

2008 BCSECCOM 202

March 28, 2008

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency*, s. 9.1 – requirements to file financial statements prepared in accordance with Canadian GAAP and accompanied by an auditor's report without a reservation - An issuer wants relief from the requirement that financial statements required by securities legislation to be audited must be accompanied by an auditor's report that does not contain a reservation - The issuer's auditors could not provide an unqualified audit report because of changes to the issuer's inventory systems; the effect of the changes was that the auditor could not verify certain financial information; the issuer will file financial statements that comply with alternative criteria, which provide meaningful information based on the issuer's circumstances

Applicable British Columbia Provisions

National Instrument 52-107, ss. 3.2(a) and 9.1

In the Matter of
the Securities Legislation of
British Columbia, Alberta, Saskatchewan, Manitoba,
Ontario, New Brunswick, Nova Scotia, Prince Edward Island and
Newfoundland and Labrador
(the Jurisdictions)

and

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

and

In the Matter of
PowerComm Inc.
(the Filer)

MRRS Decision Document

Background

1. The local securities regulatory authority or regulator (the Decision Maker) in each of the Jurisdictions has received an application from the Filer for a

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decision under the securities legislation of the Jurisdictions (the Legislation) for an exemption from the requirement that the Filer's financial statements required by securities legislation to be audited and accompanied by an auditor's report that does not contain a reservation, does not apply in respect of the Filer's financial statements for the year ended March 31, 2006 (the Requested Relief).

2. Under the Mutual Reliance Review System for Exemptive Relief Applications:
 - (a) the Alberta Securities Commission is the principal regulator for the Filer; and
 - (b) this MRRS decision document evidences the decision of each Decision Maker.

Interpretation

3. Defined terms contained in National Instrument 14-101 *Definitions* have the same meaning in this decision unless they are defined in this decision.

Representations

4. This decision is based on the following facts represented by the Filer:
 - (a) The head office of the Filer is located in Edmonton, Alberta.
 - (b) The Filer is a reporting issuer in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland and Labrador.
 - (c) The common shares of the Filer are listed on the TSX under the symbol "PCG".
 - (d) The Filer resulted from an amalgamation between RMM Ventures Inc. and PowerComm Inc. (PowerComm), effective December 31, 2006 under the Business Corporations Act (Alberta). The amalgamation was accounted for as a reverse takeover transaction with PowerComm as the accounting parent.
 - (e) Grant Thornton LLP (the Auditors) were appointed the auditors of PowerComm during 2004.
 - (f) PowerComm completed an inventory system conversion during 2005 and the Auditors were unable to verify inventory balances as at March 31,

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2005 or satisfy themselves concerning the inventory quantities as of this date by alternative means.

- (g) On May 1, 2007, the Filer obtained a receipt for a long form prospectus (the Prospectus) dated April 30, 2007. The Prospectus included the following financial statements:
 - (i) an audited balance sheet of PowerComm as at March 31, 2005 and 2006 and statements of loss, deficit and cash flows for the three years ended March 31, 2004, 2005 and 2006 (the 2006 Financial Statements); and
 - (ii) an audited consolidated balance sheet of PowerComm as at December 31, 2006 and consolidated statements of earnings, retained earnings and cash flows for the nine month period then ended.
- (h) Since opening inventories enter into the determination of the results of operations and cash flows, the Auditors were not able to determine whether adjustments to cost of sales, income taxes, net income and cash flows from operating activities of PowerComm for the year ended March 31, 2006 or opening retained earnings at April 1, 2005 might be necessary. As a result, the Auditors expressed a reservation of opinion (the Inventory Reservation) on the 2006 Financial Statements.
- (i) On June 29, 2007 (the Default Date), the Filer filed its comparative annual financial statements for the year-ended March 31, 2007. These financial statements were accompanied by an auditor's report without reservation of opinion.
- (j) On August 29, 2007, the Filer refiled its comparative annual financial statements for the year-ended March 31, 2007, together with an auditor's report which included a reservation of opinion in relation to the results of operations and cash flows for the year ended March 31, 2006 and opening retained earnings as at April 1, 2005 because of the Inventory Reservation.
- (k) The Filer is currently in default of securities legislation due to the Inventory Reservation in its comparative annual financial statements for the year-ended March 31, 2007.
- (l) The Filer acknowledges that any right of action, remedy, penalty or sanction available to any person or company or to a securities regulatory authority against the Filer from June 29, 2007 until the date of this decision document are not terminated or altered as a result of this decision.

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Decision

5. The Decision Makers being satisfied that they have jurisdiction to make this decision and that the relevant test under the Legislation has been met, the Requested Relief is granted provided that the Requested Relief is effective from the date of this decision.

Blaine Young
Associate Director, Corporate Finance
Alberta Securities Commission