

2008 BCSECCOM 32

September 24, 2007

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Securities Act, s. 130 Relief from certain self-dealing restrictions in Part 15 of the Act - A mutual fund wants relief from s. 127(1)(b) of the Act so that it can sell the securities of an issuer to the account of a responsible person - The Filer manages funds that invested in ABCP that did, at the time of the investment, and does as of the date of the application, comply with the investment restrictions in NI 81-102; market conditions for the ABCP has deteriorated rapidly and unexpectedly, which is affecting the liquidity of the ABCP; the Filer is concerned that continuing to hold the ABCP may impact the confidence of investors in the Fund and may result in unusual levels of redemption requests; the Filer wants to act in the best interests of the Funds' investors; a party affiliated with the Filer will buy the ABCP from a fund managed by the Filer, if the Filer in its discretion determines it would be in the best interests of the investors in that fund to sell some or all of the ABCP; a Filer will sell the ABCP at a price equal to the cost plus accrued interest value; this value is determined in accordance with GAAP and is the same value used for other commercial paper investments held by the funds

An independent review committee (IRC) has been appointed but the committee is not yet fully compliant with NI 81-107 – *Independent Review Committee for Investment Funds*; prior to completing the mutual fund's sales, the Filer will consult with the IRC and will obtain the IRC's recommendation that in the IRC's opinion, the sales will achieve fair and reasonable results for the fund; although the IRC is not operational and is unable to review the transaction, the IRC members have represented in the decision document that the sales are in the best interests of the Fund

Applicable British Columbia Provisions

Securities Act, R.S.B.C. 1996, c. 418, s.127(1)(b), and s. 130

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

and

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

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(“MRRS”)

and

In the Matter of
Northwest Mutual Funds Inc.
(the “Filer”)

and

In the Matter of
Northwest Money Market Fund and Northwest Canadian Bond Fund
(each a “Fund” and together the “Funds”)

MRRS Decision Document

Background

The local securities regulatory authority or regulator (“Decision Maker”) in each of the Jurisdictions has received an application (the “Application”) from the Filer on behalf of the Funds for relief in each Jurisdiction from the prohibitions in the securities legislation of the Jurisdictions which prohibit a portfolio manager or a responsible person (depending on the jurisdiction) from causing a portfolio managed by it or a mutual fund (depending on the jurisdiction) to sell the securities of an issuer to the account of a responsible person or an associate of a responsible person or the portfolio manager (the “Requested Relief”) in order to permit the sale of all or any of the asset-backed commercial paper (“ABCP”) issued by an issuer listed in Schedule “A” and owned by the Funds on the date of the Application to 9186-3027 Québec Inc., an affiliate of the Filer (the “Acquirer”).

Under the MRRS :

- (i) the principal regulator for the Application is the Ontario Securities Commission; and
- (ii) this MRRS decision document represents the decision of each of the Decision Makers.

Interpretation

Defined terms contained in National Instrument 14-101 – *Definitions* and in NI 81-102 have the same meaning in this MRRS decision document unless they are otherwise defined in this decision.

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Representations

This decision is based on the following facts represented by the Filer:

1. Northwest Mutual Funds Inc. is the manager of the Funds. Northwest Mutual Funds Inc. is an indirect wholly owned subsidiary of the Fédération des caisses Desjardins du Québec.
2. Northwest Asset Management Inc. (“NAMI”) is the portfolio manager of the Funds.
3. The Acquirer is an indirect wholly-owned subsidiary of the Fédération des caisses Desjardins du Québec.
4. The Funds are reporting issuers in the Jurisdictions.
5. The Funds own ABCP issued by the issuers listed in Schedule “A”. The value of the ABCP owned by Northwest Money Market Fund is approximately \$8.7 million, representing approximately 39.4% of the net asset value of such Fund. The value of the ABCP owned by Northwest Canadian Bond Fund is approximately \$233,000, representing less than 1% of the net asset value of such Fund.
6. ABCP is short-term commercial paper with terms to maturity of 365 days or less.
7. The ABCP owned by the Funds have remaining terms to maturity ranging from October 9, 2007 to November 15, 2007.
8. The ABCP owned by the Funds had, when acquired, and continued to have, as of the date of the Application, an approved credit rating.
9. The Filer has determined that the appropriate method to value the ABCP owned by the Funds is cost plus accrued interest which is the valuation methodology used in respect of other commercial paper investments held by the Funds.
10. NAMI has determined that the appropriate method to value the ABCP owned by the Funds is cost plus accrued interest.
11. The Filer has determined that current liquidity problems affecting the ABCP market may have an impact on the confidence of investors in the Funds and may result in unusual levels of redemption requests.

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12. The Filer wants to ensure that the Funds are able to meet any redemption requests received by the Funds.
13. The Filer and NAMI have agreed that if NAMI determines that a sale of the ABCP held by the Funds to the Acquirers (the "Sale") is in the best interests of the Funds, the Acquirers will complete the Sale at a price per security equal to cost plus accrued interest. The Sale may occur during the period between the date the Requested Relief is granted and September 30, 2007. The purchase price to be paid for the ABCP shall be paid exclusively in cash and no *in specie* transactions will occur.
14. The Funds will invest the proceeds of any sale of ABCP to the Acquirer in certificates of deposit issued by the Caisse centrale Desjardins du Québec (the "Certificates of Deposit"). The Certificates of Deposit shall have terms to maturity of 365 days or less and shall be redeemable on demand without penalty.
15. Following the investment in the Certificates of Deposit, NAMI will reconsider investment alternatives in light of the evolution of the Canadian money market with the objective of returning the Northwest Money Market Fund to a more diversified portfolio of investments within a reasonable time frame.
16. The Filer has appointed the initial members of the Funds' independent review committee ("IRC") but as of the date of this application National Instrument 81-107 *Independent Review Committee for Investment Funds* does not apply to the Funds as the IRC is not yet fully operational.
17. The members of the IRC, meeting as an *ad hoc* committee, have approved the making of this application on behalf of the Funds as well as the Sale as being in the best interests of the Funds and as achieving a fair and reasonable result for the Funds.

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 in respect of the Funds on the condition that :

- a) NAMI determines that the Sale and the purchase of the Certificates of Deposit are in the best interests of the Funds;

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- b) the sale occurs during the period between the date hereof and September 30, 2007; and
- c) the price per security is equal to cost plus accrued interest.

Robert L. Shirriff
Ontario Securities Commission

Margot C. Howard
Ontario Securities Commission

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SCHEDULE “A”

ASSET BACKED COMMERCIAL PAPER ISSUERS

Apollo Trust Series A
Apsley Trust FRN
Apsley Trust
Aurora Trust
Gemini Trust
Newshore Canadian Trust CL B
Newshore Canadian Trust FRN
Rocket Trust
Silverstone Trust
Structured Investment Trust III S-A