

IN THE MATTER
THE SECURITIES LEGISLATION
OF ONTARIO, ALBERTA, BRITISH COLUMBIA and MANITOBA

AND

IN THE MATTER OF
THE MUTUAL RELIANCE REVIEW SYSTEM FOR EXEMPTIVE RELIEF
APPLICATIONS

AND

IN THE MATTER OF
SAMOTH CAPITAL CORPORATION

AND

PREFERRED EQUITIES LIMITED
PARTNERSHIP UNITHOLDERS

MRRS DECISION DOCUMENT

WHEREAS the Canadian securities regulatory authority or regulator (the "Decision Makers") in each of Ontario, Alberta, British Columbia and Manitoba (the "Jurisdictions") has received an application from Samoth Capital Corporation for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") that the requirements contained in the Legislation to be registered to trade in a security and to file and obtain a receipt for a preliminary prospectus and a prospectus (the "Registration and Prospectus Requirements") shall not apply to the exchange of Preferred Equities Limited Partnership H Units for Samoth Common Shares by the H unitholders ("H Unitholders").

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 WHEREAS Samoth has represented to the Decision Makers as follows:

1. Samoth Capital Corporation is a hotel investment Company and real estate lender whose activities are primarily conducted in the United States. Samoth's corporate headquarters are located at 6900 East 2nd Street, Scottsdale, Arizona, 85251. Samoth's registered office is located at Suite 703, 123 Edwards Street, Toronto, Ontario, M5G 1E2.
2. Samoth was originally incorporated under the name Goldvue Mines Limited under the laws of Ontario by Letters Patent dated September 7, 1944 and during the next few decades changed its name several times. On February 8, 1988 the company changed its name to Samoth Capital Corporation.

3. Samoth invests in under-valued, mid-market hotel properties in growth-oriented markets and secures an interest in the cashflow of such properties. Samoth's acquisition of eight hotels in June, 1996 and fifteen hotels in March, 1997, increased its portfolio to 28 hotels in Florida, Kansas, Missouri, New Mexico and Texas. Samoth also acts as a mezzanine lender in the multi-family residential and master planned community sectors of the real estate industry in Arizona, California, Florida, Nevada, Texas and British Columbia.

4. Samoth is a reporting issuer in the provinces of Ontario, British Columbia, Saskatchewan, Manitoba, New Brunswick, Prince Edward Island, Nova Scotia, Newfoundland and Quebec, as a result of filing a final prospectus and obtaining a receipt for the final prospectus in June, 1994 (the "Prospectus").

5. Samoth is not on the list of defaulting reporting issuers pursuant to the Legislation maintained by the Jurisdictions.

6. Samoth Common Shares are listed for trading on The Toronto Stock Exchange (the "TSE") under the symbol SCF.

7. As of March 31, 1999, there were 20,696,484 Samoth Common Shares issued and outstanding on the TSE.

8. Preferred Equities Limited Partnership (the "Partnership") was formed pursuant to the laws of the province of British Columbia by the filing of a Declaration of Partnership in the Office of the Registrar of Companies on June 3, 1996, with Preferred Equities Ltd. ("Preferred Equities") registered as the General Partner. The Partnership's head office is Suite 2910, 700 West Georgia Street, Vancouver, British Columbia, V6E 4A6 and its registered address is Suite 2900, 595 Burrard Street, Vancouver, British Columbia, V7Y 1B6.

9. Preferred Equities is a non-reporting company incorporated under the laws of British Columbia on March 21, 1996, whose issued and outstanding shares are owned by Samoth Equity Corporation, a wholly-owned subsidiary of Samoth.

10. The Partnership was formed to invest in two specific projects: the indirect acquisition of an interest in eight hotels and one office building and an interest in the Ventana Project.

11. Each of the eight hotels and office building are owned by a separate limited partnership (the "Limited Partnerships"). Each of the hotels and office building Limited Partnerships are owned by Master Preferred Hotels Limited Partnership (the "Master Partnership"), whose general partner is Master Preferred Hotels, Inc. ("Master Preferred Hotels"). The limited partnership units of the Master Partnership are owned by Senior Preferred Hotels Limited Partnership (the "Senior Partnership"), whose general partner is Senior Preferred Hotels, Inc. ("Senior Preferred Hotels"). The limited partnership units in the Senior Partnership are owned by the Partnership and the U.S. Partnership (a limited partnership for U.S. investors).

12. Pursuant to the July 29, 1996 private placement (the "Private Placement") the Partnership offered units in the Partnership (the "Offering"), raising gross proceeds of US \$7,200,000, to

finance the purchase of units in the Senior Partnership which indirectly owns the hotels and office building Limited Partnerships and loan to assist in the funding of the construction of an apartment development in Las Vegas, Nevada (the "Ventana Project").

