

**REGULATION IN FORCE FROM JUNE 1, 2008 TO DECEMBER 31, 2013**

**Last amendment in force on June 1, 2008**  
This document has official status

c. V-1.1, r. 46

**REGULATION RESPECTING DEVELOPMENT CAPITAL INVESTMENT FUND  
CONTINUOUS DISCLOSURE**

**Securities Act**

(R.S.Q. c. v-1.1, s. 331.1)

**CHAPTER I DEFINITIONS AND SCOPE**

1. *In this Regulation,*

*"annual information form" means an annual information form prepared in accordance with Form F3;*

*"annual MD&A" means a document prepared in accordance with Part B of Form F1;*

*"development capital investment" or "investment" means, unless the context indicates otherwise, an investment made in accordance with the investment fund's mission under its constituting Act or an investment that appears in the statement of development capital investments;*

*"independence" means*

*In relation to a member of the valuation committee, a member who has no direct or indirect material relationship with the investment fund.*

*For the purposes of the foregoing, a material relationship is a relationship that can reasonably be considered to have potential influence over a member's judgment as regards his review of information and his review report to the board of directors of the fund or of any other body to whom the board has delegated the responsibility of receiving the report.*

*For the purposes of this definition, the investment fund includes any specialized fund or entity in which the investment fund takes an active role in daily management.*

*"index of investments made by the specialized funds" means the disclosure required under Division 3 of Chapter III of this Regulation;*

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"interim MD&A" means a document prepared in accordance with Part C of Form F1;

"interim period" means, in relation to an investment fund,

1) a period that ends 6 months before the end of a financial year of the fund,  
or

2) in the case of a transition year of the fund, a period commencing on the first day of the transition year and ending 6 months after the end of its old financial year;

"management fees" means the total fees paid or payable by the investment fund to its manager or one or more portfolio advisers or sub-advisers, including incentive or performance fees;

"material contract" means a document included on the list set out in Item 15 of Form F3 Content of Annual Information Form under this Regulation, except a contract entered into in the ordinary course of business of the investment fund;

"other investment" means an investment that is not a development capital investment;

"professional association" means a professional organization with regulatory powers that satisfies the following conditions:

- 1) it is vested with authority or recognized by law;
- 2) it admits persons based primarily on their academic qualifications and their experience;
- 3) it requires compliance with professional standards of proficiency and ethics that it has established; and
- 4) it has disciplinary powers, including the power to suspend or exclude a member;

"qualified valuator" means a person specializing in business valuation who, if he is an employee of the investment fund, reports hierarchically to the investment fund's chief financial officer, and who has either of the following combined experience and training:

- 1) he holds the professional title of CBV or CFA, is a member in good standing of his professional association and has a minimum of 5 years of relevant experience, including at least 3 years in business valuation; or

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2) he holds an accounting title as a CA, CGA or CMA or has an M.Sc. or MBA in accounting or finance, is a member in good standing of his professional association, if applicable, and has a minimum of 10 years of relevant experience, including at least 5 years in business valuation;

"specialized fund" means an entity in which the investment fund has committed to invest development capital and whose mission is to invest in, or acquire, enterprises, limited partnerships or immovables;

"statement of development capital investments" means the disclosure required under Division 1 of Chapter III of this Regulation;

"total operating expense ratio" means the ratio, expressed as a percentage, of the total expenses of an investment fund to its average net assets, calculated in accordance with Chapter XI of this Regulation; and

"transition year" means the financial year of an investment fund in which a change of year-end occurs.

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M.O. 2008-07, s. 1.

**2.** This Regulation applies to investment funds that are reporting issuers constituted under the following Acts: +

1) an Act constituting Capital régional et coopératif Desjardins (R.S.Q. c. C-6.1);

2) an Act to establish Fondation, le Fonds de développement de la Confédération des syndicats nationaux pour la coopération et l'emploi (R.S.Q. c. F-3.1.2); and

3) an Act to establish the Fonds de solidarité des travailleurs du Québec (F.T.Q.) (R.S.Q. c. F-3.2.1).

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M.O. 2008-07, s. 2.

**3.** A document that is required to be filed under this Regulation must be prepared in French or in English and French.

Despite the first paragraph, if an investment fund files a document in French or in English and French, and a translation of the document into the other language is sent to a security holder, the investment fund must file the translated document not later than when it is sent to the security holder.

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M.O. 2008-07, s. 3.

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4. Terms defined in Regulation 81-102 respecting Mutual Funds (c. V-1.1, r. 39), Regulation 81-104 respecting Commodity Pools (c. V-1.1, r. 40) and Regulation 81-105 respecting Mutual Fund Sales Practices (c. V-1.1, r. 41) and used in this Regulation have the respective meanings ascribed to them in those Regulations except that references in those definitions to "mutual fund" must be read as references to "investment fund".

M.O. 2008-07, s. 4.

### CHAPTER II FINANCIAL STATEMENTS

5. An investment fund must file annual financial statements for its most recently completed financial year and, as comparative information, those for the immediately preceding financial year, that include:

- 1) a balance sheet;
  - 2) a statement of operations;
  - 3) a statement of changes in net assets or security holders' equity;
  - 4) a statement of cash flows, unless it is not required by Canadian GAAP;
- and
- 5) notes to the annual financial statements.

Annual financial statements filed under the first paragraph must be accompanied by an auditor's report.

M.O. 2008-07, s. 5.

6. The annual financial statements and auditor's report required to be filed under section 5 must be filed on or before the 120th day after the investment fund's most recently completed financial year.

M.O. 2008-07, s. 6.

7. An investment fund must file interim financial statements for its most recently completed interim period that include:

- 1) a balance sheet as at the end of the interim period and, as comparative information, a balance sheet as at the end of the preceding financial year;
- 2) a statement of operations for that interim period and, as comparative information, a statement of operations for the corresponding interim period in the immediately preceding financial year;

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3) a statement of changes in net assets or security holders' equity for that interim period and, as comparative information, a statement of changes in net assets (or security holders' equity) for the corresponding interim period in the immediately preceding financial year;

4) a statement of cash flows as at the end of the interim period and, as comparative information, a statement of cash flows for the corresponding interim period in the immediately preceding financial year, unless it is not required by Canadian GAAP; and

5) notes to the interim financial statements.

Interim financial statements filed under the first paragraph must be accompanied by an auditor's report.

M.O. 2008-07, s. 7.

8. The interim financial statements and auditor's report required to be filed under section 7 must be filed on or before the 90th day after the investment fund's most recently completed interim period.

M.O. 2008-07, s. 8.

9. The board of directors of an investment fund must approve the financial statements of the investment fund before those financial statements are filed or made available to security holders or potential purchasers of securities of the investment fund.

M.O. 2008-07, s. 9.

10. The financial statements of an investment fund must be prepared in accordance with Canadian GAAP.

M.O. 2008-07, s. 10.

11. Financial statements that are required to be audited must be audited in accordance with Canadian GAAS. Audited financial statements must be accompanied by an auditor's report prepared in accordance with Canadian GAAS and the following requirements:

1) the auditor's report must not contain a reservation;

2) the auditor's report must identify all financial periods presented for which the auditor has issued an auditor's report;

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3) if the investment fund has changed its auditor and a comparative period presented in the financial statements was audited by a different auditor, the auditor's report must refer to the former auditor's report on the comparative period; and

4) the auditor's report must identify the auditing standards used to conduct the audit and the accounting principles used to establish the financial statements.

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M.O. 2008-07, s. 11.

**12.** If an investment fund decides to change its next financial year-end by more than 14 days, it must file a notice containing the disclosure set out in section 13 as soon as practicable, and, in any event, not later than 30 days before the earlier of:

1) the filing deadline, based on the investment fund's old financial year-end, for the next financial statements required to be filed, either annual or interim, whichever comes first; and

2) the filing deadline, based on the investment fund's new financial year-end, for the next financial statements required to be filed, either annual or interim, whichever comes first.

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M.O. 2008-07, s. 12.

**13.** The notice referred to in section 12 must indicate:

1) the investment fund's decision to change its year-end;

2) the reasons for the change;

3) the old financial year-end;

4) the new financial year-end;

5) the length and end date of the periods, including the comparative periods, of the interim and annual financial statements to be filed for the investment fund's transition year and its new financial year; and

6) the filing deadlines, prescribed under sections 6 and 8, for the interim and annual financial statements for the transition year.

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M.O. 2008-07, s. 13.

**14.** For the purposes of section 13:

1) a transition year must not exceed 15 months; and

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2) the first interim period after an old financial year must not exceed 8 months.

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M.O. 2008-07, s. 14.

**15.** Despite the first paragraph of section 7, an investment fund is not required to file interim financial statements for any period in its transition year that ends not more than 1 month:

- 1) after the last day of its old financial year; or
- 2) before the first day of its new financial year.

Despite the first paragraph of section 7, an investment fund is not required to file interim financial statements for any period in a transition year if the transition year is less than 9 months in length.

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M.O. 2008-07, s. 15.

**16.** Despite the first paragraph of section 5, if a transition year is less than 9 months in length, the investment fund must include as comparative financial information to its financial statements for its new financial year:

- 1) a balance sheet, a statement of operations, a statement of changes in net assets or security holders' equity and a statement of cash flows for its transition year; and
- 2) a balance sheet, a statement of operations, a statement of changes in net assets or security holders' equity and a statement of cash flows for its old financial year.

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M.O. 2008-07, s. 16.

**17.** Despite the first paragraph of section 7, an investment fund must include as comparative information:

- 1) for interim financial statements for an interim period in the transition year:
  - (a) a balance sheet as at the end of its most recently completed financial year; and
  - (b) a statement of operations, a statement of changes in net assets or security holders' equity, and, if applicable, a statement of cash flows, for the interim period of the old financial year;
- 2) for interim financial statements for an interim period in a new financial year:

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(a) a balance sheet as at the end of the transition year; and

(b) a statement of operations, a statement of changes in net assets or security holders' equity, and, if applicable, a statement of cash flows, for the period that is one year earlier than the interim period in the new financial year.

M.O. 2008-07, s. 17.

**CHAPTER III ADDITIONAL DISCLOSURE**

**DIVISION 1 Statement of Development Capital Investments as at the End of the Financial Year or Interim Period and Auditor's Report**

**18.** An investment fund must provide, in accordance with the rules in respect of filing, approval and auditing standards set out in Chapter II, as at the end of each financial year or interim period, a statement of its development capital investments containing the following information:

- 1) an auditor's report;
- 2) the year in which the investment fund made its initial investment, per issuer;
- 3) the name of the issuer;
- 4) the industry sector; and
- 5) the amount invested per issuer, broken down by the following classes, as appropriate, and indicating whether or not amounts are secured:
  - (a) shares or units, shown at cost;
  - (b) debentures, loans and advances, shown at cost; and
  - (c) loan guarantees and security, shown at the maximum potential amount of undiscounted future payments.

The following note must appear at the end of the statement:

"This statement of development capital investments provides details, per entity, of the sums invested by [insert the name of the investment fund]. This amount appears in note x to the financial statements of the investment fund as at [insert the date of the financial statements]. Moreover, this statement contains a list of the guarantees and security granted by the investment fund."

