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April 19, 2005

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Securities Act, s. 76 – prospectus requirement - An issuer wants to resell its own securities that it purchased in the secondary market - The securities will be sold through an exchange; the issuer will comply with the insider continuous disclosure requirements

Applicable British Columbia Provisions

Securities Act, R.S.B.C. 1996, c. 418, ss. 61 and 76

In the Matter of
the Securities Legislation
of British Columbia, Alberta, Saskatchewan, Ontario, Nova Scotia, New
Brunswick, Prince Edward Island, Newfoundland and Labrador and Yukon
(the Jurisdictions)

and

In the Matter of
the Mutual Reliance Review System for Exemptive Relief Applications

and

In the Matter of MATRIX *Income Fund* (the Filer)

MRRS Decision Document

Background

The local securities regulatory authority or regulator (the “Decision Maker”) in each of the Jurisdictions has received an application from the Filer for a decision (the “Requested Relief”) under the securities legislation of the Jurisdictions (the “Legislation”), that the requirement contained in the Legislation to file and obtain a receipt for a preliminary prospectus and a final prospectus (the “Prospectus Requirements”) shall not apply to the distribution of units of the Filer (the “Units”) which have been repurchased by the Filer pursuant to the mandatory market purchase program, the discretionary market purchase program, or by way of redemption of Units at the request of holders thereof, as described below, nor to the first trade or resale of such repurchased Units (the “Repurchased Units”) which have been distributed by the Filer.

Under the Mutual Reliance Review System for Exemptive Relief Applications:

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- (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 Filer:

1. The Filer is an unincorporated closed-end investment trust established under the laws of the Province of Alberta by a declaration of trust dated as of January 28, 2005 (the “Declaration of Trust”).
2. The Filer is not considered to be a “mutual fund” as defined in the Legislation because the holders of Units (“Unitholders”) are not entitled to receive on demand an amount computed by reference to the value of a proportionate interest in the whole or in part of the net assets of the Filer as contemplated in the definition of “mutual fund” in the Legislation.
3. The Filer became a reporting issuer or the equivalent thereof in the Jurisdictions on January 28, 2005 upon obtaining a receipt for its final prospectus dated January 28, 2005 (the “Prospectus”). As of the date hereof, the Filer is not in default of any requirements under the Legislation.
4. Each Unit represents an equal, undivided beneficial interest in the net assets of the Filer and is redeemable (as described below) at the option of the holder thereof.
5. Each whole Unit is entitled to one vote at all meetings of Unitholders and is entitled to participate equally with all other Units with respect to any and all distributions made by the Filer.
6. Middlefield MATRIX Management Limited (the “Manager”), which was incorporated pursuant to the *Business Corporations Act* (Alberta), is the manager and the trustee of the Filer.
7. The Units are listed and posted for trading on the Toronto Stock Exchange (the “TSX”) under the trading symbol “MTZ.UN”. As at March 21, 2005, 29,888,800 Units were issued and outstanding.

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8. In order to enhance liquidity and to provide market support for the Units, pursuant to the Declaration of Trust and the terms and conditions that attach to the Units, the Filer shall, subject to compliance with any applicable regulatory requirements, be obligated to purchase (the “Mandatory Purchase Program”) any Units offered in the market at the then prevailing market price if, at any time after the closing of the Filer’s initial public offering, the price at which Units are then offered for sale is less than 95% of the net asset value of the Filer (“Net Asset Value”) per Unit, provided that:
 - (a) the maximum number of Units that the Filer shall purchase pursuant to the Mandatory Purchase Program in any calendar quarter will be 1.25% of the number of Units outstanding at the beginning of each such period; and
 - (b) the Filer shall not be required to purchase Units pursuant to the Mandatory Purchase Program if:
 - (i) the Manager reasonably believes that the Filer would be required to make an additional distribution in respect of the year to Unitholders of record on December 31 of such year in order that the Filer will generally not be liable to pay income tax after the making of such purchase;
 - (ii) in the opinion of the Manager, the Filer lacks the cash, debt capacity or resources in general to make such purchases; or
 - (iii) in the opinion of the Manager, the making of any such purchases by the Filer would adversely affect the ongoing activities of the Filer or the remaining Unitholders.
9. In addition, the Declaration of Trust provides that the Filer, subject to applicable regulatory requirements and limitations, shall have the right, but not the obligation, exercisable in its sole discretion, at any time, to purchase outstanding Units in the market at prevailing market prices (the “Discretionary Purchase Program”). Such discretionary purchases may be made through the facilities and under the rules of any exchange or market on which the Units are listed (including the TSX) or as otherwise permitted by applicable securities laws.
10. Pursuant to the Declaration of Trust and subject to the Filer’s right to suspend redemptions, Units may be surrendered for redemption (the “Redemption Program” and, together with the Mandatory Purchase Program, Discretionary Purchase Program and Additional Redemptions (as defined below), the

