

# 2005 BCSECCOM 682

October 31, 2005

## **Headnote**

Mutual Reliance Review System for Exemptive Relief Applications - National Instrument 81-106 *Continuous Disclosure Requirements for Investment Funds*, s. 17.1 – net asset value 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 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, ss. 14.2(3)(b), 17.1

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

and

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

and

In the Matter of Prime Dividend 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 from the Filer 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 calculate net asset value at least once every business day (the “Requested Relief”).

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

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- (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 a mutual fund corporation established under the laws of Ontario. The Filer's manager is Quadravest Inc. (the "Manager"), and its portfolio adviser is Quadravest Capital Management Inc. ("Quadravest"). The Filer has also filed an application in each of the Jurisdictions except Quebec for an exemption from various requirements contained in National Instrument – 81-102 – Mutual Funds.
2. The Filer will make an offering (the "Offering") to the public, on a best efforts basis, of class A shares (the "Class A Shares") and of preferred shares (the "Preferred Shares") in each of the Provinces of Canada.
3. The Class A Shares and the Preferred Shares will be listed for trading on the Toronto Stock Exchange (the "TSX").
4. The Filer will invest the net proceeds of the Offering primarily in a portfolio of common shares (the "Portfolio") which will include each of the following publicly traded Canadian dividend-paying companies: (i) Bank of Montreal; (ii) The Bank of Nova Scotia; (iii) Canadian Imperial Bank of Commerce; (iv) National Bank of Canada; (v) Royal Bank of Canada; (vi) The Toronto-Dominion Bank; (vii) AGF Management Limited; (viii) CI Fund Management Inc.; (ix) IGM Financial Inc.; (x) Great-West Lifeco Inc.; (xi) Manulife Financial Corporation; (xii) Sun Life Financial Inc.; (xiii) BCE Inc.; (xiv) TransAlta Corporation; (xv) TransCanada Corporation; (xvi) Power Financial Corporation; and (xvii) TSX Group Inc. (collectively, the "Portfolio Companies").
5. The Filer expects that common shares of a particular Portfolio Company will generally represent no less than 4% and no more than 8% of the net asset value ("Net Asset Value") of the Filer. The Portfolio will be rebalanced as necessary from time to time. Up to 20% of the Net Asset Value of the Filer may be invested in equity securities of issuers in the financial services or

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utilities sectors in Canada or the United States, other than the Portfolio Companies. The Filer will calculate its Net Asset Value at least twice a month.

6. Holders of Preferred Shares will be entitled to receive, as and when declared by the Board of Directors of the Filer, fixed cumulative preferential monthly cash dividends at a rate per year equal to the prime rate in Canada (the "Prime Rate") plus 0.75% with a minimum annual rate of 5.0% and a maximum annual rate of 7.0% of the original issue price. On or about December 1, 2012 (the "Termination Date"), the Filer will redeem the Preferred Shares and holders will receive the original issue price. The Preferred Shares have been provisionally rated Pfd-2 by Dominion Bond Rating Service Limited ("DBRS").
7. In respect of the Class A Shares, the Filer's objectives are to provide holders of Class A Shares with regular floating rate monthly cash distributions initially targeted to be at a rate per annum equal to the Prime Rate plus 2.0%, with a minimum targeted annual rate of 5.0% and a maximum targeted annual rate of 10.0% of the original issue price. On or about the Termination Date, the Filer's objective is to redeem the Class A Shares and provide holders the original issue price. Holders of Class A Shares will also be entitled to receive, on the Termination Date, the balance, if any, of the remaining assets of the Company after returning the original issue price to the holders of the Preferred Shares and Class A Shares.
8. Preferred Share distributions will be funded primarily from the dividends received on the Portfolio.
9. The record date for shareholders of the Filer entitled to receive dividends will be established in accordance with the requirements of the TSX from time to time.
10. To supplement the dividends earned on the Portfolio and to reduce risk, the Filer will from time to time write covered call options in respect of all or part of the Portfolio.
11. The Preferred Shares and Class A Shares may be surrendered for retraction at any time and will be retracted on a monthly basis on the last business day of each month (a "Retraction Date"), provided such shares are surrendered for retraction not less than 20 business days prior to the Retraction date. The Filer will make payment for any shares retracted within 15 business days of the Retraction Date.

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### **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 under the Legislation is that the Requested Relief is granted provided the Prospectus discloses:

- (a) that the Net Asset Value calculation is available to the public upon request, and
- (b) a toll-free telephone number or website that the public can access for this purpose;

for so long as:

- (a) the Class A Shares and the Preferred Shares are listed on the TSX; and
- (b) the Filer calculates its Net Asset Value at least twice a month.

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