M.O. 2008-07, s. 18.



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**19.** *The title of the statement of development capital investments must clearly indicate that the investments are not presented at fair value.*

*M.O. 2008-07, s. 19.*

**20.** *The most recent statement prepared in accordance with this division must be available upon request and on the investment fund's website.*

*M.O. 2008-07, s. 20.*

**DIVISION 2 Statement of Other Investments as at the End of the Financial Year or Interim Period**

**21.** *An investment fund must provide, as at the end of each financial year or interim period, a statement of its other investments containing the following information for each portfolio asset held:*

- 1) *the name of the issuer of the portfolio asset*
- 2) *a description of the portfolio asset, including:*
  - (a) *for an equity security, the name of the class of the security;*
  - (b) *for a debt security that has a remaining term to maturity of more than 365 days, all characteristics commonly used commercially to identify the security, including the name of the security, the interest rate of the security, the maturity date of the security, whether the security is convertible or exchangeable and, if used to identify the security, the priority of the security;*
  - (c) *for a debt security that has a remaining term to maturity of 365 days or less, the name, interest rate and maturity date of the security; and*
  - (d) *for a portfolio asset not referred to in subparagraph (a), (b) or (c), the name of the portfolio asset and the material terms and conditions of the portfolio asset commonly used commercially in describing the portfolio asset;*
- 3) *the number or aggregate face value of the portfolio asset;*
- 4) *the cost of the portfolio asset; and*
- 5) *the current value of the portfolio asset.*

*M.O. 2008-07, s. 21.*

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**22.** For the purposes of section 21, disclosure must be aggregated for portfolio assets having the same description and issuer.

M.O. 2008-07, s. 22.

**23.** Despite sections 21 and 22, the information referred to in section 21 may be provided in the aggregate for those short-term debt securities that:

1) are issued by a bank listed in Schedule I, II or III to the Bank Act (S.C. 1991, c. 46) or a loan corporation or trust corporation registered under the laws of a jurisdiction; or

2) have achieved an investment rating within the highest or next highest categories of ratings of each approved credit rating organization.

M.O. 2008-07, s. 23.

**24.** If an investment fund discloses short-term debt securities as permitted by section 23, the fund must disclose separately the aggregate short-term debt securities denominated in any currency if the aggregate exceeds 5% of the total short-term debt.

M.O. 2008-07, s. 24.

**25.** If an investment fund holds positions in derivative instruments, the fund must disclose in the statement of other investments or the notes to that statement:

1) for long and short positions in options:

(a) the quantity of the underlying interest, the number of options, the underlying interest, the strike price, the expiration month and year, the cost and the current value, and

(b) if the underlying interest is a futures contract, information about the futures contract in accordance with subparagraph (a);

2) for positions in futures contracts and forward contracts, the number of futures contracts and forward contracts, the underlying interest, the price at which the contract was entered into, the delivery month and year and the current value;

3) for positions in swaps, the number of swap contracts, the underlying interest, the principal or notional amount, the payment dates and the current value; and

4) if a rating of a counterparty has fallen below the approved credit rating level.

M.O. 2008-07, s. 25.

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**26.** *Despite section 25, information for positions in derivative instruments whose underlying interest is a financial instrument of a company in which the investment fund holds development capital investments may be provided as follows:*

1) *for long and short positions in options:*

(a) *the total cost and total current value of the positions must be broken down by industry sector, as appropriate;*

(b) *the breakdown for purposes of subparagraph (a) must be further broken down by expiry date;*

2) *for positions in futures contracts and forward contracts:*

(a) *the total value at the time of purchase and the total current value of the positions must be broken down by industry sector, as appropriate;*

(b) *the breakdown for purposes of subparagraph (a) must be further broken down by expiry date;*

3) *for positions in swaps:*

(a) *the total principal or notional amount and the total current value of the positions must be broken down by industry sector, as appropriate;*

(b) *the breakdown for purposes of subparagraph (a) must be further broken down by expiry date.*

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*M.O. 2008-07, s. 26.*

**27.** *If applicable, the statement of other investments of the investment fund, or the notes to the statement of other investments, must identify the underlying interest that is being hedged by each position taken by the fund in a derivative.*

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*M.O. 2008-07, s. 27.*

**28.** *The most recent statement prepared in accordance with this division must be available upon request and on the investment fund's website.*

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*M.O. 2008-07, s. 28; Erratum, 2008 G.O. 2, 2475.*

**29.** *For the purposes of this division, disclosure for long and short positions must be given separately.*

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*M.O. 2008-07, s. 29; Erratum, 2008 G.O. 2, 2475.*

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### **DIVISION 3 Index of Investments Made by the Specialized Funds**

**30.** An investment fund must provide, in accordance with the rules in respect of filing, approval and auditing standards set out in Chapter II, as at the end of each financial year or interim period, an index of investments made by the specialized funds in which it holds an investment amount equal to or greater than 0.2% of its net assets or \$10,000,000 whichever is greater. The following information must be included:

- 1) the name of the specialized fund;
- 2) the name of the entities, insofar as such information is public, and the total number of entities in which the specialized fund holds a development capital investment as disclosed in:
  - (a) its most recent audited financial statements received by the investment fund or disclosed in the financial statements of a specialized fund that is a component of the investment fund for the purposes of the audit engagement of the investment fund's auditor;
  - (b) any other reliable document used for determining the fair value of the specialized fund disclosed in the most recent audited financial statements of the investment fund;
- 3) the share of the investment fund in all of the development capital investments of the specialized fund, broken down by the following asset classes and securities, as appropriate, and indicating whether or not amounts are secured:
  - (a) shares or units, shown at cost;
  - (b) debentures, loans and advances, shown at cost; and
  - (c) loan guarantees and security, shown at the maximum potential amount of undiscounted future payments; and
- 4) the date of the financial statements of the specialized fund from which the information originates or any other reliable document, duly identified, used for determining the fair value disclosed in the most recent audited financial statements of the investment fund.

M.O. 2008-07, s. 30.

**31.** An investment fund must also provide, in the index of investments made by the specialized funds, as at the end of each financial year or interim period, the information required under subparagraphs 3) and 5) of section 18, as well as the date of the financial statements used, with respect to the development capital investments of a

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specialized fund, if the investment fund's percentage interest in the specialized fund is equal to or greater than 50% and if:

1) the investment fund has significant influence over the specialized fund through the involvement of the investment fund, investment fund directors or investment fund managers in the management of the specialized fund or on its board of directors;

2) the investment fund has communicated its intention to provide financial support to the specialized fund by reason of the close connection or association between them; or

3) the investment fund's auditor considers the specialized fund, for the purposes of the audit engagement, to be a component of the investment fund.

M.O. 2008-07, s. 31.

**32.** Section 31 does not apply to an investment fund whose percentage interest in a specialized fund is temporarily, that is, for a period of less than 12 months, equal to or greater than 50%.

M.O. 2008-07, s. 32.

**33.** The index of investments made by the specialized funds need not be audited.

M.O. 2008-07, s. 33.

**34.** The title of the index of investments made by the specialized funds must clearly indicate that the investments are not presented at fair value and that the index presents the share of the investment fund in the development capital investments of the specialized fund.

M.O. 2008-07, s. 34.

**35.** The most recent index prepared in accordance with this division must be available upon request and on the investment fund's website.

M.O. 2008-07, s. 35.

## CHAPTER IV FINANCIAL DISCLOSURE REQUIREMENTS

**36.** The balance sheet of an investment fund must disclose at least the following as separate line items or in notes, each shown at fair value:

1) cash, term deposits and, if not included in the portfolio inventory, short-term debt securities;

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- 2) *development capital investments;*
- 3) *other investments;*
- 4) *accounts receivable relating to securities issued;*
- 5) *accounts receivable relating to portfolio assets sold;*
- 6) *accounts receivable relating to margin paid or deposited on futures or forward contracts;*
- 7) *amounts receivable or payable in respect of derivatives transactions, including premiums and discounts received or paid;*
- 8) *deposits with dealers for short selling of portfolio securities;*
- 9) *accrued expenses;*
- 10) *accrued incentive or performance fees;*
- 11) *portfolio securities sold short;*
- 12) *liabilities related to the redemption of securities;*
- 13) *liabilities related to the purchase of portfolio assets;*
- 14) *income tax payable;*
- 15) *total net assets and security holders' equity and, if applicable, for each class or series of securities; and*
- 16) *net assets per security, or if applicable, per security of each class or series.*

M.O. 2008-07, s. 36.

**37.** *The statement of operations of an investment fund must disclose at least the following as separate line items or in notes:*

- 1) *interest and dividend revenue;*
- 2) *income from derivative instruments;*
- 3) *revenue from securities lending;*
- 4) *management fees, excluding incentive or performance fees;*

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- 5) *incentive or performance fees;*
- 6) *audit fees;*
- 7) *custodial fees and trustees' fees;*
- 8) *directors' fees;*
- 9) *professional fees;*
- 10) *security holder reporting costs;*
- 11) *tax on capital;*
- 12) *provision for income tax;*
- 13) *realized gains or losses;*
- 14) *unrealized gains or losses;*
- 15) *increase or decrease in net assets from operations and, if applicable, for each class or series of securities; and*
- 16) *increase or decrease in net assets from operations per security and, if applicable, for each class or series of securities.*

M.O. 2008-07, s. 37.

**38.** *The statement of changes in net assets or security holders' equity of an investment fund must disclose, for each class or series of securities, at least the following as separate line items or in notes:*

- 1) *net assets at the beginning of the period;*
- 2) *increase or decrease in net assets from operations;*
- 3) *proceeds from the issuance of securities of the investment fund;*
- 4) *aggregate amounts paid on redemption of securities of the investment fund; and*
- 5) *net assets at the end of the period.*

M.O. 2008-07, s. 38.

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**39.** *The statement of cash flows of an investment fund must disclose at least the following as separate line items or in notes:*

- 1) *net portfolio income or loss;*
- 2) *proceeds of disposition of portfolio assets;*
- 3) *purchase of portfolio assets;*
- 4) *proceeds from the issuance of securities of the investment fund; and*
- 5) *aggregate amounts paid on redemption of securities of the fund.*

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M.O. 2008-07, s. 39.

**40.** *The portfolio inventory in respect of other investments must disclose at least the following, broken down by asset class, as appropriate, and set out separately the aggregate value of securities denominated in a currency other than the Canadian dollar:*

- 1) *total cost;*
- 2) *total unrealized gains or losses; and*
- 3) *total fair value.*

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M.O. 2008-07, s. 40.

**41.** *The portfolio inventory in respect of development capital investments must disclose at least the following and set out separately the aggregate value of securities denominated in a currency other than the Canadian dollar:*

- 1) *the total cost, total unrealized gains or losses and total fair value of the development capital investment portfolio, by asset class, as appropriate;*
- 2) *the total cost, total unrealized gains or losses and total fair value of the development capital investment portfolio, by industry sector, as appropriate.*

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M.O. 2008-07, s. 41.

