

ALBERTA SECURITIES COMMISSION

IN THE MATTER OF the *Securities Act*
(S.A 1981, c. S-6.1, as amended) (the “Act”)

- and -

IN THE MATTER OF the Investment Dealers Association of Canada

- and -

IN THE MATTER OF Special Warrants

ORDER
(Subsection 116(1))

1. WHEREAS the Investment Dealers Association of Canada (“IDA”) has made an application to the Alberta Securities Commission Board (the “Commission Board”) for an order pursuant to subsection 116(1) of the Act that certain trades in securities which are issued for cash consideration by an issuer under a private placement exemption and entitle the holder to acquire other securities of the issuer for no material additional consideration (“Special Warrants”) are exempt from section 81 of the Act;
2. AND WHEREAS it was represented by the IDA to the Commission Board that:
 - 2.1 the issue of Special Warrants has become increasingly popular with both issuers and investment dealers in reducing the period of “market risk” and transaction completion of a prospectus and facilitating the subsequent delivery of “freely-trading” securities to investors;
 - 2.2 the private placement exemptions of the Act have, generally, restricted the market for Special Warrants to financial institutions, exempt purchasers and investors who can purchase securities having an aggregate acquisition cost of not less than \$97, 000; and
 - 2.3 restrictions other than those set forth in the Act could allow the private placement of Special Warrants to a broader market and maintain appropriate safeguards;
3. AND WHEREAS the Commission Board is satisfied that to do so would not be prejudicial to the public interest;
4. IT IS HEREBY ORDERED pursuant to subsection 116(1) of the Act that the issue by an issuer of Special Warrants is exempt from section 81 of the Act provided that:

- 4.1 The terms of the Special Warrants include the right of the purchaser to require the issuer to return at least the full amount of the consideration paid by the purchaser for the Special Warrants in the event that the issuer fails to obtain,
 - 4.1.1 within 30 days of the distribution of the Special Warrants, a receipt from the Alberta Securities Commission Agency (the “Agency”) for a preliminary prospectus, and
 - 4.1.2 within 120 days of the distribution of the Special Warrants, a receipt from the Agency for a final prospectuswith respect to the distribution of securities on the exercise of the Special Warrants;
- 4.2 the final prospectus of the issuer with respect to the distribution of the securities to the purchaser upon its exercise of the Special Warrants contains a contractual right of rescission in the event of:
 - a) a material misrepresentation in the latest information contained in the latest financial statements of the issuer filed with the Commission, or any written information distributed by the issuer in support of the sale of the Special Warrants;
 - b) a misrepresentation in the final prospectus,which entitles the purchaser to rescission of not only the purchaser’s exercise of its Special Warrants, but also the private placement transaction pursuant to which the Special Warrants were initially acquired by the purchaser, thereby entitling the purchaser to the return of the full amount of the consideration paid to the issuer for the Special Warrants;
- 4.3 the purchaser purchases as principal and the trade is in a security which has an aggregate acquisition cost to the purchaser of not less than \$25,000;
- 4.4 the purchaser is a “sophisticated purchaser” within the meaning of subsection 1(1)(j) of the Regulation to the Act;
- 4.5 the issuer has been a reporting issuer for not less than two years prior to the issue of the Special Warrants;
- 4.6 securities of the issuer have been listed in either the Alberta Stock Exchange, Vancouver Stock Exchange, the Toronto Stock Exchange or the Montreal Stock Exchange for not less than two years prior to the issue of the Special Warrants;
- 4.7 the issuer had a minimum of \$2,500,000 of revenue from continuing operations for the twelve month period ending at the end of the last fiscal quarter of the issuer prior to the issue of the Special Warrants;
- 4.8 the proceeds from the issue of the Special Warrants are held in trust by a financial institution, as such is defined in section 1 of the Act, until such time as the right referred to in paragraph 4.1 has expired;

- 4.9 the issue of Special Warrants is effected through an investment dealer registered under the Act;
 - 4.10 the issuer of the Special Warrants is not in default of any requirement of the Act or the Regulation thereto; and
 - 4.11 the issuer files a Form 20 not later than 10 days after the distribution of Special Warrants to a purchaser in reliance on this order;
5. IT IS HEREBY FURTHER ORDERED pursuant to subsection 116(1) of the Act that the first trade in the Special Warrants or securities issued upon the exercise of the Special Warrants shall be a distribution unless such first trade is made in accordance with the Act as if the Special Warrants were previously acquired under the exemption in subsection 107(1)(d) of the Act.
6. IT IS HEREBY FURTHER ORDERED that this Order will be in force until June 30, 1994.

Dated at the City of EDMONTON
in the Province of ALBERTA,
this 10th day of June, 1992

) ALBERTA SECURITIES COMMISSION BOARD
)
) (SIGNED)
) FRANS F. SLATTER
)
) (SIGNED)
) MARGARET WEIR ANDREASSEN
)
) (SIGNED)
) DENNIS ERKER