deregistration of shares held in their RRSP or RRIF. Fondaction will exchange Series 1 shares for Series 2 shares. In general, the value of the deregistered shares should be included in the shareholder's income. If the government has not abolished the deduction at source and the deregistration is not accompanied by a payment, a sum of money will be requested to cover the deduction at source required according to tax laws.

The deregistration of shares does not necessarily result in their redemption or purchase by agreement because a shareholder must first qualify under the Act or the purchase by agreement policy of Fondaction.

7. VALUATION OF SHARES AND SHARE PRICE

7.1. General principles

The valuation of shares is based on Fondation’s audited financial statements prepared in accordance with International Financial Reporting Standards (IFRS). The main accounting policies having an effect on the share value are described in Note 2 to the Fund’s audited financial statements.

The issue price, redemption price and price by purchase by agreement of Class “A” and Class “B” shares, when appropriate, is fixed twice a year, at dates six months apart, by the Board of Directors on the basis of the net asset value of the Fund, as established by the audited financial statements. It is impossible to foresee the future value of the shares of the Fund (see Subsection 3.4 “Risk factors”).

7.2. Changes in share price

To date, the Board of Directors of Fondation has retained the net asset value per share as it was established in the audited financial statements to determine the price per share for the purposes of issuance, redemption and purchase by agreement of shares. Fondation is not committed to setting issue and redemption prices more than twice a year, at six-month intervals.

Changes in share price over the past 10 years are as follows:

- May 31, 2007: \$10.69
- November 30, 2007: \$10.36
- May 31, 2008: \$10.50
- November 30, 2008: \$8.83
- May 31, 2009: \$8.93
- November 30, 2009: \$9.23
- May 31, 2010: \$9.11
- November 30, 2010: \$9.38
- May 31, 2011: \$9.57
- November 30, 2011: \$9.30
- May 31, 2012: \$9.34
- November 30, 2012: \$9.31
- May 31, 2013: \$9.44
- November 30, 2013: \$9.71
- May 31, 2014: \$9.85
- November, 2014: \$9.93
- May 31, 2015: \$10.23
- November 30, 2015: \$10.24
- May 31, 2016 : \$10.43

7.3. Share valuation period

Fondation has a 90-day period commencing on November 30 of each year, in which to prepare its audited interim financial statements and 120 days commencing on May 31 of each year, in which to prepare its audited annual financial statements and have them adopted by the Board of Directors. Consequently, the value of Class “A” and Class “B” shares, for the purposes of issuance, redemption and purchase by agreement, will be established within these periods. However, the Fund does not intend to use the entire period and plans rather to announce the share price to the public in a press release issued on or about January 19, 2017 and July 13, 2017 for fiscal 2016-2017.

The new price will apply to share issuances from the time it is established by the Board of Directors of Fondaction and announced to the public in a press release.

7.4. Establishment of other prices

The Board of Directors may further establish other redemption prices, at any other time of the year, on the basis of an internal valuation that is, in all cases, the subject of a special report prepared by an independent accounting firm confirming continuity in the application of principles and in the methods used to assess Fondaction's net assets.

7.5. Issue of shares for the past 12 months

During the 12-month period between November 1, 2015 and October 31, 2016, Fondaction issued 18,321,525.3866 shares, as follows:

- 4,435,757.5205 were issued at a price of \$9.93 per share
- 9,392,769.4332 were issued at a price of \$10.23 per share
- 4,492,998.4329 were issued at a price of \$10.43 per share

8. REDEMPTION AND PURCHASE BY AGREEMENT OF SHARES: WHEN, HOW, AND AT WHAT PRICE?

<p>Generally speaking, investments in Fondaction must be seen as long-term investments for retirement.</p>

Fondaction may redeem shares from a shareholder under circumstances set forth in the Act or purchase them by agreement under exceptional circumstances set forth in a policy adopted by the Board of Directors of the Fund and approved by the Québec Minister of Finance. **Apart from these circumstances, Fondaction is unable to redeem a shareholder's shares or purchase them by agreement.**

Shareholders may obtain from the Fund the appropriate forms as well as explanations on the procedure they must follow to request the redemption or purchase by agreement of their shares.

Purchase by agreement requests will be evaluated by a committee appointed for this purpose by the Board of Directors once shareholders have submitted all required documents. If a request is insufficiently documented to warrant approval, the Fund shall have the right to request additional relevant documents in order to make certain that the requests are well founded. If authorized, the purchase by agreement of a shareholder's shares will be carried out within a reasonable period of time. This time period generally does not exceed 30 days following completion of the application file.

Redemption is made with reasonable dispatch following the date of a request to this effect, subject however to the obligation for the Fund to comply with a number of solvency texts prescribed by the *Companies Act*.

However, in cases of redemption within 60 days of subscription, as set out in the following table, Fondaction shall be required to redeem the shares or fractional shares at their acquisition price and to pay this price within 30 days of receiving such requests.

When the shares have been transferred to a spouse's RRSP, the application for redemption or purchase by agreement must be submitted by the spouse, who is deemed to be the holder of the shares for the application of redemption or purchase by agreement conditions.

8.1. Prices of redemption or purchase by agreement of shares

The prices of redemption or purchase by agreement of shares are established as mentioned in Section 7 above. All unpaid fees will be deducted from the proceeds of the redemption or purchase by agreement of the shares (see Section 4 “Cost of participation”).

Shareholders requesting a redemption for retirement or upon reaching 65 years of age may choose either to have their shares redeemed at the price in effect on the date their request was received by the Fund or to wait until the new share price is issued. If a shareholder elects to wait for the new share price to be issued, Fondation will redeem the shares at the most favourable price for the shareholder between the price in effect on the date that the request was received by the Fund and the price in effect after the new price is issued. In both cases, no disbursement will be made prior to the effective retirement date.

In all other cases of redemption under the Act or of purchase by agreement, the redemption or purchase by agreement will be made at the price in effect at the date of receipt of the completed request.

8.2. Redemptions provided for in the Act

Eligible Class “A” shares are redeemable by Fondation, as set forth in the Act, in the cases described in the table in Appendix I hereto.

Applications for redemption are processed in accordance with the provisions of the Act in force at the time of the application.

Redemption may include all or some of the shares. However, Fondation reserves the right to consider any application for partial redemption as an application for the redemption of all of the shares with a view to closing the account when the approval of the application would leave a balance of shares worth less than \$500.

8.3. Tax effects of redemption

The redemption of Fondation shares may have tax consequences for shareholders, in the form of a capital gain that will become part of their income for the year in which the redemption took place. For shares held in an RRSP or a RRIF, only the income tax applicable to the sums withdrawn from the RRSP or RRIF will be deducted at source by the trustee, in accordance with the Act.

When submitting their applications, shareholders whose shares were deposited in an RRSP or a RRIF may, if they so desire, ask for the redemption proceeds to be deposited in another plan.

8.4. Purchase by agreement of shares

The holder of a Class “A” share or fractional share may not alienate it and a Class “A” share or fractional share, subject to section 123.56 of the *Companies Act*, may not be purchased by agreement by Fondation except with the authorization of the Board of Directors or a committee composed of persons designated by the Board for that purpose, in the cases and in the manner provided in a policy adopted by the Board of Directors for an indefinite period of time and approved by the Minister of Finance. However, the purchase by agreement must be made at a price not exceeding the share redemption price (see Subsection 8.1 “Prices of redemption or purchase by agreement of shares” and Section 7 “Valuation of shares and share price”).

This policy allows, within the scope of Fondation’s objectives and in exceptional circumstances, whether for humanitarian reasons or for other exceptional situations specified in the table in Appendix II hereto, the purchase by agreement of Class “A” shares or fractional shares of the Fund.

For requests to be deemed eligible, Fondation requires from shareholders some evidence as to the existence of the situation or the criterion invoked. Eligible requests are considered on their merits and are accepted by the Fund only if the Fund deems it appropriate, having considered all the circumstances and the fact that, under the Act, this is a policy of exception and a privilege.

All requests are authorized by the purchase by agreement committee established for such purpose by the Board of Directors of the Fund. This committee sees to the interpretation and application of the policy and to compliance with provisions of the general laws applicable to the Fund. **It authorizes requests that include the evidence required to establish the existence of the eligibility criterion invoked and that meet the requirements and application principles of this policy. However, the committee must interpret the policy, apply it and make its decisions based on the principle of the permanence of the capital of the Fund.**

A purchase by agreement is authorized only if it can be made to the personal benefit of the concerned shareholder.

Fondaction may require fewer elements of proof from shareholders who own 75 shares or less.

In all cases, requests for purchase by agreement must be submitted in writing and supported by the necessary proof and relevant documents. Requests may include all or part of the shares. However, Fondaction reserves the right to transform all requests for a partial purchase into requests for the purchase of all of the shares in order to close the account when approval of such requests would leave a balance of shares worth less than \$500, with the exception of requests approved under the “Return to Studies” criterion undertaken within the scope of the Lifelong Learning Plan and requests approved under the Home Buyers’ Plan.

