



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

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VIA SEDAR

April 19, 2002

Borden Ladner Gervais LLP

Attention: Michael Holder/Lynn Mcgrade

Dear Sirs/Mesdames:

**Re: AIC Limited (the "Manager"), AIC Corporate Fund Inc. (the "Company") and AIC Total Yield Corporate Class of shares of the Company (the "Fund")
MRRS Exemptive Relief Application pursuant to section 19.1 of National Instrument 81-102 Mutual Funds ("NI 81-102")
- *Confidential* Application
- SEDAR #439094 ; Application No. 71/02**

By letter dated January 23, 2002, and subsequent letters dated February 27, 2002, and March 26, 2002 (collectively, the "Application"), you applied to the regulator or the securities regulatory authority in each of the provinces and territories of Canada (collectively, the "Decision Makers") on behalf of the Manager, the Company and the Fund for relief from the requirements of section 2.1(1) of NI 81-102 to permit the Fund to obtain exposure, through the use of specified derivatives transactions, to the AIC Bond Fund (the "Benchmark Fund") beyond the prescribed limits, as determined under subsections 2.1(3) and (4). You also applied for approval of the Decision Makers pursuant to clause 5.5(1)(d) of NI 81-102 to permit Fund to suspend the rights of securityholders to request that the Fund redeem their securities whenever the right to tender securities of Benchmark Fund for redemption is suspended.

It has been represented by the Manager to the Decision Makers that:

1. The Fund will seek to obtain a return similar to that of the Benchmark Fund by investing in a portfolio of Canadian equities and using forward contracts or other specified derivatives to hedge the price movements of the equities held.
2. The Fund is a class of shares of the Company, a mutual fund corporation incorporated under the laws of Ontario on November 16, 2000.

3. Mutual fund shares and the Class F series of shares of the Fund will be offered for sale in all provinces and territories of Canada and will be qualified under a simplified prospectus.
4. The Benchmark Fund is a mutual fund trust, established under the laws of Ontario, the Mutual fund units and the Class F units of which are offered for sale in all provinces and territories of Canada with a qualified simplified prospectus dated August 23, 2001.
5. The Fund and the Benchmark Fund are or will be reporting issuers in each of the provinces and territories of Canada and are not in default of any of the requirements of the acts or rules applicable in each of the provinces and territories.
6. The Manager is a corporation established under the laws of Ontario. The manager and promoter of the Fund is also the manager and promoter of the Benchmark Fund.
7. A counterparty to the specified derivatives transactions with the Fund may hedge its obligations under a specified derivative transaction by investing in Class O units, (the "Hedge Units") of the Benchmark Fund, which are not offered by prospectus.
8. In circumstances, where in the opinion of the Manager, the after tax return of the Benchmark Fund is such that the use of a derivatives strategy is not beneficial to shareholders of the Fund, the Fund may choose to stop hedging its equity portfolio through the use of specified derivatives, cease investing in equity securities and invest directly in fixed income securities (the "Alternative Strategy").
9. The Manager of the Fund is of the view that the requested relief is in the best interests of the Fund and represents the business judgment of responsible persons uninfluenced by considerations other than the best interests of the Fund.

The Decision Makers grant the exemption to permit the Fund to gain exposure, through the use of specified derivatives transactions, to the Benchmark Fund beyond the prescribed limits, as determined under subsections 2.1(3) and (4), subject to the following conditions:

- (a) all the Fund's assets, other than transitional cash and any cash cover for transaction costs of the specified derivatives, will have exposure to the Benchmark Fund, except when the Fund has implemented its Alternative Strategy;
- (b) the Fund distributes series of shares, all of which are referable on a proportionate basis to the same portfolio of assets held by the Fund, the principal difference between each series being the management fee payable to the Manager and the expenses payable by the series. The Benchmark Fund distributes classes of units, all of which are referable on a proportionate basis to the same portfolio of assets held by the Benchmark Fund, the

principal difference between each class being the management fee payable to the Manager and the expenses payable by the class. At least one of the series or classes of securities of both the Fund and the Benchmark Fund are being offered for sale in the jurisdiction of the Decision Makers pursuant to a simplified prospectus which has been filed with and accepted by the Decision Makers;

- (c) the simplified prospectus of the Fund discloses as part of its fundamental investment objectives, that the Fund will seek to obtain a return similar to that of the Benchmark Fund by investing in a portfolio of Canadian equities and using forward contracts or other specified derivatives to hedge the price movements of the equities held;
- (d) the simplified prospectus of the Fund contains full disclosure of:
 - (i) the investment objectives, strategies and risks of the Benchmark Fund, and
 - (ii) the fact that securityholders of the Fund have no direct voting rights in respect of any changes, whether fundamental or otherwise, that may be proposed to the Benchmark Fund;
- (e) the Benchmark Fund is not a mutual fund whose investment objectives includes investing directly or indirectly in other mutual funds;
- (f) there are compatible dates for the calculation of the net asset value of the Fund and the Benchmark Fund for the purpose of the issue and redemption of the securities of such mutual funds;
- (g) there is no duplication of management fees or any other fees or sales charges to the Fund's securityholders as a result of gaining exposure to the Benchmark Fund through forward contracts and other specified derivatives;
- (h) to the extent that the Fund and the Benchmark Fund do not use a combined simplified prospectus and annual information form containing disclosure about the Fund and the Benchmark Fund, copies of the simplified prospectus and annual information form of the Benchmark Fund have been provided upon request to securityholders of the Fund and the right to receive these documents is disclosed in the simplified prospectus of the Fund;
- (i) similar disclosure and notice material prepared in connection with a meeting of securityholders of the Benchmark Fund has been provided by the Fund to its securityholders; and

- (j) in addition to receiving the annual and, upon request, the semi-annual financial statements of the Fund, securityholders of the Fund will receive the annual and upon request semi-annual financial statements of the Benchmark Fund in either a combined report, containing financial statements of the Fund and the Benchmark Fund, or in a separate report containing the financial statements of the Benchmark Fund.

This letter also confirms that, based on the information and representations contained in the Application and for the purposes described in the Application, the Decision Makers hereby grant the approval requested under clause 5.5(1)(d) of NI 81-102 subject to the following condition:

- (i) At the time of the suspension of the redemption right of the unitholders of the Benchmark Fund, the value of the exposure of the Fund to the Benchmark Fund pursuant to specified derivative transactions is more than 50% of the net asset value of the Fund.

Yours truly,

"Paul A. Dempsey"

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