



**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**

DECEMBER 5, 2019

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 fondaction.com; or on the SEDAR website at sedar.com.

Continuous distribution

December 5, 2019

SHORT FORM PROSPECTUS



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 PRICE ¹	INVESTMENT COMMISSION	PROCEEDS RECEIVED BY THE FUND
\$12.15	None	\$12.15

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 16, 2020 and July 9, 2020 for fiscal 2019-2020 (see Section 7 “Valuation of shares and share price”). The price may therefore vary depending on the subscription date.

Fiscal years ending on May 31, 2019, May 31, 2020 and May 31, 2021:

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”), as of the fiscal year beginning on June 1, 2018 until that ending on May 31, 2021, a limit has been imposed on the capital that Fondation may raise (2018-2019 Québec Budget).

More specifically, for the fiscal year beginning on June 1, 2018 and ending on May 31, 2019, the amount of capital that may be raised must not exceed the total of \$250 million and the amount by which the maximum amount authorized for the fiscal year ending on May 31, 2018 exceeds the amount raised in the course of that year.

For the fiscal year beginning on June 1, 2019 and ending on May 31, 2020, the amount of capital that may be raised must not exceed the total of \$275 million and the amount by which the maximum amount authorized for the fiscal year ending on May 31, 2019 exceeds the amount raised in the course of that year.

For the fiscal year beginning on June 1, 2020 and ending on May 31, 2021, the amount of capital that may be raised must not exceed the total of \$275 million and the amount by which the maximum amount authorized for the fiscal year ending on May 31, 2020 exceeds the amount raised in the course of that year.

In the event that, at the end of one of these fiscal years, the amount of capital raised for the year exceeds the maximum amount authorized, Fondation will have to pay, no later than the 90th day following the end of the 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:	N/A
Annual fees:	N/A
Redemption or transfer fees:	N/A
Fees for the exchange of Class “B” shares for Class “A” shares:	N/A
Fees for transfer to an RRSP account or a RRIF account:	N/A
Fees to open an RRSP account or a RRIF account:	N/A
Total operating expense ratio as at May 31, 2019: ²	2.56%

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

The disclosure documents, in French only, listed hereinbelow 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, 2019;
- the 2018-2019 notice of the 24th Annual General Meeting;
- the annual information form dated December 5, 2019;
- 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

By telephone: 514 525-5505, Toll free: 1 800 253-6665

By email: info.actionnaires@fondaction.com

Website: fondaction.com or sedar.com

2. 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, which are taken into account in shareholder return. For more information, also see Management’s Discussion and Analysis for the year ended May 31, 2019 in the “Rapport de gestion annuel” (French only) filed on the SEDAR website.

TABLE OF CONTENTS

1. FONDACTION: CHARACTERISTICS, ADMINISTRATION, AND ACTIVITIES.....	1
1.1 Characteristics of Fondation	1
1.2 Administration of Fondation.....	1
1.3 Activities of Fondation	1
2. CAPITAL STOCK AND SHAREHOLDER RIGHTS	2
2.1 Class “A” shares	2
2.2 Class “B” shares	2
2.3 Rights of Class “A” and Class “B” shareholders.....	3
2.4 Other classes of shares.....	3
2.5 Dividend tax consequences	4
3. PARTICIPATION: WHO SHOULD PARTICIPATE, HOW TO DO SO, AND THE RISKS INVOLVED	4
3.1 Persons who should invest in Fondation.....	5
3.2 Methods of payment	5
3.3 Collection of subscriptions	6
3.4 Risk factors.....	7
4. COST OF PARTICIPATION... ..	9
5. EXPENSES PAYABLE BY FONDACTION.....	9
6. SUBSCRIPTION: INCOME TAX CONSIDERATIONS	10
6.1 Tax credits	10
6.2 Tax credit eligibility	10
6.3 Transfer to an RRSP.....	11
6.4 Transfer to a RRIF.....	12
6.5 Deregistration	12
7. VALUATION OF SHARES AND SHARE PRICE	12
7.1 General principles.....	12
7.2 Changes in share price.....	12
7.3 Share valuation period.....	13
7.4 Establishment of other prices	13
7.5 Issue of shares for the past 12 months	13
8. REDEMPTION AND PURCHASE BY AGREEMENT OF SHARES: WHEN, HOW, AND AT WHAT PRICE?	14
8.1 Prices of redemption or purchase by agreement of shares.....	14
8.2 Redemption provided for in the Act	14
8.3 Tax effects of redemption.....	15
8.4 Purchase by agreement of shares.....	15
8.5 Management of the purchase by agreement policy.....	16
8.6 Tax effects of purchases by agreement.....	16
9. TRANSFER OF SHARES.....	16
10. INFORMATION SENT TO SHAREHOLDERS.....	17
11. PORTFOLIO ASSET MANAGEMENT	18
11.1 Development capital investment: Standards and policies.....	18
11.1.1 Rules set forth in the Act.....	18
11.1.2 Application of the investment requirement	19
11.1.3 Development capital investment policies of the Board of Directors	19
11.2 Management of the portfolio of other investments (financial investments)	21
12. PERFORMANCE OF MAIN FUNCTIONS	21
13. DIVIDENDS	21
14. MANAGEMENT AND ORGANIZATION PROVISIONS	22
15. RIGHT OF RESCISSION.....	23
CERTIFICATE OF FONDACTION IN ITS CAPACITY AS AN INVESTMENT FUND AND INVESTMENT FUND MANAGER	24
APPENDIX I	
APPENDIX II	

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 (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 Subsection 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

Class “A” shares are 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. Class “B” shares held by a trustee are exchangeable at any time at the option of Fondaction 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 “Redemption 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.

Fondaction 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 Fondaction and to subscribe for shares, a person must complete and sign the appropriate form or use the online subscription service on Fondaction’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”).

Fondaction 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 2018-2019 Budget, as a result of the temporary maintenance of the 20% tax credit rate applicable against Québec income tax upon the purchase of Fondaction shares (see Subsection 6.1 “Tax credits”), as of the fiscal year beginning on June 1, 2018 until that ending on May 31, 2021, a limit has been imposed by the Québec government on the capital that Fondaction may raise.

More specifically, for the fiscal year beginning on June 1, 2018 and ending on May 31, 2019, the amount of capital that may be raised must not exceed the total of \$250 million and the amount by which the maximum amount authorized for the fiscal year ending on May 31, 2018 exceeds the amount raised in the course of that year.

For the fiscal year beginning on June 1, 2019 and ending on May 31, 2020, the amount of capital that may be raised must not exceed the total of \$275 million and the amount by which the maximum amount authorized for the fiscal year ending on May 31, 2019 exceeds the amount raised in the course of that year.

For the fiscal year beginning on June 1, 2020 and ending on May 31, 2021, the amount of capital that may be raised must not exceed the total of \$275 million and the amount by which the maximum amount authorized for the fiscal year ending on May 31, 2020 exceeds the amount raised in the course of that year.

