

2006 BCSECCOM 245

April 6, 2006

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - NI 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency*, s. 9.1 – ss. 3.1 and 3.2 - An issuer that is not yet an 'SEC issuer' wants to file financial statements prepared in accordance with U.S. GAAP and audited in accordance with U.S. GAAS - The issuer is contractually bound to become an SEC registrant - The issuer has filed a registration statement with the SEC; the issuer will meet all the elements of the definition of 'SEC issuer' once the SEC accepts its registration statement; the issuer will file financial statements that comply with the requirements for SEC issuers in NI 52-107 and NI 51-102; if the issuer does not become an SEC issuer by a set date, it will re-file its financial statements in accordance with Canadian GAAP and Canadian GAAS

NI 51-102 *Continuous Disclosure Obligations*, s. 13.1 – s. 1.1, definition of SEC issuer - An issuer that is not yet an 'SEC issuer' wants to file MD&A using the U.S. form of MD&A - The issuer is contractually bound to become an SEC registrant; the issuer has filed a registration statement with the SEC; the issuer will meet all the elements of the definition of 'SEC issuer' once the SEC accepts its registration statement; the issuer will file MD&A in the U.S. form; if the issuer does not become an SEC issuer by a set date, it will re-file its MD&A in Form 51-102F1

Applicable British Columbia Provisions

National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency*, ss. 3.1, 3.2 and 9.1

National Instrument 51-102 *Continuous Disclosure Obligations*, ss. 1.1 and 13.1

In the Matter of
the Securities Legislation
of Alberta, British Columbia, Nova Scotia, New Brunswick and Ontario

and

In the Matter of
the Mutual Reliance Review System for Exemptive Relief Applications

and

In the Matter of Carbiz Inc.

MRRS Decision Document

2006 BCSECCOM 245

1. WHEREAS the local securities regulatory authority or regulator (collectively, the “Decision Makers”) in each of Ontario, Alberta, British Columbia, Nova Scotia and New Brunswick (the “Jurisdictions”) has received an application from Carbiz Inc. (“Carbiz” or the “Company”), for a decision under the securities legislation of the Jurisdictions (the “Legislation”) that:
 - 1.1 the requirement contained in sections 3.1 and 3.2 of National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency* (“NI 52-107”) requiring financial statements, other than acquisition statements, to be prepared and audited in accordance with Canadian GAAP and GAAS accordingly, not apply to the Company in respect of its annual financial statements for the period ending January 31, 2006 (the “Annual Financial Statements”) and its interim financial statements for the periods ending April 30, 2006 and July 31, 2006 (the “Interim Financial Statements”) (collectively the “Canadian GAAP Requirement”); and
 - 1.2 the Filer be permitted to file MD&A in accordance with section 5.2 of National Instrument 51-102 *Continuous Disclosure Obligations* (“NI 51-102”).(the “Requested Relief”)
2. AND WHEREAS pursuant to the Mutual Reliance Review System for Exemptive Relief Applications (the “System”), the Ontario Securities Commission is the principal regulator for this application and this MRRS decision document evidences the decision of each Decision Maker;
3. AND WHEREAS Carbiz has represented to the Decision Makers that:
 - 3.1 The Company was incorporated pursuant to the laws of Ontario on March 31, 1998 and is governed by the Business Corporations Act (Ontario).
 - 3.2 The Company's registered office and head office in Canada is located at Suite 930, 3044 Bloor Street West, Toronto, Ontario M8X 2Y8 and in the United States at 7405 N. Tamiami Trail, Sarasota, Florida 34243.

2006 BCSECCOM 245

- 3.3 CarBiz is a reporting issuer in good standing in Ontario, Alberta, British Columbia, Nova Scotia and New Brunswick and is not in default of any requirements of the Legislation.
- 3.4 The Company is a reporting issuer under the Legislation.
- 3.5 The authorized capital of the Company consists of an unlimited number of common shares ("Common Shares") without nominal or par value of which 41,090,514 Common Shares are currently issued and outstanding. A maximum of 10% or 4,109,051 of the issued and outstanding Common Shares have been reserved for issuance pursuant to the Company's incentive stock option plan. The Common Shares are listed and posted for trading on the TSX Venture Exchange (the "Exchange").
- 3.6 Of the 41,090,514 Common Shares outstanding, all of which hold one vote per share, 65% of the accounts of the Company holding 6,253,446 (15.22%) are directly or beneficially held by U.S. residents.
- 3.7 The Company is engaged in the business of development, sale and support of computer software for auto dealers, consulting and training services for auto dealers, and the operation of retail auto sales and finance location outside of Canada.
- 3.8 All of the Company's operating subsidiaries are incorporated under the laws of a U.S. jurisdiction. CarBiz USA Inc. is a wholly-owned subsidiary of the Company incorporated in Delaware. CarBiz Auto Credit Inc. is a wholly-owned subsidiary of CarBiz USA Inc. incorporated in Florida.
- 3.9 Three-quarters of the executive officers and one half of the directors of the Company are resident outside of Canada.
- 3.10 The majority of the consolidated assets of the Company are located outside of Canada.
- 3.11 The business of the Company is administered principally outside of Canada.
- 3.12 An Annual and Special Meeting of shareholders of CarBiz (the "Meeting") was held on June 24, 2005 at which time the shareholders of CarBiz approved, amongst other things, a special resolution approving the delisting of the Common Shares from the Exchange and

