



POLICY - APPLICATION OF THE LAST PARAGRAPH OF SECTION 37.1 OF THE ACT RESPECTING THE CAISSE DE DÉPÔT ET PLACEMENT DU QUÉBEC

1. GENERAL

This Policy concerns the last paragraph of section 37.1 of the Act respecting the Caisse de dépôt et placement du Québec (R.S.Q. c. C-2), which sets out the circumstances under which the Caisse, through its private equity subsidiaries, may engage in negotiated investment activities giving rise to an investment which confers upon it more than 30% of the common shares or a class of common shares of the same legal person.

2. SCOPE

The purpose of this Policy is to finetune the application retained by the Caisse regarding the provisions of the last paragraph of section 37.1 of the Act in relation to negotiated investments by the private equity sector, in order to bring them to the attention of existing and potential partner companies as well as other players in this sector of activity.

3. BACKGROUND

The mission of the Caisse, either directly or through its subsidiaries, is to receive moneys on deposit as provided by law and manage them with a view to achieving optimal return on capital within the framework of depositors' investment policies while at the same time contributing to Québec's economic development.

Through its private equity sector negotiated investment activities, the Caisse can build long-term relationships with businesses and contribute to their expansion both in North America and abroad. It does so by putting its capital and expertise at the service of businesses at various stages in their development.

The Caisse seeks to meet the needs of businesses by adjusting its investment to the level required by each business' structure, shareholder base or situation.

Furthermore, the Caisse applies a philosophy of co-investment with other financial players or strategic partners.

4. CIRCUMSTANCES PERMITTING AN INVESTMENT THAT CONFERS MORE THAN 30% OF COMMON SHARES

The Caisse is authorized to make, through its private equity subsidiaries, an investment which translates into holding more than 30% of one legal person's common shares or class of common shares provided that such investment:

- occurs during the start-up or pre-start-up phase, phases during which businesses often seek capital and a long-term partner who is able to support them;
- ensures or maintains operations, such as for instance under difficult market conditions, following delays in production or during a turnaround;
- fosters continuity, as is often the case with family-owned businesses or upon the departure of a founding entrepreneur;
- favours a transition, such as when a shareholder's interest is bought out;
- favours a reorganization, such as merger and acquisition projects or production realignment projects;
- promotes growth prior to a public issue; or
- is made under any new investment holding structure or fund management structure provided for by regulation.

5. TIME LIMIT ON EXCESS PARTICIPATION

Pursuant to the last paragraph of section 37.1 of the Act, an interest in excess of 30% of one legal person's common shares shall not be held for more than five (5) years. It is, however, provided that the Caisse shall establish the conditions and authorizations to be obtained beyond that period.

An investment may exceed the period of five (5) years established by law if, in the opinion of the private equity investment committee, that investment is not liquid or the value of the investment does not warrant disposition. In such a case, a disinvestment plan specifically setting a maturity that may not exceed a further period of five (5) years shall be submitted to the private equity investment committee. The private equity investment committee shall report on the matter to the audit committee.

Furthermore, in the event that, at the expiry of the aforesaid additional period of five (5) years, the disinvestment plan could not be implemented by the scheduled maturity date, the private equity investment committee may extend the term of the investment for another additional period not exceeding five (5) years. The private equity investment committee shall report on the matter to the audit committee.

6. AUTHORIZATIONS

Authorization of the investments contemplated herein shall be given by the authorities concerned, including the Board of Directors, according to the procedures in effect at the Caisse.

7. TRANSITIONAL PROVISION

Existing investments at the time this Policy is adopted are subject to this Policy and to any amendment made thereto from time to time.

8. ADDITIONAL APPLICATION

This Policy applies in the same manner to investments made under new investment holding and fund management structures provided for by regulation, if any, passed in accordance with the Act.

9. REPORTS

A quarterly report on investments made pursuant hereto shall be submitted to the audit committee, which in turn shall report thereon to the Caisse's Board of Directors.

10. ANNUAL REPORT

The Annual Report of the Caisse shall include a statement of investments made pursuant to this Policy.

11. RESPONSIBILITY

This Policy has been adopted by the Board of Directors of the Caisse de dépôt et placement du Québec, which shall review it on a regular basis and make public, in the same manner, any amendments which may be made thereto.

12. PUBLIC NATURE

This Policy is available on the Caisse's Web site (www.lacaisse.com) and may also be obtained on request from the communications vice-president of the Caisse.