

CITADEL DIVERSIFIED INVESTMENT TRUST

REINVESTMENT PLAN AGENCY AGREEMENT

September 16, 1997

**STIKEMAN, ELLIOTT
BARRISTERS & SOLICITORS**

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REINVESTMENT PLAN AGENCY AGREEMENT

This Agreement made as of September 16, 1997,

AMONG:

CITADEL DIVERSIFIED INVESTMENT TRUST, a trust formed under the laws of Ontario pursuant to a Declaration of Trust dated July 11, 1997, by its attorney, Citadel Diversified Management Ltd., (the "Fund")

- and -

CITADEL DIVERSIFIED MANAGEMENT LTD., a corporation organized under the laws of Canada (the "Administrator"),

- and -

THE TRUST COMPANY OF BANK OF MONTREAL, in its capacity as plan agent, a trust company incorporated under the laws of Canada (the "Plan Agent"),

WITNESSES THAT:

WHEREAS the Fund has been formed under the laws of the Province of Ontario pursuant to a declaration of trust dated July 11, 1997 (the "Declaration of Trust").

AND WHEREAS pursuant to a registrar, transfer agency and distribution agency agreement of even date herewith, the Fund has appointed the Plan Agent to serve as distribution agent for the Fund.

AND WHEREAS the Fund wishes to appoint the Plan Agent to serve as the Fund's agent under its distribution reinvestment plan (as described herein), all on the terms and conditions set out in this Agreement.

NOW THEREFORE, in consideration of the mutual covenants contained herein and other consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

SECTION 1 DEFINITIONS

1.1 Definitions.

- (a) **"Agreement"** means this agreement and all schedules attached hereto and all amendments hereto made by written agreement among the parties.
- (b) **"CDS"** means the Canadian Depository for Securities Limited.
- (c) **"Distribution"** means a distribution to Unitholders made in accordance with Article VIII of the Declaration of Trust.
- (d) **"Distribution Date"** means the date, as determined by the Fund on consultation with the Administrator, on which a Distribution is paid by the Fund to Unitholders or to the Plan Agent on behalf of Plan Participants, which date shall be within 20 business days after the applicable Record Date.
- (e) **"Distribution Funds"** means the Distributable Cash paid by the Fund (net of applicable withholding taxes) and received by the Plan Agent for and on behalf of Plan Participants.
- (f) **"Market Price"** has the meaning ascribed thereto in Section 2.2(c)(i).
- (g) **"net asset value per Plan Unit"** has the meaning attributed to "net asset value per Trust Unit" in the Declaration of Trust.
- (h) **"Optional Cash Payments"** has the meaning ascribed thereto in Section 2.3
- (i) **"Plan"** means the Fund's plan for reinvestment of Distributions on behalf of Plan Participants, as described in Schedule A to this Agreement.
- (j) **"Plan Agent"** means The Trust Company of Bank of Montreal or its successors or permitted assigns as agent under the Plan.
- (k) **"Plan Participant"** means a registered holder of Units of the Fund who is a participant in the Plan.
- (l) **"Plan Unit"** means a Unit, represented by an Instalment Receipt (prior to January 16, 1998), a Trust Unit represented by an Instalment Receipt (subsequent to January 16, 1998 and prior to September 16, 1998) or a Trust Unit (subsequent to September 16, 1998) purchased under the Plan by the Plan Agent for Plan Participants.
- (m) **"Prospectus"** means the prospectus of the Fund dated September 2, 1997, filed in all provinces of Canada.

- (n) **"Record Date"** means the Valuation Day which is the record date for a distribution by the Fund to Unitholders.
- (o) **"Trustee"** means The Trust Company of Bank of Montreal.
- (p) **"Units"** means the units of the Fund, each consisting of one Trust Unit and one transferable trust unit purchase warrant entitling the holder to acquire one Trust Unit.

1.2 Capitalized terms not otherwise defined herein shall have the meaning attributed thereto in the Declaration of Trust.

SECTION 2 APPOINTMENT AND DUTIES

2.1 Condition Precedent; Appointment of the Plan Agent. The commencement of the Plan and the obligations of the parties hereunder are conditional upon the Fund, with the assistance of the Administrator, receiving all necessary regulatory approvals for the Plan, including without limitation, discretionary orders from securities regulatory authorities in such Provinces of Canada as are required. The Fund will notify the Plan Agent upon the receipt of such approvals.

