SCHOLARSHIP PLAN AGREEMENT

REFLEX PLAN
(group scholarship plan)

between UNIVERSITAS FOUNDATION OF CANADA
(hereinafter referred to as "the Foundation")

and THE SUBSCRIBER, whose
Account Opening Form is attached
hereto and constitutes an integral
part of this agreement,
(hereinafter referred to as "the subscriber")

UNIVERSITAS
FOUNDATION

1. DEFINITIONS

Below are the definitions of certain key terms used in this agreement.

Accumulated income payment (AIP):	income generated by your contributions and government grants that you may receive from your plan if your beneficiary does not pursue post-secondary studies, provided the conditions stipulated in the *Income Tax Act* (Canada) and the *Taxation Act* (Quebec) have been respected and the amount exceeds the fair market value of any contribution and government grant paid into the plan for refund of the amount.
AIP:	see **Accumulated income payment**
Application date:	date the plan is opened, which is the date the subscriber signs the contract.
Attrition:	under a group plan, a reduction in the number of beneficiaries in a beneficiary group who qualify for EAPs. See also **Pre-maturity attrition** and **Post-maturity attrition**.
Beneficiary:	person designated to receive EAPs under the plan.
Beneficiary group:	beneficiaries of a group plan with the same year of eligibility. They are born in the same year.
Contract:	the scholarship plan agreement entered into between the subscriber and the Universitas Foundation when an education savings plan is opened.
Contribution:	the amount paid by the subscriber into a plan. The sales charges are deducted from the contributions and the remaining amount is invested in the plan; a contribution to an education savings plan does not include an amount paid into the plan under or because of the *Canada Education Savings Act* or a designated provincial program, or any other program that has a purpose similiar to a designated provincial program and that is funded, directly or indirectly, by a province (other than an amount paid into the plan by a public primary caregiver in its capacity as subscriber under the plan).
Designated provincial program:	refers to: a) a program administered pursuant to an agreement entered into under Section 12 of the *Canada Education Savings Act*;

b) a program established under the laws of a province to encourage the financing of children's post-secondary education through savings in registered education savings plans.

Designated post-secondary educational institution: refers to:

a) one of the following institutions located in Canada:

i. a university, college, or other educational institution that is accredited by a provincial government pursuant to the *Canada Student Loans Act*, i.e. an authority having jurisdiction in application of the *Canada Student Financial Assistance Act* or designated by the Quebec *Ministère de l'Éducation, de l'Enseignement Supérieur et de la Recherche* the purposes of application of Quebec's *Act Respecting Financial Assistance for Education Expenses*;

ii. an educational institution recognized by Employment and Social Development Canada to offer courses intended to teach or enhance the skills needed in the exercise of a professional activity, with the exception of courses used to obtain university credits;

b) an educational institution located abroad that is a university, college or other institution offering post-secondary programs in which the beneficiary enrolled for one or more courses having a minimum duration of 13 consecutive weeks, or a university where the beneficiary was enrolled full time for a course having a minimum duration of three consecutive weeks.

EAP: see **Educational assistance payment**

EAP account: for group plans, the account which holds the income generated from the contributions made by subscribers. There is a separate EAP account for each beneficiary group. This account includes income generated by contributions from subscribers who have cancelled their plan or whose plan was cancelled by the manager. These funds are redistributed to other beneficiaries in the beneficiary group as part of their EAPs.

Earnings: the amount earned on the (i) contributions and (ii) government grants, such as interest and capital. Income earned after the maturity date is not included in the EAP account of the beneficiary group.

Educational assistance payment (EAP): generally, the EAP is made to the beneficiary after the maturity date for eligible studies. For group scholarship plans, the EAP consists of the government grants, the income generated by grants and the beneficiary's proportionate share in the EAP account. EAPs do not include the sales charges, which are returned to the subscriber.

Eligible studies: a post-secondary educational program that meets the requirements of the plan for the beneficiary to receive EAPs.

Government grant: a financial grant, a learning bond or a financial incentive offered by the federal government (such as the Canada Education Savings Grant or the Canada Learning Bond) or a provincial government to assist with saving for post-secondary education and in an RESP.

Grant contribution room: amount of the government grant to which you qualify under a federal or provincial government grant program (also known as grant room).

Income: has the same meaning as **Earnings**

Manager: refers to Universitas Management Inc., or any successor or assignee thereof in the function of investment fund manager.

Maturity date: the date on which the plan matures. Generally, it falls in the year the beneficiary is expected to begin his first year of post-secondary education.

Plan: the REFLEX Plan is a group scholarship plan that provides funding for the post-secondary education of a beneficiary.

Post-maturity attrition: under a group plan, a reduction in the number of beneficiaries in a beneficiary group who qualify for EAPs after the maturity date. See also **Attrition**.

Pre-maturity attrition: under a group plan, a reduction in the number of beneficiaries in a beneficiary group who qualify for EAPs before the maturity date. See also **Attrition**.

Primary caregiver: the individual who is primarily responsible for the care of the child and eligible for the Canada Child Benefit (CCB).

Public primary caregiver: for the beneficiary of an education savings plan for whom a special allowance is payable under the *Children's Special Allowances Act*, refers to the department, agency or institution responsible for the beneficiary, or the public curator of the province in which the beneficiary resides.

Qualifying educational program: refers to a post-secondary educational program that lasts at least three (3) weeks in a row, with a minimum of ten (10) hours of instruction or work per week.

Subscriber: person who signs a contract with the Universitas Foundation of Canada to make contributions under the terms of a plan.

