

January 24, 2018

In the Matter of
the Securities Legislation of
Manitoba (the **Jurisdiction**)

and

In the Matter of
the Process for Exemptive Relief Applications in Multiple Jurisdictions

and

In the Matter of
Gay Lea Foods Co-operative Limited
(the **Filer**)

DECISION

Background

The principal regulator in the Jurisdiction has received an application from the Filer for a decision under the securities legislation of the Jurisdiction of the principal regulator (the **Legislation**) that the prospectus requirement contained in the Legislation of the Jurisdiction shall not apply to the issuance, from time to time, of Membership Shares, Patronage Shares and Preferred Shares (referred to as Preference Shares in the Filer's Offering Statement) of the Filer, to Members or Prospective Members of the Filer (as defined below), or to the issuance of Class A Unsecured Debentures of the Filer by way of conversion of Membership Shares or Preferred Shares of the Filer to Class A Unsecured Debentures of the Filer in the event that a holder of such shares ceases to be a Member of the Filer, or to any subsequent trades in such shares to another Member or the Filer (the **Exemption Sought**).

Under the Process for Exemptive Relief Applications in Multiple Jurisdictions (for a passport application):

- (a) the Manitoba Securities Commission is the principal regulator for this Application;
- and
- (b) the Filer has provided notice that Section 4.7(1) of Multilateral Instrument 11-102 *Passport System* (MI 11-102) is intended to be relied upon in Alberta, British Columbia, New Brunswick, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut, Prince Edward Island, Quebec, Saskatchewan and Yukon (together with the Application Jurisdiction, the **Jurisdictions**).

Interpretation

Terms defined in National Instrument 14-101 *Definitions* and MI 11-102 have the same meanings if used in this decision, unless otherwise defined.

Representations

This Decision is based on the following facts represented by the Filer:

The Filer

1. The Filer is a co-operative incorporated under the *Co-operative Corporations Act (Ontario)*. The Filer purchases milk produced by its members, and processes and markets dairy products.
2. The head office of the Filer is located in Ontario.
3. The membership of the Filer is made up only of active dairy farmers and their extended family members. Only Members have any voting rights on matters coming before the Filer.
4. Prior to January, 2017, in order to be a **Member**, one was required to hold an **Ontario** dairy licence (or to have an ownership interest in a business entity that holds such a licence, or alternatively, to be an extended family member of such an individual) and to hold, or to be working toward acquiring, the minimum required number of Membership Shares (as elaborated on in paragraph 24 below). The one exception to that requirement is that a Member who is also a director can continue to maintain their membership if they cease to be associated with a dairy farm, but only so long as they remain a director and continue to hold at least \$25,500 in shares in the Filer.
5. In January, 2017, the Filer revised its by-laws to permit dairy farmers and their extended family members in Canadian jurisdictions **outside of Ontario** to become Members. The exception that permits a Member who is also a director to continue to maintain their membership if they cease to be associated with a dairy farm, but only so long as they remain a director and maintain the minimum required investment in the Filer, would also apply to any Members located outside of Ontario who are directors.
6. The Filer amended its by-laws in this fashion because it desires to expand its business by opening its membership to active dairy farmers and their extended family members in Canadian jurisdictions outside of Ontario, beginning with Manitoba. The prospect of offering membership to dairy producers in Manitoba arose because the Filer is upgrading an existing food grade facility in Manitoba and planning to expand production from that facility, and in the course of that initiative the Filer was approached by the Dairy Farmers of Manitoba to consider extending its membership to dairy producers in Manitoba.
7. Membership in the Filer will continue to be restricted to individuals who hold a valid and current dairy licence, or have an ownership interest in a business entity that holds such a licence, or alternatively, is an extended family member of such an individual.