The reasons for which Fondaction may authorize the purchase by agreement of shares, as well as the minimum holding period, the delays for subsequent acquisitions and the elements of proof for shareholders’ requests are listed in the table in Appendix II hereto, which is an integral part of said policy.

When the shares covered by a purchase by agreement request have been transferred to the spouse’s RRSP, the spouse must submit the request and is deemed to be the holder of such shares for the purposes of the conditions to be met.

Fondaction may amend this policy at any time, such amendment being subject to the approval of the Minister of Finance. Amendments to this policy will only affect shares or fractional shares purchased after the amendments take effect. However, the Fund may decide to deal with requests in accordance with the policy in effect at the time the requests are submitted, unless that policy would be less beneficial to the shareholder than the policy that was in effect when the shareholder acquired his shares, in which case the latter policy will be used to deal with the request.

8.5. Management of the purchase by agreement policy

The *Taxation Act* (Québec), and as it will be amended by the 2016-2017 Budget, stipulates that Fondaction may have to pay a penalty set, since June 1, 2016 until May 31, 2018, at 20% of the amount paid by the first acquirer, should it purchase by agreement, in a given year, more than 2% of the paid-up capital in respect of the shares of its capital stock.

Excluded from this calculation are refundable purchases by agreement authorized to allow shareholders to participate in the Home Buyers’ Plan (HBP) or to pursue full-time studies under the Lifelong Learning Plan (LLP). The Board of Directors could decide to maintain total purchases by agreement in one given year below that ceiling and, consequently, the committee could postpone or refuse some requests.

Since its creation, Fondaction has authorized the purchase by agreement of shares each year for a total value representing less than 2% of its paid-up capital and it intends to continue to maintain purchases by agreement below this limit in the future.

The *Act to establish Fondaction* further stipulates that the Fund must comply with a number of solvency tests before proceeding with the purchase by agreement of shares. These tests involve the maintenance of Fondaction’s capital so that it may fulfil its obligations and terms as they become due.

Consequently, payment of the redemption price for shares or fractional shares may be delayed until such time as the Fund can do so without breaking these solvency rules.

8.6. Tax effects of purchases by agreement

In cases of purchase by agreement for reasons of terminal illness, redemption of pension credits, ineligibility for income tax credits and permanent emigration from Canada, shareholders may request that the proceeds of the purchase by agreement be paid in whole or in part into another plan.

The purchase by agreement of Fund shares, with the exception of withdrawals made within the scope of the Home Buyers' Plan (HBP) and the Lifelong Learning Plan (LLP), may have non-RRSP tax consequences for shareholders, in the form of a capital gain that will be included in their income for the year in which the purchase by agreement takes place.

Moreover, if the shares or fractional shares have been transferred to a registered retirement savings plan or a registered retirement income fund and if the said plan has paid the proceeds from the purchase by agreement of such shares, income tax shall be deducted at source according to the provisions of the income tax laws.

9. TRANSFER OF SHARES

Fund shares or fractional shares cannot be transferred to another person, by sale or otherwise. However, the Board of Directors or the purchase by agreement committee may authorize such a transfer. Only a natural person may acquire or hold Class "A" or Class "B" shares of Fondation.

The transfer of shares to a second purchaser may have tax consequences for the first purchaser if he or she held these shares in a trust governed by an RRSP or a RRIF before they were transferred. The second purchaser cannot obtain any income tax credits in relation to the purchase of shares of the Fund.

In the case of a transfer, Fondation is required to redeem the shares of the person to whom the shares have been transferred when the person who first acquired them has reached 65 years of age or, if deceased, would have reached that age had he lived. The only exception to this rule applies to transfers between spouses under an order or judgment of a court of competent jurisdiction under a written separation agreement relating to a division of property in settlement of rights arising out of the breakdown of their marriage, civil union or common-law partnership. Thus, the spouse to whom the shares are transferred is deemed to be the person who first acquired them for the purposes of the redemption, and the issue date for the transferred shares is presumed to be the date of their subscription from the Fund (see Section 8 "Redemption and purchase by agreement of shares: When, how, and at what price?").

10. INFORMATION SENT TO SHAREHOLDERS

Fondation is governed by the *Regulation respecting development capital investment fund continuous disclosure*. This regulation deals with the continuous disclosure obligations to which Fondation is subject. Adopted by the Autorité des marchés financiers, this regulation controls the content as well as the method or deadlines for the transmission of continuous disclosure documents such as financial statements, the statements of investments and of other investments (financial investments) and the interim and annual management discussions and analyses, the annual information form and the material change reports. You can read the text of this regulation on the website of the Autorité des marchés financiers (www.lautorite.qc.ca).

To summarize, Fondation transmits the following information to its shareholders:

- a) Semi-annually:
 - a complete statement of the shareholder's transactions, if applicable;

- a statement of the shareholder's financial investments, indicating both the number and value of the shares held.
- b) Annually:

- when calling the annual general meeting of shareholders, a business reply card is sent to shareholders allowing them to obtain a copy, at no cost, of the financial report, on an interim and annual basis.

The financial report includes:

- the audited financial statements, including the notes to the financial statements and the independent auditor's report;
 - the MD&A;
 - the audited cost statement of development capital investments;
 - the statement of other investments (unaudited);
 - the index of the share of Fondaction in the cost of investments made by partner or specialized funds (unaudited).
- written confirmation of the number of shares held (in lieu of a share certificate);
 - a statement of reimbursements for the Home Buyers' Plan, if applicable;
 - a statement of reimbursements for the Lifelong Learning Plan, if applicable.

All shareholders are entitled to receive written confirmation of the number of shares or fractional shares that they hold and the amount paid for them. Such confirmation is provided to shareholders free of charge, once a year, or on request, according to the form and terms prescribed by the bylaws of the Fund. Should a confirmation method other than a share certificate be prescribed, the document sent to shareholders shall serve as a certificate issued in accordance with section 53 of the *Companies Act*. A personal file shall be created for each shareholder for the purpose of participation in the Fund and acquisition of shares and, if necessary, of information pertaining to the shareholder's registered retirement savings plan.

Only the employees or agents with responsibility for shareholder files or persons authorized by the shareholder have access to these files. Shareholders have the right to access their personal information appearing in these files and to have corrections made, if necessary, by sending a written request to the Fund.

It should be noted that the list of Fondaction shareholders is neither sold nor provided to any other organization or institution.

11. PORTFOLIO ASSET MANAGEMENT

In managing its assets, Fondaction uses a comprehensive approach, primarily based on a mid- and long-term horizon because it collects retirement investment savings. Every year, Fondaction ensures that it complies with the investment requirement stipulated by the Act in terms of development capital investments.

The development capital investment portfolio is set up in such a way as to fulfil the mission to develop employment within Québec and to promote more socially responsible development. Sound diversification is sought by investing in different industry sectors and at various business development stages, as well as the products used. Fondaction aims to provide appropriate support for the development of enterprises in this portfolio in order to assist them in creating the desired value.

The purpose of the portfolio of other investments is to round out assets so as to optimize the risk/return trade-off for the entire Fund over a horizon of five to 10 years. The portfolio is regularly adjusted on the basis of changes in the development capital investment portfolio mix and trends in economic and business conditions. Special efforts are being made to reduce the risk of a negative return in the short term. The Board of Directors adopts and reviews strategic asset allocation, where necessary, for both the development capital investment portfolio and the portfolio of other investments.

11.1. Development capital investment: Standards and policies

Through its development capital investments, Fondation intends to pursue the objectives set forth in the Act, while seeking to be a profitable investment for its shareholders. To reach this goal, the Fund intends to act according to the investment policies and standards stated below.

11.1.1. Rules set forth in the Act

Fondation may make investments in any enterprise, with or without a guarantee or security.

However, eligible investments, within the meaning of the Act, must represent, on average, a percentage of the average net assets of the Fund for the preceding fiscal year that is at least equal to the investment requirement percentage then set by the Act. For the fiscal year ending May 31, 2017, the investment requirement percentage is set at not less than 62% of its average net assets for the preceding fiscal year. For the following fiscal years, the investment requirement will be increased annually in increments of 1% until it reaches 65%, so that the proportion of eligible investments represents, for any fiscal year beginning after May 31, 2019, at least 65% of the average net assets of the Fund for the preceding fiscal year.

For further information, see Subsection 2.1.1 of the annual information form.

11.1.2. Application of the investment requirement

During the fiscal year ended May 31, 2016, the proportion of the Fund's eligible average investments exceeded the investment requirement.

