

2007 BCSECCOM 75

January 25, 2007

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 or to be listed on a stock exchange and unitholders can buy or sell shares 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
Canadian Financials & Utilities 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 November 17, 2006 for a decision under section 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

2007 BCSECCOM 75

every business day contained in section 14.2(3)(b) of the Legislation (the “Requested Relief”).

Under the Mutual Reliance Review System 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 Filer:

Filer

1. The Filer is a mutual fund corporation incorporated under the laws of Ontario.
2. Connor, Clark & Lunn Capital Markets Inc. (the “Manager”) is the promoter and manager of the Filer and will perform administrative services on behalf of the Filer.
3. A Canadian trust company will act as custodian of the assets of the Filer and will be responsible for certain aspects of the day-to-day administration of the Filer.

The Offering

4. An amended and restated preliminary prospectus, dated November 15, 2006 (the “Preliminary Prospectus”), has been filed with the securities regulatory authorities in each of the Provinces and Territories of Canada.
5. The Filer will be issuing preferred shares (the “Preferred Shares”) and class A shares (the “Class A Shares”, and together with the Preferred Shares, the “Shares”).
6. The offering of Shares by the Filer is a one-time offering and the Filer will not continuously distribute the Shares.

2007 BCSECCOM 75

7. The Filer's investment objectives are:
- (i) In the case of the Preferred shares: (a) to provide their holders with quarterly fixed cumulative distributions equal to \$0.10625 per Preferred Share (\$0.425 per year or 4.25% of the Preferred Share offering price); and (b) to repay the original issue price of \$10.00 per Preferred Share on redemption of the Preferred Shares on December 30, 2011.
 - (ii) In the case of the Class A Shares: (a) to provide their holders with tax efficient regular monthly distributions, expected to be primarily returns of capital; and (b) to provide their holders with the opportunity for capital appreciation and dividend growth on a leveraged basis.
8. The net proceeds from the offering will be invested in the equity securities of the six largest Canadian banks (42% weight), Canadian utilities and pipeline issuers (23% weight) and Canadian non-bank financial issuers (including real estate investment trusts) (35% weight) (collectively referred to as the "Portfolio").
9. To the extent permitted by Canadian securities regulators from time to time, the Filer may purchase put options in order to protect the Filer from declines in the market prices of the individual Portfolio securities or in the value of the Portfolio as a whole. The Filer may enter into trades to close out positions in such permitted derivatives.

The Shares

10. The Shares are expected to be listed and posted for trading on the Toronto Stock Exchange (the "TSX").
11. The Shares will be retractable at the option of the holder on a monthly and 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 the applicable securities legislation.
12. 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"). As requests for retractions may be made at any time during the month and are subject to a cut-off date (ten business days prior to the Retraction Date), and as the net asset value is calculated weekly,

2007 BCSECCOM 75

retractions may not be implemented at a price equal to the net asset value next determined after receipt of the retraction request.

13. The retraction procedures described in the Preliminary Prospectus provide that shareholders will receive payment on or before the 15th day of the month following the Retraction Date.
14. The Filer will calculate and make available to the financial press for publication on a weekly basis the net asset value per Unit (a notional unit consisting of one Preferred Share and one Class A Share), per Preferred Share and per Class A Share. This information will also be made available through the Internet at www.cclcapitalmarkets.com and upon request to the Manager.

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 Maker under the Legislation is that the Requested Relief is granted provided that the Preliminary Prospectus and the final prospectus disclose:

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

for so long as:

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

Leslie Byberg
Manager, Investment Funds Branch
Ontario Securities Commission