In the event that, at the end of one of these fiscal years, the amount of capital raised for the year exceeds the maximum amount authorized, Fondaction will have to pay, no later than the 90th day following the end of the particular fiscal year, a tax equal to 20% of such excess amount.

In order to comply with the imposed limit, Fondaction could decide to suspend the issuance of Class A shares, in whole or in part, during a fiscal year. Fondaction will issue a press release regarding any such decision. Should Fondaction 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.

Fondaction will take the appropriate measures to limit the maximum amount authorized, the amount of paid-up capital for a particular fiscal year, and thus avoid payment of the special tax. Fondaction intends to give preference to the maintenance of subscriptions by payroll deduction, by withdrawal under an agreement with a savings union, and by preauthorized payments from a financial institution.

It should be noted that if Fondaction 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 benefit from subscribing 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 online payment (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

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 in particular of 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

Fondation’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 Fondation 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 risk, which may affect Fondation's share value.

- a) Risks related to the characteristics of Fondation's shares:
 - i) Notwithstanding Fondation's merits and objectives, subscribers should 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 Fondation are not guaranteed.
 - ii) Fondation 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, these shares 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) Fondation 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 in particular 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, for example, rising interest rates will have a negative impact on the value of the securities in the portfolio. This is an interest rate risk, which is mitigated by 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 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 2018-2019 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 purchase by agreement requests.
 - v) The capital that Fondation may raise has been limited as of the fiscal year beginning on June 1, 2016 until that ending on May 31, 2021. 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 value of the shares. 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, which could have a significant impact on its operations. 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 participation fees, 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.

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.

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, which are taken into account in shareholder return. For more information, also see Management's Discussion and Analysis for the year ended May 31, 2019 in the "Rapport de gestion annuel" (French only) filed on the SEDAR website.

The total operating expense ratio for the year ended May 31, 2019 was 2.56%.

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, 2021, 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

<p>SUBSCRIBERS ARE RESPONSIBLE FOR MAKING CERTAIN THAT THEIR SUBSCRIPTIONS TO THE FUND ARE ELIGIBLE FOR TAX CREDITS AND DEDUCTIONS.</p>
--

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 2019 – 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 2019 – 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. Fondation, in cooperation with Viaction Insurance Inc., offers its shareholders a registered retirement savings plan. Since January 1, 2018, shares held in an RRSP account of the Fund may no longer be transferred to a self-directed RRSP administered by a securities dealer or a financial institution.

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 or change 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 Fondaction'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 Fondaction 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. Fondaction 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, 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
- November 30, 2016: \$10.71
- May 31, 2017: \$11.22
- November 30, 2017: \$11.58
- May 31, 2018: \$11.82
- November 30, 2018: \$11.84
- May 31, 2019: \$12.15

7.3 Share valuation period

Fondaction 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 all these periods and plans rather to announce the share price to the public in a press release issued on or about January 16, 2020 and July 9, 2020 for fiscal 2019-2020.

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, 2018 and October 31, 2019, Fondaction issued 24,021,476 shares, as follows:

- 7,342,323 were issued at a price of \$11.82 per share;
- 11,366,860 were issued at a price of \$11.84 per share;
- 5,312,293 were issued at a price of \$12.15 per share.

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

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

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, Fondaction 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 Redemption provided for in the Act

Eligible Class "A" shares are redeemable by Fondaction, 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 \$1,000.

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 transferred to an RRSP or a RRIF may, if they so desire, ask for the redemption proceeds to be transferred to 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, as 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 for the personal benefit of the concerned shareholder.

The Fund may require less 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 relevant documents and information. Requests may include all or part of the shares. However, Fondation 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 \$1,000, 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 Fondation 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.

Fondation 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) stipulates that Fondation must pay a penalty to the Québec government if the aggregate of the amounts paid for purchases by agreement during a fiscal year is 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, Fondation 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 Fondation* 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 Fondation'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, Fondaction 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

Fondaction is governed by the *Regulation respecting development capital investment fund continuous disclosure*. This regulation deals with the continuous disclosure obligations to which Fondaction 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 (lautorite.qc.ca).

To summarize, Fondaction 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 repayments for the Home Buyers’ Plan, if applicable;
 - a statement of repayments 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 Fondation shareholders is neither sold nor provided to any other organization or institution.

11. PORTFOLIO ASSET MANAGEMENT

In managing its assets, Fondation uses a comprehensive approach, primarily based on a mid- and long-term horizon because it collects retirement investment savings. Every year, Fondation 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. Fondation 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, 2019, the investment requirement percentage is set at not less than 64% of its average net assets for the preceding fiscal year. For the following fiscal years, eligible investments must represent 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, 2019, 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

Development capital investments are subdivided into three groups: direct equity participation in businesses, investments in partner or specialized funds, and a securities portfolio of Québec public companies.

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. Investments in companies developing or holding a real estate portfolio as well as in an alternative fund and a traditional 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 market for Québec publicly traded companies.

Fondation invests in enterprises with a possible return on invested capital proportionate to perceived risks, which have positive societal spin-offs from a sustainable development perspective. Requests are also assessed according to specific criteria, including the competence and experience of the management team, the financial position, the potential for profitability as well as current and future societal benefits. In addition to financial aspects, societal spin-offs include economic benefits (across Québec), business benefits (business performance), territorial benefits (local footing), social benefits (for individuals and groups) and environmental benefits (issues and opportunities). 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.

Fondation'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.

Fondation 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.

The Fund's investments may take different forms:

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

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. The Fund mainly seeks investments of between \$1 million and \$20 million per enterprise.

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 Investment Committee or the Investment Committee – Resource Regions and the Biomass Valorization and Sustainable Agri-food Sectors. 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, Fondation 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.

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 Fondation'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, 2019, the portfolio of other investments accounted for 46.8% of Fondation's net assets. Since development capital investments are inherently concentrated in Québec, Fondation seeks a certain geographic diversification by trading a portion of its other investments on global markets primarily in developed countries.

Fondation 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

Fondation manages its own assets. Specific mandates are given to external portfolio advisers in respect of other investments (financial investments), while Fondation 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 Fondation'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 Fondation'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 Stn., Montréal, Québec H5B 1E4	Acts as a custodian for securities acquired by Fondaction
Sub-depositaries	Caisse d'économie solidaire Desjardins 2175 De Maisonneuve Blvd. East, Suite 150 Montréal, Québec H2K 4S3	Acts as sub-depository for cash accounts
	Desjardins Securities Inc. 1170 Peel Street, Suite 300 Montréal, Québec H3B 0A9	Acts as sub-depository for assets that may be the subject of transaction orders received and executed through the transfer system operated by FundSERV Inc.
Auditor	Deloitte LLP La Tour Deloitte 1190 Avenue des Canadiens-de-Montréal Suite 500 Montréal, Québec H3B 0M7	Acts as Fondaction's independent auditor
Share registers and trustee services	Viaction Insurance Inc. 2175 De Maisonneuve Blvd. East, Suite 210 Montréal, Québec H2K 4S3	Acts as a registrar for Fondaction shares and as a trustee for RRSPs* to be set up and registered for these shares
Securities advisers	Addenda Capital Inc. 800 René-Lévesque Blvd. West, Suite 2750 Montréal, Québec H3B 1X9	Manages a portion of the portfolio of other investments
	Hexavest Inc. 1250 René-Lévesque Blvd. West, Suite 4200 Montréal, Québec H3B 4W8	Manages a portion of the portfolio of other investments

