

October 19, 2018

In the Matter of
The Securities Legislation of
Saskatchewan and Ontario (the **Jurisdictions**)

and

In the Matter of
The Process for Exemptive Relief Applications in Multiple Jurisdictions

and

In the Matter of
Greystone Managed Investments Inc. (the **Filer**)

and

In the Matter of
Greystone Bond Plus Fund and Greystone Short Bond Plus Fund

Decision

Background

The securities regulatory authority or regulator in each of the Jurisdictions (the **Decision Maker**) has received an application from the Filer, on behalf of each of the Filer, the Filer's affiliates, Greystone Bond Plus Fund and Greystone Short Bond Plus Fund (together, the **Top Funds**) in connection with a Top Fund investing its assets in:

1. one or more of Greystone High Yield Fund and any other existing or future investment fund that is not, or will not be, a reporting issuer and that is, or will be, managed by the Filer or its affiliates (the **Future Underlying Funds** and, together with the Greystone High Yield Fund the **Underlying Funds**), for a decision under the securities legislation of the Jurisdictions (the **Legislation**):
 - (a) exempting the Top Funds from the restrictions in the Legislation which prohibit:
 - (i) an investment fund from knowingly making an investment in a person or company in which the investment fund, alone or together with one or more related investment funds, is a substantial security holder; and
 - (ii) an investment fund from knowingly making an investment in an issuer in which:

- (1) any officer or director of the investment fund, its management company or distribution company or an associate of any of them, or
- (2) any person or company who is a substantial security holder of the investment fund, its management company or its distribution company,

has a significant interest; and

- (iii) an investment fund, its management company or its distribution company from knowingly holding an investment described in paragraph (i) or (ii) above (the restrictions described above are, collectively, the **Related Issuer Restrictions**);

(the **Related Issuer Relief**); and

- (b) exempting the Filer and its affiliates, with respect to each of the Top Funds that invests in an Underlying Fund, from the restriction in clause 13.5(2)(a) of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (**NI 31-103**), which prohibits a registered adviser from knowingly causing an investment portfolio managed by it, including an investment fund for which it acts as adviser, to invest in securities of any issuer in which a responsible person or an associate of a responsible person is a partner, officer or director, unless the fact is disclosed to the client and the written consent of the client to the investment is obtained before the purchase (such restriction, the **Consent Requirement Restriction**)

(the **Consent Requirement Relief**); and/or

2. the Greystone Mortgage Fund, for a decision under the Legislation:

- (a) exempting the Top Funds from the Related Issuer Restrictions (the **Mortgage Fund Related Issuer Relief**); and
- (b) exempting the Filer and its affiliates, with respect to each of the Top Funds that invests in the Mortgage Fund, from the Consent Requirement Restriction (the **Mortgage Fund Consent Requirement Relief**).

The Related Issuer Relief, the Consent Requirement Relief, the Mortgage Fund Related Issuer Relief and the Mortgage Fund Consent Requirement Relief are herein referred to collectively as the **Requested Relief**.

Under National Policy 11-203 *Process for Exemptive Relief Applications in Multiple Jurisdictions* (for a dual application):

- (a) the Financial and Consumer Affairs Authority of Saskatchewan is the principal regulator for this application;

- (b) the Filer has provided notice that section 4.7(1) of Multilateral Instrument 11-102 *Passport System (MI 11-102)* is intended to be relied upon:
 - (i) in respect of the Related Issuer Relief and the Non-Investment Fund Related Issuer Relief, in Alberta; and
 - (ii) in respect of the Consent Requirement Relief and the Non-Investment Fund Consent Requirement Relief, in British Columbia, Alberta, Manitoba, Québec, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland and Labrador; and
- (c) the decision is the decision of the principal regulator and evidences the decision of the securities regulatory authority or regulator in Ontario.

Interpretation

Terms defined in National Instrument 14-101 *Definitions* and MI 11-102 have the same meaning if used in this decision, unless otherwise defined.

