

# 2002 BCSECCOM 215

## Headnote

Mutual Reliance Review System for Exemptive Relief Applications – relief from the prospectus requirements for distribution of flow-through shares under short form offering

## Applicable British Columbia Provisions

*Securities Act*, R.S.B.C. 1996, c. 418, ss. 61, 76

BC Instrument 45-509 – *Short form offerings of listed securities and units by qualifying issuers*

IN THE MATTER OF THE SECURITIES LEGISLATION OF ALBERTA AND BRITISH COLUMBIA

AND

IN THE MATTER OF THE MUTUAL RELIANCE REVIEW SYSTEM FOR EXEMPTIVE RELIEF APPLICATIONS

AND IN THE MATTER OF VETERAN RESOURCES INC.

## MRRS DECISION DOCUMENT

1. WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of Alberta and British Columbia (the "Jurisdictions") has received an application from Veteran Resources Inc. (the "Issuer") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that the distribution of certain securities by the Issuer is exempt from the prospectus requirements of the Legislation;
2. AND WHEREAS pursuant to the Mutual Reliance Review System for Exemptive Relief Applications (the "System") the Alberta Securities Commission is the principal regulator for this application;
3. AND WHEREAS the Issuer has represented to the Decision Makers that:
  - 3.1. the Issuer is a reporting issuer in Alberta and in British Columbia;
  - 3.2. common shares of the Issuer are listed and posted for trading on the Canadian Venture Exchange ("CDNX");
  - 3.3. the Issuer is in the process of conducting a distribution of securities (the "Short Form Offering") under Alberta Securities Commission Blanket Order 45-503 (AB) (the "Alberta Order"), BC Instrument 45-509 (the "BC Instrument") (collectively referred to as the "Short Form Offering Instruments") and Policy 4.6 (the "CDNX Policy") of the Canadian Venture Exchange Inc. (the "Exchange"), and has filed a Short Form Offering Document with the Exchange. The Exchange has accepted the Short Form Offering Document in respect of the distribution;
  - 3.4. the Short Form Offering is an offering of securities to be issued as "flow-through shares" under the *Income Tax Act* (Canada) and must be completed by December 31, 2001 if investors are to receive tax benefits for the 2001 taxation year;
  - 3.5. in preparation for closing of the Short Form Offering, the Issuer has encountered difficulty in complying with various conditions of the Short Form Offering Instruments and CDNX Policy which are based on the number of securities "distributed" under the Short Form Offerings rather than on the number of securities "offered";

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3.6. the Short Form Offering Instruments limit the aggregate acquisition cost to a purchaser other than a Designated Threshold Purchaser or a Designated Hold Purchaser (as defined in the Short Form Offering Instruments) to the "Threshold Amount". The Threshold Amount is defined in the Short Form Offering Instrument to mean "the greater of \$10,000 and 2% of the Gross Proceeds (as defined in the Short Form Offering Instruments);

3.7. the amount of gross proceeds payable to the Issuer under the Short Form Offering cannot be determined until closing of the offering;

3.8. as a result:

3.8.1. the Designated Threshold Purchaser will be unable to determine what percentage, if any, of the securities it purchased under the offering will be subject to a hold period under the Short Form Offering Instruments;

3.8.2. neither the Issuer nor prospective investors will be able to determine the Threshold Amount as defined in the Short Form Offering Instruments until closing of the Short Form Offering;

3.9. consequently, neither the Issuer nor prospective investors will be in a position to ensure compliance with the Short Form Offering Instruments until the time of closing, and prospective investors ability to make an informed investment decision in respect of the Short Form Offering is impaired;

3.10. in all other respects, the Short Form Offering by the Issuer will comply with provisions of the Short Form Offering Instruments; and

3.11. CDN X has waived similar requirements in the CDN X Policy;

4. AND WHEREAS under the System, this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");

5. AND WHEREAS each of the Decision Makers is satisfied that, in the particular circumstances of this Short Form Offering, the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met;

6. The Decision of the Decision Makers under the Legislation is that the distribution of securities by the Issuer under the Short Form Offering is exempt from the prospectus requirement of the Legislation provided that the Issuer complies with the Short Form Offering Instruments, as if:

6.1. Gross Proceeds in the Short Form Offering Instruments means the gross proceeds that would be paid to an issuer for Listed Securities if all Listed Securities offered for sale under the Short Form Offering Document (as defined in the Short Form Offering Instruments) were sold;

6.2. no purchaser acquires more than 20% of the securities offered for sale under the Short Form Offering Document; and

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6.3. no more than 50% of the securities offered for sale under the Short Form Offering Document are subject to a four month hold period on their first trade by application of the Short Form Offering Instruments.

DATED this 31<sup>st</sup> day of December, 2001.

Glenda A. Campbell

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