



VIA SEDAR

December 12, 2000

Borden Ladner Gervais LLP

Attention: Karen Koszo

Dear Sirs/Mesdames:

Re: Scotia Securities Inc., Capital U.S. Large Companies Fund, Capital U.S. Small Companies Fund, Capital International Large Companies Fund, Capital Global Discovery Fund and Capital Global Small Companies Fund
- MRRS Application for Exemptive Relief pursuant to section 19.1 of National Instrument 81-102 ("NI 81-102")
- Application #1134/00; SEDAR #304737

By letter dated October 16, 2000 as amended by letters dated October 26, 2000 and November 10, 2000 (together, the "Application"), you applied to the securities regulatory authority (the "Decision Maker") in each of the provinces and territories of Canada, on behalf of Scotia Securities Inc. ("Scotia"), as manager of Capital U.S. Large Companies Fund, Capital U.S. Small Companies Fund, Capital International Large Companies Fund, Capital Global Discovery Fund and Capital Global Small Companies Fund, and other mutual funds which may be created by Scotia in the future (collectively, the "Funds" and individually a "Fund") managed by Scotia after the date of this approval which invest substantially all of their assets in units of another prospectus-qualified, specified mutual fund (collectively, the "Underlying Funds"), for exemptions from the following provisions of NI 81-102:

- subsections 2.1(1) and subsection 2.2(1), and
- clause 2.5(1)(a).

A preliminary simplified prospectus (the "Prospectus") and annual information form have been filed for each of the Funds and are currently being reviewed under SEDAR Project No. 304456.

This letter confirms that, based on the information and representations contained in the Application, and for the purposes described in the Application, the Decision Makers hereby grant exemptions from the following regulatory requirements:

- (a) subsection 2.1(1) and 2.2(1) and clause 2.5(1)(a) of National Instrument 81-102 ("NI 81-102") to permit a Fund to invest directly in securities of its corresponding Underlying Fund beyond the prescribed limits.

The Decision Makers grant the exemptions to permit a Fund to invest directly in securities of its Underlying Fund, subject to the following conditions :

1. this Decision, as it relates to the jurisdiction of a 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 subsection 2.5(1) of National Instrument 81-102 and mutual funds investing in other mutual funds; and
2. the foregoing Decision shall only apply in respect of investments in, or transactions with, the Underlying Funds that are made by the Funds in compliance with the following conditions :
 - (a) the investment by each of the Funds in securities of an Underlying Fund is compatible with the fundamental investment objective of the Fund;
 - (b) the Underlying Funds' securities are offered for sale in the jurisdiction of the Decision Maker pursuant to a simplified prospectus which has been filed with and accepted by the Decision Maker;
 - (c) the investment objective in the simplified prospectus of a Fund will describe the intent of the Fund to invest in a specified Underlying Fund, and the prospectus will disclose the manager of the specified Underlying Fund, and include all of the disclosure in respect of such Underlying Fund that the Underlying Fund is required to include in its own simplified prospectus in accordance with the disclosure requirements of Part B of Form 81-101F1, Contents of Simplified Prospectus;
 - (d) an Underlying Fund will not include investing directly or indirectly in other mutual funds in its investment objective;
 - (e) there are compatible dates for the calculation of the net asset value of each of the Funds and the corresponding Underlying Funds for the purpose of the issue and redemption of the securities thereof;
 - (f) the approval of the unitholders of a Fund in a meeting will be required where the Underlying Fund in which the Fund holds securities is replaced and a new prospectus or an amended prospectus reflecting such change is to be filed with the Decision Markers;
 - (g) no sales charges are payable by a Fund in relation to its purchase of the securities of an Underlying Fund;
 - (h) no redemption fees or other charges are charged by an Underlying Fund in respect of the redemption by a Fund of the securities of the Underlying Fund owned by the Fund;
 - (i) no fees or charges of any sort are paid by the Funds 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 Fund's purchase, holding or redemption of the securities of the Underlying Funds;
 - (j) no trailing fees are payable in respect of a Fund's investments in a specified

Underlying Fund;

- (k) the arrangements between or in respect of the Funds and the Underlying Funds are such as to avoid the duplication of management fees and operating expenses;
- (l) in the event of the provision of any notice to securityholders of an Underlying Fund as required by the constating documents of the Underlying Fund or by the laws applicable to the Underlying Fund, such notice will also be delivered to the securityholders of the corresponding Fund. All voting rights attached to the securities of the Underlying Fund which are owned by the Fund will be passed through to the securityholders of the Fund;
- (m) in the event that a securityholder's meeting is called for an Underlying Fund, all of the disclosure and notice material prepared in connection with such meeting will be provided to the unitholders of the Fund that holds securities of the Underlying Fund. Each unitholder will be entitled to direct a representative of the Fund to vote the Fund's holdings in the Underlying Fund in accordance with his or her direction. The representative of the Fund will not be permitted to vote the Fund's holdings in the Underlying Fund except to the extent the securityholders of the Fund so direct;
- (n) as part of receiving the annual and, upon request, the semi-annual financial statements of the Funds, securityholders of a Fund will receive appropriate summary disclosure in the financial statements of the Fund in respect of the Fund's holdings of securities of the Underlying Fund; and
- (o) upon request and without charge to the unitholder, copies of the simplified prospectus and annual financial statements and semi-annual financial statements relating to the corresponding Underlying Fund will be provided to the unitholder of a Fund.

Yours truly,

Paul A. Dempsey
Paul A. Dempsey
Assistant Manager/Senior Legal Counsel
Investment Funds, Capital Markets
(416) 593-8091