

Montréal, November 4, 2011

[Translation]

Anne-Marie Beaudoin
Corporate Secretary
Autorité des marchés financiers
800, square Victoria, 22^e étage
C.P. 246, tour de la Bourse
Montréal (Québec) H4Z 1G3

E-mail: consultation-en-cours@lautorite.qc.ca

Subject: Draft Regulation 51-103 respecting Ongoing Governance and Disclosure Requirements for Venture Issuers

Dear Ms. Beaudoin:

The Caisse de dépôt et placement du Québec (the “**Caisse**”) hereby submits its comments on Draft Regulation 51-103 respecting Ongoing Governance and Disclosure Requirements for Venture Issuers (the “**Draft Regulation**”).

About the Caisse

The Caisse is a financial institution that manages funds primarily from public and private pension and insurance funds.

One of Canada’s largest institutional fund managers, the Caisse is an active participant in financial markets and invests in large, medium-sized and small businesses in Québec.

It is in this capacity that the Caisse wishes to provide comments on the Draft Regulation by responding to some of the questions raised by the Canadian Securities Administrators (“**CSA**”). The Caisse in fact believes in the importance of the CSA’s concern with advancing proportionate securities regulations for venture issuers¹ that reconcile two imperatives: access to capital and market integrity.

The Caisse’s responses to the CSA’s questions come in the order in which these questions were raised in the Notice and Request for Comment on the Draft Regulation.

¹ Our definition of venture issuer is the same as that used by the CSA in the Regulation

Impact of the removal of mandatory first and third quarter financial statement reporting on investor protection and capital-raising

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The Caisse wonders whether the removal of mandatory first and third quarter financial statement reporting will be beneficial to issuers.

This type of issuer, which enjoys less visibility, as many receive little or no attention from analysts, requires monitoring as rigorous as larger cap issuers.

As a sophisticated investor with specialized staff, the Caisse can monitor such issuers using its own resources. However, from the perspective of the average investor, the Caisse believes that reducing information on an issuer could result in decreasing market liquidity to the detriment of that issuer.

The Caisse believes this obligation should be maintained, but could be simplified to meet the needs of issuers whose sometimes limited resources may justify adjusted requirements.

The Caisse is not so much concerned with the quantity of information, but rather its quality, enabling an investor to make an informed decision.

Moreover, the Caisse has many holdings in companies located in jurisdictions that have semi-annual filing regimes; however, the Caisse's foreign investments are limited to large-cap companies for which diverse information sources are available.

Other financial statement requirements

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The Draft Regulation eliminates the requirement to file business acquisition reports for significant acquisitions. Instead, it requires venture issuers to provide financial statements of an acquired business if the value of the consideration transferred equals 100% or more of the market capitalization of the venture issuer. This new threshold replaces the current threshold of 40%.

The Caisse does not think it is appropriate to raise the threshold from 40% to 100%, as this would result in a large number of acquisitions not being considered "significant acquisitions" for which issuers would have to provide financial statements.

In the Caisse's view, these financial statements would be available in any event as the issuer would probably have to prepare them for its own purposes, including its board of directors. The same applies to the pro forma financial statements that the Draft Regulation does not require, even in cases of acquisitions that are 100% significant. There, too, the issuer will probably have to prepare them for its board of directors when it has to assess and grasp the implications of a major transaction. Insofar as they are available, the Caisse is of the opinion that they must be furnished.

Governance and executive compensation disclosure requirements

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The Draft Regulation requires that director and executive officer compensation be provided in the annual report, instead of in the information circular.

It is the Caisse's opinion that information on director and executive officer compensation should be provided in the information circular.

Shareholders must be able to make fully informed decisions on such issues, without having to seek out the information in a source other than the circular.

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The Draft Regulation proposes removing the requirement to calculate and disclose the grant date fair value of stock options and other securities-based compensation.

However, the Caisse deems this information relevant to the analysis of aggregate officer compensation so that, in particular, shareholders have all information necessary in order to vote on compensation plans.

The Caisse believes that the grant date market value of stock options is important, as it facilitates an understanding of the parameters considered by an issuer's board, including volatility, in setting executive officer compensation.

In conclusion, in the Caisse's view, it is important to ensure that regulations do not constitute a barrier to capital, especially for small and medium-sized businesses whose sometimes limited resources may make regulatory compliance onerous. The Caisse believes that this process must occur within the framework of a more extensive study of the issues associated with access to capital.

Sincerely,

Marie Giguère
Executive Vice President, Legal Affairs and Secretariat