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BARRISTERS AND SOLICITORS

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BY ELECTRONIC MAIL

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Alberta Securities Commission
Saskatchewan Securities Commission
Manitoba Securities Commission
Authorité des marches financiers
New Brunswick Securities Commission
Ontario Securities Commission
Registrar of Securities, Prince Edward Island
Nova Scotia Securities Commission
Superintendent of Securities, Newfoundland and Labrador
Registrar of Securities, Northwest Territories
Registrar of Securities, Yukon Territory
Registrar of Securities, Nunavut

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Dear Sirs/Mesdames:

Re: Proposed National Instrument 31-103 – Registration Requirements

We are counsel to the following investment funds and their managers:

(i) GrowthWorks Atlantic Venture Fund Ltd. ("GWAVF") and its manager GrowthWorks Atlantic Ltd.,

(ii) GrowthWorks Canadian Fund Ltd. ("GWCF") and its manager GrowthWorks WV Management Ltd.,

(iii) GrowthWorks Commercialization Fund Ltd. ("GWComm") and its manager GrowthWorks WV Management Ltd., and

(iv) Working Opportunity Fund (EVCC) Ltd. ("WOF") and its manager Growth Works Capital Ltd. ("GWC"),

(together the "GrowthWorks Funds" and the "GrowthWorks Managers").

We are writing on behalf of ourselves and on behalf of the GrowthWorks Funds and the GrowthWorks Managers to provide comments on Proposed National Instrument 31-103 – *Registration Requirements* ("NI 31-103"). We and our clients appreciate the opportunity to provide input on this regulatory process.

Background

The GrowthWorks group of companies is the second largest independent manager of labour-sponsored investment funds ("LSIFs") in Canada with approximately $800 million in assets under management.

Each of GWCF, GWComm, GWAVF and WOF is an LSIF and offers its securities on a continuous offering basis. Each of GWCF, GWComm and GWAVF is considered a "mutual fund" under applicable securities laws. While not technically a mutual fund under the Securities Act (British Columbia), WOF has obtained exemptive relief on the basis that it is substantially similar to a mutual fund and that its offering of securities is analogous to that of a mutual fund (see 2000BCSCCOM 269, 2001BCSCECCOM 847, 2003 BCSCECCOM 234, 2005 BCSECCOM 107, 2006 BCSCECCOM 232).

GWC is registered in British Columbia and Manitoba as a portfolio manager and in Ontario and Nova Scotia as investment counsel/portfolio manager and mutual fund dealer. In fulfilling its obligations to provide or arrange for the provision of management services to the GrowthWorks Funds, each GrowthWorks Manager engages GWC to provide portfolio management advice for the fund it manages. GWC is also engaged to act as principal distributor for GWCF, GWComm and GWAVF.

Comments on NI 31-103

Our comments on proposed NI 31-103 and Form 31-103F1 are set out below. We have separated our comments into topics.

New Registration Category – Investment Fund Manager

In the Canadian Securities Administrators (the "CSA") Notice and Request for comments dated February 20, 2007 (the "Notice"), the CSA stated specific objectives behind the registration requirement for investment fund managers and identified specific risks particular to investment fund managers.

The CSA's stated objective of registration of investment fund managers is to:

- allow regulators to directly regulate investment fund managers instead of imposing registration type requirements on mutual fund issuers,

- impose requirements to ensure that investment fund managers have the resources to adequately carry out their functions, adequately supervise the functions if they are outsourced and to provide proper services to security holders in compliance with all applicable legal requirements, and
- provide a framework for avoiding and managing conflicts.

The Notice also sets out risks the CSA has identified as particular to investment fund managers:

- incorrect or untimely calculation of net asset value,
- incorrect or untimely preparation of financial statements and reports,
- incorrect or untimely provisions of transfer agency or record keeping services, and
- conflicts of interest between an investment fund manager and investors.

In question #3 in the Notice, the CSA has asked: Are there managers of funds for which the risks identified are adequately addressed in some other way and therefore registration as a fund manager may not be necessary? In our view, the answer to this is "yes" in situations where managers are already subject to the extensive regulation for investment funds currently in place, and especially so in situations where those managers are part of a corporate group that has within it, an entity registered in at least one of the prescribed categories under NI 31-103.

