

This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. The securities have not been and will not be registered under the United States Securities Act of 1933, as amended, and may not be offered or sold within the United States or to a U.S. Person.

Information has been incorporated by reference in this prospectus from documents filed with the securities commissions or similar authorities in Canada (the permanent information record in Québec). Copies of the documents incorporated by reference may be obtained on request without charge from the Vice-President and General Manager, Corporate Affairs and Secretary of Industrial Alliance Insurance and Financial Services Inc. at the following address: 1080 chemin Saint-Louis, Sillery, Québec City, Québec, G1K 7M3 (418) 684-5000 ext. 5422.

Initial Public Offering

June 26, 2003

INDUSTRIAL ALLIANCE CAPITAL TRUST^Ô
(a trust established under the laws of Ontario)

\$150,000,000

Industrial Alliance Trust Securities — Series A (IATS^Ô – Series A)

Industrial Alliance Capital Trust (the “Trust”) is an open-end trust established under the laws of Ontario by Computershare Trust Company of Canada (the “Trustee”) pursuant to a declaration of trust dated as of June 16, 2003, as amended and restated from time to time (the “Declaration of Trust”). The Trust proposes to issue and sell to investors pursuant to this prospectus (the “Offering”) transferable trust units called Industrial Alliance Trust Securities — Series A, or “IATS – Series A”, each of which represents an undivided beneficial ownership interest in the Trust Assets, principally comprised of one senior debenture (the “IA Series A Debenture”) issued by Industrial Alliance Insurance and Financial Services Inc. (formerly, Industrial-Alliance Life Insurance Company) (“Industrial Alliance”). The IATS – Series A will constitute the first series of the class of Industrial Alliance Trust Securities (all Industrial Alliance Trust Securities, including the IATS – Series A, are referred to in this prospectus as the “Industrial Alliance Trust Securities”) issued by the Trust. The Trust will also issue trust units called Special Trust Securities in series (the “Special Trust Securities”) and, collectively with the Industrial Alliance Trust Securities, the “Trust Securities”) to Industrial Alliance or its affiliates. See “Description of the Trust Securities”. The Trust is not a trust company and does not carry on business as a trust company and, accordingly, the Trust is not registered under the trust company legislation of any jurisdiction.

The Trust will distribute its Net Distributable Funds on the last day of June and December of each year (each, a “Distribution Date”). On each Distribution Date that is a Regular Distribution Date, a holder of Industrial Alliance Trust Securities will be entitled to receive a non-cumulative fixed cash distribution (an “Indicated Yield”). The Indicated Yield per IATS – Series A will be \$28.570, representing an annual yield of 5.714% of the \$1,000 initial issue price. The initial Indicated Yield payable on December 31, 2003 in respect of the period from and including July 4, 2003 to, but excluding, December 31, 2003 will be approximately \$28.179 per IATS – Series A, based on an anticipated closing date of July 4, 2003 (the “Closing Date”). The IA Series A Debenture will bear interest at a fixed annual rate of 5.714%, payable in equal semi-annual instalments in arrears of \$28.570 for each \$1,000 principal amount of the IA Series A Debenture, on the last day of June and December of each year (each, an “IA Series A Debenture Interest Payment Date”) commencing December 31, 2003. The initial interest payment payable on December 31, 2003 in respect of the period from and including the Closing Date to, but excluding, December 31, 2003, will be approximately \$28.179 for each \$1,000 principal amount of the IA Series A Debenture. Each Distribution Date will be either a Regular Distribution Date, or a Distribution Diversion Date. A Distribution Date will be a Regular Distribution Date if Dividends are declared as described under “Description of the Trust Securities — IATS – Series A — Indicated Yield”. On a Regular Distribution Date, the Trust will pay the Indicated Yield on the IATS – Series A and the holder of the Special Trust Securities will be entitled to receive the Net Distributable Funds, if any, of the Trust remaining after payment of the Indicated Yield. A Distribution Date will be a Distribution Diversion Date if Dividends are not declared on the basis described in this prospectus. In that case, although the IA Series A Debenture will pay interest to the Trust on the IA Series A Debenture Interest Payment Date, the Trust will not pay the Indicated Yield on the IATS – Series A; instead, the Trust will pay the Net Distributable Funds, if any, as at such Distribution Diversion Date to the holder of the Special Trust Securities.

^Ô Trade marks of Industrial Alliance used under license by the Trust

Price: \$1,000 per IATS – Series A

	<u>Price to the Public</u>	<u>Underwriters' Fee⁽¹⁾</u>	<u>Net Proceeds to the Trust⁽²⁾</u>
Per IATS – Series A.....	\$1,000	\$10	\$990
Total.....	\$150,000,000	\$1,500,000	\$148,500,000

Note:

- (1) The Underwriters' fee is \$10 for each IATS – Series A. The “Per IATS – Series A” and “Total” amounts represent the Underwriters' fee and net proceeds to the Trust based on the expected sales of the IATS – Series A. See “Plan of Distribution”.
- (2) The Offering expenses of the Trust, other than the Underwriters' fee, are estimated to be \$1,250,000 and will be paid by the Trust from the proceeds of issue of the Special Trust Securities and funds borrowed under the Credit Facility. See “The Trust— Liquidity”.

On December 31, 2008, and on any Distribution Date thereafter, the Trust, at its option, and with the prior approval (“Inspector General Approval”) of the Inspector General of Financial Institutions (Québec) (or, *Agence nationale d'encadrement du secteur financier*, as successor Québec financial services authority) (the “Inspector General”), may redeem any outstanding IATS – Series A, in whole or in part, without the consent of the holders, for an amount in cash per IATS – Series A equal to the Early Redemption Price, if the IATS – Series A are redeemed prior to December 31, 2013 and the Redemption Price, if the IATS – Series A are redeemed on or after December 31, 2013. See “Description of the Trust Securities — IATS – Series A — Trust Redemption Right”.

Upon the occurrence of a Regulatory Event or a Tax Event (each, a “Special Event”), the Trust, at its option, and with Inspector General Approval, may redeem all but not less than all of the IATS – Series A, without the consent of the holders, for an amount in cash per IATS – Series A equal to the Early Redemption Price, if the IATS – Series A are redeemed prior to December 31, 2013, and the Redemption Price, if the IATS – Series A are redeemed on or after December 31, 2013. See “Description of the Trust Securities — IATS – Series A — Trust Special Event Redemption Right”.

Holders of IATS – Series A will have the right (the “Holder Exchange Right”) to exchange all or part of their IATS – Series A for 40 newly issued non-cumulative Class A Preferred Shares Series YY of Industrial Alliance (the “IA Class A Preferred Shares Series YY”). See “Description of the Trust Securities — IATS – Series A — Holder Exchange Right”. On and after June 30, 2014, so long as any Loss Absorption Event that has occurred is not then continuing, the IA Class A Preferred Shares Series YY will be convertible, at the option of a holder, into common shares of Industrial Alliance (the “IA Common Shares”). See “Description of Share Capital of Industrial Alliance — IA Class A Preferred Shares Series YY and ZZ”.

If a Loss Absorption Event were to occur, all of the then outstanding IATS – Series A will be automatically exchanged (the “Automatic Exchange”), without the consent of the holders, for 40 newly issued non-cumulative Class A Preferred Shares Series ZZ of Industrial Alliance (the “IA Class A Preferred Shares Series ZZ”). See “Description of the Trust Securities — IATS – Series A — Automatic Exchange”. On and after June 30, 2014, so long as any Loss Absorption Event that has occurred is not then continuing, the IA Class A Preferred Shares Series ZZ will be convertible, at the option of the holder, into IA Common Shares. See “Description of Share Capital of Industrial Alliance — IA Class A Preferred Shares Series YY and ZZ”.

An investment in IATS – Series A could be replaced in certain circumstances, without the consent of the holder, by an investment in IA Class A Preferred Shares Series ZZ. Investors should therefore carefully consider the disclosure with respect to Industrial Alliance contained in this prospectus, including the information incorporated by reference in this prospectus. An investment in IATS – Series A is subject to certain risks. See “Risk Factors”.

It is not expected that the IATS – Series A will be listed on any stock exchange. There can be no assurance that an active trading market will develop or be sustained or that the IATS – Series A may be sold at or above the initial public offering price. Pursuant to the Share Exchange Agreement, Industrial Alliance will undertake to use all reasonable efforts to list on the Toronto Stock Exchange (“TSX”) any IA Class A Preferred Shares Series YY and IA Class A Preferred Shares Series ZZ (collectively, the “IA Exchange Class A Preferred Shares”) issued upon the exercise of the Holder Exchange Right or the occurrence of an Automatic Exchange.

The Trust is expected to be a registered investment for purposes of the *Income Tax Act* (Canada) (the “Tax Act”). So long as the Trust is a registered investment under the Tax Act, IATS – Series A will be qualified investments for Deferred Income Plans and will not be foreign property for purposes of Part XI of the Tax Act. See “Eligibility for Investment”.

The Underwriters, as principals, conditionally offer the IATS – Series A as described under “Plan of Distribution” and subject to prior sale if, as and when issued by the Trust and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under “Plan of Distribution” and subject to the approval of certain legal matters on behalf of the Trust and Industrial Alliance by McCarthy Tétrault LLP and on behalf of the Underwriters by Ogilvy Renault. **Industrial Alliance Securities Inc. is a wholly-owned subsidiary of Industrial Alliance. Each of the Trust and Industrial Alliance is a related issuer of Industrial Alliance Securities Inc. under applicable securities legislation by virtue of Industrial Alliance’s interest in the Trust and Industrial Alliance Securities Inc. See “Plan of Distribution”.** This prospectus also qualifies for distribution the Holder Exchange Right and the Automatic Exchange (the “Exchange Provisions”), the Subscription Right, the IA Common Share Conversion Right, the IA Class A Preferred Share Redemption Right and the Debenture Conversion Right.

Subscriptions for the IATS – Series A will be received by the Underwriters subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that the Closing Date will be July 4, 2003, or such later date as the Trust and the Underwriters may agree, but in any event not later than July 25, 2003. The IATS – Series A will be issued in “book-entry only” form and, accordingly, physical certificates representing IATS – Series A will not be available except in limited circumstances. See “Description of the Trust Securities — IATS – Series A — Book-Entry Only Form”. Persons participating in the Offering may engage in transactions that stabilize, maintain or otherwise affect the price of the IATS – Series A. For a description of those activities, see “Plan of Distribution”.

TABLE OF CONTENTS

	<u>Page</u>
ELIGIBILITY FOR INVESTMENT	5
FORWARD-LOOKING STATEMENTS	6
DOCUMENTS INCORPORATED BY REFERENCE.....	6
SUMMARY.....	7
THE TRUST.....	16
CAPITALIZATION OF THE TRUST.....	18
INDUSTRIAL ALLIANCE GROUP	18
DESCRIPTION OF THE TRUST SECURITIES.....	22
DESCRIPTION OF SHARE CAPITAL OF INDUSTRIAL ALLIANCE	32
DESCRIPTION OF THE IA SERIES A DEBENTURE.....	49
EARNINGS COVERAGE RATIOS.....	51
CONSTRAINTS ON VOTING SHARES UNDER QUÉBEC INSURANCE LEGISLATION	51
CANADIAN FEDERAL INCOME TAX CONSIDERATIONS	51
PLAN OF DISTRIBUTION	54
RATINGS	55
USE OF PROCEEDS	55
LEGAL PROCEEDINGS	55
RISK FACTORS	55
MATERIAL CONTRACTS	57
PRINCIPAL HOLDERS OF SECURITIES	57
INTERESTS OF INDUSTRIAL ALLIANCE AND ITS AFFILIATES IN MATERIAL TRANSACTIONS	57
LEGAL MATTERS	57
TRANSFER AGENT AND REGISTRAR AND EXCHANGE TRUSTEE.....	57
AUDITORS	58
PROMOTER.....	58
STATUTORY RIGHTS OF WITHDRAWAL AND RES CISSION.....	58
INDEX OF TERM S.....	59
COMPILATION REPORT	60
INDUSTRIAL ALLIANCE CAPITAL TRUST PRO FORMA BALANCE SHEET	61
INDUSTRIAL ALLIANCE CAPITAL TRUST NOTES TO PRO FORMA BALANCE SHEET	62
AUDITOR’S REPORT	63
INDUSTRIAL ALLIANCE CAPITAL TRUST BALANCE SHEET	64
INDUSTRIAL ALLIANCE CAPITAL TRUST NOTES TO BALANCE SHEET	65
CERTIFICATE OF THE TRUST	67
CERTIFICATE OF INDUSTRIAL ALLIANCE INSURANCE AND FINANCIAL SERVICES INC.	68
CERTIFICATE OF THE UNDERWRITERS	69

ELIGIBILITY FOR INVESTMENT

In the opinion of McCarthy Tétrault LLP, counsel to the Trust, and Ogilvy Renault, counsel to the Underwriters, subject to compliance with the prudent investment standards and the general investment provisions and restrictions of the statutes referred to below and, where applicable, the regulations thereunder and, in certain cases, subject to satisfaction of additional requirements relating to investment or lending policies or goals and, in certain cases, the filing of such policies or goals, the IATS – Series A to be issued by the Trust, if issued on the date hereof, would not be precluded as investments under or by the following statutes:

Insurance Companies Act (Canada)
Pension Benefits Standards Act, 1985 (Canada)
Trust and Loan Companies Act (Canada)
Financial Institutions Act (British Columbia)
Insurance Act (Alberta)
Loan and Trust Corporations Act (Alberta)
Pension Benefits Act (Ontario)

Supplemental Pension Plans Act (Québec)
An Act respecting insurance (Québec) (for an insurer other than a guarantee fund corporation)
An Act respecting trust companies and savings companies (Québec) (for a trust company investing its own funds and funds received as deposits and for a savings company investing its funds)

The Trust is expected to be a registered investment for purposes of the Tax Act effective at the time of closing. In the opinion of such counsel, so long as the Trust is a registered investment under the Tax Act, the IATS – Series A will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans (each, a “Deferred Income Plan”). In addition, so long as the Trust is a registered investment under the Tax Act, the IATS – Series A will not be foreign property for purposes of Part XI of the Tax Act.

THE IATS – Series A, WHILE EXCHANGEABLE FOR IA EXCHANGE CLASS A PREFERRED SHARES WHICH, IN TURN, ARE CONVERTIBLE UNDER CERTAIN CIRCUMSTANCES INTO IA COMMON SHARES, DO NOT REPRESENT OBLIGATIONS OF OR INTERESTS IN, AND ARE NOT GUARANTEED OR INSURED BY, INDUSTRIAL ALLIANCE, THE TRUSTEE, THE EXCHANGE TRUSTEE OR ANY OF THEIR RESPECTIVE AGENTS OR AFFILIATES. THE IATS – Series A ARE NOT INSURED OR GUARANTEED BY THE CANADA DEPOSIT INSURANCE CORPORATION, THE RÉGIE DE L’ASSURANCE-DÉPÔTS DU QUÉBEC (OR, AGENCE NATIONALE D’ENCADREMENT DU SECTEUR FINANCIER, AS SUCCESSOR QUEBEC FINANCIAL SERVICES AUTHORITY), THE CANADIAN LIFE AND HEALTH INSURANCE COMPENSATION CORPORATION, OR ANY OTHER GOVERNMENTAL AGENCY OR INSTRUMENTALITY.

FORWARD-LOOKING STATEMENTS

This prospectus, including those documents incorporated by reference, may contain forward-looking statements, including statements regarding the operations, objectives, strategies, financial situation and performance of Industrial Alliance. These statements, which appear in this prospectus (including the documents incorporated by reference herein), generally can be identified by the use of forward-looking words such as “may”, “will”, “expect”, “intend”, “estimate”, “anticipate”, “believe” or “continue” or the negative thereof and similar variations. These statements are subject to a number of risks and uncertainties that may cause actual results to differ materially from those contemplated by the forward-looking statements. Some of the factors that could cause such differences include legislative or regulatory developments, competition, technological changes, global capital market activity, interest rates, changes in demographic data and general economic conditions in Canada or elsewhere in the world. These and other factors should be considered carefully and undue reliance should not be placed on Industrial Alliance’s forward-looking statements. Industrial Alliance does not undertake to update any forward-looking statements. See “Risk Factors”.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents with respect to Industrial Alliance, filed with the various securities commissions or similar authorities in each of the provinces of Canada, are specifically incorporated by reference in and form an integral part of this prospectus:

- (a) Industrial Alliance’s Annual Information Form dated May 7, 2003 for the year ended December 31, 2002, excluding Section 4 – Financial Information and Section 5 - Management’s Discussion and Analysis of Results of Operations and Financial Position;
- (b) Industrial Alliance’s Annual Report to Shareholders (the “Annual Report”) for the years ended December 31, 2001 and December 31, 2002, which includes comparative consolidated audited financial statements and the auditors’ report thereon, the report of the appointed actuary and Management’s Discussion and Analysis of Results of Operations and Financial Position;
- (c) Industrial Alliance’s Management Proxy Circular dated as of March 3, 2003 (excluding those portions which, pursuant to National Instrument 44-101 of the Canadian Securities Administrators, are not required to be incorporated by reference herein); and
- (d) Industrial Alliance’s First Quarter 2003 Report to Shareholders for the three months ended March 31, 2003, which includes unaudited comparative consolidated interim financial statements and Management’s Discussion and Analysis of Results of Operations and Financial Position.

Any documents of the type referred to above and any material change reports (excluding confidential material change reports) filed by Industrial Alliance with the various securities commissions or similar authorities in Canada pursuant to the requirements of applicable securities legislation, after the date of this prospectus and prior to the termination of the Offering, will be deemed to be incorporated by reference into this prospectus.

Any statement contained in this prospectus or in a document incorporated or deemed to be incorporated by reference herein will be deemed to be modified or superseded for the purposes of this prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement is not to be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this prospectus. Copies of the documents incorporated by reference in this prospectus may be obtained on request without charge from the Vice-President and General Manager, Corporate Affairs and Secretary of Industrial Alliance (telephone: (418) 684-5000 ext. 5422). For the purpose of the Province of Québec, this prospectus contains information to be completed by consulting the permanent information record. A copy of the permanent information record may also be obtained from the Vice-President and General Manager, Corporate Affairs and Secretary of Industrial Alliance.

SUMMARY

The following summary information should be read in conjunction with the full text of this prospectus and is qualified in its entirety by the more detailed information appearing elsewhere or incorporated by reference in this prospectus.

THE OFFERING

- Issuer:** Industrial Alliance Capital Trust, an open-end trust established under the laws of Ontario pursuant to the Declaration of Trust.
- Offering:** 150,000 Industrial Alliance Trust Securities — Series A, being a series of a class of units of the Trust.
- Amount of Offering:** \$150,000,000
- Price:** \$1,000 per IATS – Series A
- Ratings:** The IATS – Series A have received provisional ratings of A (low) yn by Dominion Bond Rating Service Limited (“DBRS”), and P-2 (High) on the Canadian scale, and BBB+ on the global scale by Standard & Poor’s Corporation (“S&P”). A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating organization. See “Ratings”.
- Use of Proceeds:** The proceeds from the Offering of approximately \$150,000,000 will be used by the Trust to purchase the IA Series A Debenture from Industrial Alliance. Industrial Alliance, in turn, intends to use the proceeds from the sale of the IA Series A Debenture to the Trust for general corporate purposes. See “Industrial Alliance Group – Minimum Continuing Capital and Surplus Requirements” and “Use of Proceeds”.
- IA Series A Debenture:** The IA Series A Debenture will bear interest at a fixed annual rate of 5.714%, payable in equal semi-annual instalments in arrears of \$28.570 per \$1,000 principal amount of the IA Series A Debenture on each IA Series A Debenture Interest Payment Date. The initial interest payment due on December 31, 2003 will be approximately \$28.179 per \$1,000 principal amount of the IA Series A Debenture, assuming a Closing Date of July 4, 2003. The IA Series A Debenture will have a maturity date of December 31, 2053. In addition to the IA Series A Debenture, the Trust may acquire other eligible investments. See “Description of the IA Series A Debenture”.
- Credit Facility:** The Trust will borrow an estimated \$12,350,000 under the credit facility with Industrial Alliance, which will be used by the Trust to pay expenses of the Offering and to purchase the IA Series A Funding Debenture from Industrial Alliance. See “The Trust – Liquidity”.

Indicated Yield:

Each IATS – Series A entitles the holder to receive the Indicated Yield of \$28.570 on each Regular Distribution Date, commencing on December 31, 2003, representing an annual yield of 5.714%. The initial Indicated Yield payable on December 31, 2003 will be approximately \$28.179 per IATS – Series A, assuming a Closing Date of July 4, 2003. A Distribution Date will be a “Regular Distribution Date” unless Industrial Alliance fails to declare regular dividends on (i) the Public Preferred Shares (if any), or (ii) if no Public Preferred Shares are then outstanding, the Class A Preferred Shares Series A of Industrial Alliance (the “IA Class A Preferred Shares Series A”) , in accordance with Industrial Alliance’s ordinary dividend practice in effect from time to time (in any case, “Dividends”) in the three-month period immediately prior to the commencement of the Distribution Period ending on the day immediately preceding such Distribution Date (the “Dividend Reference Period”) (each such failure being a “Distribution Diversion Event”). Under the Declaration of Trust, December 31, 2003 is a Regular Distribution Date. The periods commencing on and including the Closing Date to, but excluding December 31, 2003, and thereafter from and including each Distribution Date to, but excluding the next Distribution Date, are referred to as “Distribution Periods”. Accordingly, whether or not the Indicated Yield on the IATS – Series A will be payable by the Trust on any Distribution Date will be determined prior to the commencement of the Distribution Period ending on the day immediately preceding that Distribution Date.

“Public Preferred Shares” means, at any time, preferred shares of Industrial Alliance which, at that time (i) have been issued to the public (excluding any preferred shares of Industrial Alliance held beneficially by affiliates of Industrial Alliance), (ii) are listed on a recognized stock exchange, and (iii) have an aggregate liquidation entitlement of at least \$75 million; provided, however, if, at any time, there is more than one class of Public Preferred Shares outstanding, then the most senior class or classes of outstanding Public Preferred Shares will, for all purposes, be the Public Preferred Shares. Industrial Alliance currently has no outstanding Public Preferred Shares.

On each Regular Distribution Date, the Trust will pay the indicated yield to the holders of Industrial Alliance Trust Securities (including the Indicated Yield on the IATS - Series A), and the holder of the Special Trust Securities will be entitled to receive the Net Distributable Funds, if any, of the Trust remaining after payment of the indicated yield on all Industrial Alliance Trust Securities.

If a Distribution Diversion Event occurs, the Distribution Date occurring on the day immediately following the end of the first Distribution Period following the Distribution Diversion Event will be a Distribution Diversion Date. In that case, although the IA Series A Debenture will pay interest on the IA Series A Debenture Interest Payment Date, the Trust will not pay the Indicated Yield on the IATS – Series A on the Distribution Diversion Date; instead, the Trust will distribute the Net Distributable Funds of the Trust, if any, as at such Distribution Diversion Date to the holder of the Special Trust Securities. See “Description of the Trust Securities — IATS – Series A — Indicated Yield”.

“Net Distributable Funds” means, at any time, the amount by which the sum of (i) income and gains derived by the Trust from the Trust Assets, and (ii) amounts received by the Trust from Industrial Alliance that are designated by Industrial Alliance as such, in each case that have not previously been distributed to holders of Industrial Alliance Trust Securities or the holder of the Special Trust Securities, exceeds expenses of the Trust and any required liability for expenses established by the Trust.

Voting Rights:

The IATS – Series A are non-voting except in limited circumstances. See “Description of the Trust Securities— IATS – Series A — Voting Rights”.

Trust Redemption Right:

On December 31, 2008, and on any Distribution Date thereafter, the Trust, at its option, and with Inspector General Approval, and on not less than 30 nor more than 60 days’ prior written notice, may redeem any outstanding IATS – Series A in whole or in part, without the consent of the holders, for an amount in cash per IATS – Series A equal to (i) the greater of (A) \$1,000 per IATS – Series A, together with any Unpaid Indicated Yield to, but excluding, the date of redemption (the “Redemption Date”) stated in the notice (the “Redemption Price”), and (B) the IATS – Series A Canada Yield Price (the greater of (A) and (B) being the “Early Redemption Price”), if the IATS – Series A are redeemed prior to December 31, 2013, and (ii) the Redemption Price, if the IATS – Series A are redeemed on or after December 31, 2013 (the “Trust Redemption Right”). See “Description of the Trust Securities — IATS – Series A — Trust Redemption Right”.

