

2003 BCSECCOM 480

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – relief granted from certain of the mutual fund self-dealing restrictions to permit certain mutual funds to continue to hold securities of companies that will become related to the mutual funds further to the completion of an acquisition. – Continued holding of related party securities allowed subject to periodic review by independent members of an existing fund governance committee

Applicable British Columbia Provisions

Securities Act, R.S.B.C. 1996, c. 418, ss. 121(2)(c) and 123

IN THE MATTER OF THE SECURITIES LEGISLATION OF ONTARIO, BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN, NOVA SCOTIA AND NEWFOUNDLAND AND LABRADOR

AND

OF THE MUTUAL RELIANCE REVIEW SYSTEM FOR EXEMPTIVE RELIEF APPLICATIONS

AND

IN THE MATTER OF INVESTORS DIVIDEND FUND INVESTORS MUTUAL OF CANADA INVESTORS CANADIAN BALANCED FUND (collectively, the “Funds”)

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (collectively, the “Decision Makers”) in each of the Provinces of Ontario, British Columbia, Alberta, Saskatchewan, Nova Scotia and Newfoundland and Labrador (collectively, the “Jurisdictions”) has received an application (the “Application”) from Great-West Lifeco Inc. (“Lifeco”) on behalf of the Funds for a decision (the “Decision”) pursuant to the securities legislation of the Jurisdictions (the “Legislation”) that the provision in the Legislation prohibiting a mutual fund from knowingly holding an investment in an issuer in which any person or company who is a substantial security holder of the mutual fund, its management company or its distribution company, has a significant interest (the “Mutual Fund Conflict of Interest Investment Restriction”) does not apply to the Funds in respect of the Funds’ continued holding of certain Related Party Securities (as hereinafter defined) following completion of Lifeco’s proposed acquisition of all of the common shares of Canada Life Financial Corporation (the “CLFC Common

2003 BCSECCOM 480

Shares” and “CLFC”, respectively) by way of a capital reorganization of CLFC (the “Transaction”);

AND WHEREAS pursuant to the Mutual Reliance Review System for Exemptive Relief Applications (the “System”), the Ontario Securities Commission is the principal regulator for this application;

AND WHEREAS, unless otherwise defined, the terms herein have the meaning set out in National Instrument 14-101 Definitions;

AND WHEREAS Lifeco has represented to the Decision Makers that:

1. Lifeco is a reporting issuer or equivalent in each of the provinces and territories of Canada. Lifeco’s affiliates include Investors Group Trust Co. Ltd. (the “Trustee”) and I.G. Investment Management, Ltd. (“IGIM” or the “Manager”), the Trustee and Manager of the Funds, respectively. IGIM also acts as portfolio manager for the Funds.
2. The distribution companies for the Funds are Investors Group Financial Services Inc. and Les Services Investors Limitée (together, the “Distribution Companies”). Each of Lifeco, the Trustee, the Distribution Companies and IGIM is indirectly owned by, and is an affiliate of, Power Financial Corporation (“PFC”).
3. CLFC is a public company incorporated under the *Insurance Companies Act* (Canada) and is a reporting issuer or equivalent in each of the provinces and territories of Canada.
4. The authorized share capital of CLFC consists of an unlimited number of CLFC Common Shares and an unlimited number of non-voting preferred shares, issuable in series (“CLFC Preferred Shares”). As of April 8, 2003, there were no more than 160,440,000 CLFC Common Shares and 6,000,000 CLFC Preferred Shares issued and outstanding. The CLFC Preferred Shares are currently listed and posted for trading on the Toronto Stock Exchange (“TSX”) and the CLFC Common Shares are currently listed and posted for trading on the TSX and the New York Stock Exchange.
5. The Canada Life Assurance Company (“CLA”) is a direct subsidiary of CLFC and CLFC owns all of the outstanding common shares of CLA. CLA has issued and outstanding a \$250 million principal amount 8% subordinated debenture (“8% Debentures”), a \$200 million principal amount 5.8% subordinated debenture, Series A (“5.8% Debentures”, together with the 8% Debentures, the “CLA Debentures”).

2003 BCSECCOM 480

6. The Transaction is proposed to be effected through a reorganization of CLFC's capital structure whereby the CLFC Common Shares will be converted to a class of exchangeable shares which will then be transferred to Lifeco in exchange for cash or Lifeco shares or a combination of both. The Transaction obtained the approval of 99.4% of the holders of common shares of CLFC who voted at a special meeting called for this purpose on May 5, 2003. The Transaction does not affect the holders of CLFC Preferred Shares and CLA Debentures.
7. As of April 8, 2003, two Funds held CLFC Preferred Shares and one Fund held CLA Debentures. In particular, approximately 12.5% of the outstanding CLFC Preferred Shares and 4% of the outstanding 8% Debentures were held by the Funds. None of the Funds hold CLFC Common Shares.
8. Lifeco, through its affiliate PFC, is a 'substantial security holder', within the meaning of the Legislation, of the Manager and of the Distribution Companies of the Funds. Following the Transaction, Lifeco will hold a 'significant interest', within the meaning of the Legislation, in CLFC and CLA.
9. At the time the CLFC Preferred Shares and CLA Debentures were purchased by the Funds, CLFC and CLA were not affiliated with the Funds or the Manager and each investment by the Funds in such securities represented the business judgment of professional portfolio advisors uninfluenced by considerations other than the best interests of the security holders of the Funds.
10. The CLFC Preferred Shares and CLA Debentures (together, the "Related Party Securities") are non-voting, non-equity shares whose value is related to their beneficial rating and interest rate.
11. In the absence of the Decision, the Mutual Fund Conflict of Interest Investment Restriction would preclude the Funds from continuing to hold the Related Party Securities after the Transaction because the Mutual Fund Conflict of Interest Investment Restriction would prohibit the Funds from holding shares of CLFC or its affiliates.
12. IGIM believes that it would be in the best interests of security holders of the Funds to be permitted to continue to hold the Related Party Securities as such investments would be in keeping with the investment objectives of the Funds and in conformity with fiduciary duties owed to each Fund and its security holders.

