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Headnote

Mutual Reliance Review System for Exemptive Relief Applications – relief from continuous disclosure requirements granted to a wholly owned subsidiary issuing debt securities that are fully-guaranteed by its parent, a reporting issuer, and relief from the insider reporting requirements granted to insiders of the subsidiary, subject to certain conditions

Applicable British Columbia Provisions

Securities Act, R.S.B.C. 1996, c. 418, ss. 85, 87, 91(1)(b), 117 and 119

Securities Rules, B.C. Reg. 194/97, ss. 144, 145 and 184

National Instrument 51-102 *Continuous Disclosure Obligations*, s. 13.1

IN THE MATTER OF THE SECURITIES LEGISLATION OF BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN, MANITOBA, ONTARIO, QUÉBEC, NOVA SCOTIA, NEWFOUNDLAND AND LABRADOR AND NEW BRUNSWICK

AND

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

AND

IN THE MATTER OF YPG HOLDINGS INC.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the “Decision Maker”) in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, Nova Scotia, Newfoundland and Labrador and New Brunswick (collectively the “Jurisdictions”) has received an application (the “Application”) from YPG Holdings Inc. (“YPG Holdings”) for a decision pursuant to the securities legislation (the “Legislation”) of each of the Jurisdictions that:

(A) the requirements contained in the Legislation, for a reporting issuer or the equivalent thereof, shall not apply to YPG Holdings:

1. issue and file with the Decision Makers news releases and file with the Decision Makers reports upon the occurrence of a material change;

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2. file with the Decision Makers and send to its securityholders audited annual comparative financial statements together with the auditor's report or annual reports containing such statements;
3. file with the Decision Makers and send to its securityholders unaudited interim comparative financial statements;
4. file with the Decision Makers and send to its securityholders annual and interim management's discussion and analysis with respect to annual or interim financial statements;
5. file with the Decision Makers an annual information form;
6. file with the Decision Makers and send to holders of its securities a form of proxy and information circular; and

YPG Holdings shall not otherwise comply with requirements prescribed by *National Instrument 51-102 - Continuous Disclosure Obligations* ("NI 51-102"), where applicable;

(collectively, these requirements will be referred to as the "Continuous Disclosure Requirements");

- (B) the requirements contained in the Legislation for insiders of reporting issuers, or the equivalent thereof, to disclose their direct or indirect beneficial ownership of, or control or direction over, securities of the reporting issuer or the equivalent, shall not apply, where applicable, to insiders of YPG Holdings (the "Insider Reporting Requirements");

AND WHEREAS pursuant to the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), the Agence nationale d'encadrement du secteur financier (also known as the Autorité des Marchés Financiers) is the principal regulator for this Application;

AND WHEREAS, unless otherwise defined, the terms herein have the meaning set out in National Instrument 14-101 *Definitions*;

AND WHEREAS YPG Holdings has represented to the Decision Makers that:

1. Yellow Pages Income Fund (the "Fund") is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario pursuant to a declaration of trust dated June 25, 2003 (as amended and restated on July 24 and July 30, 2003) (the "Fund Declaration of Trust").

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2. The Fund Declaration of Trust provides that the operations and activities of the Fund are restricted to:
 - a) investing in securities issued by YPG Trust;
 - b) temporarily holding cash in interest-bearing accounts, short-term government debt or short-term investment grade corporate debt for the purposes of paying the expenses and liabilities of the Fund, paying amounts payable by the Fund in connection with the redemption of units or other securities of the Fund and making distributions to unitholders;
 - c) issuing units or securities convertible into units (i) for cash, (ii) in satisfaction of any non-cash distribution, (iii) in order to acquire securities, (iv) pursuant to any distribution reinvestment plans, incentive option plans or other compensation plans, if any, established by the Fund; or (v) under the Liquidity Agreements (as such term is defined in the Fund's IPO Prospectus, as defined below);
 - d) issuing debt securities;
 - e) guaranteeing the payment of any indebtedness, liability or obligation of YPG LP, YPG Holdings or Yellow Pages Group Co. or the performance of any obligation of any of them, and mortgaging, pledging, charging, granting a security interest in or otherwise encumbering all or any part of its assets as security for such guarantee, and subordinating its rights under the notes of YPG Trust (the "Trust Notes") to other indebtedness;
 - f) disposing of any part of the assets of the Fund;
 - g) issuing rights and units pursuant to any unitholder rights plan adopted by the Fund;
 - h) purchasing securities pursuant to any issuer bid made by the Fund;
 - i) satisfying the obligations, liabilities or indebtedness of the Fund; and
 - j) undertaking all other usual and customary actions for the conduct of the activities of the Fund in the ordinary course as are approved by the trustees of the Fund from time to time, or as are contemplated by the Fund Declaration of Trust.
3. The Fund holds all of the issued and outstanding units of YPG Trust (the "Trust Units") and the Trust Notes.

