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Headnote

Mutual Reliance Review System for Exemptive Relief Applications - issuer bids - relief granted from the valuation requirement in connection with an offer by the issuer for its out-of-the-money convertible debentures - convertibility feature is of no material value and debentures trade only on the issuer's underlying creditworthiness - offer otherwise to be made in compliance with issuer bid requirements - offer document to include summary of financial opinion on convertibility feature

Applicable British Columbia Provisions

Securities Rules, B.C. Reg. 194/97, ss. 162(2) and 162(3)

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

AND

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

AND

IN THE MATTER OF REVENUE PROPERTIES COMPANY LIMITED

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of Ontario, Alberta, British Columbia, Manitoba, Newfoundland and Labrador, Nova Scotia, Québec and Saskatchewan (collectively, the "Jurisdictions") has received an application (the "Application") from Revenue Properties Canada Limited ("Revenue") for a decision under the securities legislation of the Jurisdictions (collectively, the "Legislation") that in connection with its proposed offer (the "Offer") to acquire all of its outstanding 6% Convertible Subordinated Debentures due March 1, 2004 (the "6% Debentures"):

- (1) Revenue shall be exempted from the requirements in the Legislation to obtain a formal valuation of the 6% Debentures (the "Formal Valuation Requirement"); and
- (2) the Application and this MRRS Decision Document (the "Decision") shall be held in confidence by the Decision Makers, subject to certain conditions;

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AND WHEREAS pursuant to the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), the Ontario Securities Commission is the principal regulator for the Application;

AND WHEREAS Revenue has represented to the Decision Makers as follows:

1. Revenue is governed by the *Business Corporations Act* (Ontario). Its head office is located in Toronto, Ontario.
2. Revenue is a reporting issuer or the equivalent in each Jurisdiction and is not in default of any requirements of the Legislation in the Jurisdictions.
3. Revenue's authorized capital consists of an unlimited number of First Preference Shares issuable in series, an unlimited number of Second Preference Shares issuable in series, an unlimited number of Third Preference Shares issuable in series, and an unlimited number of common shares (the "Common Shares"). As at January 21, 2002, 63,531,358 Common Shares were issued and outstanding.
4. The Common Shares are listed for trading on The Toronto Stock Exchange (the "TSE") and the NASD OTC Bulletin Board and the 6% Debentures are listed for trading on the TSE.
5. Revenue also has two series of convertible debentures outstanding as follows:
 - (a) approximately \$79,715,000 of convertible subordinated debentures, bearing interest at 7% per annum, payable semi-annually and maturing December 31, 2006; and
 - (b) approximately U.S.\$34,599,000 of the 6% Debentures.
6. The 6% Debentures were issued under a trust indenture (the "Indenture") dated as of March 14, 1994, as amended by a First Supplemental Indenture dated January 1, 2000.
7. The 6% Debentures are rated BB (high) by Dominion Bond Rating Service.
8. The 6% Debentures are unsecured and are convertible at the holder's option into Common Shares at any time prior to the earlier of February 27, 2004 and the last business day immediately preceding the date specified for redemption. Originally, the 6% Debentures were convertible at a price of U.S.\$3.45 per Common Share. On September 24, 2001 (the "Announcement Date"), Revenue declared a special dividend of Cdn.\$1.50 per Common Share to

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holders of Common Shares of record as at October 18, 2001 (the “Special Dividend”). Accordingly, October 16, 2001 was the date the Common Shares began trading “ex-dividend” for the Special Dividend (the “Ex-Dividend Date”). In addition, as a result of the Special Dividend, the conversion price for the 6% Debentures was adjusted as provided for in the Indenture. Effective October 19, 2001 (the “Adjustment Date”), the 6% Debentures are convertible at a price of U.S.\$1.82 per Common Share. Based upon foreign exchange rates as of January 18, 2002, the 6% Debentures are convertible at the equivalent of Cdn.\$2.93 per Common Share.