Role	Name	Function
	Fiera Capital Corporation 1501 McGill College Avenue, Suite 800 Montréal, Québec H3A 3M8	Manages a portion of the portfolio of other investments and a portion of the development capital investment portfolio
	Triasima Portfolio Management Inc. Les Cours Mont-Royal 1555 Peel Street Suite 1205 Montréal, Québec H3A 3L8	Manages a portion of the portfolio of other investments
	AlphaFixe Capital Inc. 1800 McGill College Avenue, Suite 2420 Montréal, Québec H3A 3J6	Manages a portion of the portfolio of other investments
	Montrusco Bolton Investments Inc. 1501 McGill College Avenue, Suite 1200 Montréal, Québec H3A 3M8	Manages a portion of the portfolio of other investments

* Fondation performs 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**

December 5, 2019

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
Chairman of the Board of Directors

By: (s) Thierry C. Pauchant
Member of the Board of Directors

By: (s) Léopold Beaulieu
President and Chief Executive Officer

By: (s) Patrick Cabana
Chief Financial Officer

Appendix I

REDEMPTION OF FONDACTION SHARES PROVIDED FOR IN THE ACT

TABLE OF CONTENTS

65 years of age	1
Death	2
Death of the person who contributed to a spousal RRSP	2
Severe and prolonged disability (physical or mental) resulting in permanent unfitness for work	3
Redemption within 60 days of subscription	4
Retirement at 45 years of age or older AND Beneficiary of a pension under the employer's registered pension plan.....	5
Retirement at 60 years of age or older AND Beneficiary of a pension under the <i>Act respecting the Québec Pension Plan</i> or a similar plan	5
Retirement at 50 years of age or older as a result of termination of employment.....	6
Retirement at 55 years of age or older AND Beneficiary of retirement benefits	7
Retirement at 45 years of age or older AND Annuitant under an RRSP or a RRIF.....	8
Phased retirement starting at 50 years of age	9
Footnotes.....	10

Appendix I

REDEMPTION OF FONDACTION SHARES PROVIDED FOR IN THE ACT			
CRITERIA	REQUIREMENTS	ELIGIBLE SHARES	INFORMATION AND DOCUMENTS REQUIRED
65 years of age	The shareholder must have reached the age of 65 OR Must hold shares or fractional shares he did not personally acquire from Fondaction, and the individual who purchased these shares from Fondaction has reached the age of 65 or, if deceased, would have reached that age had he lived.	All shares held for at least 730 days	Completed and signed Fondaction form

REDEMPTION OF FONDACTION SHARES PROVIDED FOR IN THE ACT			
CRITERIA	REQUIREMENTS	ELIGIBLE SHARES	INFORMATION AND DOCUMENTS REQUIRED
Death	The shareholder is deceased.	All shares	<p>Completed and signed Fondation 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 OR - 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 Fondation 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>

REDEMPTION OF FONDACTION SHARES PROVIDED FOR IN THE ACT			
CRITERIA	REQUIREMENTS	ELIGIBLE SHARES	INFORMATION AND DOCUMENTS REQUIRED
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 Fondaction form</p> <p>AND</p> <p>A document certifying the severe and prolonged disability (e.g.: Notice of acceptance by Retraite Québec as a disabled contributor OR proof of payment of a permanent disability benefit by the CNESST OR an equivalent document)</p>

REDEMPTION OF FONDACTION SHARES PROVIDED FOR IN THE ACT			
CRITERIA	REQUIREMENTS	ELIGIBLE SHARES	INFORMATION AND DOCUMENTS REQUIRED
Redemption within 60 days of subscription	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.	All shares purchased under the relevant subscription	Completed and signed Fondaction form

REDEMPTION OF FONDACTION SHARES 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	INFORMATION AND DOCUMENTS REQUIRED
Retirement at 45 years of age or older ¹ AND Beneficiary of a pension under the employer’s registered pension plan	The shareholder must be at least 45 years of age AND Must have taken or will be taking, within three months of the redemption application, early retirement under a registered pension plan of the employer AND 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	All shares held for at least 730 days	Completed and signed Fondation form AND 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> AND A copy of one of the following documents confirming the retirement: <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 slip
Retirement at 60 years of age or older AND Beneficiary of a pension under the <i>Act respecting the Québec Pension Plan</i> or a similar plan ³	The shareholder must be at least 60 years of age AND 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.	All shares held for at least 730 days	Completed and signed Fondation form AND 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

REDEMPTION OF FONDACTION SHARES PROVIDED FOR IN THE ACT – RETIREMENT CRITERIA			
CRITERIA	REQUIREMENTS	ELIGIBLE SHARES	INFORMATION AND DOCUMENTS REQUIRED
<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 Fondaction 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:⁴ 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:⁴ a document certifying the closure of the business, such as a notice of dissolution, an amending declaration or a deed of sale OR <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 retirement⁵ • 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>²

REDEMPTION OF FONDACTION SHARES PROVIDED FOR IN THE ACT – RETIREMENT CRITERIA			
CRITERIA	REQUIREMENTS	ELIGIBLE SHARES	INFORMATION AND DOCUMENTS REQUIRED
Retirement at 55 years of age or older ¹ 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 application, 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 payments are received because of the death of his spouse.	All shares held for at least 730 days	Completed and signed Fondaction 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 payments⁶ under a registered retirement income fund (RRIF – LIF) • annuity under a deferred profit-sharing plan (DPSP) • annuity under a registered retirement savings plan (RRSP)

REDEMPTION OF FONDACTION SHARES PROVIDED FOR IN THE ACT – RETIREMENT CRITERIA			
CRITERIA	REQUIREMENTS	ELIGIBLE SHARES	INFORMATION AND DOCUMENTS REQUIRED
<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 Fondaction form <p>AND</p> <ul style="list-style-type: none"> • a statement from Retraite Québec or an equivalent document establishing the absence of employment 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 information and documents required under the criteria listed above.

