

# 2009 BCSECCOM 45

## Settlement Agreement

**Canadian Rockport Homes Int'l, Inc.,  
William Malone and Nelson Riis**

*Securities Act, RSBC 1996, c. 418*

- ¶ 1 The Executive Director of the British Columbia Securities Commission (the Executive Director), Canadian Rockport Homes Int'l, Inc. (Rockport), William Malone (Malone), and Nelson Riis (Riis) agree as follows:

### **Agreed Statement of Facts**

1. 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 was at all material times in Vancouver, British Columbia.
2. Canadian Rockport Homes Ltd. (CRH) is a British Columbia company and a wholly owned subsidiary of Rockport.
3. 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. Riis was at all material times an officer, director and shareholder of Rockport, and an officer and director of CRH.

### **Misconduct**

#### ***The Projections***

5. From January 2002 to September 2005, Rockport raised approximately US \$4.4 million from investors in British Columbia and elsewhere under offering memoranda dated December 30, 2001, June 15, 2004 and February 15, 2005.
6. In the offering memoranda dated June 15, 2004 and February 15, 2005, Rockport made financial projections (the Projections) that, among other things, projected 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. Year one was to commence once Rockport's manufacturing facility in Lampe, Chile achieved full scale commercial production.

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7. Rockport also made the Projections in Business Plans dated May 2004 and March 2005 (the Business Plans) and in an Executive Summary dated March 2005 (the Executive Summary). Rockport provided the Business Plans and the Executive Summary to potential investors.
8. When it made the Projections, Rockport had not completed the construction of its manufacturing facility in Chile or made arrangements for the construction of additional plants, had not commenced commercial production or earned any revenue, and had not negotiated any contracts for the sale of its homes or the licensing of its technology.
9. Rockport based the forward-looking information in 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 the forward-looking information could reasonably have been estimated.
10. Rockport acted contrary to the public interest in making the Projections to potential investors. Malone and Riis, as officers and directors of Rockport, acted contrary to the public interest by authorizing, permitting or acquiescing in Rockport's making of the Projections.

### *The Claims*

11. 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.
12. In several of the Newsletters, in the Business Plans and in the Executive Summary, 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) Rockport would soon enter into a major contract for the sale of its homes, and
  - (d) Rockport had arranged or was about to arrange significant debt financing.

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13. The Claims were overly optimistic as to Rockport's immediate prospects, and were not objectively justifiable.
14. Rockport omitted facts from the Newsletters, Business Plans and Executive Summary that were necessary to prevent the Claims from being misleading, contrary to section 50(1)(d) of the Act. Malone and Riis, as officers and directors of Rockport, authorized, permitted or acquiesced in Rockport's contravention of that provision.

### ***Undertakings***

15. Rockport undertakes to provide a copy of this settlement agreement to its shareholders.
16. Malone undertakes to pay \$50,000 to the British Columbia Securities Commission in respect of settlement of this matter, which sum is due and payable immediately without further demand.
17. Riis undertakes to pay \$40,000 to the British Columbia Securities Commission in respect of settlement of this matter, which sum is due and payable immediately without further demand.

### **Order**

- ¶ 2 The Executive Director will issue an order (the Order) that:

#### ***Rockport, Malone and Riis***

1. under section 161(1)(a) of the *Securities Act*, RSBC 1996, c. 418, Rockport, Malone and Riis comply fully with the Act, the *Securities Rules*, and any applicable regulations;

#### ***Malone***

2. under section 161(1)(d)(i),(ii) and (iii) of the Act, Malone be prohibited from becoming or acting as a director or officer of any issuer and be prohibited from engaging in investor relations activities until the later of:
  - (a) three years from the date of the Order; and
  - (b) the date Malone has successfully completed a course of study satisfactory to the Executive Director concerning the duties and responsibilities of directors and officers;

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except that Malone may act as a director and officer of Rockport and CRH and engage in investor relations activities on their behalf if, within three months from the date of the Order: Rockport first provides a copy of this settlement agreement together with notice of a meeting of shareholders to all of its shareholders; and a majority of the votes cast by shareholders voting at the meeting, excluding Malone and Riis, are in favour of Malone acting as a director and officer of Rockport and CRH; and

### ***Riis***

3. under section 161(1)(d)(i),(ii) and (iii) of the Act, Riis be prohibited from becoming or acting as a director or officer of any issuer and be prohibited from engaging in investor relations activities until the later of:
  - (a) two years from the date of the Order; and
  - (b) the date Riis has successfully completed a course of study satisfactory to the Executive Director concerning the duties and responsibilities of directors and officers.

### **Consent to Reciprocal Orders**

- ¶ 3 Any securities regulator in Canada may rely on the facts admitted in this agreement solely for the purpose of making an order similar to the one contemplated above.

### **Waiver**

- ¶ 4 Rockport, Malone and Riis waive any right that they may have, under the Act or otherwise, to a hearing, hearing and review, judicial review or appeal related to, in connection with, or incidental to this settlement.

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¶ 5 **Counterpart**

This Settlement Agreement may be executed in counterpart or by facsimile execution and all such counterparts of executed copies or faxed copies shall be read or construed together as if they formed one originally executed document.

¶ 6 January 27, 2009

¶ 7 Canadian Rockport Homes Int'l, Inc.

“W. Malone”  
(Signing Authority)

“J. Ferrada” )  
Witness Signature )  
Jose Ferrada )  
Witness Name (please print) )  
La Estera #526 )  
 )  
Lampa, Santiago, Chile )  
Address )  
Attorney )  
Occupation )

¶ 8 January 27, 2009

“William Malone”

¶ 9 William Malone

“J. Ferrada” )  
Witness Signature )  
Jose Ferrada )  
Witness Name (please print) )  
La Estera #526 )  
 )  
Lampa, Santiago, Chile )  
Address )  
Attorney )  
Occupation )

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¶ 10 January 27, 2009

“Nelson Riis”

¶ 11 Nelson Riis

“J.P. Bradford” )  
Witness Signature )  
John-Peter Bradford )  
Witness Name (please print) )  
173 Heath Street )  
 )  
Ottawa, ON K1H 5E6 )  
Address )  
Certified Management Accountant )  
Occupation )

¶ 12 January 29, 2009

“Brenda Leong”

¶ 13 Brenda M. Leong  
Executive Director