8. A person who is seeking to become a Member of the Filer but who has not yet become a Member is referred to as a **Prospective Member**.
9. The Bylaws and the latest Offering Statement of the Filer refer to producer members who are the only persons with voting rights in respect to the Filer, and therefore the only members of the Filer, as the term “member” is defined by the *Co-operative Corporations Act (Ontario)*. For the purposes of the Bylaws and the Offering Statement, persons who are not producer members and are not members as defined by the *Co-operative Corporations Act (Ontario)* are described as investor members or associate members in the Bylaws, and, together, as non-producer members, in the Offering Statement.
10. References in this decision to Members of the Filer and membership in the Filer refer to Members and membership pursuant to the *Co-operative Corporations Act (Ontario)* (ie: those persons referred to as “producer members” in the Filer’s Bylaws and Offering Statement). The Filer does not seek any exemptive relief for the purposes of offering securities to any persons outside of Ontario who do not qualify to become Members (ie: producer members) of the Filer.
11. As permitted by the *Co-operative Corporations Act (Ontario)*, the Filer has provided in its by-laws that its Members will be assigned to a zone based upon the location of their licensed dairy operations, and shall vote for delegates to represent their zone from among the Members of the Filer, and that there shall be annual general meetings of the delegates, which shall be deemed to be, and to have all the powers of, a meeting of the Members.
12. To date, the Filer has only offered securities within Ontario and has operated within the securities regulatory provisions of the *Co-operative Corporations Act (Ontario)*. The Filer is not in default of any securities legislation in any of the Jurisdictions. The Filer is not presently, and will not be a reporting issuer, or the equivalent, in any of the Jurisdictions, and there is no present intention of becoming one.
13. There is currently no market for the securities of the Filer. The Filer has no present intention of listing its securities on any stock exchange or market.

The Business of the Filer

14. The business of the Filer is the manufacture and distribution of dairy and related products including butter, skim milk powder, aerosol whipped cream, cottage cheese, chip dips, sour cream, creams and milk, as well as certain non-dairy products. The Filer operates within the supply management system in Ontario and Canada, whereby marketing boards such as Dairy Farmers of Manitoba have the exclusive right to acquire milk produced by dairy cows from producers and to sell milk produced by dairy cows to processors such as the Filer. The Filer now accepts dairy goat milk producers (who are not subject to the supply management system that governs milk produced by dairy cows) as Members, and it also requires that such Members enter into a producer agreement with the Filer (the **Producer Agreement**). Pursuant to a Producer Agreement, the Filer has the first right to purchase milk produced by a Member that is not subject to a supply management system at a determined price.

15. Members of the Filer in Ontario are paid patronage returns from the net profits earned by the Filer in accordance with the *Co-operative Corporations Act (Ontario)* in proportion to the volume of milk supplied by each Member to the Ontario marketing board, called Dairy Farmers of Ontario (in the case of milk produced by dairy cows), or supplied directly to the Filer (in the case of milk produced by dairy goats). With respect to milk supplied by Members to the Ontario marketing board, the *Co-operative Corporations Act (Ontario)* deems such product to have been supplied to the Filer.
16. If the Filer extends its membership to dairy producers in Canadian jurisdictions other than Ontario, Members of the Filer outside of Ontario will be paid patronage returns on the same basis as such returns are paid to Members within Ontario; that is, they will be paid patronage returns from the net profits earned by the Filer in proportion to the volume of milk supplied by each Member to their respective marketing board or supplied directly to the Filer.
17. The patronage returns are in addition to and distinct from the payments received by the Member when they sell or supply their milk to their respective marketing board (or to the Filer).
18. The principal benefits that Members receive from membership in the Filer arise from:
 - a. the efforts of the Filer to expand the uses and markets for milk, milk products and milk by-products, to maintain and grow the amount of milk that can be produced and marketed by dairy farmers; and
 - b. the right to share in profits earned from the processing and marketing of the milk they produce.

The Offering

19. The Filer has three classes of shares. Specifically, there are the shares that Members are required to purchase (Membership Shares), shares that may be purchased by Members and others who are considered by the Board of Directors of the Filer to be committed to the ideals of the Filer and to co-operative values (Preferred Shares, which are referred to as Preference Shares in the Offering Statement) and shares that are issued to Members as payment of a specified portion of a Member's patronage returns (Patronage Shares). Neither Preferred Shares nor Patronage Shares carry any voting rights.
20. Membership Shares and Patronage Shares are only available to Members of the Filer. Patronage Shares are not offered for purchase, per se, but are instead issued to Members in payment of a specified portion of a Member's patronage returns.
21. The exemptions sought by the Filer with respect to the offering and issuing shares of the classes referred to in paragraph 19, above, to persons outside of Ontario are limited to offering and issuing such shares only to persons who are admitted as Members of the Filer. There is no intention of, nor any request for relief in respect to, offering shares of any class to any person outside of Ontario who does not become a Member.
22. The Filer presently issues only one class of debenture, specifically Class A Unsecured Debentures. The Filer does not intend to issue Class C Unsecured Debentures outside of Ontario.