**42.** *Disclosure on the portfolio inventory under sections 40 and 41 must be presented in the notes to the financial statements.*

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M.O. 2008-07, s. 42.



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**43.** *An introduction to the notes to the portfolio inventory must state that security holders can obtain the statement of development capital investments and the statement of other investments upon request or by consulting the investment fund's website.*

*An investment fund must maintain records of all portfolio transactions carried out by it.*

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*M.O. 2008-07, s. 43.*

**44.** *The notes to the financial statements of an investment fund must disclose at least the following:*

1) *the basis for determining the fair value and cost of portfolio assets and, if a method of determining cost other than by reference to the average cost of the portfolio assets is used, the method used;*

2) *if the investment fund has outstanding more than one class of securities ranking equally against its net assets, but differing in other respects:*

(a) *the number of authorized securities of each class or series;*

(b) *the number of securities of each class or series that have been issued and are outstanding;*

(c) *the differences between the classes or series of securities;*

(d) *the method used to allocate income and expenses, and realized and unrealized capital gains and losses, to each class of securities;*

(e) *the fee arrangements for any class-level expenses paid to affiliates of the investment fund; and*

(f) *transactions involving the issue or redemption of securities of the investment fund carried out for each class of securities in the period to which the financial statements pertain; and*

3) *brokerage commissions and other transaction costs, specifying:*

(a) *total commissions and other transaction costs paid or payable to dealers by the fund for portfolio transactions during the period; and*

(b) *to the extent the amount is ascertainable, separate disclosure of the soft dollar portion of these payments, where the soft dollar portion is the amount paid or payable for goods and services other than order execution.*

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*M.O. 2008-07, s. 44.*

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**45.** *If not disclosed elsewhere in the financial statements, an investment fund that uses bank loans must, in a note to the financial statements, disclose the minimum and maximum amount borrowed during the period to which the financial statements or management discussion and analysis pertain.*

*M.O. 2008-07, s. 45.*

**46.** *Despite this chapter, and subject to Canadian GAAP, an investment fund may omit a line item from the financial statements for any matter that does not apply to the fund, for which the fund has nothing to disclose or that represents immaterial amounts which would not be considered relevant by a reasonable investor.*

*M.O. 2008-07, s. 46.*

**47.** *An investment fund that carries out securities lending transactions must disclose, in the notes to the financial statements:*

1) *the aggregate value of portfolio securities that were lent in the securities lending transactions of the fund that are outstanding as at the date of the financial statements; and*

2) *the type and aggregate amount of collateral received under securities lending transactions of the fund that are outstanding as at the date of the financial statements.*

*An investment fund that has received cash collateral from a securities lending transaction and has not repaid the cash collateral as of the date of the financial statements must disclose separately in the notes to the financial statements:*

1) *the cash collateral received by the investment fund; and*

2) *the obligation to repay the cash collateral.*

*The statement of operations of an investment fund must disclose income from a securities lending transaction as revenue.*

*M.O. 2008-07, s. 47; Erratum, 2008 G.O. 2, 2475.*

**48.** *In the statement of other investments, an investment fund that carries out repurchase transactions must, for a repurchase transaction that is outstanding as at the date of the statement, disclose:*

1) *the date of the transaction;*

2) *the expiration date of the transaction;*

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- 3) the nature and current value of the portfolio securities sold by the fund;
- 4) the amount of cash received and the repurchase price to be paid by the fund; and
- 5) the current value of the portfolio securities sold as at the date of the statement.

The statement of net assets of an investment fund that has entered into a repurchase transaction that is outstanding as of the date of the statement of net assets must disclose separately the obligation of the investment fund to repay the collateral.

The statement of operations of an investment fund must disclose income from the use of the cash received in a repurchase transaction as revenue.

The information required under this section may be presented on an aggregate basis.

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M.O. 2008-07, s. 48.

**49.** In the statement of other investments, an investment fund that carries out reverse repurchase transactions must, for a reverse repurchase transaction that is outstanding as at the date of the statement, disclose the following:

- 1) the date of the transaction;
- 2) the expiration date of the transaction;
- 3) the total amount paid by the fund;
- 4) the nature and current value or principal amount of the portfolio securities received by the fund; and
- 5) the current value of the purchased portfolio securities as at the date of the statement.

The statement of net assets of an investment fund that has entered into a reverse repurchase transaction that is outstanding as of the date of the statement of net assets must disclose separately the reverse repurchase agreement relating to the transaction at current value.

The statement of operations of an investment fund must disclose income from a reverse repurchase transaction as revenue.

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The information required by this section may be presented on an aggregate basis.

M.O. 2008-07, s. 49.

**50.** When presenting an investment fund's annual or interim financial statements to the investment fund's audit committee, the chief executive officer of the investment fund (or any other person acting in a similar capacity) and the chief financial officer of the investment fund must certify that the fair value of each development capital investment was established through a procedure that complies with the procedure described in the second paragraph hereafter. The certificates must certify, in particular, the reasonableness of the aggregate fair value of the development capital investment portfolio.

For the purposes of the first paragraph, certificates must not be issued unless the following procedure has been followed:

- 1) valuations have been prepared or reviewed by a qualified valuator who has freely signed each of the valuations for which he was responsible;
- 2) the fair value of the development capital investments held directly by the fund has been established through the application of valuation principles based on guidelines generally used in the venture capital industry in Québec by professional business valuers holding the professional title of CBV, the whole in compliance with Canadian GAAP;
- 3) the valuation principles have received the prior approval of the board of directors of the investment fund or of any other decision-making body to whom the board has delegated this responsibility;
- 4) for development capital investments made in a specialized fund, the fair value has been determined based on the most recent audited financial statements received from the fund, adjusted by the qualified valuator, if applicable, to reflect more recent financial information made available to the valuator;
- 5) excluding publicly traded issuers, all relevant information regarding valuations has been submitted to an independent valuation committee composed of a majority of members who are qualified valuers that are independent of the investment fund, which committee has reviewed the information to be reasonably assured of compliance by the investment fund with the procedure set out in subparagraphs (1), (2), (3) and (4) hereinabove and has submitted a written report of its review to the board of directors of the investment fund or to any other body to whom the board has delegated the responsibility of receiving the report;
- 6) the audit committee has the power to hire the valuation experts it deems necessary for the performance of its functions;

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7) the investment fund must pay the reasonable fees of the experts hired by the audit committee.

The certificates required under the first paragraph must be prepared in accordance with Form F2 of this Regulation and be filed with the Autorité des marchés financiers concurrently with the statement of development capital investments.

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M.O. 2008-07, s. 50.

### CHAPTER V MANAGEMENT DISCUSSION AND ANALYSIS

51. An investment fund must file an annual MD&A for each financial year and an interim MD&A for each interim period at the same time that it files its annual financial statements or its interim financial statements for that financial period, as the case may be.

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M.O. 2008-07, s. 51.

52. An MD&A required under this chapter must:

- 1) be prepared in accordance with Form F1; and
- 2) not incorporate by reference information from any other document that is required to be included in an MD&A.

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M.O. 2008-07, s. 52.

53. The board of directors of an investment fund, or any other decision-making body to whom the board has delegated the responsibility, must approve the MD&As before they are filed or made available to security holders or potential purchasers of securities of the investment fund.

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M.O. 2008-07, s. 53.

### CHAPTER VI DELIVERY OF FINANCIAL STATEMENTS AND MANAGEMENT DISCUSSION AND ANALYSIS

54. In this chapter, "security holder" means a registered holder or beneficial owner of securities issued by an investment fund.

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M.O. 2008-07, s. 54.

55. At least once a year, when calling its annual meeting, an investment fund must send each security holder a business reply card:

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1) *allowing the security holder to obtain a copy, at no cost:*

(a) *of the annual financial statements and the annual MD&A, at any time after the meeting, within a reasonable time;*

(b) *the interim financial statements, within 90 days after the end of the interim period of the investment fund;*

(c) *the interim MD&A, within 90 days after the end of the interim period of the investment fund;*

(d) *the annual statement of development capital investments, the annual statement of other investments and the annual index of investments made by the specialized funds, at any time after the meeting, within a reasonable time; and*

(e) *the interim statement of development capital investments, the interim statement of other investments and the interim index of investments made by the specialized funds, within 90 days after the end of the interim period of the investment fund; and*

2) *indicating that the security holder can obtain the documents on the SEDAR website and on the investment fund's website, if applicable, or by contacting the investment fund.*

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*M.O. 2008-07, s. 55.*

**56.** *An investment fund that has a website must post any documents referred to in section 55 on its website no later than the date that those documents are filed.*

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*M.O. 2008-07, s. 56.*

**57.** *An investment fund must apply the procedures set out in Regulation 54-101 respecting Communication with Beneficial Owners of Securities of a Reporting Issuer (c. V-1.1, r. 29) for the purposes of this chapter.*

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*M.O. 2008-07, s. 57.*

**58.** *Despite section 57, Regulation 54-101 respecting Communication with Beneficial Owners of Securities of a Reporting Issuer (c. V-1.1, r. 29) does not apply to an investment fund for the purposes of this chapter if the investment fund has the necessary information to communicate directly with a beneficial owner of its securities.*

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*M.O. 2008-07, s. 58.*

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### CHAPTER VII ANNUAL INFORMATION FORM

**59.** An investment fund must file an annual information form prepared in accordance with Form F3.

M.O. 2008-07, s. 59.

**60.** An annual information form required to be filed under section 59 must be prepared as of the end of the most recently completed financial year of the investment fund.

M.O. 2008-07, s. 60.

**61.** An investment fund must file the annual information form required under section 59 on or before the date of filing of its prospectus.

M.O. 2008-07, s. 61.

### CHAPTER VIII MATERIAL CHANGE REPORTS

**62.** If a material change occurs in the affairs of an investment fund, the fund must:

1) promptly issue and file a news release that is authorized by senior management of the investment fund or of its manager and that discloses the nature and substance of the material change;

2) post all disclosure made under the first paragraph on the website of the investment fund or the website of the investment fund manager;

3) as soon as practicable, but in any event no later than 10 days after the date on which the change occurs, file a report containing the information required by Form 51-102F3 Material Change Report of Regulation 51-102 respecting Continuous Disclosure Obligations (c. V-1.1, r. 24), by making the following modifications:

(a) replacing "section 7.1 of Regulation 51-102" in Item 3 of Part 2 with "Chapter VIII of this Regulation";

(b) section 5.2 of Item 5 of Part 2 does not apply;

(c) replacing "subsection 7.1(2) or (3) of Regulation 51-102" in Item 6 of Part 2 with "section 63 of this Regulation.";

(d) replacing "subsections 7.1 (4),(5), (6) and (7) of Regulation 51-102" in Item 6 of Part 2 with "sections 64 and 65 of this Regulation.";

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(e) replacing "subsection 7.1(2), (3) or (5) of Regulation 51-102" in Item 7 of Part 2 with "section 63 of this Regulation."; and

(f) replacing "executive officer of your company" in Item 8 of Part 2 with "officer of the investment fund or of the investment fund manager"; and

4) file an amendment to its prospectus or simplified prospectus that discloses the material change in accordance with the requirements of securities legislation and provide a copy of the news release to every new purchaser who receives the prospectus after the filing of the news release.

