

IRWIN, WHITE & JENNINGS

BARRISTERS AND SOLICITORS

REPLY TO: JILL W. MCFARLANE
DIRECT LINE: (604) 664-3726

E MAIL: jill@iwjlaw.com
FAX: (604) 689-2806

March 13, 2002

BY ELECTRONIC MAIL

British Columbia Securities Commission
P.O. Box 10142 Pacific Centre
701 West Georgia Street
Vancouver, BC
V7Y 1L2

Attention: Noreen Bent, Manager and Senior Legal Counsel

Dear Sirs/Mesdames:

Re: Proposed National Instrument 81-106 – Investment Funds Continuous Disclosure

We are counsel to Working Opportunity Fund (EVCC) Ltd. (“WOF”). We are writing on behalf of WOF to provide comments on Proposed National Instrument 81-106 (“NI 81-106”). As per our conversation, we recognize that we are outside the comment period and greatly appreciate the opportunity you have given us to provide our comments on NI 81-106 at this time.

UNIQUE NATURE OF WOF

WOF, like other labour sponsored investment funds (“LSIFs”), was created as a unique public/private partnership to encourage venture capital investments in small and medium size businesses. In 1989, the Province of British Columbia enacted the *Employee Investment Act* (British Columbia) (the “EIA”) to encourage B.C. residents to invest in eligible small and medium-sized British Columbia businesses, encourage greater employee participation in share ownership and enterprise development, create and protect jobs and promote growth and diversification of the B.C. economy.

WOF has over 55,000 shareholders and as western Canada’s largest venture capital fund, it is involved in approximately one third of all venture capital investments in BC. WOF is registered as an employee venture capital corporation (an “EVCC”) under the EIA and is a prescribed labour sponsored fund under the *Income Tax Act* (Canada) (the “ITA”).

The extensive econometric studies of the fiscal impacts of WOF indicate that the Province is generating highly positive returns from the EVCC program, with \$41.6 million in fiscal costs projected to generate \$196.5 million in fiscal benefits for the Province by the end of 2004. Experience has shown that for each \$1 of equity invested by WOF, on average, another \$4 of capital can be raised by the investee company from other sources. In addition, the companies WOF has invested in have created more than 6,000 new jobs in B.C.

Although WOF is not a “mutual fund”, as defined under securities legislation, it is structured much like a mutual fund. It pools money raised from investors with similar investment objectives, is managed by a professional manager, prices its shares at net asset value (or NAV) and investors share in WOF’s gains, losses, revenues and expenses. However, WOF differs from typical mutual funds in several important ways that are particularly relevant with respect to NI 81-106, namely:

- *Type of Investments made by WOF* – WOF must invest over time at least 80% of the money it raises each year in small and medium sized businesses which meet the requirements of an “eligible business” under the EIA.
- *Eight Year Hold on Shares* – Under the shares rights attached to shares of WOF, investors cannot redeem shares on demand. Generally, investors can redeem shares only after they have held them for eight years.
- *Valuation of WOF’s Assets* - WOF’s employee venture capital corporation plan (the “Plan”) sets out the valuation principles and procedures for WOF’s assets. Amendments to the EIA empower the Province to prescribe a method for establishing the value of assets of a corporation registered under the EIA.
- *Maximums on Tax Credits*– Investors in WOF are eligible to receive federal and provincial tax credits; however, the amount of tax credits an investor can receive is subject to annual limits. In addition to individual maximums, WOF is only allowed to sell up to \$55 million worth of shares annually under current EIA regulations.

Type of Investments

As noted above, WOF must invest at least 80% of the money it raises each year in “eligible businesses” that meet the criteria set out in the EIA, including that the business must:

- have less than \$50 million in total assets, together with its affiliates,
- have at least 80% of its assets located in B.C.,
- pay at least 50% of its wages and salaries to employees who regularly work in B.C.,
- not be substantially engaged in primary resource exploration or extraction, financial services, property management or rental, real estate development, traditional agriculture or retail services, and
- have a permanent establishment in B.C. for the purposes of the federal *Income Tax Act*.

The above criteria results in WOF making investments most often in young, private companies. These types of investments generally take five to eight years to mature.