REDEMPTION OF FONDACTION SHARES PROVIDED FOR IN THE ACT – RETIREMENT CRITERIA			
CRITERIA	REQUIREMENTS	ELIGIBLE SHARES	INFORMATION AND DOCUMENTS REQUIRED
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 employer⁷ to reduce his regular working hours 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 Fondaction 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 between each disbursement.</p>

-
1. No disbursement will be made until the effective retirement date.
 2. \$14,350 in 2019.
 3. “Similar plan” means the Canada Pension Plan. This similar plan covers persons having worked outside Québec and has similar provisions to the Québec Pension Plan.
 4. If the termination of the most recent employment is more than 730 days prior to the receipt of the application by Fondation, the shareholder must also provide a statement of participation from Retraite Québec, dated not more than 30 days, to prove the absence of income or income under the threshold set by Retraite Québec for all the years that have elapsed since the end of employment.
 5. Early retirement is retirement granted by the employer while the employee is still on the payroll, for example, when the shareholder decides to use up all his sick leave before officially retiring.
 6. 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.
 7. 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

TABLE OF CONTENTS

Home Buyers' Plan.....	1
Extraordinary and unexpected necessary health expense	2
Decrease of 20% or more in the after-tax family income when a shareholder or the shareholder's spouse acts as a natural caregiver for a family member.....	3
Decrease of 20% or more in the after-tax income of the shareholder or the shareholder's spouse for a minimum period of two consecutive months due to one of the following circumstances:	4
• loss of employment or end of sole contract	
• involuntary reduction in the hourly rate or working hours	
• decrease or termination of income replacement benefits	
Decrease of 30% or more in the pre-tax income of the shareholder or the shareholder's spouse for a minimum period of two consecutive months caused by a temporary disability	6
Involuntary decrease of 20% or more in the shareholder's or spouse's after-tax income derived from self-employment for a minimum period of six consecutive months	7
Decrease of 30% or more in pre-tax family income for a minimum period of two consecutive months caused by the dissolution of a union	8
Emigration from Canada.....	9
Ineligibility for income tax credits.....	10
Capital injection to create or maintain employment in a business that was started up or acquired less than a year ago	10
Capital injection to maintain jobs in a business operating for more than one year and in financial difficulty	12
Terminal illness	13
Buyback of pension credits for years of past service or to improve a retirement pension plan	13
Recourse exercised by a creditor	14
Lifelong Learning Plan (LLP)	16
Return to studies	17
Loss affecting the principal residence or an automobile essential for the shareholder	18
Footnotes	19

PURCHASE BY AGREEMENT OF FONDACTION SHARES					
CRITERIA	REQUIREMENTS	ELIGIBLE SHARES	WAITING PERIOD FOR SUBSEQUENT ACQUISITIONS	INFORMATION AND DOCUMENTS REQUIRED	PAYMENT TERMS AND CONDITIONS
Home Buyers' Plan	The shareholder must be eligible for the Home Buyers' Plan (HBP) by withdrawing funds from an RRSP AND Must undertake to make repayments to Fondation. ¹	All shares issued for at least 90 days and transferred to an RRSP, up to the maximum allowed by the HBP	Acquisition allowed at all times	Completed and signed Fondation form AND Completed and signed Canada Revenue Agency form AND Acceptance of the mortgage loan, if applicable AND One of the following proofs: For the purchase of an existing home <ul style="list-style-type: none"> • Offer to purchase in the shareholder's name duly accepted² by the parties concerned For the purchase of a factory built/prefabricated home <ul style="list-style-type: none"> • Purchase agreement of the factory built/prefabricated home in the shareholder's name, duly signed by the parties concerned For the purchase of a mobile home <ul style="list-style-type: none"> • Purchase agreement of the mobile home in the shareholder's name, duly signed by the parties concerned AND <ul style="list-style-type: none"> • Proof that the shareholder owns the land or the lease agreement for at least one year along with the lease as proof 	A maximum of two payments

Please see pages 19 and 20 for footnote details and additional explanations.

PURCHASE BY AGREEMENT OF FONDACTION SHARES					
CRITERIA	REQUIREMENTS	ELIGIBLE SHARES	WAITING PERIOD FOR SUBSEQUENT ACQUISITIONS	INFORMATION AND DOCUMENTS REQUIRED	PAYMENT TERMS AND CONDITIONS
				<p>For the purchase of a new home</p> <ul style="list-style-type: none"> • Preliminary purchase agreement (equal to the offer to purchase) in the shareholder’s name, duly signed by the parties concerned <p>For a self-build home constructed by the shareholder</p> <ul style="list-style-type: none"> • Building permit duly issued by the municipality in the shareholder’s name, confirming the construction of a new home <p>AND</p> <ul style="list-style-type: none"> • Proof that the shareholder owns the land 	
Extraordinary and unexpected necessary health expense	<p>The shareholder must show that the expense is unexpected, that it is necessary for the shareholder’s health or that of the shareholder’s spouse³ or the spouse’s dependant⁴</p> <p>AND</p> <p>Must declare financial inability to pay the expense</p> <p>AND</p> <p>Must have liquidated and used all his redeemable investments⁵ (including other RRSPs) to pay part of the costs related to the expense, with the purchase of shares being a last resort.⁶</p>	All shares	One year	<p>Completed and signed Fondaction form</p> <p>AND</p> <p>Shareholder’s solemn declaration certifying financial inability to pay the expense</p> <p>AND</p> <p>Solemn declaration that the person concerned is a dependant of the shareholder or of the shareholder’s spouse, if applicable</p> <p>AND</p> <p>Recent proof of confirmation from a recognized health professional of the need for care</p> <p>AND</p> <p>Proof of the expense, demonstrating its unexpected and extraordinary nature</p> <p>AND</p>	<p>A net payment⁷ equal to the amount required to pay the expense or a substantial part thereof</p> <p>The cheque will be issued jointly to the shareholder and the creditor of the obligation (if applicable).</p>

PURCHASE BY AGREEMENT OF FONDACTION SHARES					
CRITERIA	REQUIREMENTS	ELIGIBLE SHARES	WAITING PERIOD FOR SUBSEQUENT ACQUISITIONS	INFORMATION AND DOCUMENTS REQUIRED	PAYMENT TERMS AND CONDITIONS
				Proof of absence of indemnification or partial indemnification AND Proof that all the shareholder’s redeemable investments have been liquidated and used to pay part of the costs related to the expense, or that they cannot be redeemed, if applicable OR If the expense concerns the spouse³ or the spouse’s dependant⁴ Proof that that all the family’s redeemable investments have been liquidated and used to pay part of the costs related to the expense, or that the family investments cannot be redeemed, if applicable	
Decrease of 20% or more in the after-tax family income ⁸ when a shareholder or the shareholder’s spouse ³ acts as a natural caregiver for a family member	The shareholder must show a decrease in after-tax family income ⁸ because the shareholder or the shareholder’s spouse acts as a natural caregiver for a family member AND Must show that the person cared for is at least 70 years of age or is at least 18 years of age and has a serious mental or physical handicap AND Must show that the after-tax family income ⁸ from all sources has decreased by 20% or more for a minimum period of two consecutive ⁹ months, and that this	All shares held for at least two years	One year	Completed and signed Fondaction form AND The shareholder’s solemn declaration stating that the shareholder or the shareholder’s spouse must act as a natural caregiver for a family member and that there has been a decrease in the family income ⁸ because of the need to act as natural caregiver AND Proof that the person cared for is at least 70 years of age or at least 18 years of age with a certificate from the attending physician stating that such person is seriously handicapped AND	A single payment equal to the value of the eligible shares This criterion can only be used once by the shareholder every five years, as of the disbursement date.

