

IN THE MATTER OF
THE SECURITIES LEGISLATION
OF BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN, MANITOBA,
ONTARIO, QUEBEC, NEW BRUNSWICK, NOVA SCOTIA,
PRINCE EDWARD ISLAND AND NEWFOUNDLAND

AND

IN THE MATTER OF
THE MUTUAL RELIANCE REVIEW SYSTEM
FOR EXEMPTIVE RELIEF APPLICATIONS

AND

IN THE MATTER OF BLC EDMOND DE ROTHSCHILD ASSET MANAGEMENT INC.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland (the "Jurisdictions") has received an application from BLC Edmond de Rothschild Asset Management Inc. (the "Applicant") for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") that:

(a) certain trades in units ("Units") of R LCH Fund open-end unit trust (the "Fund") to be established by the Applicant are not subject to the prospectus requirements of the Legislation of Manitoba, Ontario, Quebec, New Brunswick, Newfoundland and Prince Edward Island (the "Prospectus Jurisdictions") or to the registration requirements of the Legislation of Manitoba, Ontario, Quebec, New Brunswick, Newfoundland and Prince Edward Island (the "Registration Jurisdictions"); and

(b) trades in Units are not subject to the requirements of the Legislation of the Jurisdictions other than Manitoba relating to the filing of forms and the payment of fees within 10 days of each trade, subject to certain conditions.

AND WHEREAS pursuant to the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), the Commission des valeurs mobilières du Québec is the principal regulator for this application;

AND WHEREAS the Applicant has represented to the Decision Makers that:

1. the Applicant is registered under the Legislation of Québec as an adviser with an unrestricted practice and under the Legislation of Ontario as an adviser in the categories of investment counsel and portfolio manager;

2. the Applicant intends to establish the Fund pursuant to a declaration of trust for which Laurentian Trust Company of Canada will act as the trustee and the Applicant will act as the manager and promoter. The Fund will be a "mutual fund" as defined in the Legislation;
3. the Fund does not currently intend to become a reporting issuer, as such term is defined in the Legislation, and the Units of the Fund will not be listed on any stock exchange;
4. the Fund will be divided into Units which will evidence the undivided interest of each unitholder (collectively the "Unitholders") in the assets of the Fund. Units of the Fund will be non-transferable but will be redeemable in accordance with the procedures set out in the Declaration of Trust of the Fund;
5. The initial minimum investment (the "Initial Minimum Investment") in the Fund by an investor in a Jurisdiction will be not less than the minimum aggregate purchase amount prescribed by the applicable Legislation of such Jurisdiction (the "Prescribed Amount") and will be made in reliance upon the prospectus exemptions in each of the Jurisdictions, and upon the dealer registration exemptions in each of the Jurisdictions other than Ontario and Quebec (the "Private Placement Exemption");
6. In Ontario and Quebec, Units distributed at the time of the Initial Minimum Investment will only be sold to purchasers resident in the Jurisdiction through securities dealers registered in that Jurisdiction;
7. the Initial Minimum Investment in the Fund by a resident of any Jurisdiction will be not less than the Prescribed Amount in that Jurisdiction;
8. following the Initial Minimum Investment, it is proposed that Unitholders who were sold Units in reliance upon the Private Placement Exemption be able to purchase additional Units ("Subscribed Units") of the Fund in increments of less than the Prescribed Amount, provided that at the time of such subsequent acquisition the investor holds Units of the Fund with an aggregate acquisition cost or aggregate net asset value of at least the Prescribed Amount; and
9. the Fund proposes to distribute additional Units ("Reinvested Units") by way of automatic reinvestment of distributions to Unitholders of the Fund;

AND WHEREAS under the System, this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");

AND WHEREAS 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 pursuant to the Legislation is that:

(a) the registration requirements contained in the Legislation of the Registration Jurisdictions, and the prospectus requirements contained in the Legislation of the Prospectus Jurisdictions shall not apply to

(i) the issuance of Subscribed Units of the Fund to a Unitholder of the Fund provided that

(1) the initial investment in Units of the Fund was pursuant to the Private Placement Exemption,

