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THIS EXAMINATION CONSISTS OF 4 PAGES
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THE UNIVERSITY OF BRITISH COLUMBIA
FACULTY OF LAW

FINAL EXAMINATION – DECEMBER 2018

LAW 463/ 576
Securities Regulation

Section 2
Professor Corrigan-Brown

TOTAL MARKS: 100

TIME ALLOWED: 2 HOURS and 30 MINUTES
and 15 minutes reading time

NOTES:

1. This is an open book examination. You may bring COURSE MATERIALS into the exam such as: the textbook, copies of National and Multilateral Instruments, and your own notes. Laptops are only permitted for the use of ExamSoft.
2. Use of communication devices such as mobile phones, tablets, smartwatches, etc. are not permitted. Please ensure that your phone is turned off.
3. Read the questions carefully and make sure you understand what you are being asked to do before you begin your answer.
4. You may refer to cases and National/ Multilateral Instruments in short form (e.g. *Secession Reference, NI 31-103*).
5. ANSWER ALL QUESTIONS.

THIS EXAMINATION CONSISTS OF 6 QUESTIONS

LAW 463/ 576, Section 1

Question 1

MARKS

- 20 1. Barkley Alexander is planning to use money he inherited from his parents to build a real estate development in Nelson, British Columbia. Barkley wants to build an condominium next to the ski hill and to sell units in the building. Purchasers will have a right to stay in a condo unit for a set number of days each year. The rest of the time, purchasers will be required to put their unit into a rental pool, which will be managed by a professional management company. The units will be rented to visitors to the ski resort. Purchasers will make a percentage of the total amount earned on rentals of all units in the condominium during a calendar year. They will not be responsible for any aspect of the management of the rental pool or upkeep of their unit, other than when they are staying in the unit. Barkley has incorporated a company, Barkley Construction Co, to carry out the development.

Barkley plans to sell the rights to participate in the development first to his friends and extended family, who he thinks will want to support him in his new endeavor. He plans to offer them the opportunity to buy the units directly from him, as well as through a close friend. Barkley's friend has many contacts who might be interested in the development, including close friends of his and his family. He will not have a position at Barkley Construction Co. or have any other interest in the company. Barkley has agreed to pay his friend a commission for each person the friend refers to the company relating to the development.

Does Barkley's plan raise any issues under securities law? Please discuss why securities law might apply, any requirements that may be applicable under securities law, and any exemptions that may apply. Please refer to any relevant case law and sections of the Act or regulations.

Question 2

MARKS

- 10 2. Barkley has a friend who is an investment representative, registered with the Investment Industry Regulatory Organization of Canada (IIROC).

Explain to Barkley what IIROC is and what role it plays in securities regulation in BC and Canada. Explain what it means for a person to be registered under the Securities Act and what protections are offered to people who purchase securities through a registered investment dealer.

Questions 3

MARKS

- 20 3. Barkley Construction Co. has become a successful development company and has developed condominium projects in multiple ski resorts. The company wants to raise money to acquire real estate in Whistler. Barkley has heard that it is a good idea to “go public”. Assume this is the first time the company has sold shares to the general public.

Explain to Barkley what is required for a company to sell shares to the public, including what regulatory requirements it will have to meet, the role of the securities commission, and the regulatory implications for the company going forward. Please refer to any relevant sections of the Act or regulations.

Question 4

MARKS

- 20 4. Barkley Construction Co. wants to make statements about projected revenues for all the company’s ski resort properties in its disclosure documents required under securities laws. The Intergovernmental Panel on Climate Change has issued a report that suggests climate change will cause increased temperatures in many of the areas where the company’s developments are located.

Advise the company about its obligations when making statements about future revenue. Also advise whether the IPCC report is relevant to Barkley

Question 4, continued

Construction Co's required disclosure under securities laws. Discuss the Differences, if any, between what might be required if the IPCC report came out while the company was preparing a prospectus for distribution of its securities and what might be required if it came out after the company had received a receipt for its prospectus and was distributing securities under the prospectus. Please refer to any relevant case law and sections of the Act or regulations.

Question 5

MARKS

- 10 5. What deficiencies in the regulation of the capital markets did the G20 identify following the financial crisis of 2008? What regulatory requirements have been proposed or implemented to address the harms that resulted from those deficiencies?

Question 6

MARKS

- 20 6. The board of Barkley Construction Co. has been in discussions to sell one of its properties. The company is close to finalizing the terms of the deal, but it remains confidential, at the request of the prospective purchaser. A board member of Barkley Construction Co. mentions this to her husband. The next day, the husband tells a close friend about the potential sale over lunch. The waiter overhears the conversation.

The board member, her husband, his friend and the waiter all buy securities in Barkley Construction Co. later that day. Discuss whether any of these trades raise issues under securities laws and if so, what they are. Discuss how any negative consequences could be mitigated. Please refer to any relevant case law and sections of the Act or regulations.

END OF EXAMINATION