

2002 BCSECCOM 432

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Relief granted to Trust from requirement to file and deliver interim financial statements for the period ended March 29, 2002, subject to certain conditions

Applicable British Columbia Provisions

Securities Act, R.S.B.C. 1996, c. 418, s. 91(1)(b)

IN THE MATTER OF THE SECURITIES LEGISLATION OF BRITISH COLUMBIA, QUÉBEC, NOVA SCOTIA, NEWFOUNDLAND AND LABRADOR

AND

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

AND

IN THE MATTER OF ADVANCED FIBER TECHNOLOGIES (AFT) INCOME FUND

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of the provinces of British Columbia, Québec, Nova Scotia, Newfoundland and Labrador (the "Jurisdictions") has received an application from Advanced Fiber Technologies (AFT) Income Fund (the "Issuer") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that the requirement contained in the Legislation to file with the Decision Makers and to send to its security holders interim financial statements of the Issuer shall not apply to the Issuer with respect to the period ended March 29, 2002;

AND WHEREAS under the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), the *Commission des valeurs mobilières du Québec* is the principal regulator for this application;

AND WHEREAS the Issuer has represented to the Decision Makers that:

1. The Issuer is an unincorporated open-ended trust established pursuant to a trust agreement dated as of February 12, 2002, as amended and restated as of March 19, 2002 and governed by the laws of the Province of Québec. The Issuer is a limited purpose trust established to hold the securities of Advanced

2002 BCSECCOM 432

Fiber Technologies (AFT) Trust ("AFT"). The Issuer has its principal office at 72 Queen Street, Lennoxville, Québec.

2. The fiscal year-end of the Issuer is December 31, with its first fiscal year-end occurring on December 31, 2002 and the end of the reporting periods for interim financial statements of the Issuer in 2002 are March 29, June 28 and September 27.
3. The Issuer filed a final prospectus dated March 20, 2002 (the "Prospectus") with the securities regulatory authority in each of the provinces and territories of Canada pursuant to which a distribution of 13,083,333 units (the "Units") of the Issuer was completed.
4. The Issuer is authorized to issue an unlimited number of Units. Each Unit is transferable and represents an unitholder proportionate undivided ownership interest in the Issuer. The Units have the attributes described in the Prospectus.
5. In conjunction with the closing of its initial public offering on March 28, 2002, the Issuer has completed the acquisition of the fiber screening division of CAE Inc. (the "CAE Fiber Screening Division"). The Issuer has used the net proceeds from the issuance of the Units, being approximately \$119,983,330 to make an equity and debt investment in AFT and AFT has in turn, used this proceeds, together with a \$39,000,000 drawn under its credit facility, to purchase the CAE Fiber Screening Division, for total cash purchase price of approximately \$159,000,000 and certain assumed liabilities of the CAE Fiber Screening Division.
6. Since March 28, 2002, AFT operates the CAE Fiber Screening Division, the only operating entity of the Issuer, and is consequently a producer of pulp screening components and customized screening solutions to pulp and paper producers.
7. The Issuer anticipates making monthly distributions of distributable cash to unitholders of record on the last day of each month that are expected to be paid to unitholders no later than the 15th day of each month. The Issuer intends to make monthly cash distributions of approximately \$0.10 per Unit, based upon anticipated cash receipts of the Issuer less estimated amounts required for the payment of costs and expenses and reasonable reserves.
8. The Prospectus included in addition to the audited balance sheet of the Issuer as at February 18, 2002, unaudited pro forma financial statements as at December 31, 2001 prepared on the basis of the completion of the initial public offering of the Issuer and the acquisition of the CAE Fiber Screening

2002 BCSECCOM 432

Division as well as audited and unaudited financial statements of CAE Fiber Screening Division in accordance with Part 6 of Policy Statements No. Q-28 of the *Commission des valeurs mobilières du Québec* and the equivalent rules of the other Jurisdictions.

9. The interim financial statements of the Issuer for the interim period ended March 29, 2002 would not contain any significant information for the following reasons:
 - 9.1 the consolidated statement of operations would be comprised of a period of only two calendar days of the CAE Fiber Screening Division, the only operating entity, since its acquisition by the Issuer has been completed on March 28, 2002;
 - 9.2 the Issuer did not conduct any operations of its own before the acquisition of the CAE Fiber Screening Division;
 - 9.3 the consolidated balance sheet of the Issuer would not differ significantly from the pro forma consolidated balance sheet included in the Prospectus given that neither the CAE Fiber Screening Division nor the Issuer proceeded to any acquisitions or dispositions of assets nor to any other types of transactions, other than in the normal course of business, that could impact on the balance sheet.
10. Given the reasons mentioned in the above paragraphs, the benefit to be derived by the unitholders of the Issuer from receiving interim financial statements for the period ended March 29, 2002 would be extremely minimal.
11. The interim financial statements of the Issuer for the period ending June 28 and the annual audited financial statements of the Issuer for the year ending December 31, 2002 will include the operations results of the Issuer for the period from February 12, 2002 to March 29, 2002.
12. The expenses to be incurred by the Issuer in preparing, filing and sending to its unitholders the interim financial statements would not be justified in view of the extremely minimal benefit to be derived by the unitholders from receiving such interim financial statements for the reasons set out above.

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

2002 BCSECCOM 432

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;

THE DECISION of the Decision Makers under the Legislation is that the requirement contained in the Legislation to file with the Decision Makers and to send to its security holders, interim financial statements of the Issuer with respect to the period ended March 29, 2002, shall not apply to the Issuer provided that the interim financial statements of the Issuer for the period ending June 28, 2002 and the annual audited financial statements for the period ending December 31, 2002 will include the financial information for the period from February 12, 2002 to March 29, 2002.

DATED at Montréal (Québec), this 29th day of May, 2002

Edvie Élysée