



## Significant Transaction Reporting Policy

Issued Date: August 1, 1997

Revised Date: August 1998; February 2006; October 31, 2012

### Authority:

*The Crown Corporations Act, 1993*  
CIC Board Minute # 31/2006

### Applicability:

The policy applies to CIC and its subsidiary Crown corporations.

### Purpose:

In the interests of public accountability, CIC and all CIC subsidiary Crown corporations are required to report all significant transactions to the CIC Board and to the Crown and Central Agencies Committee.

### Definitions:

**Significant Transactions** - Significant transactions are defined for the purposes of this policy as those:

- judged by the Crown corporation to be **sensitive** and likely of interest to legislators and the public; or
- where the transaction is both **material** and **outside the ordinary course of business** and involve:
  - the acquisition of a major investment or asset, or the assumption of a major liability;
  - a change in the terms and conditions governing an existing investment or asset; or
  - the divestment of a major asset or investment.

Assessing what is a significant transaction requires judgment. It is the responsibility of each Crown corporation to assess significance in consideration of the above noted factors. In addition, what is significant may vary from one Crown corporation to another, and change over time.

Transactions that are not considered significant for purposes of this policy include, but are not limited to:

- Settlements under collective agreements, early retirement programs, corporate downsizing or internal re-organization;
- Utility rate increases;
- Capital spending exceeding one percent of assets, but which occurs in the ordinary course of existing business; or
- The termination of “shell companies” (i.e. those with nominal or no assets and liabilities) unless the transaction is considered to be sensitive in nature.

**Sensitivity** - Sensitivity normally pertains to items which are known to be of particular interest to legislators and/or the public. Examples include international investments and creation of new corporations. It is incumbent upon management of Crown corporations to assess whether a transaction is likely to be of interest to legislators and to report upon such transactions.

**Material Transactions** - Material transactions, for purposes of this policy, are defined as any exceeding one percent of total assets of the Crown corporation. In the case where a Crown corporation owns subsidiaries, material transactions undertaken by the parent corporation or any of its subsidiaries are defined as those exceeding one percent of assets of the consolidated reporting entity.

Material transactions for CIC are defined as any exceeding one percent of assets for CIC non-consolidated.

**Ordinary Course of Business** - A transaction is in the ordinary course of business when it is usually, frequently or regularly undertaken by the corporation for the purpose of generating revenue. A transaction may not be in the ordinary course of business if the transaction is of a size or type not usually undertaken by the corporation.

### Policy Statements and Provisions:

The following steps should be taken by Crown corporations when reporting a significant transaction to the Crown and Central Agencies Committee:

1. Prepare written notification from the Crown corporation Board Chair to the Chair of the Crown and Central Agencies Committee (see Appendix A for a sample template and Appendix B for a sample letter) describing the transaction, its objectives and:
  - financial implications and statement of change in liabilities for the Corporation and Saskatchewan;
  - the impact on strategic, public policy or non-financial issues; and,
  - the authority for the transaction.
2. Notification of the transaction must be reported to the CIC Board. This can be accomplished by submitting a copy of the letter, or a report containing substantially the same information, to the attention of the Senior Vice-President and Chief Financial Officer, Finance and Administration Division, CIC, 400 – 2400 College Avenue, Regina, S4P 1C8.
3. A signed copy of the letter must be submitted to the Chair of the Crown and Central Agencies Committee within 90 days of the transaction. This can be sent directly to the Chair or through the Office of the Clerk, Legislative Building, Regina, Sask. S4S 0B3.

**Note that the CIC Board must be notified of the transaction prior to submitting formal notification to the Crown and Central Agencies Committee.** It is recommended that notification of the transaction be given to the Finance and Administration Division of CIC within 60 days of the transaction. This will allow time for the Division to present the material to the CIC Board prior to the 90 day deadline. CIC will notify subsidiary Crown corporation officials when the CIC Board has been briefed on the transaction.

The requirement to report within “90 days of the transaction” begins on the date at which the transaction substantively occurs. This would typically, but not always, be the date upon which funds are advanced or received (as opposed to the date a commitment is made). The letter must be received by the Chair of the Crown and Central Agencies Committee within 90 days of that date.



A Crown corporation is considered to be in compliance with its reporting requirement to the CIC Board when a transaction has been accepted as information by the CIC Board and includes the details described above. Similarly, a Crown corporation is considered to be in compliance with its reporting requirement to the Crown and Central Agencies Committee when a transaction has been reported to the CIC Board, notification of the transaction has been received by the Chair of the Crown and Central Agencies Committee, and details of the transaction have been disclosed as described above.

The need for disclosure must be balanced with the legitimate need for confidentiality when required to protect commercially sensitive competitive information, or where bound by transaction confidentiality agreements. To the extent that a Crown corporation is required to hold information confidential by these considerations, it can submit a significant transactions report which includes a broad description of the transaction and the reason for the exclusion of confidential details.

**Administrative Information:**

Contact: Vice-President and Chief Financial Officer, CIC, (306) 787-6246

Reviewed: April 12, 2016



Appendix A

LETTER TEMPLATE

Date *(Note that the date of letter should reflect the date of the CIC Board meeting at which it is to be presented)*

Mr. John Doe, Chair  
Crown and Central Agencies Committee  
Room \_\_\_\_ Legislative Building  
Regina, Saskatchewan  
S4S 0B3

Dear Mr. Doe:

RE: \_\_\_\_\_

Opening paragraph.

