

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

AND

IN THE MATTER OF
THE MUTUAL RELIANCE REVIEW SYSTEM

AND

IN THE MATTER OF
FIRST CANADIAN FUNDS INC.
FIRST CANADIAN RSP GLOBAL SCIENCE & TECHNOLOGY FUND
FIRST CANADIAN RSP JAPANESE FUND
FIRST CANADIAN RSP EUROPEAN FUND
FIRST CANADIAN GLOBAL SCIENCE & TECHNOLOGY FUND

FIRST CANADIAN JAPANESE FUND, AND
FIRST CANADIAN EUROPEAN FUND

MRRS DECISION DOCUMENT

WHEREAS the Canadian securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, Nova Scotia and Newfoundland (the "Jurisdictions") has received an application from First Canadian Funds Inc. ("FCFI") on behalf of First Canadian RSP Global Science & Technology Fund, First Canadian RSP Japanese Fund and First Canadian RSP European Fund (individually, an "RSP Fund" and collectively, the "RSP Funds") and First Canadian Global Science & Technology Fund, First Canadian Japanese Fund and First Canadian European Fund (individually, an "Underlying Fund" and collectively, the "Underlying Funds") for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") that

1. the requirements contained in the Legislation requiring the mutual funds security holder to issue a news release and file a report where its aggregate holdings of securities of a reporting issuer exceed 10% of the outstanding securities of the reporting issuer and refrain from purchasing additional securities of the Underlying Funds for a specified period of time once its holdings exceed this 10% level, and before such holdings exceed the 20% level, shall not apply in respect of investments to be made by the RSP Funds in their corresponding Underlying Funds;
2. the restrictions contained in the Legislation prohibiting a mutual fund from knowingly making an investment in a person or company who is a substantial security holder of the mutual fund, its management company or distribution company shall not apply in respect of investments by the RSP Funds in forward contracts (the "Forward Contracts") with the Bank of Montreal (the "Bank"), or an affiliate of the Bank, as counterparty;

3. 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 security holder shall not apply in respect of investments to be made by the RSP Funds in their corresponding Underlying Funds;

4. the restrictions contained in the Legislation prohibiting a mutual fund from knowingly making an investment in an issuer in which any person or company who is a substantial security holder of the mutual fund, its management company or distribution company has a significant interest shall not apply in respect of the investments to be made by the RSP Funds in Forward Contracts;

5. 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, shall not apply in respect of investments to be made by the RSP Funds in their corresponding Underlying Funds or in Forward Contracts with the Bank, or an affiliate of the Bank, as counterparty.

The Legislation outlined above in paragraphs 1 through 5 will be referred to in this Decision Document as the "Applicable Legislation".

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

AND WHEREAS FCFI has represented to the Decision Makers that:

1. Each of the RSP Funds and the Underlying Funds is an open-end mutual fund trust established under the laws of the Province of Ontario. FCFI is a corporation established under the laws of Canada and is the manager, principal distributor and promoter of each of the RSP Funds and the Underlying Funds. The registered office of FCFI is located in the Province of Ontario.

2. The Bank owns 100% of the issued voting securities of FCFI and will at the time of creation of the RSP Funds indirectly or directly hold 100% of the issued voting securities of the RSP Funds.

3. The RSP Funds will be, and the Underlying Funds are, reporting issuers and the Underlying Funds are not in default of any requirements of the acts or rules applicable in each of the provinces and territories of the various securities authorities of Canada. The securities of each of the Underlying Funds are currently qualified for distribution pursuant to a simplified prospectus and annual information form dated March 9, 1999 and the securities of the RSP Funds will be qualified under a simplified prospectus and annual information form to be filed shortly in all provinces and territories (collectively, the "Prospectus"). The Prospectus will disclose the relationship between the Bank, FCFI and the RSP Funds.

4. Each of the RSP Funds seeks to achieve its investment objective while ensuring that securities of the RSP Fund do not constitute "foreign property" for Retirement Plans.

5. To achieve its investment objectives, each of the RSP Funds invests its assets in securities such that its units will, in the opinion of tax counsel to the RSP Funds, be "qualified investments" for registered Plans and will not constitute foreign property in a Registered Plan. This will primarily be achieved through the implementation of a derivative strategy. However, the RSP Funds also intend to invest a portion of their assets in securities of the Underlying Funds. This investment by the RSP Funds will at all times be below the maximum foreign property limit prescribed for Registered Plans (the "Permitted Limit").

