

October 23, 2007

**IN THE MATTER OF
THE SECURITIES LEGISLATION OF
NEW BRUNSWICK, NOVA SCOTIA,
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
GROWTHWORKS ATLANTIC VENTURE FUND LTD.
(the “Filer” or “Atlantic Fund”)**

MRRS DECISION DOCUMENT

Background

The local securities regulatory authority or regulator (the “Decision Maker”) in each of the Jurisdictions has received an application (the “Application”) from the Filer dated September 27, 2007 requesting approval under paragraph 5.5(1)(b) of National Instrument 81-102 *Mutual Funds* (“NI 81-102”) of a proposal (the “Pooling and Conversion Proposal”) to pool the assets allocated to the Series 2, Series 3 and Series 4 Class A Shares of the Filer (the “Commercialization Shares”) with those allocated to other series of Class A Shares of the Filer and to effect a subsequent conversion of each such series of Commercialization Shares into Series 6 Class A Shares of the Filer.

Under the Mutual Reliance Review System for Exemptive Relief Applications:

- (a) the Nova Scotia 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:

GrowthWorks Atlantic Venture Fund Ltd.

1. Atlantic Fund was incorporated under the *Canada Business Corporations Act* in 2004.
2. Atlantic Fund is registered as a labour-sponsored venture capital corporation or “LSVCC” under the *Income Tax Act* (Canada), the *Equity Tax Credit Act* (Nova Scotia) and the *Labour-Sponsored Venture Capital Tax Credit Act* (Newfoundland and Labrador) and is a prescribed registered LSVCC under the *New Brunswick Income Tax Act* (together the “LSVCC Legislation”).
3. Atlantic Fund primarily invests in small and medium sized businesses across the Atlantic Canada region with the objective of achieving long-term capital appreciation and must make “eligible investments” in eligible businesses as prescribed under the LSVCC Legislation.
4. Atlantic Fund is a mutual fund in each of the Jurisdictions.
5. The Regional Sponsor of Atlantic Fund is the Canadian Federation of Labour. The Provincial Sponsors of Atlantic Fund are the New Brunswick Federation of Labour, the Nova Scotia Federation of Labour, the Newfoundland and Labrador Federation of Labour and the Prince Edward Island Federation of Labour.
6. The authorized capital of Atlantic Fund is as follows:
 - (a) an unlimited number of Class A shares, issuable in series, which are widely held, of which 10 (10) series have been created, namely Series 1 (“Original Balanced Shares”), Series 2 (“05 Commercialization Shares”), Series 3 (“06 Commercialization Shares”), Series 4 (“07 Commercialization Shares”), Series 5 (“08 Commercialization Shares”), Series 6 (“GIC Shares”), Series 7 (“New Balanced Shares”), Series 8 (“Growth Shares”), Series 9 (“Financial Services Shares”) and Series 10 (“Diversified Shares”);
 - (b) 1,000 Class B Shares which are held by the Regional Sponsor of Atlantic Fund; and
 - (c) an unlimited number of Class C shares, of which there are 100 issued to the Manager of Atlantic Fund to provide a “participating” or “carried” interest in Atlantic Fund’s venture investments.
7. The GIC Shares, New Balanced Shares, Growth Shares, Financial Services Shares and Diversified Shares are collectively referred to as the “Menu Series”. The Menu Series will be offered to the public upon filing of a final prospectus qualifying their sale. Holders of Menu Series shares can generally switch their shares from one Menu Series to another, up to four times per year.
8. Atlantic Fund’s shares are not listed on an exchange, however Atlantic Fund currently offers Series 1 Class A shares (“Original Balanced Shares”) pursuant to a continuous offering prospectus dated December 19, 2006, as amended (the “Prospectus”). As of June 29, 2007, Atlantic Fund ceased to offer 07 Commercialization Shares. On September 18, 2007, the Fund announced that it has suspended future sales of Commercialization Shares. Accordingly, 08 Commercialization Shares referred to in the Prospectus will not be placed on sale. It is proposed, subject to shareholder approval, that all of the outstanding Original Balanced Shares be converted into New Balanced Shares prior to implementing the Pooling and Conversion Proposal.

