

IN THE MATTER OF THE SECURITIES LEGISLATION OF  
BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN, MANITOBA,  
ONTARIO, NOVA SCOTIA, NEW BRUNSWICK,  
PRINCE EDWARD ISLAND, NEWFOUNDLAND, YUKON,  
NORTHWEST TERRITORIES AND NUNAVUT

AND

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

AND

IN THE MATTER OF  
MORNEAU D.C. SERVICES INC.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Nova Scotia, New Brunswick, Prince Edward Island, Newfoundland, Yukon, Northwest Territories and Nunavut (the "Jurisdictions") has received an application from Morneau D.C. Services Inc. ("MDCS") for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") that:

(a) certain trades in units ("Units") of open-end unit trusts (the "Funds") to be established by the Applicant are not subject to the registration and prospectus requirements of the Legislation of Manitoba, Ontario, New Brunswick, Newfoundland, Prince Edward Island and Yukon Territory (the "Prospectus Jurisdictions"); and

(b) trades in Units are not subject to the requirements of the Legislation of the Jurisdictions other than Manitoba relating to the filing of forms and the payment of fees within 10 days of each trade;

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

AND WHEREAS it has been represented by MDCS to the Decision Makers that:

1. MDCS is incorporated under the laws of Ontario, has its head office in Ontario, and is registered in Ontario as mutual fund dealer, limited market dealer, investment counsel and portfolio manager;

2. Units in each of the Funds will be non-transferable except with the consent of MDCS but will be redeemable at their net asset value in accordance with the procedures to be set out in the trust agreement of the particular Fund;

3. Units of the Funds may be offered on a continuous basis to taxable and non-taxable investors, including, but not limited to, high net-worth individuals, pension plans, religious orders, charitable organizations, endowments and insurance companies;

4. Units of the Funds will be sold to purchasers resident in Ontario by MDCS or by other dealers registered in Ontario;

5. Units of the Funds will be sold to purchasers resident in Newfoundland by dealers registered in Newfoundland;

6. Units of the Funds will be sold to purchasers resident in the Jurisdictions other than Ontario and Newfoundland by MDCS;

7. the minimum initial investment (the "Initial Minimum Investment") in any of the Funds by an investor in the Jurisdictions will be not less than the minimum aggregate purchase amount prescribed by the applicable Legislation (the "Prescribed Amount") and will be made in reliance upon the prospectus exemption in each of the Jurisdictions and upon the dealer registration exemption in each of the Jurisdictions other than Ontario and Newfoundland (the "Private Placement Exemption");

8. following the Initial Minimum Investment, it is proposed that unitholders of the Funds who were sold Units in reliance upon the Private Placement Exemption be permitted to subscribe for additional units (the "Subscribed Units"), 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 at least the Prescribed Amount; and

9. each Fund proposes to distribute additional Units ("Reinvested Units") by way of automatic reinvestment of distributions to unitholders of such Fund, unless otherwise requested by a unitholder;

AND WHEREAS pursuant to 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 registration and prospectus requirements contained in the Legislation of the Prospectus Jurisdictions shall not apply to

(i) the issuance of Subscribed Units of a Fund to a unitholder of that Fund provided that

(1) the initial investment in Units of that Fund was pursuant to the Private Placement Exemption,

(2) at the time of the issuance of such Subscribed Units, the unitholder 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,

(3) at the time of the issuance of such Subscribed Units, the Applicant is registered under the Legislation of Ontario as mutual fund dealer and limited market dealer and such registration is in good standing, and

(4) 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 Subscribed Units of pooled funds; and

(ii) an issuance of Reinvested Units of a Fund to a unitholder of that Fund provided that

(1) no sales commission or other charge in respect of such issuance of Reinvested Units is payable, and

(2) the unitholder 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) the 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; and

(b) the requirements contained in the Legislation of the Jurisdictions other than Manitoba to file a report of a distribution of Units under the Private Placement Exemption or of Subscribed Units within 10 days of such trade shall not apply to such trade, provided that within 30 days after each financial year end of each Fund, such Fund:

(i) files with the applicable Decision Maker a report in respect of all trades in Units of that Fund 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 Toronto, Ontario, this 1<sup>st</sup> day of December, 2000.

"J.A. Geller" "R.S. Paddon"

#### Headnote

Mutual Reliance Review System for Exemptive Relief Applications - trades by pooled funds of additional units to existing unitholders holding units having an aggregate acquisition cost or net asset value of not less than the minimum amount prescribed by legislation under "private placement" exemption exempted from registration and prospectus requirement - trades by pooled funds of units to existing unitholders pursuant to automatic reinvestment of distributions by pooled funds exempted from registration and prospectus requirement - trades in units of pooled funds not subject to requirement to file reports of trade within 10 days of trades provided prescribed reports filed and fees paid within 30 days of financial year end of pooled funds.

#### Statutes Cited

Securities Act, R.S.O. 1990, c.S.5, as am., ss. 25, 53, 72(3), 74(1), 147

#### Rules Cited

Ontario Securities Commission Rule 45-501 - *Exempt Distributions* (1998) 21 OSCB 6548

Ontario Securities Commission Rule 81-501 - *Mutual Fund Reinvestment Plans* (1998) 21 OSCB 2713