

How to Use General Ruling/Order 45-902 *Labour-sponsored Venture Capital Corporations*

Glossary

In this document:

"Commission" means the Financial and Consumer Affairs Authority of Saskatchewan;

"GRO 45-902" means General Ruling/Order 45-902 *Labour-sponsored Venture Capital Corporations*;

"LSVCC" means a labour-sponsored venture capital corporation that has been issued a Type B certificate of registration under the provisions of the LSVCC Act;

"LSVCC Act" means *The Labour-sponsored Venture Capital Corporations Act* (Saskatchewan);

"Operating Company" means company in which an LSVCC invests or intends to invest;

"Securities Act" means *The Securities Act, 1988* (Saskatchewan);

The LSVCC program

The LSVCC Act sets up a program that encourages Saskatchewan employees, through tax incentives, to make equity investments in the businesses they work for. Under the program, a labour association forms a single-purpose LSVCC. The LSVCC raises money by issuing securities to employees of an Operating Company, the business that employs them. The LSVCC then invests this money in the Operating Company in exchange for shares of the Operating Company. The LSVCC in effect acts as a holding company for the employees.

The LSVCC program is administered by The Ministry of the Economy. Contact the LSVCC Administrator at 798-1277 for information about the program and the requirements of the LSVCC Act. One of the requirements of the LSVCC program is that you comply with the Securities Act when you issue any securities under the program.

What is GRO 45-902?

GRO 45-902 is a general exemption ruling/order issued by the Commission. It allows an LSVCC and Operating Company to sell securities without complying with the registration and prospectus requirements of the Securities Act, if the LSVCC and Operating Company comply with GRO 45-902. In January 2005, GRO 45-902 was amended and restated to simplify it.

How to use GRO 45-902

GRO 45-902 contains three parts. There are no longer any fees payable to the Commission to the use GRO 45-902.

Testing the Waters

Part 1 of GRO 45-902 allows a LSVCC to “test the waters” about a proposed offering of LSVCC securities. This allows you to determine employees' interest in the proposed offering before proceeding with the actual offering itself. This activity is optional. You do not need to carry out “testing the waters” and can proceed directly to selling LSVCC securities under Part 2 of GRO 45-902 if you wish.

No approval from the Commission is needed to carry out this “testing the waters” activity as long as you comply with Part 1 of GRO 45-902. Any information can be given to employees as long as it meets the requirements of Part 1 of GRO 45-902. You do not have to file any of this material with the Commission.

Making the Sales

If you decide to proceed with a proposed offering of LSVCC securities, you would use the exemption in Part 2 of GRO 45-902. Part 2 of GRO 45-902 allows trades by an LSVCC of its securities to employees of an Operating Company. No approval from the Commission is needed to carry out this activity as long as you comply with Part 2 of GRO 45-902.

Employees must be given the information set out in Appendix A, B and C of GRO 45-902 before any securities are sold to them. This information should be accompanied by the Certificate of Incorporation, Articles of Incorporation and any amendments thereto (or restated Articles of Incorporation) of the LSVCC and the Operating Company and the latest financial statements of the LSVCC and the Operating Company. These are the financial statements required under the LSVCC or Operating Company's incorporating legislation such as *The Business Corporations Act* (Saskatchewan). This is the minimum information that must be provided to employees. You can give additional information to employees as long as it meets the requirements of Part 2 of GRO 45-902.

You do not have to file any material with the Commission.

Part 3 of GRO 45-902 allows trades by an Operating Company of its securities to an LSVCC. No approval from the Commission is needed to carry out this activity as long as you comply with Part 3 of GRO 45-902. You do not have to file any material with the Commission.

Continuous Offering

An LSVCC can continue its offering without approval from the Commission as long as it continues to comply with GRO 45-902, and the information provided to investors is current.

After the Offering

When an LSVCC has completed its offering of securities, there is no longer any requirement for it or the Operating Company to file reports of who purchased securities with the Commission.

There is also no longer any requirement for an LSVCC or Operating Company to file financial statements with the Commission. This applies to an LSVCC or Operating Company that has been filing this information with the Commission under a previous version of GRO 45-902. The LSVCC and the Operating Company must fulfill its obligations with respect to financial statement preparation and delivery under its incorporating legislation such as *The Business Corporations Act* (Saskatchewan).

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