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## Headnote

Mutual Reliance Review System for Exemptive Relief Applications – corporation having only three registered shareholders and no non-registered shareholders relieved from the requirements of National Policy 41, subject to certain conditions.

## Applicable British Columbia Provisions

National Policy Statement 41 *Shareholder Communication* Parts XI and XII

IN THE MATTER OF THE SECURITIES LEGISLATION OF ALBERTA, BRITISH COLUMBIA,  
SASKATCHEWAN, MANITOBA, ONTARIO AND QUÉBEC

AND

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

AND

IN THE MATTER OF DESTINATION RESORTS INC.

## MRRS DECISION DOCUMENT

1. WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in Alberta, British Columbia, Manitoba, Saskatchewan, Ontario and Québec (the "Jurisdictions") has received an application from Destination Resorts Inc. ("DRI") for a decision under the securities legislation of each of the Jurisdictions (the "Legislation") that the requirements of National Policy Statement No. 41 ("NP 41") shall not apply to DRI;

2. AND WHEREAS under the Mutual Reliance Review System for Exemptive Relief Applications (the "System") the Alberta Securities Commission is the principal regulator for this application;

3. AND WHEREAS DRI has represented to the Decision Makers that:

3.1. DRI was incorporated under the *Business Corporations Act* (Alberta) (the "ABCA") on December 5, 1996;

3.2. DRI is a reporting issuer, or the equivalent, in the Jurisdictions;

3.3. T.G.S. Properties Ltd. ("TGS") acquired all of the issued and outstanding common shares of DRI under an insider bid and compulsory acquisition transaction which concluded on November 22, 2000;

3.4. Airstate Ltd. ("Airstate") and United Ltd. ("United") became holders of DRI Shares on January 15, 2001 by way of private placements;

3.5. TGS, Airstate and United (the "DRI Shareholders") are the only registered holders of common shares of DRI;

3.6. there are no non-registered holders of securities of DRI;

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3.7. DRI's common shares were delisted from The Toronto Stock Exchange (the "TSE") on November 30, 2000;

3.8. the DRI Shareholders entered into a Unanimous Shareholders' Agreement ("USA") on January 15, 2001;

3.9. pursuant to the USA, the DRI Shareholders must agree on a number of matters including, but not limited to:

3.9.1. advances by the DRI Shareholders to DRI and any guarantees to be granted by the DRI Shareholders;

3.9.2. the number of directors of DRI (the "Directors"), the composition of the Board of Directors and the removal of Directors;

3.9.3. remuneration of Directors;

3.9.4. the declaration and payment of dividends;

3.9.5. the issuance and allotment of additional securities of DRI; and

3.9.6. certain fundamental changes;

3.10. meetings of the DRI Shareholders may be held from time to time to consider items referenced in subparagraph 3.9 above;

3.11. the USA also contemplates that the Directors may call a special meeting of the DRI Shareholders at any time;

3.12. DRI has outstanding \$10,414,000 principal amount 8% convertible redeemable debentures (the "DRI Debentures") which mature on June 30, 2002 and are currently listed on the TSE.

3.13. under the terms of the Trust Indenture governing the DRI Debentures (the "Trust Indenture"), DRI must remain a reporting issuer until the DRI Debentures mature;

3.14. under the terms of the Trust Indenture, holders of the DRI Debentures are not entitled to notice of or to attend meetings of DRI Shareholders;

3.15. the DRI Debentures are convertible into common shares of DRI upon notice of conversion to DRI;

3.16. DRI does not expect that any DRI Debentures will be converted into common shares of DRI prior to the maturity of the DRI Debentures due to the high conversion price and illiquidity of DRI's common shares;

3.17. other than debt owed to three third-party lenders and financial institutions, DRI has no securities, including debt securities, issued and outstanding save for:

3.17.1. the DRI common shares held by TGS, Airstate and United;

3.17.2. the DRI Debentures;

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3.17.3. options to acquire an aggregate of 235,294 common shares of DRI held by two consultants resident in British Columbia which expire January 16, 2003;

3.17.4. an option to acquire 3,500 common shares of DRI held by an employee resident in Alberta which expires October 17, 2002; and

3.17.5. an option to acquire 7,806,405 common shares of DRI held by TGS which expires January 14, 2006;

3.18. DRI will comply with the requirements of the ABCA regarding the holding of shareholders meetings and will either hold a meeting or obtain a written resolution of DRI Shareholders in lieu of a meeting;

4. AND WHEREAS under the System, this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");

5. 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;

6. THE DECISION of the Decision Makers under the Legislation is that the requirements of NP 41 shall not apply to DRI provided that this Decision shall cease to be effective upon the earlier of the occurrence of any event which results in:

6.1. any outstanding voting securities of DRI being held by non-registered holders; or

6.2. DRI ceasing to be a reporting issuer, or the equivalent, in the Jurisdictions.

DATED this 11<sup>th</sup> day of January, 2002

Eric T. Spink, Vice-Chair

Jerry A. Bennis, FCA, Member