“IATS – Series A Canada Yield Price” means a price per IATS – Series A calculated to provide an annual yield thereon to December 31, 2013 equal to the Government of Canada Yield plus 0.30%, determined on the third Business Day immediately preceding the date on which the Trust has given notice of the redemption of the IATS – Series A (whether pursuant to the Trust Redemption Right or the Trust Special Event Redemption Right) or the Business Day immediately preceding the date of the termination of the Trust, as the case may be, plus the Unpaid Indicated Yield to the date of redemption or termination, as the case may be. For this purpose, it is assumed that the Indicated Yield will be paid on each Distribution Date to and including December 31, 2013.

“Government of Canada Yield” means, on any date, the average of the yields determined by any two registered Canadian investment dealers selected by Industrial Alliance as being the annual yield to maturity on such date, compounded semi-annually, which a non-callable Government of Canada bond would carry if issued in Canadian dollars in Canada at 100% of its principal amount on the date of redemption or termination, as the case may be, with a maturity date of December 31, 2013.

“Business Day” means a day on which the Trustee is open for business in Montréal, Québec, other than a Saturday, Sunday or statutory or civic holiday in Montréal, Québec.

“Unpaid Indicated Yield” means in respect of each outstanding series of Industrial Alliance Trust Securities, at any time, an amount per Industrial Alliance Trust Securities of that series equal to the sum of the Accumulated Unpaid Indicated Yield and the Current Indicated Yield.

“Accumulated Unpaid Indicated Yield” means in respect of each outstanding series of Industrial Alliance Trust Securities, at any time, an amount, if any, per Industrial Alliance Trust Securities of that series equal to the Indicated Yield payable by the Trust thereon in respect of all previous Regular Distribution Dates remaining unpaid by the Trust.

“Current Indicated Yield” means in respect of each outstanding series of Industrial Alliance Trust Securities, at any time, in respect of the current Distribution Period, an amount per Industrial Alliance Trust Securities of that series equal to the Indicated Yield pro-rated for the number of days elapsed from and including the first day of the Distribution Period to, but excluding the Redemption Date, provided that there has not been a Distribution Diversion Event with respect to such Distribution Period.

Trust Special Event Redemption Right:

Upon the occurrence of a Special Event, the Trust, at its option, and with Inspector General Approval, and on not less than 30 nor more than 90 days' prior written notice, may redeem at any time all but not less than all of the IATS – Series A, without the consent of the holders, for an amount in cash per IATS – Series A equal to (i) the Early Redemption Price, if the IATS – Series A are redeemed prior to December 31, 2013, and (ii) the Redemption Price, if the IATS – Series A are redeemed on or after December 31, 2013 (the “Trust Special Event Redemption Right”). See “Description of the Trust Securities — IATS – Series A — Trust Special Event Redemption Right”.

Holder Exchange Right:

Holders of IATS – Series A will have the right, at any time, on not less than three and not more than 90 days' prior written notice to the Trust and Industrial Alliance, to surrender all or part of their IATS – Series A to the Trust at a price (the “Surrender Price”), for each IATS – Series A, equal to 40 IA Class A Preferred Shares Series YY (the “Holder Exchange Right”). The Trust, at its option, will have the right, at any time before the exchange is completed, to arrange for a substituted purchaser to purchase IATS – Series A tendered for exchange so long as the holder of the IATS – Series A so tendered has not withheld consent to the purchase of its IATS – Series A. If a substituted purchaser is found, the price to be paid to the holder of the IATS – Series A so tendered will be not less than 90% of the closing price of such IATS – Series A on the last trading day immediately before the date fixed for purchase and such purchase price is intended to represent a fair equivalent in cash of the Surrender Price. Since the IATS – Series A will not be listed on any public securities exchange the “closing price” of any IATS – Series A for that trading day will be the average of the last institutional bid price of such IATS – Series A as quoted by two major Canadian investment dealers selected by Industrial Alliance for this purpose.

The IA Class A Preferred Shares Series YY will pay semi-annual non-cumulative cash dividends, as and when declared by the board of directors of Industrial Alliance (the “Board of Directors”), equal to \$ 0.450 per share, representing an annual yield of 3.60%.

The Holder Exchange Right will be effected through the conversion by the Trust of the corresponding principal amount of the IA Series A Debenture. The Trust, as holder of the IA Series A Debenture, will have the right, at any time, to convert all or part of the IA Series A Debenture into corresponding IA Class A Preferred Shares Series YY. Immediately following that conversion, the Trust will arrange through The Canadian Depository for Securities Limited or its nominee (“CDS”) to credit the accounts of the holders of IATS – Series A exercising the Holder Exchange Right with the requisite number of IA Class A Preferred Shares Series YY, and the IATS – Series A surrendered for exchange will be cancelled. See “Description of the Trust Securities — IATS – Series A — Holder Exchange Right”, “Description of the Trust Securities — IATS – Series A — Capital Reorganizations and Amalgamations”, “Description of Share Capital of Industrial Alliance — IA Class A Preferred Shares Series YY and ZZ” and “Description of the IA Series A Debenture”.

Automatic Exchange:

Each IATS – Series A will be exchanged automatically (the “Automatic Exchange”), without the consent of the holders, for 40 IA Class A Preferred Shares Series ZZ, upon the occurrence of any one of the following events: (i) a winding-up order in respect of Industrial Alliance pursuant to the *Winding-up and Restructuring Act* (Canada) (the “Winding-Up Act”) is granted by a court; (ii) the Inspector General advises Industrial Alliance in writing that the Inspector General or a person designated by the Minister of Finance (Québec) has taken provisional administration of Industrial Alliance or its assets pursuant to *An Act respecting insurance* (Québec) (the “Insurance Act”); (iii) the Inspector General advises Industrial Alliance in writing that Industrial Alliance has a net Tier 1 capital ratio of less than 75% or an MCCR ratio of less than 120%; (iv) the Board of Directors advises the Inspector General in writing that Industrial Alliance has a net Tier 1 capital ratio of less than 75% or an MCCR ratio of less than 120%; or (v) the Inspector General directs Industrial Alliance, pursuant to the Insurance Act, to increase its capital or provide additional liquidity and either Industrial Alliance elects to cause the Automatic Exchange as a consequence of the issuance of such direction or Industrial Alliance does not comply with such direction to the satisfaction of the Inspector General within the time specified (each, a “Loss Absorption Event”). On the Automatic Exchange, the holders of IATS – Series A immediately prior to the Automatic Exchange will cease to have any claim or entitlement in relation to the Trust Assets.

The IA Class A Preferred Shares Series ZZ will pay semi-annual non-cumulative cash dividends, as and when declared by the Board of Directors, equal to \$0.5625 per share, representing an annual yield of 4.50%.

If, for any reason, the Automatic Exchange does not result in the exchange of all IATS – Series A then outstanding for IA Class A Preferred Shares Series ZZ, the Trust will redeem each IATS – Series A not so exchanged for consideration consisting of 40 IA Class A Preferred Shares Series ZZ. The Exchange Trustee will arrange through CDS to credit the accounts of the holders of IATS – Series A with the requisite number of IA Class A Preferred Shares Series ZZ in accordance with their respective entitlements. **If the Automatic Exchange were to occur and IA Class A Preferred Shares Series ZZ were ultimately issued in exchange for the IATS – Series A, the cost-effective nature of the consolidated capital raised by Industrial Alliance through the issuance of the IATS – Series A (assuming the Inspector General approves the inclusion of the IATS – Series A as Tier 1 capital of Industrial Alliance) would be lost. Accordingly, it is in the interest of Industrial Alliance to ensure that a Loss Absorption Event does not occur, although the events that could give rise to a Loss Absorption Event may be beyond its control.** See “Description of the Trust Securities — IATS – Series A — Automatic Exchange” and “Description of Share Capital of Industrial Alliance — IA Class A Preferred Shares Series YY and ZZ”.

Conversion Rights of the IA Class A Preferred Shares Series YY and the IA Class A Preferred Shares Series ZZ:

On the last day of June and December of each year, commencing on June 30, 2014 (a “Conversion Date”), and provided that a Loss Absorption Event has not occurred and is not then continuing, each IA Class A Preferred Share Series YY and each IA Class A Preferred Share Series ZZ will be convertible, at the option of the holder, on not more than 90 and not less than 60 days’ prior written notice before the date fixed for conversion, into that number of fully-paid and freely tradable IA Common Shares determined by dividing \$25, together with any declared and unpaid dividends on the IA Class A Preferred Shares Series YY or the IA Class A Preferred Shares Series ZZ, as applicable, to the date of conversion (the “Cash Conversion Price”), by the greater of \$1.00 and 95% of the weighted average trading price of the IA Common Shares on the TSX or, if not then listed on that exchange, on another exchange or market chosen by the Board of Directors on which the IA Common Shares are then traded, during the 20 consecutive trading-day period ending on the fourth trading day immediately prior to the date of conversion (the “Common Share Conversion Rate”). See “Description of Share Capital of Industrial Alliance — IA Class A Preferred Shares Series YY and ZZ”.

Purchase for Cancellation:

On and after December 31, 2008, any outstanding IATS – Series A may be purchased at any time, in whole or in part, by the Trust, at the direction of the holder of the Special Trust Securities. The purchases may be made in the open market or by tender or private contract at any price. Any such purchases will require Inspector General Approval. IATS – Series A purchased by the Trust will be cancelled and will not be reissued.

Rights on Termination of the Trust:

As long as any IATS – Series A are outstanding and held by any person other than Industrial Alliance, the Trust may only be terminated with the approval of the holder of the Special Trust Securities and with Inspector General Approval (i) upon the occurrence of a Special Event at any time, or (ii) for any reason on June 30, 2008 or on December 31, 2008, or on the last day of June and December of each year thereafter. The Declaration of Trust will provide that holders of Industrial Alliance Trust Securities are not entitled to initiate proceedings for the termination of the Trust.

Pursuant to the Share Exchange Agreement, Industrial Alliance will agree for the benefit of holders of IATS – Series A that, as long as any IATS – Series A are outstanding and held by any person other than Industrial Alliance, Industrial Alliance will not approve the termination of the Trust unless the Trust has sufficient funds to pay the Early Redemption Price or the Redemption Price, as applicable. Holders of each series of outstanding Industrial Alliance Trust Securities and holders of each series of outstanding Special Trust Securities will rank *pari passu* in the distribution of the property of the Trust in the event of a termination of the Trust, after the discharge of the claims of creditors, if any. See “Description of the Trust Securities — IATS – Series A — Rights on Termination of the Trust”.

**Dividend Stopper
Undertaking:**

Pursuant to the Share Exchange Agreement, Industrial Alliance will agree, for the benefit of holders of IATS – Series A that if the Trust fails on any Regular Distribution Date to pay the Indicated Yield on the IATS – Series A in full, Industrial Alliance will not pay dividends on the “Dividend Restricted Shares”, being the Public Preferred Shares, the IA Non-cumulative Preferred Shares and the IA Common Shares, until the 12th month following the Trust’s failure to pay the Indicated Yield in full on the IATS – Series A (the “Dividend Payment Resumption Month”), unless the Trust first pays such Indicated Yield (or the unpaid portion thereof) to the holders of the IATS – Series A (the “Dividend Stopper Undertaking”). Any Indicated Yield (or portion thereof) that the Trust fails to pay to the holders of IATS – Series A on a Regular Distribution Date will form part of the Accumulated Unpaid Indicated Yield of that series. It is in the interest of Industrial Alliance to ensure, to the extent within its control, that the Trust pays the Indicated Yield on the IATS – Series A on each Regular Distribution Date so as to avoid triggering the Dividend Stopper Undertaking. See “Description of the Trust Securities — IATS – Series A — Dividend Stopper Undertaking” and “Risk Factors”.

“IA Non-cumulative Preferred Shares” means the non-cumulative preferred shares of Industrial Alliance, including the IA Class A Preferred Shares Series A, the IA Class A Preferred Shares Series YY and the IA Preferred Shares Series 1. See “Description of Share Capital of Industrial Alliance”.

The following table indicates the relationship among the Dividend Reference Period, the Distribution Period, the Distribution Date and the Dividend Payment Resumption Month.

<u>Dividend Reference Period</u>	<u>Commencement of the Current Distribution Period ⁽¹⁾</u>	<u>Distribution Date</u>	<u>Dividend Payment Resumption Month ⁽²⁾</u>
Three month period prior to the Closing Date	Closing Date	December 31, 2003	December 2004
September 30, 2003 to December 30, 2003	December 31, 2003	June 30, 2004	June 2005
March 31, 2004 to June 29, 2004	June 30, 2004	December 31, 2004	December 2005

Notes:

- (1) The entitlement of holders of IATS - Series A to the Indicated Yield and the determination of whether a Distribution Date will be a Regular Distribution Date or a Distribution Diversion Date will be determined prior to the commencement of any Distribution Period.
- (2) The Dividend Payment Resumption Month is only relevant if the Trust fails to pay the Indicated Yield in full on the IATS – Series A on any Regular Distribution Date.

Additional Industrial Alliance Covenants:

In addition to the Dividend Stopper Undertaking, Industrial Alliance will agree for the benefit of the holders of IATS – Series A, pursuant to the Share Exchange Agreement, that:

- (a) all the outstanding Special Trust Securities will be owned at all times, directly or indirectly, by Industrial Alliance;
- (b) as long as any IATS – Series A are outstanding and held by any person other than Industrial Alliance, Industrial Alliance will not take any action to cause the termination of the Trust except as set forth under “Description of the Trust Securities — IATS – Series A — Rights on Termination of the Trust” and only with Inspector General Approval;
- (c) as long as any IATS – Series A are outstanding and held by any person other than Industrial Alliance, and provided that Industrial Alliance does not have outstanding Public Preferred Shares, Industrial Alliance will not declare or pay Dividends during a Distribution Period on any of the Dividend Restricted Shares unless Industrial Alliance has declared and paid a Dividend on the IA Class A Preferred Shares Series A during the Dividend Reference Period preceding that Distribution Period; and
- (d) Industrial Alliance will not assign or otherwise transfer any of its obligations under the Share Exchange Agreement, except in the case of a merger, amalgamation, reorganization or a sale of substantially all of the assets of Industrial Alliance. See “Description of the Trust Securities — IATS – Series A — Share Exchange Agreement”.

It is in the interest of Industrial Alliance to ensure, to the extent within its control, and while Industrial Alliance does not have Public Preferred Shares outstanding, that Industrial Alliance declares and pays a dividend on the IA Class A Preferred Shares Series A so as to avoid triggering the obligation under clause (c) above.

Book-Entry Only Form: The IATS – Series A will be issued under the book-entry only system operated by CDS and must be purchased or transferred through participants (“Participants”) in the depository service of CDS. Participants include securities brokers and dealers, banks and trust companies. Accordingly, physical certificates representing the IATS – Series A will not be available except in the limited circumstances described under “Description of the Trust Securities — IATS – Series A — Book-Entry Only Form”.

Special Trust Securities: On the Closing Date, Industrial Alliance will subscribe for 500 Special Trust Securities for an issue price of \$1,000 per unit pursuant to an agreement between Industrial Alliance and the Trust (the “Subscription Agreement”).

THE TRUST

The Trust is an open-end trust established under the laws of Ontario by the Trustee pursuant to the Declaration of Trust. The Trust’s business objective is to acquire and hold Trust Assets that will generate income for distribution to holders of Trust Securities. Immediately after the issuance by the Trust of the IATS – Series A pursuant to the Offering, the subscription by Industrial Alliance for the Special Trust Securities, the borrowing of funds by the Trust from Industrial Alliance under the Credit Facility, the acquisition by the Trust of the IA Series A Debenture and the acquisition by the Trust of the IA Series A Funding Debenture, the Trust will have approximately \$160,950,000 in Trust Assets, \$150,000,000 of capital attributable to the IATS – Series A, \$500,000 of capital attributable to the Special Trust Securities and \$2,350,000 of funds borrowed under the Credit Facility, less approximately \$2,750,000 of the Offering expenses of the Trust for the IATS – Series A. See “The Trust”.

RISK FACTORS

The purchase of IATS – Series A and the holding of IA Class A Preferred Shares Series YY and IA Class A Preferred Shares Series ZZ are subject to certain risks and prospective investors should carefully consider the risk factors and other information in this prospectus before purchasing IATS – Series A. See “Risk Factors”.

THE TRUST

General

The Trust is an open-end trust established under the laws of Ontario by the Trustee pursuant to the Declaration of Trust. The Trust has been formed for the purpose of issuing the Trust Securities and acquiring the Trust Assets in order to generate income for distribution to holders of Trust Securities.

The principal office of the Trust is located at 522 University Avenue, Toronto, Ontario M5G 1Y7, and the executive offices of the Trust are located at 680 Sherbrooke Street West, Montréal, Québec H3A 2S6.

The Trust is not a trust company and does not carry on business as a trust company and, accordingly, the Trust is not registered under the trust company legislation of any jurisdiction. Trust Securities are not “deposits” within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) or the *Deposit Insurance Act* (Québec) and are not insured under the provisions of these acts or any other legislation.

Business of the Trust

The Trust’s only undertaking is to invest its assets. The Trust’s investment objective is to acquire and hold Trust Assets in order to generate income for distribution to holders of Trust Securities. The initial assets of the Trust will consist primarily of the IA Series A Debenture, which is to be purchased pursuant to an agreement between the Trust and Industrial Alliance (the “Debenture Purchase Agreement”). The Trust’s assets may also include any securities into which the IA Series A Debenture is converted, cash, certain amounts receivable from third parties and other Eligible Investments (together with the IA Series A Debenture, the “Trust Assets”). The IA Series A Debenture is a senior unsecured obligation of Industrial Alliance that ranks on a parity with all other unsecured and unsubordinated liabilities of Industrial Alliance, except for policyholder liabilities and liabilities of certain other claimants which rank in priority to the IA Series A Debenture, as provided in the Winding Up Act. The IA Series A Debenture contains provisions that will permit the exchange of the IA Series A Debenture, in whole or in part, to reflect the operation of the Holder Exchange Right from time to time.

“Eligible Investments” means the IA Series A Debenture, the IA Series A Funding Debenture or any property, including money, securities, amounts receivable from third parties not related to Industrial Alliance for purposes of the Tax Act, mortgages, an interest in an Eligible Investment, and any debt obligation, that is a qualified investment under the Tax Act for Deferred Income Plans, except where the qualification of such property contains conditions regarding the annuitant, the beneficiary, the employer or the subscriber under the plan or fund unless the Trust is satisfied that such conditions are fulfilled, except that the IA Series A Debenture will not be repaid with or converted into or exchanged for debt of Industrial Alliance or of any person related to Industrial Alliance within the meaning of the Tax Act and, following the maturity of the IA Series A Debenture, the proceeds of the repayment of the IA Series A Debenture will not be invested in debt of Industrial Alliance or of any person related to Industrial Alliance within the meaning of the Tax Act.

Capitalization

As a newly-formed trust, the Trust has no prior operating history. Immediately after the issuance by the Trust of the IATS – Series A pursuant to the Offering, the subscription by Industrial Alliance for the Special Trust Securities, the borrowing of funds by the Trust from Industrial Alliance under the Credit Facility, the acquisition by the Trust of the IA Series A Debenture and the acquisition by the Trust of the IA Series A Funding Debenture, the Trust will have approximately \$160,950,000 in Trust Assets, \$150,000,000 of capital attributable to the IATS – Series A, \$500,000 of capital attributable to the Special Trust Securities and \$12,350,000 of funds borrowed under the Credit Facility, less approximately \$2,750,000 of the Offering expenses of the Trust.

Conflicts of Interest

Due to the nature of the Trust’s relationship with Industrial Alliance and its affiliates, it is possible that conflicts of interest will arise with respect to certain transactions, including the subscription by the Trust for the IA Series A

Debenture and the IA Series A Funding Debenture and the Trust's potential acquisition of other Trust Assets from Industrial Alliance. It will be the Trust's policy that the terms of any financial dealings with Industrial Alliance or any of its affiliates will be consistent with those available from third parties.

Conflicts of interest between the Trust and Industrial Alliance and its affiliates may also arise in connection with actions taken by Industrial Alliance, as holder of the Special Trust Securities. It is intended that any agreements and transactions between the Trust, on the one hand, and Industrial Alliance and its affiliates, on the other hand, including the Administration Agreement, will be fair to the parties.

Liquidity

The Trust will only borrow funds from Industrial Alliance or its affiliates pursuant to an unsecured credit facility extended by any such entity to the Trust (the "Credit Facility"). The Trust will use the Credit Facility only for the purposes of ensuring liquidity in the normal course of the Trust's activities, to facilitate the payment by the Trust of the expenses of the Offering and to finance the purchase of a debenture from Industrial Alliance (the "IA Series A Funding Debenture").

Administrative Agent

The Trustee will enter into an agreement (the "Administration Agreement") with Industrial Alliance, as "Administrative Agent", pursuant to which the Trustee will delegate to Industrial Alliance certain of its obligations in relation to the administration of the Trust, including the day-to-day operations of the Trust and such other matters as may be requested from time to time by the Trustee. The Administrative Agent will be entitled to receive a reasonable administration fee consistent with market terms and conditions.

The Administration Agreement will continue for an initial term of 10 years and after that will be renewed automatically on an annual basis. The Trustee will have the right to terminate the Administration Agreement at any time on 90 days' prior written notice on the occurrence of one or more events generally related to the failure of the Administrative Agent to perform its obligations under the Administration Agreement in a proper and timely manner.

Exemptions from Certain Continuous Disclosure Requirements

As a result of the Offering, the Trust will become a reporting issuer in each of the provinces of Canada where such concept exists; however, the Trust intends to apply to the securities regulatory authorities in those provinces (the "Commissions"), as appropriate, for exemptions from certain continuous disclosure requirements prescribed by applicable securities legislation for reporting issuers as well as to qualify to distribute securities using a short form prospectus.

If granted, the exemptions will likely be conditional on holders of IATS – Series A receiving the interim unaudited and annual audited financial statements and annual report of Industrial Alliance, and Industrial Alliance continuing to file with the Commissions its interim unaudited and annual audited financial statements, annual filing or management information circular and, where applicable, its annual report. If these exemptions are granted, the Trust will not be required to file with the Commissions interim unaudited and annual audited financial statements, including management's discussion and analysis of the financial condition and results of operation of the Trust, an information circular or an annual filing in lieu thereof (collectively, an "annual filing"), an annual information form of the Trust, and, where applicable, an annual report, and holders of IATS – Series A will not receive such financial statements and annual reports of the Trust. It is expected, however, that the Trust will remain subject to the requirement to file material change reports in the event of any material change in the affairs of the Trust.

Exemptive relief is being sought by the Trust based on the following terms and conditions of the IATS – Series A and for the following reasons. The operating activity of the Trust will consist of acquiring and holding Trust Assets for the purpose of generating income for distribution to holders of IATS – Series A and the holder of the Special Trust Securities. Accordingly, the information relating to the financial condition and operations of a reporting issuer that is contained in an annual information form and an annual filing will not, in respect of the Trust, be meaningful to holders of IATS – Series A. The payment of the Indicated Yield on IATS – Series A is dependent

on the payment of Dividends by Industrial Alliance because the Indicated Yield will not be payable if Industrial Alliance fails to declare Dividends (see “Description of the Trust Securities — IATS – Series A — Indicated Yield”). Furthermore, in certain circumstances, including at a time when Industrial Alliance’s financial condition is deteriorating or proceedings for the winding-up of Industrial Alliance have been commenced (see “Description of the Trust Securities — IATS – Series A — Automatic Exchange”), the IATS – Series A will be automatically exchanged for IA Class A Preferred Shares Series ZZ. As a result of the foregoing and because IATS – Series A are also exchangeable for IA Class A Preferred Shares Series YY under other circumstances, details of Industrial Alliance’s financial condition (as opposed to that of the Trust) will be of interest to holders of IATS – Series A.

CAPITALIZATION OF THE TRUST

The following table sets out the capitalization of the Trust as at March 31, 2003 and at that date adjusted to reflect the closing of the Offering and the issuance of Special Trust Securities. This table should be read in conjunction with the financial statements of the Trust appearing elsewhere in this prospectus.

