



Gilles Barbot
Originally from France

President
Esprit de corps
www.espritdecors.biz

“ Establish a business plan that reduces your fixed costs to the absolute minimum. Incorporate and apply for one of the grants available to under 35s.”

business start-up process in Québec

Choosing to start a business or create your own job is an important decision. You need to keep in mind all the steps to follow before your business will open its doors for the first time. The choices you make will have long-term consequences.

Different ways to go into business

There are three main ways to become a business owner. Each method has its own advantages and challenges that you should know about before you make a decision.

1. Starting from zero

- ✓ This is the route chosen by most entrepreneurs.
- ✓ You are in charge of all the arrangements for setting up the business.
- ✓ The risks are greater than when you purchase an existing business, but you have full control over everything.

ADVANTAGES

- More freedom to make decisions.
- Changes can be made relatively quickly.
- The cost of the start-up can be changed more easily, if necessary.

DISADVANTAGES

- Planning the start-up can take a long time.
- There is no existing customer base.
- Starting from zero involves higher risks, depending on the type of business, and financing can be hard to obtain.

2. Buying the shares and assets of an existing company

- ✓ This is the easiest way to go into business.
- ✓ The business risks are often lower than with the other methods, depending on the business that you buy.
- ✓ Before you seal the purchase offer, you have to do serious research.

- ✓ There are two main ways to buy an existing business:

- Buy the company's assets (e.g., furniture, buildings, goodwill, brand name, etc.). You need to choose a new corporate structure to operate the business and transfer all the assets to it.
- Buy the shares of the business (if it is a corporation or a company). In this way you buy the entire business, with its continuity and assets.

ADVANTAGES

- You are starting with an established basis.
- The client base is established and the network of suppliers and distributors already exists.
- You may benefit from the credibility established by the former owner.

DISADVANTAGES

- Meeting the commitments of the former owner.
- Harder to make changes.
- Harder to develop credibility if the former owner had a bad reputation.

From success to succession

The HEC Montréal Chair of Small and Medium-size Business Development and Succession interactive website offers extensive information and many tools for owner-assignors and entrepreneur-successors. If you want to take over the family business, you will find a lot of advice and useful information for a successful handover. Go to www.fromsuccesstosuccession.com

3. Acquire a franchise or concession

A franchise is an authorization to intellectual property rights related to brand names, distinctive signs or knowledge for the sale and distribution of goods or services. Acquiring a franchise gives you the right, for a specific period of time, to operate your business



www.entreprises.gouv.qc.ca
www.entreprisescanada.ca



www.succesreleve.com
www.acquisition.biz
www.quebeccommerce.com

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using the intellectual property rights of the franchisor. McDonald's, Subway and Rôtisserie St-Hubert are example of franchises that can be purchased by individuals or groups.

- ✓ You sign a contractual agreement with a franchisor that lets you sell a product or service, based on the provisions of the franchise contract and usually within a specific protected territory.
- ✓ In practice, you own the business and assume the risks and management but are still accountable to the franchisor and have royalties to pay.
- ✓ If you acquire a franchise or a concession, you will probably have to start a company or corporation, depending on the requirements of the franchisor.

ADVANTAGES
Lower risks.
The client base is targeted.
The brand name is established.

DISADVANTAGES
The cost of a franchise is often high.
The franchisor's products and services must be used and respected.
Little room for creativity.

Importance of the business plan and models of business plans

What is a business plan?⁴

A business plan is a recognized management tool used by prosperous businesses and future businesses in every industry. It defines the company objectives and sets out steps for achieving these goals within a specific timeframe. It is a written document that describes who you are, what you hope to accomplish, where your business is located, when you expect to start your activities and how you intend to overcome the risks inherent in your business idea to earn your projected income.

4. Info entrepreneurs : www.entreprisescanada.ca

DID YOU KNOW?

The Quebec legal network offers a guide for franchisees at www.avocat.qc.ca. Le petit guide de la franchise presents a host of useful information on buying a franchise.

Why do you need a business plan?

A business plan is absolutely indispensable to you as an entrepreneur. It allows you to structure your ideas and establish a development strategy.

A business plan also provides information about your business to financial institutions, investors and suppliers by showing them how you plan to use their money, which definitely contributes to your project's credibility.

When should you prepare a business plan?

The sooner the better. The final version of your business plan will probably differ from the first draft, because you will be updating it, revising it and refining it as time goes by, but it is important for you to consider all the relevant factors as soon as possible. You don't want to have any nasty surprises after your business is already in operation.

Who should prepare the business plan?

The business plan should be prepared by the people who will be running the business. Advisors, consultants, accountants, bookkeepers and experienced entrepreneurs can be of great help, of course, but you have to draw up the initial plan yourself. Think long and hard about every aspect of your business plan in order to be sure you have a good overall understanding as well as intimate knowledge of all the details. To get help, show your business plan to other people to get constructive criticism and advice, and to draw on their experience to modify your plan, if needed.

Models of business plans

You can find guides for writing business plans, at one of the following websites:

- ✓ Canada Business, Templates and Samples : www.newcanadabusiness.ca

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www.occasionfranchise.ca
www.franchise-guide.org



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- ✓ Small business: www.smallbusinessbc.ca
- ✓ Scotia Bank: www.scotiabank.com
- ✓ RBC Royal Bank www.rbcroyalbank.com

We recommend that you base the first draft of your business plan on a model plan.

