

October 31, 2012

IN THE MATTER OF
THE SECURITIES LEGISLATION OF NOVA SCOTIA (the “**Jurisdiction**”)

AND

IN THE MATTER OF
THE PROCESS FOR EXEMPTIVE RELIEF APPLICATIONS IN MULTIPLE JURISDICTIONS

AND

IN THE MATTER OF GROWTHWORKS ATLANTIC VENTURE FUND LTD. (the “**Filer**”)

DECISION

Background

The principal regulator in the Jurisdiction has received an application from the Filer for a decision under the securities legislation of the Jurisdiction of the principal regulator (the “**Legislation**”) for approval under paragraph 5.5(1)(b) of National Instrument 81-102 *Mutual Funds* (“**NI 81-102**”) of the exchange or conversion of the Filer’s Class A shares, Series 8 (the “**Growth Shares**”) and Class A shares, Series 9 (the “**Financial Services Shares**”) into Class A shares, Series 7 (“**Balanced Shares**”), as permitted by the Articles of the Filer (the “**Exchange**”).

Under the Process for Exemptive Relief Applications in Multiple Jurisdictions (for a passport application):

- (a) the Nova Scotia Securities Commission is the principal regulator for this application; and
- (b) the Filer has provided notice that section 4.7(1) of Multilateral Instrument 11-102 *Passport System* (“**MI 11-102**”) is intended to be relied upon for each equivalent provision in Alberta, New Brunswick, Newfoundland and Labrador and Prince Edward Island.

Interpretation

Defined terms contained in National Instrument 14-101 *Definitions* and MI 11-102 have the same meanings in this decision, unless they are otherwise defined.

Representations

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

The Manager

- 1. GrowthWorks Atlantic Ltd. (the “**Manager**”) is the manager of the Filer under a management contract. The Manager’s primary regional office is in Halifax, Nova Scotia.

The Filer

2. The Filer is a corporation incorporated under the *Canada Business Corporations Act*.
3. The Filer 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 for the 2011 tax year under the *New Brunswick Income Tax Act* (together the “LSVCC Legislation”).
4. The Filer primarily invests in small and medium sized businesses across 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.
5. The Filer is a mutual fund in each of Nova Scotia, New Brunswick, Newfoundland, Labrador and Prince Edward Island and Alberta. The Filer has advised that no Class A shares have been sold in Alberta.
6. The Regional Sponsor of the Filer is the Canadian Federation of Labour. The Provincial Sponsors of the Filer 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.
7. The authorized capital of the Filer is as follows:
 - a. an unlimited number of Class A shares, issuable in series, which are widely held, of which there are currently ten created and four issued and outstanding and qualified under the Filer’s current prospectus, as amended;
 - b. 1,000 Class B Shares which are held by the Regional Sponsor of the Filer; and
 - c. an unlimited number of Class C shares, of which there are 100 issued to the Manager of the Filer to provide a “participating” or “carried” interest in the Filer’s venture investments.
8. The Filer’s shares are not listed on an exchange. Under the Filer’s current prospectus dated November 24, 2011, Atlantic Fund has offered a “menu” of Class A share Series (the “**Menu Series**”) consisting of four choices: Balanced Shares, Growth Shares, Financial Services Shares and GIC Shares. Atlantic Fund announced on October 10, 2012 that, effective as at October 15, 2012, it will no longer offer Growth Shares or Financial Services Shares for sale and that other Series shares may no longer be switched into Growth Shares or Financial Services Shares. On or before October 19, 2012, Atlantic Fund will file a material change report and prospectus amendment with respect to these changes to its share offering and the Exchange.
9. The Menu Series have the same venture investment mandate and participate in the same pool of venture investments. However, as indicated by the Menu Series’ names, each offers shareholders a different investment focus for non-venture funds.
10. The NAV of the Filer and the prices for its Class A shares are calculated on the last business day of each week. As of October 12, 2012, the NAV of the Filer is \$26,415,307, of which \$875,203 is attributable to the Growth Shares, \$1,291,086 is attributable to the Financial Services Shares and \$22,894,110 is attributable to the Balanced Shares.
11. The Filer is not in default of securities legislation in any jurisdiction.

