

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

AND

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

AND

IN THE MATTER OF BLC-EDMOND DE ROTHSCHILD ASSET MANAGEMENT INC. (BLC-Rothschild)

AND

R LIFE & HEALTH RSP FUND, R WORLD LEADERS RSP FUND, R AMERICAN RSP FUND, R EUROPEAN RSP FUND, R ASIAN RSP FUND, R TECHNO-MEDIA RSP FUND (collectively, the Existing Top Funds)

AND

R EUROPE TECHNO-MEDIA RSP FUND, R SMALL & MID-CAP EUROPEAN RSP FUND (collectively, the New Top Funds)

#### MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the Decision Maker) in each of the provinces of British Columbia, Alberta, Saskatchewan, Ontario, Nova Scotia and Newfoundland (the Jurisdictions) has received an application (the Application) from BLC-Rothschild as manager of the Existing Top Funds and the New Top Funds and other mutual funds managed by BLC-Rothschild after the date of this Decision (the Future Top Funds", and together with the Existing Top Funds and the New Top Funds, the "Top Funds") having an investment objective or strategy that is linked to the returns of another specified BLC-Rothschild mutual fund for a decision by each Decision Maker (collectively, the "Decision") under the securities legislation of the Jurisdictions (the Legislation) that the following provisions of the Legislation (the "Applicable Legislation") shall not apply to the Top Funds or BLC-Rothschild, as the case may be, in respect of certain investments to be made by the Top Funds in applicable corresponding mutual funds from time to time (the funds in which such investments are to be made, collectively referred to as the Underlying Funds):

1. the restrictions contained in the Legislation prohibiting a mutual fund from knowingly making and 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 securityholder;  
and

2. the requirements contained in the Legislation requiring the management company to file a report relating to a purchase or sale of securities between the mutual fund and any related person or company, or any transaction in which, by arrangement other than an arrangement relating to insider trading in portfolio securities, the mutual fund is a joint participant with one or more of its related persons or companies.

AND WHEREAS the Decision Maker in each of the Jurisdictions has received an application from BLC-Rothschild, as manager of the Existing Top Funds for a Decision under the Legislation revoking and replacing the MRRS Decision Document dated January 11, 2000 entitled "*In the Matter of R American RSP Fund et al*" (the "Original Decision") which decided that the Applicable Legislation and other requirements of the Legislation which applied to the Existing Top Funds and BLC-Rothschild at the time of the Original Decision, did not apply in respect of certain investments made by the Existing Top Funds in their corresponding Underlying Funds.

AND WHEREAS pursuant to the Mutual Reliance Review System for Exemptive Relief Applications (the ASystem@), the Ontario Securities Commission is the principal regulator for this application;

AND WHEREAS BLC-Rothschild has represented to the Decision Makers that:

1. The Top Funds and the Underlying Funds are or will be open-end mutual fund trusts established under the laws of the Province of Ontario, and each Top Fund and Underlying Fund is, or will be, qualified for distribution in the Jurisdictions by means of a prospectus. The Existing Top Funds and their corresponding Underlying Funds are qualified for distribution in all the provinces of Canada except Prince Edward Island pursuant to simplified prospectuses and annual information forms dated December 15, 1999 and February 18, 2000 (for Newfoundland, New Brunswick and Nova Scotia). Each of the New Top Funds and their corresponding Underlying Funds will be established on or immediately prior to the date on which a receipt is issued by the Decision Makers for the simplified prospectus and annual information form qualifying the units of the New Top Funds and their corresponding Underlying Funds for distribution to the public (the AProspectus@).
2. BLC-Rothschild is a corporation established under the laws of Canada and constitutes a joint venture between Laurentian Bank of Canada (the ABank@) and La Compagnie Financière Edmond de Rothschild Banque (ARothschild@). BLC-Rothschild, the Bank and Rothschild are or will be considered the promoters of the Top Funds and Underlying Funds, where such concept exists, under the securities legislation of the Jurisdictions.

