



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

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VIA SEDAR

July 26, 2002

Osler, Hoskin & Harcourt LLP

Attention: Susan Neumayer

Dear Sirs/Mesdames:

**RE: BNS Split Corp. (the "Company")
MRRS Exemptive Relief Application pursuant to section 19.1 of National Instrument 81-102 Mutual Funds ("NI 81-102")
SEDAR 460831; Application No. 599/02**

By letter dated June 19, 2002 and revised by letter dated July 3, 2002 and supplemented by letters dated July 17 and July 19, 2002 (together 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 and of the preliminary prospectus dated June 14, 2002 (the "Preliminary Prospectus"), which was filed on behalf of the Company under SEDAR project No. 459630, we understand the relevant facts and representations to be as follows:

1. The Company is a mutual fund corporation incorporated on June 14, 2002, under the Business Corporations Act (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 "TSX"). An application requesting conditional listing approval has been made by the Company with the TSX.

4. The Company is a passive investment company whose principal undertaking is to invest in a portfolio of common shares (the "Portfolio Shares") of The Bank of Nova Scotia ("BNS") in order to generate dividend income for holders of the Company's Preferred Shares and to allow the holders of the Company's Capital Shares to participate in capital appreciation in the Portfolio Shares and to benefit from any increase in dividends paid on the Portfolio Shares.
5. The net proceeds from the Offering (after deducting the agents' fees, expenses of the issue and the Company's interest and other expenses relating to the acquisition of the Portfolio Shares) will be used by the Company to fund the purchase of Portfolio Shares.
6. The Company has established a credit facility with Scotia Capital Inc. ("Scotia Capital") which may be used by the Company to purchase the Portfolio Shares and which will be repaid in full on the closing of the Offering. The maximum rate of interest payable on such credit facility will be set out in the Company's final prospectus (the "Prospectus"). To the extent that the credit facility is used, the Company will pledge Portfolio Shares as collateral for amounts borrowed thereunder. The Company also intends to establish a revolving credit facility after the closing of the Offering. This revolving credit facility may be used to fund the payment of a portion of the fixed distributions on the Preferred Shares on a temporary basis if necessary.
7. 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:
 - (i) to fund a portion of the Preferred Share Dividend Amount (as defined below), if necessary,
 - (ii) to fund the retraction or redemption of any Preferred Shares or Capital Shares,
 - (iii) following receipt of stock dividends on the Portfolio Shares, or
 - (iv) to meet obligations of the Company in respect of liabilities including extraordinary liabilities.
8. Holders of Preferred Shares will be entitled to receive quarterly fixed cumulative preferential dividends targeted to be at least a specified dollar amount per Preferred Share (the "Preferred Share Dividend Amount") to be set out in the Prospectus .
9. Holders of Capital Shares will be entitled on redemption to the benefit of any capital appreciation in the market price of the Portfolio Shares after payment, if necessary, of a portion of the Preferred Share Dividend Amount, and will benefit from any increase in the dividends paid on the Portfolio Shares. While it is not expected that holders of Capital Shares will receive any distributions in the ordinary course, the Company may pay quarterly dividends on the Capital Shares if and to the extent that the dividends paid on the Portfolio Shares, less the administrative and operating expenses of the Company, exceed the Preferred Share Dividend Amount.
10. Preferred Share distributions will be funded primarily from the dividends received on the Portfolio Shares and, if necessary, with proceeds from the sale of, or if determined

appropriate by the Board of Directors, premiums from writing covered call options on, the Portfolio Shares.

11. The record date for the payment of the Preferred Share Dividend Amount or other distributions of the Company will be set in accordance with the applicable requirements of the TSX.
12. The Preferred Shares and Capital Shares may be surrendered for retraction at any time. Retraction payments for Capital Shares and Preferred Shares will be made on the Retraction Payment Date as defined in the Preliminary Prospectus provided the Capital Shares and the Preferred Shares have been surrendered for retraction by the Valuation Date as defined in the Preliminary Prospectus. While the Company's unit value is calculated weekly, the retraction price (the "Retraction Price") for the Capital Shares and the Preferred Shares will be determined based on the unit value in effect as at the Valuation Date.

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(1) - to enable the Company to invest approximately 100 percent of its net assets in the common shares of BNS, provided that the Company does not become an insider of the Banks as a result of such investment;
- (b) clause 2.6(a) - to enable the Company to obtain a short-term loan from Scotia Capital to finance the initial acquisition of the Portfolio Shares and provide a security interest over its assets as stated in paragraph 6 above, provided that the loan is paid in full on the closing of the Offering;
- (c) 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 to permit the Company to fund the payment of a portion of the fixed distribution of the Preferred Shares, as disclosed in its 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;
- (d) section 3.3 - to permit the Company to absorb the organizational costs and initial distribution costs of the Company;
- (e) 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 as defined in the Prospectus;

- (f) 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, as defined in the Prospectus;
- (g) subsection 12.1(1) - to relieve the Company from the requirement to file the prescribed compliance report; and
- (h) section 14.1 - to relieve the Company from the requirement relating to the record date for the payment of dividends or other distributions, provided that it complies with the applicable requirements of the TSX.

Yours truly,

"Paul A. Dempsey"

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