The Conversion

12. Under NI 81-106, each series of the Filer's Class A shares that is referable to a separate portfolio of assets is treated as a separate investment fund for the purpose of reporting financial results. At present, the Filer prepares and files four sets of financial statements and MRFPs with respect to its four outstanding series of Class A shares.
13. The Conversion is aimed at achieving a more efficient process for compiling and reporting financial results and a more streamlined offering in light of the low level of sales of the Growth Shares and Financial Services Shares.
14. The majority of each Menu Series portfolio is made up of venture investments and a minority is made up of series-specific non-venture investments (what are referred to in the Filer's prospectus as "Directed Funds" investments). Directed Funds for the Growth, Financial Services and Balanced Shares have generally been invested in the following types of investments:

Series	Directed Funds Investments
Growth	Reserves which provide participation in a portfolio or index of publicly traded shares and equity securities, including reserves whose returns are linked to a pool of Canadian listed shares or the performance of broad market indexes like the S&P/TSX Composite Index.
Financial Services	Reserves which offer participation in the securities of issuers whose business activities are in the financial services sector or sub-sectors such as banking, wealth management and insurance.
Balanced	Reserves expected to generate a fairly stable level of current income, including high quality debt instruments, high yield investments and bank securities.

15. As at August 31, 2012, approximately 26% of the net asset value ("NAV") of Growth Shares was referable to Directed Funds investments. As at August 31, 2012, approximately 31% of the NAV of Financial Services Shares was referable to Directed Funds investments.
16. The rights and restrictions attached to the Growth Shares and the Financial Services Shares are the same as those attached to the Balanced Shares.
17. The rights and restrictions attached to each Menu Series contain an exchange or conversion feature that permits the Filer, by resolution of the Board, to exchange a Series into another Series that participates in the same venture portfolio and has the same fee structure if: (i) the net asset value of a Series is less than a minimum amount set by the Board (\$1.5 million for the Growth Shares and Financial Services Shares); (ii) it is not anticipated that sales of that Series over the next 12 month period will bring the net assets over the minimum amount; and (iii) feedback the Filer obtains from investment advisors and other industry participants suggests that interest in the particular Series is unlikely to increase over the medium term. In such cases, the Filer may direct a switch from that particular Series into another Series, provided that such exchange takes place so that the number of shares issued upon the exchange is based on the relative Net Asset Value per Series share on the exchange date. A description of these rights and restrictions has been included in each of the Filer's renewal prospectuses since the Menu Series' inception.
18. After canvassing selected investment advisors, the Manager does not expect interest in the Growth Shares or Financial Services Shares to increase over the next 12-36 months so as to bring the NAV

of the series over \$1.5 million. On this basis, the Board approved the Exchange on October 10, 2012. The Filer's Independent Review Committee also reviewed the proposed Exchange and concluded the proposed exchange would achieve a fair and reasonable result for Atlantic Fund.

