

# INVEST IN QUÉBEC



# BOARD OF DIRECTORS



## AS AT MARCH 1, 2011

### THE COMPANY'S BUSINESS IS MANAGED BY A BOARD OF DIRECTORS MADE UP OF THE FOLLOWING PERSONS:

**01 ANDRÉ LACHAPELLE**

Chairman of the Board of Directors  
Notary with Gagnon, Cantin, Lachapelle, Sasseville, Riopel,  
Hébert, Lord

**02 PIERRE GAUVREAU, FCA**

Vice-Chairman of the Board of Directors  
Corporate Director

**03 FRANCINE FERLAND**

Secretary of the Board of Directors  
Corporate Director

**04 BRUNO MORIN**

General Manager of the Company  
Corporate Director

**05 ÉVANGÉLISTE BOURDAGES**

President, Gestion Bourgade inc.

**06 MARLÈNE DEVEAUX**

General Manager, Revêtement sur métaux inc.

**07 MICHAEL DOROSZ, M.B.A., ADM.A.**

General Manager, Caisse Desjardins de la Vallée-des-Forts

**08 MAURICE DOYON**

Professor, Université Laval

**09 JOSÉE FORTIN, ASC, M.B.A.**

President and General Manager, Gestion Socpra inc.

**10 STEEVE LEPAGE, ENG., M.B.A.**

Vice-President Operations, CEL Aerospace Ltd

**11 JEAN-CLAUDE LORANGER**

General Manager, Caisse Desjardins de Rouyn-Noranda

**12 JACQUES PLANTE, CA**

Corporate Director

**13 CLAUDINE ROY**

Corporate Director

**SIGNALLING THAT THE WORST OF THE CRISIS IS BEHIND US, ECONOMIC CONDITIONS THAT BEGAN TO IMPROVE IN 2009 CONTINUED TO LOOK BRIGHTER IN 2010. WHILE THE RECOVERY REMAINS HESITANT, CAPITAL RÉGIONAL ET COOPÉRATIF DESJARDINS SUCCEEDED IN POSTING SOUND RESULTS AS AT DECEMBER 31, 2010 WITH NET INCOME OF \$18.7 MILLION FOR A RETURN OF 2.0%.**

For the fourth consecutive six-month period, per share value advanced to \$9.91 as at December 31, 2010, an increase of \$0.18 over \$9.73 at the end of fiscal 2009. For information purposes, shareholders who invested seven years earlier obtain an annual after-tax return of between 8.5% and 9.6% taking into account their income tax credit of 50%.

The Company's return is due mainly to the contribution of Investments impacting the Québec economy and Other investments. Assets allocated to Investments impacting the Québec economy, which earned a 6.8% return in 2010, are focused on the Company's mission of promoting the economic development of Québec cooperatives and regions. Other investments, established to provide security for the Company's returns and consisting primarily of bonds, money market instruments and preferred shares, generated a return of 4.4%.

Capital régional et coopératif Desjardins shares maintained their popularity in 2010 with subscriptions reaching \$181.0 million. Also of note, the Company announced on January 7, 2011 that the \$150 million authorized capitalization for the issue that went on sale in April 2010 had sold out well before the February 28, 2011 deadline. Share redemptions totalled \$85.8 million as at December 31, 2010, raising the Company's net assets to almost \$1,020 million and bringing the number of shareholders to 111,476.

We are proud of the Company's results. They are proof of our constant support for Québec SMEs and cooperatives. And we salute the work of Desjardins Venture Capital in keeping us on course toward our five strategic goals – ensuring sufficient capitalization to meet business objectives, supporting the cooperative movement by promoting employee-shareholder cooperatives, primarily in business buyouts, becoming a reference in the area of business transfer financing, growing our shareholder base, and achieve overall performance to fully realize our mission.

The vitality and performance of Capital régional et coopératif Desjardins definitely spring from the convergence of many factors, such as the skill of our manager, Desjardins Venture Capital, and new agreements and strategic partnerships formed throughout the year. But one thing is certain – we owe this success primarily to the strength of the Desjardins caisse network and to the unstinting efforts of the group savings representatives and the financial planners in selling our shares.

