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May 2, 2005

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - NI 51-102 *Continuous Disclosure Obligations*, s. 13.1 - Requirements concerning the preparation, filing and delivery of annual and interim financial statements - Securities Act, s. 91 - Requirements in the Securities Rules concerning the preparation, filing and delivery of annual and interim financial statements - An issuer of pay-through asset-backed notes wants relief from the requirements concerning the preparation, filing and delivery of unaudited interim financial statements and/or audited annual financial statements - The issuer is a special purpose trust whose business is restricted; holders of notes of a particular series will only have recourse to the related collateral of notes of that series and will not have any recourse to the trust or the related collateral of the notes of any other series; the issuer will file quarterly and annually on SEDAR and make available on a website management information concerning the receivables and related collateral and a monthly servicer report; the issuer will advise holders of notes at least annually that quarterly and annual management information and the monthly servicer report is available on SEDAR and a website, provide the website address of both and advise that the holders may request paper copies to be sent to them by ordinary mail

Applicable British Columbia Provisions

Securities Act, R.S.B.C. 1996, c. 418, s. 91

Securities Rules, B.C. Regulation 194/97, ss. 144, 145 and 149

National Instrument 51-102 *Continuous Disclosure Obligations*, ss. 4.1, 4.3, 4.5, 4.6 and 13.1

In the Matter of
the Securities Legislation
of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, Nova
Scotia, New Brunswick and Newfoundland and Labrador

and

In the Matter of
the Mutual Reliance Review System for Exemptive Relief Applications

and

In the Matter of
Real Estate Asset Liquidity Trust

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MRRS Decision Document

Background

The local securities regulatory authority or regulator (the “Decision Maker”) in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, Nova Scotia, New Brunswick and Newfoundland and Labrador (the “Jurisdictions”) has received an application from Real Estate Asset Liquidity Trust (the “Issuer”) for a decision under the securities legislation of the Jurisdictions (the “Legislation”) for an exemption from the provisions of the Legislation concerning the preparation, filing and delivery of interim and annual financial statements (the “Continuous Disclosure Requirements”) of the Issuer (the “Requested Relief”).

Under the Mutual Reliance Review System for Exemptive Relief Applications (the “System”):

- (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 Issuer:

1. The Issuer was created pursuant to a declaration of trust dated September 13, 2004, as amended by an amended and restated declaration of trust dated as of October 7, 2004 (the “Declaration of Trust”), under the laws of the Province of Ontario.
2. The issuer trustee of the Issuer is Montreal Trust Company of Canada (the “Issuer Trustee”), a trust company incorporated under the *Trust and Loan Companies Act* (Canada). The head office of the Issuer Trustee is located in Toronto, Ontario.
3. Royal Bank of Canada (“RBC”) is the administrative agent of the Issuer pursuant to an administration agreement between RBC and the Issuer Trustee dated as of September 13, 2004.
4. The Issuer filed an initial annual information form on September 13, 2004.

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5. The financial year end of the Issuer is December 31.
6. The Issuer is a “reporting issuer”, or the equivalent, in each Jurisdiction. The Issuer became a reporting issuer, or the equivalent, in each Jurisdiction on October 20, 2004, the date the Issuer received a MRRS decision document in respect of its short form prospectus dated October 20, 2004 (the “Series 2004-1 Prospectus”).
7. The Declaration of Trust restricts the activities of the Issuer to the acquisition of various categories of commercial and multifamily residential mortgages, hypothecs or other charges on real or immovable property situated in Canada and originated by parties other than the Issuer (the “Custodial Property”). The Issuer funds the acquisition of the Custodial Property by issuing mortgage pass-through certificates that evidence an undivided co-ownership interest in the Custodial Property (the “Certificates”). The Custodial Property is deposited with a custodian and the recourse of Certificate holders is limited to the Custodial Property and any proceeds thereof.
8. The Issuer was created solely to act as a vehicle for carrying out activities related to issuing asset-backed securities in respect of Custodial Property acquired by the Issuer.
9. The Issuer has issued (i) \$381,434,000 aggregate amount of Commercial Mortgage Pass-Through Certificates, Series 2004-1, designated as Classes A-1, A-2, B, C, D-1 and E-1, each with an Approved Rating by an Approved Rating Organization (as such terms are defined in National Instrument 44-101 – *Short Form Prospectus Distributions*), pursuant to the Series 2004-1 Prospectus, (ii) \$19,091,747 aggregate amount of Commercial Mortgage Pass-Through Certificates, Series 2004-1, designated as Classes D-2, E-2, F, G, H, J, K, L, M and X, on a private placement basis in Canada, (iii) \$333,206,000 aggregate amount of Commercial Mortgage Pass-Through Certificates, Series 2005-1, designated as Classes A-1, A-2, XP-1, XC-1, B, C, D-1 and E-1, each with an Approved Rating by an Approved Rating Organization, pursuant to a short form prospectus dated April 5, 2005 (the “Series 2005-1 Prospectus”), and (iv) \$14,332,868 aggregate amount of Commercial Mortgage Pass-Through Certificates, Series 2005-1, designated as Classes XP-2, XC-2, D-2, E-2, F, G, H, J, K, L and M, on a private placement basis in Canada (collectively, the “Issued Certificates”).
10. The Issuer is currently a venture issuer (as such term is defined in National Instrument 51-102 – *Continuous Disclosure Obligations* (“NI 51-102”)).

