

Québec Budget, March 19, 2009: Québec Stock Savings Plan II and the Availability of New Capital for Businesses

I. The SMB Growth Stock Plan is replaced by the "Québec Stock Savings Plan II"

Introduced as part of the April 21, 2005 budget to replace the then-existing stock savings plan, the SMB Growth Stock Plan has been modified and simplified and will now be designated from now on as the Québec Stock Savings Plan II (the "QSSP II"). The QSSP II will be more attractive for investors and available to a greater number of corporations. The new plan is to remain in effect until December 31, 2014. The highlights of the proposed changes are as follows:

- Pursuant to the QSSP II, the tax deduction granted to a Québec resident (an "Investor") as at December 31st of a given year, presently set by the SMB Growth Stock Plan at 100% of the adjusted cost^[1] of a corporation's eligible shares or other eligible securities under the SMB Growth Stock Plan, will be raised to 150% of the adjusted cost of the shares acquired after March 19, 2009, for a two-year period ending December 31, 2010. Thereafter, the rate will be brought back to 100% of the adjusted cost of the eligible shares. This additional deduction will result in a greater reduction of the net cost of an equity investment in a corporation which qualifies to the QSSP II and will certainly entice more Investors to participate in public issuances during 2009 and 2010.
- More corporations will be eligible for the QSSP II since the maximum amount of assets which a corporation may own in order to qualify for this plan has been raised from \$100 million to \$200 million. The amount of assets considered for the purpose of this condition remain those which are shown on the financial statements of the issuing corporation^[2] for the fiscal year preceding the year of the public issuance.
- In order to retain his tax benefit, under the QSSP II, an Investor must hold eligible shares and securities in his plan on December 31st of the acquisition year and on December 31st of the two following years (instead of the three following years as specified in the SMB Growth Stock Plan), the adjusted cost of which must be at least equal to the deductions taken by the Investor during the two preceding taxation year.
- In order to meet his minimum holding and coverage obligations, an

Investor must presently acquire "valid shares", which are shares of corporations that are included on a specific list set out by the Autorité. In addition to shares of corporations having completed an issuance under the SMB Growth Stock Plan, this list includes shares of other public corporations which fulfill certain conditions, such as having obtained a favorable ruling from Revenu Québec. It is anticipated that in order to be included in such list under the QSSP II, the ruling request will be replaced by the filing of a prescribed form with Revenu Québec, to be signed by a director of the corporation certifying that the required conditions have been met. This measure should also cause a greater number of corporations to be added to the Autorité's list.

In the current economic context, the QSSP II should be an important instrument to boost the Investors' interest in public issuances, especially during 2009 and 2010.

II. Creation of Emergency Fund and Venture Capital Funds

To overcome the cash flow issues of Québec-based companies, an emergency fund of \$500 million will be created for private and public companies in Québec, for which the capitalization will be provided by the Société générale de financement du Québec and the Fonds de solidarité FTQ.

In addition, a financing fund of an initial capitalization of \$700 million will be created by Investissement Québec, the Fonds de solidarité FTQ and the Caisse de dépôt et placement du Québec in order to ensure a sufficient availability of venture capital. It is anticipated that this fund will invest several venture capital funds. One of these fund's objectives will be to raise \$125 million from the private investors.

Considering the significant reduction of available venture capital in Québec, it is important to provide financing to Quebec-based technology companies during their start-up phases. Through Investissement Québec, the government proposes to invest \$50 million to create three new venture capital funds. It is expected that additional capital will be contributed by tax-assisted funds and by private partners, in the amounts of \$50 million and \$25 million respectively. These venture capital funds will be managed by independent fund managers to be selected in the future.

The FIER-Régions introduced in the 2004-2005 budget represent one of the components of the Fonds d'intervention économique régional and aims to facilitate the capitalization of companies, in particular the regional SMBs in their initial development phase. Considering the particular requirements they address and their previous success, an increase of \$60 million in available capital for the Fiers-Régions has been announced.

The conditions relating to the availability of the capital to be provided by the emergency fund, the venture capital funds and the \$825 million will be made public at a later time.

[1] The adjusted cost of an eligible share under the QSSP II represents 100% of the acquisition cost without taking into account borrowing costs, brokerage fees, custody fees and other similar fees related thereto.

[2] The assets of the issuing corporation include the assets of any other corporation with which it is associated, at any time during the 12 month period preceding the issuance.