Trust: refers to any person who irrevocably holds assets as part of a registered education savings plan for one or other of the following purposes:

a) the payment of educational assistance payments;

b) the payment, since 1998, of accumulated income payments;

c) the refund of contributions;

c.1) the repayment of sums (and the payment of sums linked to that repayment) under the *Canada Education Savings Act* or under a designated provincial program,

d) the payment to, or to a trust in favour of, designated educational institutions in Canada in accordance with the provisions of the *Income Tax Act* (Canada);

e) the payment to a trust that irrevocably holds assets pursuant to a registered education savings plan for any of the purposes set out in paragraphs (a) to (d).

Unit: under a group plan, a unit is the beneficiary’s proportionate share of the EAP account. The contribution amount per unit is determined by the terms of the contract the subscriber signs and the applicable contribution schedule.

Year of eligibility: year in which a beneficiary has the right to receive EAPs for the first time under the terms of a plan. For a group plan, it is usually the year the beneficiary undertakes his first academic year of eligible studies. In general, the year of eligibility is the same year as the maturity date.

For other types of plans, the year of eligibility occurs when the beneficiary enrols in an eligible program of study.

2. GOVERNMENT GRANTS

(1) The Government of Canada and the Government of Quebec have both introduced measures to support education savings. The Canada Education Savings Grant (CESG) and Canada Learning Bond (CLB) are offered by the federal government. Quebec, meanwhile, has introduced the Quebec Education Savings Incentive (QESI) for beneficiaries who reside in the province of Quebec.

(2) The government grants and their earnings are added to the income on the subscriber's contributions when calculating the EAPs qualified beneficiaries receive when pursuing eligible studies. The grants received belong exclusively to the beneficiary and are invested separately from subscriber contributions. The grants received are pooled and invested with those of other beneficiaries.

Canada Education Savings Grant ("CESG")

(3) To be eligible for the basic CESG, the beneficiary must be a resident of Canada. The CESG can be paid into the beneficiary's plan until the end of the calendar year in which he reaches the age of seventeen (17). Regardless of the subscriber's family income, the basic grant is equal to 20% for every dollar invested until the contributions reach $2,500 per year.

(4) The contributions made to the RESP during the year in which the beneficiary reaches the age of sixteen (16) or seventeen (17) may be eligible for the CESG if:

a) a minimum of $2,000 was contributed to (and not withdrawn from) one or more RESPs on the beneficiary's behalf before the end of the calendar year in which he turned fifteen (15) years old; or

b) a minimum annual contribution of $100 was made to (and not withdrawn from) the beneficiary's RESP in any four years before the end of the calendar year in which he turned fifteen (15) years old.

(5) Based on the adjusted family net income of the beneficiary's primary caregiver, an additional CESG may be applicable and the beneficiary may receive an extra amount of 10% or 20% on the first $500 invested each year.

(6) The lifetime CESG amount granted to a beneficiary may not exceed $7,200 for all the beneficiary's plans combined and for their entire duration.

Canada Learning Bond ("CLB")

(7) The amount of the CLB offered by the Government of Canada is $500 for the first year of eligibility for this grant. Thereafter, the beneficiary could receive $100 for each subsequent year until the year of his 15th birthday, inclusive, for a lifetime total of $2,000.

(8) To be eligible, the beneficiary's family must meet the financial criteria established by the federal government. In addition, the child must:

a) be born after December 31, 2003;

b) have a birth certificate;

c) have a Social Insurance Number ("SIN");

d) be the beneficiary of an RESP; and

e) reside in Canada.

(9) At the time the first CLB amount is paid into a plan, the federal government can add $25 to cover part of the administration fees. This sum is paid directly to Universitas Management Inc.

Quebec Education Savings Incentive ("QESI")

(10) To be eligible for the basic QESI, the beneficiary must have a SIN, be a Quebec resident on December 31st of the tax year and be the beneficiary of an RESP. The QESI can be paid until the end of the calendar year in which the beneficiary reaches the age of seventeen (17).

(11) Regardless of the subscriber's family income, the basic QESI is equal to 10% of the first $2,500 contributed into an RESP during a given tax year.

(12) Contributions made after December 31, 2008, for a beneficiary sixteen (16) or seventeen (17) years of age may be eligible for the Quebec Education Savings Incentive if the beneficiary satisfies the same criteria as those of the Canada Education Savings Grant to receive grants on contributions made the same year into the RESP of the beneficiary.

(13) Depending on the adjusted family net income of the primary caregiver of the beneficiary, an additional QESI amount may be applicable and the beneficiary may receive an extra grant amount equal to 5% or 10% of the first $500 invested each year.

(14) The lifetime QESI amount granted to a beneficiary may not exceed $3,600 for all the beneficiary's plans combined and for their entire duration.

Refund of government grants

(15) There are various situations where the CESG must be returned to the government, including when:

a) a partial or total withdrawal of contributions is made before the beneficiary is enrolled full-time or part-time in an eligible post-secondary program of study;

b) the subscriber cancels his contract;

c) the registered education savings plan is terminated or its registration revoked;

d) the beneficiary passes away or becomes totally and permanently disabled, and no other beneficiary is designated;

e) an ineligible transfer is made;

f) a payment is made, in accordance with the provisions of the *Income Tax Act* (Canada), to a designated post-secondary educational institution covered under subparagraph a)(i) of the definition of this term herein, or to a trust established in favour of such an institution;

g) accumulated income payments are made.