**ANDRÉ LACHAPELLE**  
Chairman of the Board

**BRUNO MORIN**  
General Manager

## DEVELOPMENT LEVERAGE

**2010 WAS RICH IN ACHIEVEMENT FOR CAPITAL RÉGIONAL ET COOPÉRATIF DESJARDINS AND SUPPORTED SOUND RESULTS. THE PROOF – WE MOVED FORWARD WITH OUR BUSINESS MODEL, WHICH HIGHLIGHTS GROWING OUR COLLECTIVE WEALTH AND CREATING VALUE. WE KNOW THAT THE ACTIONS WE CUSTOM TAILOR AND TARGET ACCURATELY CONTRIBUTE TO DEVELOPING A PROSPEROUS ECONOMY FOR QUÉBEC.**

In 2010 alone, almost \$85 million were channelled into supporting strategic acquisition projects, with the spotlight on business transfers. Against the backdrop of an ageing population, this is an area where Capital régional et coopératif Desjardins plays a strategic role in providing support for entrepreneurs who care deeply about the continuity of Québec companies, and we are proud of the Desjardins brand business transfer financing packages we put together. And it's exactly our profound respect for basic values, our people skills and our know-how that make the Company a key actor in economic development, driven by keeping SMEs in the regions where they were founded and where they grew.

Creating economic development leverage also positions us as a catalyst for growth. Our agreements with the Caisse de dépôt et placement du Québec, our investments in innovative companies through Desjardins – Innovatech and our position in the Fonds d'investissement pour la relève agricole are only a few of the eloquent examples powering sustainable prosperity for Québec.

In addition to that, backing the cooperative movement by investing in existing cooperatives or laying the groundwork to establish employee-shareholder cooperatives is a priority that remains dear to our hearts.

The new year is already bursting with exciting projects, and we are putting our passion to work spurring our entrepreneurs on to greater growth and higher heights. As manager, we pride ourselves on always offering them competitive products and services, but the most precious tool we provide is solid support in a constantly changing world.

**MARIE-CLAUDE BOISVERT**  
Chief Operating Officer, Desjardins Venture Capital

# SERVING THE REGIONS

**FOCUSED ON ITS MISSION OF QUÉBEC ECONOMIC DEVELOPMENT, CAPITAL RÉGIONAL ET COOPÉRATIF DESJARDINS HAS LISTENED ATTENTIVELY TO THE NEEDS OF COMPANIES AND COOPERATIVES IN VARIOUS INDUSTRIES LOCATED IN MANY QUÉBEC REGIONS. AS AT DECEMBER 31, 2010, 238 COMPANIES, COOPERATIVES AND FUNDS IN ALL PARTS OF THE PROVINCE BENEFITED FROM FINANCIAL BACKING PROVIDED BY THE COMPANY, WHOSE TOTAL COMMITMENTS, AMOUNTING TO \$673.8 MILLION, HELPED TO CREATE AND RETAIN MORE THAN 36,000 JOBS.**

In 2010, new commitments of \$227.9 million that include \$100 million invested in partnership with the Caisse de dépôt et placement du Québec and \$25 million in the Fonds d'investissement pour la relève agricole, were made in 78 companies. Among these are:

- > **Vieux Comptoir Construction** in Abitibi-Témiscamingue
- > **Télécommunications Denis Gignac** in Bas-Saint-Laurent
- > **Coractive and Obzerv Technologies** in Capitale-Nationale
- > **Farinart and Investissements Brasco** in Centre du Québec
- > **Émile Bilodeau et Fils** and **Métal Bernard** in the Chaudière-Appalaches region
- > **L.P. Royer** and **Kemestrie** in the Eastern Townships
- > **Normandin Inc.** in the Montérégie
- > **Cavalía** and **Systemex Communications** in Montréal
- > **Échafaudage Industriel** in Saguenay – Lac-St-Jean

Certain companies in the portfolio required additional financial assistance during the year to back them through critical stages of their growth. Among these reinvestments are **Construction L.F.G.** and **Éocycle Technologies** in the Gaspésie – Îles-de-la-Madeleine region and **Produits de plancher Finitec** of Chaudière-Appalaches.

