

# 2007 BCSECCOM 239

March 19, 2007

## **Headnote**

Mutual Reliance Review System for Exemptive Relief Applications – National Instrument 81-107 Independent Review Committee for Investment Funds - A special purpose passive investment vehicle created to finance the payment of deferred services charges for certain mutual funds in exchange for fees from another entity requires relief from NI 81-107 – The issuer does not invest in securities and is a closed-end issuer; it was created to finance the payment of deferred service charges by various mutual funds in exchange for fees from the manager of the funds and its activities are limited to collecting fees; it does not conduct the activities of a typical investment fund; it does not have any conflicts of interest matters addressed by NI 81-107

## **Applicable British Columbia Provisions**

National Instrument 81-107, s. 7.1

In the Matter of  
the Securities Legislation of  
British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, New  
Brunswick, Nova Scotia, Newfoundland and Labrador, 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”)

and

In the Matter of  
CI GP Limited (the “GP”)

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 and the GP for a decision under the securities legislation of the Jurisdictions (the “Legislation”)

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exempting the Filer and the GP from National Instrument 81-107 (“NI 81-107”) except for section 2.1 (the “Requested Relief”).

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 and the GP:

1. Between 1989 and 1997, the Filer and twelve other limited partnerships (collectively, the “Financing Vehicles”) issued limited partnership units to investors in order to raise money which was then used by the Financing Vehicles to pay commissions (“Commissions”) to registered brokers and dealers (collectively, “Dealers”) who sold securities of various mutual funds (“Mutual Funds”) principally managed by CI Investments Inc. and its predecessors (collectively, the “Manager”) on a deferred sales charge basis (the “DSC Securities”). Commissions on the DSC Securities were last paid to Dealers in July 1997.
2. In return for paying Commissions, each Financing Vehicle was entitled to receive a combination of:
  - (a) an amount (the “Distribution Fees”) calculated as an annual percentage ranging from 0.50% to 0.90% of the net asset value of the DSC Securities in respect of which the Financing Vehicle paid Commissions to Dealers; and
  - (b) the redemption fees (the “Redemption Fees”), if any, payable by investors at the time such DSC Securities were redeemed.

“DSC Securities” also includes securities of a Mutual Fund (i) issued in connection with a switch of DSC Securities for securities of the Mutual Fund, and (ii) issued in connection with the automatic reinvestment of a dividend or distribution by the Mutual Fund in respect of DSC Securities.

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3. A sufficient amount of time has passed since the DSC Securities were originally issued that no further Redemption Fees will be paid on the redemption of any DSC Securities. As well, each year a portion of the DSC Securities are redeemed by the holders thereof, which thereby reduces the aggregate amount of Distribution Fees. Distribution Fees otherwise are mainly affected by changes in the net asset values of the DSC Securities.
4. In 2001, the Financing Vehicles completed a reorganization pursuant to which the assets of the Financing Vehicles (consisting of each Financing Vehicle's entitlement to receive future Distribution Fees and Redemption Fees) were combined in the Filer in order to, among other matters:
  - (a) reduce the overall expenses associated with maintaining thirteen separate Financing Vehicles;
  - (b) enhance the liquidity and offer more efficient pricing for limited partnership units of the Financing Vehicles; and
  - (c) diversify the pool of DSC Securities in respect of which Distribution Fees and Redemption Fees are received.
5. The Filer generally distributes annually to holders of its Units the amount of Distribution Fees received by the Filer, less the annual expenses of the Filer. As the number of outstanding DSC Securities continues to decline as a result of the redemption thereof, so too will the Distribution Fees payable to the Filer continue to decline.
6. Holders of DSC Securities may redeem their DSC Securities at any time. Holders of DSC Securities also may switch their DSC Securities generally into any Mutual Fund without restriction.
7. The Filer is a static and passive special purpose vehicle, the sole ongoing activity of which is to continue to receive Distribution Fees. Vehicles like the Filer were popular because of the tax credits they could offer to investors. The tax credits were eliminated in 1998 and since then, these vehicles have been gradually declining. The Filer expects to terminate on or about March 31, 2016. The Filer is prohibited by its constating documents from engaging in any other business and the GP has no intention of changing the nature of the Filer's business.
8. The GP is entitled to receive 0.01% of the distributions that the Filer pays and is reimbursed for all costs incurred, plus 15%. Vendors directly invoice the

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Filer and the GP pays invoices on behalf of the Filer. There are no allocations to or from the Manager. The GP charges the Filer a flat fee of \$12,000 per month for allocated costs such as rent, client services, accounting, etc. The fees and distribution ratio are fixed in the Filer's partnership agreement.

9. The Filer and the GP do not currently have any conflict of interest matters under NI 81-107.

### **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 for so long as:

1. The Filer and the GP do not have any conflict of interest matters under NI 81-107; and
2. The Filer's sole ongoing activity is to receive Distribution Fees.

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