23. There is no intention of, nor any request for relief in respect to, issuing debentures of any class to any person outside of Ontario, save to permit the Filer to convert the Membership Shares or Preferred Shares of a Member into Class A Debentures of the Filer when that Member ceases to be a Member (for example if the Member no longer meets the criteria for membership as referenced in paragraphs 4 and 5, above, or if the Member wishes to withdraw from Membership). While the Filer does pay a commission to directors, delegates and employees when a debenture is purchased, there is no commission paid when a debenture is issued as the result of the holder of Membership or Preferred Shares converting those shares to debentures issued by the Filer
24. The current investment requirements of membership are that a Member is required to have subscribed for 1 Membership Share, plus an additional 3 Membership Shares per 1,000 litres of annual milk production (with a year being from October 1-September 30). Members can purchase 100% of the required Membership Shares up front, or can build their investment over time with a retention taken from the monthly cheque they receive for their milk sales.
25. Membership Shares have a par value of \$17.00 per share and have voting rights (Once an applicant has met the requirements for membership, that Member has one vote at members' meetings. Membership may be held jointly, and exercise one vote jointly, where more than one person is associated with a licenced dairy farm). Membership entitles a Member to patronage returns in accordance with the *Co-operative Corporations Act (Ontario)* in proportion to the volume of milk supplied or deemed to be supplied by each Member to the Filer; and entitles the holders of such shares to a right to share in the distribution of assets of the Filer upon its dissolution.
26. Members who either hold the minimum required number of Membership Shares, or who have subscribed for the minimum required number of Membership Shares and are building that investment through deductions from their monthly milk cheque, receive a patronage return on their Membership Shares at the discretion of the Board of Directors of the Filer. A portion of the patronage return paid is paid to the Members in cash, with the remainder paid through the issuance of Patronage Shares to the Members. Patronage Shares do not earn dividends and are not offered for sale. They are redeemable, at the option of the Filer, no earlier than 5 years after their issuance, at their par value. In essence, the issuance and redemption of Patronage Shares amounts to a deferred income stream for Members.
27. It is important to note that the patronage return that results in the issuance of Patronage Shares is a separate payment from the payment that is received by the Member for the milk they sell. In other words, the Member is paid in full for the milk they sell, and no part of that payment made up of Patronage Shares.
28. Preferred Shares have a par value of \$17.00; are non-voting and bear dividends declared at the discretion of the Board of Directors of the Filer (the Board). In the event of the liquidation, dissolution or winding-up of the Filer or other distribution of assets among its Members for the purpose of winding-up its affairs, the holders of Preferred Shares will be entitled to receive, on a pro rata basis with the holders of other classes of such shares but before any distribution of assets among the holders of Membership Shares, the Redemption Price, including all declared and unpaid dividends thereon.