13. The Ventana Project is a development consisting of 248 apartment units constructed on a 15.5 acre parcel of land in Henderson, Nevada. Henderson is a suburb of Las Vegas, located directly adjacent to the southeast portion of the city. The property itself is part of a larger masterplanned community known as Ventana Canyon.

14. The Offering consisted of hotel units (the "H Units"), which relate to the investment in the hotels and office building Limited Partnerships and the Ventana Project units (the "V Units"). A subscriber whose subscription was accepted became a limited partner in the Partnership.

15. The H Units or V Units entitle the unitholder to either hotel distributable cash ("Hotel Distributable Cash") or the Ventana Project distributable cash ("Ventana Project Distributable Cash"). Whereas the Hotel Distributable Cash means all revenue related to the Partnership's interest in the Senior Partnership earned by the Partnership after deducting all expenses related to the Partnership. The Ventana Distributable Cash of the Partnership is defined as all revenue related to the Partnership's interest in the Ventana Loan earned by the Partnership after deducting all expenses related to the Partnership's interest in the Ventana Loan.

16. The Offering offered investors investment benefits in both projects and the combination in a single Offering provided investors with the opportunity to obtain a blend of early return of capital, profit distribution, continuing cash flow and equity growth.

17. The Private Placement was undertaken in British Columbia pursuant to exemptions from the prospectus requirements afforded by subsection 55(2)(4) of the British Columbia *Securities Act*, subsection 128(b) of the Rules to the British Columbia *Securities Act*, subsection 72(1)(d) of the Ontario *Securities Act*, subsection 107(1)(d) of the Alberta *Securities Act*, section 43 of the Quebec *Securities Act* and subsection 90(1) of the Regulation to the Manitoba *Securities Act*.

18. In each of the calendar years 1999, 2000, 2001, 2002 and 2003, on a date to be determined by the Preferred Equities, in consultation with Samoth, H Unitholders will have the option to exchange (the "Exchange Feature") up to 25% of the H Units outstanding as at December 31, 1998 (the "Aggregate Permitted Exchange Amount") into Samoth Common Shares.

19. On December 31, 1999, H Unitholders will be given the option to exchange, up to the Aggregate Permitted Exchange Amount, H Units into Samoth Common Shares.

20. The Aggregate Permitted Exchange Amount, as at December 31, 1998, was 180,000 H Units. As at April 15, 1999, fifty-seven (57) Canadian H Unitholders held a total of 598,000 H Units. The distribution of the H Units is as follows:

Ontario:

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H Unitholders holding 208,000 H Units

British Columbia:	46	H Unitholders holding 371,000 H Units
Alberta:	1	H Unitholder holding 7,000 H Units
Quebec:	1	H Unitholder holding 5,000 H Units
Manitoba:	1	H Unitholder holding 7,000 H Units

21. Upon receipt of written notice (the "Exchange Notice") from an H Unitholder of its intention to exchange H Units (the "Exchange Units") for Samoth Common Shares, together with the certificates representing the Exchange Units, duly endorsed for transfer, the Partnership will determine the value of the Exchange Units.

22. The H Units value, pursuant to the Exchange Feature, will be based on the number of H Units to be exchanged, divided by the total number of H Units issued hereunder (not to exceed 25%), multiplied by a number which is equal to the current market value of the Partnership interest in the Senior Partnership at that time (the "Exchange Value") which in turn will be based on the current market value of the hotels and the office building, all as determined by independent appraisal.

23. Upon receipt of the relief sought, Samoth will apply to the TSE for listing approval of the additional Samoth Common Shares to satisfy the Exchange Feature attached to the H Units. If the H Unitholders elect to exchange the maximum Aggregate Permitted Exchange Amount in 1999, Samoth will seek listing approval for not more than 4,000,000 Samoth Common Shares.

24. The Exchange Feature is non-cumulative and applies only to the H Units. The Samoth Common Shares issuable upon exchange of the H Units have not been registered under the United States *Securities Act of 1933* (the "1933 Act") or the securities laws of any U.S. state. As a result, the H Units may not be exchanged in the United States or by or on behalf of a U.S. person.

25. The exercise of the Exchange will result in a distribution which is not exempt under the Legislation because the Samoth Feature Common Shares is not the issuer of the H Units.

AND WHEREAS pursuant to the System this Mutual Reliance Review System Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");

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;

THE DECISION of the Decision Maker pursuant to the Legislation is that the Registration and Prospectus Requirements shall not apply to the exchange of the Samoth Common Shares for the H Units.

DATED this "25th" of October, 1999.

