



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

PO Box 55, Suite 800
20 Queen Street West
Toronto ON M5H 3S8

CP 55, Bureau 800
20 rue Queen ouest
Toronto ON M5H 3S8

VIA SEDAR

January 4, 2002

Osler, Hoskin & Harcourt

Attention: Kristi Green

Dear Sirs/Mesdames:

**RE: SNP Health Split Corp. (the "Company")
MRRS Application pursuant to section 19.1 of National Instrument 81-102 Mutual
Funds ("NI 81-102")
SEDAR Project No. 408378; App. No. 1319/01**

By letter dated December 6, 2001 (the "Application"), you applied to the regulator or the securities regulatory authority in each of the provinces of Canada, except Québec (collectively, the "Decision Makers"), on behalf of the Company, for exemptive relief pursuant to section 19.1 of NI 81-102 from certain provisions of NI 81-102.

From our review of the Application, the preliminary prospectus dated November 29, 2001 and filed on behalf of the Company under SEDAR project No. 407157 (the "Preliminary Prospectus"), we understand the relevant facts and representations to be as follows:

1. The Company is a mutual fund corporation incorporated on November 29, 2001, under the laws of the Province of Ontario.
2. The Company will make an offering (the "Offering") to the public, on a best efforts basis, of class A capital shares (the "Capital Shares") and of class A preferred shares (the "Preferred Shares") pursuant to a prospectus in respect of which the Preliminary Prospectus has already been filed with each of the provinces of Canada.
3. The Capital Shares and the Preferred Shares will be listed for trading on the Toronto Stock Exchange (the "TSE"). An application requesting conditional listing approval has been made by the Company with the TSE.
4. The Company is a passive investment company whose principal undertaking is to hold a portfolio (the "Portfolio") of common shares (the "Portfolio Shares") of the companies that make up the S&P Health Care Sector of the S&P 500 Index (the "Health Care Index") in order to generate distributions for the holders of Preferred Shares and to enable the holders of Capital Shares to participate in capital appreciation in the Portfolio Shares.

5. The Capital Shares and the Preferred Shares are offered separately but will be issued only on the basis that two Capital Shares will be issued for each Preferred Share issued. The net proceeds from the Offering (after deducting agency fees and expenses of the issue) will be used by the Company to fund the purchase of Portfolio Shares.
6. Holders of Capital Shares will be entitled on redemption to the benefit of all capital appreciation in the market price of the Portfolio Shares after payment of operating expenses of the Company. Holders of Capital Shares will not be entitled to receive dividends in the ordinary course. If dividends on the Portfolio Shares exceed the amount of the fixed Preferred Share distributions and all expenses of the Company, the excess may be paid as dividends on the Capital Shares.
7. Holders of Preferred Shares will be entitled to receive quarterly fixed cumulative preferential distributions targeted to be at least a specified dollar amount per Preferred Share to be set out in the Company's (final) prospectus (the "Prospectus").
8. The fixed distributions on the Preferred Shares will be funded from the dividends received on the Portfolio Shares together with premiums earned from writing covered call options on a portion of the Portfolio Shares, and where appropriate, cash covered put options. To the extent that premiums generated from option writing are in any quarter insufficient to pay the quarterly Preferred Share distributions, the Company may fund the payment of a portion of fixed distributions on the Preferred Shares on a temporary basis from borrowings under a revolving credit facility (the "Revolving Credit Facility") with a Canadian chartered bank. To the extent the Revolving Credit Facility is used, the Company will pledge Portfolio Shares as collateral for amounts borrowed thereunder.
9. It will be the policy of the Company to hold the Portfolio Shares and to not engage in any trading of the Portfolio Shares except for the purposes described in the Prospectus, including:
 - (i) to ensure that the Portfolio tracks the composition of the Health Care Index and the weightings of the constituent companies thereof;
 - (ii) to fund retractions or redemptions of Capital Shares and Preferred Shares; and
 - (iii) upon the exercise of a call option written by the Company or to meet obligations of the Company in respect of liabilities.
10. Pursuant to an investment management agreement to be entered into with the Company, Connor, Clark & Lunn Capital Markets Inc. will act as investment manager of the Company and will, among other things, manage the Portfolio so that the Portfolio tracks the weightings of the constituent companies of the Health Care Index, and will write covered call options, and where appropriate cash covered put options, on a portion of the Company's Portfolio Shares.
11. The Company may lend Portfolio Shares in appropriate circumstances to generate additional income provided the prior approval of the independent directors of the Company has been obtained. Such lending of Portfolio Shares will be done in accordance with the provisions of NI 81-102.

12. 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 TSE.
13. The Preferred Shares and Capital Shares may be surrendered for retraction at any time. The retraction price (the "Retraction Price") will be paid on a day in each month to be specified in the Prospectus (the "Retraction Payment Date"), provided the Capital Shares and Preferred Shares have been surrendered for retraction at least one business day before the third Friday of the preceding month (the "Valuation Date").
14. The Retraction Price of the Capital Shares and Preferred Shares will be calculated at a discount to the net asset value per unit ("NAV") of the Company on the applicable Valuation Date, in the manner described in the Prospectus.
15. The NAV of the Company will be calculated once each week, other than the last week of each month, in which case the NAV will be calculated on the last day of the month.

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) subsection 2.1(5) - to exempt the Company from the requirement to include the word "index" in its name prior to relying on the exemption from the concentration restriction provided for index mutual funds in subsection 2.1(5), provided the Prospectus includes the disclosure required by clause 2.1(6)(a) of NI 81-102;
- (b) clause 2.6(a) - to enable the Company to provide a security interest over its assets in connection with the Revolving Credit Facility after the closing date of the Offering to permit the Company to fund the payment of a portion of the fixed distribution on the Preferred Shares, as disclosed in the Prospectus, so long as the outstanding amount of any such borrowings of the Company does not exceed five percent of the net assets of the Company taken at market value at the time of the borrowing;
- (c) section 3.3 - to enable the costs of formation and organization of the Company and the cost of the distribution of its units to be borne by the Company;
- (d) section 10.3 - to permit the Company to calculate the Retraction Price for the Capital Shares and Preferred Shares in the manner described in the Prospectus and on the applicable Valuation Date;
- (e) section 10.4 - to permit the Company to pay the Retraction Price for the Capital Shares and the Preferred Shares on the Retraction Payment Date;
- (f) subsection 12.1(1) - to relieve the Company from the requirement to file the prescribed compliance report;

- (g) clause 13.1(1)(b) - to permit the Company to calculate its NAV once each week, other than the last week of the month, in which case the NAV will be calculated on the last day of the month, 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 and website (if any) which the public can access for this purpose.
- (h) section 14.1 - to relieve the Company from the requirement relating to the setting of the record date for the payment of dividends or other distributions of the Company, provided that it complies with the applicable requirements of the TSE.

Yours truly,

"Paul A. Dempsey"
Paul A. Dempsey
Manager, Investment Funds
Capital Markets
(416) 593-8091