

IN THE MATTER OF THE
SECURITIES LEGISLATION OF
ONTARIO, MANITOBA, NEW BRUNSWICK,
PRINCE EDWARD ISLAND, Qu顛c,
NEWFOUNDLAND AND YUKON TERRITORY

AND

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

AND

IN THE MATTER OF
MERRILL LYNCH INVESTMENT MANAGERS, L.P.

AND

IN THE MATTER OF
ML ALTERNATIVE STRATEGIES ABSOLUTE RETURNS LTD.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of Ontario, Manitoba, Qu顛c, New Brunswick, Prince Edward Island, Newfoundland and Yukon Territory (the "Jurisdictions") has received an application (the "Application") from Merrill Lynch Investment Managers, L.P. (the "Applicant") for a decision pursuant to the securities legislation and securities directions of the Jurisdictions (the "Legislation") that the distribution of non-voting, redeemable, participating US\$ Class A shares (the "Class A Shares"), non-voting, redeemable, participating US\$ Class B shares (the "Class B Shares") and non-voting, redeemable, participating US\$ Class I shares (the "Class I Shares", and collectively with the Class A Shares and the Class B Shares, the "Shares") of ML Alternative Strategies Absolute Returns Ltd. (the "Fund") by the Applicant not be subject to the prospectus requirement, subject to certain conditions, and that the requirement contained in the Legislation to file a report of an exempt trade within 10 days of such trade shall not apply to the Fund in connection with certain trades of Shares, subject to certain conditions;

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 the Applicant to the Decision Makers that:

1. The Fund is a limited liability company incorporated under the laws of the Cayman Islands on March 21, 2001. The Fund is not a reporting issuer (or the equivalent) in any jurisdiction in Canada.
2. The Fund is a mutual fund regulated by the Cayman Islands Monetary Authority under *The Mutual Fund Law* (1999 revision) (Cayman Islands).
3. The Applicant is a limited partnership formed under the laws of Delaware.
4. The Applicant is registered in Ontario as an international investment counsel and portfolio manager.
5. Merrill Lynch Canada Inc. (the "Agent") is a corporation organized under the laws of Canada.
6. The Agent is a fully registered dealer in all jurisdictions of Canada.
7. Each of the Applicant and the Agent is a wholly-owned indirect subsidiary of Merrill Lynch & Co., Inc.
8. The Fund has an authorized share capital of US\$10,000,000 divided into 100 Management Shares of a par value of US\$0.01 each and 999,999,900 non-voting, redeemable, participating shares of a par value of US\$0.01 each, of which the board of directors has to date authorized the issuance of several classes, including Class A Shares, Class B Shares and Class I Shares.
9. Class A Shares are offered at US\$1 per share during the initial offering period and at net asset value ("NAV") thereafter, plus an upfront sales charge of up to 5.5%. Class B Shares are offered at US\$1 per share during the initial offering period and at NAV thereafter and are subject to a contingent deferred sales charge of up to 4% if redeemed within 4 years of purchase. Class I Shares are offered in monthly series at US\$1 per share with an upfront sales charge between 0 and 1%. Holders of Class A Shares and Class B Shares are charged a management fee of 1.5% of NAV per annum and holders of Class I Shares are charged a management fee of 1% of NAV per annum. The minimum initial acquisition cost for the Class A Shares and the Class B Shares is the greater of Cdn.\$150,000 and U.S.\$100,000. The minimum initial acquisition cost for the Class I Shares is U.S.\$5,000,000.
10. The Class A Shares, the Class B Shares and the Class I Shares differ only as to (i) the quantum and timing of sales charges levied in connection with their purchase and disposition, (ii) annual management fees and (iii) minimum initial acquisition amount, as described in the preceding paragraph. In all other respects, the Class A Shares, Class B Shares and Class I Shares are substantially the same.
11. The Shares do not have any voting rights, except as required by Cayman Islands law or disclosed in the offering memorandum provided to prospective purchasers.
12. Subject to the ability of the board of directors to limit or suspend redemption rights under certain circumstances, a holder of Shares will have the right to redeem its Shares at a price equal

to the NAV calculated on the last calendar day of each March, June, September and December on 50 calendar days' written notice from the shareholder to the transfer agent. Shares may also be redeemed on the last calendar day of any other month on 50 calendar days' written notice, in which case the proceeds of such redemption will be reduced by a monthly redemption fee of 4% of such proceeds (calculated before deduction of any applicable fees therefrom).

