

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – Relief granted from registration and prospectus requirements in respect of trades in shares of a non-reporting issuer to members. Issuer provides business services to members, all of whom are engaged in the office products business. Shares acquired for a business purpose and not with investment intent.

Status cited:

Securities Act, R.S.O. 1990, c. S.5, as am, ss. 25, 53

Instruments cited:

Multilateral Instrument 45-102 Resale of Securities

IN THE MATTER OF

**THE SECURITIES LEGISLATION OF ONTARIO,
BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN, MANITOBA, NEW
BRUNSWICK,
NOVA SCOTIA, NEWFOUNDLAND AND LABRADOR AND NUNAVUT**

AND

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

AND

IN THE MATTER OF GUILD STATIONERS LIMITED

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the Decision Maker) in each of British Columbia, Alberta, Saskatchewan, Manitoba, New Brunswick, Nova Scotia, Newfoundland and Labrador and Nunavut (the Jurisdictions) has received from Guild Stationers Limited (Guild) an application for a decision pursuant to 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 a preliminary prospectus and prospectus (the Registration and Prospectus Requirements) shall not apply to the issuance, from time to time, of Guild's common shares (Common Shares) to Dealers (as defined below).

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 unless otherwise defined, the terms herein have the meaning set out in National Instrument 14-101 – Definitions;

AND WHEREAS Guild has represented to the Decision Makers that:

1. Guild was created pursuant to the laws of Ontario by Articles of Amalgamation dated September 30, 1981, under the name "Stationers Warehousing Limited", and changed its name to "Guild Stationers Limited" pursuant to Articles of Amendment dated June 29, 1983.
2. Guild is not a "reporting issuer" or the equivalent in any Jurisdiction and no securities of Guild are listed or quoted on any stock exchange or market.
3. Guild's registered and principal executive offices are located at 180 Columbia Street West, Waterloo, Ontario.
4. Guild is authorized to issue an unlimited number of Common Shares, an unlimited number of Class A Shares, an unlimited number of Class B Shares and an unlimited number of Class C Shares (the Common Shares, Class A Shares, Class B Shares and Class C Shares together referred to as Shares) of which there were issued and outstanding as of December 31, 2003, 87,000 Common Shares, 138,081 Class A Shares, 56,000 Class B Shares and 222,362 Class C Shares.
5. Guild was incorporated to act as a buying group for its member dealers (Dealers) who are small businesses that sell stationery, office products, office furniture and related products and services, which have applied to be part of the Guild buying group in order to pool respective purchasing power and to negotiate volume rebates and discounts from suppliers.
6. Guild operates a warehouse and purchases inventory in bulk for resale to Dealers. Guild also provides advertising and marketing services to Dealers.
7. Guild only issues Shares to Dealers. To be eligible as a Dealer, the Dealer must have been engaged for a minimum of two years in the office products business and must have the ability to purchase at least \$200,000 worth of stationery products from Guild each year.
8. The Common Shares are the only voting shares of Guild. Currently no Dealer may hold more than 1,000 Common Shares.
9. The total net profit of Guild, if any, is distributed annually to the holders of Common Shares, Class C Shares and Class A Shares.

10. The Class A, B and C shares were previously issued to Dealers as a method of returning rebates obtained from volume purchases from vendor orders to Dealers by way of dividend. Guild currently has no plans to issue additional Class A, B or C shares.

11. Each prospective Dealer is required to enter into an agreement with Guild (the Dealer Agreement), which contains restrictions on the transfer of Common Shares by Dealers as well as certain matters in respect of the conduct of the Dealer's business, and requires each Dealer to purchase 1,000 Common Shares at \$2.00 per Common Share.

12. Pursuant to the terms of the Dealer Agreement, upon the termination of a Dealer Agreement by Guild or the respective Dealer, Guild agrees to repurchase the Common Shares of the respective Dealer within 6 months of such termination.

13. Proceeds of the sale of Common Shares to Dealers are used to create shareholders' equity in Guild, which shareholders' equity is used to secure loans for working capital purposes in order to enable it to operate its business.

14. According to the terms of the Dealer Agreement, each Dealer must, within 90 days of the of the execution of the Dealer Agreement, display identification materials showing the "Guild Stationers" symbol or logo in the Dealer's place of business.

15. The articles of Guild provide that the Common Shares may not be transferred without the express consent of a majority of the board of directors of Guild, and only to a person or company (an Eligible Transferee) as follows:

- (i) Guild;
- (ii) a spouse, child, daughter-in-law or son-in-law of a Dealer; or
- (iii) a pledgee or mortgagee to secure a bona fide loan.

