
NATIONAL ASSEMBLY

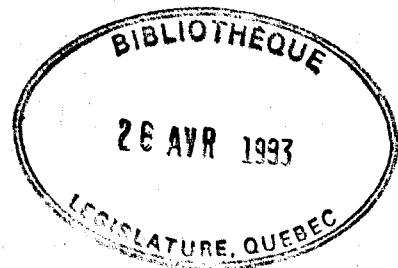
THIRTY-SECOND LEGISLATURE

FOURTH SESSION

Bill 5

**An Act to promote forest
credit by private institutions**

First reading



Introduced by
Mr Yves L. Duhaime
Minister of Energy and Resources

EXPLANATORY NOTES

The object of this bill is to institute a long- and middle-term forest credit program, under which the capital will be furnished by private lending institutions.

The new program is similar in several ways to the existing programs administered by the Office du crédit agricole du Québec under the Forestry Credit Act, but brings them together so as to allow an over-all approach to the case of each lender.

On the coming into force of the program, the chartered banks and the savings and credit unions will be authorized to grant the loans and will consequently be responsible for the ordinary administration of them. The Office du crédit agricole will, for its part, be responsible for the administration of the Act, the examination necessary for recommending or refusing a loan and for certain measures that must be taken during the term of a loan.

Should a debtor default, the lender will be permitted to ask the Office to collect in his name the sums due to him and even, if necessary, to realize on the movable or immovable security which guarantees the loan. If private institutions refuse to grant a loan to a borrower, the Office itself will be authorized to grant a loan to him in their place.

The bill also provides for the making of regulations determining the amount and the modalities of a contribution by the Office du crédit agricole to the payment of interest due by borrowers. Moreover, the repayment of losses resulting from loans will be guaranteed to lenders by means of an agricultural and forestry loan-insurance plan referred to in the bill.

The bill is divided into twelve divisions.

The first division deals with the definitions and identifies, in particular, the private institutions which will be authorized to grant loans under the forestry credit program.

The second division deals with eligibility. It indicates who will be permitted to contract loans, and opens up the opportunity to do so to lessees of private forest lands. It requires the obtaining of a certificate from the Office du crédit agricole prior to obtaining a loan and fixes certain condi-

tions to qualify as a borrower, particularly in relation to residence, nature of operation, participation in a wood processing enterprise, capacity for repayment and the compatibility of a project with sound forest management.

Division III deals with the various categories of loans: loans granted on hypothec, by pledge of forest property and loans secured by other forms of security. The maximum amount of a loan that may be granted to a qualified individual, association or group of persons is limited to \$500 000. However, where the loan is secured exclusively by movable property, it is limited to \$200 000, and the security must be based on a pledge of forest property. This division also defines the purposes for which borrowing will be permitted. The maximum term of a loan is established at 30 years, except loans secured by pledge of forest property, which will be limited to a maximum term of 15 years. It determines, finally, the rates of interest that lenders will be permitted to charge and deals with certain modalities concerning loans, along with their accessory or secondary conditions.

Division IV determines the cases where, due to a loan, a forest will have to become subject to a management plan approved by the Minister of Energy and Resources; such a plan will contain the prescriptions necessary for sound development of the forest. This division also specifies the modalities that will have to be complied with to uphold the management plan against third persons, for registration or, as the case may be, cancellation. Finally, it enacts that the cutting of timber contrary to the management plan constitutes an offence.

Division V confers on the Office the powers necessary for processing applications for certificates required prior to obtaining loans, and for assessing the property offered as security.

Division VI authorizes the Office to contribute to the payment of interest on a loan or reduce the rate of interest where it has granted the loan itself.

Division VII provides various measures that the lender or the Office will be able to exercise to ensure the preservation and protection of the movable or immovable property by which a loan is secured.

Division VIII enables the Office to realize a loan in accordance with the Farm Credit Act when it is acting as the mandatary of the lender.

Division IX brings together the various regulatory powers necessary for the administration of the Act.

Division X contains special provisions concerning the transfer of debts resulting from loans.

Division XI deals with financial provisions; among others, the power of the Office to contract loans, the manner of securing their repayment

and the setting up of a working fund. This division also provides for a mode of payment of the expenses incurred for the administration of the Act.

Lastly, Division XII deals with transitional and final provisions.

