



British Columbia  
Securities Commission

# **New Existing Security Holder Exemption**

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# What We Will Talk About

- **Existing security holder exemption**
  - Background
  - Key conditions
  - Steps in sample BC1 Co. transaction
    - Structure
    - News release
    - Subscription agreement
    - Closing and post-closing



# Background

- **Brief history**
  - Publication for comment – Nov 21, 2013
  - 241 comment letters
  - BCI 45-534 adopted March 13, 2014



# Background

## Problem

- Issuers (particularly venture) seldom distribute securities to retail investors
- Retail security holders limited to purchasing securities on secondary market



# Background

- **Advantages of exemption**
  - Additional source of capital
  - Designed to be time and cost efficient
  - Means of re-engaging the retail investor



# Key Conditions

- **Issuer**
  - Listed on TSXV, TSX or CSE
  - Not in default
  - News release with required disclosure
  - Offer available to all security holders
  - Contractual right of action for misrepresentations



# Key Conditions

- **Purchaser**
  - Existing security holder on “record date”
  - Limited to \$15,000 investment in 12 months unless receives suitability advice from a registered investment dealer
  - Purchasing as principal



# Key Conditions

- **Securities**
  - Listed securities or units with listed securities and warrants to acquire listed securities
  - Four month hold





# BC1 Co.

- TSXV mining exploration company
- Offering size: \$500,000 to \$1 million
- Offering type: units consisting of 1 share and 1 warrant
- Announcement date: April 9, 2014
- Record date: April 8, 2014

# Structure

- Do exchange private placement policies apply?
- Can this exemption be combined with other exemptions?



# News Release

- Reasonable detail of distribution and use of proceeds
- Min/max securities and min/max gross proceeds
- Principal purposes of offering (for min and max) using approximate amounts



# BC1 Co.

*We are proposing to raise a maximum of \$1 million and a minimum of \$500,000 which we intend to allocate as follows:*

	\$1,000,000	\$500,000
Expenses of offering	\$25,000	\$25,000
Exploration program on x property	\$400,000	\$400,000
Exploration program on y property	\$300,000	0
G&A expenses	\$275,000	\$75,000



# News Release

- Offer available to all security holders
  - Why?
  - What does this mean?
  - How long is offer open?
- How issuer will deal with oversubscriptions



# BC1 Co.

A helicopter is shown in flight against a backdrop of vast, snow-capped mountain ranges. A thin cable extends from the helicopter down to a construction site in the foreground, which is situated on a rocky, mountainous terrain. The construction site includes various pieces of equipment and materials, suggesting a high-altitude or mountainous construction project.

## **Example:**

*This offer is available to all security holders who held our common shares on April 8, 2014. The offer will be open until xx, 2014. If you are a security holder who is interested in participating, you should [add instructions].*

# BC1 Co.



## **Example:**

*If we receive total subscriptions exceeding \$1 million, we will reduce the amount of securities issued to each subscriber by the same percentage.*

# Subscription Agreement

- **Issuer representations**
  - No misrepresentations in continuous disclosure record
  - No undisclosed material fact or material change





# Subscription Agreement

- **Purchaser representations:**
  - A security holder on the record date
  - Purchasing as principal
  - Acquiring less than \$15,000 of that issuer's securities in 12 month period, or received suitability advice from registered investment dealer



# BC1 Co.

## **Example:**

*The purchaser represents that:*

- on or before April 8, 2014, the purchaser acquired common shares of the issuer, and*
- on April 8, 2014, the purchaser held common shares of the issuer.*

# Subscription Agreement

- Include contractual right of action
  - See section 5 of BCI 45-534 for exact language



# Pre-closing Matters

- Must file “offering material” if provided
  - What is “offering material”?
- When issuers should not accept a subscription



# Closing and Post-closing

- Closing news release
- Report of exempt distribution in correct form in each jurisdiction where distribution has occurred



# Questions?

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