

THE SECURITIES ACT

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Order No. 2764

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Section 95(2)(c)

)

December 24th, 1999

**OFFICE SPECIALTY INC.
AND
SMED INTERNATIONAL INC.**

WHEREAS:

(A) Office Specialty Inc. ("OSI") has applied to the The Manitoba Securities Commission (the "Commission") for a decision pursuant to subsection 95(2)(c) of the *Securities Act*, R.S.M. 1988, c. S50 (the "Act"), exempting OSI and a wholly owned subsidiary of OSI ("BidCo" and together with OSI, the "Offerors") in part from the requirements of subsection 88(1) of the Act in connection with the offer (the "Offer") proposed to be made by the Offerors to acquire all of the issued and outstanding common shares (the "SMED Common Shares") of SMED International Inc. ("SMED");

(B) The Applicants having represented to the Commission that:

1. OSI is a corporation existing under the *Business Corporations Act* (Ontario) (the "OBCA").
2. OSI is subject to the continuous disclosure requirements of the Act. The authorized capital of OSI consists of 7,670,881 Class A multiple voting shares (the "OSI Multiple Voting Shares") and an unlimited number of Class B subordinated voting shares (the "OSI Subordinated Voting Shares") and as at July 20, 1999, there were issued and outstanding 5,845,881 OSI Multiple Voting Shares and 9,207,436 OSI Subordinated Voting Shares. The OSI Subordinated Voting Shares are listed on The Toronto Stock Exchange (the "TSE") but trading in the OSI Subordinated Voting Shares is relatively illiquid.
3. BidCo is a corporation to be incorporated under the OBCA.
4. The authorized capital of BidCo will consists of an unlimited number of common shares and all of the issued and outstanding common shares in the capital of BidCo will be owned by OSI.
5. SMED is a corporation existing under the *Business Corporations Act* (Alberta) (the "ABCA").
6. Based on publicly available information, the authorized capital of SMED consists of an unlimited number of SMED Common Shares and, as at September

29, 1999, 8,427,221 SMED Common Shares were issued and outstanding (8,861,445 SMED Common Shares on a fully-diluted basis).

7. The SMED Common Shares are listed on the TSE and are also quoted on the National Market of The Nasdaq Stock Market ("Nasdaq"). Approximately 14% of the volume of SMED Common Shares traded in the last 12 months has traded on Nasdaq.

8. The Offerors intend to offer to purchase all of the issued and outstanding SMED Common Shares not owned by the Offerors and their affiliates for consideration consisting of cash (the "Cash Option") or, at the option of each holder of SMED Common Shares (other than U.S. holders as detailed below), OSI Subordinated Voting Shares (the "Share Option"). It is intended that the Share Option will be equal in value to the Cash Option based on the current market price of the OSI Subordinated Voting Shares at the time the Offer is announced. There will be a cap on the number of OSI Subordinated Voting Shares issuable under the Offer equal to 50% of the value of the aggregate consideration.

9. The Offer will be made in compliance with the take-over bid requirements of the Act, the regulation made thereunder and the applicable take-over bid requirements of all other Canadian jurisdictions where registered holders of SMED Common Shares are located.

10. The Offerors intend to extend the Offer to SMED Common Shareholders in any jurisdiction outside of Canada in which the making and acceptance of the Offer would not be unlawful, including, assuming that the requisite regulatory relief is obtained, to SMED Common Shareholders who are residents of the United States or any territory or possession thereof.

11. OSI does not meet the applicable eligibility requirements under the multi-jurisdictional disclosure system to permit it to register and issue OSI Subordinated Voting Shares under the Offer to holders of SMED Common Shares (the "U.S. Holders") who are either (i) resident in the United States, or any territory or possession thereof, or (ii) "U.S. Persons" as defined in Regulation S under the United States *Securities Act of 1933* (the "U.S. Securities Act"), without registering such OSI Subordinated Voting Shares in the United States.

12. The OSI Subordinated Voting Shares that may be issued under the Offer have not been and will not be registered or otherwise qualified for distribution pursuant to the securities legislation in the United States. Accordingly, the delivery of the OSI Subordinated Voting Shares to U.S. Holders would, absent an available exemption from the U.S. registration requirement, constitute a violation of U.S. securities laws.

13. Accordingly, U.S. Holders will not be entitled to elect the Share Option under the Offer and will instead be required, if their SMED Common Shares are taken

up under the Offer, to accept the cash consideration payable pursuant to the Cash Option.

(C) The Commission is of the opinion that it would not be prejudicial to the public interest to grant the order requested;

IT IS ORDERED:

1. **THAT**, pursuant to subsection 95(2) of the Act that the Offerors are exempt from the requirement of subsection 88(1) of the Act, insofar as U.S. Holders who accept the Offer will not be entitled to receive the OSI Subordinated Voting Shares pursuant to the Share Option and will be required to accept the consideration payable pursuant to the Cash Option.

2. **THAT** the fee for this order is \$550.00

BY ORDER OF THE COMMISSION

Director – Corporate Finance