

2006 BCSECCOM 523

August 14, 2006

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Securities Act s. 171 - Revoke or Vary Decision - An issuer wants to vary a previous decision it received to revise the conditions to the relief granted - The applicant previously obtained relief from certain requirements in securities legislation; the policy reasons for granting that relief have not changed, but certain of the conditions to the relief are no longer appropriate because of a change in the issuer's circumstances; the previous relief would no longer be available to the applicant; alternative conditions can be structured that address the issuer's new circumstances

Applicable British Columbia Provisions

Securities Act, R.S.B.C. 1996, c. 418, s. 171

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

In the Matter of
the Securities Legislation of
British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, Nova
Scotia, New Brunswick, Newfoundland, Northwest Territories, Nunavut
and Yukon Territory
(the Jurisdictions)

and

In the Matter of
the Mutual Reliance Review System For Exemptive Relief Applications

and

In the Matter of
Keystone North America Inc. and Keystone Newport ULC

MRRS Decision Document

Background

The local securities regulatory authority or regulator (the Decision Maker), in each of the Jurisdictions has received an application from Keystone North America Inc. (KNA) and Keystone Newport ULC (Keystone ULC, and together with KNA, the Filer) for a decision under the securities legislation of the Jurisdictions (the Legislation) that the decision document dated May 13, 2005 issued by the

2006 BCSECCOM 523

Decision Makers, in respect of the Filer (the Original Decision Document) be varied by removing the condition contained in the Original Decision Document that Keystone ULC's obligations under its subordinated notes (the Subordinated Notes) continue to be guaranteed by every other subsidiary of KNA (the Guarantee Requirement).

Under the Mutual Reliance Review System for Exemptive Relief Applications (the System):

- (a) the Ontario Securities Commission is the principal regulator for this Application, and
- (b) this MRRS decision document evidences the decision of each Decision Maker.

Interpretation

Defined terms contained in National Instrument 14-101 *Definitions* have the same meaning in this decision unless they are defined in this decision.

Representations

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

1. Pursuant to the Original Decision Document, Keystone ULC is exempt from:
 - (a) except in the Northwest Territories, the requirements under the Legislation to:
 - (i) issue press releases and file reports regarding material changes;
 - (ii) file annual financial statements together with an auditor's report and annual MD&A, as well as interim financial statements together with a notice regarding auditor review or a written review report, if required, and interim MD&A;
 - (iii) send annually a request form to the registered holders and beneficial owners of Keystone ULC's securities, other than debt instruments, that the registered holders and beneficial owners may use to request a copy of Keystone ULC's annual financial statements and annual MD&A, interim financial statements and interim MD&A, or both, and to send a copy of financial statements and MD&A to registered holders and beneficial owners;
 - (iv) send a form of proxy and information circular with a notice of meeting to registered holders of voting securities and to file the

2006 BCSECCOM 523

information circular, form of proxy and all other material required to be sent in connection with the meeting to which the information circular or form of proxy relates;

- (v) where applicable, file a business acquisition report, including any required financial statement disclosure, if Keystone ULC completes a significant acquisition;
- (vi) file a copy of any disclosure material that it sends to its securityholders;
- (vii) file an annual information form; and
- (viii) where applicable, file a copy of any contract that it or any of its subsidiaries is a party to, other than a contract entered into in the ordinary course of business, that is material to Keystone ULC and was entered into within the last financial year, or before the last financial year but is still in effect,

(collectively, the Continuous Disclosure Requirements); and

(b) the requirements under the Legislation except in British Columbia to:

- (i) file annual certificates in accordance with section 2.1 of Multilateral Instrument 52-109 *Certification of Disclosure in Filer's Annual and Interim Filings* (MI 52-109); and
- (ii) file interim certificates in accordance with section 3.1 of MI 52-109,

(collectively, the Certification Filing Requirements).

2. Pursuant to the Original Decision Document, the Continuous Disclosure Requirements and the Certification Filing Requirements do not apply to Keystone ULC, provided that, among other things, Keystone ULC complies with the Guarantee Requirement.
3. On March 14, 2006, Keystone America, Inc. formed a wholly-owned subsidiary, 2096837 Ontario Limited.
4. On April 3, 2006, 2096837 Ontario Limited closed its acquisition of Lahaie & Sullivan Cornwall Funeral Homes Limited and all of the assets of Lahaie & Sullivan Monuments Partnership.

2006 BCSECCOM 523

5. On April 21, 2006, 2096837 Ontario Limited changed its name to Keystone Canada Funeral Homes Inc. (Keystone Canada).
6. Due to potential negative US tax consequences to KNA, Keystone Canada has not guaranteed Keystone ULC's obligations under the Subordinated Notes for an indefinite period.
7. The consolidated financial statements of KNA will include the financial results of Keystone Canada for so long as Keystone Canada remains a subsidiary of KNA.
8. KNA will provide investors who hold Subordinated Notes (including Subordinated Notes that are represented by Income Participating Securities of the Filer) with the information required to be included pursuant to item 13.3(ii) of Form 44-101F1 of National Instrument 44-101 *Short Form Prospectus Distributions* in order to enable investors to effectively "de-consolidate" the financial results of the Filer and determine the contribution of both the guarantor and the non-guarantor subsidiaries of the Filer to the Filer's financial performance.

Decision

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 that the Original Decision Document be varied by removing the Guarantee Requirement, provided that:

1. KNA includes the following consolidating summary financial information in the notes to its interim and annual financial statements, presented with a separate column for each of (a) Keystone ULC, (b) each credit supporter on a combined basis, (c) the non-guarantor subsidiaries on a combined basis, (d) consolidating adjustments and (e) the total consolidated amounts:
 1. Sales or revenues;
 2. Income from continuing operations before extraordinary items;
 3. Net earnings;
 4. Current assets;
 5. Non-current assets;
 6. Current liabilities; and
 7. Non-current liabilities;

2006 BCSECCOM 523

2. The cover page of KNA's financial statements includes a statement disclosing the notes where the consolidating summary financial information can be found; and
3. Keystone ULC's obligations under the Subordinated Notes continue to be guaranteed by one or more wholly-owned subsidiaries of KNA and the guarantees are joint and several.

Cameron McInnis
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Ontario Securities Commission