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11. Pending this Decision, the Issuer has complied with the alternative disclosure described in paragraph 19 hereof and, pursuant to Sections 4.7 and 5.1 of NI 51-102, the Issuer has not filed any interim financial statements or interim management's discussion and analysis since the Issuer became a reporting issuer, or the equivalent, in each Jurisdiction after its interim period ended September 30, 2004 and financial statements for the Issuer were not included in the Prospectus.
12. As a special purpose vehicle, the Issuer will not carry on any activities other than activities related to issuing asset-backed securities in respect of Custodial Property acquired by the Issuer.
13. The Issued Certificates sold pursuant to the Series 2004-1 Prospectus and the Series 2005-1 Prospectus have been, and the Certificates to be sold in the future pursuant to a short form prospectus will be, sold on the basis of an Approved Rating by an Approved Rating Organization which will from time to time independently review such rating based on the performance of the Custodial Property.
14. The Issuer currently has, and will continue to have, no material assets or liabilities other than its rights and obligations arising from acquiring Custodial Property and issuing asset-backed securities. Certificate holders will only have recourse to the Custodial Property and will not have any recourse to the Issuer.
15. The information that is to be disclosed in the interim and annual financial statements of the Issuer is not relevant to the holders of Certificates because, as noted in paragraph 14, such holders only have entitlements in and recourse to the Custodial Property and do not have any entitlements in or recourse to the Issuer.
16. For the offering of the Issued Certificates, the Issuer entered into, and for each future offering of Certificates, the Issuer will enter into, a pooling and servicing agreement (the "Pooling and Servicing Agreement") with a reporting agent (the "Reporting Agent"), a Canadian trust company, as custodian on behalf of the Certificate holders (the "Custodian"), and one or more servicers (each, a "Servicer"), among others, providing for, among other things, the issuance of Certificates and governing the rights of Certificate holders.
17. The Pooling and Servicing Agreement in respect of the Issued Certificates provides, and the Pooling and Servicing Agreement in respect of future series of Certificates will provide, for the fulfillment of certain administrative functions relating to such Certificates, such as maintaining a register of

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Certificate holders and the preparation by the Servicer and the Reporting Agent of periodic reports (the “Reports”) to Certificate holders containing financial and other information in respect of the Custodial Property.

18. There will be no annual meetings of Certificate holders since the Pooling and Servicing Agreement with respect to the Issued Certificates provides, and the Pooling and Servicing Agreement with respect to future series of Certificates will provide, that only the holders of a certain percentage of Certificates of each series of the Issuer have the right to direct a Servicer or the Custodian to take certain actions under the Pooling and Servicing Agreement with respect to such series of Certificates.
19. The Reporting Agent provides, and will continue to provide, on a website to be identified in the relevant short form prospectus of the Issuer, the financial and other information prescribed therein to be made available to Certificate holders on a monthly basis, such information to include information relating to distributions made in that month, Certificate balances, administration and other fees, and certain aspects of the performance and composition of the Custodial Property, and the Issuer has contemporaneously filed, and will continue to contemporaneously file or cause to be reasonably contemporaneously filed, the monthly reports commonly known as distribution date statements or their equivalent (the “Distribution Date Statements”) on the System for Electronic Document Analysis and Retrieval (“SEDAR”).
20. Notwithstanding paragraph 19 hereof, the Issuer may amend the contents of the financial and other information posted on the Reporting Agent’s website and filed on SEDAR to prevent the disclosure of the name or address of a mortgaged property or any obligor pursuant to the *Personal Information Protection and Electronic Documents Act* (Canada), confidentiality agreements or other obligations of confidentiality binding on the Issuer and certain information on the Reporting Agent’s website will only be available on a restricted access basis. No material information will be disclosed on the Reporting Agent’s website unless it is also filed contemporaneously via SEDAR with the Decision Makers for posting on www.sedar.com.
21. On not less than an annual basis, the Issuer will request intermediaries to deliver a notice to Certificate holders pursuant to the procedures stipulated by National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer* or any successor instrument thereto, advising Certificate holders that the monthly information prescribed in paragraph 19 hereof, the quarterly information prescribed in paragraph 22 hereof and the annual information prescribed in paragraph 23 hereof is available on SEDAR

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and on a website, providing the website address and advising that Certificate holders may request that paper copies of such reports be provided to them by ordinary mail.

