MANITOBA SECURITIES COMMISSION
MSC Policy 81-201

DESIGNATION OF LABOUR SPONSORED INVESTMENT FUNDS
AS MUTUAL FUNDS AND PROSPECTUS DISCLOSURE
REQUIREMENTS OF SUCH FUNDS

1. INTRODUCTION

This Policy confirms the designation of labour sponsored investment funds as mutual fund companies in Manitoba as of the effective date, provides guidance regarding the information required to be included in a prospectus of a labour sponsored investment fund and clarifies the application of certain national instruments to labour sponsored investment funds in Manitoba.

2. DEFINITIONS AND INTERPRETATION

2.1 Definitions in this Policy

Unless the context otherwise requires, the following terms have the following meanings:

"effective date" means November 1, 2001

"labour sponsored investment fund" or "LSIF" means a labour-sponsored venture capital corporation which intends to apply for or has been registered under *The Labour-Sponsored Venture Capital Corporations Act*(Manitoba) or *The Crocus Investment Fund Act* (Manitoba) or similar labour-sponsored venture capital corporation legislation in a Canadian province or territory; and is a prescribed labour-sponsored venture capital corporation under *The Income Tax Act* (Canada).

"Ontario Form 45" means R.R.O. 1990, Regulation 1015, Forms, Form 45.

2.2 Interpretation

Terms used in this Policy that are defined in National Instrument 14-101 Definitions, National Instrument 81-101 Mutual Fund Prospectus Disclosure, National Instrument 81-102 Mutual Funds and National Instrument 81-105 Mutual Fund Sales Practices, have the meaning ascribed to them in those Instruments.

3. APPLICATION

This policy applies to all LSIFs.

4.   LSIFs DESIGNATED AS MUTUAL FUND COMPANIES

LSIFs will be designated by the director as mutual fund companies as of the effective date of the Policy pursuant to Section 1(1) of the Regulation to *The Securities Act* (Manitoba).

5.   APPLICATION OF A RULE and/or POLICY WHICH CONFLICTS WITH THE PROVISIONS OF LABOUR-SPONSORED VENTURE CAPITAL CORPORATION LEGISLATION

5.1   The Commission is prepared to consider application for exemptive relief where the application of the securities legislation, rules and/or policy of the Commission, pertaining to mutual funds, conflicts with the provision of labour-sponsored venture capital corporations legislation pertaining to LSIFs.

5.2   Without limiting the generality of 5.1 above, staff is of the view that an LSIF should consider seeking relief from a rule and/or policy of the Commission respecting any of the following subjects:

1.   Incorporation and initial capitalization of mutual funds.
2.   Investment restrictions on mutual funds.
3.   The borrowing of money by mutual funds.
4.   The making of an illiquid investment by mutual funds.
5.   The lending of money by mutual funds.
6.   The guaranteeing by mutual funds of debts or obligations of other persons or companies.
7.   The management or control of other issuers by mutual funds.
8.   The pricing, sale or redemption of securities of mutual funds.
9.   Valuation requirements for mutual funds and the calculation of the net asset value of securities of mutual funds.

5.3   A LSIF must apply for and receive relief from the Commission or director,where such conflicts in legislation exist.

6.   INFORMATION REQUIRED TO BE INCLUDED IN A PROSPECTUS OF A LSIF

6.1   A LSIF prospectus shall be prepared in accordance and comply with the disclosure requirements as set out in Ontario Form 45.

6.2   A LSIF prospectus shall include a prospectus summary.

6.3   A LSIF prospectus may include after-tax sensitivity tables or internal rates of return charts illustrating the impact to an investor of the tax credits unique to LSIFs provided

both positive and negative scenarios are illustrated and the presentation is balanced and not misleading.

7.   **TRANSITION PEROD**

A LSIF will have sixty days from the effective date of the Policy to apply for and receive relief required due to the coming into force of the Policy.

8.   **EFFECTIVE DATE**

This Policy shall come into force on November 1, 2001.