Subject to the foregoing, the Fund hereby appoints the Plan Agent to act as plan agent, and the Plan Agent hereby accepts such appointment upon the terms and conditions hereinafter set forth.

2.2 Duties of the Plan Agent. In its capacity as plan agent, the Plan Agent agrees to be bound by the terms and conditions of this Agreement and of the Plan, and to perform its duties as set out hereunder and thereunder, and, in particular, agrees that it shall:

- (a) effect participation in the Plan by Plan Participants;
- (b) set up an account for each Plan Participant as a sub-account of, but directly linked with, each Plan Participant's registered account outside the Plan as a Unitholder;
- (c) purchase Plan Units for Plan Participants with Distribution Funds in accordance with the following terms and conditions:
 - (i) if the weighted average trading price of a Plan Unit on The Toronto Stock Exchange (or such other exchange upon which the Plan Units are then listed, if no longer listed 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 Plan Unit basis) (the "Market Price") is less than the net asset value per Plan Unit on the Distribution Date, the Plan Agent shall apply the Distribution Funds either

to purchase Plan Units in the market or purchase Plan Units from the Fund in accordance with Subsection 2.2(c)(ii);

- (ii) all market purchases shall be made by the Plan Agent on an orderly basis during the 20 trading day period next following the relevant Distribution Date, at any time after the Plan Agent has been provided the information required by Subsection 4.1(c), when the trading price per Plan Unit (plus applicable commissions and brokerage charges on a per Plan Unit basis) does not exceed 115% of the Market Price of each Plan Unit as at the Distribution Date. Upon the expiration of such period, the Plan Agent shall use the unused part, if any, of the Distribution Funds to purchase Plan Units from the Fund at the higher of (i) the net asset value per Plan Unit as at the Distribution Date and (ii) the Market Price per Plan Unit less 5%;
- (iii) if the Market Price equals or is greater than the net asset value per Plan Unit on the relevant Distribution Date, the Plan Agent shall apply the Distribution Funds to purchase Plan Units from the Fund through the issue of new Plan Units at the higher of (i) the net asset value per Plan Unit on the relevant Distribution Date; and (ii) the Market Price per Plan Unit less 5%;
- (iv) the Plan Units purchased in the market or from the Fund shall be allocated on a pro rata basis to the Plan Participants, in whole Plan Units, or in fractional Plan Units with up to 3 decimal places (provided that, if there is only one Plan Participant, or if the Fund so instructs the Plan Agent, the Plan Agent may issue a cheque to Plan Participant(s) in lieu of the fractional Plan Units, out of the Distributions Funds provided by the Fund); and
- (v) if, at any time prior to September 16, 1998, the Plan Agent uses the Distribution Funds to purchase Plan Units from the Fund through the issue of new Plan Units, the Fund shall, on payment by the Plan Agent of the Distribution Funds, deliver to the Plan Agent a certificate representing the Units or Trust Units, as the case may be, underlying those Plan Units, fully registered in the name of the Plan Agent. On delivery of such certificate, the Plan Agent shall pledge and grant to the Fund on behalf of Plan Participants, and the Fund shall reserve and take, a fixed and specific purchase money security interest in each of the Units or Trust Units, as the case may be, underlying the Plan Units sold by the Fund to secure payment of the final instalment for those Units or Trust Units, as the case may be. Following delivery by the Plan Agent to the Fund or its nominee of the certificate representing the Units or Trust Units, as the case may be, underlying the Plan Units, fully endorsed for transfer to the Fund or its nominee, the Fund shall cause to be delivered to CDS, on behalf of the Plan Participants, an Instalment Receipt, registered in the name of CDS

& Co., as nominee for CDS, in respect of the Units, or Trust Units, as the case may be, so pledged;

- (d) credit each Plan Participant's account as soon as practicable after investment of all Distribution Funds in respect of that Distribution, with the appropriate number of Plan Units and notify the Fund in writing of the total number of Plan Units purchased with such Distribution;
- (e) furnish to each Plan Participant within 20 Business Days after each Distribution a report of the Plan Units purchased for the account of such Plan Participant and the cumulative total of all Plan Units purchased for that account (including the Plan Units, if any, purchased on behalf of such Plan Participant pursuant to Section 2.3); and
- (f) generally, carry out all such other duties as are set out herein or as are necessary or desirable to fulfil the aims of the Plan.