As discussed in more detail below, we believe the CSA's objectives in the Notice are already achieved under the current regime for investment funds, which has undergone much expansion in recent years. Regulators directly regulate investment fund managers by prescribing express standards of care for managers in current national instruments. This standard of care requires investment fund managers to maintain resources to adequately carry out their functions, adequately supervise the functions if they are outsourced and to provide proper services to security holders in compliance with all applicable legal requirements. In addition, National Instrument 81-107 provides a comprehensive framework for investment fund managers for identifying and resolving conflicts of interest.

We also believe the specific risks identified in the Notice are already addressed in the current regulatory regime through specific regulation of fund activities. The standards of care imposed on managers in the current regime inherently include a requirement for managers to ensure that the funds they manage comply with all applicable securities laws. Not only does this address the specific risks identified in the Notice as we discuss in more detail below, this further affords regulators a form of direct regulation of managers. We believe the better approach may be to focus on enhancing the tools of monitoring compliance with the existing instruments and rules.

Registration as an investment fund manager under NI 31-103 will have significant initial and on-going costs for investment fund managers. These costs will ultimately be borne by investors. Since we are of the view that the objectives and risks identified in the Notice are adequately addressed

under the current regulatory regime generally, we believe the significant costs of registration of all investment fund managers under NI 31-103 are without a corresponding benefit to investors.

If, despite the foregoing, regulators feel that registration is required for some investment fund managers, we respectfully submit that the registration of one entity in a corporate group in one of the prescribed categories of NI 31-103 should be sufficient to satisfy the objectives of the CSA as set out in the Notice. As discussed in more detail below, we believe this is particularly compelling in situations like the GrowthWorks group of companies where managers share common officers and/or directors of a registrant (GWC) who are already working in a compliance focused environment. In addition, these managers are already subject to the comprehensive regulatory regime and management agreements which provide powerful incentives for compliance with securities laws. In our view, requiring registration of all corporate entities of the corporate group in the foregoing situation would be unduly burdensome and costly without a corresponding benefit to investors. For the same reasons, we consider it appropriate to exempt the registrant within the corporate group, in the case of GrowthWorks case this is GWC, from registration in the additional category of investment fund manager.

Current Regulatory Regime

A number of current national policies applicable to investment funds, and some specific to mutual funds, work together to provide expansive regulation for investment fund managers. As discussed below:

1. **National Instrument 81-102 – *Mutual Funds*** ("NI 81-102"),
2. **National Instrument 81-106 – *Investment Fund Continuous Disclosure*** ("NI 81-106"); and
3. **National Instrument 81-107 - *Independent Review Committee for Investment Funds*** ("NI 81-107")

   (together, the "Instruments")

have specific rules that we believe meet the objectives and address the risks identified in the Notice. It follows that having another instrument such as NI 31-103 regulating the same areas is duplicative, possibly confusing and would result in unnecessary and significant costs without a corresponding benefits to investors.

First, both NI 81-102 and NI 81-107 include provisions which impose a standard of care on investment fund managers and in turn, their agents. These include:

- Section 2.1 of 81-07 provides that a manager, in exercising its powers and discharging its duties related to the management of an investment fund, must act honestly and in good faith, and in the best interests of the investment fund and exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

- Section 4.4(1) of NI 81-102 states that a management agreement must provide that the manager is responsible for any loss which arises out of the failure of the manager, or of any person or company retained by the manager, to discharge any of the manager's responsibilities to the mutual fund to exercise the powers and discharge the duties of its office honestly, in good faith and in the best interests of the mutual fund and to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances.

- Section 2.16 of NI 81-102 requires the manager of a mutual fund to review on an annual basis such agreements with any agent to determine if the agents are in compliance with NI 81-102.

- Section 6.4 of NI 81-102 provides that all custodian agreements and sub-custodian agreements concerning the safekeeping of, and dealing with, the portfolio assets of a mutual fund provide for matters relating to the standard of care and requires that the custodian or sub-custodian of a mutual fund, in carrying out their duties shall exercise the degree of care, diligence and care a reasonably prudent person would exercise in the circumstances.

The foregoing represents explicit standards of care that are benchmarks against which the conduct of investment fund managers can be assessed. Through these provisions, regulators essentially regulate investment fund managers and can enforce compliance with the prescribed standards of care. These standards require investment fund managers to have the resources to adequately carry out their functions, adequately supervise the functions if they are outsourced and to provide proper services to security holders in compliance with all applicable legal requirements. We submit that these explicit standards of care, together with NI 81-107, satisfy all the objectives for requiring registration of investment fund managers as stated in the Notice.

