MCMILLAN BINCH

BARRISTERS & SOLICITORS

SUITE 3800 · SOUTH TOWER · ROYAL BANK PLAZA · TORONTO · ONTARIO · CANADA M5J 2J7
FAX (416) 865-7048 · TELEPHONE (416) 865-7000 · WWW.MCBINCH.COM

Reply Attention of *Walter Lehman*
Direct Line *(416) 865-7196*
Internet Address *wlehman@mcbinch.com*
Our File No. *0068266*
Date *August 27, 2001*

FILED VIA SEDAR

The Provincial Securities
Regulatory Authorities

Dear Sirs/Mesdames:

Re: TR3 Trust - National Instrument 81-102 Application

We are acting as counsel to Triax Investment Management Inc. (the "Manager"), the manager of TR3 Trust (the "Trust"), in connection with a proposed offering (the "Offering") of redeemable, transferable units of the Trust ("Units"). A preliminary prospectus dated August 27, 2001 (the "Preliminary Prospectus") has been filed with the securities regulatory authority in each of the provinces of Canada under SEDAR Project # 383735.

Although the Trust may technically be considered a mutual fund within the meaning of Canadian securities legislation of most of the provinces of Canada and thus be subject to the provisions of National Instrument 81-102 – Mutual Funds ("NI 81-102") upon the filing of a final prospectus, it is intended that certain aspects of the Trust's operations will not be conducted in accordance with the provisions of NI 81-102. The Trust will be more analogous to a closed-end investment trust than to a mutual fund. The purpose of this letter is to seek the approval of the securities regulatory authorities of each of the provinces of Canada, (other than the Province of Quebec where we understand, and request confirmation, that the Trust would not be considered to be a mutual fund for purposes of NI 81-102) for exemptions from certain provisions of NI 81-102 to permit the Trust to conduct its operations as described in the Preliminary Prospectus. Similar relief has been granted in the past to trusts managed by the Manager in connection with the offering of units of New Millennium Technology Trust pursuant to a final prospectus dated June 28, 1999, the offering of units of Triax CaRTS Trust pursuant to a final prospectus dated May 23, 2000, the offering of units of Triax CaRTS Technology Trust pursuant to a final prospectus dated October 30, 2000 and the offering of units of Triax CaRTS III Trust pursuant to a final prospectus dated April 25, 2001.

Ontario is the "principal jurisdiction" of the Trust and we hereby request that the Ontario Securities Commission (the "Commission") exempt on behalf of the Canadian Securities Administrators the Trust from the provisions of NI 81-102 set out below.

1. Background - The Trust

Structure

1.1 The Trust will be established under the laws of Ontario pursuant to a trust agreement (the "Trust Agreement") to be entered into between the Manager as manager and trustee. The Trust Agreement will be executed and the Trust established immediately prior to filing the final prospectus.

1.2 The Manager will manage the ongoing business and administration of the Trust and is the investment advisor of the Trust. The Manager and its parent corporation, Triax Capital Holdings Ltd., are promoters of the Trust.

1.3 A custodian which meets the requirements of Section 6.2 of NI 81-102 will be the custodian of the assets of the Trust pursuant to a custodian agreement.

1.4 Units may be surrendered for redemption at any time at the option of each holder of Units ("Holders") but will only be redeemed on a monthly basis. The redemption price is computed by reference to the value of a proportionate interest in the net assets of the Trust. As a result, the Trust may technically qualify as a "mutual fund" under applicable securities legislation. Holders whose Units are redeemed on the December valuation date (commencing with the December 2002 valuation date) will be entitled to receive a redemption price per Unit equal to the net asset value per Unit determined as at such valuation date. Units that are redeemed on any other monthly valuation date will receive a redemption price per Unit equal to the net asset value per Unit as at such valuation date, less the lesser of (i) 4% of such net asset value and (ii) $0.40. The difference between the net asset value per Unit and the Unit redemption price will be retained by the Trust for the benefit of the remaining Holders.

1.5 Units are expected to be listed and posted for trading on the Toronto Stock Exchange (the "TSE").

1.6 The Trust will terminate on or about December 31, 2004 (the "Termination Date"), subject only to extension by Holders by extraordinary resolution.

Investment Strategy

1.7 The Trust will:

(i) pay to Holders, on a monthly basis, a fixed annual distribution equal to 10% or $1.00 per Unit; and

(ii) through active management and option writing, seek to generate capital gains to maximize additional distributions and the total return of the Trust by the Termination Date.

1.8 In order to pay the Trust's distributions and to achieve the Trust's total return maximization objective, 100% of the net proceeds of the Offering will be invested in a diversified portfolio (the "Portfolio") consisting principally of equity securities issued primarily

by leading U.S. and Canadian based companies with a market capitalization in excess of U.S.$1 billion and listed on a major North American stock exchange or quoted on the Nasdaq National Market® (the "Portfolio Universe").