9. As of August 31, 2007, Atlantic Fund had approximately \$32.1 million in net assets, of which \$28.6 million is allocated to the Original Balanced Shares and \$3.5 million is allocated to the three outstanding series of Commercialization Shares.
10. The net asset value of Atlantic Fund and the prices for its Class A shares are calculated on the last business day of each week.
11. Currently, Atlantic Fund pays a 6% commission to authorized dealers selling Class A shares. In addition, Atlantic Fund pays registered dealers a quarterly service fee at the annual rate of 0.5% of the average net asset value of the Class A shares held by the dealer's clients.

The Pooling and Conversion Proposal

12. The Fund previously offered three series of Commercialization Shares: 05 Commercialization Shares, 06 Commercialization Shares and 07 Commercialization Shares. The Board adopted a dividend policy in respect of each series of Commercialization Shares to pay cash dividends during a period of approximately three years after the offering period for the given series that total about 25% of the purchase price of the shares (the "Dividend Policy"). To facilitate implementation of the Dividend Policy, a new series of Commercialization Shares was offered each year.
13. In order to gain the risk mitigation benefits of broader portfolio diversification, the Fund adopted the following asset allocation rules which provide for the pooling of assets allocated to Commercialization Shares (the "Asset Allocation Rules"):
 - The venture and non-venture investments made with the capital raised from the sale of a particular series of Commercialization Shares will be allocated solely to that series during the period ending on March 1st of the third calendar year after the RSP season the series was first offered in (the "Separate Pool End Date").
 - Once the Separate Pool End Date has passed for a series, the venture and non-venture investments previously solely allocated to that series will be pooled with the assets of all other series of Commercialization Shares that have passed their Separate Pool End Dates and be allocated among those series in proportion to their relative net asset values.
14. Sales of Commercialization Shares have been lower than expected, resulting in smaller, less diversified pools of venture investments allocated to each series. In response to the lower than expected sales, on September 18, 2007 the Fund announced it will no longer offer Commercialization Shares.
15. As an alternative to the Asset Allocation Rules, it is proposed that the venture and non-venture investments allocated to each series of Commercialization Shares, after the Dividend Policy for the given series has run its course, be pooled with the assets allocated to all other series of Class A shares, other than Commercialization Shares. Over time, this proposed pooling of assets should achieve a significantly enhanced level of diversification for holders of Commercialization Shares.
16. Once the pooling of assets is completed for a given series of Commercialization Shares, subject to shareholder approval, that series of Commercialization Shares and the New Balanced Shares will be referable to the same venture and non-venture investment portfolios. In order to consolidate the financial reporting and back-office administration associated with each series of Commercialization Shares, it is proposed that each series be converted into New Balanced Shares

following completion of the pooling of the series' assets. The conversion would be effected based on the NAV per Series Share of the converted series of Commercialization Shares relative to the NAV per Series Share of New Balanced Shares at the time of the conversion.