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M.O. 2008-07, s. 62.

**63.** If:

1) in the opinion of the board of directors of an investment fund or the investment fund manager, and if that opinion is arrived at in a reasonable manner, the disclosure required under section 62 would be unduly detrimental to the investment fund's interests; or

2) the material change consists of a decision to implement a change made by senior management of the investment fund or senior management of the investment fund manager who believe that confirmation of the decision by the board of directors or persons acting in a similar capacity is probable, and senior management have no reason to believe that persons with knowledge of the material change have made use of that knowledge in carrying out a transaction in the securities of the investment fund,

the investment fund may, instead of complying with section 62, immediately file the report required under paragraph 3 of section 62, marked to indicate that it is confidential, together with reasons for non-disclosure.

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M.O. 2008-07, s. 63.

**64.** If a report has been filed under section 63, the investment fund must notify the Authority in writing within 10 days of the initial filing of the report if it believes the report should remain confidential and every 10 days thereafter until the material change is publicly disclosed in the manner referred to in section 62 or, if the material change consists of a decision of the type referred to in paragraph 2 of section 63, until that decision has been rejected by the board of directors of the investment fund or the board of directors of the investment fund manager.

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M.O. 2008-07, s. 64.

**65.** Despite filing a report under section 63, an investment fund must promptly publicly disclose the material change in the manner referred to in section 62 as soon as it becomes aware or has reasonable grounds to believe that a person or company is



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carrying out a transaction in the securities of the investment fund with knowledge of the material change that has not been publicly disclosed.

M.O. 2008-07, s. 65.

### CHAPTER IX SENDING OF PROXIES

**66.** If management of an investment fund or an investment fund manager gives or intends to give notice of a meeting to registered holders of the investment fund, management or the manager must, at the same time as or before giving that notice, send to each registered holder who is entitled to notice of the meeting, a proxy form for use at the meeting.

M.O. 2008-07, s. 66.

### CHAPTER X CHANGE OF AUDITOR DISCLOSURE

**67.** Section 4.11 of Regulation 51-102 respecting Continuous Disclosure Obligations (c. V-1.1, r. 24) applies to an investment fund that changes its auditor.

M.O. 2008-07, s. 67.

### CHAPTER XI CALCULATION OF TOTAL OPERATING EXPENSE RATIO

**68.** An investment fund must disclose its total operating expense ratio calculated for the interim period or the financial year of the investment fund by:

1) dividing:

(a) total expenses of the investment fund, before income tax, tax on capital and non-controlling interests, for the interim period or financial year, as shown on its statement of operations;

(b) by the net assets of the investment fund as at the end of the interim period; or by the average assets of the investment fund for the financial year obtained by:

(i) adding the net assets as at the end of the interim period and as at the end of the financial year; and

(ii) dividing the sum obtained under clause (i) by 2;

2) multiplying the result obtained under paragraph 1) by 100.

M.O. 2008-07, s. 68.

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**69.** *Investment fund expenses refunded by an investment fund to a security holder must not be deducted from total expenses of the investment fund in determining the total operating expense ratio.*

*M.O. 2008-07, s. 69.*

**70.** *An investment fund that manages its assets separately based on separate classes or series of securities must calculate a total operating expense ratio for each class or series, pursuant to this chapter, with the necessary modifications.*

*M.O. 2008-07, s. 70.*

**71.** *The total operating expense ratio of a fund for a financial period that is less than or greater than 12 months must be annualized.*

*M.O. 2008-07, s. 71.*

**72.** *If an investment fund provides its total operating expense ratio to a service provider that will arrange for public dissemination of the total operating expense ratio, the investment fund must provide the total operating expense ratio calculated under this chapter.*

*M.O. 2008-07, s. 72.*

### **CHAPTER XII      ADDITIONAL FILING REQUIREMENTS**

**73.** *If an investment fund sends to its security holders any disclosure document other than those required under this Regulation, the investment fund must file a copy of the document on the same date as the date on which the document is sent to its security holders, or as soon as practicable thereafter.*

*M.O. 2008-07, s. 73.*

**74.** *An investment fund must file a copy of any material contract of the investment fund not previously filed, or any amendment to any material contract of the investment fund not previously filed, with the final prospectus of the investment fund or upon the execution of the material contract or amendment.*

*If an executive officer of the investment fund has reasonable grounds to believe that disclosure of certain provisions of a contract required to be filed under the first paragraph would be seriously detrimental to the investment fund's interests, or would violate confidentiality provisions, the investment fund may file the contract with those certain provisions omitted or marked so as to be unreadable.*

*M.O. 2008-07, s. 74.*

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### **CHAPTER XIII EXEMPTION**

**75.** The Authority may grant an exemption from all or part of this Regulation, pursuant to section 263 of the Securities Act (R.S.Q. c. V-1.1), subject to such conditions or restrictions as may be imposed in the exemption.

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M.O. 2008-07, s. 75.

### **CHAPTER XIV EFFECTIVE DATE AND TRANSITION**

**76.** Despite section 78, this Regulation applies:

1) to annual financial statements and annual MD&As for financial years ending on or after July 1, 2008;

2) to interim financial statements and interim MD&As for interim periods ending after the financial years contemplated in paragraph 1), provided the investment fund complies with the continuous disclosure system as at May 31, 2008 in respect of interim financial statements ending before the annual financial statements contemplated in paragraph 1);

3) to annual information forms for financial years ending on or after July 1, 2008; and

4) as of January 1, 2009, as regards the independent valuation committee referred to in subparagraph 5 of the second paragraph of section 50 of this Regulation.

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M.O. 2008-07, s. 76.

**77.** When calling its first annual meeting after June 1, 2008, an investment fund must send to security holders an explanation of the new continuous disclosure requirements, including the availability of an interim MD&A.

The investment fund must also post the explanation on its website on June 1, 2008.

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M.O. 2008-07, s. 77.

**78.** This Regulation comes into force on June 1, 2008.

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M.O. 2008-07, s. 78.

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### FORM F1 CONTENT OF MANAGEMENT DISCUSSION AND ANALYSIS

#### PART A INSTRUCTIONS AND INTERPRETATION Item 1 General

##### (a) The Form

*This Form describes the disclosure required in an annual or interim management discussion and analysis (MD&A) of an investment fund. Each item of the Form outlines disclosure or format requirements. Instructions to help you comply with these requirements are printed in italic type.*

##### (b) Plain Language

*An MD&A must state the required information concisely and in plain language as defined in Regulation 81-101 respecting Mutual Fund Prospectus Disclosure (c. V-1.1, r. 38). Part 1 of Policy Statement to Regulation 81-106 respecting Investment Fund Continuous Disclosure (Decision 2005-PDG-0116, 2005-05-09), presents a discussion concerning plain language and presentation.*

*The persons preparing an MD&A must do so as simply and directly as is reasonably possible and include only as much information as is necessary for readers to understand the matters for which you are providing disclosure.*

##### (c) Format

*The MD&A must be presented in a format that assists readability and comprehension. The Form does not mandate the use of a specific format to achieve these goals. An investment fund may adapt the terminology suggested in the Form in order to better reflect its situation.*

*An MD&A must use the headings and subheadings shown in the Form. Within this framework, investment funds are encouraged to use, as appropriate, tables, captions, bullet points or other organizational techniques that assist in presenting the required disclosure clearly and concisely. Disclosure provided in response to any item does not need to be repeated elsewhere.*

*The Form does not prohibit including information beyond what the Form requires. An investment fund may therefore include artwork and educational material (as defined in Regulation 81-101 respecting Mutual Fund Prospectus Disclosure) in its MD&A. However, a fund must take reasonable care to ensure that including such material does not obscure the required information and does not lengthen the MD&A excessively.*

##### (d) Focus on Material Information

*You do not need to disclose information that is not material. You do not need to respond to or explain any item in this Form that is inapplicable.*

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### (e) **What is Material?**

Would a reasonable investor's decision to buy, sell or hold securities of an investment fund likely be influenced or changed if the information in question was omitted or misstated? If so, the information is material. This concept of materiality is consistent with the financial reporting notion of materiality contained in the CICA Handbook. In determining whether information is material, take into account both quantitative and qualitative factors.

### **Item 2 Management Discussion of Financial Performance**

The MD&A contains an analysis of the financial performance of the investment fund and additional explanations designed to complement and supplement an investment fund's financial statements. It is similar to the MD&A filed by incorporated entities and the management report of fund performance filed by investment funds that are not development capital investment funds, with modifications to reflect the specific characteristics of the investment funds. It provides management of an investment fund or the manager with the opportunity to discuss the investment fund's position and financial results for the relevant period. The discussion is intended to give a reader the ability to look at the investment fund through the eyes of management or the manager by providing both a historical and prospective analysis of the development capital investment activities and other investment activities of the investment fund, as well as any other material investment fund transaction. Coupled with the financial highlights, this information should enable readers to better assess the investment fund's performance and future prospects.

Focus the management discussion on material information about the performance of the investment fund, with particular emphasis on known material trends, commitments, events, risks or uncertainties that management reasonably expects to have a material effect on the investment fund's future performance or development capital investment activities and other investment activities considered as a whole.

The description of the disclosure requirements is intentionally general. This Form contains a minimum number of specific instructions in order to allow, as well as encourage, funds to discuss and describe their activities in the most appropriate manner and to tailor their comments to their individual circumstances.

## **PART B CONTENT REQUIREMENTS FOR ANNUAL MANAGEMENT DISCUSSION AND ANALYSIS**

### **Item 1 First Page Disclosure**

The first page of an annual MD&A must contain disclosure in substantially the following words:

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*"This annual management discussion and analysis complements and supplements the financial statements and contains financial highlights, but does not contain the complete annual financial statements of the Investment Fund. It is a narrative explanation, through the eyes of management, of how the Investment Fund performed during the period covered by the financial statements, and of the Investment Fund's financial condition and the material changes affecting the Investment Fund. You can get a copy of the annual financial statements at your request, and at no cost, by calling [toll-free/collect call telephone number], by writing to us at [insert address] or by visiting our website at [insert address] or SEDAR at [www.sedar.com](http://www.sedar.com).*

*You can also obtain a copy of the interim documents in this manner.*

### INSTRUCTIONS

*If the MD&A is bound with the financial statements of the investment fund, modify the first page wording appropriately.*

#### **Item 2 Management Discussion of Financial Performance**

##### **2.1. Mission of the Investment Fund, Objectives and Strategies**

*Disclose under this section a brief summary of the investment fund's mission, objectives and principal management strategies.*

### INSTRUCTIONS

*Disclosing the investment fund's objectives and principal management strategies provides investors with a reference point for assessing the information contained in the MD&A. It must also be a concise summary of the mission of the investment fund and of the principal orientations aimed at achieving this mission. You may also discuss changes to the objectives and strategies of the investment fund's development capital investment portfolios and other investment fund investments, insofar as they have a material impact on the fund's performance.*

##### **2.2. Risk management**

*Disclose under this section the principal risks the investment fund faces and material changes to the nature of these risks that occurred during the financial year, and discuss the principal risk management policies.*