2.3 Optional Cash Payments. The Plan will allow Plan Participants to make additional cash investments through optional cash payments ("Optional Cash Payments") which will be invested in Plan Units by the Plan Agent on the same basis as Distributions are invested pursuant to Section 2.2. Any Plan Participant may invest a minimum of \$100 per Optional Cash Payment with a maximum of \$20,000 per calendar year per Plan Participant. In particular, the Plan Agent agrees that:

- (a) any Optional Cash Payments from a Plan Participant (subject to the limitations as to amount set out above) received by the Plan Agent at least 5 Business Days prior to a Distribution Date shall be invested by the Plan Agent for the benefit of such Plan Participant at the same time and in the same manner as the Distribution Funds. Any such Optional Cash Payment received less than 5 Business Days prior to a Distribution Date shall be held by the Plan Agent for investment in the same manner and at the same time as the Distribution in respect of the next following Distribution Date.
- (b) the aggregate number of Plan Units that may be purchased in any calendar year by all Plan Participants through the investment of Optional Cash Payments may not exceed 2% of the number (at the commencement of that calendar year) of outstanding Plan Units. In determining such thresholds, the Plan Agent may rely on the written advice of the Fund, to be provided by the Fund with the assistance of the Administrator.
- (c) In the event that the Plan Agent should receive from a Plan Participant an Optional Cash Payment in an amount of less than \$100.00 or which when aggregated with all Optional Cash Payments received from such Plan Participant in that calendar year would exceed \$20,000, the Plan Agent shall not invest but shall return such Optional Cash Payment to such Plan Participant, without interest or deduction.

- (d) The Plan Agent shall credit the account of each Plan Participant with Plan Units purchased on behalf of such Plan Participant pursuant to an Optional Cash Payment to such Plan Participant as soon as practicable after the purchase thereof and notify the Fund of the number of Plan Units so purchased.

SECTION 3 ADMINISTRATION OF THE PLAN

3.1 Notice of Change. The Plan Agent shall respond on a timely basis to all written and telephone inquiries in respect of the Plan on behalf of the Fund. In the event of a change in the Plan Agent's address or telephone number which appears in any Plan documents, the Plan Agent shall notify, as soon as practicable, in writing and at its cost, all Plan Participants, the Fund and the Administrator of such change.

3.2 Disclosure to Plan Participants. In the event that disclosure must be made by the Fund, the Plan Agent shall provide, upon request, on a regular and timely basis, to the extent that it is able to do so, the appropriate information to enable the Fund to fulfil the specific disclosure requirements of any applicable securities regulatory authorities and stock exchanges in respect of the Plan Units purchased under the Plan.

3.3 Acceptance of Requests for Withdrawal, etc. from Plan Participants. The Plan Agent shall accept from Plan Participants written requests for withdrawal from the Plan, or any other written form of request for action which pertains specifically to the Plan, and the Plan Agent shall act in accordance with the terms of the Plan upon receipt of such written request.

3.4 No Issuance of Certificates. Unless and until the Fund has terminated its arrangement with The Canadian Depository for Securities Limited, pursuant to which Plan Units are issued in book-entry form only, the Plan Agent shall not issue certificates representing Plan Units.

3.5 Fractional Plan Units. A Plan Participant's pro rata entitlement to Plan Units purchased pursuant to the Plan may result in the Plan Participant holding a fraction of a Plan Unit. The Fund may, at its option, direct the Plan Agent to pay a cash adjustment for any such fractional Plan Unit upon the withdrawal from or termination by the Plan Participant of his or her participation in the Plan or upon termination of the Plan, provided that the Fund shall first cause the amount of any such cash adjustment to be paid to the Plan Agent.

