

IN THE MATTER OF THE SECURITIES LEGISLATION OF BRITISH COLUMBIA,
ALBERTA, MANITOBA, ONTARIO, NOVA SCOTIA, NEW BRUNSWICK,
PRINCE EDWARD ISLAND AND NEWFOUNDLAND

AND

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

AND

IN THE MATTER OF
CAPSERVCO LIMITED PARTNERSHIP

MRRS DECISION DOCUMENT

WHEREAS the Canadian securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta, Manitoba, Ontario, Nova Scotia, New Brunswick, Prince Edward Island and Newfoundland (the "Jurisdictions") has received an application from CapServCo Limited Partnership (the "Applicant") for a decision pursuant to the securities legislation and securities directions of the Jurisdictions (the "Legislation") that the prospectus requirement and dealer registration requirement contained in the Legislation (respectively, the "Registration Requirement" and the "Prospectus Requirement") shall not apply to the proposed issuance from time to time by the Applicant of limited partnership units and promissory notes to certain persons;

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

AND WHEREAS it has been represented by the Applicant to the Decision Makers that:

1. The Applicant was formed as a limited partnership under the laws of Ontario by the filing of a declaration of limited partnership pursuant to the *Limited Partnerships Act* (Ontario) on November 9, 1999 and is governed by a limited partnership agreement made effective November 9, 1999 (the "LP Agreement").
2. The Applicant is not at present, and does not intend to become a reporting issuer or the equivalent thereof under applicable Legislation.
3. The Applicant will make secured loans to Grant Thornton LLP ("GT") (the "Financing Business") and will carry on the business of providing premises, management, agency, marketing, technology, secretarial, accounting, administrative and related services and assets to GT and may exercise all powers ancillary and incidental thereto (the "Services Business").

4. CapServCo Inc. (the "General Partner") is the general partner of the Applicant and John B.J. Garritsen is the initial limited partner. The General Partner is a corporation incorporated under the laws of the Province of Ontario and is wholly-owned by GT.

5. The General Partner will be authorized to carry on the business of the Applicant, with full power and authority to administer, manage, control and operate the business of the Applicant, and will have all power and authority to do any act, take any proceeding, make any decision and execute and deliver any instrument, deed, agreement or document necessary for or incidental to carrying out the business of the Applicant, for and on behalf of the Applicant.

6. GT is a limited liability partnership of chartered accountants and management consultants formed under the laws of the Province of Ontario and operates in British Columbia, Alberta, Manitoba, Ontario, Nova Scotia, New Brunswick, Prince Edward Island and Newfoundland. There are approximately 194 partners in GT ("GT Partners") at the present time.

7. The capital of the Applicant will be divided into two classes of units, being Class A Units ("Class A Units") and Class B Units ("Class B Units") (a "Unit" being a Class A Unit or a Class B Unit, as the case may be), representing capital contributions made by *Limited Partners* (as hereinafter defined). Class A Units and Class B Units shall have the rights and obligations (including the right to vote, and the right to allocations of income and loss and cash distributions from the Applicant) as provided by the LP Agreement. The net income of the Applicant attributable to the Financing Business will be distributed to the holders of Class A Units and/or the holders of Class B Units. The net income of the Applicant attributable to the Services Business will be distributed to the holders of the Class B Units only.

8. It is proposed that approximately 174 Class A Units will be initially subscribed for by *Qualified Persons* (as hereinafter defined) and issued by the Applicant, at an issue price of \$100 per Class A Unit. From time to time, it is proposed that additional Class A Units will be subscribed for and issued by the Applicant.

9. It is proposed that approximately 130 Class B Units will be initially subscribed for by *Qualified Persons* and issued by the Applicant at an issue price of \$40,000 per Class B Unit. There will be an annual opportunity for *Qualified Persons* to subscribe for Class B Units if they have not already done so.

10. Each *Qualified Person* who subscribes for a Class A Unit and/or a Class B Unit, as the case may be, will be admitted to the Applicant as a limited partner (a "Limited Partner") and will become bound by the terms of the LP Agreement.

11. The LP Agreement will provide that Units may be issued by the Applicant only to a person resident in Canada for the purposes of the *Income Tax Act* (Canada) who is one of the following (each, a "Qualified Person"):

- (i) a GT Partner;

(ii) where a GT Partner is a *Professional Corporation* (as hereinafter defined), to such *Professional Corporation* (a "PC Partner") or the sole shareholder and director of such PC Partner who would otherwise be the GT Partner (a "GT Individual"); for the purposes of this application, a Professional Corporation means a corporation which is permitted under the rules of professional conduct of one of the Provincial Institutes of Chartered Accountants to conduct the practice of chartered accountancy; or

(iii) a discretionary trust, the trustees of which will consist of one or more GT Partners or GT Individuals or corporations controlled by GT (a "Family Trust").

12. The beneficiaries of a Family Trust consist of one or more of the following: (each, an "Eligible Beneficiary"):

(i) a GT Partner;

(ii) a GT Individual;

(iii) a person who is married to a GT Partner or a GT Individual, or who lives with a GT Partner or a GT Individual in a marriage-like relationship, which marriage-like relationship may be between persons of the same gender (a "Spouse");

(iv) the living issue, natural or adopted, of a GT Partner, of a GT Individual or of a Spouse;

(v) the parents or grandparents, natural or through adoption of a GT Partner, of a GT Individual or of a Spouse;

(vi) the siblings, natural or through adoption, of a GT Partner, of a GT Individual or of a Spouse;

(vii) the nieces and nephews, natural or through adoption, of a GT Partner, of a GT Individual or of a Spouse; or

(viii) any other person who is a dependant, wholly or partially, of a GT Partner, of a GT Individual or of a Spouse,

provided that, if a person referred to in (iii) above subsequently ceases to be a Spouse, the Family Trust may be permitted to continue to hold trust property for the benefit of such person and/or all or any persons who initially became beneficiaries of the Family Trust by reason of their relationship to such person.

