



Ontario
Securities
Commission

Commission des
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March 27, 2002

VIA SEDAR

Mackenzie Financial Corporation

Attention: Eric Adelson

Dear Sirs/Mesdames:

**Re: Mackenzie Managed Return Capital Class (the "Fund")
MRRS Application for Exemptive Relief under National Instrument 81-102
("NI 81-102")
- SEDAR No. 412322; Application 1387/01**

In a letter dated December 24, and amended by a letter dated March 5, 2002 (together, the "Application"), Mackenzie Financial Corporation (the "Manager") applied on behalf of Mackenzie Managed Return Capital Class (the "Fund"), a separate class of mutual fund shares of Mackenzie Financial Capital Corporation ("Capitalcorp"), to the regulator or the securities regulatory authority in each of the provinces and territories of Canada (the "Decision Makers"), for an exemption from paragraph 3 of section 6.2 of NI 81-102 that would enable Scotia Capital Inc. ("SCI") to act as a sub-custodian for the Fund.

A preliminary simplified prospectus and preliminary annual information form was filed on December 5, 2001 under SEDAR Project No. 407961.

From our review of the Application, we understand the relevant facts and your representations to be as follows:

1. The Manager is a corporation incorporated under the laws of Ontario. The Manager's head office is located in Toronto, Ontario.
2. The Royal Trust Company (the "Custodian") acts as custodian of the Fund and will be party to any sub-custodian agreement entered into with SCI.
3. The Manager will be the manager, portfolio advisor, promoter, transfer/agent and

registrar of the Fund.

4. The Fund will be a separate class of shares of Capitalcorp, a mutual fund corporation governed by the laws of the Province of Ontario and offered for sale in all provinces and territories of Canada.
5. The investment objective of the Fund will be to invest primarily in a broad range of Canadian equity securities and to use forward contracts or other derivative instruments to hedge the price movements of the equities in the portfolio. The Fund may also invest directly in fixed income securities. The Fund is designed to provide a return similar to a portfolio of investment grade Canadian corporate debt.
6. The Fund also intends to engage in securities lending transactions.
7. The Fund proposes to use SCI as its securities lending agent. SCI is a wholly-owned subsidiary of The Bank of Nova Scotia (the "Bank") and, as such, its financial results are consolidated with those of the Bank and are not reported on separately to the public.
8. SCI is subject to regulatory oversight and regulatory capital requirements and, accordingly, files financial statements with regulatory authorities on a regular basis. These financial statements indicate shareholders' equity in excess of \$10 million.
9. SCI, as part of a larger bank -owned business organization, has systems and controls in place to effectively monitor securities lending transactions and the physical location of the Fund's portfolio securities.
10. By engaging SCI as its securities lending agent, the Fund will be able to receive more favourable terms on forward contracts it may enter into with affiliates of SCI and will be able to generate additional income that will enable it to reduce the forward contract transaction costs with other counterparties not affiliated with SCI.

Decision

This letter confirms that, based on the foregoing facts and representations contained in the Application, and for the purposes described in the Application, the Decision Makers hereby grant an exemption from the requirements of paragraph 3 of section 6.2 of NI 81-102

The Decision Makers grant the aforesaid exemption to permit Scotia Capital Inc. ("SCI") to act as a sub-custodian to the Fund, subject to the following conditions:

(a) the relief terminates 10 days following the date that:

(i) a Schedule I Bank ceases to own or control SCI directly or indirectly; or

(ii) the shareholders' equity of SCI declines below \$10 million;

(b) the sub-custodian agreement between the Fund and SCI includes a provision requiring the sub-custodian to provide a copy of its audited summary statement of consolidated financial position in respect of its most recently completed financial year to the Fund upon request; and

(c) the compliance report required by subsection 6.7(2) of NI 81-102 to be delivered on behalf of the Fund includes a statement that:

(i) SCI is acting as sub-custodian of the Fund pursuant to the decision of the Canadian securities administrators; and

(ii) the circumstances described in clause (a) above do not exist as at the date of the compliance report.

Yours truly,

@ Paul A. Dempsey

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