9. On September 21, 2001, the last trading day before the Announcement Date, the closing price of the Common Shares on the TSE was Cdn.\$2.50, and on January 18, 2002, the closing price of the Common Shares on the TSE was Cdn.\$1.60.
10. Over the 12-month period preceding the Announcement Date, the Common Shares traded on the TSE in a range between Cdn.\$1.87 and Cdn.\$2.70 per Common Share, and over the approximately three-month period since the Ex-Dividend Date, the Common Shares have traded on the TSE in a range between Cdn.\$1.42 and Cdn.\$1.74 per Common Share.
11. On October 16, 2001, the last trading day before the Adjustment Date on which the 6% Debentures were traded, the closing price of the 6% Debentures was U.S.\$935 per U.S.\$1,000 principal amount.
12. On January 18, 2002 the closing price of the 6% Debentures was U.S.\$965 per U.S.\$1,000 principal amount.
13. Over the approximately nine-month period from January 1 to October 9, 2001, the last trading day before the Ex-Dividend Date on which the 6% Debentures were traded, the 6% Debentures traded on the TSE on only 22 out of 198 trading days, with an average daily trading value of \$28,868.36 on the days traded, and a price range per U.S.\$1,000 principal amount of U.S.\$790 to U.S.\$935.
14. Over the approximately three-month period from the Ex-Dividend Date to January 18, 2002, the 6% Debentures traded on the TSE on only 7 out of the 66 trading days, with an average daily trading value of \$21,347.86 on the days traded, and a price range per U.S.\$1,000 principal amount of U.S.\$880 to U.S.\$965.
15. Since March 1, 1998, Revenue has been entitled to redeem the 6% Debentures at any time at par plus accrued and unpaid interest.

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16. The Indenture, as amended, provides that, at any time when Revenue is not in default under the Indenture, Revenue may purchase any or all of the 6% Debentures. Revenue is not in default under the Indenture, as amended. There are no other restrictions upon Revenue's ability to purchase the 6% Debentures.
17. On March 2, 2001, Revenue filed and the TSE accepted a Notice of Intention to Make a Normal Course Issuer Bid (the "Notice"). Pursuant to the Notice, Revenue may acquire through the TSE's facilities up to a maximum of U.S.\$ 3,400,000 of the outstanding 6% Debentures, representing approximately 10% of the public float of 6% Debentures as at March 1, 2001. Pursuant to the Notice, Revenue acquired through the TSE's facilities:
 - (a) U.S.\$373,000 principal amount of the 6% Debentures at a price of U.S.\$900 per U.S.\$1,000 principal amount on May 8, 2001;
 - (b) U.S.\$8,000 principal amount of the 6% Debentures at a price of U.S.\$900 per U.S.\$1,000 principal amount on May 11, 2001; and
 - (c) U.S.\$20,000 principal amount of the 6% Debentures at a price of U.S.\$860 per U.S.\$1,000 principal amount on September 4, 2001.
18. As of January 18, 2002, U.S.\$34,599,000 of the 6% Debentures were outstanding.
19. Revenue proposes to make the Offer for all of the outstanding 6% Debentures. The Offer will be an "issuer bid" within the meaning of the Legislation in the Jurisdictions because the 6% Debentures are convertible debt securities. The Offer will not be made to holders of 6% Debentures who are residents of the United States.
20. In a letter (the "Opinion Letter") dated January 16, 2002, TD Securities Inc. ("TD Securities") advised Revenue that, in TD Securities' opinion:
 - (a) the convertibility feature of the 6% Debentures is of no material value; and
 - (b) the 6% Debentures trade on the TSE like non-convertible, subordinated, unsecured debt based on Revenue's underlying creditworthiness.
21. The Offer will be made in compliance with the requirements in the Legislation applicable to formal bids made by issuers, except to the extent exemptive relief is granted by the Decision Makers.

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22. The issuer bid circular provided to holders of the 6% Debentures in connection with the Offer will include a summary of the Opinion Letter.
23. Revenue intends to make the Offer if, but only if, the exemptive relief provided for in the Decision is granted.

AND WHEREAS pursuant to the System this MRRS Decision Document evidences the decision of each Decision Maker (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 under the Legislation is that Revenue is exempted from the Formal Valuation Requirement, provided that Revenue complies with the other applicable provisions of the Legislation relating to formal bids made by issuers.

THE FURTHER DECISION of the Decision Makers pursuant to the Legislation is that the Application and the Decision shall be held in confidence by the Decision Makers until the earlier of the date that the Circular is filed in connection with the Offer and March 15, 2002.

DATED this 1st day of March, 2002.

Ralph Shay, Director,
Take-over/Issuer Bids, Mergers & Acquisitions