



Ontario
Securities
Commission

Commission Des
valeurs mobilières
de l'Ontario

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VIA SEDAR

February 27, 2002

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

Attention: Katy Waugh

Dear Sirs/Mesdames:

Re: Mulvihill Pro-AMS RSP Split Share Corp. (the "Company") - MRRS Application under National Instrument 81-102 ("NI 81-102") Mutual Funds

Sedar Project No. 414675; Application #43/02

By letter dated January 14, 2002 (the "Application"), you applied on behalf of the Company to the local securities regulatory authority or regulator (collectively, the "Decision Makers") in each province of Canada other than Quebec and Manitoba, for exemptive relief from certain provisions of NI 81-102 pursuant to section 19.1 of the National Instrument.

From our review of the Application, and the preliminary prospectus dated January 8, 2002 filed on behalf of the Company under Sedar Project No. 413988 (the "Preliminary Prospectus"), we understand the relevant facts and representations to be as follows:

1. The Company is a mutual fund corporation incorporated under the laws of Ontario on January 8, 2002. The Company's manager is Mulvihill Fund Services ("Mulvihill"), and its investment manager and promoter is Mulvihill Capital Management Inc. ("MCM").
2. The Company will make an offering to the public of two classes of shares - Class A Shares and Class B Shares - pursuant to a prospectus in respect of which the

Preliminary Prospectus has already been filed with all of the provinces in Canada (the "Offering").

3. The Class A Shares and Class B Shares will be offered to the public separately, but will be issued only on the basis that there will be an equal number of Class A Shares and Class B Shares issued and outstanding.
4. The Class A Shares and Class B Shares will be listed and traded on The Toronto Stock Exchange (the "Exchange"), which has granted conditional listing approval on January 31, 2002.
5. The business of the Company is principally to invest its assets with a view to achieving the following investment objectives:
 - a. with respect to the Class A Shares,
 - i. to provide the holders thereof with fixed, cumulative preferential monthly cash distributions of a specified amount per share representing a yield on the issue price of the Class A shares of a specified percentage per annum, as will be disclosed in the Company's (final) prospectus (the "Prospectus"); and
 - ii. to pay such holders, on or about December 31, 2013 (the "Termination Date"), \$10.00 for each Class A Share held on the Termination Date.
 - b. with respect to the Class B Shares,
 - i. to provide the holders thereof with regular monthly cash distributions targeted to yield a specified percentage per annum, as will be disclosed in the Prospectus;
 - ii. to pay such holders, on or about the Termination Date, \$20.00 for each Class B Share held on the Termination Date; and
 - iii. to pay such holders, on or about the Termination Date, a pro rata share of the balance, if any, of the Managed Portfolio (as defined below) after paying the holders of Class A Shares \$10.00 per share.
6. To enhance the Company's ability to return the original issue price of the Class A Shares on termination, the Company intends to contribute, every six months (commencing on September 30, 2002) an amount per Class A Share outstanding targeted to be a minimum of 1/23rd of the issue price to an account (the "Class A Share Forward Account"). The Company will at each such time enter into a forward purchase and sale agreement (each a "Class A Share Forward Agreement") with the Royal Bank of Canada (the "Counterparty") and pursuant to the terms thereof will

agree to deliver the equity securities so acquired for a cash amount on termination which will be negotiated at the time such forward agreement is entered into. The Company will not enter into additional Class A Share Forward Agreements at such time as the forward value payable to the Company under the Class A Share Forward Agreements on Termination Date equals the Class A Share issue price (\$10.00) multiplied by the number of Class A Shares outstanding.

7. To provide the Company with the means to return the original issue price of the Class B Shares on termination the Company will upon or within 30 days of the closing of the Offering, enter into a forward purchase and sale agreement (the "Class B Forward Agreement") with the Counterparty. The Counterparty will agree to pay to the Company, on the Termination Date, an amount equal to \$20 for each Class B Share outstanding on the Termination Date in exchange for the Company agreeing to deliver to the Counterparty equity securities which the Company will acquire with a portion of the gross proceeds of the Offering (the "Fixed Portfolio").
8. The following are among the significant terms and conditions that the Class A Share Forward Agreements and Class B Share Forward Agreements (the "Forward Agreements") will contain:
 - a. settlement obligations may be discharged by physical delivery or the making of a net cash payment to the appropriate party at the election of the Company;
 - b. the Company will pay to the Counterparty an annual fee of a specified percentage, as will be disclosed in the Prospectus, of the then aggregate value of all outstanding Forward Agreements;
 - c. in order to permit the Company to fund periodic retractions of the Class A Shares and/or Class B Shares, the agreement will provide that it may be settled in whole or in part on any "Valuation Date", as such term is defined in the Prospectus;
 - d. all dividends and distributions, including extraordinary distributions, declared and paid on securities subject to a Forward Agreement will be paid to the Company, but any such amounts paid to the Company will reduce the amount payable by the Counterparty to the Company on the Termination Date; and
 - e. the agreement may be terminated prior to the Termination Date in certain circumstances including,
 - (i) at the option of the Company in its sole discretion, or
 - (ii) by the Counterparty if it determines in its sole discretion that it is unable to hedge its position under the agreement or if the Company does not pay the annual fee under the Forward Agreement when due.