Choice of corporate structure

The legal forms of business^{5, 6, 7}

There are several legal forms of business in Québec, including sole proprietorship (*entreprise individuelle* in French), general partnership (*société en nom collectif*), share corporation (called *compagnie* when constituted under Québec provincial law and a *société par actions* when constituted under federal law), limited partnership (*société en commandite*), cooperative (*cooperative*) and not-for-profit organization (*organisme sans but lucratif*). Several factors may influence the choice of the legal form of your business: the number of people involved, whether or not it is for-profit, the projected sales figures, the inherent implications of each form, and so on. Depending on the criteria established, a business might be a for-profit organization, a not-for-profit organization or a cooperative. Every business has to operate under a specific legal form, so it is very important for you to find out about these main forms in order to choose the one that best suits your needs and objectives.

Sole proprietorship

- ✓ It consists of a single individual who operates a business alone.
- ✓ It is the simplest corporate structure.
- ✓ The entrepreneur assumes all of the risks associated with the business.
- ✓ Start-up costs are low and minimum working capital is required.
- ✓ The business owner keeps all the benefits.
- ✓ Liability for all of the business debts remains with the owner; creditors can seize the owner's personal assets.
- ✓ It may be difficult to find funding.
- ✓ There is no distinction between the juridical personality of the business and that of the owner.

Share corporation ("compagnie" or "société par actions")

- ✓ A share corporation is a legal person ("body corporate") with its own juridical personality.
- ✓ It is the only corporate structure that allows shares to be issued.
- ✓ The corporation is independent from its owners, the shareholders.
- ✓ It is identified by the words Limited/Ltd. (*limitée/ltée*) or Incorporated/Inc. (*incorporée/inc.*).
- ✓ The liability of the administrator(s) or shareholder(s) is limited.
- ✓ It is easier to find capital.
- ✓ This corporate structure is highly regulated and among the most expensive.
- ✓ The tax rules are often complex.
- ✓ The profits are redistributed, often as dividends.
- ✓ Decisions are made by the administrators (or by voting shareholders if there is a unanimous shareholder agreement).

Cooperative

- ✓ A company organized by people who share a need.
- ✓ It is owned and managed by its members.
- ✓ The control is democratic.
- ✓ The distribution of profits to the members is done by way of member dividends (often called *ristournes* in Québec).
- ✓ The decision-making process is democratic.

General partnership

- ✓ Results from a contract under which two or more physical or legal people (e.g., companies) establish a partnership to exercise an activity, pooling their resources (assets, knowledge or efforts) and sharing the profits.

Limited partnership

- ✓ A limited partnership is formed between one or more general partners who administer the company and one or more limited partners who contribute to the company's pooled assets (e.g., money or assets).
- ✓ Unless otherwise specified, the limited partners do not have any decision-making authority in the company.
- ✓ The limited partners assume the risk of losing their contribution to the company.

5. Services Québec – Entreprises, www.entreprisesgouv.qc.ca

6. Portail d'affaires des jeunes entrepreneurs (PAJE), www.paje.ca

7. Entreprises Canada, www.entreprisescanada.ca



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Not-for-profit organization

- ✓ A **not-for-profit organization** (often called a “non-profit”) is a non-share corporation whose members share a moral, not-for-profit goal. Not-for-profit organizations do not pay dividends.
- ✓ **Social economy businesses** are considered to be not-for-profit. These enterprises are sustainable business collectives that are run like businesses, producing goods and services for the market economy, but they manage their operations and redirect their surpluses to the pursuit of social and environmental goals.

Whether you want to work with partners or be a sole proprietor, you need to be informed about the liabilities that the corporate structure of your business entails. We suggest that you look at the comparison chart in Appendix 8, which provides information about steps to take, start-up costs, legal consequences and other important issues.

Business name

No matter what legal form you choose for your business, you must comply with the legal requirements of these two laws when you choose your business name:

- ✓ Act respecting the legal publicity of sole proprietorships, partnerships and legal persons
- ✓ Québec Charter of the French Language

Don't forget to do a name search as well, so you won't be sued by another company that feels your business name may be confused with theirs.

DID YOU KNOW?

The *Association du jeune barreau de Montréal* (AJBM) offers an hour of free consultation to entrepreneurs starting a business. The *Juri-Conseils aux entreprises* service gives you one hour with a volunteer lawyer. For a free legal consultation about your business (legal disputes are not included in this program), register online at www.ajbm.qc.ca, in the “services au public” section, call 514-954-3450 or send an email to juriconseil@ajbm.qc.ca

Business registration

In Québec, most businesses have to register with the *Registraire des entreprises* (business registry) at www.registreentreprises.gouv.qc.ca and declare their legal form (see Appendix 8). Registration is mandatory except for sole proprietorships that operate under a business name that contains the first and last names of the owner. Registration protects the chosen name of your business. Annual fees must be paid each year to maintain your registration.

Depending on the legal form you have chosen, the registration costs may vary. Go to the *Registraire des entreprises* website to find out the exact cost. You can also refer to the comparison chart in Appendix 8 to gain a better understanding of the steps to take to register your business and of the responsibilities with regard to it. Once you have completed all the formalities, the *Registraire des entreprises* will assign you a Québec business number (NEQ).

