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# NATIONAL ASSEMBLY

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SECOND SESSION

THIRTY-FOURTH LEGISLATURE

Bill 150

## **An Act to amend the Cooperatives Act**

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### **Introduction**

**Introduced by  
Mr Gérald Tremblay  
Minister of Industry, Trade and Technology**

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**Québec Official Publisher  
1993**

#### EXPLANATORY NOTES

*This bill amends the Cooperatives Act, in particular as concerns the powers of cooperatives and of their boards of directors. It proposes to enable cooperatives to determine, by by-law, the various conditions for allotting rebates as well as the territory or group from which they may recruit members. It defines certain of the cooperatives' powers in the area of financial assistance and removes the power to require members to be paid in shares or other securities for products delivered or services performed.*

*The bill amends the rules applicable to the members' power of representation and enables a cooperative to authorize, by by-law, its board of directors to suspend the voting rights of inactive members.*

*The board of directors is also empowered by the bill to determine the characteristics of preferred shares it is authorized to issue as qualifying shares. The bill amends various rules governing the functioning of the board of directors and in particular, prohibits an employee of a cooperative other than a work cooperative from becoming a director of the cooperative.*

*The bill amends the content of the cooperative's annual report and empowers the cooperative to direct the auditor to conduct a review engagement. It provides that the mandatory allocation of surpluses may be made by allotting rebates as shares and defines the conditions under which the allotting may take place.*

*A simplified procedure for winding-up a cooperative is proposed by the bill in which the cooperative is authorized to decide to remit the balance of its assets to an eligible body.*

*The bill provides for the constitution of business cooperatives and removes the special provisions relating to fishermen's cooperatives and consumers' cooperatives. The special scheme applying to agricultural cooperatives is also amended, enabling such cooperatives to create a class of associate members. In addition, it proposes special provisions concerning education sector cooperatives*

*and amends various rules applicable to workers' cooperatives including those pertaining to trial periods and rebate calculation.*

*Lastly, the bill contains concordance and transitional provisions.*

**ACTS AMENDED BY THIS BILL:**

- Cooperatives Act (R.S.Q., chapter C-67.2);
- Winding-up Act (R.S.Q., chapter L-4).



# Bill 150

## An Act to amend the Cooperatives Act

THE PARLIAMENT OF QUÉBEC ENACTS AS FOLLOWS:

**1.** Section 2 of the Cooperatives Act (R.S.Q., chapter C-67.2), amended by section 46 of chapter (*insert here the chapter number of Bill 137 of the statutes of 1993*) of the statutes of (*insert here the year in which Bill 137 is passed*), is again amended by striking out the word “mainly” in the fourth line.

**2.** Section 4 of the said Act is amended

(1) by replacing paragraph 4 by the following paragraph:

“(4) the possibility of establishing a reserve;”;

(2) by replacing the word “and” in the second line of paragraph 5 by the word “or”.

**3.** Section 8 of the said Act is replaced by the following section:

“**8.** A minor may be a founder of a cooperative. However, if he is at least 14 years of age, the minor is, in that respect, deemed to be a person of full age.”

**4.** Section 9 of the said Act, amended by section 357 of chapter 48 of the statutes of 1993, is again amended by striking out paragraph 4.

**5.** Section 13 of the said Act, amended by section 359 of chapter 48 of the statutes of 1993, is again amended by replacing the words “, after obtaining the advice of the Conseil de la coopération du Québec,” in the second and third lines of the first paragraph by the words “ shall notify the Conseil de la coopération du Québec of the application for incorporation by sending it a copy of the articles and

a copy of the application. As soon as the Conseil replies or not later than fifteen days after sending the notice, the Minister”.

**6.** Section 16 of the said Act is amended by inserting, in the third line of the first paragraph after the word “cooperation”, the word “; ‘cooprix’ ”.

**7.** Section 23 of the said Act is replaced by the following section:

**“23.** Any person or partnership having sent to the provisional secretary, before the sending of the notice calling the meeting, a memorandum of membership indicating that he or it has an interest as a user of the cooperative’s services, shall be called to the meeting.

That person or partnership is also a founder of the cooperative if, before the beginning of the meeting, the founders who signed the articles of the cooperative decide that the memorandum of membership is admissible.”

**8.** Section 24 of the said Act is amended

(1) by replacing subparagraph 1 of the first paragraph by the following subparagraph:

“(1) adopt the by-laws;”;

(2) by striking out subparagraph 3 of the first paragraph;

(3) by replacing the words “pass any other by-law or” in the first line of the second paragraph by the words “adopt any”.

**9.** Section 25 of the said Act is amended

(1) by replacing paragraph 1 by the following paragraph:

“(1) a list of the directors of the cooperative containing their surnames, given names and domiciles, and stating the positions they hold;”;

(2) by inserting, after paragraph 1, the following paragraph:

“(1.1) a list of the directors of the cooperative who are not members of the board of directors containing their surnames, given names and domiciles and, stating the positions they hold;”.

**10.** Section 27 of the said Act, amended by section 523 of chapter 57 of the statutes of 1992, is again amended

(1) by striking out paragraph 1;

(2) by replacing paragraph 6 by the following paragraph:

“(6) retain, for the recovery of any claim it has against a person and up to the amount of the claim, any amounts it may owe him or confiscate that person’s shares, and effect compensation.”

**11.** Section 28 of the said Act is replaced by the following section:

**“28.** A cooperative may grant financial assistance to a person where the financial assistance enables the cooperative to do business with or to increase its volume of business with the person or where the financial assistance is intended to enable the person to acquire the equipment necessary for the work provided to him by the cooperative.

The cooperative may also grant financial assistance to a member or to an employee to enable him to invest in the cooperative.

In addition, it may grant financial assistance to any corporation or partnership in which it holds shares or other title deeds.

Nothing in this section shall restrict the powers of the cooperative as regards the conditions of employment of its employees.”