6. The investment objectives of the Underlying Funds are achieved through investment primarily in foreign securities.

7. The direct investment by the RSP Funds in the Underlying Funds will be within the Permitted Limit (the "Permitted RSP Fund Investment"). FCFI and the RSP Funds will comply with the conditions of this Decision in respect of such investments. The amount of the direct investment by each RSP Fund in the Corresponding Underlying Fund will be adjusted from time to time so that, except for transitional cash, the aggregate of derivative exposure to, and direct investment in, the Underlying Fund will equal 100% of the assets of the RSP Fund.

8. It is intended that the Bank, or one of its affiliates, will be the initial counterparty to the Forward Contracts, although this arrangement may change as the market capitalization of the RSP Funds increase in size and other suitable counterparties are identified.

9. The counterparties may, from time to time, invest directly in securities of the Underlying Funds as a hedge against their obligations under the Forward Contracts.

10. FCFI will monitor the terms and pricing of Forward Contracts entered into between the RSP Funds and the Bank, or an affiliate of the Bank, and report at least quarterly to an independent board of trustees of the RSP Funds (the "Trustees") who will review the terms and pricing of such Forward Contracts to ensure that the pricing terms offered are at least as favourable as the terms committed by the Bank, or one of its affiliates, to other third parties which are of similar size as the RSP Funds; the Trustees will approve FCFI entering into the Forward Contracts on behalf of the RSP Funds only once such confirmation of favourable pricing is received from the investment committee of the Trustees; if the findings are that such Forward Contracts no longer offer the best available pricing and terms, the Trustees will instruct FCFI to renegotiate the Forward Contracts with the existing counterparties, or to deal with other suitable counterparties who may offer acceptable material terms and pricing. The Prospectus will disclose the Trustees' role and review of the Forward Contracts, as well as the involvement of the Bank, or an affiliate of the Bank, in acting as counterparty.

11. Except to the extent evidenced by this Decision and specific approvals granted by the Canadian securities administrators pursuant to National Policy 39, the investment by the RSP Funds in the Underlying Funds or in Forward Contracts with the Bank, or an affiliate of the

Bank, as counterparty, have been structured to comply with the investment restrictions of the Legislation and National Policy 39.

12. In the absence of this Decision, as soon as the aggregate holdings by a RSP Fund of securities of the corresponding Underlying Fund exceed 10% of the outstanding securities of the Underlying Fund, FCFI, and possibly the RSP Fund, would be required to comply with the reporting and other requirements of the Legislation.

13. In the absence of this Decision, pursuant to the Legislation, each of the RSP Funds is prohibited from investing in Forward Contracts where the Bank or one of its affiliates is the Counterparty.

14. In the absence of this Decision, pursuant to the Legislation, each of the RSP Funds is 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 an RSP Fund would be required to divest itself of any investments referred to in subsection (a) herein.

15. In the absence of this Decision, the Legislation requires FCFI to file a report on every investment of securities made by the RSP Funds in their corresponding Underlying Funds or in Forward Contracts with the Bank, or an affiliate of the Bank, as counterparty.

16. FCFI is of the view that the requested relief is in the best interests of the RSP Funds and the Underlying Funds and represents the business judgment of responsible persons uninfluenced by considerations other than the best interests of the RSP Funds and the Underlying Funds.

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

AND WHEREAS each of the Decision Makers are 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 pursuant to the Legislation is that the Applicable Legislation does not apply so as to prevent the RSP Funds from investing in Forward Contracts where the Bank or one of its affiliates is the counterparty or from investing in, or redeeming the securities of, the Underlying Funds

PROVIDED THAT IN RESPECT Of the investment by the RSP Funds in the Underlying Funds:

1. this 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 2.04(4)(b) of National Policy 39; and

2. the foregoing Decision shall only apply in respect of investments in, or transactions with, the Underlying Funds that are made by the RSP Funds in compliance with the following conditions:

(a) the RSP Funds and the Underlying Funds are under common management and the Underlying Funds' securities are offered for sale in the jurisdiction of the Decision Maker pursuant to a Prospectus which has been filed with and accepted by the Decision Maker;

