

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - relief granted from the registration and prospectus requirements for trades in options, and shares acquired on the exercise of options, under an employee stock option plan – relief granted from the registration and, subject to certain conditions, the prospectus requirements for any resale of shares acquired under the plans- relief also granted from issuer bid requirements for payment-in-kind provisions under the plan

Applicable British Columbia Provisions

Securities Act, R.S.B.C. 1996, c. 418, s. 45(2)(10), 45(2)(12)(iii), 48(b), 61, 74(2)(9), 74(2)(11)(iii), 76, 105, 106, 107, 108, 109, 110 and 114(2)(c)

IN THE MATTER OF THE SECURITIES LEGISLATION OF BRITISH COLUMBIA,
ALBERTA, MANITOBA, ONTARIO AND NOVA SCOTIA

AND

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

AND

IN THE MATTER OF KPMG CONSULTING, INC.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta, Manitoba, Ontario and Nova Scotia (the "Jurisdictions") has received an application from KPMG Consulting, Inc. ("KCI") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that:

1. the requirements contained in the Legislation to be registered to trade in a security (the "Registration Requirement") and to file and obtain a receipt for a preliminary prospectus and a prospectus in respect of such security (the "Prospectus Requirement") shall not apply to the intended trades in securities of KCI under its 2000 Long-Term Incentive Plan, as amended from time to time (the "Plan"); and
2. the requirements contained in the Legislation to comply with the issuer bid rules in the Legislation (the "Issuer Bid Requirements") do not apply to the acquisition of common stock by KCI under the Plan;

AND WHEREAS under the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), the Executive Director of the British Columbia Securities Commission is the principal regulator for this application;

AND WHEREAS KCI has represented to the Decision Makers that:

1. KCI is a corporation incorporated under the laws of the state of Delaware;
2. KCI is not, and has no present intention of becoming, a reporting issuer or the equivalent under the Legislation of any of the Jurisdictions;
3. the authorized share capital of KCI consists of 1,000,000,000 shares of common stock, and 10,000,000 shares of preferred stock of which approximately 381,000,000 and 5,000,000, respectively, were issued and outstanding as of January 31, 2000;
4. KCI proposes to carry out a registered public offering in the United States and, KCI proposes to make an application to list its common stock on the New York Stock Exchange;
5. KCI proposes to grant options, stock appreciation rights and stock-based awards (collectively, "Awards") under the Plan to Canadian resident employees (the "Employees") of KPMG Consulting LP (the "Canadian Partnership") and the Awards are convertible into common stock of KCI;
6. as of March 1, 2000, there were 748 Employees resident in the Jurisdictions eligible to participate in the Plan;
7. Awards granted under the Plan may only be transferred by Employees with the approval of the compensation committee of KCI and any such transfers will be made in accordance with the applicable Legislation;
8. participation in the Plan is voluntary and Employees are not induced to participate in the Plan by expectation of employment or continued employment;
9. the Canadian Partnership is a limited partnership established under the laws of Ontario;
10. all of the general partner and limited partner interests of the Canadian Partnership will be held, directly or indirectly by a private corporation to be established under Ontario law ("KCI Canada").
11. all of the outstanding shares of KCI Canada will be beneficially owned, directly or indirectly, by KCI;
12. neither the Canadian Partnership nor KCI Canada is, or has any present intention of becoming a reporting issuer or the equivalent under the Legislation of any of the Jurisdictions;
13. the terms of the Plan include provisions (the "Payment-in-Kind Provisions") permitting Employees who exercise Awards granted under the Plan to pay the exercise price of such Awards and/or related taxes by tendering previously issued shares of common stock of KCI to KCI directly or by attestation procedures;

14. the terms of the Plan provide that KCI shall acquire its common stock under the Payment-in-Kind Provisions at a price equal to the closing price of the common stock on the New York Stock Exchange on the date of acquisition by KCI of such shares;

15. all sales of common stock made by Employees under the Plan will be made through the facilities of, and in accordance with the rules of, the New York Stock Exchange, another stock exchange or organized market outside of Canada and through a registrant registered under the Legislation or another entity registered as a broker dealer under the *Securities Exchange Act of 1934* (the "U.S. Registrant");

16. KCI and the Canadian Partnership are not "affiliates" within the meaning of the Legislation;

17. participants in the Jurisdictions will be provided with a copy of the Plan and all disclosure material relating to KCI which is provided to participants resident in the United States, as well as a copy of this Decision Document;

18. if at any time the number of participants in any one Jurisdiction who acquire common stock under the Plan exceeds 10% of the total number of holders of common stock, or if the participants in any one Jurisdiction hold, in aggregate, in excess of 10% of the total number of issued and outstanding common stock, KCI will apply to the relevant Decision Maker for an order with respect to further trades by the participants in that Jurisdiction in common stock acquired under the Plan;

19. there is no market in the Jurisdictions for the common stock and none is expected to develop;

20. the Legislation of certain of the Jurisdictions does not contain exemptions from the Prospectus Requirement and/or Registration Requirement for intended trades in Awards or common stock under the Plan; and

21. the Legislation of certain of the Jurisdictions deems any trade in common stock acquired under the Plan to be a distribution unless, among other things, KCI is a reporting issuer and has been a reporting issuer for the 12 months immediately preceding the trade;

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

AND WHEREAS each Decision Maker 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:

(a) the Registration Requirement and Prospectus Requirement shall not apply to an intended trade in Awards and common stock under the Plan;

(b) the Registration Requirement shall not apply to an intended trade by an Employee through a U.S. Registrant in common stock acquired under the Plan;

(c) an intended trade in common stock acquired by Employees under the Plan is a distribution under the Legislation unless the trade is executed through the facilities of a stock exchange or organized market outside of Canada and in accordance with all the laws and rules applicable to such stock exchange or market;

(d) the Issuer Bid Requirements do not apply to acquisition of common stock by KCI under the Payment-in-Kind Provisions of the Plan.

DATED March 29, 2000.

Margaret Sheehy
Director