

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

AND

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

AND

IN THE MATTER OF FRANKLIN RESOURCES, INC., FTI ACQUISITION INC. AND
BISSETT & ASSOCIATES INVESTMENT MANAGEMENT LTD.

MRRS DECISION DOCUMENT

1. WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of Alberta, British Columbia, Manitoba, Saskatchewan, Ontario, Quebec, Nova Scotia and Newfoundland (the "Jurisdictions") has received an application from Franklin Resources, Inc. ("Franklin") and FTI Acquisition Inc. ("FTI") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that, in connection with FTI's offer (the "Offer") to purchase all of the issued and outstanding common shares (the "Shares") of Bissett & Associates Investment Management Ltd. ("Bissett"), the employment agreements (the "New Employment Agreements") that Franklin's affiliate, Templeton Management Limited ("Templeton"), has entered into with Kevin W. Wolfe ("Wolfe"), Frederick E. Pynn ("Pynn"), Michael A. Quinn ("Quinn") and Nancy G. Lazar ("Lazar" and, collectively with Wolfe, Pynn and Quinn, the "Employees") and the consulting agreement (the "Consulting Agreement") that Templeton has entered into with David Bissett have been made for reasons other than to increase the value of the consideration paid to the Employees and David Bissett (collectively, the "Individuals") for their Shares and may be entered into despite the provisions in the Legislation that prohibit an offeror who makes or intends to make a take-over bid and any person acting jointly or in concert with the offeror from entering into any collateral agreement, commitment or understanding with any holder or beneficial owner of securities of the offeree issuer that has the effect of providing to the holder or owner a consideration of greater value than that offered to other holders of the same class of securities (the "Prohibition on Collateral Agreements");

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

3. AND WHEREAS the Filer has represented to the Decision Makers that:

3.1 Franklin is a corporation organized under the laws of the State of Delaware;

3.2 FTI is a wholly-owned subsidiary of Franklin incorporated under the laws of Ontario for the purpose of making the Offer;

3.3 Bissett is an investment management company continued under the *Business Corporations Act* (Alberta);

3.4 the authorized capital of Bissett consists of an unlimited number of Shares, an unlimited number of First Preferred Shares and an unlimited number of Second Preferred Shares, of which there were 6,948,750 Shares outstanding as at July 26, 2000. The Shares are listed and posted for trading on The Toronto Stock Exchange;

3.5. David Bissett is Chairman of Bissett's board of directors. He beneficially owns, directly or indirectly, or exercises control or direction over 1,945,100 Common Shares representing approximately 28% of the class;

3.6 Wolfe is Bissett's President and Chief Executive Officer. Wolfe beneficially owns, directly or indirectly, or exercises control or direction over 502,794 Common Shares representing approximately 7.2% of the class;

3.7 Pynn is a Vice President and Senior Portfolio Manager of Bissett. Pynn beneficially owns, directly or indirectly, or exercises control or direction over 502,030 Common Shares representing approximately 7.2% of the class;

3.8 Quinn is a Vice President and Senior Portfolio Manager of Bissett. Quinn beneficially owns, directly or indirectly, or exercises control or direction over 555,000 Common Shares representing approximately 8% of the class;

3.9 Lazar is a Vice President and Senior Portfolio Manager of Bissett. Lazar beneficially owns, directly or indirectly, or exercises control or direction over 531,160 Common Shares representing approximately 7.6% of the class;

3.10 pursuant to an acquisition agreement dated July 26, 2000 among Franklin, FTI and Bissett (the "Acquisition Agreement"), Franklin agreed to make an offer to acquire the Shares on the basis of \$20.50 cash plus a special dividend of \$0.48 cash per Share;

3.11 pursuant to lock-up agreements dated July 26, 2000 (the "Lock-up Agreements") between Franklin and, among others, each of the Individuals, the Individuals agreed to deposit under the Offer and, except in certain circumstances, not withdraw, Shares beneficially owned or controlled by them;

3.12 pursuant to an escrow agreement dated August 4, 2000 (the "Escrow Agreement") among Franklin, Montreal Trust Company of Canada (the "Escrow Agent"), Belmont Capital Management Ltd. ("Belmont"), a company controlled by David Bissett, 571770 Alberta Ltd. ("571770"), a company controlled by

Pynn, Quinn and Lazar, and 604478 Alberta Ltd. ("604478" and, collectively with Belmont and 571770, the "Principal Shareholders"), a company controlled by Wolfe, each of the Principal Shareholders agreed to deliver to the Escrow Agent 30% of the aggregate purchase price (the "Escrowed Amount") to be received for their Shares, to be held and applied in accordance with the Escrow Agreement's terms. Subject to certain conditions, the Escrowed Amount will be released in specified amounts on each of the 18 month, second, third, fourth and fifth anniversaries of the Escrow Agreement;

3.13 the Offer was made on August 11, 2000 and is scheduled to expire, unless extended, on October 2, 2000. The Offer is conditional on, among other things, there being validly deposited under the Offer and not withdrawn at the expiry time at least 67.43% of the Shares (calculated on a fully diluted basis);

3.14 the principal terms of the existing employment arrangements between Bissett and each of the Employees are as follows:

3.14.1 for each of the fiscal years ended December 31, 1998 and 1999, Wolfe was entitled to a base salary of \$180,000 and a bonus of \$300,000;

3.14.2 for each of the fiscal years ended December 31, 1998 and 1999, Pynn was entitled to a base salary of \$180,000 and a bonus of \$300,000;

3.14.3 for each of the fiscal years ended December 31, 1998 and 1999, Quinn was entitled to a base salary of \$180,000 and a bonus of \$300,000;

3.14.4 for the fiscal year ended December 31, 1999, Lazar was entitled to a base salary of \$135,000 (\$180,000 in 1998) and a bonus of \$180,000 (\$180,000 in 1998);

3.14.5 there are no provisions relating to termination or change of control payments;

3.14.6 none of the Employees is a party to a non-competition or non-solicitation covenant granted in favour of Bissett.

3.15 the New Employment Agreements take effect only if Bissett is acquired by FTI and have the following material features:

3.15.1 the New Employment Agreements with Pynn, Quinn and Wolfe are for an initial term of four years unless terminated by Templeton on the expiration of the third anniversary of the New Employment Agreement. Pynn, Quinn and Wolfe are entitled to

the same level of base salary and bonus that each received from Bissett for the fiscal years ended December 31, 1998 and 1999;

3.15.2 the New Employment Agreement with Lazar is for an initial term expiring on June 30, 2001 and provides Bissett with the option of retaining her services on an independent consulting basis for an additional one year term. For the fiscal year ended December 31, 2000, Lazar will be entitled to receive a base salary of \$144,000, and a bonus of \$240,000;

3.15.3 the New Employment Agreements provide that each of the Employees other than Lazar will be granted options to purchase 40,000 common shares of Franklin (the "Options"), which Options shall vest as to one quarter per year for a four year period commencing on or about September 30, 2001 at an exercise price determined in accordance with Franklin's stock option plan (the "SOP"). Pursuant to the SOP, the exercise price for an Option shall be based on the market price of common shares of Franklin one year prior to the vesting date;

3.15.4 the New Employment Agreements include confidentiality provisions and non-solicitation and non-competition covenants whereby during the term of the Employee's employment and for a period of two years thereafter the Employee cannot compete with Bissett or solicit any of Bissett's clients;

3.16 the Consulting Agreement, which takes effect only if Bissett is acquired by FTI, has the following material terms:

3.16.1 the Consulting Agreement has a five-year term and provides that David Bissett shall provide client and dealer relations, communications and other services (the "Services") as Bissett may direct from time to time;

3.16.2 during the term of the Consulting Agreement and for a period of five years thereafter, David Bissett may not compete with, or solicit any business or clients of, Bissett or any of its affiliates (the "Covenants");

3.16.3 during the term of the Consulting Agreement, David Bissett may perform other services for third parties, provided that such activities do not interfere with the timely and efficient performance of the Services for Bissett and such activities are not otherwise in violation of the Consulting Agreement;

3.16.4 in consideration for agreeing to make his services available to Bissett upon request and in consideration for entering into the Covenants, David Bissett shall be entitled to receive a monthly fee of \$5,000, regardless of whether he provides any services to Bissett;

3.17 Franklin believes that its ability to retain the Individuals was critical to its decision to make the Offer, since the Individuals have played an integral role in successfully developing Bissett's business and have substantial and valuable experience and expertise in the mutual fund industry. The purpose of the Agreements is to ensure the Individuals' continued participation in the successful management and development of Bissett's business and its integration with Franklin's operations following completion of the Offer;

3.18 the New Employment Agreements and the Consulting Agreement have been negotiated with the Individuals at arm's length and have been made on commercially reasonable terms and conditions that are consistent with the Individuals' prior employment or service. The granting of the Options pursuant to the New Employment Agreements is consistent with Franklin's intention to grant Options to a broader group of key Bissett employees;

3.19 the New Employment Agreements and the Consulting Agreement have been entered into for valid business reasons unrelated to the Individuals' beneficial ownership of Shares and not for the purpose of conferring an economic or collateral benefit on the Individuals that the other shareholders do not enjoy, and are being made for reasons other than to increase the value of the consideration to be paid to the Individuals pursuant to the Offer for their Shares.

4. AND WHEREAS under the System, this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");

5. 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;

6. THE DECISION of the Decision Makers in the Jurisdictions pursuant to the Legislation is that, in connection with the Offer, the New Employment Agreements and the Consulting Agreement are being entered into for reasons other than to increase the value of consideration to be paid to the Individuals for their Shares and such Agreements may be entered into despite the Prohibition on Collateral Agreements.

DATED at Edmonton, Alberta this 29th day of September, 2000.

Eric T. Spink, Vice-Chair Glenda A. Campbell, Vice-Chair

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - employment and consulting agreements between offeror and certain key employees and executives of offeree made for reasons other than to increase the value of the consideration paid to the key employees and executives and may be entered into despite the prohibition on collateral agreements in the Legislation.

Applicable Alberta Statutory Provisions

Securities Act, S.A., 1981, c.S-6.1, as amended, s. 136(2), 144(2)(a).