

**GENERAL RULING/ORDER 45-903
COMMUNITY BOND PROGRAM**

AND

IN THE MATTER OF
THE SECURITIES ACT, 1988, S.S. 1988, c. S-42.2 as amended

AND

IN THE MATTER OF
THE COMMUNITY BONDS ACT, S.S. 1990, C-16.1 as amended

RULING
(Section 83)

WHEREAS an application has been received by the Saskatchewan Securities Commission (the "Commission") from the staff of the Commission and the Department of Economic Development of the Province of Saskatchewan ("Economic Development") for a ruling pursuant to clause 83(1)(a) of *The Securities Act, 1988, S.S. 1988, c. S-42.2* (the "Act") that the provisions of sections 27 and 58 of the Act shall not apply to:

1. A trade of a community bond (a "Community Bond") as defined in *The Community Bonds Act, S.S. 1990, C-16.1 as amended* (the "CB Act") to a member of the public where such trade is made in compliance with the requirements of the CB Act (a "Community Bond Trade");
2. A trade of securities of an eligible business (an "Eligible Business") as defined in the CB Act by the Eligible Business to a community bond corporation (a "Community Bond Corporation") as defined in the CB Act, the funds for which came from a Community Bond offering made by the Community Bond Corporation (an "Investment Trade");
3. A trade of securities of an Eligible Business or a Community Bond Corporation, as the case may be, by the Eligible Business or the Community Bond Corporation, as the case may be, to an owner of a Community Bond pursuant to the exercise of any rights of conversion or exchange attaching to the Community Bond (the "Rights") and a trade of a Community Bond by the owner of the Community Bond to the Eligible Business or the Community Bond Corporation, as the case may be, pursuant to the exercise of the Rights (a "Conversion or Exchange Trade");

4. A trade of securities of an Eligible Business or a Community Bond Corporation, as the case may be, by an Eligible Business to a Community Bond Corporation or vice versa, incidental to a Conversion or Exchange Trade (an "Incidental Trade"); and
5. Certain activities to be carried out by a Community Bond Corporation, its officers, directors or agents to facilitate a trade of a Community Bond (a "Market Trade");

AND WHEREAS it has been represented to the Commission that:

1. The CB Act is administered by Economic Development;
2. The CB Act was put in place to stimulate economic development in the Province of Saskatchewan by facilitating the investment of local capital in community projects;
3. The CB Act sets up a program whereby a Community Bond Corporation may issue to members of the public a Community Bond which is guaranteed by the Province of Saskatchewan as to the principal amount only at maturity, the proceeds of which are to be invested in an Eligible Business;
4. At the early term maturity date of a Community Bond (the "Early Term Maturity Date") as defined in the CB Act that is a project bond (a "Project Bond") as defined in the CB Act, the owner of the Community Bond may apply to redeem the Community Bond, exercise any Rights to acquire securities of an Eligible Business in which the monies from the Community Bond was invested or elect to renew the term of the Community Bond to the full term maturity date of the Community Bond (the "Full Term Maturity Date") as defined in the CB Act or if the owner of the Community Bond does not do any of the things mentioned above on or before three months prior to the Early Term Maturity Date the owner is deemed to have elected to renew the Community Bond to the Full Term Maturity Date;
5. At the Full Term Maturity Date the owner of a Community Bond that is a Project Bond may apply to redeem the Community Bond or exercise any Rights to acquire securities of an Eligible Business in which the monies from the Community Bond were invested or if the owner of the Community Bond does not do any of the things mentioned above on or before three months prior to the Full Term Maturity Date, the Community Bond is deemed to be converted into voting shares ("Voting Shares") as defined in the CB Act of the Community Bond Corporation which issued the Community Bond on the basis of one Voting Share for every one dollar of principal amount of the Community Bond;
6. The attributes of a Community Bond that is not a Project Bond (a "Pool Bond"), a Community Bond where the Community Bond Corporation is not limited to investing in one Eligible

Business but can invest in more than one Eligible Business, are identical to the attributes of a Project Bond except any Rights are to acquire Voting Shares of the Community Bond Corporation which issued the Community Bond not securities of the Eligible Businesses in which the Community Bond Corporation has invested;