3.6 Restriction on Issuances of Plan Units to Non-Residents. The Plan Agent shall not acquire Plan Units on behalf of a non-resident of Canada, whether with Distribution Funds or Optional Cash Payment(s), if the Plan Agent becomes aware based upon written notice from the Fund, that, upon such acquisition of Plan Units, non-residents of Canada would constitute greater than 49% of all beneficial holders of Plan Units and, in such circumstances, the Plan Agent shall, upon instruction from the Fund, terminate such Plan Participant's participation in the Plan. The Plan Agent shall not be required to take notice of the holdings of any non-resident Plan Participants unless and until so notified by the Fund. In addition, the Plan Agent shall not

acquire Plan Units on behalf of a non-resident of Canada if counsel to the Fund advises the Plan Agent in writing that to do so would violate applicable law.

SECTION 4 OBLIGATIONS OF THE FUND

4.1 Obligations. The Fund agrees that it shall:

- (a) provide or direct the Administrator to provide the Plan Agent with at least ten Business Days' notice of each Distribution Date;
- (b) make available sufficient Distribution Funds to the Plan Agent as soon as practicable on or before each Distribution Date to enable the Plan Agent to perform its obligations hereunder;
- (c) advise or direct the Administrator to advise the Plan Agent of the net asset value per Plan Unit on each Distribution Date, and the Market Price applicable for each Distribution Date (and, if applicable, the net asset value per Plan Unit on the date upon which Plan Units are purchased from the Fund) and the Plan Agent shall be entitled to rely on such information; and
- (d) promptly seek, with the assistance of the Administrator, and use its reasonable best efforts to obtain all regulatory or other approvals as are necessary for the operation of the Plan.

SECTION 5 TERMINATION OF PARTICIPATION

5.1 Notice. The Plan Agent shall terminate the participation of any Plan Participant in the Plan upon receiving notice in writing from a Plan Participant that such distributions be paid directly to him or her. Thereafter, all Distributions (net of applicable withholding taxes) to such Unitholders will be by cheque. If the notice referred to in this Section 5.1 is received no later than 5 Business Days prior to a Distribution Date, it will have effect for the Distribution in respect of such Distribution Date. If the notice is received by the Plan Agent later than 5 Business Days prior to a Distribution Date, termination of the participation by the Plan Participants will not be effective until the next following Distribution Date. Upon termination of participation in the Plan, the Plan Agent will as soon as practicable (and in any event within 20 business days) settle the Plan Participant's account by transferring the Plan Participant's Plan Units to such Plan Participant's account (which must be specified in the notice of termination) with a participant in the depository service of The Canadian Depository for Securities Limited, and if applicable pursuant to Section 3.5, issuing a cheque representing a cash adjustment for fractional Plan Units.

SECTION 6 LIMIT OF LIABILITY

6.1 Liability. The Plan Agent shall not be liable for any act or any omission of any act performed in accordance with its duties as Plan Agent pursuant to the terms of this Agreement, including, but without limiting the generality of the foregoing, any claims for liability arising with respect to the prices at which Plan Units are purchased for any Plan Participant or with respect to the times at which such purchases are made, unless such liability arises as a result of the Plan Agent's negligence, wilful misconduct or bad faith.

6.2 Reliance. The Plan Agent may act upon any signature, certificate or other document believed by it to be genuine and believed to have been signed by the properly authorized person or persons on behalf of the Fund.

SECTION 7 INDEMNITIES

7.1 Indemnification of the Plan Agent. The Plan Agent (and each of its directors and officers) shall be indemnified and saved harmless by the Fund from and against all liabilities and expenses (including, but not limited to, judgments, fines, penalties, amounts paid in settlement and counsel fees), reasonably incurred in connection with any action, suit or proceeding to which the Plan Agent may hereafter be made a party by reason of being or having been appointed the Plan Agent hereunder, other than any action, suit or proceeding in connection with any wilful misconduct, bad faith, negligence or reckless disregard of duty to Plan Participants on the part of the Plan Agent.

7.2 Limitation of Liability of Trustee. Subject to liability for its own negligence, wilful misconduct or lack of good faith and the negligence, wilful misconduct or lack of good faith of any of its directors, officers or employees or agents in the execution of any of its obligations hereunder, neither the Trustee of the Fund nor any Unitholder shall be held to any personal liability whatsoever, in tort, contract or otherwise, nor shall resort be had to the property or assets of any of them for satisfaction of any obligation or claim arising out of or in connection with any obligation of the Fund under this Agreement but the Trust Property only shall be liable and subject to levy or execution.