Provincial incorporation (Québec)

Registraire des entreprises
Constitution des personnes morales
2050, De Bleury, RC 10
Montréal (Québec) H3A 2J5
Phone: 514-644-4545

Registering your business name and getting a business number

The business number (BN) is a number assigned by the federal government that businesses need when they deal with the Canada Revenue Agency concerning corporate taxes, goods and services taxes and harmonized sales tax, source deductions and import/export accounts. To get your business number, please go to www.entreprisescanada.ca.

Federal incorporation (Canada)

Industry Canada
Corporations Canada
5 Place Ville-Marie, suite 700
Montréal (Québec) H3B 2G2
Phone: 514-496-1797



Association du jeune barreau de Montréal (Young Bar Association) provides online access to its business start-up guide, which focuses on legal issues.
www.ajbm.qc.ca



Registering a business name⁸
To find out whether the name you want to give your business already exists, consult the NUANS database at
www.nuans.com

8. Canada Business, www.canadabusiness.ca



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Required permits, licenses and insurance

Regulations, licenses and permits⁹

In the national business market, three levels of government (municipal, provincial, federal) enact laws or regulations that may affect your business in different ways. All of this legal documentation is important. Businesses that don't pay attention to and don't comply with certain legal requirements, do so at their own risk and peril.

Certain legal or regulatory requirements apply to specific sectors. In Québec alone, there are HACCP (Hazard Analysis Critical Control Points) standards on food safety, ISO/IEC 17025 (International Organization for Standardization/International Electrotechnical Commission) for laboratory certification, OHSAS 18001 (Occupational Health and Safety Assessment Series) for workplace health and safety, QS 9000 standards for the automobile industry, and the list goes on. For any type of business related to animal or plant production, commercial fishing and aquaculture, food distribution and processing, restaurants and retail sale, you can contact Ministère de l'Agriculture, des Pêcheries et de l'Alimentation, the MAPAQ, www.mapaq.gouv.qc.ca, to learn about the various regulations you need to uphold and the permits you need to acquire. If you serve or sell alcohol in your business, don't forget to get an alcohol permit from the Régie des alcools, des courses et des jeux, www.racj.gouv.qc.ca. And if you are selling anything to individuals or consumers, you must uphold the provisions of the Consumer Protection Act (www.opc.gouv.qc.ca). Depending on your sector, you may also have to apply for certain permits and licenses from the Office de la protection du consommateur.

In addition to these regulatory standards, certain legal regulations are of a more general scope and apply to all stakeholders in the business world. Physical and legal persons are subject to the general and specific provisions of the Civil Code of Québec. More specifically, another type of civil liability related to manufacturing defects may lead to legal

proceedings in the courts. Under the Civil Code, in certain cases the liability for manufacturing defects can also have repercussions for the entire distribution chain, including the wholesaler, the retailer and the salesperson.

Other legal regulations are in effect to protect the environment. They have a direct impact on businesses whose manufacturing processes result in pollution.

Obviously, there are many other regulations besides the ones mentioned above, so it is very important for you, as an entrepreneur, to carefully research the laws and regulations in effect in the industry you plan to participate in. Find out more by contacting the Ministries in question through the Québec government site at www.gouv.qc.ca

Other regulatory requirements

- ✓ Register your business, if necessary (business number).
- ✓ Register for the GST and QST, if applicable, payroll deductions, income tax, your tax account, etc.
- ✓ Comply with export laws and regulations (Permits and licenses for regulated goods, import-export account of the Business Number, reporting exports, customs tariffs and Harmonized System (HS) code, etc.).
- ✓ Comply with import laws and regulations (Customs laws, Harmonized System (HS) code, permits and import controls, reporting, penalties, etc.).
- ✓ Comply with hiring and personnel management laws and regulations (Social Insurance Number (SIN), Employment Insurance (EI), Record of Employment (ROE), protection of personal information). For more information on this point, go to www.revenu.gouv.qc.ca and www.cra.arc.gc.ca
- ✓ If you have employees, enrol your business with the CSST.
- ✓ If you are renting commercial premises, get your occupation permit from the city.

Required and suggested insurance

An insurance policy protects you from unpredictable risks and damage to third parties. When you start your business, you have to at least purchase insurance to cover the company's assets and its civil liability.

⁹ Service Canada, www.servicecanada.ca

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You can also purchase other, optional insurance coverage. For more information, ask an insurance broker, and get quotes from different insurance companies to find the best price for what you need.

Mandatory insurance

1. Business property insurance

This covers losses that affect buildings and building contents (office supplies, equipment) such as:

- ✓ Fire, theft and embezzlement
- ✓ Equipment breakdown
- ✓ Operating losses

2. Civil liability insurance

This protects the insured against the pecuniary consequences of civil liability resulting from bodily harm (including death) or material damages to third parties (clients, employees, suppliers, etc.) caused by business activities. It includes product civil liability insurance. It indemnifies consumers who may be victims of consequential damage due to the use of your company's products or services.

Optional insurance

1. Disability insurance (illness and accident)

It covers:

- ✓ Business costs (phone, advertising, rent) for one year
- ✓ Salary for long-term coverage to age 65

2. Term or whole life insurance

It provides a certain amount of coverage in the event of death.

3. Health care insurance

This is complementary to RAMQ drug insurance.

4. Critical illness insurance

It provides some coverage in the event of critical illnesses identified in the insurance contract, such as cancer. It is recommended that self-employed workers purchase these optional kinds of insurance when the business reaches cruising speed. The basic costs of the premiums for a personalized insurance policy

(optional insurance) are often less than 3% of the entrepreneur's gross salary after business expenses.

