

June 29, 2005

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ALBERTA, SASKATCHEWAN, MANITOBA, ONTARIO,
NOVA SCOTIA, NEW BRUNSWICK AND NEWFOUNDLAND AND LABRADOR
(the "Jurisdictions")

AND

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

AND

IN THE MATTER OF
MERRILL LYNCH FINANCIAL ASSETS INC.
(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 under the securities legislation of the Jurisdictions (the "Legislation") for an exemption from the requirements in Multilateral Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* to file interim certificates and annual certificates, subject to certain conditions (the "Requested Relief").

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 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 Filer:

1. The Filer was incorporated under the laws of Canada on March 13, 1995 under the name Bulls Offering Corporation. By articles of amendment dated December 3, 1998, the name of the Filer was changed to Merrill Lynch Mortgage Loans Inc. By articles of amendment dated March 15, 2001, the name of the Filer was changed to Merrill Lynch Financial Assets Inc. The Filer is a wholly-owned subsidiary of Merrill Lynch & Co., Canada Ltd. ("ML & Co.").

2. The Filer is a reporting issuer, or the equivalent, in each of the provinces of Canada that provides for a reporting issuer regime.

3. The head office of the Filer is located in Toronto, Ontario.

4. The financial year end of the Filer is December 31.

5. The articles of incorporation of the Filer restrict the activities of the Filer to the acquisition of various discrete pools of mortgages, receivables or other financial assets, either fixed or revolving, that by their terms convert into cash within a finite time period (the "Custodial Property"). The Filer funds the acquisition of the Custodial Property by issuing pass-through certificates that receive distributions from the Custodial Property acquired by the Filer and 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.

6. The Filer was incorporated solely to act as a vehicle for carrying out activities related to issuing asset-backed securities in respect of Custodial Property acquired by the Filer.

7. The Filer has issued the following asset-backed securities (collectively, the "Issued Certificates"):

(i) on December 21, 1998, the Filer offered, by private placement, \$182,083,237 aggregate principal amount of pass-through certificates. Of these C-1 Certificates, \$163,874,000 are designated as Exchangeable Commercial Mortgage Pass-Through Certificates, Series 1998-Canada 1 and were offered for sale by Merrill Lynch Canada Inc. and ScotiaMcLeod Inc. pursuant to a Confidential Offering Memorandum dated December 16, 1998. The balance of the C-1 Certificates were sold privately. The C-1 Certificates were subsequently qualified by a short form prospectus dated May 31, 1999;

(ii) the Filer offered \$214,079,251 aggregate principal amount of pass-through certificates. Of these C-2 Certificates, \$193,741,000 were offered for sale by Merrill Lynch Canada Inc. pursuant to a short form prospectus dated September 16, 1999. The balance of the C-2 Certificates were sold privately;

(iii) by short form prospectus dated October 1, 1999, the Filer offered \$220,000,000 aggregate principal amount of pass-through certificates. The 1STT Certificates were offered for sale by Merrill Lynch Canada Inc.;

