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Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Securities Act s. 123 – Self Dealing Restrictions in ss. 121 and 122 - A mutual fund and its registered portfolio manager want relief from sections 121(2)(b) and 121(3) of the Act so that the fund can invest in and hold securities of related mutual funds.- Securities Act s. 130 – Self Dealing Restrictions in Part 15 - A registered mutual fund manager wants relief from the reporting requirements contained in sections 126(a) and (d) of the Act - The funds will comply with all the conditions of NI 81-102 except the ones in section 2.5(2)(a) and (c); purchasers of the funds are either accredited investors or have entered into a fully managed account agreement with the manager of the funds.

Applicable British Columbia Provisions

Securities Act, R.S.B.C. 1996, c.418 ss. 121(2)(b), 121(3), 123, 126(a), 126 (d), 130

National Instrument 81-102 *Mutual Funds* s 2.5

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

AND

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

AND

IN THE MATTER OF MONTRUSCO BOLTON INVESTMENTS INC.

AND

IN THE MATTER OF MONTRUSCO BOLTON T-MAX FUND, MONTRUSCO BOLTON BOND INDEX + FUND, MONTRUSCO BOLTON BALANCED + FUND, MONTRUSCO BOLTON ENTERPRISE FUND, MONTRUSCO BOLTON TAXABLE U.S. EQUITY FUND, MONTRUSCO BOLTON INTERNATIONAL EQUITY FUND

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authorities (the “Decision Maker”) in the Provinces of Ontario, British Columbia, Alberta, Saskatchewan, Nova Scotia, and Newfoundland and Labrador (the “Jurisdictions”) have received an

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application filed by Montrusco Bolton Investments Inc. (“MBII”), on its own behalf and on behalf of the Montrusco Bolton T-Max Fund, Montrusco Bolton Bond Index + Fund, Montrusco Bolton Balanced + Fund, Montrusco Bolton Enterprise Fund, Montrusco Bolton Taxable U.S. Equity Fund, Montrusco Bolton International Equity Fund (collectively the “Funds”) and the Montrusco Bolton Bond Index + Fund (the “Bond Fund”), for a decision pursuant to the securities legislation of the Jurisdictions (the “Legislation”) that the following provisions in the Legislation (the “Applicable Requirements”) shall not apply in connection with the investment by the Funds in the New Bond Fund (as described hereinafter):

- (i) the restriction contained in the Legislation that prohibits a mutual fund or its management company or distribution company from knowingly 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 security holder; and
- (ii) the requirements contained in the Legislation requiring a management company or, in British Columbia, a mutual fund manager, to file a report of every transaction of purchase or sale of securities between a mutual fund it manages and any related person or company and any transaction in which, by arrangement other than an arrangement relating to insider trading in portfolio securities, a mutual fund is a joint participant with one or more of its related persons or companies, in respect of each mutual fund to which it provides services or advice, within 30 days after the end of the month in which it occurs, is forbidden to invest in a privately distributed mutual fund.

AND WHEREAS under the Mutual Reliance Review System for Exemptive Relief Applications (the “MRRS”), the Ontario Securities Commission is the principal regulator for this application;

AND WHEREAS the Ontario Securities Commission issued a decision document on February 17, 2004 (the “February 2004 Decision”);

AND WHEREAS counsel for the Funds requested changes to be made to the February 2004 Decision after it was issued;

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

AND WHEREAS MBII has represented to the Decision Makers as follows:

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1. MBII, a company incorporated under the laws of Canada having its head office at 1250 René-Lévesque Blvd. West, Suite 4600, Montréal, Québec, H3B 5J5, is registered with its principal regulator as adviser with an unrestricted practice and mutual fund dealer. MBII is also registered in Ontario as investment counsel, portfolio manager and limited market dealer, in Nova Scotia as investment counsel and portfolio manager, as portfolio manager (securities) in British Columbia, as investment counsel and portfolio manager in Alberta and as investment counsel (institutional clients) in Saskatchewan.
2. MBII is the manager of the Funds, established under the laws of the Province of Ontario which are offered by prospectus within the Jurisdictions.
3. As of December 31, 2002, the financial assets managed by MBII, on behalf of approximately 802 clients and representing 1,700 accounts, amounted to more than \$5.3 billion.
4. On October 27, 2003, a final receipt was granted by the Decision Makers pursuant to the filing of a final simplified prospectus and the annual information form for the Funds both dated October 23, 2003 (the "Prospectus"). Units of the Funds including the Bond Fund are distributed under the Prospectus in all Jurisdictions and a portion of the Funds' assets is currently invested in the Bond Fund in conformity with the requirements of NI 81-102;
5. MBII proposes that the Bond Fund will be terminated and will consequently cease to be distributed through prospectus in the Jurisdictions and that a new mutual fund (the "New Bond Fund") will be created which will have the same investment objectives as the Bond Fund (the "Transaction"). Pursuant to the Transaction, MBII intends to regroup the New Bond Fund with its existing Pooled Funds (as defined hereunder);
6. The Funds and the Bond Fund are trusts constituted under the laws of Ontario and currently governed by a trust agreement, concluded with Desjardins Trust Inc. as amended, restated and consolidated on September 12, 2001 and subsequently amended and restated on October 17, 2001 and July 2, 2003 (the "MTA"). The conclusion of the Transaction will be conducted in accordance with the requirements contained in the MTA and MBII will seek the necessary approvals governed by the MTA pursuant to which the manager of the Funds has the power to amend the MTA.
7. MBII is also the manager of the Montrusco Bolton Fixed Income Fund, Montrusco Bolton Canadian Equity Fund, Montrusco Bolton U.S. Equity

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Fund, Montrusco Bolton Canadian Small Capitalization Equity Fund, Montrusco Bolton E.A.F.E. Equity Fund, Montrusco Bolton Global Equity Fund, Montrusco Bolton Balanced Fund, TSX Momentum Fund, Canadian Equity + Fund and Montrusco Bolton Income Trust Fund (collectively the “Pooled Funds”) which are distributed in the Jurisdictions without a prospectus pursuant to exemptions from the prospectus and dealer registration requirement provided for in the Legislation.

