

ALBERTA SECURITIES COMMISSION

IN THE MATTER OF the *Securities Act*
R.S.A. 2000, c. S-4 (“Act”)

-and-

RICHARD HARRY SETO and NORA COMERFORD SETO
(the “Respondents”)

AMENDED NOTICE OF HEARING

TAKE NOTICE THAT, pursuant to subsection 198(3) of the Act, the Alberta Securities Commission (“Commission”) will convene at its hearing room, 4th Floor, 300 - 5 Avenue SW, Calgary, Alberta, on Tuesday, the 30th day of July, 2002, at 9:30 a.m., to set a date for a hearing of the allegations in this Notice of Hearing and to deal with any other preliminary matters. At the hearing the Commission will consider whether to make an order against the above Respondents pursuant to sections 198, 199 and 202 of the Act, or such further order as the Commission considers appropriate.

Allegations

Summary of Breaches

- 1 Staff alleges that Richard Harry Seto (“Seto”) purchased securities of Inter-Tech Drilling Solutions Ltd. (“Inter-Tech”) with knowledge of a material fact or material change with respect to Inter-Tech that had not been generally disclosed, contrary to subsection 147(2) of the Act.

- 2 Staff alleges that Seto caused Inter-Tech to issue options to himself and others with knowledge of a material fact or material change with respect to Inter-Tech that had not been generally disclosed, contrary to Section 147(2) of the Act, the Toronto Stock Exchange (“TSE”) Requirements, and the public interest.
- 3 Staff further alleges that Seto and Nora Comerford Seto (“Comerford Seto”) informed other persons of a material fact or material change with respect to Inter-Tech before the material fact or material change had generally been disclosed, contrary to Section 147(3) of the Act.

Parties

- 4 Inter-Tech, an oilfield service and technology company, was incorporated in Alberta on November 20, 1990, and had its head office in Calgary. It was listed on the TSE on July 16, 1996.
- 5 Seto is a resident of Calgary, Alberta. He was, at all material times, a director and the chief executive officer of Inter-Tech.
- 6 Comerford Seto is a resident of Calgary, Alberta, and is the wife of Seto.
- 7 At all material times, the Respondents were in a special relationship with Inter-Tech as that term is defined in Section 9 of the Act.

Circumstances

- 8 On March 13, 1998, Seto met with a representative of Precision Drilling Corporation (“Precision”) and a representative from Northland Productions Testing Ltd. (“Northland”) in Calgary, Alberta, to discuss a proposed acquisition of or merger with Inter-Tech (the “Precision Negotiations”). In addition, the Precision Negotiations will include any and all discussions and negotiations up until an agreement was reached with Precision on April 9, 1998.
- 9 On March 16, 1998, a mutual confidentiality agreement was entered into among Precision, Inter-Tech and Northland. In that agreement, the parties acknowledge the importance of keeping confidential the activities, disclosures and negotiations between them. Seto signed the agreement on behalf of Inter-Tech.
- 10 The Precision Negotiations constituted a material fact or material change with respect to Inter-Tech.

- 11 On or about March 30, 1998, Precision proposed to Seto that it would buy Inter-Tech for a purchase price of \$1.40 per share. On or about April 2, 1998, Inter-Tech retained a brokerage firm to act as its financial advisor with regard to the Precision Negotiations and instructed it to negotiate a higher price for its shares.
- 12 On April 6, 1998, the brokerage firm met with Precision to discuss the purchase of Inter-Tech. The brokerage firm proposed that Precision buy Inter-Tech at \$2.20 per share.
- 13 On April 9, 1998, Precision, Inter-Tech and the brokerage firm entered into negotiations, which resulted in Inter-Tech accepting a conditional offer from Precision of \$2.10 per share.
- 14 A press release was issued on April 13, 1998, announcing that the parties had agreed that Precision would buy all of the outstanding common shares of Inter-Tech for \$2.10 per share.
- 15 Precision's offer, which was recommended by Inter-Tech's board of directors, was accepted by the shareholders and effective in June 1998, Precision purchased Inter-Tech for \$2.10 per share.

Issuing of Options

- 16 On March 19, 1996, the board of directors of Inter-Tech, including the Respondent, Seto, approved a share option plan in favour of Inter-Tech's officers, directors and key employees.
- 17 Thereafter, on April 3, 1998, Inter-Tech issued 387,000 share purchase options, at a price of \$1.40 per option (the "options"). Seto received 115,000 options.
- 18 The options were issued to Seto at a time when he knew of the Precision Negotiations and when the Precision Negotiations had not been generally disclosed.
- 19 The options were issued without the knowledge or consent of the TSE and at a price that did not reflect material information of which management was aware, contrary to section 147(2) of the Act, contrary to TSE Requirements, contrary to Inter-Tech's share option plan and contrary to the public interest.

