



August 23, 2002

SEDAR Project 463752

Attention: Jason J. Brooks
Borden Ladner Gervais LLP
Vancouver, BC

Dear Mr. Brooks:

**Phillips, Hager & North Community Values Funds
Application under Section 19.1 of National Instrument 81-102**

By letter dated July 4, 2002 and subsequent correspondence (the "Application"), you applied to the regulator or securities regulatory authority (the "Decision Makers") in each province and territory of Canada on behalf of Phillips, Hager & North Investment Management Ltd. (the "Applicant"), the manager of Phillips, Hager & North Community Values Balanced Fund and additional mutual funds (collectively with the Balanced Fund, the "Top Funds") which may be established by the Applicant from time to time having as part of their investment objective investing all or substantially all of their assets in other mutual funds managed by the Applicant, for exemptive relief under Section 19.1 of NI 81-102 to permit the Top Funds to operate a "Fund of Fund" strategy of investing in portfolios made up of other mutual funds managed by the Applicant (the "Underlying funds").

The Application states that each Top Fund will invest fixed percentages (the "Fixed Percentages") of its assets (exclusive of cash and cash equivalents), as specified in the simplified prospectus of the Top Funds, in the securities of the Underlying funds, subject to a variation of 2.5 percent above or below the Fixed Percentages (the "Permitted Ranges") to account for market fluctuations.

The securities of the Top Funds and of the Underlying Funds are or will be qualified for sale in the jurisdiction of each Decision Maker under a (final) simplified prospectus and annual information form (together, the "Prospectus") filed with and accepted by each Decision Maker.

This letter confirms that, based on the information and representations contained in the Application, and for purposes described in the Application, the Decision Makers hereby exempt each of the Top Funds from the following requirement of NI 81-102:

1. subsection 2.1(1), to permit a Top Fund to invest more than 10 percent of its net assets in securities of an Underlying Fund;

2. subsection 2.2(1)(a)(i) and (ii), to permit a Top Fund to purchase securities of an Underlying Fund, even if, as a result of such purchase, the Top Fund would hold securities representing more than 10 percent of the voting or equity securities of the Underlying Fund;
3. clause 2.5(1)(a), to permit a Top Fund to purchase securities of one or more Underlying Funds, even if such purchase exceeds the prescribed 10 percent aggregate limit.

The requested relief is granted to permit each of the Top Funds to invest directly in units of the Underlying Funds subject to the following conditions:

1. The decision by each Decision Maker (collectively, the “Decision”), as it relates to the jurisdiction of the Decision Maker, will terminate one year after the publication in final form of any legislation or rule of that Decision Maker dealing with the matters in section 2.5 of NI 81-102.
2. At the time a Top Fund makes or holds an investment in its Underlying Funds, the following conditions are satisfied:
 - (a) the units or other securities of both the Top Fund and the Underlying Funds are offered for sale in the jurisdiction of the Decision Maker under a simplified prospectus and annual information form which has been filed with and accepted by the Decision Maker;
 - (b) the investment by the Top Fund in the Underlying Funds is compatible with the fundamental investment objectives of the Top Funds;
 - (c) the Prospectus discloses the intent of the Top Fund to invest in units or other securities of the Underlying Funds, the names of the Underlying Funds, the Fixed Percentages and the Permitted Ranges within which the Fixed Percentages may vary;
 - (d) the investment objective of the Top Fund discloses that the Top Fund invests in units or other securities of other mutual funds;
 - (e) the Underlying Funds are not mutual funds whose investment objective includes investing directly or indirectly in other mutual funds;
 - (f) the Top Fund invests its assets (exclusive of cash and cash equivalents) in the Underlying Funds in accordance with the Fixed Percentages disclosed in the Prospectus;

- (g) the Top Fund's holding of securities in the Underlying Funds does not deviate from the Permitted Ranges;
- (h) any deviation from the Fixed Percentages is caused by market fluctuations only;
- (i) subject to condition (j), where an investment by a Top Fund in any of the Underlying Funds has deviated from the Permitted Ranges as a result of market fluctuations, the Top Fund's investment portfolio is re-balanced to comply with the Fixed Percentages on the next day on which the net asset value is calculated following the deviation;
- (j) if, due to the foreign property investment limitations under the Income Tax Act (Canada), the Top Fund is precluded from purchasing additional securities of the Underlying Funds in order to comply with condition (i), the Top Fund complies with condition (i) as soon as it is possible to do so in compliance with those foreign property investment limitations;
- (k) if the Fixed Percentages and the Underlying Funds which are disclosed in the Prospectus are changed, either the Top Fund's Prospectus will be amended or a new simplified prospectus will be filed to reflect the change, and in any case the security holders of the Top Fund will be given at least 60 days' notice of the change;
- (l) there are compatible dates for the calculation of the net asset value of the Top Fund and the Underlying Funds for the purpose of the issue and redemption of the securities of such mutual funds;
- (m) no sales charges are payable by the Top Fund in relation to its purchases of securities of the Underlying Funds;
- (n) no redemption fees or other charges are charged by an Underlying Fund in respect of the redemption by a Top Fund of securities of the Underlying Fund owned by that Top Fund;
- (o) no fees or charges of any sort are paid by the Top Fund and the Underlying Funds, by their respective managers or principal distributors, or by any affiliate or associate of any of the foregoing entities, to anyone in respect of the Top Fund's purchase, holding or redemption of the securities of the Underlying Funds;
- (p) the arrangements between or in respect of the Top Fund and the Underlying Funds avoid duplication of management fees;

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- (q) any notice provided to security holders of an Underlying Fund as required by applicable laws or the constating documents of that Underlying Fund has been delivered by the Top Fund to its security holders;
- (r) all of the disclosure and notice material prepared in connection with a meeting of security holders of the Underlying Funds and received by the Top Fund has been provided to its security holders, the security holders have been permitted to direct a representative of the Top Fund to vote its holdings in the Underlying Fund in accordance with their direction, and the representative of the Top Fund has not voted its holdings in the Underlying Fund except to the extent the security holders of the Top Fund have directed;
- (s) in addition to receiving the annual, and upon request, the semi-annual financial statements, of the Top Fund, security holders of the Top Fund have received appropriate summary disclosure in respect of the Top Fund's holdings of securities of the Underlying Funds in the financial statements of the Top Fund; and
- (t) to the extent that the Top Fund and the Underlying Funds do not use a combined simplified prospectus and annual information form containing disclosure about the Top Fund and the Underlying Funds, copies of the simplified prospectus and annual information form of the Underlying Funds will be provided upon request to security holders of the Top Fund and the right to receive these documents is disclosed in the Prospectus of the Top Fund.

Yours truly,

Angela Huxham

Angela Huxham
Director