

# 2006 BCSECCOM 674

September 29, 2006

## 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 listed on a stock exchange and unitholders can buy or sell units of the fund through the 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, Quebec, New  
Brunswick, Nova Scotia, Newfoundland and Labrador, Northwest Territories,  
Yukon and Nunavut  
(the “Jurisdictions”)

and

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

and

In the Matter of  
Life & Banc Split Corp. (the “Filer”)

## MRRS Decision Document

## Background

The local securities regulatory authority or regulator (the “Decision Maker”) in each of the Jurisdictions has received an application (the “Application”) from the Filer dated September 7, 2006 for a decision under s. 17.1 of National Instrument 81-106 – *Investment Funds Continuous Disclosure* (the “Legislation”) for an exemption from the requirement to calculate net asset value at least once every business day if the Filer uses specified derivatives contained in section 14.2(3)(b) of the Legislation (the “Requested Relief”).

## 2006 BCSECCOM 674

Under the Mutual Reliance Review System for Exemption 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 this Filer:

#### **The Filer**

- 1. The Filer is a mutual fund corporation established under the laws of Ontario.
- 2. Brompton Funds Management Limited (the “Manager”) is the promoter and manager of the Filer and will perform administrative services on behalf of the Filer.

#### **The Offering**

- 3. The Filer will be issuing preferred shares (the “Preferred Shares”) and class A shares (the “Class A Shares”) (together, referred to as the “Shares”).
- 4. The offering of Shares by the Filer is a one-time offering and the Filer will not continuously distribute the Shares.
- 5. The Filer’s investment objectives are: (i) to provide holders of Preferred Shares with fixed cumulative preferential quarterly cash distributions in the amount of \$0.13125 per Preferred Share representing a yield on the issue price of the Preferred Shares of 5.25% per annum; (ii) to provide holders of Class A Shares with regular monthly cash distributions targeted to be \$0.10 per Class A Share representing a yield on the issue price of the Class A Shares of 8.0% per annum; (iii) to return the original issue price to holders of Preferred Shares at the time of redemption of shares on November 29, 2013; and (iv) to provide holders of Class A Shares with the opportunity for growth in net asset value per Class A Share.

## 2006 BCSECCOM 674

6. The net proceeds from the offering will be invested in an equally weighted portfolio consisting of common shares of the six largest Canadian banks and the four largest Canadian life insurance companies (the "Portfolio").
7. The Filer may from time to time selectively write covered call options on the Shares included in the Portfolio in order to generate additional distributable income for the Filer.
8. A preliminary prospectus of the Filer dated September 7, 2006 (the "Preliminary Prospectus") has been filed with the securities regulatory authorities in each of the Provinces and Territories of Canada.

### **The Shares**

9. The Shares are expected to be listed and posted for trading on the Toronto Stock Exchange (the "TSX").
10. The Preferred Shares will be retractable at the option of the holder on a monthly basis and a holder of a Preferred Share may concurrently retract an equal number of Preferred Shares and Class A Shares on annual basis at a price computed by reference to the value of a proportionate interest in the net assets of the Filer. As a result, the Filer will be a "mutual fund" under applicable securities legislation.
11. The description of the retraction process in the Preliminary Prospectus contemplates that the retraction price for the Shares will be determined as of the valuation date, being the second last business day of the month (the "Retraction Date").
12. The retraction procedures described in the Preliminary Prospectus provide that shareholders will receive payment within ten business days of the month following the Retraction Date.
13. The net asset value per Unit (a notional unit consisting of one Preferred Share and one Class A Share), the net asset value per Preferred Share and the net asset value per Class A Share will be calculated weekly. The Filer will make available to the financial press for publication on a weekly basis the net asset value per Preferred Share and the net asset value per Class A Share as well as through the Internet at [www.bromptongroup.com](http://www.bromptongroup.com).
14. 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.

## **2006 BCSECCOM 674**

### **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 provided that the Prospectus discloses:

- (a) that the net asset value calculation per Preferred Share and per Class A Share is available to the public upon request;
- (b) a toll-free number or website that the public can access to obtain the net asset value per Preferred Share and per Class A Share;

for so long as:

- (c) the Shares are listed on the TSX; and
- (d) the Filer calculates its net asset value per Unit, net asset value per Preferred Share and net asset value per Class A Share at least weekly.

Leslie Byberg  
Manager, Investment Funds Branch  
Ontario Securities Commission