11.1.3. Development capital investment policies of the Board of Directors

The development capital investment portfolio is set up in such a way as to fulfil the Fund's mission to develop employment within Québec and to promote more socially responsible development. Sound diversification is sought by investing in different industry sectors and at various business development stages, as well as the products used.

Development capital investments are subdivided into three groups: direct equity participation in businesses, investments in partner or specialized funds, and a Québec listed Small Capitalization ("Small Cap") securities portfolio.

Through its equity participation, Fondation provides businesses with patient capital focused on development and real value creation over a horizon of five to ten years. Fondation subscribes to various partner or specialized funds so that it can provide an offering of financial products adapted to various sectors or customer bases, diversify assets and share expertise and networks. In making its investment choices in this area, Fondation takes into account how specialized funds complement its own direct investment activity, whether in terms of stages or industry sectors financed, as well as the potential beneficial effects of its association with these funds and their networks for its partner enterprises. Some funds specializing in lending and major investments in companies developing or holding a real estate portfolio and an absolute return fund complete this portfolio.

Lastly, the securities portfolio of listed companies allows Fondation to contribute to the liquidity of these securities by diversifying its assets through its presence on the Small Cap stock market.

Fondaction seeks to invest in economically viable enterprises with a possible return on invested capital proportionate to perceived risks. Requests are also assessed according to specific criteria, including the competence of the management team, the positioning of the enterprise in the market and its potential for growth, its work organization methods and the quality of its human resources, the quality of its product and the price-market fit, the management of its operations and production, its financial situation and the potential for profitability. Furthermore, to reduce the level of risk associated with its investments, the Fund seeks sound diversification with regard to the sector of activity, region in Québec and investment size.

Fondaction's investments seek to create, maintain and preserve high-quality permanent and socially useful employment, and to foster and support the active involvement of working men and women in the determination, organization and control of their work. They also seek to foster the development of environmental policies within enterprises and to ensure that the initiators of collective projects have access to financial resources equivalent to the resources available to other types of enterprises. In addition, they seek to ensure that working men and women wishing to organize their own employment have access to financial resources capable of adequately supporting their endeavours and to foster their training in economic matters while developing their management skills. Finally, they aim to encourage social forces to come together to discuss the sharing of productivity gains as well as the sharing of work.

Fondaction may invest in any enterprise, regardless of the sector of activity. However, in accordance with its mission, the Fund particularly favours enterprises that fall within one or more of the following categories:

- a) worker-controlled enterprises, whether cooperative or not, having a legal structure that provides for an equal apportionment of voting rights among all the shareholders or members, regardless of the capital held;
- b) enterprises subscribing to a participative management process, whose work organization enables men and women who work in the enterprise to participate in the determination, organization and control of their work, or enterprises that have pledged to review the organization of work in order to promote such participation;
- c) socially responsible enterprises preoccupied with different aspects of sustainable development (economic and financial, social and environmental), whose decisions or activities contribute to the protection or improvement of the quality of the environment.

Fondaction may intervene at any stage in the development of an enterprise: the start-up phase, a period of development or expansion requiring an increase in production or the development of new products or markets, a need for consolidation or restructuring, a succession plan, the acquisition of equity participation in the enterprise by workers, or a merger or acquisition.

Fondaction may invest up to 5% of its assets, as established on the basis of the latest valuation by experts, under the responsibility of external accountants in any given enterprise. For an initial direct interest, it mainly seeks investments of between \$1 million and \$5 million per enterprise. Investments in partner or specialized funds are at higher levels, generally between \$5 million and \$10 million.

The Fund's investments may take different forms:

- a) equity participation, generally minority, *inter alia* through the acquisition of capital stock, or common or preferred shares;
- b) unsecured loans, acquisition of bonds or debentures;
- c) loan guarantees;
- d) guaranteed loans.

Fondaction applies pricing that is commensurate with the risks involved and adapted to the enterprises in which it invests. This pricing is comparable to the returns sought by other similar funds and aims to help secure an adequate return for Fund shareholders.

The steps that a financing or investment application to Fondaction must go through were established in order to suitably and promptly exchange the required information between the enterprise and the Fund. Once the initial contact has been made, a detailed analysis of the enterprise, its environment and the project is carried out by executives and employees assigned to such duties. If necessary, Fondaction may retain the services of external consultants to perform analyses.

When applicable, the application is submitted to an internal investment committee, namely the Internal Investment Committee or the Investment Committee – Resource Regions. If need be, Fondaction issues a letter of intent setting forth the necessary terms and conditions to complete the file. When the conditions have been met, the file is submitted for approval to the authorities concerned and, when appropriate, a financing offer is submitted, committing Fondaction and the enterprise to apply the conditions agreed upon in order to proceed with the signing of the preliminary agreements that precede the financial intervention of the Fund.

Fondaction's decision-making bodies are:

- the Board of Directors, for cumulative investments of more than \$5,000,000;
- the Executive Committee, for investments of \$5,000,000 or less.

Exceptionally and in accordance with the established procedures, a protective disbursement of no more than \$150,000 and a disinvestment requiring an urgent authorization in cases where fair value is less than \$300,000 may be approved by a management member.

The capital or the participative financing granted may be said to be patient, as investments generally span a five to ten-year term.

In addition to the usual conditions applicable to the various forms of financing offered, Fondaction will require the fulfilment of specific conditions, such as: complete financial information, participation of the Fund on the Board of Directors, participation of the enterprise in the economic training of its working men and women and its financial contribution to this training in the manner prescribed by the Fund.

After the investment, the enterprise is followed up by professionals of the Investment Division while the Financial Analysis, Restructuring, Registrar, Legal Advice and Buildings Division follows up on the investment. Follow-up with the enterprise is ensured through an involvement in the enterprise's strategic planning process, periodic visits and meetings, the identification and explanation of variances between forecasts and realizations, and the monitoring of results. It may also be ensured through participation by the Fund on the Board of Directors. Periodic revaluation of the value of the investment, identification and explanation of variances, administrative and accounting monitoring and application of corrective measures as needed are the means used to ensure that the investment is properly followed up.

11.2. Management of the portfolio of other investments (financial investments)

The objective of the portfolio of other investments is to create a stable income base for the Fund and to diversify assets so as to protect shareholder's capital. Pursuant to the policy adopted by Fondaction's Board of Directors, it is diversified, consisting of fixed-income securities (bonds, Treasury bills and other money market securities) issued by the Canadian and Québec governments, institutions and enterprises as well as mutual fund units in Canadian and global equities (all countries), commodities, absolute return funds and international real estate securities. As at May 31, 2016, the portfolio of other investments accounted for 41.7% of Fondaction's net assets. Since development capital investments are inherently concentrated in Québec, Fondaction seeks a certain geographic diversification by trading a portion of its other investments on global markets primarily in developed countries.

Fondaction entrusts the management of most of its other investments to external portfolio advisors designated by it.

Derivatives such as forwards, futures contracts and options may be used to take advantage of changes in interest rates, exchange rates, stock or bond markets and commodity prices, or to offset or reduce such volatility risks. The use of these derivative financial instruments is governed by the investment policy (other investments) which defines the authorized instruments. Derivatives must fall within the asset classes authorized under the policy, and their use must relate to the management of these asset classes. The policy further stipulates that they must be highly liquid and trade on authorized markets; or in the case of over-the-counter (OTC) market products, they must be traded with banks having at least an “A” rating assigned by a recognized rating agency.

For further information, see Section 9.2.2 of the annual information form.

12. PERFORMANCE OF MAIN FUNCTIONS

Fondaction manages its own assets. Specific mandates are given to external portfolio advisers in respect of other investments (financial investments), while Fondaction continues to internally manage investments in eligible enterprises, with the exception of a portfolio in publicly-traded Québec enterprises.

See the annual information form for information about Fondaction’s governance and ethics rules.

13. DIVIDENDS

In order to increase the capital made available to enterprises and to ensure the appreciation of its shares, it is Fondaction’s policy to reinvest the annual income generated by its operations and not to pay any dividends to its shareholders.

14. MANAGEMENT AND ORGANIZATION PROVISIONS

Fondaction manages its assets itself and is registered as an investment fund manager under *Regulation 31-103 respecting Registration Requirements, Exemptions and Ongoing Registrant Obligations*.

For more information concerning registration as an investment fund manager, please refer to the annual information form.

Below is a list of entities that carry out complementary functions.

Role	Name	Function
Custodian	Desjardins Trust Inc. 1 Complexe Desjardins, P.O. Box 34, Desjardins Station, Montréal, Québec H5B 1E4	Acts as a custodian for securities acquired by Fondaction
Sub-depositary	Caisse d’économie solidaire Desjardins 2175 De Maisonneuve Blvd. East, Suite 150 Montréal, Québec H2K 4S3	Acts as sub-depositary for the cash accounts.

