

IN THE MATTER OF
THE CANADIAN SECURITIES LEGISLATION OF BRITISH
COLUMBIA, ALBERTA, SASKATCHEWAN, MANITOBA,
ONTARIO, QUEBEC, NEW BRUNSWICK, NOVA SCOTIA,
PRINCE EDWARD ISLAND AND NEWFOUNDLAND

AND

IN THE MATTER OF
THE MUTUAL RELIANCE REVIEW SYSTEM FOR
EXEMPTIVE RELIEF APPLICATIONS

AND

IN THE MATTER OF
SCOTIA CAPITAL INC.

AND

IN THE MATTER OF
R SPLIT CORPORATION

MRRS DECISION DOCUMENT

WHEREAS the Canadian securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland (the "Jurisdictions") has received an application from R Split Corporation (the "Issuer") and Scotia Capital Inc. ("Scotia Capital") in connection with the distribution (the "Offering") of Class A capital shares (the "Capital Shares") and class A preferred shares (the "Preferred Shares") of the Issuer by Scotia Capital and such other agents as may be appointed (collectively the "Agents") pursuant to a prospectus for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") that:

(A) the prohibitions contained in the Legislation prohibiting trading in portfolio shares by persons or companies having information concerning the trading programs of mutual funds (the "Principal Trading Prohibitions") shall not apply to Scotia Capital in connection with the Principal Sales and Principal Purchases (both as hereinafter defined);

(B) the requirements contained in the legislation to file and obtain a receipt for a preliminary prospectus and final prospectus (the "Prospectus Requirements") shall not apply to Market Making Trades (as hereinafter defined) by Scotia Capital in Capital Shares and Preferred Shares of the issuer; and

(C) the restrictions contained in the Legislation restricting registrants from acting as underwriters in connection with the distribution of securities of a related or connected issuer (the "Underwriting Restrictions") shall not apply to Scotia Capital in connection with the Offering;

subject to certain conditions;

AND WHEREAS under the Mutual Reliance Review System for Exemptive Relief Applications (the "System") the Ontario Securities Commission is the principal regulator for this application;

AND WHEREAS the Issuer has represented to the Decision Makers that:

1. The Issuer was incorporated under the laws of Quebec on July 29, 1999.
2. The Issuer has filed with the securities regulatory authorities of the Jurisdictions a preliminary prospectus dated November 1, 1999 (the "Preliminary Prospectus") in respect of the Offering of Capital Shares and Preferred Shares to the public.
3. Prior to filing the final prospectus (the "Final Prospectus") relating to the Offering, the Articles of the Issuer will be amended so that the authorized capital of the Issuer will consist of an unlimited number of Capital Shares, an unlimited number of Preferred Shares and an unlimited number of Class F Shares, having the attributes described in the Preliminary Prospectus, an unlimited number of class B, C, D and E capital shares, issuable in series and an unlimited number of class B, C, D and E preferred shares, issuable in series.
4. The Capital Shares and Preferred Shares may be surrendered for retraction at any time in the manner described in the Preliminary Prospectus.
5. All Capital Shares and Preferred Shares outstanding on a date approximately five years from the closing of the Offering (the "Redemption Date") will be redeemed by the Issuer on such date and Preferred Shares may also be redeemed at the option of the Issuer in limited circumstances, as described in the Preliminary Prospectus.
6. Application has been made to list the Capital Shares and Preferred Shares on The Toronto Stock Exchange (the "TSE").
7. The Class F Shares will be the only voting shares in the capital of the Issuer. There will be at the time of filing the Final Prospectus, 100 Class F Shares issued and outstanding. Scotia Capital will own all of the 50 issued and outstanding Class F Shares, Series I of the Issuer and R Split Holdings Corporation will own all of the 50 issued and outstanding Class F Shares, Series 2 of the issuer. An employee of Scotia Capital and an employee of one of its affiliates each own 50% of the common shares of R Split Holdings Corporation.
8. The Issuer has a board of directors which currently consists of three directors. All of the directors are employees of Scotia Capital or one of its affiliates. Also, the offices of President/Chief Executive Officer and Chief Financial Officer/Secretary of the Issuer are held by employees of Scotia Capital or one of its affiliates. Prior to filing the Final Prospectus, it is contemplated that at least two additional directors, independent of Scotia Capital, will be appointed to the board of directors of the Issuer.

9. The Issuer is a passive investment company whose principal undertaking will be to invest the net proceeds of the Offering in a portfolio of common shares (the "Portfolio Shares") of Royal Bank of Canada ("Royal Bank"). The purpose of the Issuer is to provide a vehicle through which different investment objectives with respect to participation in Portfolio Shares may be satisfied.

10. The Issuer is considered to be a mutual fund as defined in the Legislation. Since the Issuer does not operate as a conventional mutual fund, it has made application for a waiver from certain requirements of National Policy Statement No. 39 Mutual Funds.

11. Scotia Capital was incorporated under the laws of Ontario and is a direct, wholly-owned subsidiary of The Bank of Nova Scotia and is registered under the Legislation as a dealer in the categories of "broker" and "investment dealer" and is a member of the Investment Dealers Association of Canada and the TSE.

