

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

AND

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

AND

IN THE MATTER OF
VOLUME INDEPENDENT PURCHASERS' STORES LTD.

MRRS DECISION DOCUMENT

WHEREAS the Canadian securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland (collectively the "Jurisdictions") has received an application (the "Application") from Volume Independent Purchasers' Stores Ltd. ("VIP") 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 and obtain a receipt for a preliminary prospectus and prospectus (the "Registration and Prospectus Requirements") shall not apply to trades by VIP of:

1. Class "A" Shares (the "Shares") of VIP and Shareholder Loans (as defined below) to Members (as defined below); or
2. Member Loans (as defined below) to Members (as defined below) and/or certain persons closely related to a Member (as defined below);

on and subject to the terms and conditions described herein;

AND WHEREAS pursuant to the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), the Saskatchewan Securities Commission is the principal regulator for the Application (the "Principal Regulator");

AND WHEREAS VIP has represented to the Decision Makers that:

1. VIP was incorporated pursuant to the laws of Saskatchewan on or about December 6, 1965 and continued pursuant to the *Canada Business Corporations Act* by Certificate and Articles of Continuance dated June 17, 1987;

2. The head office of VIP is in Saskatoon, Saskatchewan;
3. VIP is not a reporting issuer in any Jurisdiction, and it is not anticipated that it will become a reporting issuer in any Jurisdiction in the foreseeable future;
4. The authorized capital of VIP consists of a maximum of 2,000 shares of a single class, designated Class "A" Shares of which 169 Shares are presently issued and outstanding;
5. The securities of VIP are not listed or quoted for trading on any exchange or over the counter market;
6. Pursuant to VIP's Articles of Continuance, Shares may be transferred only with the consent of VIP's board of directors (the "Board");
7. VIP's 169 outstanding Shares were issued at a price of \$1 per Share to, and are held as to one Share each by, 169 separate shareholders, each of which is an independently owned and operated retailer of furniture, household appliances and/or electronic products (the "Existing Members"). Existing Members are presently located in all Jurisdictions (except Quebec) and in the Yukon;
8. Most Members are closely held private companies or issuers the securities of which are held by one or two individuals who are directly involved in the day to day operations of the Member and in some cases the spouse or other immediate family members of such security holders;
9. Membership in VIP is, subject to approval by the Board, open to any person or company who operates as a retailer of furniture, household appliances and/or electronic products (an "Applicant") and, upon acceptance of an application and compliance with VIP's Bylaws, an Applicant is issued one Share at a subscription price of \$1, whereupon the Applicant becomes a Member of VIP (the "Member" and as used herein the term refers to Existing Members (for so long as they remain as Members) together with Applicants whose application for membership is hereafter accepted by the Board);
10. Existing Members have made, and Applicants as a condition of Membership, are required to make, to VIP loans in amounts determined from time to time by the Board ("Shareholder Loans"). Pursuant to the Bylaws of VIP such Shareholder Loans may be used by VIP as general working capital as required, but the major purpose of such Shareholder Loans is to secure and guarantee the purchases of merchandise by Members from or through VIP. As at December 31, 1999, outstanding Shareholder Loans totaled \$3,063,209 or, on average, \$18,125 per Member. Interest on Shareholder Loans is paid annually at rates determined by the Board, and over the past five years has been paid at the prime rate less 2% per annum. Generally, however, the principal portion of a Member's Shareholder Loan is repaid only upon resignation or other termination of a Member. The Shareholder Loans are akin to the relationship that might exist between a Member (or any furniture retailer) and a manufacturer/wholesale supplier of merchandise who in the ordinary course of business may require the retailer/ buyer to deposit cash or other security to secure ongoing deliveries of inventory;