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4. YPG Trust is an unincorporated open-ended limited purpose trust established under the laws of the Province of Ontario pursuant to a declaration of trust dated July 24, 2003 (as amended and restated July 30, 2003) (the “YPG Trust Declaration of Trust”).
5. The YPG Trust Declaration of Trust, provides that the operations and activities of YPG Trust are restricted to:
 - a) investing in securities, including those issued by YPG LP and YPG General Partner Inc. (“YPG GP”);
 - b) issuing Trust Units;
 - c) issuing debt securities, including the Trust Notes;
 - d) redeeming Trust Units;
 - e) purchasing securities issued by YPG Trust;
 - f) guaranteeing the obligations of YPG LP, or any affiliate of the YPG Trust or YPG LP pursuant to any good faith debt for borrowed money incurred by YPG LP or the affiliate, as the case may be, and pledging securities held by the YPG Trust, YPG LP or any such affiliate, as security for such guarantee; and
 - g) satisfying the obligations, liabilities or indebtedness of the YPG Trust.
6. YPG Trust and, indirectly, the Fund hold 100% of the outstanding limited partnership units of YPG LP and 100% of the outstanding common shares of YPG GP.
7. The Fund, YPG Trust and YPG LP have no other independent business operations, interests in other businesses or material assets other than their direct or indirect investment in YPG Holdings.
8. Yellow Pages Group Co. is Canada's largest telephone directories publisher and the exclusive owner of the Yellow Pages™, Pages Jaunes™ and Walking Fingers & Design™ trademarks in Canada (the “Business”).
9. YPG LP is a limited partnership existing under the laws of the Province of Manitoba pursuant to a partnership agreement dated November 14, 2002, as amended and restated on November 29, 2002 and on August 1, 2003.

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10. YPG LP holds 100% of YPG Holdings' which in turn holds 100% of Yellow Pages Group Co., the entity that operates and controls the Business.
11. The Fund is a reporting issuer, or the equivalent thereof, in all Jurisdictions since July 25, 2003, pursuant to the issuance of the final MRRS decision document for the prospectus with respect to the distribution of 93,500,000 units of the Fund. Following this distribution (including the exercise of the over-allotment option), the Fund indirectly held 30.56% of the outstanding limited partnership units of YPG LP.
12. The Fund is eligible to file short form prospectuses since September 29, 2003. Currently, the global market value of the units of the Fund listed on the Toronto Stock Exchange exceeds \$2.6 billion.
13. On December 11, 2003, the Fund qualified the distribution of 128,000,000 units of the Fund pursuant to a short form prospectus, increasing its indirect interest in YPG LP and YPG GP to 67%. The prospectus includes pro-forma consolidated financial statements giving effect to the additional acquisition by the Fund of a 36.44% indirect interest in YPG LP, resulting in the Fund being the holder of a majority interest in YPG LP.
14. On February 10, 2004, a subsidiary of BCE Inc. exchanged all of its 11,111,100 limited partnership units of YPG LP and 11,111,100 common shares of YPG GP for 11,111,100 units of the Fund. Following the completion of such transaction, the Fund indirectly held 70.28% of the outstanding limited partnership units of YPG LP and 70.28% of the outstanding common shares of YPG GP.
15. On June 11, 2004, the Fund distributed 66,666,600 units of the Fund pursuant to a short form prospectus, increasing its indirect interest in YPG LP and YPG GP to 89.71%. In addition, on June 11, 2004, a subsidiary of Ontario Teachers' Pension Plan Board exchanged all of its remaining 35,333,300 limited partnership units of YPG LP and 35,333,300 common shares of YPG GP for 35,333,300 units of the Fund, increasing the Fund's indirect interest in YPG LP and YPG GP to 100%. The prospectus includes pro-forma consolidated financial statements giving effect to the additional acquisition by the Fund of a 29.72% indirect interest in YPG LP, resulting in the Fund being the indirect holder of a 100% interest in YPG LP.
16. As a result, the Fund currently holds indirectly 100% of the outstanding limited partnership units of YPG LP and 100% of the outstanding common shares of YPG GP.