### INSTRUCTIONS

*Describe the principal risks the investment fund faces, material changes to the nature of these risks as well as the risk management structure. Present the essential elements of the risk management strategy, as well as changes to the approach adopted during the financial year. Explain the principal strategies used, and provide an overview*

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*of the level of sensitivity of the investment fund's performance or its exposure to these risks, if applicable.*

### 2.3 Results of Operations

(1) *Under this section, provide a summary of the results of operations of the investment fund for the financial year to which the MD&A pertains, including a discussion of:*

(a) *any material changes in specific investment fund assets or in the overall asset mix of the development capital investment portfolio and the other investment portfolio from the previous period;*

(b) *how the composition and material changes to the composition of the investment portfolio relate to the investment fund's mission, to the objectives and strategies of the investment fund's development capital investment and other investment portfolios, or to changes in the economy, markets or unusual events;*

(c) *unusual material trends in capital inflows and outflows and the effect of these on the investment fund;*

(d) *any other significant element related to cash flows, balance sheet items or off-balance sheet items, in comparison with the previous period;*

(e) *the investment fund's net income and performance, in comparison with the previous period;*

(f) *the gross return for the development capital investment and other investment sectors;*

(g) *significant components and changes to the components of revenue and expenses;*

(h) *risks, events, trends and commitments that had a material effect on financial performance; and*

(i) *unusual or infrequent events or transactions, economic changes and relevant market conditions that had a material effect on financial performance.*

(2) *An investment fund that uses bank loans must disclose:*

(a) *the minimum and maximum amounts borrowed during the period;*

(b) *the percentage of net assets of the investment fund that the borrowing represented as of the end of the period;*

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- (c) *how the borrowed sums were used; and*
- (d) *the terms of the borrowing arrangements.*

### INSTRUCTIONS

*Explain the nature of and reasons for changes in the investment fund's performance and in the performance of each of its development capital investment sectors and other investment sectors, as well as the gross contribution of those sectors. Do not simply disclose the amount of change in a financial statement item from period to period. Avoid the use of boilerplate language. Your discussion should assist the reader to understand the significant factors that have affected the financial performance of the investment fund.*

### **2.4 Recent Developments**

*Under this section, discuss the developments affecting the investment fund, including*

- (a) *known changes to the strategic position of the investment fund;*
- (b) *known material trends, commitments, events or uncertainties that might reasonably be expected to have a material effect on the investment fund;*
- (c) *if applicable, changes to the investment fund manager or portfolio adviser (insofar as the change results from a change in the strategies of the development capital investment portfolio or other investment portfolio of the investment fund) or a change of control of the manager;*
- (d) *the effects of any actual or planned reorganizations, mergers or similar transactions; and*
- (e) *the estimated effects of changes to existing accounting policies that will be adopted subsequent to year-end.*

### INSTRUCTIONS

(1) *Preparing the MD&A necessarily involves some degree of prediction or projection. The discussion of financial performance must describe anticipated events, decisions, circumstances, opportunities and risks that management or the manager of the investment fund considers reasonably likely to materially impact performance. It must also describe management's vision, mission and objectives.*

(2) *There is no requirement to provide forward-looking information. If any forward-looking information is provided, it must contain a statement that the information is forward-looking, a description of the factors that may cause actual results to differ*



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materially from the forward-looking information, your material assumptions, and appropriate risk disclosure and cautionary language. You must also discuss any forward-looking information disclosed for a prior period which, in light of intervening events and absent further explanations, may be misleading.

### 2.5 Related Party Transactions

Under this section discuss any transactions involving related parties to the investment fund, insofar as this discussion has not been included in a note to the audited financial statements.

#### INSTRUCTIONS

(1) In determining who is a related party, funds should look to the CICA Handbook. In addition, related parties include the investment fund manager and portfolio adviser (or their affiliates) and a broker or dealer related to any of the investment fund, its manager or its portfolio adviser.

(2) When discussing related party transactions, include the identity of the related party, the relationship to the investment fund, the purpose of the transaction, the measurement basis used to determine the recorded amount and any ongoing commitments to the related party.

(3) Related party transactions include portfolio transactions with related parties of the investment fund.

### Item 3 Financial Highlights

#### 3.1 Financial Highlights

(1) Under this section, provide selected financial highlights for the investment fund, as listed hereinbelow, in the form of the following tables and introduced using the following words:

"The following tables show selected key financial information about the Investment Fund and are intended to help you understand the Fund's financial performance for the past 5 years. This information is derived from the Investment Fund's audited annual financial statements."

Note: These highlights may be presented in the form of a table or bar chart, except that the percentage change in net assets per [unit/share] must be presented in the form of a table as illustrated.

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### Percentage Change in Net Assets Per [Unit/Share]

	[insert year]	[insert year]	[insert year]	[insert year]	[insert year]
<b>Net assets per [unit/share], beginning of year</b>	\$	\$	\$	\$	\$
<b>Increase (decrease) from operations</b>					
Interest and dividends	\$	\$	\$	\$	\$
Operating expenses	\$	\$	\$	\$	\$
Income tax, tax on capital and minority interests	\$	\$	\$	\$	\$
Realized gains (losses) for the period	\$	\$	\$	\$	\$
Unrealized gains (losses) for the period	\$	\$	\$	\$	\$
<b>Variance from issues and redemptions of securities</b>	\$	\$	\$	\$	\$
<b>Net assets per [unit/share] at [insert last day of financial year] of year shown</b>	\$	\$	\$	\$	\$

Note: The amount of net assets per [unit/share] is based on the actual number of [units/shares] outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of [units/shares] outstanding over the financial period.

### Ratios and Supplemental Data

	[insert year]	[insert year]	[insert year]	[insert year]	[insert year]
Revenue	\$	\$	\$	\$	\$
Net income (loss)	\$	\$	\$	\$	\$
Net assets	\$	\$	\$	\$	\$
Class [ ] [units/shares] outstanding	#	#	#	#	#
Total operating expense ratio	%	%	%	%	%
Portfolio turnover rate: development capital investments -other investments(1)	% %	% %	% %	% %	% %
Trading expense ratio(2)					
Number of securityholders	#	#	#	#	#
Issues of securities	\$	\$	\$	\$	\$
Redemptions of securities	\$	\$	\$	\$	\$
Fair value of development capital investments	\$	\$	\$	\$	\$

Note: This selected key information may be presented in the form of a table or bar chart.

(1) The portfolio turnover rate reflects the number of changes made to the composition of the portfolio investments. A portfolio turnover rate of 100% is equivalent to the Investment Fund buying and selling all of the securities in its portfolio once in the course of the year. There is not necessarily a relationship between a high turnover rate and the performance of the Investment Fund.

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(2) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of net assets for the interim period and of average net assets for the financial year.

(2) Derive the selected financial information from the audited annual financial statements of the investment fund.

(3) Show the financial highlights individually for each class or series of securities if the investment fund is a multi-class fund.

(4) Provide per unit or per share amounts to the nearest cent, and provide percentage amounts to 2 decimal places.

(5) Discuss compliance with the limits set out in the constituting Act of the investment fund.

(6) Provide the selected financial information required under this Item in chronological order for each of the 5 most recently completed financial years of the investment fund for which audited financial statements have been filed, with the information for the most recent financial year in the first column on the left of the table.

(7) Calculate the total operating expense ratio of the investment fund as required by Chapter XI of the Regulation. Include a brief description of the method for calculating the total operating expense ratio in a note to the table.

(8) If the investment fund:

(a) changed, or proposes to change, the basis of the calculation of the management fees or of the other fees, charges or expenses that are charged to the investment fund; or

(b) introduces or proposes to introduce a new fee,

and if the change would have had an effect on the total operating expense ratio for the last completed financial year of the fund if the change had been in effect throughout that financial year, disclose the effect of the change on the total operating expense ratio in a note to the "Ratios and Supplemental Data" table.

(9) Calculate the trading expense ratio by dividing:

(i) the total commissions and other portfolio transaction costs disclosed in the notes to the financial statements;

(ii) by the same denominator used to calculate the total operating expense ratio.

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### Item 4 Past Performance

#### 4.1 General

(1) In responding to the requirements under this Item, an investment fund must comply with sections 15.2, 15.3, 15.9 and 15.14 of Regulation 81-102 respecting Mutual Funds (c. V-1.1, r. 39) as if those sections applied to the MD&A.

(2) Calculate the fund's annual or interim performance as follows: income (loss) per [unit/share] divided by the price per [unit/share] at the beginning of the period.

(3) Despite the specific requirements under this Item, do not provide performance data for any period if the investment fund was not a reporting issuer at all times during the period.

(4) Set out in footnotes to the chart or table required under this Item the assumptions relevant to the calculation of the performance information.

(5) In a general introduction to the "Past Performance" section, indicate that:

(a) the performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance; and

(b) how the investment fund has performed in the past does not necessarily indicate how it will perform in the future.

(6) The x-axis must intersect the y-axis at 0 for the "Year-by-Year Returns" bar chart.

#### 4.2. Year-by-Year Returns

(1) Provide a bar chart in the "Past Performance" section and under the subheading "Year-by-Year Returns" that shows, in chronological order with the most recent year on the right of the bar chart, the annual return of the investment fund for the lesser of:

(a) each of the 10 most recently completed financial years, or for Capital régional et coopératif Desjardins each of the 7 most recently completed financial years; and

(b) each of the completed financial years in which the investment fund has been in existence and during which the investment fund was a reporting issuer.

(2) Provide an introduction to the bar chart that indicates that the bar chart shows the investment fund's annual performance for each of the years shown and illustrates how the investment fund's performance has changed from year to year.

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(3) *Disclose, in the form of a table, under the subheading "Annual Compound Returns":*

(a) *the investment fund's compound returns for the 10-, 5-, 3- and 1-year periods ended on the last day of the fund's financial year. In the case of the fund constituted under the Act constituting Capital régional et coopératif Desjardins, replace the period of 10 years with a period of 7 years; or*

(b) *if the investment fund was a reporting issuer for more than one and less than 10 years, the fund's compound returns since the inception of the fund. In the case of the fund constituted under the Act constituting Capital régional et coopératif Desjardins, replace the period of 10 years with a period of 7 years.*

### **Item 5 Summary of Investment Portfolio**

(1) *Include, under the heading "Summary of Investment Portfolio," a summary of the investment fund's portfolio as at the end of the financial year of the fund to which the MD&A pertains.*

(2) *The summary of investment portfolio:*

(a) *must break down the entire portfolio of the investment fund into appropriate subgroups, and must show the percentage of the net assets of the investment fund constituted by each subgroup;*

(b) *must disclose the top 25 positions held by the investment fund broken down as follows:*

(i) *the name of the issuer and the current value of each other investment, expressed as a percentage of net assets of the investment fund; and*

(ii) *the name of the issuer of each development capital investment and the total current value of development capital investments, expressed as a percentage of net assets of the investment fund.*

(c) *must disclose long and short positions in options separately.*

(3) *Indicate that the summary of investment portfolio may change due to ongoing portfolio transactions of the investment fund.*

### **INSTRUCTIONS**

(1) *The summary of investment portfolio is designed to give the reader an easily accessible snapshot of the portfolio of the investment fund as at the end of the financial year to which the MD&A pertains. As with the other components of the MD&A, care*

## REGULATION IN FORCE FROM JUNE 1, 2008 TO DECEMBER 31, 2013

should be taken to ensure that the information in the summary of investment portfolio is presented in an easily accessible and understandable way.