5. Directors' and officers' liability insurance

It protects the company directors from any proceedings against them due to decisions made in their official capacity and personal proceedings due to damages caused by a decision made for and on behalf of the company.

For information on the costs of these different types of insurance, please contact your financial institution or several insurance agencies. Feel free to call several companies to shop for the best price.

Intellectual property

Copyright and intellectual property

We can define intellectual property very simply as "intangible property that is the result of creativity and is protected by rights." Although there are different types of intellectual property rights, we will only present the four most common ones here: copyright, trademarks, industrial designs and patents.

The definitions of these four rights are drawn from the Canadian Intellectual Property Office (CIPO) website, www.cipo.ic.gc.ca.

"In the simplest terms, "copyright" means "the right to copy." Only the owner of copyright, very often the creator of the work, is allowed to produce or reproduce the work in question or to permit anyone else to do so. Suppose, for example, that you have written a novel. Copyright law rewards and protects your creative endeavour by giving you the sole right to publish or use your work in any number of ways. You may also choose not to publish your work and to prevent anyone else from doing so."¹⁰

"A trademark is a word, a symbol, a design (or a combination of these features), used to distinguish the wares or services of one person



Insurance Bureau
of Canada
www.bac-quebec.qc.ca
or
www.infoassurance.ca

Canadian Life and Health
Insurance Association
www.clhia.ca

10. Canadian Intellectual Property Office, www.cipo.ic.gc.ca



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or organization from those of others in the marketplace. Trademarks come to represent not only actual wares and services, but the reputation of the producer. As such, they are considered valuable intellectual property. A registered trademark can be protected through legal proceedings from misuse and imitation.”¹¹

“An industrial design is the features of shape, configuration, pattern or ornament (or any combination of these features) applied to a finished article made by hand, tool or machine. It may be, for example, the shape of a table or the shape and ornamentation of a spoon. The design must have features that appeal to the eye. To be eligible for registration with the Industrial Design Office, your design must be original.”¹²

“Patents are for new inventions or processes that offer innovative and useful functions. Canadian law regards the functional aspects and design aspects of articles quite separately. Therefore, you cannot list a function as an element of your industrial design. You may, however, be able to obtain a patent for your article’s functional aspects and an industrial design for its aesthetic ones. Suppose you develop a new kind of folding chair. The way the chair folds, its lightweight construction, its strength and its durability are all functional qualities. The industrial design features could include the shape or configuration of the chair, and any patterns or ornamentation on it or any combination thereof.”¹³

The CIPO’s mission is to apply Canada’s intellectual property laws and regulations. For example, you have to file your applications to register intellectual property rights with the CIPO, and it is the CIPO that manages the various databases related to intellectual property rights.

When filing for intellectual property rights, it is strongly recommended that you hire a specialist, such as a patent or trademark agent. A specialist in the field can save you time and is in a better position to fully protect your rights.

Of course, you can also license your own intellectual property rights to someone else, or purchase a licence to someone else’s intellectual property rights. In either case, you have to sign a licence agreement (i.e., something similar to a “rental lease” on the rights) or a transfer agreement (i.e., which is the same as “selling” the rights). Here again, it is highly recommended that you consult specialized intellectual property lawyers to ensure you are well protected.

Marketing strategies and customer service

Importance of a market study to define and reach your target client base

A market study is an important step in the success of your business project. Before you launch your business, you should research and analyse the data about the environment you’ll be working in, about your potential customers and about the competition you’ll be facing. This will reduce your risk of failure, because you will have verified that the clients really are out there, you’ll be familiar with their behaviour, needs and expectations, and you will know the strengths and weaknesses of your future competitors.

Studying the market allows you to verify and validate a business opportunity by:

1. Revealing the other players in your sector (suppliers, customers, partners and competitors), where they operate and what they charge
2. Analysing market trends – in other words, social phenomena that drive consumption
3. Evaluating your projected sales and validating your project financially
4. Making the right choices to succeed with the project
5. Making your start-up process more credible in the eyes of potential partners

11. Canadian Intellectual Property Office, www.cipo.ic.gc.ca

12 - 13. Id.



Canadian Intellectual Property Office (CIPO)
www.cipo.ic.gc.ca
1-866-997-1936

CIPO IP Toolkit
www.opic.ic.gc.ca

Fondation du Barreau du Québec “Your Rights, your Business” www.fondationdubarreau.qc.ca

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Tips and advice

1. Just thinking about doing a market study is overwhelming for some entrepreneurs. Others find it a waste of time. But they're wrong. You can never have too much information. Doing a market study is a matter of good sense.
2. If you do not find any direct competitors, there must be indirect competitors – that is, someone that meets the same needs you plan to meet, in a different way. For example, an ice cream shop competes with shops that sell other products, like pastries and chocolates.
3. Look at the habits of the other suppliers and your potential customers. It is important to confirm the conclusions of your theoretical study (history, statistics, etc.) using field research.
4. Present your project to job creation networks to get advice.

Getting the word out

You have to spend at least an hour a day promoting your business. The tools and approaches that will spread the word about your business differ depending on your sector. A chocolate maker will not choose the same promotional strategies as a dentist or a specialized aeronautics firm.