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17. YPG Holdings is a corporation organized and subsisting under the laws of Canada, having its principal office in Montreal, Québec.
18. YPG Holdings operates as a holding company and its principal asset is its interest in Yellow Pages Group Co. YPG Holdings' authorized share capital consists of an unlimited amount of Class A Common Shares and Class B Common Shares. All of the issued and outstanding shares of YPG Holdings are held by YPG LP.
19. YPG Holdings is the sole borrowing entity within the Fund structure and has an approximately \$840 million credit facility in place involving all major Canadian chartered banks. In October 2003, YPG Holdings established a commercial paper program based on an authorized limit of \$300 million.
20. On April 8, 2004, YPG Holdings became a reporting issuer, or the equivalent thereof, in all Jurisdictions upon the filing of a final short form base shelf prospectus (the "Prospectus") qualifying the distribution of up to \$1 billion of medium term notes (the "Notes") of YPG Holdings. The Notes are issued under a trust indenture entered into between YPG Holdings, CIBC Mellon Trust Company, as trustee, and the Fund, YPG LP and Yellow Pages Group Co., as guarantors.
21. The Notes are non-convertible and constitute direct unsecured obligations of YPG Holdings and rank *pari passu* with all other unsecured indebtedness and obligations of YPG Holdings. The Notes are fully and unconditionally guaranteed by the Fund, YPG LP and Yellow Pages Group Co. as to payment of principal, premium and interest, the whole in compliance with the terms of the Notes or any other agreement governing the rights of the holders of Notes.
22. The Prospectus provides disclosure with respect to the guarantees granted by each of the Fund, YPG LP and Yellow Pages Group Co. in connection with the Notes, and each of the Fund, YPG LP and Yellow Pages Group Co. executed a certificate to the Prospectus in their capacity as guarantors. In accordance with *National Instrument 44-101 – Short Form Prospectus Distributions* ("NI 44-101") and *National Instrument 44-102 – Shelf Distributions* ("NI 44-102"), the Prospectus provides disclosure with respect to the consolidated business and operations of the Fund and incorporates by reference the required disclosure documents of the Fund.
23. The Notes have been assigned ratings of BBB (high) (with a stable trend) by Dominion Bond Rating Service Limited and BBB– (with a stable outlook) by

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Standard & Poor's Ratings Services. The rating of BBB (high) by Dominion Bond Rating Service Limited is an approved rating under NI 44-101.

24. The Notes will not be listed on any securities exchange. On April 21, 2004, YPG Holdings completed the issuance of two series of Notes under the Prospectus for an aggregate principal amount of \$750 million.
25. As a reporting issuer in each of the Jurisdictions, the Fund must, pursuant to the Continuous Disclosure Requirements, file and, where applicable, send to its securityholders, audited comparative annual financial statements together with the auditors report and unaudited interim financial statements. YPG Holdings' financial results are included in the consolidated financial statements of the Fund.