	Outstanding as at March 31, 2003	Outstanding as at March 31, 2003 after giving effect to the Offering
	<i>(unaudited)</i>	
	<i>(in thousands of dollars)</i>	
IATS – Series A	\$ –	\$150,000
Special Trust Securities	–	500
Original Settlement Amount ⁽¹⁾	1	–
Net Offering Expenses ⁽²⁾	–	(1,900)
Trust Capital.....	<u>\$1</u>	<u>\$148,600</u>

Notes:

(1) Amount settled on the Trust’s formation, subsequently applied as part of the subscription price for the Special Trust Securities.

(2) The net Offering expenses of the Trust are estimated at \$1,900,000 (\$2,750,000 before an income tax benefit of \$850,000), which will be paid by the Trust with funds borrowed under the Credit Facility. See “The Trust– Liquidity”.

INDUSTRIAL ALLIANCE GROUP

Industrial Alliance

Industrial Alliance Insurance and Financial Services Inc. (formerly, “Industrial-Alliance Life Insurance Company”, or its French version, “L’Industrielle-Alliance Compagnie d’Assurance sur la Vie”) is a capital stock life insurance company resulting from its conversion from a mutual life insurance company into a capital stock life insurance company on February 10, 2000. The mutual life insurance company itself resulted from the amalgamation, in 1987, of Industrial Life Insurance Company, founded in 1905, and Alliance Mutual Life Insurance Company, founded in 1892. In 1996, the mutual life insurance company amalgamated with The Solidarity Life Insurance Company.

On June 11, 2003, Industrial Alliance was continued under Part 1A of the *Companies Act* (Québec) (the “Companies Act”) pursuant to Articles of Continuance. As part of its continuance, Industrial Alliance changed its name to “Industrial Alliance Insurance and Financial Services Inc.”, and its French version “Industrielle Alliance, Assurance et services financiers inc.”, and reorganized its share capital. See “Description of Share Capital of Industrial Alliance”.

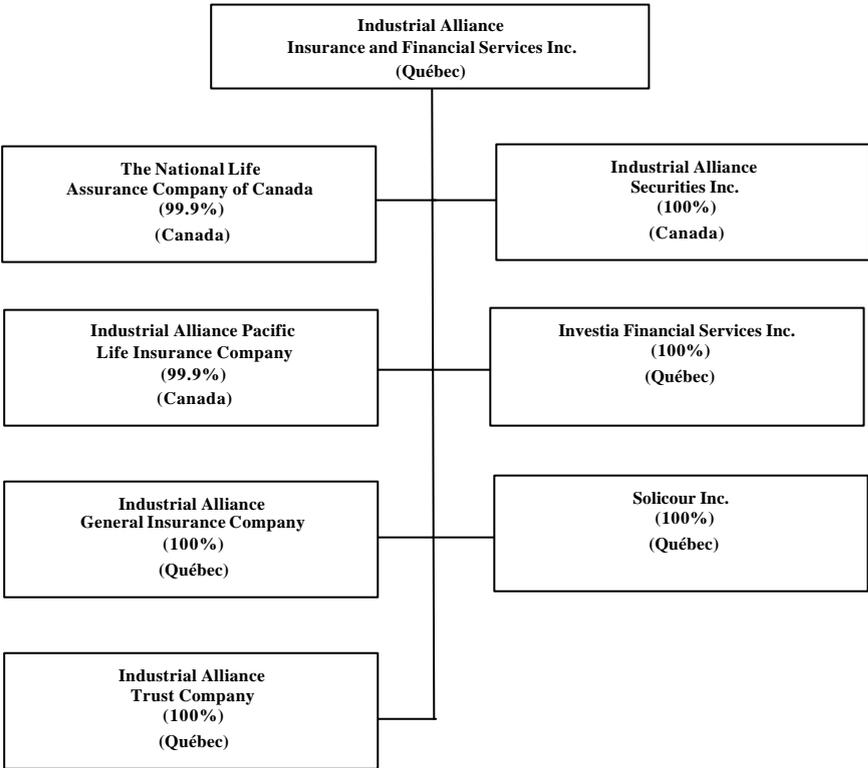
Industrial Alliance is governed by the Insurance Act, Part 1A of the Companies Act and *An Act respecting Industrial-Alliance, Life Insurance Company* (Québec).

Industrial Alliance’s head office is located at 1080 Chemin Saint-Louis in Sillery, Québec G1K 7M3. Industrial Alliance also has offices located at 680 Sherbrooke Street West in Montréal, Québec H3A 2S6.

Subsidiaries and Organizational Structure

Industrial Alliance and its principal subsidiaries (collectively the “Industrial Alliance Group”) are active in the protection and wealth management market and offer a wide range of life and health insurance products, savings and investment products, such as segregated funds and mutual funds from other companies, general insurance, and other financial products. The Industrial Alliance Group operates throughout Canada and in certain regions in the United States.

The following organizational chart presents the Industrial Alliance Group, the percentage of voting securities held and the jurisdiction of incorporation of each subsidiary.



Industrial Alliance's principal subsidiaries are described below:

- Industrial Alliance *Pacific* Life Insurance Company ("IA *Pacific* Life"), based in Vancouver, was acquired in 1982 and operates both in Canada and the United States. Its Canadian operations are fully integrated with those of Industrial Alliance. IA *Pacific* Life has completed the integration of Seaboard Life Insurance Company ("Seaboard"), which was acquired in January 1999. In the United States, its activities are concentrated on the west coast.
- The National Life Assurance Company of Canada, based in Toronto, was acquired in 1988. National Life offers its products in certain market segments throughout Canada.

Industrial Alliance owns all the shares of Industrial Alliance General Insurance Company, operating in the general insurance sector. Industrial Alliance also owns Industrial Alliance Trust Company, a trust company holding all required permits to carry on business in all provinces, Investia Financial Services Inc., a mutual fund dealer operating in Québec, Ontario and British Columbia, Solicour Inc., an insurance brokerage firm offering life insurance and general insurance products in Québec and Industrial Alliance Securities Inc., a full-service securities broker operating primarily in Québec.

IA *Pacific* Life's head office is located at 2165 West Broadway Street, Vancouver, British Columbia V6B 5H6. National Life's head office is located at 522 University Avenue, Toronto, Ontario M5G 1Y7.

Consolidated Capitalization of Industrial Alliance

The following table sets forth the consolidated capitalization of Industrial Alliance as at March 31, 2003, and the adjusted consolidated capitalization of Industrial Alliance as at March 31, 2003, after giving effect to the Offering. This table should be read in conjunction with Industrial Alliance's consolidated financial statements and Industrial Alliance's management's discussion and analysis of financial conditions and results of operation incorporated by reference in this prospectus.

	As at March 31, 2003	
	Actual	Adjusted
	<i>(in millions of dollars)</i>	
	<i>(unaudited)</i>	
Subordinated Debenture	\$ 185.0	\$ 185.0
Industrial Alliance Trust Securities		
IATS - Series A (the Offering)	-	150.0
Total Equity		
Participating policyholders' account.....	60.4	60.4
Shareholders' Equity		
Preferred Shares ⁽¹⁾	75.0	75.0
Common Shares ⁽¹⁾	382.0	382.0
Contributed surplus.....	4.2	4.2
Retained earnings ⁽²⁾	492.0	492.0
Currency translation account	6.3	6.3
	<u>959.5</u>	<u>959.5</u>
Total Equity	<u>1,019.9</u>	<u>1,019.9</u>
Total Capitalization	<u>\$ 1,204.9</u>	<u>\$ 1,354.9</u>

Note:

- (1) On April 22, 2003, 2,250,000 IA Preferred Shares Series 1 (\$56,250,000) were converted into 1,697,447 IA Common Shares. See "Description of Share Capital of Industrial Alliance – IA Preferred Shares Series 1".
- (2) The adjusted column does not reflect costs of \$2,750,000 in connection with the Offering.

Minimum Continuing Capital and Surplus Requirements

The Insurance Act requires Industrial Alliance to maintain adequate capital and adequate and appropriate forms of liquidity in relation to its operations. In furtherance of this requirement, the Inspector General has established the Minimum Continuing Capital and Surplus Requirements (“MCCSR”).

The following table sets forth the MCCSR ratios of Industrial Alliance as at the dates indicated:

	March 31	December 31				
	2003	2002	2001	2000	1999	1998
MCCSR Ratio ⁽¹⁾	181%	186%	187%	187%	181%	182%

Note:

(1) The MCCSR ratios for the quarter ended March 31, 2003 and the years ended 2002, 2001 and 2000 are presented on a capital stock company basis, and on a mutual company basis for the years ended 1999 and 1998.

The MCCSR ratio of Industrial Alliance as at December 31, 2002 and March 31, 2003, on a pro forma basis, would have been 208% and 203%, respectively, after giving effect to an issue of IATS - Series A in the amount of \$150 million. See “Documents Incorporated by Reference”, specifically Industrial Alliance’s audited consolidated comparative financial statements as at and for the year ended December 31, 2002 and Industrial Alliance’s interim unaudited comparative consolidated financial statements for the three months ended March 31, 2003.

DESCRIPTION OF THE TRUST SECURITIES

IATS – Series A

The following is a summary of the rights, privileges, restrictions and conditions attaching to the IATS – Series A. This summary is qualified in its entirety by the provisions of the Declaration of Trust and the Share Exchange Agreement. See “The Trust” and “Description of the Trust Securities – Share Exchange Agreement”. For information concerning IA Class A Preferred Shares Series YY and IA Class A Preferred Shares Series ZZ into which, in certain circumstances, the IATS – Series A are exchangeable, see “Description of Share Capital of Industrial Alliance — IA Class A Preferred Shares Series YY and ZZ”, and for information with respect to the IA Series A Debenture, see “Description of the IA Series A Debenture”.

Indicated Yield

Holders of IATS – Series A will be entitled to receive the Indicated Yield, in cash, of \$28.570 per IATS – Series A, representing an annual yield of 5.714%, in respect of each Distribution Period on the Distribution Date immediately following that Distribution Period unless a Distribution Diversion Event has occurred. The initial Indicated Yield, payable on December 31, 2003, will be approximately \$28.179 per IATS – Series A, assuming a Closing Date of July 4, 2003.

A Distribution Date will be a Regular Distribution Date unless Industrial Alliance fails to declare Dividends in the Dividend Reference Period. Accordingly, whether or not the Indicated Yield on the IATS – Series A will be payable by the Trust on any Distribution Date will be determined prior to the commencement of the Distribution Period ending on the day preceding that Distribution Date. Under the Declaration of Trust, December 31, 2003 is a Regular Distribution Date. On each Regular Distribution Date, the Trust will pay the Indicated Yield to the holders of IATS – Series A and the holder of the Special Trust Securities will be entitled to receive the Net Distributable Funds, if any, of the Trust remaining after payment of the Indicated Yield. If Industrial Alliance does not declare a Dividend during the relevant Dividend Reference Period, a Distribution Diversion Event will occur.

If a Distribution Diversion Event occurs, the Distribution Date occurring on the day immediately following the end of the first Distribution Period following the Distribution Diversion Event will be a Distribution Diversion Date. In that case, although the IA Series A Debenture will pay interest to the Trust on the IA Series A Debenture Interest Payment Date, the Trust will not pay the Indicated Yield on the IATS – Series A on the Distribution Diversion Date; instead, the Trust will pay the Net Distributable Funds, if any, as at such Distribution Diversion Date to the holder of the Special Trust Securities.

If the Net Distributable Funds of the Trust are insufficient to enable the Trust to pay the full amount of the Indicated Yield on the IATS – Series A and any other outstanding Industrial Alliance Trust Securities on a Regular Distribution Date (the amount of such insufficiency being the “Indicated Yield Deficit”), the Trust will add to the Accumulated Unpaid Indicated Yield in respect of each series of the Industrial Alliance Trust Securities an amount determined by multiplying the Indicated Yield Deficit by the percentage that the Indicated Yield on the particular series of Industrial Alliance Trust Securities represents of the aggregate Indicated Yield on all series of Industrial Alliance Trust Securities in respect of such Regular Distribution Date (the “Indicated Yield Ratio”). The Trust will pay to holders of each series of Industrial Alliance Trust Securities the amount of the Net Distributable Funds determined by multiplying the Net Distributable Funds by the Indicated Yield Ratio in respect of the particular series of Industrial Alliance Trust Securities. The Trust, at its option, may pay the Accumulated Unpaid Indicated Yield to the holders of the Industrial Alliance Trust Securities at any time; however, the Trust will not be obligated, and holders of Industrial Alliance Trust Securities will not have any right to cause the Trust, to pay such amount until the occurrence of an event giving rise to the obligation of the Trust to pay the Early Redemption Price or the Redemption Price, as the case may be. See “Description of the Trust Securities — IATS – Series A — Trust Redemption Right”, “Description of the Trust Securities — IATS – Series A — Trust Special Event Redemption Right” and “Description of the Trust Securities — IATS – Series A — Rights on Termination of the Trust”.

Voting Rights

The IATS – Series A are non-voting except in the limited circumstances set out in the Declaration of Trust involving changes to the terms and conditions of the IATS – Series A. The Declaration of Trust provides that those terms and conditions may be changed only if authorized by the holders of the IATS – Series A by way of an Extraordinary Resolution or a Series Extraordinary Resolution. The holder of the Special Trust Securities must approve any such change and, in addition, any such change that would affect the status of the IATS – Series A as capital of Industrial Alliance is subject to Inspector General Approval. The terms “Extraordinary Resolution” and “Series Extraordinary Resolution” mean in effect, a resolution passed by the holders of Industrial Alliance Trust Securities or a particular series of Industrial Alliance Trust Securities (including the IATS – Series A), respectively, representing not less than $66\frac{2}{3}\%$ of the Industrial Alliance Trust Securities or series of Industrial Alliance Trust Securities (including the IATS – Series A), respectively, represented and voted at a meeting of holders of Industrial Alliance Trust Securities or series of Industrial Alliance Trust Securities (including the IATS – Series A), respectively, or a resolution in writing signed by the holders of Industrial Alliance Trust Securities or series of Industrial Alliance Trust Securities (including the IATS – Series A), respectively, representing not less than $66\frac{2}{3}\%$ of the outstanding Industrial Alliance Trust Securities or series of Industrial Alliance Trust Securities (including the IATS – Series A), respectively.

The quorum at any such meeting will be two or more holders of Industrial Alliance Trust Securities or series of Industrial Alliance Trust Securities (including the IATS – Series A), respectively, present in person or represented by proxy and owning or representing not less than 25% of the aggregate number of Industrial Alliance Trust Securities or series of Industrial Alliance Trust Securities (including the IATS – Series A), respectively, then outstanding, provided that if a quorum is not present and the meeting is adjourned, at the meeting following such adjournment those holders present in person or represented by proxy will constitute a quorum even though they may represent less than 25% of the aggregate number of Industrial Alliance Trust Securities or series of Industrial Alliance Trust Securities (including the IATS – Series A), respectively, then outstanding. Notwithstanding the foregoing, the Trustee may, without the consent of holders of IATS – Series A, execute instruments supplemental to the Declaration of Trust and any other relevant instruments for certain limited purposes, including curing ambiguities or defects, and making any modification that, in the opinion of the Trustee, would not be prejudicial to the interest of holders of Industrial Alliance Trust Securities (including IATS – Series A) and making such changes as may be required to conform with applicable regulatory requirements from time to time. See also “Description of the Trust Securities — IATS – Series A — Additional Securities of the Trust”.

Trust Redemption Right

On December 31, 2008, and on any Distribution Date thereafter, the Trust, at its option, and with Inspector General Approval, and on not less than 30 nor more than 60 days' prior written notice, may redeem any outstanding IATS – Series A in whole or in part, without the consent of the holders, for an amount in cash per IATS – Series A equal to (i) the Early Redemption Price, if the IATS – Series A are redeemed prior to December 31, 2013, and (ii) the Redemption Price, if the IATS – Series A are redeemed on or after December 31, 2013.

Any partial redemption will be carried out by lot or in some other equitable manner as the Trustee determines.

Trust Special Event Redemption Right

Upon the occurrence of a Regulatory Event or a Tax Event, the Trust, at its option, and with Inspector General Approval, and on not less than 30 nor more than 90 days' prior written notice, may redeem at any time, all but not less than all of the IATS – Series A, without the consent of the holders, for an amount in cash per IATS – Series A, equal to (i) the Early Redemption Price, if the IATS – Series A are redeemed prior to December 31, 2013, and (ii) the Redemption Price, if the IATS – Series A are redeemed on or after December 31, 2013.

“Regulatory Event” means (assuming the Inspector General approves the inclusion of the IATS – Series A as Tier 1 capital of Industrial Alliance) the receipt by the Trust or Industrial Alliance of a notice or advice from the Inspector General that the IATS – Series A no longer qualify as eligible Tier 1 capital under the Inspector General's interpretation of the MCCSR.

“Tax Event” means the receipt by Industrial Alliance or the Trust of an opinion of independent counsel of recognized standing in Canada experienced in such matters (who may be counsel to Industrial Alliance or the Trust) to the effect that, as a result of (i) any amendment to, clarification of, or change (including any announced prospective change) in, the laws, or any regulations thereunder, of Canada or any political subdivision or taxing authority thereof or therein, affecting taxation, (ii) any judicial decision, official administrative pronouncement, published or private ruling, regulatory procedure, notice or announcement (including any notice or announcement of an intention to adopt such procedures or regulations) by any legislative body, court, governmental authority or agency or regulatory body having appropriate jurisdiction (collectively, “Administrative Action”), or (iii) any amendment to, clarification of, or change in, the official position or the interpretation of any Administrative Action or any interpretation or pronouncement that provides for a position with respect to such Administrative Action that differs from the previously generally accepted position, in each case, by any legislative body, court, governmental authority or agency or regulatory body, irrespective of the manner in which such amendment, clarification, change, interpretation or pronouncement is made known, which amendment, clarification or change is effective or such interpretation or pronouncement is announced on or after June 26, 2003, there is more than an insubstantial risk that (A) the treatment of any of Industrial Alliance's or the Trust's items of income or expense (including the treatment by Industrial Alliance or the Trust of interest on the IA Series A Debenture or of distributions made on the IATS – Series A or the Special Trust Securities) or treatment of the IA Series A Debenture or other property of the Trust, in each case as reflected in tax returns filed (or to be filed), will be challenged by a taxing authority, and that such challenge could subject Industrial Alliance or the Trust to more than a *de minimis* amount of additional taxes, duties or other governmental charges or civil liabilities or (B) the Trust is, or will be, subject to more than a *de minimis* amount of taxes, duties or other governmental charges or civil liabilities.

Holder Exchange Right

Holders of IATS – Series A will have the right, at any time, on not less than three and not more than 90 days' prior written notice to the Trust and Industrial Alliance to surrender all or part of their IATS – Series A to the Trust at a price, for each IATS – Series A, equal to 40 IA Class A Preferred Shares Series YY. The Trust will have the right, at any time before the exchange is completed, to arrange for a substituted purchaser to purchase IATS – Series A tendered for exchange to the Trust so long as the holder of the IATS – Series A so tendered has not withheld consent to the purchase of its IATS – Series A. If a substituted purchaser is found, the price to be paid to a holder of IATS – Series A so tendered will be not less than 90% of the closing price of such IATS – Series A on the last trading day immediately before the date fixed for purchase and such purchase price is intended to represent a fair equivalent in cash of the Surrender Price. Since the IATS – Series A will not be listed on any public securities

exchange the “closing price” of any IATS - Series A for that trading day will be the average of the last institutional bid price of such IATS – Series A as quoted by two major Canadian investment dealers selected by Industrial Alliance for this purpose.

The IA Class A Preferred Shares Series YY will pay semi-annual non-cumulative cash dividends, as and when declared by the Board of Directors, equal to \$0.450 per share, representing an annual yield of 3.60%.

The Holder Exchange Right will be effected through the conversion by the Trust of the corresponding principal amount of the IA Series A Debenture. The Trust, as holder of the IA Series A Debenture, will have the right at any time to convert all or part of the IA Series A Debenture into the corresponding number of the IA Class A Preferred Shares Series YY. Immediately following that conversion, the Trust will arrange through CDS to credit the accounts of the holders of IATS – Series A exercising the Holder Exchange Right with the requisite number of IA Class A Preferred Shares Series YY and the IATS – Series A surrendered for exchange will be cancelled.

As long as the IATS – Series A are held in the CDS book-entry only system, beneficial owners of IATS – Series A may exercise the Holder Exchange Right by providing instructions to the Participants through whom they hold IATS – Series A. In turn, such Participants will communicate those exchange instructions to the Trustee or the Exchange Trustee, as the case may be, through CDS. Participants may be required to include a declaration on behalf of any beneficial holder of IATS – Series A purporting to exercise the Holder Exchange Right for the purpose of establishing whether any such beneficial holder would as a result of the exercise of the Holder Exchange Right be an Ineligible Person. Where IATS – Series A are not held in the CDS book-entry only system, the Holder Exchange Right may be effected by the registered holder of IATS – Series A depositing with the Trustee or the Exchange Trustee, as the case may be, within the time periods referred to above, certificates representing the IATS – Series A with a duly completed exchange panel in the form contemplated by the Declaration of Trust.

In the case of the exercise of the Holder Exchange Right, the IA Series A Debenture will be cancelled in proportion to the exercise of the Holder Exchange Right.

Upon the exercise of the Holder Exchange Right, the Exchange Trustee and the Trustee reserve the right not to deliver IA Class A Preferred Shares Series YY to any person whose address is in, or whom the Trustee, Industrial Alliance or the Exchange Trustee, as the case may be, has reason to believe is a resident of, any jurisdiction outside Canada, to the extent that such delivery would require the Trust or Industrial Alliance to take any action to comply with securities, insurance or analogous laws of such jurisdiction (an “Ineligible Person”). In such circumstances, the Exchange Trustee and the Trustee will hold the IA Class A Preferred Shares Series YY that would otherwise be delivered to Ineligible Persons, as agent for Ineligible Persons, and the Exchange Trustee or the Trustee, as the case may be, will attempt to sell such IA Class A Preferred Shares Series YY (to parties other than Industrial Alliance and its affiliates) on behalf of such Ineligible Persons. Such sales, if any, will be made at any time and any price. Neither Industrial Alliance, the Trustee nor the Exchange Trustee will be subject to any liability for failing to sell IA Class A Preferred Shares Series YY on behalf of any such Ineligible Persons at any particular price on any particular day. The net proceeds received by the Exchange Trustee or the Trustee from the sale of any IA Class A Preferred Shares Series YY will be divided among the Ineligible Persons in proportion to the number of IA Class A Preferred Shares Series YY that would otherwise have been deliverable to them, after deducting the costs of sale and any applicable withholding taxes. The Exchange Trustee or the Trustee, as the case may be, will make payment of the aggregate net proceeds to CDS (if the IATS – Series A are then held in the book-entry only system) or to the registrar and transfer agent (in all other cases) for distribution to such Ineligible Persons in accordance with the customary practice and procedures of CDS (“CDS Procedures”) or otherwise.

Automatic Exchange

Upon the occurrence of a Loss Absorption Event, each IATS – Series A will be exchanged automatically, without the consent of the holder, for 40 IA Class A Preferred Shares Series ZZ. The IA Class A Preferred Shares Series ZZ will pay semi-annual non-cumulative cash dividends, as and when declared by the Board of Directors, equal to \$0.5625 per share, representing an annual yield of 4.50%.

The Automatic Exchange will be deemed to occur as of 8:00 a.m. (Eastern time) on the date that a Loss Absorption Event occurs. The Automatic Exchange will be effected through the deemed exchange and transfer of

the IA Series A Debenture by the Trust to Industrial Alliance as consideration for the issue of the IA Class A Preferred Shares Series ZZ pursuant to the Declaration of Trust and the Share Exchange Agreement. As of the time of the exchange, each holder of IATS – Series A will be deemed to have exchanged and transferred to the Trust all of such holder’s right, title and interest in and to its IATS – Series A and will cease to be a holder thereof and all rights of such holder as a securityholder of the Trust will cease and such person will therefrom be deemed to be and will be for all purposes a holder of IA Class A Preferred Shares Series ZZ. Upon an Automatic Exchange and the deemed surrender of the IATS – Series A by their holders to the Trust, the Exchange Trustee will arrange through CDS to credit the accounts of the holders of IATS – Series A with the requisite number of IA Class A Preferred Shares Series ZZ in accordance with their respective entitlements. Industrial Alliance will mail notice of the occurrence of the Loss Absorption Event to the Trust within 10 days of such event. If for any reason the Automatic Exchange does not result in the exchange of all IATS – Series A then outstanding for IA Class A Preferred Shares Series ZZ the Trust will redeem each IATS – Series A not so exchanged for 40 IA Class A Preferred Shares Series ZZ. The Trust will have the right, pursuant to the Subscription Right, to have Industrial Alliance issue to the Trust a sufficient number of IA Class A Preferred Shares Series ZZ for that purpose.