Representations

This decision is based on the following facts represented by the Filer:

The Filer

1. The Filer is a corporation amalgamated under the laws of Canada with its head office located in Regina, Saskatchewan.
2. The Filer is registered in Saskatchewan as an investment fund manager (**IFM**), portfolio manager (**PM**) and exempt market dealer. The Filer is also registered as:
 - (a) an IFM in Newfoundland and Labrador, Ontario and Québec;
 - (b) a PM in each of the provinces in Canada; and
 - (c) an exempt market dealer in each of the provinces in Canada.
3. The Filer is the IFM of the Top Funds, Greystone High Yield Fund and the Mortgage Fund and the Filer or an affiliate of the Filer will be the IFM of the Future Underlying Funds. To the extent that the Filer or an affiliate of the Filer is the IFM of any Future Underlying Fund, the representations set out in this decision will apply to the same extent to such Future Underlying Fund.
4. The Filer or an affiliate of the Filer is, or will be, the PM for the Top Funds, the Underlying Funds, and the Mortgage Fund. The Filer or an affiliate of the Filer may also act as a distributor of the securities of the Top Funds, the Underlying Funds and the Mortgage Fund not otherwise sold through another registered dealer. The Filer or its affiliates are, or will be, “responsible persons” of the Top Funds, the Underlying Funds and the Mortgage Fund, as that term is defined in NI 31-103.

5. The Filer offers investment funds and other investment products to accredited investors, such as pension funds, large corporations and other institutional investors that are not individuals. The minimum investment in a fund managed by the Filer is \$5 million, unless waived by the Filer. Each investor is responsible for making its own investment decisions regarding its purchases and/or redemptions of securities in the investment funds and products offered by the Filer.
6. The Filer is not, or will not be, a reporting issuer in any jurisdiction of Canada and is not in default of the securities legislation of any jurisdiction of Canada.
7. An officer and/or director of the Filer or an affiliate of the Filer may have a significant interest in an Underlying Fund or the Mortgage Fund from time to time. A person or company who is a substantial security holder of a Top Fund, the Filer, or an affiliate of the Filer may also have a significant interest in an Underlying Fund or the Mortgage Fund from time to time.

The Top Funds

8. Greystone Bond Plus Fund is an investment trust established by the Filer on May 30, 2014 and governed by the laws of Ontario.
9. The investment objective of Greystone Bond Plus Fund is to seek superior long-term total returns (current income and capital appreciation) by investing in Canadian fixed-income securities, commercial mortgages and high-yield debt. To achieve its investment objective, Greystone Bond Plus Fund may invest in one or more of Greystone High Yield Fund, the Mortgage Fund and/or Future Underlying Funds, which investment or investments will be consistent with Greystone Bond Plus Fund's investment objectives and strategies.
10. Greystone Short Bond Plus Fund is an investment trust established by the Filer on April 1, 2015 and governed by the laws of Ontario.
11. The investment objective of Greystone Short Bond Plus Fund is to seek superior long-term returns (current income and capital appreciation) by investing in Canadian fixed-income securities and commercial mortgages. To achieve its investment objective, Greystone Short Bond Plus Fund may invest in one or more of the Mortgage Fund and/or Future Underlying Funds, which investment or investments will be consistent with Greystone Short Bond Plus Fund's investment objectives and strategies.
12. Neither of the Top Funds is in default of the securities legislation of any jurisdiction of Canada.
13. The securities of each of the Top Funds are sold solely to accredited investors that are not individuals pursuant to exemptions from the prospectus requirements in accordance with National Instrument 45-106 *Prospectus Exemptions* (NI 45-106). Each such investor is, or will be, responsible for making its own investment decisions regarding its purchases and/or redemptions of securities of a Top Fund.

14. Each of the Top Funds is a “mutual fund” as defined in securities legislation of the jurisdictions in which the Top Funds are distributed.
15. To achieve its investment objective, a Top Fund may invest in one or more of the Underlying Funds and/or the Mortgage Fund from time to time, which investment or investments will be consistent with the Top Fund’s investment objectives and strategies.
16. Neither of the Top Funds is a reporting issuer in any jurisdiction of Canada.