16. There are currently 85 Dealers across Canada.

17. Upon liquidation or dissolution of Guild, the holders of Common Shares will share rateably in the amounts available for distribution after payment of debts, and satisfaction of any redemption or liquidation amount payable on outstanding shares ranking ahead of the Common Shares.

18. Guild previously received exemptive relief orders in respect of the issuance of the Shares from the securities regulatory authorities of each of Ontario, Manitoba, New Brunswick, Nova Scotia, Saskatchewan and Alberta (the orders with respect to previous Share issues).

19. Guild has been able to locate evidence that suggests that at approximately the same time as relief orders were requested from the above mentioned Jurisdictions, application was made to the securities regulatory authority of British Columbia with respect to issuances of the Shares and believes that a similar application was made to the securities regulation authority of

Newfoundland and Labrador, but has been unable to confirm the receipt of exemptive relief orders from such Jurisdictions.

20. Guild has also issued and outstanding \$640,328.00 principal amount of Notes. Notes were issued to Dealers, persons that were, at the time of issuance, Dealers or the shareholders of Dealers, or to a spouse, parent, child, brother or sister of any such shareholder. The Notes were issued to fund certain capital expenditures of Guild in the operation of its business.

21. Guild received an exemptive relief order in respect of the issuance of the Notes from the securities regulatory authority of Ontario on December 15, 1983 (the order with respect to previous Note issues). The current management of Guild is unaware as to whether application was made to the local securities regulatory authorities of the Jurisdictions, other than Ontario with respect to the issue of the Notes. Guild does not intend to issue further Notes and is currently in the process of making provisions for the repayment of the Notes.

22. Other than the possibility that Guild did not obtain relief in the Jurisdictions as described above for the offering of its Shares and Notes to date, Guild is not in default of any requirements under the Legislation.

23. Guild intends to amend the terms of the Dealer Agreements to provide that prospective Dealers will be required to purchase 3,000 Common Shares at \$2.00 per Common Share, providing \$6,000 of equity capital to Guild per Dealer. The Dealer Agreement will also require existing Dealers to purchase an additional 2,000 Common Shares thereby increasing their equity capital in Guild to \$6,000.

24. The proposed increase in capital to \$6,000 per Dealer will provide Guild with increased equity necessary to improve its purchasing power, which will allow it to provide an increased level of service to Dealers and will also provide for adjustments relative to the increase in prices of over time due to inflation. The proposed increase will also allow Guild to improve its debt-equity ratio and obtain bank financing on approved terms.

25. Each Dealer, as part of the decision to become a Dealer, voluntarily chooses whether or not to subscribe for Common Shares of Guild.

26. The primary purpose of owning Common Shares in Guild is not for investment, but to facilitate the business operations of each Dealer and Guild.

27. Guild will prepare and send to each Dealer annual audited financial statements as required by the Business Corporations Act (Ontario).

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

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 the issue of Guild's Common Shares to a Dealer will not be subject to the Registration and Prospectus Requirements, provided that:

1. Common Shares shall not be offered to or issued to, and subscriptions shall not be accepted from, any person other than a Dealer;
2. Each prospective Dealer, prior to becoming a Dealer, and all present Dealers of Guild shall execute a copy of the Dealer Agreement;
3. Guild shall send to each of its Dealers entitled to notice of a meeting of shareholders an information circular consistent with the form required by the Legislation with or prior to the giving of notice of such meeting;
4. Guild shall deliver to each Dealer and prospective Dealer, before such prospective Dealer shall become a shareholder of Guild:
 - (a) its articles of amalgamation and by-laws and any amendments to such documents;
 - (b) the most recent audited annual financial statements;
 - (c) this Decision Document; and
 - (d) 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 Guild shareholders.
5. All Common Share certificates shall be engrossed with a legend indicating that every trade of such shares by the holder thereof is prohibited except in accordance with this decision document;
6. The first trade in any securities acquired pursuant to this Decision to a person or company who is not an Eligible Transferee shall be deemed to be a distribution to the public unless such trade is made in compliance with section 2.5 of Multilateral Instrument 45-102 Resale of Securities; and
7. From the date of this Decision, Guild does not rely on the orders with respect to previous Share issues or the order with respect to previous Note issues, for the purpose of issuing further Shares or Notes.

DATED this 23rd day of December, 2004

"Paul M. Moore"

"David L. Knight"