Bill 5

An Act to promote forest
credit by private institutions

THE PARLIAMENT OF QUÉBEC ENACTS AS FOLLOWS:

DIVISION I

DEFINITIONS

1. In this Act, unless the context indicates otherwise,

“association” means

(1) a partnership within the meaning of the Civil Code, a cooperative or a corporation with share capital whose main object and principal activity is the productive management of a forest; or

(2) a professional syndicate formed under the Professional Syndicates Act (R.S.Q., chapter S-40) which administers a forest products joint plan;

“bank” means a bank governed by the Bank Act (Statutes of Canada, 1980-81, chapter 40) or of the Quebec Savings Banks Act (Revised Statutes of Canada, 1970, chapter B-4);

“borrower” means a person or a group of persons contemplated in section 3 who or which contracts a borrowing or a person or a group of persons who or which assumes the repayment of a loan;

“borrowing” means a loan obtained in accordance with this Act;

“credit union” means a savings and credit union governed by the Savings and Credit Unions Act (R.S.Q., chapter C-4);

"forest" means land covered with timber stands or which, formerly so covered, is not put to any use inconsistent with forestry; the term includes, where such is the case, works or constructions thereon that are or may be used for the productive management or harvesting of forest resources on such land;

"forestry" means the body of principles and methods necessary for the conservation, cultivation, improvement and management, and for the harvesting and rational utilization of timber stands and of the material resources contained therein or obtainable therefrom;

"lender" means a bank, credit union or other institution designated by regulation which grants a loan;

"loan" means a loan granted in accordance with this Act;

"manager" means a person who manages public lands by agreement with the Minister under sections 118 to 120 of the Lands and Forests Act;

"permit holder" means a person to whom a permit is issued under the Lands and Forests Act (R.S.Q., chapter T-9) to cultivate sugar maple trees and operate a sugary on public lands.

DIVISION II

CONDITIONS OF ELIGIBILITY

2. Every applicant must, before contracting a borrowing, obtain, from the Office du crédit agricole du Québec, a certificate the tenor and conditions of which are determined by this Act and by regulation.

3. The following may be applicants:

(1) a natural person who engages or intends to engage in harvesting operations in a forest;

(2) an association;

(3) a group composed of at least two of the persons contemplated in paragraphs 1 and 2 and which

(a) engages in or intends to engage in harvesting operations in a forest of which they have undivided ownership or are co-lessees; or

(b) engages in or intends to engage, jointly, in harvesting operations in several forests each of which is owned or leased individually or jointly by one of such persons, or in respect of which each of them has interests as a permit holder or manager.

4. Every applicant must, to obtain a certificate, be resident in Québec.

For the purposes of this Act, "resident in Québec",

(1) in the case of a natural person, means domiciled in Québec;

(2) in the case of a corporation with share capital, means

(a) having its head office and principal place of business in Québec;

(b) not directly or indirectly controlled by one or several persons not resident in Québec;

(c) having share capital of which more than 50% in number and value of the issued shares carrying full voting rights are owned by one or several persons resident in Québec;

(3) in the case of a partnership within the meaning of the Civil Code, means

(a) having its head office and principal place of business in Québec;

(b) being composed of members more than one-half of whom are persons resident in Québec who own interests representing more than 50% of the aggregate value of the partnership property;

(4) in the case of a cooperative or a professional syndicate, means

(a) having its head office and principal place of business in Québec;

(b) composed of members more than one-half of whom are persons resident in Québec;

(5) in the case of a group of persons contemplated in paragraph 3 of section 3, means composed of persons resident in Québec within the meaning of paragraph 1, 2, 3 or 4.

5. Every applicant except a permit holder, manager or professional syndicate must, to contract a borrowing, be the owner of a forest or the lessee of a forest under a lease conforming to the standards prescribed by regulation. Where ownership of a forest is based on an emphyteutic lease, the lease must conform to the standards prescribed by regulation.

The occupant of a forest under a location ticket is considered a lessee for the purposes of this Act and the location ticket is deemed to conform to the standards for a lease prescribed by regulation.

6. No applicant may process wood otherwise than on a small scale industrial basis determined by regulation nor hold a majority of the

ownership interests or control of a plant which processes wood otherwise than on the same industrial basis.

