

Content

Title :	Regulations Governing Information to be Disclosed in Investment Memorandums for Private Placement of REIT or REAT Beneficiary Securities by a Trustee Ch
Date :	2010.02.12
Legislative :	1.Full 4 articles adopted and issued per 24 September 2003 Order No. Tai-Tsai-Rong-(IV)-0924000857 of the Ministry of Finance; for enforcement from the date of promulgation. 2.Amended per Order Jin-Kuan-Yin-Piao-Zi-No. 09940000370 dated 2010/02/12
Content :	<p>Article 1</p> <p>These Regulations are adopted pursuant to Article 15, paragraph 3, and Article 36 by mutatis mutandis application of Article 15, paragraph 3, of the Real Estate Securitization Act ("the Act").</p> <p>Article 2</p> <p>The investment memorandum must provide detailed and accurate information and be free of misrepresentation, concealment or other misleading information.</p> <p>Where the investment memorandum has misrepresentation or concealment of material information, the parties set out under the subparagraphs of Paragraph 1, Article 46-1 of the Act shall be held responsible as provided by law.</p> <p>The front cover of the investment memorandum shall bear investment risk warning in a conspicuous manner.</p> <p>The back cover of the investment memorandum shall have the signature or seal of the trustee and its chairman.</p> <p>Article 3</p> <p>The investment memorandum provided by a trustee conducting a private placement of REIT beneficiary securities to specified persons shall specify the following information:</p> <ol style="list-style-type: none">1. Terms and conditions of issuance of the beneficiary securities: shall include, at least, the duration of the fund, type (closed- or open-end), total monetary amount of the private placement, total number of beneficiary units, method of delivery of the beneficiary securities, delivery date, maturity date, purchase price per beneficiary unit, fees, and other matters relating to beneficial interests.2. Summary of the investment plan.3. An overview of related participant institutions, such as the trustee, real estate management institution, promoters and arrangers and matters they each are required to perform; in case a promoter is a juristic person, the memorandum shall include at least an institution profile, overview of business operations, holding in real estate or related rights of real estate that the REIT has definitively targeted for investment, and whether the promoter is a related party of the trustee; in case a promoter is an individual, the memorandum shall include at least the name of promoter, his or her holding in real estate or related rights of real estate that the

REIT has definitively targeted for investment, and whether the promoter is a related party of the trustee; for other institutions, the memorandum shall include at least the institution profile, overview of business operations, most recent credit rating results, and duties and responsibilities.

4. The major academic and work experience, qualifications, and limits to the authority of fund operation and management personnel.

5. Conditions establishing the validity or non-validity of the private placement of the fund, and the method for handling non-validity.

6. Basic policies, scope, and investment strategy for fund utilization.

7. Assessment methods, evaluation bases, and expert opinions regarding expected returns on the trust property.

8. Explanation of funds borrowed by, and fee burdens of, the fund:

(1) Purpose of borrowed funds and their effect on beneficial interests.

(2) Ceilings on borrowed funds.

(3) Status of the distribution and use of borrowed funds.

(4) Methods of controlling and managing the use of borrowed funds.

(5) Interest calculations for borrowed funds.

(6) Itemized fee burdens.

(7) Fee calculation methods.

(8) Fee payment methods and schedule.

(9) Method for handling insufficiency for payment of fees.

9. Method for the use of idle funds.

10. Credit rating results and credit enhancement methods:

(1) Credit rating agency.

(2) Credit rating results and explanation thereof.

(3) Credit enhancement institution.

(4) Credit enhancement methods.

11. Items, schedule, and payment methods for distribution of investment income.

12. Method for, and limits on, the transfer of the beneficiary securities.

13. Method for calculating net asset value per beneficiary unit.

14. The following matters shall be disclosed:

(1) The value of trust property not guaranteed by the trustee.

(2) Potential investment risks, and related rights, of beneficiary securities holders.

(3) Important matters concerning the REIT contract.

