

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

AND

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

AND

IN THE MATTER OF  
TALVEST FUND MANAGEMENT INC.  
TALVEST GLOBAL MULTI MANAGER RSP FUND

MRRS DECISION DOCUMENT

WHEREAS the Canadian securities regulatory authority or regulator (the "Decision Maker") in each of the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, Nova Scotia and Newfoundland (the "Jurisdictions") has received an application (the "Application") from Talvest Fund Management Inc. ("Talvest") on its own behalf and on behalf of Talvest Global Multi Manager RSP Fund (the "RSP Fund") and Talvest Global Equity Fund, Talvest Global Small Cap Fund, Talvest Global Health Care Fund and Talvest Global Sciences and Technology Fund (collectively the "Underlying Funds"), for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") that, if applicable in a particular Jurisdiction, the following requirements or prohibitions under the Legislation do not apply to investments by the RSP Fund in the Underlying Funds:

- (a) That a mutual fund securityholder must 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.
- (b) The prohibition against a mutual fund knowingly making or 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.
- (c) That a management company 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 requirements and prohibitions outlined in paragraphs (a) through (c) shall 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 it has been represented by Talvest, the manager of the RSP Fund and the Underlying Funds, to the Decision Makers that:

1. The RSP Fund and each of the Underlying Funds is an open-ended mutual fund trust established under the laws of the Province of Ontario.
2. Talvest is a corporation established under the laws of the Province of Ontario and a subsidiary of TAL Global Asset Management Inc. ("TAL"). Talvest is the manager, trustee and promoter, while TAL is a registered adviser and the portfolio manager, of the RSP Fund and the Underlying Funds.
3. Talvest's head office is located in Montreal, Quebec. The System requires that a filer choose the Canadian securities regulatory authority where the filers' head office is located as the Principal Jurisdiction. Quebec has acquiesced to the Ontario Securities Commission acting as Principal Jurisdiction.
4. The RSP Fund and the Underlying Funds are, or will be, reporting issuers and are not in default of any requirements of the securities legislation or rules applicable in each of the provinces and territories of the various securities regulatory authorities of Canada.
5. The units of the Underlying Funds are currently qualified for distribution pursuant to a simplified prospectus and annual information form dated October 20, 1998. The units of the RSP Fund will be qualified under a consolidated simplified prospectus and annual information form of the RSP Fund and the Underlying Funds once it is received by all the Canadian securities regulatory authorities.
6. To achieve its investment objective the RSP Fund invests its assets in securities such that its units will, in the opinion of tax counsel to the RSP Fund, be "qualified investments" for and will not constitute foreign property in registered retirement savings plans, registered retirement income funds, and deferred profit sharing plans (the "Registered Plans"). This will primarily be achieved through the implementation of a derivative strategy. However, the RSP Fund also intends to invest a portion of its assets in securities of the Underlying Funds. The total investment by the RSP Fund in securities of the Underlying Funds will at all times be below the maximum foreign property limit (presently 20% of the cost amount of the RSP Fund's assets) prescribed under the *Income Tax Act* (Canada) (the "ITA") for Registered Plans (the "Permitted Limit").
7. The RSP Fund will through the use of derivatives and direct investment acquire exposure to a number of units of the Underlying Funds (the "Tracking Units") necessary to track the weighted

annual calendar returns of the Underlying Funds in the following proportions: Talvest Global Equity Fund (40%), Talvest Global Small Cap Fund (20%), Talvest Global Health Care Fund (20%) and Talvest Global Sciences and Technology Fund (20%) (collectively, the "Benchmark Percentages").

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

9. The direct investments by the RSP Fund in the Underlying Funds will collectively be within the Permitted Limit (the "Permitted RSP Fund Investment"). Talvest and the RSP Fund will comply with the conditions of this Decision in respect of such investments. The amount of direct investment by the RSP Fund in the Underlying Funds 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 Funds will equal 100% of the assets of the RSP Fund.

10. 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 RSP Fund in the Underlying Funds have been structured to comply with the investment restrictions of the Legislation and National Policy Statement No. 39.

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

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

13. In the absence of this Decision, the Legislation would require Talvest to file a report on every purchase or sale of securities of the Underlying Funds by the RSP Fund.

14. Talvest is of the view that the requested relief is in the best interests of the RSP Fund and the Underlying Funds and represents the business judgment of responsible persons uninfluenced by considerations other than the best interests of the RSP Fund 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 Fund from investing in, or redeeming the securities of the Underlying Funds and such investment does not require further consent from or notice to securityholders of the RSP Fund or the Decision Makers.

PROVIDED IN EACH CASE THAT the RSP Fund complies with the following conditions:

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 RSP Fund in compliance with the following conditions:

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

c) the investment by the RSP Fund in units of an Underlying Fund is compatible with the fundamental investment objective of the RSP Fund and, when coupled with its indirect exposure to the units of the Underlying Fund is made such that the Tracking Units are equal to the number necessary to track the weighted annual calendar returns of the Underlying Funds in the Benchmark Percentages;

d) the Permitted Limit or the Benchmark Percentages may not be changed unless the Prospectus is amended or a new prospectus is filed and the securityholders of the RSP Fund have either been given at least 60 days written notice of the change in the Permitted Limit or the Benchmark Percentages, as the case may be, or the prior approval of the securityholders has been given to the change in the Permitted Limit or Benchmark Percentages at a meeting of securityholders of the RSP Fund called for that purpose;

e) the Prospectus will describe the intent of the RSP Fund to invest subject to the Benchmark Percentages in the Underlying Funds;

- f) the RSP Fund may change the Permitted RSP Fund Investment if it changes its fundamental investment objectives in accordance with the Legislation;
- g) no sales charges are payable by the RSP Fund in relation to its purchases of securities of the Underlying Funds;
- h) there are compatible dates for the calculation of the net asset value of the RSP Fund and the Underlying Funds for the purpose of the issue and redemption of the securities of such mutual funds;
- i) no redemption fees or other charges are charged by the Underlying Funds in respect of the redemption by the RSP Fund of securities of the Underlying Funds owned by the RSP Fund;
- j) the arrangements between or in respect of the RSP Fund and the Underlying Funds are such as to avoid the duplication of management fees;
- k) no fees and charges of any sort are paid by the RSP Fund or by an Underlying Fund or by the manager or principal distributor of the RSP Fund or an Underlying Fund or by any affiliate or associate of any of the foregoing entities to anyone in respect of the RSP Fund's purchase, holding or redemption of the securities of the Underlying Funds;
- 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 RSP Fund. All voting rights attached to the securities of the Underlying Funds which are owned by the RSP Fund will be passed through to the securityholders of the RSP Fund. 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 RSP Fund and such securityholders will be entitled to direct a representative of the RSP Fund to vote the 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;
- m) in addition to receiving the annual and, upon request, the semi-annual financial statements, of the RSP Fund, securityholders of the RSP Fund will receive the annual and, upon request, the semi-

annual financial statements, of the Underlying Funds in either a combined report, containing both the RSP Fund's and Underlying Funds' financial statements, or in a separate report containing the Underlying Funds' financial statements; and

n) to the extent that the RSP Fund and the Underlying Funds do not use a combined simplified prospectus and annual information form and financial statements containing disclosure about the RSP Fund 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 Fund.

DATED at Toronto, Ontario this "12th day of November", 1999.