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AN ACT TO AMEND THE ACT RESPECTING QUÉBEC BUSINESS INVESTMENT COMPANIES

Bill 105

Introduced by Mr Daniel Johnson, Minister of Industry and Commerce

Introduced 12 November 1987

Passage in principle 10 December 1987

Passage 18 December 1987

Assented to 18 December 1987

Coming into force: 18 December 1987

Act amended:

Act respecting Québec business investment companies (R.S.Q., chapter S-29.1)



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CHAPTER 106

An Act to amend the Act respecting Québec business investment companies

[Assented to 18 December 1987]

THE PARLIAMENT OF QUÉBEC ENACTS AS FOLLOWS:

c. S-29.1,
s. 2, am.

1. Section 2 of the Act respecting Québec business investment companies (R.S.Q., chapter S-29.1) is amended by adding, at the end, the following words: “and that its share capital is made up of a single class of common shares with full voting rights issued in a single series.”

c. S-29.1,
s. 5, am.

2. Section 5 of the said Act is amended by adding, after the first paragraph, the following paragraphs:

Shares
deemed to
be shares
with full
voting
rights

“Notwithstanding the first paragraph and unless the Société de développement industriel du Québec decides otherwise, where shares of a particular class or of a particular series of a particular class of the share capital of a company are, on 30 April 1987 or at the time of registration in the case of a company registered after that date, the only common shares with full voting rights of the share capital of the company and where, by reason of a change in the share capital of the company,

(1) a new series of the particular class is created or a new class is created and the shares of that series or of that class would be, but for this paragraph, common shares with full voting rights, or

(2) any share of the particular class or of the particular series would no longer be, but for this paragraph, a common share with full voting rights,

the following rules apply:

(1) any share of the particular class or of the particular series is deemed to be a common share with full voting rights;

(2) every other share of the share capital of the company is deemed not to be a common share with full voting rights.

Determina-
tion of
classes or
series of
shares

Notwithstanding the first paragraph, the Société de développement industriel du Québec may determine the class or series of shares of the share capital of a company whose shares are common shares with full voting rights where, on 30 April 1987 or at the time of registration in the case of a company registered after that date, the shares of several classes or of several series of a class of the share capital of the company would be, but for this paragraph, common shares with full voting rights."

c. S-29.1,
s. 6,
replaced
Applications

3. Section 6 of the said Act is replaced by the following section:

"**6.** The Société de développement industriel du Québec may prescribe the form and content of

(1) an application for the registration of a company;

(2) an application for the validation of an investment in a qualified corporation."

c. S-29.1,
s. 12.1,
added

4. The said Act is amended by inserting, after section 12, the following section:

Fledgling
corporation

"**12.1** For the purposes of section 12, where, in the opinion of the Société de développement industriel du Québec, the investment is made in a fledgling corporation, the condition provided

(1) in subparagraph 4 of the third paragraph of the said section must be met only during the two years following the acquisition of a qualified investment in that corporation;

(2) in subparagraph 5 of the third paragraph of the said section must be met within four months after the date of acquisition of the qualified investment."

c. S-29.1,
ss. 15.0.1-
15.0.3,
added

5. The said Act is amended by inserting, after section 15, the following section:

Participation
in qualified
investment

"**15.0.1** Where new common shares with full voting rights of a company are subscribed and paid and where the company uses its funds to make a qualified investment, the company may allocate to the shareholders it selects an amount as participation in a qualified investment not exceeding the amount of the investment or the financial

commitment of each shareholder within the meaning of paragraph *b.1* of section 965.29 of the Taxation Act (R.S.Q., chapter I-3), enacted by section 63 of chapter 21 of the statutes of 1987.

Approval To be valid, the allocation must be approved by the Société de développement industriel du Québec.

Participation in qualified investment “**15.0.2** For the purposes of this Act, a participation in a qualified investment has the meaning assigned by paragraph *c* of section 965.29 of the Taxation Act.

Share with full voting rights “**15.0.3** For the purposes of this Act, a person is deemed to hold a share with full voting rights of the share capital of a qualified corporation where the share is held by a corporation that the person controls alone or with persons related to him or by a subsidiary of such a corporation or a subsidiary of such a subsidiary.”

c. S-29.1, s. 16, am. **6.** Section 16 of the said Act is amended

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

“(2.1) determine the information that a company shall furnish with respect to any change concerning its shareholders, its share capital and its qualified investments;”;

(2) by replacing subparagraph 5 of the first paragraph by the following subparagraph:

“(5) define the expressions “arm’s length”, “associated corporation”, “fledgling corporation”, “related person” and “venture capital corporation”;”.

Applicability **7.** Section 1 applies to companies registered after 18 December 1987.

Effect **8.** Section 2 has effect from 1 May 1987.

Applicability **9.** Section 4 applies to investments made after 30 April 1987.

Applicability **10.** Sections 15.0.1 and 15.0.2 of the Act respecting Québec business investment companies, enacted by section 5 of this Act, apply to investments made after 10 December 1986.

Applicability Section 15.0.3 of the Act respecting Québec business investment companies, enacted by section 5 of this Act, applies to investments made after 30 April 1987.

Effect

11. The Government may determine that the regulations made under the Act respecting Québec business investment companies respecting the definition of the expressions “arm’s length”, “fledgling corporation” and “related person” have effect from 1 May 1987 and respecting sectors of activity have effect from 18 June 1987.

Effect

This section ceases to have effect on 1 July 1988.

Coming into
force

12. This Act comes into force on 18 December 1987.