

expected to deceive or mislead existing and prospective Clients.

16. For the reasons provided above, it would not be prejudicial to the public interest to grant the Exemption Sought.

Decision

Each of the Decision Makers is satisfied that the decision meets the test set out in the Legislation for the Decision Maker to make the decision.

The decision of the Decision Makers under the Legislation is that the Exemption Sought is granted, provided that, when using the Titles, the Filer and its Registered Individuals interact only with existing and prospective clients that are exclusively non-individual "institutional clients" as defined in IIROC Rule 1201.

This decision will terminate six months, or such other transition period as may be provided by law, after the coming into force of any amendment to NI 31-103 or other applicable securities law that affects the ability of the Registered Individuals to use the Titles in the circumstances described in this decision.

"Lynn Tsutsumi"
Director
Market Regulation
Alberta Securities Commission

OSC File #: 2021/0467

2.1.7 The Limestone Boat Company Limited

Headnote

National Policy 11-203 Process For Exemptive Relief Applications in Multiple Jurisdictions – Issuer granted relief from the requirement in National Instrument 52-107 Acceptable Accounting Principles and Auditing Standards that acquisition financial statements required by securities legislation to be audited must be accompanied by an auditor's report that expresses an unqualified opinion – Issuer completed a significant transaction under National Instrument 51-102, triggering the requirement for the filer to file a business acquisition report – underlying information needed to support an unqualified auditor's opinion on the acquisition statements not available – Issuer can otherwise comply with the acquisition statement requirements for a business acquisition report and the business acquisition report will contain sufficient alternative information about the acquisition.

Applicable Legislative Provisions

National Instrument 52-107 Acceptable Accounting Principles and Auditing Standards, ss. 3.12(2) and 5.1.

October 8, 2021

**IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ONTARIO
(the Jurisdiction)**

AND

**IN THE MATTER OF
THE PROCESS FOR EXEMPTIVE RELIEF
APPLICATIONS
IN MULTIPLE JURISDICTIONS**

AND

**IN THE MATTER OF
THE LIMESTONE BOAT COMPANY LIMITED
(the Filer)**

DECISION

Background

The principal regulator in the Jurisdiction has received an application from the Filer for a decision under the securities legislation of the Jurisdiction (the **Legislation**) exempting the Filer from the requirement in subsection 3.12(2) of National Instrument 52-107 Acceptable Accounting Principles and Auditing Standards (**NI 52-107**) that an auditor's report accompanying audited acquisition statements must express an unqualified opinion (the **Exemption Sought**).

Under the Process for Exemptive Relief Applications in Multiple Jurisdictions (for a passport application):

- (a) the Ontario Securities Commission is the principal regulator for this application, and

- (b) the Filer has provided notice that subsection 4.7(1) of Multilateral Instrument 11-102 Passport System (**MI 11-102**) is intended to be relied upon in British Columbia and Alberta.

Interpretation

Terms defined in National Instrument 14-101 *Definitions* and MI 11-102 have the same meaning if used in this decision, unless otherwise defined.

Representations

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

1. The Filer, formerly LL One Inc. (**LLO**), was incorporated under the Business Corporations Act of Ontario on March 14, 2020 and was a Capital Pool Corporation as defined in Policy 2.4 of the TSX Venture Exchange (the **Exchange**).
2. Effective March 2, 2021, and upon completion of the transaction discussed below, the Filer changed its name to The Limestone Boat Company Limited.
3. The Filer completed the acquisition of The Limestone Boat Company Inc. (**LBCI**) through an acquisition agreement (**RTO Transaction**) whereby the Filer acquired all of the issued and outstanding shares of LBCI on March 2, 2021, with the former shareholders of LBCI obtaining control of the Filer.
4. LBCI was incorporated under the Business Corporation Act of Ontario on January 14, 2020. The primary activities of LBCI are the design, marketing and sale of power boats. Since inception, LBCI has focused on the acquisition of molds and the design, marketing and sale of power boats.
5. The Filer is a reporting issuer in the provinces of Ontario, British Columbia and Alberta. Its head office is at 65A Hurontario Street, Collingwood, Ontario L9Y 2L7.
6. The Filer's authorized share capital consists of an unlimited number of common shares (the **Common Shares**). As at the close of business on July 29, 2021, 107,599,104 Common Shares were issued and outstanding.
7. The Common Shares are listed on the Toronto Venture Exchange under the trading symbol "BOAT".
8. Ebbtide Holdings, LLC (**Ebbtide**) is not a reporting issuer (or its equivalent) in any jurisdiction. Ebbtide is incorporated as a Limited Liability Company under the laws of the state of Tennessee.
9. On May 17, 2021, the Filer completed its acquisition (the **Transaction**) of the issued and outstanding membership interests of Ebbtide for

US\$3.75 million in cash and US\$2.5 million of Common Shares of the Filer issued at an ascribed price of CDN\$0.33 per share.

