

2. Section 2 is revoked.

3. This Regulation comes into force on the fifteenth day following the date of its publication in the *Gazette officielle du Québec*.

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Gouvernement du Québec

O.C. 470-97, 9 April 1997

An Act respecting assistance for the development of cooperatives
(R.S.Q., c. A-12.1)

Program to Promote the Development of Cooperative Undertakings

CONCERNING the Regulation respecting the Program to Promote the Development of Cooperative Undertakings

WHEREAS under section 3 of the Act respecting assistance for the development of cooperatives (R.S.Q., c. A-12.1), the Government may establish any program of financial or technical assistance for the purposes of the Act;

WHEREAS under section 5 of the Act, the Société de développement industriel du Québec, incorporated under the Act respecting the Société de développement industriel du Québec (R.S.Q., c. S-11.01), shall administer any program of financial assistance established pursuant to the Act respecting assistance for the development of cooperatives;

WHEREAS under section 11 of the Act, financial assistance is granted by a decision of the Minister with the prior authorization of and subject to the conditions determined by the Government;

WHEREAS under the same section, financial assistance may be granted, subject to the conditions the Minister determines, without the authorization of the Government in such cases as the latter may determine;

WHEREAS under section 12 of the Act, financial assistance may also be granted by the Société de développement industriel du Québec in such cases and on such conditions as the Government may determine by regulation;

WHEREAS under section 12 of the Regulations Act (R.S.Q., c. R-18.1), a proposed regulation may be made without having been published under section 8 of that

Act where the authority making it is of the opinion that the urgency of the situation requires it;

WHEREAS under section 13 of the Act, the reason justifying the absence of prior publication must be published with the regulation;

WHEREAS under section 18 of the Act, a regulation may come into force on the date of its publication in the *Gazette officielle du Québec* or between that date and the date applicable under section 17 of that Act where the authority making it is of the opinion that the urgency of the situation requires it;

WHEREAS in the opinion of the Government, the urgency owing to the following circumstances justifies the absence of prior publication of the Regulation and its coming into force on the date of its publication in the *Gazette officielle du Québec*:

1° applicants for assistance may not benefit from the new measures promoting the development of cooperative undertakings provided for in the proposed program until the Program is adopted by regulation;

2° it is important to enable businesses to benefit as early as possible in April 1997 from the implementation of the new measures.

WHEREAS it is expedient to make the Regulation;

IT IS ORDERED, therefore, upon the recommendation of the Deputy Prime Minister and Minister of State for Economy and Finances and of the Minister responsible for Industry and Trade;

THAT the Regulation respecting the Program to Promote the Development of Cooperative Undertakings attached hereto, be made.

MICHEL CARPENTIER,
Clerk of the Conseil exécutif

Regulation respecting the Program to Promote the Development of Cooperative Undertakings

An Act respecting assistance for the development of cooperatives
(R.S.Q., c. A-12.1, 3, 4, 11 and 12)

DIVISION 1
OBJECTIVES

1. This program aims at promoting the establishment, continuation and development of cooperative undertak-

ings by granting financial assistance to these undertakings.

DIVISION II INTERPRETATION

2. Under this Program

1° “housing cooperative” means a cooperative governed by Section IV of Title II of the Cooperatives Act;

2° “financial institution” means a bank as defined in the Bank Act (S.C., 1991, c. 46), a savings and credit union governed by the Savings and Credit Unions Act (R.S.Q., c. C-4.1) or any other legal person legally empowered to grant loans or make investments;

3° “net loss” means the balance owing to a financial institution, that is, the sum of the principal owing at the date the loan and the interest accrued are called in, minus the net product from the realization of the securities, when relevant. The net loss also includes the interest accrued during a maximum period of three months following the calling in of the loan. It may however, with prior authorization of the Corporation, include interest accrued over a longer period, where such a measure would ensure the survival of a cooperative undertaking or the realization of securities or guarantees. However, total interest accrued before and after the calling in of the loan, that may be included in the net loss, cannot exceed 10 % of the balance on the loan at the time it is called in.

DIVISION III ELIGIBILITY FOR FINANCIAL ASSISTANCE

3. Financial assistance must be necessary for carrying out the project of the cooperative undertaking that shall show that both its financial structure and the quality of its management enable the project to be profitable.

4. Financial assistance is granted to a starting cooperative undertaking, a cooperative undertaking with a development or expansion project or a cooperative undertaking in need of consolidation.

