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Headnote

Mutual Reliance Review System for Exemptive Relief Applications – Investment by mutual funds in securities of other existing and future mutual funds that are under common management is exempted from certain self-dealing requirements, subject to certain specified conditions.

Applicable British Columbia Provisions

Securities Act, R.S.B.C. 1996, c. 418, ss. 123 and 130

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

AND

**IN THE MATTER OF THE MUTUAL RELIANCE REVIEW SYSTEM OR
EXEMPTIVE RELIEF APPLICATIONS**

AND

IN THE MATTER OF

FRANKLIN TEMPLETON INVESTMENTS CORP.

AND

**FRANKLIN TEMPLETON BALANCED INCOME PORTFOLIO
FRANKLIN TEMPLETON BALANCED GROWTH PORTFOLIO
FRANKLIN TEMPLETON GROWTH PORTFOLIO
FRANKLIN TEMPLETON MAXIMUM GROWTH PORTFOLIO
(the “New Top Funds”)**

MRRS DECISION DOCUMENT

WHEREAS the Canadian securities regulatory authority or regulator (the "Decision Maker") in each of Ontario, Alberta, British Columbia, Saskatchewan, Quebec, Nova Scotia, and Newfoundland and Labrador (the "Jurisdictions") has received an application from Franklin Templeton Investments Corp. ("FTIC"), on its own behalf and on behalf of the “New Top Funds” and other portfolios managed by FTIC after the date of this Decision (the “Future Top Funds”) having an investment objective that invests substantially all of its assets in other mutual funds managed by FTIC (which together with the New Top Funds are referred to collectively as the “Top Funds” and individually as a “Top Fund”) for a decision

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(the "Decision") pursuant to the securities legislation of the Jurisdictions (the "Legislation") that the following provisions of the Legislation (the "Applicable Requirements") shall not apply to the Top Funds or FTIC, as the case may be, in respect of certain investments to be made by the Top Funds in Underlying Funds (as defined herein) from time to time:

- (a) the restrictions contained in the Legislation prohibiting a mutual fund from 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;
- (b) the restrictions contained in the Legislation prohibiting a portfolio manager or, in British Columbia, the mutual fund, from knowingly causing an investment portfolio managed by it to invest in any issuer in which a "responsible person" (as that term is defined in the Legislation) is an officer or director, unless the specific fact is disclosed to the client and, if applicable, the written consent of the client to the investment is obtained before the purchase; and
- (c) the requirements contained in the Legislation requiring a management company or, in British Columbia, a mutual fund manager, 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 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 FTIC to the Decision Makers that:

1. FTIC is a corporation amalgamated under the laws of the Province of Ontario and is or will be the manager of each of the Top Funds and each of the Underlying Funds (collectively, the "FTIC Funds"). FTIC's head office is located in Toronto, Ontario.
2. The FTIC Funds (other than Templeton Growth Fund, Ltd.) are or will be open-ended mutual fund trusts established under the laws of the Provinces of Ontario or Alberta by a Declaration of Trust, or will be open-end mutual fund corporations incorporated in Canada under federal or provincial law. Templeton

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Growth Fund, Ltd. is a mutual fund corporation established under the Canada Business Corporations Act.

3. A preliminary and pro forma simplified prospectus and annual information form dated April 10, 2002 (together the "Prospectus") has been filed under SEDAR Project No. 435468 in all of the provinces and territories of Canada for purposes of qualification or continued qualification for distribution, as the case may be, of the Existing Underlying Funds and the new Top Funds;
4. Each of the FTIC Funds is or will be a reporting issuer in each of the provinces and territories of Canada.
5. Each Top Fund seeks to achieve its investment objective by investing substantially all of its assets in a combination of securities of the Underlying Funds. Except for transitional cash, each Top Fund will be 100% invested in securities of the Underlying Funds.
6. Franklin Templeton is currently the manager of Templeton Growth Fund, Ltd., Templeton International Stock Fund, Templeton Global Smaller Companies Fund, Bissett Bond Fund, Bissett Income Fund, Bissett American Equity Fund, Bissett Canadian Equity Fund, Bissett Small Cap Fund, Bissett Microcap Fund, Franklin U.S. Large Cap Growth Fund, Franklin U.S. Small Cap Growth Fund and Mutual Beacon Fund (the "Existing Underlying Funds") and may in the future establish other mutual fund trusts or corporations (the "Future Underlying Funds", which together with the Existing Underlying Funds are referred to herein as "Underlying Funds").
7. Each of the Top Funds will not invest in any other mutual funds whose investment objectives include investing directly or indirectly in other mutual funds.
8. In order to achieve its investment objective, each Top Fund will invest fixed percentages (the "Fixed Percentages") of its assets, excluding cash and cash equivalents held to meet redemptions and expenses, directly in securities of the Underlying Funds, subject to variation of 2.5% above or below the Fixed Percentages (the "Permitted Ranges") resulting from market fluctuations.
9. The simplified prospectus for each Top Fund will disclose the names and investment objectives, investment strategies, risks and restrictions of the Underlying Funds along with the Fixed Percentages and the Permitted Ranges.
10. Except to the extent evidenced by this Decision and specific approvals granted by the Decision Makers pursuant to National Instrument 81-102 ("NI 81-102"),

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the investments by each Top Fund in the Underlying Funds have been structured to comply with the investment restrictions of the Legislation and NI 81-102.

