

2006 BCSECCOM 571

October 5, 2006

Headnote

Multilateral Instrument 11-101 Principal Regulator System - National Instrument 51-102, s. 13.1 - Continuous Disclosure Obligations - Information Circular - Issuer needs relief to use auditors report in an information circular without the required consent of auditors as required under the rules - The audit report of the issuer was prepared by an auditor that has ceased practicing; the issuer will disclose in the circular the fact that no consent has been obtained by the auditors

Applicable British Columbia Provisions

National Instrument 51-102, s. 13.1

Form 51-102F1, s. 14.2

Securities Rules, ss. 106(2)

In the Matter of
the *Securities Act* (the Act) of British Columbia
(the Jurisdiction)

and

National Instrument 51-102 *Continuous Disclosure Obligations* (NI 51-102)

and

In the Matter of
Multilateral Instrument 11-101 *Principal Regulator system* (MI 11-101)

and

In the Matter of
Cantronic Systems Inc.
(the Filer)

Decision

Background

- ¶ 1 The British Columbia Securities Commission (the Decision Maker) has received an application from the Filer for a decision under the securities legislation of the Jurisdiction (the Legislation) for an exemption from the requirement to include a consent of the Filer's former auditors, Moen and Company LLP (Moen), to the

2006 BCSECCOM 571

incorporation by reference of the auditors' reports of Moen on the financial statements of the Filer (including financial statements of a predecessor of the Filer) for the financial years ended January 31, 2006, 2005, 2004 and 2003 in a joint information circular (the Information Circular) of the Filer and QWIP Systems Inc. (QWIP) to be mailed to the respective shareholders of the Filer and QWIP in connection with the special meetings of shareholders to approve a proposed amalgamation (the Amalgamation) between the Filer and QWIP (the Requested Relief).

Application of Principal Regulator System

¶ 2 Under MI 11-101:

- (a) the Decision Maker is the principal regulator for the Filer; and
- (b) the Filer is relying on the exemption in Part 3 of MI 11-101 in Alberta and Saskatchewan.

Interpretation

¶ 3 Unless otherwise defined, the terms herein have the meaning set out in National Instrument 14-101 *Definitions*.

Representations

¶ 4 This decision is based on the following facts represented by the Filer:

1. the Filer is a technology company amalgamated under the laws of the Province of British Columbia and the Filer's head office is located in Coquitlam, British Columbia;
2. the Filer is a reporting issuer in the provinces of British Columbia and Alberta, and its common shares are listed for trading on the TSX Venture Exchange under the symbol "CTS";
3. to its knowledge, the Filer is not in default of any of its obligations as a reporting issuer under the applicable securities legislation in any province in which it is a reporting issuer;
4. QWIP is a technology company incorporated under the laws of the Province of Alberta and QWIP's head office is located in Edmonton, Alberta;
5. QWIP is a reporting issuer in the provinces of British Columbia, Alberta and Saskatchewan, and its common shares are listed for trading on the TSX Venture Exchange under the symbol "QWP";

2006 BCSECCOM 571

6. on June 12, 2006, the Filer and QWIP jointly announced that they had entered into a letter of intent to amalgamate the two companies, pursuant to which shareholders of the Filer will receive, in exchange for each common share in the Filer, one common share of the combined entity, and shareholders of QWIP will receive, in exchange for each common share in QWIP, 0.9 common share of the combined entity;
7. the Filer and QWIP are currently in the process of preparing the Information Circular with respect to the special meeting of shareholders of the Filer and QWIP, respectively, for the purpose of approving the Amalgamation. The Information Circular will contain (or to the extent permitted, will incorporate by reference) prospectus-level disclosure in respect of the Filer and QWIP and a detailed description of the Amalgamation;
8. under section 14.2 of Form 51-102F5 of NI 51-102, and because the Amalgamation will involve an exchange of securities, the Filer is required to include or incorporate by reference in the Information Circular, among other things, the audited financial statements of the Filer and the notes thereto as at and for the financial years ended January 31, 2006 and 2005 together with the reports of the auditors thereon, and the audited financial statements of Cantronic Systems Inc., the predecessor to the Filer prior to its amalgamation with ACP Ace Venture Corporation effective as of February 10, 2005, and the notes thereto as at and for the financial years ended January 31, 2004 and 2003 together with the reports of the auditors thereon, all of which were delivered by Moen (collectively, the Cantronic Audited Financial Statements);
9. the consent of Moen regarding the Cantronic Audited Financial Statements is required by the Legislation;
10. on July 21, 2006, Moen ceased practising public accounting and as a result, Moen will no longer consent to the use of previously issued auditors' reports for the purposes of securities filings;
11. the inability of the Filer to obtain a consent letter from Moen to the inclusion of its auditors' reports on the Cantronic Audited Financial Statements is an exceptional situation that is outside of the control of the Filer; and
12. in the absence of a consent from Moen, the Filer proposes to include on the cover page of the Information Circular set forth in Appendix "A" attached hereto and include a cross-reference to such disclosure in the relevant paragraph of the list of documents incorporated by reference in the Information Circular (collectively, the Alternative Disclosure).

2006 BCSECCOM 571

Decision

- ¶ 5 The Decision Maker being satisfied that it has jurisdiction to make this decision, and that to do so would not be prejudicial to the public interest, the Requested Relief is granted provided that the Information Circular includes the Alternative Disclosure.

Martin Eady, CA
Director, Corporate Finance
British Columbia Securities Commission

2006 BCSECCOM 571

Appendix “A”

“Note with respect to Moen and Company LLP”

Moen and Company LLP is no longer engaged in the practice of public accounting in Canada. Accordingly, Cantronic is unable to obtain the consent of Moen and Company LLP with respect to the incorporation by reference in the Information Circular of the auditors' reports of Moen and Company LLP on the consolidated financial statements of Cantronic for the financial years ended January 31, 2006, 2005, 2004 and 2003. Generally, in accordance with applicable securities legislation, holders of securities may only exercise a statutory right of action against a person or company that has prepared a report, opinion or statement that is included in an information circular if that person or company has filed a consent in respect of such report, opinion or statement and such right of action may only be exercised in respect of the report, opinion or statement that has been made by such person or company. However, because Moen and Company LLP has not provided consent, shareholders of Cantronic will not have the statutory rights of action for damages against Moen and Company LLP prescribed by applicable securities legislation. In addition, Moen and Company LLP may not have sufficient assets available to satisfy any judgments against it.