- (iv) the Filer offered \$257,591,683 aggregate principal amount of pass-through certificates. Of these C-3 Certificates, \$227,324,000 were offered for sale by Merrill Lynch Canada Inc. pursuant to a short form prospectus dated May 19, 2000. The balance of the C-3 Certificates were sold privately;
- (v) by short form prospectus dated September 28, 2000, the Filer offered, \$115,500,000 aggregate principal amount of pass-through certificates. The BMCC Certificates were offered for sale by Merrill Lynch Canada Inc.;
- (vi) the Filer offered \$287,619,638 aggregate principal amount of pass-through certificates. Of these C-4 Certificates, \$255,981,000 were offered for sale by Merrill Lynch Canada Inc. pursuant to a short form prospectus dated November 21, 2000. The balance of the C-4 Certificates were sold privately;
- (vii) the Filer offered \$200,192,047 aggregate principal amount of pass-through certificates. Of these LBC Certificates, \$187,680,000 were offered for sale by Merrill Lynch Canada Inc. pursuant to a short form prospectus dated January 24, 2001;
- (viii) the Filer offered \$248,729,008 aggregate principal amount of pass-through certificates. Of these C-5 Certificates, \$221,990,000 were offered for sale by Merrill Lynch Canada Inc. pursuant to a short form prospectus dated May 15, 2001. The balance of the C-5 Certificates were sold privately;
- (ix) the Filer offered \$265,495,510 aggregate principal amount of pass-through certificates. Of these C-6 Certificates, \$236,954,000 were offered for sale by Merrill Lynch Canada Inc. pursuant to a short form prospectus dated November 27, 2001. The balance of the C-6 Certificates were sold privately;
- (x) by short form prospectus dated February 5, 2002, the Filer offered \$100,000,000 aggregate principal amount of pass-through certificates. The BC2P Certificates were offered for sale by Merrill Lynch Canada Inc.;
- (xi) the Filer offered \$280,741,039 aggregate principal amount of pass-through certificates. Of these C-7 Certificates, \$256,100,000 were offered for sale by Merrill Lynch Canada Inc. pursuant to a short form prospectus dated May 8, 2002. The balance of the C-7 Certificates were sold privately;
- (xii) by short form prospectus dated May 10, 2002, the Filer offered \$223,879,000 aggregate principal amount of co-ownership certificates. The AmeriCredit Certificates were offered for sale by Merrill Lynch Canada Inc.;
- (xiii) the Filer offered \$468,331,177 aggregate principal amount of pass-through certificates. Of these C-8 Certificates, \$423,830,000 were offered for sale by Merrill Lynch Canada Inc. pursuant to a short form prospectus dated November 20, 2002. The balance of the C-8 Certificates were sold privately;

(xiv) the Filer offered \$328,250,173 aggregate principal amount of pass-through certificates. Of these C-9 Certificates, \$302,400,000 were offered for sale by Merrill Lynch Canada Inc. pursuant to a short form prospectus dated April 25, 2003. The balance of the C-9 Certificates were sold privately;

(xv) the Filer offered \$460,395,200 aggregate principal amount of pass-through certificates. Of these C-10 Certificates, \$438,498,000 were offered for sale by Merrill Lynch Canada Inc. pursuant to a short form prospectus dated June 26, 2003. The balance of the C-10 Certificates were sold privately;

(xvi) the Filer offered \$270,859,225 aggregate principal amount of pass-through certificates. Of these C-11 Certificates, \$256,970,000 were offered for sale by Merrill Lynch Canada Inc. pursuant to a short form prospectus dated November 20, 2003. The balance of the C-11 Certificates were sold privately;

(xvii) the Filer offered \$613,879,596 aggregate principal amount of pass-through certificates. Of these C-12 Certificates, \$580,099,000 were offered for sale by Merrill Lynch Canada Inc. pursuant to a short form prospectus dated May 18, 2004. The balance of the C-12 Certificates were sold privately;

(xviii) the Filer offered \$474,194,142 aggregate principal amount of pass-through certificates. Of these C-14 Certificates, \$455,998,000 were offered for sale by Merrill Lynch Canada Inc. pursuant to a short form prospectus dated October 7, 2004. The balance of the C-14 Certificates were sold privately; and

(xix) the Filer offered \$444,017,154 aggregate principal amount of pass-through certificates. Of these C-15 Certificates, \$428,474,000 were offered for sale by Merrill Lynch Canada Inc. pursuant to a short form prospectus dated March 9, 2005. The balance of the C-15 Certificates were sold privately.

8. The Filer is currently a venture issuer (as such term is defined in National Instrument 51-102–*Continuous Disclosure Obligations*).

9. The only security holders of the Filer, excluding ML & Co., which owns all of its issued and outstanding voting securities, are and will be the holders of the Filer's asset-backed securities issued from time to time in respect of Custodial Property.

10. As a special purpose vehicle, the Filer will not carry on any activities other than activities related to issuing asset-backed securities in respect of Custodial Property acquired by the Filer.

11. The Filer 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 Filer.

12. Pursuant to an MMRS decision document dated May 16, 2003, an order of the Manitoba Securities Commission dated June 7, 1999, an order of the Quebec Securities Commission dated July 19, 1999 and an order of the New Brunswick Securities Commission dated November 29, 2004 (collectively, the "Previous Decision"), the Filer is exempted, on certain terms and conditions, from the requirements of the securities legislation in the jurisdictions of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, Nova Scotia, New Brunswick and Newfoundland and Labrador (the local securities regulatory authority or regulator in each such jurisdiction collectively, the "Previous Decision Makers") concerning the preparation, filing and delivery of interim financial statements and audited annual financial statements (the "Financial Statements").