(16) The entire CESG and additional CESG must also be returned when a change of beneficiary is made and one of the following conditions is not met:

a) an additional CESG amount (exceeding the basic 20% rate) was received for the former beneficiary, and the new beneficiary is his sibling and younger than 21 years of age at the time of the change; or

b) no additional CESG amount was received for the former beneficiary; and

i. the new and former beneficiaries are siblings and the new beneficiary had not reached the age of 21 at the time of the change; or

ii. the new and former beneficiaries are related by blood to the original subscriber of the contract and neither of them had reached the age of 21 years at the time of the change.

(17) In situations where the CESG must be returned to the federal government, the same criteria apply to the QESI and the manager is under the obligation to refund such amounts to the Government of Quebec.

(18) There are various situations where the CLB must be returned to the government, including when:

a) the subscriber cancels the contract;

b) the registered education savings plan is terminated or its registration revoked;

c) a change of beneficiary occurs;

d) AIPs are made;

e) a payment is made, in accordance with the provisions of the *Income Tax Act* (Canada), to a designated post-secondary educational institution covered under subparagraph a)(i) of the definition of this term herein, or to a trust established in favour of such an institution;

f) an ineligible transfer is made;

g) the beneficiary passes away.

(19) Any CLB returned to the federal government for one of the reasons stipulated above can be paid again in favour of the same beneficiary if the CLB eligibility criteria are met once more.

3. RIGHT TO EAPs

<u>Eligible programs</u>

(1) Eligible programs are programs offered by post-secondary educational institutions recognized by the Ministry of Education of the province of residence.

(2) These may be programs offered in universities, community colleges, trade schools, vocational schools, technical schools, general and vocational colleges (CEGEP), private colleges, as well as distance learning and correspondence learning programs.

(3) Eligible studies do not necessarily require a high school diploma as a prerequisite.

<u>Eligible studies</u>

(4) To qualify for EAPs payable by the plan, the beneficiary must pursue eligible studies. If the subscriber cancels the plan before maturity, or if the beneficiary does not pursue eligible studies within the prescribed period, the beneficiary will not receive EAPs.

(5) To qualify for all three EAPs under the REFLEX Plan, the beneficiary must meet the eligibility criteria. Depending on his academic path, it is possible that he may not receive all three EAPs. In this case, the income earned on the subscriber’s contributions is redistributed among the other qualified beneficiaries of the beneficiary group to which the beneficiary belongs.

<u>Educational Assistance Payments (EAPs)</u>

(6) To qualify for an EAP, the beneficiary must be enrolled as a student in an eligible educational program offered by a post-secondary educational institution.

(7) The eligible beneficiary must submit an EAP request via the Customer Portal on the website of the Universitas Foundation of Canada or, if the beneficiary does not have Internet access, he may contact our Customer Service so that the appropriate form can be sent by mail.

(8) An eligible beneficiary may request an EAP at any time on or after the eligibility date, which is July 1st of the year during which the beneficiary turns seventeen (17) years old.

(9) The EAPs are paid to eligible beneficiaries as follows:

	1st EAP	2nd EAP	3rd EAP
Canada and other countries			
Community college or private college	At the beginning of the 1st year of study	After the 1st year of study	After the 2nd year of study
University	At the beginning of the 1st year of study	After the 1st year of study	After the 2nd year of study
Quebec			
Diploma of vocational studies (DVS)	At the beginning of the 1st year of study	After the 1st year of study	After the 2nd year of study
Attestation of college studies (ACS)	At the beginning of the 1st year of study	After the 1st year of study	After the 2nd year of study
College – general/pre-university	At the beginning of the 1st year of study	After the 1st year of study	After the 2nd year of study
College – technical (career) programs	At the beginning of the 1st year of study	After the 1st year of study	After the 2nd year of study
University	If the 1st EAP has not yet been paid, at the beginning of the 1st year of study	If the 2nd EAP has not yet been paid, after the 1st year of study	If the 3rd EAP has not yet been paid, after the 2nd year of study

(10) To qualify for the 2nd EAP, the beneficiary must first successfully complete one (1) full year of post-secondary studies. In order to obtain the 3rd EAP, the beneficiary must first successfully complete two (2) full years of post-secondary education. A beneficiary shall be considered to have successfully completed one year of full-time studies based on the criteria of the educational institution attended.

(11) The beneficiary can claim all EAPs provided he meets the requirements of an eligible program of study. Studies need not take place in consecutive years, as long as the plan has not reached its cut-off date.

(12) The plan does not present a payment option for part-time studies. Subject to the manager's approval, accumulated credits or hours from part-time studies could entitle the beneficiary to EAPs if their total meets the qualification criteria of the plan.

4. CHANGE OF BENEFICIARY

(1) Beneficiary changes are permitted; there is no limit on the number of changes you can make. There is no fee to exercise this option.

(2) A change of beneficiary is only possible if the initial beneficiary has not yet qualified for a 1st EAP at the time such change is made. However, in a case of death or total and permanent disability, it is possible to change the beneficiary at any time before the plan expires (reaches its cut-off date).

(3) A change of beneficiary does not have the effect of extending the life of a plan, which cannot exceed December 31st of the 35th year following the year in which the RESP took effect.

(4) The subscriber must notify the manager in writing of any change of beneficiary.

(5) A beneficiary who is less than twenty-one (21) years of age can be replaced by another beneficiary also younger than twenty-one (21) years. If the new beneficiary is older than the former beneficiary, the remaining contributions will be increased to offset the difference in age, in accordance with the amount and manner determined by the manager. Interest at an annual rate of 4% applies to arrears. The manager reviews this rate yearly.