When it comes to promoting your business, you have to remember a number of parameters:

- ✓ Scope of the company (local, regional, national, international)
- ✓ Target clientele
- ✓ Type of offer
- ✓ Budget
- ✓ Number of competitors

In terms of means, there are at least three categories to consider:

1. **Advertising** to attract customers to the product.
For example, an ad on the radio, the internet, or a newspaper.
2. **Promotion** to attract customers to the product.
For example, offer your product or service at a reduced rate for a limited time.
3. **Prospecting** to make direct contact with the customer.

As an entrepreneur from another country, you can also look for cultural business associations, which can give you access to an entire network of contacts to get to know.

If your budget allows, you can use an advertising agency to choose the best strategy. Even if that's not possible, that is no reason to neglect this very important factor. Buy business cards, call potential clients to set up meetings, get testimony from satisfied customers to show at your presentations, and take part in networking activities.

Tips and advice

1. Establish a uniform and consistent business image. In other words, always use your logo and name, the same colours, the same font and the same layout on anything and everything that communicates your visual identity (product packaging, signs, vehicles, letterhead, brochures, ads, etc.). Your clients and suppliers will soon recognize you at a glance. Don't forget that your image can change and develop as design and colour trends change.
2. Feel free to be a little original in the way you present your business. In Québec, people like new ideas and using originality will help set you apart from the herd. It is also a good idea to have your promotional strategy assessed by communications and marketing professionals or asking an honest opinion from your friends, family and professional contacts.

Customer service in Québec

In Québec, businesses place a good deal of importance on customer service. Naturally the same is true in many places around the world, but there are a few local peculiarities you should know.

The first thing to remember is that it is important to be able to address your customers in Québec's official language: French. In fact, as was explained earlier, the French Language Charter obliges all businesses to serve and provide information to their customers in French. The same goes for advertising and business offers.

Second, Quebecers are generally warm and helpful, and they expected to be treated the same way. Feel free to chat about this

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and that (weather, weekend activities, etc.). Pay attention and smile. Be pleasant but maintain a professional distance.

Third, use your instinct and listen to the reactions of your partners, customers, etc. If you are not yet familiar with Québec culture, you might affront people with your words or gestures, even if you don't intend to. Be tolerant and clear up any misunderstandings by staying calm and being respectful.

The customer is king!

In Québec, the customer is king. This isn't just an expression: it is applied in customer service policies. In restaurants, retail stores, businesses and other organizations, Quebecers expect to be treated like kings and to receive service with a smile and the full attention of the server, owners, salesperson, etc. Avoid making your customers wait, disappointing them or contradicting them! They'll think you don't respect them.

The idea of being "customer-focused" is very important in Québec businesses. You have to adjust to the customer's demands, because if the customer isn't happy, they'll go do business with someone else, eat in another restaurant and stock up with another supplier. In Québec, customers like to negotiate the price of major purchases, because they're looking for the lowest price and the best quality. That's why some businesses reward loyal customers by giving them discounts, special deals and gifts.

Customer satisfaction has to be your number-one consideration. Many businesses develop their promotional strategy around the customer, because their growth and longevity depends on it. They know that if they don't satisfy their customers, their competitors will be happy to.

to buy office supplies, rent a car or premises, own a Canadian credit card to make a purchase online, etc. For all these things, your credit history (credit cards, loans) will be checked to ensure that you repay your debts. If you have a good credit history, you should have no problems getting financing. It is easiest to get loans if you have a credit history, because it means you have proven your ability to repay debts.

Credit is a very practical payment method for current expenses related to your future business. But you have to make sure you maintain a good "credit rating." Your credit rating measures your solvency and your repayment reputation. Your credit rating is assigned based on your credit history, so it's important to adopt responsible credit and debt habits to keep your rating high.

It is not considered bad in Québec to have debts, especially if they are repaid on time as arranged. Many people get loans to buy things.

You have to remember, though, that your credit history in your native country will not be considered here.

Do you need help managing your personal budget?

Find out more from one of these organizations:

- ✓ Association coopérative d'économie familiale (ACEF) de l'Est de Montréal: 514-257-6622 or www.consommateur.qc.ca/acefest
- ✓ ACEF du Nord de Montréal : 514-277-7959 or www.acefdunorddemontreal.org
- ✓ ACEF du Sud-Ouest de Montréal : 514-362-1771 or www.consommateur.qc.ca/acef-som
- ✓ Option consommateurs : 514-598-7288 or www.option-consommateurs.org

Sources of financing

Importance of a credit file for entrepreneurs seeking financing

It is important, in Québec, to have a solid credit record. As an immigrant, you have to build a credit history in Québec. When you arrived in Québec, you may have had some money set aside, but one day you will need

Sources of financing

Before you start looking for financing, you need a Québec bank account. If you don't have one, contact the financial institution of your choice and open a personal account. Depending on the type of business you plan to open, you may also need a business account.

There are several sources of financing (loans or grants) that can help you start your business.

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Every loan and grant has its own particular features and is geared toward a particular clientele or business type. You won't have access to every type of business financial assistance.

In any case, you need a business plan. Based on your business plan and your financial projections, you can get money in the form of a loan or a grant to start your business project.

• Personal investment and "love money"

Before you apply for financial assistance, it is a good idea to establish your personal balance sheet to see whether you have savings you could invest in your own business. The government and banking institutions do not usually require a personal investment, but it is always preferable. If you are thinking of applying for a grant from a para-governmental organization, a personal investment is mandatory.

It is easier to get financing for your business if you invest some of your own capital in the project, but if you don't have any personal money to invest, you can ask your friends and family to invest, in the form of a gift or loan. This is what is called "love money," and it is a good way to gather together the initial investment you need to start a business.

