

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

AND

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

AND

IN THE MATTER OF
CHIP MASTER TERM TRUST
A SPECIAL PURPOSE TRUST
TO BE ORGANIZED BY
CANADIAN HOME INCOME PLAN CORPORATION

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, Nova Scotia, Prince Edward Island, Newfoundland, Nunavut, Yukon and Northwest Territories (the "Jurisdictions") has received an application from Canadian Home Income Plan Corporation (the "Applicant") on behalf of CHIP Master Term Trust, a special purpose trust to be created under the laws of Ontario, (the "Issuer") for a decision pursuant to section 4.5 of Canadian Securities Administrators' National Policy Statement No. 47 ("NP 47") - *Prompt Offering Qualification System* and pursuant to the applicable securities legislation of Quebec including, but not limited to, those set forth in Title II and Title III of the *Securities Act* and *Regulation* (Quebec) (the "POP Requirements") (the POP Requirements together with Canadian Securities Administrators' National Policy Statement No. 44 ("NP 44") - *Rules for Shelf Prospectus Offerings* and the applicable securities legislation of Quebec, including but not limited to those set forth in Title II and Title III of the *Securities Act* and *Regulation* (Quebec) (the "Shelf Requirements") are referred to collectively as the "Policies") that the eligibility requirements (the "Eligibility Requirements") contained in the Policies for participation in the Prompt Offering Qualification System (the "POP System"), participation in the shelf system (the "Shelf System"), use of the Shelf Procedures (as defined in the Shelf Requirements) relating to securities with an Approved Rating by an Approved Rating Organization (all as defined in the POP Requirements) and for the utilization of annual information forms (each, an "AIF"), a preliminary short form base shelf prospectus ("preliminary Shelf Prospectus") or a preliminary short form prospectus ("preliminary Short Form Prospectus"), a final short form base shelf prospectus ("final Shelf Prospectus") or a final short form prospectus ("final Short Form Prospectus"), shelf prospectus supplements (each a "Prospectus Supplement") and any necessary supporting documents shall not apply to the Issuer and that the Issuer may participate in the POP System and the Shelf System with respect to the issuance of Asset-Backed Securities (as defined below) from time to time to the public.

AND WHEREAS pursuant to National Policy 12-201 - *Mutual Reliance Review System for Exemptive Relief Applications* (the "System"), the Applicant has selected the Ontario Securities Commission as the Principal Regulator for this application.

AND WHEREAS the Applicant has represented to the Decision Makers that:

1. The Issuer will be established by a Canadian trust company pursuant to a declaration of trust (the "Declaration of Trust") governed by the laws of the Province of Ontario. Pursuant to an administration agreement to be entered into between the Issuer and the Applicant (in this capacity, the "Administrative Agent"). The Administrative Agent will agree to carry out certain administrative and management activities for and on behalf of the Issuer.

2. Pursuant to the Declaration of Trust, the business activities (the "Business Activities") of the Issuer will be specifically limited to purchasing or originating interests in reverse mortgages or purchasing partnership interests (the "Partnership Interests") in single purpose limited partnerships (the "Limited Partnerships") which in turn will be specifically limited to:

- (i) purchasing reverse mortgages from the Applicant or originating reverse mortgages directly;
- (ii) redeeming Partnership Interests previously issued to other limited partners of the Limited Partnerships;
- (iii) loaning funds to the Applicant; and
- (iv) activities reasonably incidental to the foregoing,

for the purpose of earning income therefrom, and the funding of such activities through the issuance of Asset-Backed Securities (as defined in paragraph 3 below), evidencing indebtedness of the Issuer pursuant to the terms of a trust indenture (the "Trust Indenture") between the Issuer and an indenture trustee (the "Indenture Trustee"). The Issuer will not carry on any activities other than those permitted under the Declaration of Trust.