7. An environmental bond (an "Environmental Bond") as defined in the CB Act and issued and distributed pursuant to Part IV of the CB Act can be either a Project Bond or a Pool Bond;
8. In the case of a Project Bond, the Conversion or Exchange Trade is carried out by the owner of a Community Bond trading the Community Bond to the Eligible Business into which the Community Bond Corporation which issued the Community Bond invested for common shares of the Eligible Business and the Eligible Business trading the Community Bond so acquired to the Community Bond Corporation and redeeming preferred shares of the Eligible Business traded to the Community Bond Corporation by the Eligible Business when the Community Bond Corporation invested in the Eligible Business;
9. In the case of a Pool Bond, the Conversion or Exchange Trade is carried out by the owner of the Community Bond trading the Community Bond to the Community Bond Corporation which issued the Community Bond for common shares of the Community Bond Corporation;
10. In the case of a Project Bond, section 23 of the CB Act indicates that, subject to the approval of the Review Committee (the "Review Committee") as defined in the CB Act, there may be an early exercise of any Rights attaching to the Community Bond;
11. Section 19 of the CB Act requires that an investor in a Community Bond receive, with respect to the initial issue and distribution of the Community Bond, an offering memorandum (the "Community Bond Offering Memorandum") as defined in the CB Act disclosing information with respect to the Community Bond Corporation issuing the Community Bond, the Community Bond and the offering and approved by the minister (the "Minister") as defined in the CB Act, and that an owner of a Community Bond receive ongoing financial reporting with respect to the Community Bond Corporation;
12. Section 22 of the CB Act indicates that, except in the limited instances set out in subsection 22(2) of the CB Act, Community Bonds are not transferable for a period of two years from the closing date of their initial issue and distribution after which Community Bonds become broadly transferable;
13. Section 21 of the CB Act indicates that only an eligible purchaser (an "Eligible Purchaser") as defined in the CB Act and those persons or companies to whom Community Bonds can be transferred pursuant to the limited circumstances set out in subsection 22(2) of the Act (the "Eligible Buyers") are entitled to acquire Community Bonds and further, that any person or

company who acquires Community Bonds in contravention of this provision are not entitled to the payment of the guarantee attaching to the Community Bonds and cannot exercise any voting rights attaching to the Community Bonds;

14. Section 19 of the CB Act requires that a disclosure document, approved by the Minister and containing information in sufficient detail to allow an owner of a Community Bond to form a reasoned judgement whether the owner of the Community Bond should exercise any Rights attaching to the Community Bond, be provided to the owner of a Community Bond by the Community Bond Corporation which issued the Community Bond at least four months before any maturity date of the Community Bond and the Minister will be requested to approve the disclosure documents in the form required by this General Ruling/Order for this purpose;
15. A number of Community Bond Corporations would like to facilitate a market with respect to their Community Bonds in the hope of providing owners of their Community Bond greater liquidity once the Community Bonds become broadly transferable pursuant to the provisions of the CB Act;
16. Up until May 2, 1994, section 27 of the CB Act exempted the Community Bond Trade, the Investment Trade, the Conversion or Exchange Trade, the Incidental Trade and the Market Trade from the provisions of the Act;
17. On or about May 2, 1994, the provisions of the CB Act were amended to repeal section 27 of the CB Act;
18. It is uncertain whether there are exemptions from the registration and prospectus requirements of the Act contained in the Act that would be applicable to the Community Bond Trade, the Investment Trade, the Conversion or Exchange Trade, the Incidental Trade or the Market Trade;
19. The staff of the Commission has reviewed the requirements of the CB Act and the procedures of Economic Development in administering the CB Act relating to the Community Bond Trade and the Investment Trade and are satisfied in this regard that:
 - a. The requirements of the CB Act are generally equivalent to the registration and prospectus requirements of the Act;
 - b. The procedures of Economic Development in administering the CB Act are generally equivalent to the procedures of the staff of the Commission in administering the Act; and

- c. The requirements of the CB Act and the procedures of Economic Development in administering the CB Act adequately protect the public given the risk to the public with respect to the trades;
- 20. Economic Development has not developed procedures with respect to the Conversion or Exchange Trade and the Incidental Trade;
- 21. Economic Development has not developed procedures with respect to the Market Trade; and
- 22. Economic Development has agreed to notify the Commission of any substantial changes to the requirements of the CB Act or the procedures of Economic Development in administering the CB Act;

AND WHEREAS the Commission is of the opinion that it would not be prejudicial to the public interest to grant this Ruling;

IT IS HEREBY RULED pursuant to clause 83(1)(a) of the Act that the provisions of sections 27 and 58 of the Act shall not apply to:

- 1. A Community Bond Trade provided that:
 - a. The trade is made in compliance with the requirements of the CB Act and the procedures of Economic Development in administering the CB Act;
 - b. With respect to a Community Bond Corporation, Economic Development undertakes to provide and so provides when available, upon request, to the Commission, at no cost, and to the public, on a cost recovery basis if it so wishes:
 - i. A list of the salespersons authorized pursuant to the CB Act to carry out the trade;
 - ii. A copy of the approval of the Review Committee with respect to the trade;
 - iii. A copy of the Community Bond Offering Memorandum approved by the Minister with respect to the trade and a copy of such approval;
 - iv. A copy of the guarantee of the Province of Saskatchewan provided with respect to the trade;

