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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

CareVest Capital Inc.

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

Background

- ¶ 1 CareVest applied for an exemption from the requirement in BC Form 45-901F to make available to investors audited financial statements of borrowers that have completed one or more financial years.

Representations

- ¶ 2 CareVest represents that:
1. it was incorporated in Alberta on December 21, 1993, extraprovincially registered in British Columbia on January 29, 1997, and is not a reporting issuer under the Act;
 2. its authorized capital consists of an unlimited number of common shares, of which 100 are currently issued and outstanding;
 3. CareVest was formed to offer syndicated mortgage interests to investors in British Columbia and Alberta;
 4. CareVest offers syndicated mortgage interests to investors in British Columbia under the prospectus and registration exemption found in section 4 of Multilateral Instrument 45-103 using the form of Offering Memorandum required by Multilateral Instrument 45-103, being Form 45-901F;
 5. CareVest 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;

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6. CareVest is, in most instances, unable to comply with the requirement to provide audited financial statements to its investors for the reason that most borrowers do not prepare audited financial statements;
7. CareVest 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 CareVest to invest in a particular mortgage, nor in CareVest's experience is it a material factor in an investor's decision to invest in a mortgage interest offered by CareVest;
10. CareVest collects all available financial statements of a borrower and makes these financial statements available to investors; however, these financial statements are generally not audited;
11. CareVest provides investors with a copy of the Offering Memorandum and, on an on-going basis, provides monthly statements describing the progress of each loan;
12. CareVest makes all mortgage files available for review at CareVest's office. The files include, but are not limited to, the appraisal done on the property, the borrower's financial statements, the borrower's credit history and experience, the state of title certificate, insurance on the project and all other information collected by CareVest;
13. CareVest also provides to investors, upon request, the following additional documentation:
 - a copy of a confirmation signed by any prior encumbrancers confirming the outstanding balance of the prior encumbrances and that the borrower is not in arrear with any payments
 - written confirmation of valid insurance on the property, reflecting the interest of CareVest in the insurance, on behalf of the investor
 - written confirmation that there are no outstanding arrears or delinquent municipal property taxes on the property

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- State of Title Certificate in due course (within 120 days of the date of the mortgage);

14. no investor to date has asked CareVest 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 CareVest are exempt from the registration and prospectus requirements of the Act, provided that CareVest 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.

¶ 4 March 3, 2003

Brenda M. Leong
Director