

2004 BCSECCOM 498

Headnote

Relief granted from the registration and prospectus requirements provided that the applicant delivers an offering memorandum in the required form under section 4.2 of MI 45-103 *Capital Raising Exemptions*, except for the requirement in Item 17 of BC Form 45-901F to make available to investors audited financial statements of borrowers that have completed one or more financial years.

Exemption Order

Realtech Capital Group Inc.

Sections 48(1) and 76(1)(a) of the *Securities Act*, R.S.B.C. 1996, c. 418

Background

- ¶ 1 Realtech applied for an exemption from the requirement in BC Form 45-901F *Offering Memorandum for Syndicated Mortgages* (Form 45-901F) to make available to investors audited financial statements of borrowers that have completed one or more financial years.

Representations

- ¶ 2 Realtech represents that:
1. it was incorporated in British Columbia on October 26, 1977, and is not a reporting issuer under the Act;
 2. its authorized capital consists of 10,000 common shares, of which 5,000 are currently issued and outstanding;
 3. Realtech was formed as a commercial mortgage operation and offers syndicated mortgage interests to investors in British Columbia;
 4. Realtech offers syndicated mortgage interests to investors in British Columbia under the prospectus and registration exemption found in section 4 of MI 45-103 *Capital Raising Exemptions* (MI 45-103) using the form of offering memorandum required by MI 45-103, being Form 45-901F;

2004 BCSECCOM 498

5. Realtech is in compliance with every requirement of the Form except the requirement found in Item 17 of the Form to make available to investors audited financial statements of the borrower;
6. Realtech is unable to comply with the requirement to provide audited financial statements to its investors for borrowers that have been in existence for more than one year for the reason that most borrowers do not prepare audited financial statements;
7. Realtech has been advised by borrowers that it would be a substantial burden on the borrower to require it to prepare audited financial statements;
8. due to the fact that most borrowers are private companies or are incorporated solely to purchase and develop a particular property, it is not industry practice for borrowers to prepare audited financial statements;
9. financial information respecting the borrower is generally not a material factor in the decision by Realtech to invest in a particular mortgage, nor in Realtech's experience is it a material factor in an investor's decision to invest in a mortgage interest offered by Realtech;
10. Realtech collects all available financial statements of a borrower and makes these financial statements available to investors, upon request; however, these financial statements are generally not audited;
11. Realtech provides investors with a copy of the offering memorandum and, on an on-going basis, provides monthly reports describing the progress of each loan investment;
12. Realtech makes all mortgage files available for review at Realtech's office. The files include, but are not limited to, the appraisal done on the property, the borrower's financial statements, the borrower's history and experience, the state of title certificate, insurance on the project and all other information collected by Realtech;
13. no investor to date has asked Realtech to provide them with financial statements of a borrower, audited or otherwise.

Order

- ¶ 3 Because it is not prejudicial to the public interest, the Executive Director orders, under sections 48(1) and 76(1)(b) of the Act, that distributions of syndicated mortgage interests by Realtech are exempt from the registration and prospectus requirements of the Act, provided that Realtech delivers an offering memorandum

2004 BCSECCOM 498

in the required form under section 4.2 of MI 45-103 except for the requirement in Item 17 of Form 45-901F to make available to investors audited financial statements of borrowers that have completed one or more financial years.

¶ 4 August 19, 2004

Noreen Bent
Acting Director