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June 17, 2005

Headnote

Securities Act, ss. 48 and 76 – registration and prospectus requirements - Trades by a non-mutual fund in connection with its distribution reinvestment plan - The issuer is an investment trust; under its plan, income of the trust can be distributed to its investors through the automatic issuance of additional units to the investors; investors can elect to receive cash in lieu of additional trust units; no fee is paid by investors to participate in the plan

Applicable British Columbia Provisions

Securities Act, R.S.B.C. 1996, c. 418, ss. 34(1), 48(1), 61(1) and 76(1)

In the Matter of
the Securities Legislation
of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, Nova
Scotia, New Brunswick, Prince Edward Island 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 Lawrence Conservative Payout Ratio Trust

MRRS Decision Document

Background

The local securities regulatory authority or regulator (the “Decision Maker”) in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, Nova Scotia, New Brunswick, Prince Edward Island and Newfoundland and Labrador has received an application from Lawrence Conservative Payout Ratio Trust (the “Filer”) for a decision, pursuant to the securities legislation of the Jurisdictions (the “Legislation”), that the requirement contained in the Legislation to be registered to trade in a security (the “Registration Requirement”) and to file and obtain a receipt for a preliminary and a final prospectus (the “Prospectus Requirement”) shall not apply to certain trades of units of the Trust (“Units”) pursuant to a distribution reinvestment plan (the “Requested Relief”);

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Under the Mutual Reliance Review System (“MRRS”) 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.

Representations

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

1. The Filer is a trust established under the laws of the Province of Ontario and governed by a declaration of trust dated February 25, 2005.
2. Each Unit represents an equal, undivided interest in the net assets of the Filer. Each whole Unit is entitled to one vote at all meetings of Unitholders and is entitled to participate equally with all other Units with respect to any and all distributions made by the Filer.
3. The Filer filed a (final) prospectus dated February 25, 2005 (the “Prospectus”) with the securities regulatory authorities in each of the Jurisdictions qualifying Units for distribution and became a reporting issuer or the equivalent thereof in the Jurisdictions on February 28, 2005 upon obtaining a receipt for the Prospectus. As of the date hereof, the Filer is not on the list of defaulting reporting issuers maintained by any of the Jurisdictions.
4. The Filer is not considered to be a “mutual fund” as defined in the Legislation because the holders of the Units (the “Unitholders”) are not entitled to receive “on demand” an amount computed by reference to the value of a proportionate interest in the whole or in part of the net assets of the Filer as contemplated in the definition of “mutual fund” in the Legislation. Redemptions only occur once per year (commencing in March 2006) at the net asset value of the Filer (“Net Asset Value”) per Unit less any costs of funding the redemption, including commissions.
5. The Units are listed and posted for trading on the Toronto Stock Exchange (the “TSX”) under the symbol “LCP.UN”.

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6. Lawrence Asset Management Inc. (the “Manager”) is the manager, investment manager, trustee and the promoter of the Filer.
7. The Filer’s investment objectives are to provide Unitholders with monthly cash distributions, and to preserve the Net Asset Value per Unit of the Filer by investing in an equally weighted, diversified portfolio of securities of 40 Canadian income trusts and funds that have the lowest payout ratios (as defined in the Prospectus) and that otherwise qualify for inclusion in the portfolio.
8. The Filer intends to adopt the distribution reinvestment plan (the “Plan”) so that distributions will, if a Unitholder so elects, be automatically reinvested on such Unitholder’s behalf in accordance with the provisions of the agreement governing the operation of the Plan (the “DRIP Agreement”) entered into by the Manager, on behalf of the Filer, and Computershare Trust Company of Canada, as plan agent (the “Plan Agent”).
9. Non-residents of Canada within the meaning of the *Income Tax Act* (Canada) (the “Tax Act”) and partnerships (other than “Canadian partnerships” within the meaning of the Tax Act) are not eligible to participate in the Plan.
10. Pursuant to the terms of the Plan, a Unitholder may elect to become a participant in the Plan by notifying a participant in CDS (the “CDS Participant”) through which the Unitholder holds his or her Units of the Unitholder’s intention to participate in the Plan. If notice is not received prior to the applicable deadline, the Unitholder will not participate in the Plan for that month. The CDS Participant shall, on behalf of the Unitholder, provide notice to The Canadian Depository for Securities Limited (“CDS”) of the Unitholder’s participation in the Plan by delivering to CDS a completed authorization form in the manner and within the time limitations prescribed by CDS from time to time. CDS shall, in turn, notify the Plan Agent no later than 12:00 p.m. on the last business day of each relevant calendar month commencing with the last business day of the third month following the month in which the closing of the initial public offering of the Units occurs in respect of the next expected distribution in which the Unitholder intends to participate.
11. Distributions due to Unitholders who have elected to participate in the Plan (the “Plan Participants”) will automatically be reinvested on their behalf by the Plan Agent to purchase Units (“Plan Units”) in accordance with the following terms and conditions:
 - (a) if the market price (which includes applicable commissions and brokerage charges on a per Unit basis) on the relevant distribution date is less than