22. Within 60 days of the end of each interim period of the Issuer (or within 45 days of the end of an interim period if the Issuer is not a venture issuer at the end of such interim period), the Reporting Agent or the Issuer or its duly appointed representative or agent will post on the applicable website and file on SEDAR, and mail to Certificate holders who so request, interim management discussion and analysis for that interim period with respect to the Custodial Property pools acquired with the proceeds of the Certificates and a quarterly report which shall include the amount of distributions of principal and interest on the Certificates, administration and other fees, and other information on the Certificates for the interim period.
23. Within 120 days of the end of each financial year of the Issuer (or within 90 days of the end of a financial year of the Issuer if the Issuer is not a venture issuer at the end of such financial year), the Reporting Agent or the Issuer or its duly appointed representative or agent will post on the applicable website and file on SEDAR, and mail to Certificate holders who so request:
 - (a) annual management discussion and analysis for that financial year with respect to the Custodial Property pools acquired with the proceeds of the Certificates and an annual report which shall include the amount of distributions of principal and interest on the Certificates, administration and other fees, and other information on the Certificates for the financial year;
 - (b) an annual statement of compliance (the “Certificate of Compliance”) signed by a senior officer of each applicable Servicer or other party acting in a similar capacity for the applicable Custodial Property pool certifying that the Servicer or such other party acting in a similar capacity has fulfilled all of its obligations under the applicable Pooling and Servicing Agreement during the year, or, if there has been a material default, specifying each such default and the nature and status thereof; and
 - (c) an annual accountants’ report (the “Accountants’ Report”) prepared by a firm of independent public or chartered accountants respecting compliance by each Servicer or such other party acting in a similar capacity with the Uniform Single Attestation Program for Mortgage Bankers, or such other servicing standard acceptable to the Decision Makers, during the year.

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24. The Issuer will issue news releases and file material change reports in accordance with the requirements of the Legislation in respect of material changes in the status (including as a result of defaults in payments due to Certificate holders) of the Custodial Property pool underlying the Certificates which may reasonably be considered to be material to Certificate holders.
25. Other than in Ontario, fees payable in connection with the filing of annual financial statements will be paid at the time that, and in respect of, the annual financial information specified in paragraph 23 hereof is required to be filed.
26. In Ontario, the fees payable by the Issuer pursuant to the Ontario Securities Commission Rule 13-502 – *Fees* or as otherwise determined by the Decision Maker in Ontario, will be paid no later than the date on which the annual financial information specified in paragraph 23 hereof is required to be filed.
27. The provision of information to Certificate holders on a monthly, quarterly and annual basis as described in paragraphs 19, 22 and 23 hereof, as well as the annual notices to be given by the Issuer as to the availability of such information given pursuant to the terms of paragraph 21 hereof will meet the objectives of allowing the Certificate holders to monitor and make informed decisions about their investment.
28. The Certificate of Compliance and the Accountants' Report will provide assurance to Certificate holders in respect of the accuracy of the Reports since the Issuer does not participate in the preparation of the Reports other than reviewing the Reports and informing the Reporting Agent of any errors that they are aware of therein.
29. Certificate holders will obtain adequate and relevant financial information regarding the Certificates from the information described in paragraphs 19, 22 and 23 hereof.

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 in the Jurisdictions under the Legislation is that the Requested Relief is granted provided that:

- (a) the Issuer has not issued any securities, other than Certificates;

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- (b) the Issuer complies with paragraphs 12, 14, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25 and 26 hereof;
- (c) the Issuer complies with all requirements of NI 51-102 other than the requirements concerning the preparation, filing and delivery of interim and annual financial statements; and
- (d) this decision shall terminate sixty days after the occurrence of a material change in any of the representations of the Issuer contained in paragraphs 6, 7, 12, 14, 15, 17 and 19 hereof, unless the Issuer satisfies the Decision Makers that the exemption should continue.

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