

ORD. #94/12/355
FILE #B/12149
DOC. #IDAIN2.ORD

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 186(1))

1. WHEREAS the Investment Dealers Association of Canada ("IDA") has made an application to the Board of the Alberta Securities Commission (the "Board") for an order pursuant to subsection 186(1) of the Act to extend the previous order of the Board, ORD. #94/06/150, dated June 9, 1994 (the "Previous Order"), which is due to expire December 31, 1994, to December 31, 1996;
2. AND WHEREAS the Board is satisfied that to do so would not be prejudicial to the public interest;
3. IT IS HEREBY ORDERED pursuant to subsection 186(1) of the Act that the reference to "December 31, 1994" in paragraph 7 of the previous Order shall be amended to read "December 31, 1996".

Dated at the City of Edmonton)	<u>(original signed by)</u>
)	Ian McConnan, Member of the Board
in the Province of Alberta)	
)	<u>(original signed by)</u>
this 14 th day of December, 1994)	Martin Larson, Member of the Board
)	

APPENDIX A

ORD. #94/06/150
APP. #94/05/7105
REC. #124683
FILE #B12149
DOC. #IDAIND.ORD

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) and 186(1))

1. WHEREAS the Investment Dealers Association of Canada ("IDA ") has made an application to the Board of the Alberta Securities Commission ("Commission") for:
 - 1.1 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 that issuer or of another issuer for no material additional consideration ("Special Warrants") are exempt from section 81 of the Act; and
 - 1.2 an order pursuant to subsection 186(1) of the Act to revoke a previous order of the Board (O.R. #92/06/228) dated June 10, 1992 (the "Original Order");
2. AND WHEREAS it was represented by the IDA to the 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;
 - 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;
 - 2.4 the Board by way of the Original Order ordered that the issuer of certain Special Warrants would be exempt from section 81 of the Act provided certain conditions were met; and
 - 2.5 the Original Order expires on June 30, 1994;
3. AND WHEREAS the 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 Agency of the Alberta Securities Commission (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 prospectus
- With respect to the distribution of securities on the exercise of the Special Warrants (the "Underlying Securities");
- 4.2 the final prospectus with respect to the distribution of the securities to the purchaser upon the exercise of the Special Warrants contains a contractual right of rescission in the event of:
 - 4.2.1 a material misrepresentation in the information contained in the latest financial statements of the issuer of the securities obtainable upon the exercise of the Special Warrants (the "Underlying Security Issuer") filed with the Commission, or any written information distributed by the issuer of the Special Warrants and, in the case of Special Warrants issued by an issuer which is not the Underlying Securities Issuer, the Underlying Security Issuer, in support of the sale of the Special Warrants, or
 - 4.2.2 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 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) (i) of the Regulation to the Act;
 - 4.5 the Underlying Security has been a reporting issuer in Alberta for not less than two years prior to the issue of the Special Warrants;
 - 4.6 the Underlying Securities, or securities into which the Underlying Securities are convertible, have been listed on one of 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 Underlying Security 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 as defined in section 1 of the Act, until such time as the right referred to in paragraph 5.1 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 and, if not the same as the issuer of the Special Warrants, the Underlying Security issuer is not in default of any requirement of the Act or the Regulation thereto; and
 - 4.11 the issuer of the Special Warrants 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 where the issuer of the Special Warrants is not the same as the Underlying Security issuer, the trade by the issuer of Special Warrants of securities upon the exercise of Special Warrants issued in reliance upon the provisions of Section 4 of this Order is exempt from section 81 of the Act if no unusual effort is made to prepare the market or to create a demand for the securities and no extraordinary commission or consideration is paid or given in respect of the distribution.
 6. IT IS HEREBY FURTHER ORDERED pursuant to subsection 116(1) of the Act that the first trade in the Special Warrants or Underlying Securities 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 and, if the issuer of the Special Warrants is not the same as the Underlying Security Issuer, as if the Underlying Security had issued the Special Warrants; and

7. IT IS HEREBY FURTHER ORDERED that this Order will be in force until December 31, 1994.
8. IT IS HEREBY FURTHER ORDERED pursuant to subsection 186(1) of the Act that the Original Order is revoked as of the date hereof.

Dated at the City of Calgary
in the Province of Alberta
this 9th day of June, 1994.

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) (original signed by)
) W. L. Hess, Q.C., Chairman
)
)
) (original signed by)
) Tom Wood, Member of the Board