

# SCHOLARSHIP PLAN AGREEMENT

## UNIVERSITAS 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:** 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 similar 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) any 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 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* for 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 that 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 gains. Interest earned on

income 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 on grants and the beneficiary's share in the EAP account. EAPs do not include sales charges; these 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 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 in which the beneficiary is expected to begin his first year of post-secondary education.

**Plan:**

the UNIVERSITAS 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**.

**Designated Post-secondary educational institution:**

refers to:

- c) one of the following institutions located in Canada:
  - i. a university, college, or other educational institution 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* for 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;
- d) 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.

**Pre-maturity attrition:** under a group plan, reduction of 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 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 related 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 enrolls 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) years. Regardless of the subscriber's family income, the basic grant is equal to 20% for every dollar invested until the subscriber's 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 15<sup>th</sup> 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 31<sup>st</sup> 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 taxation 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 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 amounts 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 and for their entire duration.

#### Refund of government grants

- (15) There are various situations in which 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 twenty-one (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 twenty-one (21) 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**

#### Eligible Programs

- (1) Eligible programs are programs offered by post-secondary educational institutions recognized by the Ministry of Education of the province of residence.
- (2) In Canada and abroad, a program in a community college must have a minimum duration of one (1) year duration to be eligible.
- (3) In Quebec, a vocational training program is a program offered by a post-secondary institution intended to provide or enhance the specific skills required to exercise a profession.
- (4) Distance learning programs offered by a university or as part of a college program (technical or other program leading to an attestation of college studies) are also considered eligible studies.
- (5) Eligible studies do not necessarily require a high school diploma as a prerequisite.

#### Eligible studies

- (6) 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.
- (7) To qualify for all three EAPs under the UNIVERSITAS 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 group to which the beneficiary belongs.

Educational Assistance Payments (EAP)

- (8) 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.
- (9) 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 has no Internet access, he may contact our Customer Service so that the appropriate form can be sent by mail.
- (10) An eligible beneficiary may request an EAP at any time on or after the eligibility date, which is July 1<sup>st</sup> of the year when the beneficiary turns seventeen (17) years old.
- (11) The EAPs are paid to eligible beneficiaries as follows:

|  | 1 <sup>st</sup> EAP                     | 2 <sup>nd</sup> EAP  | 3 <sup>rd</sup> EAP                       |
|--|---|--|---|
| <b>Canada and other countries</b>                  |   |  |   |
| <b>Community college (2-year programs minimum)</b> | 3 semesters                             | 5 semesters  | After the 1 <sup>st</sup> university year |
| <b>Community college (1-year programs)</b>         | After the 1 <sup>st</sup> year of study | After 5 community college semesters (programs requiring 2 years or longer) | After the 1 <sup>st</sup> university year |
| <b>Private college</b>                             | After the 1 <sup>st</sup> year of study | After the 2 <sup>nd</sup> year of study                                    | After the 3 <sup>rd</sup> university year |
| <b>University</b>                                  | After the 1 <sup>st</sup> year of study | After the 2 <sup>nd</sup> year of study                                    | After the 3 <sup>rd</sup> year of study   |
| <b>Quebec</b>                                      |   |  |   |
| <b>Diploma of vocational studies (DVS)</b>         | After the 1 <sup>st</sup> year of study | After 5 semesters in a technical college program                           | After 1 university semester               |
| <b>Attestation of college studies (ACS)</b>        | After the 1 <sup>st</sup> year of study | After the 2 <sup>nd</sup> year of study                                    | After 1 university semester               |
| <b>College – technical (career) program (DCS)</b>  | After 3 semesters                       | After 5 semesters  | After 1 university semester               |
| <b>University</b>                                  | After 1 semester                        | After 3 semesters  | After 5 semesters                         |