2003 BCSECCOM 480

13. IGIM, as Manager of the Funds, has agreed to charge the Investment and Conduct Review Committee (the "ICRC") established by the Board of Directors of the Trustee of the Funds, with the responsibility to review the Funds' continued holdings of the Related Party Securities, for the purpose of ensuring that such holdings are continued free from any influence by CLFC and without taking into account any consideration relevant to CLFC or any associate or affiliate of CLFC.
14. The ICRC has four members, three of which are independent from the Trustee and its affiliated corporations and IGIM (the "Independent Members"). While all members of the ICRC will participate in discussions concerning the Related Party Securities held by the Funds, only the Independent Members will be allowed to vote on matters concerning the Related Party Securities.

AND WHEREAS pursuant to the System this MRRS Decision Document evidences the Decision of each Decision Maker;

AND WHEREAS each of the Decision Makers is satisfied that the test contained in the legislation that provides the Decision Makers with the jurisdiction to make the decision has been met;

THE DECISION of the Decision Makers pursuant to the Legislation in connection with the Transaction is that the Funds are exempt from the Mutual Fund Conflict of Interest Investment Restriction so as to enable the Funds to continue to hold the Related Party Securities already held by them prior to the Transaction for an indefinite period after the Transaction,

PROVIDED THAT:

- (a) the Decision, as it relates to the jurisdiction of a Decision Maker, will terminate one year after the publication in final form of any legislation or rule of that Decision Maker dealing with mutual fund governance in a manner that conflicts with or makes inapplicable any provision of this Decision;
- (b) the Funds do not make any additional purchases of the Related Party Securities after completion of the Transaction;
- (c) the Trustee has appointed the ICRC, of which at least three members are Independent Members, to review the Funds' continued holding of the Related Party Securities;

2003 BCSECCOM 480

- (d) each of the Independent Members is not an associate of IGIM or of any associate or affiliate of IGIM or of any other portfolio manager of the Funds;
- (e) the member of the ICRC that is not independent in the manner described in paragraph (d) above does not vote on any issue concerning the holding of the Related Party Securities by the Funds;
- (f) the ICRC has a written mandate describing the duties of the Independent Members and standard of care which, as a minimum, sets out the conditions to this Decision;
- (g) members of the ICRC exercise their powers and discharge their duties honestly, in good faith and in the best interests of investors in the Funds and, in doing so, exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances;
- (h) none of the Funds relieves the Independent Members of the ICRC from liability for loss that arises out of a failure to satisfy the standard of care set out in paragraph (g) above;
- (i) none of the Funds indemnifies the Independent Members of the ICRC against any legal fees, judgments and amounts paid in settlement as a result of a breach of the standard of care set out in paragraph (g) above;
- (j) the cost of any indemnification or insurance coverage paid for by the Trustee, the portfolio managers, or any associate or affiliate of the Trustee or of the portfolio managers of the Funds to indemnify or insure the Independent Members in respect of a loss that arises out of a failure to satisfy the standard of care set out in paragraph (g) is not paid either directly or indirectly by the Funds;
- (k) the ICRC will review the Funds' continued holdings of the Related Party Securities on a regular basis, but not less frequently than every three months;
- (l) the Independent Members of the ICRC form the opinion at any time, after reasonable inquiry, that the decisions made on behalf of each Fund by IGIM or any other portfolio manager of the Funds to continue to hold the Related Party Securities were and continue to be in the best interests of the Funds, and to:

2003 BCSECCOM 480

- (i) represent the business judgment of IGIM or the Funds' portfolio managers, uninfluenced by considerations other than the best interests of the Funds;
 - (ii) have been made free from any influence by CLFC or CLA and without taking into account any consideration relevant to CLFC or CLA; and
 - (iii) not exceed the limitations of the applicable legislation;
- (m) the determination made by the Independent Members of the ICRC pursuant to paragraph (l) is included in detailed written minutes provided to IGIM not less frequently than every three months;
- (n) the Independent Members of the ICRC advise the Decision Makers in writing of:
- (i) any determination by them that the condition set out in paragraph (l) has not been satisfied with respect to the continued holding of the Related Party Securities;
 - (ii) any determination by it that any other condition of this Decision has not been satisfied;
 - (iii) any action it has taken or proposed to take following the determinations referred to above; and
 - (iv) any action taken, or proposed to be taken, by IGIM or any other portfolio manager of the Funds in response to the determinations referred to above; and
- (o) the existence, purpose, duties and obligations of the Independent Members of the ICRC, whether and how they are compensated by the Funds, and the fact that they meet the requirements of the condition set out in paragraph (d) are disclosed in the simplified prospectus and annual information form of the Funds, which disclosure shall be made on the earlier of:
- (i) the filing of an amendment in the normal course to the simplified prospectus and annual information form of the Funds after the date of this Decision; and

2003 BCSECCOM 480

- (ii) the time of filing of the pro forma simplified prospectus and annual information form of the Funds after the date of this Decision.

DATED July 9, 2003.

Paul M. Moore

H. Lorne Morphy