Role	Name	Function
Share registers and trustee services	Viaction Insurance Inc. 2175 De Maisonneuve Blvd. East, Suite 210 Montréal, Québec H2K 4S3	Acts as a registrar for Fondation shares and as a trustee for RRSPs* to be set up and registered for these shares
Auditor	Deloitte LLP La Tour Deloitte 1190 Avenue des Canadiens-de-Montréal Suite 500 Montréal, Québec H3B 0M7	Acts as Fondation's independent auditor
Portfolio advisors	Addenda Capital Inc.	Manages a portion of the portfolio of other investments
	Hexavest Inc.	Manages a portion of the portfolio of other investments
	Fiera Capital Corporation	Manages a portion of the portfolio of other investments and a portion of the development capital investment portfolio
	Triasima Portfolio Management Inc.	Manages a portion of the portfolio of other investments
	Optimum Asset Management Inc.	Manages a portion of the portfolio of other investments

* Fondation has been performing certain administrative tasks assigned to it by Viaction Insurance Inc. with regard to its duties as registrar and trustee.

15. RIGHT OF RESCISSION

The Québec *Securities Act* grants purchasers a right of cancellation within two business days after the receipt of a prospectus or any amendment thereto.

This Act also provides a purchaser with remedies for rescission, price review or, in some cases, damages arising from investment operations where the prospectus contains a misrepresentation or is not delivered to the purchaser, but the purchaser must exercise such remedies within the prescribed time limits. Please refer to the applicable provisions and consult with a legal advisor, when applicable.

**CERTIFICATE OF FONDACTION IN ITS CAPACITY AS AN INVESTMENT FUND AND
INVESTMENT FUND MANAGER**

November 30, 2016

This short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered as required under the securities legislation of the Province of Québec.

**Fondaction, le Fonds de développement
de la Confédération des syndicats nationaux
pour la coopération et l'emploi**

By: (s) Jacques Létourneau
President of the Board of Directors

By: (s) Pierre Patry
Secretary-Treasurer of the Board of Directors

By: (s) Léopold Beaulieu
Président-directeur général

By: (s) Ginette Bergeron
Director of Finance

Appendix I

REDEMPTIONS PROVIDED FOR IN THE ACT			
CRITERIA	REQUIREMENTS	ELIGIBLE SHARES	REQUIRED DOCUMENTS AND PROOF
65 years of age	<p>The shareholder must have reached the age of 65</p> <p>OR</p> <p>Must hold shares or fractional shares he did not personally acquire from Fondation, and the individual who purchased these shares from Fondation has reached the age of 65 or, if deceased, would have reached that age had he lived.</p>	All shares held for at least 730 days	Completed and signed form
Severe and prolonged disability (physical or mental) resulting in permanent unfitness for work	<p>The shareholder must be declared to be suffering from a severe and prolonged physical or mental disability which prevents him from working. (A disability is deemed to be prolonged only if it is likely to result in death or to be of indefinite duration.)</p> <p>If the shareholder is less than 60 years of age:</p> <ul style="list-style-type: none"> - He must be regularly incapable of holding any substantially gainful occupation. <p>If the shareholder is 60 years of age or over:</p> <ul style="list-style-type: none"> - He must be regularly incapable of carrying on, the substantially gainful occupation he held at the time he ceased to work owing to his disability. 	All shares	<p>Completed and signed form</p> <p>AND</p> <p>A document certifying the severe and prolonged disability (e.g.: Notice of acceptance by the Régie des rentes du Québec as a disabled contributor OR proof of payment of a permanent disability benefit by the CSST OR an equivalent document)</p>

REDEMPTIONS PROVIDED FOR IN THE ACT			
CRITERIA	REQUIREMENTS	ELIGIBLE SHARES	REQUIRED DOCUMENTS AND PROOF
Death	The shareholder is deceased.	All shares	<p>Completed and signed form</p> <p>AND</p> <p>Proof of death (physician’s attestation of death OR thanatologist’s certificate OR copy of the death certificate issued by the government)</p> <p>AND</p> <p>Proof of the vesting of shares, i.e.:</p> <ul style="list-style-type: none"> - designation as irrevocable beneficiary of the RRSP assets <p style="text-align: center;">OR</p> <ul style="list-style-type: none"> - designation as revocable beneficiary of the RRSP assets or as heir AND the original or a certified true copy of the last will and testament, probated if it is a holograph will or a will made before witnesses, or a marriage contract if it contains a testamentary provision or, in the absence thereof, a sworn declaration of transmission on death AND confirmation of a will search with Québec’s Register of wills and mandates
Death of the person who contributed to a spousal RRSP	The person who contributed to a spousal RRSP (of which the shareholder is the annuitant) has died.	All shares	<p>Completed and signed form</p> <p>AND</p> <p>Proof of death of the person who contributed to the spousal RRSP (physician’s attestation of death OR thanatologist’s certificate or a copy of the death certificate issued by the government)</p>

REDEMPTIONS PROVIDED FOR IN THE ACT			
CRITERIA	REQUIREMENTS	ELIGIBLE SHARES	REQUIRED DOCUMENTS AND PROOF
<p>Redemption within 60 days of subscription</p>	<p>The shareholder must submit a request in writing to Fondaction within 60 days of the date of his subscription or, in the cases mentioned in paragraphs (a) and (b) of Subsection 3.2 “Methods of payment”, within 60 days of his first payroll deduction or the first withdrawal from his account.</p>	<p>All shares purchased under the relevant subscription</p>	<p>Completed and signed form</p>

REDEMPTIONS PROVIDED FOR IN THE ACT – RETIREMENT CRITERIA

Class “A” shares or fractional shares may be redeemed by the Fund at the request of the person who acquired them from the Fund at least 730 days earlier if, after having reached 45 years of age, such person availed himself of his right to retirement or early retirement, and if at the time of the redemption application, any of the situations listed under “Criteria” and “Requirements” were applicable to him.

CRITERIA	REQUIREMENTS	ELIGIBLE SHARES	REQUIRED DOCUMENTS AND PROOF
<p>Retirement at 45 years of age¹ or older</p> <p>AND</p> <p>Beneficiary of a pension under an employer’s registered pension plan</p>	<p>The shareholder must be at least 45 years of age</p> <p>AND</p> <p>Must have taken or will be taking, within three months of the redemption application, early retirement under a registered pension plan of the employer</p> <p>AND</p> <p>The estimated earned income for the 12 months following the beginning of early retirement does not exceed 25% of the maximum pensionable earnings set for the year of the application under the <i>Act respecting the Québec Pension Plan</i>.²</p>	<p>All shares held for at least 730 days</p>	<p>Completed and signed form</p> <p>AND</p> <p>A solemn declaration by the shareholder to the effect that his estimated earned income for the 12 months following the beginning of early retirement does not exceed 25% of the maximum pensionable earnings set for the year of the application under the <i>Act respecting the Québec Pension Plan</i></p> <p>AND</p> <p>A copy of one of the following documents confirming the retirement:</p> <ul style="list-style-type: none"> • the employer’s declaration confirming the shareholder’s retirement along with a copy of the text of the employer’s registered pension plan • payment of retirement benefits such as a pension cheque, Relevé 2 or T4A
<p>Retirement at 60 years of age or older</p> <p>AND</p> <p>Beneficiary of a pension under the <i>Act respecting the Québec Pension Plan</i> or a similar plan³</p>	<p>The shareholder must be at least 60 years of age</p> <p>AND</p> <p>Receives or will receive, within three months of the redemption application, a retirement pension under the <i>Act respecting the Québec Pension Plan</i> or a similar plan.</p>	<p>All shares held for at least 730 days</p>	<p>Completed and signed form</p> <p>AND</p> <p>A copy of proof of payment of pension benefits under the Québec Pension Plan or a similar plan such as: notice of acceptance, pension cheque, confirmation that the pension has been changed, or a Relevé 2 or T4A slip</p>

1. No disbursement will be made until the effective retirement date.

2. \$13,750 in 2016.

3. “Similar plan” means the Canada Pension Plan. This similar plan covers persons having worked outside Québec and having similar provisions to the Québec Pension Plan.

