

Successful business transfer for TeraXion

Investment by the Solidarity Fund QFL,
Caisse de dépôt et placement du Québec, Fondation CSN and Accès-Capital

Montréal, January 14, 2010 – A group of large Québec economic players has invested \$11.5 million in a management buyout of TeraXion Inc., a Québec company and telecom leader specializing in performance products for optical signal conditioning. The lead investor, the Solidarity Fund QFL (the “Fund”) invested \$5.5 million, while the Caisse de dépôt et placement du Québec provided \$3.5 million, Fondation CSN \$2 million and Accès-Capital \$0.5 million. The company’s founders also participated in the financing.

With a staff of 125, TeraXion is a world leader in the development of products for optical signal conditioning for high-speed data transmission. TeraXion serves the telecommunications, aerospace, energy and industrial markets.

“The Fund plays a vital role in the development of a solid venture and development capital industry in Québec and IT and telecommunications are priority sectors for us. Succession in Québec businesses is also of great concern to us, which is why we are especially pleased to invest in TeraXion’s management buyout. Not only will this investment ensure a successful transfer and keep the company’s ownership in Québec, it will also help fuel TeraXion’s growth around the world. TeraXion has a solid business plan and excellent development potential thanks to its unique technology solutions that offer tremendous added value,” said the Fund’s Janie Béïque, Senior Vice-President, New Economy.

“The Caisse is proud to back TeraXion in this transaction. This investment is an integral part of our strategy aimed at supporting companies that perform well and are in their market. TeraXion is a Québec SME that stands out for its strong innovation capacity and contribution to the development of Québec’s economy. This announcement is in line with the Caisse’s other investments to support the growth of Québec businesses,” said Normand Provost, Executive Vice-President, Private Equity and Chief Operations Officer, at the Caisse de dépôt et placement du Québec.

“Fondation CSN considers it important to invest in advanced technologies, which in fact account for more than 25% of its development capital investments in Québec SMEs. TeraXion sets itself apart by its innovation, high-calibre team and business vision. Fondation CSN is proud to back the new equity partners of this company, which contributes to Québec’s economic vitality,” added Régent Watier, Fondation’s head of investments.

“Since its creation 10 years ago, TeraXion has managed to position itself as a recognized global leader in the field of optical components for telecommunications while maintaining profitable operations in extremely difficult market conditions. We owe this success to the shareholders, who have been with us since day one, our loyal customers and partners, and above all to our

dedicated, motivated team,” said TeraXion CEO Alain-Jacques Simard. “Today TeraXion has completed an important step and we are extremely pleased to welcome this new group of investors to help us execute our long-term growth plan,” added Mr. Simard. “The support and resources that our new financial partners will bring will definitely help grow our revenues in new promising markets and in so doing achieve our strategic objectives,” said the company’s Chief Financial Officer, Richard Kirouac.

The constantly growing demand for bandwidth generated by new video, telephony and fixed and mobile data transmission services are pushing existing fibre-optic telecommunication systems to the limit. Major changes are needed and it is in this rapidly growing market that TeraXion’s optical solutions have strong competitive advantages, namely, they increase the range of optical highways, making it possible to transmit over greater distances without regenerating the optical signal, thus reducing costs. They also increase the transmission speed (for example, from 10 Gbps to 40 Gbps) of existing optical and submarine networks. TeraXion’s customer base includes large manufacturers of optical transmission equipment that allow carriers to transmit information farther and faster. Large telecoms such as AT&T in the U.S. and Deutsche Telekom in Germany are currently deploying the next-generation 40 Gbps optical networks.

About Fondation

Fondation invests in development capital in order to maintain and create jobs in Québec. Its net assets, which stood at \$638.1 million as at November 30, 2009, are derived from retirement savings collected from more than 90,000 shareholders. It is the financial partner of about 100 businesses and partner and specialized funds. Fondation is Québec’s first financial institution to obtain OS (Organizational Stakeholder) status from the Global Reporting Initiative (GRI) set up by the United Nations Environment Programme. www.fondaction.com, www.REERvert.com.

About the Caisse de dépôt et placement du Québec

The Caisse de dépôt et placement du Québec is a financial institution that manages funds primarily for public and private pension and insurance plans. It held \$120.1 billion of net assets as at December 31, 2008. As one of the leading institutional fund managers in Canada, the Caisse invests in the main financial markets as well as in private equity and real estate. For more information: www.lcaisse.com.

About the Solidarity Fund QFL

The Solidarity Fund QFL helps drive our economy. With net assets of \$7.0 billion as at November 30, 2009, the Fund is a development capital company that through its RRSP channels the savings of Quebecers into investments in all sectors of the economy to help create and maintain jobs and to further Québec's economic growth. The Fund is a partner, either directly or through its network members, in 2,000 companies. It currently has nearly 571,000 shareholders and has helped, on its own or with other financial partners, to create, maintain and protect nearly 143,000 jobs. For more information, visit www.fondsftq.com.

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