In addition, we suggest that implicit in this standard of care is an obligation on managers to ensure that their managed funds comply with all applicable securities laws. Therefore, to the extent the current regime has a specific rule for investment funds that addresses the risks identified by the CSA, having another rule in NI 31-103 covering the same matters is duplicative. Further, we submit that in most cases, current provisions in the Instruments cover the risks more comprehensively than the proposed provisions in NI 31-103.

For example:

- *incorrect or untimely calculation of net asset value* – The risks relevant to investors are incorrect or untimely calculations that are material. Part 14 of NI 81-106 has specific rules on the calculation and reporting of net asset value. To the extent that the incorrect or untimely calculation is material, it must already be disclosed in an investment fund's management report of fund performance under "Results of Operations" and/or under item 6 "Other Material Information". This makes section 4.24 of NI 31-103 redundant.

- *incorrect or untimely preparation of financial statements and reports* – To the extent the risk relates to the investment fund, Part 2 to Part 5 of NI 81-106 governs the preparation and delivery of an investment fund's financial statements. This is a comprehensive regime governing the

continuous disclosure obligations of investment funds. To the extent the risk relates to an investment fund manager, we acknowledge that regulators currently have limited access to information on solvency for unregistered investment managers. However, we suggest that the current regulatory regime could be enhanced to address this risk in a more cost effective way than adding another full layer of regulation through NI 31-103. For example, the delivery of an investment fund manager's annual financial statements could be included as one of the filing requirements for renewal of a fund's prospectus offering.

- *incorrect or untimely provisions of transfer agency or record keeping services* – NI 81-102 has specific rules regarding services to securityholders and specifically, record keeping in Part 18 and also relevant rules regarding purchases and redemption of securities (Parts 9 and 10). These provisions are more comprehensive than those contained in Part 5 of NI 31-103.

- *conflicts of interest between investment fund manager and investors* – NI 81-107 provides a comprehensive framework for investment fund managers for identifying and resolving conflicts of interest. NI 81-107 covers the same matters as Part 6 of NI 31-103 but in a more comprehensive way

To the extent regulators feel that the Instruments do not adequately address a particular identified risk in the Notice, we submit that that the provisions of the Instruments noted above could be enhanced to deal with those risks. We believe this would achieve the desired results without unduly increasing costs of compliance. Put another way, we think this would result in costs of compliance that are more in line with the perceived benefits of further regulation.

It should also be noted that management agreements typically contain clauses that provide powerful economic incentive for managers to have their funds comply with securities laws. For example, the management agreements for all the GrowthWorks Funds require the manager to ensure that the particular fund is in compliance with all applicable laws. The manager remains liable even if it arranges for a third party to provide a particular service. If a GrowthWorks Manager does not comply with this provision, this can be grounds for a damages/indemnity claim and termination of the management agreement. This provides a powerful incentive to managers to ensure that their managed funds are in compliance with applicable securities laws.

Based on the foregoing, we feel NI 81-102, NI 81-106 and NI 81-107 already provide regulators with the tools necessary to address regulatory concerns respecting investment fund managers. As such, we submit adding another layer of regulation under NI 31-103 will be duplicative, burdensome and costly. The costs of compliance will ultimately be borne by investors. Rather than adding another whole layer of regulation, we support enhancing the regulator's tools of monitoring compliance within the current regime.

On the subject of increased costs, there have been several significant and costly new regulations for investment funds over the past couple of years, namely NI 81-106 and NI 81-107 and for LSIFs,

proposed National Instrument 41-101. Based on our experience with industry participants in implementing these new instruments, we can envision the emergence of clauses in fixed cost management agreements to specifically address the rising costs of compliance that acknowledge the reality that increased costs of compliance are ultimately borne by investors. Would the regulators have any concerns regarding a provision in a management agreement which provides that to the extent the securities regulatory authorities enact regulations resulting in significant additional compliance costs, the Fund, not the manager, will be responsible for such additional costs?

Existing Registrant in a Corporate Group

An investment fund manager is often part of a corporate group which includes a registrant. As registrants, these entities are subject to direct regulation from regulators, including certain bonding requirements and filing requirements relating to financial statements and calculations of working capital. We submit that in situations like the GrowthWorks group of companies, this provides a higher of assurance for the conduct of all members of the corporate group.

In the case of the GrowthWorks group of companies, as noted above, GWC is registered as a mutual fund dealer, investment counsel and portfolio manager in Ontario and Nova Scotia and a portfolio manager in British Columbia and Manitoba. In fulfilling its obligations to provide or arrange for the provision of management services to the GrowthWorks Funds, each GrowthWorks Manager engages GWC to provide portfolio management advice for the fund it manages. GWC is also engaged to act as principal distributor for GWCF, GWComm and GWAVF.

