

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

AND

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

AND

IN THE MATTER OF
INCOME & EQUITY INDEX PARTICIPATION FUND

MRRS DECISION DOCUMENT

1. WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Newfoundland and Labrador, Nova Scotia and Prince Edward Island (the "Jurisdictions") has received an application from Income & Equity Index Participation Fund (the "Fund"), for a decision under the securities legislation of the Jurisdictions (the "Legislation") that the requirement contained in the Legislation to be registered to trade in a security (the "Registration Requirement") and to file a preliminary prospectus and a final prospectus and obtain receipts therefor (the "Prospectus Requirement") shall not apply to certain trades in trust units of the Fund ("Trust Units") under a distribution reinvestment plan (the "DRIP");
2. 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;
3. AND WHEREAS, unless otherwise defined, the terms herein have the meaning set out in National Instrument 14-101 - *Definitions* or in Notice 14-101 of the Agence nationale d'encadrement du secteur financier;
4. AND WHEREAS the Fund has represented to the Decision Makers that:
 - 4.1 the Fund is a closed-end investment trust established under the laws of Alberta pursuant to a declaration of trust dated December 17, 2003 as amended and restated January 28, 2004 (the "Declaration of Trust");
 - 4.2 Computershare Trust Company of Canada is the trustee of the Fund (in such capacity, the "Trustee");

4.3 under the Declaration of Trust, the Fund is authorized to issue an unlimited number of transferable, non-redeemable trust units ("Trust Units"), of which there will be a minimum of 7,500,000 and a maximum of 30,000,000 Trust Units issued and outstanding on February 18, 2004;

4.4 the Fund is not a "mutual fund" as defined in the Legislation because the Unitholders are not entitled to receive on demand an amount computed by reference to the value of a proportionate interest in the whole or in part of the net assets of the Fund as contemplated in the definition of "mutual fund" contained in the Legislation;

4.5 the assets of the Fund consist of a portfolio of Canadian income funds, and instalment receipts or other rights to acquire such securities in respect thereof, as well as cash and cash equivalents (collectively, the "Portfolio") as well as five year capped call options (the "Equity Call Options") based on the S&P TSX 60 Index;

4.6 the investment objectives of the Fund are:

4.6.1 to provide Unitholders with the opportunity to receive monthly cash distributions by investing in an equally weighted diversified portfolio of Canadian income funds that will be rebalanced semi-annually; and

4.6.2 to provide Unitholders with the opportunity to participate in gains in the Canadian equity market as represented by the S&P/TSX 60 Index through the distribution to each Unitholder of its pro rata share of the amount payable to the Fund or the net gains realized by the Fund, if any, pursuant to the Equity Call Options;

4.7 each Trust Unit represents an equal, fractional undivided beneficial interest in the net assets of the Fund, and entitles its holder to one vote at meetings of Unitholders and to participate equally with respect to any and all distributions made by the Fund, including distributions of net income and net realized capital gains, if any;

4.8 the Fund became a reporting issuer in each of the Jurisdictions on January 28, 2004 when it obtained a Final Decision Document in respect of a prospectus dated January 28, 2004 (the "Prospectus");

4.9 as of the date of this Decision, the Fund is not in default of any requirements under the Legislation;

4.10 Equity LIFT Management Ltd. (the "Administrator") is the authorized attorney of the Fund;

4.11 the Trust Units are listed on the Toronto Stock Exchange under the symbol "IEP.UN";

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

4.13 the Fund has established 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;

4.14 the DRIP will be open to all Unitholders (other than non-residents of Canada);

4.15 distributions due to participants in the DRIP ("DRIP Participants") will be paid to Computershare Trust Company of Canada in its capacity as agent under the DRIP (in such capacity, the "DRIP Agent") and applied to the purchase of DRIP Units;

4.16 no commissions, service charges or brokerage fees will be payable by DRIP Participants in connection with the DRIP;

4.17 the DRIP Agent will purchase DRIP Units from the Fund at the net asset value per Trust Unit as at the applicable distribution date;

4.18 DRIP Participants may terminate their participation in the DRIP by providing 10 days' written notice to the DRIP Agent prior to the applicable record date;

4.19 DRIP Participants do not have the option of making cash payments to purchase additional DRIP Units under the DRIP;

4.20 the amount of distributions that may be reinvested in additional DRIP Units is expected to be small relative to the Unitholders' equity in the Trust, with the result being that the potential for dilution arising from the issuance of DRIP Units will not be significant;

4.21 except in Alberta, the distribution of the DRIP Units by the Fund pursuant to the DRIP cannot be made in reliance on certain registration and prospectus exemptions contained in the Legislation as the DRIP involves the reinvestment of distributable income including net realized capital gains distributed by the Fund and not the reinvestment of dividends, interest earnings or surplus of the Fund; and

4.22 the distribution of the DRIP Units by the Fund pursuant to the DRIP cannot be made in reliance on registration and prospectus exemptions contained in the Legislation for distribution reinvestment plans for mutual funds, as the Fund is not considered to be a "mutual fund" as defined in the Legislation;

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

6. 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;

7. THE DECISION of the Decision Makers under the Legislation is that:

7.1 except in Alberta, the Registration Requirement and Prospectus Requirement contained in the Legislation shall not apply to trades or distributions by the Fund of DRIP Units for the account of DRIP Participants pursuant to the DRIP, provided that:

7.1.1 at the time of the trade or distribution the Fund is a reporting issuer or the equivalent under the Legislation and is not in default of any requirements of the Legislation;

7.1.2 no sales charge is payable in respect of the trade;

7.1.3 the Fund has caused to be sent to the person or company to whom the DRIP Units are traded, not more than 12 months before the trade, a statement describing:

7.1.3.1 their right to withdraw from the DRIP and to make an election to receive cash instead of DRIP Units on the making of a distribution of income by the Fund (the "Withdrawal Right"); and

7.1.3.2 instructions on how to exercise the Withdrawal Right;

7.1.4 the first trade of the DRIP Units acquired under this Decision shall be deemed to be a distribution or a primary distribution to the public; and

7.2 the Prospectus Requirement contained in the Legislation shall not apply to the first trade of DRIP Units acquired by DRIP Participants pursuant to the DRIP, provided that:

7.2.1 except in Quebec, the conditions in paragraphs 2 through 5 of subsection 2.6(3) of Multilateral Instrument 45-102 -- *Resale of Securities* are satisfied; and

7.2.2 in Quebec:

7.2.2.1 at the time of the first trade the Fund is a reporting issuer in Quebec and is not in default of any of the requirements of the Legislation in Quebec;

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

7.2.2.3 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; and

7.2.2.4 the vendor of the DRIP Units, if in a special relationship with the Fund, has no reasonable grounds to believe that the Fund is in default of any requirement of the Legislation.

April 8, 2004.

"H. Lorne Morphy"

"Wendell S. Wigle"

Headnote

Closed-end investment trust exempt from prospectus and registration requirements in connection with the 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 in units acquired under the distribution reinvestment plan deemed a distribution unless made in compliance with MI 45-102.

Applicable Ontario Statutory Provisions

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

Multilateral Instrument Cited

Multilateral Instrument 45-102 Resale of Securities (2001), 24 OSCB 5522.