1.9 To generate additional returns above the dividend income generated by the Portfolio, the Trust will, from time to time, write covered call options on all or part of the equity securities in the Portfolio. In addition the Trust may, from time to time, write cash covered put options in respect of securities in which the Trust is permitted to invest selected from the Portfolio Universe. Cash equivalents (as defined in the Preliminary Prospectus on a basis consistent with the definition in NI 81-102, "Cash Equivalents") will be used to provide cover in respect of the writing of cash covered put options, which is intended to generate additional returns and to reduce the net cost of acquiring the securities subject to the put options.

1.10 The composition of the Portfolio, the individual securities in the Portfolio which are subject to call options and put options and the terms of such options will vary, from time to time, based upon the Manager's assessment of market conditions.

2. Relief Requested

We hereby request that the Commission on behalf of the Canadian Securities Administrators exempt the Trust from the following provisions of NI 81-102:

PART 3	New Mutual Funds	
	3.3	Reimbursement of Organization Costs
PART 10	Redemption of Securities of a Mutual Fund	
	10.3	Redemption Price of Securities
	10.4	Payment of Redemption Price
PART 12	Compliance Reports	
	12.1	Compliance Reports

3. General Submissions

Although the Trust may technically be a mutual fund for the purposes of applicable securities legislation, its operations will differ from those of a conventional mutual fund as contemplated by NI 81-102 in the following ways:

- Units are expected to be listed and posted for trading on the TSE. The securities of a conventional mutual fund are not listed on a stock exchange, nor is there generally any other market for such units. Unitholders of a conventional mutual fund who wish to liquidate their holdings must cause the fund to redeem their units, as there is no alternative method of disposition. As Units are expected to

trade on the TSE, Holders will not have to rely on the redemption feature of the Units to provide liquidity for their investment.

- Unlike a conventional mutual fund in which the fund's securities are offered to the public on a continuous basis, the Trust does not intend to issue additional Units once the Trust is out of primary distribution, subject to limited exceptions described in the Preliminary Prospectus. As a result, the Trust is filing a long form prospectus and not a simplified prospectus and annual information form under National Instrument 81-101.

- Unlike a conventional mutual fund, the Trust will terminate on the Termination Date (subject to a later termination date if approved by Holders by extraordinary resolution).

- In connection with its investment objectives, the Trust will acquire the Portfolio and, from time to time, write covered call options in respect of all or part of the securities in the Portfolio. In addition, the Trust may, from time to time, hold a portion of its assets in Cash Equivalents which may be used to provide cover in respect of writing cash covered put options in respect of securities in its Portfolio.

4. Specific Submissions

It is respectfully submitted that relief should be granted from the provisions of NI 81-102 enumerated in paragraph 2 above for the following reasons:

4.1 *Reimbursement of Organization Costs – Section 3.3*

Section 3.3 of NI 81-102 provides that none of the costs of incorporation, formation or initial organization of a mutual fund, or of the preparation and filing of any of the preliminary simplified prospectus, preliminary annual information form, initial simplified prospectus or initial annual information form of the mutual fund shall be borne by the mutual fund or its securityholders. It is proposed that the initial costs of formation and organization of the Trust, including the preparation and filing of the Preliminary Prospectus and the final prospectus, be borne by the Trust rather than the promoters or manager of the Trust. It is currently anticipated that such costs will be approximately $575,000.

The policy reasons for this prohibition on the payment of the initial organizational costs of a conventional mutual fund may relate to the fact that the total proceeds from a conventional mutual fund offering are not determinable. If the proceeds are not sufficiently large, the expenses could deplete the assets of the fund. The Offering, however, is not analogous to a conventional mutual fund offering in this respect, as the closing will not proceed if the minimum offering is not achieved. It is submitted that Section 3.3 should not apply in the case of a one-time fully marketed offering of Units. The estimated costs of organization will be fully disclosed in the final prospectus. The disclosure will be in compliance with the rules that apply to other issuers of securities. Furthermore, the costs are not expected to have a significant impact on the net asset value of the Trust on completion of the Offering, as would generally be the case with conventional mutual funds.

4.2 *Redemption of Securities of a Mutual Fund – Redemption Price of Securities – Section 10.3*

Pursuant to Section 10.3 of NI 81-102, the redemption price of a security of a mutual fund to which a redemption order pertains shall be the net asset value of a security of that class, or series of a class, next determined after the receipt by the mutual fund of the order.

The description of the redemption process in the Preliminary Prospectus contemplates that the redemption price for Units will be determined as of the valuation date, being the second last business day of the month (the "Valuation Date"). As requests for redemptions may be made at any time during the month and are subject to a cut-off date (five business days prior to the Valuation Date), and as the net asset value of Units is calculated daily in accordance with Section 13.1(b) of NI 81-102, redemptions will not be implemented at a price equal to the net asset value next determined after receipt of the redemption request.