11. VIP operates a centralized buying and marketing group on behalf of its Members. As such, its principal business and purpose is to purchase merchandise from suppliers on behalf of Members and resell that merchandise to Members. VIP currently deals with approximately 275 suppliers on behalf of the members. VIP additionally provides advertising and promotional, administrative and other ancillary services to its Members. Pursuant to VIP's Bylaws, all surplus revenues of VIP are allocated to Members on a pro rata basis according to the scale of purchases from approved suppliers over the period in which the surplus was accumulated;

12. In its fiscal year ended December 31, 1999, VIP had total sales, on a non consolidated basis, of approximately \$178,729,000, all of which sales were made to the Members. Additionally, VIP has a wholly owned subsidiary, VIP Distributors Inc. ("Distributors"), which operates a similar centralized buying service on behalf of a separate group of 268 members. Each member of Distributors is, like the Members, an independently owned and operated retailer of furniture, appliances and electronics. However, unlike the Members, members of Distributors have no equity interest in Distributors or VIP and do not participate in the revenues or profits of Distributors. In the fiscal year ended December 31, 1999, Distributors had total sales of approximately \$108,231,000, such that VIP's total sales, on a consolidated basis were approximately \$286,960,000;

13. VIP proposes to establish a financing program (the "Program") pursuant to which it will offer for sale (the "Offering") and issue non-convertible debt instruments (referred to as "Member Loans") on substantially the following terms and conditions:

a. Member Loans will be created and authorized for issue pursuant to a trust deed (the "Trust Deed") to be entered into between VIP and a trustee (the "Trustee") licensed to carry on business as a trust company in every Jurisdiction;

b. the Trust Deed will authorize VIP to create and issue Member Loans in an aggregate principal amount of up to \$20 million, to be evidenced by Member Loan Certificates ("Certificates") to be issued in denominations of \$5,000 and/or multiples thereof as VIP may from time to time determine. The terms and conditions of the Member Loans as to maturity dates (which may vary from one to ten years from the date of issue), instalment payments prior to maturity (if any) and interest rates may vary from Certificate to Certificate as determined by the Board and agreed to by the respective subscribers for the Loans. The Member Loans will not be secured, and it is not anticipated that the Member Loans will be rated by any recognized rating agency;

c. the Member Loans shall be offered to, and may be subscribed for by, only the following persons and companies (collectively "Eligible Subscribers"):

i. Members;

ii. individual directors or senior officers of a Member;

- iii. individuals who directly or indirectly "control" (as that term is defined in the Legislation) a Member;
 - iv. a spouse, spousal equivalent or child of a person mentioned in i, ii or iii above; or
 - v. a registered retirement savings plan of which an individual mentioned in i, ii, iii or iv above is the beneficiary;
- d. the Member Loans will not be further tradable except:
- i. to another Eligible Subscriber: or
 - ii. in circumstances where the further trade would be exempt from the Registration and Prospectus Requirements;
- e. the Offering will begin at a time determined by the Board and will continue for an indefinite period of time as determined by the Board;
- f. prior to accepting any specific subscription from an Eligible Subscriber for a Member Loan VIP shall deliver to the subscriber a copy of:
- i. the Certificate and Articles of Continuance and Bylaws of VIP as amended from time to time;
 - ii. VIP's most recent annual audited financial statements;
 - iii. this Decision; and
 - iv. a written summary of the material terms of the Trust Deed (including, if applicable, any supplemental deeds) and Program;
- g. the proceeds of the Offering will be used to establish a fund which will be drawn against by VIP and/or by Distributors, to pay for merchandise purchased by VIP and/or by Distributors on behalf of Members and/or on behalf of members of the Distributors buying group and replenished with funds as and when payments are received from the respective Members and/or members of the Distributors buying group on behalf of whom such purchases are made;
- h. the Program will replace part of VIP's current revolving credit facilities;

14. The Members and Eligible Subscribers are all engaged, directly or indirectly, in the furniture, household appliance and/or electronic products retailing business and, therefore, possess substantial knowledge of that business and of VIP's operations and affairs, which operations are not carried on primarily with a view of making a profit but rather as a means of combining the purchasing power of all Members to enable them to obtain, collectively, better prices and terms

for the purchase of inventory used in their respective businesses, and otherwise to facilitate the respective business operations of the Members in an efficient manner and under the control of the Members;