The Underlying Funds

17. Greystone High Yield Fund is an investment trust currently established under the laws of Saskatchewan.
18. The investment objective of Greystone High Yield Fund is to seek superior long term total returns by investing primarily in high yield, collateralized debt obligation and collateralized loan obligation fixed income securities.
19. Greystone High Yield Fund is not in default of the securities legislation of any jurisdiction of Canada.
20. Each of the Underlying Funds is, or will be, a “mutual fund” as defined in securities legislation of the jurisdictions in which the Top Funds and the Underlying Funds are distributed.
21. Each Underlying Fund is, or will be, structured as a limited partnership, a trust or a corporation governed by the laws of a jurisdiction of Canada.
22. Each of the Underlying Funds has, or will have, separate investment objectives and investment strategies.
23. In addition to the Top Funds, securities of each Underlying Fund are, or will be, sold solely to accredited investors that are not individuals pursuant to exemptions from the prospectus requirements in accordance with NI 45-106. Each such investor is, or will be, responsible for making its own investment decisions regarding its purchases and/or redemptions of securities of an Underlying Fund.
24. None of the Underlying Funds is, or will be, a reporting issuer in any jurisdiction of Canada.

Mortgage Fund

25. The Mortgage Fund is an investment trust established under the laws of Ontario.
26. The investment objective of the Mortgage Fund is to provide a vehicle to invest in Canadian commercial real estate mortgages and to achieve superior long-term total returns while maintaining long-term stability of capital. Under its investment strategy, the Mortgage Fund invests in a diversified portfolio of Canadian commercial real estate mortgages and other permissible investments, including first and subsequent priority

mortgages, equity investments in Canadian real estate in very limited circumstances, closed or open ended pooled mortgage funds, and securities or bonds where the asset underlying the securities or bonds is a mortgage or other debt security secured by a real property mortgage or charge.

27. The Mortgage Fund is a “mutual fund” as defined in securities legislation of the jurisdictions in which the Top Funds and the Mortgage Fund are distributed. The Mortgage Fund is administered by the Filer, as manager, its assets are managed by a PM and the trustee of the Mortgage Fund calculates a net asset value (**NAV**) that is used for purposes of determining the purchase and redemption price of the units of the Mortgage Fund.
28. The Mortgage Fund is not in default of the securities legislation of any jurisdiction of Canada.
29. In addition to the Top Funds, units of the Mortgage Fund are sold solely to accredited investors that are not individuals pursuant to exemptions from the prospectus requirements in accordance with NI 45-106. Each such investor is responsible for making its own investment decisions regarding its purchases and/or redemptions of units of the Mortgage Fund.
30. The Mortgage Fund is not a reporting issuer in any jurisdiction of Canada.

Fund-on-Underlying Fund Structure

31. An investment by a Top Fund in an Underlying Fund is, or will be, compatible with the investment objectives of the Top Fund and allows, or will allow, the Top Fund to obtain exposure to securities in which the Top Fund may otherwise invest directly (the **Fund-on-Underlying Fund Structure**). The Filer believes that the Fund-on-Underlying Fund Structure provides the Top Funds with an efficient and cost-effective manner of pursuing portfolio diversification instead of purchasing securities directly. The Fund-on-Underlying Fund Structure also provides the Top Funds with access to the investment expertise of the portfolio adviser of the applicable Underlying Funds.
32. Investments by a Top Fund in an Underlying Fund are, or will be, effected at an objective price. According to the Filer’s policies and procedures, an objective price, for this purpose, is the NAV of the Underlying Fund. Each Underlying Fund holds, or will hold, primarily liquid assets. To the extent that such Underlying Fund holds any assets that are “illiquid assets”, as that term is defined in National Instrument 81-102 *Investment Funds* (NI 81-102), such illiquid assets comprise, or will comprise, no more than 10% of the Underlying Fund’s NAV.
33. Each Top Fund is valued and redeemable daily and each Underlying Fund is, or will be, valued and redeemable daily.

Fund-on-Mortgage Fund Structure

34. An investment by a Top Fund in the Mortgage Fund is, or will be, compatible with the investment objectives of the Top Fund and allows, or will allow, the Top Fund to obtain

exposure to an asset class in which the Top Fund may invest (the **Fund-on-Mortgage Fund Structure**). The Filer believes that the Fund-on-Mortgage Fund Structure provides the Top Funds with an efficient and cost-effective manner of pursuing portfolio diversification. The Fund-on-Mortgage Fund Structure also provides the Top Funds with access to the investment expertise of the portfolio adviser of the Mortgage Fund.