PURCHASE BY AGREEMENT OF FONDACTION SHARES					
CRITERIA	REQUIREMENTS	ELIGIBLE SHARES	WAITING PERIOD FOR SUBSEQUENT ACQUISITIONS	INFORMATION AND DOCUMENTS REQUIRED	PAYMENT TERMS AND CONDITIONS
	<p>decrease in income still exists at the time the completed and signed form and the information and documents required are received</p> <p>AND</p> <p>Must have liquidated all redeemable family investments⁵ (including other RRSPs), with the purchase of shares being a last resort.⁶</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 months⁹</p> <p>AND</p> <p>Proof of the after-tax family income⁸ for the period in question and proof of the after-tax family income⁸ before the decrease in income</p> <p>AND</p> <p>Proof that all redeemable family investments⁵ have been liquidated, or that they cannot be redeemed, if applicable</p>	
<p>Decrease of 20% or more in the after-tax income of the shareholder or the shareholder's spouse 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 the hourly rate or working hours • decrease or termination of income replacement benefits 	<p>The shareholder must show the reason¹⁰ for the decrease in income (loss of employment, involuntary reduction in work hours, involuntary decrease in usual after-tax subsistence income)</p> <p>AND</p> <p>In the case of a loss of employment, must show that the shareholder or the shareholder's spouse worked at the job for a minimum of 28 hours per week for at least two months</p> <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 months⁹ and that such decrease in income still exists at the time the completed and</p>	<p>All shares</p> <p>Shares subscribed after the decrease in income cannot be purchased under this criterion.</p>	<p>One year</p>	<p>Completed and signed Fondaction form</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 months⁹</p> <p>For loss of employment or the end of a sole contract</p> <ul style="list-style-type: none"> • Proof of loss of last job or of the end of a single contract under which the shareholder or the shareholder's spouse worked a minimum of 28 hours a week 	<p>Payments will not exceed \$5,000 after taxes each, with a two-month interval between payments</p> <p>OR</p> <p>A single payment representing the total account value provided this value is less than \$10,000.</p>

PURCHASE BY AGREEMENT OF FONDACTION SHARES					
CRITERIA	REQUIREMENTS	ELIGIBLE SHARES	WAITING PERIOD FOR SUBSEQUENT ACQUISITIONS	INFORMATION AND DOCUMENTS REQUIRED	PAYMENT TERMS AND CONDITIONS
	<p>signed form and the information and documents required are received</p> <p>AND</p> <p>Must have liquidated all his redeemable investments⁵ (including other RRSPs), with the purchase of shares being a last resort⁶</p> <p>In the case of a decrease in the income of the shareholder’s spouse,³ 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 information and documents required are received</p> <p>AND</p> <p>Must have liquidated all his redeemable investments⁵ (including other RRSPs), with the purchase of the shares being a last resort⁶</p> <p>AND</p> <p>For subsequent applications, the shareholder must show that the event concerned still exists and that the shareholder’s or family⁸ after-tax income, as applicable, has decreased by 20% or more for a new minimum period of two consecutive months.⁹</p>			<p>For involuntary reduction in hourly rates or regular work hours</p> <ul style="list-style-type: none"> Confirmation from the employer of the involuntary reduction in the hourly rate or regular hours for a minimum period of two consecutive months⁹ <p>For a reduction or termination of benefits</p> <ul style="list-style-type: none"> Proof of the reduction or termination of benefits for a minimum of two consecutive months⁹ <p>AND</p> <p>Proof of the shareholder’s after-tax income before and after the event</p> <p>AND</p> <p>Proof that all the shareholder’s redeemable investments have been liquidated, or that they cannot be redeemed, if applicable</p> <p>If the decrease in income concerns the spouse</p> <p>Proof of after-tax family income⁸ before and after the event</p> <p>AND</p> <p>Proof that all redeemable family investments have been liquidated, or cannot be redeemed, if applicable.</p>	

PURCHASE BY AGREEMENT OF FONDACTION SHARES					
CRITERIA	REQUIREMENTS	ELIGIBLE SHARES	WAITING PERIOD FOR SUBSEQUENT ACQUISITIONS	INFORMATION AND DOCUMENTS REQUIRED	PAYMENT TERMS AND CONDITIONS
Decrease of 30% or more in the pre-tax income of the shareholder or the shareholder's spouse for a minimum period of two consecutive months caused by a temporary disability	<p>The shareholder or the shareholder's spouse must be temporarily disabled¹¹</p> <p>AND</p> <p>In the case of a decrease in the shareholder's income, the shareholder must show that pre-tax income from all sources has decreased by 30% or more for a minimum period of two consecutive months¹², and that such decrease in income still exists at the time the completed and signed form and the information and documents required are received</p> <p>AND</p> <p>Must have liquidated all his redeemable investments⁵ (including other RRSPs), with the purchase of shares being a last resort⁶</p> <p>AND</p> <p>In the case of a decrease in the income of the shareholder's spouse, the shareholder must show that the pre-tax family income from all sources has decreased by 30% or more for a minimum period of two consecutive months¹² and that such decrease in income still exists at the time the completed and signed form and the information and documents required are received</p> <p>AND</p>	<p>All shares</p> <p>Shares subscribed after the decrease in income cannot be purchased under this criterion.</p>	One year	<p>Completed and signed Fondaction form</p> <p>AND</p> <p>Recent medical certificate of disability for a minimum period of two consecutive months</p> <p>AND</p> <p>Proof of the shareholder's pre-tax income before and after the event having caused the temporary disability</p> <p>AND</p> <p>Proof that all the shareholder's redeemable investments have been liquidated or that they cannot be redeemed, if applicable</p> <p>If the decrease in income concerns the spouse,</p> <p>Proof of pre-tax family income⁸ before and after the event having caused the temporary disability</p> <p>AND</p> <p>Proof that all redeemable family⁸ investments have been liquidated or that they cannot be redeemed, if applicable.</p>	<p>Payments will not exceed \$5,000 after taxes each, with a two-month interval between payments</p> <p>OR</p> <p>A single payment representing the total account value provided this value is less than \$10,000.</p>

PURCHASE BY AGREEMENT OF FONDACTION SHARES					
CRITERIA	REQUIREMENTS	ELIGIBLE SHARES	WAITING PERIOD FOR SUBSEQUENT ACQUISITIONS	INFORMATION AND DOCUMENTS REQUIRED	PAYMENT TERMS AND CONDITIONS
	<p>Must have liquidated all redeemable family investments⁵ (including other RRSPs), with the purchase of shares being a last resort⁶</p> <p>AND</p> <p>For subsequent applications, the shareholder must show that he or his spouse³ is still temporarily disabled and that pre-tax income has decreased by 30% or more for a new minimum period of two consecutive months.⁹</p>				
<p>Involuntary decrease of 20% or more in the shareholder's or spouse's after-tax income derived from self-employment for a minimum period of six consecutive months</p>	<p>The shareholder or the shareholder's spouse must be a self-employed worker</p> <p>AND</p> <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 following a decrease in income derived from self-employment for a minimum period of six consecutive months,¹³ and that such decrease in income still exists at the time the completed and signed form and the information and documents required are received</p> <p>AND</p> <p>Must show that the decrease in after-tax income derived from self-employment is involuntary and not cyclical</p>	<p>All shares</p> <p>Shares subscribed after the decrease in after-tax income cannot be purchased under this criterion.</p>	<p>One year</p>	<p>Completed and signed Fondaction form</p> <p>AND</p> <p>Confirmation from clients of the cancellation, termination or reduction in the number of contracts, as the case may be</p> <p>AND</p> <p>Recent proof of all the shareholder's after-tax income during the period of involuntary decrease in income for six full consecutive months¹³</p> <p>AND</p> <p>Proof of all the shareholder's after-tax income during the same period in the previous year</p> <p>AND</p> <p>Proof that all the shareholder's redeemable investments have been liquidated or cannot be redeemed, if applicable</p>	<p>Equal payments not exceeding \$15,000 after taxes each</p> <p>A minimum six-month interval is required between each payment.</p>