7. Where an applicant is an association or a group of persons contemplated in paragraph 3 of section 3, no shareholder or member of the association, nor any person in undivided ownership, co-lessee or joint harvester of several forests, holding a majority of the ownership interests or control of a plant which processes wood otherwise than on a small scale industrial basis determined by regulation may hold,

(1) in the case of a corporation with share capital, more than 20% in number and value of the issued shares with full voting rights of the share capital of the corporation;

(2) in the case of a cooperative, more than 20% of the ordinary shares issued or common shares, as the case may be;

(3) in the case of a partnership or of persons in undivided ownership of a forest, more than 20% of the interests in the partnership or of the ownership interests in the forest;

(4) in the case of co-lessees, more than 20% of the interests in the lease of the forest under lease;

(5) in the case of operators jointly harvesting in several forests, more than 20% of the aggregate value of the forests in which the harvesting is carried on.

In the cases contemplated in the first paragraph, where more than one shareholder or member of an association, more than one person in undivided ownership, more than one co-lessee of a forest or more than one operator jointly harvesting in several forests holds a majority of the ownership interests or control of a plant which processes wood otherwise than on a small scale industrial basis determined by regulation, the percentages contemplated in subparagraphs 1 to 5 of that paragraph apply to all such shareholders, members, persons in undivided ownership, co-lessees or joint operators.

8. The Office may issue a certificate to an applicant if

(1) he has the financial and moral capacity to repay the loan applied for; and

(2) his borrowing scheme is consistent with forestry principles and suited to the harvesting, development or rational utilization of the forest in respect of which the borrowing is applied for.

DIVISION III

LOANS

9. A lender may grant one or several loans to an applicant for an aggregate amount that in no case may, subject to section 12, exceed \$500 000.

10. No loan may be granted except in accordance with the certificate issued to the applicant nor unless the titles relating to the property offered as security for repayment of the loan have been verified and accepted by the Office or its mandatary.

11. Subject to section 9, in no case may the part of the loan secured by hypothec exceed 90% of the value, as determined by the Office, of the forest offered as security, and, subject to section 12, in no case may the part of the loan secured exclusively by movable property exceed the lesser of the following amounts:

(1) \$200 000; and

(2) an amount equivalent to 90% of the value of the pledged property, as determined by the Office.

12. In no case may the total amount owing under this Act by a borrower exceed \$500 000 in principal unless the excess amount is the result of debts devolved to him by succession or contracted by him in acquiring property which the Office disposed of under this Act or the Forestry Credit Act (R.S.Q., chapter C-78).

The first paragraph applies, *mutatis mutandis*, to the computation of the amount contemplated in paragraph 1 of section 11.

13. The amounts contemplated in section 12 are established by taking into account

(1) the balance owing by the borrower on any loan he obtained or of which he assumed payment under this Act or the Forestry Credit Act and, where such is the case,

(2) the relative share of the balance owing on any loan granted under the said Acts that he obtained jointly with any other person or for which he assumed payment in the same manner.

14. An applicant who has been issued a certificate may borrow for one or several of the following purposes, provided they are related to the forest in respect of which the loan is applied for:

(1) the purchase of a forest and the consolidation of debts contracted for that purpose;

(2) forest improvement or planning and the consolidation of debts contracted for such planning;

(3) the purchase, construction or improvement of buildings or other constructions or works that may form part of a forest, including those of a power transmission line and a drinking water supply system;

(4) the construction or repair of forest roads or access roads to the forest;

(5) the purchase, establishment, equipping or improvement of a nursery for the raising of plants for forestation;

(6) the purchase, construction or repair of greenhouses or greenhouse or nursery equipment used for the raising of plants contemplated in paragraph 5;

(7) the purchase of forest seeds and plants;

(8) the purchase or repair of forest machinery, equipment or implements;

(9) the purchase, installation, repair or improvement of material or equipment for a maple sugary;

(10) protection of the forest against deteriorative agents;

(11) any other purpose which, in the opinion of the Office, may increase the efficiency of forest resource harvesting or promote the productive management or rational utilization of the forest.

Any of the borrowing purposes provided for in this section may, for the purposes of its application, be defined or listed in a regulation.

15. A loan is repayable within the term determined in the certificate according to the amortization basis and modalities determined by regulation.

In no case may the term exceed thirty years except in the case of a loan secured by pledge of forest property, in which case it must not exceed fifteen years.

16. Where the term for the repayment of a loan exceeds five years, the lender may, at the expiry of every five year period included in the term, counting from the date of the deed of loan, demand repayment of the balance then due on the loan, provided ninety days' notice is given to the borrower and to the Office.

Service of the notice contemplated in the first paragraph must be made by mail in accordance with article 140 of the Code of Civil Procedure (R.S.Q., chapter C-25).