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the Net Asset Value per Unit on the distribution date, the Plan Agent shall apply the distributions otherwise payable in cash by the Filer on the Units beneficially held by such Plan Participants on such distribution date (the "Distributions") to purchase Plan Units in the market or from treasury as set out below;

- (b) purchases of Plan Units described above will be made in the market by the Plan Agent during the five trading day period following the distribution date and the price paid for those Plan Units will not exceed 115% of the market price of the Units on the relevant distribution date. On the expiry of such five day period, the unused part, if any, of the Distributions will be used to purchase Plan Units from the Filer at a purchase price equal to the higher of: (A) the Net Asset Value per Unit on the relevant distribution date; and (B) 95% of the market price on the relevant distribution date; and
 - (c) if the market price (which includes applicable commissions and brokerage charges on a per Unit basis) on the relevant distribution date is equal to or greater than the Net Asset Value per Unit on such distribution date, the Plan Agent shall apply the Distributions to purchase Plan Units from the Filer through the issue of new Units at a purchase price equal to the higher of: (A) the Net Asset Value per Unit on the relevant distribution date; and (B) 95% of the market price on the relevant distribution date.
12. Plan Units purchased under the Plan will be registered in the name of CDS & Co. and credited by CDS to the account of the CDS Participant through whom a Plan Participant holds Units.
 13. The Plan does not provide for the purchase of additional Units with cash payments. Only Distributions made to Unitholders may be applied to purchase Units under the Plan.
 14. No fractional Units will be issued under the Plan. A cheque for any fractional Units will be paid by the Plan Agent to CDS on a monthly basis to be credited to the Plan Participant via the applicable CDS Participant at a price equal to the lesser of (i) the arithmetic average of the daily volume weighted average trading prices of the Units on the Toronto Stock Exchange during 5 trading days period following the Distribution Date; and (ii) 115% of the Market Price of the Units on the relevant Distribution Date per Unit.
 15. The Plan Agent will purchase Plan Units from the Filer only in accordance with mechanics described in the Plan and, accordingly, there is no opportunity for a Plan Participant or the Plan Agent to speculate with respect to changes in the Net Asset Value per Unit.

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16. The Plan is open for participation by all Unitholders (other than non-residents of Canada and partnerships (other than “Canadian partnerships” as defined in the Tax Act)), so that such Unitholders can ensure protection against potential dilution, albeit insignificant, by electing to participate in the Plan.
17. The Filer will invest in securities with the objective of providing Unitholders with a high level of sustainable income as well as a cost-effective method of reducing the risk of investing in such securities through diversification. In addition, the Net Asset Value per Unit should be less volatile than that of a typical equity fund based on historical data. As a result, the potential for significant changes in the Net Asset Value per Unit over short periods of time is expected to be moderate.
18. The amount of Distributions that may be reinvested in Plan Units issued from treasury is small relative to the Unitholders’ equity in the Filer. The potential for dilution arising from the issuance of Plan Units by the Filer at the Net Asset Value per Unit on a relevant distribution date is not significant.
19. The Plan Agent will not issue certificates representing Plan Units to Plan Participants but may issue certificates to CDS to evidence additional book-entry only Units being issued.
20. The Plan Agent’s charges for administering the Plan will be paid by the Filer out of the assets of the Filer.
21. The Manager may terminate the Plan at any time, in its sole discretion, upon not less than 30 days’ notice to the Plan Participants, via the applicable CDS Participant, to the Plan Agent and to the TSX.
22. The Manager also reserves the right in its sole discretion to suspend the Plan at any time, in which case the Manager must give, or must cause to be given, written notice of the suspension to all Plan Participants via the applicable CDS Participant, the Plan Agent and the TSX.
23. The Manager may, in consultation with the Plan Agent, adopt additional rules and regulations to facilitate the administration of the Plan, which shall, once adopted, be deemed to form part of the DRIP Agreement, subject to the approval of the TSX.
24. The Manager may also amend the Plan or the DRIP Agreement at any time, in its sole discretion, provided that: (i) if the amendment is material to Plan Participants, at least 30 days’ notice thereof shall be given to Plan Participants