**12.** Section 38 of the said Act is replaced by the following sections:

**“38.** No cooperative may repay or redeem a share or pay interest on a share if

(1) it is insolvent or would become insolvent as a result of the repayment, redemption or payment;

(2) the board of directors considers that the repayment, redemption or payment would affect the financial stability of the cooperative;

(3) the repayment, redemption or payment could contravene the cooperative’s commitments with third parties granting the cooperative financial assistance.

**“38.1** In the case of the death, resignation or expulsion of a member, the cooperative shall, subject to the conditions provided for in section 38, repay the sums paid in respect of that member’s common shares.

Preferred shares are repaid on the conditions determined pursuant to section 46.

**“38.2** The sole fact of being a shareholder in the cooperative confers none of the rights reserved for members other than the right to apply for repayment in accordance with the Act and with the by-laws of the cooperative.

“DIVISION 1.1

“QUALIFYING SHARES

**“38.3** Every member must hold the minimum number of common shares or common and preferred shares prescribed by by-law. Such shares are referred to as qualifying shares.

The number of qualifying shares may vary depending on the nature of the services the member intends to use.

The terms and conditions of payment of the qualifying shares are determined by by-law.”

**13.** Section 39 of the said Act is replaced by the following section:

**“39.** The common shares are registered. They may be transferred only with the approval of the board of directors. However, additional transfer conditions may be prescribed by by-law.”

**14.** Section 40 of the said Act is repealed.

**15.** Section 41 of the said Act is amended by striking out the second paragraph.

**16.** Section 43 of the said Act is amended by replacing the word “common” in the first line of the first paragraph by the word “qualifying”.

**17.** Section 44 of the said Act is replaced by the following section:

**“44.** At the request of a member and subject to the conditions provided for in section 38, the cooperative may repay, on the conditions prescribed by by-law, the sums he paid in respect of his common shares other than qualifying shares.”

**18.** Section 46 of the said Act is amended by replacing the words “The by-law must provide for” in the first line of the second paragraph by the words “The Council shall determine”.

**19.** Section 48 of the said Act is amended by striking out the second paragraph.

**20.** Section 50 of the said Act is replaced by the following section:

**“50.** No initiation fee may be charged to a person admitted as a member or an auxiliary member of a cooperative.”

**21.** Section 51 of the said Act is amended

(1) by replacing subparagraph 1 of the first paragraph by the following subparagraph:

“(1) have an interest as a user of the cooperative’s services;”;

(2) by replacing subparagraph 3 of the first paragraph by the following subparagraph:

“(3) subscribe and pay for the required qualifying shares in accordance with the by-law;”;

(3) by striking out the second paragraph.

**22.** The said Act is amended by inserting, after section 51, the following sections:

**“51.1** A minor may be a member of a cooperative. However, if he is at least 14 years of age, the minor is, in that respect, deemed to be a person of full age.

**“51.2** A cooperative may determine by by-law the territory in which or the group from which it may recruit its members.

**“51.3** The founders have the same rights and obligations as any other member.”

**23.** Section 52 of the said Act is amended by replacing the words “is in a position to participate in the pursuit of the objects for which the cooperative is incorporated” in the fifth and sixth lines of the first paragraph by the words “has an interest as a user of the cooperative’s services”.

**24.** Section 53 of the said Act is amended by inserting the words “and on the conditions determined therein,” after the word “require” in the first line.

**25.** Section 54 of the said Act is amended by adding, at the end, the following paragraph:

“Unless otherwise provided for in a by-law, the amount of the contribution is determined by the board of directors.”

**26.** Section 55 of the said Act is amended by replacing the first paragraph by the following paragraph:

“**55.** A member may resign by giving the board of directors thirty days’ written notice.”

**27.** Section 57 of the said Act is amended

(1) by replacing paragraph 1 by the following paragraph:

“(1) if he is not a user of the cooperative’s services;”;

(2) by replacing paragraph 3 by the following paragraph:

“(3) if he has not paid for his qualifying shares in accordance with the terms and conditions prescribed in the by-law;”;

(3) by striking out, in the French text, the word “sociales” in paragraph 4;

(4) by striking out the words “, or if he injures it” in the second and third lines of paragraph 6.

**28.** Section 58 of the said Act is replaced by the following section:

“**58.** Before deciding to suspend or expulse a member, the board of directors shall give him written notice of the grounds for the suspension or expulsion and of the place, date and time of the meeting at which the board of directors will render its decision. The notice must be given within the time prescribed for the calling of the meeting.

At the meeting, the member may object to his suspension or expulsion by making representations or by transmitting a written statement to be read by the chairman.

The cooperative shall give the member written notice of its decision within 15 days of the decision.”

**29.** Section 60 of the said Act is amended

(1) by replacing the words “also loses” in the first line of the second paragraph by the words “loses, for the duration of the suspension,”;

(2) by adding, after the second paragraph, the following paragraph:

“However, the expulsion or suspension of a member does not entail, where that is the case, his revocation as a director of the cooperative.”

**30.** The said Act is amended by inserting, after section 60, the following sections:

**“60.1** A member may lose his right to vote at a meeting if, in the two fiscal years preceding the meeting,

(1) he has not done business with the cooperative;

(2) he has not done business with the cooperative for the amount determined by by-law;

(3) in the case of a work cooperative, he has not performed the number of days of work determined by by-law.

The by-law of the cooperative may provide that a written notice informing the member of the suspension of his right to vote at the meeting must be sent to him at least 30 days before the day on which the meeting is held.

**“60.2** Where the board of directors has decided to suspend a member’s right to vote, the member has 15 days from receipt of the notice to contest the decision in writing.

After examining the grounds raised in support of the member’s objection, the board of directors shall render its decision.”

**31.** Section 61 of the said Act is amended by inserting the words “made annually” after the words “must be” in the first line of the second paragraph.

**32.** Section 62 of the said Act is amended by replacing the second paragraph by the following paragraph:

“However, they must designate a president, a vice-president and a secretary from among their number. They are not bound to hire a general manager or a manager.”

**33.** The said Act is amended by inserting, after section 62, the following section:

**“62.1** Sections 92 to 98, adapted as required, apply to meetings of the members.”

**34.** Section 65 of the said Act is amended by inserting the words “in writing” after the word “given” in the first line of the second paragraph.

