

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

AND

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

AND

IN THE MATTER OF  
MD FUNDS MANAGEMENT INC.  
MD PRIVATE TRUST COMPANY,  
MD GROWTH RSP FUND,  
MD US EQUITY RSP FUND,  
MD GROWTH INVESTMENTS LIMITED, AND  
MD US EQUITY FUND

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, Québec, Nova Scotia and Newfoundland (the "Jurisdictions") has received an application (the "Application") from MD Funds Management Inc. (the "Manager"), the manager of MD Growth RSP Fund ("Growth RSP Fund") and MD US Equity RSP Fund ("US RSP Fund") (collectively the "Top Funds") and MD Growth Investments Limited ("MD Growth") and MD US Equity Fund (MD US Equity") (collectively the "Underlying Funds") for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") that:

1. The requirements contained in the Legislation requiring the offeror to issue a news release and file a report where its aggregate holdings of securities of a reporting issuer exceed 10% of the outstanding securities of the reporting issuer and refrain from purchasing additional securities of the Underlying Funds for a specified period of time once its holdings exceed this 10% level, and before such holdings exceed the 20% level, shall not apply in respect of certain investments to be made by the Top Funds in the Underlying Funds;
2. The restrictions contained in the Legislation prohibiting a mutual fund from knowingly making 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 shall not apply in respect of certain investments to be made by the Top Funds in the Underlying Funds;
3. The requirements contained in the Legislation requiring the management company 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, shall not apply in respect of certain investments to be made by the Top Funds in the Underlying Funds; and

4. The requirements contained in the Legislation prohibiting the portfolio manager from knowingly causing an investment portfolio managed by it to invest in any issuer in which a responsible person is an officer or director unless the specific fact is disclosed to the client and the written consent of the client to the investment is obtained before the purchase (other than in British Columbia where no consent is required) shall not apply in respect of certain investments to be made by the Top Funds in the Underlying Funds;

The Legislation outlined above in paragraphs 1 through 4 will be referred to in this Decision Document as the "Applicable Legislation";

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 Manager to the Decision Makers that:

I. The Manager is a corporation established under the laws of Canada and is the manager of the Top Funds and the Underlying Fund.

II. The Top Funds and the MD US Equity Fund are or will be open-ended mutual fund trusts established under the laws of the Province of Ontario and MD Growth is a corporation incorporated under the laws of the Province of Ontario. The Top Funds will be offered for sale once the preliminary simplified prospectus in respect of the Top Funds dated August 30, 1999 filed under SEDAR project number 202970 (such document when filed in final form is hereinafter called the "Prospectus") is receipted as a final prospectus in all the jurisdictions of Canada. The Underlying Funds are reporting issuers in each of the provinces and territories of the various securities authorities of Canada and are currently distributed pursuant to a simplified prospectus dated June 30, 1999 and filed under SEDAR project number 179168.

III. Each of the Top Funds seeks to achieve its investment objective while ensuring that units of the Fund do not constitute "foreign property" for tax-deferred income plans under the Income Tax Act (Canada) ("Registered Plans"). Securities of the Top Funds will be available for purchase only by Registered Plans.

IV. To achieve its investment objective the Top Funds invests its assets in securities such that its units will be "qualified investments" for Registered Plans and will not constitute foreign property in a Registered Plan. This will primarily be achieved through the implementation of a derivative strategy. However, the Top Funds also intend to invest a portion of their assets in units of the Underlying Funds. This investment by the Top Funds will at all times be below the maximum foreign property limit prescribed for Registered Plans (the "Permitted Limit").

V. The investment objective of the Underlying Funds are achieved through investment primarily in foreign securities.

VI. The investments by the Top Funds in the Underlying Funds will be within the Permitted Limit. The Manager and the Top Funds will comply with the conditions of this Decision in respect of such investments.

VII. Except to the extent evidenced by this Decision and specific approvals granted by the Canadian securities administrators pursuant to National Policy Statement No. 39, the investments by the Top Funds in the Underlying Funds have been structured to comply with the investment restrictions of the Legislation and National Policy Statement No. 39.

VIII. In the absence of this Decision, as soon as the aggregate holdings by the Top Funds of securities of the Underlying Funds exceed 10% of the outstanding securities of the Underlying Funds, the Manager, and possibly the Top Funds, would be required to comply with the reporting and other requirements of the Legislation.

IX. In the absence of this Decision, pursuant to the Legislation, the Top Funds are prohibited from (a) knowingly making 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) knowingly making an investment in an issuer in which the management company of the mutual fund has a significant interest; and (c) knowingly holding an investment referred to in subsections (a) or (b) hereof. As a result, in the absence of this Decision the Top Funds would be required to divest itself of any investments referred to in subsections (a) and (b) herein.