17. Where the borrower is the owner of the forest for which he is granted a loan, the repayment of the loan must, subject to section 20, be secured by a first hypothec on the forest or by a hypothec ranking immediately after any hypothec held on the forest by the Office or a lender.

18. The repayment of a loan must be secured by pledge of forest property of the rank stipulated in the certificate on all or part of the borrower's forest machinery and equipment, if

(1) the borrower is not the owner of a forest;

(2) the value of the borrower's forest, as determined by the Office, is not sufficient, according to section 11, to secure the repayment of the loan, in which case the pledge of forest property must be used to secure that part of the loan which it is impossible to secure by the hypothec contemplated in section 17.

19. The Office may, in addition to the securities provided for in sections 17 and 18, require any other immovable or movable security or any other surety as it may determine and that it mentions in the certificate.

20. In the cases provided for by regulation, the Office may, to guarantee the repayment of a loan, require any immovable or movable securities other than those contemplated in section 17 or 18 or any surety it may determine in each case and that must be mentioned in the certificate.

21. In addition to the securities provided for the loan, the certificate may require, in the cases determined by regulation, a transfer in favour of the lender of the borrower's life insurance policy benefits to secure the repayment of the loan in the event of the borrower's death.

22. The maximum annual rate of interest on a loan is fixed by regulation and is subsequently adjusted on the dates and according to the norms established by regulation.

23. Any payment in principal or interest unpaid on maturity yields, of right and without formal notice, interest at the annual rate established in accordance with section 22 and stipulated in the deed of loan from the date of maturity of the payment.

24. The borrower or his assigns may repay all or part of the loan in advance.

Any payment made by the borrower or his assigns, on maturity or in advance, in accordance with the document evidencing the loan, must be allocated in the manner prescribed in the regulations.

25. The Office may fix the special accessory or secondary conditions to which each loan is subject; the conditions may pertain, in particular, to the borrower's titles, the deeds of loan, the protection of the security and other similar matters.

The certificate must state the conditions so fixed.

26. The Office may also, in the cases provided for and according to the modalities defined by regulation, require any person applying for a certificate in view of obtaining a loan to submit, before or after his application, a program of financial operations acceptable to the Office, fix the loan supervision fees and determine the obligations the borrower must contract with respect to the program.

27. Where a borrower declares himself unable to meet his obligations on maturity, the lender may agree with him on new conditions for the repayment of the loan, provided that he obtains prior authorization therefor from the Office and that the delay granted does not prolong the term of the loan beyond each maximum term provided for in the second paragraph of section 15, where such is the case.

28. The lender or the Office, as the case may be, may, as a mandatary of the lender, declare the borrower forfeited of the benefit of the term granted, cancel the loan, claim repayment thereof with interest and, failing such repayment, exercise any recourse provided by law if the borrower

(1) obtained a loan as the result of false declarations or false pretences;

(2) does not comply with the management plan contemplated in Division IV;

(3) disposes in whatever manner, without the authorization required under section 43, of all or part of the property offered as security;

(4) causes or allows abnormal deterioration of the property offered as security, or diminution of the value of the security;

(5) ceases to meet the requirements to qualify for a loan; or

(6) uses the proceeds or part of the proceeds of the loan for purposes other than those for which the loan was granted.

The lender or the Office, as the case may be, shall notify the borrower of its elected course of action by mere notice served on the borrower in accordance with article 140 of the Code of Civil Procedure.

29. A borrower must, for the term of the loan, meet the conditions of eligibility set down for an applicant in Division II.

DIVISION IV

MANAGEMENT PLAN

30. A "management plan" is a document approved by the Minister of Energy and Resources, containing the prescriptions designed to ensure the productive management of a forest in accordance with objectives consistent with forestry principles and which must be reviewed periodically, according to the directives of the Minister and subject to his approval.

31. Every forest for which a loan is granted or serving as security for a loan is subject to a management plan, until full repayment of the loan,

(1) if the loan is obtained for a purpose contemplated in subparagraph 1 of the first paragraph of section 14; or

(2) if the loan is obtained for one or several of the purposes contemplated in subparagraphs 4, 8 and 9 of the first paragraph of section 14 and if the loan, taking into account the balance of any former loan granted for one or several of the same purposes, exceeds the amount fixed by regulation.

32. To avail against persons other than the borrower, the management plan must be attested in a declaration mentioning each immovable to which it applies and the name of its owner.

The immovable is described by its cadastral number, if any, mentioning, in the case of an immovable that includes only a part of a lot, that only part of the lot bearing the cadastral number is involved, and there is no obligation to give a more detailed description of the parts of the lot, notwithstanding article 2168 of the Civil Code.