REDEMPTIONS PROVIDED FOR IN THE ACT – RETIREMENT CRITERIA			
CRITERIA	REQUIREMENTS	ELIGIBLE SHARES	REQUIRED DOCUMENTS AND PROOF
<p>Retirement at 50 years of age or older as a result of termination of employment</p>	<p>The shareholder must be at least 50 years of age and must have ceased working. A shareholder is deemed to have ceased working if his estimated earned income for the 12 months following the application for redemption does not exceed 25% of the maximum pensionable earnings set for the year of the application under the <i>Act respecting the Québec Pension Plan</i>.</p>	<p>All shares held for at least 730 days</p>	<p>Completed and signed form AND In the case of a shareholder who has permanently terminated his employment: provide a solemn declaration certifying that his estimated earned income for the 12 months following the redemption application does not exceed 25% of the maximum pensionable earnings set for the year of the application under the <i>Act respecting the Québec Pension Plan</i>, and a copy of one of the following:</p> <ul style="list-style-type: none"> • For an employee:⁴ a copy of the latest record of employment or a declaration from the employer confirming the termination of employment OR • For a self-employed worker:⁵ proof that the shareholder terminated his professional activities as a self-employed worker, such as a copy of a notice striking the business off the register, a copy of a notice of amendment of professional insurance or a copy of termination of the contracts OR • For an owner of a business:⁶ a document certifying the closure of the business, such as a notice of dissolution, an amending declaration or a deed of sale

4. If the termination of the most recent employment is more than 730 days prior to the receipt of the request by Fondation, the shareholder must also provide a statement of participation from the Régie des rentes du Québec, dated not more than 30 days, to prove the absence of income or income less than the threshold set by the Régie des rentes du Québec for all the years that have elapsed since the end of employment.

5. See Footnote 4.

6. See Footnote 4.

REDEMPTIONS PROVIDED FOR IN THE ACT – RETIREMENT CRITERIA			
CRITERIA	REQUIREMENTS	ELIGIBLE SHARES	REQUIRED DOCUMENTS AND PROOF
			<p style="text-align: center;">OR</p> <p>In the case of a shareholder who has not terminated his employment relationship but has ceased working, provide a copy of one of the following:</p> <ul style="list-style-type: none"> • Employer’s declaration confirming that the shareholder has taken early retirement⁷ • Employer’s declaration confirming that the shareholder is on disability leave with wage insurance, the benefits of which do not exceed 25% of the maximum pensionable earnings set for the year of the application under the <i>Act respecting the Québec Pension Plan</i>⁸

7. Early retirement is retirement granted by the employer while the employer is still on the payroll, for example, when the shareholder decides to use up all his sick leave before officially retiring.

8. See Footnote 2.

REDEMPTIONS PROVIDED FOR IN THE ACT – RETIREMENT CRITERIA			
CRITERIA	REQUIREMENTS	ELIGIBLE SHARES	REQUIRED DOCUMENTS AND PROOF
Retirement at 55 years of age or older ⁹ AND Beneficiary of retirement benefits	The shareholder must be at least 55 years of age AND Receives or will receive, within three months of the request, a life annuity under a pension plan, an annuity under a registered retirement savings plan or a deferred profit-sharing plan or payments under a registered retirement income fund, unless such annuity or payment is received because of the death of his spouse.	All shares held for at least 730 days	Completed and signed form AND A copy of proof of payment of one of the following pension benefits such as a pension cheque, or a Relevé 2 or T4A slip: <ul style="list-style-type: none"> • pension benefits under an employer’s pension plan or a declaration by the employer confirming the retirement • periodic payments¹⁰ under a registered retirement income fund (RRIF – LIF) • annuity under a deferred profit-sharing plan (DPSP) • annuity under a registered retirement savings plan (RRSP)

9. See Footnote 1.

10. A “periodic payment” means a payment made at least four times a year. Such proof must be dated less than 30 days following its receipt by the Fund.

REDEMPTIONS PROVIDED FOR IN THE ACT – RETIREMENT CRITERIA			
CRITERIA	REQUIREMENTS	ELIGIBLE SHARES	REQUIRED DOCUMENTS AND PROOF
<p>Retirement at 45 years of age or older</p> <p>AND</p> <p>Annuitant under an RRSP or a RRIF</p>	<p>The shareholder must be at least 45 years of age</p> <p>AND</p> <p>Is an annuitant of a registered retirement savings plan or a registered retirement income fund</p> <p>AND</p> <p>Did not hold a remunerated employment or carry on a business in the 730 days preceding the redemption application</p> <p>AND</p> <p>Whose spouse at that time, other than a person who is under 60 years of age and has entered into an agreement with an employer to reduce regular working time by at least 20% until retirement, meets the conditions provided in one of the retirement criteria detailed above.</p>	<p>All shares held for at least 730 days</p>	<p>The shareholder must provide:</p> <ul style="list-style-type: none"> • completed and signed form <p>AND</p> <ul style="list-style-type: none"> • a statement from the Régie des rentes du Québec or an equivalent document establishing the absence of work or business income in the 730 days preceding the date of the redemption application. <p>The spouse must provide:</p> <ul style="list-style-type: none"> • the documents and proof required under the criteria listed above.

REDEMPTIONS PROVIDED FOR IN THE ACT – RETIREMENT CRITERIA			
CRITERIA	REQUIREMENTS	ELIGIBLE SHARES	REQUIRED DOCUMENTS AND PROOF
Phased retirement starting at 50 years of age	<p>The shareholder must be at least 50 years of age</p> <p>AND</p> <p>Must be a salaried employee</p> <p>AND</p> <p>Must have entered into an agreement with his employer¹¹ to reduce his regular working time by 20% or more until retirement.</p>	<p>All shares held for at least 730 days</p> <p>Only shares subscribed to before the effective date of the phased retirement agreement are eligible.</p>	<p>Completed and signed form</p> <p>AND</p> <p>Solemn declaration by the shareholder certifying that he does not intend to receive employment income other than that of the employer with whom he has entered into a phased retirement agreement</p> <p>AND</p> <p>A copy of the agreement with the employer showing the reduction in working hours, the effective date of the phased retirement agreement and the expected retirement date</p> <p>AND</p> <p>Confirmation of the income before and after phased retirement</p> <p>For a shareholder who has not reached age 60 yet, the amount redeemed is not to exceed, for one year, the lesser of:</p> <ul style="list-style-type: none"> • The shareholder’s salary reduction for the year, and • The quotient obtained by dividing the person’s account balance of shares or fractional shares at the time of his first redemption application based thereon, by the number of years, not exceeding 11, and to which the agreement must apply. <p>Each year, the shareholder will submit a new redemption application. He must prove that he is still a participant in a phased retirement program. A minimum interval of one year will be required for each disbursement.</p>

11. The shareholder must have employment as a salaried employee and, if he has several employers, the agreements made with them must have the effect of reducing the shareholder's total remuneration by at least 20%.

Appendix II

PURCHASE BY AGREEMENT OF FONDACTION SHARES					
CRITERIA	REQUIREMENTS	ELIGIBLE SHARES	WAITING PERIOD FOR SUBSEQUENT ACQUISITIONS	REQUIRED PROOF	PAYMENT TERMS AND CONDITIONS
<p>Redemption of pension credits for years of past service or to improve a retirement pension plan</p>	<p>The shareholder must have received an offer to improve the benefits of a pension plan if the offer was not already included in the plan and if it is limited in time¹</p> <p style="text-align: center;">OR</p> <p>Must have received an offer, when enrolling in a new employer plan or changing jobs or employee status, to improve the benefits of a pension plan. The offer must be limited in time²</p> <p>AND</p> <p>Must show that the purchase will serve to acquire pension credits for years of past service or to improve the pension payable by a pension plan</p> <p>AND</p> <p>Must have already used³ all other investments, such as RRSPs and LIRAs; with the purchase of shares being a last resort.⁴</p>	<p>All shares held for at least two years</p>	<p>Acquisition allowed at all times</p>	<p>Completed and signed form</p> <p>AND</p> <p>Copy of the redemption offer for past years of service</p> <p>AND</p> <p>Acceptance by the plan administrator to the effect that a direct transfer is allowed for the acquisition of additional pension credits</p> <p>AND</p> <p>Proof that all other investments have been used or that they cannot be liquidated or transferred⁵</p>	<p>This criterion can only be used once by the shareholder.</p> <p>The cheque is issued to the pension fund, and direct transfer to the pension plan is permitted.</p>

1. “Limited in time” means a one-time offer with a deadline that must be met by the shareholder.

2. See Footnote 1.

3. Used investments must first have been applied to improving the pension plan benefits, since a purchase must be the last resort.

4. In all cases where, in accordance with the purchase by agreement policy, a shareholder must show that his other redeemable investments were liquidated, he must, if he holds shares in both Québec labour-sponsored funds, request a purchase by agreement from both funds. If both funds allow it, the amounts paid by them will be distributed pro rata to the value of the eligible shares in both these labour-sponsored funds.

