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Second Further Amended Notice of Hearing

**Canadian Rockport Homes Int'l, Inc.,
William Malone and Nelson Riis
(collectively, the Respondents)**

Section 161 of the *Securities Act*, RSBC 1996, c. 418

- ¶ 1 The Commission will hold a hearing at which the Executive Director will tender evidence, make submissions and apply for orders against the Respondents under sections 161, 162 and 174 of the *Securities Act*, RSBC 1996, c. 418, based on the following facts.

Background

1. Canadian Rockport Homes Int'l, Inc., formerly Canadian Rockport Homes International Inc., (Rockport) is a Nevada corporation. It is engaged in the start up of a business for the manufacture and sale of modular housing in Chile and other developing countries. Rockport's head office is in Vancouver, British Columbia.
2. Canadian Rockport Homes Ltd. (CRH) is a British Columbia company and a wholly owned subsidiary of Rockport.
3. William Malone (Malone) resides in Vancouver, British Columbia. Malone is the President, Chief Executive Officer, Chairman of the Board of Directors, and a shareholder of Rockport. He is also the President, Chief Executive Officer and a director of CRH.
4. Nelson Riis (Riis) was, until at least November 2005, an officer, director and shareholder of Rockport and an officer and director of CRH.

Misconduct

The Distributions

5. Since 2000, Rockport has raised approximately US \$16 million from investors in British Columbia and elsewhere.
6. From May 2002 to September 2005, Rockport distributed securities, for total proceeds of approximately US \$4.4 million under offering memoranda dated December 30, 2001, June 15, 2004 and February 15, 2005.
7. From May 2008 until at least December 2008, Rockport distributed securities for total proceeds of at least \$612,500 under offering memoranda dated November 1, 2007, April 15, 2008 or September 15, 2008.

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8. The offering memoranda were not in the form required by Multilateral Instrument 45-103 or National Instrument 45-106 and, consequently, Rockport contravened sections 34(1)(a) and 61(1) of the Act. Rockport also failed to file exempt distribution reports, and some of the offering memoranda, within 10 days of its distributions contrary to the requirements of Multilateral Instrument 45-103 or National Instrument 45-106.

The Projections

9. Rockport included financial and operational projections (the Projections) in the offering memoranda dated June 15, 2004 and February 15, 2005 (the OMs), in Business Plans dated March 2003, May 2004, and March 2005 (the Business Plans), in an Executive Summary dated March 2005 (the Executive Summary), and in other promotional documents.
10. Rockport represented, among other things, that it expected revenue of US \$72.9 million in year one, US \$898.2 million in year three, and US \$2.42 billion in year five, with total five year revenue of \$5.38 billion.
11. Rockport based the projections on business and financial assumptions that were not reasonable in the circumstances. Moreover, the time period covered by the Projections extended beyond the point in time for which forward – looking financial information could reasonably have been estimated.
12. The Projections were false or misleading.
13. By including the Projections in the OMs, Business Plans, Executive Summary, and other promotional documents, or by omitting to state material facts that were necessary to prevent the Projections from being false or misleading, Rockport made misrepresentations contrary to section 50(1)(d) of the Act.
14. Rockport distributed securities in reliance on the OMs containing the Projections. Rockport made statements or provided information in records required to be filed that were false or misleading, contrary to section 168.1(1)(b) of the Act.

The Claims

15. Between January 2002 and June 2005, Rockport issued a series of newsletters (the Newsletters). Rockport mailed or emailed the Newsletters to its shareholders and posted them on its internet website.

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16. In several of the Newsletters, and in the Business Plans, Executive Summary, and other promotional documents, Rockport made the following claims (the Claims):
- (a) Rockport's securities would soon trade publicly on NASDAQ or an exchange,
 - (b) commercial production at Rockport's manufacturing facility in Chile was imminent,
 - (c) production at Rockport's manufacturing facility in Chile would result in immediate profits,
 - (d) Rockport had arranged, or was about to arrange, significant debt financing, and
 - (e) Rockport had entered into, or was about to enter into, a major contract for the sale of its homes.
17. Riis prepared the Newsletters, and made the Claims in other emails to shareholders. Riis and others also made some of the Claims orally to shareholders and potential investors.
18. The Claims were overly optimistic as to Rockport's prospects, and were not objectively justifiable.
19. The Claims were false or misleading.
20. By making the Claims, or by omitting to state material facts that were necessary to prevent the Claims from being false or misleading, Rockport and Riis made misrepresentations contrary to section 50(1)(d) of the Act.

Liability as Officers and Directors

21. Malone and Riis, as officers and directors of Rockport, authorized, permitted or acquiesced in Rockport's contraventions of sections 34(1)(a), 50(1)(d), 61(1) and 168.1(1)(b) of the Act. Malone and Riis therefore also contravened the same provisions under section 168.2(1) of the Act.

Public Interest

22. The Respondents acted contrary to the public interest by engaging in the conduct set out above.

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23. Rockport and Riis acted contrary to the public interest by making the Projections and Claims to shareholders and potential investors. Malone and Riis acted contrary to the public interest by authorizing, permitting or acquiescing in Rockport's making of the Projections and Claims.

Hearing Process

- ¶ 2 At the Hearing, the Respondents may be represented by counsel, make submissions and tender evidence. The Respondents are requested to advise the Commission of their intention to attend the Hearing by informing the Secretary to the Commission at PO Box 10142, Pacific Centre, 701 West Georgia Street, Vancouver, BC V7Y 1L2 phone: (604) 899-6500; email: commsec@bcsc.bc.ca.
- ¶ 3 The Respondents or their counsel are required to attend at the 12th Floor Hearing Room, 701 West Georgia Street, Vancouver, British Columbia, on Monday, February 2, 2009 at 10:00 am if they wish to be heard.
- ¶ 4 If the Respondents or their counsel do not appear at the Hearing, the Executive Director may apply to have questions of liability and sanction heard at the same time. Determinations adverse to the Respondents may be made in their absence.
- ¶ 5 January 19, 2009
“Brenda Leong”
- ¶ 6 Brenda M. Leong
Executive Director