Eight Year Hold

WOF shares are not redeemable or transferable prior to the eighth anniversary of purchase, except in very limited circumstances. Early redemption is possible only in circumstances amounting to a “hardship disposition” as defined in the EIA and its regulations. Currently this is limited to the following circumstances:

- shareholder death,
- shareholder bankruptcy or pending bankruptcy,
- shareholder disability, or
- shareholder involuntary loss of employment.

WOF adopted an eight year hold on its shares because of the need for long term capital as a venture capital fund. As noted above, a venture capital investment generally takes five to eight years to mature, and the eight year hold period ensures that WOF has access to sufficient capital to make follow on investments throughout the typical investment cycle of a venture capital investment.

This long term nature of an EVCC’s investments is also recognized by the EIA in that investors are required to repay both the federal and provincial tax credits provided on the purchase of those shares if they are redeemed prior to the fifth anniversary of their purchase. Similarly, the ITA and provincial legislation regarding LSIFs in other provinces have similar provisions requiring repayment of tax credits if shares are redeemed prior to the eight anniversary of their purchase. Providing a disincentive to early redemption, results in very few shareholders redeeming early, thereby ensuring that LSIFs have continuing access to the long term capital to make the venture capital investments in small businesses and fulfill the goal on which their creation was based.

Valuation

Currently, WOF’s employee venture capital corporation plan (the “Plan”) sets out the valuation principles and procedures for WOF’s assets. Amendments to the EIA which came into force on May 30, 2002 empower the Province to prescribe a method for establishing the value of assets of a corporation registered under the EIA. At this time, the Province has not prescribed or otherwise specified what this method will be. The Plan is a contractual agreement among WOF and its shareholders, and generally, the Plan cannot be altered without the prior approval of the Administrator under the EIA and the consent of majority of WOF shareholders.

As set out in the Plan, the valuation committee of WOF’s board uses different methods to value the different types of WOF assets and we have set out these methods and principals in Schedule “A” attached. WOF’s valuation process is described in WOF’s annual information form dated December 27, 2002.

Maximum Tax Credits

Investors are subject to annual limits on the amount of investments in labour sponsored funds and WOF is subject to a maximum amount of capital that it can raise from investors each year. When investors buy WOF shares, they are eligible to receive a total of 30% in federal and provincial tax credits which investors can use to reduce the amount of income tax they pay. However, investors cannot receive more than \$750 per year in federal tax credits for all investments in LSIFs and under the EIA, investors cannot receive more than \$2000 per year for all investments in EVCCs. Investors typically invest an amount in LSIFs that enables them to claim the maximum amount of tax credits. Furthermore, most investments occur during the first 60 days of the calendar year. Because of the annual limits on tax credits for investments in WOF and the typical timing of a purchase of shares of WOF, investors are generally unable to make subsequent purchases in WOF during that calendar year that would enable them to claim tax credits.

WOF is allowed to sell up to \$55 million worth of shares annually. Since no B.C. tax credits will be issued for any WOF shares sold above the amount of tax credits allocated to WOF in the year, WOF's will suspend sales when this limit is reached. For the past four years, WOF has sold out prior to the end of the RRSP season.

COMMENTS ON NI 81-106 AND 81-106F1

We recognize and agree with the stated goal of the CSA with respect to NI 81-106 that : “[b]etter and more timely financial disclosure will encourage investors and potential investors, to use the information to compare investment funds and to make informed investment decisions.” However, we believe that NI 81-106 was drafted with a focus on more typical investment funds such as traditional mutual funds that do not share the unique characteristics of WOF as outlined above and that are not subject to rigorous provincial legislation such as the EIA. As a result, we respectfully submit that many of components of NI 81-106 should not apply to WOF.

Disclosure Regarding Private Company Investments

We respectfully submit that disclosure by WOF of “fair value” for each portfolio company will greatly disadvantage WOF and the private companies in which it invests.

We believe disclosure of “fair value” on an individual investee company basis could result in serious ramifications for WOF and the companies it invests in, including:

- *Investee companies being at a competitive disadvantage.* At any particular point in time an investee company’s valuation may be less than the amount of venture capital invested in that company for a number of reasons. If this valuation is publicly available, it could lead to incorrect conclusions about the prospects of the company which could seriously impede the company’s ability to attract new capital, foster development or remain competitive. In addition, given that WOF is one of the most prominent sources of venture capital in BC, public disclosure WOF’s valuation of companies will have a

serious impact on the individual companies and likely the segment of the economy that the company operates.