5. An investment is considered redeemable or transferable even if its withdrawal leads to costs or a loss of return.

PURCHASE BY AGREEMENT OF FONDACTION SHARES					
CRITERIA	REQUIREMENTS	ELIGIBLE SHARES	WAITING PERIOD FOR SUBSEQUENT ACQUISITIONS	REQUIRED PROOF	PAYMENT TERMS AND CONDITIONS
Return to full-time studies by shareholder (or spouse) for a minimum period of one year	<p>The shareholder (or spouse) must have returned to full-time studies</p> <p>AND</p> <p>Must be registered in a program requiring at least one year of schooling</p> <p>AND</p> <p>Must not have been registered in the said program when the shareholder joined Fondation</p> <p>AND</p> <p>During the course of his studies, the student must have incurred a decrease in income (including non-refundable grants or financial aid under government programs or others) of at least 25% of his employment income (before tax) before starting the study program.</p> <p>To avail himself of the provisions of the Lifelong Learning Plan (LLP),⁶ the shareholder (or spouse) must meet the requirements listed above and the shareholder must undertake to acquire replacement shares from the Fund for an amount equivalent to the proceeds of the purchase by agreement of his original shares.</p>	All shares held for at least two years	Acquisition allowed at all times	<p>Completed and signed form</p> <p>AND</p> <p>Proof of the shareholder's (or spouse's) registration at an educational institution in a program requiring at least one year of full-time studies</p> <p>AND</p> <p>Proof of a decrease in gross income</p> <p>AND</p> <p>A copy of the tuition fee statement, including proof that 50% of the fees or a minimum of \$500 was paid</p> <p>If the withdrawal is made under the LLP, the shareholder (or spouse) must also supply a duly completed RC96 form prescribed by the Canada Revenue Agency (and/or any form that may be required by one level of government or the other).</p> <p>N.B. If the purchase by agreement leaves a balance of only 100 shares or less in the shareholder's account, the Fund reserves the right to purchase 100% of the shares.</p>	<p>A maximum of two instalments if for the same period of return to studies, up to a maximum of \$20,000 before tax</p> <p>Shares purchased after returning to school cannot be purchased by agreement under this criterion.</p>

6. According to tax legislation, only post-secondary studies entitle the shareholder to these programs.

PURCHASE BY AGREEMENT OF FONDACTION SHARES					
CRITERIA	REQUIREMENTS	ELIGIBLE SHARES	WAITING PERIOD FOR SUBSEQUENT ACQUISITIONS	REQUIRED PROOF	PAYMENT TERMS AND CONDITIONS
Terminal illness	The shareholder, his spouse or dependent child ⁷ must be suffering from a terminal illness.	All shares	Ineligible or one year if the criterion is called into play for the spouse or dependent child	Completed and signed form AND Confirmation by the attending physician	Eligible shares may be purchased in a maximum of two instalments. Transfer to another plan is permitted.
Ineligibility for income tax credits	The shareholder must have subscribed to shares without being entitled to Québec and federal income tax credits, unless the credit was refused because the subscribed amount exceeded the maximum allowed under applicable tax laws.	All shares subscribed to while the shareholder was not eligible for income tax credits	The shareholder may acquire other shares as soon as he becomes eligible again for income tax credits	Completed and signed form AND Proof that the income tax credits were claimed and refused by the Québec and federal governments OR proof that the shareholder is not eligible for income tax credits	A single payment equal to the value of the eligible shares; the payment is made according to the value of the shares at the time they were acquired. Transfer to another plan is permitted.

7. “Dependent child” as defined in the Québec *Taxation Act*.

PURCHASE BY AGREEMENT OF FONDACTION SHARES

CRITERIA	REQUIREMENTS	ELIGIBLE SHARES	WAITING PERIOD FOR SUBSEQUENT ACQUISITIONS	REQUIRED PROOF	PAYMENT TERMS AND CONDITIONS
<p>Capital injection to create or maintain employment in an enterprise that was started up or acquired less than one year earlier</p>	<p>The shareholder must show that the enterprise is legally constituted</p> <p>AND</p> <p>Must show that he is the owner of the business (alone or with others) and that he participates in decision-making</p> <p>AND</p> <p>Must show that the injection of capital will create or maintain at least one full-time permanent job⁸</p> <p>AND</p> <p>Must show that the business is a going-concern.⁹</p>	<p>All shares held for at least two years</p>	<p>Two years</p>	<p>Completed and signed form</p> <p>AND</p> <p>A declaration of registration of the business or incorporating document</p> <p>AND</p> <p>A copy of documents showing the start-up or acquisition of an enterprise that is a going-concern:</p> <ul style="list-style-type: none"> • business plan and, if applicable: • acquisition contract • commercial lease • financial statements • financing confirmations • signed contracts <p>AND</p> <p>Proof of creation or maintenance of at least one full-time permanent job</p> <p>If the job created or maintained is the shareholder's job, provide one of the following:</p> <ul style="list-style-type: none"> • a record of employment • employer's letter confirming the end of employment • leave without pay agreement 	<p>A single payment equal to the value of the eligible shares.</p> <p>This criterion can only be used once by the shareholder.</p>

8. "Full-time permanent job" refers to a minimum of 28 hours worked per week.

9. A business whose activities are seasonal is not considered a going concern, unless it operates several seasonal activities throughout the year.

PURCHASE BY AGREEMENT OF FONDACTION SHARES					
CRITERIA	REQUIREMENTS	ELIGIBLE SHARES	WAITING PERIOD FOR SUBSEQUENT ACQUISITIONS	REQUIRED PROOF	PAYMENT TERMS AND CONDITIONS
				<ul style="list-style-type: none"> • termination of employment insurance benefits • termination of employment contract • acceptance into a government program <p>If the job created or maintained is not the shareholder’s job, provide one of the following:</p> <ul style="list-style-type: none"> • proof of payment of mandatory employer contributions • pay slips • employment contract <p>AND</p> <p>A copy of documents evidencing the shareholder’s involvement in the business</p>	

PURCHASE BY AGREEMENT OF FONDACTION SHARES					
CRITERIA	REQUIREMENTS	ELIGIBLE SHARES	WAITING PERIOD FOR SUBSEQUENT ACQUISITIONS	REQUIRED PROOF	PAYMENT TERMS AND CONDITIONS
Capital injection to maintain jobs in a business in operation for more than one year and in financial difficulty	<p>The shareholder must show that the enterprise is legally constituted</p> <p>AND</p> <p>Must show that he is the owner of the business (alone or with others) and that he participates in the decision-making process</p> <p>AND</p> <p>Must show that the injection of capital will maintain at least one full-time permanent job¹⁰</p> <p>AND</p> <p>Must show that the business has been a going-concern¹¹ for more than a year</p> <p>AND</p> <p>Must show that the business is in financial difficulty.</p>	All shares held for at least two years	Two years	<p>Completed and signed form</p> <p>AND</p> <p>A declaration of registration of the business or incorporating document</p> <p>AND</p> <p>A copy of documents showing the enterprise's financial situation and that it is a going-concern:</p> <ul style="list-style-type: none"> • business development plan • financing confirmations • last two annual financial statements and interim financial statements for current period <p>AND</p> <p>Proof of maintenance of at least one full-time permanent job</p> <p>If the job maintained is the shareholder's job:</p> <ul style="list-style-type: none"> • an income tax return and notice of assessment <p>If the job maintained is not the shareholder's job, provide one of the following:</p> <ul style="list-style-type: none"> • federal and Québec monthly remittances • employee's pay slips <p>AND</p>	<p>A single payment equal to the value of the eligible shares</p> <p>This criterion can be used by the shareholder only once.</p>

10. See Footnote 8.

11. See Footnote 9.

PURCHASE BY AGREEMENT OF FONDACTION SHARES					
CRITERIA	REQUIREMENTS	ELIGIBLE SHARES	WAITING PERIOD FOR SUBSEQUENT ACQUISITIONS	REQUIRED PROOF	PAYMENT TERMS AND CONDITIONS
				Proof that the value of the shares purchased by agreement will allow an injection of funds that will have a significant impact on the consolidation or the development of the enterprise AND A copy of documents evidencing the shareholder's involvement in the enterprise	
Emigration from Canada	The shareholder must have permanently emigrated from Canada AND Must have permanently left his residence and employment in Canada.	All shares held for at least two years	Three years permanent residence in Québec following the shareholder's return (proof required)	Completed and signed form AND Statement by the current employer certifying that the shareholder is working and residing in another country on a permanent basis OR proof that the shareholder is operating a business on a full-time basis in the host country AND Shareholder's solemn declaration stating that he has permanently emigrated from Canada AND Copy of the lease or the deed of purchase for a residence outside of Canada	A single payment, when all shares become eligible Transfer to another plan is permitted.

