

# 2007 BCSECCOM 471

July 20, 2007

## **Headnote**

Mutual Reliance Review System for Exemptive Relief Application – National Instrument 81-105 s. 9.1 - Mutual Fund Sales Practices - A member of the organization of a mutual fund wants to be treated as a reporting issuer with securities listed on a Canadian exchange for the purposes of the disclosure of equity interests requirement in section 8.2 of NI 81-105. - The Filers are fully owned by a limited partnership that is a wholly owned subsidiary of an income trust. The income trust is a reporting issuer. Its participating and voting units are traded on the Toronto Stock Exchange. The limited partnership is a reporting issuer, but its units are not listed on any securities exchange.

## **Applicable British Columbia Provisions**

National Instrument 81-105 of *Mutual Fund Sales Practice*, section 9.1

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, 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 the Mutual Funds listed in Appendix “A” hereto  
(the Current Funds)

and

In the Matter of CI Investments Inc., United Financial Corporation and  
Lakeview Asset Management Inc.  
(the Filers)

## MRRS Decision Document

## **Background**

The local securities regulatory authority or regulator (the **Decision Maker**) in each of the Jurisdictions has received an application on behalf of the Filers for a

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decision under Section 9.1 of National Instrument 81-105 - *Mutual Fund Sales Practices* (the **Legislation**) that:

- (a) for purposes of sections 8.2(1)(b), 8.2(1)(c), 8.2(2) and 8.3 of the Legislation, each Fund (as defined below) is permitted to calculate and disclose the equity interests in CI Financial Income Fund (the **Trust**) and Canadian International LP (**CI LP**) as if all of the Class B limited partnership units (the **Class B Units**) of CI LP and all the special voting units (the **Special Units**) of the Trust have been exchanged, in accordance with their terms, for trust units of the Trust; and
- (b) for purposes of sections 8.2(3) and 8.2(4) of the Legislation, each Distribution Person (as defined below) is permitted to calculate and disclose their respective equity interests in the Trust and CI LP as if all of the Class B Units and Special Units have been exchanged, in accordance with their terms, for trust units of the Trust.

collectively, the **Requested Relief**.

Under the Mutual Reliance Review System for Exemptive Relief Applications (**MRRS**):

- (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 Filers:

1. Each Filer is the “manager” within the meaning of National Instrument 81-102 - *Mutual Funds* (**NI 81-102**) of the Canadian securities administrators of one or more Current Funds. The head offices of the Filers are located in Toronto, Ontario.
2. The Filers, and present or future affiliates of the Filers, may become the manager of additional mutual funds (the **Future Funds** and, together with the Current Funds, the **Funds**).

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3. Each Current Fund is, and each Future Fund will be, regulated by NI 81-102.
4. Prior to June 30, 2006, two Filers were direct or indirect wholly-owned subsidiaries of CI Financial Inc., an Ontario corporation, the shares of which were listed on the Toronto Stock Exchange (the **TSX**). Consequently, CI Financial Inc. was considered under Legislation to be “a member of the organization” of each Current Fund then managed by such Filers.
5. Given the size of the public float for shares of CI Financial Inc. and its position in the marketplace, it is a virtual certainty that, immediately prior to June 30, 2006, some shares of CI Financial Inc. were owned by:
  - (a) registered dealers in Canada that are considered to be participating dealers for the Funds;
  - (b) associates of the participating dealers referred to above;
  - (c) representatives of the participating dealers referred to above; and
  - (d) associates of the representatives referred to above,collectively, **Distribution Persons**.
6. However, since CI Financial Inc. was a reporting issuer and its shares were traded on the TSX, there was no obligation for:
  - (a) the Current Funds to disclose in their prospectuses or simplified prospectuses; or
  - (b) Distribution Persons to disclose to their clients,the information contemplated by section 8.2 of the Legislation since such share ownership by Distribution Persons would not have constituted 10% or more of any class of voting or equity securities of CI Financial Inc.
7. On June 30, 2006, CI Financial Inc. completed a plan of arrangement pursuant to which CI Financial Inc. converted itself into an income trust structure (the **Conversion**). As a result of the Conversion, CI Financial Inc. became the Trust and CI LP was placed in the ownership structure below the Trust.
8. In addition to its class of voting, participating trust units which are traded on the TSX, the Trust also has issued the Special Units which are voting, non-

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participating securities that are non-transferable and not traded on any stock exchange.

