

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

AND

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

AND

IN THE MATTER OF
THE CONSUMERS' WATERHEATER INCOME FUND

AND

IN THE MATTER OF
THE CONSUMERS' WATERHEATER OPERATING TRUST

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Prince Edward Island, Newfoundland and Labrador, Nova Scotia, the Northwest Territories, Nunavut and the Yukon Territory (collectively, the "Jurisdictions") has received an application from The Consumers' Waterheater Income Fund (the "Fund") and The Consumers' Waterheater Operating Trust (the "Trust") for a decision under the securities legislation of the Jurisdictions (the "Legislation"), that the requirements contained in the Legislation to:

- (a) make an annual filing (an "Annual Filing") with the Decision Makers in lieu of filing an information circular, where applicable;
- (b) file an annual information form (an "AIF") with the Decision Makers, where applicable; and
- (c) have a "current AIF" (as defined in National Instrument 44-101 — Short Form Distributions ("NI 44-101")) in order to qualify under NI 44-101 to file a short form prospectus;

shall not apply to the Trust, subject to certain terms and conditions;

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, unless otherwise defined, the terms herein have the meaning set out in National Instrument 14-101 — Definitions or in Quebec Commission Notice 14-101;

AND WHEREAS the Fund and Trust have represented to the Decision Makers that:

The Trust

1. The Trust is an unincorporated open-ended limited purpose trust established under the laws of Ontario pursuant to a declaration of trust dated November 18, 2002, as amended and restated on December 17, 2002 (the "Trust Declaration").

2. The Trust's principal and head office is located at 25 Sheppard Avenue West, Suite 1400, Toronto, Ontario M2N 6S6.

3. The Trust's financial year-end is December 31.

4. The beneficial interests in the Trust are divided into units of the Trust ("Trust Units"). An unlimited number of Trust Units are issuable under the Trust Declaration. All of the issued and outstanding Trust Units are held by the Fund. The Fund is also the sole holder of subordinated unsecured notes of the Trust (the "Unsecured Notes") issued by the Trust from time to time in connection with its capitalization.

5. The Trust became a reporting issuer, or the equivalent, in each of the provinces and territories of Canada that provides for a reporting issuer regime upon the filing of a prospectus of the Trust dated January 15, 2003, and the issuance of a final MRRS Decision Document in respect thereof, under which the Trust offered secured notes (the "Debt Securities"). The Debt Securities are non-voting, except in certain limited circumstances. To its knowledge, the Trust is currently not in default of any applicable requirements under the Legislation.

6. The unconsolidated interim and annual financial statements of the Trust will be prepared, filed and delivered to the indenture trustee in respect of the Debt Securities, and related management's discussion and analysis of the financial conditions and results of operations will be prepared, filed and delivered to security holders of the Trust in accordance with applicable Legislation.

The Fund

7. The Fund is an unincorporated open-ended limited purpose trust established under the laws of Ontario pursuant to a declaration of trust dated October 28, 2002, as amended and restated on December 4, 2002 (the "Fund Declaration").

8. The Fund's principal and head office is located at 25 Sheppard Avenue West, Suite 1400, Toronto, Ontario M2N 6S6.

9. The Fund's financial year-end is December 31.

10. The beneficial interests in the Fund are divided into units of the Fund ("Fund Units"). An unlimited number of Fund Units and special trust units of the Fund ("Special Trust Units") are issuable under the Fund Declaration. As at April 4, 2003, there were issued and outstanding 39,668,798 Fund Units and 9,855,294 Special Trust Units. Special Trust Units provide voting rights in respect of the Fund to holders of securities exchangeable into Fund Units.

11. The Fund became a reporting issuer, or the equivalent, in each of the provinces and territories of Canada that provides for a reporting issuer regime upon the filing of a prospectus of the Fund dated December 5, 2002 and the issuance of a final MRRS Decision Document in respect thereof, under which the Fund offered Fund Units. The Fund Units are listed and posted for trading on the Toronto Stock Exchange. To its knowledge, the Fund is currently not in default of any applicable requirements under the Legislation.

12. The board of trustees of the Fund is, and pursuant to the Fund Declaration is required to be, identical to the board of trustees of the Trust.