PURCHASE BY AGREEMENT OF FONDACTION SHARES					
CRITERIA	REQUIREMENTS	ELIGIBLE SHARES	WAITING PERIOD FOR SUBSEQUENT ACQUISITIONS	REQUIRED PROOF	PAYMENT TERMS AND CONDITIONS
Recourse taken by a creditor involving interruptions of services and the seizure of the following assets: principal residence, one or two automobiles, public utilities and salary ¹²	<p>The shareholder must show that the recourse jeopardizes the principal residence, one or two automobiles, a public utility or salary</p> <p>AND</p> <p>The shareholder must not qualify under any other criterion of the purchase by agreement policy</p> <p>AND</p> <p>Must have liquidated all other redeemable investments¹³ (including other RRSPs), with the purchase of shares being a last resort.¹⁴</p>	All shares	One year	<p>Completed and signed form</p> <p>AND</p> <p>Shareholder’s solemn declaration explaining the reasons for the recourse and confirming that he has the necessary amounts to pay the balance if the shares withdrawn are not sufficient to avoid execution of the recourse</p> <p>AND</p> <p>Proof that all other redeemable investments have been liquidated, or that they cannot be liquidated</p> <p>AND</p> <p>Proof of recourse taken against the following essential services or assets:</p> <p>For the residence: a final notice from the hypothecary creditor, prior notice of exercise of a hypothecary right or threat of eviction from the landlord</p> <p>For the automobile (one or two): a notice of forfeiture of benefit of term or a repossession notice</p> <p>For public utility: a notice of service interruption</p> <p>For salary: a formal demand for payment from a government or a judgment ordering the payment of a sum of money</p>	<p>A single net payment equal to the amount required to discharge all or part of the obligation</p> <p>The cheque will be issued jointly to the order of the shareholder and the creditor of the obligation.</p>

12. In the case of independent workers or business owners, Fondaction considers that the amounts received by such persons in payment of services provided can be likened to salary for the purpose of the purchase by agreement policy.

13 An investment is considered redeemable even if its withdrawal leads to costs or a loss of return.

14. See Footnote 4.

PURCHASE BY AGREEMENT OF FONDACTION SHARES					
CRITERIA	REQUIREMENTS	ELIGIBLE SHARES	WAITING PERIOD FOR SUBSEQUENT ACQUISITIONS	REQUIRED PROOF	PAYMENT TERMS AND CONDITIONS
<p>Extraordinary and unforeseen expense necessary for the health of the shareholder or of the shareholder's spouse or dependant</p>	<p>The shareholder must show that the expense is unforeseen, that it is necessary for the shareholder's health or that of the shareholder's spouse or dependant</p> <p>AND</p> <p>Must declare financial incapacity to pay the expense</p> <p>AND</p> <p>Must have liquidated all other redeemable investments¹⁵ (including other RRSPs), with the purchase of shares being a last resort.¹⁶</p>	<p>All shares</p>	<p>One year</p>	<p>Completed and signed form</p> <p>AND</p> <p>Shareholder's solemn declaration certifying financial incapacity to pay the unforeseen expense</p> <p>AND</p> <p>Proof of confirmation from a recognized health professional as to the necessity of the care</p> <p>AND</p> <p>Proof of absence of indemnification or partial indemnification</p> <p>AND</p> <p>Proof that all other redeemable investments have been liquidated, or that they cannot be liquidated, if applicable</p> <p>AND</p> <p>Proof of the expense and demonstration of its unforeseen and extraordinary nature</p> <p>AND</p> <p>Solemn declaration that the person concerned is a dependant of the shareholder or of his spouse, if applicable</p>	<p>A net payment equal to the amount required to pay a substantial portion of the expense</p> <p>The cheque will be issued jointly to the order of the shareholder and the creditor of the obligation (if applicable).</p>

15. See Footnote 13.

16. See Footnote 4.

PURCHASE BY AGREEMENT OF FONDACTION SHARES					
CRITERIA	REQUIREMENTS	ELIGIBLE SHARES	WAITING PERIOD FOR SUBSEQUENT ACQUISITIONS	REQUIRED PROOF	PAYMENT TERMS AND CONDITIONS
Loss affecting the principal residence or one or two automobiles essential to the shareholder	<p>The shareholder must show that a loss occurred that was not covered by insurance concerning his principal residence or one or two automobiles essential to him, and that he received no other indemnification¹⁷</p> <p>AND</p> <p>Must declare his financial incapacity to pay the expense resulting from the loss</p> <p>AND</p> <p>Must have liquidated all other redeemable investments¹⁸ (including other RRSPs), with the purchase of shares being a last resort.¹⁹</p>	All shares	One year	<p>Completed and signed form</p> <p>AND</p> <p>Shareholder's solemn declaration certifying financial incapacity to pay the expense</p> <p>AND</p> <p>Proof of the absence of insurance coverage and any indemnification</p> <p>AND</p> <p>Proof that all other redeemable investments have been liquidated, or that they cannot be liquidated, if applicable</p> <p>AND</p> <p>A copy of the loss report</p> <p>AND</p> <p>Proof of costs related to the loss</p>	<p>A net payment equal to the amount required to pay a substantial portion of the replacement cost of the property</p> <p>The cheque will be issued jointly to the order of the shareholder and the creditor of the obligation (if applicable).</p>

17 The request must have been received within one year of the loss.

18. See Footnote 13.

19. See Footnote 4.

PURCHASE BY AGREEMENT OF FONDACTION SHARES					
CRITERIA	REQUIREMENTS	ELIGIBLE SHARES	WAITING PERIOD FOR SUBSEQUENT ACQUISITIONS	REQUIRED PROOF	PAYMENT TERMS AND CONDITIONS
<p>Decrease of the after-tax income of the shareholder or his spouse by 20% or more for a minimum period of two consecutive months due to one of the following circumstances:</p> <ul style="list-style-type: none"> - loss of employment or end of sole contract - involuntary reduction in work hours - decrease or termination of benefits (CSST, SAAQ or Employment Insurance) - dissolution of a union²⁰ 	<p>In the case of a decrease in the shareholder's income, the shareholder must show that after-tax income from all sources has decreased by 20% or more for a minimum period of two consecutive months, and that such decrease in income still exists at the time the completed and signed form and the required proof are received²¹</p> <p>In the case of a decrease in the income of the shareholder's spouse, the shareholder must show that the after-tax family income from all sources has decreased by 20% or more for a minimum period of two consecutive months, and that such decrease in income still exists at the time the completed and signed form and the required proof are received²²</p> <p>AND</p>	All shares	One year	<p>Completed and signed form</p> <p>AND</p> <p>Proof of after-tax family income before and after the event</p> <p style="text-align: center;">OR</p> <p>If the decrease in net income concerns the shareholder's spouse, provide proof of after-tax family income before and after the event</p> <p>AND</p> <p>Documents proving the occurrence of the triggering event and establishing that the decrease in after-tax income has lasted for at least two consecutive months</p> <p>AND</p> <p>Proof that all other redeemable investments have been liquidated, or that they cannot be liquidated, if applicable</p> <p>AND</p> <p>For loss of employment or the end of a sole contract: Proof of loss of last job or of the end of a sole contract at which the shareholder or his spouse worked a minimum of 28 hours a week</p>	<p>Payments will not exceed \$5,000 after tax each, with a minimum two-month period between payments</p> <p>OR</p> <p>A single payment representing the total account value provided this value is less than \$10,000</p> <p>Shares purchased after the decrease in income cannot be purchased under this criterion.</p>

20. "Dissolution of a union" means, depending on the type of union, separation from bed and board, separation between common law spouses, divorce, annulment or dissolution of marriage, or death.

21. In the case of a shareholder who receives income security, the application may be made as of the date the decrease of income begins.

22. See Footnote 21.

PURCHASE BY AGREEMENT OF FONDACTION SHARES					
CRITERIA	REQUIREMENTS	ELIGIBLE SHARES	WAITING PERIOD FOR SUBSEQUENT ACQUISITIONS	REQUIRED PROOF	PAYMENT TERMS AND CONDITIONS
	<p>Must show the reason²³ for the decrease in income (loss of employment, involuntary reduction in work hours, involuntary reduction in usual after-tax subsistence income, dissolution of a union)</p> <p>AND</p> <p>In the case of a loss of employment, must show that the shareholder or his spouse worked at the job for a minimum of 28 hours per week for at least two months</p> <p>AND</p> <p>Must already have liquidated all other redeemable investments²⁴ (including other RRSPs), with the purchase of shares being a last resort.²⁵</p>			<p>For involuntary reduction in regular work hours: confirmation from the employer of the involuntary reduction in regular hours for a minimum of two consecutive months</p> <p>For a decrease resulting from the dissolution of a union: proof of the dissolution of a union which occurred within a minimum of two consecutive months</p> <p>For a reduction or termination of benefits: proof of the reduction or termination of benefits for a minimum of two consecutive months</p>	

23. For the purchase by agreement application to be eligible under this criterion, a maximum of two years must have passed between the date of the event which caused the decrease in income and the time the application was made to the Fund. Similarly, for any subsequent application in connection with the same event, a maximum of two years must have passed between the date of the initial application and the subsequent application(s) to the Fund in connection with the same event, unless the shareholder receives income security, and the event must still exist when the subsequent application is made.