13. The Shares may not be assigned or otherwise transferred (except by operation of law) in whole or in part, without the consent of the board of directors of the Fund, which consent will only be withheld where the holding of such Shares may result in regulatory, pecuniary, legal, taxation or material administrative disadvantage for the Fund or its shareholders as a whole, or where such transfer would result in a shareholder falling below the minimum specified holding. Under such conditions, the board of directors may also in their discretion, upon giving five days' prior written notice to any shareholder, compulsorily redeem all or any part of the Shares of such shareholder at NAV.

14. The Shares are being primarily offered outside of Canada. The Shares will be sold to purchasers by the Agent, a registered dealer in all jurisdictions of Canada, as part of the global offering of the Shares.

15. The minimum initial investment in any class of the Shares by an investor in Canada is not less than Cdn.\$150,000 (the "Initial Investment"), and the Initial Investment will be made in reliance upon applicable prospectus exemptions contained in the Legislation.

16. Following the Initial Investment, it is proposed that existing Shareholders in the Fund be permitted to subscribe for further Shares by subscribing and paying for additional Shares (the "Additional Shares") in amounts greater than U.S.\$10,000.

17. No Shareholder will be permitted to acquire Additional Shares at an acquisition cost of less than Cdn.\$150,000 unless, at the time of such subsequent acquisition, the shareholder holds Shares which have either an aggregate acquisition cost or an aggregate net asset value of at least the Cdn.\$150,000.

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 prospectus requirements of the Legislation do not apply to the purchase of Additional Shares provided that:

(a) this decision will cease to be effective in a Jurisdiction 90 days after the coming into force in such Jurisdiction of legislation or a rule governing trades in securities of pooled funds (other than proposed Ontario Securities Commission Rule 45-501 Exempt Distributions, as published at (2001) 24 OSCB 5544);

(b) at the time of acquisition of Additional Shares, the Shareholder then owns Shares having either an aggregate acquisition cost or net asset value of not less than Cdn. \$150,000;

(c) in accordance with the Legislation, the Applicant files with the applicable Decision Maker a report in respect of all trades in Additional Shares made by the Fund as if the trades in Additional Shares were trades in Shares and pays to the applicable Decision Maker the fees relating to such filing prescribed by the Legislation; and

(d) the first trade in Additional Shares is deemed to be a distribution under the Legislation of the Jurisdiction in which the trade takes place (the "Applicable Legislation"), unless otherwise exempt thereunder or unless such first trade is made in the following circumstances:

(i) the Fund is a reporting issuer or the equivalent under the Applicable Legislation;

(ii) if the seller of the Additional Shares is in a special relationship (where such expression is defined in the Applicable Legislation) with the Fund, the seller has reasonable grounds to believe that the Fund is not in default of any requirement of the Applicable Legislation;

(iii) no unusual effort is made to prepare the market or to create a demand for the Additional Shares and no extraordinary commission or consideration is paid in respect of such trade; and

(iv) the Additional Shares have been held for a period of at least eighteen months from the later of the date they were acquired by the seller of the Additional Shares or the date the Fund became a reporting issuer or the equivalent in the Applicable Jurisdiction;

AND THE FURTHER DECISION of the Decision Makers (other than the Decision Maker in Manitoba) pursuant to the Legislation is that the requirement contained in the Legislation and in this Decision Document to file a report of an Initial Investment or subscription for Additional Shares (the "Exempt Trades") within 10 days of such trade shall not apply in connection with the Exempt Trades, provided that within 30 days after each financial year end of the Fund:

(a) the Applicant files with the applicable Decision Maker a report in respect of all trades in Shares and Additional Shares by the Applicant during that financial year, in the form prescribed by the Applicable Legislation;

(b) the Applicant remits the fee prescribed by the Legislation to the Decision Makers of the applicable Jurisdictions; and

(c) this further decision will cease to be effective in a Jurisdiction 90 days after the coming into force in such Jurisdiction of legislation or a rule governing trades in securities of pooled funds.

DATED this 13th day of November, 2001.

"Paul M. Moore"

"Robert W. Korthals"

Headnote

MRRS for Exemptive Relief Applications - trades by mutual fund of additional shares to existing shareholders holding shares of such fund having an aggregate acquisition cost or net asset value of not less than \$150,000 exempted from prospectus requirement - trades in units of mutual fund exempt from requirement to file a report of such trades within ten days of the trade provided that reports filed and fees paid yearly.

Applicable Ontario Statutes

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 53, 72(3), 72(4)

Applicable Ontario Rules

Proposed Rule 45-501 Exempt Distributions (2001) 24 OSCB 5544