

# **2002 BCSECCOM 720**

## **Headnote**

Mutual Reliance Review System for Exemptive Relief Applications – Relief granted to file report of exempt distribution 30 days after year end

## **Applicable British Columbia Provisions**

*Securities Act*, R.S.B.C. 1996, c. 418, s. 76

*Securities Rules*, B.C. Reg. 194/97, s. 139

## **IN THE MATTER OF THE SECURITIES LEGISLATION OF BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN, MANITOBA, NEW BRUNSWICK, NOVA SCOTIA, 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**

## **SEAMARK ASSET MANAGEMENT LTD.**

## **MRRS DECISION DOCUMENT**

WHEREAS the local securities regulatory authority or regulator (the “Decision Maker”) in each of British Columbia, Alberta, Saskatchewan, Manitoba, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland (the “Jurisdictions”) has received an application from SEAMARK Asset Management Ltd. (the “Applicant”), the manager of SEAMARK Pooled Canadian Equity Fund, SEAMARK Pooled Canadian Bond Fund, SEAMARK Pooled Balanced Fund, SEAMARK Pooled U.S. Equity Fund, SEAMARK Pooled International Equity Fund, SEAMARK Pooled Money Market Fund and any additional pooled fund which may be added from time to time (individually, a “Fund” and collectively, the “Funds”), for a decision pursuant to the securities legislation of the Jurisdictions (the “Legislation”) that:

- (i) certain trades in Additional Units (as defined below) and Reinvested Units (as defined below) of a Fund to existing holders of Units (as defined below) of that Fund not be subject to the dealer registration requirement and the prospectus requirement of

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the Legislation of Manitoba, New Brunswick, Prince Edward Island and Newfoundland (the “Prospectus Jurisdictions”); and

- (ii) trades in units (“Units”) of a Fund are not subject to the requirements of the Legislation of the Jurisdictions other than that of Manitoba relating to the filing of a private placement report and the payment of fees within the time frame prescribed by the Legislation;

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

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

1. The Applicant is registered under the Legislation as an adviser in each of the Jurisdictions.
2. The Applicant has established the following six open-ended, pooled investment trusts:
  - (i) SEAMARK Pooled Canadian Equity Fund;
  - (ii) SEAMARK Pooled Canadian Bond Fund;
  - (iii) SEAMARK Pooled Balanced Fund;
  - (iv) SEAMARK Pooled U.S. Equity Fund;
  - (v) SEAMARK Pooled International Equity Fund; and
  - (vi) SEAMARK Pooled Money Market Fund.

Each Fund is governed by a general trust agreement and was established by a separate regulation by the Applicant and CIBC Mellon Trust Company, the former trustee of the Funds. State Street Trust Company Canada (“State Street”) is currently the trustee of the Funds. Additional Funds, which will be governed by the general trust agreement, may be established by regulation by the Applicant and State Street from time to time as part of the Funds to better service the Applicant’s clients.

3. The Applicant is or will be the manager, principal distributor and promoter of each Fund. State Street is or will be the trustee, custodian, registrar and transfer agent of each Fund.
4. Each Fund is or will be a “mutual fund in Ontario” as defined in subsection 1(1) of the *Securities Act* (Ontario) and as such is required to comply with the relevant provisions of the *Securities Act* (Ontario) with respect to the

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preparation, mailing to unitholders and filing of interim and annual financial statements with the Ontario Securities Commission.

5. None of the Funds intends to become a reporting issuer, as such term is defined in the Legislation, and Units of the Funds will not be listed on any stock exchange.
6. Units of each Fund will be distributed on a continuous basis to (i) persons in the Jurisdictions in reliance on the exemption (the “Private Placement Exemption”) set out in the Legislation for distributions where the purchaser purchases as principal and the aggregate acquisition cost is not less than a prescribed amount (the “Prescribed Amount”) and to (ii) persons who qualify as an “accredited investor” as such term or similar term is defined in the Legislation (an “Accredited Investor”).
7. The minimum initial investment in a Fund by a resident of any Jurisdiction shall not be less than the Prescribed Amount in that Jurisdiction.
8. Following such initial investment, it is proposed that unitholders of a Fund be able to purchase additional Units (“Additional Units”) of the Fund in increments of less than the Prescribed Amount, provided that at the time of such subsequent acquisition the investor holds Units of the Fund with an aggregate acquisition cost or aggregate net asset value of not less than the Prescribed Amount.
9. Unless a unitholder of a Fund requests cash, each Fund will automatically reinvest any net income and capital gains distributions by distributing additional units of that Fund (“Reinvested Units”) to the unitholders of that Fund.
10. The Applicant uses qualified agents and dealers where necessary to assist it in selling Units of the Funds to prospective purchasers in each Jurisdiction.
11. An investor will be provided with a copy of the confidential offering memorandum of the Funds (the “Offering Memorandum”) prior to the investor’s investment in a Fund. The Offering Memorandum describes the investment objectives and restrictions of each Fund, how Units may be purchased and redeemed, the risks involved, certain tax considerations and all applicable fees and expenses, including the statutory or contractual right of action prescribed by the Legislation of each Jurisdiction. In addition, unitholders of a Fund will be provided with a quarterly statement setting out the number and the value of the Units they hold in the Fund, any transactions