If the immovable has no cadastral number, it must be designated by the name of the seigniorship or township in which it is situated, the range, if any, the metes and bounds and the name of its owner.

33. The declaration contemplated in section 32 may be made in a deed of hypothec or forest pledge serving as security for a loan. It may also be made unilaterally by the Office and constitutes *prima facie* proof of the existence of the management plan.

The declaration is subject to the rules respecting registration, and its total or partial cancellation is effected by the deposit of a requisition to that effect by the Office in authentic form or by a private deed.

34. In the case of a new loan granted subsequently to the same borrower or the same debtor, the management plan attested in the declaration mentioned in section 32 also applies to the same forest for which the new loan is granted or which serves to secure it. Section 31 applies, *mutatis mutandis*, in the case of any new loan provided for in this section.

35. Notwithstanding section 31, the Office may at any time, with the consent of the Minister, request the cancellation of the registration of the declaration contemplated in section 32 in respect of all or part of the forest governed by a management plan.

The Minister may, in writing, delegate the power prescribed in the first paragraph to such person as he may designate.

36. Every borrower, subsequent owner or occupant of a forest who cuts timber contrary to the management plan governing the forest is guilty of an offence and liable, in addition to costs, to a fine of not less than five dollars per apparent cubic meter so cut.

Proceedings for an offence contemplated in the first paragraph are instituted in accordance with the Summary Convictions Act (R.S.Q., chapter P-15) by the Attorney General or the Office.

DIVISION V

POWERS OF THE OFFICE

37. In addition to the powers conferred on it by this Act, the Office may

(1) receive and examine any application for a certificate in view of obtaining a loan;

(2) appraise, in accordance with the bases fixed by regulation, the property offered as security for a loan applied for and establish the maximum amount of the loan;

(3) indicate, in each case, the conditions of the loan and the part of the sum lent to be used for one or other of the purposes contemplated in section 14, and fix or prolong, in each case, the period during which a borrowing may be contracted from the date of issue of a certificate;

(4) examine the titles of ownership of the property serving as security for the loan, revise any report of examination of the titles concern-

ing the immovable securities and verify the charges encumbering the movable securities;

(5) act as the mandatary of a lender to claim from any debtor in default and, where such is the case, from any surety of the debtor, the sums owing to such lender or that have become payable on a loan, to make or bring, for such purpose, any demand, action or other proceeding or, in such capacity, to act in defence against any demand, action or other proceeding and to acquire any hypothecated immovable or pledged property, and administer, sell or lease such immovable or property or otherwise dispose of it by onerous title;

(6) acquire any immovable hypothecated to secure a loan, either at a sheriff's sale or directly from the lender following his acquisition of it at a sheriff's sale or pursuant to a giving in payment clause, and administer, sell or lease that immovable or otherwise dispose of it by onerous title;

(7) act as lender if a lender refuses to grant all or part of a loan and, for such purpose, exercise all the rights and powers granted to the lender under this Act.

DIVISION VI

CONTRIBUTION TO PAYMENT OF INTEREST

38. The Office shall contribute to the payment of the interest on any loan obtained from a lender other than the Office, to the extent, for the term, on the conditions, according to the modalities and on the dates of payment determined by regulation.

The Office is authorized to reduce, to the extent, for the term and on the conditions determined by regulation, the rate of interest applicable to the loans it is authorized to grant under paragraph 7 of section 37.

In no case may contributions to the payment of the interest nor reductions in the rate of interest apply to the interest yielded of right under section 23.

39. A lender ceases to be entitled to the contribution or the reduction contemplated in section 38 if,

(1) having failed to comply with the management plan, he does not prove to the Office that his failure was not for reasons beyond his control;

(2) he benefits by the contribution or reduction as a result of false declarations or false pretences; or

(3) he uses the proceeds or part of the proceeds of the loan for purposes other than those for which the loan was obtained.

40. In each of the cases contemplated in section 39, the Office, if it sees fit, may claim any amount paid as a contribution to the payment of interest on the loan or any amount representing the reduction in the rate of interest, and the interest on that amount at the rate charged by the Minister of Finance on the advances he grants to the departments or agencies of the Government. In such a case, the lender does not necessarily forfeit the benefit of the loan insurance contemplated in section 4 of the Act respecting farm-loan insurance and forestry-loan insurance (R.S.Q., chapter A-29.1).

