

Date: January 29<sup>th</sup>, 2014

**IN THE MATTER OF THE SECURITIES LEGISLATION OF NOVA SCOTIA**  
(the **Jurisdiction**)

**AND IN THE MATTER OF THE PROCESS FOR EXEMPTIVE RELIEF APPLICATIONS IN  
MULTIPLE JURISDICTIONS**

**AND IN THE MATTER OF CAMBRIDGE ASSET MANAGEMENT INC.**  
(the **Fund Manager**)

**AND IN THE MATTER OF LAWRENCE ENTERPRISE FUND INC.**  
(the **Fund**)

**Decision**

**Background**

The principal regulator in the Jurisdiction has received an application (the **Application**) from the Fund Manager on behalf of the Fund for an approval under Section 5.5(1)(d) of National Instrument 81-102 – *Mutual Funds (NI 81-102)* for the Fund to continue to suspend the rights of securityholders of Class A Shares to request redemption of their securities (the **Requested Approval**).

Under the process for Exemptive Relief Applications in Multiple Jurisdictions (for a passport application) the Fund and Fund Manager have selected the Nova Scotia Securities Commission (the **NSSC**) to be the principal regulator (the **Principal Regulator**) for this application because no relief is required from the Ontario Securities Commission, and based on the fact that outside of Ontario, Nova Scotia is the jurisdiction in which the greatest number of shareholders of the Fund reside.

**Interpretation**

Defined terms contained in National Instrument 14-101 – *Definitions* and Multilateral Instrument 11-102 – *Passport System* have the same meaning in this decision, unless otherwise defined.

## Representations

This decision is based on the following facts represented by the Fund Manager:

1. The Fund is a corporation formed under the Canadian Business Corporations Act by articles of incorporation dated October 31, 2001, registered as a labour sponsored investment fund corporation under Part III of the Community Small Business Investment Funds Act (Ontario) (the Ontario Act) and is a prescribed labour sponsored venture capital corporation under the Income Tax Act (Canada) (the Federal Act) and the Equity Tax Credit Act (Nova Scotia).
2. The share capital of the Fund consists of Class A shares (the **Class A Shares**), owned by the public (the **Shareholders**), and Class B shares (the **Class B Shares**), which are owned by the Canadian Air Traffic Control Association, CAW Local 5454.
3. The Class A Shares were offered for sale to individuals ordinarily resident in Ontario and Nova Scotia, to qualifying trusts governed by RRSPs and to such other eligible investors as may be permitted by the Ontario Act pursuant to prospectuses dated January 8, 2007, December 29, 2005, December 20, 2004, December 15, 2003, December 5, 2002 and December 14, 2001. Accordingly, the Fund is a reporting issuer in Ontario and in Nova Scotia. The Fund is not currently offering securities to the public.
4. Neither the Class A Shares nor the Class B Shares are listed on an exchange.
5. The head office of the Fund is located at 92 Foxtail Crescent, Georgetown, Ontario, L7G 0G2.
6. The Fund Manager, a corporation incorporated under the laws of Ontario, is registered as a dealer in the category of exempt market dealer, as an adviser in the category of portfolio manager and as an investment fund manager with the OSC. At the time of this application, the Fund Manager is not in default of the securities legislation in any of the jurisdictions of Canada.
7. The head office of the Fund Manager is located at 92 Foxtail Crescent, Georgetown, Ontario, L7G 0G2.
8. The fundamental investment objective of the Fund is to increase the net asset value (the **NAV**) of the Class A Shares through a strategy of selectively investing in eligible businesses in order to achieve a balance of long-term capital appreciation and current yield.
9. The Fund's strategies for meeting its investment objectives have been to invest the net proceeds raised from the Class A Shares in earlier stage companies as well as companies which are more fully developed and require capital to expand operations. The Fund must invest a certain portion of its capital raised in eligible businesses, in accordance with the requirements in the Federal Act and the Ontario Act. In general terms, eligible businesses are companies, including private companies, with fewer than 500 employees and less than \$50 million of total assets.