3. The Issuer proposes to offer (the "Offerings") under the POP System or the Shelf System from time to time to the public in Canada, securities ("Asset-Backed Securities"), which will be issued in series and may comprise one or more classes in each series, having an Approved Rating (as defined in the POP Requirements) that are primarily serviced by the cash flows of discrete pools of reverse mortgage receivables ("Reverse Mortgages") that by their terms convert into cash within a finite time period, and any rights or other assets designed to assure the servicing or timely distribution of proceeds to security holders. Proceeds from the issuance of Asset-Backed Securities will be primarily used to finance the Business Activities of the Issuer.

4. The Issuer currently has no assets or liabilities and, as a special purpose trust, the Issuer will have no assets other than interests in reverse mortgages and/or the Partnership Interests to be purchased from time to time in connection with any future Offering and certain other assets, such as highly rated marketable securities, designed to assure the servicing or timely distribution of proceeds to its security holders. The Issuer will not carry on any activities other than purchasing

and holding reverse mortgages and/or Partnership Interests and related assets and issuing Asset-Backed Securities in connection therewith.

5. Holders of Asset-Backed Securities of the Issuer will only have recourse to a related Partnership Interest (or a segregated pool of reverse mortgages) and related security and will not have any further recourse to the Issuer.

6. The Issuer would not be eligible to participate in the POP System without this decision because it does not satisfy the 12-month reporting issuer history or the public float eligibility criteria set out in the POP Requirements.

7. In connection with each proposed Offering by the Issuer pursuant to the POP System,

(a) the Issuer will have a current AIF;

(b) if the Issuer is filing a preliminary Short Form Prospectus more than 90 days after the end of its most recently completed financial year, the Issuer will have filed financial statements for that year;

(c) in the case of an Offering made under the POP System that is not an Offering under the Shelf System, the Asset-Backed Securities to be distributed will:

(i) have received an Approved Rating on a provisional basis,

(ii) not have been the subject of an announcement by an Approved Rating Organization of which the Issuer is or ought reasonably to be aware that the Approved Rating given by the Approved Rating Organization may be downgraded to a rating category that would not be an Approved Rating, and

(iii) not have received a provisional or final rating lower than an Approved Rating from any Approved Rating Organization.

(d) in the case of an Offering under the Shelf System, at the respective times of the filing of its preliminary Shelf Prospectus and final Shelf Prospectus, the Issuer will have reasonable grounds for believing that:

(i) all Asset-Backed Securities that it may distribute under the final Shelf Prospectus will receive an Approved Rating from at least one Approved Rating Organization; and

(ii) no Asset-Backed Securities that it may distribute under the final Shelf Prospectus will receive a rating lower than an Approved Rating from any Approved Rating Organization.

8. Each AIF of the Issuer will be prepared in accordance with Appendix A of NP 47 and Schedule IX to the regulation under the *Securities Act* (Quebec), with the following amendments:

(a) the disclosure in AIFs filed by the Issuer will be modified to reflect the special purpose nature of its business;

(b) if the Issuer has not completed its first financial year, the Issuer may present the information contained in its initial AIF as at a date within 30 days before the date that the initial AIF is filed;

(c) if the Issuer has Asset-Backed Securities outstanding that were issued pursuant to a prospectus, the AIF filed by the Issuer will disclose:

(i) a description of any events, covenants, standards or preconditions that may reasonably be expected to affect the timing or amount of any payments or distributions to be made under the Asset-Backed Securities;

(ii) for the two most recently completed financial years of the Issuer or the lesser period commencing on the first date on which the Issuer had Asset-Backed Securities outstanding, information on the underlying pool of financial assets relating to:

(A) the composition of the pool as of the end of the financial year or partial period;

(B) income and losses from the pool on at least an annual basis or such shorter period as is reasonable given the nature of the underlying pool of assets;

(C) the payment, prepayment and collection experience of the pool on at least an annual basis or such shorter period as is reasonable given the nature of the underlying pool of assets;

(D) servicing and other administrative fees; and

(E) any significant variances experienced in the matters referred to in subclauses 8(c)(ii)(A) to (D);

(iii) if any of the information disclosed under clause 8(c)(ii) has been audited, the existence and results of the audit;

(iv) the investment parameters applicable to investments of any cash flow surpluses;

