

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

AND

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

AND

IN THE MATTER OF CITADEL S-1 INCOME TRUST FUND

MRRS DECISION DOCUMENT

WHEREAS the Canadian securities regulatory authority or regulator (the "Decision Maker") in each of Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland, Nova Scotia, Ontario, Prince Edward Island, Quebec and Saskatchewan (the "Jurisdictions") has received an application from Citadel S-1 Income Trust Fund (the "Filer"), for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") that the requirement contained in the Legislation to be registered to trade in a security and to file and obtain a receipt for a preliminary prospectus and a final prospectus (the "Registration and Prospectus Requirements") shall not apply to the distribution of trust units of the Filer pursuant to a distribution reinvestment plan (the "DRIP");

AND WHEREAS pursuant to 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 Filer has represented to the Decision Makers that:

1. The Filer is a closed-end investment trust established under the laws of Alberta pursuant to a declaration of trust dated August 11, 2000 (the "Declaration of Trust"). The Trust Company of Bank of Montreal is the trustee of the Filer (in such capacity, the "Trustee").
2. The assets of the Filer consist of a portfolio of securities including Canadian income funds, Canadian and U.S. high yielding investment grade debt and income yielding equity securities as well as cash (the "Assets"). The Filer has been created to provide unitholders of the Filer with an income stream derived from the distribution of income to the Filer from the portfolio of securities that it holds ("Distributable Income").
3. Under the Declaration of Trust, the Filer is authorized to issue an unlimited number of transferable, non-redeemable trust units (the "Trust Units"), of which there were 1,875,625 Trust

Units issued and outstanding on October 6, 2000. Each Trust Unit represents an equal fractional undivided beneficial interest in the net assets of the Filer, and entitles its holder to one vote at meetings of unitholders of the Filer ("Unitholders") and to participate equally with respect to any and all distributions made by the Filer, including distributions of net income and net realized capital gains, if any. Rights, warrants and options to subscribe for fully-paid Trust Units may also be issued.

4. The Filer became a reporting issuer or the equivalent thereof in each province of Canada on September 28, 2000 when it obtained a Final Decision Document for its prospectus dated September 28, 2000 (the "Prospectus"). As of the date hereof, the Filer is up to date with all filings required to be made under the Legislation.

5. Citadel S1 Management Ltd. (the "Administrator") is the authorized attorney of the Filer.

6. The Trust Units are listed on The Toronto Stock Exchange.

7. The Trust Units are available in book-entry only form whereby CDS & Co., a nominee of The Canadian Depository for Securities Limited, is the only registered holder of Trust Units.

8. The Filer proposes to establish, subject to regulatory approval, the DRIP to permit Unitholders, at their discretion, to automatically reinvest the Distributable Income paid on their Trust Units in additional Trust Units ("DRIP Units") as an alternative to receiving cash distributions.

9. Distributions due to participants in the DRIP ("DRIP Participants") will be paid to The Trust Company of Bank of Montreal in its capacity as agent under the DRIP (in such capacity, the "DRIP Agent") and applied to the purchase of DRIP Units.

10. No commissions, service charges or brokerage fees will be payable by DRIP Participants in connection with the DRIP.

11. If the weighted average trading price of a Trust Unit on The Toronto Stock Exchange for the 20 trading days immediately preceding the relevant distribution date (plus applicable commissions and brokerage charges on a per Trust Unit basis) (the "Market Price") is less than the net asset value of the Filer per Trust Unit on that distribution date, the DRIP Agent will purchase DRIP Units in the market or from the Filer using distributable cash in accordance with the following paragraph.

12. Market purchases will be made during the 20 trading day period next following the relevant distribution date, when the trading price per Trust Unit (plus applicable commissions and brokerage charges on a per Trust Unit basis) does not exceed 115% of the Market Price of each Trust Unit as at that distribution date. Upon the expiration of such period, the DRIP Agent will use the unused part, if any, of the distributable cash otherwise payable to DRIP Participants to purchase DRIP Units from the Filer at the higher of (i) the net asset value of the Filer per Trust Unit as at that distribution date; and (ii) the Market Price per Trust Unit (less applicable commissions and brokerage charges on a per Trust Unit basis) less 5%.

13. If the Market Price equals or is greater than the net asset value of the Filer per Trust Unit on the relevant distribution date, the DRIP Agent will apply the distributable cash otherwise payable to DRIP Participants to purchase DRIP Units from the Filer through the issue of new Trust Units at the higher of (i) the net asset value of the Filer per Trust Unit on the relevant distribution date; and (ii) the Market Price per Trust Unit (less applicable commissions and brokerage charges on a per Trust Unit basis) less 5%.

14. The DRIP Agent will be purchasing DRIP Units only in accordance with the mechanism described in the DRIP and, accordingly, there is no opportunity for a DRIP Participant or the DRIP Agent to speculate on changes in the net asset value per Trust Unit.

