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November 17, 2006

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - *Securities Act* s. 88 - Cease to be a reporting issuer in BC - The securities of the issuer are beneficially owned by more than 50 persons and are not traded through any exchange or market - The issuer is a mutual fund; the issuer will not be a reporting issuer in any jurisdiction; the issuer distributes its securities only to client accounts that are fully managed by the issuer's manager; the manager controls all trading in the issuer's securities

Applicable British Columbia Provisions

Securities Act, R.S.B.C. 1996, c. 418, s. 88

In the Matter of
the Securities Legislation of
British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New
Brunswick, Nova Scotia And Newfoundland and Labrador
(the "Jurisdictions")

and

In the Matter of
the Mutual Reliance Review System for Exemptive Relief Applications

and

In the Matter of Legg Mason Canada Inc. ("LMC")

and

In the Matter of Legg Mason T-Plus Fund, Legg Mason Canadian Index Plus
Bond Fund, Legg Mason Canadian Active Bond Fund, Legg Mason Accufund,
Legg Mason Diversifund, Legg Mason Canadian Core Equity Fund, Legg Mason
North American Equity Fund, Legg Mason Canadian Small Cap Fund, Legg
Mason Brandywine Fundamental Value U.S. Equity Fund, Legg Mason
Batterymarch U.S. Equity Fund, Legg Mason U.S. Value Fund and Legg Mason
Brandywine International Equity Fund (collectively, the "Funds")

MRRS Decision Document

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Background

The local securities regulatory authority or regulator (the “Decision Maker”) in each of the Jurisdictions has received an application from LMC, the manager of the Funds for an order, pursuant to the securities legislation of each of the Jurisdictions (the “Legislation”) that each of the Funds be deemed to have ceased to be a reporting issuer (the “Application”).

Under the Mutual Reliance Review System for Exemptive Relief Applications

- (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. In Quebec, Funds means Legg Mason Canadian Index Plus Bond Fund, Legg Mason Canadian Active Bond Fund, Legg Mason Accufund, Legg Mason Diversifund, Legg Mason Canadian Core Equity Fund, Legg Mason North American Equity Fund, Legg Mason Canadian Small Cap Fund, Legg Mason Brandywine Fundamental Value U.S. Equity Fund and Legg Mason Batterymarch U.S. Equity Fund.

Representations

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

1. LMC is registered as an adviser in British Columbia, Alberta, Manitoba, Ontario, Quebec, Nova Scotia, New Brunswick and Newfoundland and Labrador, as a commodity futures manager under the Commodity Futures Act (Ontario) and as a dealer in the category of mutual fund dealer in the provinces of Ontario, British Columbia and Manitoba. LMC has been exempted from the requirement to become a member of the Mutual Fund Dealers Association of Canada. The head office of LMC is located in Toronto, Ontario.
2. LMC acts as the manager, trustee, portfolio adviser and registrar for the Funds.
3. The Funds are mutual funds that distribute securities to the public pursuant to a simplified prospectus prepared pursuant to National Instrument 81-101 *Mutual Fund Prospectus Disclosure* (“NI 81-101”) and are also subject to

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National Instrument 81-102 *Mutual Funds* ("NI 81-102") and National Instrument 81-106 *Investment Fund Continuous Disclosure* ("NI 81-106"). The Funds are qualified for distribution in each province of Canada.

4. The Funds currently have outstanding two series of units, an Institutional Series and a Private Investor Series.
5. Institutional Series units of the Funds are sold to LMC's institutional clients and private clients whose portfolios are managed by LMC pursuant to an investment management agreement ("Institutional Series Investors"). Private Investor Series units were sold to individual investors through the broker/dealer network ("Private Investor Series Investors").
6. An exemption from the prospectus requirement is available (either under securities regulation or pursuant to exemptive relief) for all trades of units of the Funds to Institutional Series Investors.
7. LMC terminated the Private Investor Series of the Funds and redeemed all of the units of the Private Investor Series of each of the Funds by September 26, 2006, in accordance with the declaration of trust which governs the Funds. LMC proposes to carry on the Funds with just the Institutional Series and the Institutional Series Investors. A notice to this effect was sent to all Private Investor Series Investors of the Funds on July 26, 2006, advising of the termination of the Private Investor Series and the redemption of all the units of the Private Investor Series. A material change report and press release were filed under SEDAR Project #968974. An amendment to the annual information form and the simplified prospectus regarding the termination of the Private Investor Series of the Funds were filed on August 1, 2006 under SEDAR Project #831243.
8. From August 31, 2006 and onwards, LMC will ensure that all trades of units of the Funds to Institutional Series Investors, whether private clients or institutional clients, are made pursuant to an exemption from the prospectus requirements, either under securities regulation or pursuant to exemptive relief.
9. A simplified prospectus for the Funds was renewed and filed on October 24, 2005.
10. If the Funds had less than 15 security holders in each of the provinces of Canada and less than 51 security holders in total in Canada, the Funds would be able to apply for relief pursuant to CSA Staff Notice 12-307 Ceasing to be a Reporting Issuer under the Mutual Reliance Review System for Exemptive

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Relief Applications (“CSAN 12-307”) and New Brunswick Local Policy 12-603 because:

- No securities of the Funds are traded on a marketplace as defined in National Instrument 21-101 Marketplace Operation.
 - The Funds are not in default of any of their obligations under the Securities Act as reporting issuers.
 - The Funds will not be reporting issuers or the equivalent in any jurisdiction in Canada immediately after such relief is granted.
11. The Legg Mason Canadian Index Plus Bond Fund, Legg Mason Canadian Active Bond Fund, Legg Mason Accufund, Legg Mason Diversifund, Legg Mason Canadian Core Equity Fund, Legg Mason North American Equity Fund and Legg Mason Canadian Small Cap Fund would be able to apply for relief pursuant to CSAN 12-307 and New Brunswick Local Policy 12-603 but for the number of LMC employees that have invested in these funds through the group registered retirement savings plan established for LMC’s employees.
 12. Each of the Funds have less than 15 security holders in each of the provinces of Newfoundland and Nova Scotia.
 13. The only reason that the Funds are not eligible for relief pursuant to CSAN 12-307 is because of the number of security holders of the Funds.
 14. LMC will notify all of the security holders of the Funds that the Application has been made, and will explain to security holders the implications of this order being granted. Security holders will be permitted to redeem their units at any time with no redemption fees.
 15. LMC will prepare an offering memorandum for the Funds.
 16. The financial statements of the Funds will be prepared and delivered to security holders in accordance with the requirements of NI 81-106 that apply to mutual funds that are not reporting issuers. The Funds intend to rely on the filing exemption set out in section 2.11 of NI 81-106.

Decision

Each of the Decision Makers is satisfied that the test contained in the Legislation, has been met.

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The Decision Makers order, pursuant to the Legislation, that each of the Funds have ceased to be a reporting issuer.

Carol S. Perry
Commissioner
Ontario Securities Commission

Wendell S. Wigle
Commissioner
Ontario Securities Commission