Upon an Automatic Exchange, Industrial Alliance reserves the right not to deliver IA Class A Preferred Shares Series ZZ to any Ineligible Person. In such circumstances, the Exchange Trustee will hold all IA Class A Preferred Shares Series ZZ that would otherwise be issued to Ineligible Persons, as their agent, and the Exchange Trustee will attempt to sell such IA Class A Preferred Shares Series ZZ (to parties other than Industrial Alliance and its affiliates) on their behalf. Such sales, if any, will be made at any time and any price. Neither Industrial Alliance, the Trustee nor the Exchange Trustee will be subject to any liability for failing to sell IA Class A Preferred Shares Series ZZ on behalf of any such Ineligible Persons or at any particular price on any particular day. The net proceeds received by the Exchange Trustee from the sale of any IA Class A Preferred Shares Series ZZ will be divided among Ineligible Persons in proportion to the number of IA Class A Preferred Shares Series ZZ that would otherwise have been deliverable to them, after deducting the costs of sale and any applicable withholding taxes. The Exchange Trustee will make payment of the aggregate net proceeds to CDS (if the IATS – Series A are then held in the book-entry only system) or to the registrar and transfer agent (in all other cases) for distribution to such Ineligible Persons in accordance with CDS Procedures or otherwise.

If an Automatic Exchange were to occur and IA Class A Preferred Shares Series ZZ are issued in exchange for IATS – Series A, the cost-effective nature of the consolidated capital raised by Industrial Alliance through the issuance of the IATS – Series A (assuming the Inspector General approves the inclusion of the IATS – Series A as Tier 1 capital of Industrial Alliance) would be lost. Accordingly, it is in the interest of Industrial Alliance to ensure that a Loss Absorption Event does not occur, although the events that could give rise to a Loss Absorption Event may be beyond its control.

Non-Resident Ownership Restrictions

Non-residents of Canada within the meaning of the Tax Act may not own in the aggregate more than 50% of the Trust Securities outstanding at any time. The Trust will not accept any subscription for Industrial Alliance Trust Securities from any person, issue any Industrial Alliance Trust Securities to any person or register or otherwise recognize a transfer of any Industrial Alliance Trust Securities to any person if, after giving effect thereto, more than 50% of the outstanding Trust Securities would be held or beneficially owned, directly or indirectly, by non-residents of Canada. The Declaration of Trust includes provisions to permit the Trust to sell Industrial Alliance Trust Securities, including IATS – Series A, held by such persons, upon notice, in order to remedy any contravention of this restriction.

Extinguishment of Entitlement and Rights of Holders

As of the time of exchange, each holder of IATS – Series A surrendered for exchange or automatically exchanged will cease to be a holder thereof and all rights of such holder as a security holder of the Trust will cease. Such holder after that time will be deemed to be for all purposes and will be for all purposes a holder of IA Class A Preferred Shares Series YY or IA Class A Preferred Shares Series ZZ, as the case may be (unless payment in the form of IA Class A Preferred Shares Series YY or IA Class A Preferred Shares Series ZZ is not made). IATS – Series A surrendered for exchange pursuant to the Holder Exchange Right will be cancelled and will not be reissued.

Purchase for Cancellation

On and after December 31, 2008, the IATS – Series A may be purchased at any time, in whole or in part, by the Trust, at the direction of the holder of the Special Trust Securities. The purchases may be made in the open market or by tender or private contract at any price. Any such purchases will require Inspector General Approval. IATS – Series A purchased by the Trust will be cancelled and will not be reissued.

Rights on Termination of the Trust

As long as any IATS – Series A are outstanding and held by any person other than Industrial Alliance, the Trust may only be terminated with the approval of the holder of the Special Trust Securities and with Inspector General Approval (i) upon the occurrence of a Special Event at any time, or (ii) for any reason on June 30, 2008, or on December 31, 2008, or on the last day of June and December of each year thereafter. The Declaration of Trust provides that holders of IATS – Series A are not entitled to initiate proceedings for the termination of the Trust.

Holders of each series of outstanding Industrial Alliance Trust Securities and holders of each series of outstanding Special Trust Securities will rank *pari passu* in the distribution of the property of the Trust in the event of a termination of the Trust, after the discharge of claims of creditors, if any. The entitlement of the holder of the IATS – Series A on a termination of the Trust will be determined by multiplying the Early Redemption Price (if the termination is as a result of action taken by Industrial Alliance and occurs prior to December 31, 2013), or the Redemption Price (in all other circumstances), in either case, by a fraction, the numerator of which is the value of the Trust Assets to be distributed to holders of Trust Securities and the denominator of which is an amount equal to the sum of (i) the aggregate Early Redemption Prices of all IATS – Series A then outstanding if the termination is as a result of action taken by Industrial Alliance and occurs prior to December 31, 2013, (ii) the aggregate Redemption Prices of all IATS – Series A then outstanding and not provided for under (i) above, and (iii) an amount equal to the aggregate subscription price for all Special Trust Securities then outstanding (such fraction being the “Termination Distribution Ratio”). Should additional series of Industrial Alliance Trust Securities be issued, then the Termination Distribution Ratio will be adjusted to reflect the issuance of such additional Industrial Alliance Trust Securities and to recognize that all outstanding series of Industrial Alliance Trust Securities will rank *pari passu*. The entitlement of Industrial Alliance, as the holder, directly or indirectly, of the Special Trust Securities, will be determined by multiplying Industrial Alliance’s subscription price for all Special Trust Securities then outstanding by the Termination Distribution Ratio.

So long as any IATS – Series A are outstanding and held by any person other than Industrial Alliance, Industrial Alliance will not approve the termination of the Trust unless the Trust has sufficient funds to pay the Early Redemption Price or the Redemption Price, as applicable. See “Description of the Trust Securities — IATS – Series A — Share Exchange Agreement”.

Dividend Stopper Undertaking

If the Trust fails on any Regular Distribution Date to pay the Indicated Yield on the IATS – Series A in full, Industrial Alliance will agree for the benefit of holders of IATS – Series A that Industrial Alliance will not pay dividends on the Dividend Restricted Shares, until the Dividend Payment Resumption Month, unless the Trust first pays such Indicated Yield (or the unpaid portion thereof) to the holders of all outstanding IATS – Series A. Any Indicated Yield (or portion thereof) that the Trust fails to pay to the holders of any outstanding IATS – Series A on a Regular Distribution Date will form part of the Accumulated Unpaid Indicated Yield. It is in the interest of Industrial Alliance to ensure, to the extent within its control, that the Trust pays the Indicated Yield on all outstanding IATS – Series A on each Regular Distribution Date so as to avoid triggering the Dividend Stopper Undertaking.

The following table indicates the relationship among the Dividend Reference Period, the Distribution Period, the Distribution Date and the Dividend Payment Resumption Month.

<u>Dividend Reference Period</u>	<u>Commencement of the Current Distribution Period⁽¹⁾</u>	<u>Distribution Date</u>	<u>Dividend Payment Resumption Month⁽²⁾</u>
Three month period prior to the Closing Date	Closing Date	December 31, 2003	December 2004
September 30, 2003 to December 30, 2003	December 31, 2003	June 30, 2004	June 2005
March 31, 2004 to June 29, 2004	June 30, 2004	December 31, 2004	December 2005

Notes:

- (1) The entitlement of holders of IATS - Series A to the Indicated Yield and the determination of whether a Distribution Date will be a Regular Distribution Date on a Distribution Diversion Date will be determined prior to the commencement of any Distribution Period.
- (2) The Dividend Payment Resumption Month is only relevant if the Trust fails to pay the Indicated Yield in full on the IATS – Series A on any Regular Distribution Date.

Share Exchange Agreement

On closing of the Offering, the Trust, Industrial Alliance and the Exchange Trustee, as trustee for the holders of the IATS – Series A, will enter into a share exchange agreement (the “Share Exchange Agreement”) providing for, among other things:

- (a) the Dividend Stopper Undertaking;
- (b) the grant by Industrial Alliance to the Exchange Trustee, for the benefit of the holders of IATS – Series A, of the right to exchange IATS – Series A for IA Class A Preferred Shares Series ZZ upon an Automatic Exchange and the grant by the Exchange Trustee on behalf of the holders of IATS – Series A to Industrial Alliance of the right to exchange IA Class A Preferred Shares Series ZZ for IATS – Series A upon an Automatic Exchange; and
- (c) the grant by Industrial Alliance to the Exchange Trustee and the Trust of the right to subscribe for IA Class A Preferred Shares Series YY or IA Class A Preferred Shares Series ZZ, as the case may be, in order to enable the Exchange Trustee and the Trust, as the case may be, to satisfy their obligations under the Holder Exchange Right and the Automatic Exchange where the Exchange Trustee or the Trust cannot otherwise satisfy their obligations thereunder (such rights being collectively referred to as the “Subscription Right”).

In addition, pursuant to the provisions of the IA Class A Preferred Shares Series YY and the IA Class A Preferred Shares Series ZZ, holders of such shares will have the right to convert their shares into IA Common Shares (the “IA Common Share Conversion Right”) subject to certain restrictions. See “Description of Share Capital of Industrial Alliance — IA Class A Preferred Shares Series YY and ZZ — Conversion at the Option of the Holder”.

The issuance of IA Class A Preferred Shares Series YY, IA Class A Preferred Shares Series ZZ and IA Common Shares pursuant to these rights is subject to Inspector General Approval and the obtaining of an exemption under applicable securities legislation in certain of the provinces of Canada. Applications for Inspector General Approval and these exemptions have been made by Industrial Alliance. In addition, Industrial Alliance will take all necessary corporate action before the Closing Date to enable them to comply with their obligations in respect of these rights.

The Share Exchange Agreement will also provide that if a Loss Absorption Event occurs resulting in an Automatic Exchange, the IA Series A Debenture will be automatically exchanged and transferred by the Trust to Industrial Alliance as consideration for the issue of the IA Class A Preferred Shares Series ZZ by Industrial Alliance. In this event, the IA Class A Preferred Shares Series ZZ so acquired by the Trust will be transferred by the

Exchange Trustee to the holders of IATS – Series A in accordance with their respective entitlements. In the case of the occurrence of the Automatic Exchange, the IA Series A Debenture will be cancelled upon the issue of the IA Class A Preferred Shares Series ZZ.

Industrial Alliance will also agree in the Share Exchange Agreement to take or refrain from taking certain actions so as to ensure that holders of IATS – Series A will receive the benefit of the Exchange Provisions, including obtaining the requisite approval of holders of the IATS – Series A to any amendment to the provisions of the IA Class A Preferred Shares Series YY and the IA Class A Preferred Shares Series ZZ (other than any amendments relating to the IA Class A Preferred Shares of Industrial Alliance as a class).

The Share Exchange Agreement will also provide that:

- (a) all the outstanding Special Trust Securities will be owned at all times, directly or indirectly, by Industrial Alliance;
- (b) as long as any IATS – Series A are outstanding and held by any person other than Industrial Alliance, Industrial Alliance will not take any action to cause the termination of the Trust except as set forth under “Description of the Trust Securities — IATS – Series A — Rights on Termination of the Trust” and only with Inspector General Approval;
- (c) as long as any IATS – Series A are outstanding and held by any person other than Industrial Alliance, and provided that Industrial Alliance does not have outstanding Public Preferred Shares, Industrial Alliance will not declare or pay Dividends during a Distribution Period on any of the Dividend Restricted Shares unless Industrial Alliance has declared and paid a Dividend on the IA Class A Preferred Shares Series A during the Dividend Reference Period preceding that Distribution Period; and
- (d) Industrial Alliance will not assign or otherwise transfer any of its obligations under the Share Exchange Agreement, except in the case of a merger, amalgamation, reorganization or a sale of substantially all of the assets of Industrial Alliance.

It is in the interest of Industrial Alliance to ensure, to the extent within its control, and while Industrial Alliance does not have Public Preferred Shares outstanding, that Industrial Alliance declares and pays a dividend on the IA Class A Preferred Shares Series A so as to avoid triggering the obligation under clause (c) above .

Capital Reorganizations and Amalgamations

If there is a capital reorganization, merger or amalgamation of Industrial Alliance or a comparable transaction affecting the IA Exchange Class A Preferred Shares, the Declaration of Trust and the Share Exchange Agreement will provide that holders of IATS – Series A will be entitled to receive, pursuant to the Exchange Provisions, after the capital reorganization, merger or amalgamation of Industrial Alliance or comparable transaction affecting the IA Exchange Class A Preferred Shares, the number of IA Exchange Class A Preferred Shares or other securities or consideration of Industrial Alliance or of a corporation resulting, surviving or continuing from the capital reorganization, merger or amalgamation of Industrial Alliance or comparable transaction affecting the IA Exchange Class A Preferred Shares, that such holder would have received had its IATS – Series A been exchanged, pursuant to the Exchange Provisions, for IA Exchange Class A Preferred Shares, immediately prior to the record date of the capital reorganization, merger or amalgamation of Industrial Alliance or comparable transaction affecting the IA Exchange Class A Preferred Shares. Similarly, the terms and conditions of the IA Series A Debenture will provide that the holder of the IA Series A Debenture will be entitled to receive, after the capital reorganization, merger or amalgamation of Industrial Alliance or comparable transaction affecting the IA Class A Preferred Shares Series YY, the number of IA Class A Preferred Shares Series YY or other securities or consideration of Industrial Alliance or of a corporation resulting, surviving or continuing from the capital reorganization, merger or amalgamation of Industrial Alliance or comparable transaction affecting the IA Class A Preferred Shares Series YY that such holder would have received had the IA Series A Debenture been converted into IA Class A Preferred Shares Series YY immediately prior to the record date of the capital reorganization, merger or amalgamation of Industrial Alliance or

comparable transaction affecting the IA Class A Preferred Shares Series YY. The entitlement of the Trust under the Subscription Right will be similarly adjusted.

Additional Securities of the Trust

The Trust may issue, at any time and from time to time, additional Special Trust Securities of any series or Industrial Alliance Trust Securities of another series without the authorization of holders of IATS – Series A. If the Trust issues additional series of Industrial Alliance Trust Securities, the rights, privileges, restrictions and conditions attached to those additional series may vary materially from those of the IATS – Series A. If the Trust issues such securities, the rights of the holders of IATS – Series A to receive the Indicated Yield from the Net Distributable Funds of the Trust on any Regular Distribution Date and the right of the holders of IATS – Series A to receive property of the Trust on termination of the Trust will rank at least *pari passu* with the rights of the holders of Industrial Alliance Trust Securities of one or more other series.

Trust Assets

The principal asset of the Trust will consist initially of the IA Series A Debenture, which will mature on December 31, 2053. If any IATS – Series A remain outstanding as of the date of maturity of the IA Series A Debenture, the Trust will invest the proceeds received on repayment of the IA Series A Debenture in Eligible Investments acquired from Industrial Alliance. Accordingly, the IA Series A Debenture will not be repaid with or converted into or exchanged for debt of Industrial Alliance or of any person related to Industrial Alliance within the meaning of the Tax Act and, following the maturity of the IA Series A Debenture, the proceeds of the repayment of the IA Series A Debenture will not be invested in debt of Industrial Alliance or of any person related to Industrial Alliance within the meaning of the Tax Act. Each of the Trust and Industrial Alliance have agreed, subject to Inspector General Approval, to enter into agreements by which the assets in which the Trust may invest such proceeds after December 31, 2053 will be held by the Trust for the purpose of meeting its obligations to the holders of any Industrial Alliance Trust Securities outstanding at that time.

Book-Entry Only Form

Except as otherwise provided below, the IATS – Series A will be issued in “book-entry only” form and must be purchased or transferred through Participants in the depository service of CDS. Participants include securities brokers and dealers, banks and trust companies. On the Closing Date, the Trust will arrange for a global certificate representing the IATS – Series A to be delivered to, and registered in the name of, CDS. Except as described below, no holder of IATS – Series A will be entitled to a certificate or other instrument from the Trust or CDS evidencing that holder’s ownership thereof, and no holder will be shown on the records maintained by CDS except through a book-entry account of a Participant acting on behalf of such holder. Each holder of IATS – Series A will receive a customer confirmation of purchase from the registered dealer from which the IATS – Series A are purchased in accordance with the practices and procedures of that registered dealer. The practices of registered dealers may vary, but generally customer confirmations are issued promptly after execution of a customer order.

CDS will be responsible for establishing and maintaining book-entry accounts for its Participants having interests in the IATS – Series A. If (i) the book-entry only system ceases to exist, (ii) the Trust determines that CDS is no longer willing or able to discharge properly its responsibilities as depository with respect to the IATS – Series A and the Trust is unable to locate a qualified successor, or (iii) the Trust at its option elects, or is required by applicable law or the rules of any securities exchange, to withdraw the IATS – Series A from the book-entry only system, then physical certificates representing the IATS – Series A will be issued to holders thereof or their nominees.

None of Industrial Alliance, the Trust, the Trustee, the Exchange Trustee or the Underwriters will assume any liability for (i) any aspect of the records relating to the beneficial ownership of the IATS – Series A held by CDS or the payments or deliveries relating thereto, (ii) maintaining, supervising or reviewing any records relating to the IATS – Series A, or (iii) any advice or representation made by or with respect to CDS relating to the rules governing CDS or any action to be taken by CDS or at the direction of Participants. The rules governing CDS provide that it acts as the agent and depository for the Participants. As a result, Participants must look solely to CDS, and persons,

other than Participants having an interest in the IATS – Series A, must look solely to Participants, for payments or deliveries made by or on behalf of the Trust or Industrial Alliance to CDS in respect of the IATS – Series A.

Transfers

Transfers of ownership of IATS – Series A will be effected only through records maintained by CDS for such IATS – Series A with respect to interests of Participants and on the records of Participants with respect to interests of persons other than Participants. Holders of IATS – Series A who are not Participants, but who desire to purchase, sell or otherwise transfer ownership of or other interests in the IATS – Series A, may do so only through Participants. The ability of a holder to pledge IATS – Series A or otherwise take action with respect to such holder's interest in IATS – Series A (other than through a Participant) may be limited due to the lack of a physical certificate. See "Risk Factors — Risk Factors Specifically Associated with the IATS – Series A— Liquidity of and Dealings in IATS – Series A".

Payments and Deliveries

The Trust will make, or cause to be made, payments of the Indicated Yield in respect of IATS – Series A to CDS as the registered holder of the IATS – Series A. The Trust understands that the payments will be forwarded by CDS to Participants in accordance with CDS Procedures. Deliveries of IA Class A Preferred Shares Series YY in respect of the exercise of the Holder Exchange Right or deliveries of IA Class A Preferred Shares Series ZZ upon an Automatic Exchange will be made by or on behalf of the Trust, Industrial Alliance and the Exchange Trustee, as applicable, to CDS as the registered holder of the IATS – Series A and the Trust, the Trustee, Industrial Alliance and the Exchange Trustee, as applicable, understand that such shares will be forwarded by CDS to Participants in accordance with CDS Procedures. As long as CDS is the registered owner of the IATS – Series A, CDS will be considered the sole owner of the IATS – Series A for the purposes of receiving payments on the IATS – Series A, including payment of the Indicated Yield and the Early Redemption Price or Redemption Price on a redemption of the IATS – Series A by the Trust, or the delivery of the IA Class A Preferred Shares Series YY and the IA Class A Preferred Shares Series ZZ upon the exercise or operation of the Exchange Provisions. As long as the IATS – Series A are held in the CDS book-entry only system, the responsibility and liability of the Trustee, Industrial Alliance and/or the Exchange Trustee in respect of the IATS – Series A is limited to making payment of any amount due on the IATS – Series A and/or making delivery of the IA Class A Preferred Shares Series YY and the IA Class A Preferred Shares Series ZZ in respect thereof to CDS or its nominee, as registered holder of the IATS – Series A.

Special Trust Securities

Voting Rights

The Declaration of Trust will provide that the Special Trust Securities are voting. The holder of Special Trust Securities will be entitled to vote in respect of, among other things (i) the termination of the Trust, as set forth under "Description of the Trust Securities — IATS – Series A — Rights on Termination of the Trust", (ii) the removal and replacement of the Trustee, and (iii) the removal and replacement of the Administrative Agent.

Distributions

On any Regular Distribution Date, the holder of the Special Trust Securities will be entitled to receive the Net Distributable Funds, if any, of the Trust remaining after payment of the Indicated Yield on the Industrial Alliance Trust Securities. On a Distribution Date that is a Distribution Diversion Date, the holder of the Special Trust Securities will be entitled to receive the Net Distributable Funds, if any, of the Trust and payment of the Indicated Yield will not be made on the IATS – Series A. On a IA Series A Debenture Interest Payment Date that is also a Distribution Diversion Date, the interest then due and payable on the IA Series A Debenture will be paid to the Trust, which will then distribute such amount to the holder of the Special Trust Securities to the extent of the Net Distributable Funds.

Redemption and Repurchase

The Trust, with the consent of the holder of the Special Trust Securities, may redeem all or part of the Special Trust Securities at any time, but will not redeem all unless there are no Industrial Alliance Trust Securities outstanding and held by any person other than Industrial Alliance. In addition, Industrial Alliance may require the Trust to repurchase at any time all, or from time to time part, of the Special Trust Securities, but Industrial Alliance may not require the Trust to repurchase all of the Special Trust Securities unless there are no Industrial Alliance Trust Securities outstanding and held by any person other than Industrial Alliance. Any such redemption or repurchase will require Inspector General Approval.

Rights on Termination of the Trust

In the event of a termination of the Trust, after the discharge of the obligations of the Trust to creditors, the holder of the Special Trust Securities will be entitled to participate, *pari passu* with the holders of each series of Industrial Alliance Trust Securities, in the distribution of the remaining property of the Trust. On a termination of the Trust, the holder of the Special Trust Securities will be entitled to receive an amount equal to the subscription price of the Special Trust Securities then outstanding multiplied by the Termination Distribution Ratio.

DESCRIPTION OF SHARE CAPITAL OF INDUSTRIAL ALLIANCE

The share capital of Industrial Alliance consists of (a) an unlimited number of class A preferred shares without nominal or par value, issuable in series (the "IA Class A Preferred Shares"), (b) 10,000,000 preferred shares with a nominal or par value of \$25 per share, issuable in series (the "IA Preferred Shares"), and (c) an unlimited number of common shares without nominal or par value (the "IA Common Shares"). As of June 25, 2003, 39,237,362 IA Common Shares and 750,000 IA Preferred Shares, Series 1 (the "IA Preferred Shares Series 1") were issued and outstanding. In addition, as of June 13, 2003, 3,000,000 IA Preferred Shares, Series 2 (the "IA Preferred Shares Series 2") and 3,000,000 IA Preferred Shares, Series 3 (the "IA Preferred Shares Series 3") of Industrial Alliance were created and reserved for issuance upon the respective conversion of the IA Preferred Shares Series 1 and the IA Preferred Shares Series 2. On or before the Closing Date, Industrial Alliance will issue 4,000 IA Class A Preferred Shares Series A for a total consideration of \$100,000 (or \$25 per share).

The following is a summary of certain rights, privileges, restrictions and conditions attaching to the IA Class A Preferred Shares, the IA Class A Preferred Shares Series A, the IA Class A Preferred Shares Series YY, the IA Class A Preferred Shares Series ZZ, the IA Preferred Shares, the IA Preferred Shares Series 1, the IA Preferred Shares Series 2, the IA Preferred Shares Series 3 and the IA Common Shares. This summary is qualified in its entirety by the articles of Industrial Alliance.

IA Class A Preferred Shares

Board of Directors' Authority to Issue in One or More Series

The Board of Directors may issue the IA Class A Preferred Shares in one or more series. Before any shares of a series are issued, the Board of Directors will fix the number of shares that will form the series and, subject to any limitations set out in the articles of Industrial Alliance, the designation of the IA Class A Preferred Shares of the series, as well as the rights, privileges, restrictions and conditions attaching thereto. Before the issue of any shares of a series, the Board of Directors will amend the articles so as to include therein the number and designation as well as the rights, privileges, restrictions and conditions of the series created by the Board of Directors.