In accordance with registration requirements, GWC files annual its audited financial statements and calculations of working capital. GWC's financial statements also contain information regarding its affiliated GrowthWorks Managers through specific line items of inter-corporate receivables and notes to the financial statements regarding related party transactions. Not only does this provide regulators with information regarding GWC's solvency, it also provides some information as to the financial solvency of GrowthWorks Managers. This is particularly true when coupled with the required disclosure in each GrowthWorks Fund's prospectus regarding the dollar amount of management fees paid each year. To the extent regulators wish to access additional specific financial information about managers, we think enhancing the current regulatory regime is a more cost effective way than adding another full layer of regulation through NI 31-103. For example, specific information relating to insurance coverage maintained for the benefit of the corporate group as a whole, including specific references to affiliated managers, could be required to be included in a note to the existing registrant's financial statements.

The registration status of GWC has developed a firm-wide culture of compliance. As part of its current registration, GWC has a comprehensive policies and procedure manual. Each GrowthWorks Managers is an affiliate of GWC and shares common officers and/or directors. As such, GWC's personnel and those of each GrowthWorks Managers currently operate in a regulatory regime focused on compliance. Because of this reality, we are not sure what additional benefits would result

to investors in GrowthWorks Funds from requiring each other GrowthWorks Managers and certain of its officers to register in the category of investment fund manager category.

We believe registration of the GrowthWorks Managers is even more redundant given the comprehensive regulatory regime currently in place for managers like the GrowthWorks Managers directly and indirectly with specific rules of investment funds and the economic incentives at work. As discussed above in the section "Current Regulatory Regime", the GrowthWorks Managers are already directly regulated under the Instruments in particular by the express standard of care. As part of that standard, investment fund managers ensure that the funds they manage are in compliance with applicable securities laws. In our view, the relevant parts of NI 31-103 simply duplicate in often a less comprehensive way provisions of the Instruments that the GrowthWorks Managers must ensure that they and the GrowthWorks Funds abide by. Furthermore, GrowthWorks management agreements provide powerful economic incentives to foster compliance by the GrowthWorks Funds and GrowthWorks Managers with applicable securities laws.

For the reasons noted above, we respectfully submit that registration in the investment fund manager category for fund managers that have common officers and/or directors with an affiliate already registered in one or more categories, especially when managers are already subject to the current comprehensive regime under the Instruments, would be duplicative and unduly costly with no corresponding benefit to investors. In these situations, costs of registration would in our view far outweigh any perceived benefits.

Also based on the foregoing, we consider it appropriate to exempt the registrant within the corporate group, in the case of GrowthWorks case this is GWC, from additional registration in the category of an investment fund manager because it would add burden and cost without a corresponding benefit to investors, especially given existing direct regulation of the entity as a registrant.

Manager of Exempt Market, Closed – End funds

Aside from the discussion above, we also submit in response to Question #3 of the Notice, that registration for investment fund managers of closed-end funds that have completed their offerings in the exempt market and are not listed on an exchange should not be required. Requiring registration of managers of these funds now seems at odds with the exempt nature of these offerings. Similar to the discussion below in "New Registration Category – Exempt Market", the securities of these types of closed-ended funds were distributed pursuant to prospectus and registration exemptions on the basis that regulators recognized these types of investors as not needing the protection afforded by a prospectus and having a registrant. We also think it is important to note that for many of these funds, managers are in the process of winding down operations and as such, we query what protection for investors could be achieved. Based on the foregoing, we submit that the costs of registration of those particular investment fund managers outweigh any potential or actual benefit of registration.

New Registration Category – Exempt Market Dealer

A key concept behind the rationale of the current regulatory regime is that certain types of investors acquiring certain types of securities do not require the protection of a prospectus or dealing with a registrant. We believe the current system works well and contributes positively to the capital raising markets, particularly in British Columbia. It would seem under NI 31-103, an investor is considered sophisticated enough to not require a prospectus while at the same time being considered not sophisticated enough such that the trades must be made through a registrant, seemingly because the registrant requires some protection which registration presumably offers. We do not believe this distinction makes sense with certain types of investors such as accredited investors and in particular when those investors are acquiring a significant amount of securities. Accordingly, as there does not appear to be a market problem related to the use of the current exemptions, we submit the costs involved in implementing the proposed changes outweigh any potential or actual benefit.