10. The strategy for meeting the Fund's investment objectives is currently being implemented by seeking to maximize the profitability of the existing portfolio companies and assisting them towards successful exits.
11. As at January 16, 2014, the Fund had a NAV of approximately \$4,664,775.
12. The Fund currently holds investments in four private companies which comprise approximately 89% of the Fund's assets. Those investments now have an average age of seven years.
13. A majority of the Fund's portfolio companies are issuers which are not reporting issuers and in respect of which no secondary market exists for trading of the issuer's securities or are thinly traded reporting issuers. As at January 16, 2014, approximately 89% of the Fund's NAV is attributable to securities of private issuers, approximately 3% is attributable to securities of reporting issuers and approximately 8% consisted of cash or short term debt instruments.
14. Purchasers of Class A Shares resident in Ontario at the end of a tax year were historically generally eligible for an Ontario tax credit (the Ontario Credit), which was phased-out by the Ontario Government at the end of the 2011 tax year.
15. The Class A Shares of the Fund are only redeemable by Shareholders in the first eight years from issuance in very specific circumstances as set out in the Federal Act and the Ontario Act, without the Shareholder paying an amount generally equal to the amount of the Ontario Credit and/or the federal tax credit (the **Tax Recapture Event**), as applicable, creating an effective inability to redeem during that period.
16. The Series I and Series II Class A Shares of the Fund first became redeemable without a Tax Recapture Event in 2009, eight years after the Fund's launch.
17. Cambridge estimates that the Fund currently has, as at January 16, 2014, \$4,338,241 of Class A Shares eligible for redemption without a Tax Recapture Event with the remaining \$326,534 being eligible by December 31, 2015.
18. On January 31, 2013, the Fund received an order from the NSSC, as the principal regulator, to suspend redemptions of Class A Shares of the Fund until July 31, 2013 (the **January Order**).
19. By virtue of the January Order, the Fund was permitted to cease redemptions of Class A Shares, provided that redemptions also ceased in Ontario, until July 31, 2013.
20. On July 31, 2013, the Fund received a subsequent order from the NSSC, as the principal regulator, to suspend redemptions of Class A Shares of the Fund until January 31, 2014 (the **July Order**).
21. By virtue of the July Order, the Fund was permitted to cease redemptions of Class A Shares, provided that redemptions also ceased in Ontario, until January 31, 2014.
22. In order to avoid redemptions pressuring the Fund to liquidate its investments in a manner that could cause a significant reduction in the value of the portfolio investments to the Fund and the NAV of the Class A Shares, the Fund's board of

directors (the **Board**) has determined it is in the best interest of all Shareholders to continue to halt redemptions after January 31, 2014. The Board and the Fund Manager believe that this measure will continue to prevent any short and mid-term liquidity challenges and ensure that proceeds generated from those exits are returned to all Shareholders.

23. The Fund redeemed Class A Shares having an aggregate value of approximately \$4,169,219 from December 1, 2011 to December 1, 2012, representing 43% of the NAV of the Fund as at December 1, 2011.
24. The Fund is not in default of the securities legislation in any of the jurisdictions in Canada.
25. The Fund Manager will continue to diligently monitor and review both the progress of the Fund's investee companies and overall market conditions with a view to achieving an orderly liquidation of the Fund's portfolio at prices it considers fair and reasonable.
26. The Fund will make periodic distributions pro rata to all Shareholders as funds become available on sale of the Fund's investments, such distributions, to the extent funds are available, to be made at least annually.
27. The Fund will continue to cease redemptions in Ontario on the same basis that it ceases redemptions in Nova Scotia.
28. Under legislation in effect in Ontario, regulatory approval is not required in order to cease redemptions in Ontario.
29. Approximately 97% of the Fund's Class A Shares are held by Ontario residents while approximately 1% are held by residents of Nova Scotia. The Class A Shares were originally sold only to residents of Ontario and Nova Scotia.
30. The Fund Manager wants to treat redemption requests from all investors in Ontario and Nova Scotia in the same manner.
31. The Independent Review Committee of the Fund is of the view that the Board's recommendation achieves a fair and reasonable result for all of the Shareholders.

## **Decision**

The principal regulator is satisfied that the decision meets the test set out in the Legislation for the principal regulator to make the decision.

The decision of the principal regulator under the Legislation is that the Requested Approval is granted, provided that:

- (i) the Fund Manager suspends the receipt and accrual of all fees related to the services it provides to the Fund for the duration of the Requested Approval;
- (ii) redemptions have also ceased in Ontario;

- (iii) the Fund or the Fund Manager promptly issues both a news release and a material change report in regard to the continued suspension of share redemptions; and
- (iv) the Fund will continue to comply with the continuous disclosure obligations under National Instrument 81-106 - Investment Fund Continuous Disclosure during the period in which share redemptions are suspended.

This decision terminates on the earlier of July 31, 2014 and the date when the Fund resumes redemption of its securities in Ontario and Nova Scotia.

A handwritten signature in black ink, consisting of a stylized 'K' followed by a long horizontal stroke that curves slightly upwards at the end.

Kevin G. Redden, CFA, CMA  
Director, Corporate Finance

SEDAR Project #2156145