

Headnote

Mutual Reliance Review System for Exemptive Relief Applications -- issuer of subordinated notes exempt subject to certain conditions from continuous disclosure requirements in National Instrument 51-102 -- Continuous Disclosure Obligations and Multilateral Instrument 52-109 -- Certification of Disclosure in Issuers' Annual and Interim Filings -- subordinated notes issued as part of offering of income participating securities consisting of subordinated notes of issuer and common shares of issuer's indirect parent -- conditions to relief intended to ensure that continuous disclosure of issuer's direct parent will contain the relevant information to a holder of subordinated notes and will be accessible to such holders.

Rules Cited

National Instrument 51-102 Continuous Disclosure Obligations
Multilateral Instrument 52-109 -- Certification of Disclosure in Issuers' Annual and Interim Filings

May 13, 2005

**IN THE MATTER OF
THE SECURITIES LEGISLATION
OF BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN, MANITOBA, ONTARIO,
QUEBEC, NOVA SCOTIA, NEW BRUNSWICK, NEWFOUNDLAND AND
LABRADOR, NORTHWEST TERRITORIES, NUNAVUT AND YUKON (the
Jurisdictions)**

AND

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

AND

**IN THE MATTER OF
KEYSTONE NORTH AMERICA INC. AND
KEYSTONE NEWPORT ULC**

MRRS DECISION DOCUMENT

Background

The local securities regulatory authority or regulator (the Decision Maker), in each of the Jurisdictions has received an application from Keystone North America Inc. (KNA) and Keystone Newport ULC (Keystone ULC, and together with KNA, the Filers) for a decision under the securities legislation of the Jurisdictions (the Legislation) and in Québec for an

exemption to be granted by a revision of general order No. 2004-PDG-0020 dated March 26, 2004, that Keystone ULC be exempt from

1. except in the Northwest Territories, the requirements under the Legislation to:

- (a) issue press releases and file reports regarding material changes (the Material Change Reporting Requirements);
- (b) file annual financial statements together with an auditor's report and annual MD&A, as well as interim financial statements together with a notice regarding auditor review or a written review report, if required, and interim MD&A;
- (c) send annually a request form to the registered holders and beneficial owners of Keystone ULC's securities, other than debt instruments, that the registered holders and beneficial owners may use to request a copy of Keystone ULC's annual financial statements and annual MD&A, interim financial statements and interim MD&A, or both, and to send a copy of financial statements and MD&A to registered holders and beneficial owners;
- (d) send a form of proxy and information circular with a notice of meeting to registered holders of voting securities and to file the information circular, form of proxy and all other material required to be sent in connection with the meeting to which the information circular or form of proxy relates;
- (e) where applicable, file a business acquisition report including any required financial statement disclosure, if Keystone ULC completes a significant acquisition (the BAR Requirement);
- (f) file a copy of any disclosure material that it sends to its securityholders;
- (g) file an annual information form; and
- (h) where applicable, file a copy of any contract that it or any of its subsidiaries is a party to, other than a contract entered into in the ordinary course of business, that is material to Keystone ULC and was entered into within the last financial year, or before the last financial year but is still in effect (the Material Contracts Requirement),

(collectively, the Continuous Disclosure Requirements); and

2. the requirements under the Legislation except in British Columbia and Québec to:

- (a) file annual certificates (Annual Certificates) in accordance with section 2.1 of Multilateral Instrument 52-109 Certification of Disclosure in Issuer's Annual and Interim Filings (MI 52-109); and

(b) file interim certificates (Interim Certificates) in accordance with section 3.1 of MI 52-109,

(collectively, the Certification Filing Requirements).

Under the Mutual Reliance Review System for Exemptive Relief Applications (the System):

(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 Issuer:

1. KNA is a corporation formed under the laws of Ontario, with its head office located at Suite 2400, 250 Yonge Street, Toronto, Ontario, M5B 2M6.
2. KNA owns all of the Class A common shares of Keystone Group Holdings Inc. (Keystone), representing an approximate 93.7% voting interest in Keystone.
3. Keystone ULC is an unlimited liability company organized under the laws of Nova Scotia, with its head office located at Suite 2400, 250 Yonge Street, Toronto, Ontario, M5B 2M6.
4. The authorized share capital of Keystone ULC is 1,000,000,000 common shares, Keystone owns all of the common shares of Keystone ULC, and Keystone ULC owns all of the preferred shares of Keystone.
5. Keystone is a Delaware corporation, with its head office located at 400 North Ashley Drive, Suite 1900, Tampa, Florida 33602. Keystone, through its subsidiaries, is, in management's estimate, the fifth largest funeral home operator in the United States, owning and operating 177 funeral homes and nine cemeteries in 26 states in the United States.
6. The Filers each filed a preliminary prospectus dated December 23, 2004, an amended and restated preliminary prospectus dated January 11, 2005 and a (final) prospectus dated January 31, 2005 in connection with an initial public offering (the Offering) of income participating securities (IPs).