5. Financial assistance under this Program may apply to a project having received other financial assistance from the Government, except in the case of a capitalization loan guarantee to a housing cooperative.

Such combined assistance shall not exceed 75 % of the value of the project.

6. The Corporation may refuse to grant financial assistance or may suspend assistance when a business no

longer meets the conditions that made it eligible or when it has failed to meet a contractual obligation; it may also conclude any agreement or require any guarantee that it considers necessary where corrective measures are being taken in the case of a business experiencing financial difficulties or where the matter of a business having received financial assistance is in the process of being settled.

DIVISION IV FORMS AND AMOUNT OF THE FINANCIAL ASSISTANCE

7. Financial assistance may be granted in any of the following forms:

1° a capitalization loan or a capitalization loan guarantee: a loan granted by the Corporation to a cooperative undertaking or a guarantee, granted by the Corporation, for reimbursement of a percentage of the net loss in relation to a loan granted by a financial institution to a cooperative undertaking. This form of financial assistance also applies to a workers' cooperative within the meaning of section 225 of the Cooperatives Act (R.S.Q., c. C-67.2) and is granted to enable it to acquire shares of a legal person or shares of a corporation;

2° a guarantee of redemption of preferred shares: a guarantee granted by the Corporation to redeem the preferred shares of a cooperative purchased by another cooperative undertaking or by a financial institution;

3° acquisition of preferred shares: acquisition of preferred shares of a cooperative undertaking by the Corporation;

4° financing loan or financing loan guarantee: a loan granted by the Corporation alone or jointly with a financial institution or a guarantee, granted by the Corporation, for reimbursement of a percentage of the net loss in relation to a loan granted by a financial institution to a cooperative undertaking.

5° a loan guarantee in the form of a credit line: a guarantee of reimbursement of a percentage of the net loss on the loan in the form of a credit line granted by the Corporation;

6° a capitalization loan guarantee to a housing cooperative: a guarantee, granted by the Corporation, of reimbursement of a percentage of the net loss in relation to a loan granted to a housing cooperative.

8. The forms of financial assistance under paragraphs 1°, 2°, 3° and 6° of section 7 have for objective the capitalization of cooperative undertakings, by tem-

porarily furnishing the difference between the capital stock plus the reserve and the capital required to achieve a healthy capitalization. The forms of financial assistance under paragraph 4° of section 7 aim at furnishing the financing needs of the cooperative undertaking that are different from those in paragraphs 1°, 2° and 3°.

9. A guarantee of reimbursement shall not exceed:

1° 90 % of the net loss for capitalization loan guarantees, for financing loan guarantees and for capitalization loan guarantees to a housing cooperative;

2° 100 % of the principal for guarantees of the redemption of preferred shares;

3° 75 % of the net loss for credit line guarantees.

DIVISION V **TERMS OF FINANCIAL ASSISTANCE**

10. A capitalization loan or a capitalization loan guarantee is granted by the Corporation on the following conditions:

1° the maximum term for a loan or a guarantee is ten years; however, the original term of the loan or guarantee may be extended by the Corporation, at any time, once or repeatedly, for a total additional term not exceeding five years;

2° guarantees may be required on the loan granted or guaranteed by the Corporation;

3° the payments on the principal of a loan granted or guaranteed by the Corporation shall be fixed; they may however be variable where the funds generated by the business are seasonal or subject to fluctuations;

4° the beginning of repayment of the principal of the loan, granted or guaranteed by the Corporation, may be postponed until no later than two years after the project has been carried out.

5° at any time, the business may repay in advance the loan granted or guaranteed by the Corporation without penalty;

6° the interest rate on the loan granted or guaranteed by the Corporation may be fixed or variable; however if it is variable, the maximum rate will be the prime rate of the bank plus 1 %;

7° payment of interest up to a maximum amount corresponding to 20 % of the amount of the loan granted or guaranteed by the Corporation may be postponed to a subsequent year;

8° this loan granted or guaranteed by the Corporation may be paid in whole or in part during the realization of the project.

11. A loan guarantee in the form of a credit line is extended on the following conditions:

1° it is granted to cooperative undertakings located above the 55th parallel, to forest, animal farming, fish farming, sheltered production, greenhouse production, vegetable production, shrub production, home care service or health care cooperative undertakings;

2° it is granted for a maximum term of thirty-six months from the date of signature of the guarantee instrument;

3° at the time of bringing the guarantee into effect, the Corporation may require from the lending financial institution that it obtain from the cooperative undertaking any relevant guarantee deemed necessary to ensure the reimbursement of the loan.