**35.** Section 68 of the said Act is amended by striking out the word “sociales” in the second line of the French text.

**36.** Section 69 of the said Act is replaced by the following section:

**“69.** Unless otherwise provided for in the by-law, a member may authorize in writing his spouse or his child of full age to take part in the discussions at the meeting and to vote in his place, except if that person is already a member.

For the purposes of this section, the word “spouses” means persons married to each other who cohabit or persons who have lived together in a *de facto* union for at least one year.”

**37.** Section 70 of the said Act is amended by replacing the words “more than one corporation or partnership” in the second and third lines of the second paragraph by the words “another member of the cooperative”.

**38.** Section 71 of the said Act is repealed.

**39.** Section 72 of the said Act is amended by replacing the second paragraph by the following paragraphs:

“In the case of a tie, the president of the cooperative has a casting vote, unless otherwise provided for in the by-law.

In the election of a director, the election officer, if he is a member of the cooperative, also has a casting vote, unless otherwise provided for in the by-law.”

**40.** Section 73 of the said Act is amended by adding the words “by one or more of them” after the word “represented” in the third line of the first paragraph.

**41.** Section 77 of the said Act is amended

(1) by inserting, after the first paragraph, the following paragraph:

“A representative of the federation who has ordered that a special meeting be held may attend the meeting and be heard.”;

(2) by replacing the figure “100” in the second line of the second paragraph by the figure “250”;

(3) by replacing the figure “400” in the second and in the third lines of the second paragraph by the figure “1 000”.

**42.** Section 81 of the said Act is amended by adding, after the second paragraph, the following paragraph:

“However, no employee of the cooperative may be elected director, except in a work cooperative.”

**43.** The said Act is amended by inserting, after section 81, the following section:

**“31.1** Minors and persons of full age under tutorship may be directors of a cooperative whose object concerns them.”

**44.** Section 82 of the said Act is amended by adding, after paragraph 2, the following paragraph:

“(3) if, during the preceding fiscal year, he has not performed for the cooperative the number of days of work determined by by-law.”

**45.** Section 84 of the said Act is amended by adding, after the second paragraph, the following paragraph:

“At the expiry of his term, a director remains in office until he is re-elected or replaced.”

**46.** Section 85 of the said Act is amended by adding, at the end of the first paragraph, the following sentence: “Should the directors fail to do so before the next annual meeting, the meeting may fill the vacancy.”

**47.** Section 86 of the said Act is replaced by the following section:

**“36.** A director may resign his office by giving written notice to the board of directors.

The resignation of a member entails his disqualification as a director, where applicable.”

**48.** Section 88 of the said Act is amended by replacing the words “surnames, given names, addresses and occupations” in the fourth line of the first paragraph by the words “names, given names and domiciles, and stating, where applicable, that they are managers and indicating the position they hold.”

**49.** Section 89 of the said Act is replaced by the following section:

**“39.** The board of directors has all the powers to manage the affairs of the cooperative.

The general meeting may, by by-law, determine the powers that cannot be exercised by the board of directors, except with the authorization of the general meeting.

However, the board of directors may not borrow, pledge, hypothecate or otherwise give as security any property of the cooperative or property delivered to the cooperative by members unless it is authorized to do so in a by-law adopted by two-thirds of the votes cast by the members or their representatives attending a general meeting.”

**50.** Section 90 of the said Act is amended

(1) by replacing the words “and convene him to its meetings” in the first and second lines of paragraph 1 by the words “, unless otherwise provided for in a by-law”;

(2) by replacing paragraph 2 by the following paragraph:

“(2) insure the cooperative against the risks it determines, subject to the requirements and restrictions provided for by by-law”;

(3) by inserting, after paragraph 4, the following paragraph:

“(4.1) make a recommendation to the annual meeting concerning the allocation of any operating surplus or surplus earnings”.

**51.** Section 95 of the said Act is amended by replacing the word “all” in the first line by the words “a majority of them”.

**52.** Section 99 of the said Act is replaced by the following section:

**“99.** A director may be dismissed by the members entitled to elect him during a special meeting to which only such members are called.”

**53.** Section 101 of the said Act is replaced by the following section:

**“101.** No director may be dismissed at a special meeting unless he has been informed in writing, within the time prescribed for the calling of the meeting, of the grounds for dismissal and of the place, date and time of the meeting.

At the meeting, the director may object to his dismissal by making representations or by transmitting a written statement to be read by the chairman.”

**54.** Section 102 of the said Act is amended by adding, after the second paragraph, the following paragraph:

“In addition, where a director, under a mandate given by the board of directors, represents the cooperative outside the meetings of the board of directors, the board may decide to remunerate him and shall fix the amount.”

**55.** Section 103 of the said Act is amended

(1) by replacing the words “done in the exercise of” in the second and third lines of the first paragraph by the words “or omission in the course of exercising”;

(2) by inserting the words “or omission,” after the word “act” in the third line of the first paragraph.

**56.** Section 104 of the said Act is amended by replacing the words “done in the exercise of” in the second and third lines of the first paragraph by the words “or omission in the course of exercising”.

**57.** Section 106 of the said Act is replaced by the following section:

**“106.** Any director having a direct or indirect interest in an undertaking, a contract or an economic activity placing his personal

interest in conflict with the interest of the cooperative, other than an interest arising from his capacity as a member, must under pain of forfeiture of office disclose his interest, abstain from voting on any matter regarding the undertaking, contract or economic activity in which he has an interest and refrain from influencing the decision pertaining to that matter.

He must, in addition, leave the meeting for the duration of the discussion regarding the undertaking, contract or economic activity in which he has an interest.”

**58.** Chapter XIII of Title I of the said Act is repealed.

**59.** The said Act is amended by inserting, after the heading of Chapter XIV of Title I, the following section:

“**112.1** The executive officers of the cooperative are the chairman, vice-chairman, secretary and, where applicable, the treasurer, general manager or manager.”