Ranking of the IA Class A Preferred Shares

No rights, privileges, restrictions or conditions attached to a series of IA Class A Preferred Shares confer on the series a priority in respect of dividends or return of capital over any other series of IA Class A Preferred Shares.

With respect to priority in the payment of dividends and in the distribution of assets in the event of the liquidation or dissolution of Industrial Alliance, whether voluntary or involuntary, or any other distribution of the

assets of Industrial Alliance among its participating policyholders and shareholders for the specific purpose of winding up its affairs, the IA Class A Preferred Shares: (a) rank equally with the IA Preferred Shares; and (b) are entitled to a preference over the IA Common Shares and any other shares ranking junior to the IA Class A Preferred Shares.

If any cumulative dividends, whether or not declared, or declared non-cumulative dividends or amounts payable on return of capital are not paid in full in respect of any series of IA Class A Preferred Shares, then the IA Class A Preferred Shares of all series participate rateably in respect of such dividends in accordance with the sums that would be payable on such shares if all such dividends were declared and paid in full, and in respect of such return of capital in accordance with the sums that would be payable on such return of capital if all sums so payable were paid in full; provided, however, that if there are insufficient assets to satisfy in full all such claims as aforesaid, then the claims of the holders of the IA Class A Preferred Shares with respect to return of capital will be paid and satisfied first and any assets remaining thereafter will be applied towards the payment and satisfaction of claims in respect of dividends. The IA Class A Preferred Shares of any series may also be given such other preferences not inconsistent with the rights, privileges, restrictions and conditions attached to the IA Class A Preferred Shares as a class over the IA Common Shares and any other shares ranking junior to the IA Class A Preferred Shares as may be determined in the case of such series of IA Class A Preferred Shares.

Voting Rights

Except as referred to below or as required by law or as specified in the rights, privileges, restrictions and conditions attached from time to time to any series of IA Class A Preferred Shares, the holders of the IA Class A Preferred Shares as a class are not entitled as such to receive notice of, to attend or to vote at any meeting of the shareholders or participating policyholders of Industrial Alliance.

Amendment with Approval of the Holders of IA Class A Preferred Shares

The rights, privileges, restrictions and conditions attached to the IA Class A Preferred Shares as a class may be changed or removed but only with the approval of the holders of the IA Class A Preferred Shares given as specified below.

Approval of the Holders of the IA Class A Preferred Shares

The approval of the holders of the IA Class A Preferred Shares to change or remove any right, privilege, restriction or condition attaching to the IA Class A Preferred Shares as a class or in respect of any other matter requiring the consent of the holders of the IA Class A Preferred Shares may be given in such manner as may then be required by law, subject to the requirement that such approval be given by resolution passed by the affirmative vote of at least two-thirds (2/3) of the votes cast at a meeting of the holders of the IA Class A Preferred Shares duly called for that purpose at which the holders of at least one-fourth (1/4) of the outstanding IA Class A Preferred Shares are present in person or represented by proxy. If at any such meeting, the holders of at least one-fourth (1/4) of the outstanding IA Class A Preferred Shares are not present in person or represented by proxy within 30 minutes after the time appointed for the meeting, then the meeting will be adjourned to such date not less than 15 days thereafter and to such time and place as may be appointed by the chairman of the meeting. A notice of not less than seven days will be given of the adjourned meeting. At such adjourned meeting the holders of the IA Class A Preferred Shares present or represented by proxy may transact the business for which the meeting was originally called and a resolution passed thereat by not less than two-thirds (2/3) of the votes cast constitutes the approval of the holders of the IA Class A Preferred Shares referred to above.

The formalities to be observed with respect to the giving of notice of any such meeting or any adjourned meeting and the conduct thereof are those from time to time prescribed by the by-laws of Industrial Alliance or the resolutions passed by the Board of Directors with respect to meetings of shareholders or as required by law. On every poll taken at every meeting of the holders of the IA Class A Preferred Shares as a class, or at any joint meeting of the holders of two or more series of IA Class A Preferred Shares, each holder of IA Class A Preferred Shares entitled to vote thereat has one vote in respect of each IA Class A Preferred Share held.

IA Class A Preferred Shares Series A

Dividends

Holders of IA Class A Preferred Shares Series A will be entitled to receive semi-annual non-cumulative preferential cash dividends, as and when declared by the Board of Directors and subject to the provisions of the Insurance Act, equal to \$0.5625 per share (representing an annual yield of 4.50%), payable on the last day of June and December in each year (each, a "Dividend Payment Date"). If the Board of Directors does not declare the dividends, or any part thereof, on the IA Class A Preferred Shares Series A on or before the Dividend Payment Date for a particular semi-annual period, the rights of the holders of the IA Class A Shares Series A to receive such dividends, or any part thereof, for such semi-annual period will be extinguished.

Redemption

The IA Class A Preferred Shares Series A will not be redeemable prior to December 31, 2008. On and after that date, but subject to the provisions of the Insurance Act, the Inspector General Approval and the provisions described below under "Restrictions on Dividends and Retirement of Shares", Industrial Alliance may redeem at any time all, or from time to time any part, of the outstanding IA Class A Preferred Shares Series A, without the consent of the holders, by the payment of \$25 together with any declared and unpaid dividends on IA Class A Preferred Shares Series A, as applicable, to the date of the redemption.

Written notice of any redemption will be given by Industrial Alliance at least 30 days and not more than 60 days prior to the date fixed for redemption. If less than all the outstanding IA Class A Preferred Shares Series A are at any time to be redeemed, the shares to be redeemed will be selected by lot (in single shares or in units of 10 shares or less) or in such other manner as the Board of Directors may determine.

Purchase for Cancellation

On and after December 31, 2008, but subject to the provisions of the Insurance Act, Inspector General Approval and the provisions described below under "Restrictions on Dividends and Retirement of Shares", Industrial Alliance may at any time purchase for cancellation any IA Class A Preferred Shares Series A in the open market or by tender or private contract at any price.

Presentation for Redemption or Sale

A redemption or sale by a holder of the IA Class A Preferred Shares Series A will be effected by the holder transferring its IA Class A Preferred Shares Series A to be redeemed or sold, as the case may be, by depositing with the transfer agent for the IA Class A Preferred Shares Series A, at one of its principal offices, certificates representing such IA Class A Preferred Shares Series A, (or, if the Class A Preferred Shares Series A are then issued in book-entry only form, by transferring the IA Class A Preferred Shares Series A to the account of Industrial Alliance or other designated affiliate of Industrial Alliance in CDS).

Rights on Liquidation

In the event of the liquidation, dissolution or winding-up of Industrial Alliance, the holders of the IA Class A Preferred Shares Series A will be entitled to receive \$25 per share, together with any declared and unpaid dividends to the date of payment, before any amount will be paid or any assets of Industrial Alliance distributed to the holders of the IA Common Shares or any shares ranking junior to the IA Class A Preferred Shares. The holders of the IA Class A Preferred Shares Series A will not be entitled to share in any further distribution of the property or assets of Industrial Alliance.

Restrictions on Dividends and Retirement of Shares

So long as any series of the IA Class A Preferred Shares Series A are outstanding, Industrial Alliance will not at any time, without the approval of the holders of the IA Class A Preferred Shares Series A given as specified below under “Shareholder Approvals”:

- (a) declare any dividend on the IA Common Shares or any other shares ranking junior to the IA Class A Preferred Shares Series A (other than stock dividends payable in the form of shares ranking junior to the IA Class A Preferred Shares Series A);
- (b) redeem, purchase or otherwise retire any IA Common Shares or any other shares ranking junior to the IA Class A Preferred Shares Series A (except out of the net cash proceeds of a substantially concurrent issue of shares ranking junior to the IA Class A Preferred Shares Series A);
- (c) redeem, purchase or otherwise retire less than all the IA Class A Preferred Shares Series A; or
- (d) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching to any series of IA Class A Preferred Shares or IA Preferred Shares, redeem, purchase or otherwise retire any other shares ranking on a parity with the IA Class A Preferred Shares Series A;

unless, in each case, all dividends on the IA Class A Preferred Shares Series A up to and including those payable on the Dividend Payment Date for the last completed period for which dividends are payable and in respect of which the rights of holders have not been extinguished, and all dividends then accrued on all other shares ranking senior to or on a parity with the IA Class A Preferred Shares Series A up to the immediately preceding respective date or dates for payment and in respect of which the right of the holders thereof have not been extinguished, have been declared and paid or set apart for payment.

Issue of Additional Series of IA Class A Preferred Shares

Industrial Alliance may issue other series of IA Class A Preferred Shares without the authorization of the holders of the IA Class A Preferred Shares Series A.

Amendments

Industrial Alliance will not, without the approval of the holders of the IA Class A Preferred Shares Series A then outstanding given as described below under “Shareholder Approvals”, delete or vary any rights, privileges, restrictions and conditions attaching to the IA Class A Preferred Shares Series A.

Shareholder Approvals

The approval of any amendments to the rights, privileges, restrictions and conditions attaching to the IA Class A Preferred Shares Series A may be given by a resolution carried by the affirmative vote of not less than $66\frac{2}{3}\%$ of the votes cast at a meeting of holders of IA Class A Preferred Shares Series A at which at least 25% of the outstanding IA Class A Preferred Shares Series A, is represented or, if no quorum is present at that meeting, at a meeting following such adjourned meeting at which no quorum requirement would apply.

Voting Rights

Subject to applicable law, the holders of the IA Class A Preferred Shares Series A as such will not be entitled to receive notice of or to attend or to vote at any meeting of the shareholders or policyholders of Industrial Alliance, unless and until the first time at which the Board of Directors has not declared the whole dividend on any of the IA Class A Preferred Shares Series A in any semi-annual period. In that event, the holders of the IA Class A Preferred Shares Series A will be entitled to receive notice of and to attend only meetings of shareholders at which directors are to be elected and will be entitled to elect one director at such meeting and, for that purpose, will have one vote for each IA Class A Preferred Share Series A held. The voting rights of the holders of the IA Class A Preferred

Shares Series A will cease upon payment by Industrial Alliance of the first dividend on the IA Class A Preferred Shares Series A to which the holders are entitled after the time such voting rights first arose. The voting rights will thereafter become effective from time to time in accordance with these provisions.

IA Class A Preferred Shares Series YY and ZZ

Dividends

Holders of IA Class A Preferred Shares Series YY will be entitled to receive semi-annual non-cumulative preferential cash dividends, as and when declared by the Board of Directors and subject to the provisions of the Insurance Act, equal to \$0.450 per share (representing an annual yield of 3.60%), payable on each Dividend Payment Date. Holders of IA Class A Preferred Shares Series ZZ will be entitled to receive semi-annual non-cumulative preferential cash dividends, as and when declared by the Board of Directors and subject to the provisions of the Insurance Act, equal to \$0.5625 per share (representing an annual yield of 4.50%), payable on each Dividend Payment Date. If the Board of Directors does not declare the dividends, or any part thereof, on the IA Exchange Class A Preferred Shares on or before the Dividend Payment Date for a particular semi-annual period, the rights of the holders of the IA Exchange Class A Preferred Shares to receive such dividends, or any part thereof, for such semi-annual period will be extinguished.

Redemption

The IA Exchange Class A Preferred Shares will not be redeemable prior to December 31, 2008. On and after that date, but subject to the provisions of the Insurance Act, the Inspector General Approval and the provisions described below under “Restrictions on Dividends and Retirement of Shares”, Industrial Alliance may redeem at any time all, or from time to time any part, of the outstanding IA Exchange Class A Preferred Shares, without the consent of the holders (the “IA Class A Preferred Share Redemption Right”), by either:

- (a) the payment of \$25 together with any declared and unpaid dividends on IA Exchange Class A Preferred Shares, as applicable, to the date of the redemption (the “Cash Redemption Price”); or
- (b) subject to the approval of any applicable regulatory authority, including any applicable stock exchange, the delivery of that number of fully-paid and freely tradable IA Common Shares listed on a recognized stock exchange in Canada for each such IA Exchange Class A Preferred Share so redeemed determined by dividing the Cash Redemption Price by the Common Share Conversion Rate.

Fractional IA Common Shares will not be issued on any redemption of the IA Exchange Class A Preferred Shares, but instead, Industrial Alliance will make cash payments equal to the balance of the Cash Redemption Price not otherwise satisfied by the delivery of IA Common Shares.

Written notice of any redemption will be given by Industrial Alliance at least 30 days and not more than 60 days prior to the date fixed for redemption. If less than all the outstanding IA Exchange Class A Preferred Shares are at any time to be redeemed, the shares to be redeemed will be selected by lot (in single shares or in units of 10 shares or less) or in such other manner as the Board of Directors may determine. See also “Conversion at the Option of the Holder”.

On a redemption of IA Exchange Class A Preferred Shares payable in IA Common Shares, Industrial Alliance reserves the right not to deliver IA Common Shares to any Ineligible Person or a person who, as a result, would become a Significant Shareholder.

“Significant Shareholder” means any person who beneficially owns directly, or indirectly through entities controlled by such person or persons associated with or acting jointly or in concert with such person, voting shares of any class of Industrial Alliance representing 10% or more of the total number of outstanding shares of that class.

Conversion at the Option of the Holder

Holders of the IA Exchange Class A Preferred Shares will be entitled to convert their IA Exchange Class A Preferred Shares with Industrial Alliance for IA Common Shares in the following manner.

On any applicable Conversion Date, and provided that any Loss Absorption Event that has occurred is not then continuing, each IA Exchange Class A Preferred Share will be convertible, at the option of the holder on not more than 90 and not less than 60 days' prior written notice before the date fixed for conversion (which notice will be irrevocable), into that number of fully-paid and freely tradable IA Common Shares determined by dividing the Cash Conversion Price by the Common Share Conversion Rate. Fractional IA Common Shares will not be issued on any conversion of the IA Exchange Class A Preferred Shares but, instead, Industrial Alliance or an affiliate will make cash payments equal to the balance of the Cash Conversion Price not otherwise satisfied by the delivery of IA Common Shares.

If a Loss Absorption Event has occurred and is continuing, on and after June 30, 2014, the right of holders of the IA Exchange Class A Preferred Shares to submit notice to Industrial Alliance of their intention to convert such shares into IA Common Shares will be suspended until the Loss Absorption Event is no longer continuing and conversion notices may thereafter only be submitted in respect of Conversion Dates occurring after the cessation of the Loss Absorption Event, in accordance with the timing provisions referred to above. All notices of conversion delivered prior to the occurrence of the Loss Absorption Event in respect of any Conversion Date falling after such occurrence will be null and void. Industrial Alliance will issue press releases notifying holders of the IA Exchange Class A Preferred Shares as to the occurrence and cessation of any event giving rise to a suspension of the conversion right attached to the IA Exchange Class A Preferred Shares. Any holder of the IA Exchange Class A Preferred Shares that has submitted a conversion notice rendered null and void by the foregoing events will be required to submit a further conversion notice in order to subsequently convert its shares.

The terms of the IA Class A Preferred Shares Series YY provide that a holder of IATS – Series A exercising the Holder Exchange Right with an effective Conversion Date on or after June 30, 2014, who wishes to immediately convert the IA Class A Preferred Shares Series YY to be so received into IA Common Shares may do so, provided that any Loss Absorption Event that has occurred is not then continuing, by completing the conversion instructions contained in the conversion panel of the IATS – Series A. In such circumstances, the conversion instructions so completed will be deemed to constitute a valid conversion notice pursuant to the terms of IA Class A Preferred Shares Series YY with the result that, upon the first Conversion Date on or after issuance and delivery of the IA Class A Preferred Shares Series YY pursuant to the Holder Exchange Right, such shares will be immediately converted into IA Common Shares provided that any Loss Absorption Event that has occurred is not then continuing. Accordingly, in that case, on the first Conversion Date on or after the effective date of conversion pursuant to the Holder Exchange Right, the holder will receive IA Common Shares if so elected. Fractional IA Common Shares will not be issued on any conversion of IA Class A Preferred Shares Series YY, but instead, Industrial Alliance or an affiliate will make cash payments equal to the balance of the Cash Conversion Price not otherwise satisfied by the delivery of IA Common Shares.

Subject to the provisions of the Insurance Act, Inspector General Approval and the provisions described below under "Restrictions on Dividends and Retirement of Shares", as applicable, by prior written notice, given not later than 40 days before the date fixed for conversion to all holders who have given a conversion notice, Industrial Alliance may either (i) redeem for cash on the Business Day after the date fixed for exchange all but not less than all of the IA Exchange Class A Preferred Shares forming the subject matter of the applicable conversion notice, or (ii) cause the holder of such IA Exchange Class A Preferred Shares to sell on the Business Day after the date fixed for conversion such IA Exchange Class A Preferred Shares to another purchaser or purchasers, if a purchaser or purchasers willing to purchase all but not less than all of such IA Exchange Class A Preferred Shares is or are found. Any such redemption or purchase will be made by the payment of an amount in cash equal to the Cash Redemption Price. In such event, the IA Exchange Class A Preferred Shares to be so redeemed or purchased will not be converted on the date set forth in the conversion notice.

Upon exercise by a holder of the IA Common Share Conversion Right, Industrial Alliance reserves the right not to issue IA Common Shares to any Ineligible Person or a person who, as a result, would become a Significant Shareholder.

Purchase for Cancellation

On and after December 31, 2008, but subject to the provisions of the Insurance Act, Inspector General Approval and the provisions described below under “Restrictions on Dividends and Retirement of Shares”, Industrial Alliance may at any time purchase for cancellation any IA Exchange Class A Preferred Shares in the open market or by tender or private contract at any price.

Presentation for Exchange, Redemption, Conversion or Sale

An exchange, redemption, conversion or sale by a holder of the IA Exchange Class A Preferred Shares will be effected by the holder transferring its IA Exchange Class A Preferred Shares to be exchanged, redeemed, converted or sold, as the case may be, to the account of Industrial Alliance or other designated affiliate of Industrial Alliance in CDS (or, if the IA Exchange Class A Preferred Shares are not then issued in book-entry only form, by depositing with the transfer agent for the IA Exchange Class A Preferred Shares, at one of its principal offices, certificates representing such IA Exchange Class A Preferred Shares).

Rights on Liquidation

In the event of the liquidation, dissolution or winding-up of Industrial Alliance, the holders of the IA Exchange Class A Preferred Shares will be entitled to receive \$25 per share, together with any declared and unpaid dividends to the date of payment, before any amount will be paid or any assets of Industrial Alliance distributed to the holders of the IA Common Shares or any shares ranking junior to the IA Exchange Class A Preferred Shares. The holders of the IA Exchange Class A Preferred Shares will not be entitled to share in any further distribution of the property or assets of Industrial Alliance.

Restrictions on Dividends and Retirement of Shares

So long as any series of the IA Exchange Class A Preferred Shares are outstanding, Industrial Alliance will not at any time, without the approval of the holders of such series of the IA Exchange Class A Preferred Shares given as specified below under “Shareholder Approvals”:

- (a) declare any dividend on the IA Common Shares or any other shares ranking junior to the series of the IA Exchange Class A Preferred Shares (other than stock dividends payable in the form of shares ranking junior to the series of the IA Exchange Class A Preferred Shares);
- (b) redeem, purchase or otherwise retire any IA Common Shares or any other shares ranking junior to the series of the IA Exchange Class A Preferred Shares (except out of the net cash proceeds of a substantially concurrent issue of shares ranking junior to the series of the IA Exchange Class A Preferred Shares);
- (c) redeem, purchase or otherwise retire less than all the series of the IA Exchange Class A Preferred Shares;
or
- (d) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching to any series of IA Class A Preferred Shares or IA Preferred Shares, redeem, purchase or otherwise retire any other shares ranking on a parity with the series of the IA Exchange Class A Preferred Shares;

unless, in each case, all dividends on the series of the IA Exchange Class A Preferred Shares up to and including those payable on the Dividend Payment Date for the last completed period for which dividends are payable and in respect of which the rights of holders have not been extinguished, and all dividends then accrued on all other shares ranking senior to or on a parity with the series of the IA Exchange Class A Preferred Shares up to the immediately preceding respective date or dates for payment and in respect of which the right of the holders thereof have not been extinguished, have been declared and paid or set apart for payment.

Issue of Additional Series of IA Class A Preferred Shares

Industrial Alliance may issue other series of IA Class A Preferred Shares without the authorization of the holders of the IA Exchange Class A Preferred Shares.

Amendments

Industrial Alliance will not, without the approval of the holders of the IA Exchange Class A Preferred Shares and any holders of IATS – Series A then outstanding given as described below under “Shareholder Approvals”, delete or vary any rights, privileges, restrictions and conditions attaching to the IA Exchange Class A Preferred Shares. In addition to this approval, Industrial Alliance will not without, but may from time to time with, Inspector General Approval, make any such deletion or variation which might affect the classification afforded the IA Exchange Class A Preferred Shares from time to time for capital adequacy requirements pursuant to the Insurance Act or the MCCSR.

Shareholder Approvals

The approval of any amendments to the rights, privileges, restrictions and conditions attaching to any series of the IA Exchange Class A Preferred Shares or all series of the IA Exchange Class A Preferred Shares, respectively, may be given by a resolution carried by the affirmative vote of not less than $66\frac{2}{3}\%$ of the votes cast at a meeting of holders of such series of the IA Exchange Class A Preferred Shares or all series of the IA Exchange Class A Preferred Shares, respectively, at which at least 25% of the outstanding shares of the series or all series, respectively, is represented or, if no quorum is present at that meeting, at a meeting following such adjourned meeting at which no quorum requirement would apply. Pursuant to the Share Exchange Agreement, Industrial Alliance will agree that, for as long as the IATS – Series A remain outstanding, no amendment will be made to the rights, privileges, restrictions and conditions of the IA Exchange Class A Preferred Shares (other than any amendments relating to the IA Exchange Class A Preferred Shares as a class) without the prior approval of $66\frac{2}{3}\%$ of the holders of the IATS – Series A.

Voting Rights

Subject to applicable law, the holders of the IA Exchange Class A Preferred Shares as such will not be entitled to receive notice of or to attend or to vote at any meeting of the shareholders or policyholders of Industrial Alliance, unless and until the first time at which the Board of Directors has not declared the whole dividend on any of the IA Exchange Preferred Shares in any semi-annual period. In that event, the holders of the IA Exchange Class A Preferred Shares will be entitled to receive notice of and to attend only meetings of shareholders at which directors are to be elected and will be entitled to elect one director at such meeting and, for that purpose, will have one vote for each IA Exchange Class A Preferred Share held. The voting rights of the holders of the IA Exchange Class A Preferred Shares will cease upon payment by Industrial Alliance of the first dividend on the IA Exchange Class A Preferred Shares to which the holders are entitled after the time such voting rights first arose. The voting rights will thereafter become effective from time to time in accordance with these provisions.

Capital Reorganizations and Amalgamations

If there is a capital reorganization, merger or amalgamation of Industrial Alliance, the Share Exchange Agreement and the provisions of the IA Exchange Class A Preferred Shares will provide that holders of the IA Exchange Class A Preferred Shares will be entitled to receive, pursuant to the Common Share Exchange Right, after the capital reorganization, merger or amalgamation, the number of IA Common Shares or consideration of Industrial Alliance or of a corporation resulting, surviving or continuing from the capital reorganization, merger or amalgamation that such holder would have received had its IA Exchange Class A Preferred Shares been exchanged, pursuant to the IA Common Share Conversion Right, for IA Common Shares immediately prior to the record date of the capital reorganization, merger or amalgamation.

Book-Entry Only Form

Unless Industrial Alliance elects otherwise, the IA Exchange Class A Preferred Shares will be issued in “book-entry only” form, and may be purchased, held and transferred in substantially the same manner as the IATS – Series A. See “Description of the Trust Securities — IATS – Series A — Book-Entry Only Form”.

Listing

Pursuant to the Share Exchange Agreement, Industrial Alliance will undertake to list on the TSX any IA Exchange Class A Preferred Shares issued upon the exercise of the Holder Exchange Right or the occurrence of an Automatic Exchange.