• CLD and CDEC financial tools

The Centre locaux de développement (local development centres – CLDs) and Corporations de développement économique communautaire (community economic development corporations – CDECs), offer advisory services and support for entrepreneurs, including help setting up a business plan, business consolidation and expansion support, assistance in finding financing, entrepreneurship training, business networking activities, and other relevant services. These organizations also manage different funds you can go to for financing. Every fund has its own eligibility criteria.

The CDECs offer all the same support as the CLDs, but they are also involved in local economic planning and development.

These are their main financial tools:

Loans

1. Fonds local d'investissement or FLI (*Local investment funds*)

2. Société locale d'investissement dans le développement de l'emploi or SOLIDE (*Local employment development societies*)
3. Fonds de développement Emploi-Montréal or FDEM (*Montréal job development fund*)

Subsidies

1. Fonds d'économie sociale or FÉS (*Social economy funds*), managed by certain CLDs and CDECs
 2. Jeunes promoteurs or JP (*Young Promoters Program*)
- * An explanatory chart for each tool can be found in Appendix 9.

You can also call your local CLD or CDEC for more information on the services they provide. You can find the contact information for the CLD or CDEC in your area in Appendix 2.

• Fondation du maire de Montréal pour la jeunesse

The foundation is a not-for-profit organization that offers grants and services to help young Montrealers aged 18 to 35 to start their own business. The Fondation's target group includes entrepreneurs from the cultural communities.

* See explanatory table in Appendix 10.

For more information:

Phone : 514-872-8401

Website : www.fondationdumaire.ca

• Canadian Youth Business Foundation (CYBF)

The Canadian Youth Business Foundation is a charitable organization that provides start-up coaching, business resources, start-up financing and mentoring for youth aged 18 to 34 who are starting their own businesses.

* See explanatory table in Appendix 11.

For more information:

Phone: 1-800-464-2923

Website: www.cybf.ca



If you have a credit history in Québec, you can get your credit file and check your "credit rating" with one of these organizations:

Trans Union Canada inc.
Customer Relations
1 Place Laval, suite 370
Laval (Québec) H7N 1A1
1-877-713-3393
or 514-335-0374
www.transunion.ca

EQUIFAX Canada inc.
Consumer Relations Service
PO Box 190,
station Jean-Talon
Montréal (Québec)
H1S 2Z2
514-493-2314
or 1-800-465-7166
www.equifax.ca



Canadian Bankers Association
www.cba.ca



business start-up process in Québec

• **Business Development Bank of Canada (BDC)**

The Business Development Bank of Canada, commonly called the BDC, offers several financing solutions that may meet your needs as an entrepreneur, including term loans, subsidized funding and risk capital.

For more information:

Phone: 1-877-232-2269

Website: www.bdc.ca

• **Crédit communautaire (Community credit)**

The people targeted by community credit services generally have an excellent business project and the skills they need to deliver their products or services. But they lack entrepreneurial skills or need regular monitoring and follow-up. Community credit has managed to develop the specific expertise of combining close entrepreneurial development and support for underprivileged people. Community credit supports self-employment projects, small individual or group businesses and social economy businesses.

The main eligibility criteria are:

- ✓ Have a business idea or project
- ✓ Attend an information meeting
- ✓ Agree to be coached by the local community credit member organization
- ✓ Live in the territory of the organization you get the funding from

For more information, contact one of the organizations listed below:

- Association communautaire d'emprunt de Montréal (ACEM)
Phone: 514-843-7296
Website:
www.acemcreditcommunautaire.qc.ca
- Aurora – Compagnie F
Phone: 514-381-7333
Website: www.compagnie-f.org
- Cercles d'emprunt de Montréal
Phone: 514-849-3271
Website: www.cerclesdemprunt.com
- Cercles d'emprunt de la Corporation de développement de l'Est (CDEST)

* Only for residents of Mercier/

Hochelaga-Maisonneuve borough

Phone: 514-256-6825

Website: www.cdest.qc.ca

• **Filaction**

Filaction is a not-for-profit organization for Québec small businesses in every sector, but especially in the cultural and social economy sectors. Filaction offers development capital for projects designed to create and maintain jobs. The organization offers assistance at every stage of business development: start-up, development, expansion, consolidation or employee takeover.

For more information or to apply for financing:

Phone: 514-525-2042

Website: www.filaction.qc.ca

Here are some complementary financing funds (for specific client groups) managed by Filaction and its partners:

- Investissement Femmes Montréal
For women entrepreneurs
Phone: 514-270-3964
Website: www.fondsifm.ca
- Fonds Afro-entrepreneurs
For entrepreneurs from the Black communities
Phone: 1-888-525-2075
Website: www.filaction.qc.ca
- Fonds Capital Équitable
For Québec importers of fair-trade products
Phone: 514-525-3346
Website: www.capitalequitable.org
- Fonds régional pour le développement coopératif
For entrepreneurs who want to start a cooperative
Phone: 514-340-6056
Website: www.cdr.coop

• **Investissement Québec**

Investissement Québec is both a financial institution and an economic development agency where consultants can help you find financial solutions that suit your needs.

business start-up process in Québec

Financial products:

Loans, repayment guarantees, financing for tax credits.