13. For each offering of the Issued Certificates, the Filer entered into, and for each future offering of Certificates, the Filer will enter into, a pooling and servicing agreement or similar agreement (the "Securitization Agreement") with a reporting agent (the "Reporting Agent"), one or more servicers (each, a "Servicer"), and a Canadian trust company, as custodian on behalf of the Certificate holders (the "Custodian"), among others, providing for, among other things, the issuance of Certificates and governing the rights of Certificate holders.

14. The Securitization Agreements in respect of the Issued Certificates provide, and each Securitization 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 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.

15. The Filer or its duly appointed representative or agent provides or will provide, on a website identified or to be identified in the relevant short form prospectus of the Filer to which all Certificate holders will be afforded access (the "Reporting Website") and otherwise as provided for in the relevant prospectus, no later than the 20th day of each month (or such subsequent business day as provided in the Securitization Agreement if the 20th day of the month is not a business day) the financial and other information prescribed therein to be delivered or made available to Certificate holders on a monthly basis, signed by the Filer or on its behalf by its duly appointed representative, and, in accordance with the Previous Decision, will also file or cause to be reasonably contemporaneously therewith the monthly reports commonly known as distribution date statements or their equivalent on the System for Electronic Document Analysis and Retrieval ("SEDAR").

16. No material information will be disclosed on the Reporting Website unless it is also filed contemporaneously via SEDAR with the Decision Makers for posting on www.sedar.com.

17. In accordance with the Previous Decision, within 60 days of the end of each interim period of the Filer (or such lesser period as may be required under applicable laws), the Filer or its duly appointed representative or agent will post on the Reporting Website and file through SEDAR, and mail to Certificate holders who so request, interim management discussion and analysis with respect to the applicable Custodial Property pools acquired with the proceeds of the Certificates.

18. In accordance with the Previous Decision, within 140 days of the end of each financial year of the Filer, the Filer or its duly appointed representative or agent will post on the Reporting Website and also file or cause to be filed reasonably contemporaneously therewith through SEDAR:

- (a) annual management discussion and analysis with respect to the applicable Custodial Property pools acquired with the proceeds of the Certificates;
- (b) an annual statement of compliance signed by a senior officer of each applicable Servicer, or other party acting in a similar capacity on behalf of the Filer 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 related Securitization Agreement during the year, or, if there has been a default in the fulfillment of any obligation, specifying each such default and the status thereof; and
- (c) for each Custodial Property pool, an annual accountant's report in form and content acceptable to the Previous Decision Makers prepared by a firm of independent public or chartered accountants acceptable to the Previous Decision Makers respecting compliance by each applicable Servicer, or such other party acting in a similar capacity on behalf of the Filer with the Uniform Single Attestation Program for Mortgage Bankers published by the Mortgage Bankers Association of America or such other servicing standard as may be acceptable to the Previous Decision Makers.

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 the Requested Relief is granted provided that:

- (a) the Filer is not required to prepare, file and deliver Financial Statements under the Legislation, whether pursuant to exemptive relief or otherwise;
- (b) for each financial year of the Filer, within 140 days of the end of the financial year, the Filer or its duly appointed representative or agent will file through SEDAR an annual certificate in the form set out in Schedule "A" of this MRRS decision document and personally signed by a person who, at the time of filing of the annual certificate, is a senior officer of the Filer, a Servicer or an administrative agent of the Filer;
- (c) if the Filer voluntarily files an AIF for a financial year after it has filed the annual certificate referred to in paragraph (b) above for the financial year, the Filer will file through SEDAR a second annual certificate that:

(i) is in the form set out in Schedule "A" of this MRRS decision

(ii) is personally signed by a person who, at the time of filing of the second annual certificate, is a senior officer of the same person or company of which the senior officer who signed the annual certificate referred to in paragraph (b) is an officer; and

(iii) certifies the AIF in addition to the other documents identified in the annual certificate;

(d) for each interim period, within 60 days of the end of the interim period of the Filer (or such lesser period as may be required under applicable laws), the Filer or its duly appointed representative or agent will file through SEDAR an interim certificate in the form set out in Schedule "B" of this MRRS decision document and personally signed by a person who, at the time of filing of the interim certificate, is a senior officer of the Filer, a Servicer or an administrative agent of the Filer; and

(e) the Requested Relief will cease to be effective in a Jurisdiction on the earlier of:

(i) June 1, 2008; and

(ii) the date on which a rule regarding the continuous disclosure requirements for issuers of asset-backed securities comes into force in a Jurisdiction.