DIVISION VII

PROTECTION OF SECURITIES

41. The lender or the Office, through his or its representatives or employees, may, at any time, inspect the immovable or movable property securing a loan, enter or pass on any immovable, inspect and appraise such immovable and any other movable property and conduct any investigation it or he considers necessary.

42. In case of default of maintenance or in case of deterioration of property securing a loan, the lender may, at the borrower's expense, do any work and repairs and take any step he considers necessary to ensure its maintenance in good condition.

If the lender omits to exercise the powers conferred on him under the first paragraph or does not exercise them to the satisfaction of the Office, the latter is authorized of right to exercise them itself on behalf of the lender and at the expense of the borrower, as if it were acting as the mandatary of the lender, but it must notify the lender as soon as possible.

43. The authorization of the Office, unless it determines otherwise, and that of the lender, must be obtained in order

(1) to validate the voluntary transfer of immovable or movable property securing a loan;

(2) to grant, with or without consideration, total or partial release of a hypothec or pledge of forest property on the whole or part of an immovable or movable property, as the case may be, securing a loan;

(3) to discharge a surety securing a loan, with or without consideration.

44. The authorization of the Office must be obtained in order to validate

(1) the lease for more than one year of an immovable securing a loan or the lease of pledged property;

(2) any issue, allotment or transfer, repurchase or repayment of shares of a corporation that is a borrower;

(3) any issue, allotment, transfer or repayment of ordinary or common shares, as the case may be, of a cooperative that is a borrower;

(4) any amendment to the contract constituting a partnership that is a borrower;

(5) any amendment, in the case of a group of persons contemplated in paragraph 3 of section 3 that have become borrowers,

(a) to any contract or title establishing undivided ownership, in the case of persons in undivided ownership of a forest;

(b) to any contract establishing a lease, in the case of co-lessees of a forest; or

(c) to any contract establishing joint harvesting, in the case of persons engaged in the joint harvesting of forest resources.

45. The authorization of the Office contemplated in sections 43 and 44 is granted by any person designated by the Office.

46. Where a borrower collects a sum of money on or pursuant to the transfer, expropriation or lease for more than one year of an immovable securing a loan owing from such borrower, the said sum, subject to the second paragraph of section 24, must be applied to the repayment in full or in part of the loan, unless otherwise decided by the Office.

47. Where a loan is secured by a pledge of forest property, the lender may, in such cases and on such conditions as are determined by regulation and notwithstanding section 43, grant a total or partial release of the movable securities and agree on any alteration in the securities without requiring full or partial repayment of the balance of the loan.

48. The Office may, in the place and stead of the lender, request from the borrower any information or document it deems necessary to ensure the protection of the securities for a loan or to ascertain whether a borrower is fulfilling the obligations he has contracted under the deed of loan.

49. The borrower must, at the request of the Office, provide the documents and information contemplated in section 48.

DIVISION VIII

REALIZING UPON SECURITY

50. Notwithstanding any inconsistent legislative provision and subject to any other recourse, the Office may proceed in accordance with sections 37 to 45 of the Farm Credit Act (R.S.Q., chapter C-75) where, as mandatar of a lender, it is entitled to realize on its security or to recover from a borrower under this Act, sums owing or that have become payable or any other debt.

The Office may proceed in the same manner, as a mandatar of a lender, in any case of default on the part of a borrower.

DIVISION IX

REGULATIONS

51. The Government may, by regulation,

(1) designate any institution entitled to grant a loan, in addition to those already authorized to do so under this Act;

(2) determine the standards to which the lease of a borrower who is the lessee of a forest and the emphyteutic lease of a borrower who is the emphyteutic lessee of a forest are subject;

(3) determine the tenor of the certificate contemplated in section 2 and the conditions for obtaining it;

(4) fix the amortization basis and the terms and conditions relating to the repayment of loans;

(5) fix the maximum annual rate of interest on loans and the dates and criteria for the readjustment of the rate of interest;

(6) fix, for the purposes of section 24, the mode of allocation of the payments made under the terms of a deed of loan;

(7) determine the cases where the transfer of a borrower's life insurance policy benefits may be required;

(8) define the cases where a loan must be accompanied with a mandatory program of financial operations and the terms and conditions to which such a loan must be subject, particularly with regard to the

application for the loan, the supervision fees, the obligations of the borrower and any other accessory conditions;

(9) **fix the general bases of appraisal of immovables and movable property in respect of which a loan is granted or which are offered as security for a loan;**