(v) the amount of payments made during the two most recently completed financial years of the Issuer or the lesser period commencing on the first date on which the Issuer had Asset-Backed Securities outstanding, in respect of principal and interest or capital and yield, each stated separately, on asset-backed securities of the Issuer outstanding;

(vi) the occurrence of any events that have led or with the passage of time could lead to the accelerated payment of principal or capital of Asset-Backed Securities; and

(vii) the identity of any principal obligors for the outstanding Asset-Backed Securities of the Issuer at the end of the most recent financial year or partial period, the percentage of the underlying pool of financing assets represented by obligations of each principal obligor and whether the principal obligor, if any, has filed an AIF in any jurisdiction or a Form 10-K or Form 20-F in the United States.

9. Each preliminary Short Form Prospectus, preliminary Shelf Prospectus, final Short Form Prospectus and final Shelf Prospectus, as applicable, filed by the Issuer will be prepared in accordance with Appendix B of NP 47 and Schedule IV to the regulation made under the *Securities Act* (Quebec) with such amendments in connection with the Shelf System as are specified in subsection 2.3(b), Section 3 and Appendix B of NP 44 and Division III.1 of Chapter I of Title II to the regulation under the *Securities Act* (Quebec) with the following additional amendments:

(a) the disclosure in the preliminary Short Form Prospectus, preliminary Shelf Prospectus, final Short Form Prospectus and final Shelf Prospectus filed by the Issuer will be modified to reflect the special nature of its business;

(b) the preliminary Short Form Prospectus, preliminary Shelf Prospectus, final Short Form Prospectus and final Shelf Prospectus will describe or set out:

(i) the material attributes and characteristics of the Asset-Backed Securities to be offered, including:

(A) the rate of interest or stipulated yield and any premium;

(B) the date for repayment of principal or return of capital and any circumstances in which payments of principal or capital may be made before such date, including any redemption or pre-payment obligations or privileges of the Issuer and any events that may trigger early liquidation or

amortization of the underlying pool of financial assets;

(C) provisions for the accumulation of cash flows to provide for the repayment of principal or return of capital;

(D) provisions permitting or restricting the issuance of additional securities and any other material negative covenants applicable to the Issuer;

(E) the nature, order and priority of the entitlements of holders of Asset-Backed Securities and any other entitled persons or companies to receive cash flows generated from the underlying pool of financial assets; and

(F) any events, covenants, standards or preconditions that may reasonably be expected to affect the timing or amount of payment or distributions to be made under the Asset-Backed Securities, including those that are dependent or based on the economic performance of the underlying pool of financial assets;

(ii) information on the underlying pool of financial assets for the period from the date as at which the following information was presented in the Issuer's current AIF to a date not more than 90 days before the date of the issuance of a receipt for the preliminary Short Form Prospectus or preliminary Shelf Prospectus, as the case may be, of:

(A) the composition of the pool as of the end of the period;

(B) income and losses from the pool for the period, on at least an annual basis or such shorter period as is reasonable given the nature of the underlying pool of assets; and

(C) the payment, prepayment and collection experience of the pool for the period on at least an annual basis or such shorter period as is reasonable given the nature of the underlying pool of assets;

(iii) the type or types of the financial assets, the manner in which the financial assets originated or will originate and, if applicable, the mechanism and terms of the agreement governing the transfer of the financial assets comprising the underlying pool to or through the Issuer, including the consideration paid for the financial assets;

(iv) any person or company who:

(A) originated, sold or deposited a material portion of the financial assets comprising the pool, or has agreed to do so;

(B) acts, or has agreed to act, as a trustee, custodian, bailee or agent of the Issuer or any holder of the Asset-Backed Securities, or in a similar capacity;

(C) administers or services a material portion of the financial assets comprising the pool or provides administrative or managerial services to the Issuer, or has agreed to do so, on a conditional basis or otherwise, if finding a replacement provider of the services at a cost comparable to the cost of the current provider is not reasonably likely, a replacement provider of the services is likely to achieve materially worse results than the current provider, the current provider of the services is likely to default in its service obligations because of its current financial condition, or the disclosure is otherwise material;