7.3 Acknowledgement. The Parties hereto acknowledge that:

- (a) the Administrator is entering into this Agreement solely in its capacity as attorney, on behalf of the Fund;
- (b) the obligations of the Administrator hereunder shall not be personally binding upon the Administrator nor any Unitholders; and
- (c) any recourse against the Administrator in any manner in respect of any indebtedness, obligation or liability arising hereunder or arising in connection

herewith or from matters to which this Agreement relates, shall be limited to, and satisfied only out of, the Fund's assets.

7.4 Indemnification of the Fund. The Plan Agent agrees to indemnify and save harmless the Fund from and against all liabilities and expenses (including judgments, fines, penalties, amounts paid in settlement and counsel fees), reasonably incurred in connection with any action, suit or proceeding to which it may hereafter be made a party by reason of the Plan Agent's wilful misconduct, bad faith, negligence or reckless disregard of duty to Plan Participants, in relation to the matter or matters in respect of which indemnification is claimed.

SECTION 8 FEES AND EXPENSES

8.1 Idem. The Fund shall pay out of the Trust Property the Plan Agent's charges for administering the Plan as agreed by the Plan Agent and the Administrator from time to time.

SECTION 9 AMENDMENT, SUSPENSION AND TERMINATION OF THE PLAN

9.1 Adoption of Additional Rules. The Trustee of the Fund may, in consultation with the Plan Agent, adopt additional rules and regulations to facilitate the administration of the Plan, which shall, once adopted, be deemed to form part of this Agreement.

9.2 Amendment, Suspension or Termination. Notwithstanding the provisions of Section 11.1, the Trustee of the Fund may, upon the recommendation of the Administrator, suspend or terminate the Plan at any time upon providing not less than 30 days' notice to the Plan Participants and the Plan Agent and may amend or modify the Plan at any time with the consent of the Plan Agent, such consent not to be unreasonably withheld, upon providing not less than 30 days' notice to Plan Participants.

SECTION 10 BOOK ENTRY SYSTEM

10.1 Book-Entry System. The Administrator and the Fund acknowledge and agree and hereby represent to the Plan Agent that:

- (a) all of the Units, represented by Instalment Receipts, have been issued under a book-entry system maintained by CDS, in the form of one certificate representing the book-entry Instalment Receipt Certificates, to be delivered to the CDS (or its nominees) as a nominee for and on behalf of the beneficial holders of Units;
- (b) a certificate representing Instalment Receipts shall initially be registered by the registrar and transfer agent of the Fund in the name of CDS or its nominee and no beneficial holder will receive a definitive certificate representing such holder's

interest in the Instalment Receipt Certificate unless and until the Administrator provides the Plan Agent with written notice that the Units have been removed from the book-entry system; and

- (c) for the purpose of the Plan, CDS is the registered holder of Instalment Receipts and the Plan Participant unless and until the Administrator provides the Plan Agent with written notice that the Units have been removed from the book-entry system.

10.2 Dealings with CDS. Unless and until definitive certificates are issued, the Fund and the Administrator:

- (a) authorize the Plan Agent to deal with CDS and CDS' participants for all purposes hereunder;
- (b) acknowledge and agree that the rights of the beneficial holders shall be exercised only indirectly through CDS and not through the Plan Agent; and
- (c) beneficial holders will not be recognized by the Fund, the Administrator or the Plan Agent as registered holders of Instalment Receipts or Plan Participants.

10.3 No Liability. The Plan Agent shall have no liability whatsoever, in its capacity as Plan Agent, for:

- (a) any aspect of the records relating to or payments made on account of beneficial ownership interests of the Instalment Receipt Certificates held by and registered in the name of CDS;
- (b) maintaining, supervising or reviewing any records relating to such beneficial ownership interests; or
- (c) the authority of any advice or representation made or given by CDS to the Plan Agent or any representations with respect to rules of CDS or any action to be taken by CDS.

