



Ontario
Securities
Commission

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VIA SEDAR

August 28, 2002

McMillan Binch
Suite 3800
South Tower, Royal Bank Plaza
Toronto, Ontario
M5J 2J7

Attention: Kimberly J. Poster

Dear Sirs/Mesdames:

**Re: Working Ventures Canadian Fund Inc. (the "Fund")
MRRS Exemptive Relief Application dated January 8, 2002 pursuant to
National Instrument 81-102 Mutual Funds ("NI 81-102")
Application #:02-023 ; SEDAR Project #: 413776**

By a MRRS application dated January 8, 2002 (the "Application"), you applied to the securities regulator in each of the provinces and territories with the exception of Quebec (the "Decision Makers") for an exemption on behalf of the Fund pursuant to subsection 19.1 of NI 81-102 from Part 7 of NI 81-102 relating to incentive fees.

In the Application, the Fund represented the following:

1. The Fund is a corporation incorporated under the laws of Canada in 1988 and governed by restated articles of incorporation. The Fund's head office and principal place of business is located in Toronto, Ontario.
2. The Fund is a labour-sponsored venture capital corporation registered under the *Income Tax Act* (Canada) (the "Tax Act") and the *Equity Tax Credit Act* (Nova Scotia), a prescribed registered labour-sponsored venture capital corporation under the *Income Tax Act* (New Brunswick), a labour-sponsored investment fund corporation registered under the *Community Small Business Investment Funds Act* (Ontario) (the "Ontario Act"), and has been approved as a qualifying fund pursuant to the *Labour-sponsored Venture Capital Corporations Act* (Saskatchewan). The Fund's registration entitles purchasers of Class A Shares to a federal tax credit and to the provincial tax credit available to residents of New Brunswick, Nova Scotia, Ontario and Saskatchewan.

3. The authorized capital of the Fund consists of an unlimited number of Class A Shares, 1,000 Class B Shares and an unlimited number of Class C Shares issuable in series. The Class A Shares are offered for sale on a continuous basis at the net asset value per Class A Share in all of the provinces and territories of Canada. The Class A Shares are not listed on any stock exchange.
4. The Fund makes investments in small and medium sized Canadian businesses with the objective of achieving long-term capital appreciation. Capital raised by the Fund and not invested in these businesses is invested primarily in high-quality debt instruments. The Fund is subject to the investment restrictions and requirements contained in the Tax Act and applicable provincial legislation.
5. The sponsor of the Fund is the Canadian Federation of Labour. Working Ventures Investment Services Inc. (the “Manager”) manages the ongoing business and administration of the Fund, including investment management and distribution of the Class A Shares pursuant to a management agreement entered into between the Manager and the Fund.
6. The Manager constantly monitors the Fund’s venture capital investments. This may involve participation on a portfolio company’s board of directors and the evaluation of portfolio companies’ financial performance in the context of industry standards. The Manager seeks to add value to the businesses in which the Fund invests by, where appropriate, providing business advice and other services, identifying key management, assisting in raising additional capital, advising on productivity, and helping to secure new markets.
7. As disclosed in the prospectus dated January 10, 2002, the Fund’s stock option plan (the “Option Plan”) was established effective as of September 1, 1998. The purpose of the Option Plan is to provide an incentive and reward for participants relating to the achievement of the long-term financial and strategic objectives of the Fund. Participation in the Option Plan is limited to directors, officers and employees of and consultants to the Fund, the Manager and any affiliates of the Fund designated by the board of directors of the Fund (the “Board”). Participation in the Option Plan is voluntary.
8. In connection with the January 2001 reorganization (“Reorganization”), the employment of participants was transferred from direct employment with the Fund to the Manager. The officers and directors of the Fund, however, retained their positions as such with the Fund, although the business of the Fund is now carried on by way of the Manager and the employees of the Fund are now employees of the Manager.

