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Headnote

Mutual Reliance Review System for Exemptive Relief Applications – relief from registration and prospectus requirements for a closed-end investment trust for the issuance of trust units to existing unitholders under a reinvestment plan whereby distributions of income are reinvested in additional units of the trust or whereby unitholders may directly purchase additional units of the trust, each subject to certain conditions - first trade of units deemed a distribution unless made under MI 45-102 – relief from seasoning period

Applicable British Columbia Provisions

Securities Act, R.S.B.C. 1996, c. 418, ss. 34(1)(a), 48, 61 and 76

Multilateral Instrument 45-102 *Resale of Securities*, s. 2.6

IN THE MATTER OF THE SECURITIES LEGISLATION OF BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN, MANITOBA, ONTARIO, QUÉBEC, NOVA SCOTIA, NEW BRUNSWICK, PRINCE EDWARD ISLAND AND NEWFOUNDLAND AND LABRADOR

AND

IN THE MATTER OF THE MUTUAL RELIANCE REVIEW SYSTEM FOR EXEMPTIVE RELIEF APPLICATIONS

AND

IN THE MATTER OF BRASCAN SOUNDVEST DIVERSIFIED INCOME FUND

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the Decision Maker) in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, Nova Scotia, New Brunswick, Prince Edward Island and Newfoundland and Labrador (the Jurisdictions) has received an application from Brascan SoundVest Diversified Income Fund (the Fund) for a decision, pursuant to the securities legislation of the Jurisdictions (the Legislation), that the requirement contained in the Legislation to be registered to trade in a security and to file and obtain a receipt for a preliminary prospectus and a final prospectus (the Registration and Prospectus Requirements) shall not apply to the distribution or resale of units of the Fund pursuant to a distribution reinvestment plan (the Plan), subject to certain conditions;

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AND WHEREAS under 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* or in Québec Commission Notice 14-101;

AND WHEREAS the Fund has represented to the Decision Makers that:

1. The Fund is an unincorporated closed-end investment trust established under the laws of the Province of Ontario by a declaration of trust dated as of August 22, 2003.
2. The Fund is not considered to be a “mutual fund” as defined in the Legislation because the holders of Units (Unitholders) are not entitled to receive on demand an amount computed by reference to the value of a proportionate interest in the whole or in part of the net assets of the Fund as contemplated in the definition of “mutual fund” in the Legislation.
3. The Fund became a reporting issuer or the equivalent thereof in the Jurisdictions on October 30, 2003 upon obtaining a receipt for its final prospectus dated October 30, 2003 (the Prospectus). As of the date hereof, the Fund is not in default of any requirements under the Legislation.
4. The beneficial interests in the Fund are divided into a single class of voting units (the Units). The Fund is authorized to issue an unlimited number of Units. Each Unit represents a Unitholder’s proportionate undivided beneficial interest in the Fund. As of the date hereof, 6,940,000 Units are issued and outstanding.
5. The Units are listed and posted for trading on the Toronto Stock Exchange (the TSX) under the symbol “BSI.UN”.
6. The Fund currently intends to make cash distributions of distributable income to Unitholders of record on the day on which the Fund declares a distribution to be payable (each, a Record Date), and such distributions will be payable on a day which is on or about the 15th business day of the month following a Record Date (each a Distribution Payment Date).
7. The Fund has adopted the Plan which, subject to obtaining all necessary regulatory approvals, will permit distributions to be automatically reinvested, at the election of each Unitholder, to purchase additional Units (Plan Units)

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pursuant to the Plan and in accordance with a distribution reinvestment plan services agreement entered into by the Fund, Brascan Diversified Income Management Ltd. in its capacity as manager of the Fund (in such capacity, the Manager) and Computershare Trust Company of Canada in its capacity as agent under the Plan (in such capacity, the Plan Agent).

8. Distributions due to Unitholders who have elected to participate in the Plan (the Plan Participants) will be automatically reinvested on their behalf by the Plan Agent to purchase Plan Units in the market or from the Fund in the following manner:
 - (a) if the weighted average trading price on the TSX (or such other stock exchange on which the Units are listed, if the Fund Units are not listed on the TSX) for the 10 trading days immediately preceding the relevant Record Date (the Market Price) plus estimated brokerage fees and commissions is greater than or equal to the net asset value of the Fund per Unit (the NAV per Unit) on the Record Date, the Plan Agent will apply the distributions to purchase Plan Units from the Fund through the issue of new Plan Units at the higher of (i) the NAV per Unit on the relevant Distribution Payment Date and (ii) 95% of the Market Price on the relevant Distribution Payment Date;
 - (b) If the Market Price plus estimated brokerage fees and commissions is less than NAV per Unit on the Record Date, purchases of Units will be made in the market during the 5 business days next following that Record Date on any business day when the Market Price is less than the NAV per Unit determined as at such Record Date and on the 6th business day after the Record Date the unused part (if any) of the distributions will be applied to a purchase of Units in accordance with the procedure in paragraph 8(a) above; and
 - (c) the Plan Units purchased in the market or from the Fund's treasury will be allocated by the Plan Agent on a *pro rata* basis to the Plan Participants.
9. The Plan also allows Plan Participants to make optional cash payments (Optional Cash Payments) which will be used by the Plan Agent to purchase Plan Units. A Plan Participant must invest a minimum of \$100 per Optional Cash Payment. Optional Cash Payments will be used by the Plan Agent to purchase Plan Units on the same basis as distributions as described above. The aggregate number of Plan Units that may be purchased with Optional Cash Payments in a calendar year will be limited to 2% of the outstanding Units at the commencement of that calendar year.

