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Headnote

Relief from registration and prospectus requirements to issue warrants where consideration was related to, among other things, amending loan documents

Exemption Order

Peace Arch Entertainment Group Inc.

Sections 48 and 76 of the *Securities Act*, R.S.B.C. 1996, c. 418

Background

- ¶ 1 Peace Arch applied for an exemption from the requirements to be registered to trade and to file and obtain receipts for a preliminary prospectus and prospectus in sections 34(1)(a) and 61 of the Act (the Registration and Prospectus Requirements), for certain intended trades.

Representations

- ¶ 2 Peace Arch represents that:
1. it is incorporated under the laws of British Columbia, is a reporting issuer under the Act and is not in default of any requirement of the Act or the *Securities Rules*, B.C. Reg. 194/97;
 2. its authorized capital consists of 225,000,000 shares divided into 100,000,000 Class A shares, 100,000,000 Class B shares and 25,000,000 preference shares;
 3. as of March 1, 2002, it had 1,091,875 Class A shares and 2,795,971 Class B shares outstanding;
 4. its Class B shares trade on The Toronto Stock Exchange (TSE) and the American Stock Exchange and its Class A shares trade on the TSE only;
 5. in August 2000, it received a total of \$7,900,000 in the form of loans (the Original Loans) from Working Opportunity Fund (EVCC) Ltd. (WOF), Timothy Gamble (Gamble), W.D. Cameroon White (White), Frank Groff (Groff) and others (Others);
 6. under a standstill agreement, it had until November 30, 2001 to, among other alternatives, fully repay the Original Loans;

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7. as of November 30, 2001, it had a balance left owing on the Original Loans of \$5,687,161.54;
8. in November 2001, WOF assisted Peach Arch with the standstill agreement by paying the Others the amount of Peace Arch's outstanding indebtedness to them, and accepting an assignment of the Others' interests in the Original Loans;
9. the TSE has since advised that one of the items proposed to be assigned to WOF may not be assigned;
10. under a loan amendment agreement, WOF, Gamble, White and Groff agreed with Peace Arch, at Peace Arch's request, to amend certain terms of the Original Loans;
11. it has agreed to issue the following non-transferable share purchase warrants (Warrants) to acquire Class B shares of Peace Arch at an exercise price of \$1.255 per share, with each Warrant expiring on June 30, 2003:
 - (a) 160,000 to WOF, in consideration of WOF amending terms of the Original Loans, assisting Peace Arch under its standstill agreement and in light of the TSE's advice that one of the items proposed to be assigned to WOF may not be assigned;
 - (b) 40,000 to Gamble, in consideration of Gamble amending terms of the Original Loans;
12. WOF is an insider of Peace Arch; and
13. the TSE has conditionally approved the issuance of the Warrants.

Order

¶ 3 Because it is not prejudicial to the public interest, the Executive Director orders that:

1. under sections 48 and 76 of the Act, the trades by Peace Arch of Warrants to WOF and Gamble are exempt from the Registration and Prospectus Requirements, provided that Peace Arch:
 - (a) provides WOF and Gamble with a copy of this order; and
 - (b) files a Form 45-902F on or before the 10th day after each distribution of the Warrants to WOF and Gamble;

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2. under section 76 of the Act, any trade in Class B shares of Peace Arch acquired by WOF or Gamble on exercise of the Warrants is deemed to be a distribution, unless the conditions in section 2.10 or subsections (2) or (3) of section 2.5 of Multilateral Instrument 45-102 *Resale of Securities* are satisfied.

¶ 4 April 9, 2002

Derek E. Patterson
Manager