

On this basis, Commerce distinguished the capital lease from a typical long-term commercial loan, which was not secured in this way.

SDI asserted that any possible countervailable subsidies were extinguished by the privatization of Sidbec-Dosco. The Government of Canada expressed concerns with Commerce's privatization methodology as it was advised that the sale of Sidbec-Dosco was an arm's-length transaction and fully reflected the market value of the company's assets. According to Commerce's practice, the sale of a "business" or "productive unit" does not alter the effect of previously bestowed subsidies. A calculation is performed to measure the portion of the subsidies passed through, taking into account the sale price and previously bestowed subsidies. This approach was consistent with the Federal Circuit's decision in *Saarstahl AG v. United States*, 78 F.3d 1539 (Fed. Cir. 1996).

## 7.3 Programs Determined to be Countervailable

### 7.3.1 Provincial Programs

#### 7.3.1.1 1988 Debt-to-Equity Conversion

Sidbec-Dosco received a debt-to-equity conversion from the Government of Quebec in 1988. The Quebec Industrial Development Corporation reported that a portion of Sidbec's debt was converted into Sidbec capital stock in 1988. The debt consisted of four loans provided to Sidbec during the period from 1982 to 1985, plus accrued interest. Every two years, Quebec extended the maturity date for these loans for another two years. Quebec converted four of Sidbec's debt instruments into Sidbec equity in 1988 in order to improve Sidbec-Dosco, Inc.'s economic profile. Sidbec was authorized to acquire an equivalent amount in shares of Sidbec-Dosco, Inc.

Commerce concluded that benefits to Sidbec occurred at the point when the debt instruments (i.e. loans) were converted to capital stock, given that Sidbec was not equityworthy in 1988. The conversion of debt to capital stock was considered to constitute an equity infusion inconsistent with the usual investment practice of private investors. Commerce determined the 1988 debt-to-equity conversion to be specific, because it was provided to only one enterprise, Sidbec, and was not part of a broader program. The net rate found was 0.92%.

#### 7.3.1.2 1983-1992 Grants

Sidbec received grants from the Quebec government as compensation for expenses it incurred to finance Sidbec-Normines and its discontinued operations. Some of these grants were provided by Quebec to Sidbec with regard to the payment of interest and principal on six different loans made in the period from 1984 to 1992.