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10. Optional Cash Payments, along with a Plan Participant's notice of his or her intention to make an Optional Cash Payment, must be received by the Plan Agent via the applicable CDS Participant on or before 5:00 p.m. (Toronto time) on the day which is at least five business days prior to a Distribution Payment Date, in order to be invested in Plan Units immediately following such Distribution Payment Date. Optional Cash Payments and/or notices received less than five business days prior to a Distribution Payment Date will result in the Plan Agent holding (without interest) the Optional Cash Payment and using the same to purchase Plan Units after the second Distribution Payment Date following the date of receipt of the Optional Cash Payment.
11. The Plan Agent will purchase Plan Units only in accordance with mechanics described in the Plan and, accordingly, there is no opportunity for a Plan Participant or the Plan Agent to speculate on NAV per Unit.
12. The Fund will invest in the assets with the objective of providing Unitholders with a stable stream of monthly cash distributions as well as a cost-effective method of reducing the risk of investing in such securities through broad diversification. Accordingly, the NAV per Unit should be less volatile than that of a typical equity fund, and the potential for significant changes in the NAV per Unit over short periods of time is moderate.
13. The amount of distributions that may be reinvested in Plan Units issued from treasury is small relative to the Unitholder's equity in the Fund.
14. The Plan is open for participation by all Unitholders (other than non-residents of Canada), so that such Unitholders can reduce potential dilution by electing to participate in the Plan.
15. As all Units, including those issued pursuant to the Plan, are issued in book-entry only form and are held by, and registered in the name of CDS, Plan Participants will not be entitled to receive certificates representing Plan Units purchased or issued under the Plan.
16. A Plan Participant may terminate his or her participation in the Plan by providing the Plan Agent (via the applicable CDS Participant) at least five business days' prior written notice and, such notice, if actually received no later than five business days prior to the next Record Date, will have effect beginning with the distribution to be made with respect to such Record Date. Thereafter, distributions payable to such Unitholder will be in cash.
17. The Manager reserves the right to terminate the Plan at any time in its sole discretion, in which case Plan Participants will be sent written notice thereof.

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18. The Manager may amend, modify or suspend the Plan at any time in its sole discretion, provided that it gives notice of that amendment, modification or suspension to the Plan Participants (through applicable CDS Participants). Any amendments to the Plan are subject to prior approval by the Toronto Stock Exchange. The Manager may adopt additional rules and regulations to facilitate the administration of the Plan subject to the approval of any applicable securities regulatory authority or stock exchange.
19. Except in Alberta, the distribution of the Plan Units by the Fund pursuant to the Plan cannot be made in reliance on certain registration and prospectus exemptions contained in the Legislation as the Plan involves the reinvestment of distributable income distributed by the Fund and not the reinvestment of dividends or interest of the Fund, capital gains or distributions out of earnings or surplus.
20. The distribution of the Plan Units by the Fund pursuant to the Plan cannot be made in reliance on registration and prospectus exemptions contained in the Legislation for distribution reinvestment plans of mutual funds, as the Fund is not considered to be a “mutual fund” as defined in the Legislation because the Unitholders are not entitled to receive on demand an amount computed by reference to the value of a proportionate interest in the whole or in a portion of the net assets of the Fund.

AND WHEREAS under the System, this MRRS Decision Document evidences the decision of each of the Decision Makers (collectively, the Decision);

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 is that, except in Alberta, the trades of Plan Units to the Plan Participants pursuant to the Plan shall not be subject to the Registration and Prospectus Requirements of the Legislation provided that:

- (a) at the time of the trade the Fund is a reporting issuer or the equivalent under the Legislation and is not in default of any requirements of the Legislation;
- (b) no sales charge is payable in respect of the distributions of Plan Units from treasury;

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- (c) the Fund has caused to be sent to the person or company to whom the Plan Units are traded, not more than 12 months before the trade, a statement describing:
 - (i) their right to withdraw from the Plan and to make an election to receive cash instead of Plan Units on the making of a distribution by the Fund; and
 - (ii) instructions on how to exercise the right referred to in (i);
- (d) in the calendar year during which the trade takes place, the aggregate number of Plan Units issued pursuant to the Optional Cash Payments shall not exceed 2% of the aggregate number of Units outstanding at the commencement of that calendar year; and
- (e) in each of the Jurisdictions other than Québec, the first trade or resale of Plan Units acquired pursuant to the Plan in a Jurisdiction shall be deemed a distribution or primary distribution to the public under the Legislation unless the conditions of paragraphs 2 through 5 of subsection 2.6(3) or (4) of Multilateral Instrument 45-102 are satisfied; and
- (f) in Québec, the first trade (alienation) of Plan Units acquired pursuant to the Plan in a Jurisdiction shall be deemed to be a distribution or primary distribution to the public unless:
 - (i) at the time of the first trade, the Fund is a reporting issuer in Québec and is not in default on any of the requirements of securities legislation in Québec;
 - (ii) no unusual effort is made to prepare the market or to create a demand for the Plan Units;
 - (iii) no extraordinary commission or consideration is paid to a person or company other than the vendor of the Plan Units in respect of the first trade; and
 - (iv) the vendor of the Plan Units, if in a special relationship with the Fund, has no reasonable grounds to believe that the Fund is in default of any requirement of the Legislation of Québec.

Dated this 27th day of February, 2004.

Robert L. Shirriff

Robert W. Davis