(2) at the time of the issuance of such Subscribed Units, the Unitholder then owns Units of the Fund having an aggregate acquisition cost or an aggregate net asset value of not less than the Prescribed Amount of the applicable Prospectus Jurisdiction,

(3) at the time of the issuance of such Subscribed Units, the Applicant is registered under the Legislation of Quebec as an adviser with an unrestricted practice and under the Legislation of Ontario as an adviser in the categories of investment counsel and portfolio manager and such registration is in good standing, and

(4) this clause (i) will cease to be in effect with respect to a Prospectus Jurisdiction 90 days after the coming into force of any legislation, regulation or rule in such Jurisdiction relating to the distribution of Subscribed Units of pooled funds; and

(ii) an issuance of Reinvested Units of the Fund to a Unitholder of the Fund provided that

(1) no sales commission or other charge in respect of such issuance of Reinvested Units is payable, and

(2) each Unitholder who receives Reinvested Units has received, not more than 12 months before such issuance, a statement describing (A) the details of any deferred or contingent sales charge or redemption fee that is payable at the time of the redemption of a Unit, (B) any right that the Unitholder has to make an election to receive cash instead of Units on the payment of the net income or net realized capital gains distributed by the Fund, (C) instructions on how the right referred to in sub-

clause (B) can be exercised, and (D) the fact that no prospectus is available for the Fund as Units are offered pursuant to prospectus exemptions only; and

provided that the first trade in Subscribed Units and Reinvested Units that are issued pursuant to this Decision shall be deemed to be a distribution or a primary distribution to the public under the Legislation of the Jurisdiction in which the trade takes place (the "Applicable Legislation"), unless otherwise exempt thereunder or unless such first trade is made in the following circumstances:

(w) the Fund is a reporting issuer or the equivalent under Applicable Legislation;

(x) if the seller of the Subscribed Units or Reinvested Units is in a special relationship (as defined in the Applicable Legislation) with the Fund, the seller has reasonable grounds to believe that the Fund is not in default of any requirement of the Applicable Legislation;

(y) no unusual effort is made to prepare the market or to create a demand for the Subscribed Units or Reinvested Units and no extraordinary commission or consideration is paid in respect of such trade; and

(z) the Subscribed Units have been held for a period of at least eighteen months from the date they were acquired by the seller of the Subscribed Units or the Reinvested Units have been held for a period of at least eighteen months from the date they were acquired by the seller of the Reinvested Units.

(b) the requirements contained in the Legislation of the Jurisdictions other than Manitoba to file a report of a distribution of Units under the Private Placement Exemption or of Subscribed Units within 10 days of such trade shall not apply to such trade, provided that within 30 days after each financial year end of the Fund, the Fund:

(i) files with the applicable Decision Maker a report in respect of all trades in Units of the Fund during such financial year, in the form prescribed by the applicable Legislation, and

(ii) remits to the applicable Decision Maker the fee prescribed by the applicable Legislation.

THE DECISION of the Decision Maker in Quebec is subject to the further condition that the Fund file with the Decision Maker in Quebec, within 140 days of the end of each financial year, annual audited financial statements.

DATED October 16, 2001.

Guy Lemoine

Viateur Gagnon

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – trades by pooled fund of additional units to existing unitholders holding units having an aggregate acquisition cost or net asset value of not less than the minimum amount prescribed by legislation under "private placement" exemption exempted from registration and prospectus requirement – trades by pooled fund of units to existing unitholders pursuant to automatic reinvestment of distributions by pooled funds exempted from registration and prospectus requirement – trades in units of pooled fund not subject to requirement to file reports of trade within 10 days of trades provided prescribed reports filed and fees paid within 30 days of financial year end of pooled fund

Statutes Cited

Securities Act, R.S.O. 1990, c.S.5, as am., ss. 25, 53, 72(3), 74(1), 147

Rules Cited

Ontario Securities Commission Rule 45-501 – *Exempt Distributions* (1998) 21 OSCB 6548
Ontario Securities Commission Rule 81-501 – *Mutual Fund Reinvestment Plans* (1998) 21 OSCB 2713