- *Capping of Gains.* Often private companies are acquired for amounts that are greater than “fair value”. For example in the case of an acquisition by a strategic partner who stands to gain significantly by the acquisition, the purchaser may be willing to pay in excess of the “fair value”. By having valuations readily available, we believe this would eliminate premiums on strategic sales, thereby adversely affecting WOF and its shareholders.
- *Adverse Impact on WOF deal flow and Venture Capital Investing in B.C.* As noted above, WOF’s investments are most often in young private companies that are typically not reporting issuers and therefore, are not subject to disclosure requirements regarding financial or other confidential information about their business. If WOF was required to disclose “fair value” on an individual company basis, these companies would indirectly be providing information that they would not otherwise be required to disclose but for WOF’s investment in them. As a result, this disclosure could lead to fewer companies seeking funding from WOF thereby jeopardizing WOF’s ability to fulfill the Province’s goal in creating EVCC’s. As the econometric studies on WOF have shown WOF’s critical role in the total amount of venture capital funds available for investee companies, this could seriously undermine the economic benefit WOF provides to the B.C. economy.
- *Unnecessary Liability Exposure to WOF.* Valuations of private companies are inherently uncertain and often subject to debate between the venture capital fund and the investee company. WOF’s valuation of a company may, or may not, ultimately be an accurate assessment. If an unfavourable valuation was disclosed publicly this could lead to the failure of the company and possible legal liability of WOF for the valuation. In addition, WOF is subject to confidentiality restrictions with respect to many of its investee companies. By disclosing valuations on an individual company basis, WOF would be in breach of these restrictions and could incur legal liability as a result.
- *Premature Divestment.* Sometimes when a traditional mutual fund holds shares in a particular company that has suffered a significant devaluation, unitholders exert pressure on the mutual fund to liquidate its position in that investee company. As previously stated, valuations of private companies are inherently uncertain. If the valuation of an investee company was decreased at some point during its development cycle and its valuation was publicly disclosed, this could result in WOF’s manager being pressured to divest its position prematurely. Any such early divestment, this could have very negative impacts for WOF and its shareholders.

We believe the above concerns were recognized in part by the CSA by the inclusion of section 8.3 of NI 81-106. However, we note that pursuant to section 1.2(5), section 8.3 in its entirety, does not apply to WOF. While we firmly agree with the Commission’s view that LSIFs in British Columbia should not be subject to formal valuation requirements because the EIA ensures adequate disclosure, we do believe WOF should be able to group its private company investments. Given the impact WOF has on the venture capital market in BC, we believe it is

also important that WOF have the discretion to group its investments as it deems appropriate so as to not cause undue effect on a particular segment of the economy. **Accordingly, we respectfully request that all provisions of NI 81-106 or 81-106FI that would require WOF to provide fair value of any particular private company not apply to WOF; provided however, that WOF will group its venture investments as it deems appropriate and will provide disclosure with an aggregate adjustment from cost to current value for each group.**

In connection with this comment, we seek clarification between the use of the term “investment portfolio” and “portfolio investments” as WOF’s auditors were concerned that the terms are being used interchangeably. WOF’s auditors have advised us that these terms, while similar, mean different things for WOF’s accounting – “investment portfolio” would be all investments, including its venture portfolio, whereas “portfolio investments” would be a smaller subset of investments, essentially money that is waiting to be invested in venture investments.

Current Value/Fair Value/Market Value

We respectfully submit that the definitions of “current value”, “fair value” and “market value” are too narrowly defined and therefore cannot take into account WOF’s contractual obligation to its shareholders to value its assets in accordance with the valuation policies set out in its Plan. In addition, these provisions would seem to pre-empt the Province from prescribing a method for establishing the value of an EVCC’s assets as provided for in the EIA.

NI 81-106 requires significant disclosure regarding the “current value” of an investment fund’s assets. Where no “active market” exists, funds are required to disclose the “fair value” which is defined to be “the amount of the consideration that would be agreed upon in a transaction of purchase and sale of the portfolio asset or liability between knowledgeable, willing parties who are under no compulsion to act and who are not affiliates or associates of one another.”