Conflicts - Part 6 of NI 31-103

While we agree with regulators that conflict of interest rules is an important part of governance and compliance, we submit NI 81-107 already provides a comprehensive framework for identifying and resolving conflicts of interest and imposing additional conflict of interest obligations under NI 31-103 will be duplicative, potentially confusing and costly with no further benefit to investors.

NI 81-107 recently came into effect and was introduced by the CSA to improve investment fund governance by imposing a minimum, consistent standard of independent oversight for publicly offered investment funds. NI 81-107 was developed with a view to striking a balance between protecting investors and fostering fair and efficient capital markets. Industry participants have already expended significant time and resources to comply with it and will continue to incur on-going compliance costs.

In addition, NI 81-102 also includes conflict provisions in Part 4 – Self Dealing. Many LSIFs like the GrowthWorks Funds have sought and obtained exemptive relief from these provisions of NI 81-102 because of the nature of venture investing. For example, Section 4.2(1)4 of NI 81-102 prohibits an investment fund from purchasing a security from a company, having fewer than 100 securityholders of record, of which a partner, director or officer of the mutual fund or partner, director or officer of the manager or portfolio adviser of the mutual fund is a partner, director, officer or securityholder. GWCF was granted exemptive relief from the requirements of section 4.2(1)(4) of NI 81-102 as it is a hallmark of venture investing that officers of the manager sit as directors of investee companies. Without the relief, GWCF would be prohibited from making follow-on investments in investee companies, another key aspect of venture investing.

If the conflict of interest provisions remain in NI 31-103 for investment fund managers, we seek clarification on how the conflict of interest provisions in NI 31-103 will work with duplicative regulation in NI 81-107 and NI 81-102. As noted above, GWCF was granted exemptive relief from

the requirements of section 4.2(1)(4) of NI 81-102. Furthermore, GWCF's Independent Review Committee established under NI 81-107 is expected to approve standing instructions granting approval to GWCF for such trades on the basis of the exemption order. In this situation, it would seem that GrowthWorks WV Management is in compliance with NI 81-102 (through GWCF's exemptive relief) and NI 81-107 (because of standing instructions) yet in breach of section 6.2(2) NI 31-103 which prohibits trades of a registered adviser in securities of an issuer in which a responsible person of the adviser is a partner, officer or director of the issuer. In order to avoid confusion for managers trying to comply with multiple rules for conflicts in multiple national instruments, it would seem to be appropriate and effective to provide a carve out from Part 6 of NI 31-103 for those manager's whose fund's comply with NI 81-107, including standing instructions of an investment fund review committee, and/or have obtained specific exemptive relief under NI 81-102.

In response to Question 12 of the Notice as to whether a materiality concept is appropriate within NI 31-103 or if instead it should be dealt with at the firm level within firm polices, we submit that a materiality concept is indeed appropriate and that this threshold be set out in NI 31-103. While we note that the Companion Policy provides a general description of conflicts of interest as circumstances in which the interests of different parties are inconsistent or divergent, this is a broad description and in the day to day operations of a registered firm, there are potential or actual conflicts which arise and are dealt with as a matter of course. Without a materiality threshold, we believe part 6 of NI 31-103 will be unduly cumbersome to comply with. We think having the threshold in NI 31-103 is necessary to ensure all registered firms operate under the same conflict of interest rules.

Complaint Handling - Division 7 of Part 5 Conduct Rules of NI 31-103

We seek clarification on the nature of complaints which will be subject to Division 7 of Part 5 Conduct Rules of NI 31-103. Although we appreciate and understand the need for a system for managing and reporting complaints to regulators, we submit that complaints subject to Division 7 of Part 5 Conduct Rules of NI 31-103 should be limited to complaints of a substantive nature.

The Companion Policy states that a complaint is the expression of at least one of the following elements that persists after being considered and examined at the operational level capable of making a decision on the matter: (i) a reproach against the firm, (ii) the identification of a real or potential harm that a client has experienced or may experience or (iii) request for a remedial action. The nature of complaints received by dealers, advisers and investment fund managers are varied in scope and can be made through a variety of avenues from the client services department to the directors and officers of the registrant.

We submit that the description of a "complaint" in the Companion Policy is very, very broad. For example, a complaint by an investor to client services regarding fund performance which is not resolved to an investor's satisfaction at the operational level can be considered "a reproach against the firm" or "the identification of a real or potential harm that a client has experienced". Similarly, an investor complaint regarding early redemption fees in connection with an early redemption of

shares can be considered “the identification of a real or potential harm that a client has experienced”. In the first case, fund performance is for the most part not in the control of the registrant. In the second case, early redemption fees are clearly disclosed in the prospectus. In both cases, there is no allegation of wrongdoing on the part of the registrant and we do not believe such complaints should be subject to Division 7 of Part 5 Conduct Rules of NI 31-103.

