

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 unit holders pursuant to distribution reinvestment plan whereby distributions of income are reinvested in additional units of the trust, subject to certain conditions -- first trade in additional units 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.

April 26, 2005

**IN THE MATTER OF
THE SECURITIES LEGISLATION OF
BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN, MANITOBA, ONTARIO,
QUÉBEC, NOVA SCOTIA, NEW BRUNSWICK, PRINCE EDWARD ISLAND,
NEWFOUNDLAND AND LABRADOR AND YUKON
(the "Jurisdictions")**

AND

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

AND

IN THE MATTER OF MATRIX INCOME FUND (the "Filer")

MRRS DECISION DOCUMENT

Background

The local securities regulatory authority or regulator (the "Decision Maker") in each of the Jurisdictions has received an application from 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 units of the Filer pursuant to a distribution reinvestment plan (the "Requested Relief");

Under the Mutual Reliance Review System for Exemptive Relief Applications

(a) the Ontario Securities Commission is the principal regulator for this application; and

(b) this MRRS decision document evidences the decision of each Decision Maker.

Interpretation

Defined terms contained in National Instrument 14-101 Definitions have the same meaning in this decision unless they are defined in this decision.

Representations

This decision is based on the following facts represented by the Filer:

1. The Filer is an investment trust established under the laws of the Province of Alberta by a declaration of trust dated as of January 28, 2005. The Filer's head office is located in Ontario.
2. The Filer became a reporting issuer or the equivalent thereof in the Jurisdictions on January 28, 2005 upon obtaining a receipt for its final prospectus dated January 28, 2005 (the "Prospectus"). As of the date hereof, the Filer is not in default of any requirements under the Legislation.
3. The beneficial interests in the Filer are divided into a single class of voting units ("Units"). The Filer is authorized to issue an unlimited number of Units. Each Unit represents a holder of Units' ("Unitholder") proportionate undivided beneficial interest in the Filer.
4. The Units are listed and posted for trading on the Toronto Stock Exchange (the "TSX") under the symbol "MTZ.UN". As of March 21, 2005, 29,888,800 Units were issued and outstanding.
5. The Filer currently intends to make cash distributions ("distributions") of distributable income to Unitholders of record on the day on which the Filer declares a distribution to be payable (each a "Declaration Date"), and such distributions will be payable on a day which is on or before the last business day of the month following a Declaration Date.
6. The Filer has adopted a distribution reinvestment plan (the "Plan") which, subject to obtaining all necessary regulatory approvals, will permit distributions to be automatically reinvested, at the election of each Unitholder, to purchase additional Units ("Plan Units") pursuant to the Plan and in accordance with a distribution reinvestment plan agency agreement (the "Plan Agreement") entered into by the Filer, Middlefield MATRIX Management Limited in its capacity as manager of the Filer (in such capacity, the "Manager") and MFL Management Limited in its capacity as agent under the Plan (in such capacity, the "Plan Agent").
7. Pursuant to the terms of the Plan, a Unitholder will be able to elect to become a participant in the Plan by notifying the Manager, or by causing the Manager to be notified, in writing, of the

Unitholder's decision to participate in the Plan. Participation in the Plan will not be available to Unitholders who are not residents of Canada for the purposes of the Income Tax Act (Canada).

8. Distributions due to participants in the Plan ("Plan Participants") will be paid to the Plan Agent and applied to purchase Plan Units in accordance with the terms and conditions of the Plan.

9. The Plan also allows Plan Participants to make optional cash payments ("Optional Cash Payments") which will be used by the Plan Agent to purchase Plan Units in accordance with the terms and conditions of the Plan.

10. The Plan Agent will purchase Plan Units only in accordance with the mechanics described in the Plan and Plan Agreement and, accordingly, there is no opportunity for a Plan Participant or the Plan Agent to speculate on net asset value per Unit.

11. The Plan is open for participation by all Unitholders (other than non-residents of Canada), so that such Unitholders can ensure protection against potential dilution, albeit insignificant, by electing to participate in the Plan.

12. As a result of the Filer's investment objectives and based on historical data, the potential for significant changes in the net asset value per Unit over short periods of time is moderate.

13. The amount of distributions that may be reinvested in the Plan Units issued from treasury is small relative to the Unitholders' equity in the Filer. The potential for dilution arising from the issuance of Plan Units by the Filer is not significant.