As set out in the attached Schedule A, the principal that makes up the definition of “fair value” is the overriding principal in WOF’s valuation process. However, the requirement in the Plan that new investments are valued at cost for a year is an exception to the “fair value” rule. In addition, the definitions of “market value” and “fair value” in NI 81-106 do not seem to clarify what an “active market” is, and therefore, we are concerned that the definition of “market value” does not provide an ability to discount values for thinly traded stocks. Without amending the definitions in NI 81-106, WOF will be in the untenable position of being unable to comply with its contractual obligations under the Plan to apply the principals set out under the heading “Valuation” and with the requirements of NI 81-106.

We note that the Plan was approved by the Administrator under the EIA and the British Columbia Securities Commission’s own acknowledgement that the rules regarding formal valuations in NI 81-106 should not apply to labour sponsored funds in B.C. because “existing rules in British Columbia requires this type of fund to provide adequate disclosure to its investors and their advisors”. **As such, we respectfully submit that the definitions of “fair value” and “market value” be amended to acknowledge the obligations with respect to valuation that WOF currently has under the Plan and may have in the future if the Province prescribes a method for establishing value of an EVCC’s assets.** One possible solution could be to add the

following to the definitions: “or in the case of employee venture capital funds, means the value established in accordance with the valuation methods and principals prescribed by statute or regulation or set out under its employee venture capital plan.”

Inapplicable and Amended Disclosure

We respectfully submit that WOF should be allowed to amend the disclosure required by NI 81-106 and 81-106F1 in order to appropriately reflect its unique nature.

Although WOF is not a “mutual fund” as defined under the *Securities Act* (British Columbia), under the terms of an order by British Columbia Securities Commission (the “Commission”) dated November 20, 2000 (2000 BCSECCOM 269), WOF is permitted to use the forms of simplified prospectus and annual information form for mutual funds prescribed by National Instrument 81-101, subject to such additions and amendments as are appropriate to explain the unique nature and features of WOF, without the obligation of satisfying the requirements of National Instrument 81-102. Accordingly, each year WOF files a simplified prospectus and annual information form that have been prepared substantially in the form of 81-101F1 and 81-101F2, subject to such amendments and additional information which WOF believes are appropriate to explain the unique nature and features of WOF. Several of these unique features have been summarized above under the heading “Unique Nature of WOF”.

WOF’s first filing using the simplified prospectus and annual information form was in December 2000. At that time, WOF submitted, and it was accepted by the Commission, that given the nature of WOF’s investment it was not appropriate or helpful for WOF to include a portfolio turnover rate as required by item 7(5) of Part B of 81-101F1. Accordingly, WOF does not currently disclose a portfolio turnover rate.

Similarly, when changes to National Instruments 81-101 and 81-102 were brought into effect in 2001, WOF submitted, and it was accepted by the Commission, that the clearest and most accurate approach to informing investors about costs associated with investing in WOF was to disclose both a management expense ratio including the performance bonus paid to WOF’s manager and a management expense ratio excluding it. We submitted at that time that with this disclosure, an investor could readily see the portion of fees which are fixed and the different the performance bonus makes. We were very concerned that having a variable performance fee included in the management expense ratio without clarifying disclosure, would mislead investors to conclude that the fixed annual costs of WOF are higher than they really are and the variable nature of the performance bonus would not be appreciated by them.

We submit that there is no reason for the above rationales not to apply today. As such, we attach as Schedule B, the disclosure currently made by WOF in its simplified prospectus regarding ratios and supplemental data and **respectfully seek confirmation that by using this form of disclosure, WOF will be in compliance with the requirements of item 2.1 of 81-106F1.**

Section 4.8 of NI 81-106 states that despite the requirements of Part 4, an investment fund “need not include in annual or interim financial statements a line item for any matter that is not applicable to the investment fund or for which there is nothing for the investment fund to

disclose.” While we appreciate the flexibility afforded by this provision, **we respectfully seek confirmation from the Commission that WOF is not required to include the following in its financial statements:**

- *Statement of Cashflows* We acknowledge that section 4.8 seems only to provide discretion with respect to line items; however, we respectfully submit that a statement of cashflows for WOF is unnecessary and redundant. Currently neither WOF nor other LSIFs include a statement of cashflows in their financial statements because all of the information is contained elsewhere in the financial statements.
- *Details of Commissions.* Given that WOF’s core investments are venture capital investments most commonly in private companies, we respectfully submit the disclosure required by subsection 4.7(1)4 should not apply to WOF. While WOF may pay some commissions on investments, these investments are generally with funds that are pending investment in “eligible businesses” under the EIA.