29. While Preferred Shares are available to persons other than Members (provided that those persons are approved by the Board of Directors of the Co-operative), the Co-operative is not seeking exemptive relief with respect to the offering of such shares to persons outside of Ontario who are not Members. Instead, the relief that the Co-operative is seeking in this application with respect to Preferred Shares is limited to offering such shares to Members, who are able to purchase such shares provided that the Member already holds the minimum required number of Membership Shares.
30. Where a Member's milk production decreases from one year to another, a portion of his or her Membership Shares is converted to Preferred Shares in order to maintain the requirement that a Member hold 3 Membership Shares per 1,000 litres of annual milk production. If a Member's milk production increases from one year to another and the Member is required to obtain more Membership Shares to maintain the required number of Membership Shares, the Member has the option of purchasing additional Membership Shares, or converting his or her Preferred Shares to Membership Shares, or some combination of converting Preferred Shares and purchasing new Membership Shares. One way that a Member can redeem Membership Shares is to convert them to Preferred Shares.
31. It has been the Filer's experience that many Members choose to purchase additional Preferred Shares so that if they are required to acquire additional Membership Shares due to an increase in milk production, they are not required to put out any additional funds at that time, but can instead rely on converting their Preferred Shares as needed.
32. As a result, the Co-operative seeks an exemption to offer Preferred Shares to Members outside of Ontario.
33. It is contemplated by the Filer that when a Member from a jurisdiction outside of Ontario ceases to be a Member, the Filer would be entitled to convert their Membership and Preferred Shares into Class A Debentures in the same manner as can be done with respect to Members inside of Ontario.
34. Each Ontario milk producer who contemplates becoming a Member of the Filer receives an Offering Statement receipted by the Financial Services Commission of Ontario (**FSCO**), prepared in compliance with section 12 of Regulation 178, as amended, under the *Co-operative Corporations Act* (Ontario) (the **Offering Statement**). The Offering Statement receipted by FSCO provides full, true, and plain disclosure of all material facts, and the test for what is required in such an Offering Statement is the same as the test for what is required to be included in a prospectus.
35. Outside of Ontario, the Filer only intends to offer its shares to its Members and Prospective Members. In the event that the Filer is granted the relief sought herein, and offers membership to milk producers in jurisdictions other than Ontario, any milk producer in any of the Jurisdictions other than Ontario who contemplates becoming a Member of the Filer would also receive a copy of the Offering Statement prior to purchasing shares in the Filer. Prospective Members will be provided with the right to withdraw from their subscription commitment within two business days of signing their Subscription Agreement (the **Right of Withdrawal**).

36. In addition to providing milk producers who are contemplating becoming a Member of the Filer with the (then current) Offering Statement, and an addendum to the (then current) Offering Statement advising of any differences in the material attributes of the securities being offered for holders in Ontario compared to holders outside of Ontario that are not described in the Offering Statement (the **Addendum**), the Filer would also provide such Prospective Members with the Articles of Incorporation of the Filer, the By-laws of the Filer, the Producer Agreement, this Decision, a form of Subscription Agreement and the most recent financial statements of the Filer and the related auditor's report. Collectively, these materials will be referred to herein as the **Disclosure Documents**.
37. Concurrently with or prior to the receipt of the Disclosure Documents, Prospective Members will be provided with a risk acknowledgement form, substantially similar to Form 45-106F4 (the **Risk Acknowledgement Form**) which Prospective Members will be required to sign.
38. The Filer will provide Members with further disclosure as required by the *Co-operative Corporations Act (Ontario)*. In addition to the requirement that the Filer send Members a copy of the financial statements and auditor's report on an annual basis as described below, the Filer is also required to provide an updated Offering Statement and statement of material change (if any) in the event that the Member seeks to purchase additional securities of the Filer.
39. Members to which the Filer issues Membership Shares or Preferred Shares will be provided with a contractual right of action against the Filer with respect to any misrepresentation contained in the disclosure provided in the Disclosure Documents equivalent to the statutory right provided by section 130.1 of the *Securities Act (Ontario)* (the **Contractual Right Of Action**), in addition to any other right or remedy available at law to the Member. The Disclosure Documents will contain a description of the Contractual Right of Action and a statement that the Contractual Right of Action is in addition to any other right or remedy available at law to the Member.
40. The Filer will send Members a copy of its financial statements and auditor's report in accordance with section 140 of the *Co-operative Corporations Act (Ontario)*, which requires that the financial statements and auditor's report be sent out at least 10 days before each annual members' meeting.

Share Structure/Material Attributes of the Securities

41. As at September 30, 2017, the capital of the Filer for the purposes of the *Co-operative Corporations Act (Ontario)* is as follows:

	Par Value	Authorized	Issued
Preferred Shares	\$17.00	\$1,696,601,700	\$51,490,000
Membership Shares	\$17.00	\$1,691,500,000	\$56,045,000
Patronage Shares	\$ 1.00	\$ 99,500,000	\$41,212,000

42. The par value of the shares is fixed by the Articles of the Co-operative.
43. The material attributes of the securities to be offered by the Filer pursuant to the proposed exemption outside of Ontario are set out below.