9. The Option Plan provides that options may be granted on Class A Shares or the Class C Series 1 Shares of the Fund. No more than 5,000,000 Class A Shares and Class C Shares of the Fund may be issued pursuant to options granted under the Option Plan. Approximately 150,000 options are currently available to be granted under the Option Plan.
10. The Option Plan also provides a stock appreciation right (“SAR”) feature. SARs are only issued in tandem with an option and cannot be exercised without the cancellation of the associated option. A SAR provides the holder with the right to choose to receive, instead of a share, a cash amount equal to the growth amount of that option. The growth amount per option is equal to the amount by which the net asset value of the Class A Shares at the time of exercise of the SAR exceeds the exercise price. When the SAR is exercised, the associated option is cancelled and the associated liability is reversed
11. Options are generally granted by the Board once a year effective as of September 1. The exercise price of these options is equal to the then current net asset value of the Class A Shares, and the options normally vest over a four-year period from the date of the grant (i.e. 25% of options granted vest on each of the first four anniversaries of the date of the grant). The specific terms of options are determined by the Board at the time of the grant of the options. Options could vest immediately in circumstances determined by the Board. The Board has discretion to reduce previously established vesting periods in specific circumstances, such as, the death or disability of the holder.
12. The Fund also has an employee stock option plan (the “Employee Option Plan”) which was effective as of October 10, 2001. The terms of the Employee Option Plan are substantially similar to those of the Option Plan, except that participation in the Employee Option Plan is limited to employees of and consultants to the Fund, the Manager, and any affiliates of the Fund designated by the Board. The Employee Option Plan specifically excludes directors or officers of the Fund, the Manager or any affiliate and their associates from participation in the plan. In addition, there is no limitation on the number of options that may be granted under the Employee Option Plan. Approximately 126,000 options have been granted under the Employee Option Plan.

13. The Option Plan and the Employee Option Plan (collectively, the “Working Ventures Plans”) do not conform to the requirements of subsection 7.1 of NI 81-102.
14. The Fund is a labour sponsored investment fund, which is designed to encourage the public to invest in a vehicle that makes venture capital investments. The making of such investments is substantially different from the types of investments generally made by public mutual funds.
15. Stock option and SAR grants are typical forms of incentive compensation used by a variety of other public companies to encourage management and staff to increase shareholder value.
16. The interests of shareholders of the Fund and participants in the Working Ventures Plans are aligned, as options would generally not be exercised unless there has been an increase in the net asset value of the shares on which the options or SARs had been granted.
17. The Fund believes the Working Ventures Plans are appropriate in light of the nature of venture capital investments and the stated purpose of the plans to provide an incentive and reward for participants relating to the achievement of the long-term financial and strategic objectives of the Fund.
18. The Fund’s current prospectus contains disclosure concerning the existence and nature of the Option Plan. The existence and nature of the Employee Option Plan is not disclosed currently in the Fund’s current prospectus.
19. A stock option is recorded as an expense at the time the option is granted and included in the Statements of Operations based on the difference, if any, between the net asset value of the Class A Shares at the time of grant and the exercise price of the option. The liability associated with both vested and unvested stock options (the “Stock Option Liability”) is recorded based on the daily net asset value per Class A Share. Subsequent changes in value of the Stock Option Liability are accounted for as an expense in the Statements of Operations. When a stock option is exercised and shares are issued, the associated liability immediately prior to exercise is capitalized into Share Capital together with the amount of the exercise price received from the option holder. When an option is forfeited or expires, the associated liability is reversed.

20. The Fund and the Manager are of the view that the Working Venture Plans do not and will not result in increased charges to the Fund when compared with the previous investment performance incentive plans of the Fund.

Decision

This letter confirms that, based on the information and representations contained in the Application, and for the purposes described in the Application, the Decision Makers hereby exempt the Fund from subsection 7.1 of NI 81-102 in respect of the Working Ventures Plans provided that the Fund will not issue any options under the Employee Stock Plan until such time as disclosure of the nature and existence of the Employee Option Plan is disclosed in the Fund's then current prospectus.

Yours truly,

Paul A. Dempsey

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