

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

AND

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

AND

IN THE MATTER OF  
RESIDENTIAL EQUITIES REAL ESTATE INVESTMENT TRUST

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of the Provinces of Canada (the "Jurisdictions") has received an application from Residential Equities Real Estate Investment Trust (the "Trust") for a decision pursuant to the securities legislation of each 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 distributions of units of the Trust ("Units") which will be distributed by the Trust as a distribution out of earnings pursuant to the distribution reinvestment plan (the "DRP") of the Trust;

AND WHEREAS pursuant to the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), the Ontario Securities Commission is the principal jurisdiction for this application;

AND WHEREAS it has been represented by the Trust to the Decision Makers that:

1. The Trust is an unincorporated closed-end investment trust created pursuant to a declaration of trust dated October 24, 1997, as amended and restated on June 15, 2000 (the "Declaration of Trust") and governed by the laws of the Province of Ontario. The beneficial interests in the Trust are divided into a single class of Units.
2. The Trust is not 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 Trust as contemplated in the definition of "mutual fund" in the Legislation.
3. The Trust is a reporting issuer, or the equivalent, under the Legislation and is not on the list of defaulting report issuers, or the equivalent, maintained pursuant to the Legislation.

4. The authorized capital of the Trust consists of an unlimited number of Units. As of the date hereof, 22,051,111 Units are issued and outstanding.
5. The Trust's Units are listed and posted for trading through the facilities of The Toronto Stock Exchange (the "TSE") under the symbol "REE.UN".
6. The Trust commenced operations on February 16, 1998 and as at December 31, 2000 had interests in 46 residential apartment buildings and one townhouse complex containing an aggregate of 9,111 rental suites. The objectives of the Trust are to: (i) provide holders of Units with stable and growing cash distributions, payable monthly and, to the extent reasonably possible, tax-deferred, from investments primarily in a portfolio of income producing multi-unit residential properties, including ancillary commercial premises, located in Canada; and (ii) maximize Unitholder value through accretive real property acquisitions which meet the investment criteria of the Trust.
7. Under the distribution policy approved by the Trustees of the Trust, the Trust distributes to Unitholders monthly (on each distribution date), in cash, 80% of the income of the Trust (excluding gains and losses from the disposition of real property and before any deduction for depreciation or amortization of pre-paid rent) and annually, in cash, net realized capital gains realized in the year and net recapture income for the year and any excess of income determined for the purposes of the Income Tax Act (Canada) over distributions otherwise made for that year. A distribution date means the date on or about the 15th day of each calendar month (other than January 15) and December 31 in each calendar year.
8. The Trust intends to establish the DRP pursuant to which Unitholders may, at their option, invest cash distributions paid on their Units in additional Units, ("DRP Units"), as an alternative to receiving cash distributions.
9. Distributions due to participants in the DRP ("DRP Participants") will be paid to Computershare Trust Company of Canada in its capacity as agent under the DRP (in such capacity, the "DRP Agent") and applied to purchase DRP Units. All DRP Units purchased under the DRP will be purchased by the DRP Agent directly from the Trust. The price of DRP Units purchased with such cash distributions will be the Average Market Price (as defined in the DRP to be the price calculated based on the weighted average trading price of Units on the TSE for the five (5) trading days immediately preceding the distribution payment date). DRP Participants will also receive an additional amount equal to 4% of their monthly distribution reinvested pursuant to the DRP, which amount shall automatically be paid on each distribution date in the form of additional DRP Units. No commissions, service charges or brokerage fees will be payable by DRP Participants in connection with the DRP.
10. Full investment of a DRP Participant's distributions will be possible under the DRP because the DRP will permit fractions of Units as well as whole Units to be purchased and held for DRP Participants. Also, distributions in respect of whole Units and fractions of Units purchased under the DRP will be held by the DRP Agent for the DRP Participant's account and automatically invested under the DRP in DRP Units.

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

12. Unitholders may terminate their participation in the DRP at any time by written notice to the DRP Agent. Such notice, if actually received prior to a distribution record date, will have effect for such distribution. Thereafter, distributions payable to such Unitholders will be in cash. The Trust reserves the right to amend, suspend or terminate the DRP at any time, provided that such action shall not have a retroactive effect which would prejudice the interest of the DRP Participants. All DRP Participants will be sent notice of any such amendment, suspension or termination.

13. The distribution of DRP Units does not appear to fall within exemptions contained in the Legislation because such distributions are not distributions of dividends or interest but rather are distributions of income and/or capital gains and because the Trust is a closed-end investment trust and is not a "mutual fund" within the meaning of the Legislation.

AND WHEREAS pursuant to 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 Legislation is that the trades of DRP Units by the Trust to the DRP Participants pursuant to the DRP shall not be subject to the Registration and Prospectus Requirements of the Legislation provided that:

(a) at the time of the trade the Trust 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 trade;

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

(i) their right to withdraw from the DRP and to make an election to receive cash instead of DRP Units on the making of a distribution of income by the Trust; and

(ii) instructions on how to exercise the right referred to in (i); and

(d) the first trade in DRP Units acquired pursuant to this Decision in a jurisdiction shall be deemed a distribution or primary distribution to the public under the Legislation of such Jurisdiction (the "Applicable Legislation") unless;

(i) at the time of the first trade, the Trust is a reporting issuer or the equivalent under the Applicable Legislation;

(ii) no usual effort is made to prepare the market or to create a demand for the DRP Units;

(iii) no extraordinary commission or consideration is paid to a person or company in respect of the trade;

(iv) if the seller of the DRP Units is an insider of the Trust, the seller has reasonable grounds to believe that the Trust is not in default of any requirement of the Applicable Legislation;

(v) except in Quebec, the first trade is not from the holdings of a person or company or a combination of persons or companies holding a sufficient number of Units of the Trust so as to affect materially the control of the Trust or more than 20% of the outstanding voting securities of the trust except where there is evidence showing that the holding of those securities does not affect materially the control of the Trust; and

(vi) disclosure of the initial distribution of the DRP Units is made to the relevant Jurisdictions by providing the particulars of the date of the distribution of such DRP Units, the number of such DRP Units and the purchase price paid or to be paid for such DRP Units in:

(A) an information circular or take-over bid circular filed in accordance with the Legislation; or

(B) a letter filed with the Decision Maker in the relevant Jurisdiction by a person or company certifying that the person or company has knowledge of the facts contained in the letter,

when the Trust distributes such DRP Units for the first time and thereafter, not less frequently than annually, unless the aggregate number of DRP Units so traded in any month exceeds 1% of the units outstanding at the beginning of a month in which the DRP Units were traded, in which case a separate report shall be filed in each relevant Jurisdiction (other than Quebec) in respect of that month within 10 days of the end of such month.

DATED "May 31<sup>st</sup>", 2001.

