

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ALBERTA, SASKATCHEWAN and MANITOBA

AND

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

AND

IN THE MATTER OF PPI PARTNERS

MRRS DECISION DOCUMENT

1. WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of Alberta, Saskatchewan and Manitoba (the "Jurisdictions") has received an application from PPI Partners ("PPI") for a decision exempting the allocation of Bonus Credits (to be defined herein) acquired under PPI's Capital Value Sharing Plan (the "Plan") by PPI's sales force, from the requirements under the securities legislation of the Jurisdictions (the "Legislation") to be registered to trade in a security and to file a preliminary prospectus and a prospectus and obtain receipts therefor (the "Registration and Prospectus Requirements");

2. AND WHEREAS pursuant to the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), the Alberta Securities Commission is the principal regulator for this application;

3. AND WHEREAS PPI has represented to the Decision Makers that:

3.1 PPI is a limited liability partnership registered under the *Limited Partnerships Act* (Ontario);

3.2 the head office of PPI is located in Toronto, Ontario;

3.3 PPI is not a reporting issuer in the Jurisdictions;

3.4 PPI has six partners (the "Partners") consisting of five individuals who are general partners of PPI and a wholly-owned subsidiary of RBC Insurance Holdings Inc. which is a limited partner with a 15% interest in PPI;

3.5 PPI is a distributor of life and health insurance and related financial products (the "Products") with the majority of the premium revenues attributable to Products that are developed in whole or in part by PPI;

3.6 PPI has a sales force which is comprised of approximately 1,200 insurance agents (the "Associates") nation-wide, who have entered into written agreements with PPI (the "Primary Agreements") to distribute the Products;

3.7 Bonus Credits can be allocated to an Associate that is a corporation that is owned and controlled by an insurance agent that is an individual;

3.8 PPI trains and supports its Associates to ensure that Associates understand the Products they sell;

3.9 the Plan is a profit sharing plan established by PPI for the benefit of certain of its Associates ("Qualified Associates"), consultants and employees (collectively, Qualified Associates, consultants and employees are "Participants");

3.10 a copy of the Plan will be provided to all Participants and periodic information sessions will be held by PPI to explain the operation of the Plan to Participants;

3.11 PPI will establish a bonus pool (the "Bonus Pool") at the end of each year, calculated as 20% of the value of PPI times a realization factor of 5% for 2000 and 2001 and 10% for 2002 to 2010 and consistent with the Plan being a profit sharing plan whereby PPI will set aside a portion of its profits for each year during the period from 2000 to 2010 for distribution;

3.12 Participants who achieve certain production thresholds are allocated units ("Units") as at December 31 of each year;

3.13 at the end of each year, the cumulative number of Units allocated to a Participant will be divided by the total number of all Units allocated to all Participants to determine each Participant's percentage interest in the Bonus Pool for that year;

3.14 a Participant's percentage interest in the Bonus Pool is then multiplied by the Bonus Pool for that year to determine the number of bonus credits ("Bonus Credits") to which the Participant is entitled;

3.15 the Bonus Credits will then be placed in accounts (the "Bonus Credit Trades") maintained by PPI on behalf of the Qualified Associates;

3.16 Participants are entitled to elect to receive the cash equivalent of the Bonus Credits, to defer receipt of the bonus compensation by leaving accumulated Bonus Credits in an account with PPI, or to choose a combination of both;

3.17 a Participant who leaves accumulated Bonus Credits in an account with PPI will be entitled to make the same election each year, namely to receive cash for

the Participant's Bonus Credits, to defer receipt of compensation or a combination of both;

3.18 accumulated Bonus Credits left in an account with PPI will have a value at the next year end determined by the value of PPI at that next year end;

3.19 because Bonus Credits may fluctuate in value if left by a Participant in an account with PPI, rather than being paid in cash, the Bonus Credits may constitute a security under the Legislation and the allocation of the Bonus Credits by PPI to Participants may constitute a distribution under the Legislation;

3.20 each year, Participants will receive information regarding the value of PPI, the calculation of the Bonus Pool, each Participant's percentage interest in the Bonus Pool and the resulting number of Bonus Credits allocated to the Participant;

3.21 a report from PPI's auditors will attest to the proper calculation of the Bonus Pool;

3.22 Qualified Associates will have entered into a Primary Agreement with PPI prior to January 1, 2001, and will be top-performing Associates according to criteria established by PPI;

3.23 Bonus Credits acquired by Participants under the Plan are non-transferable;

3.24 at present, fewer than 100 of PPI's 1,200 Associates are Qualified Associates;

3.25 Qualified Associates will have access to information concerning the affairs and business of PPI that is essentially equivalent to information available to employees of PPI;

3.26 participation in the Plan is voluntary and Qualified Associates will not be induced to participate in the Plan on the expectation of providing or continuing to provide services to PPI;

3.27 the Plan was approved by all of the Partners in the fall of 2000;

3.28 when bonus compensation is paid to Participants by PPI upon the surrender of Bonus Credits, PPI and Participants will be relying on statutory exemptions from the Registration and Prospectus Requirements contained in the Legislation which relate to the redemption by an issuer of its own securities;

3.29 the Bonus Credit Trades do not fall within the statutory prospectus and registration exemptions under the Legislation;

3.30 each Qualified Associate receiving Bonus Credits will provide *bona fide* services to PPI under a Primary Agreement at the time of the Bonus Credit Trades; and

3.31 each Qualified Associate receiving Bonus Credits will spend a significant amount of time and attention on the affairs and business of PPI at the time of Bonus Credit Trades;

4. AND WHEREAS pursuant to the System this MRRS Decision Document evidences the decisions of each Decision Maker (the "Decision");

5. 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;

6. THE DECISION of the Decision Makers under the Legislation is that the Registration and Prospectus Requirements shall not apply in connection with the Bonus Credit Trades provided that the first trade in Bonus Credits acquired under this Decision is deemed to be a distribution, or where applicable, a primary distribution to the public.

DATED this 14th day of June, 2001.

original signed by"
Glenda A. Campbell, Vice-Chair

original signed by"
Eric T. Spink, Vice-Chair

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - relief from the requirements to be registered to trade a security and to file a preliminary prospectus and a prospectus and obtain receipts therefor in connection with certain trades conducted under a bonus compensation plan.

Applicable Alberta Statutory Provisions

Securities Act, S.A., 1981, c.S-6.1, as amended, ss. 54, 81, 116(1), 116(1.1)