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March 18, 2005

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 the principal trading prohibitions in s. 128 of the Act to enable persons having access to information concerning the investment program of the fund to purchase or sell securities comprising the portfolio of the mutual fund the portfolio of the mutual fund is fixed - the portfolio is passively managed - the mutual fund will purchase the securities at a predetermined time and at no more than the ask price of the securities on the exchange where the securities are listed - independent directors of the mutual fund will determine, prior to the purchase of the securities, that the terms and conditions (including the consideration to be paid) relating to the purchase of the securities are reasonable and in the best interests of the mutual fund

Applicable British Columbia Provisions

Securities Act, R.S.B.C. 1996, c. 418, ss. 128 and 130

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

and

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

and

In the Matter of MTS Split Inc. (the Company)

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 (the Requested Relief) from the prohibition contained in the Legislation prohibiting trading in portfolio shares by persons or companies having information concerning the trading programs of mutual funds in connection with

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the Filer's Principal Sales (as hereinafter defined) to, and Principal Purchases (as hereinafter defined) from, the Company;

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 Company:

1. The Filer was incorporated under the laws of the Province of Ontario and is a direct, wholly-owned subsidiary of The Toronto-Dominion Bank. The Filer is registered under the Legislation as a dealer in the categories of "broker" and "investment dealer" and is a member of the Investment Dealers Association of Canada and the Toronto Stock Exchange (the TSX).
2. The Filer is the promoter of the Company and will be establishing a credit facility in favour of the Company in order to facilitate the acquisition of the MTS Shares by the Company.
3. The Company was incorporated on February 11, 2005 under the *Business Corporations Act* (Ontario) and is authorized to issue an unlimited number of Class E Shares.
4. The Company has filed the preliminary prospectus dated February 21, 2005 (the Preliminary Prospectus) with the securities regulatory authority in each of the provinces of Canada in respect of the offerings (the Offerings) of class A capital shares (the Capital Shares) and class A preferred shares (the Preferred Shares) to the public.
5. The Company intends to become a reporting issuer under the Legislation by filing a final prospectus (the Final Prospectus) relating to the Offerings. Prior to the filing of the Final Prospectus, the Articles of Incorporation of the Company will be amended so that the authorized capital of the Company will consist of an unlimited number of Capital Shares, an unlimited number of

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Preferred Shares and an unlimited number of Class E Shares, each having the attributes set forth under the headings “Description of Share Capital” and “Details of the Offerings” commencing on page 16 of the Preliminary Prospectus.

6. The Capital Shares and Preferred Shares may be surrendered for retraction at any time in the manner described in the Preliminary Prospectus.
7. Application will be made to list the Capital Shares and Preferred Shares on the TSX.
8. The Class E Shares will be the only voting shares in the capital of the Issuer. At the time of filing the Final Prospectus, there will be 100 Class E Shares issued and outstanding. A trust established for the benefit of holders of the Preferred Shares and Capital Shares (the Trust) from time to time will own all of the issued and outstanding Class E Shares of the Issuer.
9. All of the Class E Shares of the Company will be lodged in escrow with Computershare Trust Company of Canada (Computershare) pursuant to an agreement dated the closing date of the Offerings among the Trust, Computershare and the Company (the Escrow Agreements). Under the Escrow Agreement, none of the Class E Shares may be disposed of or dealt with in any manner until all of the Capital Shares and Preferred Shares have been retracted or redeemed, without the express consent, order or direction of the Commission.
10. The Company has a board of directors which currently consists of five directors, three of whom are employees of the Filer and two of whom are independent of the Filer. The offices of President/Chief Executive Officer and Chief Financial Officer/Secretary of the Issuer are held by employees of the Filer.
11. Pursuant to an agreement (the Agency Agreement) to be made between the Company and the Filer, Scotia Capital Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc., Canaccord Capital Corporation, HSBC Securities (Canada) Inc., Desjardins Securities Inc., Dundee Securities Corporation, First Associates Investments Inc., Raymond James Ltd. and Wellington West Capital Inc. (collectively, the Agents and individually, an Agent), the Company will appoint the Agents, as its agents, to offer the Capital Shares and Preferred Shares of the Company on a best efforts basis and the Final Prospectus qualifying the Offering will contain a certificate signed by each of the Agents in accordance with the Legislation.