Cost of Distribution of Securities

We respectfully submit that WOF should continue to be able to amortize commission and fees on the issue of WOF shares to retained earnings on a straight line basis over eight years.

Section 7.5 of NI 81-106 makes the assumption that cost and benefits occur in the same fiscal year. However, benefits relating to the issue of shares are realized over the eight year hold on those shares. As such, we submit that WOF should be able to continue to apply this GAAP principal of matching costs to benefits and amortize commissions and fees to retained earnings over an eight year period. We note that recent decisions under the Mutual Reliance Review System for Exemptive Relief Applications seeking relief from the provisions of section 2.1 of National Instrument 81-105 support the matching accounting treatment for up-front sales commissions. Specifically, we refer you to recent orders granted for VenGrowth II Investment Fund Inc. (2002 BCSECCOM 1034 dated 12/11/2002), VenGrowth Advanced Life Sciences Fund Inc. (2002 BCSECCOM 1031 dated 12/11/2002) and VentureLink Brighter Future (Equity) Fund Inc. (2002 BCSECCOM 56 dated 12/17/2001).

Frequency of Disclosure

We respectfully submit that given the long term nature of WOF’s investments, the eight year hold on WOF shares and the annual limits on the amount of tax credits an individual can receive, quarterly and perhaps even semi-annual financial disclosure and management discussion of fund performance are of little value to WOF shareholders.

We appreciate that for traditional mutual funds that are redeemable on demand and that invest primarily in publicly traded, liquid securities, quarterly reporting is likely of benefit to their shareholders. However, as noted above, WOF’s investments are long term in nature, typically taking more than 5 years to mature. Shareholders must hold their shares for eight years from the date of purchase. Therefore, to the extent a quarterly disclosure would motivate a redemption, a

shareholder would be unable to effect that redemption. Conversely, to the extent that quarterly disclosure would motivate a shareholder to purchase WOF, he or she would likely be unable to purchase more shares during that year because they will have likely already received the maximum amount of tax credits and/or WOF could possibly have sold out for that year. As such, **we respectfully submit that WOF not be subject to the requirements of section 3.2 and 3.3 of NI 81-106.**

In addition, we believe that once a shareholder provides notice that he or she does not wish to receive financial statements, WOF should not be required to circulate an annual request form to shareholders. We appreciate the Commissions acknowledgement that shareholder mailings are costly to funds like WOF. As such, WOF is moving towards having one annual shareholder mailing to provide annual general meeting materials. Typically WOF holds its annual general meeting six months after its year end. If WOF was required to comply with section 2.2(1) in sending a request form for financial statements for the current financial year, we believe this would force WOF to either have two mailings a year (one being the annual request form in January of each year and a later mailing with meeting materials) or change the date of its annual general meeting. We also note that until the revised *Company Act* (British Columbia) comes into effect, companies like WOF, are not able to send materials electronically to shareholders. For these reasons, **we respectfully submit that WOF not be subject to the requirements of section 2.2(1) of NI 81-106, or in the alternative, that the request form relate to receiving financial statements for the following financial year thereby allowing WOF to have only one shareholder mailing per year.**

Restricted Share Disclosure Requirements

Please confirm that Part 13 of NI 81-106 is referring to shares in the capital of WOF and not shares WOF holds in investee companies. If this Part is intended to apply to shares WOF holds in investee companies, then as a venture capital fund, virtually all of WOF holdings in investee companies would meet the definition of “restricted share” as set out in National Instrument 51-102. This will require an extensive amount of additional disclosure by WOF which we believe is unnecessary and will be costly to prepare. As such, **we respectfully submit that part 13 of NI 81-106 not apply to WOF’s holdings in investee companies.**

SPECIFIC QUESTIONS BY THE CSA

While the above comments have likely covered the specific questions asked by the CSA, we have included specific answers for you.

Management Reports of Fund Performance

Question 1: The CSA invite comments as to whether the quarterly management reports of fund performance will achieve the goals that they are intended to achieve. Should there be more or less frequent disclosure of fund performance information and why? Should there be quarterly reporting for all investment funds? Does the proposed type of information allow an investor or an adviser to make informed investment decisions?

