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Headnote

Mutual Reliance Review System for Exemptive Relief Applications – relief granted to an issuer from requirement to deliver annual financial statement – the annual financial statements covered a short operating period

Applicable British Columbia Provisions

Securities Act, R.S.B.C. 1996, c. 418, s. 91

IN THE MATTER OF THE SECURITIES LEGISLATION OF THE PROVINCES OF ONTARIO, BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN, MANITOBA, QUEBEC, NOVA SCOTIA, AND NEWFOUNDLAND AND LABRADOR

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

AND IN THE MATTER OF R SPLIT II CORP.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the “Decision Maker”) in each of the provinces of Ontario, British Columbia, Alberta, Saskatchewan, Manitoba, Quebec, Nova Scotia and Newfoundland and Labrador (the “Jurisdictions”) has received an application from R Split II Corp. (the “Issuer”) for a decision pursuant to the securities legislation of the Jurisdictions (the “Legislation”) that the requirement contained in the Legislation to deliver financial statements and, where applicable, an annual report, to security holders shall not apply to the Issuer for its fiscal year ended May 31, 2004;

AND WHEREAS pursuant to the Mutual Reliance Review System for Exemptive Relief Applications (the “MRRS”), the Ontario Securities Commission 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 the Issuer has represented to the Decision Maker as follows:

1. On April 29, 2004, the Issuer filed a final prospectus (the “Prospectus”) relating to the offering of Preferred Shares (the “Preferred Shares”) and Capital Shares (the “Capital Shares”) with all of the provincial and territorial securities regulatory authorities. A receipt for this prospectus was issued on

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April 29, 2004. The Issuer issued 1,275,000 Preferred Shares and 2,550,000 Capital Shares pursuant to the offering on May 7, 2004 (the “Offering”).

2. The Issuer was incorporated under the laws of the Province of Ontario on March 8, 2003. Scotia Capital Inc. (“Scotia Capital”) acts as administrator of the Issuer. The fiscal year end of the Issuer is May 31, with the first fiscal year end to occur on May 31, 2004. Pursuant to the requirements of the Legislation, and subject to any relief obtained pursuant to this application, the Issuer would be required to prepare and file in the Jurisdictions and deliver to its security holders its annual financial statements and annual report for the fiscal year ended May 31, 2004.
3. The authorized capital of the Issuer consists of an unlimited number of Capital Shares, of which 2,550,000 are issued and outstanding, an unlimited number of Preferred Shares, of which 1,275,000 are issued and outstanding, an unlimited number of Class B, Class C, Class D and Class E capital shares issuable in series, none of which are issued and outstanding, an unlimited number of Class B, Class C, Class D and Class E preferred shares, issuable in series, none of which are issued and outstanding, and an unlimited number of Class J Shares and Class S Shares issuable in series, of which 150 Class J Shares and 100 Class S Shares are issued and outstanding.
4. The Class J Shares are the only class of voting securities of the Issuer, of which there are 150 issued and outstanding. The 150 issued and outstanding Class J shares are owned by R Split II Holdings Corp, which is owned by the three independent directors of the Issuer in equal parts.
5. The Issuer has been created in order to invest in a portfolio of common shares (the “Royal Bank Shares”) of Royal Bank of Canada in order to generate fixed cumulative preferential distributions for the holders of the Issuer’s Preferred Shares and to enable the holders of the Issuer’s Capital Shares to participate in any capital appreciation in the Royal Bank Shares. The Royal Bank Shares will be the only material assets of the Issuer. The fixed distributions on the Preferred Shares will be funded from the dividends received on the Royal Bank Shares. If necessary, any shortfall in the distributions on the Preferred Shares will be funded by proceeds from the sale of, or if determined appropriate by the Issuer’s board of directors, premiums earned from writing covered call options on, Royal Bank Shares.
6. The Prospectus included an audited balance sheet of the Issuer as at April 28, 2004 and an unaudited pro forma balance sheet prepared on the basis of the completion of the sale and issue of Preferred Shares and Capital Shares of the Issuer. There are no material differences in the financial position of the Issuer

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as at April 28, 2004 and, as such, the financial position of the Issuer as at May 31, 2004 will have been substantially reflected in the pro forma financial statements contained in the Prospectus.

7. The Issuer is an inactive company, the sole purpose of which is to provide a vehicle through which different investment objectives with respect to participation in the Royal Bank Shares may be satisfied.
8. The benefit to be derived by the security holders of the Issuer from receiving a hard copy of the annual financial statements and annual report for the fiscal year ended May 31, 2004 would be minimal in view of (i) the short operating period (i.e. 33 days) from the date of the Prospectus to May 31, 2004; (ii) the pro forma financial statements contained in the Prospectus; and (iii) the nature of the minimal business carried on by the Issuer.
9. The expense to the Issuer of sending to its security holders the financial statements and the annual report for the fiscal year ended May 31, 2004 would not be justified in view of the benefit to be derived by the security holders from receiving such statements.

AND WHEREAS pursuant to the MRRS, this MRRS Decision Document evidences the decision of each Decision Maker (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 that the Issuer is exempted from the requirement to deliver to its security holders its annual financial statements and, where applicable, its annual report, for its fiscal year ended May 31, 2004, provided that,

- (i) the Issuer issue, and file on SEDAR, a press release informing security holders of their right to receive such annual financial statements and annual report upon request; and
- (ii) the Issuer send a copy of such annual financial statements and annual report to any security holder of the Issuer who so requests.

DATED July 30, 2004.

Robert L. Shirriff

H. Lorne Morphy