(6) When changing beneficiaries, the contributions, the CESG and the QESI (if applicable) received for the former beneficiary are deemed to have been paid in favour of the new beneficiary; the income from the CESG, QESI (if applicable) and CLB are also transferred to the new beneficiary. However, if the new beneficiary is not a member of the former beneficiary's family, the CESG must be returned to the federal government in full.

(7) The CESG must be returned when a change of beneficiary does not meet the conditions set forth in paragraph 204.9(4)b) of the *Income Tax Act* (Canada), namely:

   a) the new and former beneficiaries are siblings and the new beneficiary had not reached the age of twenty-one (21) at the time of the change; or

   b) the two beneficiaries are related by blood or adoption to the original subscriber of the plan and neither of them had reached twenty-one (21) years of age at the time of the change.

(8) The CESG must also be returned when an additional CESG (exceeding the basic 20% rate) was received for the former beneficiary and the following conditions are not met:

   a) the new and former beneficiaries are siblings; and

   b) the new beneficiary was younger than twenty-one (21) years of age at the time the change was made.

(9) Moreover, if either of the two preceding conditions is not satisfied, the QESI must be refunded to the Government of Quebec.

(10) In all cases, a change of beneficiary will result in the CLB being reimbursed to the Government of Canada.

(11) A change of beneficiary may have tax consequences in terms of the cumulative contribution limit for the new beneficiary.

5. DEATH OR DISABILITY OF THE BENEFICIARY

(1) In the event of the death or disability of the designated beneficiary, the subscriber must notify the manager in writing within ninety (90) days following the event.

(2) In such case, the subscriber may choose to either:

a) keep his current contract and designate another beneficiary by informing the manager in writing; or

b) cancel his contract and obtain the refund of his contributions, including the sales charges.

(3) Disability refers to a serious medical condition certified by a practicing physician which would prevent the beneficiary from pursuing eligible studies.

(4) If the subscriber cancels the contract by withdrawing his contributions, the total amount received in government grants for the beneficiary will be reimbursed to the government. The income earned on the government grants may be paid as accumulated income payments (AIPs) if the subscriber transfers to an INDIVIDUAL Plan. If not, this amount will be paid to a designated post-secondary educational institution in Canada or to a trust established in favour of such an institution. The subscriber will lose the income earned on the contributions to the group plan.

6. CHANGE OF SUBSCRIBER

(1) The *Income Tax Act* (Canada) stipulates that it is possible to replace the subscriber of the plan in the following situations:

a) In the event of separation or divorce, the subscriber may be replaced by his former spouse (or common-law partner) under a court order or decision, or a written agreement to divide property between the spouses (or common-law partners).

b) In the event of the subscriber’s death, the subscriber can be replaced by his estate trustee, the person who inherits the RESP, the individual who acquires the subscriber’s rights or the person who makes the contributions in the beneficiary’s name.

c) If the subscriber is a public primary caregiver, the latter can be replaced by an individual or by another public primary caregiver pursuant to a written agreement.

7. CHANGING THE YEAR OF ELIGIBILITY

(1) The beneficiary is eligible for an EAP on July 1st of the calendar year during which he reaches the age of seventeen (17) years. The beneficiary may then qualify for a 1st EAP when he meets the eligibility criteria under the plan.

(2) Before plan maturity, the manager may grant an EAP to a beneficiary before his year of eligibility, i.e. July 1st of the year in which he turns seventeen (17) years old. The situation and file must first be analyzed by the manager, and the subscriber will have to pay interest into the EAP account of the beneficiary's group to offset the loss of earned income and ensure equity toward the other beneficiaries.

(3) If and as long as the beneficiary does not claim the 1st EAP, the manager will automatically defer his year of eligibility to the following year, provided it is still possible to pay EAPs before the plan expires, which is known as the cut-off date. To receive all three EAPs, these sums must all be requested before the cut-off date. The law does not allow the payment of EAPs after this date.

(4) The manager changes the year of eligibility, as applicable, on July 1st of each year. The income accumulated in the plan on this date is transferred to the next beneficiary group to reach its year of eligibility.

(5) The manager will contact all beneficiaries during the summer of their year of eligibility, and every subsequent year until the summer in which they turn twenty-five (25) years of age. After that, the beneficiary must inform the manager if he enrols in an eligible program of study.

(6) If the beneficiary is entitled to the CESG and the subscriber has not requested the withdrawal of his contributions, the total CESG amount received is kept in the beneficiary's name until the cut-off date is reached. The CLB is also kept for the beneficiary. In the case of beneficiaries who reside in the province of Quebec, the same principle applies to the QESI.

(7) A plan's cut-off date is December 31st of the 35th year following the year in which the RESP took effect.

8. ADMINISTRATION AND USE OF SUBSCRIBER CONTRIBUTIONS

<u>Contributions</u>

(1) The contribution options offered are as follows:

- Monthly contributions
- Monthly contributions over 10 years
- Monthly contributions over 5 years

- Annual contributions
- Annual contributions over 10 years
- Annual contributions over 5 years
- Annual contributions over 2 years
- Single contribution

(2) To open this plan, the subscriber must subscribe for at least half a unit and make:

a) a minimum contribution of $10.50 per month in the case the monthly contribution option;

b) a minimum contribution of $118.60 per year in the case of the annual contribution option; or

c) a minimum contribution of $250 (with no unit minimum) in the case the single contribution option.