We do not believe that quarterly reporting instead of annual reporting will assist an investor or an advisor in making more informed investment decisions regarding WOF given the long term nature of WOF's investment, the eight year hold on WOF shares and the annual limits on tax credits individuals can claim. Please see our comments above under the heading "Frequency of Disclosure."

Financial Statements

***Question 2:** The CSA invite comment on whether the financial statement requirements set out in the proposed Rule meet the needs of the users of the financial statements? Does the amount of detail provided in the proposed National Instrument assist with the preparation, consistency and comparability of the financial statements? Is the proposed National Instrument too detailed? Is more detail or specific direction necessary? The majority of investment funds currently prepare and file six- month interim financial statements. Should all investment funds be required to prepare and file quarterly financial statements in addition to the proposed quarterly management reports of fund performance?*

As stated above, we do not believe that quarterly reporting instead of annual reporting will assist an investor or an advisor in making more informed investment decisions regarding WOF given the long term nature of WOF's investment, the eight year hold on WOF shares and the annual limits on tax credits individuals can claim. In addition, we believe that certain of the disclosure, namely a statement of cashflows, is unnecessary and redundant. Please see our comments above under the heading "Inapplicable and Amended Disclosure" and "Frequency of Disclosure".

Disclosure of Risk and Volatility

***Question 3:** The CSA invite comments on whether alternative methods of disclosing risk and volatility should be used. For example, should there be disclosure of the fund's best and worst quarter returns or disclosure of the correlation of the fund to a benchmark index? Is there additional disclosure that would provide useful information to the investors and advisers?*

We believe any disclosure regarding risk and volatility of WOF must take into account, and include a discussion of, the unique features of WOF set out above. We note that disclosure concerning volatility is very difficult to do. Disclosure that is too general will not be of benefit to investors; however, very specific disclosure may be too lengthy and difficult to understand easily. The instructions in item 1.3 of 81-106F1 state that funds are not to merely repeat information contained in the prospectus and rather, disclosure should reflect any change in risk. We respectfully suggest that without a statement as to suitability similar to the requirement of item 10 of Part B of 81-101F1, the extensive disclosure regarding specific risks associated with WOF contained in the simplified prospectus may be applicable in order to provide investors with appropriate disclosure on risk. Also, we believe that disclosing the best and worst quarter returns may confuse investors rather than assist them. We note that there is no appropriate benchmark for LSIFs, and therefore it would be very difficult for WOF to comply with such additional types of disclosure concerning risk and volatility.

Again, please let us reiterate our appreciation in being able to comment on NI 81-106 at this time. If you have any questions or we can be of any assistance, please contact me at (604) 664-3726.

Best regards,

“Jill W. McFarlane”

Jill W. McFarlane

Cc: Alberta Securities Commission
Saskatchewan Securities Commission
Manitoba Securities Commission
Ontario Securities Commission
Securities Administration Branch, New Brunswick
Office of the Attorney General, Prince Edward Island
Nova Scotia Securities Commission
Securities Commission of Newfoundland and Labrador
Registrar of Securities, Department of Justice, Government of the Northwest Territories
Registrar of Securities, Government of Yukon
Registrar of Securities, Legal Registries Division, Department of Justice, Government of Nunavut

c/o John Stevenson
Ontario Securities Commission
20 Queen Street West
19th Floor, Box 55
Toronto, Ontario M5H 3S8
E-mail: jstevenson@osc.gov.on.ca

and

Denise Brosseau, Secretary
Commission des valeurs mobilières du Québec
800 Victoria Square, Stock Exchange Tower
P.O. Box 246, 22nd Floor
Montreal, Quebec H4Z 1G3
E-mail: consultation-en-cours@cvmq.com

Schedule “A”

Valuation

Currently, WOF’s Plan sets out the valuation principles and procedures. Amendments to the EIA empower the Province to prescribe a method for establishing the value of assets of a corporation registered under the EIA. At this time, the Province has not prescribed or otherwise specified what this method will be.

Currently, the valuation committee of WOF’s board uses different methods to value the different types of WOF assets. WOF’s assets can be divided into three main categories:

- *Securities for which there is a published market.* The valuation committee values these **Published Assets** at the quoted price less any discount the valuation committee believe is appropriate given the circumstances.
- *Securities for which there is no published market.* The valuation committee values these **Unpublished Assets** based on detailed valuation rules set out in the Plan and described below. The carrying values generated are reviewed semi-annually by a chartered business valuator.
- *Other assets.* The valuation committee values these assets as they are carried on the books of WOF in accordance with generally accepted accounting principles.

