

EMPLOYEE STOCK INCENTIVE PLANS IN QUEBEC

In today's global economy, there is an increasing trend toward the opening by public companies of foreign subsidiaries or branch offices in the Province of Quebec. In order to retain and motivate the employees at their Quebec operations, these companies typically extend the application of their stock option and stock purchase plans to these employees. The goal behind these stock incentive plans is to align the interests of the company's employees with those of its shareholders.

In Quebec, in order to be able to offer employees the opportunity to participate in stock incentive plans, a company must first obtain various exemptions from the *Commission des valeurs mobilières du Québec*, the Quebec provincial body which regulates activities in the securities markets. These exemptions relate to the obligation for the company whose securities are being issued pursuant to the plan to clear a prospectus and to register as an investment dealer. Additionally, to the extent that the plan is administered by an investment dealer which is not registered in Quebec, an exemption must be obtained in connection with the latter's activities as well.

Typically, in granting the requisite exemptions, the Commission also grants relief from the specific provisions of Quebec securities legislation which impose particular conditions on the actual features of the plan in order that foreign companies are not required to modify their plans as a condition to extending their application to Quebec participants. The exact nature of the relief granted and of the documentation required to be submitted to the Commission in order to obtain such relief varies depending upon the nature of the company. For example, whether an offering notice is required to be prepared and filed with the Commission, and ultimately distributed to the Quebec-based beneficiaries under the plan, and whether if prepared it need be prepared in the French language, depends on whether the company is based in Canada or abroad and on how many employees in Quebec are being targeted by the plan.

Frequently a company has already granted options to various of its Quebec-based employees before it becomes aware of the requirement to obtain from the Commission the exemptions outlined above. In such a circumstance, certain relief may be requested from the Commission in respect of such prior grants.

Lapointe Rosenstein has successfully obtained exemptions from the Commission on behalf of a large number of foreign companies wishing to extend their stock incentive plans to Quebec-based employees. Please do not hesitate to contact us should you require our assistance to do the same for you.



For more information, please contact any of the members of our Securities group:

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