8. Each of the Pooled Funds is an open-ended mutual fund trust established by a trust agreement between MBII and Desjardins Trust Inc. The Pooled Funds are not reporting issuers under the Legislation and accordingly are not governed by NI 81-102. Nevertheless, each of the Pooled Funds substantially complies with NI 81-102.
9. Although the Funds are distributed in the Jurisdictions through prospectus, the units of the Funds are not generally distributed to the public. In order to purchase units of the Funds, each investor has to meet the following criteria:
 - open a discretionary account with MBII by entering into a fully managed account agreement with MBII; and
 - invest a minimum amount of \$150,000 in the Funds as it is more fully set forth on page 6 of the Prospectus.
10. In addition, even though it is expressly provided in the Prospectus that the minimum investment in order to open a discretionary account is \$150,000 more than approximately:
 - 45% of MBII’s clients possess accounts having a value greater than \$1,000,000;
 - 18% of MBII’s clients possess accounts having a value greater than \$5,000,000; and
 - 13% of MBII’s clients possess accounts having a value greater than \$10,000,000.
11. The sole reason behind MBII’s decision to distribute the Funds by way of prospectus was to respect investment restrictions contained, at that time, in investment policies of certain of MBII’s institutional clients which restricted them to investing exclusively in mutual funds distributed by way of prospectus.

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12. It is MBII's intention to privatize or close the Funds;
13. The level of sophistication of the persons investing at the top of the structure (i.e. the Funds) and at the bottom (i.e. the Pooled Funds) is the same as both are clients of MBII and, in most case, are investing in the Funds and in the Pooled Funds.
14. The fundamental investment objective of the Bond Fund is to provide interest income while having regard to safety of capital by investing mainly in short-term money market securities and other fixed income securities. Pursuant to the Transaction, the investment objective of the New Bond Fund will be the same than the Bond Fund and the frequency of calculating the net asset value of the New Bond Fund will remain unchanged.
15. MBII currently acts as adviser in securities of the Funds and Pooled Funds. As such MBII enters into fully managed account agreements with its clients and invests its clients assets in either mutual funds managed by MBII or directly into the securities market for discretionary accounts.
16. The minimum of financial assets under management required to establish and maintain a discretionary account with MBII is \$150,000.
17. Each Fund wishes to actively manage its investments in the New Bond Fund with discretion to buy and sell securities of the New Bond Fund, in accordance with the Fund's investment objective and investment strategies, as well as alter its holdings in the New Bond Fund in which it invests.
18. Given the relative size of some of the Funds, MBII believes that investing in securities of the New Bond Fund will be in accordance with a Fund's investment objective and provides a more efficient and cost-effective manner of achieving diversification than the direct purchase of securities.
19. Except to the extent evidenced by this Decision and specific approvals granted by the Decision Makers pursuant to NI 81-102, the investments by a Fund in the New Bond Fund will comply with the investment restrictions of the Legislation and NI 81-102.
20. In the absence of this Decision, the Funds would be prohibited from knowingly making or holding an investment in the New Bond Fund in which a Fund, alone or together with one or more related mutual funds, is a substantial securityholder.

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21. In the absence of this Decision, MBII would be required to file a report of every transaction of purchase or sale by a Fund of securities of the New Bond Fund.
22. A Fund's investment in securities of the New Bond Fund will represent the business judgement of responsible persons uninfluenced by considerations other than the best interests of a Fund.

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

AND WHEREAS each of the Decision Makers is satisfied that the tests contained in the Legislation that provides the Decision Makers 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 Funds from making and holding investments in securities of the New Bond Fund or so as to require MBII to file a report relating to the purchase and sale of such securities;

PROVIDED THAT IN RESPECT OF:

The Decision shall only apply if, at the time a Fund makes or holds an investment in the New Bond Fund, the following conditions are satisfied:

- (a) the Fund's investments in securities of the New Bond Fund are made in accordance with the provisions of section 2.5 of NI 81-102, except to the extent the Fund has been granted specific exemptions therefrom by the Decision Makers;
- (b) the New Bond Fund is organized or created under the laws of Canada or the laws of a Province of Canada;
- (c) the New Bond Fund meets the definition of mutual fund as defined in the Legislation;
- (d) the simplified prospectus of the Fund discloses in its investment objective the ability to invest in pooled fund securities and will also disclose the information specified in paragraph (g) below under Item 8, Part B of Form 81-101F1;
- (e) the New Bond Fund will, at all times, be in compliance with NI 81-102, except section 7.1 thereof in respect of incentive fees, if any, which are

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charged in respect of the New Bond Fund by MBII pursuant to its fully managed account agreement with a client;

- (f) the New Bond Fund does not charge an incentive fee to the Fund that invests in it; and
- (g) if available, unitholders of a Fund may obtain, upon request, a copy of the offering memorandum (or other similar document) of the New Bond Fund and the audited annual financial statements and semi-annual financial statements of the New Bond Fund.

THIS DECISION DOCUMENT contains the changes to February 2004 Decision and hereby supercedes the February 2004 Decision.

DATED this day of September 22nd, 2004.

Robert L. Sherriff

Wendell S. Wigle