

2008 BCSECCOM 121

February 5, 2008

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - National Instrument 81-106 (NI 81-106), s.17.1 - Continuous Disclosure Requirements for Investment Funds - A fund wants relief from subsection 9.2 of NI 81-106 that requires a fund that does not have a current prospectus as at its financial year end to prepare an annual information form - The issuers are a short-term vehicles formed solely to invest their available funds in flow-through shares of resource issuers; the issuers' securities are not redeemable and there is no secondary trading in the issuers' securities; the issuers' other continuous disclosure documents will provide all relevant information necessary for investors to understand the issuers' business, financial position and future plans

Applicable British Columbia Provisions

National Instrument 81-106, ss. 9.2 and 17.1

In the Matter of
the Securities Legislation of
British Columbia, Alberta, Saskatchewan, Manitoba, Ontario,
Quebec, New Brunswick, Nova Scotia, Newfoundland and
Labrador, Northwest Territories, Yukon Territory and Nunavut
(the "Jurisdictions")

and

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

and

In the Matter of
Stone 2007 Flow-Through GP Inc.
(the "General Partner")

and

In the Matter of
Stone 2007 Flow-Through Limited Partnership
(the "Partnership")

MRRS Decision Document

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Background

The local securities regulatory authority or regulator (the “Decision Maker”) in each of the Jurisdictions has received an application from the Partnership for a decision under the securities legislation of the Jurisdictions (the “Legislation”) exempting the Partnership from the requirement in section 9.2 of National Instrument 81-106 *Investment Fund Continuous Disclosure* (“NI 81-106”) to file an annual information form (the “Requested Relief”).

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 General Partner:

General Partner

1. The General Partner is a corporation formed under the laws of Ontario. The principal office of the General Partner is located in Toronto, Ontario.
2. Stone Asset Management Limited, the Investment Advisor to the General Partner, is the only shareholder of the General Partner.
3. The General Partner has exclusive authority to manage the operations and affairs of the Partnership, to make all decisions regarding the business of the Partnership and to bind the Partnership. As a result, the General Partner has the general authority to apply on behalf of the Partnership for the Requested Relief.

Partnership

4. The Partnership was formed on November 8, 2006 pursuant to the provisions of the *Limited Partnerships Act* (Ontario). The head office of the Partnership is located in Toronto, Ontario.

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5. The primary investment objective of the Partnership is to invest in flow-through shares (“Flow-Through Shares”) of resource issuers (“Resource Issuers”) engaged primarily in oil and gas and mineral exploration in Canada with a view to the preservation of capital and achieving capital appreciation of the Partnership’s investments.
6. The Partnership received a receipt dated January 30, 2007, issued under MRRS by the Ontario Securities Commission on behalf of each of the provincial and territorial regulators with respect to its (final) prospectus dated January 29, 2007 (the “Prospectus”) offering for sale up to 3,000,000 limited partnership units (the “Units”) at a price of \$25.00 per Unit. The Partnership is a reporting issuer in each of the Jurisdictions. No additional Units of the Partnership have been or will be issued.
7. The Units have not been and will not be listed or quoted for trading on any stock exchange or market. The Units are also not redeemable by the Limited Partners.
8. It is the current intention of the Partnership, as described in the Prospectus, to transfer its assets (the “Rollover Transaction”) to Stone & Co. Corporate Funds Limited, an open-ended mutual fund corporation incorporated under the laws of Canada, (“SCCFL”), on or about January 9, 2009 on a tax deferred, rollover basis in exchange for redeemable series A Stone & Co. Resource Plus Class shares (the “Resource Plus Class Shares”) of SCCFL (the “Stone Resource Fund”). Within 60 days following the Rollover Transaction, the Resource Plus Class Shares that the Partnership will receive in consideration for the transfer of the Partnership’s assets will be distributed to the Limited Partners together with any cash remaining in the Partnership on a *pro rata* tax-deferred basis and the affairs of the Partnership will be wound-up. In the event that it is not possible for the Partnership to complete the Rollover Transaction, it is the current intention of the Partnership to dissolve and distribute its net assets *pro rata* to its Limited Partners no later than July 31, 2009 or such later date as may be approved by the Limited Partners by extraordinary resolution.
9. Since its formation, the Partnership’s activities have been limited to (i) completing the issue of the Units under the Prospectus, (ii) investing its available funds in Flow-Through Shares of Resource Issuers, and (iii) incurring expenses as described in the Prospectus.
10. Given the limited range of business activities to be conducted by the Partnership, the short duration of its existence and the nature of the investment of the Limited Partners, the preparation and distribution of an annual

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information form by the Partnership will not be of any benefit to the limited partners and may impose a material financial burden on the Partnership. Upon the occurrence of any material change to the Partnership, the Limited Partners will receive all relevant information from the material change report the Partnership is required to file with the Decision Makers.

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.

Vera Nunes
Assistant Manager, Investment Funds Branch
Ontario Securities Commission