IA Preferred Shares

Board of Directors’ Authority to Issue one or more Series

The IA Preferred Shares may, at any time and from time to time, be issued in one or more series, each series being comprised of the number of IA Preferred Shares which will be determined before the issuance by the Board of Directors. Subject to the following provisions, which apply to all series of IA Preferred Shares, the Board of Directors has the power to determine by simple resolution and without other prior approval by the holders of IA Common Shares, IA Preferred Shares or Class A Preferred Shares, the number and the designation of the IA Preferred Shares of each series as well as the rights, privileges, restrictions and conditions attached to the IA Preferred Shares of each series, including, without limiting the foregoing, the rate or the amount or the method of calculation and the method of payment of dividends, cumulative or non-cumulative, the conditions and the method of redemption or purchase, the conversion or exchange privileges, if any, and the terms of such privileges, however before issuing any IA Preferred Shares of a particular series, the Board of Directors will amend the articles so as to describe therein, as the case may be, the number and the designation as well as the rights, privileges, conditions and restrictions determined for such series.

Dividends

During each of Industrial Alliance’s fiscal years, registered holders of IA Preferred Shares are entitled to receive cumulative or non-cumulative preferential dividends, when and if declared by the Board of Directors, payable at the times, at the rates or the amounts and at the location or locations to be determined by the Board of Directors for each series before any IA Preferred Shares of that series are issued.

No dividends may be declared and paid or set aside for payment at any time whatsoever during any of Industrial Alliance’s fiscal years on or with respect to any other share in its share capital ranking junior to the IA Preferred Shares unless all the dividends accrued on all the IA Preferred Shares of the cumulative series have been declared and paid or set aside for payment and unless all the dividends declared on all the IA Preferred Shares of the non-cumulative series have been paid or set aside for payment.

The IA Preferred Shares do not otherwise participate in the profits or surplus of Industrial Alliance.

Voting rights

The holders of IA Preferred Shares are entitled to be informed of any special meetings held by Industrial Alliance, but are not entitled to attend or to vote at such meetings. They will be entitled to receive notice of, to attend and to vote at any meeting of the holders of IA Preferred Shares, at which meetings they will have one vote per share.

Redemption

Subject to the Companies Act and with Inspector General Approval, Industrial Alliance may, upon the expiry of the period specified and according to the terms and conditions set for the series, redeem any IA Preferred Shares of

any redeemable series of IA Preferred Shares. Such redemption may be accomplished on the redemption date set at the time of issue, but not before. However, the redemption of IA Preferred Shares Series 2 will not be subject to Inspector General Approval.

The redemption price is equal to the amount established for the particular series at the time the shares are issued, plus, in the case of IA Preferred Shares of a cumulative dividend series, all accrued and unpaid dividends and, in the case of IA Preferred Shares of a non-cumulative dividend series, all declared but unpaid dividends.

Any partial redemption will be made on a pro rata basis among the holders of all the IA Preferred Shares of the particular series outstanding at the time.

Purchase

Subject to the Companies Act and with Inspector General Approval, Industrial Alliance may purchase, by mutual agreement, for cancellation, all or a part of the IA Preferred Shares outstanding at the time. The shares will be purchased at the best possible price, but may not exceed the purchase price as determined in the foregoing paragraph.

However, such a purchase may be made only at the end of a 5-year period following the issue date of the share.

Amendment with Approval of Holders of IA Preferred Shares

The rights, privileges, restrictions and conditions attached to the IA Preferred Shares as a class may not be changed or removed, except with the approval of the holders of IA Preferred Shares given as specified below.

Approval of Holders of IA Preferred Shares

The approval of the holders of IA Preferred Shares to change or remove any right, privilege, restriction or condition attaching to the IA Preferred Shares as a class or in respect of any other matter requiring the consent of the holders of IA Preferred Shares may be given in such manner as may then be required by law, subject to the requirement that such approval be given by resolution passed by the affirmative vote of at least two-thirds (2/3) of the votes cast at a meeting of holders of IA Preferred Shares duly called for that purpose at which the holders of at least one-fourth (1/4) of the outstanding IA Preferred Shares are present in person or represented by proxy. If at any such meeting the holders of at least one-fourth (1/4) of the outstanding IA Preferred Shares are not present in person or represented by proxy within 30 minutes after the time appointed for the meeting, then the meeting will be adjourned to such date not less than 15 days thereafter and to such time and places that may be appointed by the chairman of the meeting. A notice of not less than seven days will be given of the adjourned meeting. At such adjourned meeting the holders of the IA Preferred Shares present or represented by proxy may transact the business for which the meeting was originally called and the resolution passed thereat by not less than two-thirds (2/3) of the votes cast constitutes the approval of the holders of the IA Preferred Shares referred to above.

The formalities to be observed with respect to the giving of notice of any such meeting or any adjourned meeting and the conduct thereof are those from time to time prescribed by the by-laws of Industrial Alliance or the resolutions passed by the Board of Directors with respect to meetings of shareholders or as required by law. On every poll taken at every meeting of the holders of the IA Preferred Shares as a class, or at any joint meeting of the holders of two or more series of IA Preferred Shares, each holder of IA Preferred Shares entitled to vote thereat has one vote in respect of each IA Preferred Share held.

Exchange or Conversion Privilege

At the time each series of IA Preferred Shares is issued, the Board of Directors may specify that such shares may be exchangeable or convertible into IA Common Shares, or in any other series of IA Preferred Shares, depending on the terms set forth for the particular series. All shares resulting from the exchange or conversion will be considered issued and paid for.

Reimbursement

In the case of liquidation or other distribution of assets of Industrial Alliance, the holders of IA Preferred Shares will be entitled to receive a sum equal to the issue price of their IA Preferred Shares plus any accrued and unpaid dividends or any dividends declared and unpaid dividends, as the case may be.

Ranking of IA Preferred Shares

No rights, privileges, restrictions or conditions attached to the IA Preferred Shares confer on the series a priority in respect of dividends or return of capital over any other series of the IA Preferred Shares.

With respect to priority in the payment of dividends and in the distribution of assets in the event of a liquidation or dissolution of Industrial Alliance, whether voluntary or involuntary, or any other distribution of the assets of Industrial Alliance among its participating policyholders and shareholders for the specific purpose of winding-up its assets, the IA Preferred Shares: (i) rank equally with the IA Class A Preferred Shares; and (ii) are entitled to a preference over the IA Common Shares and any other shares ranking junior to the IA Preferred Shares.

IA Preferred Shares Series 1

Issue Price

The issue price of each IA Preferred Share Series 1 was \$25.

Dividends

The holders of IA Preferred Shares Series 1 are entitled to receive the following non-cumulative preferential dividends, when and if declared by the Board of Directors: (i) until the end of an initial period of five years starting February 12, 1999, an annual dividend of 1.00% of the issue price of such shares, payable quarterly; and (ii) for each of the five subsequent years, and thereafter, for each of the years included in each subsequent 5-year period, the dividend rate will be the highest of the rates indicated below, calculated on the issue price of the such shares:

- (a) the annual interest rate, established on the 15th day of the month preceding the month in which each of the above mentioned 5-year periods begins, corresponding to the yield on 5-year Canada bonds (as this term is defined below), expressed as a percentage, plus 1.50%, payable quarterly;
- (b) the prime rate (as this term is defined below) of the National Bank of Canada (or any successor Canadian chartered bank) determined on the first day of each of the above mentioned 5-year periods, plus 1.50%, payable quarterly;
- (c) the dividend rate in effect during the previous 5-year period, payable quarterly.

Quarterly payments of such dividends will be paid on March 31, June 30, September 30 and December 31 of each year, with appropriate adjustment for any incomplete quarter.

No dividend may be declared and paid or set aside for payment at any time whatsoever during any of the fiscal years of Industrial Alliance on or with respect to any other share in its share capital ranking junior to the IA Preferred Shares Series 1, unless all the dividends accrued on all the IA Preferred Shares of the cumulative series have been declared and paid or set aside for payment and all the dividends declared on all the IA Preferred Shares of the non-cumulative series (including IA Preferred Shares Series 1) have also been paid or set aside for payment.

For the purpose of establishing the above mentioned dividend rates, the following terms will have the following meaning:

“Yield on 5-year Canada bonds” on any date refers to the yield to maturity on this date, compounded semi-annually, that a non-redeemable bond issued by the Government of Canada would bear if it were issued in Canadian

dollars, in Canada, at 100% of its capital amount on such date with a term to maturity equal to approximately five years, all as determined jointly by two major Canadian securities dealers selected from time to time by Industrial Alliance from among the members of the Québec division of the Investment Dealers Association of Canada or, if this association ceases to exist, another association selected by Industrial Alliance and having the same members. In the event of any disagreement between the above mentioned dealers, the yield will be the arithmetical average (rounded to four decimals) of the percentage determined by each of the two dealers.

“Prime rate” means, with respect to any bank, the preferred rate that such bank charges its Canadian customers for commercial loans in Canadian dollars as such rate may fluctuate from time to time.

Redemption

Subject to the Companies Act and with Inspector General Approval, Industrial Alliance may, from February 12, 2004, redeem any portion of the IA Preferred Shares Series 1 not converted into IA Common Shares, at a price per share equal to \$25, plus any declared and unpaid dividends.

When redeeming IA Preferred Shares Series 1, Industrial Alliance will send a 30-day notice in writing to the holders or to their duly authorized representatives. During this period, the holders may elect to exercise their right, if applicable, to exchange their IA Preferred Shares Series 1 for IA Common Shares. This notice will indicate the number of IA Preferred Shares Series 1 Industrial Alliance wishes to redeem, the date of redemption, the redemption price and the calculation method thereof. The price payable for the IA Preferred Shares Series 1 to be redeemed by Industrial Alliance will be payable on the redemption date specified in the redemption notice, and such redemption will be considered to have been accomplished on the date of the payment thus made. If only a portion of the IA Preferred Shares Series 1 are redeemed, then any payment made to the holders will be accompanied by a new certificate representing any IA Preferred Shares Series 1 not redeemed.

As of the date of payment, the IA Preferred Shares Series 1 called for redemption will cease to entitle their holders to dividends, and their holders may no longer exercise the rights attached thereto, unless Industrial Alliance fails to pay the redemption price upon presentation and delivery of their certificates in accordance with the foregoing provisions.

Any partial redemption will be made on a pro rata basis among the holders of all IA Preferred Shares Series 1 outstanding at that time.

Exchange (conversion) privilege for IA Common Shares

Holders of IA Preferred Shares Series 1 may exchange all or part of their IA Preferred Shares Series 1 for IA Common Shares at a conversion price equal to 95% of the market value of such IA Common Shares, such market value being established and corresponding to the weighted average of the trading prices on the Toronto Stock Exchange (or if the IA Common Shares are not listed on such exchange, on any other exchange on which such shares are listed) for such IA Common Shares during the 15 days preceding the date Industrial Alliance receives the holder's notice of conversion and during which such IA Common Shares were bought or sold.

However, in the event of a public offering by Industrial Alliance of its IA Common Shares, then the conversion price will be equal to the issue price of such IA Common Shares, provided that the notice of conversion is given by the holders or their duly authorized representatives no later than 45 days after such public offering.

This exchange (conversion) right may be exercised on or after the first anniversary of the date on which the IA Common Shares are listed on the Toronto Stock Exchange or, if the IA Common Shares are not listed on such exchange, on any other exchange on which such shares are listed, subject to approval by the particular stock exchange.

The above mentioned right of conversion will be limited to \$18,750,000 per year of the paid-up capital of the IA Preferred Shares Series 1, this minimum amount being cumulative as of the date on which such shares become convertible. However, for any conversion requested by the holders in any year, starting with the year in which the

above mentioned IA Preferred Shares become convertible, the par value of such shares that can be converted for such year (subject to the right of accumulation above mentioned) will correspond to the portion of the above mentioned limit of \$18,750,000 that is equal to the number of days elapsed in the year on the date of the conversion notice, in relation to the number of days in the particular year. However, under no circumstances will the conversion of IA Preferred Shares into IA Common Shares result, either directly or indirectly, in conferring upon the holder thereof more than 10% of the voting rights attached to the issued and outstanding shares of Industrial Alliance, including any shares already owned and any shares acquired upon the conversion.

To accomplish the conversion of IA Preferred Shares Series 1 provided for above, a written notice signed by the holders or their duly authorized representatives must be presented or sent. Such notice will indicate the number of IA Preferred Shares Series 1 that the holders wish to convert. No later than 20 days following receipt of this notice, Industrial Alliance will proceed with the required verifications and will issue one or more certificates representing the number of IA Common Shares to which the holders are entitled as a result of the conversion. Unless (i) Industrial Alliance gives the holders a notice of conversion into IA Preferred Shares Series 2 (as provided for below) or (ii) the holders give Industrial Alliance notice of revocation (as provided for below), the holders will be deemed to be the holders of the IA Common Shares required by the conversion and will thus have all the rights, privileges, restrictions and conditions attached to such shares from the time Industrial Alliance receives the above mentioned written notice of conversion.

All the IA Common Shares resulting from the conversion of IA Preferred Shares Series 1 will be deemed issued and fully paid.

Holders who gave a notice of conversion into IA Common Shares may, within the 20 days following such notice, revoke such notice, provided that they have not yet received a notice of conversion into IA Preferred Shares Series 2. In the event of such revocation, the IA Preferred Shares Series 1 subject to the notice of conversion into IA Common Shares will be deemed not to have been converted, and the particular notice of conversion into IA Common Shares will have no effect.

Conversion into IA Preferred Shares Series 2

Subject to obtaining all the required authorizations beforehand (but without additional articles), Industrial Alliance may at any time convert the IA Preferred Shares Series 1, covered by a notice of conversion into IA Common Shares, into IA Preferred Shares Series 2. Such conversion will be made by means of a notice that Industrial Alliance must give to the holders of IA Preferred Shares Series 1 no later than the 20th day following receipt of the notice of conversion into IA Common Shares. Industrial Alliance may waive the conversion into IA Preferred Shares Series 2 in writing prior to the end of the 20-day period, in which case Industrial Alliance will issue one or more certificates representing the number of IA Common Shares to which the holders are entitled as a result of the conversion and the IA Preferred Shares Series 1 will be deemed to have been exchanged (converted) on the date Industrial Alliance receives the notice of conversion into IA Common Shares. The notice of conversion is irrevocable and applies to all the IA Preferred Shares Series 1 mentioned in the notice of conversion into IA Common Shares. Consequently, if such a notice of conversion into IA Preferred Shares Series 2 is given, the IA Preferred Shares Series 1 subject to such notice will be deemed not to have been converted into IA Common Shares, and the particular notice of conversion into IA Common Shares will have no effect. There will be the same number of IA Preferred Shares Series 2 as the IA Preferred Shares Series 1 converted.

Unless the holders give Industrial Alliance a Notice of Cancellation (as defined below), the holders will be deemed to be the holders of the IA Preferred Shares Series 2 and will thus have all the rights, privileges, restrictions and conditions attached to such shares from the time the holders receive the written notice of conversion into IA Preferred Shares Series 2.

All the IA Preferred Shares Series 2 resulting from the conversion of IA Preferred Shares Series 1 will be deemed issued and fully paid.

IA Preferred Shares Series 2

Restrictions on Issue

The 3,000,000 IA Preferred Shares Series 2 will be issued only for the purposes of converting IA Preferred Shares Series 1 into IA Preferred Shares Series 2. The IA Preferred Shares Series 2 will be deemed to have been issued as soon as Industrial Alliance, with Inspector General Approval, has given the applicable notice of conversion within the prescribed time period.

Issue Price

Each IA Preferred Share Series 2 will be deemed to have been issued for \$25.

Dividends

Holders of IA Preferred Shares Series 2 are entitled to receive the following non-cumulative preferred dividends when and if declared by the Board of Directors: (i) until the end of an initial 5-year period beginning on February 12, 1999, an annual dividend of 1.00% of the issue price of such shares, payable quarterly; and (ii) for each of the five subsequent years, and thereafter for each of the years included in each subsequent 5-year period, the dividend rate will be the highest of the rates indicated below, calculated on the issue price of such shares:

- (a) the annual interest rate, established on the 15th day of the month preceding the start of each of the 5-year periods above mentioned, corresponding to the yield on 5-year Canada bonds (as this expression is defined below), expressed as a percentage, plus 1.50%, payable quarterly;
- (b) the prime rate (as this expression is defined below) of the National Bank of Canada (or any successor Canadian chartered bank) determined on the first day of each of the above mentioned 5-year periods, plus 1.50%, payable quarterly;
- (c) the dividend rate in force during the preceding 5-year period, payable quarterly.

Quarterly payments of such dividends will be made on March 31, June 30, September 30 and December 31 of each year, with appropriate adjustment for any incomplete quarter.

No dividend may be declared and paid or set aside for payment at any time whatsoever during any of the fiscal years of Industrial Alliance on or with respect to any other share in its share capital ranking junior to the IA Preferred Shares Series 2, unless all the dividends accrued on all the IA Preferred Shares of cumulative series have been declared and paid or set aside for payment and unless all the dividends declared on all the IA Preferred Shares of non-cumulative series (including IA Preferred Shares Series 2) have also been paid or set aside for payment.

For the purpose of establishing the above mentioned dividend rates, the following expressions will have the following meaning:

“Yield on 5-year Canada bonds” on any date, means the yield to maturity on this date, compounded semi-annually, that a non-redeemable bond issued by the Government of Canada would bear if it were issued in Canadian dollars, in Canada, at 100% of its capital amount on such date with a term to maturity equal to approximately five years, all as determined jointly by two major Canadian securities dealers selected from time to time by Industrial Alliance from among the members of the Québec division of the Investment Dealers Association of Canada or, if this association ceases to exist, another association selected by Industrial Alliance and having the same members; in the event of any disagreement between the above mentioned dealers, the yield will be the arithmetic average (rounded to four decimals) of the percentage determined by each of the two dealers.

“Prime rate” means, with respect to any bank, the preferred rate that such bank charges its Canadian customers for commercial loans in Canadian dollars, as this rate may fluctuate from time to time.

Redemption

The IA Preferred Shares Series 2 may be redeemed at Industrial Alliance's option at a price per share equal to the issue price multiplied by 1.0526. However, IA Preferred Shares Series 2 will be redeemed at the issue price if Industrial Alliance has made a public offering within 45 days preceding the date of the notice of conversion into IA Common Shares that resulted in the issue of the shares subject to redemption. In all cases, declared and unpaid dividends are added to the redemption price.

Redemption of the IA Preferred Shares Series 2 must be made by Industrial Alliance within two business days of a notice of redemption given by Industrial Alliance, and will be conditional on the issuance by Industrial Alliance, within such 2-day period, of new IA Preferred Shares Series 3 fully paid in cash for the same amount as that to be paid to redeem the IA Preferred Shares Series 2 covered by such notice of redemption. Such notice of redemption must be received by the holders no later than one business day following receipt by the holders of the notice of conversion of IA Preferred Shares Series 1 into IA Preferred Shares Series 2. Such notice will mention the redemption date and the method for calculating the redemption price. The price to be paid for the IA Preferred Shares Series 2 will be payable on the redemption date set forth in the above mentioned notice of redemption (this date may not be more than two business days after the notice) and such redemption will be deemed to have been completed on the date payment is effectively made. However, if Industrial Alliance does not give the holders a notice of redemption or does not pay the redemption price within the prescribed time periods, the holders must give Industrial Alliance a notice of cancellation indicating that they wish to cancel the notice of conversion into IA Common Shares or, at their option, require the conversion into IA Common Shares on the date of the notice of conversion into IA Common Shares (the "Notice of Cancellation").

As of the date of payment, the IA Preferred Shares Series 2 thus redeemed will cease to entitle their holders to dividends, and their holders may no longer exercise the rights attached to such shares, unless Industrial Alliance fails to pay the redemption price as provided above.

IA Preferred Shares Series 3

Issue Price

Each of the IA Preferred Shares Series 3 will be deemed to have been issued for \$25.

Redemption

Subject to the Companies Act and with Inspector General Approval, Industrial Alliance may, beginning on the 5th anniversary of the date of their issue, redeem the portion of IA Preferred Shares Series 3 not converted into IA Common Shares at a price equal to \$25 per share, plus any declared and unpaid dividends.

To accomplish the redemption of such IA Preferred Shares Series 3, Industrial Alliance will send a 2 day written notice to the holders or their duly authorized representatives. Such notice will mention the number of IA Preferred Shares Series 3 that Industrial Alliance wishes to redeem, the redemption date and the price to be paid for such shares, as well as its basis of calculation. The price to be paid for the IA Preferred Shares Series 3 thus redeemed by Industrial Alliance will be payable on the redemption date set forth in the above mentioned notice of redemption, and this redemption will be deemed to have been made on the date payment is effectively made. If only a portion of the IA Preferred Shares Series 3 are redeemed, the payment made to the holders thereof must be accompanied by a new certificate representing the IA Preferred Shares Series 3 not redeemed.

As of their date of payment, the IA Preferred Shares Series 3 called for redemption will cease to entitle their holders to dividends, and their holders may no longer exercise the rights attached to such shares, unless Industrial Alliance fails to pay the redemption price as provided above.

Any partial redemption will be made on a pro rata basis among the holders of all the IA Preferred Shares Series 3 outstanding at the time.

Exchange (conversion) privilege into IA Common Shares

Holders of IA Preferred Shares Series 3 may exchange all or part of their IA Preferred Shares Series 3 for IA Common Shares at a conversion price equal to the market value of such IA Common Shares, such market value being established and corresponding to the weighted average of trading prices on the Toronto Stock Exchange (or if the IA Common Shares are not then listed on such exchange, on any other exchange on which such shares are listed) for such IA Common Shares during the 30 days preceding the date Industrial Alliance receives the holders' notice of conversion and during which such IA Common Shares were bought or sold.

This exchange (conversion) right may be exercised beginning on the 5th anniversary of their issue date.

To accomplish the exchange of such IA Preferred Shares Series 3 provided for herein, a 7-day written notice signed by the holders or their duly authorized representatives must be presented or sent. Such notice will mention the number of IA Preferred Shares that the holders wish to exchange. At the end of the exchange (conversion) period provided for in the notice of exchange (conversion) and if Industrial Alliance has not issued a notice of redemption, Industrial Alliance will proceed with the required verifications and will issue one or more certificates representing the number of IA Common Shares to which the exchange (conversion) entitles the holders. The holders will be deemed to be the holders of the IA Common Shares required by the exchange (conversion), and will thus have the rights, privileges, restrictions and conditions attached to these IA Common Shares once Industrial Alliance receives the above mentioned written notice of exchange (conversion).

All the IA Common Shares resulting from the conversion of IA Preferred Shares Series 3 will be deemed issued and fully paid.

IA Common Shares

Dividends

Subject to the prior rights of the holders of the IA Class A Preferred Shares, the IA Preferred Shares and any other shares ranking senior to the IA Common Shares with respect to payment of dividends, the holders of IA Common Shares will be entitled to receive dividends as and when declared by the Board of Directors out of moneys properly applicable to the payment of dividends, in such amount and in such forms as the Board of Directors may determine and all dividends which the Board of Directors may declare on the IA Common Shares will be declared and paid in equal amounts per share on all IA Common Shares outstanding at the time.

Dissolution

In the event of the liquidation or dissolution of Industrial Alliance, whether voluntary or involuntary, or any other distribution of the assets of Industrial Alliance among its participating policyholders and shareholders for the specific purpose of winding up its affairs, subject to the prior rights of the holders of the IA Class A Preferred Shares, the IA Preferred Shares and any other shares ranking senior to the IA Common Shares with respect to the distribution of assets in the event of the liquidation or dissolution of Industrial Alliance, the holders of the IA Common Shares will be entitled to receive the remaining property of Industrial Alliance that pertains to shareholders in equal amounts per share, without preference or priority of one share over another.

Voting rights

The holders of IA Common Shares will be entitled to receive notice of and to attend all meetings of the shareholders of Industrial Alliance and will have one vote for each IA Common Share held at all meetings of the shareholders of Industrial Alliance, except for meetings at which only holders of another specified class or series of shares of Industrial Alliance are entitled to vote separately as a class or series.

Notice of meeting

The formalities to be observed with respect to the giving of notice of any such meeting or any adjourned meeting, the quorum required therefore and the conduct thereof will be those required by law and those, if any, prescribed by the by-laws or the administrative resolutions of Industrial Alliance with respect to meetings of shareholders.

Price Range and Trading Volume of IA Common Shares

The following table sets forth the market price range and trading volume of IA Common Shares on the TSX for the calendar periods indicated. The IA Common Shares were listed on the TSX following the completion of Industrial Alliance's demutualization and initial public offering on February 10, 2000.