3. The trustee of the of the Top Funds and Underlying Funds is or will be Laurentian Trust of Canada Inc., a wholly-owned subsidiary of the Bank.
4. Each Existing Top Fund and its corresponding Underlying Fund is not in default of any requirements of the Legislation.
5. Each Top Fund seeks or will seek, to achieve its investment objective while ensuring that securities of the Top Fund do not constitute Aforeign property@ for registered retirement savings plans (ARRSPs@), including Agroup RRSPs@ and locked-in retirement accounts, registered retirement income funds, including life income funds, deferred profit sharing plans and registered education savings plans (the ARegistered Plans@).
6. The Prospectus for each Top Fund does, or will, contain disclosure with respect to the investment objective, strategies, risks and restrictions of the Top Fund and the Underlying Fund.
7. The investment objective of the Top Fund is, or will be, to achieve long-term capital appreciation primarily by investing in derivative instruments that permit the Top Fund to link its performance to its named corresponding Underlying Fund, while ensuring that securities of the Top Fund do not constitute Aforeign property@ for Registered Plans. In order to achieve its investment objective, each Top Fund will invest directly in, and will use derivative instruments to obtain exposure to, its corresponding Underlying Fund, as described in paragraph 9 herein.
8. The investment objective of each Underlying Fund is, or will be, achieved through investment primarily in foreign securities.
9. Each Top Fund does, or will, invest, its assets in securities such that its securities will be Aqualified investments@ for Registered Plans and will not constitute foreign property in a Registered Plan. The direct investment by each Top Fund in its corresponding Underlying Fund is, or will be, in an amount which will not exceed the amount prescribed from time to time as the maximum permitted amount capable of being made as a foreign property investment under the *Income Tax Act* without the imposition of tax under Part XI of that Act (the APermitted Limit@). The amount of direct investment by each Top Fund will be adjusted from time to time so that, except for transitional cash, the aggregate of direct investment in, and derivative exposure to, its corresponding Underlying Fund will equal 100% of the assets of the Fund.
10. Except to the extent evidenced by this Decision and specific approvals granted by the Canadian securities administrators pursuant to National Instrument 81-102, the investments by a Top Fund in its corresponding Underlying Fund has been, and will be, structured to comply with the investment restrictions of the Legislation and National Instrument 81-102.

11. In the absence of this Decision, each Top Fund would be prohibited from (a) knowingly making 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 securityholder; and (b) knowingly holding an investment referred to in subsection (a) hereof. As a result, in the absence of this Decision, a Top Fund would be required to divest itself of any investments referred to in subsection (a) herein.
12. In the absence of this Decision, BLC-Rothschild would be required to file a report of every purchase or sale by a Top Fund of the securities of its corresponding Underlying Fund.
13. Each Top Fund's investment in, or redemption of, securities of its corresponding Underlying Fund represents, or will represent, as the case may be, the business judgement of responsible persons uninfluenced by considerations other than the best interests of the Top Fund.

AND WHEREAS pursuant to the System this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the ~~AD~~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;

AND WHEREAS the Decision Makers are of the opinion that it would not be prejudicial to the public interest to make the Decision;

THE DECISION of the Decision Makers pursuant to the Legislation is that the Original Decision is hereby revoked and replaced with the following Decision with effect as of, and from, the date hereof; and

THE DECISION of the Decision Makers pursuant to the Legislation is that the Applicable Legislation shall not apply so as to prevent each Top Fund from making and holding an investment in securities of the corresponding Underlying Fund or require BLC-Rothschild to file a report relating to the purchase or sale of such securities.