35. The Mortgage Fund is priced daily and valued and redeemable monthly.
36. Investments by a Top Fund in the Mortgage Fund are, or will be, effected at an objective price. According to the Filer's policies and procedures, an objective price, for this purpose, is the NAV of the Mortgage Fund. The investments of the Mortgage Fund, which consist primarily of commercial mortgages, are primarily illiquid, and the Mortgage Fund's assets have limited liquidity.
37. The value of the portfolio assets of the Mortgage Fund is independently determined by a party that is arm's length to the Filer or an affiliate of the Filer, the Mortgage Fund, the Real Estate Fund, the Infrastructure Fund and all other investment funds or vehicles managed by the Filer (**MF Independent Valuator**) on at least a monthly basis. The Mortgage Fund's auditor will not act as an MF Independent Valuator. The Mortgage Fund's NAV is based on the valuation of the portfolio assets determined by the MF Independent Valuator. The valuation process is audited annually by an independent accounting firm.
38. In order to meet liquidity needs, the Mortgage Fund may hold cash or short term investments, such as notes, investment certificates, term deposits, treasury bills or similar investments, including the Greystone Money Market Fund. A Top Fund will not invest in the Mortgage Fund unless the PM of the Top Fund believes that the liquidity of the Top Fund's portfolio is adequately managed through other strategies. As part of such strategies, a Top Fund will not invest more than 10% of its NAV, at the time of purchase, in units of the Mortgage Fund and it will not invest in units of the Mortgage Fund that represent, at the time of purchase, more than 10% of the units of the Mortgage Fund.
39. In addition, a Top Fund will not invest in the Mortgage Fund unless, at the time of purchase, at least 20% of the units of the Mortgage Fund are held by unitholders that are not affiliated or associated with the Filer.
40. Neither of the Top Funds actively participates, or will actively participate, in the business or operations of the Mortgage Fund.

Generally

41. The amount invested from time to time in an Underlying Fund or the Mortgage Fund by a Top Fund, either alone, in the case of the Underlying Funds, or together with one or more other Top Funds, may exceed 20% of the outstanding voting securities of the Underlying Fund or the Mortgage Fund, as the case may be. As a result, each Top Fund could, either alone, in the case of the Underlying Funds, or together with one or more other Top Funds, become a substantial security holder of an Underlying Fund or the Mortgage Fund as the

case may be. The Top Funds, are, or will be, related mutual funds by virtue of common management by the Filer or an affiliate of the Filer.

42. In addition, the Fund-on-Underlying Fund Structure or the Fund-on-Mortgage Fund Structure may result in a Top Fund investing in an Underlying Fund or the Mortgage Fund in which an officer or director of the Filer or of an affiliate of the Filer has a significant interest and/or a Top Fund investing in an Underlying Fund or the Mortgage Fund in which a person or company who is a substantial security holder of the Top Fund, the Filer or an affiliate of the Filer has a significant interest.
43. Since the Top Funds do not offer their securities under a simplified prospectus, they are not subject to NI 81-102 and therefore the Top Funds are unable to rely upon the exemption codified under subsection 2.5(7) of NI 81-102.
44. In the absence of the Related Issuer Relief and the Mortgage Fund Relief Issuer Relief each Top Fund would be precluded from purchasing and holding securities of an Underlying Fund or the Mortgage Fund due to the investment restrictions contained in the Legislation.
45. The Fund-on-Underlying Fund Structure or the Fund-on-Mortgage Fund Structure may also result in a Top Fund investing in an Underlying Fund or the Mortgage Fund in which a responsible person or an associate of a responsible person is a partner, officer or director, or performs a similar function or occupies a similar position.
46. In the absence of the Consent Requirement Relief and the Mortgage Fund Consent Requirement Relief, the Filer or its affiliates would be precluded from causing each Top Fund to invest in an Underlying Fund or the Mortgage Fund in these circumstances unless the consent of each investor in the Top Fund is obtained.
47. A Top Fund's investment in an Underlying Fund or the Mortgage Fund represents the business judgment of a responsible person uninfluenced by considerations other than the best interests of the investment funds concerned.

Decision

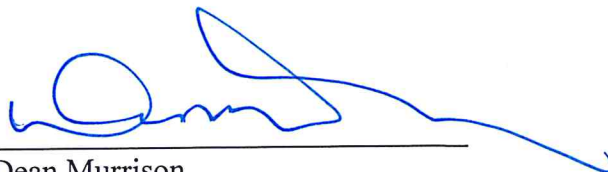
Each of the Decision Makers is satisfied that the decision meets the test set out in the Legislation for the Decision Maker to make the decision.