(3) At the time the first contribution is made, the subscriber must have provided his social insurance number to the manager. He must also be a Canadian resident at the time he makes contributions to the plan.

(4) Thereafter, any additional contribution agreed in the contract must total at least $50.

(5) Contributions may be made for no more than seventeen (17) years.

<u>Contribution limits</u>

(6) The maximum lifetime contribution limit for RESPs is set at $50,000 per beneficiary for all plans opened on his behalf, in accordance with the *Income Tax Act* (Canada). Government grants are not included in the calculation of this limit.

(7) If the lifetime contribution limit of $50,000 per beneficiary is exceeded, the subscriber must pay a penalty tax equal to 1% of the excess contributions every month, unless he withdraws the excess from the RESP before the end of a given month.

(8) If an excess amount higher than $4,000 is withdrawn from the plan, the CESG must be returned to the government.

(9) The subscriber can make contributions to the plan exceeding the amount eligible for the maximum annual grant amounts. However, these contributions will not attract government grants unless the subscriber has unused grant room.

Sales charges and withdrawal before maturity

(10) To open a plan, the subscriber must pay sales charges of $200 per whole unit. For a unit fraction, sales charges are proportional to those for a whole unit. These sales charges are deducted from contributions and collected by the distributor as follows:

a) for a whole unit, the first $100 contributed is used solely to pay the sales charges; the balance is taken at a 50% rate from the subsequent contributions;

b) for each unit fraction, the first contributions are used solely to pay up to 50% of sales charges. The balance is taken at a 50% rate from the subsequent contributions.

(11) The withdrawal of contributions is allowed at any time before the plan's maturity date, which will result in the full cancellation of the contract.

(12) In the event of a complete cancellation, the manager will keep all sales charges, unless the cancellation of the contract occurs within 60 days of signing, in which case the sales charges will be refunded in full.

(13) A partial cancellation occurs when the contribution amount initially agreed is reduced, provided the subscriber maintains at least half a unit in the plan and undertakes to pay the minimum monthly or annual contributions required. When the cancellation is partial, the manager will only keep the sales charges proportional to the number of cancelled units.

(14) Government grants will be returned to the government and income earned on the grants will be paid to a designated post-secondary educational institution in Canada covered under subparagraph a)i) of the definition of this term herein, or to a trust established in favour of such an institution.

Return of contributions at maturity

(15) The subscriber recovers his contributions in full even if the beneficiary does not pursue eligible studies. Sales charges are only refunded in full at contract maturity. These sums are paid into the subscriber's bank account by direct deposit.

(16) When the account opening form is signed, a date is established for the return of contributions. This date may be changed with the subscriber's consent for readjustment purposes in case of additional unit purchases. After this date, refunds can be made at any time at the subscriber's request.

(17) If the beneficiary is not yet enrolled in eligible studies, the subscriber can ask to keep his contributions in the plan until his beneficiary qualifies under the plan's criteria. The subscriber will thus avoid the grants being returned to the government immediately and the income earned on these grants being paid to a designated post-secondary educational institution in Canada covered under subparagraph a)(i) of the definition of this term herein, or to a trust established in favour of such an institution.

(18) The manager will refund the sales charges in full if the subscriber maintains his plan in force until maturity. This refund is paid from the income accumulated on subscriber contributions and on the government grants.

(19) Subject to the manager's approval, the subscriber may request to bring forward the plan's maturity date. In this case, interest at an annual rate of 4% will apply to offset loss of earned income. This amount will be deducted from the contributions refunded at plan maturity. The remaining contributions under the contract will not attract government grants since the subscriber will not make these given the plan's earlier maturity date.

(20) Every year, the manager calculates the current value of the sales charge refund obligation at maturity. To do so, it uses the cash flow projections made by the external actuary. Net income from contributions and grants is if first used to refund sales charges. The surplus is then transferred to the EAP account of the beneficiary group.

(21) The refund will not be considered a contribution to the plan for tax purposes. The refund is not taxable for either the subscriber or the beneficiary.

<u>Unclaimed contributions</u>

(22) If the manager is unable to contact the subscriber at his last known address on file and the subscriber has ceased to make contributions and does not claim the refund of his contributions, the manager will automatically switch the plan's contribution option to the single contribution option in order to maintain the beneficiary's right to EAPs, provided the accumulated contributions are sufficient to allow it and the plan has not reached maturity.

(23) This approach allows the beneficiary to maintain his right to EAPs, to government grants and to the income thereon, which are always invested for his exclusive benefit.

(24) It is understood that the manager will analyse each file before applying this measure. If the latter is not possible, the manager will cancel the plan.

(25) In this case, the subscriber may claim the refund of his contributions by contacting the manager. However, if the manager is still unable to contact the subscriber after the plan expires, the manager will dispose of the money in accordance with the requirements of the *Unclaimed Property Act* (Quebec) three (3) years after the plan expires. This does not have the effect of extending the life of the plan, which cannot exceed the 35^{th} year following the year the plan took effect.

9. CALCULATION OF EDUCATIONAL ASSISTANCE PAYMENTS ("EAPs")

(1) Educational assistance payments consist of government grants, income on those grants and of the beneficiary's share of the EAP account maintained for his beneficiary group.

(2) The manager calculates the unit amounts of the EAPs that can be paid to the beneficiaries in the eligible beneficiary group for each year of study.