(D) provides a guarantee, alternative credit support or other credit enhancement to support the obligations of the Issuer under the Asset-Backed Securities or the performance of some or all of the financial assets in the pool, or has agreed to do so; or

(E) lends to the Issuer in order to facilitate the timely payment or repayment of amounts payable under the Asset-Backed Securities, or has agreed to do so;

(v) the general business activities and material responsibilities under the Asset-Backed Securities of a person or company referred to in subclause 9(b)(iv);

(vi) the terms of any material relationships between:

(A) any of the persons or companies referred to in subclause 9(b)(iv) or any of their respective affiliates; and

(B) the Issuer;

(vii) any provisions relating to termination of services or responsibilities of any of the persons or companies referred to in subclause 9(b)(iv) and the terms on which a replacement may be appointed; and

(viii) any risk factors associated with the Asset-Backed Securities, including disclosure of material risks associated with changes in interest rates or prepayment levels, and any circumstances where payments on the Asset-Backed Securities could be impaired or disrupted as a result of any reasonably foreseeable event that may delay, divert or disrupt the cash flows dedicated to service the Asset-Backed Securities,

provided that if any of the foregoing information will be disclosed in a Prospectus Supplement, and a statement indicating that all shelf information omitted from the shelf prospectus will be contained in one or more prospectus supplements that will be delivered to purchasers together with the final Shelf Prospectus, it may be omitted from the corresponding Shelf Prospectus;

(c) each preliminary Shelf Prospectus and final Shelf Prospectus will contain a statement that the Issuer has filed an undertaking that it will not distribute Asset-Backed Securities of a type that, at the time of distribution, have not previously been distributed by prospectus ("Novel Asset-Backed Securities") without pre-clearing with the applicable Decision Maker the disclosure to be contained in a Prospectus Supplement pertaining to the distribution of such Novel Asset-Backed Securities;

(d) each preliminary Short Form Prospectus, preliminary Shelf Prospectus, final Short Form Prospectus and final Shelf Prospectus will disclose any factors or considerations previously identified by the Approved Rating Organization in writing as giving rise to unusual risks associated with the securities to be distributed

(e) if one or more ratings, including provisional ratings, have been received from one or more Approved Rating Organizations for the securities to be distributed and the rating(s) continue in effect, each preliminary POP Prospectus, final POP Prospectus, preliminary Shelf Prospectus and final Shelf Prospectus will disclose:

- (i) each security rating, including a provisional rating, received from an Approved Rating Organization;
- (ii) the name of each Approved Rating Organization that has assigned a rating for the securities to be distributed;
- (iii) a definition or description of the category in which each Approved Rating Organization rated the securities to be distributed and the relative rank of each rating within the Approved Rating Organization's overall classification system;
- (iv) an explanation of what the rating addresses and what attributes, if any, of the securities to be distributed are not addressed by the rating;
- (v) any factors or considerations identified by the Approved Rating Organization as giving rise to unusual risks associated with the securities to be distributed;
- (vi) a statement that security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the rating organization; and
- (vii) any announcement made by, or any proposed announcement known to the Issuer to be made by, an Approved Rating Organization that the Approved Rating Organization is reviewing or intends to revise or withdraw a rating previously assigned and required to be disclosed in this paragraph.

10. The Prospectus Supplements will be prepared in accordance with the Shelf Requirements, and will include all of the shelf information pertaining to the distribution of asset-backed securities which was omitted from the Shelf Prospectus.

AND WHEREAS under 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 pursuant to the Policies is that the Eligibility Requirements set forth in the POP Requirements shall not apply to the Issuer in connection with the Offerings and that the Issuer may participate in the POP System and the Shelf System to distribute Asset-Backed Securities with an Approved Rating from time to time, and for the purposes of any such distribution to utilize AIF's, a preliminary Shelf Prospectus or preliminary Short Form Prospectus, as the case may be, a final Shelf Prospectus or final Short Form

Prospectus, as the case may be, Prospectus Supplements and any necessary supporting documents, with such amendments from the form requirements of the Policies, as applicable, as are set forth herein, provided that:

(a) the Issuer complies with paragraphs 7, 8, 9 and 10 hereof;

(b) the Issuer complies with all of the filing requirements and procedures set out in the POP Requirements and the Shelf Requirements, except as such requirements are varied by this Decision;

(c) the Issuer files an undertaking before or concurrently with each preliminary Shelf Prospectus which states that:

(i) the Issuer will not distribute under the final Shelf Prospectus Novel Asset-Backed Securities without pre-clearing the disclosure pertaining to the distribution of such Novel Asset-Backed Securities in any Prospectus Supplement with the applicable Decision Maker; and

(ii) the Issuer shall not distribute such Novel Asset-Backed Securities in any Jurisdiction unless:

(A) the draft Prospectus Supplements pertaining to the distribution of such Novel Asset-Backed Securities have been delivered to the applicable Decision Maker in substantially final form; and

(B) either:

(1) the applicable Decision Maker has confirmed his or her acceptance of each draft Prospectus Supplement in substantially final form or in final form; or

(2) 21 days has elapsed since the date of delivery of each draft Prospectus Supplement in substantially final form to the applicable Decision Maker and the applicable Decision Maker has not provided written comments on the draft Prospectus Supplement;

(d) the Issuer files with each AIF for each director and executive officer of the Administrative Agent for whom the Issuer has not previously delivered to the

Decision Makers the following information, a statement containing such individual's:

- (i) full name;
- (ii) position with or relationship to the Administrative Agent;
- (iii) employer's name and address, if other than the Administrative Agent;
- (iv) full residential address;
- (v) date and place of birth; and
- (vi) citizenship; and

an authorization of such individual for the collection of personal information;

(e) the Issuer is not required to file an eligibility certificate with each AIF;

(f) in the case of an Offering made under the POP System that is not an Offering under the Shelf System, at the time of filing its preliminary Short Form Prospectus the Asset-Backed Securities to be distributed have

- (i) received an Approved Rating, on a provisional basis,
- (ii) not been the subject of an announcement by an Approved Rating Organization of which the Issuer is or ought to be aware that the Approved Rating given by the organization may be downgraded to a rating category that would not be an Approved Rating, and
- (iii) not received a provisional or final rating lower than an Approved Rating from any Approved Rating Organization;

(g) in the case of an Offering under the Shelf System, at the time of the filing of its preliminary Shelf Prospectus and final Shelf Prospectus, the Issuer has reasonable grounds for believing that:

- (i) all Asset-Backed Securities that it may distribute under the final Shelf Prospectus will receive an Approved Rating from at least one Approved Rating Organization, and

(ii) no Asset-Backed Securities that it may distribute under the final Shelf Prospectus will receive a rating lower than an Approved Rating from any Approved Rating Organization;

(h) the Issuer files with each preliminary Short Form Prospectus, and each preliminary Shelf Prospectus, an eligibility certificate executed on behalf of the Issuer by one of its senior officers certifying that the Issuer satisfies all of the criteria on which the Issuer is relying in order to be qualified to file a prospectus in the form of a short form prospectus, and which makes reference to this Decision; and

(i) this decision will automatically expire upon the later of proposed National Instrument 44-101 and proposed National Instrument 44-102 coming into force in each of the Jurisdictions.

DATED at Toronto on this 20th day of October, 2000.

"Iva Vranic"
Iva Vranic
Manager, Corporate Finance

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Waiver granted pursuant to section 4.5 of National Policy Statement No. 47 (and equivalent Quebec legislation) to enable Issuer to participate in the POP System and the Shelf System (as contemplated in National Policy Statement No. 44 (and equivalent Quebec legislation) to distribute asset-backed securities in accordance with proposed National Instruments 44-101 and 44-102.

Applicable National Policies

National Policy Statement No. 47 - Prompt Offering Qualification System

National Policy Statement No. 44 - Rules for Shelf Prospectus Offerings and for Pricing Offerings After the Final Prospectus is Received

Proposed National Instrument 44-101 - Short Form Prospectus Distributions

Proposed National Instrument 44-102 - Shelf Distributions