(10) **determine the amount, period, conditions, modalities and the date of payment of the contribution contemplated in section 38;**

(11) **determine the extent, period and conditions of reduction of the rate of interest applicable to loans that the Office is authorized to grant under paragraph 7 of section 37;**

(12) **determine, for the purposes of section 47, in what cases and on what conditions a lender may grant total or partial release of movable securities or agree on any modification thereto;**

(13) **fix the proportion of the cost of appraisal of the property offered as security, payable by the Office and by the borrowers, respectively;**

(14) **clarify the expression "to process wood otherwise than on a small scale industrial basis" used in sections 6 and 7;**

(15) **specify the purposes of the loans provided for in section 14 and list them;**

(16) **determine the cases where repayment of a loan may be secured otherwise than as prescribed in sections 17 and 18;**

(17) **fix the maximum amount at which a loan does not necessitate a management plan, in accordance with section 31, for the forest in respect of which the loan is granted or serving as security for the loan;**

(18) **prescribe the documents, reports and information to be made or filed under this Act and the time limits for their production;**

(19) **prescribe any other measure necessary or advisable for the administration of this Act.**

Every regulation made under this Act comes into force ten days after its publication in the *Gazette officielle du Québec* or on any later date fixed therein.

DIVISION X

TRANSFER OF DEBTS

52. Subject to all the powers of the Office under this Act, the second paragraph of this section, and to every restriction provided in any Act

that is applicable to the lender, the latter may, after obtaining the general and specific authorization to do so from the Office, assign or transfer to any person as security for a loan, all or part of the debts owing from loans, or sell to any person all or part of the said debts, provided that the person to whom the assignment, transfer or sale is made gives the lender the mandate of administering the loans that are the subject of such assignment, transfer or sale and that, to that end, the lender and the Office may continue to exercise, in respect of such loans, all the powers conferred on them by this Act.

Where the sale or the assignment of a debt owing from a loan is made by a lender to a bank, a savings and credit union or an institution designated by regulation for the granting of loans, the purchaser or assignee may, notwithstanding the first paragraph, with the written consent of the lender and the Office, exercise over the loan all the powers conferred on the original creditor by this Act, including the power to administer the loan.

DIVISION XI

FINANCIAL PROVISIONS

53. The Office may, with the prior authorization of the Government, contract borrowings by notes, bonds or other securities for such amounts, at such rates of interest and on such other conditions as may be fixed by the Government.

54. The Office may guarantee execution of the obligations arising from the borrowings contemplated in section 53 by the transfer of the whole or a part of the debts owing to it on loans granted under paragraph 7 of section 37 and under sections 2 and 3 of the Forestry Credit Act.

The Office may, with the written consent of the lender given at the time the borrowing was done or subsequently, substitute for any debt thus transferred any other debt arising from a loan contemplated in the first paragraph.

55. Notwithstanding any general law or special Act to the contrary, municipal and school corporations may invest their sinking-funds in acquiring bonds issued by the Office.

Such bonds shall be securities in which investments referred to in article 981^o of the Civil Code, in sections 243 to 274 of the Act respecting insurance (R.S.Q., chapter A-32), and in section 8 of the Trust Companies Act (R.S.Q., chapter C-41) may be made.

[[56. The Government may, on such conditions as it may determine,

(1) guarantee payment of the capital and interest of any borrowing made by the Office and the execution of any obligation of the Office;

(2) authorize the Minister of Finance to advance to the Office any amount deemed necessary for the application of this Act, at such rate of interest, for such period of time and on such other conditions as are determined by the Government;

(3) authorize the Minister of Finance to advance to the Office any amount deemed necessary for the repayment of all or part of the loans contracted under section 53 and of advances made by the Minister under subparagraph 2, at such rate of interest, for such period of time and on such other conditions as are determined by the Government.

The sums that the Government may be called upon to pay in virtue of the guarantees or to advance to the Office are taken out of the consolidated revenue fund.]]

57. The sums collected by the Office as interest on its loans are allocated, as and when the interest on its borrowings becomes due, first, to the payment of the interest payable on borrowings contracted under section 53, and, secondly, to the payment of the interest payable on the advances made by the Minister of Finance under section 56.

The sums collected by the Office as repayment on its loans are allocated as follows and in the following order of priority:

(1) the repayment of capital borrowed under section 53, as and when such repayment becomes due;

(2) the establishment, as the case may be, of a sinking-fund and other reserves related to borrowings contracted under section 53;

(3) the repayment of advances made by the Minister of Finance under section 56, when such repayment becomes due or, if there is no due date, as often as determined by the Minister of Finance.