Shares

	Membership Shares	Patronage Shares	Preferred Shares
Par Value	\$17.00	\$1.00	\$17.00
Dividend Rate	Ownership of the required number of Membership Shares (or entering into and complying with an agreement to work toward purchasing that number of Membership Shares through a deduction from the Member's monthly cheque for payment for milk supplied by the Member) entitles the Member to patronage returns, which distributes a portion of the Filer's profits in proportion to volume of the Member's business with the Filer.	None	Variable dividend, in preference over a dividend on the Membership Share, in shares or cash, as fixed by the Board of Directors from time to time. If any amount of declared dividends or amount payable on return of capital in the event of winding up) liquidation or dissolution of the Filer, is not paid in full, Preferred Shares shall participate ratably in respect of such dividends and return of capital,
Rank	Ranking after Debentures, Preferred Shares and Patronage Shares in priority on dissolution and dividend payment upon approval of the Board.	Ranking after Debentures, and Preferred Shares and before Membership Shares	Rank after Debentures and before Patronage Shares and Membership Shares.
Redemption by Filer	Provided that a Member in a jurisdiction other than Ontario retains the required number of Membership Shares, the Member can	Redeemable by the Filer equal to the par value no earlier than 5 years after the day on which the share was issued.	A Member in a jurisdiction other than Ontario can exchange any Preferred Shares for Membership Shares in order for the Member to hold the

	Membership Shares	Patronage Shares	Preferred Shares
	<p>exchange any additional Membership Shares for Preferred Shares.</p> <p>For Members retiring from dairy farming or ceasing their producer membership with the Co-operative, Membership Shares will either be redeemed without the consent of the holders at a redemption price equal to the current par value of such a share plus any unpaid dividends, or Membership Shares will be converted to a 3, 5 or 10-year Class A Debenture of the Co-operative at the current rates and terms.</p> <p>Any conversion requires approval of the Board of Directors.</p> <p>The Filer may redeem the shares without notice or bonus upon a resolution being passed to approve such action by the Board of Directors.</p> <p>The shares are redeemable by the Filer at par value.</p>		<p>required number of Membership Shares.</p> <p>For Members retiring from dairy farming or ceasing their producer membership with the Co-operative, Preferred Shares will either be redeemed without the consent of the holders at a redemption price equal to the current par value of such a share plus any unpaid dividends, or Preferred Shares will be converted to a 3, 5 or 10-year <u>Class A Debenture</u> of the Co-operative at the current rates and terms.</p> <p>All such conversions require approval of the Board of Directors.</p> <p>Preference Shares may be redeemed by the Filer without the consent of the holders at a redemption price equal to the par value of such a share plus any unpaid dividends.</p>
Voting Rights	Voting rights flow from membership in the Co-operative,	None	None

	Membership Shares	Patronage Shares	Preferred Shares
	<p>which requires, among other things, that the Member hold the required number of Membership Shares. Once an applicant has met the requirements for membership, that Member has one vote at members' meetings.</p> <p>Membership may be held jointly, and exercise one vote jointly, where more than one person is associated with a licenced dairy farm.</p> <p>Members elect delegates. Delegates are entitled to vote at meetings of delegates which exercise the powers of a meeting of Members.</p>		
Transfer	To be valid, a transfer must have been approved by the resolution of the Board of Directors of the Filer, the transferee admitted to membership in the Filer, and the entry thereof duly made in the Register of Transfers of the Filer.	No transfer of the Patronage Shares shall be effective until the consent of the Board of Directors is received.	Any transfers of Preferred Shares require the approval of the Board of Directors.
Priority in liquidation and Dissolution	Ranking after Debentures, Preferred Shares and Patronage Shares in priority on dissolution or	Ranking after Debentures and Preferred Shares and ahead of Membership Shares.	Ranks after Debentures and before Patronage Shares and Membership shares. If any amount of declared

	Membership Shares	Patronage Shares	Preferred Shares
	liquidation.		dividends or amount payable on return of capital in the event of winding up, liquidation or dissolution of the Filer, is not paid in full, Preferred Shares shall participate ratably in respect of such dividends and return of capital.