10. The Transaction was completed pursuant to a securities purchase agreement dated May 17, 2021 among Limestone US, Inc., a subsidiary of the Filer, Samir Patel, the Estate of Tom Loventhal, Nashville Boats, LLC, Dharmesh Patel, and Maheshbhai Master.
11. The Transaction constituted a "significant acquisition" by the Filer under section 8.3 of NI 51-102, which triggered the requirement for the Filer to file a business acquisition report (**BAR**) within 75 days of the completion of the Transaction (i.e., by August 3, 2021).
12. To comply with section 8.4 of NI 51-102, the Filer's BAR must include, among other things, audited annual financial statements of Ebbtide for the financial year ended December 31, 2020 (the **2020 Annual Financial Statements**).
13. Under section 3.12 of NI 52-107, the 2020 Annual Financial Statements must be accompanied by an auditor's report that expresses an unqualified opinion.
14. The Filer understands that, as a private entity, Ebbtide was not required to have, and did not have, audited financial statements, including the 2020 Annual Financial Statements, and as such did not have the necessary procedures in place during 2020 to support an audit of the 2020 Annual Financial Statements.
15. Although the Filer has incurred significant time and resources preparing the 2020 Annual Financial Statements using information that is presently available from Ebbtide and its former management, the Filer's auditor has represented to the Filer that it is unable to issue an unqualified audit opinion on the 2020 Annual Financial Statements of Ebbtide due to a lack of sufficient and appropriate underlying audit evidence over the inventory balance. In particular, the Filer's independent auditor was not present during the January 1, 2020 and December 31, 2020 physical inventory observation and has been unable to reduce the risk of material misstatement over the completeness and existence of inventory to an acceptably low level through acceptable alternative audit procedures. Since opening inventory affects the determination of cost of goods sold, the auditors were also unable to obtain sufficient and appropriate audit evidence to support the cost of sales for the year-ended December 31, 2020.
16. The Filer expects the following item (the **Qualified Matter**) would result in a qualified opinion from the auditor in respect of the 2020 Annual Financial Statements:

Inventory and Cost of Goods Sold: Documentation required to sufficiently support the quantity and cost of inventory on hand as at January 1, 2020 and December 31, 2020 is not available. As such, the Filer does not believe the Filer's independent auditor will be able to obtain sufficient and appropriate audit evidence to provide an unqualified audit opinion over the opening and ending inventory and related cost of goods sold balances as at end for the year ended December 31, 2020. Furthermore, based on the limited documentation available, and the passage of time, the Filer's auditor is unable to conduct sufficient alternative audit procedures to gain reasonable assurance over the inventory balances as at January 1, 2020 and December 31, 2020 and cost of goods sold for the year ended December 31, 2020.

- (b) unaudited annual financial statements of Ebbtide for the financial year ended December 31, 2019, in accordance with subsection 8.4(1) of NI 51-102;
- (c) unaudited interim financial statements of Ebbtide for the three-month period ended March 31, 2021 (subject to the exemption in section 8.9 of NI 51-102); and
- (d) an audited statement of assets acquired and liabilities assumed, without qualification, by the Filer as at the closing date of the Transaction.

"Cameron McInnis"
Chief Accountant
Ontario Securities Commission

OSC File #: 2021/0437

- 17. With respect to the requirement to provide comparative interim financial statements of Ebbtide for the three months ended March 31, 2021, the Filer intends to rely on the exemption in section 8.9 of NI 51-102.
- 18. Except for the requirement to file a BAR within 75 days of the completion of the Transaction, the Filer is not in default of securities legislation in any jurisdiction.
- 19. The Filer anticipates that its auditor will be able to issue an unqualified opinion with respect to inventory for its year ended December 31, 2021.
- 20. To the knowledge of the Filer, after reasonable due diligence conducted on Ebbtide, and in the Filer's preparation of the 2020 Annual Financial Statements, the Filer believes that inventory is not materially misstated.
- 21. Apart from the requirement that the 2020 Annual Financial Statements be accompanied by an auditor's report that expressed an unqualified audit opinion, the Filer is otherwise able to prepare and file the BAR in accordance with NI 51-102 and NI 52-107.

Decision

The principal regulator is satisfied that the decision meets the test set out in the Legislation for the principal regulator to make the decision.

The decision of the principal regulator under the Legislation is that the Exemption Sought is granted provided that the Filer includes the following financial information in the BAR for the Transaction:

- (a) the 2020 Annual Financial Statements accompanied by an auditor's report that expresses an unqualified opinion other than with respect to the Qualified Matter;