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Headnote

Mutual Reliance Review System for Exemptive Relief Applications – relief granted from the provisions that a mutual fund may not knowingly make or hold an investment in a person in which the mutual fund is a substantial security holder, provided that the investment is an eligible investment under the *Income Tax Act* (Canada) and the *Community Small Business Investment Funds Act* (Ontario)

Applicable British Columbia Provisions

Securities Act, R.S.B.C. 1996, c. 418, s. 123

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 ROYNAT CANADIAN DIVERSIFIED 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 RoyNat Canadian Diversified 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 in 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 Nova Scotia 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;

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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 31, 2003.
2. The Fund has applied to be registered as a labour sponsored investment fund corporation under the *Community Small Business Investment Funds Act* (Ontario), as amended (the “Ontario Act”), a labour-sponsored venture capital corporation under the *Income Tax Act* (Canada), as amended (the “Federal Act”), a labour-sponsored venture-capital corporation under the *Equity Tax Credit Act* (Nova Scotia) (the “Nova Scotia Act”) and prescribed as a labour-sponsored venture capital corporation by regulation under the *New Brunswick Income Tax Act* (the “New Brunswick Act”).
3. The Fund is a mutual fund under the Legislation and will distribute securities in the Jurisdictions under a prospectus. The Fund has filed a preliminary prospectus dated October 31, 2003, in all provinces in Canada, except Québec, to qualify the distribution of Class A Shares of the Fund (the “Class A Shares”), and will be filing a separate prospectus in Québec.
4. The Fund will become a reporting issuer or equivalent in the provinces of Canada that have this concept when its prospectus is receipted in such provinces.
5. The Fund will invest in small and medium-sized eligible Canadian businesses with the objective of achieving long-term capital appreciation.
6. The Christian Labour Association of Canada (“CLAC”), The International Federation of Professional and Technical Engineers – Local 160 (also known as The Society of Energy Professionals) and The International Federation of Professional and Technical Engineers – Local 164 are the sponsors of the Fund.
7. The authorized capital of the Fund consists of an unlimited number of Class A Shares, an unlimited number of Class B Shares (the “Class B Shares”) and an unlimited number of Class C Shares (the “Class C Shares”). As of the date hereof one Class B Share is issued and outstanding and owned by CLAC. RoyNat Management Inc. or an affiliate is the sole owner of the Class C Shares.
8. The Fund’s securities are not listed on any exchange.

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9. Following registration under the Ontario Act, the Federal Act, the Nova Scotia Act and the New Brunswick Act (collectively, the "Applicable Legislation"), which is expected to occur as early as December, 2003, the Fund will be subject to investment objectives and redemption restrictions under the Applicable Legislation. It is recognized in the Regulation to the *Securities Act* (Ontario) (the "Ontario Regulation") that the rules that govern conventional mutual funds are inappropriate for labour sponsored investment funds, and so the Ontario Regulation relieves labour sponsored investment funds from many of the rules applicable to conventional mutual funds, including the Conflict Provisions.
10. The Fund's investment mandate and the Ontario Regulation 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.
11. Since the Fund is filing a prospectus in each of the Jurisdictions, it must obtain relief similar to that provided by the Ontario Regulation in order to allow it to fulfill its mandate.
12. 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" and confirm that the making and holding of these investments will represent the business judgement 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 Applicable Legislation.

DATED December 17th, 2003.

H. Leslie O'Brien