24. See Footnote 13.

25. See Footnote 4.

PURCHASE BY AGREEMENT OF FONDATION SHARES					
CRITERIA	REQUIREMENTS	ELIGIBLE SHARES	WAITING PERIOD FOR SUBSEQUENT ACQUISITIONS	REQUIRED PROOF	PAYMENT TERMS AND CONDITIONS
Decrease of the before-tax income of the shareholder or his spouse by 30% or more for a minimum period of three consecutive months caused by a temporary disability	<p>The shareholder or his spouse must be in a position of decreasing income caused by a temporary disability²⁶</p> <p>AND</p> <p>In the case of a decrease in the shareholder's income, the shareholder must show that before-tax income from all sources has decreased by 30% or more for a minimum period of three consecutive months,²⁷ and that such decrease in income still exists at the time the completed and signed form and the required proof are received</p> <p>In the case of a decrease in the income of the shareholder's spouse, the shareholder must show that the before-tax family income from all sources has decreased by 30% or more for a minimum period of three consecutive months,²⁸ and that such decrease in income still exists at the time the completed and signed form and the required proof are received</p> <p>AND</p> <p>Must already have liquidated all other redeemable investments²⁹ (including other RRSPs), with the purchase of shares being a last resort.³⁰</p>	All the shares	One year	<p>Completed and signed form</p> <p>AND</p> <p>Medical certificate attesting to the disability for a minimum period of three consecutive months</p> <p>AND</p> <p>Proof of the shareholder's before-tax income before and after the event having caused the temporary disability</p> <p>OR</p> <p>If the decrease in before-tax income concerns the shareholder's spouse, provide proof of before-tax family income before and after the event having caused the temporary disability</p> <p>OR</p> <p>Written confirmation from the shareholder's or the shareholder's spouse's employer or insurer attesting to payment of disability benefits causing a 30% decrease in before-tax income for a minimum period of three consecutive months</p> <p>AND</p> <p>Proof that all the shareholder's other redeemable investments have been liquidated or cannot be liquidated, if applicable</p>	<p>Payments will not exceed \$5,000 after tax each, with a minimum three-month period between payments</p> <p>OR</p> <p>A single payment representing the total account value provided this value is less than \$10,000</p> <p>Shares purchased after the decrease in income cannot be purchased under this criterion.</p>

26 For the purchase by agreement application to be eligible under this criterion, a maximum of two years must have passed between the date of the event which caused the decrease in income and the time the application was made to the Fund. Similarly, for any subsequent application in connection with the same event, a maximum of two years must have passed between the date of the initial application and the subsequent application(s) to the Fund in connection with the same event, and the event must still exist when the subsequent application is made.

27. An application may only be filed after a minimum of three consecutive months of decreased income before the date the application is made to the Fund. In the event that a doctor confirms the disability of the shareholder or the shareholder's spouse, if applicable, for a period of at least three consecutive months, the application may be made as of the date the decrease in before-tax income begins.

28. See Footnote 27.

29. See Footnote 13.

30. See Footnote 4.

PURCHASE BY AGREEMENT OF FONDACTION SHARES					
CRITERIA	REQUIREMENTS	ELIGIBLE SHARES	WAITING PERIOD FOR SUBSEQUENT ACQUISITIONS	REQUIRED PROOF	PAYMENT TERMS AND CONDITIONS
Involuntary decrease of 20% or more in net family income derived from self-employment or a business for a minimum period of six consecutive months	<p>The shareholder or his spouse must be a self-employed worker or owner of a business</p> <p>AND</p> <p>Must show that after-tax family income from all sources has decreased by 20% or more following a decrease in income derived from self-employment or a business, for a minimum period of six consecutive months,³¹ and that this decrease in income still exists at the time the completed and signed form and the required proof are received</p> <p>AND</p> <p>Must show that the decrease in after-tax family income derived from self-employment or a business is involuntary and not cyclical</p> <p>AND</p> <p>Must already have liquidated all other redeemable investments³² (including other RRSPs), with the purchase of shares being a last resort.³³</p>	All shares	One year	<p>Completed and signed form</p> <p>AND</p> <p>Proof of after-tax family income before and after the event</p> <p>AND</p> <p>Documents proving the occurrence of the triggering event and establishing that the decrease in after-tax family income has lasted for at least six consecutive months</p> <p>AND</p> <p>Proof that all other redeemable investments have been liquidated or cannot be liquidate, if applicable</p> <p>AND</p> <p>For self-employed workers: Confirmation from clients of cancellation, termination or reduction in the number of contracts</p> <p style="text-align: center;">OR</p> <p>For business owners: Proof of ownership (declaration of registration or certificate of incorporation)</p> <p>AND</p> <p>Financial statements for the current period and prior fiscal year</p>	<p>Equal payments not exceeding \$10,000 after tax each</p> <p>A minimum six-month interval is required between each payment.</p> <p>Shares purchased after the decrease in after-tax income cannot be purchased under this criterion.</p>

31. An application may be filed only after a minimum period of six consecutive months of decreased income preceding the date the application is made to the Fund.

32. See Footnote 13.

33. See Footnote 4.

PURCHASE BY AGREEMENT OF FONDACTION SHARES					
CRITERIA	REQUIREMENTS	ELIGIBLE SHARES	WAITING PERIOD FOR SUBSEQUENT ACQUISITIONS	REQUIRED PROOF	PAYMENT TERMS AND CONDITIONS
Home Buyers' Plan	<p>The shareholder must be eligible for the Home Buyers' Plan (HBP) by withdrawing funds from an RRSP</p> <p>AND</p> <p>Must already have used all other RRSPs³⁴ eligible for the HBP</p> <p>AND</p> <p>Must undertake to acquire replacement shares from the Fund for an amount equivalent to the proceeds of the purchase by agreement of the original shares, according to the same schedule as that applying to the reimbursement of other funds withdrawn from the shareholder's RRSPs.</p>	<p>All shares issued for at least 90 days and transferred to the Fondaction RRSP, up to the maximum allowed by the HBP</p>	<p>Acquisition allowed at all times</p>	<p>Completed and signed form</p> <p>AND</p> <p>Accepted offer to purchase³⁵ or signed building contract bearing the address of the home or a construction permit³⁶ with proof of ownership of the land</p> <p>AND</p> <p>Acceptance of the mortgage loan, if applicable</p> <p>AND</p> <p>Proof that the other RRSPs eligible for the HBP will be redeemed for this purpose</p> <p>The purchase by agreement will be authorized for all shares registered in the RRSP that correspond to the eligible amount and to the value indicated on the T1036 Form (or on any other form that may eventually replace it).</p>	<p>All eligible shares, up to the maximum allowed by the plan</p> <p>Eligible shares can be purchased in a maximum of two instalments.</p>

34. In the event that a shareholder has shares in both Québec labour-sponsored funds, he will then be required to apply for a purchase by agreement from both funds. If both funds allow it, the amounts paid by them will be distributed pro rata to the value of the eligible shares in both these labour-sponsored funds.

35. To be eligible, the accepted offer to purchase must contain the names of the parties, the address of the home purchased by the shareholder and a signed acceptance.

36. A construction permit must indicate that it is a permit to build a new home.

PURCHASE BY AGREEMENT OF FONDACTION SHARES					
CRITERIA	REQUIREMENTS	ELIGIBLE SHARES	WAITING PERIOD FOR SUBSEQUENT ACQUISITIONS	REQUIRED PROOF	PAYMENT TERMS AND CONDITIONS
Expense necessary when a shareholder or his spouse acts as a natural caregiver for a family member	<p>The shareholder must show that the expense is necessary and that the shareholder or his spouse acts as a natural caregiver for a family member</p> <p>AND</p> <p>Must show that the person cared for is at least 70 years of age or has a serious mental or physical handicap</p> <p>AND</p> <p>Must show that the after-tax family income from all sources has decreased by 20% or more for a minimum period of two consecutive months, and that this decrease in income still exists at the time the completed and signed form and the required proof are received</p> <p>AND</p> <p>Must have liquidated all other redeemable investments³⁷ (including other RRSPs), with the purchase of shares being a last resort.³⁸</p>	All shares held for at least two years	One year	<p>Completed and signed form</p> <p>AND</p> <p>The shareholder's solemn declaration to the effect that he or his spouse must act as a natural caregiver for a family member</p> <p>AND</p> <p>Proof that the person cared for is at least 70 years of age or proof from the attending physician that the person cared for has a serious handicap</p> <p>AND</p> <p>Proof of after-tax family income for the period in question and proof of after-tax family income before the decrease in income</p> <p>AND</p> <p>Proof that all other redeemable investments have been liquidated, or cannot be liquidated, if applicable</p>	<p>A single payment corresponding to the value of the eligible shares</p> <p>This criterion can only be used once by the shareholder every five years, as of the disbursement date.</p>

37. See Footnote 13.

38. See Footnote 4.