(3) This calculation is made annually on July 1st. The amounts thus obtained are applied to the EAPs that will be paid between July 1st of the current year and June 30th of the following year. The external actuary verifies and approves the calculation methodology and the assumptions used. The trustee has no discretion in the calculation, which is determined solely by application of the methodology approved by the external actuary.

(4) At the end of each fiscal year ending December 31st, the net income generated during the period is divided among beneficiary groups based on the value of the investments associated with each of these groups. The income from cancelled units is returned to the EAP account from which the cancelled units originated. Based on this accumulated income distributed by beneficiary group, the adjusted fair market value (AFMV) is calculated for each beneficiary group by spreading investment gains and losses over a year period of six (6) years, which reduces the impact of significant market fluctuations on EAP levels.

(5) For the period between the end of the last fiscal year and July 1st of the current fiscal year, the returns on securities in the EAP account's portfolio investments are added, whereas the EAP amounts paid and the sales charges refunded are subtracted in order to establish the AFMV as at July 1st.

(6) The 2nd and 3rd EAP amounts are established as a priority and correspond respectively to the amounts of the 1st and 2nd EAPs calculated the previous year, increased by the returns achieved thus far for the year in progress.

(7) In addition, the AFMV is distributed among the units held by the beneficiaries of the eligible beneficiary group who will potentially qualify for the payment of one, two or three EAPs by applying claims assumptions. Accordingly, only a portion of these eligible units is considered and not the totality, since some beneficiaries will not meet the requirements for the payment of EAPs. The income accumulated is therefore paid in the form of EAPs to a smaller number of beneficiaries.

(8) When government grants have been received by the manager for a beneficiary, such amounts and their earned income are added to the EAP paid to the beneficiary. Attrition does not apply to grant amounts and their income.

10. LIMITS ON EAP AMOUNTS

(1) The *Income Tax Act* (Canada) provides for restrictions on the maximum EAP amounts that can be paid from an RESP at one time.

(2) The total EAP amount that a qualified beneficiary may receive during any period of twelve (12) months is limited to the lesser of the following:

a) the actual cost of the beneficiary's education (including tuition fees, books, housing, food, transportation, etc.); or

b) $5,000 per promoter.

(3) Under exceptional circumstances, the beneficiary may receive more than $5,000 when the Minister responsible for enforcing the *Canada Education Savings Act* has approved such an amount, in writing, following an application for exemption.

(4) This $5,000 limit does not apply when the beneficiary is enrolled full-time in an eligible program of study and has completed at least thirteen (13) consecutive weeks of such a program within the period of twelve (12) months preceding the payment. If, during a period of twelve (12) months, the beneficiary is not enrolled in a program of study for thirteen (13) consecutive weeks, the $5,000 limit will apply once more.

11. CANCELLATION

(1) The subscriber can cancel his plan in full or in part by sending the manager written notice of thirty (30) days. The withdrawal of the contributions, less the sales charges, is possible at any time before the maturity date, and cancels the plan completely.

(2) A partial cancellation occurs when the contribution amount initially agreed is reduced. The subscriber must however maintain at least half a unit in effect and undertake to contribute the minimum monthly or annual contributions required, as indicated in the contract for the remaining term thereof.

(3) In the event of a complete cancellation, the manager will keep all sales charges, unless the cancellation of the contract takes place within 60 days of signing, in which case the sales charges will be refunded in full. If the cancellation is partial, the manager only keeps the sales charges proportional to the number of cancelled units.

(4) The plan is automatically cancelled:

a) sixty (60) days after the subscriber's failure to make a scheduled contribution to the plan;

b) if the beneficiary can no longer qualify under the conditions stipulated under the plan;

c) if the subscriber makes a transfer to the INDIVIDUAL Plan promoted by the Foundation in accordance with the conditions set forth in section 17;

d) if the subscriber decides to withdraw his contributions in the event of the beneficiary's death or disability;

e) if the subscriber or beneficiary's SIN is not submitted within twelve (12) months of signing the contract.

(5) Unless transferred to another plan, the CESG and CLB received must be refunded in full to the Government of Canada in the event of a total cancellation. The QESI, if applicable, will be returned to the Government of Quebec. Income earned on the grants is then paid to a designated post-secondary educational institution in Canada covered under subparagraph a)(i) of the definition of this term herein, or to a trust established in favour of such institutions.

(6) Income earned on the contributions remains in the plan and will be paid to the other qualified beneficiaries in the beneficiary group.

12. RE-SUBSCRIPTION AND SUSPENSION

Re-subscription

(1) If the subscriber opens a new REFLEX Plan after a cancellation and designates a beneficiary under sixteen (16) years old within forty-eight (48) months of the termination of the previous contract, the sales charges already paid, which would otherwise return to the EAP account, are fully credited to the subscriber depending on the number of units purchased under the new plan.

(2) However, this option only applies if the cancellation takes place more than 60 days following the signing of the contract, since the sales charges are refunded when a withdrawal (cancellation) occurs within this time frame.

Suspension

(3) Upon written request, the manager may allow a subscriber to suspend his contributions for a maximum period of twenty-four (24) months.

(4) During this period, the government grants received do not have to be returned. The suspended contributions may be brought current by paying the arrears and interest at an annual rate of 4% before the end of the 24-month period. The subscriber can also agree on other solutions with the manager in the best interest of qualified beneficiaries if a specific situation justifies it.