9. The Trust owns all of the voting, participating Class A limited partner units (the **Class A Units**) of CI LP. The Trust also wholly-owns CI Financial General Partner Corp., which is the general partner of CI LP. CI LP, in turn, directly or indirectly wholly-owns each Filer.
10. CI LP also has issued the Class B Units, which are non-voting, participating limited partner units.
11. The combination of one Class B Unit and one Special Unit constitute the economic equivalent to the holder thereof of owning one trust unit of the Trust. A combination of one Class B Unit and one Special Unit, together, also are exchangeable for one trust unit of the Trust.
12. The Trust's ownership of all of the outstanding Class A Units represents 100% of the outstanding voting securities and approximately 47.9% of the total outstanding equity securities of CI LP and, indirectly, each Filer. The Class B Units are owned by a variety of securityholders.
13. As part of the steps of the Conversion, shareholders of CI Financial Inc. were given the option to either:
  - (a) become unitholders of the Trust; or
  - (b) elect to become limited partners of CI LP.

As a result, the Conversion had the effect of splitting the ownership structure of CI Financial Inc. whereby some former shareholders became unitholders of the Trust, while other former shareholders became holders (**Class B Unitholders**) of a combination of Class B Units and Special Units.

14. Notwithstanding the split in ownership described above, the terms of the Class A Units owned by the Trust and the Class B Units and Special Units owned by the Class B Unitholders effectively result in the same voting and equity participation as if all the limited partners of CI LP are holders of trust units of the Trust.
15. It can reasonably be expected that some Distribution Persons who owned shares of CI Financial Inc. immediately prior to the Conversion elected to become Class B Unitholders. Though CI LP is a reporting issuer under Canadian securities legislation, its securities are not listed on any Canadian

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stock exchange, nor are they expected to become so listed. The ownership of any Class B Units by any Distributing Person is an equity interest since there is no 10% threshold to constitute an equity interest in securities which are not listed on a Canadian stock exchange.

16. The Filers are unable to comply with section 8.2 of the Legislation since the Filers do not know the extent to which Distribution Persons are Class B Unitholders.

### **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.

James E. A. Turner  
Vice-Chair  
Ontario Securities Commission

Paul K. Bates  
Commissioner  
Ontario Securities Commission

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## Appendix “A”

CI American Equity Fund  
CI American Equity Corporate Class  
CI Alpine Growth Equity Fund  
CI American Managers® Corporate Class  
CI American Small Companies Fund  
CI American Small Companies Corporate Class  
CI American Value Fund  
CI American Value Corporate Class  
CI Can-Am Small Cap Corporate Class  
CI Canadian Investment Fund  
CI Canadian Investment Corporate Class  
CI Canadian Small/Mid Cap Fund  
CI Emerging Markets Fund  
CI Emerging Markets Corporate Class  
CI European Fund  
CI European Corporate Class  
CI Global Fund  
CI Global Corporate Class  
CI Global Biotechnology Corporate Class  
CI Global Consumer Products Corporate Class  
CI Global Energy Corporate Class  
CI Global Financial Services Corporate Class  
CI Global Health Sciences Corporate Class  
CI Global High Dividend Advantage Fund  
CI Global High Dividend Advantage Corporate Class  
CI Global Managers® Corporate Class  
CI Global Small Companies Fund  
CI Global Small Companies Corporate Class  
CI Global Science & Technology Corporate Class  
CI Global Value Fund  
CI Global Value Corporate Class  
CI International Fund  
CI International Corporate Class  
CI International Value Fund  
CI International Value Corporate Class  
CI Japanese Corporate Class  
CI Pacific Fund  
CI Pacific Corporate Class  
CI Value Trust Corporate Class  
Harbour Fund  
Harbour Corporate Class

