

2007 BCSECCOM 682

October 30, 2007

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - National Instrument 81-106 *Continuous Disclosure Requirements for Investment Funds*, s.17.1 – NAV calculation requirements - An investment fund wants relief from the requirement in s.14.2(3)(b) of National Instrument 81-106 to calculate its net asset value at least once every business day - The fund is a closed-end investment fund that allows redemptions or retractions no more frequently than once per month; units of the fund are listed or to be listed on a stock exchange and unitholders can buy or sell shares of the fund through the exchange; the fund calculates its net asset value on a regular basis and makes that calculation available to the public on request

Applicable British Columbia Provisions

National Instrument 81-106, ss. 14.2(3)(b) 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,
Northwest Territories, Yukon and Nunavut
(the “Jurisdictions”)

and

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

and

In the Matter of
Dividend Growth Split Corp.
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 (the “Application”) from the Filer dated September 27, 2007 for a decision under s. 17.1 of National Instrument 81-106 – *Investment Funds Continuous Disclosure* (the “Legislation”) for an

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exemption from the requirement to calculate net asset value at least once every business day contained in section 14.2(3)(b) of the Legislation (the “Requested Relief”).

Under the Mutual Reliance Review System for Exemption 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 this Filer:

The Filer

1. The Filer is a mutual fund corporation established under the laws of Ontario.
2. Brompton Funds Management Limited (the “Manager”) is the promoter and manager of the Filer and will perform administrative services on behalf of the Filer.

The Offering

3. The Filer will be issuing preferred shares (the “Preferred Shares”) and class A shares (the “Class A Shares”) (together, referred to as the “Shares”). “Unit” means a notional unit consisting of one Preferred Share and one Class A Share.
4. The offering of Shares by the Filer is a one-time offering and the Filer will not continuously distribute the Shares.
5. The Filer’s investment objectives are: (i) to provide holders of Preferred Shares with fixed cumulative preferential quarterly cash distributions in the amount of \$0.13125 per Preferred Share representing a yield on the issue price of the Preferred Shares of 5.25% per annum; (ii) to provide holders of Class A Shares with regular monthly cash distributions targeted to be \$0.10 per Class A Share representing a yield on the issue price of the Class A Shares of 8.0%

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per annum; (iii) to return the original issue price to holders of Preferred Shares at the time of redemption of shares on November 30, 2014; and (iv) to provide holders of Class A Shares with the opportunity for growth in net asset value per Class A Share.

6. The net proceeds from the offering will be invested on an equally weighted basis in a portfolio consisting of common shares of 20 high dividend growth rate companies (the "Portfolio").
7. The Filer may from time to time selectively write covered call options on the Shares included in the Portfolio in order to generate additional distributable income for the Filer.
8. A preliminary prospectus of the Filer dated September 27, 2007 (the "Preliminary Prospectus") has been filed with the securities regulatory authorities in each of the Provinces and Territories of Canada.

The Shares

9. The Shares are expected to be listed and posted for trading on the Toronto Stock Exchange (the "TSX").
10. The Preferred Shares will be retractable at the option of the holder on a monthly basis and a holder of a Preferred Share may concurrently retract an equal number of Preferred Shares and Class A Shares on a quarterly basis at a price computed by reference to the value of a proportionate interest in the net assets of the Filer. As a result, the Filer will be a "mutual fund" under applicable securities legislation.
11. The description of the retraction process in the Preliminary Prospectus contemplates that the retraction price for the Shares will be determined as of the valuation date, being the second last business day of the month (the "Retraction Date").
12. The retraction price for a Preferred Share surrendered for retraction on a monthly basis will be equal to 96% of the lesser of (i) the net asset value per Unit determined as of the relevant Retraction Date, less the cost to the Company of the purchase of a Class A Share for cancellation; and (ii) \$10.00.
13. The retraction price for a Class A Share surrendered for retraction on a monthly basis will be equal to 96% of the difference between (i) the net asset value per Unit determined as of the relevant Retraction Date, and (ii) the cost to the Company of the purchase of a Preferred Share for cancellation. If the

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net asset value per Unit is less than \$10.00, plus any accrued and unpaid distributions on a Preferred Share, the retraction price of a Class A Share will be nil.

14. The retraction procedures described in the Preliminary Prospectus provide that shareholders will receive payment on or before the tenth business day of the month following the Retraction Date.
15. The net asset value per Unit and per Class A Share will be calculated weekly. The Filer will make available to the financial press for publication on a weekly basis the net asset value per Unit and per Class A Share, as well as through the Internet at www.bromptongroup.com.

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:

- (a) That the final prospectus of the Filer discloses that the net asset value per Unit and per Class A Share will be provided by the Manager to the public on request and further discloses that the net asset value per Unit and per Class A Share are accessible to the public on the Internet at www.bromptongroup.com or through a toll-free number;

for so long as:

- (b) the Shares are listed on the TSX; and
- (c) the Filer calculates its net asset value per Unit and per Class A Share at least weekly.

Vera Nunes
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Ontario Securities Commission