

Notice and Request for Comment

Draft Regulation respecting Development Capital Investment Fund Continuous Disclosure

Draft Regulation to amend the Securities Regulation

Introduction

The *Autorité des marchés financiers* (AMF) is publishing for comment the following draft Regulations:

- *Regulation respecting Development Capital Investment Fund Continuous Disclosure*, Form F1 *Content of Management Discussion and Analysis*, Form F2 *Certification respecting Valuation of Development Capital Investments* and Form F3 *Content of Annual Information Form* (the “Regulation”),
 - *Regulation to amend the Securities Regulation*,
- (collectively the “Regulations”).

The Regulations are published with this Notice in French and in English. The Notice and the Regulations are also available on the AMF website at www.lautorite.qc.ca.

Background

The purpose of the Regulation is to regulate the continuous disclosure requirements of the *Fonds de solidarité des travailleurs du Québec (F.T.Q.)*, *Fondaction*, the *Fonds de développement de la Confédération des syndicats nationaux pour la coopération et l'emploi* and *Capital régional et coopératif Desjardins* (individually the “Fund” and collectively the “Funds”).

The Regulation codifies the existing continuous disclosure practices of the Funds while introducing new requirements more in line with those set out in *Regulation 81-106 respecting Investment Fund Continuous Disclosure* (“Regulation 81-106”) from which the Funds are currently excluded.¹ Furthermore, the Regulation harmonizes the continuous disclosure requirements of the Funds.

The Regulation sets out the continuous disclosure obligations of the Funds in respect of the financial statements, the auditor’s report, the MD&A, the statement of development capital investments, the statement of other investments, the index of investments made by the specialized funds, the material change reports, the annual information form, the delivery of the financial statements and the MD&As, the sending of proxies, and other matters regarding continuous disclosure by the Funds.

Principal Requirements under the Regulation

- The comparative annual financial statements and auditor’s report of a Fund must be filed on or before the 120th day after the Fund’s most recently completed financial year.
- The interim financial statements and auditor’s report of a Fund must be filed on or before the 90th day after the Fund’s most recently completed interim period.
- A Fund must file, as at the end of each financial year or interim period, an audited statement of its development capital investments. The statement must be available upon request and on the Fund’s website.

¹ See paragraph 1.2 (4) of Regulation 81-106

- A Fund must file, as at the end of each financial year or interim period, a statement of its other investments. The statement must be available upon request and on the Fund's website.
- A Fund must provide, as at the end of each financial year or interim period, an index of investments made by the specialized funds in which it has committed to invest an amount equal to or greater than 0.2% of its net assets or \$10 million, whichever is greater. The index of investments made by the specialized funds need not be audited. It must be available upon request and on the Fund's website.
- Disclosure regarding repurchase transactions and reverse repurchase transactions must be made in the statement of other investments. Information concerning securities lending transactions must be made in notes to the financial statements.
- A Fund must file an annual MD&A and an interim MD&A, prepared in accordance with Form F1 *Content of Management Discussion and Analysis*, at the same time that it files its annual financial statements or its interim financial statements.
- The chief executive officer and the chief financial officer of a Fund must certify that the fair value of each development capital investment was established through the procedure described in section 50 of the Regulation. This procedure requires that, excluding publicly traded entities, all information regarding the valuation of development capital investments be submitted to an independent valuation committee composed of a majority of members who are qualified valuers that are independent of the Funds. The independent valuation committee ensures compliance by the Fund with the valuation procedure described in section 50 of the Regulation and makes a written report of its review to the board of directors of the Fund or to any other body to whom the board has delegated the responsibility of receiving the report. Certification by the chief executive officer and the chief financial officer of the Fund must comply with Form F2 *Certification respecting Valuation of Development Capital Investments*.
- The Regulation requires a Fund to send its security holders a business reply card allowing them to obtain, at no cost, the continuous disclosure documents filed with the AMF.
- A Fund must file an annual information form prepared in accordance with Form F3 *Content of Annual Information Form*.
- The Regulation requires a Fund to file a material change report when a material change occurs in the affairs of the Fund.
- The Regulation prescribes that section 4.11 of *Regulation 51-102 respecting Continuous Disclosure Obligations* should apply to a Fund that changes its auditor.
- The Regulation requires a Fund to calculate its total operating expense ratio.
- The Regulation contains transitional provisions to allow the Funds to implement the mechanisms necessary for complying with new requirements under the Regulation.

The *Regulation to amend the Securities Regulation* repeals certain regulatory provisions further to the incorporation of their content in the Regulation. Other sections are amended to better reflect current practices.

Regulatory Power

The draft Regulations may not be enacted or submitted for approval to the Minister of Finance before 30 days have elapsed since their publication. During that period, comments may be submitted to the person mentioned in this notice.

Request for Comment

Comments regarding the draft Regulations must be submitted in writing by April 21, 2008. If comments are not sent by e-mail, please provide them on diskette (Word for Windows format). Note that submissions cannot be kept confidential.

Please address your comments to the AMF at the following address:

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Questions

Please refer your questions to any of the following persons:

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The text of the Regulations and the Forms appears below and is available on the AMF website.

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