



Ontario
Securities
Commission

Commission des
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de l'Ontario

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VIA SEDAR

April 16, 2002

Osler, Hoskin & Harcourt LLP
Barristers & Solicitors
Box 50, 1 First Canadian Place
Toronto, Ontario M5X 1B8

Attention: Colin Grierson

Dear Mesdames/Sirs:

Re: KBSH Leaders Trust (the "Trust") - MRRS Exemptive Relief Application pursuant to section 19.1 of National Instrument 81-102 ("NI 81-102") – SEDAR Project No. 429113

By letter dated March 18, 2002 (the "Application"), you applied on behalf of the Trust to the local securities regulatory authority or regulator (collectively, the "Decision Makers") in each province of Canada, except Quebec, for exemptive relief from certain provisions of NI 81-102 pursuant to section 19.1 thereof.

From our review of the Application and the preliminary prospectus dated March 4, 2002 and filed on behalf of the Trust under SEDAR Project No. 426096 (the "Preliminary Prospectus"), we understand the relevant facts and representations to be as follows:

1. The Trust is an investment trust to be established under the laws of the Province of Ontario pursuant to a trust agreement (the "Trust Agreement") to be entered into between The Royal Trust Company Canada, as trustee of the Trust, and KBSH Capital Management Inc. ("KBSH"). KBSH is the manager and investment manager of the Trust.
2. The Trust will make an offering to the public of its units (the "Units") pursuant to a prospectus in respect of which the Preliminary Prospectus has already been filed in all of the provinces of Canada (the "Offering").
3. The Units are expected to be listed and traded on the Toronto Stock Exchange (the "TSE").

4. The Trust investment objectives are:
 - (a) to provide unitholders with a stable stream of monthly distributions targeted at \$0.2083 per Unit (\$2.50 per annum or 10% on the original issue price); and
 - (b) to return at least the original issue price of the Units (\$25.00 per Unit) to unitholders upon the termination of the Trust on December 31, 2010.

5. The net proceeds of the Offering will be invested in a diversified portfolio (the “Portfolio”) consisting primarily of U.S. equity securities of large and mid-capitalization companies. A significant portion of the Portfolio will emphasize companies having a market capitalization of between U.S.\$5 billion and U.S.\$20 billion that are emerging leaders in their industry. The Portfolio may also hold select Canadian and international equity securities. In order to be eligible investments for the Portfolio, equity securities (including ADRs) must be listed for trading on a major North American stock exchange or market and be issued by companies having a market capitalization in excess of U.S. \$2 billion, if listed solely in the United States, and U.S.\$1 billion, if listed in Canada.

6. To generate additional returns above the dividend income generated by the Portfolio, the Trust will, 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 write cash covered put options in respect of securities in which the Trust is permitted to invest. The Trust may, from time to time, hold a portion of its assets in cash and cash equivalents, pending investments, to provide liquidity to fund redemptions, distributions and expenses, to provide cover in respect of the writing of cash covered put options and for such other purposes as KBSH considers appropriate.

7. The Trust will terminate on December 31, 2010, subject only to early termination or extension by unitholders.

8. Units may be surrendered at any time for redemption, but will be redeemed only on the last business day of a month (a “Valuation Date”). If Units are surrendered for redemption at any time in a given month prior to 5:00 p.m. (Toronto time) on the fifth business day immediately preceding a Valuation Date, the price per Unit payable to the unitholder will be the amount determined on the Valuation Date of the same month. If the Units are surrendered for redemption after 5:00 p.m. (Toronto time) on the fifth business day immediately preceding a Valuation Date, the price per Unit payable to the unitholder will be the amount determined on the Valuation Date of the following month.

9. Unitholders whose Units are redeemed on the December Valuation Date in each year (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 of such Valuation Date. Unitholders whose Units are redeemed on any other Valuation Date will be entitled to receive a redemption price per Unit equal to the net asset value per Unit determined as of such other Valuation Date, less the lesser of (i) 4% of the net asset value per Unit as of such other Valuation Date and (ii) \$1.00.
10. Upon any unitholder's redemption of his, her or its Units, the unitholder will receive payment of the redemption price on or before the tenth business day following the applicable Valuation Date (the "Redemption Payment Date"). Any unpaid distribution payable on or before a Valuation Date in respect of Units tendered for redemption on such Valuation Date will also be paid on the Redemption Payment Date.
11. The estimated costs of organization are fully disclosed in the Preliminary Prospectus. It is currently anticipated that such costs will be approximately \$600,000.

Decision

This letter confirms that, based on the information provided in the Application and the disclosure in the Preliminary Prospectus (including the facts and representations described above), and for the purposes described in the Application, the Decision Makers hereby grant exemptions from the following requirements of NI 81-102:

- (a) section 3.3 - to enable the organizational costs and expenses of the Offering to be borne by the Trust.
- (b) section 10.3 - to permit the Trust to calculate the redemption price in the manner described in paragraphs 8 and 9 above and in the Trust's final prospectus (the "Prospectus").
- (c) section 10.4 - to permit the Trust to make payment for redeemed Units within ten business days following the applicable Valuation Date, as disclosed in the Prospectus.
- (d) subsection 12.1(1) - to relieve the Trust from the requirement of this provision to file the prescribed compliance report.
- (e) section 13.1 - to permit the Trust to calculate its net asset value on a weekly basis subject to the condition that the Prospectus discloses
 - that the weekly net asset value calculation and the net asset value calculation performed upon the last business day of each month is available to the public upon request, and

- a toll-free telephone number and website (if any) which the public can access for this purpose.
- (f) section 14.1 – to relieve the Trust from the requirement relating to the setting of the record date for the payment of dividends or other distributions of the Trust, provided that it complies with the applicable requirements of the TSE.

Yours very truly,

Paul A. Dempsey

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