Class A Unsecured Debentures

	Class A Unsecured Debentures
Type	The Filer may issue unsecured, fixed-term, non-redeemable Debentures having maturity dates on the anniversary dates of 3, 5, and 10 years from the date of issuance and bearing fixed interest payable at various rates as set from time-to-time by the Board of Directors where a Member retires from dairy farming or ceases to be a Member of the Co-operative.
Redemption Privileges	Not applicable
Interest Rate	Interest rates and terms as at September 30, 2017 are: 3 year - 2.50%; 5 year - 3.00%; 10 year - 4.50%.
Payment of Interest	Interest is payable annually on amounts up to \$5,000; quarterly on amounts between \$5,000 and \$20,000; and monthly on amounts in excess of \$20,000.
Minimum Individual Purchase	Not applicable.
Maximum Individual Purchase	Not applicable.
Maximum Offering	In Ontario, a maximum of \$ 3,000,000 to be issued over the next 12 months, with a minimum of \$2,500 being required per person. Outside of Ontario, the maximum number of Class A Debentures that are expected to be issued is negligible as such Debentures will only be issued outside of Ontario to Members of the Co-operative who retire from dairy farming or cease to be Members of the Co-operative.
Transfer Privileges	Not Applicable. For clarity, where a Class A Debenture is held jointly by more than one individual and one or more of such individuals dies, their interest in the Debenture may transfer to the remaining joint holders by the right of survivorship to the extent that such right is applicable.
Ranking	The Debentures rank before Preferred Shares, Membership Shares and Patronage Shares but after trade creditors, as to interest payments and as to redemption on wind-up or dissolution
Amounts	As described in Note 5 to the audited Consolidated Financial Statements,

	Class A Unsecured Debentures
Outstanding	as at September 30, 2016 there is an aggregate of \$20,238,000 in Debentures outstanding, at interest rates ranging from 2.50% to 6.50%.

44. The maximum value of Membership Shares authorized for sale during 2017 was \$6,000,000. The maximum value of Preferred Shares authorized for sale during 2017 was \$7,000,000. The maximum value of Class A Unsecured Debentures authorized for sale during 2017 was \$3,000,000. There were no minimum required amounts of any of the aforementioned securities that must be sold during 2017.
45. For Membership Shares, there is no minimum or maximum amount for an individual subscription, *per se*, as the number of shares for which a Member must subscribe is determined by the volume of milk produced by that Member. As stated above, a Member must hold 1 Membership Share, plus an additional 3 for each 1,000 litres of annual milk production. At the present par value of \$17.00 per Membership Share, that amounts to an investment of \$17.00, plus an additional \$51.00 for each 1,000 litres of milk produced by the Member. Note that for these purposes, “milk produced” means milk sold by the Member under the supply management system (in the case of dairy cow milk producers), or milk sold to the Co-operative (in the case of dairy goat milk producers who operate outside of the supply management system).
46. For Patronage Shares, there is similarly no minimum or maximum amount for an individual subscription, *per se*, as they are issued to Members in part payment of their patronage returns, based on the number of Membership Shares the Member holds and the volume of milk the Member produces.
47. For Preferred Shares, there is no minimum or maximum number of Preferred Shares that must be held by a Member.
48. For Class A Unsecured Debentures, the minimum amount of an individual subscription is \$2,500.00 and the maximum amount for a Member is \$500,000.00 per fiscal year. However, as exemptive relief is sought only to permit the issuance of such debentures to Members outside of Ontario, in conversion of a Member’s Membership Shares or Preferred Shares when such a Member ceases to be a Member (in essence, a deferral of the payment to the Member for the redeemed shares), as a practical matter, the maximum holdings of such debentures by any Member outside of Ontario will be limited by the number of Membership and Preferred Shares they could hold in the first place.

Restrictions on Transfer of Shares and Debentures

49. The transfer of Membership Shares is restricted to persons who are Members. Further, any purported transfer of any share of the Filer of any class requires the approval of the Board of the Filer, which approval shall not be granted in any circumstance where the proposed transferee is not a Member or a Prospective Member who shall become a Member prior to the closing of such transfer. Class A Debentures are not transferable except by the right of survivorship in the event of the death of one or more joint holders of such a Debenture.

