

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

AND

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

AND

IN THE MATTER OF CIS OFFICE EXPRESS INC.

MRRS DECISION DOCUMENT

WHEREAS the Canadian securities regulatory authority or regulator in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland, Yukon, Northwest Territories and Nunavut (the "Jurisdictions") has received from CLS Office Express Inc. ("CIS" or the "Filer") an application for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") that:

- a. The prospectus and registration requirements of the Legislation shall not apply to certain distributions of CIS common shares ("Common Shares") to Dealers (as defined below); and
- b. The issuer bid requirements of the Legislation shall not apply to certain repurchases by CIS of Common Shares previously distributed to Dealers,

AND WHEREAS pursuant to the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), the Ontario Securities Commission is the principal regulator for this application.

AND WHEREAS the Filer has represented to the Decision Makers that:

1. CIS is a corporation incorporated pursuant to the laws of Ontario, having its registered office in the City of Guelph, Ontario.
2. CIS was incorporated to act as a buying group for its member dealers ("Dealers") who are small businesses that sell stationary, office products, office furniture and related products and services, which have applied to be part of the CIS buying group and have been accepted following a review of their financial statements and various sales information concerning such things as principal suppliers and volume of sales.

3. The services CIS provides include:

- a. acting as a group for the purchasing of supplies and services;
- b. administrative, accounting, marketing and other office assistance; and c. such other services as Dealers shall desire.

4. CIS has previously had "private company restrictions" in its articles to limit the number of shareholders it could have to a maximum of fifty and has maintained the number of its shareholders below that level. CIS is in the process of removing any maximum number of shareholders from its articles.

5. The authorized capital of CIS consists of an unlimited number of Common Shares and an unlimited number of non-voting, Special Shares, redeemable at the option of the Corporation (collectively, the "Shares"). Special Shares, if ever issued, would be entitled to receive dividends, would be redeemable at \$1.08 plus all declared but unpaid dividends and, on liquidation, dissolution or winding up of CLS, would be entitled to \$1.08 plus all declared but unpaid dividends.

6. As of September 28, 1999, CIS had 228,389 Common Shares outstanding, issued to 39 dealers, and no Special Shares were outstanding.

7. CIS only issues Common Shares to Dealers who are party to a dealer agreement with CIS (the "Dealer Agreement"). Dealers acquire a number of Common Shares reflecting their expected proportionate buying volumes. Common Shares are issued at their book value as determined by the Board of Directors of CIS. Accordingly, CIS may from time to time require the Dealer to subscribe for additional Common Shares at a subscription price equal to the book value of such Common Shares as determined by the Board of Directors of CIS, if the proportionate buying volume of the Dealer changes.

8. Proceeds of the sale of Common Shares to Dealers are used to create shareholders' equity in CIS to meet margin requirements of CIS' bank. CIS is operated on as near to a break-even basis as possible.

9. The articles of CIS provide that the Shares are not transferable and that on liquidation or dissolution the shareholders will share rateably in the amounts available for distribution after payment of debts and the Redemption Amount as set out in the articles for any outstanding Special Shares.

10. No public market exists and none is expected to develop for the Common Shares.

11. From time to time, CIS may, but is not obligated to, purchase Common Shares for cancellation by agreement with a shareholder (i) in order for the number of Common Shares held by such shareholder to continue to be proportional to the value of purchases by the Dealer from CTS, (ii) upon termination of a Dealer Agreement with a shareholder or (iii) for other purposes.

12. The articles of CIS provide that no Dealer/shareholder shall own more than 10% of the Common Shares of CIS.

13. Prior to the initial trade, a prospective shareholder will receive an information document (the "Information Document") that will advise the shareholder of:

- a. the corporate structure of CIS;
- b. CIS 's officers, directors and management;
- c. the rights of the shareholders to receive financial statements;
- d. the rights of the shareholders to receive notice of and vote at the annual meeting of shareholders;
- e. the mechanism for adjusting shareholdings based on the Dealers' activity;
- f. the non-transferability of the CIS Common Shares, other than back to CIS through a repurchase by CIS from a Dealer; and
- g. upon liquidation of CIS, the shareholders will be entitled to share rateably in the assets available for distribution after payment of all debts.

14. The shareholders will receive the annual audited financial statements of CIS in accordance with the requirements of the *Ontario Business Corporations Act*.

15. CIS is in the process of expanding its buying group for competitive reasons and to improve its buying power. Such an expansion will necessitate the distribution of additional Common Shares to new Dealers, and such an distribution may cause the number of shareholders to become greater than fifty.

16. It is not practical for CIS to file a prospectus and become a reporting issuer, because the nature of its business is that of a private buying group run by the Dealers for the benefit of the Dealers. CIS has no intention of accessing the capital markets.

17. All shareholders of CIS will receive a copy of a current Information Document and shall execute a copy of the Dealer Agreement prior to, or at the time of becoming a shareholder.

18. CIS will send to each shareholder entitled to a notice of a meeting of shareholders, an agenda prior to or with the notice of such meeting.

19. All certificates for Common Shares issued after the date of this decision will include a legend indicating that every trade of such shares by the holder is prohibited except in accordance with this decision.

AND WHEREAS pursuant to the System this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");

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;

The Decision of the Decision Makers pursuant to the Legislation is that;

- (i) the prospectus and registration requirements of the Legislation shall not apply to the distribution of CIS Common Shares to Dealers; and
- (ii) the issuer bid requirements of the Legislation shall not apply to the repurchase by CIS of Common Shares issued to such Dealers.

provided that:

- A. the Common Shares shall not be offered to or issued to, and subscriptions shall not be accepted from, any person other than a Dealer;
- B. the exemptions contained in this decision shall cease to be effective if any of the provisions of the Information Document relevant to the exemptions granted by this decision are amended.
- C. the first trade in Common Shares acquired pursuant to this ruling shall be a distribution unless such trade is made to CIS.
- D. CIS shall have delivered to each of its present shareholders and shall deliver to each prospective shareholder before the further issue of any Common Share a copy of:
 - (1) its articles of incorporation and by-laws and any amendments to such documents;
 - (2) the most recent audited annual financial statements;
 - (3) this decision document; and
 - (4) a statement to the effect that as a result of this decision certain protections, rights and remedies provided by the Legislation including statutory rights of rescission or damages will not be available to CIS shareholders.

DATED at Toronto, Ontario, on this "13th" day of December, 1999

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Trades in securities of a non-reporting issuer which is not a private company - Issuer provides group buying and other general member services - securities acquired for a business purpose and not an investment intent - Trades to dealers and subsequent repurchases by issuer not subject to sections 25, 53 or 104(2)(c) of the Act, subject to certain conditions.

Statutes Cited

Securities Act, R.S.O. 1990, c.S.5, ss. 25, 53, 74(1), 104(2)(c)