

# 2008 BCSECCOM 302

May 7, 2008

## **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,  
Northwest Territories and Yukon  
(the “Jurisdictions”)

and

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

and

In the Matter of  
Uranium Focused Energy 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

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market purchase program, the discretionary market purchase program, or by way of redemption of Units at the request of holders thereof.

Under the Mutual Reliance Review System for Exemptive Relief Applications:

- (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 Ontario by a declaration of trust dated as of February 27, 2007 (the “Declaration of Trust”).
2. The Filer is not considered to be a “mutual fund” as defined in the Legislation because the holders of the 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 filed a final long form prospectus dated February 27, 2007 (the “Prospectus”) with the securities regulatory authorities in each of the Jurisdictions and became a reporting issuer or the equivalent thereof in the Jurisdictions on February 27, 2007 upon obtaining a receipt for the Prospectus. As of the date hereof, the Filer is not in default of any requirements under the Legislation.
4. The Units are listed and posted for trading on the Toronto Stock Exchange (the “TSX”) under the trading symbol “UF”. As of April 30, 2007, 20,273,100 Units were issued and outstanding.
5. 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.

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6. 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.
7. Middlefield Fund Management Limited (the “Manager”), which was incorporated pursuant to the *Business Corporations Act* (Ontario), is the manager and the trustee of the Filer.
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 as at the close of business in Toronto, Ontario on the immediately preceding business day, 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 other resources to make such purchases; or
    - (iii) in the opinion of the Manager, such purchases would adversely affect the ongoing activities of the Filer or the remaining Unitholders.
9. The Filer complies with the insider trading restrictions imposed by securities legislation.
10. 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

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outstanding Units in the market at prevailing market prices (the “Discretionary Purchase Program”).

11. 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 “Programs”) by a Unitholder in any month commencing in September 2008 on any date that is at least 20 business days prior to September 30 (“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) on the 20<sup>th</sup> business day prior to a Valuation Date will, subject to an investment dealer finding purchasers for Units properly surrendered for redemption at the direction of the Filer and subject to the Filer’s right to suspend redemptions in certain circumstances, be redeemed on the Valuation Date and the Unitholder will receive payment therefor on or before the 15<sup>th</sup> business day following such Valuation Date.
12. A Unitholder who properly surrenders a Unit for redemption on the Valuation Date of September of any year commencing in 2008 will receive the amount, if any, equal to the “Redemption Price per Unit” (as described in the Prospectus).
13. In addition, at the sole discretion of the Manager and subject to the receipt of any necessary regulatory approvals, the Manager may allow additional redemptions from time to time of Units (“Additional Redemptions”), for an amount equal to the Redemption Price per Unit; 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.
14. 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.
15. 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, Units that have been repurchased by the Filer pursuant to the Programs (“Repurchased Units”) in lieu of cancelling such Units and subject to obtaining all necessary regulatory approvals.
16. 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

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necessary regulatory approvals, the Filer may arrange for one or more securities dealers to find purchasers for any Repurchased Units.

17. 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).
18. 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.
19. The sale of Repurchased Units will not have a significant adverse impact on the market price of the Units.
20. 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.
21. 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.
22. The Legislation 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. Consequently, in the absence of the Requested Relief, the sale by the Filer of the Repurchased Units is a distribution that is subject to the Prospectus Requirements.

### **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 Requested Relief is granted 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; and

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- (b) the Filer complies with the conditions of paragraphs 1 through 5 of subsection 2.8(2) of National Instrument 45-102 with respect to the sale of the Repurchased Units.

Kevin J. Kelly  
Commissioner

Paul K. Bates  
Commissioner