For greater clarification, a person under any of headings (iii) through (viii) above is not a Qualified Person.

13. In order to facilitate the financing of the Applicant and GT, Qualified Persons may from time to time make loans to the Applicant, and to evidence such loans, the Applicant may issue promissory notes ("LP Notes") to such Qualified Persons pursuant to the terms and conditions of a note indenture.

14. Interest will be paid on the LP Notes at a floating rate calculated by reference to the prime rate announced by GT's principal bank at its main branch in Toronto from time to time.

15. The Applicant will be entitled at its discretion, to repay amounts owing on the LP Notes in whole at any time and in part from time to time.

16. All proceeds raised by the Applicant from the issuance of Units and LP Notes will be loaned by the Applicant to GT or will otherwise be invested by the Applicant in furtherance of the Financing Business and the Services Business.

17. No Limited Partner may directly or indirectly sell, transfer, assign, gift, exchange, mortgage, pledge, charge (other than a mortgage, pledge or charge to a *bona fide* financial institution as security for indebtedness incurred by such Limited Partner for the purposes of funding such Limited Partner's subscription for Units and LP Notes) or otherwise dispose of or deal with any Unit or LP Note except for a transfer of a Unit or LP Note: (i) to a Qualified Person; or (ii) to the Applicant for cancellation.

18. If a Limited Partner: (i) ceases to be a Qualified Person; (ii) purports to sell, transfer, assign, gift, exchange, mortgage, pledge, charge (other than a mortgage, pledge or charge to a *bona fide* financial institution as security for indebtedness incurred by such Limited Partner for the purposes of funding such Limited Partner's subscription for Units and LP Notes) or otherwise disposes of or encumbers or deals with any Unit or LP Note; or (iii) ceases to be a Limited Partner in accordance with the LP Agreement, such Limited Partner will be entitled to receive the balance of its capital account in the Applicant.

19. A Qualified Person that ceases to be a Limited Partner will be required to immediately surrender all Units and LP Notes held by it to the General Partner for cancellation.

20. No Eligible Beneficiary of a Family Trust other than a GT Partner, a GT Individual or a Spouse will directly or indirectly contribute money or other assets to such Family Trust or GT Individual, as the case may be, in order to finance the subscription for Units or LP Notes, or will be liable for any loan or other forms of financing obtained by the Family Trust or GT Individual, as the case may be, for that purpose. No Eligible Beneficiary of a Family Trust other than the GT Partner or the GT Individual, as the case may be, who is a trustee of such Family Trust will be involved in the decision to purchase Units or LP Notes.

21. Prior to issuing a Unit or an LP Note to a Qualified Person, the Applicant will provide such Qualified Person with a copy of this Decision Document and a copy of the most recent financial statements of the Applicant.

22. Each holder of a Unit or an LP Note shall give to the Applicant an acknowledgment of receipt of a copy of this Decision Document and an acknowledgment that the protections of the applicable Legislation, including statutory rights of rescission and damages and continuous disclosure will not be available in respect of the Units and the LP Notes. Where the holder of a Unit or an LP Note is a Family Trust, such Family Trust shall provide an acknowledgment to the Applicant that no Eligible Beneficiary of such Family Trust, other than the GT Partner or the GT Individual, as the case may be, who is a trustee of such Family Trust or the Spouse of such GT Partner or GT Individual, as the case may be, has directly or indirectly contributed any money or other assets to such Family Trust in order to finance the subscription for Units or LP Notes and that no Eligible Beneficiary of such Family Trust other than the GT Partner or the GT Individual, as the case may be, who is a trustee of such Family Trust was involved in the decision to purchase Units or LP Notes.

23. Within 140 days of the end of each fiscal year of the Applicant, the Applicant will provide to each holder of Units and each holder of LP Notes, a copy of the financial statements of the Applicant for such fiscal year.

AND WHEREAS pursuant to the System, this 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 Makers with the jurisdiction to make the Decision has been met;

THE DECISION of the Decision Makers pursuant to the Legislation is that the Registration Requirement and Prospectus Requirement shall not apply to the issuance of Units or LP Notes by the Applicant to Qualified Persons, provided that the first trade in Units or LP Notes shall be a distribution under the Legislation of the Jurisdiction in which the trade takes place, unless otherwise exempt thereunder or unless such first trade is one of the following:

- (a) a transfer to a Qualified Person;
- (b) a transfer to the Applicant for cancellation;
- (c) a pledge to a financial institution as security for indebtedness incurred for the purpose of financing the acquisition or continued ownership of Units or LP Notes provided that, such financial institution acknowledges in writing that it shall not be permitted to further assign or transfer such Units or LP Notes so pledged, except for a transfer to the Applicant for cancellation or a transfer back to the Pledgor to terminate such pledge.

DATED at Toronto, Ontario this 29th day of February, 2000.

"J.A. Geller"

"Robert W. Davis"

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - exemption from prospectus and registration requirements for issuance of limited partnership units and promissory notes to partners of accounting firm and their family trusts.

Applicable Ontario Statutory Provisions

Securities Act, R.S.O. 1990, c.S.5, as am. ss. 25, 53, 72(5) and 74(1).