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Harbour Foreign Equity Corporate Class  
Signature Canadian Resource Fund  
Signature Canadian Resource Corporate Class  
Signature Select Canadian Fund  
Signature Select Canadian Corporate Class  
Synergy American Fund  
Synergy American Corporate Class  
Synergy Canadian Corporate Class  
Synergy Canadian Style Management Corporate Class  
Synergy Focus Canadian Equity Fund  
Synergy Focus Global Equity Fund  
Synergy Global Corporate Class  
Synergy Global Style Management Corporate Class  
CI Canadian Asset Allocation Fund  
CI Global Balanced Corporate Class  
CI International Balanced Fund  
CI International Balanced Corporate Class  
Harbour Foreign Growth & Income Corporate Class  
Harbour Growth & Income Fund  
Harbour Growth & Income Corporate Class  
Signature Canadian Balanced Fund  
Signature Global Income & Growth Fund  
Signature Global Income & Growth Corporate Class  
Signature Income & Growth Fund  
Signature Income & Growth Corporate Class  
Synergy Tactical Asset Allocation Fund  
CI Canadian Bond Fund  
CI Canadian Bond Corporate Class  
CI Short-Term Bond Fund  
CI Long-Term Bond Fund  
CI Money Market Fund  
CI US Money Market Fund  
CI Short-Term Corporate Class  
CI Short-Term US\$ Corporate Class  
CI Global Bond Fund  
CI Global Bond Corporate Class  
CI Mortgage Fund  
Signature Corporate Bond Fund  
Signature Corporate Bond Corporate Class  
Signature Dividend Fund  
Signature Dividend Corporate Class  
Signature High Income Fund  
Signature High Income Corporate Class

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Portfolio Series Income Fund  
Portfolio Series Conservative Fund  
Portfolio Series Balanced Fund  
Portfolio Series Conservative Balanced Fund  
Portfolio Series Balanced Growth Fund  
Portfolio Series Growth Fund  
Portfolio Series Maximum Growth Fund  
Select 100i Managed Portfolio Corporate Class  
Select 80i20e Managed Portfolio Corporate Class  
Select 70i30e Managed Portfolio Corporate Class  
Select 60i40e Managed Portfolio Corporate Class  
Select 50i50e Managed Portfolio Corporate Class  
Select 40i60e Managed Portfolio Corporate Class  
Select 30i70e Managed Portfolio Corporate Class  
Select 20i80e Managed Portfolio Corporate Class  
Select 100e Managed Portfolio Corporate Class  
Select Income Managed Fund  
Select Canadian Equity Managed Fund  
Select U.S. Equity Managed Fund  
Select International Equity Managed Fund  
Select Income Managed Corporate Class  
Select Canadian Equity Managed Corporate Class  
Select U.S. Equity Managed Corporate Class  
Select International Equity Managed Corporate Class  
Select Staging Fund  
Knight Bain Pure Canadian Equity Fund  
Knight Bain Small Cap Fund  
Knight Bain Diversified Monthly Income Fund  
Knight Bain Corporate Bond Fund  
Knight Bain Canadian Bond Fund  
Cash Management Pool  
Short Term Income Pool  
Canadian Fixed Income Pool  
Global Fixed Income Pool  
Enhanced Income Pool  
Canadian Equity Small Cap Pool  
Canadian Equity Value Pool  
Canadian Equity Growth Pool  
Canadian Equity Diversified Pool  
US Equity Value Pool  
US Equity Growth Pool  
US Equity Diversified Pool  
US Equity Small Cap Pool

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International Equity Value Pool  
International Equity Growth Pool  
International Equity Diversified Pool  
Emerging Markets Equity Pool  
Real Estate Investment Pool  
Artisan Canadian T-Bill Portfolio  
Artisan Most Conservative Portfolio  
Artisan Conservative Portfolio  
Artisan Moderate Portfolio  
Artisan Growth Portfolio  
Artisan High Growth Portfolio  
Artisan Maximum Growth Portfolio  
Artisan New Economy Portfolio  
Institutional Managed Income Pool  
Institutional Managed Canadian Equity Pool  
Institutional Managed US Equity Pool  
Institutional Managed International Equity Pool  
Lakeview Disciplined Leadership Canadian Equity Fund  
Lakeview Disciplined Leadership U.S. Equity Fund  
Lakeview Disciplined Leadership High Income Fund