Based on the foregoing and given the varied scope and nature of complaints received by advisers, dealers and investment fund managers in their day to day operations, we believe the number of complaints that would trigger this provision as currently worded would be unduly burdensome, onerous and costly to comply with. We suggest that the CSA consider limiting the nature of complaints subject to Division 7 of Part 5 Conduct Rules of NI 31-013 in some way such as a having a materiality threshold or depending on the subject matter of the compliant, such as alleging misconduct relating to a breach of securities laws or conflict of interest rules

Financial Records – Division 3 of Part 4 – Fit and Proper Requirements of NI 31-103

Sections 2.24(1)(c) and 2.42(1)(c) of NI 31-103 requires investment fund managers to file a description of net asset value adjustments on a quarterly and yearly basis. We also note that section 4.24(2) of NI 31-103 requires an investment fund manager to deliver to the regulator quarterly financial statements and a completed Form 31-103F1. Given the time and expense we anticipate of preparing such reports for investment fund managers and the time and expense of reviewing such statements by regulatory staff, we submit that the obligation to file such reports be subject to thresholds, as confirmed by the auditors.

In regard to the requirement to file reports on net asset value adjustments (quarterly and yearly), we submit that the obligation to file such statements should only be triggered by a materiality threshold as to degree of adjustment. To the extent an adjustment is below this material threshold, it should not be reported. We suggest that any periods for which there were no adjustments reported (as they either did not occur or were not of a material nature), should be confirmed by the auditors in a letter filed with the relevant regulator. In addition, as we discussed above in the heading “New Registration Category – Investment Fund Manager – Current Regulatory Regime”, we believe the objectives of the regulators in requiring the filing of net value adjustments is already adequately addressed under the current regulatory regime. If the adjustment is material, disclosure will be triggered by 81-106F1.

In regard to the requirement to file quarterly financial statements and Form 31-103F1, we submit that the obligation to file such statements should only be triggered by an appropriate solvency threshold, again as confirmed by the auditors. To the extent a manager meets this solvency threshold, we suggest that the auditors would confirm and the manager would not be required to file quarterly financial statements. In addition, as discussed above in the heading “New Registration Category – Investment Fund Manager – Registrant in Corporate Group” specific information regarding a

manager that is of importance to regulators, could be included in a note to the affiliate registrant's financial statements.

Based on the foregoing, we submit that applicable thresholds triggering the filings of such reports will keep the costs of complying for managers and the costs of reviewing for regulators in line with the benefits from such filings.

Form 31-103F1 – Report of Working Capital

We seek clarification on the calculation of Current Assets in Line 1 of Form 31-103F1.

Currently, in BC Form 33-905F – Report of Working Capital (the "BC Form"), any related party balances which are not generated in the "normal course" of the registrant's business (e.g. inter-company or shareholder loans receivable are not generated from the normal revenue stream) are not considered as allowable current assets. As a result, these are excluded from the "receivable from mutual fund" calculation. In the context of registrants who are affiliated entities, the calculation of working capital under the BC Form which excludes such related party balances has the potential to be problematic given that, on a conservative calculation, related party balances are excluded where there is a question as to whether it is in the "normal course". Please confirm the calculation of Current Assets in Form 31-103F1 does not contain this exclusion and that investment fund managers can include all related party balances in its calculation of working capital. Otherwise, the existence of such an exclusion would drive the defacto minimum working requirement to much higher levels than intended in an affiliated group.

Transition

We seek clarification in NI-31-103 or the Companion Policy on transitional provisions for current registrants. Based on preliminary discussions with staff at the British Columbia Securities Commission, our initial questions are:

- will current registrants be required to apply for initial registration under NI 31-103 or will there be a "grandfathering" of current registrations?
- will current conditions of registration and exemptions to proficiency requirements remain in effect?
- will registrant/fund specific exemption orders currently in place transition to NI 31-103 and remain in effect?

Because of the potential significant added costs with transitioning, we would appreciate an opportunity to comment on any proposed transitional rules along with other industry participants.

Conclusion

We appreciate the opportunity to provide our comments and welcome the opportunity to discuss them further.

Best regards,

“Jill W. McFarlane”

Jill W. McFarlane