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“Programs”) by a Unitholder in the month of April of each year commencing in 2006 on any business day that is at least 15 business days prior to April 30 (the “Valuation Date”) by giving notice thereof to the Filer’s registrar and transfer agent. Units surrendered for redemption by a Unitholder by 5:00 p.m. (Toronto time) at least 15 business days prior to the Valuation Date will, subject to an investment dealer finding purchasers for Units properly surrendered for redemption at the direction of the Filer, be redeemed on such Valuation Date and the Unitholder will receive payment therefore on or before the 15th business day following such Valuation Date.

11. A Unitholder who surrenders a Unit for redemption on the Valuation Date of any year commencing in 2006 will receive the amount, if any, equal to the “Redemption Price per Unit” (as described in the Prospectus) less any costs of funding the redemption, including commissions.
12. In addition, the Manager may, at its sole discretion and subject to receipt of any necessary regulatory approvals, allow additional redemptions from time to time of Units (“Additional Redemptions”), for an amount equal to the Redemption Price per Unit less any costs of funding the redemption, including commissions; provided that the holder thereof shall be required to use the full amount received on such redemption to purchase treasury securities of a new or existing fund promoted by Middlefield Group then being offered to the public by prospectus.
13. Purchases of Units made by the Filer under the Programs are exempt from the issuer bid requirements of the Legislation pursuant to exemptions contained therein.
14. The Filer desires to, and the Declaration of Trust provides that the Filer shall have the ability to, sell through one or more securities dealers Repurchased Units, in lieu of cancelling such Repurchased Units and subject to obtaining all necessary regulatory approvals.
15. The Prospectus disclosed that the Filer may repurchase and redeem, as the case may be, Units under the Programs and that, subject to receiving all necessary regulatory approvals, the Filer may arrange for one or more securities dealers to find purchasers for any Repurchased Units.
16. In order to effect sales of Repurchased Units by the Filer, the Filer intends to sell, in its sole discretion and at its option, any Repurchased Units purchased by it under the Programs primarily through one or more securities dealers and through the facilities of the TSX (or such other exchange on which the Units are then listed).

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17. All Repurchased Units will be held by the Filer for a period of 4 months after the repurchase thereof by the Filer (the "Holding Period"), prior to the resale thereof.
18. Repurchased Units that the Filer does not resell within 12 months after the Holding Period (or 16 months after the date of repurchase) will be cancelled by the Filer.
19. Prospective Purchasers who subsequently acquire Repurchased Units will have equal access to all of the continuous disclosure documents of the Filer, which will be filed on SEDAR, commencing with the Prospectus.
20. Legislation in some of the Jurisdictions provides that a trade by or on behalf of an issuer in previously issued securities of that issuer that have been purchased by that issuer is a distribution subject to the Prospectus Requirements.
21. Legislation in some of the Jurisdictions provides that the first trade or resale of Repurchased Units acquired by a purchaser will be a distribution subject to the Prospectus Requirements unless such first trade is made in reliance on an exemption therefrom.

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 under the Legislation is that the trades of Repurchased Units pursuant to the Programs shall not be subject to the Prospectus Requirements of the Legislation provided that:

- (a) the Repurchased Units are sold by the Filer through the facilities of and in accordance with the regulations and policies of the TSX or the market on which the Units are then listed;
- (b) the Filer complies with the insider trading restrictions imposed by securities legislation with respect to the trades of Repurchased Units;
- (c) the Filer complies with the conditions of paragraphs 1 through 5 of subsection 2.8(2) of Multilateral Instrument 45-102 with respect to the sale of the Repurchased Units; and

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- (d) the first trade or resale of Repurchased Units acquired by a purchaser from the Filer in a Jurisdiction shall be deemed a distribution or primary distribution to the public under the Legislation unless the conditions of paragraphs 1 through 5 of subsection 2.6(3) of Multilateral Instrument 45-102 are satisfied.

Paul M. Moore
Vice Chair

Wendell S. Wigle
Commissioner
ONTARIO SECURITIES COMMISSION