13. SUBSTITUTION OR ADDITION OF A TRUSTEE

(1) Under the terms of the trust agreement, the manager is normally responsible for selecting the trustee. However, this choice must be made in the best interest of subscribers and beneficiaries, while respecting the Foundation's mission and general strategy. Furthermore, the trustee must have a place of business in Canada and hold a permit authorizing it, pursuant to Canadian or Quebec legislation, to offer its services to the public.

14. SUBSTITUTION OR ADDITION OF A CUSTODIAN

(1) Under the terms of the trust agreement, the manager can retain the services of the custodian it deems competent, at its discretion. However, this choice must be made in the best interest of subscribers and beneficiaries, while respecting the Foundation's mission and general strategy.

15. INVESTMENTS

(1) The only eligible investments are those described in the definition of "qualified investments" in Section 146.1 of the *Income Tax Act* (Canada).

(2) Three investment policies have been adopted by Universitas Management's Board of Directors to better oversee the execution of the portfolio managers' respective mandates to manage the six following funds: (1) subscriber contributions before plan maturity, (2) government grants, (3) subscriber contributions after plan maturity and the refundable sales charges, (4) the portion of income earned on the contributions earmarked for the refund the sales charges at plan maturity, (5) income accumulated on the contributions (EAP account), and (6) income earned on the government grants.

(3) These policies set objectives focused on capital preservation, an attractive long-term rate of return and prudent portfolio risk management. They comply with the provisions of securities legislation and Decision No. 2001-C-0383 obtained in 2001 from the Quebec Securities Commission (now the *Autorité des marchés financiers*).

(4) All types of investments made in compliance with the manager's investment policies must also comply with the criteria and conditions required in order to qualify for RESP investments pursuant to tax legislation.

16. RISK FACTORS

Investment Risks

(1) The prices of the investments held by the scholarship plan may fluctuate. Unlike bank accounts or Guaranteed Investment Certificates, investments in scholarship plans are not covered by the Canada Deposit Insurance Corporation or any other government deposit insurer.

No guarantee of achieving the investment objectives

(2) There is no guarantee that the manager will achieve its investment objectives. The amounts of the EAPs available for distribution to beneficiaries will vary depending on, essentially, the interest and dividends earned by the portfolio securities and the gain or loss in market value of those securities. There is no guarantee that a portfolio entrusted to portfolio

managers will produce a positive return. There is no guarantee regarding the amount available for EAPs in future years.

Amendments to legislation

(3) The provisions of a plan are established in reference to the terms of the type of RESP is constitutes and the payment of government grants. The provisions incorporate these terms such as they may be defined from time to time pursuant to tax legislation for the duration of the plan. Nothing guarantees that the tax, securities or other legislation, or their official interpretations, will not be changed in a manner that could have an unfavourable effect on the plans promoted by the Foundation or on the Foundation itself, Universitas Management Inc., the plans, or another participant in their administration or management.

Nature of plans

(4) The plans are neither fixed-income nor participating securities such as corporate bonds and equities. Plan subscribers do not enjoy the rights normally associated with the ownership of such securities, including the right to file lawsuits “in case of abuse” or “indirect actions”.

Potential conflicts of interest

(5) Any or all of the following persons or entities have the right to conduct promotional, management or portfolio management operations for other accounts, investment organizations or investment trusts that invest in securities held by one or other of the plans:

a) a portfolio manager;

b) a member of the portfolio manager’s group in its capacity as investment fund manager or portfolio manager or a person associated to both;

c) a director or officer of any of the above-mentioned entities.

(6) Although a portfolio manager’s officers, directors and staff will devote as much time as they deem appropriate to the exercise of their functions, the portfolio manager’s staff may have conflicts in allocating their time and services between the Foundation and other portfolios managed for persons other than the Foundation.

Risks of equity investments

(7) Largely because the EAP account is invested mainly in equities, the investment policy for the plan assets corresponding to the balance of its EAP account has a slightly higher risk factor than the investment policy for the assets corresponding to subscriber contributions. The same is true for the fund for the income accumulated on government grants and the fund for the income earned on contributions, which will be used to honour the sale charge

obligation at maturity. The value of these investments may vary from day to day, depending on interest rate variations, financial and business markets, and the economy.

Interest rate risk

(8) Investments in fixed-income securities are, for the most part, mainly affected by interest rate variations. Usually, an increase in interest rates will cause the value of fixed-income securities to drop. Conversely, a decrease in interest rates will generally increase the value of the securities held in the investment portfolio. Investments in fixed-income securities made by a portfolio manager will typically include securities from highly rated Crown corporations to enhance relative protection, a strategy that can reduce the risk of losses during periods of volatile interest rates.

Credit Risk

(9) This risk corresponds to the possibility of incurring financial losses resulting from the inability of a company, an issuer or counterparty to meet its financial commitments to the plans. The manager, through its investment policies, has established quantitative criteria for the selection of investments in order to limit this risk. For short-term investments and investments in bonds, only securities issued by the Government of Canada, a provincial government, organizations with a government guarantee or a municipality are selected when purchased for the EAP account, for guaranteed government grants, their income and for the obligation to refund sales charges. Only securities with a minimum rating of A are selected when purchased for the subscriber account.

17. PLAN TRANSFER OPTIONS

Transferring to the INDIVIDUAL Plan

Before plan maturity:

(1) The transfer of a REFLEX Plan to an INDIVIDUAL Plan is possible before the plan reaches maturity.

(2) The request must be made after a minimum period of three (3) years following the opening of the plan. The subscriber can then transfer the contributions, the government grants, the income from the grants, and the beneficiary’s share of the of the EAP account of his or her beneficiary group (excluding attrition).