For more information:

Phone: 514-873-9292 (eastern Montréal)

Phone: 514-873-4375 (western Montréal)

Phone: 514-873-1401 (borough of St-Laurent)

Website: www.investquebec.com

Financial institutions

As we mentioned earlier, you can apply for a business loan at your own financial institution. Caisses populaires and Canadian banks offer a variety of financing solutions for businesses, often in the form of loans and lines of credit.

Ask your bank manager about the Canada Small Business Financing Program (CSBF). This program helps improve access to loans for starting, expanding, modernizing or improving small businesses by encouraging financial institutions to provide services to small businesses. Under the terms of the program, the small business owner must apply for a loan from a bank or caisse populaire.

For more information: www.ic.gc.ca

• Société de développement des entreprises culturelles-SODEC

Be it for development, production, promotion, publishing or exposure, the SODEC has the mission to support various cultural endeavours by administering government assistance for cultural businesses.

This assistance, which is given in the form of project investments, grants or repayable loans, helps artists to produce or publish their work in Québec, Canada or internationally.

Areas of intervention:

Cinema and visual productions, music and variety, books and special publishing, fine arts, heritage buildings.

For more information about their funds:

Phone: 1-800-363-0401

Website: www.sodec.gouv.qc.ca

• Export Development Canada – EDC

The EDC has developed products to help businesses of all sizes and in all sectors rise

to the challenge of foreign sales. The EDC's products and services may meet the needs of businesses in any stage of growth or development. Whether they need funds to pay initial fees for transactions with new clients or a loan to promote or expand activities, the EDC offers support to businesses that want to export their products and services.

For more information:

Phone: 1-866-283-2957

Website: www.edc.ca

• Info entrepreneurs

Info entrepreneurs is the leading provider of information about federal, provincial and private services, programs, and products for business people. The organization offers a wealth of business information to help small businesses grow.

For information about anything related to business start-up, including sources of financing, go to the Info Entrepreneurs website or call one of their consultants.

For more information:

Phone: 514-496-4636

Website: www.entreprisescanada.ca

• Types of financing¹⁴

Depending on the size of your business, you will have to figure out what kind of financing is appropriate. You will find here a list of the types of financing available. We suggest that you go to www.entreprises.gouv.qc.ca to learn more about these different types of financing and their advantages and disadvantages.

- ✓ Asset-based Financing
- ✓ Capital Lease/Operating Lease
- ✓ Conditional Sales Contract
- ✓ Credit Card
- ✓ Export Financing
- ✓ Factoring
- ✓ Leasing
- ✓ Non-residential Mortgage
- ✓ Operating Loan/Line of Credit
- ✓ Quasi-Equity
- ✓ Sale and Leaseback
- ✓ Term Loan
- ✓ Vehicle Lease
- ✓ Venture Capital/Seed Capital
- ✓ Working Capital

* Definitions in the Glossary.

PART 4



Small Business
Financing in Canada
www.rbcroyalbank.com

This guide was developed by the Royal Bank to help entrepreneurs discover the means of financing and the lenders that best suit their business needs.

14. Canada Business, www.canadabusiness.ca



business start-up process in Québec

Location and where to look for business premises



How to choose a location and find business premises?¹⁵

Choosing the right business location is critical. Your choice will have a major impact on the viability of your business, especially for retail commerce. If your business must be located on a main street to facilitate the sale of your products or services, you need to keep a few basic principles in mind.

In Appendix 12, you will find a handy tool to help you choose the ideal location for your business.

A few places to look for business premises

To find the ideal location for your business, you can do your own research by visiting locations for rent on the main commercial street in the neighbourhood that interests you. You can also look at premises available in an industrial or technological park.

If you want to set up your business close to home, pay special attention to advertisements in the local paper that is distributed free in your mailbox. You may find the ideal location advertised right there.

If you can afford it, you can also hire a real estate agent to do the research for you.

A few good addresses:

- ✓ Commercial space posting network: www.carrefour-immobilier.com
- ✓ To find the address of industrial parks in each area of Montréal, go to www.ville.montreal.qc.ca and select the borough where you want to set up your business. For additional information, call the borough office.
- ✓ For more information on building recycling and main street improvement projects, visit Convergence at : www.convercite.org

Commercial lease

Definition: A lease is a contract through which a physical or legal person grants, for a defined period, to another person and in exchange for a sum of money, the right to use an asset or property under the terms stipulated in the contract or by law.

GENERAL RULES GOVERNING COMMERCIAL LEASES¹⁶

Paragraph 1851 of the *Civil Code of Québec* (C.C.Q.) defines leasing as follows:

“Lease is a contract by which a person, the lessor, undertakes to provide another person, the lessee, in return for a rent, with the enjoyment of a movable or immovable property for a certain time. The term of a lease is fixed or indeterminate.”

Registering a lease

It is very important to register your lease with the land registry (www.registrefoncier.gouv.qc.ca) by filing the appropriate documents with the rights registry office in your area. In this way, if the owner of the building sells it, you will be assured that the new owner of the building, the acquirer, will uphold the term of your lease. If the lease is not registered, the new owner can end your lease at the moment of acquisition. As the Québec Civil Code points out:

“ 1887. (...) In the case of the lease of an immovable with a fixed term and if more than twelve months remain from the date of alienation or extinction of title, he may resiliate it upon expiry of the twelve months by giving the lessee written notice of six months. **He may not resiliate the lease if it was registered in the registry office before the deed of alienation or the act by which the title is extinguished was so registered.**”



Questions to ask before signing a lease¹⁷

- ✓ How long is the lease and how much is the rent?
- ✓ How much will the rent go up and can I renew at the end of the lease?