11. In the absence of this Decision, pursuant to the Legislation, the Top Funds are prohibited from 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. As a result, in the absence of this Decision the Top Funds would be required to divest themselves of any such investments.

12. In the absence of this Decision, the Legislation requires FTIC to file a report on every purchase or sale of securities of the Underlying Funds by the Top Funds.

13. In the absence of this Decision, pursuant to the Legislation, FTIC is prohibited from causing the Top Funds to invest in the Underlying Funds unless the specific fact is disclosed to securityholders of the Top Funds and the written consent of securityholders of the Top Funds is obtained before the purchase.

14. The investments by the Top Funds in securities of the Underlying Funds represent the business judgment of “responsible persons” (as defined in the Legislation) uninfluenced by considerations other than the best interests of the Top Funds.

AND WHEREAS pursuant to the System this MRRS Decision Document evidences the Decision of each Decision Maker;

AND WHEREAS each of the Decision Makers is satisfied that the tests contained in the Legislation that provide the Decision Maker with the jurisdiction to make the Decision have been met;

THE DECISION of the Decision Makers pursuant to the Legislation is that the Applicable Requirements shall not apply so as to prevent the Top Funds from making and holding investments in securities of the Underlying Funds or so as to require FTIC to file a report relating to each purchase or sale of such securities and disclose such purchase to securityholders of the Top Funds and obtain their written consent to the investment prior to the purchase.

PROVIDED IN EACH CASE THAT:

1. 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 matters in subsection 2.5 of NI 81-102.

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2. the Decision shall only apply if, at the time the Top Funds make or hold investments in the Underlying Funds, the following conditions are satisfied:
- (a) the securities of both the Top Fund and the Underlying Funds 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 Fund in the Underlying Funds is compatible with the fundamental investment objective of the Top Fund;
 - (c) the Prospectus discloses:
 - (i) the intent of the Top Fund to invest substantially all of its assets in securities comprised of a combination of the Underlying Funds;
 - (ii) the managers of the Underlying Funds;
 - (iii) the names of the Underlying Funds;
 - (iv) the Fixed Percentages and the Permitted Ranges within which such Fixed Percentages may vary; and
 - (v) the investment objectives, investment strategies, risks and restrictions of the Underlying Funds;
 - (d) the investment objective and strategies of each Top Fund discloses that the Top Fund invests substantially all of its assets in securities of the Underlying Funds;
 - (e) the Underlying Funds are not mutual funds whose investment objectives include investing directly or indirectly in other mutual funds;
 - (f) each Top Fund invests its assets (exclusive of cash and cash equivalents) in specified Underlying Funds in accordance with the Fixed Percentages disclosed in the simplified prospectus of the Top Fund ;
 - (g) the Top Fund's holding of securities in the Underlying Funds does not deviate from the Permitted Ranges;
 - (h) any deviation from the Fixed Percentages is caused by market fluctuations only;

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- (i) if an investment of any Top Fund in the Underlying Funds has deviated from the Permitted Ranges as a result of market fluctuations, the Top Fund's investment portfolio is re-balanced to comply with the Fixed Percentages on the next day on which the net asset value was calculated following the deviation;
- (j) if the Fixed Percentages and the Underlying Funds have changed, either the Prospectus has been amended in accordance with securities legislation to reflect this significant change, or a new simplified prospectus has been filed to reflect the proposed change and existing securityholders of the Top Funds have been given at least 60 days prior written notice of the proposed change;
- (k) there are compatible dates for the calculation of the net asset value of the Top Fund and the Underlying Funds for the purpose of the issue and redemption of the securities of such mutual funds;
- (l) no sales charges are payable by a Top Fund in relation to its purchases of securities of the Underlying Funds;
- (m) no redemption fees or other charges are charged by the Underlying Funds in respect of the redemption by a Top Fund of securities of the Underlying Funds owned by the Top Fund;
- (n) no fees or charges of any sort are paid by the Top Fund and the Underlying Funds, 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 Funds;
- (o) the arrangements between or in respect of the Top Fund and the Underlying Funds are such as to avoid the duplication of management fees;
- (p) any notice provided to security holders of an Underlying fund as required by applicable laws or the constating documents of that Underlying Fund, has been delivered by the Top Fund to its security holders;
- (q) all of the disclosure and notice material prepared in connection with a meeting of security holders of the Underlying Funds and received by the Top Fund has been provided to its security holders, the security holders 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

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the representative of the Top Fund has not voted its holdings in the Underlying Fund except to the extent the security holders of the Top Fund have directed;

- (r) 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 appropriate summary disclosure in respect of the Top Funds' holdings of securities of the Underlying Funds in the financial statements of the Top Fund; and
- (s) to the extent that the Top Fund and the Underlying Funds do not use a combined simplified prospectus and annual information form containing disclosure about the Top Fund and the Underlying Funds, copies of the simplified prospectus and annual information form of the Underlying Funds have been provided upon request to securityholders of the Top Fund and the right to receive these documents is disclosed in the simplified prospectus of the Top Fund.

DATED June 7, 2002.

Paul M. Moore

Robert L. Shirriff