**60.** Section 117 of the said Act is amended by replacing the first paragraph by the following paragraph:

“**117.** The powers and duties of the executive officers are determined by by-law. The by-law may, however, authorize the board of directors to determine the powers and duties of the executive officers who are not directors. The by-law may in addition exempt the board of directors from hiring a general manager or manager.”

**61.** Section 124 of the said Act is replaced by the following sections:

“**124.** Every cooperative shall keep a register at its head office containing

(1) its articles and by-laws, the agreement of its members referred to in section 61 and the latest notice of the address of its head office;

(2) a list of its directors stating their surnames, given names and domiciles together with the date on which each of their terms of office begins and the duration thereof;

(3) the minutes of its general meetings;

(4) the minutes of the meetings of the board of directors and the executive committee;

(5) a list of the members and other shareholders stating their surnames, given names and domiciles;

(6) the number of common or preferred shares held by the members and the shareholders;

(7) the subscription, redemption, repayment or transfer dates of each share and, where applicable, the amount owing on the shares.

“**124.1** The register may be kept on any data medium that gives access to written data readable in ordinary language.”

**62.** Sections 125 and 126 of the said Act are repealed.

**63.** Section 127 of the said Act is replaced by the following section:

“**127.** Any member may consult the documents described in paragraphs 1 to 3 and 5 to 7 of section 124 contained in the cooperative’s register during the cooperative’s usual office hours. In addition, the member may obtain a copy of the articles and by-laws, a copy of the agreement of the members referred to in section 61 and a copy of the latest annual report.

The cooperative may require the payment of fees for the reproduction and transmission of the documents.”

**64.** Section 129 of the said Act is repealed.

**65.** Section 132 of the said Act is replaced by the following section:

“**132.** Within four months after the close of the fiscal year, the board of directors shall prepare an annual report containing, in particular,

(1) the corporate name and the address of the head office of the cooperative and any other name under which it is identified;

(2) the surnames and given names of the directors and executive officers in office at the close of the fiscal year covered by the report;

(3) the financial statements for the last fiscal year;

(4) the auditor’s report;

(5) the other information required by by-law.”

**66.** Section 134 of the said Act is replaced by the following section:

**134.** Within thirty days after the annual meeting, the board of directors shall send a copy of the annual report to the Minister and to the federation of which the cooperative is a member and shall include with the report a document containing the following information:

(1) the corporate name and the address of the head office of the cooperative and any other name under which it is identified;

(2) the names and domiciles of the directors and executive officers in office for the current year;

(3) the year in which the cooperative was constituted;

(4) the cooperative's main activities in order of importance;

(5) the number of members and, where applicable, the number of associate members of the cooperative;

(6) the number of workers in the employ of the cooperative, if any."

**67.** Section 135 of the said Act is amended by striking out the words "or the nature of its activities" in the third line of the third paragraph.

**68.** The said Act is amended by inserting, after section 136, the following section:

**136.1** Every auditor, except the auditor appointed by the Minister under section 136, may be dismissed by a special meeting called for that purpose.

The vacancy created by the dismissal of the auditor may be filled during the meeting at which the dismissal takes place or, failing that, in accordance with the second paragraph of section 136."

**69.** Section 137 of the said Act is repealed.

**70.** Section 139 of the said Act is replaced by the following section:

**139.** Subject to the agreement of all the members attending the annual meeting, a cooperative may direct the auditor to conduct a review engagement as defined by government regulation."

**71.** Section 143 of the said Act is amended

(1) by inserting the words “after deducting any interest allotted on preferred shares” after the word “earnings” in the fourth line;

(2) by replacing the words “where the members so decide and in such proportion as they determine” in the third and fourth lines of paragraph 3 by the words “in accordance with the by-law”;

(3) by adding, after paragraph 3, the following paragraph:

“The rebates are allotted to the members and auxiliary members in proportion to the business done by each of them, during that fiscal year, with the cooperative and with a company or partnership in which shares or other title-deeds are held by the cooperative.”

**72.** Section 144 of the said Act is replaced by the following section:

“**144.** The amount of the operating surplus or surplus earnings referred to in section 143 may be paid into the reserve or allotted as rebates subject to sections 146, 148, 148.1 and 149.”

**73.** Section 146 of the said Act is replaced by the following section:

“**146.** The members shall allocate at least 20 % of all operating surplus or surplus earnings to the reserve or allot rebates as shares until assets correspond to at least 30 % of the debts of the cooperative.

The operating surplus or surplus earnings mentioned in the first paragraph refer to the operating surplus or surplus earnings shown in the income statement of the cooperative, after deduction of interest allotted on preferred shares.”

**74.** Section 148 of the said Act is replaced by the following section:

“**148.** A cooperative may, in its articles, prohibit the allotment of rebates.”

**75.** Section 148.1 of the said Act is replaced by the following section:

“**148.1** The board of directors of a cooperative may, where authorized by by-law and on the conditions and for the maximum period fixed in the by-law, make an undertaking to a person granting it financial assistance that its members will not allocate rebates to

themselves or if rebates are allotted, that they authorize their payment only in the form prescribed in the first paragraph of section 152.”

**76.** Section 149 of the said Act is replaced by the following section:

**149.** Only the proportion of operating surpluses or surplus earnings equal to the proportion of business done by the members or auxiliary members, as the case may be, with the cooperative or with a company or partnership in which shares or other title-deeds are held by the cooperative, may be allocated to members and to auxiliary members. The operating surpluses or surplus earnings shall be allocated as rebates.”

**77.** Section 150 of the said Act is repealed.

**78.** Section 152 of the said Act is amended

(1) by replacing the first paragraph by the following paragraphs:

**152.** Instead of paying rebates, the annual general meeting may decide to allot common or preferred shares or decide that the rebates allotted are loaned to it by its members, or it may avail itself of both methods of allotment and determine the conditions pertaining to each.

The by-law of the cooperative may also determine such conditions.

Repayment of the loans to members is also subject to the conditions prescribed in section 38.”;

(2) by striking out the words “by virtue of the resolution or by-law” in the first and second lines of the second paragraph.

