

QBIC CAPITALIZATION LOAN

As announced in the budget, March 30, 2004, the moratorium announced in 2003 has been extended for an indefinite period. During this period, any investment in a company undertaking eligible activities will not entitle individuals to personal tax deductions for investments in QBICs. These details are provided for information purposes only.

The QBIC loan guarantee and capitalization loan program seeks to capitalize eligible businesses by financing QBICs registered for this purpose with Investissement Québec in order to temporarily bridge the gap between the capital needed for sound capitalization and the liquid assets of interested investors. This section will mainly interest the employees of eligible businesses.

The program enables a QBIC to acquire the capital stock of an eligible enterprise and thus capitalize the company. In exchange, the QBIC's shareholders must subscribe for the shares of the QBIC in an amount equivalent to their share of the investment and personally undertake to repay to the QBIC the funds borrowed to acquire the company's shares. Loan repayments made by the QBIC's shareholders enable the latter to obtain the QBIC's capital stock and to take advantage of the tax benefit stipulated by legislation governing QBICs.

Eligible Clientele

To be eligible, the company must propose a start-up, development or expansion project and require capitalization. Moreover, it must operate in one of the sectors stipulated in the regulation respecting QBICs, in particular:

- Manufacturing;
- Tourism;
- The propulsive service industries;
- Exporting;
- Aquaculture;
- Business incubators;
- Film and television production;
- The environment;
- Culture.

Investissement Québec's Solution

Capitalization Loan Guarantee

- The percentage of the repayment guarantee on the net loss in respect of a loan contracted by a QBIC from a financial institution may not exceed 80% of the net loss.
- The amount of the guarantee may not exceed 75% of expenditures directly related to the project.
- The loan guarantee may not be less than \$50 000 or greater than \$1 million. The loan granted by a financial institution and guaranteed by Investissement Québec may not, therefore, exceed \$1.25 million.
- The QBIC's shareholders must invest a minimum of \$50 000 before the loan is disbursed.
- The financial institution will set the interest rate on the loan and interest will be payable starting with the first disbursement of the loan.
- The QBIC's shareholders will repay the capital, usually in fixed amounts, directly to the QBIC, which will repay the loan to the financial institution.
- A universal hypothec on all of the QBIC's assets and a surety in respect of the eligible company are usually required.

L'achat des actions par les employés de la société admissible se fait via des retenues à la source sur les paies. Pour les autres actionnaires, les ententes sont négociées avec l'institution financière ou Investissement Québec et les administrateurs de la SPEQ.

Fees

- Investissement Québec requires a 1% commitment fee to cover the management of the application.
- In the case of a capitalization loan guarantee, annual guarantee fees ranging from 1% to 2.25% of the capital commitment will be required, depending on the associated risk.
- In the case of a QBIC capitalization loan granted by Investissement Québec, a premium may also be demanded to offset risk. Such a premium may take the form of a purchase option on the eligible company's common shares. The number of shares obtained in option will be determined in the following manner:

$$\frac{\text{Loan} \times 10\%}{\text{Share price paid by the QBIC}}$$

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