

2005 BCSECCOM 478

July 5, 2005

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Securities Act, ss. 48 and 76 – registration and prospectus requirements - Trades by an issuer to its shareholders in securities of another company that it owns (e.g. spin-off transactions) - The issuer will transfer shares it holds in a subsidiary to the issuer's shareholders as a return of capital; the return of capital will be done in compliance with corporate law requirements; the issuer would be able to rely on the exemptions contained in sections 45(2)(14) and 74(2)(13) of the Act if the transfer was being done as a dividend in kind; the transfer of the shares will result in the shareholders of the issuer holding directly their interests in the subsidiary as opposed to indirectly through their shareholdings of the issuer

Applicable British Columbia Provisions

Securities Act, R.S.B.C. 1996, c. 418. ss. 34(1), 48(1), 61(1) and 76(1)

In the Matter of
the Securities Legislation
of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, Nova
Scotia, New Brunswick, Prince Edward Island, Newfoundland and Labrador and
Northwest Territories (the Jurisdictions)

and

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

and

In the Matter of GLR Resources Inc. (GLR or the Filer)

MRRS Decision Document

Background

The local securities regulatory authority or regulator (the Decision Maker) in each of the Jurisdictions has received an application from the Filer for a decision under

2005 BCSECCOM 478

the securities legislation of the Jurisdictions (the Legislation) for an exemption from the dealer registration requirement (the Registration Requirement) and the prospectus requirement (the Prospectus Requirement) of the Legislation (the Requested Relief) in connection with the distribution by GLR to its shareholders (the GLR Shareholders) by way of return of capital (the Return of Capital Distribution) of all of the common shares (each, a UCR Share) it holds in Uranium City Resources Inc. (UCR).

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 Filer:

1. GLR was incorporated under the laws of Canada on January 1, 2001 under the name of 3851419 Canada Inc. On July 24, 2001, the Filer entered into a Plan of Arrangement (the Plan) with 3796299 Canada Inc. and Greater Lenora Resources Corp. and filed Articles of Arrangement under the laws of Canada. As part of the Plan, the Filer changed its name to GLR Resources Inc. and upon finalization of the Plan, the Filer commenced active operations as a junior mineral exploration company.
2. The principal and registered office of GLR is located at 4 Al Wende Avenue, Kirkland Lake, Ontario, P2N 3J5.
3. GLR is a reporting issuer in the Provinces of British Columbia, Ontario, Quebec, Nova Scotia and New Brunswick and to our knowledge is not in default of any requirements under any applicable securities legislation. GLR was federally incorporated in Canada on January 1, 2001 under the name of 3851419 Canada Inc. (3851419). On July 24, 2001, 3851419 completed a plan of arrangement (Plan of Arrangement) which resulted in 3851419 acquiring certain assets of Greater Lenora Resources Corp. (Greater Lenora). As part of the Plan of Arrangement, 3851419 changed its name to GLR Resources Inc. and Greater Lenora made all necessary applications and filings to cause GLR to be deemed to be a reporting issuer in all provinces of Canada.

2005 BCSECCOM 478

in which Greater Lenora was a reporting issuer. GLR became a reporting issuer effective July 31, 2001.

4. GLR's share capital is comprised of an unlimited number of authorised Class A voting Common Shares (each, a Common Share) with no par value. GLR has not completed any distribution of its securities in the past four months.
5. The Common Shares are listed and posted for trading on the Toronto Stock Exchange under the symbol "GRS".
6. GLR incorporated UCR on October 25, 2004 under the laws of Ontario. The articles of UCR were amended on December 7, 2004 and March 30, 2005 to delete the "closely-held issuer" restrictions from the articles and to increase the minimum number of directors from one to three, respectively.
7. UCR filed a preliminary prospectus dated May 4, 2005 with the securities regulatory authorities in British Columbia, Alberta and Ontario to qualify the distribution of UCR Shares under previously issued special warrants (the Special Warrant Distribution) and the initial public offering of a combination of flow-through units and non-flow-through units. UCR has applied to list the UCR Shares on the TSX Venture Exchange.
8. GLR owns 12,000,001 UCR Shares, representing approximately 66.20% of the outstanding UCR Shares after giving effect to the Special Warrant Distribution (assuming the completion of the Special Warrant Distribution). One UCR Share was issued to GLR for \$10.00 on October 25, 2004 in connection with the incorporation of UCR and 12,000,000 UCR Shares were issued to GLR on December 29, 2004 in consideration of the transfer by GLR of certain mining claims to UCR.
9. GLR intends to distribute to GLR Shareholders all of the UCR Shares it owns as a return of capital on a pro rata basis based on the number of Common Shares held by the GLR Shareholders. Notwithstanding that GLR is not in a position to distribute the UCR Shares by way of dividend given that it does not meet the tests set out under corporate law, GLR prefers to distribute the said shares as a return of capital due to the tax treatment of such a distribution.
10. GLR anticipates that the UCR Shares will be distributed to GLR Shareholders of record at the close of business on the 7th trading day after the day on which GLR Shareholders approve the Return of Capital Distribution and that such shares will be distributed to GLR Shareholders as soon as practicable after such record date.