**79.** The said Act is amended

(1) by inserting, after the heading of Chapter XXI of Title I, the following division:

## "DIVISION I

## "GENERAL PROVISIONS

**"152.1** Every amalgamation takes effect on the date on which the amalgamating articles are approved by the Minister or on any later date specified in the articles.

**"152.2** The Minister shall notify the Conseil de la coopération du Québec of any application for amalgamation by sending it a copy of the application and of the articles.";

(2) by renumbering Divisions I, II and III of Chapter XXI of Title I by Divisions II, III and IV, respectively.

**80.** Section 155 of the said Act is amended

(1) by striking out the words " , the territory or group in or from which it may recruit its members," in the second and third lines of paragraph 1;

(2) by replacing the words " , address and occupation" in the first line of paragraph 2 by the words "and domicile";

(3) by adding the words "or other securities" after the word "shares" in the third line of paragraph 4;

(4) by replacing paragraph 5 by the following paragraphs:

"(5) where shares of one of the cooperatives are not converted into shares of the cooperative resulting from the amalgamation, the amount of money or any other form of payment to be made to the holders of such shares in addition to or instead of shares of the cooperative resulting from the amalgamation;

"(5.1) the amount of money or any other form of payment to replace fractions of shares of the cooperative resulting from the amalgamation;

"(5.2) the date on which the amalgamation is to take effect if that date differs from the date of approval;

"(5.3) in the case of the amalgamation of cooperatives pursuing agricultural activities, mention to the effect that the cooperative resulting from the amalgamation is or is not governed by Chapter I of Title II of the Act;"

(5) by inserting the words " , in particular, the holding of meetings to decide on the allotment of operating surpluses or surplus

earnings of the amalgamating cooperatives, as provided for in section 163” after the word “amalgamation” in the third line of paragraph 6.

**81.** Section 156 of the said Act is amended by replacing paragraph 2 by the following paragraph:

“(2) the by-laws of the cooperative resulting from the amalgamation.”

**82.** Section 159 of the said Act is amended by replacing the word and figure “paragraph 1” in the third line by the words and figures “paragraphs 1 and 5.2”.

**83.** Section 160 of the said Act is amended

(1) by replacing paragraph 2 by the following paragraph:

“(2) the agreement of amalgamation;”;

(2) by striking out the words “of internal management and the general loan by-laws” in the first and second lines of paragraph 5.

**84.** Section 162 of the said Act, amended by section 367 of chapter 48 of the statutes of 1993, is again amended by striking out the words “, or any date subsequent to the receipt of the articles indicated in the articles,” in the fifth and sixth lines of the second paragraph.

**85.** Section 163 of the said Act is amended by adding, after the second paragraph, the following paragraph:

“However, the cooperatives that have amalgamated may, if so authorized in the agreement and notwithstanding the date on which the amalgamation takes effect, call and hold a general meeting of their members to allocate operating surpluses or surplus earnings from their last fiscal year to the allotment of rebates to their members or to the reserve of the cooperative resulting from the amalgamation; the latter cooperative is empowered to carry out any decision made at the meetings.”

**86.** Section 164 of the said Act is replaced by the following section:

“**164.** Cooperatives pursuing similar or related objects may amalgamate under this division if in the last fiscal year the number

of members or the volume of business of each absorbed cooperative does not exceed 25 % of the number of members or the volume of business of the absorbing cooperative in its last fiscal year.”

**87.** Section 165 of the said Act is amended

(1) by striking out the words “, the territory or group in or from which it may recruit its members,” in the second and third lines of paragraph 1;

(2) by replacing paragraph 2 by the following paragraph:

“(2) the new number of directors, the new composition of the board of directors and the new manner of forming the board of directors, where applicable, of the absorbing cooperative;”;

(3) by replacing the words “or preferred shares” in the third line of paragraph 4 by the words “shares or other securities”;

(4) by adding, after paragraph 4, the following paragraphs:

“(5) where shares of the absorbed cooperative are not converted into shares of the absorbing cooperative, the amount of money or any other form of payment to be made to the holders of such shares in addition to or instead of shares in the absorbing cooperative;

“(6) the amount of money or any other form of payment to take the place of fractions of shares of the absorbing cooperative;

“(7) the date on which the amalgamation is to take effect if that date differs from the date of approval.”

**88.** Section 169 of the said Act is amended by replacing the word and figure “paragraph 1” in the third line by the words and figures “paragraphs 1 and 7”.

**89.** Section 172 of the said Act is amended by adding, after the first paragraph, the following paragraph:

“However, the absorbed cooperative may, if so authorized in the agreement and notwithstanding the taking effect of the amalgamation, call and hold a general meeting of its members to allocate operating surpluses or surplus earnings from its last fiscal year to the allotment of rebates to its members or to the reserve of the absorbing cooperative; the latter cooperative is empowered to carry out any decision made at the meeting.”

**90.** Section 174 of the said Act is amended by inserting the words “and the date on which the amalgamation is to take effect if that date differs from the date of approval,” after the word “cooperative” in the second line of the first paragraph.

**91.** The said Act is amended by inserting, after the heading of Chapter XXIII of Title I, the following heading:

“DIVISION I

“ORDINARY WINDING-UP”.

**92.** The said Act is amended by inserting, after section 181, the following section:

“**181.1** Notice of the resolution adopted by the members for the winding-up and dissolution of the cooperative must be sent to the Minister. The Minister shall send a copy to the Inspector General of Financial Institutions who shall deposit it in the register established under the Act respecting the legal publicity of sole proprietorships, partnerships and legal persons (1993, chapter 48).”

**93.** Section 182 of the said Act is replaced by the following section:

“**182.** Divisions II and III of the Winding-up Act (R.S.Q., chapter L-4) apply to the winding-up of a cooperative, except for section 9 and any provisions inconsistent with this chapter.

For that purpose, the Minister shall exercise the rights and assume the obligations conferred on the Inspector General under the said Act, except for sections 17 to 19.”

**94.** Section 185 of the said Act is amended by replacing the second paragraph by the following paragraph:

“After the payments, the meeting of the members may decide by a resolution adopted by a majority of votes cast to remit the balance of the assets to another cooperative, to a federation, to a confederation or to the Conseil de la coopération du Québec.”

