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Headnote

Multilateral Instrument 11-102 *Passport System* and National Policy 11-203 *Process for Exemptive Relief Applications in Multiple Jurisdictions* – National Instrument 51-102 *Continuous Disclosure Obligations* s.13.1 – National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*, s.5.1

Material change report – An issuer requires relief from the requirement to include certain financial statements in a material change report filed to report the closing of a restructuring transaction – The required financial statements do not exist and the financial information to prepare full financial statements is not available; alternate financial and/or technical information will be provided that will be sufficient for shareholders to assess the transaction as a whole

Reservation in auditor's report – An issuer requires relief from the requirement that financial statements required by securities legislation to be audited must be accompanied by an auditor's report that does not contain a reservation – The auditors were not in attendance at the physical inventory taking and not able to satisfy themselves by other auditing procedures as to the opening inventory quantities; the reservation relates to the financial statements of a non-reporting issuer; the issuer is providing a subsequent audited period of at least six months for which the auditor's report will not contain a reservation; the issuer's business is not seasonal

Comparatives – An issuer requires relief from the requirement that interim financial statements include comparative numbers for the identical period of the preceding year – The issuer is a reverse takeover acquirer; the interim financial statements are for a period that ended prior to the date of the reverse takeover; it is impracticable to present prior-period information for the corresponding interim period in the preceding financial year; the prior-period information that is available is presented; the notes to the interim financial statements disclose the fact that either the prior-period information has not been prepared on a basis consistent with the most recent interim financial information or that no prior-period information has been prepared.

Applicable British Columbia Provisions

National Instrument 51-102, s. 13.1

National Instrument 52-107, s. 5.1

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March 4, 2011

In the Matter of
the Securities Legislation of
British Columbia
(the Jurisdiction)

and

In the Matter of
the Process for Exemptive Relief Applications in Multiple Jurisdictions

and

In the Matter of
ZYP Capital Corp.
(the Filer)

Decision

Background

- ¶ 1 The principal regulator in the Jurisdiction has received an application from the Filer for a decision under the securities legislation of the Jurisdiction of the principal regulator (the Legislation) that:
- (a) the requirement that the Filer must file audited annual financial statements of Irkutskvodlespromstroy-Nebelski LPH Ltd. (the Target Company) for each of its three most recently completed financial years;
 - (b) the requirement that the Target Company's audited financial statements for the financial years ended April 30, 2009 and April 30, 2010 be accompanied by an auditor's report that expresses an unmodified opinion; and
 - (c) the requirement that the Target Company provide comparative information with respect to the Target Company's interim financial statements dated October 31, 2010

do not apply (the Exemption Sought).

Under the Process for Exemptive Relief Applications in Multiple Jurisdictions (for a passport application):

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(a) the British Columbia Securities Commission is the principal regulator for this application, and

(b) the Filer has provided notice that section 4.7(1) of Multilateral Instrument 11-102 *Passport System* (MI 11-102) is intended to be relied upon in Alberta.

Interpretation

¶ 2 Terms defined in National Instrument 14-101 *Definitions* and MI 11-102 have the same meaning if used in this decision, unless otherwise defined.

Representations

¶ 3 This decision is based on the following facts represented by the Filer:

1. the Filer was incorporated under the *Business Corporations Act* (British Columbia) on September 18, 2007 and its head office is located in British Columbia;
2. the Filer is a reporting issuer in the provinces of British Columbia and Alberta. The Filer's common shares are listed on the TSX Venture Exchange (the Exchange);
3. the Target Company was incorporated under the provisions of Part I of the Civil Code of the Russian Federation (dated 30.11.1994 No. 51-FZ effective from January 1st 1995) on October 17, 2005.
4. the Target Company is not a reporting issuer in any jurisdiction of Canada or otherwise; the Target Company's shares are not listed on any stock exchange or quotation system; accordingly, the Target Company has not been required to provide audited financial statements or interim financial statements until now;
5. the business of the Target Company is tree harvesting, sale of logs, and the processing and sale of shaped timber, and it is not a seasonal business;
6. on August 31, 2010, the Filer announced a proposed acquisition of the Target Company that will constitute the Qualifying Transaction (as defined in Policy 2.4 of the Exchange) of the Filer;
7. the Filer is preparing a filing statement in accordance with Exchange Form 3B2;

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8. the Qualifying Transaction constitutes a reverse takeover transaction as the vending shareholder of the Target Company will become a controlling shareholder of the Filer on completion of the Qualifying Transaction;
9. the Qualifying Transaction is a restructuring transaction as defined under NI 51-102, which gives rise to the requirement to provide, with the material change report describing the transaction, prospectus-level disclosure for the Target Company which includes audited financial statements for the Target Company's three most recently completed financial years;
10. a change in control and restructuring of the Target Company occurred in July, 2009 during which critical accounting records as maintained by past management of the Target Company for the year ended April 30, 2008 went missing;
11. the Target Company has made every reasonable effort to obtain access to or copies of the historical accounting records necessary to prepare and audit the year ended April 30, 2008, but such efforts were unsuccessful; such records cannot be reconstructed;
12. the Filer is also subject to the requirement that the financial statements of the Target Company must be accompanied by an auditor's report that expresses an unmodified opinion;
13. as the auditor of the Target Company was not appointed until 2010, the auditor did not observe the counting of physical inventories as of April 30, 2009 or April 30, 2008;
14. since inventory balances enter into the determination of the financial performance, the auditor of the Target Company was unable to determine whether adjustments might have been necessary in respect of profit for the years ended April 30, 2010 and 2009 reported in the statement of comprehensive income;
15. as a result, the auditor of the Target Company expressed a reservation of opinion on the Target Company's financial statements for the years ended April 30, 2010 and April 30, 2009;
16. the Filer is also subject to the requirement that interim financial statements include comparative numbers for the identical period of the preceding year;

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17. the Filer intends on filing audited financial statements of the Target Company for the 6 month period ended October 31, 2010 which financial statements do not include comparative numbers;
18. no comparative information is available to be presented in respect of the October 31, 2009 interim period since no cut-off procedures were contemplated by the Target Company as at October 31, 2009 and no auditors were retained at that time, and it is impracticable to present prior-period information on a basis consistent with the October 31, 2010 interim period;
19. the notes to the financial statements for the interim period ended October 31, 2010 disclose that no prior-period information has been prepared;
20. neither the Filer nor the Target Company is in default of securities legislation in any jurisdiction in Canada.

Decision

- ¶ 4 The principal regulator is satisfied that the decision meets the tests set out in the Legislation for the principal regulator to make the decision.

The decision of the principal regulator under the Legislation is that the Exemption Sought is granted, provided that:

- (a) the Filer files audited financial statements of the Target Company for the financial years ended April 30, 2009 and April 30, 2010 accompanied by an auditor's report qualified as to inventory only; and
- (b) the Filer files audited interim financial statements of the Target Company for the interim period ended October 30, 2010 without comparative financial information which financial statements are accompanied by an auditor's report that contains an unmodified opinion.

Martin Eady, CA
Director, Corporate Finance
British Columbia Securities Commission