The decision of the Decision Makers under the Legislation is that the Requested Relief is granted provided that:

- (a) securities of the Top Funds, the Underlying Funds and the Mortgage Fund are distributed in Canada solely to accredited investors that are not individuals pursuant to exemptions from the prospectus requirements in NI 45-106 and each investor is responsible for making its own investment decisions regarding its purchases and/or redemptions of securities of such investment products;

- (b) the investment by a Top Fund in an Underlying Fund and/or the Mortgage Fund, as the case may be, is compatible with the fundamental investment objectives of the Top Fund;
- (c) at the time of the purchase by a Top Fund of securities of an Underlying Fund and/or the Mortgage Fund, as the case may be, either the Underlying Fund or the Mortgage Fund, as applicable, holds no more than 10% of its NAV in securities of other investment funds unless the Underlying Fund or the Mortgage Fund, as the case may be:
 - (i) has adopted a fundamental investment objective to track the performance of another investment fund or similar investment product;
 - (ii) purchases or holds securities of investment funds that are “money market funds” (as such term is defined in NI 81-102); or
 - (iii) purchases or holds securities that are “index participation units” (as such term is defined in NI 81-102) issued by an investment fund;
- (d) no management fees or incentive fees are payable by a Top Fund that, to a reasonable person, would duplicate a fee payable by an Underlying Fund or the Mortgage Fund, as applicable, for the same service;
- (e) no sales fees or redemption fees are payable by a Top Fund in relation to its purchases or redemptions of securities of an Underlying Fund or the Mortgage Fund;
- (f) the securities of an Underlying Fund or the Mortgage Fund held by a Top Fund will not be voted at any meeting of the security holders of the Underlying Fund or the Mortgage Fund, as applicable, except that the Top Fund may arrange for the securities of the Underlying Fund or the Mortgage Fund it holds to be voted by the beneficial holders of securities of the Top Fund;
- (g) the statement of investment policies and procedures or other similar document provided to each investor in a Top Fund will disclose:
 - (i) that the Top Fund may purchase securities of one or more Underlying Funds and/or the Mortgage Fund, as applicable;
 - (ii) the fact that the Filer or an affiliate of the Filer is the IFM, if applicable, and the PM of the Top Fund, the Underlying Funds and the Mortgage Fund, as applicable;
 - (iii) the approximate or maximum percentage of the Top Fund’s net assets that is intended to be invested in securities of the Underlying Funds and/or the Mortgage Fund, as the case may be;

- (iv) each officer, director or substantial securityholder of the Filer, an affiliate of the Filer or of the Top Fund that also has a significant interest in an Underlying Fund and/or the Mortgage Fund as applicable, the approximate amount of the significant interest they hold, on an aggregate basis, expressed as a percentage of the applicable fund's NAV, and the potential conflicts of interest which may arise from such relationships;
- (v) the fees and expenses payable by the Underlying Fund(s) and/or the Mortgage Fund, as the case may be, that the Top Fund may invest in, including any incentive fee;
- (vi) that securityholders of the Top Fund are entitled to receive from the Filer or an affiliate of the Filer, on request and free of charge a copy of the offering memorandum or other disclosure document, if any, and the annual and interim financial statements of any Underlying Fund or the Mortgage Fund as applicable, in which the Top Fund invests; and
- (vii) the process or criteria used to select the Underlying Funds and/or the Mortgage Fund, as applicable;
- (h) Greystone Bond Plus Fund will not invest more than 30% of its NAV, at the time of purchase, in units of the Mortgage Fund, and Greystone Bond Plus Fund will not invest in units of the Mortgage Fund that represent, at the time of purchase, more than 10% of the units of the Mortgage Fund;
- (i) Greystone Short Bond Plus Fund will not invest more than 50% of its NAV, at the time of purchase, in units of the Mortgage Fund, and Greystone Short Bond Plus Fund will not invest in units of the Mortgage Fund that represent, at the time of purchase, more than 10% of the units of the Mortgage Fund;
- (j) no Top Fund will invest in the Mortgage Fund unless, at the time of purchase, at least 20% of the units of the Mortgage Fund are held by unitholders that are not affiliated or associated with the Filer; and
- (k) if a Top Fund invests in units of the Mortgage Fund, it will invest in the Mortgage Fund at the NAV of the Mortgage Fund based on the valuation of the applicable portfolio assets by the MF Independent Valuator.



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