## BREAKDOWN OF PORTFOLIO COMPANIES AS AT DECEMBER 31, 2010

ADMINISTRATIVE REGIONS	NUMBER OF COMPANIES	AUTHORIZED INVESTMENTS (\$M) <sup>1</sup>
Abitibi-Témiscamingue *	13	4.4
Bas-St-Laurent *	21	18.1
Capitale-Nationale	20	42.7
Centre du Québec	14	37.1
Chaudière-Appalaches	23	18.5
Côte-Nord *	5	3.4
Eastern Townships	22	60.3
Gaspésie – Îles-de-la-Madeleine *	8	5.6
Lanaudière	3	0.6
Laurentians	1	0.2
Laval	4	5.4
Mauricie *	8	11.9
Montérégie	19	65.7
Montréal	35	149.5
Nord du Québec *	0	0.0
Outaouais	5	4.2
Saguenay – Lac-St-Jean *	27	17.0
Outside Québec	2	8.9
Funds	8	220.3
<b>Total</b>	<b>238</b>	<b>673.8</b>

\* Resource regions

<sup>1</sup> Including funds committed but not disbursed

## THE STRENGTH OF STRATEGIC ALLIANCES

In order to provide even greater assistance to a variety of projects, including expansion, acquisition, business transfers or productivity optimization, Capital régional et coopératif Desjardins and the **Caisse de dépôt et placement du Québec** in 2010 announced the creation of a new fund. Designed to promote the growth of SMEs in all regions of Québec with financing needs of less than \$3 million, the two sponsors undertook to invest in the fund equal shares totalling \$200 million over three years. Management has been entrusted to Desjardins Venture Capital.

Since July 1, 2010, more than \$16 million have been invested in 11 companies: **Lucien Mirault Inc** in Abitibi-Témiscamingue, **Attraction Média** in Montréal, **Ambulance Médilac** in Saguenay – Lac-St-Jean, **Location Paul Boudreau** in Côte-Nord, **Peinture Can-Lak** in Centre du Québec, **Groupe Progi-Pac** in the Mauricie, **Groupe Loiselle** in the Montérégie, **Systemex Communications** in Montréal, **La Forfaiterie** in the Capitale-Nationale, **Groupe Filion Sport** in Bas-St-Laurent and **Sid Lee** in Montréal. These investments, including five in resource regions, will drive their growth over the next few years and create or retain more than 400 jobs.

In order to bolster its assistance to Québec agricultural industries that also have heavy needs for capital to finance business succession,

Capital régional et coopératif Desjardins took a share in creating the **Fonds d'investissement pour la relève agricole**, announced in the 2010 provincial budget, in partnership with the Québec government and the Fonds de solidarité FTQ. Committed to investing \$25 million over five years, the Company will be able to encourage and ensure the continuity of an industry that is key to the Québec economy.

It will also have the means to back young Québécois who wish to start farm businesses. "We are deeply proud of our investment in this new fund. It's a natural fit that enhances our mission and will allow us to maintain our productive synergy with the Desjardins network, which already boasts a strong presence in the farm market," noted André Lachapelle, Chairman of the Board of Capital régional et coopératif Desjardins.

Additionally, under the framework of the **Desjardins – Innovatech** fund created in 2005 in partnership with the Québec government, a purchase by agreement program was formalized with Sherbrooke Innopole to finance innovative entrepreneurship that will generate anchor projects for the Sherbrooke region. Investments are targeted to companies in the early commercialization stage operating in one of the five following areas: life sciences, clean technologies, micro-nanotechnologies, information technologies and advanced manufacturing.