7. KNA issued the common shares (the KNA Common Shares) that form part of the IPSs and will satisfy dividends declared on these common shares with the dividends it receives on the Class A common shares that it owns in Keystone.

8. Keystone ULC issued the subordinated notes (the Subordinated Notes) that form part of the IPSs and will satisfy its obligations under the Subordinated Notes with the dividends it receives from Keystone.

9. Mutual Reliance Review System decision documents were issued for the Filers' (a) preliminary prospectus and amended and restated preliminary prospectus on December 24, 2004 and January 12, 2005, respectively and (b) (final) prospectus on January 31, 2005.

10. KNA and Keystone ULC became reporting issuers or the equivalent in each of the Jurisdictions on January 31, 2005 and the initial public offering closed on February 8, 2005.

11. In connection with the Offering, the Filers filed an undertaking (the Undertaking), with the Ontario Securities Commission to provide investors with separate financial statements for any "major subsidiary" (Major Subsidiary) as defined in National Instrument 55-101 Exemption from Certain Insider Reporting Requirements where GAAP prohibits consolidation of financial information of such subsidiary and the Issuer.

12. Keystone ULC's obligations under the Subordinated Notes represent its primary liability.

13. Keystone ULC will satisfy its obligations under the Subordinated Notes through the dividends that it will receive on the preferred shares that it owns in the capital of Keystone and it is not currently anticipated that Keystone ULC will have any other meaningful assets or sources of income.

14. Keystone ULC's obligations under the Subordinated Notes are guaranteed by Keystone and each of its subsidiaries.

15. In order to understand and assess the ability of Keystone ULC (and the guarantors) to satisfy the obligations under the Subordinated Notes, a holder of the Subordinated Notes will need to determine (a) the ability of Keystone to satisfy its dividend requirements under the preferred shares held by Keystone ULC and (b) the Keystone group's ability to satisfy the guarantee obligations of the Subordinated Notes,

16. Because KNA is the ultimate parent of the Keystone group (including Keystone ULC) and is required to:

(a) include in its public disclosure (e.g., annual information form and material change reports) information concerning all of its material subsidiaries (including Keystone), and

(b) consolidate the financial position and results of operations of all of the other members of the group,

it is the public disclosure, including the consolidated financial statements, relating to KNA that is relevant from the perspective of a potential investor. Specifically, it is that information (not information relating solely to Keystone ULC) that permits an investor to determine (a) the ability of Keystone to satisfy its dividend requirements under the preferred shares held by Keystone ULC and (b) the Keystone group's ability to satisfy its guarantee obligations of the Subordinated Notes.

17. KNA has no operations other than minimal operations that are independent of Keystone, no material assets other than its holding of the Class A common shares of Keystone and no material liabilities.

18. Keystone ULC will send a form of proxy and information circular to holders of the Subordinated Notes resident in Canada in connection with any meeting of holders of Subordinated Notes.

Decision

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 pursuant to the Legislation is that the Continuous Disclosure Requirements and the Certification Filing Requirements shall not apply to Keystone ULC, provided that:

1. Keystone owns all voting securities of Keystone ULC;
2. KNA continues to consolidate the financial information of its subsidiaries including Keystone in KNA's financial information, or if GAAP prohibits the consolidation of the financial information of Keystone or other Major Subsidiary and KNA, KNA complies with its Undertaking to provide holders of Subordinated Notes with separate financial statements for such entity;
3. Keystone ULC continues to have no operations other than minimal operations that are independent of Keystone, no material assets other than its holding of the preferred shares of Keystone and no material liabilities other than the Subordinated Notes;
4. KNA has no operations other than minimal operations that are independent of Keystone, no material assets other than its holding of the Class A common shares of Keystone and no material liabilities;
5. KNA remains a reporting issuer in each of the Jurisdictions that provides for such a regime and complies with all of its reporting issuer obligations under the regime;
6. Keystone ULC's obligations under the Subordinated Notes continue to be guaranteed by every other subsidiary of KNA;

7. KNA files copies of all documents that KNA is required to file pursuant to the Continuous Disclosure Requirements on Keystone ULC's SEDAR profile at the same time that such documents are required to be filed by KNA on its own SEDAR profile;
8. Keystone ULC complies with the Material Change Reporting Requirements in respect of material changes in the affairs of Keystone ULC that are not also material changes in the affairs of KNA;
9. Keystone ULC complies with the Material Contract Requirements in respect of contracts of Keystone ULC that would be material to Keystone ULC but would not be material to KNA;
10. Keystone ULC complies with the BAR Requirements in respect of business acquisitions that would be significant acquisitions to Keystone ULC but not to KNA;
11. Keystone ULC has not issued any securities to the public other than the Subordinated Notes; and
12. KNA files copies of its own Annual Certificates and Interim Certificates on Keystone ULC's SEDAR profile at the same time as those documents are required to be filed by KNA on its own SEDAR profile.

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