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they have made since the last report they received and any other relevant information.

12. The fiscal year-end of each Fund is currently December 31st.

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

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 DECISION of the Decision Makers pursuant to the Legislation is that:

- (a) the dealer registration requirement and the prospectus requirement contained in the Legislation of the Prospectus Jurisdictions shall not apply to:
  - (i) the issuance of Additional Units of a Fund to a unitholder of that Fund provided that:
    - (A) the initial investment in Units of the Fund by the investor was not less than the Prescribed Amount in the Jurisdiction;
    - (B) at the time of the issuance of such Additional Units, the unitholder who made the initial investment in such Fund of at least the Prescribed Amount, then owns Units of that Fund having an aggregate acquisition cost or an aggregate net asset value of not less than the Prescribed Amount of the applicable Prospectus Jurisdiction;
    - (C) at the time of the issuance of such Additional Units, the Applicant is registered with the Ontario Securities Commission as an adviser and such registration is in good standing; and
    - (D) this clause (i) will cease to be in effect with respect to a Prospectus Jurisdiction 90 days after the coming into force of any legislation, regulation or rule in such Jurisdiction relating to the distribution of Additional Units of pooled funds; and

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- (ii) an issuance of Reinvested Units of a Fund to a unitholder of that Fund provided that:
  - (A) no sales commission or other charge in respect of such issuance of Reinvested Units is payable; and
  - (B) each unitholder who receives Reinvested Units has received, not more than 12 months before such issuance, a statement describing (A) the details of any deferred or contingent sales charge or redemption fee that is payable at the time of the redemption of a Unit, (B) any right that the Unitholder has to make an election to receive cash instead of Units on the payment of the net income or net realized capital gains distributed by the Fund, (C) instructions on how the right referred to in subsubclause (B) can be exercised, and (D) the fact that no prospectus is available for the Fund as Units are offered pursuant to prospectus exemptions only;

provided that the first trade in Additional Units and Reinvested Units that are issued pursuant to this Decision shall be deemed to be a distribution or a primary distribution to the public under the Legislation of the Jurisdiction in which the trade takes place (the "Applicable Legislation"), unless otherwise exempt thereunder or unless such first trade is made in the following circumstances:

- (A) the applicable Fund is a reporting issuer or the equivalent under the Applicable Jurisdiction;
- (B) if the seller of the Additional Units or Reinvested Units is in a special relationship (as defined in the Applicable Legislation) with the Fund, the seller has reasonable grounds to believe that the Fund is not in default of any requirement of the Applicable Legislation;
- (C) no unusual effort is made to prepare the market or to create a demand for the Additional Units or Reinvested Units and no extraordinary commission or consideration is paid in respect of such trade; and
- (D) the Additional Units have been held for a period of at least 18 months from the date they were acquired by the seller of

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the Additional Units, or the Reinvested Units have been held for a period of at least 18 months from the date they were acquired by the seller of the Reinvested Units; and

- (b) the requirements contained in the Legislation of the Jurisdictions other than that of Manitoba to file a report of a distribution of Units of a Fund under the Private Placement Exemption or the distribution of Units of the Fund to an Accredited Investor, or of Additional Units of the Fund, within the time frame prescribed by the Legislation, shall not apply to such trade, provided that within 30 days after each financial year end of the Fund, such Fund:
  - (i) files with the applicable Decision Maker a report in respect of all trades in Units of that Fund in each Jurisdiction during such financial year, in the form prescribed by the applicable Legislation; and
  - (ii) remits to the applicable Decision Maker the fee prescribed by the applicable Legislation.

DATED at St. John's, Newfoundland and Labrador, the 15<sup>th</sup> day of August, 2002.

Anthony W. Patey