

THE SECURITIES ACT

Section 20

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Order No. 3040

September 5, 2000

KEYSTONE INDUSTRIES INC.

WHEREAS:

(A) Keystone Industries Inc. (the "Issuer") has applied to The Manitoba Securities Commission (the "Commission") for an order pursuant to subsection 20(1) of *The Securities Act* (Manitoba) (the "Act") exempting the Corporation from the requirement of Commission Rule 44-501("Rule 44-501") which provides that every Keystone Company escrow agreement required by Rule 44-501 shall be in the form set out in the schedule to Rule 44-501, and permitting the Corporation to enter an escrow agreement to be deemed for all purposes to comply with Rule 44-501, which agreement shall be a form substantially similar to Form 2F of the Canadian Venture Exchange;

(B) It has been represented to the Commission that:

1.0 The Corporation

1.1 The Corporation was incorporated under the provisions under *The Corporations Act* (Manitoba) on June 21, 2000.

1.2 The Corporation's registered office is 30th Floor, Commodity Exchange Tower, 360 Main Street, Winnipeg, Manitoba, R3C 4G1.

1.3 The Corporation is not subject to Parts X, XI and XII of the Act, however, the Corporation will become subject to those provisions upon the completion by the Corporation of an initial public offering of its common shares and the listing thereof on the WSE, all pursuant to the WSE Policy and Rule 44-501.

1.4 The authorized capital of the Corporation consists of an unlimited number of common shares, of which 2,000,000 are anticipated to be issued and outstanding immediately prior to the initial public offering of common shares of the Corporation.

1.5The securities of the Corporation are not currently listed on any stock exchange, however, as indicated in 1.3 above, it is intended that the common shares of the Corporation will be listed on the WSE in the near future.

1.6 The Corporation is in good standing with respect to filings to be made pursuant to *The Corporations Act* (Manitoba).

2.0 Background

2.1 Section 7.1 of Rule 44-501 requires all seed capital shares held by directors, officers and other insiders of a Keystone Company to be held pursuant to a Keystone Company escrow agreement. Section 7.6 of Rule 44-501 provides that every Keystone Company escrow agreement shall be in the form set out in the schedule to the said rule. The schedule to the rule, which conforms with WSE Form B4, provides that securities subject to such an escrow agreement may be released as to 1/3 of all securities held pursuant to the agreement on each of the first, second, and third anniversaries of the completion of the "Major Transaction", as defined in the WSE Policy and Rule 44-501 (the "Manitoba Escrow Provisions").

2.2 Section 1.7.2.1 of the WSE Policy requires the use of Form B4 for the purpose of holding seed capital shares of a Keystone Company in escrow.

2.3 Policy 2.4 of the Canadian Venture Exchange ("CDNX") Corporate Finance Manual provides, at section 11.5, that escrowed shares of a Capital Pool Company (being the CDNX equivalent to a Keystone Company) may be released from escrow on the following terms:

Release Date	Percentage of Total Escrowed Securities to be Released
Date of Final Exchange Notice	10%
6 Months Following Final Exchange Notice	15%
12 Months Following Final Exchange Notice	15%
18 Months Following Final Exchange Notice	15%
24 Months Following Final Exchange Notice	15%
30 Months Following Final Exchange Notice	15%
36 Months Following Final Exchange Notice	15%
Total	100%

2.4 The Canadian Securities Administrators have issued Notice 46-301 (the "National Proposal") relating to uniform terms of escrow that would apply to initial public distributions of securities by prospectus. The National Proposal, published on March 17, 2000, summarizes key elements of the proposal and highlights changes from an earlier proposal published for comment in May of 1998. Among the terms of the National Proposal is the concept of uniform terms of automatic timed released escrow provisions to apply to the principals of exchange listed issuers. For "emerging issuers", being those conditionally listed on Tier II of the CDNX or those conditionally listed on the WSE that meet requirements equivalent to CDNX Tier II requirements, escrow release is established as release in equal tranches at 6 month intervals over 36 months, that is 15% of each principal's holdings released in each tranche, with 10% of each

principal's holding released from escrow upon the issuance of a Final Exchange Notice confirming listing.

2.5 The terms of the National Proposal have been adopted by CDNX, as evidenced by the application of the National Proposal release schedule for "emerging issuers" to Capital Pool Companies which have completed a Qualifying Transaction (the CDNX equivalent to a Major Transaction) and which, at that point, meet CDNX Tier II minimum listing requirements ("CDNX Escrow Provisions").

2.6 The WSE is proposing to enter into an agreement with CDNX whereby all WSE listed issuers would be provided the opportunity to become listed on CDNX, and thereafter become subject to the policies and rules of CDNX.

2.7 The Manitoba Escrow Provisions are materially different from the CDNX Escrow Provisions and the National Proposal.

2.8 The prospectus of the Corporation is required to, and will, fully disclose the terms of escrow to which the directors, officers and insiders of the Corporation are subject.

(C) In the opinion of the Commission it would not be prejudicial to the public interest to grant the order requested.

IT IS ORDERED:

- 1. that** the Corporation is exempt from the requirement of section 7.6 of Rule 44-501;
- 2. that** the Corporation be deemed to be in compliance with section 7.1 of Rule 44-501 upon the entering of an escrow agreement in substantially similar form to CDNX Form 2F, such agreement to be in form satisfactory to the Commission and the WSE; and

BY ORDER OF THE COMMISSION

Director – Legal