Valuation of Published Assets

Currently, for WOF’s Published Assets, the valuation committee values these assets at the quoted price less any discount the valuation committee believes is appropriate. For example, the Valuation Committee will generally attach a lower value than the quoted price to publicly traded shares if trading is somehow restricted or if there a relatively small public float compared to WOF’s holdings. A published market means any market on which those securities are traded if the prices are regularly published in a newspaper or business or financial publication of general and regular paid circulation or an over the counter, inter-dealer or other market, trading or quotation system where the prices of the securities traded or quoted thereon are available to WOF through computer access, participating investment dealers or written reports generated by a system operator.

Valuation of Unpublished Assets

Currently, the valuation committee values the Unpublished Assets on the basis of the following principles and procedures:

- Investments are valued at estimated fair market value (the price that would be agreed upon in an open and unrestricted market between fully informed, knowledgeable, and willing parties dealing at arm’s length, without constraint) using the method of valuation which best and most objectively reflects such fair market value.

- The estimated fair market value of investments are determined on the basis of the expected realizable value of the investments if they were disposed of in an orderly disposition over a reasonable period of time.
- New investments are valued at cost for one year, unless there is a transaction which establishes values or there is a significant change from WOF's expectations.
- If there is a recent significant arm's length, bona fide, enforceable offer or transaction (a "Valuation Event") with respect to an investment, values used in such offers or transactions are used in the valuation of the investment. Prices are adjusted to reflect the value an ordinary purchaser would likely have paid. Similarly, if there is a valuation prepared by a qualified independent party, that valuation may be used to give a valid indication of the current value of an investment.
- If an investment is progressing satisfactorily in relation to WOF's expectations and there has not been a recent Value Event, then the best and most objective traditional valuation method may be used to estimate value (ie. such as: a conservative multiple of sustainable earnings with a cross reference to (and an assessment of) tangible asset value may be used). However, if the investment is not amenable to being valued using traditional valuation methods, then the value from the last Value Event, any specific valuation or investment will be used.
- Debt instruments are valued at their principal amount, unless they are in arrears or a write-down is considered prudent due to the unlikelihood of full realization on the investment.

Semi-Annual Valuation Reviews

An independent valuator, in good standing with the Canadian Institute of Chartered Business Valuators, semi-annually reviews the value of the Unpublished Assets as of the first day of May and as of the first day of November every year. The valuator reports on whether the carried value of the Unpublished Assets represents a fair and reasonable estimate of the value of the Unpublished Assets on the basis of the foregoing valuation principles.

Valuation of WOF's Unpublished Assets will inevitably be subject to inherent uncertainties and the resulting values may differ from values that would have been used had a ready market existed for the investments.

Schedule B

**Ratios and Supplemental Data – Excerpt from
WOF’s Simplified Prospectus Dated December 27, 2003**

Balanced Share Ratios and Supplementary Data

	1997	1998	1999	2000	2001
Net Assets (000’s) ⁽¹⁾	\$167,432	\$197,783	\$366,768	\$440,446	\$410,241
Number of shares outstanding ⁽¹⁾	26,078,524	30,548,545	37,666,027	36,186,051	38,073,491
Management Expense Ratio (excluding performance bonus) ⁽²⁾	2.92%	3.03%	2.72%	2.57%	2.77%
Management Expense Ratio (including performance bonus) ⁽³⁾	2.92%	3.03%	13.15%	6.57%	2.77%

- (1) This information is provided as at December 31 of the year shown.
- (2) This management expense ratio is calculated by dividing the total expenses of the Fund for the stated period (net of government contributions and expense recoveries, and excluding performance bonus) and is expressed as an annualized percentage of monthly net assets.
- (3) This management expense ratio includes performance bonus. In assessing the costs associated with investing in the Fund, investors should keep in mind that this performance bonus is a variable cost which is only paid when investment returns exceed a threshold. See the section called “Management Fees” on page 29. In years where returns are below that threshold, no performance bonus is paid. In 1999, the investment return was \$158 million or 50.54%. In 2000, the investment return was \$114 million or 24.95%.