

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN,
MANITOBA, ONTARIO, NEW BRUNSWICK,
NOVA SCOTIA, PRINCE EDWARD ISLAND AND NEWFOUNDLAND

AND

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

AND

IN THE MATTER OF
DYNAMIC MUTUAL FUNDS LTD.

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, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland (the "**Jurisdictions**") has received an application from Dynamic Mutual Funds Ltd. (the "**Applicant**") for a decision pursuant to the securities legislation and securities directions of the Jurisdictions (the "**Legislation**") that:

(a) certain trades in units (the "**Units**") of mutual funds established or to be established, (the "**Funds**") by the Applicant are not subject to the prospectus requirements of the Legislation of Manitoba, Ontario, New Brunswick, Newfoundland and Prince Edward Island (the "**Prospectus Jurisdictions**") or to the registration requirements of the Legislation of Manitoba, Ontario, New Brunswick, Newfoundland and Prince Edward Island (the "**Registration Jurisdictions**"), subject to certain conditions; and

(b) trades in Units are not subject to the requirements of the Legislation other than Manitoba relating to the filings of forms and the payment of fees within 10 days of each trade or in some cases within 10 days after the end of the calendar year in which the distribution takes place, 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 Applicant is a wholly-owned subsidiary of Dundee Wealth Management Inc. (**DWM**), and is incorporated under the laws of the Province of Ontario. DWM is a public company listed on the Toronto Stock Exchange. DWM is 85% owned by Dundee Capital Corporation, which is a wholly-owned subsidiary of Dundee Bancorp Inc. (**DBI**). DBI is a public company listed on the Toronto Stock Exchange.

2. The Applicant is the trustee, manager, registrar and transfer agent and principal distributor for 54 mutual fund trusts known as the "Dynamic Mutual Funds". The Applicant is registered under the *Securities Act* (Ontario) (the "**Act**") as an adviser in the categories of investment counsel and portfolio manager.

3. The Equity Hedge Fund, one of the Funds, is an open-end mutual fund trust to be established under the laws of Ontario.

4. Units of the Funds may be offered on a continuous basis.

5. Units of the Funds will be sold by dealers registered in the province of purchase.

6. The minimum initial investment (the "**Initial Minimum Investment**") in any of the Funds by an investor in the Jurisdictions will be not less than the minimum aggregate purchase amount prescribed by the applicable Legislation (the "**Prescribed Amount**") and will be made in reliance upon prospectus exemptions in each of the Jurisdictions (the "**Private Placement Exemption**").

7. Following the Initial Minimum Investment in a Fund, it is proposed that unitholders of the Fund who were sold Units of such Fund in reliance on the Private Placement Exemption be permitted to:

(a) automatically reinvest distributions attributable to outstanding Units held by the Unitholder in the Fund to acquire additional Units ("**Reinvested Units**"), unless otherwise requested by the unitholder; or

(b) subscribe and pay for additional Units ("**Subscribed Units**").

8. It is proposed that investments in Subscribed Units in a Fund be permitted in amounts less than the Prescribed Amount, provided that at the time of such subsequent investment the Unitholder holds Units of the Funds with an aggregate acquisition cost or aggregate net asset value of at least the applicable Prescribed Amount.

9. Units in each of the Funds will not be transferable, but will be redeemable upon the request of the unitholder at the net asset value per unit on a valuation day to be provided for in the trust indenture of a particular Fund.

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:

A. The registration requirements contained in the Legislation of the Registration Jurisdictions, and the prospectus requirements contained in the Legislation of the Prospectus Jurisdictions shall not apply to

(i) the issuance of Subscribed Units of a Fund to a unitholder of that Fund provided that

(1) the initial investment in Units of that Fund was pursuant to the applicable Private Placement Exemption;

(2) at the time of the issuance of such Subscribed Units, the unitholder then owns Units of that Fund having an aggregate acquisition cost or an aggregate net asset value of not less than the Prescribed Amount of the applicable Prospectus Jurisdiction;

(3) at the time of the issuance of such Subscribed Units, the Applicant is registered under the Legislation of Ontario as an adviser in the categories of investment counsel and portfolio manager and such registration is in good standing; and

(4) this clause (A) will cease to be in effect with respect to a Prospectus Jurisdiction 90 days after the coming into force of any legislation, regulation or rule in such Jurisdiction relating to the distribution of Subscribed Units of pooled funds; and

(ii) an issuance of Reinvested Units of a Fund to a Unitholder of that Fund provided that

(1) no sales commission or other charge in respect of such issuance of Reinvested Units is payable; and

(2) the unitholder has received, not more than 12 months before such issuance, a statement describing (A) the details of any deferred or contingent sales charge or redemption fee that is payable at the time of the redemption of a Unit, (B) the right that the unitholder has to make an election to receive cash instead of Units on the payment of the net income or net realized capital gains distributed by the Fund, (C) instructions on how the right referred to in subclause (B) can be exercised, and (D) the fact that

no prospectus is available for the Fund as Units are offered pursuant to prospectus exemptions only; and

B. Except in Manitoba the requirements contained in the Legislation to file a report of a distribution of Units under the Private Placement Exemption or of Subscribed Units within 10 days of such trade or in some cases within 10 days after the end of the calendar year in which the distribution takes place shall not apply to such trade, provided that within 30 days after each financial year end of each Fund, such Fund:

(1) files with the applicable Decision Maker a report in respect of all trades in Units of that Fund during such financial year, in the form prescribed by the applicable Legislation; and

(2) remits the applicable Decision Maker the fee prescribed by the applicable Legislation.

DATED July 24, 2001.

"Paul M. Moore"

"J.A Geller"