Termination of Membership

50. Upon the withdrawal, death or expulsion of a Member, or when a Member exercises the rights of a dissenting Member under the *Co-operative Corporations Act (Ontario)*, the Filer will purchase the securities in the Filer held by the Member, except where prohibited by law: the *Co-operative Corporations Act (Ontario)* prohibits the purchase of such securities if the Filer is insolvent or would become insolvent as the result of such purchase, or if the purchase would be detrimental to the financial stability of the Filer, in the opinion of the Board of Directors. The purchase price may be paid in whole or in part by the conversion of some or all of the shares of the Filer held by such member into Class A Debentures of the Filer.
51. The purchase price for such securities is the par value at the time the securities are purchased back by the Filer, except for Preferred Shares, for which the purchase price is the par value at the time the securities are purchased back by the Filer plus any unpaid dividends. The par value is fixed by the Articles of the Co-operative and cannot be changed except by special resolution. Historically, the par value of the shares has never decreased, and the last change was in 1989, when it was increased from \$15/share to \$17/share.

Decision

The principal regulator is satisfied that the Decision meets the test set out in the Legislation for the principal regulator to make the Decision.

The decision of the principal regulator under the Legislation is that the Exemption Sought is granted provided that:

- (a) the Filer is in compliance with the provisions of the *Co-operative Corporations Act (Ontario)*;
- (b) the Filer is not a reporting issuer in any of the Jurisdictions;
- (c) no securities of the Filer are listed on a securities exchange or other marketplace;
- (d) the issuance of Membership Shares, Patronage Shares and Preferred Shares to persons outside of Ontario is limited to Members and Prospective Members;
- (e) the Filer shall not approve the transfer of any Membership Shares, Patronage Shares and Preferred Shares or Debentures to persons outside of Ontario who are not Members or Prospective Members who will become Members prior to the closing of such transfer;
- (f) the Filer shall not sell or issue any Debentures issued by the Filer to any person outside of Ontario, other than issuing Class A Unsecured Debentures to Members who are converting their Membership Shares or Preferred Shares for Class A Unsecured Debentures of the Filer upon such Member ceasing to be a Member of the Filer;

- (g) the Filer shall not pay any commission in respect to the issuance of Class A Unsecured Debentures to Members who are converting their Membership Shares or Preferred Shares to Class A Unsecured Debentures of the Filer;
- (h) the Filer does not make any written or oral representations to Prospective Members regarding potential future profits from membership in the Filer;
- (i) at the time of entry into a subscription agreement to acquire Membership Shares or Preferred Shares, Members and Prospective Members are provided with the Contractual Right of Action and the Right of Withdrawal;
- (j) solicitations for membership in the Filer are conducted solely by the Filer, and there are no finder's fees or commission paid in connection with the issuance or transfer of shares;
- (k) the Filer shall not pay any finder's fees or commission in respect to the issuance of Class A Unsecured Debentures to Members who are converting their Membership Shares or Preferred Shares to Class A Unsecured Debentures of the Filer;
- (l) prior to the initial sale of any shares by the Filer to a Prospective Member, the Filer will deliver to such Prospective Member a copy of:
 - (i) the then current Offering Statement, which includes the required financial statements
 - (ii) the Addendum (as defined in paragraph 36, above);
 - (iii) the Articles of Incorporation of the Filer;
 - (iv) the By-laws of the Filer;
 - (v) the Producer Agreement;
 - (vi) this Decision;
 - (vii) a form of Subscription Agreement;
 - (viii) the Risk Acknowledgement Form; and
 - (ix) the Disclosure Document containing all of the disclosure specified in paragraph 36, above.
- (m) the Filer will provide ongoing disclosure to Members in accordance with the requirements of the *Co-operative Corporations Act (Ontario)*;
- (n) the exemptions contained in this Decision cease to be effective if any of the provisions of the articles of incorporation or the By-laws of the Filer relevant to the exemptions granted herein are amended in any material respect without prior written notice to, and consent of, the Decision Makers; and

- (o) the first trade of any Membership Shares, Patronage Shares, Preferred Shares or Class A Debentures to a person or company outside of Ontario other than another Member or the Filer shall be deemed to be a distribution or primary distribution to the public.

"Chris Besko"

Chris Besko

Director, General Counsel

The Manitoba Securities Commission