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via the applicable CDS Participant and to the Plan Agent; and (ii) if the amendment is not material to Plan Participants, notice thereof may be given to Plan Participants and to the Plan Agent after effecting the amendment. No material amendment will be effective until it has been approved by the TSX (if required) nor will any amendment have the effect of modifying any duties or responsibilities of the Plan Agent without the Plan Agent's prior written consent.

25. The Manager may, upon 90 days' written notice to the Plan Agent, and upon payment to the Plan Agent of all outstanding fees payable thereunder, remove the Plan Agent and appoint a new agent as the agent under the Plan.
26. The distribution of the Plan Units by the Filer pursuant to the Plan cannot be made in reliance on certain registration and prospectus exemptions contained in the Legislation as the Plan involves the reinvestment of distributable income distributed by the Filer and not the reinvestment of dividends or interest of the Filer.
27. The distribution of the Plan Units by the Filer pursuant to the Plan cannot be made in reliance on registration and prospectus exemptions contained in the Legislation for distribution reinvestment plans of mutual funds, as the Filer is not considered to be a "mutual fund" as defined in the Legislation because the Unitholders are not entitled to receive "on demand" an amount computed by reference to the value of a proportionate interest in the whole or in a portion of the net assets of the Filer.
28. The Filer has an exemption from the Prospectus Requirement and the Registration Requirement under the Legislation in Alberta and Saskatchewan.
29. It will not be prejudicial to the public interest for the Decision Maker to grant the Requested Relief.

Decision

Each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Makers with the jurisdiction to make the Decision has been met.

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

1. in British Columbia, Manitoba, Ontario, Québec, Nova Scotia, Prince Edward Island and Newfoundland and Labrador, trades or distributions by the Filer or by an administrator or agent of the Filer of Plan Units for the account of Plan

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Participants pursuant to the Plan shall not be subject to the Registration Requirement and the Prospectus Requirement, provided that:

- (a) at the time of the trade, the Filer is a reporting issuer or the equivalent under the Legislation and is not in default of any requirements of the Legislation;
 - (b) no commission or brokerage charge is payable by the Unitholder in connection with the trade;
 - (c) the Filer has caused to be sent to the person or company to whom the Plan Units are traded, not more than 12 months before the trade, a copy of the Plan which contains statements describing:
 - (i) their right to elect to participate in the Plan on a monthly basis, to receive Plan Units instead of cash on the making of a distribution by the Filer ("Participation Right"); and
 - (ii) instructions on how to exercise the Participation Right;
 - (d) the first trade of the Plan Units acquired under the Decision shall be deemed to be a distribution or a primary distribution to the public;
2. in each of the Jurisdictions, the Prospectus Requirement contained in the Legislation shall not apply to the first trade (alienation) of Plan Units acquired pursuant to the Plan, provided that:
- (a) in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Nova Scotia, New Brunswick, Prince Edward Island, and Newfoundland and Labrador, the conditions set out in paragraphs 2 through 5 of subsection 2.6(3) of Multilateral Instrument 45-102 are satisfied; and
 - (b) in Québec:
 - (i) at the time of the first trade (alienation), the Filer is a reporting issuer in Québec and is not in default of any of the requirements of securities legislation in Québec;
 - (ii) no unusual effort is made to prepare the market or to create a demand for the Plan Units;

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- (iii) no extraordinary commission or other consideration is paid to a person or company other than the vendor of the Plan Units in respect of the first trade (alienation); and
- (iv) the vendor of the Plan Units, if in a special relationship with the Filer, has no reasonable grounds to believe that the Filer is default of any requirement of the securities legislation in Québec.

Paul Moore
Vice-Chair
Ontario Securities Commission

Robert L. Shirriff
Commissioner
Ontario Securities Commission