(2) The Authority has not prescribed the names of the categories into which the portfolio should be broken down. An investment fund should use the most appropriate categories given the nature of the fund. If appropriate, an investment fund may use more than one breakdown, for instance, showing the portfolio of the fund broken down according to security type, industry, geographical location, etc.

(3) Instead of a table, the disclosure required under subparagraph (2)(a) of this Item may be presented in the form of a pie chart.

(4) If the investment fund holds more than one class of securities of an issuer, those classes should be aggregated for the purposes of this Item. However, with respect to the other investments, debt and equity securities of an issuer must not be aggregated.

(5) Treat cash and cash equivalents as one separate discrete category.

### **Item 6 Other Material Information**

Provide any other material information relating to the investment fund not otherwise required to be disclosed under this Part, including information required to be disclosed pursuant to an order or an exemption obtained by the investment fund.

## **PART C CONTENT REQUIREMENTS FOR INTERIM MANAGEMENT DISCUSSION AND ANALYSIS**

### **Item 1 First Page Disclosure**

The first page of an interim MD&A must contain disclosure in substantially the following words:

"This interim management discussion and analysis complements and supplements the financial statements and contains financial highlights, but does not contain the interim financial statements of the Investment Fund. It is a narrative explanation, through the eyes of management, of how the Investment Fund performed during the period covered by the financial statements, and of the Fund's financial condition and the material changes affecting the Fund. You can get a copy of the interim financial statements at your request, and at no cost, by calling [toll-free/collect call telephone number], by writing to us at [insert address] or by visiting our website at [insert address] or SEDAR at [www.sedar.com](http://www.sedar.com).

You can also obtain a copy of the annual documents in this manner."

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### INSTRUCTIONS:

If the MD&A is bound with the financial statements of the investment fund, modify the first page wording appropriately.

### **Item 2 Management Discussion of Financial Performance**

#### **2.1 Results of Operations**

Update the analysis of the investment fund's results of operations provided in the annual MD&A. Discuss any material changes to any of the components listed in Item 2.3 of Part B.

#### **2.2 Recent Developments**

If there have been any significant developments affecting the investment fund since the most recent annual MD&A, discuss those developments and their impact on the investment fund, in accordance with the requirements of Item 2.4 of Part B.

#### **2.3. Related Party Transactions**

Provide the disclosure required by Item 2.5 of Part B.

### INSTRUCTIONS

(1) If the first MD&A you file under this Form is not an annual MD&A, you must provide all the disclosure required under Part B, except for Items 3 and 4, in the first MD&A.

(2) The discussion in an interim MD&A is intended to update the reader on material developments since the date of the most recent annual MD&A. You may assume the reader has access to your annual MD&A, so it is not necessary to restate all of the information contained in the most recent annual discussion.

(3) The discussion in an interim MD&A should deal with the financial period to which the interim MD&A pertains.

### **Item 3 Financial Highlights**

Provide the disclosure required by Item 3.1 of Part B, with an additional column on the left of the table representing the interim period.

### **Item 4 Past Performance**

Provide a bar chart prepared in accordance with Item 4.2 of Part B, and include the total return calculated for the interim period.

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**Item 5 Summary of Investment Portfolio**

(1) *Include a summary of investment portfolio as at the end of the financial period to which the interim MD&A pertains.*

(2) *The summary of investment portfolio must be prepared in accordance with Item 5 of Part B.*

**Item 6 Other Material Information**

*Provide any other material information relating to the investment fund not otherwise required to be disclosed under this Part, including information required to be disclosed pursuant to an order.*

M.O. 2008-07, Sch. F1; Erratum, 2008 G.O. 2, 2475.

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**FORM F2 CERTIFICATION RESPECTING VALUATION OF DEVELOPMENT CAPITAL INVESTMENTS**

***This Form is the form referred to in the last paragraph of section 50 of the Regulation respecting Development Capital Investment Fund Continuous Disclosure (c. V-1.1, r. 46) (the "Regulation").***

1. *Terms defined in the Regulation have the same meaning in this Form.*
2. *The certification referred to in section 50 of the Regulation must, in all material respects, be in keeping with the following:*

***Certification by the chief executive officer of the Investment Fund (or any other person acting in a similar capacity) and the chief financial officer of the Investment Fund confirming that the fair value of each development capital investment was established through a procedure that complies with the procedure described below and confirming the reasonableness of the aggregate fair value of the development capital investment portfolio***

*To the Audit Committee of [Name of issuer] (the "Fund"):*

*We hereby confirm the reasonableness of the fair value of the development capital investment portfolio of the Fund and confirm that, at a minimum, the following procedure was followed:*

*(a) the valuations were prepared or reviewed by a qualified valuator who freely signed each of the valuations for which he was responsible;*

*(b) the fair value of the development capital investments held directly by the Fund was established through the application of valuation principles based on guidelines generally used in the venture capital industry in Québec by professional business valuers with the professional CBV designation, the whole in compliance with Canadian GAAP;*

*(c) the valuation principles received the prior approval of the board of directors of the Fund or of any other decision-making body to whom the board delegated this responsibility;*

*(d) for development capital investments made in a specialized fund, the fair value was determined based on the most recent audited financial statements received from the specialized fund, adjusted by the qualified valuator, if applicable, to reflect more recent financial information made available to the valuator; and*

*(e) excluding publicly traded issuers, all relevant information regarding valuations was submitted to an independent valuation committee composed of a majority of members who are qualified valuers that are independent of the Fund,*

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*which committee has reviewed the information to reasonably ensure compliance by the Fund with the procedure set out in subparagraphs (a), (b), (c) and (d) hereinabove and has submitted a written report of its review to the board of directors of the Fund or to any other body to whom the board delegated the responsibility of receiving the report.*

\_\_\_\_\_  
*[Signature of the chief executive officer]*

\_\_\_\_\_  
*[Signature of the chief financial officer]*

\_\_\_\_\_  
*[Date]*

\_\_\_\_\_  
*M.O. 2008-07, Sch. F2.*

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### FORM F3 CONTENT OF ANNUAL INFORMATION FORM

#### GENERAL INSTRUCTIONS

(1) *This Form describes the disclosure that is required in an annual information form of an investment fund to which the Regulation respecting Development Capital Investment Fund Continuous Disclosure (c. V-1.1, r. 46) (the "Regulation") applies. Each item of the Form outlines disclosure requirements. Instructions to help you provide this disclosure are printed in italic type.*

(2) *Terms and expressions used and not defined in this Form that are defined or interpreted in the Regulation shall carry that definition or interpretation. Other definitions are set out in Regulation 14-101 respecting Definitions (c. V-1.1, r. 3).*

(3) *An annual information form is intended to supplement the information contained in the related simplified prospectus. Information contained in the related simplified prospectus need not be repeated except as required to make the annual information form comprehensible as an independent document. Generally speaking, all of the disclosure required under Form 44-101F1 Short Form Prospectus ("the SP Form") of Regulation 44-101 respecting Short Form Prospectus Distributions (c. V-1.1, r. 16), in order to satisfy statutory disclosure requirements should be contained in the simplified prospectus. For some items, it may be appropriate to expand in the annual information form on matters discussed in the simplified prospectus; for instance, an investment fund may wish to describe in an annual information form some of its optional services in more detail than in the simplified prospectus. Generally speaking, however, an annual information form is intended to provide disclosure about different matters than those discussed in the simplified prospectus, which may be of assistance or interest to some investors.*

(4) *Unless otherwise required under this Form, information may be presented in a different format and style in an annual information form than in a simplified prospectus. An annual information form must be prepared using plain language and must be presented in a format that assists in readability and comprehension. This Form generally does not mandate the use of a specific format to achieve this goal and investment funds are encouraged to use, as appropriate, tables, captions, bullet points or other organizational techniques that assist in presenting the disclosure clearly.*

(5) *The disclosure must be understandable to readers and presented in an easy to read format. The presentation of information should comply with the plain language principles listed in section 4.2 of Policy Statement to Regulation 44-101 respecting Short Form Prospectus Distributions (Decision 2005-PDG-0388, 2005-12-13). If technical terms are required, clear and concise explanations should be included.*

(6) *In determining the degree of detail required, a standard of materiality should be applied. Materiality is a matter of judgment in the particular circumstance, and should generally be determined in relation to an item's significance to investors, analysts and*

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other users of information. An item of information, or an aggregate of items, is considered material if it is probable that its omission or misstatement would influence or change an investment decision with respect to the investment fund's securities. In determining whether information is material, take into account both quantitative and qualitative factors. The potential materiality of items should be considered individually rather than on a net basis, if the items have an offsetting effect. This concept of materiality is consistent with the accounting notion of materiality contained in the CICA Handbook.

(7) You may incorporate information required to be included in your annual information form by reference to another document, other than a previous annual information form. Clearly identify the referenced document or any excerpt therefrom that you have incorporated into your annual information form and have filed under SEDAR, including any documents incorporated by reference into the document or excerpt. You must also disclose that the document is available on SEDAR at [www.sedar.com](http://www.sedar.com).

(8) You do not need to respond to or explain any item in this Form that is inapplicable, unless otherwise required in this Form.

(9) Unless otherwise specified in this Form, the information in your annual information form must be presented no later than as at the date of the annual information form, but not earlier than as at the last day of the investment fund's most recently completed financial year.

(10) If a material change affecting the investment fund occurs after the date as at which required disclosure must be made, but before the annual information form is filed, include this information in the annual information form.

### **Item 1 Cover Page Disclosure**

(1) Indicate on the front cover whether the document is a preliminary annual information form or an annual information form.

(2) Indicate on the front cover the name of the investment fund to which the preliminary annual information form or annual information form pertains. If the investment fund has more than one class or series of securities, indicate the name of each of those classes or series covered in the annual information form.

(3) Despite securities legislation, state on the front cover of a preliminary annual information form the following, with the completed information in parentheses:

"A copy of this annual information form has been filed with the Autorité des marchés financiers but has not yet become final for the purpose of a distribution. Information contained in this annual information form may not be complete and may have to be amended. The securities may not be sold until a receipt for the simplified prospectus is obtained from the Autorité des marchés financiers."

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(4) If a commercial copy of the preliminary annual information form is prepared, print the legend referred to in paragraph (3) in red ink.

(5) For a preliminary annual information form or an annual information form, indicate the date of the document, which shall be the date of the certificates in the preliminary simplified prospectus or the simplified prospectus. This date shall be within 3 business days of the date it is filed with the securities regulatory authority. Write the date of the document in full and in print form.

(6) State, in substantially the following words:

"The Autorité des marchés financiers has not expressed an opinion about these [units/shares] and it is an offence to claim otherwise."

