

Date: July 29th, 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 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.
6. The head office of the Fund and the Fund Manager is located at 92 Foxtail Crescent, Georgetown, Ontario, L7G 0G2.
7. 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.
8. 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.

9. 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.
10. 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.
11. The Fund Manager estimates that the Fund currently has, as at July 18, 2014, \$3,006,180 of Class A Shares eligible for redemption without a Tax Recapture Event with the remaining \$109,032 being eligible by December 31, 2015.
12. 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.
13. 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.
14. Throughout the life of the Fund, a majority of the Fund's portfolio companies have been 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.
15. The strategy for meeting the Fund's investment objectives has been implemented by seeking to maximize the profitability of the existing portfolio companies and assisting them towards successful exits.
16. In early 2013, the Fund's board of directors (the **Board**) determined it to be in the best interest of all Shareholders to halt redemptions 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 Board and the Fund Manager believed this measure to be necessary to prevent any short and mid-term liquidity challenges and ensure that proceeds generated from those exits were returned to all Shareholders.
17. 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 2013 Order**).
18. 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**).
19. On January 31, 2014, 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, 2014 (the **January 2014 Order**, and together with the January 2013 Order and the July 2013 Order, the **Previous Orders**).

20. By virtue of the Previous Orders, the Fund has been permitted to cease redemptions of Class A Shares, provided that redemptions also ceased in Ontario, the period from January 31, 2013 until July 31, 2014 (the **Relief Period**).
21. During the Relief Period the Fund and the Filer have actively sought to resolve the Fund's liquidity challenges by attempting to exit the Fund's positions in private companies.
22. As of the date hereof, the Fund has successfully exited all but one (1) of these private positions (the **Remaining Position**)
23. As at July 18, 2014, the Fund had a NAV of approximately \$3,115,212, of which approximately 76% attributable to the Remaining Position, approximately 3% is attributable to securities of reporting issuers and approximately 21% consisted of cash or short term debt instruments.
24. The Fund Manager has been actively engaging senior management and the board of directors of the private company in which it holds the Remaining Position and has begun a process (the **Sale Process**) which it believes is likely to achieve a timely liquidation of a substantial portion, if not the entirety, of the Remaining Position, at a price it considers fair and reasonable to Shareholders.
25. The Fund is not in default of the securities legislation in any of the jurisdictions in Canada.
26. The Fund will continue to cease redemptions in Ontario on the same basis that it ceases redemptions in Nova Scotia.
27. Under legislation in effect in Ontario, regulatory approval is not required in order to cease redemptions in Ontario.
28. 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.
29. The Fund Manager wants to treat redemption requests from all investors in Ontario and Nova Scotia in the same manner.
30. The Fund's Board of Directors have approved the continued suspension of redemptions and the Sale Process (including the established terms of the sale) and believes that doing so will achieve a fair and reasonable result for the Fund and for the Shareholders.
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) As soon as is practicable (and in any event not more than 10 days) after receipt of all proceeds of the Sale Process, the Fund will issue a press release and resume redemptions;
- (iii) redemptions have also ceased in Ontario;
- (iv) 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
- (v) 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 January 31, 2015 and the date when the Fund resumes redemption of its securities in Ontario and Nova Scotia.



J. William Slattery, CA
Executive Director
Nova Scotia Securities Commission