PURCHASE BY AGREEMENT OF FONDACTION SHARES					
CRITERIA	REQUIREMENTS	ELIGIBLE SHARES	WAITING PERIOD FOR SUBSEQUENT ACQUISITIONS	INFORMATION AND DOCUMENTS REQUIRED	PAYMENT TERMS AND CONDITIONS
	<p>AND</p> <p>Must have liquidated all his redeemable investments⁵ (including other RRSPs), with the purchase of shares being a last resort.⁶</p> <p>In the case of a decrease in the spouse’s income, the shareholder must show that the after-tax family income from all sources has decreased by 20% or more following a decrease in income derived from self-employment for a minimum period of six consecutive months,¹³ and that such decrease in income still exists at the time the completed and signed form and the information and documents required are received</p> <p>AND</p> <p>For subsequent applications, the shareholder or the shareholder’s spouse must show that the involuntary decrease in income still exists and that after-tax income has decreased by 20% or more for a new minimum period of six consecutive months.¹³</p>			<p>If the decrease in income concerns the spouse</p> <p>Recent proof of all the after-tax family income⁸ during the period of involuntary decrease in income for six full consecutive months¹³</p> <p>AND</p> <p>Proof of all the after-tax family⁸ income during the same period in the previous year</p> <p>AND</p> <p>Proof that all the redeemable family investments have been liquidated or that they cannot be redeemed, if applicable</p>	
<p>Decrease of 30% or more in pre-tax family income for a minimum period of two consecutive months caused by the dissolution of a union¹⁴</p>	<p>The shareholder must show a decrease in income caused by the dissolution of a union which occurred less than a year ago¹⁵</p> <p>AND</p>	<p>All shares</p> <p>Shares subscribed after the dissolution of the union cannot be</p>	<p>One year</p>	<p>Completed and signed Fondaction form</p> <p>AND</p> <p>Proof of the dissolution of the union which occurred less than a year ago:</p> <ul style="list-style-type: none"> • confirmation of the dissolution of the union by a notary, a lawyer or a mediator 	<p>A maximum of two payments made no later than during the year following the dissolution of the union, up to a net amount⁷ of \$15,000</p>

PURCHASE BY AGREEMENT OF FONDACTION SHARES					
CRITERIA	REQUIREMENTS	ELIGIBLE SHARES	WAITING PERIOD FOR SUBSEQUENT ACQUISITIONS	INFORMATION AND DOCUMENTS REQUIRED	PAYMENT TERMS AND CONDITIONS
	<p>Must show a decrease of at least 30% in pre-tax family income⁸ for a minimum period of two consecutive months⁹</p> <p>AND</p> <p>Must have liquidated all redeemable investments⁵ (including other RRSPs), with the purchase of the shares being the last resort.⁶</p>	<p>purchased under this criterion.</p>		<ul style="list-style-type: none"> • proof of the change in marital status with the Canada Revenue Agency • divorce judgment • agreement on corollary relief <p>AND</p> <p>Proof of all pre-tax family income⁸ prior to the decrease in income</p> <p>AND</p> <p>Recent proof of all the shareholder's pre-tax income during the period of decreased income for two full consecutive months</p> <p>AND</p> <p>Proof that all the shareholder's redeemable investments have been liquidated or that they cannot be redeemed, if applicable.</p>	<p>for the same dissolution of union.</p>
<p>Emigration from Canada</p>	<p>The shareholder must have permanently emigrated from Canada</p> <p>AND</p> <p>Must have permanently left his residence and employment in Canada.</p>	<p>All shares held for at least two years, and the balance of all such shares, if applicable.</p>	<p>Three years of permanent residence in Québec following the shareholder's return (proof required)</p>	<p>Completed and signed Fondaction form</p> <p>AND</p> <p>The shareholder's solemn declaration stating that he has permanently emigrated from Canada</p> <p>Certified statement by the current employer that the shareholder is permanently working and residing in another country OR proof that the shareholder is operating a business on a full-time basis in the country of his new permanent residence OR proof of citizenship</p> <p>AND</p> <p>Proof of residence in the host country.</p>	<p>One payment for all shares held at least for two years</p> <p>At the shareholder's request, the balance of the shares, if applicable, when all such shares become eligible</p> <p>Transfer to another plan is permitted.</p>

PURCHASE BY AGREEMENT OF FONDACTION SHARES					
CRITERIA	REQUIREMENTS	ELIGIBLE SHARES	WAITING PERIOD FOR SUBSEQUENT ACQUISITIONS	INFORMATION AND DOCUMENTS REQUIRED	PAYMENT TERMS AND CONDITIONS
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 while the shareholder was not eligible for income tax credits	The shareholder may purchase other shares as soon as he becomes eligible again for income tax credits	Completed and signed Fondation form AND Proof that the income tax credits were claimed and refused by the Québec and federal governments OR proof ¹⁶ that the tax credits could not be claimed from the Québec and federal governments for one of the following reasons: <ul style="list-style-type: none"> • no taxes to be paid • shareholder has retired, and the employment income and business income reported in the taxation year were less than \$3,500 • non-resident 	A single payment Payment is made based on the value of the shares at the time of purchase. Transfer to another plan is permitted.
Capital injection to create or maintain employment in a business that was started up or acquired less than a year ago	The shareholder must show that the enterprise is legally constituted AND Must show that he is the owner of the business (alone or with others) and that he participates in decision-making AND Must show that the injection of capital will create or maintain at least one full-time permanent job ¹⁷ AND Must show that the business is a going-concern. ¹⁸	All shares held for at least two years	Two years	Completed and signed Fondation form AND A declaration of registration of the business or incorporating document AND A copy of documents evidencing the shareholder's interest in the business AND A copy of the documents showing the start-up or acquisition of an enterprise that is a going-concern: <ul style="list-style-type: none"> • business plan and, if applicable: • acquisition contract 	Up to two payments for a total net value ⁷ of \$30,000 to be disbursed within 12 months of the application This criterion can only be used once by the shareholder.