# QUÉBEC BUSINESS CONTINUITY

**CAPITAL RÉGIONAL ET COOPÉRATIF DESJARDINS AND ITS MANAGER ARE VERY ACTIVE IN BUSINESS TRANSFER FINANCING. INVESTMENT PROFESSIONALS WORK SIDE BY SIDE WITH ENTREPRENEURS THROUGH THIS CRUCIAL PROCESS TO WORK OUT ACTION STRATEGIES THAT FIT EQUALLY THE NEEDS OF THE BUSINESS LEADER LEAVING AS THOSE OF THE NEW BUYERS TAKING UP THE REINS.**

In illustration of that, the buyout transaction for A. & D. Prevost Inc. from Richelieu in Montérégie is a prime example. A North American leader in the architectural aluminum business for over 50 years, A. & D. Prevost employs close to 190 people. The company has forged a reputation for excellence with high performance products in a complete line of windows, doors, entrances, curtain walls and skylights.

This transaction gives a new generation of management the opportunity to continue to grow this flagship Québec business while allowing Capital régional et coopératif Desjardins to become the controlling shareholder. Through its many business ownership transfer transactions, Desjardins helps to grow the wealth of Québec by driving the economic development of the regions. In 2010 alone, 19 business transfer commitments were signed: 58% of the companies were transferred to executives in place, 36% were to outside buyers, and 6% to family members.

## LAVAL

- > **Polytek Equipment** of Laval, a specialist in the development and installation of power conversion systems, wiring and electronic equipment for utility and emergency vehicles. The financing package allowed two young entrepreneurs to acquire the business.

## CAPITALE-NATIONALE

- > **PE Fraser** of Québec City, a specialist in window component sales. This transaction enabled the purchase of shares.

## MAURICIE

- > **Groupe Progi-Pac** of Trois-Rivières, a specialist in the development and sale of business solutions for the auto industry and auto recycling centres. The investment gave new management the leverage to acquire the company, keeping around 20 jobs in the region.

## SAGUENAY – LAC-ST-JEAN

- > **Ambulance Médilac** of Métabetchouan, an ambulance services provider throughout the Saguenay – Lac-St-Jean region. This investment allows an entirely new management team to continue the work started by the Desbiens family who founded the company nearly 40 years ago.
- > **Produits sanitaires Lépine** of Chicoutimi, a manufacturer and distributor of cleaning and sanitation products and **Immeubles Ultra-Violet** of Saguenay, a sports clothing and equipment retailer. Both transactions made the succession transfer possible.

## ABITIBI-TÉMISCAMINGUE

- > **Norbell Électrique** of Val-d'Or, an electricity and refrigeration contractor, and **Toitures G.G.R.** of Amos, a specialty roofing contractor. Both investments enabled the purchase of shares, one of them allowing an employee to become a shareholder.

## MONTÉRÉGIE

- > **Station SkySpa** of Brossard, a unique urban spa concept located in the Quartier Dix30 centre, offering thermal relaxation packages. This investment enabled a share buyout by the founder.
- > **Groupe Loïsele** of Salaberry-de-Valleyfield, an excavation and civil engineering specialist that has developed a promising niche market in environmental protection and coastal engineering. The loan allowed the company to complete its succession plan investment.

## CENTRE DU QUÉBEC

- > **Peinture Can-Lak** of Daveluyville, a manufacturer of lacquers, paints and varnishes for cabinet and furniture makers. The transaction allowed new management to acquire the business and ensure continuity and jobs for some 100 people.
- > **Groupe Anderson** of Chesterville, an agricultural, forestry and biomass equipment manufacturer. This share purchase secured the business succession.

On a different note, after business transfer financing in **Avjet Holding** of Drummondville (the Aviation Division of Les Pétroles Therrien) was completed in 2009, an employee-shareholder cooperative was established and is now growing. This type of transfer, which combines ownership by executives, ensured the continuity of a prosperous business and, as a result, retained local jobs, while promoting employee ownership and loyalty.