PROVIDED IN EACH CASE THAT:

14. the Decision, as it relates to the jurisdiction of a Decision Maker, will terminate one year after the publication in final form of any legislation or rule of that Decision Maker dealing with the matters in section 2.5 of NI 81-102; and
15. the Decision shall only apply if, at the time a Top Fund makes or holds an investment in its corresponding Underlying Fund, the following conditions are satisfied:
  - (a) the securities of both the Top Fund and the Underlying Fund are being offered for sale in the jurisdiction of the Decision Maker pursuant to a simplified

prospectus and annual information form which has been filed with and accepted by the Decision Maker;

- (b) the investment by the Top Funds in the Underlying Fund is compatible with the fundamental investment objectives of the Top Fund;
- (c) the simplified prospectus discloses the intent of the Top Fund to invest directly and indirectly (through derivative exposure) in the Underlying Fund;
- (d) the investment objective of the Top Fund discloses the name of the Underlying Fund;
- (e) the Underlying Fund is not a mutual fund whose investment objective includes investing directly or indirectly in other mutual funds;
- (f) the Top Fund restricts its direct investment in the Underlying Fund to a percentage of its assets that is within the Permitted Limit;
- (g) the Top Fund invests its assets directly and indirectly (through derivative exposure) in the Underlying Fund in accordance with this Decision and as is disclosed in the simplified prospectus;
- (h) there are compatible dates for the calculation of the net asset value of the Top Fund and the Underlying Fund for the purpose of the issue and redemption of securities of such mutual funds;
- (i) no sales charges are payable by the Top Fund in relation to its purchases of securities of the Underlying Funds;
- (j) no redemption fees or other charges are charged by the Underlying Fund in respect of the redemption by the Top Fund of securities of the Underlying Fund owned by the Top Fund;
- (k) no fees or charges of any sort are paid by the Top Fund and the Underlying Fund, by their respective managers or principal distributors, or by any affiliate or associate of any of the foregoing entities, to anyone in respect of the Top Fund's purchase, holding or redemption of the securities of the Underlying Fund;
- (l) the arrangements between or in respect of the Top Fund and the Underlying Fund are such as to avoid the duplication of management fees;
- (m) any notice provided to securityholders of the Underlying Fund as required by applicable laws or the constating documents of that Underlying Fund, has been delivered by the Top Fund to its securityholders along with all voting rights

attached to the securities of the Underlying Fund which are directly owned by the Top Fund;

- (n) all of the disclosure and notice material prepared in connection with a meeting of securityholders of the Underlying Fund and received by the Top Fund has been provided to its securityholders, the securityholders have been permitted to direct a representative of the Top Fund to vote its holdings in the Underlying Fund in accordance with their direction, and the representative of the Top Fund has not voted its holdings in the Underlying Fund except to the extent the securityholders of the Top Fund have directed;
- (o) in addition to receiving the annual and, upon request, the semi-annual financial statements, of the Top Fund, securityholders of the Top Fund have received the annual and, upon request, the semi-annual financial statements of the Underlying Fund in either a combined report, containing financial statements of the Top Fund and the Underlying Fund, or in a separate report containing the financial statements of the Underlying Fund; and
- (p) to the extent that a Top Fund and the Underlying Fund do not use a combined simplified prospectus and annual information form containing disclosure about the Top Fund and the Underlying Fund, copies of the simplified prospectus and annual information form of the Underlying Fund have been provided upon request to securityholders of the Top Fund and this right is disclosed in the prospectus of the Top Fund;

DATED at Toronto this 22<sup>nd</sup> day of December, 2000.

AHoward I. Wetston@

Howard I. Wetston

AJ. A. Geller@

J. A. Geller

Headnote:

Investment by mutual funds in securities of another mutual fund that is under common management for specified purpose exempted from the requirements of clause 111(2)(b), subsection 111(3) clauses 117(1)(a) and 117(1)(d) subject to certain specified conditions.

Statutes Cited:

*Securities Act* (Ontario), R.S.O. 1990 c.S.5, as am. ss. 111(2)(b), 111(3), 113, 117(1)(a), 117(1)(d), 117(2).