12. A redemption of preferred shares by the Corporation or a redemption of preferred shares guaranteed by the Corporation is effected on the following conditions:

1° redemption of these shares may not exceed ten years; however the term of the redemption of these shares may be extended, at any time, once or repeatedly, for a total additional period of five years;

2° redemption of these shares must begin no more than five years after their purchase;

3° the cooperative undertaking may, at any time, redeem its shares in advance and without penalty.

13. A financing loan granted by the Corporation or a financing loan guarantee granted by the Corporation is effected on the following conditions:

1° the maximum term for a loan or a guarantee is ten years; however, for cooperative undertakings located above the 55th parallel, the maximum term for a loan or a guarantee must not exceed fifteen years;

2° notwithstanding paragraph 1°, the original term of the loan or guarantee may be extended by the Corporation, at any time, once or repeatedly, for a total additional period not exceeding five years;

3° the loan granted or guaranteed by the Corporation must include the guarantees that the Corporation deems appropriate according to the circumstances; however, for cooperative undertakings located above the 55th parallel, the Corporation may not require a guarantee;

4° the beginning of repayment of the principal of the loan granted or guaranteed by the Corporation may be postponed until no later than two years after the project has been realized.

14. A capitalization loan guarantee to a housing cooperative is effected on the following conditions:

1° the maximum term of the guarantee granted by the Corporation is twenty years. This loan must have a maximum term of twenty years and repayment of the capital must begin no later than ten years after it is granted.

2° this loan must include guarantees; however, these guarantees may be of an inferior rank.

15. Management fees of no more than 1 % of the financial commitment guaranteed by the Corporation, of the loan granted by the Corporation, or of the amount of acquisition of preferred shares by the Corporation, are payable by the business.

16. A premium may be required to offset risks.

17. Annual guarantee fees of no more than 1 % of the loan granted by the Corporation are payable.

DIVISION VI LIMITS ON FINANCIAL ASSISTANCE

18. The total financial assistance granted under this Program to a single cooperative undertaking in the form of a capitalization loan, capitalization loan guarantee, redemption of preferred shares, redemption of preferred shares guarantee, financing loan or financing loan guarantee, may not exceed 75 % of the value of the project for which the financial assistance is granted.

For a workers' cooperative, as defined in Section 225 of the Cooperatives Act, that acquires shares directly from the legal person or directly from a corporation, the limit of 75 % shall be calculated according to the value of the project of the legal person or corporation in which the cooperative is investing.

For a workers' cooperative, within the meaning of section 225 of the Cooperatives Act, that acquires shares directly from the shareholders or directly from the members, the limit on assistance shall be established at 90 % of the cost of the shares acquired.

The total financial assistance granted under this Program in the form of a capitalization loan guarantee to a housing cooperative may not exceed 25 % of the value of the project for which financial assistance is granted.

DIVISION VII GRANTING OF FINANCIAL ASSISTANCE

19. Financial assistance is granted by:

1° the Corporation, where the amount is less than \$5,000,000;

2° the Minister of Industry, Trade, Science and Technology where the amount is \$5,000,000 or more, but less than \$10,000,000;

3° the Government where the amount is \$10,000,000 or more.

DIVISION VIII TRANSITIONAL AND FINAL

20. The Regulation respecting the programs of the Société de développement industriel du Québec, made by Order in Council 681-92 dated 6 May 1992, does not apply to this Regulation.

21. This Regulation replaces the Regulation respecting assistance for the development of cooperatives, made by Order in Council 686-92 dated 6 May 1992.

Notwithstanding the foregoing, the replaced Regulation continues to apply to any financial assistance granted under that Regulation before the date of coming into effect of this Regulation and to applications for financial assistance that are received before that date and that have not yet been the object of a decision.

22. Section 6 of this Regulation applies to modifications to financial assistance granted under the Regulation that is replaced by this Regulation.

23. This Regulation comes into effect the day it is published in the *Gazette officielle du Québec*.

It will cease to be in effect five years after coming into force, but will remain applicable to applications for financial assistance that are received by the Corporation before that date and that have not yet been the object of a decision.