

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
SASKATCHEWAN, ONTARIO AND NOVA SCOTIA

AND

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

AND

IN THE MATTER OF
WORKING VENTURES II TECHNOLOGY FUND INC. AND
WORKING VENTURES INVESTMENT SERVICES INC.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the “Decision Maker”) in each of Saskatchewan, Ontario and Nova Scotia (the “Jurisdictions”) has received an application from Working Ventures II Technology Fund Inc. (the “Fund”) and Working Ventures Investment Services Inc. (the “Manager”, and together with the Fund, the “Filers”) for a decision under the securities legislation of the Jurisdictions (the “Legislation”) that the requirements contained in the Legislation to be registered to trade in a security and to file and obtain a receipt for a preliminary prospectus and a prospectus (the “Registration and Prospectus Requirements”) shall not apply to trades by the Fund in co-ownership interests in the Fund’s interests in Venture Assets (defined below) pursuant to a Structured Property Interest Incentive Plan adopted by the Manager for the benefit of certain eligible individuals;

AND WHEREAS under the Mutual Reliance Review System for Exemptive Relief Applications (the “System”), the Ontario Securities Commission is the principal regulator for this application;

AND WHEREAS unless otherwise defined, the terms herein have the meaning set out in National Instrument 14-101 Definitions or in Québec Commission Notice 14-101;

AND WHEREAS the Filers have represented to the Decision Makers as follows:

1. The Fund is a corporation incorporated under the laws of Canada on October 27, 2000 and was, as of November 29, 2000, and is currently registered as a labour-sponsored investment fund corporation under the *Community Small Business Investment Funds Act* (Ontario) (the “CSBIF Act”). The Fund is a prescribed labour-sponsored venture capital corporation under the *Income Tax Act* (Canada). The head office of the Fund is located in Toronto, Ontario.
2. The Manager is a corporation incorporated under the laws of Canada and is a wholly-owned subsidiary of Working Ventures Inc. (“WV Inc.”). The head office of the Manager is located in Toronto, Ontario.
3. The Manager acts as manager of the Fund pursuant to a management agreement entered into between the Fund and the Manager.
4. The Manager has adopted a Structured Property Interest Incentive Plan (the “Plan”) for the benefit of certain eligible individuals who are employees or officers of the Manager (the “Participants”). The Plan will be implemented by the Fund entering into a co-ownership agreement with the Manager pursuant to which the Fund will convey to the Manager, as nominee for the Participants, an undivided co-ownership interest (the “Co-Ownership Interest”) in each of the Fund’s investments in eligible businesses for purposes of the CSBIF Act (the “Venture Assets”).
5. The purpose of the Plan is to attract and retain qualified personnel, to recognize Participants for their services, and to give Participants the opportunity to participate in the growth of the Venture Assets on a more tax effective basis through co-ownership interests in the investee companies.
6. The Participants will be designated by the Board of Directors of WV Inc. (the “Board”). Employees of the Manager who are either (i) members of the investment department or (ii) senior officers of the Manager are eligible to be Participants.
7. Each time the Fund makes an investment in a Venture Asset, the Participants receive from the Fund a Co-Ownership Interest in that Venture Asset. Initially, the Participants’ Co-Ownership Interest in a particular Venture Asset will be nominal (0.001%).
8. The Participants’ Co-ownership Interest remains nominal until such time as the Fund has realized gains (net of realized losses) from the sale of Venture Assets equal to the aggregate cost of all the Fund’s retained Venture Assets plus the threshold rate of return (the “Threshold Rate”) described in paragraph 9 (the “Target”).
9. The Threshold Rate is a cumulative annual rate of return calculated on the basis of the average annual rate of return for five-year Government of Canada bonds plus 2% and is applied to the amount of the Fund’s cost of its portfolio of Venture Assets.

10. The Participants' Co-Ownership Interest in a particular Venture Asset that is sold at a time when the Fund has realized net gains in excess of the Target will have a value equal to 20% of the gain on the sale of the particular Venture Asset above the Target.
11. Immediately before the sale of any Venture Asset for cash or cash equivalents, each Participant's individual co-ownership interest (a "Participant's Interest") will be computed as a percentage of the total ownership in such investment by the Senior Vice-President, Finance and Administration of the Manager.
12. After the calculation described in paragraph 11, the Fund's and each Participant's Interest will be partitioned and the Fund's interest and each Participant's Interest in the Venture Asset will be disposed of together. The Participants have no right to deal separately with their interests in the Venture Assets.
13. The Board will allocate to each Participant an individual co-ownership percentage (the "Individual Co-ownership Percentage") of the Participants' co-ownership interest in each Venture Asset held by the Fund.
14. Where the employment of a Participant is terminated, the Participant will convey all or a portion of his or her Participant's Interest in the Venture Assets to the Manager, as nominee, and the Manager will, subject to an alternative direction of the Board, convey such co-ownership interests to the remaining actively employed Participants in proportion to their pro-rata holdings of all the Participants' Co-Ownership Interests.
15. On March 30 of each calendar year after the effective date of the Plan, the Board will reallocate to each Participant who remains employed by the Manager an Individual Co-ownership Percentage in respect of (i) capital raised by the Fund since the last reallocation and (ii) any Participant's individual Co-Ownership interests in Venture Assets conveyed to the Manager, as nominee, as a result of the termination of the Participant's employment.
16. Individual Co-ownership Percentages will also be reallocated upon the employment by the Manager of a new Participant after the effective date of the Plan.
17. Where a reallocation results in a decrease in a Participant's Individual Co-Ownership Percentage, such Participant will be deemed to have conveyed an undivided co-ownership interest in the Venture Assets to such other Participants whose Individual Co-ownership Percentages have increased, such conveyances to be pro-rated among affected Participants.

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 under the Legislation is that the Registration and Prospectus Requirements shall not apply to:

- (i) the conveyance of the Co-Ownership Interests in Venture Assets by the Fund to the Participants;
- (ii) trades in Participants' Interests in Venture Assets between the Manager, as nominee, and Participants and trades between Participants resulting from a reallocation initiated by the Manager; and
- (iii) the disposition of the Participants' Interests in the Venture Assets on the disposition of Venture Assets by the Fund.

DATED at Toronto this 18th day of October, 2002.

"Robert W. Korthals"
Robert W. Korthals

"Mary Theresa McLeod"
Mary Theresa McLeod

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - relief granted to a fund issuer from the prospectus and registration requirements to implement an incentive plan, where certain securities of the Fund are to be issued to certain employees of the Fund's manager.

Applicable Ontario Statutory Provisions

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