	Toronto Stock Exchange IA Common Shares (\$ Price Range)		
	High	Low	Volume (000s)
Fiscal 2000			
February 4, to March 31, 2000	19.10	15.80	17,918
2 nd Quarter.....	24.75	19.00	7,989
3 rd Quarter.....	35.25	23.25	10,053
4 th Quarter.....	40.75	30.45	10,241
Fiscal 2001			
1 st Quarter	41.25	34.10	8,985
2 nd Quarter	40.25	34.30	5,637
3 rd Quarter.....	44.50	38.55	4,253
4 th Quarter.....	46.65	38.75	6,909
Fiscal 2002			
1 st Quarter	47.30	44.00	6,902
2 nd Quarter	45.00	40.89	4,438
3 rd Quarter.....	41.50	32.75	4,640
4 th Quarter.....	39.60	33.00	6,355
Fiscal 2003			
1 st Quarter	39.47	34.55	7,557
April 1 – June 25	38.75	34.55	4,707

On June 25, 2003, the closing price was \$37.50 per IA Common Share on the TSX.

Dividends Paid on IA Common Shares

The following table sets forth the dividends paid or payable on the IA Common Shares for the financial periods of Industrial Alliance indicated.

	IA Common Shares Dividends Paid⁽¹⁾
Fiscal 2000.....	\$0.15
Fiscal 2001.....	\$0.60
Fiscal 2002.....	\$0.64
Fiscal 2003 -1st Quarter ⁽²⁾	\$0.17

Note:

- (1) On February 10, 2000, Industrial Alliance completed its demutualization and initial public offering of IA Common Shares.
(2) Payable on June 13, 2003.

The declaration and payment of future dividends and the amount thereof will be subject to the discretion of the Board of Directors, and will be dependent upon the results of operations, financial condition, cash requirements and future prospects of, and regulatory restrictions on the payment of dividends by, Industrial Alliance and other factors deemed relevant by the Board of Directors. In certain circumstances, Industrial Alliance may not declare dividends on the Public Preferred Shares, the IA Non-cumulative Preferred Shares and the IA Common Shares. See “Description of the Trust Securities — IATS – Series A — Dividend Stopper Undertaking”.

DESCRIPTION OF THE IA SERIES A DEBENTURE

The following is a summary of the terms and conditions attaching to the IA Series A Debenture. This summary is qualified in its entirety by the terms of the IA Series A Debenture.

Interest

Interest on the IA Series A Debenture will be payable at a fixed annual rate of 5.714%, payable in equal semi-annual instalments in arrears of \$28.570 per \$1,000 principal amount of the IA Series A Debenture on each IA Series A Debenture Interest Payment Date, commencing December 31, 2003. The initial interest payment due on December 31, 2003 will be approximately \$28.179 per \$1,000 principal amount of the IA Series A Debenture, assuming a Closing Date of July 4, 2003. Interest on the IA Series A Debenture will be payable to the Trust on every IA Series A Debenture Interest Payment Date regardless of whether the corresponding Distribution Date is a Regular Distribution Date or a Distribution Diversion Date.

Redemption at the Option of Industrial Alliance

On and after December 31, 2008 and on any IA Series A Debenture Interest Payment Date thereafter, the IA Series A Debenture will be redeemable at the option of Industrial Alliance in whole or in part without the consent of the holder, subject to Inspector General Approval, and upon not less than 30 nor more than 60 days' prior written notice by Industrial Alliance for an amount in cash equal to (i) a cash amount per \$1,000 principal amount of the IA Series A Debenture to be redeemed equal to the greater of (A) an amount equal to \$1,000 plus any accrued and unpaid interest thereon to, but excluding, the date of redemption per \$1,000 principal amount of the IA Series A Debenture to be redeemed (the “Debenture Redemption Price”) and (B) the Debenture Canada Yield Price, if the IA Series A Debenture is redeemed prior to December 31, 2013 (the greater of (A) and (B) being the “Debenture Early Redemption Price”), or (ii) the Debenture Redemption Price, if the IA Series A Debenture is redeemed on or after December 31, 2013. If Industrial Alliance has redeemed the IA Series A Debenture, in whole or in part, the Trust will be required to redeem a corresponding amount of IATS – Series A. The Trust intends to use the proceeds of

redemption received in respect of the IA Series A Debenture to make payment to the holders of the IATS – Series A to be redeemed, as required.

“Debenture Canada Yield Price” means a price per \$1,000 principal amount of the IA Series A Debenture to be redeemed calculated to provide an annual yield thereon to December 31, 2013 equal to the Government of Canada Yield plus 0.30%, determined on the Business Day immediately preceding the date on which Industrial Alliance has given notice of the redemption of the IA Series A Debenture (including as a result of the occurrence of a Special Event) plus accrued and unpaid interest thereon to the date of redemption.

Conversion at Option of the Holder

Each \$1,000 principal amount of the IA Series A Debenture will be convertible at any time at the option of the holder into 40 IA Class A Preferred Shares Series YY. The Trust will exercise its right to convert the IA Series A Debenture in circumstances in which holders of IATS – Series A exercise the Holder Exchange Right to acquire the IA Class A Preferred Shares Series YY, so as to enable the Trust to fulfil its obligations under the Holder Exchange Right. Upon any such conversion of the IA Series A Debenture, the IA Class A Preferred Shares Series YY so acquired by the Trust will be delivered to the holders of IATS – Series A who have exercised the Holder Exchange Right in accordance with their respective entitlements. In the case of the exercise of the Holder Exchange Right, the IA Series A Debenture will be cancelled in proportion to the exercise of the Holder Exchange Right.

The right to convert the IA Series A Debenture into the IA Class A Preferred Shares Series YY is called the “Debenture Conversion Right”.

Redemption Upon Special Event

Upon the occurrence of a Special Event, Industrial Alliance, at its option, and with Inspector General Approval, and on not less than 30 nor more than 90 days’ prior written notice, may redeem at any time the IA Series A Debenture in whole (but not in part), without the consent of the holder, for an amount in cash for each \$1,000 principal amount of the IA Series A Debenture being redeemed equal to (i) the Debenture Early Redemption Price, if the IA Series A Debenture is redeemed prior to December 31, 2013, or (ii) the Debenture Redemption Price, if the IA Series A Debenture is redeemed on or after December 31, 2013. If Industrial Alliance has redeemed the IA Series A Debenture, the Trust will be required to redeem all of the IATS – Series A.

Events of Default

Failure by Industrial Alliance to make payments or to satisfy its other obligations under the IA Series A Debenture will not entitle the Trust to accelerate the IA Series A Debenture.

Status of the IA Series A Debenture

The IA Series A Debenture will rank on a parity with all other unsubordinated unsecured indebtedness of Industrial Alliance, other than obligations owed to policyholders and certain other specified claimants as provided in the Winding-Up Act. Upon any distribution of assets of Industrial Alliance to creditors upon any dissolution, winding-up, liquidation, reorganization, bankruptcy or insolvency, all principal and accrued interest due on the IA Series A Debenture must be paid in full before holders of subordinated debentures are entitled to receive any payment. If a liquidation, dissolution or winding-up of Industrial Alliance occurs, the IA Series A Debenture will rank in priority to any shares of Industrial Alliance with respect to payments and the distribution of assets.

Maturity Date

The IA Series A Debenture will mature on December 31, 2053. On maturity of the IA Series A Debenture, Industrial Alliance will be required to pay the principal amount of the IA Series A Debenture and any accrued and unpaid interest thereon to the date of payment to the Trust in cash. If any IATS – Series A remain outstanding as of that date, the Trust will invest the proceeds received on repayment of the IA Series A Debenture in Eligible Investments, for a price equal to the fair market value thereof. Accordingly, the IA Series A Debenture will not be

repaid with or converted into or exchanged for debt of Industrial Alliance or of any person related to Industrial Alliance within the meaning of the Tax Act and, following the maturity of the IA Series A Debenture, the proceeds of the repayment of the IA Series A Debenture will not be invested in debt of Industrial Alliance or of any person related to Industrial Alliance within the meaning of the Tax Act. If, following maturity of the IA Series A Debenture, a holder of IATS – Series A exercises the Holder Exchange Right, the Trust will subscribe for, and Industrial Alliance has agreed to issue, pursuant to the Subscription Right, the IA Class A Preferred Shares Series YY to satisfy the Trust's obligation to deliver 40 IA Class A Preferred Shares Series YY for each IATS – Series A tendered for exchange pursuant to the exercise of the Holder Exchange Right. The IA Class A Preferred Shares Series YY tendered will then be delivered to the relevant holders of IATS – Series A and the IATS – Series A will be cancelled.

EARNINGS COVERAGE RATIOS

Payment of the Indicated Yield on the IATS – Series A by the Trust is dependent upon Industrial Alliance making interest payments to the Trust in respect of the IA Series A Debenture and upon a Distribution Diversion Event not having occurred.

Industrial Alliance's annual interest requirements were \$15.3 million for the 12 months ended December 31, 2002, and \$15.3 million for the 12 months ended March 31, 2003. Industrial Alliance's consolidated net income before goodwill amortization, interest and income tax was \$155.6 million for the 12 months ended December 31, 2002, and \$186.9 million for the 12 months ended March 31, 2003, which is approximately 10.2 times Industrial Alliance's annual interest requirements for the 12 months ended December 31, 2002, and 12.2 times Industrial Alliance's annual interest requirements for the 12 months ended March 31, 2003.

Industrial Alliance's annual interest requirements, after giving effect to the issue of the IA Series A Debenture as if issued on January 1, 2002, would have been \$23.9 for the 12 months ended December 31, 2002 and \$23.9 for the 12 months ended March 31, 2003. Industrial Alliance's consolidated net income before goodwill amortization, interest and income tax is approximately 6.9 times Industrial Alliance's annual interest requirements for the 12 months ended December 31, 2002, and 8.2 times Industrial Alliance's annual interest requirements for the 12 months ended March 31, 2003, in each case after giving effect to the issue of the IA Series A Debenture as if issued on January 1, 2002.

CONSTRAINTS ON VOTING SHARES UNDER QUÉBEC INSURANCE LEGISLATION

The Insurance Act and *An Act respecting Industrial Alliance, Life Insurance Company* (Québec) contain restrictions on the acquisition, issue, transfer and voting of voting shares of Industrial Alliance. Pursuant to these restrictions, no person is permitted to acquire any voting shares of Industrial Alliance (including IA Common Shares), if the acquisition would cause the person to hold 10% or more of the voting rights attached to the shares of Industrial Alliance. In addition, Industrial Alliance is not permitted to record any transfer or issue of voting shares of Industrial Alliance (including IA Common Shares), if the transfer or issue would cause the person to hold 10% or more of the voting rights attached to the shares of Industrial Alliance. No person who holds 10% or more of the voting rights attaching to the shares of Industrial Alliance may exercise any voting rights attached to the shares held by such person.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of McCarthy Tétrault LLP, counsel to the Trust, and Ogilvy Renault, counsel to the Underwriters, the following is a summary of the principal Canadian federal income tax considerations generally applicable to the Trust and a holder of IATS – Series A who acquires IATS – Series A under the Offering and who, for purposes of the Tax Act, at all relevant times, (i) is resident or deemed to be resident in Canada, (ii) deals at arm's length with and is not affiliated with Industrial Alliance and the Trust, (iii) holds IATS – Series A, any IA Class A Preferred Shares Series YY, any IA Class A Preferred Shares Series ZZ and any IA Common Shares as capital property, and (iv) is not exempt from tax under Part I of the Tax Act. This summary does not take into

account the “mark-to-market” rules contained in the Tax Act which apply to certain financial institutions. Furthermore, the part of this summary dealing with the IA Class A Preferred Shares Series YY and the IA Class A Preferred Shares Series ZZ does not apply to a specified financial institution (as defined in the Tax Act) that receives (or is deemed to receive), alone or together with persons with whom it does not deal at arm’s length, in the aggregate dividends in respect of more than 10% of the IA Class A Preferred Shares Series YY or the IA Class A Preferred Shares Series ZZ outstanding at the time a dividend is received. This summary also assumes that all issued and outstanding IA Class A Preferred Shares Series YY and IA Class A Preferred Shares Series ZZ are listed on a prescribed stock exchange in Canada (as defined in the Tax Act) at such times as dividends (including deemed dividends) are paid or received on such shares.

The summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular investor. Consequently, investors are urged to consult their own tax advisors with respect to their particular circumstances.

This summary is based upon the current provisions of the Tax Act and the regulations issued thereunder, all specific proposals to amend the Tax Act and the regulations publicly announced by the Minister of Finance (Canada) prior to the date hereof, and counsels’ understanding of the current administrative and assessing policies of the Canada Customs and Revenue Agency (the “Agency”). This summary is not exhaustive of all possible Canadian federal income tax considerations and, except as mentioned above, does not take into account any changes in law or administrative and assessing policies, whether by legislative, governmental or judicial decision or action, nor does it take into account or consider any other federal tax considerations or provincial, territorial or foreign tax considerations. With respect to the proposed amendments to the Tax Act and the regulations, no assurance can be given that the proposed amendments will become law as proposed or at all.

IATS – Series A

Taxation of the Trust

The Declaration of Trust requires that, in each taxation year of the Trust, the net income, including net realized taxable capital gains, if any, of the Trust as would otherwise be taxable in the Trust will be payable to holders of IATS – Series A or the holder of the Special Trust Securities. Consequently, the Trust is not expected to be liable for income tax under Part I of the Tax Act. Capital or income losses incurred by the Trust cannot be allocated to holders of the IATS – Series A or the holder of Special Trust Securities but may, subject to certain limitations, be deducted by the Trust from taxable capital gains or net income realized in other years.

As a registered investment, the Trust is potentially subject to special taxes under the Tax Act. The Declaration of Trust requires the Trust to restrict its investments to the effect that it is not expected to be subject to any of these special taxes.

Taxation of Holders of IATS – Series A

Distributions

A holder of IATS – Series A will be required to include in computing its income for a taxation year all net income, including net realized taxable capital gains, if any, paid or payable to it by the Trust in that taxation year. All or substantially all of the amounts payable to holders of IATS – Series A are expected to be treated as income from a trust, rather than capital gains, for income tax purposes.

Dispositions

A holder of IATS – Series A who disposes of or is deemed to dispose of IATS – Series A will generally realize a capital gain (or sustain a capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the IATS – Series A to the holder. A disposition or deemed disposition of a holder’s IATS – Series A will be considered to occur on, among other events: (i) an exchange of the IATS – Series A for IA Class A Preferred Shares Series YY pursuant to the exercise by a holder of

the Holder Exchange Right (in which event a holder's proceeds of disposition generally will be equal to the fair market value of the IA Class A Preferred Shares Series YY received on the exchange), (ii) an exchange of the IATS – Series A for IA Class A Preferred Shares Series ZZ pursuant to the operation of the Automatic Exchange (in which event a holder's proceeds of disposition generally will be equal to the fair market value of the IA Class A Preferred Shares Series ZZ received on the exchange), (iii) a redemption of the IATS – Series A on the Trust Special Event Redemption Right or the Trust Redemption Right (in which event a holder's proceeds of disposition will be equal to the Redemption Price; in cases where the Early Redemption Price is payable, the excess of the Early Redemption Price over the Redemption Price will be allocated to the holder as income) and (iv) a termination of the Trust.

Share Exchange Agreement

Industrial Alliance and the Trust have been advised by Scotia Capital Inc. that the value to holders of the rights under the Share Exchange Agreement is nominal and, therefore, Industrial Alliance is of the view that no amount should be allocated to such rights. However, this determination is not binding on the Agency.

IA Common Shares, IA Class A Preferred Shares Series YY and IA Class A Preferred Shares Series ZZ

Dividends

Dividends (including deemed dividends) received on the IA Common Shares, the IA Class A Preferred Shares Series YY or the IA Class A Preferred Shares Series ZZ by an individual will be included in the individual's income and will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received from taxable Canadian corporations. Dividends (including deemed dividends) on the IA Common Shares, the IA Class A Preferred Shares Series YY or the IA Class A Preferred Shares Series ZZ received by a corporation to which this part of the summary applies will be included in computing its income and will generally be deductible in computing its taxable income.

The IA Class A Preferred Shares Series YY and the IA Class A Preferred Shares Series ZZ will be taxable preferred shares as defined in the Tax Act. The terms of the IA Class A Preferred Shares Series YY and the IA Class A Preferred Shares Series ZZ require Industrial Alliance to make an election under Part VI.1 of the Tax Act so that corporate shareholders will not be subject to tax under Part IV.1 of the Tax Act on dividends received (or deemed to be received) on the IA Class A Preferred Shares Series YY and the IA Class A Preferred Shares Series ZZ.

A private corporation, as defined in the Tax Act, or any other corporation controlled, whether by reason of a beneficial interest in one or more trusts or otherwise, by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts), will generally be liable to pay a $33\frac{1}{3}\%$ refundable tax under Part IV of the Tax Act on dividends received (or deemed to be received) on the IA Common Shares, the IA Class A Preferred Shares Series YY and the IA Class A Preferred Shares Series ZZ to the extent such dividends are deductible in computing its taxable income.

Redemption and Conversion

If Industrial Alliance redeems for cash or otherwise acquires the IA Common Shares, the IA Class A Preferred Shares Series YY or the IA Class A Preferred Shares Series ZZ, respectively, other than by a purchase in the manner in which these shares are normally purchased by a member of the public in the open market or by reason of a conversion of the IA Class A Preferred Shares Series YY or the IA Class A Preferred Shares Series ZZ into IA Common Shares pursuant to the IA Class A Preferred Share Redemption Right or IA Common Share Conversion Right, the holder will be deemed to have received a dividend equal to the amount, if any, paid by Industrial Alliance, as applicable, in excess of the paid-up capital of such shares at such time. The difference between the amount paid and the amount of the deemed dividend will be treated as proceeds of disposition for the purposes of computing the capital gain or capital loss arising on the disposition of such shares. In the case of a corporate shareholder, it is possible that in certain circumstances all or part of the amount so deemed to be a dividend may be treated as proceeds of disposition and not as a dividend.

The conversion of the IA Class A Preferred Shares Series YY or the IA Class A Preferred Shares Series ZZ into IA Common Shares pursuant to the IA Class A Preferred Share Redemption Right or IA Common Share Conversion Right will be deemed not to be a disposition of property and accordingly will not give rise to any deemed dividend or capital gain or capital loss. The cost to a holder of IA Common Shares received on the conversion will, subject to the averaging rules, be deemed to be equal to the holder's adjusted cost base of such IA Class A Preferred Shares Series YY or the IA Class A Preferred Shares Series ZZ immediately before the conversion. A holder who receives cash of \$200 or less in lieu of a fraction of a IA Common Share may either include the capital gain or capital loss on the partial disposition in computing income, or reduce the adjusted cost base of the IA Common Shares received by the amount of the cash.

Other Dispositions

A holder of IA Common Shares, IA Class A Preferred Shares Series YY or IA Class A Preferred Shares Series ZZ who disposes of or is deemed to dispose of the IA Common Shares, the IA Class A Preferred Shares Series YY or the IA Class A Preferred Shares Series ZZ (including on a redemption or other acquisition by Industrial Alliance) will generally realize a capital gain (or sustain a capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such shares to the holder thereof. If the shareholder is a corporation, any such capital loss may in certain circumstances be reduced by the amount of any dividends, including deemed dividends, which have been received on such shares. Analogous rules apply to a partnership or trust of which a corporation, trust or partnership is a member or beneficiary.

Tax Treatment of Capital Gains and Losses

Generally, one-half of a capital gain will be included in computing the holder's income as a taxable capital gain and one-half of a capital loss may be deducted from the holder's taxable capital gains in accordance with the rules contained in the Tax Act. Taxable capital gains of a Canadian-controlled private corporation may be subject to an additional refundable tax of $\frac{2}{3}\%$ of such taxable gains. Capital gains realized by an individual may give rise to alternative minimum tax under the Tax Act.

PLAN OF DISTRIBUTION

Pursuant to an agreement (the "Underwriting Agreement") dated June 26, 2003 between the Trust, Industrial Alliance, Scotia Capital Inc., Merrill Lynch Canada Inc., National Bank Financial Inc., RBC Capital Markets Inc., Griffiths McBurney & Partners and Industrial Alliance Securities Inc. (the "Underwriters"), the Trust has agreed to sell, and the Underwriters have agreed to purchase, on July 4, 2003, or on such other date not later than July 25, 2003 as may be agreed upon, all but not less than all of the 150,000 IATS – Series A being offered hereby at a price of \$1,000 per IATS – Series A, subject to the terms and conditions set forth in the Underwriting Agreement. The Trust has agreed to pay to the Underwriters a fee of \$10 for each IATS – Series A sold. Based on the expected sales of the IATS – Series A, the aggregate Underwriters' fee will be \$1,500,000.

The Underwriting Agreement also provides that the Underwriters may, at their discretion, terminate their obligations thereunder upon the occurrence of certain stated events.

The Offering is being made concurrently in all provinces of Canada. The IATS – Series A have not been and will not be registered under the United States *Securities Act of 1933*, as amended. The Underwriters have agreed not to offer for sale or sell the IATS – Series A in the United States or to any U.S. Person within the meaning of applicable U.S. securities laws.

Industrial Alliance Securities Inc., one of the Underwriters, is wholly-owned subsidiary of Industrial Alliance. Each of the Trust and Industrial Alliance as a related issuer of Industrial Alliance Securities Inc. under applicable securities legislation by virtue of Industrial Alliance's interest in the Trust and Industrial Alliance Securities Inc. The terms of the Offering were negotiated at arm's length among Industrial Alliance, the Trust and the Underwriters. Industrial Alliance Securities Inc. will not receive any benefit in connection with the Offering other than as described herein. Scotia Capital Inc., an underwriter in respect of which neither the Trust nor Industrial Alliance is a

related or connected issuer, has participated in the structuring and pricing of the Offering and in the due diligence activities performed by the Underwriters for the Offering.

Pursuant to policy statements of the Commission des valeurs mobilières du Québec and the Ontario Securities Commission, the Underwriters may not, throughout the period of distribution under this prospectus, bid for or purchase IATS – Series A. The foregoing restriction is subject to certain exceptions, as long as the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in or raising the price of such securities. These exceptions include a bid or purchase permitted under the by-laws and rules of the TSX relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer when the order was not solicited during the period of distribution, provided that the bid or purchase was not engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, such securities. Pursuant to the first mentioned exception, in connection with the Offering and subject to applicable law, the Underwriters may effect the transactions which stabilize or maintain the market price of such securities at levels other than those which might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

RATINGS

The IATS – Series A have received provisional ratings as follows:

<u>Rating Agency</u>	<u>Rating</u>
DBRS	A (low) yn
S&P	P-2 (High)(on the Canadian scale) BBB+ (on the global scale)

Credit ratings are intended to provide investors with an independent assessment of the credit quality of an issue or issuer of securities and do not speak to the suitability of particular securities for any particular investor. A rating is therefore not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the rating agency. Ratings may be revised or withdrawn at any time by the respective rating organizations.

USE OF PROCEEDS

The proceeds to the Trust from the sale of the IATS – Series A will be \$150,000,000 (before Offering expenses of \$2,750,000). The Trust will use the proceeds to be received on closing of the Offering to purchase the IA Series A Debenture from Industrial Alliance. Industrial Alliance intends to use the proceeds from the sale of the IA Series A Debenture to the Trust for general corporate purposes.

LEGAL PROCEEDINGS

Industrial Alliance and its subsidiaries are engaged in litigation arising in the ordinary course of business. None of this litigation, however, is expected to have a material adverse effect on the consolidated financial position or results of operations of Industrial Alliance. The Trust is not engaged in any litigation.

RISK FACTORS

Investors should carefully consider the risks described below before deciding whether to invest in IATS – Series A. Investors should also carefully consider any risks that may be described in other filings Industrial Alliance makes with securities or insurance regulators including, without limitation, the sections entitled “Management’s Discussion and Analysis of Results of Operations and Financial Position” contained in the Annual Information Form and the First Quarter 2003 Report to Shareholders incorporated by reference in this prospectus. These analyses discuss, among other things, certain known material trends and events, and risks or uncertainties that have had a material effect on, and may reasonably be expected to have a material effect on, Industrial Alliance’s operations, objectives, strategies, financial situation and performance, including legislative or regulatory developments, competition, technological changes, global capital market activity, interest rates, changes in demographic data and general economic conditions in Canada and elsewhere in the world.