**Situation Prior To Transaction** *(provide brief high-level background that provides an indication as to the need/reason for the transaction, indicate parties to the transaction, and details of any current relationship between the parties, etc.)*

**Objectives of the Transaction** *(provide insight into the strategic intent, e.g. growth, diversification, public policy initiatives, divest to free up cash, etc., and should flow from the "situation prior to the transaction")*

**The Transaction** *(provide a brief description of parties to the transaction, timing of the initial transaction, effective dates of additional milestones or future contract stipulations, etc.)*

**Implications of the Transaction** *(provide a brief description of the impact, if any, on Crown financial position including potential implications on CIC/GRF dividends, and the impact on non-financial/strategic issues, etc.)*

**Authorities** *(Indicate the authorities for the transaction)*

I would be pleased to provide any further information on this transaction that the Committee might require.

Yours sincerely,

Name, Chair  
CIC Crown Board



## Appendix B

### SAMPLE LETTER

Date

Mr. John Doe, Chair  
Crown and Central Agencies Committee  
Room \_\_\_\_ Legislative Building  
Regina, Saskatchewan  
S4S 0B3

Dear Mr. Doe:

#### **RE: Repayment of Loan by Dairy Producers Co-Operative Limited**

The Fourth Report of the Standing Committee on Crown Corporations, dated May 5 1994, requested that the Chair of the Board of CIC Crown provide certain information to your Committee on any significant transactions that are undertaken by the Corporation. Accordingly, I am pleased to provide you with information on the key elements of the repayment of the loan by Dairy Producers Co-Operative Limited ("DPCL") to the CIC Crown.

#### **Situation Prior To Transaction**

- DPCL borrowed \$10 million from CIC Crown in 1994 for the purpose of assisting with the purchase of milk supply and processing plants in Manitoba to compete with other Canadian and U.S. processors. Expected benefits for Saskatchewan included additional jobs, value added production, and long-term preservation of the Saskatchewan dairy industry.
- The loan agreement provided that interest payments during the period 1994-1998 were to be based on cash availability. DPCL's actual results from 1994-1998 were weaker than anticipated at the time the loan was granted. This led to capitalization of interest and interest payment deferrals. As at Dec. 31, 1998, the audited financial statement of CIC Crown showed the amount owing (thousands) from DPCL as follows:

Loan Receivable: \$ 11,803  
Interest Receivable: Nil  
Less Deferred Interest: (\$1,303)  
Total Book Value: \$ 10,500

- Additional interest of \$2.6 million was accrued for a total of \$13.1 million; DPCL initially offered \$10.5 million to CIC Crown in December 1998 to terminate the loan;
- Significant terms in the loan agreement were as follows:
  - Total principal and interest were fully payable to CIC Crown by January 1, 2004;
  - DPCL was permitted to prepay the entire amount upon giving SaskCrown 30 days notice;
  - CIC Crown was entitled to collateral security including a charge on certain lands (subject only to permitted encumbrances, the most significant of which was the Bank of Montreal) and a second charge on personal property; and
  - CIC Crown consent was required to amend corporate structure, amalgamate or merge with others, sell assets charged to CIC Crown, etc.

- During the term of the loan, DPCL experienced significant losses and breached its loan covenants with its primary lender, the Bank of Montreal. Given the weak financial performance of the company and the Bank of Montreal's first charge on a majority of the assets, CIC Crown was in a weak position as a lender.

### Objectives of the Transaction

The objectives of the transaction were to:

- Facilitate the merger with Dairyworld, Canada's second largest dairy cooperative and Western Canada's largest food manufacturer. Prior to the merger, Dairyworld was approximately three to four times the size of DPCL. With this merger, the two dairy co-operatives agreed to combine their operations and operate as a single legal entity. Saskatchewan will operate as a regional office and will select 50% of the board members; and
- Obtain a return on the loan made to DPCL.

### The Transaction

- DPCL approached CIC Crown with an initial payout offer of \$10.5 million in December 1998;
- Because DPCL was offering less than the full amount owing, CIC Crown carefully assessed the advantages and disadvantages relative to the offer. Based on negative industry trends, the weak historical financial performance of DPCL, the weak collateral security position of CIC Crown, and the proposed merger plans CIC Crown concluded that they were willing to accept a lower return on the loan to DPCL than the amount originally agreed to in the loan agreement;
- Following negotiations, CIC Crown and DPCL agreed in principal to payout terms in August 1999. The total amount of the payout (including principal and interest) was \$11.8 million;
- On January 1, 2000, DPCL transferred the funds into a trust account for the benefit of CIC Crown. The trust account was used during the period of closing of the merger between DPCL and Dairyworld. CIC Crown agreed to terminate its rights as outlined in the loan agreement; and
- On January 9, 2000, funds were received by CIC Crown. A decision was made by CIC Crown that the funds would be used for the repayment of outstanding debt.

### Implications of the Transaction

- CIC Crown's assets decreased by \$10.5 million, cash of \$11.8 million was received, and the loan agreement was terminated. DPCL was able to conclude the merger with Dairyworld;
- The merger of the two Western Canadian dairy cooperatives projects, synergistic savings through consolidation, increased efficiencies and reduced capital expenditures. As well, risk diffusion results from the broader base of operations and customers. These benefits will contribute to the longer term success of the dairy industry in Saskatchewan; and
- DPCL/Dairyworld will become the second largest dairy in Canada (Ault is the largest).

### Authorities

This transaction was negotiated pursuant to the agreement between the following parties:

- CIC Crown; and,
- Dairy Producers Co-Operative Limited.



The transaction was approved by the Board of CIC Crown and Crown Investments Corporation.

I would be pleased to provide any further information on this transaction that the Committee might require.

Yours sincerely,

Name, Chair  
CIC Crown Board