(b) each RSP Fund restricts its aggregate direct investment in its corresponding Underlying Fund to a percentage of its assets that is within the Permitted Limit;

(c) the investment by the RSP Funds in the Underlying Funds is compatible with the fundamental investment objective of the RSP Funds;

(d) the Prospectus will describe the intent of the RSP Funds to invest in specified Underlying Funds;

(e) the RSP Funds may change the Permitted RSP Fund Investments if they change their fundamental investment objectives in accordance with Legislation;

(f) no sales charges are payable by the RSP Funds in relation to its purchases of securities of the Underlying Funds;

(g) there are compatible dates for the calculation of the net asset value of the RSP Funds and the Underlying Funds for the purpose of the issue and redemption of the securities of such mutual funds;

(h) no redemption fees or other charges are charged by the Underlying Funds in respect of the redemption by the RSP Funds of securities of the Underlying Funds owned by the RSP Funds;

(i) the arrangements between or in respect of the RSP Funds and the Underlying Funds are such as to avoid the duplication of management fees;

(j) no fees and charges of any sort are paid by an RSP Fund or by an Underlying Fund or by the manager or principal distributor of an RSP Fund or an Underlying Fund or by any affiliate or associate of any of the foregoing entities to anyone in respect of an RSP Fund's purchase, holding or redemption of the securities of the Underlying Fund;

(k) in the event of the provision of any notice to securityholders of the Underlying Funds, as required by the declarations of trust of the Underlying Funds or by the laws applicable to the Underlying Funds, such notice will also be delivered to the securityholders of the RSP Funds. All voting rights attached to the securities of the Underlying Funds that are owned by the RSP Funds will be passed through to the securityholders of the RSP Funds. In the event that a securityholders' meeting

is called for an Underlying Fund, all of the disclosure and notice material prepared in connection with such meeting will be provided to the securityholders of the corresponding RSP Fund and such securityholders will be entitled to direct a representative of the RSP Fund to vote that RSP Fund's holding in the Underlying Fund in accordance with their direction. The representative of the RSP Fund will not be permitted to vote the RSP Fund's holdings in the Underlying Fund except to the extent the securityholders of the RSP Fund so direct;

(l) in addition to receiving the annual and, upon request, the semi-annual financial statements, of the RSP Funds, securityholders of the RSP Funds will receive the annual and, upon request, the semiannual financial statements, of the Underlying Funds in either a combined report, containing both the RSP Funds' and Underlying Funds' financial statements, or in a separate report containing the Underlying Funds' financial statements; and

(m) to the extent that the RSP Funds and the Underlying Funds do not use a combined simplified prospectus and annual information form and financial statements containing disclosure about the RSP Funds and the Underlying Funds, copies of the simplified prospectus and annual and semi-annual financial statements relating to the Underlying Funds may be obtained upon request by a securityholder of the RSP Funds.

AND PROVIDED THAT IN RESPECT OF the investment by the RSP Funds in Forward Contracts:

The foregoing Decision shall only apply in respect of investments in Forward Contracts of the Bank, or an affiliate of the Bank, as counterparty that are made by the RSP Funds in compliance with the following conditions:

(a) pricing terms offered by the Bank to the RSP Funds under the Forward Contracts are at least as favourable as the terms committed by the Bank to other third parties which are of similar size as the RSP Funds;

(b) the independent board of trustees of the R.SP Funds, none of whom are themselves directors, officers or employees of the Manager, any affiliate of the Manager or of the Bank (the "Trustees"), will review the pricing of the Forward Contracts offered by the Bank to the RSP Funds against the pricing offered by the Bank to other fund groups offering RSP funds of similar size to ensure the pricing is as favourable;

(c) this review will be undertaken not less frequently than on a quarterly basis, and in addition on each pricing amendment to the Forward Contracts during the term of such contracts;

(d) disclosure of the Trustees' role and review of the Forward Contracts will be outlined in the prospectus, as will the involvement of the Bank, in acting as counterparty; and

(e) the Trustees, on behalf of the RSP Funds, will consider the Forward Contracts to be entered into with the Bank and approve them only once such confirmation of favorable pricing is received from the investment committee of the Trustees.

Dated at Toronto, Ontario this "1st" day of "December", 1999.