

# 2007 BCSECCOM 141

March 19, 2007

## **Headnote**

Mutual Reliance Review System for Exemptive Relief Applications - National Instrument 81-106, s.17.1 - Continuous Disclosure Requirements for Investment Funds - NAV calculation – 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 on a stock exchange and unitholders can buy or sell units 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, s.14.2(3)(b) and 17.1

In the Matter of  
the Securities Legislation of  
British Columbia, Alberta, Saskatchewan, Manitoba, Ontario,  
Québec, Nova Scotia, New Brunswick, Newfoundland and Labrador,  
Yukon Territory and Northwest Territories  
(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 “Fund”)

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 Fund for a decision under the securities legislation of the Jurisdictions (the “Legislation”) for an exemption from the requirement contained in section 14.2(3)(b) of National Instrument 81-106 - Investment Fund Continuous Disclosure (“NI 81-106”) to

## 2007 BCSECCOM 141

calculate net asset value (“NAV”) at least once every business day (the “Requested Relief”).

Under the Mutual Reliance Review System for Exemptive Relief Applications (the “System”):

- (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 Fund:

1. Middlefield ENERGY Management Limited (the Manager) is a corporation incorporated under the laws of Ontario. It intends to establish the Fund pursuant to a declaration of trust in February or March 2007.
2. The Fund’s investment objectives will be: (i) to achieve capital appreciation of the Fund’s investment portfolio (“the Portfolio”) over the life of the Fund, and (ii) to pay quarterly distributions to holders (“Unitholders”) of units (“Units”).
3. The Fund will invest the net proceeds of its proposed initial public offering (the “Offering”) in the securities of issuers that operate in or have exposure to the uranium sector (“Uranium Related Securities”), supplemented with the securities of other energy related issuers that operate in or have exposure to the energy sector (other than the uranium sector) (“Energy Related Securities”).
4. The Fund will have the ability to invest in or utilize derivatives from time to time including to offset or reduce risks associated with an investment or group of investments and to offset or reduce risks such as currency value fluctuations, commodity price fluctuations, stock market risks and interest rate changes. The Fund also will have the ability from time to time to engage in writing covered call options on securities held in the Portfolio and in writing cash covered put options. However, the Fund will not invest in or use derivatives if it will result in the Fund failing to comply with its investment restrictions regarding its status as a “unit trust” or “mutual fund trust” as defined in the *Income Tax Act* (Canada).

## 2007 BCSECCOM 141

5. The Manager will be the trustee and manager of the Fund and will be responsible for providing or arranging for the provision of administrative services to the Fund.
6. Middlefield Capital Corporation will act as investment advisor (the “Advisor”) to the Fund. Global Fuel Solutions has been engaged to provide analysis and opinion regarding uranium market supply-demand fundamentals and associated pricing implications.
7. A bank, trust company or other custodian will act as custodian of the assets of the Fund.
8. The Units will be redeemable only on the last day of September of each year commencing in 2008 (each a “Valuation Date”), at an amount that is calculated with reference to the NAV of the Fund.
9. The Fund is not considered to be a “mutual fund” because the Unitholders are not entitled to receive on demand, or within a specified period after demand, an amount computed by reference to the value of a proportionate interest in the whole or in part of the net assets, including a separate fund or trust account, of the Fund as contemplated in the definition of “mutual fund” in the Legislation. Accordingly, the Fund will be a “non-redeemable investment fund” as defined in NI 81-106.
10. Unitholders that have redeemed their Units will receive payment on or before the 15<sup>th</sup> business day following the relevant Valuation Date.
11. The prospectus provides disclosure of its NAV calculation practices by stating that the NAV of the Fund will be calculated at a minimum, on Thursday of each week (or if any Thursday is not a business day, then on the immediately preceding business day) and on the annual redemption date. The prospectus also discloses the website where the NAV calculation will be made available.
12. The Fund intends to calculate the NAV per Unit on a weekly basis on Thursday of each week (or if Thursday is not a business day, then on the immediately preceding business day), on each Valuation Date and on any other date on which the Manager elects, in its discretion, or is required by applicable laws, to calculate the NAV per Unit. The Manager will make available to the financial press for publication on a weekly basis its NAV per Unit as well as through the internet at [www.middlefield.com](http://www.middlefield.com).
13. The Units are expected to be listed and posted for trading on the Toronto Stock Exchange (“TSX”) and the Manager has applied to the TSX to so list

## 2007 BCSECCOM 141

the Units. This is unlike securities of a conventional mutual fund in which there is normally no such market and where, as a result, holders of such securities who wish to liquidate their holdings must cause the fund to redeem their securities. Since the Units will be listed for trading on the TSX, Unitholders will not have to rely solely on the redemption feature of the Units in order to provide liquidity for their investment.

### **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 NAV calculation is available to the public upon request; and
- (b) a toll-free telephone number or website is available which the public can access for this purpose;

for so long as:

- (c) the Units are listed on the TSX; and
- (d) the Fund calculates its NAV at least weekly.

Leslie Byberg  
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Ontario Securities Commission