- (12) The beneficiary can claim all EAPs provided he meets the requirements of the eligible program of study. Studies need not take place in consecutive years as long as the plan has not reached its cut-off date.
- (13) 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 1<sup>st</sup> EAP at the time such change is made. However, in 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 31<sup>st</sup> of the 35<sup>th</sup> 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 sixteen (16) years of age can be replaced by another beneficiary also younger than sixteen (16) 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 the age of twenty-one (21) 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 plan's 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 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 may 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 name of the beneficiary.
  - 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 1<sup>st</sup> of the calendar year during which he reaches the age of seventeen (17) years. The beneficiary may then qualify for a 1<sup>st</sup> EAP when he meets the plan's criteria.
- (2) Before plan maturity, the manager may grant an EAP to a beneficiary before his year of eligibility, i.e. July 1<sup>st</sup> 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 1<sup>st</sup> 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 1<sup>st</sup> 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 enrolls 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. For beneficiaries who reside in the province of Quebec, the same principle applies to the QESI.
- (7) The cut-off date for a plan is December 31<sup>st</sup> of the 35<sup>th</sup> year following the year in which the RESP took effect.

## **8. ADMINISTRATION AND USE OF SUBSCRIBER CONTRIBUTIONS**

### Contributions

- (1) By decision of Universitas Management Inc., the UNIVERSITAS Plan ceased to be distributed to new subscribers on, or approximately on, November 20, 2013.
- (2) The UNIVERSITAS Plan is now only intended for investors who already hold this plan and who wish to increase their contributions or add units.
- (3) At the time the first contribution was made, the subscriber 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) Additional contributions must total at least \$50 but can be made in the form of an increase in the subscriber's monthly or annual contributions, as applicable.
- (5) Contributions may be made for no more than seventeen (17) years.

### Contribution limits

- (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) The subscriber pays 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 institutions.

#### 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 may ask to keep the contributions to the plan until the 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 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 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.

#### Unclaimed contributions

- (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<sup>th</sup> year following the year the plan took effect.

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

- (1) Educational assistance payments consist of government grants, income earned 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 1<sup>st</sup>. The amounts thus obtained are applied to the EAPs that will be paid between July 1<sup>st</sup> of the current year and June 30<sup>th</sup> 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 31<sup>st</sup>, 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 four (4) 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 1<sup>st</sup> 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 1<sup>st</sup>.
- (6) The 2<sup>nd</sup> and 3<sup>rd</sup> EAP amounts are established as a priority and correspond respectively to the amounts of the 1<sup>st</sup> and 2<sup>nd</sup> 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 an eligible beneficiary may receive during any period of twelve (12) months is limited to the lesser of:
  - 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 if 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 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 prescribed 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 the 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 case 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)j) of the definition of this term herein, or to a trust established in favour of such an institution.
- (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 another type of plan promoted by the Universitas Foundation after cancelling his UNIVERSITAS Plan, 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 Universitas Management's investment policies must also respect 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 it 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 make investments 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 sales charge

refund 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 reduce 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) Transferring from a UNIVERSITAS Plan to an INDIVIDUAL Plan is possible before the plan reaches maturity 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 from the contributions will not be transferred and will remain in the UNIVERSITAS Plan for the other beneficiaries of the beneficiary group. No additional sales charges will apply for opening the INDIVIDUAL Plan.
- (2) As a result of the foregoing, the beneficiary will not be entitled to the EAPs from the group plan.
- (3) Once a UNIVERSITAS Plan is transferred to an INDIVIDUAL Plan, it is impossible to transfer back to the UNIVERSITAS Plan since the manager will close this plan.

**At maturity of the plan:**

- (4) Once a UNIVERSITAS Plan reaches maturity, the subscriber can request to transfer to the INDIVIDUAL Plan. The transfer is possible before the withdrawal of a first EAP. The transfer request can also be made after the first or second EAP is withdrawn from the group plan. This transfer includes the contributions, the government grants and their earned income.
- (5) There are no extra fees to process this transfer and the sales charges for the UNIVERSITAS Plan will also be transferred. As a result of the foregoing, the beneficiary will not be entitled to the EAPs from the group plan.
- (6) Once the transfer of a UNIVERSITAS Plan to an INDIVIDUAL Plan is complete, it is impossible to transfer back to the UNIVERSITAS Plan since the manager will close this plan.

Transferring to another RESP provider

- (7) The transfer of the UNIVERSITAS 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.
- (8) This transfer does not have the effect of extending the life of a 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 the 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 unregistered account offers to the subscriber the advantage that the applicable contribution schedule will be based on the beneficiary's age at the date of the application, rather than 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 remittance of the document and, with the exception of its last day, includes 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 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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