PURCHASE BY AGREEMENT OF FONDACTION SHARES					
CRITERIA	REQUIREMENTS	ELIGIBLE SHARES	WAITING PERIOD FOR SUBSEQUENT ACQUISITIONS	INFORMATION AND DOCUMENTS REQUIRED	PAYMENT TERMS AND CONDITIONS
				<ul style="list-style-type: none"> • 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 • 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 	

PURCHASE BY AGREEMENT OF FONDACTION SHARES					
CRITERIA	REQUIREMENTS	ELIGIBLE SHARES	WAITING PERIOD FOR SUBSEQUENT ACQUISITIONS	INFORMATION AND DOCUMENTS REQUIRED	PAYMENT TERMS AND CONDITIONS
Capital injection to maintain jobs in a business operating for more than one year and in financial difficulty	<p>The shareholder must show that the business 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 business is in financial difficulty</p> <p>AND</p> <p>Must show that the injection of capital will maintain at least one full-time permanent job¹⁷</p> <p>AND</p> <p>Must show that the business has been a going-concern¹⁸ for more than a year</p>	All shares held for at least two years	Two years	<p>Completed and signed Fondaction 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 evidencing the shareholder's interest in the business</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 the current period <p>AND</p> <p>Proof that the value of the shares purchased will allow an injection of funds that will have a significant impact on the consolidation or the development of the business</p> <p>AND</p> <p>Proof of maintenance of 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>Up to two payments for a total net value⁷ of \$30,000 to be disbursed within 12 months of the application</p> <p>This criterion can only be used once by the shareholder.</p>

PURCHASE BY AGREEMENT OF FONDACTION SHARES					
CRITERIA	REQUIREMENTS	ELIGIBLE SHARES	WAITING PERIOD FOR SUBSEQUENT ACQUISITIONS	INFORMATION AND DOCUMENTS REQUIRED	PAYMENT TERMS AND CONDITIONS
				<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 	
Terminal illness	The shareholder, the shareholder's spouse ³ or a dependent child ¹⁹ must be suffering from a terminal illness.	All shares	Ineligible or one year if the criterion is used for the spouse or a dependent child	Completed and signed Fondaction form AND Confirmation by the attending physician	Up to two payments Transfer to another plan is permitted.
Buyback of pension credits for years of past service or to improve a retirement pension plan	<p>The shareholder must have received an offer to improve the pension plan benefits if the offer was not already included in the plan and if it is limited in time²⁰</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 pension plan benefits. The offer must be limited in time²⁰</p> <p>AND</p> <p>Must show that the purchase will be used to acquire pension credits for years of past service or to improve the pension payable by a pension plan</p> <p>AND</p>	All shares held for at least two years	Acquisition allowed at all times	<p>Completed and signed Fondaction form</p> <p>AND</p> <p>Copy of the redemption offer for years of past service</p> <p>AND</p> <p>Acceptance by the plan administrator stating that a direct transfer is allowed for the acquisition of additional pension credits</p> <p>AND</p> <p>Proof that all investments have been used or that they cannot be liquidated or transferred⁵ if applicable.</p>	<p>This criterion can only be used once by the shareholder.</p> <p>The cheque is issued to the pension fund.</p>

PURCHASE BY AGREEMENT OF FONDACTION SHARES					
CRITERIA	REQUIREMENTS	ELIGIBLE SHARES	WAITING PERIOD FOR SUBSEQUENT ACQUISITIONS	INFORMATION AND DOCUMENTS REQUIRED	PAYMENT TERMS AND CONDITIONS
	Must have used ²¹ all investments, such as RRSPs and LIRAs; with the purchase of shares being a last resort. ⁶				
Recourse exercised by a creditor	<p>The shareholder must show that the recourse is against:</p> <ul style="list-style-type: none"> • the principal residence • a public utility • the shareholder’s and/or spouse’s automobile • the shareholder’s and/or spouse’s salary • the shareholder’s and/or spouse’s bank account <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 and used all redeemable investments⁵ (including other RRSPs) for payment of a part of the recourse, with the purchase of the shares being a last resort.⁶</p>	All shares	One year	<p>Completed and signed Fondaction form</p> <p>AND</p> <p>The shareholder’s solemn declaration explaining the reasons for the recourse and his financial inability to pay it, 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 of the recourse²² against the following assets or essential services:</p> <p>For the residence:</p> <ul style="list-style-type: none"> • final notice from the hypothecary creditor • prior notice to exercise a hypothecary right • motion for forced surrender and judgment • duly served application of the Régie du logement • final notice for past due municipal or school taxes <p>For the shareholder’s and/or spouse’s automobile (one or two):</p> <ul style="list-style-type: none"> • notice of forfeiture of benefit of term, along with the loan agreement • notice of seizure of the vehicle following a judgment • repossession notice 	<p>A single net payment⁷ equal to the amount required to discharge all or part of the obligation</p> <p>The cheque will be issued jointly to the shareholder and the creditor of the obligation, or to only the creditor, if required under the circumstances.</p>

PURCHASE BY AGREEMENT OF FONDACTION SHARES					
CRITERIA	REQUIREMENTS	ELIGIBLE SHARES	WAITING PERIOD FOR SUBSEQUENT ACQUISITIONS	INFORMATION AND DOCUMENTS REQUIRED	PAYMENT TERMS AND CONDITIONS
				<p>For a public utility:</p> <ul style="list-style-type: none"> notice of service interruption concerned <p>For the shareholder's and/or spouse's salary:</p> <ul style="list-style-type: none"> formal demand for payment from a government judgment ordering the payment of a sum of money <p>AND</p> <ul style="list-style-type: none"> proof that the shareholder or the shareholder's spouse has a garnishable salary <p>For the shareholder's and/or spouse's bank account:</p> <ul style="list-style-type: none"> formal demand for payment from a government judgment ordering the payment of a sum of money <p>AND</p> <p>If the recourse is against only the shareholder's salary, bank account and/or automobile:</p> <ul style="list-style-type: none"> proof that all the shareholder's redeemable investments have been liquidated and used to pay part of the recourse, or that the investments cannot be redeemed, if applicable 	

PURCHASE BY AGREEMENT OF FONDACTION SHARES					
CRITERIA	REQUIREMENTS	ELIGIBLE SHARES	WAITING PERIOD FOR SUBSEQUENT ACQUISITIONS	INFORMATION AND DOCUMENTS REQUIRED	PAYMENT TERMS AND CONDITIONS
				<p>If the recourse is against the principal residence, a public utility or the spouse's car, salary and/or bank account:</p> <ul style="list-style-type: none"> proof that all redeemable family investments have been liquidated and used to pay part of the recourse, or that the family investments cannot be redeemed, if applicable. 	
Lifelong Learning Plan (LLP)	<p>The shareholder must be eligible for the Lifelong Learning Plan (LLP)²³ by withdrawing funds from an RRSP</p> <p>AND</p> <p>Must undertake to make repayments to Fondaction.¹</p>	<p>All shares purchased at least 90 days ago and paid under an RRSP up to the maximum allowed by the LLP</p> <p>All shares subscribed after the return to studies cannot be purchased under this criterion.</p>	Acquisition allowed at all times	<p>Completed and signed Fondaction form</p> <p>AND</p> <p>Canada Revenue Agency form completed and signed</p> <p>AND</p> <p>Proof of the shareholder's or spouse's registration at an educational institution in a program requiring at least three months of full-time studies</p> <p>AND</p> <p>A copy of the tuition fee statement, including proof that 50% of the fees payable were paid or a minimum of \$500 was paid.</p>	A maximum of two payments a year for as long as the Plan is in effect