- v. A list of the investors with respect to the trade disclosing the name, address, telephone number, number of Community Bonds purchased and total dollar value of purchase for each investor;
 - vi. A copy of any approval of the Review Committee of investment by the Community Bond Corporation in an Eligible Business; and
 - vii. A copy of all corporate, financial and other information the Community Bond Corporation has filed or files with the Minister pursuant to the requirements of the CB Act;
- c. Upon exercise of any Rights to acquire Voting Shares of a Community Bond Corporation or the deemed conversion of a Community Bond to Voting Shares of a Community Bond Corporation pursuant to the CB Act, the Community Bond Corporation complies with, on a continuous basis, the provisions of Part XIV of the Act as if it was subject to those provisions except that:
- i. It is not required to file with the Commission or send to its security holders financial statements for the first and third quarters of each of its financial years; and
 - ii. If the amount invested in the Community Bond Corporation pursuant to Community Bond Trades was less than \$500,000, its annual financial statements need not be accompanied by a report of an auditor provided that:
 - (1) A general review has been carried out by an independent accountant as set out in section 8100 of the Canadian Institute of Chartered Accountants' ("CICA") Handbook; and
 - (2) Such financial statements are accompanied by a review engagement report as set out in section 8200 of the CICA Handbook; and
- d. The first trade in a Community Bond shall be subject to the provisions of subsections 81(6) and (7) of the Act as if such securities were acquired pursuant to the provisions of clause 81(1)(s) of the Act unless such trade is to an Eligible Purchaser or an Eligible Buyer;
2. An Investment Trade provided that:
- a. The trade is made in compliance with the requirements of the CB Act and the procedures of Economic Development in administering the CB Act; and

- b. Upon exercise of any Rights to acquire securities of an Eligible Business, the Eligible Business complies with, on a continuous basis, the provisions of Part XIV of the Act as if it was subject to those provisions except that:
 - i. It is not required to file with the Commission or send to its security holders financial statements for the first and third quarters of each of its financial years; and
 - ii. If the amount invested in an Eligible Business by the Community Bond Corporation was less than \$500,000, its annual financial statements need not be accompanied by a report of an auditor provided that:
 - (1) A general review has been carried out by an independent accountant as set out in section 8100 of the Canadian Institute of Chartered Accountants' ("CICA") Handbook; and
 - (2) Such financial statements are accompanied by a review engagement report as set out in section 8200 of the CICA Handbook;
3. A Conversion or Exchange Trade provided that:
- a. The trade is made in compliance with the requirements of the CB Act and the procedures of Economic Development in administering the CB Act;
 - b. Each owner of a Community Bond receives at least six months prior to any maturity date of a Community Bond, or such shorter period as the staff of the Commission may allow, a notice in a form approved by the staff of the Commission requesting from the owner of the Community Bond an indication of whether or not the owner of the Community Bond intends to exercise the owner's Rights attaching to the Community Bond and such notice shall contain:
 - i. The name of the Community Bond Corporation which issued the Community Bond;
 - ii. The name of the Eligible Business into whose securities the Community Bond is convertible or exchangeable if any;
 - iii. A brief discussion of the investment options of the owners of the Community Bond;

- iv. A brief discussion of any Rights attaching to the Community Bond;
 - v. A brief discussion of the risks associated with exercise of any Rights attached to the Community Bond;
 - vi. The latest annual and interim financial statements of all Eligible Businesses into which the Community Bond Corporation invested;
 - vii. A calculation of the net tangible book value of the securities for which the Community Bond is convertible or exchangeable based on the latest annual financial statements of the Eligible Business or the Community Bond Corporation, as the case may be, compared to the conversion or exchange value set out in the Community Bond Offering Memorandum of the Community Bond Corporation used with respect to the issuance of the Community Bond;
 - viii. A request for an indication of whether or not the owner of the Community Bond intends to exercise the owner's Rights attaching to the Community Bond, such to be returned to the Community Bond Corporation within 30 days of the date of the Notice or such shorter period as the staff of the Commission may allow; and
 - ix. An opportunity for the owner of the Community Bond to choose one of the investment options available to the owner;
- c. If owners representing 75% of the dollar amount of the Community Bonds of a Community Bond Corporation indicate an intention not to exercise their Rights after receipt of the above notice, no further disclosure documents need be delivered to the owners of the Community Bonds and no Conversion or Exchange Trade shall take place without the specific approval of the Commission;
 - d. If owners representing 75% of the dollar amount of Community Bonds of a Community Bond Corporation do not indicate an intention not to exercise their Rights after receipt of the above notice, an offering memorandum (the "Securities Offering Memorandum") in a form approved by the staff of the Commission shall be forwarded to the owners of the Community Bonds at least four months before any maturity date or such shorter period as the staff of the Commission may allow;
 - e. The Community Bond Corporation files with the Commission a list of all owners of the Community Bonds exercising their Rights disclosing the name, address, telephone number and total number of securities acquired within 10 days of the completion of the trade; and

