

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

AND

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

AND

IN THE MATTER OF  
SCOTIAMCLEOD INC.  
PINNACLE RSP AMERICAN VALUE EQUITY FUND  
PINNACLE RSP AMERICAN MID-CAP GROWTH EQUITY FUND  
PINNACLE RSP INTERNATIONAL EQUITY FUND  
PINNACLE RSP GLOBAL EQUITY FUND

DECISION DOCUMENT

WHEREAS the Canadian securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, Nova Scotia and Newfoundland (the "Jurisdictions") has received an application from ScotiaMcLeod Inc. ("SMI"), as manager and trustee of Pinnacle RSP American Value Equity Fund, Pinnacle RSP American Mid-Cap Growth Equity Fund, Pinnacle RSP international Equity Fund and Pinnacle RSP Global Equity Fund (collectively, the "Funds") for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") that the following requirements and restrictions contained in the Legislation (the "Requirements") will not apply in respect of certain investments to be made by the Funds in Pinnacle American Value Equity Fund, Pinnacle American Mid-Cap Growth Equity Fund, Pinnacle International Equity Fund and Pinnacle Global Equity Fund (collectively, the "Underlying Funds"):

A. the requirements contained in the Legislation requiring the Funds and SMI (as manager) to issue a news release and file a report where the aggregate holdings by the Funds of securities of the Underlying Funds exceed 10% of the outstanding securities of the Underlying Funds and the requirements not to acquire or offer to acquire securities of the Underlying Funds pending the expiration of one business day from the date the report is filed;

B. the requirements contained in the Legislation prohibiting the Funds from knowingly making or holding an investment in a person or company which the mutual fund, alone or together with one or more related mutual funds, is a substantial security holder; and

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

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 SMI has represented to the Decision Makers that:

1. SMI is a corporation established under the laws of Ontario. SMI is the manager, trustee and promoter of the Funds and the Underlying Funds. SMI's head office is in Toronto, Ontario.
2. The Funds will be open-end mutual fund trusts established under the laws of Ontario and their securities will be qualified for distribution in all Jurisdictions under a simplified prospectus and annual information form to be filed in all provinces and territories in November, 1999 (the "Prospectus").
3. The Underlying Funds are open-end mutual fund trusts established under the laws of Ontario and their securities are qualified for distribution in all Jurisdictions by means of a simplified prospectus and annual information form.
4. The Funds and the Underlying Funds are or will be reporting issuers under the securities laws of each of the provinces and territories of Canada. None of the Funds or Underlying Funds is in default of any requirements of the Legislation.
5. The Funds intend to hold cash, to enter into derivative transactions which will provide exposure to foreign securities held by the Underlying Funds. In addition, each of the Funds intends to invest directly in the relevant Underlying Fund (the "Permitted RSP Fund Investments"), provided that such direct investment will not expose the Fund to tax under Part XI of the *Income Tax Act* (Canada) (the "Tax Act") by exceeding at the relevant time the maximum "foreign property" limit allowed under the Tax Act (currently 20%) (the "Permitted Limit"). All purchases of The Underlying Funds will be made through SMI. Each of the Funds has applied for "registered investment" status under the Tax Act and as a result each of the Funds will be both "qualified investments" and not "foreign property" for registered retirement savings plans and certain other tax plans.
6. The investment objective of the Underlying Funds are achieved through investment primarily in foreign securities.
7. The direct investment by the Funds in the Underlying Funds will be within the Permitted Limit. SMI and The Funds will comply with the conditions of this Decision in respect of such investments. The amount of direct investment by each Fund in its corresponding Underlying Fund will be adjusted from time to time so that, except for cash cover and transitional cash, the

aggregate of derivative exposure to, and direct investment in, the Underlying Fund will equal 100% of the assets of the Fund.

8. Except to the extent evidenced by this Decision and specific approvals granted by the Canadian securities administrators pursuant to National Policy Statement No. 39, the investments by the Funds in the Underlying Funds have been structured to comply with the investment restrictions of the Legislation and National Policy Statement No. 39.

9. In the absence of this Decision, as soon as the aggregate holdings by a Fund of securities of the corresponding Underlying Fund is 10% or more of the outstanding securities of the Underlying Fund, SMI as portfolio manager, and the Fund, would be required to comply with the reporting and other requirements of the Legislation.

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

11. In the absence of this Decision, the Legislation required SMI, as the management company of the Funds, to file a report on every purchase or sale of securities of the Underlying Funds by the Funds.

12. The purchase and sale of securities of the Underlying Funds by the Funds represents the business judgment of responsible persons uninfluenced by considerations other than the best interest of the Funds.

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

AND WHEREAS each Decision Maker is 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 Requirements will not apply so as prevent the Funds from investing in, or redeeming the securities of the Underlying Funds or reporting in respect thereof provided that;

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 clause 2.04(4)(b) of National Policy No. 39;

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

(a) SMI is the manager and portfolio manager of the Funds and SMI is the manager of the Underlying Funds 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 Fund restricts its aggregate direct investment in its specified Underlying Fund to a percentage of its assets that is within the Permitted Limits;

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

(d) the Prospectus describes the intent of the Fund to invest in a specified Underlying Fund;

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

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

(g) no sales charges are payable by the Funds in relation to their purchases of securities of the Underlying Funds;

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

(i) no "trailer fees" or other fees will be paid in respect of the investment by the Funds in securities of the Underlying Funds;

(j) there will be no duplication of management fee as no management fee will be charged to the Funds just as they are not charged to the Underlying Funds;

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

(l) in the event of the provision of any notice to securityholders of the Underlying Funds as required by the constating documents of the Underlying Funds or by the laws applicable to the Underlying Funds, such notice will also be delivered to the securityholders of the Funds. All voting rights attached to the securities of the Underlying Funds which are owned by the Funds will be passed through to The securityholders of the Funds. In the event that a securityholders' meeting is called for the Underlying Funds, all of the disclosure and notice material prepared in connection with such meeting will be provided to the securityholders of the Funds and such securityholders will be entitled to vote or to direct a representative of the Funds to vote the Funds' holdings in the Underlying Funds in accordance with their direction. The representative of the Funds will not be permitted to vote the Funds' holdings in the Underlying Funds except to the extent the securityholders of the Funds so direct;

(m) to the extent that the Funds and the Underlying Funds do not use a combined simplified and annual information and financial statements containing disclosure about the Funds and the Underlying Funds, copies of the simplified prospectus, annual information form and the annual and semiannual financial statements relating to the Underlying Funds may be obtained by a securityholder of the Funds upon request and this fact is disclosed in the Prospectus; and

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

DATED at Toronto, Ontario, on the "10<sup>th</sup>" day of "November" 1999.