**95.** The said Act is amended by inserting, after section 185, the following:

“**185.1** Where the members have not made a decision concerning the balance of the assets of the cooperative, it shall be vested by the Minister in the Conseil de la coopération du Québec.

## "DIVISION II

## "SIMPLIFIED WINDING-UP

**"185.2** A cooperative having assets not exceeding \$10 000 is exempted from appointing a liquidator.

In that case, the board of directors shall prepare, with a view to winding up the cooperative, an asset disposal plan and shall submit the plan to a special meeting called for that purpose.

**"185.3** The special meeting may accept the asset disposal plan and decide to wind up the cooperative by a resolution adopted by three-quarters of the votes cast by the members or representatives in attendance. The directors shall in such case assume the tasks incumbent upon the liquidator under section 185 and shall send notice of the resolution to the Minister along with a report describing the manner in which they disposed of the assets of the cooperative.

**"185.4** The Minister shall inform the Inspector General that the report has been produced. The Inspector General shall make an entry in the register to that effect and the cooperative is dissolved from the date of that entry."

**96.** Section 186 of the said Act is amended

(1) by replacing the words and figure "12 or less than the number that was required for its incorporation" in the first and second lines of paragraph 1 by the words and figures "the minimum number referred to in section 7 or 223.1, as the case may be";

(2) by replacing paragraph 4 by the following paragraph:

"(4) it does not send him a copy of the annual report within the prescribed time;";

**97.** The said Act is amended by inserting, after section 188, the following section:

**"188.1** Where the cooperative does not indicate in its annual report the proportion of its business with its members, that proportion is deemed to be less than the proportion prescribed by government regulation and not to be greater than the proportion in its preceding fiscal year, except if the cooperative establishes that proportion by attestation from its auditor within 90 days of receipt of a notice to that effect."

**98.** Section 192 of the said Act is amended by replacing the words and figure “devolve in the manner prescribed in section 185” in the first and second lines by the words “are vested by the Minister in the Conseil de la coopération du Québec”.

**99.** Section 193 of the said Act, amended by section 373 of chapter 48 of the statutes of 1993, is again amended by inserting the words “the Conseil de la coopération du Québec in accordance with section 192 or rights acquired by” after the word “by” in the fifth line.

**100.** Section 195 of the said Act is repealed.

**101.** Section 196 of the said Act is amended by striking out the second paragraph.

**102.** Section 197 of the said Act is replaced by the following section:

“**197.** A cooperative must indicate in its articles that it is an agricultural cooperative if it elects to be governed by this chapter.”

**103.** Section 199 of the said Act is repealed.

**104.** Section 200 of the said Act is amended

(1) by replacing subparagraph 3 of the first paragraph by the following subparagraph:

“(3) subscribe and pay for the required qualifying shares in accordance with the by-law;”;

(2) by replacing the words “at least five years” in the third and fourth lines of the second paragraph by the words “one year or for a longer duration determined under paragraph 2 of section 205”.

**105.** Sections 201 and 204 of the said Act are repealed.

**106.** Section 205 of the said Act is amended

(1) by inserting the words “and determine the duration” after the word “conditions” in the first line of paragraph 2;

(2) by replacing the figures and word “200 and 201” in the second line of paragraph 2 by the figures and word “53 and 200”;

(3) by replacing the figures and word “196, 200 and 201” in the second line of paragraph 3 by the figures and word “53 or 200”.

**107.** Sections 206, 207 and 209 of the said Act are repealed.

**108.** Section 211 of the said Act is replaced by the following sections:

**“211.** An agricultural cooperative may by by-law establish a class of associate members.

**“211.1** To be an associate member of an agricultural cooperative, a person or partnership must

- (1) have an interest as a user of the cooperative’s services;
- (2) apply for membership;
- (3) subscribe and pay for the required qualifying shares in accordance with the by-law;
- (4) undertake to comply with the by-laws of the cooperative;
- (5) be admitted by the board of directors.

**“211.2** The associate members of an agricultural cooperative are eligible to be directors and are entitled to rebates.

**“211.3** For the formation of the board of directors of the cooperative, associate members form a group within the meaning of section 83 which is entitled to elect a proportion of the number of directors equal to the proportion obtained by dividing the number of associate members by the total number of members and associate members of the cooperative.

If that proportion results in a number of directors having a decimal fraction greater than 0.5, the group is entitled to elect an additional director.

However, the number of directors that the group is entitled to elect may in no case be greater than 25 % of the number of directors of the cooperative.

**“211.4** The associate members are entitled to a proportion of voting rights in the cooperative equal to the proportion obtained by dividing the number of associate members by the total number of members and associate members of the cooperative up to a maximum of 25 % of the voting rights in the cooperative.

**“211.5** If, during a fiscal year, the proportion of business done by the agricultural cooperative with its members is less than 20 % of

its business within the meaning of government regulations, the Minister may order the cooperative to amend its articles to exempt the cooperative from the application of this chapter.

If the cooperative fails to comply with a Minister's order within 60 days of service of the order, the Minister may of his own initiative amend the articles of the cooperative.

**“211.6** Where the Minister amends the articles of the cooperative of his own initiative, he shall produce a certificate in triplicate attesting to the amendment.

The Minister shall register one copy of the certificate and send a second copy to the cooperative. He shall send a third copy to the Inspector General, who shall deposit it in the register. The amendment takes effect on the date appearing on the certificate.

**“211.7** The associate members become members of the cooperative when the amendment to the articles made by the cooperative or by the Minister takes effect.

**“211.8** The provisions of sections 61, 62, 73, 77, 139, paragraph 1 of section 186 and section 211.6 do not apply to an associate member.”

**109.** Chapters II and III of Title II of the said Act are repealed.

**110.** Section 220 of the said Act is replaced by the following section:

**“220.** A housing cooperative is a cooperative whose main object is to assist its members in acquiring the ownership or use of a house or dwelling.”

**111.** The said Act is amended by inserting, after section 221, the following:

**“221.1** To be admitted as a member of a cooperative referred to in section 221, a person must be a party to a lease for the rental of a housing unit owned by the cooperative.