### **Item 2 Name, Formation and History of the Investment Fund**

(1) State the full name of the investment fund and the address of its head or registered office.

(2) State the Act under which the investment fund was formed and the date and manner of its formation.

(3) Identify the constating documents of the investment fund and, if material, state whether the constating documents have been amended in the past 5 years and describe the amendments, including amendments to the investment restrictions and practices contained in its constituting Act.

(4) If the investment fund's name has been changed in the past 5 years, state the fund's former name and the date on which it was changed.

(5) Disclose, and provide details about, any major events affecting the investment fund in the past 3 years. Include information, if material, about:

(a) any changes in the mission, fundamental investment objectives or material investment strategies of the investment fund; and

(b) any changes in the portfolio adviser or changes in, or of control of, the investment fund manager.

### **Item 3 Description of the Investment Fund's Business**

(1) Describe the general business of the investment fund. Include at least the following disclosure:

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(a) a description of the investment fund's principal investment standards and the principal policies of the investment fund's board of directors in respect of development capital investments and other investments;

(b) a description of any aspect of the investment fund's business that may be affected during the current financial year by renegotiation or termination of material contracts or subcontracts and a description of the likely effects thereof; and

(c) a description of the investment fund's distribution network and the means for purchasing securities of the fund.

### **Item 4 Development Capital Investment and Other Investment Restrictions**

(1) Include a statement to the effect that the investment fund is subject to certain restrictions and practices contained in its constituting Act, and state that the investment fund is managed in accordance with these restrictions and practices.

(2) State the restrictions on the investment objectives and strategies arising from any of the following matters:

1. if the securities of the investment fund are or will be a qualified investment within the meaning of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)), for registered retirement savings plans, retirement income funds, education savings plans, deferred profit sharing plans or other savings plans registered under the Act; or

2. if the securities of the investment fund are or will be recognized as a registered investment within the meaning of the Act.

(3) State whether the investment fund has deviated in the past year from the rules under the Income Tax Act that apply to the status of its securities as:

(a) qualified investments within the meaning of the Act for registered retirement savings plans, retirement income funds, education savings plans, deferred profit sharing plans or other savings plans registered under the Act; or

(b) registered investments within the meaning of the Act.

(4) State the consequences of any deviation described in paragraph (3).

### **Item 5 Description of Securities Offered by the Investment Fund**

(1) State the description or the designation of securities, or the series or classes of securities, offered by the investment fund under the related simplified prospectus and describe the following material attributes and characteristics of the securities:

(a) dividend or distribution rights;

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- (b) *voting rights;*
  - (c) *rights upon the voluntary or forced liquidation or dissolution of the investment fund;*
  - (d) *conversion rights;*
  - (e) *redemption rights; and*
  - (f) *provisions as to amendment of any of these rights or provisions.*
- (2) *Describe the rights of security holders to approve any matters provided for in the constating documents of the investment fund or its articles.*

**Item 6 Valuation of Portfolio Securities**

*Describe the methods used to value the various types or classes of portfolio assets of the investment fund and its liabilities for the purpose of calculating net asset value.*

**Item 7 Issue and Redemption Price of Securities**

- (1) *State that the issue price and redemption price of securities of the investment fund are set by the board of directors of the investment fund based upon the net asset value as determined in its constituting Act. Describe the method followed or to be followed by the investment fund in determining the purchase price and redemption price of securities of the investment fund.*
- (2) *State the frequency with which the issue price and redemption price of securities of the investment fund are determined and the date as at which they are determined.*
- (3) *If, within the past 3 years, the investment fund set an issue price that differed from the redemption price based upon the net asset value, state when the investment fund exercised this discretionary power, the redemption price at that time and the issue price set by the investment fund.*

**Item 8 Subscription and Purchase of Securities**

- (1) *Describe the procedure followed or to be followed by investors who wish to subscribe to securities of the investment fund.*
- (2) *State that the issue price of the securities of the investment fund is set by the board of directors based upon the net asset value of a security of the class, or of a series of that class.*

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(3) Describe how the securities of the investment fund are distributed. If sales are effected through a principal distributor, give brief details of any arrangements with the principal distributor.

(4) Describe all available subscription options and state, if applicable, the fees to be paid by an investor.

### **Item 9 Redemption of Securities**

(1) Describe the procedures followed, or to be followed, by an investor who wishes to redeem securities of the investment fund, specifying the procedures to be followed and documents to be delivered before a redemption order pertaining to securities of the investment fund is accepted by the fund for processing and before payment of the proceeds of redemption is made by the fund.

(2) State that the redemption price of securities of the investment fund is set by the board of directors based upon the net asset value of a security of the class, or of a series of that class. If the redemption price is not based on the net asset value, state the method used to determine the redemption price.

(3) Discuss the circumstances under which the investment fund may suspend redemptions of the securities of the fund.

### **Item 10 Responsibility for Investment Fund Operations**

#### **10.1 General**

(1) Describe briefly how each of the following aspects of the operations of the investment fund are administered:

(a) the management and administration of the investment fund, including valuation services, investment fund accounting and security holder records, other than the management of the portfolio assets;

(b) the management of the portfolio assets, including the analysis or recommendations with respect to the development capital investments and the other investments, and the making of investment decisions in that regard;

(c) the purchase and sale of portfolio assets by the investment fund and the methods and principles for making brokerage arrangements, insofar as they are material;

(d) the distribution of the securities of the investment fund;

(e) if the investment fund is a corporation, the oversight of the affairs of the fund by its directors; and



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- (f) *the custodianship of the assets of the investment fund, if applicable.*

### INSTRUCTIONS

*The disclosure required under section 10.1 may be provided separately from, or combined with, the detailed disclosure concerning the persons that provide services to the investment fund required under sections 10.2 through 10.6.*

#### **10.2 Investment Fund Manager**

(1) *State the name, address, telephone number, e-mail address and, if applicable, website address of the investment fund manager.*

(2) *List the names and home addresses in full or, alternatively, solely the municipality of residence or postal address, and the respective positions and offices held with the investment fund manager and their respective principal occupations at, and within the 5 years preceding, the date of the annual information form, of all partners, directors and officers of the investment fund manager at the date of the annual information form.*

(3) *If a partner, director or officer of the investment fund manager has held more than one office with the investment fund manager within the past 5 years, state only the current office held.*

(4) *If the principal occupation of a director or officer of the investment fund manager is carried out with an organization other than the investment fund manager, state the principal business in which the organization is engaged.*

(5) *Describe the circumstances under which any agreement with the investment fund manager may be terminated, and include a brief description of the essential terms of this agreement.*

(6) *Disclose the percentage of securities of each class or series of voting or equity securities beneficially owned, directly or indirectly, in the aggregate, by all the directors and officers of the investment fund manager:*

(i) *in the investment fund manager, or*

(ii) *in any person or company that provides services to the investment fund or the investment fund manager.*

#### **10.3 Portfolio Adviser**

(1) *Describe how the investment fund or the investment fund manager provides the portfolio management services to the investment fund.*

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(2) State whether the investment fund or the investment fund manager uses the services of external portfolio advisers; if so, provide the name and municipality of each external portfolio adviser.

(3) For an external portfolio adviser whose mandate consists in the day-to-day management of a material portion of the portfolio:

(a) state the extent to which investment decisions are made by the investment fund, by the investment fund manager or by the portfolio adviser and whether those decisions are subject to the oversight, approval or ratification of a committee;

(b) state the name, title, and length of time of service of the person or persons employed by the portfolio adviser who is or are principally responsible for the performance of this mandate, and each person's business experience in the past 5 years; and

(c) provide a brief description of the essential terms of the agreement, including the circumstances under which it may be terminated.

### **10.4 Principal Distributor**

(1) If applicable, state the name and address of the principal distributor of the investment fund.

(2) Describe the circumstances under which any agreement with the principal distributor of the investment fund may be terminated, and include a brief description of the essential terms of this agreement.

### **10.5 Directors and Officers of the Investment Fund**

(1) List the names and home addresses in full or, alternatively, solely the municipality of residence or postal address, and the principal occupations at, and within the 5 years preceding, the date of the annual information form, of all directors or officers of the investment fund.

(2) Indicate, for an incorporated investment fund, all positions and offices with the investment fund held by each person named in response to paragraph (1).

(3) If the principal occupation of a director or officer is that of partner, director or officer of a company other than the investment fund, state the business in which the company is engaged.

(4) If a director or officer of an incorporated investment fund has held more than one position in the investment fund, state only the first and last position held.

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(5) *Disclose the number and percentage of securities of each class or series of voting or equity securities beneficially owned, directly or indirectly, in the aggregate, by all the directors and officers of the investment fund:*

(i) *in the investment fund manager, or*

(ii) *in any person or company that provides services to the investment fund or the investment fund manager.*

(6) *Disclose the board committees of the investment fund and identify the members of each committee.*

### **10.6 Custodian**

(1) *State the name, municipality of the registered or head office, and nature of business of the custodian and any principal subcustodian of the investment fund.*

(2) *Describe generally the subcustodian arrangements of the investment fund.*

### **INSTRUCTIONS**

*A "principal subcustodian" is a subcustodian to whom custodial authority has been delegated in respect of a material portion or segment of the portfolio assets of the investment fund.*

### **10.7 Transfer Agent and Registrar**

*If applicable, state the name of the transfer agent and the registrar of securities of the investment fund and the municipalities in which the registers of securities of the investment fund are kept.*

### **10.8 Auditor**

*State the name and municipality of the auditor of the investment fund.*

### **10.9 Other Service Providers**

*State the name, municipality, and the nature of business of each other person or company that regularly provides services relating to portfolio valuation, security holder records, investment fund accounting, or other material services, in respect of the investment fund, and describe the material features of the contractual arrangements by which the person or company has been retained.*

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### Item 11 Conflicts of Interest

#### 11.1 Principal Holders of Securities

- (1) The information required in response to this Item must be given as of a specified date within 30 days before the date of the annual information form.
- (2) Disclose the number and percentage of securities of each class or series of voting securities of the investment fund and of the investment fund manager owned of record or beneficially, directly or indirectly, by each person or company that owns of record, or is known by the investment fund or the investment fund manager to own beneficially, directly or indirectly, more than 10% of any class or series of voting securities, and disclose whether the securities are owned both of record and beneficially, of record only, or beneficially only.
- (3) Describe the requirements in the constituting Act of the investment fund in respect of conflicts of interest.
- (4) Describe the investment fund's governance rules in respect of conflicts of interest.
- (5) Disclose the percentage of securities of each class or series of voting or equity securities beneficially owned, directly or indirectly, in the aggregate, by all the independent valuation committee members of the investment fund:
  - (a) in the investment fund if the aggregate level of ownership exceeds 10%,
  - (b) in the investment fund manager, or
  - (c) in any person or company that provides services to the investment fund or the investment fund manager.

#### 11.2 Affiliated Entities

- (1) State whether any person or company that provides services to the investment fund or the investment fund manager in relation to the investment fund is an affiliated entity of the investment fund manager or the investment fund, and show the relationships of those affiliated entities in the form of an appropriately labelled diagram.
- (2) State that disclosure of the amount of fees received by each person or company described in paragraph (1):
  - (a) from the investment fund is contained in the audited financial statements of the fund; or

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(b) from the investment fund manager is contained in the audited financial statements of the manager.