- f. The first trade in securities of the Eligible Business or the Community Bond Corporation, as the case may be, acquired pursuant to the exercise of any Rights shall be subject to the provisions of subsections 81 (6) and (7) of the Act as if such securities were acquired pursuant to the provisions of clause 81(1)(s) of the Act;
4. An Incidental Trade provided that the trade is made in compliance with the CB Act and the procedures of Economic Development in administering the CB Act;
5. A Market Trade provided that:
 - a. The Trade is made in compliance with the CB Act and the procedures of Economic Development in administering the CB Act;
 - b. Activities carried out by the Community Bond Corporation, its officers, directors or agents with respect to the trade are purely administrative in nature;
 - c. The Community Bond Corporation forwards to the owners of the Community Bonds issued by it at least once per year together with the notice of the annual meeting of the Community Bond Corporation a form approved by the Commission which can be returned to the Community Bond Corporation at any time by the owner of the Community Bond indicating that the owner of the Community Bond is interested in buying, selling or both, Community Bonds of the Community Bond Corporation;
 - d. The Community Bond Corporation annotates from time to time the list of owners of its Community Bonds with the information received on the above forms as they are returned to the Community Bond Corporation;
 - e. The Community Bond Corporation prepares and maintains a list of those persons or companies who are not owners of its Community Bonds but who have contacted the Community Bond Corporation and are interested in buying Community Bonds of the Community Bond Corporation;
 - f. The Community Bond Corporation prepares and maintains a record of the purchase and sale prices of its Community Bonds from the institution of the above procedures;
 - g. The Community Bond Corporation prepares a summary of details of the above procedures satisfactory to the staff of the Commission in which participants are cautioned to ensure compliance with the Act especially, without limitation, the takeover bid requirements of the Act, and are urged to consult their own professional advisors

before trading, are warned of the provisions of subsection 21(3) of the CB Act and are advised of the availability of the information as set out in paragraph i;

- h. The Community Bond Corporation forwards to the owners of its Community Bonds at least once a year together with the notice of the annual meeting of the Community Bond Corporation and to all those persons or companies mentioned in paragraph e above a copy of the summary mentioned in paragraph g above;
 - i. The Community Bond Corporation makes available upon request at the offices of the Community Bond Corporation for inspection by any person or company:
 - i. The list annotated pursuant to paragraph d;
 - ii. The list prepared and maintained pursuant to paragraph e;
 - iii. The record prepared and maintained pursuant to paragraph f;
 - iv. The summary prepared and maintained pursuant to paragraph g;
 - v. The Community Bond Offering Memorandum of the Community Bond Corporation prepared with respect to its Community Bonds; and
 - vi. A copy of all financial and corporate information forwarded by the Community Bond Corporation to the owners of its Community Bonds;
 - j. No commissions are paid or fees charged to buyers or sellers who participate in the above procedures;
 - k. No investment advice is provided by the Community Bond Corporation, its officers, directors or agents with respect to the trade;
 - l. The Community Bond Corporation will not take any active part in soliciting buyers or sellers pursuant to the above procedures but will merely act as a registry for buyers and sellers wishing to buy and sell its Community Bonds; and
 - m. The Community Bond Corporation advises the Commission it is instituting the above procedures; and
6. This Ruling is further subject to the following conditions:

- a. Economic Development shall, within 60 days of any substantial change to the requirements of the CB Act or the procedures of Economic Development in administering the CB Act, give notice to the Commission of such substantial change;
- b. This Ruling shall lapse within 60 days of any substantial change to the requirements of the CB Act or the procedures of Economic Development in administering the CB Act unless the Commission indicates that the Ruling shall continue; and
- c. Unless otherwise inconsistent with this Ruling, trades comply with the CB Act and the Act.

DATED at the City of Regina, in the Province of Saskatchewan, this 2nd day of May, 1994.

"Marcel de la Gorgendière" _____
Marcel de la Gorgendière, Q.C.
Chairman