A member whose lease is resiliated, cancelled or not renewed is deemed to have resigned from the cooperative on the date of the resiliation, cancellation or expiry of the lease.

**“221.2** The cooperative referred to in section 221 may, by by-law, make any person's admission subject to a trial period of not more than three months. During that period, the person is an auxiliary member.

## “CHAPTER IV.I

## “EDUCATION SECTOR COOPERATIVE

**“221.3** An education sector cooperative is a cooperative made up principally of members recruited from among the students and staff of the same educational institution.

**“221.4** The application for the establishment of an education sector cooperative must be accompanied with a written declaration from the educational institution to which the cooperative is attached, authorizing it to have a place of business in the institution.

**“221.5** The price for a common share in an education sector cooperative must be fixed by by-law. The price may vary from \$2 to \$10.

**“221.6** Unless otherwise provided for in the by-law, a member who leaves the educational institution to which the cooperative is attached is deemed to have resigned from the cooperative.

**“221.7** A member who does not request the repayment of his common shares in the year following his resignation is deemed to have donated them to the cooperative.”

**112.** The heading of Chapter V of Title II of the said Act is amended by replacing the word “WORKERS’ ” by the word “WORK”.

**113.** Section 222 of the said Act is replaced by the following section:

**“222.** A work cooperative is a cooperative made up exclusively of natural persons for the carrying on of an enterprise and whose main object is to provide work for its members and auxiliary members.”

**114.** Section 223 of the said Act is repealed.

**115.** The said Act is amended by inserting, after section 224.1, the following section:

**“224.1.1** The number of qualifying shares may vary depending on the nature of the operations in which the member participates.”

**116.** Section 224.2 of the said Act is amended by replacing the first paragraph by the following paragraph:

**“224.2** The cooperative may, by by-law, make any worker’s admission subject to a trial period of not more than 250 work days

extending over a period of 24 months. During the trial period, the worker is an auxiliary member.”

**117.** Section 224.3 of the said Act is repealed.

**118.** Section 224.4 of the said Act is replaced by the following section:

**“224.4** The cooperative must, by by-law, establish a procedure for work sharing, lay-offs and recalls.”

**119.** The said Act is amended by inserting, after section 224.5, the following section:

**“224.6** A member may not be represented.”

**120.** Section 226 of the said Act is amended

(1) by replacing the first paragraph by the following paragraph:

**“226.** Rebates are calculated on the basis of the volume of work performed by the member during the last fiscal year for the cooperative or for the company or partnership in which the cooperative is a shareholder or partner.”;

(2) by adding, after the second paragraph, the following paragraphs:

“Notwithstanding the first paragraph, the cooperative may, by by-law, provide that rebates are calculated on the basis of the volume of work performed during a period covering not more than its last four fiscal years.

The rebate rate may vary depending on the nature of the operations in which the member participated.”

**121.** Section 228 of the said Act is replaced by the following section:

**“228.** The Minister shall notify the Conseil de la coopération du Québec of any application requesting the constitution of a federation by sending it a copy of the application and a copy of the articles constituting the federation. As soon as the Council replies or not later than fifteen days after the sending of the notice, the Minister may, if he considers it advisable, establish a federation of cooperatives pursuing similar or related objects.”

**122.** Section 230 of the said Act is amended

(1) by replacing the words and figures “provided for by paragraphs 1 to 3 and 5 of section 9 and by section” in the second line by the words and figure “set out in sections 9 and”;

(2) by adding, after the first paragraph, the following paragraph:

“The Minister shall notify the Conseil de la coopération du Québec of any amendment to the territory of the federation.”

**123.** Section 232 of the said Act is amended by replacing paragraph 4 by the following paragraph:

“(4) subscribe and pay for the required qualifying shares in accordance with the by-law;”.

**124.** Section 233 of the said Act is amended

(1) by replacing paragraph 3 by the following paragraph:

“(3) grant financial assistance to a member in addition to the powers under section 28;”;

(2) by striking out paragraph 4.

**125.** Section 234 of the said Act is repealed.

**126.** Section 241 of the said Act is amended by replacing the first paragraph by the following paragraph:

“**241.** The Minister shall notify the Conseil de la coopération du Québec of any application requesting the constitution of a confederation by sending it a copy of the application and a copy of the articles constituting the confederation. As soon as the Council replies or not later than fifteen days after the sending of the notice, the Minister may, if he considers it advisable, establish a confederation of federations.”

**127.** Section 244 of the said Act, amended by section 375 of chapter 48 of the statutes of 1993, is again amended

(1) by striking out the words “or the nature of its activities” in the second line of paragraph 8;

(2) by striking out paragraphs 9 and 10;

(3) by adding, at the end of paragraph 11, the words and figure “for the purposes of this paragraph and of section 211.6;”;

(4) by adding, after paragraph 11, the following paragraph:

“(12) determine, among the provisions of a regulation made under this section, those provisions the contravention of which constitutes an offence.”

**128.** Section 246 of the said Act is amended by replacing paragraph 5 by the following paragraphs:

“(5) contravenes the second paragraph of section 16 or 20, or any of the provisions of sections 25, 34, 48, 124, 125, 127, 129, 131, 132, 133, 135, 138, 140, 141, 146, 149 and 221;

“(6) contravenes a regulatory provision the contravention of which constitutes an offence under paragraph 12 of section 244.”

**129.** Section 250 of the said Act is amended by replacing the words “internal management and the general loan by-laws” in the fourth and fifth lines of the first paragraph by the words “the cooperative resulting from the continuance”.

**130.** Section 252 of the said Act, amended by section 376 of chapter 48 of the statutes of 1993, is again amended by striking out the words “of internal management and the general loan by-laws” in the first and second lines of paragraph 4.

**131.** Section 253 of the said Act, amended by section 377 of chapter 48 of the statutes of 1993, is again amended

(1) by striking out the words “after obtaining the advice of the Conseil de la coopération du Québec and” in the third and fourth lines of the first paragraph;

(2) by adding, at the end of the first paragraph, the following sentence: “The Minister shall notify the Conseil de la coopération du Québec of any application requesting the continuance of a cooperative syndicate as a cooperative by sending it a copy of the articles of continuance.”