(3) Identify any individual who is a director or officer of the investment fund or a partner, director or officer of the investment fund manager and also of any affiliated entity of the investment fund manager described in response to paragraph (1), and give particulars of the relationship.

### INSTRUCTIONS

(1) A person or company is an "affiliated entity" of another person or company if one is a subsidiary entity of the other or if both are subsidiary entities of the same person or company or if each of them is a controlled entity of the same person or company.

(2) A person or company is a "controlled entity" of a person or company if:

(a) in the case of a person or company:

(i) voting securities of the first-mentioned person or company carrying more than 50% of the votes for the election of directors are held, otherwise than by way of security only, by or for the benefit of the other person or company, and

(ii) the votes carried by the securities are entitled, if exercised, to elect a majority of the directors of the first-mentioned person or company;

(b) in the case of a partnership that does not have directors, other than a limited partnership, the second-mentioned person or company holds more than 50% of the interests in the partnership; or

(c) in the case of a limited partnership, the general partner is the second-mentioned person or company.

(3) For the purposes of paragraph (1), the provision of services includes brokerage services in connection with the execution of portfolio transactions for the investment fund.

### **Item 12 Investment Fund Governance**

(1) Provide detailed information concerning the governance of the investment fund, including information about the policies and procedures of the board of directors and its subcommittees.

(2) Provide detailed information concerning:

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(a) the composition and responsibilities of the investment fund's independent valuation committee and, if applicable, the reasons for any change in the composition of the independent valuation committee;

(b) the qualifications, skills and experience of the members of the investment fund's independent valuation committee, and explain the extent to which the members are independent; and

(c) a description of the policies, practices or guidelines of the investment fund or the investment fund manager relating to investment practices, business practices, sales practices, risk management controls and internal conflicts of interest, and if the investment fund and the investment fund manager have no such policies, practices or guidelines, include a statement to that effect.

(3) If the investment fund intends to use derivative instruments, describe the policies and practices of the fund to manage the risks associated with the use of derivative instruments.

(4) In the disclosure provided under paragraph (3), include disclosure of:

(a) whether there are written policies and procedures in place that set out the objectives and goals for derivatives trading and the risk management procedures applicable to derivatives trading;

(b) who is responsible for setting and reviewing the policies and procedures referred to in subparagraph (a), how often the policies and procedures are reviewed, and the extent and nature of the involvement of the board of directors in the risk management process;

(c) whether there are trading limits or controls on derivatives trading in place and who is responsible for authorizing the trading and placing limits or controls on the trading;

(d) whether there are individuals or groups that monitor the risks independently of those who trade; and

(e) whether risk measurement procedures or simulations are used to test the portfolio under stress conditions.

(5) If the investment fund intends to enter into securities lending, repurchase transactions or reverse repurchase transactions, describe the policies and practices of the fund to manage the risks associated with those transactions.

(6) In the disclosure provided under paragraph (5), include disclosure of:

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(a) *the involvement of an agent to administer the transactions on behalf of the investment fund, and the details of the instructions provided by the investment fund to the agent under the agreement between the investment fund and the agent;*

(b) *whether there are written policies and procedures in place that set out the objectives and goals for securities lending, repurchase transactions or reverse repurchase transactions, and the risk management procedures applicable to the investment fund's entering into those transactions;*

(c) *who is responsible for setting and reviewing the agreement referred to in subparagraph (a) and the policies and procedures referred to in subparagraph (b), how often the policies and procedures are reviewed, and the extent and nature of the involvement of the board of directors in the risk management process;*

(d) *whether there are limits or other controls in place on the entering into of those transactions by the investment fund and who is responsible for authorizing those limits or other controls on those transactions;*

(e) *whether there are individuals or groups that monitor the risks independently of those who enter into those transactions on behalf of the investment fund; and*

(f) *whether risk measurement procedures or simulations are used to test the portfolio under stress conditions.*

**INSTRUCTIONS**

(1) *The disclosure provided under this Item should make appropriate distinctions between the risks associated with the intended use by the fund of derivative instruments for hedging purposes as against the fund's intended use of derivative instruments for non-hedging purposes.*

**Item 13 Fees and Expenses Management Fee Rebate or Distribution Programs**

(1) *Disclose details of all arrangements that are in effect or will be in effect during the currency of the annual information form that will result, directly or indirectly, in one security holder in the investment fund paying, as a percentage of the security holder's investment in the investment fund, a management fee that differs from that payable by another security holder.*

(2) *In the disclosure required under paragraph (1), describe:*

(a) *who pays the management fee;*

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(b) whether a reduced fee is paid at the relevant time or whether the full fee is paid at that time with a refund of a portion of the management fee to follow at a later date;

(c) who funds the reduction or refund of management fees, when the reduction or refund is made and whether the refund is made in cash or in securities of the investment fund;

(d) whether the differing management fees are negotiable or calculated in accordance with a fixed schedule;

(e) if the management fees are negotiable, the factors or criteria relevant to the negotiations, and state who negotiates the fees with the investor;

(f) whether the differing management fees payable are based on the number or value of the securities of the investment fund subscribed to during a specified period or the number or value of the securities of the investment fund held at a particular time; and

(g) any other factors that could affect the amount of the management fees payable.

(3) Disclose the income tax consequences to the investment fund and its security holders of a management fee structure that results in one security holder paying a management fee that differs from that payable by another security holder.

### **Item 14 Income Tax Considerations**

(1) State in general terms the bases upon which the income and capital receipts of the investment fund are taxed.

(2) State in general terms the income tax consequences to the holders of the securities offered or:

(a) the redemption of securities;

(b) the issue of securities; and

(c) any transfers between investment funds.

### **Item 15 Material Contracts**

(1) List the material contracts entered into by the investment fund and describe the essential elements of:

(a) any agreement of the investment fund with the investment fund manager;



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(b) any agreement of the investment fund or the investment fund manager with the portfolio adviser or portfolio advisers of the investment fund;

(c) any agreement of the investment fund or the investment fund manager with the custodian of the investment fund;

(d) any agreement of the investment fund or the investment fund manager with the principal distributor of the investment fund; and

(e) any other contract or agreement that can reasonably be regarded as material to an investor who subscribes to securities of the investment fund.

(2) State a reasonable time when and place where the contracts or agreements listed in response to paragraph (1) may be inspected by prospective or existing security holders.

(3) Include, in describing particulars of the contracts, the date of the contracts, the parties thereto, the consideration paid by the investment fund thereunder, the termination provisions thereof, and the general nature of the contracts.

**INSTRUCTIONS**

This Item does not require disclosure of contracts entered into in the ordinary course of business of the investment fund.

**Item 16 Legal and Administrative Proceedings**

(1) Describe briefly any ongoing legal and administrative proceedings material to the investment fund, to which the investment fund, its investment fund manager or principal distributor is a party.

(2) For all matters referred to under paragraph (1), disclose:

(a) the name of the court or agency having jurisdiction;

(b) the date on which the proceedings were instituted;

(c) the principal parties to the proceedings;

(d) the nature of the proceedings and, if applicable, the amount claimed; and

(e) whether the proceedings are being contested and the present status of the proceedings.

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(3) Describe the penalties or sanctions imposed and the grounds on which they were imposed or the terms of any settlement agreement and the circumstances that gave rise to the settlement agreement, if the investment fund, the investment fund manager, or a director, officer or partner of the investment fund manager or of the investment fund has:

(a) in the 10 years before the date of the simplified prospectus, been subject to any penalties or sanctions imposed by a court or the Authority relating to trading in securities, promotion or management of a publicly traded investment fund, or theft or fraud, or been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor in determining whether to subscribe to securities of the investment fund, or

(b) in the 10 years before the date of the simplified prospectus, entered into a settlement agreement with a court or the Authority, in relation to any of the matters referred to in subparagraph (a).

(4) If the investment fund manager, or a director or officer thereof, or a partner, director or officer of the investment fund manager has, within the 10 years before the date of the simplified prospectus, been subject to any penalties or sanctions imposed by a court or the Authority relating to trading in securities, promotion or management of a publicly traded investment fund, or theft or fraud, or has entered into a settlement agreement with a regulator in relation to any of these matters, describe the penalties or sanctions imposed and the grounds on which they were imposed or the terms of the settlement agreement.

### **Item 17 Other Material Information**

Give particulars of any other material facts relating to the securities proposed to be offered that are not otherwise required to be disclosed under this Form or the SP Form.

### **Item 18 Exemptions and Approvals**

Describe all exemptions from securities legislation obtained by the fund that continue to be relied upon by the investment fund.

### **Item 19 Additional Information**

(1) Disclose that additional information relating to the investment fund may be found on SEDAR at [www.sedar.com](http://www.sedar.com).

(2) Include a statement that additional financial information is provided in the investment fund's financial statements and MD&A for its most recently completed financial year.

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(3) *Include a statement to the effect that the investment fund will provide to any person or company who makes a request to the secretary of the investment fund:*

(a) *when the securities of the investment fund are in the course of a distribution under a preliminary simplified prospectus or a simplified prospectus:*

(i) *a copy of the investment fund's annual information form and a copy of any document or the relevant pages thereof incorporated by reference therein;*

(ii) *a copy of the comparative financial statements of the investment fund for its most recently completed financial year for which financial statements have been filed, the auditor's report on these financial statements and a copy of the most recent interim financial statements of the investment fund that have been filed, if any, for any period after the end of its most recently completed financial year;*

(iii) *a copy of the annual MD&A filed by the investment fund for its most recently completed financial year and a copy of the interim MD&A filed by the fund for any interim period after the end of its most recently completed financial year;*

(iv) *a copy of the statement of development capital investments filed by the investment fund as at the end of its most recently completed financial year or as at the end of any interim period after the end of its most recently completed financial year, and the auditor's report;*

(v) *a copy of the statement of other investments filed by the investment fund as at the end of its most recently completed financial year or as at the end of any interim period after the end of its most recently completed financial year;*

(vi) *a copy of the index of investments made by the specialized funds filed by the investment fund as at the end of its most recently completed financial year or as at the end of any interim period after the end of its most recently completed financial year;*

(vii) *a copy of the investment fund's information circular for its most recent annual general meeting at which directors were elected, or a copy of any annual document was filed in lieu of the information circular, as appropriate; and*

(viii) *a copy of any other document incorporated by reference in the preliminary simplified prospectus or simplified prospectus that the investment fund is not required to provide under subparagraph (i), (ii) or (iii); and*

(b) *at any other time, a copy of any document mentioned in subparagraph (a)(i), (ii) or (iii), but the investment fund will be entitled to reasonable fees if the request is made by a person or company that is not a security holder of the investment fund.*

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*(4) Include a statement indicating that additional disclosure, including information about the remuneration and indebtedness of directors and officers and, if applicable, the interest of insiders in material transactions, can be found in the information circular of the investment fund for its most recent annual general meeting at which directors were elected.*

*M.O. 2008-07, Sch. F3.*

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