

2006 BCSECCOM 273

April 28, 2006

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - National Instrument 81-106, s.17.1 - Continuous Disclosure Requirements for Investment Funds - A special purpose passive investment vehicle requires relief from various requirements in NI 81-106 - The issuer does not invest in portfolio securities and is a closed-end issuer; certain disclosure required under NI 81-106 is inapplicable to it; the issuer will provide alternative disclosure that has been tailored to its structure; the alternative disclosure will provide more relevant information to investors than would be provided under NI 81-106; the issuer's operations are passive and are not expected to change

Applicable British Columbia Provisions

National Instrument 81-106, ss. 2.1(1)(c) and (e), 2.3(c) and (e), 4.2, 6.2, 9.2, 10.2, 10.3, 10.4, and 17.1

In the Matter of
the Securities Legislation
of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New
Brunswick, Nova Scotia, Newfoundland and Labrador, the 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 CI Master Limited Partnership (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 under the securities legislation of the Jurisdictions (the Legislation) and pursuant to section 17.1 of National Instrument 81-106 (NI 81-106):

1. exempting the Filer from the requirements contained in sections 2.1(1)(c), 2.1(1)(e), 2.3(c) and 2.3(e) of NI 81-106 to include in the annual and interim financial statements prepared for the Filer a statement of changes in its net

2006 BCSECCOM 273

assets and a statement of its investment portfolio (the Financial Statements Requirements);

2. exempting the Filer from the requirements contained in sections 4.2, 5.1(2)(c) and 5.1(2)(d) of NI 81-106 to file and send to the limited partners of the Filer (the Limited Partners) an annual management report of fund performance (MRFP) for each financial year and an interim MRFP for each interim period at the same time that it files its annual financial statements or its interim financial statements for that financial year (the MRFP Requirements);
3. exempting the Filer from the requirements contained in section 6.2 of NI 81-106 to prepare, post to a website (if it has one), and send to any Limited Partner that requests it, quarterly portfolio disclosure (the Quarterly Disclosure Requirements); and
4. exempting the Filer from the requirements contained in sections 10.2, 10.3 and 10.4 of NI 81-106 (the Proxy Requirements) to:
 - (a) establish policies and procedures that it will follow to determine whether, and how, to vote on any matter for which the Filer receives proxy materials for a meeting of securityholders of an issuer;
 - (b) maintain a proxy voting record; and
 - (c) prepare, post to a website (if it has one) and send to any Limited Partner that requests it, a copy of the Filer's most recent proxy voting policies and procedures and proxy voting record.

The foregoing requested exemptions are collectively referred to as the Requested Relief.

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 was formed under the *Limited Partnerships Act* (Ontario) and is a reporting issuer in each Jurisdiction.
2. The Filer is a "non-redeemable investment fund" as that term is defined in NI 81-106.

2006 BCSECCOM 273

3. The Filer is a passive, single purpose vehicle, formed for the purpose of arranging for, and paying the selling commissions related to the distribution to investors of units or shares (collectively, Distributed Securities) of mutual funds (the Funds) managed by a manager (the Manager) which are acquired by investors on a deferred sales charge basis.
4. In return for its services, the Filer receives from the Manager a monthly distribution fee and any deferred sales charges payable by an investor on the redemption of Distributed Securities, being:
 - (a) securities for which the Filer paid the selling commission,
 - (b) securities issued on subsequent switches, and
 - (c) deferred sales charge securities issued on the reinvestment of distributions or dividends on such securities.

The redemption fee schedules in respect of which investors were required to pay deferred sales charges if they redeemed their investments only applied for a certain number of years and these periods have all since expired.

5. The Filer has ceased to finance additional selling commissions related to the distribution of mutual fund securities.
6. The entitlement of the Filer to distribution fees continues until the earlier of:
 - (a) such time as there are no longer any Distributed Securities outstanding; and
 - (b) the Filer is dissolved pursuant to the terms of its amended and restated Partnership Agreement (the "Partnership Agreement").
7. During each year, the Filer distributes to its Limited Partners an amount equal to the amount by which distribution fees, deferred sales charges and investment income earned by the Filer during the year and the amount of any reserves retained at the end of the previous year, exceeds the Filer's expenses.
8. As noted above, the Filer only receives the monthly distribution fees in respect of Distributed Securities which have not been redeemed. As a number of years have elapsed since the Filer was first created, the Distributed Securities which still remain outstanding have declined, and will continue to decline, with a corresponding reduction to the Filer's distribution fee revenue. As the

2006 BCSECCOM 273

income of the Filer declines, any expenses of the Filer will increase as a percentage of that income.

9. The performance of the Filer is largely beyond the control of its general partner. The performance of the Filer is determined by decisions of investors in the Funds to retain or redeem their Distributed Securities, by market conditions, and by the investment performance of the Funds. As a result, commentary on the historical performance of the Filer is of little value to investors since it does not predict future results or distribution levels. Factual information regarding the distribution of fees earned and expenses are contained in the financial statements of the Filer.
10. The Limited Partners currently receive and, subject to delivery requirements in NI 81-106, will continue to receive, semi-annual financial statements and audited annual financial statements of the Filer.
11. Units of the Filer are currently listed on the Toronto Stock Exchange (TSX). The Filer is scheduled to terminate on March 31, 2016 under the provisions of its Partnership Agreement.

Decision

Each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Makers with the jurisdiction to make the Decision has been met.

The decision of the Decision Makers under the Legislation is that the Requested Relief is granted to exempt the Filer from:

- (i) the Financial Statements Requirements;
- (ii) the MRFP Requirements, provided that the following information is either included in, or accompanies, the Filer's financial statements:
 - (a) a management discussion of the following items:
 - A. business overview,
 - B. overall performance,
 - C. Distributed Securities including their redemption experience and the market value of Distributed Securities that remain outstanding,

2006 BCSECCOM 273

- D. results of operations, and
- E. liquidity; and
- (b) a summary of financial highlights for the past three annual financial years and for the interim periods (as that term is defined in NI 81-106) completed in the most recent twenty-four months, which includes, at a minimum, the following information:
 - A. total revenue,
 - B. net income (on a per unit basis and for the Filer as a whole),
 - C. total assets, and
 - D. market value of Distributed Securities outstanding;
- (iii) the Quarterly Disclosure Requirements; and
- (iv) the Proxy Requirements.

This Decision terminates 30 days after the occurrence of a material change in the affairs of the Filer unless it satisfies the Decision Makers that the exemption should continue.

Leslie Byberg
Manager, Investment Funds Branch
Ontario Securities Commission