SECTION 11 TERMINATION OF AGREEMENT

11.1 Termination by the Fund. The Fund may, in its sole discretion, upon 90 days' notice to the Plan Agent and upon payment to the Plan Agent of all outstanding fees payable hereunder, remove the Plan Agent and appoint any other person or entity licensed to carry on the business of a trustee in Ontario as the Plan Agent, provided that the Fund may not remove the Plan Agent until such time as the successor to the Plan Agent is appointed as plan agent.

11.2 Termination by the Plan Agent. The Plan Agent may resign as plan agent under the Plan upon 90 days' notice to the Administrator and upon delivery to the Fund of all documents and monies being held by the Plan Agent on the Fund's behalf pursuant to this Agreement. On receiving notice of the resignation of the resigning Plan Agent, the Fund shall forthwith appoint a successor plan agent, and any resignation of the resigning Plan Agent and appointment of a successor plan agent shall not become effective until the successor plan agent has executed an appropriate instrument accepting such appointment and, at the request of the Fund, the resigning Plan Agent shall execute and deliver to the successor plan agent an appropriate instrument transferring to such successor plan agent all rights and powers of the resigning Plan Agent hereunder so ceasing to act.

SECTION 12 SUCCESSORS AND ASSIGNS

12.1 Assignment by the Plan Agent. Upon written notice to the Fund, and subject to the approval of the Fund being obtained, this Agreement may be assigned by the Plan Agent as the plan agent to another Plan Agent if the latter is either a related party of the Plan Agent or a successor in title to the Plan Agent.

12.2 Enurement. This Agreement shall be binding upon and enure to the benefit of the Fund, the Administrator and the Plan Agent, and their respective successors and permitted assigns.

SECTION 13 NOTICES

13.1 Idem. Any notice or notification to be given by one party to this Agreement to any other party to this Agreement shall be in writing and may be delivered, or sent by mail or facsimile transmission, to the addresses or facsimile numbers set out below:

To The Fund:

c/o Citadel Diversified Management Ltd.
Suite 1710, National Bank Building
150 York Street
Toronto, Ontario
M5H 3S5

Attention: Manager
Facsimile: (416) 975-5219

To the Administrator:

Citadel Diversified Management Ltd.
Suite 1710, National Bank Building
150 York Street
Toronto, Ontario
M5H 3S5

Attention: Manager
Facsimile: (416) 975-5219

To the Plan Agent:

The Trust Company of Bank of Montreal
105 St. Jacques Street
3rd Floor
Montreal, Quebec
H2Y 1L6

Attention: Account Manager
Facsimile: (514) 877-7266

Such notice or notification shall be deemed to have been given on the date of receipt. Notices, if any, given to Plan Participants shall be given in accordance with the provisions of the Declaration of Trust.

SECTION 14 SEVERABILITY

14.1 Idem. Every term and provision of this Agreement is intended to be severable. If any term or provision shall be invalid, illegal or unenforceable for any reason, the validity, legality and enforceability of the remaining terms and provisions shall not be affected or impaired thereby.

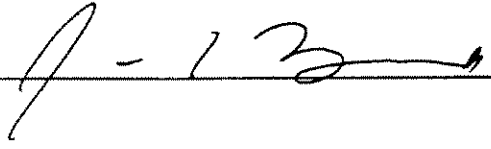
SECTION 15 GOVERNING LAW

15.1 Idem. This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein, and the parties hereby

attorn to the exclusive jurisdiction of the courts of the Province of Ontario.

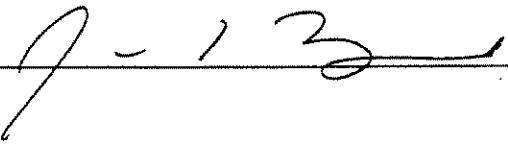
IN WITNESS WHEREOF the parties have executed this Agreement.

**CITADEL DIVERSIFIED INVESTMENT TRUST, by
its attorney, Citadel Diversified Management Ltd.**

By: 
Name:
Title:


By: _____
Name:
Title:


CITADEL DIVERSIFIED MANAGEMENT LTD.

