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NEW PRIVATE PLACEMENT RULE IN QUEBEC

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In April 2004, the Autorité des marchés financiers (formerly the Quebec Securities Commission) (the "**AMF**") announced that it intended to apply a new rule which will significantly change the exemptions available for private placements of securities under the Quebec Securities Act (the "**Act**").

Private placements are an important source of financing for mining exploration companies. In a private placement, securities in the capital stock of a company (for example, common shares, flow-through shares and warrants) are sold to investors pursuant to exemptions from prospectus and registration requirements.

The goal of the changes is to facilitate access to capital and investment opportunities. Industry participants already agree that the new rule will allow faster and less expensive access to public capital for mining exploration companies looking for financing in the Province of Quebec.

The new rule, borrowed from the regulatory framework governing the exempt distribution of securities that is in effect in the other provinces and territories, provides for an exemption from the requirement of preparing a prospectus and registering as a dealer for any distribution to investors in Quebec who qualify as "accredited investors". The quality of accredited investor is conferred upon certain institutional and non-institutional investors, including individuals meeting criteria regarding income, net worth, level of sophistication and risk tolerance.

In summary, an accredited investor is an individual holding, either alone or together with his or her spouse, assets in excess of \$1,000,000 or whose net income exceeded \$200,000 during each of the past two years or, combined with that of his or her spouse, exceeded \$300,000 during each of the past two years, or a company holding at least \$5,000,000 in assets.

Good news: There is no limit to the investment threshold, the number of investors and the number of times the exemption may be used.

All the securities distributed under the new rule will be subject to a 4-month hold period, provided the company is a reporting issuer in Quebec.

To take advantage of the new rule, an application must be filed with the AMF and the exemption obtained before the private placement begins. It takes up to 3 days for such placement to be authorized by the AMF.

In addition to the new rule, all the other exemptions available under the Act, including the exemption for a minimum subscription of \$150,000 per person, are still in effect.

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