

# 2004 BCSECCOM 161

## Headnote

Temporary relief from adviser registration requirement for experienced managers to provide investment management services to a venture capital corporation, provided manager becomes registered within specific time period

## Exemption Order

### Discovery Capital Management Corp.

#### Section 48 of the *Securities Act*, R.S.B.C. 1996, c. 418

## Background

- ¶ 1 Discovery Capital Management Corp. (DCM) has applied for an exemption from the adviser registration requirement of section 34(1)(c) of the Act in order to provide management services to British Columbia Discovery Fund (VCC) Inc. (the Fund) under a management agreement amended and restated as of January 1, 2004;

## Representations

- ¶ 2 DCM represents that:
1. it was incorporated under the *Company Act* (British Columbia) on June 19, 2001 and is not a reporting issuer;
  2. it is a wholly-owned subsidiary of Discovery Capital Corporation (DCC), which was amalgamated under the *Company Act* (British Columbia) on July 27, 2000;
  3. the head office of DCM is located in Vancouver, British Columbia;
  4. the Fund was incorporated under the *Company Act* (British Columbia) on November 6, 2002;
  5. the Fund was registered as a venture capital corporation under the *Small Business Venture Capital Act* (SBVCA) on November 20, 2002;
  6. the Fund was formed to provide early-stage venture companies in the technology sector in British Columbia with a source of equity capital to grow and expand their businesses;

## **2004 BCSECCOM 161**

7. the Fund is in the process of creating and managing a portfolio of investments in eligible small businesses, as defined in the SBVCA, and providing business and managerial advice to the eligible small businesses in which it makes or proposes to make investments;
8. the Fund is a reporting issuer and offers its securities to residents of British Columbia by prospectus;
9. the Fund has retained DCM under the management agreement to provide management advice and services under the supervision and control of the Fund's Board of Directors;
10. DCM's primary responsibilities under the management agreement consist of sourcing and identifying investment opportunities, performing due diligence investigations on prospective investments, structuring and negotiating the terms upon which investments will be made, monitoring investments after they have been made, including evaluating financial and other key performance indicators, and making recommendations on the timing, terms and methods of realizing on the Fund's investments;
11. DCM provides value added management services in the form of board participation, business expertise and managerial expertise to the companies the Fund invests in;
12. DCM has in the past, and will in the future, maintain personnel with the necessary business experience and qualifications to competently manage venture capital investments;
13. in providing services to the Fund under the management agreement, DCM may be considered to be acting as an adviser under the Act and without this order, could be required to be registered as an adviser under the Act;
14. there are no exemptions from the adviser registration requirement that DCM can rely on to provide services to the Fund under the management agreement; and
15. DCM applied for registration as an adviser on January 30, 2004.

## **2004 BCSECCOM 161**

### **Order**

¶ 3 Because it is not prejudicial to the public interest, the Executive Director orders under section 48 of the Act that DCM is exempt from the adviser registration requirement when performing and carrying out duties under the management agreement until April 30, 2004.

¶ 4 March 12, 2004

L.E. Evans, C.A.  
Director