15. Other matters specified by the Competent Authority.

Article 4

The summary of the investment plan mentioned in the preceding article shall contain the following particulars:

1. The plan for investment in real estate, related rights of real estate, real estate related securities, and other investment objects as approved by the competent authority, including the types and locations of real estate or other investment objects to be purchased, planned holding period, sources of funds, utilization and management modules, cost recovery, financial projections and estimated rate of return.

2. The plan for investment in real estate or related rights of real estate under development, including the types and locations of real estate or related rights of real estate planned for development, market analysis,

feasibility study, title search report, planned development schedule and development plan, phase plans and control modules for acquisition, development, sale or operation management, sources of funds, fund utilization and control modules, cost recovery, financial projections, and estimated rate of return, self-evaluation plan, method of handling in case the real estate development project is not completed or delayed, impact on the interests of the beneficiaries, and agreement on rights and obligations among the trustee, the real estate management institution, and the beneficiaries.

3. For real estate or related rights of real estate that the REIT has definitively targeted for investment, the general conditions of the investment object:

(1) The type, location, area, land category, zoning, and approved usage of the investment object, use permit or control, rights (records of ownership, scope of rights, and registration of other rights), original date of acquisition by real estate owner(s), party (ies) from whom the real estate was acquired (name and relationship), and cost of acquisition, and associated litigious or non-litigious events that could have a material impact on the interests of the beneficiaries.

(2) Use situation and conditions, method of handling subsequent to the termination of rental agreement and the contents of important contracts.

(3) The value of the investment object as assessed by a professional appraiser and important points in the appraisal report produced pursuant to Article 22 of the Act, and whether the professional appraiser, its appraisal personnel and the parties to the transaction are related party or de facto related party as defined in the Statement of Financial Accounting Standards No. 6 to each other.

(4) Encumbrances on the investment object and the method of handling such encumbrances.

(5) Method for managing and disposing the investment object.

(6) Method for estimating the expected return on investment object, basis for estimation, stable income generated by the investment object, expert opinion on the appropriateness of price, and whether the expert, the trustee, and the real estate owner are related party or de facto related party as defined in the Statement of Financial Accounting Standards No. 6 to each other.

(7) Whether the owner(s) of real estate or the holder(s) of related rights of real estate are a related party to the trustee.

(8) Whether the annual depreciation cost of the building will be calculated with an extended period of one-half of the service life as described in the Table of Service Life of Fixed Assets pursuant to Article 53 of the Act.

4. For real estate or related rights of real estate under development that the REIT has definitively targeted for investment, the general conditions of the investment object:

(1) If the investment object involves an urban renewal project, specify the type, location, area of land base, land category, zoning, and approved usage of investment object, use permit or control, whether the project is to be constructed under a joint venture, on its own or in other manner, planned construction commencement date, projected completion date, planned number of stories, planned number of units, total floor space planned,

rights (records of ownership, scope of rights, and registration of other rights), estimated sales amount or rental income, expected gross profit or rate of return, and associated litigious or non-litigious events that could have a material impact on the interests of the beneficiaries.

(2) If the investment object involves a public construction project, specify the course of receiving government grant of concession and applicable regulations; summary of important project-related contracts; brief introduction of principal operator, its division of labor, and proofs evidencing that the principal operator has the technological capability, financial prowess, and other necessary abilities to complete the concession contract; project construction plan and feasibility study; construction-phase financial plan; construction-phase risk management plan; operational plan and related assumptions; operation-phase financial plan; litigious or non-litigious events and special circumstances that could affect the completion or operation of the project, or have a material impact on the interests of the beneficiaries.

(3) The value of the investment object as assessed by a professional appraiser and important points in the appraisal report produced pursuant to Article 22 of the Act, and whether the professional appraiser, its appraisal personnel and the parties to the transaction are related party or de facto related party as defined in the Statement of Financial Accounting Standards No. 6 to each other.

