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Headnote

Mutual Reliance Review System for Exemptive Relief Applications – relief granted from certain of the self-dealing prohibitions to permit the investment by mutual funds in a portfolio of specified mutual funds under common management, subject to certain specified conditions

Applicable British Columbia Provisions

Securities Act, R.S.B.C. 1996, c. 418, ss. 121(2)(b), 123, 126(a) and (d), 127(a) and 130

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

AND

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

AND

IN THE MATTER OF CLARINGTONFUNDS INC. CLARINGTON CANADIAN CORE PORTFOLIO CLARINGTON U.S. CORE PORTFOLIO, AND CLARINGTON GLOBAL CORE PORTFOLIO

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the “Decision Maker”) in each of the provinces of British Columbia, Alberta, Saskatchewan, Ontario, Nova Scotia, New Brunswick, and Newfoundland and Labrador (the “Jurisdictions”) has received an application (the “Application”) from ClaringtonFunds Inc. (“Clarington”) on its own capacity and on behalf of the Top Funds (as hereinafter defined) for a decision (the “Decision”) under the securities legislation of the Jurisdictions (the “Legislation”) that the following restrictions and requirements contained in the Legislation (the “Applicable Requirements”) shall not apply to investments by the Top Funds directly in securities of the applicable Underlying Funds (as hereinafter defined):

1. the restrictions contained in the Legislation prohibiting a mutual fund from knowingly making or holding an investment in a person or company in which

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the mutual fund, alone or together with one or more related mutual funds, is a substantial securityholder;

2. the requirements contained in the Legislation requiring the management company of a mutual fund, or in British Columbia, the 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;
3. 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 WHEREAS under the Mutual Reliance Review System for Exemptive Relief Applications (the “System”), the Ontario Securities Commission is the principal regulator for this Application;

AND WHEREAS unless otherwise defined, the terms herein have the meaning set out in National Instrument 14-101 Definitions;

AND WHEREAS Clarington has been represented to the Decision Makers that:

1. Clarington is a corporation established under the laws of the Province of Ontario. Clarington’s head office is located in Toronto, Ontario.
2. Each of Clarington Canadian Core Portfolio, Clarington U.S. Core Portfolio and Clarington Global Core Portfolio (the “Current Top Funds”) is an open-ended mutual fund trust established under the laws of the Province of Ontario. Collectively, the “Top Funds” (individually, as the “Top Fund”) include the Current Top Funds and future Clarington managed mutual funds that invest in securities of other mutual funds managed by Clarington.
3. Each of Clarington Canadian Equity Fund, Clarington Canadian Growth Fund, Clarington Canadian Small Cap Fund, Clarington Canadian Value Fund, Clarington U.S. Growth Fund, Clarington U.S. Smaller Company Growth Fund and Clarington Global Equity Fund (the “Current Underlying Trust Funds”) is an open-ended mutual fund trust established under the laws of the Province of Ontario.

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4. Each of Clarington U.S. Large Cap Value Class, Clarington U.S. Mid-Cap Value Class, Clarington Global Small Cap Class and Clarington Global Value Class (the “Current Underlying Classes”) is a class of Clarington Sector Fund Inc., a mutual fund corporation incorporated under the laws of the Province of Ontario on July 17, 2000. Collectively, the “Underlying Funds” (individually, as the “Underlying Fund”) include the Current Underlying Trust Funds, the Current Underlying Classes and future Clarington managed mutual funds that do not invest substantially all of its assets in other mutual funds.
5. Clarington is the manager, trustee and principal distributor of the Current Top Funds and the Current Underlying Trust Funds. Clarington is the manager and principal distributor of the Current Underlying Classes.
6. The Top Funds and the Underlying Funds are, or will be, reporting issuers in each jurisdiction of Canada. Units of the Current Top Funds, Current Underlying Trust Funds and Current Underlying Classes (collectively, as the “Current Funds”) are qualified for distribution in each jurisdiction of Canada pursuant to a simplified prospectus and annual information form dated July 23, 2002. However, units of the Current Top Funds have not been distributed to the public.
7. The Current Funds are not in default of any requirement of the Legislation.
8. To achieve its investment objective, each of the Top Funds invests fixed percentages (the “Fixed Percentages”) of its assets (other than cash and cash equivalents) in securities of specified Underlying Funds, subject to a variation of 2.5% above or below The Investments may deviate +/- 2.5% from the Fixed Percentages (the “Permitted Range”) to account for market fluctuations.
9. The simplified prospectus for the Top Funds will disclose the investment objectives, investment strategies, risks and restrictions of the Top Fund and the Underlying Funds, the Fixed Percentages and the Permitted Ranges
10. Except to the extent evidenced by this Decision and specific approvals granted by the Decision Makers under National Instrument 81-102 Mutual Funds (“NI 81-102”), the investments by the Top Funds 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 Fund is 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

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mutual funds, is a substantial securityholder. As a result, in the absence of this Decision the Top Fund would be required to divest itself of any such investments.

12. In the absence of this Decision, Legislation requires Clarington to file a report on every purchase or sale of securities of the Underlying Funds by the Top Fund.
13. In the absence of this Decision, under the Legislation, Clarington is prohibited from causing the Top Fund to invest in the Underlying Funds unless the specific fact is disclosed to securityholders of the Top Fund and the written consent of securityholders of the Top Fund is obtained before the purchase.
14. The investments by the Top Funds in securities of the Underlying Funds will represent the business judgement of “responsible persons”(as defined in the Legislation) uninfluenced by considerations other than the best interests of the Funds.

AND WHEREAS under 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 under the Legislation is that the Applicable Requirements do not apply so as to prevent the Top Funds from making and holding an investment in securities of the Underlying Fund or so to require Clarington to file a report relating to the purchase and 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 section 2.5 of National Instrument 81-102.
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:

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- (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 of the Top Fund 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 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;
- (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

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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 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;

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- (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 at Toronto this 8th day of November, 2002.

Paul M. Moore

Harold P. Hands