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Headnote

Mutual Reliance Review System for Exemptive Relief Applications – relief from the requirement to file reports of certain exempt trades of mutual fund units provided that a report of all such trades is filed and fees are paid within 30 days of the financial year-end of the fund

Applicable British Columbia Provisions

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

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

AND

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

AND

IN THE MATTER OF THE CHAMPLAIN 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, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland and Labrador (the “Jurisdictions”) has received an application from Jones Heward Investment Counsel Inc. (the “Filer”) for a decision under the securities legislation (the “Legislation”) of the Jurisdictions that:

- (a) trades in units of The Champlain Fund (the “Fund”) to an investor upon:
 - (i) the subscription of an investor for units subsequent to the initial investment by the investor (“Additional Units”) shall not be subject to the requirements to file a preliminary prospectus and a final prospectus in respect of a distribution or primary distribution to the public of a security (the “Prospectus Requirements”) of the Legislation of Manitoba, Québec, New Brunswick, Prince Edward Island, and

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Newfoundland and Labrador, and to the requirements to be registered to trade in a security (the “Registration Requirements”) of the Legislation of Manitoba, New Brunswick, Prince Edward Island, and Newfoundland and Labrador (together, the “Prospectus Requirements” and the “Registration Requirements” are the “Prospectus and Registration Requirements”); and

- (ii) the reinvestment of distributions by the Fund in units (“Reinvested Units”) shall not be subject to the Registration and Prospectus Requirements of the Legislation of Manitoba, Québec, New Brunswick, Prince Edward Island and Newfoundland and Labrador; and
- (b) initial trades in units of the Fund to investors (the “Initial Units”) and trades in Additional Units are not subject to the requirements of the Legislation of the Jurisdictions other than Manitoba, New Brunswick and Prince Edward Island relating to the filing of forms and the payment of fees within certain prescribed time periods (the “Reporting Requirement”), subject to certain conditions;

AND WHEREAS under the Mutual Reliance Review System for Exemptive Relief Applications (the “System”), the Commission des valeurs mobilières du Québec is the principal regulator for this application;

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

1. The Filer is registered under the Securities Act (Ontario) and the Securities Act (Alberta) as an adviser in the categories of investment counsel and portfolio manager, and acts as the investment adviser to the Fund;
2. The Fund is a unit trust which was established under the laws of the Cayman Islands on October 25, 2001 pursuant to a declaration of trust dated October 25, 2001, as amended and restated on March 1, 2002 (the “Declaration of Trust”);
3. The trustee of the Fund is Queensgate Bank & Trust Company Ltd.;
4. Bank of Montreal Ireland plc, Dublin, Ireland, an affiliate of the Filer, has been retained to provide certain management and administrative services to the Fund;

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5. The Filer intends to offer various classes of units of the Fund to investors resident in the Jurisdictions;
6. The Fund is a “mutual fund” as defined in the Legislation of the Jurisdictions;
7. The Fund currently does not intend to become a reporting issuer, as such term is defined in the Legislation of the Jurisdictions, and the units of the Fund will not be listed on any stock exchange;
8. The Fund is divided into units which will evidence each investor's undivided interest in the assets of the Fund;
9. Units of the Fund are not qualified for investment by a trust governed by a registered retirement savings plan, registered retirement income fund, deferred profit sharing plan or registered education savings plan;
10. Investors may purchase Initial Units and Additional Units through registered dealers in the Jurisdictions. In certain limited circumstances, Initial Units and Additional Units may also be purchased directly from the Fund pursuant to exemptions from the Registration Requirements of the applicable securities laws;
11. The initial distribution of units of the Fund (the “Initial Investment”) to an investor in the Jurisdictions other than Ontario, Alberta and British Columbia will have an aggregate acquisition cost to the investor of at least the amount prescribed by the Legislation of the Jurisdictions (the “Prescribed Amount”) in connection with exemptions from the Registration and Prospectus Requirements which require the investor to purchase securities of an issuer having a minimum acquisition cost. The Initial Investment and subsequent subscriptions for Additional Units by an investor in Ontario will be made pursuant to the exemption from the Registration and Prospectus Requirements accorded to accredited investors as defined in the securities legislation of Ontario (the “Legislation of Ontario”); the Initial Investment and subsequent subscriptions for Additional Units by an investor in Alberta or British Columbia may be made pursuant to the exemption from the Registration and Prospectus Requirements accorded to accredited investors as defined in Multilateral Instrument 45-103 Capital Raising Exemptions (“MI 45-103”), or pursuant to exemptions which require the investor to purchase securities of an issuer having a minimum acquisition cost, so long as such exemptions remain in effect;

