

2007 BCSECCOM 424

June 28, 2007

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – National Instrument 81-106, s.17.1 - Continuous Disclosure Requirements for Investment Funds - 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 either: (a) listed or to be listed on a stock exchange and unitholders can buy or sell shares of the fund through the exchange, or (b) convertible into units listed or to be listed on a stock 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 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
TDb Split Corp.
(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 calculate net asset value at least once every business day (the “Requested Relief”).

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Under the Mutual Reliance Review System (“MRRS”) 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 Fund:

The Fund

1. The Fund is a mutual fund corporation established under the laws of the Province of Ontario. Quadravest Inc. will be the manager of the Fund (the “Manager”) and Quadravest Capital Management Inc. (the “Portfolio Advisor”) will provide investment advisory and portfolio management services to the Fund.

The Offering

2. The Fund will make an offering (the “Offering”) to the public, on a best efforts basis, of class A shares (the “Class A Shares”) and of priority equity shares (the “Priority Equity Shares”) in each of the provinces of Canada. A unit will consist of one Class A Share and one Priority Equity Share (a “Unit”).
3. A preliminary prospectus for the Fund dated May 29, 2007 (the “Preliminary Prospectus”) has been filed with the securities regulatory authority in each of the Provinces of Canada under SEDAR Project No. 1113498.
4. The Priority Equity Shares and the Class A Shares are expected to be listed and posted for trading on the Toronto Stock Exchange (the “TSX”). An application for conditional listing approval has been made by the Fund to the TSX.
5. The Fund will invest the net proceeds of the Offering in common shares of The Toronto-Dominion Bank (“TD Bank”). To supplement the dividends

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received on the common shares of TD Bank held by the Fund and to reduce risk, the Fund will from time to time write covered call options in respect of some or all of such common shares.

The Shares

6. The Priority Equity 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 Fund will make payment for any shares retracted within 15 business days of the Retraction Date.
7. The retraction price for a Priority Equity Share surrendered for retraction on a monthly basis will be equal to the lesser of (i) \$10.00; and (ii) 96% of the net asset value per Unit determined as of the Retraction Date less the cost to the Fund of the purchase of a Class A Share in the market for cancellation.
8. The retraction price for a Class A Share surrendered for retraction on a monthly basis will be equal to 96% of the net asset value per Unit determined as of the Retraction Date less the cost to the Fund of the purchase of a Priority Equity Share in the market for cancellation.
9. Shareholders also have an annual retraction right under which they may concurrently retract an equal number of Priority Equity Shares and Class A Shares on the October Retraction Date in each year. The price paid by the Fund for such a concurrent retraction will be equal to the net asset value per Unit calculated as of such date.

Calculation of Net Asset Value

10. Under clause 14.2(3)(b) of NI 81-106, an investment fund that is a reporting issuer is generally required to calculate the net asset value of the fund on at least a weekly basis. Furthermore, an investment fund that uses or holds specified derivatives, such as the Fund intends to do, must calculate its net asset value on a daily basis.
11. The Fund proposes to calculate its net asset value per Unit, on each Retraction Date and the 15th day of each month, or if the 15th is not a business day, the preceding business day (each a “Valuation Date”). Net asset value will be calculated as at the close of business on each Valuation Date by subtracting the aggregate amount of the Fund’s liabilities from the aggregate value of the Fund’s assets.

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12. The Preliminary Prospectus discloses and the final prospectus will disclose that the net asset value per Unit will be made available to the public by the Portfolio Advisor on the Fund's website at www.TDbSplit.com and will be available to the public upon request.
13. Shareholders will have the opportunity to trade their shares on the TSX and as such do not have to rely on the retraction features to provide liquidity for their shares.

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:

- (a) the Priority Equity Shares and the Class A Shares are listed on the TSX;
and
- (b) the Fund calculates its net asset value per Unit at least twice a month.

Leslie Byberg
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Ontario Securities Commission