**FOR SUSTAINABLE PROSPERITY**

## PARTNERS IN THE SPOTLIGHT

**Fondations Pretech** of Montréal, a specialist in the manufacture and supply of building foundation pilings, won two CONTECH Innovation and Sustainable Development trophies in 2010. Recognized for its new geothermal energy technology, the company took first prizes in the *Industrial Building* and *Residential categories for Innovative Product or Technology*.

**Frima** of Québec City, one of Canada's largest video game development studios, placed first among Québec's 20 fastest growing companies by five-year revenue growth. It also captured an Octas award in the *Commercial Success* category, its third in as many entries in the contest. In addition to its original productions, Frima develops Web games, virtual worlds, Facebook games and iPhone applications as well as games for consoles and mobile phones.

**Groupe Canmec** of Saguenay was named the Mercuriades 2010 winner in the *Professional and Technical Training category*. Groupe Canmec provides mechanical welding design and manufacturing services and installation and construction services in the industrial sector, including hydroelectric, aluminum, mining and pulp and paper. It has over 400 employees in its three plants in the Saguenay – Lac-St-Jean region and completes contracts in Canada, the United States and abroad in countries such as Iceland and Argentina.

**Fempro** of Drummondville, the largest manufacturer of feminine hygiene products in Canada, won the *Business Ownership Transfer Award* unveiled at the fifth edition of the Desjardins Entrepreneurs Awards. The business is a fine illustration of this award, which underscores business excellence and the active participation of businesses in regional economic development.

Weekly magazine *Advertising Age* named **Sid Lee** a runner-up for the title of 2009 International Agency of the Year. It was also named Agency of the Year in 2009 and 2010 by *Marketing Magazine*. Sid Lee, which brings together under the same roof one of the most creative multidisciplinary teams in the world, creates products, services and spaces and brings them to life with marketing communication. With ateliers in Montréal, Amsterdam, Paris and Toronto, Sid Lee has won more than 250 awards for the quality of its productions.

Through its Supplier Forum, Bombardier Aerospace awarded 3 Star certification to two subsidiaries of **A.T.L.A.S. Aéronautique** of Granby, Aviation Lemex and Air Terre Equipement, both of which have been selected – along with about 20 other local suppliers – for the new Learjet 85 and CSeries programs. A.T.L.A.S. Aéronautique has also acquired SIDO Ltd. of Granby, an important engine parts supplier for Pratt & Whitney.

## A ROUND OF APPLAUSE

Capital régional et coopératif Desjardins is proud to share in the achievement and recognition of **Marie-Claude Boisvert**, Chief Operating Officer of Desjardins Venture Capital, who last November joined the ranks of the Top 100 of Canada's Most Powerful Women in the Corporate Executives category. Organized by the Women's Executive Network (WXN) of Toronto, for the eighth year in a row, this award salutes women who have been exceptional achievers in their careers and stand as examples or mentors for others. A deeply

proud Marie-Claude accepted the award which, she said, beyond recognizing quality work advances the career options and opportunities for achievement available to women. She was flattered to receive such an honour and to be in the company of celebrated Canadian women. "I share this honour with the members of my team who, like myself, have a profound commitment not only to the business development and the economic growth of our regions, but to the very continuity of our local enterprises."



**Desjardins**  
Capital régional  
et coopératif

### SHAREHOLDER SERVICES

**Capital régional et coopératif Desjardins**  
2 Complexe Desjardins  
P.O. Box 790, Desjardins Station  
Montréal, Québec H5B 1B9

Tel.: 1 888-522-3222  
capital.regional@dcrdesjardins.com  
capitalregional.com

This Activity Report is also available on the Company's website.

### MANAGER

**Desjardins Venture Capital**  
2 Complexe Desjardins  
Suite 1717  
P.O. Box 760, Desjardins Station  
Montréal, Québec H5B 1B8

Tel.: 514 281-7131  
Toll free: 1 866-866-7000, ext. 7131  
info@dcrdesjardins.com  
dcrdesjardins.com

Contact information for our regional offices may be obtained by calling our manager or by visiting its website.