PURCHASE BY AGREEMENT OF FONDACTION SHARES					
CRITERIA	REQUIREMENTS	ELIGIBLE SHARES	WAITING PERIOD FOR SUBSEQUENT ACQUISITIONS	INFORMATION AND DOCUMENTS REQUIRED	PAYMENT TERMS AND CONDITIONS
Return to studies	<p>The shareholder or the shareholder’s spouse must have returned to full-time studies AND Must be registered in a program at a designated educational institution requiring at least three months of studies AND Must not have been registered on a full-time basis in the said program when the shareholder joined Fondaction AND The student must show that his pre-tax income (including non-refundable grants or financial aid under government or other programs) decreased by 25% or more, compared to his employment income prior to the start of the program.</p>	<p>All shares held for at least two years Shares subscribed after the return to studies cannot be purchased under this criterion.</p>	Acquisition allowed at all times	<p>Completed and signed Fondaction form AND Proof of the shareholder’s or spouse’s registration at an educational institution in a program requiring at least three months of full-time studies AND A copy of the tuition fee statement, including proof that 50% of the fees payable were paid or a minimum of \$500 was paid AND Proof of the student’s pre-tax income before and after returning to school</p>	<p>A single payment of up to \$10,000 before taxes to go back to school for less than six months OR A maximum of two payments totalling up to \$20,000 before taxes to go back to school for six months or more.</p>

PURCHASE BY AGREEMENT OF FONDACTION SHARES					
CRITERIA	REQUIREMENTS	ELIGIBLE SHARES	WAITING PERIOD FOR SUBSEQUENT ACQUISITIONS	INFORMATION AND DOCUMENTS REQUIRED	PAYMENT TERMS AND CONDITIONS
Loss affecting the principal residence or an automobile essential for the shareholder	<p>The shareholder must show that a loss occurred concerning his principal residence or an automobile essential for him</p> <p>AND</p> <p>that he received only partial indemnification or that no indemnification²⁴ is payable</p> <p>AND</p> <p>Must declare his financial inability to pay the expense resulting from the loss</p> <p>AND</p> <p>Must have liquidated and used all redeemable family investments⁵ (including other RRSPs) to pay a part of the expenses resulting from the loss, with the purchase of the shares being a last resort.⁶</p> <p>In the case of the principal residence, the loss must be :</p> <ul style="list-style-type: none"> • a fire • water damage • a natural disaster • a breakdown or safety defect of equipment causing damages to the principal residence • a deficiency or defect²⁵ in the foundation or structure of such magnitude that the foundation or structure of the residence endangers the health or safety of the occupants. 	All shares	One year	<p>Completed and signed Fondaction form</p> <p>AND</p> <p>Shareholder's solemn declaration certifying financial inability to pay the expense</p> <p>AND</p> <p>Proof of the loss</p> <p>AND</p> <p>Proof of costs related to the loss</p> <p>AND</p> <p>Proof of the absence of indemnification or partial indemnification</p> <p>AND</p> <p>Proof that all redeemable family investments have been liquidated and used to pay the costs related to the loss, or that they cannot be redeemed, if applicable.</p>	<p>A net payment⁷ equal to the amount required to pay for the repair or replacement of the property or to pay a substantial portion thereof</p> <p>The cheque will be issued jointly to the shareholder and the creditor of the obligation (if applicable).</p>

1. In such a case, the shareholder must repay the amounts withdrawn in accordance with applicable tax laws. The repayments must be made to Fondation or else the shareholder will be required to pay a special tax equal to the tax credit already obtained, as provided for in the Québec *Taxation Act*. However, a shareholder who is eligible for a redemption or purchase by agreement for a given year or within 60 days of the year-end, will not be subject to the special tax only if the shareholder cannot claim a tax credit for the acquisition of shares in a labour-sponsored fund with respect to an amount paid during the 10-year period, for the Lifelong Learning Plan, and during the 15-year period, in the case of the Home Buyers' Plan, during which he must acquire replacement shares or within 60 days of the end of such period. The federal legislative measures also provide for a special tax equal to the tax credit already obtained, for which the rules of application are similar to those applied in Québec. The Québec rules apply to the 2012 taxation year and following years.
2. 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.
3. Unless indicated otherwise, for the purposes of this prospectus, the definition of "spouse" is that set out in the Québec *Taxation Act*, which includes both same-sex and opposite-sex spouses.
4. "Dependant" is defined in the Québec *Taxation Act*.
5. An investment is considered redeemable even if its withdrawal leads to costs or a loss of return.
6. In all cases where, in accordance with the purchase by agreement policy, a shareholder must show that his 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.
7. Withholding tax applied to the payment is calculated using the minimum tax rate required by the federal and provincial governments, if applicable.
8. According to Revenu Québec, the definition of "family income" is the following: *The family income is equal to your income. If you have a spouse, the family income is equal to your income plus your spouse's income.*
9. An application may only be filed after a minimum period of two consecutive months of decreased income prior to the date the application is made to Fondation. The decrease in income must apply to each month included in the period concerned. In the case of a shareholder who receives income security, the application may be made as of the date the decrease in income begins.
10. 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, unless the shareholder receives income security. 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.
11. 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.
12. An application may only be filed after a minimum of two 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 two consecutive months, the application may be made as of the date the decrease in pre-tax income begins.
13. An application may be filed only after a minimum period of six consecutive months of an involuntary decrease in income preceding the date the application is made to the Fund.
14. "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.
15. For the purchase by agreement application to be eligible under this criterion, a maximum of one year must have passed between the date of the dissolution of the union and the date the application was filed with Fondation.

16. “Proof” means complete tax returns at the federal and Québec levels along with the schedules relating to Fondation tax credits and the respective notices of assessment for the years when the credits could not be claimed, in cases where the shareholder had no income taxes to pay or is retired with employment income lower than \$3,500, or a letter confirming that the shareholder is a non-resident.
17. “Full-time permanent job” refers to a minimum of 28 hours worked per week.
18. A business whose activities are seasonal is not considered a going concern, unless it operates several seasonal activities throughout the year.
19. “Dependent child” is defined in the Québec *Taxation Act*.
20. “Limited in time” means a one-time offer with a deadline that must be met by the shareholder.
21. The investments used must first have been applied to improving the pension plan benefits, since a purchase must be the last resort.
22. Dated less than 30 days on the date it is received at Fondation.
23. According to tax legislation, only post-secondary studies qualify under these plans.
24. The request must have been received within one year of the loss and cannot include the deductible amount.
25. The defect must not be known at the time of purchasing the home.