14. Plan Units purchased under the Plan will be registered in the name of the Plan Agent, as agent for the Plan Participants.

15. A Plan Participant may terminate his or her participation in the Plan by providing, or by causing to be provided, at least ten business days' prior written notice to the Manager and, such notice, if actually received no later than ten business days prior to the next Declaration Date, will have effect beginning with the distribution to be made with respect to such Declaration Date. Thereafter, distributions payable to such Unitholder will be in cash.

16. The Manager reserves the right to suspend or terminate the Plan at any time in its sole discretion, in which case Plan Participants and the Plan Agent will be sent written notice thereof. In particular, the Manager may, on behalf of the Filer, terminate the Plan in its sole discretion, upon not less than 30 days' prior written notice to the Plan Participants and the Plan Agent.

17. The Manager may amend or modify the Plan at any time in its sole discretion, provided that it obtains the prior approval of the TSX (if Units are then listed thereon) and provided further that if, in the Manager's reasonable opinion: (i) the amendment or notification is material to Plan Participants, then at least 30 days' prior written notice thereof is given to Plan Participants and the Plan Agent; or (ii) the amendment or modification is not material to Plan Participants, then notice thereof may be given to Plan Participants and the Plan Agent after effecting the

amendment or modification. The Manager may also, in consultation with the Plan Agent, adopt additional rules and regulations to facilitate the administration of the Plan.

18. The distribution of the Plan Units by the Filer pursuant to the Plan can be made in reliance on certain registration and prospectus exemptions contained in the Legislation of Alberta, Saskatchewan and New Brunswick but not in reliance on registration and prospectus exemptions contained in the Legislation of the other Jurisdictions because the Plan involves the reinvestment of distributable income distributed by the Filer and not the reinvestment of dividends or interest of the Filer.

19. The distribution of the Plan Units by the Filer pursuant to the Plan cannot be made in reliance on registration and prospectus exemptions contained in the Legislation for distribution reinvestment plans of mutual funds, as the Filer is not considered to be 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 a portion of the net assets of the Filer.

Decision

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 under the Legislation is that:

(a) in British Columbia, Manitoba, Quebec, Ontario, Prince Edward Island, Newfoundland and Labrador, Nova Scotia and Yukon, the Requested Relief is granted provided that:

(i) at the time of the trade the Filer is a reporting issuer or the equivalent under the Legislation and is not in default of any requirements of the Legislation;

(ii) no sales charge is payable in respect of the distributions of Plan Units from treasury;

(iii) the Filer has caused to be sent to the person or company to whom the Plan Units are traded, not more than 12 months before the trade, a statement describing:

(A) their right to withdraw from the Plan and to make an election to receive cash instead of Plan Units on the making of a distribution by the Filer; and

(B) instructions on how to exercise the right referred to in (A);

(iv) in the calendar year during which the trade takes place, the aggregate number of Plan Units issued pursuant to the Optional Cash Payments shall not exceed 2% of the aggregate number of Units outstanding at the commencement of that calendar year (provided that, for the 2005 calendar year, the aggregate number of Plan Units issued pursuant to the Optional Cash Payments be limited to 2% of the outstanding Units immediately following the closing of the Filer's initial public offering, including any Units outstanding following the closing of the exercise of the over-allotment option granted to the agents under the initial public offering);

(v) the first trade (alienation) of the Plan Units acquired pursuant to the Plan in a Jurisdiction shall be deemed a distribution or primary distribution to the public under the Legislation;

(b) in each of the Jurisdictions, the Prospectus Requirement contained in the Legislation shall not apply to the first trade (alienation) of Plan Units acquired by Plan Participants pursuant to the Plan, provided that:

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

(ii) in Québec:

(A) at the time of the first trade, the Filer is a reporting issuer in Québec and is not in default of any of the requirements of securities legislation in Québec;

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

(C) no extraordinary commission or consideration is paid to a person or company other than the vendor of the Plan Units in respect of the first trade; and

(D) the vendor of the Plan Units, if in a special relationship with the Filer, has no reasonable grounds to believe that the Filer is in default of any requirement of the Legislation of Québec;

"Wendell S. Wigle"
Commissioner
Ontario Securities Commission

" Suresh Thakrar"
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