17. Because the Dividend Policy covers a different time period for each series of Commercialization Shares, the pooling of assets and conversion for each series would occur at different times: pooling of assets for the 05 Commercialization Shares is expected occur in December 2007; pooling for the 06 Commercialization Shares is expected to occur during the Fund's 2009 fiscal year; and pooling for the 07 Commercialization Shares is expected to occur during the Fund's 2010 fiscal year. In each case, conversion into New Balanced Shares would occur after the series' assets are pooled, on a date designated by the Fund.
18. The Pooling and Conversion Proposal will be effected by the following steps with respect to each series of Commercialization Shares:
Step 1: The series completes its approximately three-year dividend cycle.
Step 2: The venture and non-venture investments previously solely allocated to the series will be pooled with the assets of other Class A shares, other than Commercialization Shares.
Step 3: After the pooling of the series' assets, all outstanding shares of the series will be converted to New Balanced Shares, based on the series' relative NAV per share at the time of conversion.
19. The Pooling and Conversion Proposal is subject to approval by holders of Commercialization Shares under Section 5.1(f) of NI 81-102. Holders of each series of Commercialization Shares will be asked to approve the Pooling and Conversion Proposal at the Fund's upcoming annual general meeting scheduled for November 28, 2007 (the "AGM").
20. In connection with the AGM, shareholders of Atlantic Fund will be sent an information circular (the "Circular") that will contain details of the Pooling and Conversion Proposal, including income tax considerations associated with the Pooling and Conversion Proposal, and incorporates by reference Atlantic Fund's 2007/2008 prospectus (the prospectus that qualifies the sale of the New Balanced Shares).
21. Holders of Commercialization Shares will be entitled to exercise dissent rights pursuant to and in the manner set forth in Section 190 of the *Canada Business Corporations Act* with respect to the resolution approving the Pooling and Conversion Proposal. Shareholders that validly exercise these rights and do not withdraw their dissent ("Dissenting Shareholders") will be entitled to receive the "fair value" of their Commercialization Shares as at the day before the resolution is adopted by shareholders. Dissenting Shareholders will be required, in accordance with LSVCC Legislation, to repay federal and provincial tax credits granted when the shares were originally purchased.
22. While the conversion of Commercialization Shares into New Balanced shares will not represent a "qualifying exchange" under section 132.2 of the ITA, the conversion will qualify as a tax-deferred transaction under other provisions of the ITA.
23. The legal and other incremental costs associated with the Pooling and Conversion Proposal will be paid by the Manager of Atlantic Fund.

24. The Pooling and Conversion Proposal will not cause any interruption to an investor's ability to redeem his or her investment in Atlantic Fund.

Shareholder Disclosure

25. The materials to be sent to holders of Commercialization Shares for the AGM will not include a copy of the current long form prospectus of Atlantic Fund or a copy of the annual and interim financial statements of Atlantic Fund as required by Section 5.6(1)(f)(ii) of NI 81-102. The Circular will, however:
- (a) contain details of the Pooling and Conversion Proposal, including income tax considerations associated with the proposal, so as to allow holders of Commercialization Shares to make an informed decision with respect to the Pooling and Conversion Proposal;
 - (b) for purposes of NI 81-106 and NI 51-102, incorporate by reference the current prospectus of Atlantic Fund (the prospectus that qualifies the sale of the New Balanced Shares) which in turn will incorporate by reference the most recently filed annual and interim financial statements of Atlantic Fund (it should be noted that at the time of the AGM, the New Balanced Shares will have existed for less than one year and as such there will be no financial statements for this series – shareholders may, however, request copies of the financial statements for the Original Balanced Shares which, subject to shareholder approval, will be referable to the same venture and non-venture portfolios as the New Balanced Shares); and
 - (c) disclose that shareholders can obtain a current copy of Atlantic Fund's current prospectus and most recently filed annual and interim financial statements and management reports of fund performance at no cost by accessing the SEDAR website at www.sedar.com, by accessing the GrowthWorks website at www.growthworks.ca or by calling a toll-free telephone number (in which case the Manager of Atlantic Fund will cause the requested material to be promptly mailed to the requesting shareholder).
26. Since a Labour Sponsored Investment Fund does not use the simplified prospectus and annual information form model of disclosure, and NI 81-106 does not require the filing of an annual information form by investment funds that have a current prospectus, an annual information form for Atlantic Fund will not be available to holders of Commercialization Shares, as required by Section 5.6(1)(f)(iii) of NI 81-102.

Decision

Each of the Decision Makers is satisfied that the test contained in NI 81-102 that provides the Decision Maker with the jurisdiction to make the decision has been met.

The decision of the Decision Makers under NI 81-102 is that the requested approval of the Pooling and Conversion Proposal is granted subject to the following:

- (d) the Filer prominently disclosing in the Circular that holders of Commercialization Shares can obtain the most recently filed prospectus and annual and interim financial statements of the Filer, at no cost by accessing the SEDAR website at www.sedar.com, by accessing the GrowthWorks website at www.growthworks.ca or by calling a toll-free telephone number, and

- (e) holders of each series of Commercialization Shares approving the Pooling and Conversion Proposal at the Filer's AGM.

"J.W. Slattery"_____

J.W. Slattery
Deputy Director Corporate Finance & Administration
Nova Scotia Securities Commission