12. Scotia Capital is the promoter of the issuer.

13. Pursuant to an administration agreement (the "Administration Agreement") to be entered into, the Issuer will retain Scotia Capital to administer the ongoing operations of the Issuer and will pay Scotia Capital an administration fee equal to:

(i) a monthly fee of 1/12 of 0.15% of the market value of the Portfolio Shares; and

(i) any interest income earned by the Issuer from time to time excluding interest earned on any investment of surplus dividends received on the Portfolio Shares.

14. Pursuant to an agreement (the "Agency Agreement") to be made between the Issuer and Scotia Capital and such other agents as may be appointed after the date of the application for this Decision (collectively, the "Agents" and individually, an "Agent"), the Issuer will appoint the Agent(s) as its agent(s) to offer the Capital Shares and Preferred Shares of the Issuer on a best efforts basis and the Final Prospectus qualifying the Offering will contain a certificate signed by each of the Agent(s) in accordance with the Legislation.

15. Scotia Capital's economic interest in the Issuer and in the material transactions involving the issuer are disclosed in the Preliminary Prospectus and will be disclosed in the Final Prospectus under the heading "Interest of Management and Others in Material Transactions" and include the following:

(i) agency fees with respect to the Offering;

(ii) an administration fee under the Administration Agreement;

(iii) commissions in respect of the disposition of Portfolio Shares to fund a redemption or retraction, or the purchase for cancellation, of the Capital Shares and Preferred shares or to fund a portion of the fixed distribution on the Preferred Shares;

(iv) interest and reimbursement of expenses, in connection with the acquisition of Portfolio Shares; and

(v) amounts in connection with Principal Sales and Principal Purchases (as described in paragraphs 23 and 25 below).

16. Pursuant to an agreement (the "Securities Purchase Agreement") to be entered into between the Issuer and Scotia Capital, Scotia Capital will purchase, as agent for the benefit of the Issuer, Portfolio Shares in the market on commercial terms or from non-related parties with whom Scotia Capital and the Issuer deal at arm's length. Subject to receipt of all necessary regulatory approvals, Scotia Capital may, as principal, also sell Portfolio Shares to the Issuer (the "Principal Sales"). The aggregate purchase price to be paid by the Issuer for the Portfolio Shares (together with carrying costs and other expenses incurred in connection with the purchase of the Portfolio Shares) will not exceed the net proceeds from the Offering.

17. The Preliminary Prospectus discloses and the Final Prospectus will disclose, that (a) if Principal Sales are made by Scotia Capital to the Issuer, Portfolio Shares acquired by the Issuer from Scotia Capital will be purchased in accordance with the rules of the applicable stock exchange and the price paid (inclusive of all transaction costs, if any) to Scotia Capital will not be greater than the price which would have been paid (inclusive of all transaction costs, if any) if the acquisition had been made through the facilities of the principal stock exchange on which the Portfolio Shares are listed and posted for trading at the time of purchase from Scotia Capital; and (b) all Principal Sales will be approved by at least two independent directors of the Issuer and no commissions will be paid to Scotia Capital in respect of any Principal Sales.

18. For the reasons set forth in paragraph 17 above, and the fact that no commissions are payable to Scotia Capital in connection with the Principal Sales, the interests of the Issuer and the shareholders of the Issuer may be enhanced by insulating the issuer from price increases in respect of the Portfolio Shares.

19. None of the Portfolio Shares to be sold by Scotia Capital as principal to the Issuer have been acquired, nor has Scotia Capital agreed to acquire, any Portfolio Shares while Scotia Capital had access to information concerning the investment program of the Issuer, although certain of the Portfolio Shares to be held by the Issuer may be acquired or Scotia Capital may agree to acquire such Portfolio Shares on or after the date of this Decision Document.

20. The Final Prospectus will disclose the acquisition cost of the Portfolio Shares and selected information with respect to the dividend history and trading history of the Portfolio Shares.

21. The Issuer is not, and will not upon the completion of the Offering, be an insider of Royal Bank within the meaning of the Legislation.

22. Scotia Capital does not have any knowledge of a material fact or material change with respect to Royal Bank which has not been disclosed to the public.

23. Under the Securities Purchase Agreement, Scotia Capital may receive commissions at normal market rates in respect of its purchase of Portfolio Shares, as agent on behalf of the Issuer, and the Issuer will pay any carrying costs or other expenses incurred by Scotia Capital, on behalf of the Issuer, in connection with its purchase of Portfolio Shares as agent on behalf of the Issuer. In respect of the Principal Sales made to the Issuer by Scotia Capital as principal, Scotia Capital may realize a financial benefit to the extent that the proceeds received from the Issuer exceed the aggregate cost to Scotia Capital of such Portfolio Shares. Similarly, the proceeds received from the Issuer may be less than the aggregate cost to Scotia Capital of the Portfolio Shares and Scotia Capital may realize a financial loss, all of which is described in the Preliminary Prospectus and will be described in the Final Prospectus.

