

IN THE MATTER OF
THE SECURITIES LEGISLATION
OF ALBERTA, BRITISH COLUMBIA, NEWFOUNDLAND
AND LABRADOR, NOVA SCOTIA AND SASKATCHEWAN

AND

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

AND

IN THE MATTER OF THE VENGGROWTH II INVESTMENT FUND INC.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the “Decision Maker”) in each of British Columbia, Alberta, Saskatchewan, Nova Scotia and Newfoundland and Labrador (the “Jurisdictions”) has received an application from The VenGrowth II Investment Fund Inc. (the “Fund”) for a decision under the securities legislation of the Jurisdictions (the “Legislation”) that the requirement contained in the Legislation that prohibits the Fund from knowingly making or holding an investment in a person or company which the mutual fund, alone or together with one or more related mutual funds, is a substantial security holder (the “Conflict Provisions”) shall not apply to the Fund;

AND WHEREAS under the Mutual Reliance Review System for Exemptive Relief Applications (the “System”), the Saskatchewan 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 Quebec Commission Notice 14-101;

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

1. The Fund is a corporation incorporated under the *Canada Business Corporations Act* by Articles of Incorporation dated October 18, 1999 (the “Articles of Incorporation”);
2. The Fund is registered as a labour sponsored investment fund corporation under the *Community Small Business Investment Funds Act* (Ontario) (the “Ontario Act”). The

Fund will not be applying for registration as a labour sponsored venture capital corporation, or similar concept, under the provincial legislation of the Jurisdictions;

3. The Fund is currently prescribed as a labour sponsored venture capital corporation under the *Income Tax Act* (Canada) (the "Tax Act"). The Fund intends to apply shortly for registration under the Tax Act as a labour sponsored venture capital corporation and anticipates being registered as such early in 2003;
4. The Fund is a mutual fund pursuant to the Legislation and will distribute securities in the Jurisdictions under a prospectus. The Fund has filed a combined pro forma prospectus (in Ontario) and a preliminary prospectus (in all of the other provinces and territories of Canada other than Manitoba);
5. The Fund is a reporting issuer in Ontario and will become a reporting issuer in the Jurisdictions when its prospectus is received in the Jurisdictions;
6. The Fund invests in small and medium-sized eligible Canadian businesses in the life sciences sector with the objective of achieving long-term capital appreciation;
7. The authorized capital of the Fund consists of an unlimited number of Class A shares and 25,000 Class B shares, of which approximately 49.3 million Class A shares and 100 Class B shares are issued and outstanding as of the date hereof;
8. The Fund's securities are not listed on any exchange;
9. The Fund was formed and organized by VenGrowth II Capital Management Inc. (the "Manager"), the manager of the Fund, and the Association of Public Service Financial Administrators (the "Sponsor"), the sponsor of the Fund;
10. As a labour sponsored investment fund, the Fund's investment objectives and redemption restrictions are governed currently by the Ontario Act and will, following registration under the Tax Act, be governed by the Tax Act. It is recognized in the Regulation to the *Securities Act* (Ontario) ("OSA") that the rules that govern conventional mutual funds are inappropriate for labour sponsored investment funds, and so the Regulation relieves labour sponsored investment funds from many of the rules applicable to conventional mutual funds including the Conflict Provisions;
11. Because the Fund is now filing a prospectus in each of the Jurisdictions, it must obtain relief similar to that provided by the OSA in order to allow it to fulfill its mandate;
12. The Fund's investment mandate and the Ontario Act allow the Fund to make and hold investments in a person or company in which it is a "substantial security holder", within the meaning of the Conflict Provisions; and
13. The directors of the Fund are of the opinion that it may be in the Fund's best interest to make and hold investments in issuers in which the Fund is a substantial security holder as defined in the Legislation and confirm that the making and holding of these investments

will represent the business judgment of responsible persons uninfluenced by considerations other than the best interests 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 under the Legislation is that the Conflict Provisions shall not apply to the Fund provided that the investment is an eligible investment for the Fund under the Ontario Act and the Tax Act.

DATED December 6, 2002.

“Barbara Shourounis”

Barbara Shourounis
Director