It is submitted that the requirement to price the redemption of Units at the net asset value next determined after the redemption request is received should only be applicable to conventional mutual funds that are in continuous distribution and which generally honour redemption requests every business day and which are not TSE listed. The Manager therefore requests relief from this provision.

4.3 *Redemptions of Securities of a Mutual Fund - Payment of Redemption Price – Section 10.4*

Section 10.4 of NI 81-102 provides that payment for redeemed securities must be made within three business days from the date of the determination of the net asset value for the purpose of effecting such redemption. The redemption procedures described in the Preliminary Prospectus provide that Holders will receive payment within ten days following the redemption date.

It is submitted that the purpose of the foregoing provision of NI 81-102 is to ensure there is only a short period of time between the placing of the redemption order, the receipt of the redemption proceeds and the resolution of any problems concerning redemption requests. If requests are made to redeem Units, the Trust intends to pay the redemption proceeds as soon as possible after the end of the relevant month, however, redemption of Units will not operate in the same manner as redemptions of conventional mutual fund units. In particular, because the Trust believes it is in the best interest of Holders for as many Units to remain outstanding as is possible, it will enter into a recirculation agreement which will enable the Trust to arrange for Units to be sold in the market to avoid a redemption in circumstances where the redeeming Holder has not withheld consent thereto. In order to make this recirculation alternative meaningful and to obtain the best price available in the market, some period of time is required to attempt to sell Units tendered for redemption. In addition, because a book entry only certificate representing Units will be issued in registered form to The Canadian Depository for Securities Limited ("CDS"), upon receipt of a redemption request from a client, an investment advisor must send a redemption request to CDS. CDS aggregates all redemption requests received during the month and must ensure the information is submitted to the registrar and transfer agent for the Trust (the "Registrar and Transfer Agent"). The Registrar and Transfer

Agent then informs the Manager of the amount owing under the requests and this is submitted to the custodian. The custodian then provides appropriate funds to the Registrar and Transfer Agent who provides it to CDS for distribution to CDS participants, who in turn distribute the redemption proceeds to their clients. As the mechanics for a redemption request under the Trust are moderately more complicated than the redemption mechanics for units of a conventional mutual fund which are not handled through CDS, it may take more time to process the requests and resolve any problems than for a conventional mutual fund. In any event, since it is likely that the primary source of liquidity for Holders will be selling Units on the TSE rather than through redemption, it is submitted that Holders would not be prejudiced if relief were granted from this provision.

4.4 *Compliance Reports – Section 12.1(1)*

Section 12.1(1) of NI 81-102 requires a mutual fund that does not have a principal distributor to complete and file with the securities authorities a report in the prescribed form with respect to compliance with the applicable requirements of Parts 9, 10 and 11 of NI 81-102, accompanied by a letter from the auditors of the mutual fund in the prescribed form in connection with the report to the mutual fund. The compliance reports are meant for a mutual fund that is in continuous distribution. The Offering is a one-time offering and the Trust will not continuously distribute Units.

It is submitted that Parts 9 and 11 of NI 81-102 are not applicable to the Trust, as Units will not be in continuous distribution, nor will there be a principal distributor for the Trust. Section 10.1(1) of NI 81-102 does not apply as no certificates will be issued. Section 10.1(2) applies and the Trust has disclosed in the Preliminary Prospectus the procedure required in order to redeem Units. As this involves arranging for a redemption notice to be provided to the Trust on the basis so described, the other provisions of sections 10.1 and 10.5 appear to be largely inapplicable . Section 10.2 will not apply because the Trust will have no participating dealer or principal distributor. We have requested relief from sections 10.3 and 10.4 and, if relief is granted from these provisions as requested herein, a compliance report will not provide any additional information to the securities authorities. Therefore relief is requested from this provision.

5. Documents Enclosed

It is submitted that the procedures outlined in the Preliminary Prospectus are fair and reasonable in the circumstances, and investors will not be prejudiced or misled if the Trust is granted relief from the aforementioned provisions of NI 81-102.

Enclosed please find a verification form signed by the Manager authorizing us to make this application on behalf of the Trust, and the requisite filing fees. We would appreciate your earliest consideration of this application.

Please do not hesitate to contact me at the above number, Mark Adams at (416-865-7860) or Margaret McNee at (416-865-7284) to discuss any questions or concerns which you may have in respect of this request for relief.

Yours truly,

Walter C. Lehman

Walter C. Lehman

Encl.

Copy to: Margaret McNee, *McMillan Binch*
Mark Adams, *McMillan Binch*
Barry Gordon, *Triax Investment Management Inc.*
Edward Akkawi, *Triax Investment Management Inc.*
Andrew Aziz, *Osler, Hoskin & Harcourt LLP*

K:\SEC\CHY\TRIAX\SHORTERM\APPLY\81-102.DOC