58. The funds that the Office has at its disposal under this Act are deposited, until they are used, in a chartered bank, an institution registered with the Régie de l'assurance-dépôts du Québec or in securities issued or guaranteed by the Government of Canada or the Government of a province of Canada.

The interest collected on such investments and any surplus over and above the maximum amount of the working fund are paid into the consolidated revenue fund within ninety days of the end of each fiscal year of the Office.

59. The Office may, with the prior authorization of the Government, and at the price and on the conditions determined by the Govern-

ment, sell the whole or part of its debt arising from a loan granted under paragraph 7 of section 37.

The Office may, with the written consent of the purchaser given at the time the sale is made or subsequently, substitute for any debt thus sold any other debt arising from a loan granted under paragraph 7 of section 37.

60. The Office is not bound by articles 1571 to 1571c, 1572 or 2127 of the Civil Code with regard to the transfer of a debt contemplated in section 54 or the sale of a debt contemplated in section 59.

The Government shall, however, fix the conditions respecting the method of service of such transfer or sale.

61. The proceeds from the borrowings or sales made by the Office under section 53, 56 or 59, as the case may be, must be used to make the loans the Office is authorized to grant under paragraph 7 of section 37 or to repay any borrowing already contracted under section 53 or 56.

[[**62.** The Minister of Finance may at the request of the Office pay to it, out of the consolidated revenue fund, the sums required to make up for each fiscal year of the Office, the difference between the amount of interest payable by the Office on borrowings contracted under sections 53 and 56 and the amount paid as interest by borrowers from or debtors of the Office.]]

[[**63.** The Government may establish a working fund for the Office out of the consolidated revenue fund, not exceeding one million dollars, for the outlays necessary for the protection of the loans it grants, and more particularly, but without restricting the generality of the foregoing, for payment of insurance premiums, taxes and assessments, exercise of redemption rights, acquisition, conservation, administration, restoration and resale of the property securing the loans. As soon as they are recovered, the sums so paid out must be returned to such working fund.]]

[[**64.** The sums required for the administration of this Act are taken for the fiscal year 1983-84 out of the consolidated revenue fund and, for subsequent fiscal years, out of the moneys granted annually for that purpose by Parliament.

The first paragraph does not restrict the scope of sections 56, 62 and 63.]]

DIVISION XII

TRANSITIONAL AND FINAL PROVISIONS

65. The Forestry Credit Act (R.S.Q., chapter C-78) is amended

(1) by inserting, after section 3, the following section:

“3.1 In no case may a loan be granted by the Office under this Act following an application received by the Office after (*insert here the date of the coming into force of this section*).”;

(2) by inserting, after section 13, the following section:

“13.1 In no case may a loan be granted by a lender under this Act following an application received by him after (*insert here the date of the coming into force of this section*).”

66. The Act respecting farm-loan insurance and forestry-loan insurance (R.S.Q., chapter A-29.1) is amended by replacing paragraph *d* of section 1 by the following paragraph:

“(d) “forest loan” means a loan granted under the Forestry Credit Act (R.S.Q., chapter C-78) or the Act to promote forest credit by private institutions (1983, chapter *insert here the chapter number of Bill 5*).”

67. The Office du crédit agricole du Québec is entrusted with the administration of this Act.

68. The books and accounts of the Office relating to the administration of this Act shall be audited annually, and, also, as often as the Government may determine, by the Auditor General.

69. Not later than 30 June each year, the Office must make, to the Minister of Energy and Resources, a report of its administration of this Act for the preceding fiscal year. Such report must also contain all the information that may be prescribed by the Minister.

The Minister shall table such report in the National Assembly within thirty days of its receipt if the Assembly is in session or, if it is not sitting, within thirty days of the opening of the next session or of resumption.

The Office must also, from time to time, furnish such information to the Minister as he may require on its activities under this Act.

70. The Minister of Energy and Resources is responsible for the administration of this Act.

71. This Act shall operate notwithstanding the provisions of sections 2 and 7 to 15 of the Constitution Act, 1982 (Schedule B of the Canada Act, chapter 11 in the 1982 volume of the Acts of the Parliament of the United Kingdom).

72. This Act will come into force on the date to be fixed by proclamation of the Government, except the provisions excluded by such proclamation, which will come into force on such later date as may be fixed by proclamation of the Government.