**132.** Section 254 of the said Act is repealed.

**133.** Section 258 of the said Act is amended

(1) by replacing the words “, address and occupation” in the first line of paragraph 1 by the words “and domicile”;

(2) by replacing the words “into share capital of” in the second line of paragraph 3 by the word “in”;

(3) by inserting the words “or other securities” in the second line of paragraph 4 after the word “capital”.

**134.** Section 262 of the said Act is amended

(1) by inserting, in the French text, the word “mobilières” after the word “valeurs” in the second line of paragraph 3;

(2) by striking out the words “of internal management and the general by-laws” in the first line of paragraph 5;

(3) by inserting, after paragraph 5, the following paragraph:

“(5.1) where the cooperative resulting from the continuance is an agricultural cooperative, whether or not it is governed by Chapter I of Title II of the Act;”.

**135.** Section 263 of the said Act is amended by replacing the words “internal management and the general loan by-laws” in the third and fourth lines by the words “the cooperative resulting from the continuance”.

**136.** Section 265 of the said Act is amended by striking out the words “of internal management and the general loan by-law” in the third line of the second paragraph.

**137.** Section 266 of the said Act, amended by section 378 of chapter 48 of the statutes of 1993, is again amended

(1) by striking out the words “after taking the advice of the Conseil de la coopération du Québec and,” in the third and fourth lines of the first paragraph;

(2) by adding, at the end of the first paragraph, the following sentence: “The Minister shall notify the Conseil de la coopération du Québec of any application requesting the continuance of a company as a cooperative by sending it a copy of the articles of continuance.”

**138.** Section 267 of the said Act is repealed.

**139.** The said Act is amended by inserting, after section 269, the following:

## “CHAPTER IV

## “CONTINUANCE OF AN EDUCATION SECTOR ASSOCIATION AS A COOPERATIVE

**“269.1** A corporation constituted under Part III of the Companies Act, carrying on activities in the education sector, may continue its existence under this Act.

Chapter III of this Title applies, adapted as required, to the continuance, except section 260, paragraphs 3 and 4 of section 262 and the second paragraph of section 264.

**“269.2** In addition to the provisions of section 262, the plan of continuance must provide for the subscription and payment of the common or preferred shares of the cooperative resulting from the continuance.”

**140.** Section 272 of the said Act, amended by section 379 of chapter 48 of the statutes of 1993, is again amended by replacing the word “must” in the first line of the first paragraph by the word “may”.

**141.** Section 273 of the said Act is replaced by the following section:

**“273.** The price of a share in a home economics cooperative must be fixed by by-law. The price may vary from \$2 to \$10.”

**142.** Section 275 of the said Act is amended by striking out the second paragraph.

**143.** The said Act is amended by inserting, after section 281, the following section:

**“281.1** The Minister may, on request, issue a certificate attesting that the cooperative is governed by the Cooperatives Act and that no dissolution proceedings have been taken against the cooperative under the Cooperatives Act.”

## MISCELLANEOUS AND TRANSITIONAL PROVISIONS

**144.** Any mention concerning the territory or the group in or from which a cooperative may recruit its members and appearing in the articles of the cooperative on (*insert here the date of coming into force of this section*) is deemed, from that date, to form part of the by-laws of that cooperative.

**145.** The provisions of the fourth paragraph of section 81 of the Cooperatives Act, enacted by section 42 of this Act, shall not operate to terminate the term of office of an employee who was elected director of a cooperative before (*insert here the date of coming into force of this section*); the employee shall continue in office until the expiry of his term of office.

**146.** A by-law of a cooperative establishing the amounts, preferences, rights and restrictions attaching to preferred shares and the conditions for their redemption or repayment, adopted before (*insert here the date of coming into force of this section*) shall remain in force until the board of directors of the cooperative decides otherwise.

**147.** Notwithstanding the second paragraph of section 200 of the Cooperatives Act, as amended by paragraph 2 of section 104 of this Act, every contract entered into by a member of an agricultural cooperative before (*insert here the date of coming into force of this section*), in accordance with section 200 as it read before being so amended remains valid until its expiration.

**148.** A by-law adopted by the board of directors of a cooperative under section 204 of the Cooperatives Act before (*insert here the date of coming into force of this section*), may be confirmed by the general meeting at the next annual meeting, despite the repeal of that section.

**149.** An annual loan by-law adopted by a cooperative under section 206 of the Cooperatives Act before (*insert here the date of coming into force of this section*) is deemed to be the loan by-law of that cooperative.

**150.** Section 17 of the Winding-up Act (R.S.Q., chapter L-4), amended by section 424 of the Act respecting the legal publicity of sole proprietorships, partnerships and legal persons (1993, chapter 48), is again amended by adding the following paragraphs:

“However, where a cooperative is wound up, the return shall be transmitted to the Minister of Industry, Trade and Technology. The latter shall send a notice to the Inspector General indicating that he has received the return.

The Inspector General shall make an entry in the register indicating that the return was transmitted to the Minister, and the cooperative shall be dissolved from the date of such entry.”

**151.** Section 18 of the said Act, amended by section 425 of the Act respecting the legal publicity of sole proprietorships, partnerships

and legal persons, is again amended by inserting, after the seventh paragraph, the following paragraph:

“However, where a cooperative is wound up, the notice of such resolution and of its approval shall be transmitted in duplicate to the Minister of Industry, Trade and Technology. The latter shall send a copy thereof to the Inspector General, who shall deposit it in the register.”

**152.** Section 19 of the said Act, replaced by section 426 of the Act respecting the legal publicity of sole proprietorships, partnerships and legal persons, is amended by adding, after the first paragraph, the following paragraph:

“Where a cooperative is wound up, the Minister of Industry, Trade and Technology shall transmit a notice of the dissolution to the Inspector General, who shall deposit it in the register.”

**153.** The provisions of this Act will come into force on the date or dates fixed by the Government.