By: 
Name:
Title:

By: _____
Name:
Title:

THE TRUST COMPANY OF BANK OF MONTREAL

By: 
Name:
Title:

By: 
Name:
Title:

SCHEDULE A

CITADEL DIVERSIFIED INVESTMENT TRUST Distribution Reinvestment Plan

Introduction

Citadel Diversified Investment Trust (the "Fund") wishes to establish this distribution reinvestment plan (the "Plan") to provide holders of trust units of the Fund (the "Unitholders") with a means to reinvest distributions declared and payable to them as Unitholders in additional Units, represented by Instalment Receipts (prior to January 16, 1998), Trust Units, represented by Instalment Receipts (subsequent to January 16, 1998 and prior to September 16, 1998) or Trust Units (subsequent to September 16, 1998) (the "Plan Units"), as described herein.

Distributions on Trust Units (and on Plan Units) will be reinvested on behalf of those Unitholders who participate in the Plan ("Plan Participants") by The Trust Company of Bank of Montreal, as plan agent under the Plan (the "Plan Agent") on the terms and conditions contained in a reinvestment plan agency agreement (the "Agreement") dated September 16, 1997, among the Fund, Citadel Diversified Management Ltd. (the "Administrator") and the Plan Agent, the material provisions of which are summarized below.

Participation in the Plan

Under the terms of the Agreement, all distributions from the Fund, net of any applicable withholding taxes, will be reinvested pursuant to the terms of the Plan on behalf of each Unitholder that elects to participate in the Plan.

Additionally, Plan Participants may make additional cash investments through optional cash payments ("Optional Cash Payments") which will be invested in Plan Units by the Plan Agent on the same basis as provided in the Plan for distributions. Any Plan Participant may invest a minimum of \$100 per Optional Cash Payment with a maximum of \$20,000 per calendar year per participant. No more than 2% in aggregate of the number (at the commencement of that calendar year) of outstanding Plan Units may be purchased by all Plan Participants pursuant to Optional Cash Payments in any calendar year.

Administration

The Fund shall pay to the Plan Agent, on behalf of the Plan Participants, all distribution amounts net of applicable withholding taxes, paid on Trust Units (and on Plan Units) for which Plan Participants are the owners on each Distribution Date. The Plan Agent shall purchase Plan Units

for the Plan Participants on the terms and conditions set out below under "Purchase of Plan Units by Plan Agent" and in the Agreement.

Purchase of Plan Units by Plan Agent

If the weighted average trading price of a Plan Unit on The Toronto Stock Exchange (or such other exchange upon which the Plan Units are then listed, if no longer listed 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 Plan Unit basis) (the "Market Price") is less than the net asset value per Plan Unit on the Distribution Date, the Plan Agent shall apply the Distribution Funds either to purchase Plan Units in the market or from the Fund in accordance with the following paragraph.

Market purchases shall be made during the 20 trading day period next following the relevant Distribution Date, when the trading price per Plan Unit (plus applicable commissions and brokerage charges on a per Plan Unit basis) does not exceed 115% of the Market Price of each Plan Unit as at the Distribution Date. Upon the expiration of such period, the Plan Agent shall use the unused part, if any, of the Distribution Funds to purchase Plan Units from the Fund at the higher of (i) the net asset value per Plan Unit as at the Distribution Date and (ii) the Market Price per Plan Unit less 5%.

If the Market Price equals or is greater than the net asset value per Plan Unit on the relevant Distribution Date, the Plan Agent shall apply the Distribution Funds to purchase Plan Units from the Fund through the issue of new Plan Units at the higher of (i) the net asset value per Plan Unit on the relevant Distribution Date; and (ii) the Market Price per Plan Unit less 5%.

The Plan Units purchased in the market or from the Fund will be allocated on a pro rata basis to the Plan Participants.

Participants' Accounts, Reports and Certificates

The Plan Agent will maintain a separate account for each Plan Participant which will be credited with the Plan Units allocated to such Plan Participant. The Plan Agent will furnish to each Plan Participant a report of the Plan Units purchased for such Plan Participant (including Plan Units purchased pursuant to Optional Cash Payments) in respect of each distribution within 20 business days after each Distribution.