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12. The Company is considered to be a mutual fund as defined in the Legislation, except in Québec. Since the Company does not operate as a conventional mutual fund, it has made application for a waiver from certain requirements of National Instrument 81-102 – Mutual Funds.
13. The Company is a passive investment company whose principal undertaking will be to invest the net proceeds of the Offerings in a portfolio (the Portfolio) of common shares (the MTS Shares) of Manitoba Telecom Services Inc. (MTS) in order to generate fixed cumulative preferential distributions for the holders of the Preferred Shares and to enable the holders of Capital Shares to participate in any capital appreciation in the MTS Shares after payment of administrative and operating expenses of the Company. It will be the policy of the Board of Directors of the Company to pay dividends on the Capital Shares in an amount equal to the dividends received by the Company on the MTS Shares minus the distributions payable on the Preferred Shares and all administrative and operating expenses of the Company.
14. The Final Prospectus will disclose the acquisition cost to the Company of the MTS Shares and selected financial information and dividend and trading history of the MTS Shares.
15. The MTS Shares are listed and traded on the TSX.
16. The Company is not, and will not upon the completion of the Offerings be, an insider of MTS within the meaning of the Legislation.
17. The Filer does not have knowledge of a material fact or material change with respect to MTS that has not been generally disclosed.
18. The Filer's economic interest in the Company and in the material transactions involving the Company are disclosed in the Preliminary Prospectus and will be disclosed in the Final Prospectus under the heading "Interest of Management and Others in Material Transactions" and include the following:
 - (a) agency fees with respect to the Offering;
 - (b) an administration fee under the Administration Agreement;
 - (c) commissions in respect of the acquisition of MTS Shares, the disposition of MTS Shares to fund a redemption, retraction or purchase for cancellation of the Capital Shares and Preferred Shares;

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- (d) interest and reimbursement of expenses, in connection with the acquisition of MTS Shares; and
 - (e) amounts in connection with Principal Sales and Principal Purchases (as described in paragraphs 21 and 28 below).
19. The net proceeds from the sale of the Capital Shares and Preferred Shares under the Final Prospectus, after payment of commissions to the Agents, expenses of issue and carrying costs relating to the acquisition of the MTS Shares, will be used by the Company to: (i) pay the acquisition cost (including any related costs or expenses) of the MTS Shares; and (ii) pay the initial fee payable to the Filer for its services under the Administration Agreement.
20. All Capital Shares and Preferred Shares outstanding on a date approximately five years from the closing of the Offerings will be redeemed by the Company on such date. Capital Shares and Preferred Shares will be retractable at the option of the holder and redeemable at the option of the Company as described in the Preliminary Prospectus.
21. Pursuant to the Securities Purchase Agreement to be entered into between the Company and the Filer, The Filer will purchase, as agent for the benefit of the Company, MTS Shares in the market on commercial terms or from non-related parties with whom the Filer and the Company deal at arm's length. Subject to receipt of all necessary regulatory approvals, the Filer may, as principal, sell MTS Shares to the Company (the Principal Sales). The aggregate purchase price to be paid by the Company for the MTS Shares (together with carrying costs and other expenses incurred in connection with the purchase of MTS Shares) will not exceed the net proceeds from the Offerings.
22. Under the Securities Purchase Agreement, the Filer may receive commissions at normal market rates in respect of its purchase of MTS Shares, as agent on behalf of the Company, and the Company will pay any carrying costs or other expenses incurred by the Filer, on behalf of the Company, in connection with its purchase of MTS Shares as agent on behalf of the Company. In respect of any Principal Sales made to the Company by the Filer as principal, the Filer may realize a financial benefit to the extent that the proceeds received from the Company exceed the aggregate cost to the Filer of such MTS Shares. Similarly, the proceeds received from the Company may be less than the aggregate cost to the Filer of the MTS Shares and the Filer may realize a financial loss, all of which is disclosed in the Preliminary Prospectus and will be disclosed in the Final Prospectus.