19. Holders of Growth Shares and Financial Services Shares will be asked to approve the Exchange at the Filer's annual and special meeting of shareholders to be held on December 10, 2012 ("AGM"), by separate ordinary resolutions. In connection with the AGM, shareholders will receive an information circular (the "**Circular**") that contains details of the Exchange, including income tax considerations associated with the Exchange, and incorporates by reference the Filer's prospectus dated November 24, 2011, as amended.
20. If approved by shareholders and regulators, the Exchange is expected to occur before February 28, 2013. In accordance with the Filer's Articles, the Exchange will be based on the NAV per Series Share of the Growth Shares relative to the NAV per Series Share of the Balanced Shares and on the NAV per Series Share of the Financial Services Shares relative to the NAV per Series Share of the Balanced Shares on the date of Exchange. The NAV per Series Share for each affected Series are expected to be different. Accordingly, for holders of Growth Shares and Financial Services Shares, the Exchange will result in a change in the number of the Filer shares held but will not change the value of the shareholder's investment.
21. While the Exchange will not represent a "qualifying exchange" under section 132.2 of the Income Tax Act (Canada) (the "**Tax Act**") or a tax deferred transaction under subsection 85(1), 85.1(1), 86(1) or 87(1) of the Tax Act, the Exchange will qualify as a tax-deferred transaction under other provisions of the Tax Act. A holder's adjusted cost base of Balanced Shares received on Exchange of their Growth Shares or Financial Services Shares will be deemed to be equal to the average of the adjusted cost base of the converted Growth Shares or Financial Services Shares, as applicable, and the adjusted cost base of the other Balanced Shares, if any, held by the holder at the time of the Exchange.
22. Generally, holders of Class A shares of a particular Menu Series may switch into any other Menu Series. In connection with the proposed Exchange, the Filer announced on October 10, 2012 that, effective as at October 15, 2012, it will no longer offer Growth Shares or the Financial Services Shares and that the Menu Series may no longer switch into Growth Shares or Financial Services Shares. Growth Shares and Financial Services Shares may continue to switch into Menu Series until a date designated by the Filer which is expected to be shortly before the effective date of the proposed Exchange.
23. The Filer has complied with Part 11 of NI 81-106 in connection with the Exchange.
24. The costs of implementing the Conversion will be borne by the Manager of the Filer.
25. If a portfolio security held by either the Growth Shares or Financial Services Shares is considered to be unsuitable for the Balanced Shares, the security will be sold and the net cash proceeds will form part of the assets transferred to the Balanced Shares. In this case, the Growth Shares and/or the Financial Services Shares may temporarily hold cash and may not be fully invested in accordance with its investment objectives for a brief period of time prior to the Exchange. The value of the portfolio securities sold prior to the Exchange will depend on prevailing market conditions.

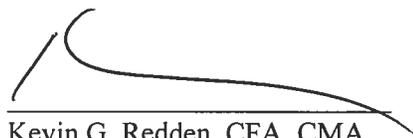
Approval of the Conversions

26. Approval for the Exchange is required because it does not satisfy all of the criteria for pre-approved reorganizations and transfers set out in section 5.6(1) of NI 81-102 for the following reasons:
- (a) A reasonable person might not consider the investment objectives of the Growth Shares or Financial Services Shares to be substantially similar to the investment objectives of the Balanced Shares as required by section 5.6(1)(a)(ii) of NI 81-102;
 - (b) as a LSVCC, the Filer is not permitted to file a simplified prospectus, and therefore it does not have a current simplified prospectus, however it does have a current long-form prospectus
 - (c) The Exchange will not represent a “qualifying exchange” within the meaning of section 132.2 of the Tax Act or a tax-deferred transaction under sections 85(1), 85.1(1), 86(1) or 87(1) of the Tax Act, as required by Section 5.6(1)(b) of NI 81-102;
 - (d) As the Filer does not file a simplified prospectus or fund facts documents, but rather files a long form prospectus and is exempt from the requirement to prepare and file fund facts documents, the materials sent to shareholders for the AGM will not include a copy of a simplified prospectus or fund facts documents of the Filer as required by Section 5.6(1)(f)(ii) of NI 81-102, however the Filer’s long form prospectus will be incorporated by reference into the Circular and the Circular will:
 - (i) contain details of the Exchange, including income tax considerations associated with the Exchange;
 - (ii) as permitted by NI 81-106 and National Instrument 51-102 *Continuous Disclosure Obligations*, incorporate by reference the Filer’s then current renewal prospectus, which in turn incorporated by reference the most recently filed annual and interim financial statements of the Filer; and
 - (iii) disclose that shareholders can obtain a copy of the Filer’s then current renewal prospectus and financial statements at no cost by accessing the SEDAR website at www.sedar.com, by accessing the Filer’s website at www.growthworks.ca or by calling a toll-free telephone number (in which case the Manager would cause the requested material to be mailed to the requesting shareholder).

Decision

The principal regulator is satisfied that the decision meets the test set out in the Legislation for the principal regulator to make the decision.

The decision of the principal regulator under the Legislation is that the Approval is granted.



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NOVA SCOTIA SECURITIES COMMISSION