13. The administrative agent of the Fund is also the administrative agent of the Trust. The administrative agent provides advice and counsel with respect to the administration of the day-to-day operations and affairs of the Fund and the Trust and other matters as may be requested by the Trustees of the Fund and the Trust from time to time.

14. The Fund has no assets or liabilities (other than the Trust Units and the Unsecured Notes held by it) of more than nominal value having regard to the total consolidated assets of the Fund.

15. The Fund carries on no business other than its investment in the Trust.

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 in Ontario, Alberta, Saskatchewan, Nova Scotia and Newfoundland and Labrador is that the requirement contained in the Legislation to make an Annual Filing with the Decision Makers in Ontario, Alberta, Saskatchewan, Nova Scotia and Newfoundland and Labrador in lieu of filing an information circular shall not apply to the Trust for so long as:

(i) the Fund remains a reporting issuer under the Legislation of those Jurisdictions providing for reporting issuer status;

(ii) the Fund files with the Decision Makers in Ontario, Alberta, Saskatchewan, Nova Scotia and Newfoundland and Labrador, in electronic format under the

Trust's SEDAR profile, the Fund's Annual Filing or information circular (the "Documents"), as applicable, at the same time as they are required under the Legislation, where applicable, to be filed by the Fund;

(iii) the Trust pays all filing fees that would otherwise be payable by the Trust in connection with the filing of the Documents;

(iv) the Fund sends the Documents to the security holders of the Trust to the extent required under the Legislation at the same time and in the same manner as if the security holders of the Trust were security holders of the Fund; and

(v) the Fund has no assets or liabilities (other than the Trust Units and the Unsecured Notes held by it) of more than nominal value having regard to the total consolidated assets of the Fund and carries on no business other than its investment in the Trust.

DATED May 26, 2003.

"Harold P. Hands"

"Robert W. Davis"

AND THE FURTHER DECISION of the Decision Makers in Ontario, Saskatchewan and Quebec is that the requirement contained in the Legislation to prepare and file an AIF with the Decision Makers in Ontario, Saskatchewan and Quebec shall not apply to the Trust for so long as:

(i) the Fund remains a reporting issuer under the Legislation of those Jurisdictions providing for reporting issuer status;

(ii) the Fund files with the Decision Makers in Ontario, Saskatchewan and Quebec, in electronic format under the Trust's SEDAR profile, the AIF of the Fund at the same time as it is required under the Legislation, where applicable, to be filed by the Fund;

(iii) the Trust pays all filing fees that would otherwise be payable by the Trust in connection with the filing of the AIF;

(iv) the Fund sends the AIF to the security holders of the Trust to the extent required under the Legislation at the same time and in the same manner as if the security holders of the Trust were security holders of the Fund; and

(v) the Fund has no assets or liabilities (other than the Trust Units and the Unsecured Notes held by it) of more than nominal value having regard to the total consolidated assets of the Fund and carries on no business other than its investment in the Trust.

DATED May 26, 2003.

"John Hughes"

Manager, Continuous Disclosure

AND THE FURTHER DECISION of the Decision Makers pursuant to the Legislation is that the requirement that the Trust have a current AIF in order to qualify under NI 44-101 to file a short form prospectus shall not apply, provided that:

- (i) the Fund has a current AIF; and
- (ii) the Fund has no assets or liabilities (other than the Trust Units and the Unsecured Notes held by it) of more than nominal value having regard to the total consolidated assets of the Fund and carries on no business other than its investment in the Trust.

DATED May 26, 2003.

"John Hughes"

Manager, Continuous Disclosure

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - relief for wholly owned subsidiary of income fund from the requirements to make an annual filing in lieu of an information circular, where applicable, file an AIF, where applicable, and have a current AIF in order to qualify to file a short form prospectus, subject to certain conditions, including that the parent complies with such requirements and has no assets or liabilities, other than securities of the subsidiary, of more than nominal value having regard to the total consolidated assets of the parent.

Applicable Ontario Statutory Provisions

Securities Act, R.S.O. 1990, c.S.5, as am., ss. 80(b)(iii) and 81(2).

Applicable Ontario Rules

Ontario Securities Commission Rule 51-501 - AIF and MD&A

Applicable National Instruments

National Instrument 44-101 – Short Form Prospectus Distributions