9. In order to generate additional returns, the Company may lend Fixed Portfolio securities to securities borrowers acceptable to the Company pursuant to the terms of a securities lending agreement between the Company and any such borrower (the "Securities Lending Agreement"). The terms and conditions of a Securities Lending Agreement will comply with the requirements of NI 81-102.
10. The balance of the net proceedings from the offering (i) will be invested in a diversified portfolio consisting principally of Canadian and US equity securities that are listed on a major North American Stock exchange or market whose issuers have a market capitalization of U.S. \$5.0 billion if listed solely in the United States or a market capitalization of CDN \$1.0 billion if listed in Canada and (ii) will be used to enter into the Class A Share Forward Agreements (collectively, the "Managed Portfolio)
11. It is expected that monthly cash distributions over the life of the Company will primarily be derived from net realized capital gains from the Managed Portfolios including premiums from writing covered call options on the securities held in the Managed Portfolio and from writing cash covered put options on securities in which the Company is permitted to invest, as well as from dividends received on the Managed Portfolio and, in certain circumstances, by returning capital.
12. The Company may , from time to time, hold a portion of its assets in cash equivalents, as defined in the Prospectus. Such cash equivalents may be used to provide cover in respect of writing 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. Such cash covered put options will only be written in respect of securities in which the Company is permitted to invest.
13. The record date for the payment of dividends or other distributions of the Company will be set in accordance with the applicable requirements of the Exchange.
14. The Class A Shares and Class B Shares may be surrendered at any time for retraction, but will be retracted only on the last day of the month (a "Valuation Date"), subject to a cut-off date which is the 5th business day prior to the end of each month (the "Cut-Off Date"). If Class A Shares and/or Class B Shares are surrendered for retraction after 5:00 p.m.(Toronto time) on the Cut-Off Date of any given month, the price per share payable to the shareholder will be the amount determined on the Valuation Date of the following month.
15. Where a holder of Class A Shares surrenders such shares for retraction, the holder will receive a Retraction Price per share equal to 96% of the lesser of:
 - a. the Net Asset Value ("NAV") per Unit, determined as of the applicable Valuation Date, less the cost to the Company of the purchase of a Class B Share in the market for cancellation; and

- b. \$10.00.
16. Where a holder of Class B Shares surrenders such shares for retraction, the holder will receive a Retraction Price per share equal to 96% of the difference between:
 - a. the NAV per Unit determined as of the relevant Valuation Date; and
 - b. the cost to the Company of the purchase a Class A Share in the market for cancellation.
 17. Holders of both Class A Shares and B Shares together, also have an annual retraction right whereby the shareholder may concurrently retract one Class A Share and one Class B Share in each year on a Valuation Date (which will be specified in the Prospectus) commencing in 2003. At such a time shareholders will be entitled to receive a redemption price per Unit equal to the net asset value ("NAV") per Unit determined as of such Valuation Date.
 18. Upon any holder's retraction of his or her Class A Shares and/or Class B Shares, the holder will receive payment of the Retraction Price on or before the 8th business day following the applicable Valuation Date.
 19. Under the investment management agreement between the Company and MCM, MCM is entitled to a management fee payable monthly at an annual rate equal to 1.10% of the Company's NAV calculated as at the last valuation date in each month (subject to a reduction if targeted distributions are not met). Under the management agreement, Mulvihill is entitled to a monthly fee at an annual rate of 0.10% of the Company's NAV and is also entitled to an amount equal to the servicing fee payable to dealers, calculated quarterly and paid at the end of each calendar quarter, equal to 0.30% annually of the NAV of the Class B Shares held by clients of the sales representatives of such dealers.
 20. It is expected that the expenses of the Offering of the Class A Shares and B Shares, estimated at \$ 700,000 would equal no more that 5% of the gross proceeds of the Offering.

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) subclause 2.6(a) - to permit the Company to create a security interest over the Fixed Portfolio securities and the equity securities acquired with the contributions to the Class A Share Forward Account as security for the Company's obligations under the Forward Agreements, as disclosed in the Company's Prospectus, in accordance with industry practice with respect to this type of transaction;
- (b) subclause 2.7(1)(a)(ii) - to permit the Company to enter into Forward Agreements and any replacement or assignment of such agreements, as disclosed in the Prospectus, that have a remaining term to maturity of more than 5 years, provided that the Company does not and will not enter into any other specified derivative transaction that does not satisfy the requirements of subsection 2.7(1);
- (c) subsection 2.7(4) – to exempt the Company from the prescribed exposure limit under its Forward Agreements and any replacement or assignment of such agreements, as described in the Prospectus provided that the marked-to-market exposure to the Counterparty under such Forward Agreements shall not exceed, for a period of 60 days or more, 30 percent of the net assets of the Company;
- (d) section 3.3 - so that the organizational costs and the expenses of the Offering can be borne by the Company;
- (e) section 10.3 - to permit the Company to calculate the Retraction Price in the manner described in the Prospectus and on the applicable Retraction Date, as defined in the Prospectus, following surrender of the Class A Shares and/or Class B Shares for retraction;
- (f) section 10.4 - to permit the Company to pay the Retraction Price on or before the 8th business day following the applicable Retraction Date, as defined in the Prospectus;
- (g) section 12.1 - to relieve the Company from the requirement to file the prescribed compliance report;
- (h) clause 13.1(b) - to permit the Company to calculate its NAV on a weekly basis, provided that the Prospectus discloses
 - that the weekly NAV calculation and the Nav calculation performed on the last day of each month is available to the public upon request, and
 - a toll-free telephone number or website that the public can access for this purpose; and

- (i) section 14.1 - to relieve the Company from the requirement relating to the record date for the payment of dividends or other distributions of the Company, provided that it complies with the applicable requirements of the Exchange.

Yours truly,

"Paul A. Dempsey"

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