" Charlie MacCready"

Assistant Manager, Corporate Finance Ontario Securities Commission

SCHEDULE "A"

Certification of annual filings for issuers of asset-backed securities

I, *identify (i) the certifying individual, (ii) his or her position in relation to the issuer and (iii) the name of the issuer*, certify that:

I have reviewed the following documents of *identify issuer* (the issuer):

(a) the servicer reports for each month in the financial year ended *insert financial year end* (the servicer reports);

(b) annual MD&A in respect of the issuer's pool(s) of assets for the financial year ended *insert the relevant date* (the annual MD&A);

(c) AIF for the financial year ended *<insert the relevant date>* (the AIF); [if applicable] and

(d) each annual statement of compliance regarding fulfillment of the obligations of the servicer(s) under the related servicing agreement(s) for the financial year ended *<insert the relevant date>* (the annual compliance certificate(s)),

(the servicer reports, the annual MD&A, the AIF [if applicable] and the annual compliance certificate(s) are together the annual filings);

2. Based on my knowledge, the annual filings, taken as a whole, do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make the statements not misleading in light of the circumstances under which they were made, with respect to the periods covered by the annual filings;

3. Based on my knowledge, all of the distribution, servicing and other information and all of the reports on assessment of compliance with servicing criteria for asset-backed securities and the annual accountant's report respecting compliance by the servicer(s) with servicing criteria for asset-backed securities required to be filed under the decision(s) *<identify the decision(s)>* as of the date of this certificate, other than material change reports and press releases, have been filed with the securities regulatory authorities through SEDAR;

4. Option #1 *<use this alternative if a servicer is providing the certificate>*

I am responsible for reviewing the activities performed by the servicer(s) and based on my knowledge and the compliance review(s) conducted in preparing the annual compliance certificate(s), and except as disclosed in the annual filings, the servicer(s) [has/have] fulfilled [its/their] obligations under the servicing agreement(s); and

Option #2 *<use this alternative if the Issuer or the administrative agent is providing the certificate>*

Based on my knowledge and the annual compliance certificate(s), and except as disclosed in the annual filings, the servicer(s) [has/have] fulfilled [its/their] obligations under the servicing agreement(s); and

5. The annual filings disclose all material instances of noncompliance with the servicing criteria based on the [servicer's/servicers'] assessment of compliance with such criteria.

[In giving the certifications above, I have reasonably relied on information provided to me by the following unaffiliated parties *<insert name of issuer, servicer, sub-servicer, co-servicer, administrative agent, reporting agent or trustee >*.]

Date: *<insert date of filing>*

[Signature]

[Title]

< indicate the capacity in which the certifying officer is providing the certificate >

SCHEDULE "B"

Certification of interim filings for issuers of asset-backed securities

I, *identify (i) the certifying individual, (ii) his or her position in relation to the issuer and (iii) the name of the issuer*, certify that:

I have reviewed the following documents of *identify issuer* (the issuer):

(a) the servicer reports for each month in the interim period ended *<insert relevant date>* (the servicer reports); and

(b) interim MD&A in respect of the issuer's pool(s) of assets for the interim period ended *<insert the relevant date>* (the interim MD&A),

(the servicer reports and the interim MD&A are together the interim filings);

2. Based on my knowledge, the interim filings, taken as a whole, do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make the statements not misleading in light of the circumstances under which they were made, with respect to the periods covered by the interim filings; and

3. Based on my knowledge, all of the distribution, servicing and other information required to be filed under the decision(s) *<identify the decision(s)>* as of the date of this certificate, other than material change reports and press releases, have been filed with the securities regulatory authorities through SEDAR.

[In giving the certifications above, I have reasonably relied on information provided to me by the following unaffiliated parties *<insert name of issuer, servicer, sub-servicer, co-servicer, administrative agent, reporting agent or trustee >*.]

Date: *<insert date of filing>*

[Signature]

[Title]

< indicate the capacity in which the certifying officer is providing the certificate >