Seto's Purchase of Shares

- 20 On or about March 24, 1998, Seto instructed a broker to purchase 4,000 shares of Inter-Tech in the account of his sister, Judy Seto. The purchase was at \$1.15 per share.
- 21 On or about March 24, 1998, Seto also instructed the same broker to purchase 1,000 shares of Inter-Tech at \$1.15 per share in his own account.
- 22 At no time did Seto file an insider report for the said 4,000-share purchase as required under subsection 182(2) of the Act.

Other Purchases

- 23 Seto and Comerford Seto informed other persons of the Precision Negotiations before they had been generally disclosed, contrary to subsection 147(3).
- 24 As a result, a number of family members purchased shares of Inter-Tech with knowledge of the Precision Negotiations before the existence of those negotiations had been generally disclosed.
- 25 On or about March 23, 1998, Seto's sister, Julia Seto, and her common-law husband purchased 12,000 shares of Inter-Tech at approximately \$1.29 per share, for an approximate total of \$15,700.
- 26 Between approximately March 26 and April 3, 1998, Julia Seto purchased a further 9800 shares of Inter-Tech at between approximately \$1.15 and \$1.30 per share.
- 27 On or about April 2, 1998, Judy Seto instructed her broker to purchase 30,000 shares of Inter-Tech on her behalf. The price per share was approximately \$1.20. On or about May 19, 1998, Seto deposited funds into this account.
- 28 On or about March 24, 1998, Seto's sister, Jocelyn Seto, purchased 10,000 shares of Inter-Tech at approximately \$1.15 per share.
- 29 Between approximately April 3 and April 8, 1998, Comerford Seto's parents, John Comerford and Doreen Comerford, purchased 10,300 shares of Inter-Tech at a price of approximately \$1.20 per share. Prior to this purchase, they had never held any shares of Inter-Tech.
- 30 Between approximately April 3 and April 7, 1998, Comerford Seto's brother, Kevin

Comerford, purchased 3,400 shares of Inter-Tech.

- 31 All of the above shares were sold into the offer at \$2.10 per share. The options were paid out in cash such that the option holders received the difference between the exercise price of \$1.40 and the takeover price of \$2.10. Seto received approximately \$80,000 for the exercise of the options.

Breaches

- 32 Staff alleges that Seto:

- 32.1 purchased securities of Inter-Tech with knowledge of a material fact with respect to Inter-Tech that had not been generally disclosed, contrary to subsection 147(2) of the Act;
- 32.2 informed other persons of a material fact with respect to Inter-Tech before the material fact had been generally disclosed, contrary to subsection 147(3) of the Act;
- 32.3 caused Inter-Tech to issue options contrary to the TSE Requirements, Inter-Tech's share option plan, subsection 147(2) of the Act and the public interest; and
- 32.4 failed to file insider reports for his purchase of shares in Judy Seto's account and the receipt of the options, contrary to subsection 182(2) of the Act.

- 33 Staff alleges that Comerford Seto:

- 33.1 informed other persons of a material fact with respect to Inter-Tech before the material fact had been generally disclosed, contrary to subsection 147(3) of the Act;

Administrative

- 34 At the hearing, the Commission will follow the rules and procedures provided for in section 29 of the Act, including the right of the Respondents to be represented by legal counsel.
- 35 The hearing may be adjourned from time to time by the Commission and, if the hearing is not concluded on the date set out above, the Commission may grant an interim order pursuant to section 33 of the Act.

- 36 The Respondents may obtain disclosure and further particulars of the facts and allegations in this Notice of Hearing prior to the hearing by contacting Charlene Anderson, Senior Enforcement Counsel, c/o Staff of the Alberta Securities Commission, 4th Floor, 300 - 5 Avenue SW, Calgary, Alberta, T2P 3C4.
- 37 Upon the failure of the Respondents to attend at the above time and place, and upon proof to the Commission of service of this Notice of Hearing on the Respondent, the hearing may proceed in their absence and without further notice to them, and the Commission may grant any order it considers to be in the public interest.

Dated at Calgary, Alberta) ALBERTA SECURITIES COMMISSION
)
this 30 day of December ,)
)
2002.) “Original Signed By”
) Wayne Alford
) Director, Enforcement