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23. The Preliminary Prospectus discloses and the Final Prospectus will disclose that any Principal Sales will be made in accordance with the rules of the applicable stock exchange and the price paid by the Filer (inclusive of all transaction costs, if any) will not be greater than the price which would have been paid (inclusive of all transaction costs, if any) if the acquisition had been made through the facilities of the principal stock exchange on which the MTS Shares are listed and posted for trading at the time of the purchase from the Filer.
24. The Filer will not receive any commissions from the Company in connection with the Principal Sales and all Principal Sales will be approved by the independent directors of the Company. In carrying out the Principal Sales, the Filer shall deal fairly, honestly and in good faith with the Company.
25. For the reasons set forth in paragraphs 21 and 22 above, and the fact that no commissions are payable to the Filer in connection with the Principal Sales, in the case of the Principal Sales, the interests of the Company and the shareholders of the Company may be enhanced by insulating the Company from price increases in respect of the MTS Shares.
26. It will be the policy of the Company to hold the MTS Shares and to not engage in any trading of the MTS Shares, except:
 - (i) to fund retractions or redemptions of Capital Shares and Preferred Shares;
 - (ii) following receipt of stock dividends on the MTS Shares;
 - (iii) in the event of a take-over bid for any of the MTS Shares;
 - (iv) if necessary, to fund any shortfall in distributions on the Preferred Shares;
 - (v) to meet obligations of the Company in respect of liabilities including extraordinary liabilities; or
 - (vi) certain other limited circumstances as described in the Preliminary Prospectus.
27. Pursuant to the Administration Agreement to be entered into between the Filer and the Company, the Company will retain the Filer to administer the ongoing operations of the Company and will pay the Filer a monthly fee of 1/12 of 0.20% of the market value of the portfolio shares held in the Portfolio.

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28. In connection with the services to be provided by the Filer to the Company pursuant to the Administration Agreement, the Filer may sell MTS Shares to fund retractions of Capital Shares and Preferred Shares prior to the Redemption Date and upon liquidation of the MTS Shares in connection with the final redemption of Capital Shares and Preferred Shares on the Redemption Date. These sales will be made by the Filer as agent on behalf of the Company, but in certain circumstances, such as where a small number of Capital Shares and Preferred Shares have been surrendered for retraction, the Filer may purchase MTS Shares as principal (the Principal Purchases) subject to receipt of all regulatory approvals.
29. In connection with any Principal Purchases, the Filer will comply with the rules, procedures and policies of the applicable stock exchange of which it is a member and in accordance with orders obtained from all applicable securities regulatory authorities. The Preliminary Prospectus discloses and the Final Prospectus will disclose that the Filer may realize a gain or loss on the resale of such securities.
30. The Administration Agreement will provide that the Filer must take reasonable steps, such as soliciting bids from other market participants or such other steps as the Filer, in its discretion, considers appropriate after taking into account prevailing market conditions and other relevant factors, to enable the Company to obtain the best price reasonably available for the MTS Shares so long as the price obtained (net of all transaction costs, if any) by the Company from the Filer is at least as advantageous to the Company as the price which is available (net of all transaction costs, if any) through the facilities of the applicable stock exchange at the time of the trade.
31. The Filer will not receive any commissions from the Company in connection with Principal Purchases and all Principal Purchases will be approved by the independent directors of the Company. In carrying out the Principal Purchases, the Filer shall deal fairly, honestly and in good faith with the Company.
32. At the time of making Principal Sales and/or Principal Purchases, the Filer will not have any knowledge of a material fact or material change with respect to MTS that has not been generally disclosed.

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;

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The decision of the Decision Makers under the Legislation is that the Requested Relief is granted in connection to the Filer's Principal Sales and Principal Purchases.

Paul M. Moore
Vice Chair
Ontario Securities Commission

Wendell S. Wigle
Commissioner
Ontario Securities Commission