15. The Filer will invest in the Assets with the objective of providing Unitholders with a high level of sustainable income as well as a cost-effective method of reducing the risk of investing in such securities. Accordingly, the net asset value per Trust Unit should be less volatile than that of a typical equity fund, and the potential for significant changes in the net asset value per Trust Unit over short periods of time is moderate.

16. The amount of distributions that may be reinvested in DRIP Units issued from treasury is small relative to the Unitholders' equity in the Filer. In addition, if the Market Price of the Trust Units exceeds the net asset value per Trust Unit at the relevant distribution date, the acquisition price of such Trust Units will be the greater of the net asset value per Trust Unit and 95% of the Market Price per Trust Unit (less applicable commissions and brokerage charges on a per Trust Unit basis) at the relevant distribution date. Accordingly, the potential for dilution arising from the issuance of Trust Units by the Filer at the net asset value per Trust Unit on a distribution date is not significant.

17. The DRIP is open to participation by all Unitholders, so that any Unitholder can ensure protection against potential dilution, albeit insignificant, by electing to participate in the DRIP.

18. DRIP Participants may terminate their participation in the DRIP by providing 5 days' written notice to the DRIP Agent prior to the applicable record date. The notice must include the name of the securities broker, dealer, bank, trust company or other participant in the depository system of The Canadian Depository for Securities Limited through which the DRIP Participant holds DRIP Units. Such notice, if actually received no later than 5 days prior to the applicable record date, will have effect for the distribution associated with that record date, and if not so received will have effect for the next following distribution.

AND WHEREAS pursuant to 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 Maker with the jurisdiction to make the Decision has been met;

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

1. the Registration and Prospectus Requirements contained in the Legislation shall not apply to distributions by the Filer of DRIP Units, provided that:

(a) no sales charge is payable in respect of the distributions;

(b) each participant in the DRIP annually receives a notice of his or her right to withdraw from the DRIP;

(c) at the time of such distributions, the Filer is a reporting issuer or the equivalent thereof under the relevant Legislation; and

(d) the first trade in DRIP Units acquired by DRIP Participants pursuant to this Decision shall be deemed a distribution or a primary distribution to the public unless:

(i) the disclosure of such distribution of DRIP Units is made to the relevant Jurisdictions, as may be required under the Legislation;

(ii) no unusual effort is made to prepare the market or to create a demand for the DRIP Units;

(iii) no extraordinary commission or consideration is paid to a person or company other than the vendor of the DRIP Units in respect of the trade;

(iv) the Filer is a reporting issuer or the equivalent thereof under the relevant Legislation at the time of the first trade;

(v) prior to September 28, 2001 (the date on which the Filer will have been a reporting issuer or the equivalent thereof for 12 months), the aggregate number of DRIP Units issued shall not exceed 2% of the aggregate number of Trust Units then outstanding;

(vi) the vendor of the DRIP Units, if in a special relationship (as such term may be defined in the Legislation) with the Filer, has no reasonable grounds to believe that the Filer is in default of any requirement of the Legislation; and

(vii) in all Jurisdictions other than Quebec, the trade of the DRIP Units is not from the holdings of a person or company or a combination of persons or companies holding a sufficient number of any securities of the Filer so as to affect materially the control of the Filer or more than 20% of the outstanding voting securities of the Filer except where there is evidence showing that the holdings

of those securities does not affect materially the control of the Filer;

2. the reporting requirements under the Legislation with respect to clause 1(d)(i) above shall be satisfied provided that the particulars of the date of the distribution of such DRIP Units, the number of such DRIP Units and the purchase price paid or to be paid for such DRIP Units has been disclosed to the relevant Jurisdictions in:

(a) an information circular or take-over bid circular filed in accordance with the Legislation; or

(b) a letter filed with the Decision Maker in the appropriate Jurisdiction by a person or company certifying that the person or company has knowledge of the facts contained in the letter

when the Filer distributes such DRIP Units for the first time and not less frequently than annually thereafter unless the aggregate number of DRIP Units so traded in any month exceeds 1% of the Trust Units outstanding at the beginning of a month in which the DRIP Units were traded, in which case a separate report shall be filed in each relevant Jurisdiction (other than Quebec) in respect of that month within ten days of the end of such month.

DATED this 28th day of December, 2000.

"Howard I. Wetston"

Howard I. Wetston

"J.A. Geller"

J.A. Geller

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Closed-end investment trust exempt from prospectus and registration requirements in connection with issuance of units to existing unitholders pursuant to a distribution reinvestment plan whereby distributions of income are reinvested in additional units of the trust, subject to certain conditions – first trade relief provided for additional units of trust, subject to certain conditions – issuer relieved of certain reporting requirements, subject to certain conditions.

Statutes Cited

Securities Act, R.S.O. 1990, c.S.5, as am., ss.25, 53, 72(5), 74(1)