2005 BCSECCOM 478

11. The Return of Capital Distribution will be effected in compliance with the corporate laws of Canada. GLR will seek shareholder approval for the Return of Capital Distribution at a special meeting of GLR Shareholders which is expected to be held in August 2005 (the August Meeting).
12. GLR Shareholders will not be required to pay for UCR Shares received in the Return of Capital Distribution or to surrender or exchange Common Shares in order to receive UCR Shares or to take any other action in connection with such distribution.
13. As a consequence of the fact that GLR will own approximately 66.20% of the outstanding UCR Shares after giving effect to the Special Warrant Distribution, a Return of Capital Distribution constitutes: (a) a “primary distribution to the public” or a “distribution”, as the case may be, to which the Prospectus Requirement applies, absent statutory exemption or exemptive relief; and (b) a trade in securities to which the Registration Requirement applies, absent statutory exemption or exemptive relief.
14. Securities legislation in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia and Newfoundland and Labrador provides an exemption from the Prospectus Requirement and the Registration Requirement of such legislation for a trade by an issuer in a security of a reporting issuer held by the issuer that is distributed by it to its securities holders as a dividend *in specie* or a dividend in kind.
15. The Return of Capital Distribution is not a dividend *in specie* or a dividend in kind but is a return of capital.
16. If the Return of Capital Distribution was a dividend *in specie* or a dividend in kind, following the issuance of a (final) receipt there would be an exemption in British Columbia, Alberta and Ontario but not in the other provinces because UCR will not be a reporting issuer or equivalent in any other province or territory of Canada and has no intention of becoming a reporting issuer or equivalent in such jurisdictions.
17. Sufficient information concerning UCR will be available to GLR Shareholders as a result of the preliminary prospectus and the (final) prospectus of UCR being filed on SEDAR.

Decision

Each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Makers with the jurisdiction to make the decision has been met.

2005 BCSECCOM 478

The Decision of the Decision Makers under the Legislation is that the Requested Relief is granted provided that:

- a) UCR has obtained a final receipt for its prospectus and has become a reporting issuer in British Columbia, Alberta and Ontario;
- b) GLR Shareholders approve the Return of Capital Distribution at the August Meeting;
- c) GLR gives the GLR Shareholders who receive a UCR Share under the Return of Capital Distribution a contractual right of action for damages against GLR in the event of a material misrepresentation in the (final) prospectus of UCR;
- d) The Return of Capital Distribution is completed on or before August 31, 2005;
- e) Other than in Québec, the first trade in UCR Shares acquired pursuant to this Decision shall be deemed a distribution under the Legislation unless the conditions in subsection 2.6(3) of Multilateral Instrument 45-102 *Resale of Securities* are satisfied; and
- f) In Québec, the alienation of UCR Shares acquired pursuant to this Decision shall be a distribution unless such alienation is made between the subscribers or among them and persons to whom they are related or:
 - I. at the time of the alienation UCR is and has been a reporting issuer in Québec for the four months preceding the alienation;
 - II. no extraordinary commission or consideration is paid to a person or company in respect to the alienation;
 - III. no unusual effort is made to prepare the market or to create a demand for the UCR Shares; and
 - IV. if the seller of the UCR Shares is an insider, the seller has no reasonable grounds to believe that the issuer is in default of any requirement of the Legislation of Québec.

Notwithstanding the foregoing, the alienation of UCR Shares can occur without a prospectus or an exemption from the prospectus requirement

2005 BCSECCOM 478

outside of Québec on an exchange or an organized market providing that UCR is not a reporting issuer in Québec.

David L Knight, FCA
Commissioner
Ontario Securities Commission

Wendell S. Wigle, Q.C.
Commissioner
Ontario Securities Commission