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

AND WHEREAS each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met;

THE DECISION of the Decision Makers pursuant to the Legislation is to exempt YPG Holdings from the Continuous Disclosure Requirements, provided that:

- a) the business of YPG Holdings continues to be the same as the business of the Fund, in that the Fund does not hold a material interest, whether directly or indirectly, in a business other than YPG Holdings and its subsidiaries;
- b) the Fund remains (i) a reporting issuer or the equivalent thereof in each of the Jurisdictions which has such a concept and (ii) an electronic filer pursuant to *National Instrument 13-101 – System for Electronic Document Analysis and Retrieval (SEDAR)*;
- c) the Fund continues to comply with the Continuous Disclosure Requirements and to file with the Decision Makers all documents required to be filed under the Legislation;
- d) the Fund continues to comply with the rules of the Toronto Stock Exchange or any other organized market or exchange on which the units of the Fund are listed;

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- e) all audited annual comparative financial statements and interim comparative financial statements filed by the Fund under the Legislation are prepared on a consolidated basis in accordance with Canadian generally accepted accounting principles or such other standards as may be permitted under the Legislation from time to time;
- f) on a fully diluted basis, the Fund remains the direct or indirect beneficial owner of all of the issued and outstanding voting securities of YPG Holdings;
- g) the Fund continues to fully and unconditionally guarantee the Notes as to the payments required to be made by YPG Holdings to the holders of the Notes;
- h) YPG Holdings does not distribute additional securities other than: (i) the Notes or other debt securities contemplated by paragraph (i) below; (ii) to the Fund or to entities that are wholly-owned, directly or indirectly, by the Fund; (iii) debt securities under YPG Holdings' commercial paper program; (iv) debt securities on a private placement basis pursuant to exemptions from the prospectus requirements of applicable Legislation, (v) options issued to participants of YPG Holdings' stock purchase and option plan for employees of YPG Holdings and its subsidiaries and the issuance of shares of YPG Holdings upon the exercise of such options (such shares which are in turn automatically exchangeable for units of the Fund pursuant to contractual arrangements with the Fund) or (vi) for greater certainty, any bank indebtedness;
- i) if YPG Holdings hereafter distributes additional debt securities (other than (i) debt securities that are issued to the Fund or to entities that are wholly-owned, directly or indirectly, by the Fund, (ii) debt securities under YPG Holdings' commercial paper program, (iii) debt securities that are distributed on a private placement basis pursuant to exemptions from the prospectus requirements of applicable Legislation or (iv) for greater certainty, any bank indebtedness), the Fund shall fully and unconditionally guarantee such debt securities as to the payments required to be made by YPG Holdings to the holders of such debt securities;
- j) if there is a material change in respect of the business, operations or capital of YPG Holdings that is not a material change in respect of the Fund, YPG Holdings will comply with the requirements of the Legislation to issue a press release and file a material change report with the Decision Makers notwithstanding that the change may not be a material change in respect of the Fund;

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- k) the documents required to be filed by the Fund with the Decision Makers under the Legislation will be filed under each of the Fund's and YPG Holdings' SEDAR profiles within the time limits and in accordance with applicable fees required by the Legislation for the filing of such documents; and
- l) YPG Holdings files a notice in its SEDAR profile stating that (i) it has been granted relief from continuous disclosure obligations under the Legislation pursuant to a decision of the Decision Makers, subject to the conditions set forth in such decision, (ii) that investors should refer to the continuous disclosure documents filed by the Fund and (iii) that such continuous disclosure documents of the Fund are also available in the SEDAR profile of YPG Holdings;

AND THE FURTHER DECISION of the Decision Makers pursuant to the Legislation is to exempt the insiders of YPG Holdings from the Insider Reporting Requirements, provided that:

- a) such relief shall only relieve the insiders of YPG Holdings from their obligations to declare their holdings of securities of YPG Holdings;
- b) the insiders of YPG Holdings do not receive, in the ordinary course, information as to material facts or material changes concerning the Fund before such material facts or material changes are generally disclosed; and
- c) in the event an insider of YPG Holdings is also an insider of the Fund other than by virtue of such insider being an insider of YPG Holdings, such insider will provide all necessary information with respect to its holdings of securities of the Fund and of YPG Holdings in its insider reports to be filed in SEDI format under the insider reporting profile of the Fund and of YPG Holdings, if necessary.

DATED at Montreal, Québec this 16th day of July, 2004.

Josée Deslauriers
Directrice du marché des capitaux