

**IN THE MATTER OF THE SECURITIES ACT,
R.S.N. 1990, CHAPTER S-13, AS AMENDED (the "Act")**

AND

IN THE MATTER OF ZERO COUPON STRIP BONDS

**RULING
(Section 75)**

UPON the applications of certain interested parties to the Director of Securities (the "Director") pursuant to the powers conferred on the Director by section 146 of the Act, for a ruling pursuant to subsection 75(1) of the Act;

AND UPON it appearing to the Director that there are being sold in Newfoundland certain bonds, debentures and other evidences of indebtedness referred to in subparagraph 36(2)(a)(i) of the Act where the purchaser's sole entitlement is to receive a fixed amount of money at a specific future date, and certificates or receipts representing the same (collectively "Strip Bonds"), such Strip Bonds generally being derived from the physical separation of individual interest coupons from the underlying bond residue;

AND UPON the Director having determined that it is in the public interest that the sale of Strip Bonds in Newfoundland should be effected only where accompanied by adequate disclosure of the investment attributes of such securities;

AND UPON being satisfied that the following ruling would not be prejudicial to the public interest;

NOW THEREFORE IT IS ORDERED THAT a trade of Strip Bonds is not subject to section 26 of the Act and a distribution of Strip Bonds is not subject to section 54 of the Act, provided that an information document satisfactory to the Director describing the investment attributes of Strip Bonds, including, without limitation, the fluctuations in value of Strip Bonds resulting from fluctuations in prevailing interest rates, the income tax consequences of investing and trading in Strip Bonds, the anticipated secondary market environment, and the custodial arrangements relating to such Strip Bonds, is furnished to, and its receipt is acknowledged by, a first-time purchaser prior to the trade where the vendor is not registered in the categories of investment dealer or broker under the Act, and concurrently with the delivery of confirmation of the trade to first-time purchasers where the vendor is registered in the categories of investment dealer or broker under the Act.

DATED at St. John's, Newfoundland this 2nd day of February, 1995.

GEORGE F. KENNEDY
Director of Securities