(4) Encumbrances on the investment object and the method of handling such encumbrances.

(5) Method for managing and disposing the investment object.

(6) Method for estimating the costs and expected return on investment object, basis for estimation, and expert opinion on the appropriateness of the price of investment object, and whether the expert, the trustee, and parties to the transaction are related party or de facto related party as defined in the Statement of Financial Accounting Standards No. 6 to each other.

(7) Whether the owner(s) of real estate or the holder(s) of related rights of real estate under development are a related party to the trustee.

Article 5

The investment memorandum provided by a trustee conducting a private placement of REAT beneficiary securities to specified persons shall specify the following information:

1. Terms and conditions of issuance of the beneficiary securities: shall include, at least, the total monetary amount of the private placement, total number of beneficiary units, method of delivery of the beneficiary securities, delivery date, maturity date, purchase price per beneficiary unit, fees, and other matters relating to beneficial interests; if beneficiary securities of different types or durations are under private placement, their respective stipulated beneficiary rights, order of priority of payment, and duration.

2. Overview of related participants such as the trustor, trustee, real estate management institution, and professional appraiser, and matters they are required to perform: shall include at least an institution profile, business operations overview, most recent credit rating results, and duties and responsibilities of the participants.

3. The major academic and work experience, qualifications, and limits to the authority of operations and managerial personnel.
4. Conditions establishing the validity or non-validity of the private placement of the beneficiary securities, and the method for handling non-validity.
5. Status of the trust property:
 - (1) The types and composition of the trust property, and their values as appraised by a professional appraiser.
 - (2) If the trust property involves a project of real estate or related rights under development, specify the type and location of real estate or related rights planned for development, market analysis, feasibility study, title search report, appraisal report, planned development schedule and development plan, phase plans and control modules for acquisition, development, sale or operation management, sources of funds, fund utilization and control modules, cost recovery, financial projections, and estimated rate of return, expert opinion, self-evaluation plan, method of handling in case the real estate development project is not completed or delayed, impact on the interests of the beneficiaries, and agreement on rights and obligations among the trustee, the real estate management institution, and the beneficiaries.
 - (3) Assessment methods, evaluation bases, and expert opinions regarding expected returns on the trust property.
 - (4) Any encumbrances on the trust property, and the method by which such encumbrances are handled.
6. Trust property management and disposal methods:
 - (1) Trust property management methods.
 - (2) Trust property disposal methods.
 - (3) Matters regarding the appointment of a real estate management institution.
7. Explanation of any borrowed funds of the trust property:
 - (1) Purpose of borrowed funds and their effect on beneficial interests.
 - (2) Ceilings on borrowed funds.
 - (3) Status of the distribution and use of borrowed funds.
 - (4) Methods of controlling and managing the use of borrowed funds.
 - (5) Interest calculations for borrowed funds.
 - (6) Itemized fee burdens.
 - (7) Fee calculation methods.
 - (8) Fee payment methods and schedule.
 - (9) Method for handling insufficiency for payment of fees.
8. Method for the use of idle funds.
9. Results of the credit rating for the beneficiary securities and methods of credit enhancement:
 - (1) Credit rating agency.
 - (2) Credit rating results and explanation thereof.
 - (3) Credit enhancement institution.
 - (4) Credit enhancement method.
10. Distribution method of the trust property principal and any profit, interest, or other proceeds generated by that principal.
11. Method for and restrictions on the transfer of the beneficiary securities.

12. Calculation method for the net asset value per beneficiary unit.
13. The following matters shall be disclosed:
 - (1) The value of trust property not guaranteed by the trustee institution.
 - (2) Potential investment risks and the related rights of beneficiary securities holders.
 - (3) Important matters concerning the REAT contract.
14. Other matters specified by the Competent Authority.

Article 6

These Regulations shall enter into force from the date of promulgation.

Data Source : 金融監督管理委員會 Laws and Regulations Retrieving System