These reports will be the only record for Plan Participants of the cost of each purchase of Plan Units. All such reports should be retained by Plan Participants for income tax purposes. In addition, each Plan Participant will receive annually the appropriate tax information for

recording distribution income. The reinvestment of distributions under the Plan will not relieve Plan Participants of any income tax applicable to such distributions.

Unless and until the Fund terminates its arrangement with The Canadian Depository for Securities Limited under which Plan Units are to be issued in book-entry form only, Plan Participants will not be entitled to receive from the Plan Agent or any other person a certificate evidencing ownership of Plan Units.

Commissions and Administrative Costs

There will be no commissions or brokerage charges payable on the purchase of Plan Units which are purchased directly from the Fund. Any commissions or brokerage charges payable upon the purchase of Plan Units in the market will be added to the cost of the Plan Units for the purpose of determining whether Plan Units should be purchased from the Fund or in the market.

Administrative costs associated with the operation of the Plan will be borne by the Fund.

Use of Proceeds

Proceeds received by the Fund upon the purchase of Plan Units will be invested by the Fund in accordance with the investment objectives and subject to the investment restrictions of the Fund, all as described in the Prospectus of the Fund dated September 2, 1997.

Responsibilities of the Fund, the Administrator and the Plan Agent

None of the Fund, the Administrator nor the Plan Agent shall be liable for any act done in good faith or for any good faith omission to act. In particular, without limiting the generality of the foregoing, none of the Fund, the Administrator nor the Plan Agent shall have any liability with respect to the prices at which Plan Units are purchased for the Plan Participants' accounts or the times at which such purchases are made.

Plan Participants should recognize that none of the Fund, the Administrator nor the Plan Agent can assure a gain or protect against loss as a result of their holding Plan Units.

Termination of Participation

Plan Participants may, after electing to participate in the Plan, terminate their participation in the Plan by providing 10 business days' written notice to the Plan Agent prior to the applicable

Distribution 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 Plan Participant holds Plan Units. Such notice, if actually received no later than 10 business days prior to the applicable Distribution Date, will have effect for such distribution, and if not so received will have effect for the next following Distribution.

Upon termination of participation in the Plan, the Plan Agent will as soon as practicable (and in any event within 20 business days) settle the Plan Participant's account by transferring the Plan Participant's Plan Units to such Plan Participant's account (which must be specified in the notice) with a participant in the depository service of The Canadian Depository for Securities Limited, and if directed to do so by the Fund, the Plan Agent may issue a cheque representing a cash adjustment for fractional Plan Units.

Amendments, Suspension or Termination of Plan and Plan Agent

The Trustee of the Fund may, upon the recommendation of the Administrator, suspend or terminate the Plan at any time upon providing not less than 30 days' notice to the Plan Participants and may amend or modify the Plan at any time with the consent of the Plan Agent, such consent not to be unreasonably withheld, upon providing not less than 30 days' notice to Plan Participants.

The Fund, may, in its sole discretion, and upon 90 days' notice to the Plan Agent, remove the Plan Agent and appoint any other person licensed to carry on the business of a trustee in Ontario as the Plan Agent.

Similarly, the Plan Agent may resign as agent under the Plan upon 90 days' notice to the Fund and upon delivery to the Fund of all documents and monies being held by the Plan Agent on the Fund's behalf pursuant to the Agreement.

Effective Date

Subject to receipt of all required regulatory approvals, the Plan shall be deemed effective for any distributions made after the date set out below.

Notices

All notices required to be given to Plan Participants will be mailed to them at the address shown on the records of the Plan Agent.

Written communications to the Plan Agent should be addressed to:

The Trust Company of Bank of Montreal
105 St. Jacques Street
3rd Floor
Montreal, Quebec
H2Y 1L6
Attention: Account Manager
Facsimile: (514) 877-7266

Written communications to the Administrator should be addressed to:

Citadel Diversified Management Ltd.
Suite 1710, National Bank Building
150 York Street
Toronto, Ontario M5H 3S5
Attention: Manager
Facsimile: (416) 975-5219

Written communications to the Fund should be addressed to:

c/o Citadel Diversified Management Ltd.
Suite 1710, National Bank Building
150 York Street
Toronto, Ontario M5H 3S5
Attention: Manager
Facsimile: (416) 975-5219

DATED September 16, 1997