

AGF FUNDS INC. PLAN OF DISTRIBUTION

This is the plan of distribution (the “Plan”) contemplated under Schedule A (“Schedule A”) of the settlement agreement (the “Settlement Agreement”) between AGF Funds Inc. (the “Company”) and staff of the Ontario Securities Commission (“OSC”) that was approved by the OSC December 16, 2004. The Settlement Agreement related to trading by certain persons referred to in paragraph 16 of the Settlement Agreement (“Market Timing Traders”) in certain mutual funds managed by the Company (the “Relevant Funds”). In the Plan, the terms “Market Timing Traders” and “Relevant Funds” have the meanings ascribed thereto in the Settlement Agreement.

Under Schedule A, the Company agreed to make payment to the unitholders (including former unitholders, but excluding the Market Timing Traders) of the Relevant Funds in the amount of \$29.2 million, plus interest accruing at the rate of 5% per annum from December 16, 2004 until the date of approval by both OSC staff and the Chair and a Vice-Chair of the OSC of a plan of distribution. In addition, the Company also will make payment under this Plan of \$1,040,548 (“IDA Amount”) received by the Company from the Investment Dealers Association (“IDA”) in connection with the settlements with certain IDA member firms which were approved by the IDA on December 16, 2004. In the Plan, the total amount of settlement to be paid, including such interest and IDA Amount, is called the “Settlement Amount”.

PART I - DETERMINATION OF RECIPIENTS OF PAYMENTS

Schedule A requires that the Settlement Amount be allocated to the unitholders (including former unitholders, but excluding the Market Timing Traders) of the Relevant Funds. Such unitholders are defined in Schedule A (and are referred to in the Plan) as the “Affected Investors”. The Plan shall not result in any payment to the Market Timing Traders. Under the Plan, a Market Timing Trader cannot be an Affected Investor.

Under the Plan, unless otherwise indicated, the characterization of an Affected Investor will be done at the “fund position level”, as opposed to the “account level” or “client level”. That is, an investor would be an “Affected Investor” in respect of a position within a specific fund and within a specific account. Positions in different accounts will be considered separately, even if such positions are held by the same beneficial investors or reside in the same Relevant Fund. Positions in different Relevant Funds will be considered separately, even if such positions reside within the same account.

Certain investors in the Relevant Funds (“Collective Investors”) are themselves investment vehicles or collective investment arrangements that hold investments on behalf of other investors. Relevant trades in the Relevant Funds would have had an effect on the investors in some Collective Investors similar to the effect experienced by direct investors in the Relevant Funds. This is due to the fact that the price at which units of these Collective Investors may be sold by an investor (i.e., the net asset value) at all times reflects the current net asset values of the underlying Relevant Funds. Examples of such Collective Investors would be open-ended investment products, such as mutual funds or insurance company segregated funds that held a position, or were exposed to the returns of, a Relevant Fund at the times of the relevant trades. Subject to the *de minimis* principles described in Part IV, the Plan will “look through” these

Collective Investors and treat each investor in such a Collective Investor as an “Affected Investor” for purposes of determining the entitlement to, and the amount of, payment to such investor under the Plan. The Company is offering to make arrangements with any third-party administrators of such Collective Investors to acquire the necessary investor information to be able to deal in this manner with the investors in the Collective Investor. Where the Company does not receive the necessary investor information to “look through” such a Collective Investor by September 30, 2005 or the Company has been directed by such Collective Investor not to “look through,” the Collective Investor will itself be treated as an “Affected Investor” and there will be no “look-through” to the underlying investors in that Collective Investor.

In the case of other Collective Investors, relevant trades in the Relevant Funds would not have had a similar effect on investors or beneficiaries of the Collective Investors as would have been experienced by the direct investors in the Relevant Funds. Examples of such Collective Investors would be closed-end structures, like GICs whose returns at maturity were linked to the performance of a Relevant Fund or non-redeemable investment funds whose securities were traded on a secondary market. The price at which units of these Collective Investors could be sold would not necessarily reflect the current net asset values of the underlying Relevant Funds. In these cases, the Plan will treat the Collective Investor itself as an “Affected Investor” where applicable and there will be no “look through” to the underlying investors in that Collective Investor.

The units of the Company’s mutual funds are often held in the name of investment dealers or mutual fund dealers on behalf of their clients, who are the beneficial owners of the units. The Company will “look through” the registered holders (i.e. the dealers) in these circumstances and treat the beneficial owners as the “Affected Investors”. Due to the tax and other reporting requirements to which the Company is subject in the normal course of its business, the Company generally has access to contact and other information about these beneficial owners to enable it to treat the beneficial owners as the Affected Investors. Where the information required in order to treat the beneficial owners as the Affected Investors is incomplete, the Company will request the requisite information from the dealer of record. If, by August 31, 2005, the dealer does not provide such requisite information for a beneficial owner, and does not undertake to transmit the payment to the beneficial owner for whom the dealer holds the units for the Relevant Funds, the payment otherwise required to be made under the Plan to such beneficial owner will be treated as an uncashed cheque or returned electronic fund transfer and will be dealt with in accordance with Part V. The Company expects that there will be relatively few such instances.

PART II - CALCULATION OF PAYMENTS TO AFFECTED INVESTORS

Following the determination of Affected Investors, the Company will calculate the effect of each relevant trade on each Affected Investor in each Relevant Fund. Some relevant trades may have affected Affected Investors adversely while other relevant trades may have benefited Affected Investors.