2006 BCSECCOM 245

the application for listing on the United States Over the Counter Bulletin Board (the “OTC-BB”).

- 3.13 The listing on the OTC-BB is hereinafter referred to as the “Transaction”.
- 3.14 Completion of the Transaction is subject to a number of conditions and final acceptance of the Transaction by the OTC-BB.
- 3.15 The Company has filed a Registration Statement on Form SB-2 with the United States Securities and Exchange Commission (the “SEC”) which application has been conditionally accepted subject to the Company satisfactorily answering comments raised by the SEC relating to its application to become an SEC Issuer.
- 3.16 In connection with the Transaction, the Company expects to become an SEC Issuer, as that term is defined in NI 52-107, within approximately six (6) months.
- 3.17 The Shareholders of the Company have been made aware of the Transaction and have approved the Transaction at the Meeting.
- 4. AND WHEREAS pursuant to the System this MRRS Decision Document evidences the decision of each of the Decision Makers (the “Decision”);
- 5. AND WHEREAS 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;
- 6. THE DECISION of the Decision Maker under the Legislation, is that the Requested Relief is granted, provided that:
 - 6.1 the Canadian GAAP Requirement shall not apply to the Company provided that:
 - (a) the Company files Annual and Interim Financial Statements that are prepared in accordance with US GAAP;
 - (b) the notes to the first two sets of the Company's annual financial statements after the change from Canadian GAAP to US GAAP and the notes to the Company's interim financial statements for interim periods during those two years:

2006 BCSECCOM 245

- (i) explain the material differences between Canadian GAAP as applicable to public enterprises and US GAAP that relate to recognition, measurement and presentation;
 - (ii) quantify the effect of material differences between Canadian GAAP as applicable to public enterprises and US GAAP that relate to recognition, measurement and presentation, including a tabular reconciliation between net income reported in the financial statements and net income computed in accordance with Canadian GAAP as applicable to public enterprises; and
 - (iii) provide disclosure consistent with disclosure requirements of Canadian GAAP as applicable to public enterprises to the extent not already reflected in the financial statements;
- (c) the financial information for any comparative periods in the Annual and Interim Financial Statements that were previously reported in accordance with Canadian GAAP presented as follows:
 - (i) as previously reported in accordance with Canadian GAAP;
 - (ii) as restated and presented in accordance with US GAAP; and
 - (iii) supported by an accompanying note that:
 - (A) explains the material differences between Canadian GAAP as applicable to public enterprises and US GAAP that relate to recognition, measurement and presentation;
 - (B) quantifies the effect of material differences between Canadian GAAP as applicable to public enterprises and US GAAP that relate to recognition, measurement and presentation, including a tabular reconciliation between net income as previously reported in the financial statements and net income as restated and presented in accordance with US GAAP.

2006 BCSECCOM 245

- (d) the Annual Financial Statements are accompanied by an auditor's report prepared in accordance with US GAAS that:
 - (i) contains an unqualified opinion;
 - (ii) identifies all financial periods presented for which the auditor has issued an auditor's report;
 - (iii) refers to the former auditor's reports on the comparative periods, if the Company has changed its auditor and one or more of the comparative periods presented in the financial statements were audited by a different auditor; and
 - (iv) identifies the auditing standards used to conduct the audit and the accounting principles used to prepare the financial statements.
- (e) the Company files the supplement to its management's discussion and analysis of the Annual and Interim Financial Statements set out in section 5.2 of NI 51-102;
- (f) the Company refiles the interim financial statements and MD&A for the periods ended April 30, 2005, July 31, 2005 and October 31, 2005 using US GAAP; and
- (g) if the Company does not receive the SEC Registration by September 30, 2006, the Company will refile on SEDAR all the previous financial statements and management discussion and analysis it filed using US GAAP and US GAAS using Canadian GAAP and Canadian GAAS.

John Hughes
Manager, Corporate Finance
Ontario Securities Commission