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June 29, 2007

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - National Instrument 51-102 *Continuous Disclosure Obligations*, section 13.1 - relief from BAR requirements - BAR - An issuer requires relief from the requirement to file a business acquisition report - The acquisition is insignificant applying the asset and investment tests; applying the income test, the acquisition is significant only because the issuer has outstanding income participating securities pursuant to which a majority of the issuer's earnings are distributed to its securityholders; the filer will apply an alternative income test which excludes the interest expense on the subordinated note component of the income participating securities; the alternative income test yields approximately the same result as the asset and investment tests

Applicable British Columbia Provisions

NI 51-102, ss. 8.2 and 13.1

In the Matter of
the Securities Legislation of
British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New
Brunswick, Nova Scotia, Newfoundland and Labrador, Nunavut and Yukon
(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 (the Decision Maker) in each of the Jurisdictions has received an application from Keystone North America Inc. and Keystone Newport ULC (together, the Applicants) for a decision pursuant to the securities legislation in the Jurisdictions (the Legislation) granting relief to use an Adjusted Income From Continuing Operations test (as defined below) rather than

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the income test for the purposes of its continuous disclosure obligations under the Legislation in respect of the acquisition of eleven funeral homes and four cemetery businesses from Service Corporation International, Inc. (the Requested Relief).

Under the Mutual Reliance Review System for Exemptive Relief Applications:

- (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 Applicants:

1. Keystone North America Inc. (Keystone) is a corporation formed under the laws of the Province of Ontario with its head office located at Suite 2400, 250 Yonge Street, Toronto, Ontario, M5B 2M6.
2. Keystone Newport ULC is an unlimited liability company organized under the laws of Nova Scotia with its head office located at Suite 2400, 250 Yonge Street, Toronto, Ontario, M5B 2M6.
3. The Applicants are reporting issuers or the equivalent in each of the Jurisdictions.
4. The units of Keystone are listed and posted for trading on the Toronto Stock Exchange under the symbol "KNA.UN".
5. On April 9, 2007, a subsidiary of Keystone completed the acquisition of eleven funeral homes and four cemetery businesses from Service Corporation International, Inc. (the Acquisition).
6. Prior to the Acquisition, Keystone owned, indirectly, 171 funeral homes and 10 cemeteries.
7. The application of the income test using the income from continuing operations of the Applicants leads to anomalous results in that the significance

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of the acquired businesses is exaggerated out of proportion to their significance on an objective basis and in comparison to the results of the asset and investment tests.

8. The use of a test (the Adjusted Income From Continuing Operations test) based on income from continuing operations (calculated by excluding the interest expense on the subordinated note component of Keystone's income participating securities), rather than using income from continuing operations, provides a more realistic indication of the significance of the Acquisition and its results are generally consistent with the asset and investment tests. The Adjusted Income From Continuing Operations test also closely reflects the intent of the income test.
9. The Applicants have provided the Decision Makers with additional financial and non-financial measures further demonstrating the insignificance of the Acquisition to the Applicants.

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 under the Legislation is that the Requested Relief is granted.

Lisa Enright
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Ontario Securities Commission