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12. It is proposed that unitholders of the Fund in the Jurisdictions other than Ontario, Alberta and British Columbia may subscribe for Additional Units in increments of less than the Prescribed Amount, provided that, at the time of such additional acquisition, such unitholders hold units of the Fund with an aggregate acquisition cost or aggregate net asset value of at least the Prescribed Amount and that unitholders of the Fund in Alberta or British Columbia may subscribe for Additional Units of the Fund without any minimum acquisition cost for such Additional Units, provided that, at the time of such additional acquisition, such unitholders hold units of the Fund with an aggregate acquisition cost or aggregate net asset value of at least \$97,000, in the case of unitholders in Alberta, and \$100,000, in the case of unitholders in British Columbia, or that such unitholders are accredited investors as defined in MI 45-103; the issuance of Additional Units to an investor in such circumstances is exempt from the Registration and Prospectus Requirements of the Legislation of the Jurisdictions other than Manitoba, Québec, New Brunswick, Prince Edward Island and Newfoundland and Labrador;
13. The Fund proposes to distribute Reinvested Units by way of automatic reinvestment of distributions to unitholders of the Fund; the issuance of Reinvested Units upon the reinvestment of distributions is exempt from the Registration and Prospectus Requirements of the Legislation of the Jurisdictions other than Manitoba, Québec, New Brunswick, Prince Edward Island and Newfoundland and Labrador;
14. The Legislation of Jurisdictions other than Manitoba, New Brunswick and Prince Edward Island has a Reporting Requirement in respect of Initial Investments made pursuant to the exemptions described above (the “Private Placement Exemptions”) and the Legislation of British Columbia has a Reporting Requirement in respect of distributions of Additional Units;
15. The Legislation of Ontario and Alberta has a Reporting Requirement in respect of Initial Investments and distributions of Additional Units made pursuant to the exemption from the Registration and Prospectus Requirements accorded to accredited investors as defined in the Legislation of Ontario or MI 45-103; and
16. Units are non-transferable except in limited circumstances as set out in the Declaration of Trust of the Fund.

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

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AND WHEREAS 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 DECISIONS of the Decision Makers pursuant to the Legislation are that:

- (A) the Registration Requirements contained in the Legislation of Manitoba, New Brunswick, Prince Edward Island and Newfoundland and Labrador and the Prospectus Requirements contained in the Legislation of Manitoba, Québec, New Brunswick, Prince Edward Island and Newfoundland and Labrador shall not apply to:
 - (i) trades in Additional Units pursuant to a subsequent subscription by a unitholder of the Fund provided that:
 - (a) at the time of the trade, the Filer is registered under the Legislation of Ontario and Alberta as an adviser in the categories of investment counsel and portfolio manager;
 - (b) at the time of the trade, the unitholder then owns units of the Fund having an aggregate acquisition cost or an aggregate net asset value of not less than the applicable Prescribed Amount; and
 - (c) this clause (A)(i) will cease to be in effect in a Jurisdiction 90 days after the coming into force, subsequent to the date of this Decision, of any legislation, regulation or rule in the Jurisdiction exempting from the registration and prospectus requirements of the Legislation distributions by a pooled fund of additional securities which applies to trades of Additional Units as described in this Decision;
- (B) trades in Reinvested Units pursuant to the reinvestment of distributions of the Fund shall not be subject to the Registration and Prospectus Requirements of the Legislation of Manitoba, Québec, New Brunswick, Prince Edward Island and Newfoundland and Labrador provided that no sales commissions or other charge in respect of such issuance of Reinvested Units is payable;

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- (C) the first trade of units of the Fund by unitholders of the Fund acquired under an exemption from the Registration and Prospectus Requirements provided in this Decision is deemed to be a distribution or primary distribution to the public in a Jurisdiction unless, except in Québec, the conditions in subsections (2) or (3) of section 2.5 of MI 45-102 Resale of Securities are satisfied;
- (D) the Reporting Requirements of the Legislation of the Jurisdictions other than Manitoba, New Brunswick and Prince Edward Island do not apply to a trade in Initial Units, Additional Units or Reinvested Units of the Fund made in reliance on the exemptions from the Registration and Prospectus Requirements contained in this Decision or in reliance on the Private Placement Exemptions, provided that within 30 days of the end of each financial year of the Fund, the Fund:
 - (i) files with the applicable Decision Maker a report in respect of all trades in Initial Units and Additional Units during such financial year, in the form prescribed by the applicable Legislation;
 - (ii) files with the Decision Maker in Québec a report in respect of all trades in Reinvested Units during such financial year, in the form prescribed by the applicable Legislation; and
 - (iii) remits to the applicable Decision Maker the fee prescribed by the applicable Legislation.

THE DECISION of the Decision Maker in Québec is subject to the further condition that the Fund file with the Decision Maker in Québec, within 140 days of the end of each financial year, annual audited financial statements with the applicable fee.

DATED May 31, 2002

Viateur Gagnon

Guy Lemoine