(3) It will then be impossible for the beneficiary to exercise his right to EAPs from the REFLEX Plan since it will be closed.

(4) The sales charges applicable to the REFLEX Plan will not be refunded, but no additional sales charges will apply to open the INDIVIDUAL Plan.

(5) The transfer from the REFLEX Plan to the INDIVIDUAL Plan before a period of three (3) years following the opening of the REFLEX Plan is possible if the sales charges are paid off in full, and if the plan holds at least one (1) unit and a minimum amount of $500 (in contributions, government grants and income on these sums). The income earned on the contributions will not be transferred and will be kept in the REFLEX Plan for the other beneficiaries of the beneficiary group.

At plan maturity:

(6) At the maturity of the REFLEX Plan, the subscriber can request to transfer to the INDIVIDUAL Plan. This transfer is permitted before a first EAP is withdrawn, but can also be requested after the first or second EAP is withdrawn from the REFLEX Plan. This transfer includes the subscriber's contributions, part of the income on these (only if the first EAP hasn't been withdrawn yet), the government grants and the income on the grants.

(7) There are no extra fees to process this transfer and the sales charges paid under the REFLEX Plan will also be transferred in full.

(8) If the transfer is requested before a first EAP is withdrawn, the amount of income on the contributions transferred will correspond to the unit value of the first EAP under the REFLEX Plan in force at the time the transfer is made. If the first EAP has already been withdrawn, all the income on the subscriber's contributions will remain in the EAP account of the group plan's beneficiary group.

(9) Once the transfer of a REFLEX Plan to an INDIVIDUAL Plan is complete, it is impossible to transfer back to the REFLEX Plan since the manager will close this plan.

<u>Transferring to another RESP provider</u>

(10) The transfer of the REFLEX Plan to another RESP provider is permitted, provided that only contributions (net of sales charges), government grants and income earned on these are transferred to the new RESP. Accordingly, the sales charges and the income earned on the contributions will not be transferred.

(11) This transfer does not have the effect of extending the life of the plan, which cannot exceed its cut-off date.

<u>Transferring to this plan from another RESP provider</u>

(12) The subscriber can transfer an RESP he has with another provider to a REFLEX Plan. However, the beneficiary must be under fifteen (15) years of age and no EAP payment can have been paid to such beneficiary, or any AIP to the subscriber.

(13) The subscriber needs to consider that sales charges will apply to the units purchased and it is possible that penalties will have to be paid to the former RESP provider, which could hold, at the time of transfer, the sales charges already paid as well as the income earned on

the contributions. We recommend that the subscribers consider this information and consult his current RESP provider to understand the consequences before making a transfer.

(14) This transfer does not have the effect of extending the life of the plan, which cannot exceed its cut-off date.

18. DESIGNATION OF A BENEFICIARY

(1) Since January 1, 2004, the Canada Revenue Agency requires that the beneficiary be a Canadian resident when the designation is made. The beneficiary must also be a Canadian resident at the time the subscriber contributes to his RESP.

(2) In order to obtain registration of an ESP established by a plan, section 146.1 of the *Income Tax Act* (Canada) requires, in addition to the social insurance number (SIN) of the designated beneficiary, the SIN of the subscriber and beneficiary's primary caregiver (if this individual and the subscriber are not the same person) or, if applicable, the business number of the ministry, the organization or the establishment acting as public primary caregiver of the beneficiary. The manager's collecting of this information constitutes a prerequisite for the entry into force of the contract between the subscriber and the Foundation, even if the latter has approved it.

(3) For any change of beneficiary, the subscriber must also provide the SIN of the new beneficiary prior to processing this change.

(4) The subscriber can make contributions on behalf of a beneficiary whose SIN has not yet been provided to the manager. However, these contributions will be paid into an unregistered (non-interest-bearing) suspense account pending receipt of the missing SIN.

(5) When the subscriber provides the missing SIN within twelve (12) months following the application date, the contributions are transferred to the subscriber's RESP account, according to the plan selected.

(6) If the missing SIN is provided within the period of twelve (12) months, the use of the suspense account offers the subscriber the advantage that the applicable contribution schedule will be based on the beneficiary's age at the date of the application, rather that his age at the time the SIN is provided and the RESP registered.

(7) When the missing SIN is not provided within the period of twelve (12) months following the application date, the manager will cancel the plan and all contributions made to the unregistered account are refunded to the subscriber, less the sales charges already paid.

19. NOTICE: COMPUTATION OF TIME

(1) Any written notice or document to be served for a purpose hereof is to be sent so that its receipt can be proven. The relevant period shall begin on the day following remittal of the document and, with the exception of its last day, include legal holidays.

(2) Legal holidays will be recognized based on the observance of the province, territory or municipality where the notice is delivered.

(3) Any request for an amendment to the scholarship plan agreement must be made in writing to the manager and signed by the subscriber.

(4) Within ninety (90) days of the date an individual becomes a plan's designated beneficiary, the manager is required under the *Income Tax Act* (Canada) to inform, in writing, such beneficiary (or his father, mother, guardian or public official if the beneficiary is under nineteen (19) years of age) of the existence of the plan and to disclose the name and address of the subscriber of the scholarship plan.

UNIVERSITAS FOUNDATION OF CANADA

(s) Yves Lacasse
Yves Lacasse
Chairman of the Board

(s) Jean Marchand
Jean Marchand
Director

**In this document, the masculine gender designates both sexes with no discrimination intended, and is used only to facilitate reading.*

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