The Settlement Amount will be allocated amongst Affected Investors (“Adversely Impacted Investors”) that have been determined to have experienced, in aggregate, an overall adverse effect (“Overall Adverse Effect”) in a Relevant Fund when all relevant trades in the

Relevant Fund are considered. The allocation to each Adversely Impacted Investor of the Settlement Amount will be proportionate to that investor's Overall Adverse Effect in relation to the Overall Adverse Effect of all other Adversely Impacted Investors in all Relevant Funds. An Affected Investor that has been determined to have experienced an overall benefit from the relevant trades in a Relevant Fund will receive none of the Settlement Amount.

There will be no netting of unitholder positions from Relevant Fund to Relevant Fund. An account that has suffered an Overall Adverse Effect in respect of relevant trades in one Relevant Fund will not have its entitlement to a payment under the Plan reduced if that account may have benefited from relevant trades in another Relevant Fund. Similarly, there will be no netting in respect of a beneficial owner who owns more than one account holding one or more Relevant Funds; for example, the entitlement of a beneficial owner to payment in respect of one account will not be reduced by any benefit derived by the same beneficial owner in respect of another account.

Subject to the exceptions described in Part I relating to Collective Investors and the *de minimis* exception described in Part IV, the Company will treat each person who invested in a Relevant Fund through a Collective Investor as an Affected Investor for purposes of determining entitlement to, and calculating the amount of, a payment under the Plan.

PART III - PAYMENTS

The Company will make payments under the Plan by sending a cheque to the last address of the Affected Investor (other than Collective Investors, which will be dealt with as described below) maintained in the records of the Company, which may be updated by the dealer's address information, if appropriate.

Recipients of payments will receive explanatory details with their payment.

The Company may combine payments across accounts and Relevant Funds held by any investor to reduce the number of cheques to be received by that investor. For example, payments will be aggregated into one cheque where an individual is to receive payments in respect of multiple Relevant Funds and/or multiple accounts.

Registered Plans

Some of the payments under the Plan will be payable to tax-deferred registered plans (such as registered retirement savings plans, registered retirement income funds or registered educational savings plans). The Company will make payments in respect of such plans to the annuitant or beneficial owner of such plans, as opposed to the plan itself.

Collective Investors

Where unitholders of Collective Investors are treated as Affected Investors under the Plan, the Company will make payments or make arrangements (subject to the *de minimis* principles described in Part IV) for payment by sending a cheque to each such unitholder at the last address of such unitholder on its books and records or the address provided by the

representatives of the Collective Investor. Such payments may be made at a later time than payments made to direct investors in the Affected Funds due to the additional administrative steps involved in the Company co-ordinating payments with the Collective Investor. The Company anticipates that such payments will be made no more than 90 days after the Company has received all information from the Collective Investor in a form reasonably acceptable to the Company to permit the calculation of the amounts to be paid to the unitholders of the Collective Investor. If the Company does not receive such information by September 30, 2005, the Company will treat the Collective Investor as the Affected Investor and there will be no “look-through” to the underlying investors in that Collective Investor.

Where *de minimis* principles apply to Collective Investors, the Company will make payments to the Collective Investor by cheque or electronic fund transfer.

Payments to any Collective Investors that have been merged or reorganized into another entity since the time of the relevant trades will be made to the appropriate successor entity. If there is no successor entity, then the payment will be treated as an uncashed cheque or electronic fund transfer not completed and treated as described in Part V.

PART IV - DE MINIMIS PRINCIPLES

General Principles

As provided in Part III, payments may be aggregated across all accounts and Relevant Funds held by an investor (“Client”). A *de minimis* principle will be applied such that no payment will be made to a Client in an amount of less than \$2.00 (before deduction of any applicable withholding tax). Any amount not paid by the Company to clients as the result of the application of this *de minimis* principle will be paid to the Relevant Funds.

Collective Investors

As described in Part I, the Company generally will “look through” a Collective Investor and treat unitholders of the Collective Investor as direct unitholders of the Relevant Fund at the time of each relevant trade for purposes of determining such unitholder’s entitlement to payment under the Plan. However, the Collective Investor itself will be treated as an “Affected Investor” under the Plan and the Company may elect not to “look through” to the unitholders of the Collective Investor if the total payment that the Collective Investor in the Relevant Fund would receive, in the absence of the “look-through” principle, would be less than either:

- (a) \$25,000.00; or
- (b) .05% of the total assets of the Collective Investor at the time of the approval of the Plan. (The total assets of the Collective Investor will be based on its most recently published financial statements at such time.)

In instances where the Company does not “look through” to the unitholders of the Collective Investor, amounts to be paid will be determined by treating the Collective Investor itself as an Affected Investor and payments will be made directly to such Collective Investor.

The Company will, however, have the right to “look through” to unitholders of Collective Investors even if the *de minimis* principles could be applied.

PART V - CHEQUES NOT CASHED OR ELECTRONIC FUND TRANSFERS NOT COMPLETED

The Company expects that some of the cheques paid to Affected Investors will not be cashed and that some of the electronic fund transfers will be returned. The Company will deposit into a trust account an amount equal to the total amount of the payments represented by such cheques not cashed and electronic fund transfers not completed within six months of their date of mailing or sending in accordance with the Plan. The Company will use reasonable efforts to attempt to locate any Affected Investors entitled to payment of \$200 or more if that person’s payment has not been completed within such six month period; such efforts may include directory searches, internet searches and the employment of third parties to assist in the search, depending on the size of the payments to which those persons are entitled. The Company will bear all expenses of such procedures. From the expiry of such six month period through to June 1, 2008, upon locating an Affected Investor entitled to payment in accordance with the Plan, the Company will re-issue a cheque or effect another electronic fund transfer from the trust account.

Shortly after June 1, 2008, all amounts remaining in the trust account will be paid to the Relevant Funds (or the appropriate successor entity of any Relevant Fund that has been merged or reorganized in the interim). After such payments, the trust account will be closed and no further claims may be made in respect of such funds by any person.

Approved: June 30, 2005