Automatic Exchange of IATS – Series A for IA Class A Preferred Shares Series ZZ

The purchase of IATS – Series A involves risk with respect to the performance and capital levels of Industrial Alliance. If a Loss Absorption Event occurs, the IATS – Series A will be automatically exchanged for IA Class A Preferred Shares Series ZZ without the consent of the holders. These shares would then be an investment in Industrial Alliance and not in the Trust. As a result, holders of IATS – Series A could become shareholders of Industrial Alliance at a time when Industrial Alliance’s financial condition is deteriorating or when Industrial Alliance has become insolvent or bankrupt or resolved to wind-up or has been ordered wound-up or liquidated. An investment in Industrial Alliance is also subject to certain risks that are distinct from the risks associated with an investment in the Trust, including the general risks inherent in equity investments in insurance institutions. In the event of a liquidation of Industrial Alliance, the claims of policyholders and creditors of Industrial Alliance would be entitled to a priority of payment over the claims of holders of equity interests such as IA Class A Preferred Shares Series YY or IA Class A Preferred Shares Series ZZ. If Industrial Alliance were to become insolvent or bankrupt or resolved to wind-up, or were ordered wound-up or liquidated after the Automatic Exchange or if the Automatic Exchange were to occur after the insolvency of Industrial Alliance, the holders of IA Class A Preferred Shares Series ZZ may receive, if anything, substantially less than the holders of the IATS – Series A would have received had the IATS – Series A not been exchanged for IA Class A Preferred Shares Series ZZ. Potential investors in the IATS – Series A should carefully consider the description of Industrial Alliance set forth under “Industrial Alliance Group”. See also “Description of the Trust Securities — IATS – Series A — Automatic Exchange”.

Restrictions on Ownership of Industrial Alliance Voting Shares

Pursuant to the Insurance Act and *An Act respecting Industrial Alliance, Life Insurance Company* (Québec), no person may acquire any voting shares of Industrial Alliance (including IA Common Shares), if the acquisition would cause the person to hold 10% or more of the voting rights attached to the shares of Industrial Alliance. See “Constraints on Voting Shares under Quebec Insurance Legislation.” Accordingly, the right of a holder to exchange all or some of the IATS – Series A held by it may be restricted. In addition, certain holders of IATS – Series A who are to acquire IA Exchange Class A Preferred Shares upon the exercise or operation of the Holder Exchange Right or the Automatic Exchange or IA Common Shares upon the exchange of IA Exchange Class A Preferred Shares may have some or all of such shares disposed of on their behalf pursuant to the procedures referred to under “Description of the Trust Securities – IATS – Series A – Automatic Exchange”, “Description of the Trust Securities – IATS – Series A – Share Exchange Agreement” and “Description of Share Capital of Industrial Alliance – Redemption”.

Liquidity of and Dealings in IATS – Series A

There can be no assurance that an active trading market will develop or be sustained or that the IATS – Series A may be resold at or above the initial public offering price. The ability of a holder to pledge IATS – Series A or otherwise take action with respect to its interest in IATS – Series A (other than through a Participant) may be limited due to the lack of a physical certificate.

No prediction can be made as to the effect, if any, that future issues of Industrial Alliance Trust Securities, or the availability of such Industrial Alliance Trust Securities for future issue, will have on the market price of issued IATS – Series A prevailing from time to time. Issues from treasury or sales in the public market by holders of IATS – Series A involving substantial numbers or principal amounts of IATS – Series A in the public market, or the perception that such issues or sales could occur, could adversely affect prevailing market prices for such IATS – Series A and the issuer’s ability to raise additional capital in the equity and debt markets.

Indicated Yield is Non-Cumulative

The Indicated Yield on the IATS – Series A is non-cumulative. The Indicated Yield on the IATS – Series A is payable by the Trust on each Regular Distribution Date out of the Net Distributable Funds of the Trust. If the Indicated Yield on the IATS – Series A for any Distribution Date is not paid by reason of the occurrence of a Distribution Diversion Event, holders of IATS – Series A will not be entitled to receive the Indicated Yield. See “Description of the Trust Securities — IATS – Series A — Indicated Yield”.

Changes in Credit Worthiness or Credit Ratings

The perceived credit worthiness of Industrial Alliance Group, including Industrial Alliance, and changes in credit ratings of the IATS – Series A may affect the market price or value and liquidity of the IATS – Series A.

MATERIAL CONTRACTS

The material contracts to be entered into by the Trust in connection with the Offering are as follows:

- (a) the Declaration of Trust described under “The Trust”;
- (b) the Administration Agreement described under “The Trust — Administrative Agent”;
- (c) the Share Exchange Agreement described under “Description of the Trust Securities — IATS – Series A — Share Exchange Agreement”;
- (d) the Subscription Agreement described under “Summary — Special Trust Securities”;
- (e) the Debenture Purchase Agreement described under “The Trust — Business of the Trust”;
- (f) the Credit Facility described under “The Trust— Liquidity”; and
- (g) the Underwriting Agreement described under “Plan of Distribution”.

PRINCIPAL HOLDERS OF SECURITIES

At all times following the Closing Date, Industrial Alliance intends to own, directly or indirectly, all of the Special Trust Securities. See “Capitalization of the Trust”.

INTERESTS OF INDUSTRIAL ALLIANCE AND ITS AFFILIATES IN MATERIAL TRANSACTIONS

Pursuant to the Administration Agreement, Industrial Alliance will administer the day-to-day operations of the Trust. Industrial Alliance and its affiliates may have interests, which are not identical to those of the Trust. Consequently, conflicts of interest may arise with respect to transactions, including the renewal, termination or modification of the Administration Agreement. The Trust and Industrial Alliance intend that any agreements and transactions between the Trust, on the one hand, and Industrial Alliance and its affiliates, on the other hand, will be fair to all parties and consistent with market terms and conditions.

LEGAL MATTERS

Certain legal matters in connection with the Offering will be passed upon by McCarthy Tétrault LLP, on behalf of the Trust and Industrial Alliance, and by Ogilvy Renault, on behalf of the Underwriters. The partners, counsel and associates of McCarthy Tétrault LLP and Ogilvy Renault, as a group, beneficially own, directly or indirectly, less than 1% of any class of security issued by the Trust and Industrial Alliance.

TRANSFER AGENT AND REGISTRAR AND EXCHANGE TRUSTEE

Computershare Trust Company of Canada will act as transfer agent, registrar and exchange trustee for the IATS – Series A (the “Exchange Trustee”). The IATS – Series A will be issued in book-entry only form through CDS. See “Description of the Trust Securities — IATS – Series A — Book-Entry Only Form”. Subject to the CDS Procedures, registration and transfer of the IATS – Series A may be effected at the principal office of CDS in Toronto, Ontario.

AUDITORS

Samson Bélair Deloitte & Touche, Chartered Accountants, Québec City, Québec, are the auditors of the Trust.

PROMOTER

Industrial Alliance is the promoter of the Trust by reason of its taking the initiative in creating, structuring and promoting the Trust. Industrial Alliance will not receive any benefits, directly or indirectly, from the offering of the IATS – Series A other than as described in this prospectus. See “The Trust — Business of the Trust”.

Under the Administration Agreement, Industrial Alliance, as Administrative Agent, will provide various services in connection with the Offering and the ongoing operations, maintenance and regulatory compliance of the Trust. Industrial Alliance will receive an administration fee under the Administration Agreement.

The following are the names, municipalities of residence, and offices of the officers of Industrial Alliance directly involved in their capacity as administrative agents of the Trust:

Name and Municipality of Residence	Office
Yvon Côté Québec City	Vice-President and General Manager Finance and Investments
Georges Smith Québec City	Vice-President and General Manager Corporate Affairs, Secretary

Each of the officers of Industrial Alliance listed above has been engaged for more than five years in his present office or in other capacities with Industrial Alliance.

STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in several of the provinces provides purchasers with the right to withdraw from an agreement to purchase securities within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages where the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory for the particulars of these rights or consult with a legal advisor.

INDEX OF TERMS

<u>Page</u>	<u>Page</u>		
Accumulated Unpaid Indicated Yield	9	IA Exchange Class A Preferred Shares	2
Administration Agent.....	17	IA Non-cumulative Preferred Shares	13
Administration Agreement	17	IA Preferred Shares	32
Administrative Action.....	24	IA Preferred Shares Series 1	32
Agency.....	52	IA Preferred Shares Series 2	32
annual filing	17	IA Preferred Shares Series 3	32
Annual Report	6	IA Series A Debenture.....	1
Automatic Exchange	11	IA Series A Debenture Interest Payment Date	1
Board of Directors	10	IA Series A Funding Debenture	17
Business Day.....	9	IATS – Series A	1
Cash Conversion Price	12	IATS – Series A Canada Yield Price	9
Cash Redemption Price.....	36	Indicated Yield	1
CDS	10	Indicated Yield Deficit.....	23
CDS Procedures	25	Indicated Yield Ratio	23
Closing Date	1	Industrial Alliance	1
Commissions.....	17	Industrial Alliance Group.....	19
Common Share Conversion Rate	12	Industrial Alliance Trust Securities	1
Companies Act	18	Ineligible Person.....	25
Conversion Date.....	12	Inspector General	2
Credit Facility.....	17	Inspector General Approval.....	2
Current Indicated Yield	9	Insurance Act.....	11
DBRS	7	Loss Absorption Event.....	11
Debenture Canada Yield Price	50	Net Distributable Funds.....	8
Debenture Conversion Right.....	50	Offering	1
Debenture Early Redemption Price	49	Participants.....	15
Debenture Purchase Agreement.....	16	Public Preferred Shares.....	8
Debenture Redemption Price	49	Redemption Date	9
Declaration of Trust.....	1	Redemption Price.....	9
Deferred Income Plan	5	Regular Distribution Date	8
Distribution Date	1	Regulatory Event	24
Distribution Diversion Event.....	8	S&P	7
Distribution Periods.....	8	Share Exchange Agreement	28
Dividend Payment Date.....	34	Significant Shareholder.....	36
Dividend Payment Resumption Month.....	13	Special Event.....	2
Dividend Reference Period	8	Special Trust Securities	1
Dividend Restricted Shares	13	Subscription Agreement	15
Dividend Stopper Undertaking	13	Subscription Right	28
Dividends.....	8	Surrender Price	10
Early Redemption Price	9	Tax Event	24
Eligible Investments.....	16	Termination Distribution Ratio	27
Exchange Provisions	3	Trust.....	1
Exchange Trustee.....	57	Trust Assets.....	16
Extraordinary Resolution.....	23	Trust Redemption Right	9
Government of Canada Yield	9	Trust Securities.....	1
Holder Exchange Right.....	10	Trust Special Event Redemption Right.....	10
IA Class A Preferred Share Redemption Right	36	Trustee	1
IA Class A Preferred Shares	32	TSX	12
IA Class A Preferred Shares Series A	8	Underwriters	54
IA Class A Preferred Shares Series YY.....	2	Underwriting Agreement.....	54
IA Class A Preferred Shares Series ZZ.....	2	Unpaid Indicated Yield.....	9
IA Common Share Conversion Right	28	Winding-Up Act.....	11
IA Common Shares	32		

COMPILATION REPORT

To the Trustee of Industrial Alliance Capital Trust

We have reviewed, as to compilation only, the accompanying pro forma balance sheet of Industrial Alliance Capital Trust as at June 16, 2003, which has been prepared solely for inclusion in this prospectus relating to the issue and sale of Industrial Alliance Trust Securities — Series A of Industrial Alliance Capital Trust. In our opinion, the pro forma balance sheet has been properly compiled to give effect to the proposed transactions and assumptions described in the notes thereto.

(signed) Samson, Bélair/Deloitte & Touche
Chartered Accountants
Québec City, Canada
June 26, 2003

Industrial Alliance Capital Trust

Pro Forma Balance Sheet

as at June 16, 2003

(unaudited)

(in thousands of dollars)

	<u>As at June 16, 2003</u>	<u>Pro Forma Adjustments</u>	<u>Notes</u>	<u>Pro Forma As at June 16, 2003</u>
Assets				
Cash	\$ 1	\$ 150,000	2 (a)	\$
		499	2 (b)	
		12,350	2 (c)	
		(2,750)	2 (d)	
		(150,000)	2 (e)	
		(10,100)	2 (c)	
IA Series A Funding Debenture		10,100	2 (c)	10,100
IA Series A Debenture		150,000	2 (e)	150,000
Future Tax Asset		850	2 (d)	850
	<u>\$ 1</u>	<u>\$ 160,949</u>	2 (d)	<u>\$ 160,950</u>
Liabilities				
Loans Payable	<u>\$ -</u>	<u>\$12,350</u>	2 (c)	<u>\$12,350</u>
		12,350		12,350
Trust Capital				
Industrial Alliance Trust Securities – Series A	-	150,000	2 (a)	150,000
Special Trust Securities	-	499	2 (b)	500
		1	2 (b)	
Original Settlement Amount	1	(1)	2 (b)	
Issue Costs	-	(1,900)	2 (d)	(1,900)
Total Trust Capital	<u>1</u>	<u>148,599</u>		<u>148,600</u>
	<u>\$ 1</u>	<u>\$ 160,949</u>		<u>\$ 160,950</u>

See accompanying notes

Industrial Alliance Capital Trust
Notes to Pro Forma Balance Sheet
June 16, 2003
(unaudited)
(in thousands of dollars except unit amounts)

1. Basis of Presentation

The pro forma balance sheet is based upon the audited balance sheet of Industrial Alliance Capital Trust (the "Trust") as at June 16, 2003, adjusted to reflect the issue of Industrial Alliance Trust Securities-Series A, the issue and sale of Special Trust Securities by the Trust to Industrial Alliance Insurance and Financial Services Inc. ("Industrial Alliance") and the purchase by the Trust of the IA Series A Debenture from Industrial Alliance.

The pro forma balance sheet has been prepared by management of Industrial Alliance, as administrative agent of the Trust, in accordance with Canadian generally accepted accounting principles.

The pro forma balance sheet should be read in conjunction with the audited balance sheet of the Trust as at June 16, 2003.

Capitalized terms not defined in these notes have the meanings ascribed to them in the accompanying prospectus dated June 26, 2003 of the Trust and Industrial Alliance with respect to the offering of Industrial Alliance Trust Securities-Series A.

2. Pro Forma Assumptions and Adjustments

The pro forma balance sheet gives effect to the following transactions as if they had occurred on June 16, 2003:

- (a) the issue and sale of 150,000 Industrial Alliance Trust Securities-Series A for \$1,000 each, for total gross proceeds of \$150,000;
- (b) the issue and sale of Special Trust Securities to Industrial Alliance for total proceeds received on closing of \$500, including the original settlement amount of \$1;
- (c) the non-interest-bearing loan to the Trust from Industrial Alliance to fund the fees and expenses related to the Offering and to fund the purchase of the IA Series A Funding Debenture;
- (d) the payment of estimated costs, including underwriters' commission and expenses of the Offering, relating to the issuance and sale of the Industrial Alliance Trust Securities — Series A of \$1,900, net of \$850 of income taxes; and
- (e) the purchase by the Trust of the IA Series A Debenture from Industrial Alliance for a purchase price of \$150,000.

AUDITOR'S REPORT

To the Trustee and Administrative Agent of Industrial Alliance Capital Trust

We have audited the balance sheet of Industrial Alliance Capital Trust (the "Trust") as at June 16, 2003. This financial statement is the responsibility of Industrial Alliance Insurance and Financial Services Inc., as administrative agent of the Trust. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by the administrative agent, as well as evaluating the overall financial statement presentation.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position of the Trust as at June 16, 2003 in accordance with Canadian generally accepted accounting principles.

(signed) Samson, Bélair/Deloitte & Touche
Chartered Accountants
Québec City, Canada
June 26, 2003

Industrial Alliance Capital Trust

Balance Sheet

As at June 16, 2003

Cash.....	\$1,000
Trust Capital	\$1,000

On behalf of the Administrative Agent of the Trustee:

(Signed) Yvon Côté

(Signed) Georges Smith

See accompanying notes

Industrial Alliance Capital Trust

Notes to Balance Sheet

June 16, 2003

1. Establishment and Organization

Industrial Alliance Capital Trust (the "Trust") is a open-end trust formed as of June 16, 2003 by Computershare Trust Company of Canada (the "Trustee") pursuant to the Declaration of Trust. An amount of \$1,000 was settled on the Trust's formation and that amount will be held for the benefit of the beneficiaries. The Trust intends to make investments and to conduct its activities at all times in such a manner as to qualify as a registered investment under the provisions of the *Income Tax Act* (Canada).

Unless separately defined in these notes, capitalized terms have the same meaning as given to them in the accompanying prospectus dated June 26, 2003 of the Trust and Industrial Alliance with respect to the offering of Industrial Alliance Trust Securities — Series A to the public (the "Prospectus").

2. Trust Capital

(a) Authorized Trust Capital

The Trust's authorized capital consists of an unlimited number of Special Trust Securities and an unlimited number of Industrial Alliance Trust Securities issuable in series.

(b) IATS – Series A

A series of Industrial Alliance Trust Securities has been designated as Industrial Alliance Trust Securities – Series A ("IATS – Series A").

The IATS – Series A are non-voting except in certain limited circumstances.

The holders of IATS – Series A will be entitled to non-cumulative fixed cash distributions of the Trust's income in the amount of \$28.57 ("Indicated Yield"), payable semi-annually on the last day of June and December of each year, commencing December 31, 2003 (each a "Distribution Date"), provided that each Distribution Date is a Regular Distribution Date. A Distribution Date will be a Regular Distribution Date unless Industrial Alliance Insurance and Financial Services Inc. ("Industrial Alliance") fails to declare dividends as described in the Prospectus.

On and after December 31, 2008, but subject to the Insurance Act and the prior approval of the Inspector General of Financial Institutions (Québec) (or, *Agence nationale d'encadrement du secteur financier*, as successor Québec financial services authority) (the "Inspector General"), the IATS – Series A will be redeemable at the option of the Trust in whole or in part and without the consent of the holders thereof.

Subject to the approval of the Inspector General, upon the occurrence of certain regulatory or tax events, the IATS – Series A will be redeemable at the option of the Trust in whole (but not in part) and without the consent of the holders thereof.

Each IATS – Series A can be surrendered to the Trust or the Exchange Trustee for a price equal to 40 IA Class A Preferred Shares Series YY of Industrial Alliance, at the option of the holder, as specified in the Prospectus. In certain circumstances the Trust may arrange for substitute purchasers to purchase such IATS – Series A for a price as specified in the Prospectus.

Upon the occurrence of a Loss Absorption Event, each IATS – Series A will be automatically exchanged for 40 IA Class A Preferred Shares Series ZZ of Industrial Alliance, without the consent of the holder, as specified in the Prospectus.

On and after December 31, 2008, any outstanding IATS – Series A may be purchased at any time, in whole or in part, by the Trust, at the direction of the holder of the Special Trust Securities and with Inspector General Approval.

(c) Special Trust Securities

The holders of the Special Trust Securities are entitled to vote at all meetings of the holders of Special Trust Securities.

Industrial Alliance intends to maintain direct or indirect ownership of 100% of the outstanding Special Trust Securities.

Holders of Special Trust Securities will be entitled, after the payment of the Indicated Yield if due to holders of IATS – Series A, to the Net Distributable Funds of the Trust.

3. Related Party Transactions

The proceeds of \$150,000,000 received from the offering of the IATS – Series A will be used by the Trust to purchase a senior debenture of Industrial Alliance (the “IA Series A Debenture”). Industrial Alliance’s subscription for Special Trust Securities, together with amounts borrowed by the Trust under the Credit Facility, will be used by the Trust to purchase a debenture of Industrial Alliance (the “IA Series A Funding Debenture”) and to pay the Underwriters’ commission and offering expenses.

The Trustee will enter into the Administration Agreement with Industrial Alliance pursuant to which Industrial Alliance will serve as administrative agent of the Trust. Accordingly, Industrial Alliance will receive an administration fee in acting in that capacity.

Industrial Alliance will provide a loan to the Trust at the closing of the Offering.

4. Proposed Issue

Pursuant to an underwriting agreement dated June 26, 2003, the Trust proposes to issue and sell 150,000 IATS – Series A for gross proceeds of \$150,000,000. The underwriting commission and other expenses payable by the Trust are estimated at \$2,750,000.

Concurrently with the closing of the Offering, Industrial Alliance, the Trust and Computershare Trust Company of Canada, as the Exchange Trustee for the holders of the IATS – Series A, IA Class A Preferred Shares Series YY and IA Class A Preferred Shares Series ZZ, will enter into the Share Exchange Agreement providing for, among other things, the respective rights and obligations of Industrial Alliance, the Trust, the Exchange Trustee and the holders of the IATS – Series A, IA Class A Preferred Shares Series YY and IA Class A Preferred Shares Series ZZ with respect to the exchange of IATS – Series A for IA Class A Preferred Shares Series YY or the IA Class A Preferred Shares Series ZZ, and the conversion of IA Class A Preferred Shares Series YY or IA Class A Preferred Shares Series ZZ for IA Common Shares in connection with certain conversion provisions. Immediately following the closing of the Offering, and after the subscription by Industrial Alliance for Special Trust Securities, the Trust will acquire from Industrial Alliance the IA Series A Debenture for a purchase price equal to \$150,000,000, and the IA Series A Funding Debenture for a purchase price equal to \$10,100,000.

CERTIFICATE OF THE TRUST

Dated: June 26, 2003

The foregoing, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 8 of the *Securities Act* (Alberta), by Part XI of the *Securities Act, 1988* (Saskatchewan), by Part VII of *The Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), by the *Securities Act* (Nova Scotia), by Section 13 of the *Security Frauds Prevention Act* (New Brunswick), by Part II of the *Securities Act* (Prince Edward Island) and by Part XIV of *The Securities Act, 1990* (Newfoundland) and the respective regulations thereunder. For the purpose of the Province of Québec, this prospectus, as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed within the meaning of the *Securities Act* (Québec) and the regulations thereunder.

INDUSTRIAL ALLIANCE CAPITAL TRUST

by its Administrative Agent

INDUSTRIAL ALLIANCE INSURANCE AND FINANCIAL SERVICES INC.

By: (Signed) Yvon Côté
Vice-President and General Manager
Finance and Investments

By: (Signed) Georges Smith
Vice-President and General Manager
Corporate Affairs, Secretary

CERTIFICATE OF INDUSTRIAL ALLIANCE INSURANCE AND FINANCIAL SERVICES INC.

Dated: June 26, 2003

The foregoing, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 8 of the *Securities Act* (Alberta), by Part XI of the *Securities Act, 1988* (Saskatchewan), by Part VII of *The Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), by the *Securities Act* (Nova Scotia), by Section 13 of the *Security Frauds Prevention Act* (New Brunswick), by Part II of the *Securities Act* (Prince Edward Island) and by Part XIV of *The Securities Act, 1990* (Newfoundland) and the respective regulations thereunder. For the purpose of the Province of Québec, this prospectus, as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed within the meaning of the *Securities Act* (Québec) and the regulations thereunder.

(Signed) Yvon Charest
President and Chief Executive Officer

(Signed) Michel Sanschagrin
Vice-President and General Manager
Actuarial and Control
(as Chief Financial Officer)

On behalf of the Board of Directors

(Signed) Raymond Garneau
Director

(Signed) John Leboutillier
Director

CERTIFICATE OF THE UNDERWRITERS

Dated: June 26, 2003

To the best of our knowledge, information and belief, the foregoing, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 8 of the *Securities Act* (Alberta), by Part XI of the *Securities Act, 1988* (Saskatchewan), by Part VII of *The Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), by the *Securities Act* (Nova Scotia), by Section 13 of the *Security Frauds Prevention Act* (New Brunswick), by Part II of the *Securities Act* (Prince Edward Island) and by Part XIV of *The Securities Act, 1990* (Newfoundland) and the respective regulations thereunder. For the purpose of the Province of Québec, to our knowledge, this prospectus, as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value of the market price of the securities to be distributed within the meaning of the *Securities Act* (Québec) and the regulations thereunder.

SCOTIA CAPITAL INC.

By: (Signed) David Skurka

MERRILL LYNCH CANADA INC.

NATIONAL BANK
FINANCIAL INC.

RBC CAPITAL MARKETS INC.

By: (Signed) Éric Michaud

By: (Signed) Ian McPherson

By: (Signed) Barry Nowoselski

GRIFFITHS McBURNEY & PARTNERS

INDUSTRIAL ALLIANCE SECURITIES INC.

By: (Signed) Matthew Frank

By: (Signed) Gaétan Plante