15. Canada Business, www.canadabusiness.ca

16. Based on Clinique juridique de l'UQAM, www.cliniquejuridique.uqam.ca

business start-up process in Québec

- ✓ Is there an additional rent to pay?
- ✓ Can I sublet?
- ✓ Can I renew the lease?
- ✓ What happens if the owner goes bankrupt?
- ✓ Who is responsible for the insurance?
- ✓ What services will I get?
- ✓ Who else can move in?
- ✓ Who pays for improvements and what costs are my responsibility?

Before signing the lease, check with your borough office to see whether the zoning allows your type of business at that location.

NOTE: The *Régie du logement* (rental board) has no jurisdiction to act in matters involving commercial leases.

DID YOU KNOW?

In Québec, you can negotiate the price of a lease, whether it is residential (a place to live) or commercial (a place to do business).

For the business, exporting requires the same efforts as sales to customers in the national market, plus all the difficulties related to language, culture, customs, logistics, terms of payment and currency, the standards and regulatory context in the target country. In other words, it is not a process to take lightly, and it is important to be well informed and prepared before undertaking such a major operation.

To start the export process, there are several successive steps to take:

- ✓ Determine why you want to export (increase sales, greater profitability, economies of scale, etc.)
- ✓ Target and study potential markets
- ✓ Evaluate the product's export potential and its state of readiness
- ✓ Identify technical and financial resources that may be useful
- ✓ Start the legal steps to register as an exporter with the Canadian government
- ✓ Draw up an export plan to define objectives, means, and phases of the export project
- ✓ Begin market penetration operations, starting with a test

The export process generally takes three years before it provides a return on the investment. That means that you'll be spending more money than you earn in the beginning. So it is very important that your national market is generating enough cashflow to allow you to make this kind of investment without putting your business in danger.

Steps to follow

To begin your export project, you have to undertake a series of legal and commercial steps. In each step, you will be able to get help from a variety of organizations.

1. *The market study: evaluating your potential*

For your market study, an organization such as the Info Entrepreneurs business resource centre can help by giving you access to existing studies, directories and professional databases. There are information specialists on site to help you. The Canadian government site

Imports and exports

This part of the guide is for entrepreneurs looking for basic import-export information and related international trade concepts.

Exporting: a carefully planned process

Exporting refers to goods or services transactions with a customer in another country. In general, exporting should only be considered when the business is well established in the local market and already enjoying regular and profitable sales. It is crucial for the business to have compelling reasons for turning to the export market, and the reasons should be consistent with the business's development plan.



business start-up process in Québec

Export Source also provides access to lots of technical information about exporting (such as how to draw up an export plan, etc.). The network of Canadian trade commissioners, based in Canadian embassies around the world, can give you information about specific sectors and geographic zones, and help you throughout your export process. Their provincial counterparts in the Québec foreign offices can do likewise.

2. Legal steps

Before you become an active exporter or importer, you have to obtain an exporter or importer number, which allows the government to identify you as an active exporter or importer as long as you are in business. Apply to the Canada Revenue Agency: www.cra-arc.gc.ca

You also have to figure out the code that matches your product, to make sure there are no restrictions, quotas or export prohibitions. This code also helps determine the customs rate that will apply, if your product is subject to customs duty. This information can be found on the Canadian Border Services Agency website at www.cbsa-asfc.gc.ca

3. Sources of financial and technical assistance

There are several organizations that can help you in your export process, on either the technical or financial level. The list is too long to be reproduced here, but the Info Entrepreneurs website contains two guides that provide a very thorough list of these resources, so make sure you look carefully at the Export and Financing a Business info-guides at www.entreprisescanada.ca

4. Government services

There are several Canadian and Québec government services that can help businesses in their export endeavours, and their services are generally free. In addition to the expertise of their officers, they have tools, market studies, and contact and reference lists that may be very useful. Make the most of it!

- Canadian trade commissioner network:
www.international.gc.ca
- Export Source
www.exportsource.ca

- Québec foreign offices:
www.mdeie.gouv.qc.ca
(export section)
- Canadian Border Services Agency:
www.cbsa-asfc.gc.ca
- Canada Revenue Agency:
www.cra-arc.gc.ca
- Export Development Canada:
www.edc.ca

Importing

Importing consists of bringing merchandise into Canada to use or sell. For the former, the importer has to ascertain the availability of the product, the reliability of the supplier, and all the problems related to logistics, transportation, the exchange rate, insurance and standards and regulations governing the import and use of the product in Canada.

In the latter case, in addition to all these issues, the importer must consider factors related to the existence of a market for the distribution of the product. In other words, a market study and a competitor analysis are in order.

To begin import transactions, your organization must first register with the Canada Revenue Agency as an importer.

Importing involves a lot of legal and prescriptive procedures. We recommend that you really do your research before you start. For an overview of all of the verifications and procedures to undertake for an import project, we suggest that you read the Info Entrepreneurs Info-Guide on importing, which is a very good starting point for this kind of project. You can find it at www.entreprisescanada.ca in the Importing section. •



Info entrepreneurs:
www.entreprisescanada.ca

Network of Canadian
Trade Commissioners:
www.international.gc.ca

Export Source:
www.exportsource.ca

Québec Foreign Offices:
www.mdeie.gouv.qc.ca
(export section)