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January 6, 2005

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Securities Act s. 48,76 Other - Exemption from registration and prospectus requirements for situations other than a corporate acquisition or reorganization; trades to business associates; debt settlements; or trades involving employee investment plans and consultants - Trades by a non-mutual fund in connection with its distribution reinvestment plan - Issuer is an investment trust; under its plan, income of the trust can be distributed to its investors through the automatic issuance of additional units to the investors; investors can elect to receive cash in lieu of additional trust units; no fee is paid by investors to participate in the plan

Applicable British Columbia Provisions

Securities Act, R.S.B.C. 1996, c. 418, ss. 48 and 76

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 Yieldplus *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 “Plan”);

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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 that 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 Ontario by a declaration of trust dated as of August 30, 2004.
2. The Filer is not considered to be a “mutual fund” as defined in the Legislation because the holders of Units (“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 Filer as contemplated in the definition of “mutual fund” in the Legislation.
3. The Filer became a reporting issuer or the equivalent thereof in the Jurisdictions on August 31, 2004 upon obtaining a receipt for its final prospectus dated August 30, 2004 (the “Prospectus”). As of the date hereof, the Filer is not in default of any requirements under the Legislation.
4. 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 Unitholder's proportionate undivided beneficial interest in the Filer.
5. The Units are listed and posted for trading on the Toronto Stock Exchange (the “TSX”) under the symbol “YP.UN”. As of September 30, 2004, 21,990,000 Units were issued and outstanding.
6. 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 (each a “Distribution Date”).

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7. The Filer has adopted 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 YIELDPLUS 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”).
8. 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).
9. Distributions due to participants in the Plan (“Plan Participants”) will be paid to the Plan Agent and applied to purchase Plan Units. Plan Units purchased under the Plan will be purchased by the Plan Agent in the market or directly from the Filer in the following manner:
 - (a) if the weighted average trading price of the Units on the TSX (or such other exchange or market on which the Units are then listed) for the 10 trading days immediately preceding the relevant Distribution Date (the “Market Price”) plus estimated brokerage fees and commissions is greater than or equal to the net asset value of the Filer (“Net Asset Value”) per Unit on the applicable Distribution Date, the Plan Agent will, after such Distribution Date, apply distributions to the purchase of Plan Units from the Filer at a price equal to the Net Asset Value per Unit as at the Distribution Date, provided that if the Net Asset Value per Unit as at the Distribution Date is less than 95% of the Market Price per Unit on the Distribution Date, then Plan Units will be purchased from the Filer at a price equal to 95% of the Market Price as at the Distribution Date;
 - (b) if the Market Price plus estimated brokerage fees and commissions is less than the Net Asset Value per Unit on the Distribution Date, purchases of Plan Units will be made in the market during the 10 business days next following the relevant Distribution Date, on any business day when the Market Price plus estimated brokerage fees and commissions is less than the Net Asset Value per Unit determined as at such Distribution Date, and on the 11th business day after the Distribution Date the unused part (if any) of the distributions paid to the Plan Agent for the benefit of Plan Participants will be applied to a

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purchase of Plan Units from the Filer in accordance with paragraph (a) above;

- (c) the Plan Units purchased in the market or from the Filer shall be allocated by the Plan Agent on a *pro rata* basis to the Plan Participants; and
- (d) any applicable brokerage fees and commissions incurred in connection with purchases of Plan Units made in the market as contemplated by paragraph (b) above shall be borne on a *pro rata* basis by and from each Plan Participant's account.

10. 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. A Plan Participant must invest a minimum of \$100 per Optional Cash Payment. Optional Cash Payments will be used by the Plan Agent to purchase Plan Units on the same basis as distributions as described above. The aggregate number of Plan Units that may be purchased with Optional Cash Payments in a calendar year will be limited to 2% of the outstanding Units at the commencement of that calendar year, provided that for the 2004 calendar year, the number of Plan Units that may be purchased with Optional Cash Payments will be limited to 2% of the outstanding Units immediately following the closing of the initial public offering of Units pursuant to the Prospectus (including any Units outstanding following the closing of the exercise of the over-allotment option granted to the agents under the initial public offering). The Plan Agent may limit the maximum amount of Optional Cash Payments in any calendar year to ensure that the 2% limit is not exceeded.
11. Optional Cash Payments, along with a Plan Participant's notice of his or her intention to make an Optional Cash Payment, must be received by the Plan Agent on or before 5:00 p.m. (Toronto time) on the day which is at least five business days prior to a Distribution Date, in order to be invested in Plan Units immediately following such Distribution Date. Optional Cash Payments and/or notices received less than five business days prior to a Distribution Date will result in the Plan Agent holding (without interest) the Optional Cash Payment and using the same to purchase Plan Units after the second Distribution Date following the date of receipt of the Optional Cash Payment.
12. The Plan Agent will purchase Plan Units only in accordance with 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.

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13. 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.
14. The Filer will invest in securities with the objectives of: (a) paying monthly distributions to Unitholders; (b) returning to Unitholders upon the termination of the Filer at least the original subscription price of the Units; and (c) enhancing long-term total return through capital appreciation of the Filer's investment portfolio. In addition, the Net Asset Value per Unit should be less volatile than that of a typical equity fund based on historical data. As a result, the potential for significant changes in the Net Asset Value per Unit over short periods of time is moderate.
15. 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.
16. Plan Units purchased under the Plan will be registered in the name of the Plan Agent, as agent for the Plan Participants.
17. 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.
18. 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.
19. 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,

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in consultation with the Plan Agent, adopt additional rules and regulations to facilitate the administration of the Plan.

20. The distribution of the Plan Units by the Filer pursuant to the Plan cannot be made in reliance on certain registration and prospectus exemptions contained in the Legislation of certain Jurisdictions as the Plan involves the reinvestment of distributable income distributed by the Filer and not the reinvestment of dividends or interest of the Filer.
21. 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, except in Alberta, New Brunswick, and Saskatchewan, the trades of Plan Units to the Plan Participants pursuant to the Plan shall not be subject to the Registration and Prospectus Requirements of the Legislation provided that:

- (a) 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;
- (b) no sales charge is payable in respect of the distributions of Plan Units from treasury;
- (c) 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:
 - (i) 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
 - (ii) instructions on how to exercise the right referred to in (i);

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- (d) 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 (or for the 2004 calendar year, outstanding at the closing of the Filer's initial public offering of Units pursuant to the Prospectus including any Units outstanding following the closing of the exercise of the over-allotment option granted to the agents under the initial public offering);
- (e) except in Québec, the first trade or resale of Plan Units acquired pursuant to the Plan in a Jurisdiction shall be deemed a distribution or primary distribution to the public under the Legislation unless the conditions of paragraphs 2 through 5 of subsection 2.6(3) of Multilateral Instrument 45-102 are satisfied; and
- (f) in Québec, the first trade (alienation) of Plan Units acquired pursuant to the Plan in a Jurisdiction shall be deemed to be a distribution or primary distribution to the public unless:
 - (i) 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;
 - (ii) no unusual effort is made to prepare the market or to create a demand for the Plan Units;
 - (iii) 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
 - (iv) 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;

Paul Moore
Vice-Chair

Wendell S. Wigle
Commissioner
ONTARIO SECURITIES COMMISSION