24. The net proceeds from the offering of the Capital Shares and the Preferred Shares (after deducting the Agent(s)' fees, expenses of the issue and the Issuer's interest and other expenses relating to the acquisition of the Portfolio Shares) will be used by the Issuer to fund the purchase of the Portfolio Shares.

25. In connection with the services to be provided by Scotia Capital to the Issuer pursuant to the Administration Agreement, Scotia Capital may sell Portfolio Shares to fund retractions of Capital Shares and Preferred Shares prior to the Redemption Date, to fund a portion of the fixed distribution on the Preferred Shares and upon liquidation of the Portfolio Shares prior to the Redemption Date. These sales will be made by Scotia Capital as agent on behalf of the Issuer. Subject to the receipt of all necessary regulatory approval, in certain circumstances such as where a small number of Capital Shares and Preferred Shares have been surrendered for retraction, Scotia Capital may also purchase Portfolio Shares as principal (the "Principal Purchases").

26. In connection with any Principal Purchases, Scotia Capital will comply with the rules, procedures and policies of the applicable stock exchange of which it is a member and in accordance with orders obtained from all applicable securities regulatory authorities. The Preliminary Prospectus discloses and the Final Prospectus will disclose that Scotia Capital may realize a gain or loss on the resale of such securities.

27. The Administration Agreement will provide that Scotia Capital must take reasonable steps, such as soliciting bids from other market participants or such other steps as Scotia Capital, in its discretion, considers appropriate after taking into account prevailing market conditions and other relevant factors, to enable the Issuer to obtain the best price reasonably available for the Portfolio Shares so long as the price obtained (net of all transaction costs, if any) by the Issuer from Scotia Capital is at least as advantageous to the Issuer as the price which is available (net of all transaction costs, if any) through the facilities of the applicable stock exchange at the time of the trade.

28. Scotia Capital will not receive any commissions from the Issuer in connection with Principal Purchases and, in carrying out the Principal Purchases, Scotia Capital shall deal fairly, honestly and in good faith with the Issuer.

29. It will be the policy of the Issuer to hold the Portfolio Shares and to not engage in any trading of the Portfolio Shares, except:

- (i) to fund retractions or redemptions of Capital Shares and Preferred Shares;
- (ii) to fund a portion of the fixed distribution on the Preferred Shares;
- (iii) following receipt of stock dividends on Portfolio Shares; or
- (iv) in certain other limited circumstances described in the Preliminary Prospectus.

30. The Portfolio Shares are listed and traded on the TSE.

31. Scotia Capital will be a significant maker of markets for Capital Shares and Preferred Shares, although it is not anticipated that Scotia Capital will be appointed the registered pro-trader by the TSE with respect to the Issuer. As a result, Scotia Capital will, from time to time, purchase and sell Capital Shares and Preferred Shares as principal and trade in such securities as agent on behalf of its clients, the primary purpose of such trades (the "Market Making Trades") being to provide liquidity to the holders of Capital Shares and Preferred Shares. All trades made by Scotia Capital as principal will be recorded daily by the TSE.

32. As Scotia Capital owns 50% of the Class F Shares of the Issuer, Scotia Capital will be deemed to be in a position to effect materially the control of the Issuer and consequently, each Market Making Trade will be a "distribution" or "distribution to the public" within the meaning of the Legislation.

33. By virtue of Scotia Capital's relationship with the Issuer, including the fact that three of the directors of the Issuer and all of the officers of the Issuer are employees of Scotia Capital and its affiliates and Scotia Capital is the promoter of the Issuer, the Issuer is a connected issuer (or its equivalent) and/or related issuer (or its equivalent) of Scotia Capital under the Legislation.

34. It is not known at this time what proportions of the Offering will be sold by additional agents other than Scotia Capital.

AND WHEREAS under the System this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");

AND WHEREAS each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Makers with the jurisdiction to make the decision has been met;

THE DECISION of the Decision Makers pursuant to the Legislation is that:

A. The Underwriting Restrictions shall not apply to Scotia Capital in connection with the Offering.

B. The Prospectus Requirements shall not apply to the Market Making Trades by Scotia Capital in the Capital Shares and Preferred Shares provided that at the time of each Market Making Trade, Scotia Capital and its affiliates do not beneficially own or have the power to exercise control or direction over a sufficient number of voting securities of Royal Bank, securities convertible into voting securities of Royal Bank, options to acquire voting securities of Royal Bank, or any other securities which provide the holder with the right to exercise control or direction over voting securities of Royal Bank which in the aggregate, permit Scotia Capital to affect materially the control of Royal Bank and without limiting the generality of the foregoing, the beneficial ownership of or the power to exercise control or direction over securities representing in the aggregate, 20% or more of the votes attaching to all the then issued and outstanding voting securities of Royal Bank shall, in the absence of evidence to the contrary, be deemed to affect materially the control of Royal Bank.

C. The Principal Trading Prohibitions shall not apply to Scotia Capital in connection with the Principal Sales and Principal Purchases.

DATED at Toronto this "7th" day of December, 1999.