

IN THE MATTER OF  
THE SECURITIES LEGISLATION  
OF ALBERTA, BRITISH COLUMBIA, SASKATCHEWAN, MANITOBA, ONTARIO,  
QUEBEC, NOVA SCOTIA, PRINCE EDWARD ISLAND, NEWFOUNDLAND, NEW  
BRUNSWICK, NORTHWEST TERRITORIES, AND YUKON

AND

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

AND

IN THE MATTER OF SDM Corporation

MRRS DECISION DOCUMENT

1. WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, Nova Scotia, Prince Edward Island, Newfoundland, New Brunswick, Northwest Territories, and Yukon (the "Jurisdictions") has received an application from SDM Corporation ("SDM") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that the requirements contained in the Legislation to be registered to trade in a security and to file and receive a receipt for a prospectus (the "Registration and Prospectus Requirements") do not apply to SDM with respect to certain proposed distributions, from time to time, of non-voting shares by it and that the requirement contained in the Legislation to comply with the rules governing issuer bids (the "Issuer Bid Requirement") does not apply to SDM with respect to certain repurchases by SDM of non-voting shares issued by it pursuant to the distribution;

2. AND WHEREAS under 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 SDM has represented to the Decision Makers that:

3.1 SDM is a corporation amalgamated under the laws of the Province of New Brunswick;

3.2 SDM is not a reporting issuer, or its equivalent, in any of the Jurisdictions;

3.3 the authorized capital of SDM consists of an unlimited number of voting common shares ("Common Shares") and an unlimited number of non-voting shares ("Non-Voting Shares");

3.4 the securities of SDM are not listed on any stock exchange or traded over the counter;

3.5 in February, 2000 SDM acquired the Shoppers Drug Mart/Pharmaprix business ("Shoppers") from British America Tobacco (Canada) Limited (the "Acquisition"). SDM is a holding company whose only business is holding the shares of the companies which operate Shoppers;

3.6 Shoppers Drug Mart/Pharmaprix business includes the licensing of retail operations consisting of over 790 drug stores. Each drug store is operated by a pharmacist (an "Associate") who, through a wholly-owned corporation, has entered into a licensing agreement with a wholly-owned subsidiary of SDM. Each such licensing agreement requires that the Associate devote their full time and attention to the operation and management of the drug store that is the subject of the license. As a result, each Associate has detailed knowledge of the business operated by SDM;

3.7 the shareholders of SDM include certain institutional investors, the senior management and other employees of Shoppers, and over 550 Associates who invested an aggregate of over \$41,000,000 in SDM in connection with the Acquisition;

3.8 SDM proposes to offer Non-Voting Shares of SDM, from time to time, to (i) Associates who have joined Shoppers after the initial investment opportunity in connection with the Acquisition; (ii) ongoing Associates who did not invest at that time; and (iii) Associates who are already shareholders of SDM;

3.9 SDM also proposes to allow Associates to purchase Non-Voting Shares through a Registered Retirement Savings Plan ("RRSP") of which they are the beneficiary. In order to permit RRSP investment by Associates in connection with the Acquisition, SDM created the Non-Voting Shares as a separate class of securities. The Common Shares and the Non-Voting Shares are RRSP eligible investments under the *Income Tax Act* (Canada);

3.10 Associates who purchase Non-Voting Shares, either directly or through an RRSP of which they are the beneficiary, will be required to enter into a unanimous shareholders' agreement and certain other agreements (the "Governing Agreements") which will restrict their ability to deal with the Non-Voting Shares so acquired. Among other things, the Governing Agreements will place certain transfer restrictions on the Non-Voting Shares, will provide SDM with a right of first refusal in certain circumstances and will give SDM the right to repurchase the Non-Voting Shares from the Associate in certain circumstances, including in the event that the licensing agreement respecting the Associate is terminated. The Governing Agreements will also provide drag-along rights to certain institutional holders of Common Shares and will provide certain coattail and tag-along rights to the holders of Non-Voting Shares;

3.11 prior to any purchase by them of Non-Voting Shares, Associates will be provided with a full description of the attributes of the Non-Voting Shares, copies of the Governing Agreements, a summary of the provisions of the Governing Agreements and full information concerning resale restrictions applicable to the Non-Voting Shares;

3.12 the participation of Associates in any offering of Non-Voting Shares will be voluntary. No Associate will be induced, directly or indirectly, to purchase Non-Voting Shares by expectation of maintaining or continuing their status as an Associate;

3.13 there are Associates resident in each of the Jurisdictions;

3.14 as Associates are not employees of SDM, no exemption from the Registration and Prospectus Requirements exists under the Legislation to allow SDM to issue Non-Voting Shares to Associates;

3.15 any repurchase by SDM of Non-Voting Shares pursuant to the terms of the Governing Agreements will constitute an issuer bid under the Legislation. No exemption from the Issuer Bid Requirement exists under the Legislation with respect to such repurchases;

4. AND WHEREAS pursuant to 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 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:

6.1 the Prospectus and Registration Requirements shall not apply to the distribution, from time to time, by SDM of Non-Voting Shares to Associates or to RRSPs of which an Associate is the beneficiary, provided that the first trade of any Non-Voting Share so acquired shall be deemed a distribution, or a primary distribution to the public, in each Jurisdiction where such concept applies; and

6.2 the Issuer Bid Requirement shall not apply to any repurchase of Non-Voting Shares from Associates or RRSPs of which an Associate is the beneficiary by SDM pursuant to the terms of the Governing Agreements, provided that at the time of any repurchase there is no published market for the Non-Voting Shares.

DATED at Calgary, Alberta this 14<sup>th</sup> day of March, 2001.

"original signed by"  
Stephen P. Sibold, Q.C., Chair

"original signed by"  
Glenda A. Campbell, Vice-Chair

## Headnote

Mutual Reliance Review System for Exemptive Relief Applications - relief from registration and prospectus requirements in connection with the distribution, from time to time, of non-voting shares to Associates; relief from the issuer bid requirements where issuer repurchases the non-voting shares from the Associates.

Applicable Alberta Statutory Provisions

Securities Act, S.A., 1981, c.S-6.1, as amended, ss. 54, 81, 116(1), 131 and 144(2)(c)