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

XI. Because the Manager is a responsible person in respect of the Top Funds and the Underlying Funds, and the Manager also acts as trustee for the Top Funds, in the absence of this Decision, the Advisor and Manager would be prohibited from causing the Top Funds to invest in the Underlying Funds unless the specific fact is disclosed to investors and the written consent of investors is obtained before the purchase (other than in British Columbia where no consent is required).

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 Applicable Legislation is that the Legislation does not apply so as to prevent the Top Funds from investing in, or redeeming the securities of, the Underlying Funds and such investment does not require further consent from or notice to securityholders of the Top Funds or the Decision Makers.

PROVIDED IN EACH CASE THAT:

1. this 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 the matters in clause 2.04(4)(b) of National Policy Statement No. 39; and

2. the foregoing Decision shall only apply in respect of investments in, or transactions with, the Underlying Funds that are made by the Top Funds in compliance with the following conditions:

- a) the investment by the Top Funds in the Underlying Funds is compatible with the fundamental investment objective of the Top Funds;
- b) the Top Funds and the Underlying Funds are under common management and the Underlying Funds' securities are offered for sale in the jurisdiction of the Decision Maker pursuant to a prospectus which has been filed with and accepted by the Decision Maker;
- c) except as provided in condition (f) below, each of the Top Funds invests and remains invested in the corresponding Underlying Fund a percentage of its assets that is below the Permitted Limit (the "Proposed Transactions");
- d) the Prospectus will describe the Proposed Transactions by the Top Funds in the Underlying Funds;
- e) the Proposed Transactions by the Top Funds in the Underlying Funds may not be changed unless the Prospectus is amended or a new prospectus is filed and the security holders of the Top Funds have been given at least 60 days written notice of the change in the Proposed Transactions;
- f) if at any time, the assets of the Top Funds that are invested in the Underlying Funds exceed the percentage limit permitted under the Decision the necessary changes are made in the Top Funds' investment portfolio as at the next valuation date of the Top Funds in order to bring the Top Funds' investment portfolio into conformity with the aforesaid amount,
- g) there are compatible dates for the calculation of the net asset value of the Top Funds and the Underlying Funds for the purpose of the issue and redemption of the securities of such mutual funds;
- h) in the event of the provision of any notice to securityholders of the Underlying Funds as required by the constating documents of the Underlying Funds or by the laws applicable to the Underlying Funds, such notice will also be delivered to the securityholders of the Top Funds; all voting rights attached to the securities of the Underlying Funds which are owned by the Top Funds will be passed through to the securityholders of the Top Funds; in the event that a securityholders' meeting is called for the Underlying Funds, all of the disclosure and notice material

prepared in connection with such meeting will be provided to the securityholders of the Top Funds and such securityholders will be entitled to direct a representative of the Top Funds to vote that Top Funds' holding in the Underlying Funds in accordance with their direction; and the representative of the Top Funds will not be permitted to vote the Top Funds' holdings in the Underlying Funds except to the extent the securityholders of the Top Funds so direct;

i) no sales charges are payable by the Top Funds in relation to its purchases of securities of the Underlying Funds;

j) no redemption fees or other charges are charged by the Underlying Funds in respect of the redemption by the Top Funds of securities of the Underlying Funds owned by the Top Funds;

k) no fees and charges of any sort are paid by a Top Fund or by an Underlying Fund or by the Manager or principal distributor of a Top Fund or an Underlying Fund or by any affiliate or associate of any of the foregoing entities to anyone in respect of a Top Fund's investment in, or redemption of, securities of an Underlying Fund.

l) the arrangements between or in respect of the Top Funds and the Underlying Funds are such as to avoid the duplication of management fees;

m) in addition to receiving the annual and, upon request, the semi-annual financial statements of the Top Funds, securityholders of the Top Funds will receive the annual and, upon request, the semi-annual financial statements of the Underlying Funds in either a combined report, containing both the Top Funds' and Underlying Funds' financial statements, or in a separate report containing the Underlying Fund's financial statements; and

n) to the extent that the Top Funds and the Underlying Funds do not use a combined simplified prospectus and annual information form and financial statements containing disclosure about the Top Funds and the Underlying Funds, copies of the simplified prospectus and annual and semi-annual financial statements relating to the Underlying Funds may be obtained upon request by a securityholder of the Top Funds.

DATED at Toronto, Ontario this "1<sup>st</sup>" day of "November", 1999.