15. VIP prepares and sends and will continue to prepare and send on an ongoing basis to holders of its securities annual audited financial statements. These statements are currently prepared and sent in accordance with the requirements of the *Canada Business Corporations Act*. These statements will from the date of this Decision Document be prepared in accordance with the requirements of the *Canada Business Corporations Act* and the Legislation for annual audited financial statements and will be sent within 140 days from the end of each financial year of VIP; and

16. Members receive notices of meetings and proxy and management information circulars of VIP on an ongoing basis as required pursuant to the *Canada Business Corporations Act*;

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

AND WHEREAS each of the Decision Makers are of the opinion that it would not be prejudicial to the public interest to make this Decision;

The Decision of the Decision Makers pursuant to the Legislation is as follows:

1. The proposed trade of Shares by VIP to, and taking of Shareholder Loans from, Members shall not be subject to the Registration and Prospectus Requirements, provided that:

- a. the Shares are issued at a nominal subscription price of \$1 and only one Share is issued to each Member;
- b. prior to issuing a Share to, or taking a Shareholder Loan from, any specific Applicant VIP shall deliver to the Applicant a copy of:
 - i. the Certificate and Articles and Bylaws of VIP as amended from time to time;
 - ii. VIP's most recent annual audited financial statements;
 - iii. this Decision; and
 - iv. a statement to the effect that as a consequence of this Decision certain protections, rights and remedies provided by the Legislation, including statutory rights of rescission or damages, will not be available with respect to the acquisition of the Shares and Shareholder Loans and that certain

restrictions are imposed on the disposition of the Shares and Shareholder Loans;

c. the trade is carried out substantially in the manner described in this Decision; and

d. a subsequent trade in Shares and/or Shareholder Loans shall be deemed a "distribution" if made in the Province of British Columbia, Alberta, Saskatchewan, Ontario, Quebec, Nova Scotia or Newfoundland, a "primary distribution to the public" if made in the Province of Manitoba or New Brunswick and a "distribution to the public" if made in the Province of Prince Edward Island, unless such trade is made to VIP or another Member; and

2. Except with respect to the Registration and Prospectus Requirements in the Legislation of Nova Scotia, the proposed trade by VIP of Member Loans to Eligible Subscribers shall not be subject to the Registration and Prospectus Requirements, provided that:

a. the Member Loans are offered for sale on substantially the terms and conditions described in the Decision;

b. prior to accepting any specific subscription from an Eligible Subscriber for a Member Loan VIP shall deliver to the subscriber a copy of:

i. the Certificate and Articles and Bylaws of VIP as amended from time to time;

ii. VIP's most recent annual audited financial statements;

iii. this Decision;

iv. a written summary of the material terms of the Trust Deed (including, if applicable, any supplemental deeds) and Program; and

v. a statement to the effect that as a consequence of this Decision certain protections, rights and remedies provided by the Legislation, including statutory rights of rescission or damages, may not be available with respect to acquisition of the Member Loans and that certain restrictions are imposed on the disposition of the Member Loans; and

c. a subsequent trade in a Member Loan shall be deemed a "distribution" for the purposes of the Legislation if made in the Province of British Columbia, Alberta, Saskatchewan, Ontario, Quebec or Newfoundland, a "primary distribution to the public" if made in the Province of Manitoba or New Brunswick and a

"distribution to the public" if made in the Province of Prince Edward Island unless the transferee is another Eligible Subscriber who is provided with substantially the same information that VIP would be required to provide pursuant to this Decision if the transferee was acquiring the Member Loan directly from VIP.

DATED at Saskatoon, Saskatchewan, on June 16, 2000.

"Marcel de la Gorgendi航"

Marcel de la Gorgendi航, Q.C.

Chairperson