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June 7, 2006

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Securities Act s. 114(2) Issuer Bids - Exemption from the formal issuer bid requirements in Part 13 of the Act - General - An issuer requires an exemption from all issuer bid requirements in connection with a business acquisition - The issuer is acquiring its operating business and completing a public offering; if certain conditions are met, it will use a portion of the proceeds from the offering to purchase its securities from the vendors of the operating business; the vendors acquired their securities in the issuer as consideration for the issuer's acquisition of the business; the purchase price for the securities will be the issuer's net offering price; all the vendors had the opportunity to participate in the re-purchase from the issuer; the vendors that are selling their securities back to the issuer are being treated equally; the prospectus discloses the existence and terms of the bid

Applicable British Columbia Provisions

Securities Act, R.S.B.C. 1996, c. 418, ss. 105 - 110 and 114(2)

In the Matter of
the Securities Legislation of
British Columbia, Alberta, Ontario and Quebec
(the Jurisdictions)

and

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

and

In the Matter of
Teranet Income Fund
(the Filer)

MRRS Decision Document

Background

The local securities regulatory authority or regulator (the Decision Maker) in each of the Jurisdictions has received an application of the Filer for a decision under the securities legislation of the Jurisdictions (the Legislation) that the proposed acquisition of trust units (Units) of the Filer pursuant to an issuer bid made by the Filer to some of the Vendors (as defined below) in connection with an over-allotment option (the Over-Allotment Option) granted by the Filer to the

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underwriters (the Underwriters) as part of the initial public offering (the IPO) of Units by way of prospectus to be filed in all of the provinces and territories of Canada shall be exempt from the requirements (the Issuer Bid Requirements) of the Legislation applicable to issuer bids (the Requested Relief).

Under the Mutual Reliance Review System for Exemptive Relief Applications

- (a) the Ontario Securities Commission is the principal regulator for this application, and
- (b) the 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 an unincorporated, open-ended trust established under the laws of Ontario pursuant to a declaration of trust dated May 8, 2006. The Filer's head and principal office is located at 1 Adelaide Street East, Suite 600, Toronto, Ontario M5C 2V9.
2. The Filer has filed a preliminary prospectus dated May 8, 2006 (the Preliminary Prospectus) and an amended and restated preliminary prospectus dated May 19, 2006 (the Amended and Restated Preliminary Prospectus and together with the Preliminary Prospectus, the Prospectuses) with the securities regulatory authorities in all of the provinces and territories of Canada in respect of the IPO. The Filer intends to become a reporting issuer under the securities legislation of all of the provinces and territories of Canada by filing a final prospectus in respect of the IPO.
3. The Filer is authorized to issue an unlimited number of Units. As at the date hereof, there are 20 Units issued and outstanding. An application has been made to list the Units on the Toronto Stock Exchange.
4. The Filer was created to indirectly acquire all of the outstanding shares of Teranet Inc. (Teranet), which primarily operates and supports a system of electronic registration of interests in real property in Ontario.

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5. All of the outstanding shares of Teranet are owned by Teramira Holdings Inc. (Teramira), which in turn is owned as to (i) approximately 77% of the outstanding shares, by three holding companies, Miralta Teramira Inc. (Miralta), 1028484 Ontario Inc. (1028484) and 1255315 Ontario Inc. (1255315, and together with Miralta and 1028484, the Teramira Holdcos), and (ii) as to approximately 23% of the outstanding shares, by a number of individuals.
6. The shareholders of the Teramira Holdcos are principally comprised of pension plans and institutional investors.
7. As part of the IPO, Teramira has entered into commitment agreements (Commitment Agreements) with substantially all of the shareholders of Teramira (other than the Teramira Holdcos) and all shareholders of the Teramira Holdcos (collectively, the Vendors) which provide for, among other things, the agreement by such Vendors to sell their shares of Teramira and the Teramira Holdcos, as applicable, to Teranet Holdings Limited Partnership (Teranet Holdings LP), an indirect, wholly-owned subsidiary of the Filer in exchange for Units or class B limited partnership units (the Class B LP Units) of Teranet Holdings LP. A shareholder may elect to hold Class B LP Units, rather than Units, for tax deferral reasons. The Class B LP Units are exchangeable for Units at any time.
8. Only two shareholders of Teramira, representing approximately 8% of the outstanding shares of Teramira, have not entered into Commitment Agreements, one of whom has exercised its dissent rights under applicable corporate legislation. As a result, such shareholders will not be selling their shares of Teramira to Teranet Holdings LP in exchange for Units and/or Class B LP Units, but instead will receive cash in exchange for their shares of Teramira.
9. In connection with the IPO, the Filer will grant the Underwriters the Over-Allotment Option, exercisable for a period of 30 days from the closing (the Closing) of the IPO, to purchase additional Units at a price of \$10.00 per Unit to cover over-allotments, if any, and for market stabilization purposes. If the Over-Allotment Option is exercised, the additional net proceeds will be used by the Filer to, directly or indirectly, acquire Units and/or Class B LP Units held by some of the Vendors at a price of \$10.00 per Unit or Class B LP Unit net of fees payable to the Underwriters in respect of the Over-Allotment Option. The Units and/or Class B LP Units so acquired will be cancelled upon acquisition.

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10. All of the Vendors have had an equal opportunity to participate in having a portion of their Units or Class B LP Units repurchased by the Filer with the additional net proceeds from the exercise of the Over-Allotment Option. Those Vendors who desire to have their Units or Class B LP Units acquired by the Filer with the additional net proceeds from the exercise of the Over-Allotment Option have entered into identical agreements to give effect to the repurchase of such Units or Class B LP Units.
11. The acquisition of Units and Class B LP Units by the Fund with the additional net proceeds from the exercise of the Over-Allotment Option is one component step out of numerous transactional steps agreed to by the parties in connection with the IPO, with the overall objective of all such steps being the acquisition of Teranet by the Fund and the initial public offering of Units, and not the acquisition of Units or Class B LP Units by the Filer from some of the Vendors.
12. The Prospectuses disclose, and the final prospectus will disclose, the Over-Allotment Option and the acquisition of Units and Class B LP Units by the Filer with the additional net proceeds from the exercise of the Over-Allotment Option.
13. In a typical income fund initial public offering, the income fund issues to the selling securityholders, for tax deferral reasons, "private issuer" securities which are exchangeable into units of the income fund and the proceeds from the exercise of the over-allotment option are used to acquire such exchangeable securities on an exempt issuer bid basis. Similarly, in connection with the IPO, certain of the Vendors have elected to receive Class B LP Units for tax deferral reasons and a portion of the proceeds from the exercise of the Over-Allotment will be used to acquire Class B LP Units from certain of such Vendors on an exempt issuer bid basis. However, since many of the Vendors are tax-exempt entities which can directly hold Units without any adverse tax consequence to them, it is expected that a significant number of Vendors will hold Units on Closing and the additional net proceeds from the exercise of the Over-Allotment Option will be used to acquire Units from such Vendors.
14. Vendors who desire to have their Units acquired by the Filer with the additional net proceeds from the exercise of the Over-Allotment Option are resident in the provinces of Ontario, British Columbia, Alberta and Quebec.
15. The acquisition of Units by the Filer upon the exercise by the Underwriters of the Over-Allotment Option granted by the Filer to the Underwriters in connection with the IPO will constitute an issuer bid pursuant to the

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Legislation. Unless the relief sought is granted, the Filer will be subject to the Issuer Bid Requirements.

Decision

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

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

Robert L. Shirriff
Commissioner
Ontario Securities Commission

Carol Perry
Commissioner
Ontario Securities Commission