

**IN THE MATTER OF THE *SECURITIES ACT*
R.S.O. 1990, c.S.5, AS AMENDED**

AND

**THE MOUNTAIN INN AT RIBBON CREEK LIMITED PARTNERSHIP,
THE LODGE AT KANANASKIS LIMITED PARTNERSHIP
and JOHN PENNINGTON**

SETTLEMENT AGREEMENT

I. INTRODUCTION

1. By Notice of Hearing dated November 16, 2005, the Ontario Securities Commission (the "Commission") announced that it will hold a hearing on November 18, 2005 to consider whether, pursuant to section 127 of the *Securities Act* (the "Act"), it is in the public interest to make an order that:
 - (a) pursuant to s.127(1), clause 4, the Mountain Inn at Ribbon Creek Limited Partnership ("Mountain") and the Lodge at Kananaskis Limited Partnership ("Kananaskis") institute changes to their existing plans and procedures so as to ensure filing on time of their future annual and interim filings;
 - (b) pursuant to s. 127(1), clause 6, that John Pennington, Mountain and Kananaskis be reprimanded;
 - (c) pursuant to s.127(1), clause 9, that Mountain and Kananaskis each pay an administrative penalty of \$5,000; and
 - (d) such other order as the Commission may deem appropriate.

II. JOINT SETTLEMENT RECOMMENDATION

2. Staff of the Commission (the “Staff”) recommend settlement of the proceeding initiated in respect of John Pennington in accordance with the terms and conditions set out below. The Respondents consent to the making of an order against them in the form attached as Schedule “1” on the basis of the facts set out below.

III. STATEMENT OF FACTS

Acknowledgement

3. For the purposes of this Settlement Agreement, the Respondents agree with the facts set out in Part III.

Agreed Facts

A. The Respondents

4. Mountain and Kananaskis are each limited partnerships that became reporting issuers in Ontario in 1986. Under a joint operating agreement, Mountain and Kananaskis own and operate two hotel properties in Alberta. Their head office is located in Oakville, Ontario and each has a December 31st calendar year end. Neither is listed on a stock exchange or market.

5. John Pennington has been the CEO and CFO for Mountain and Kananaskis at all relevant times described below.

B. Annual and Interim Filings

6. National Instrument 51-102 (“NI 51-102”) requires reporting issuers to make interim and annual filings. Mountain and Kananaskis must file audited annual financial statements (“AFS”) within 120 days of their financial year end and must file interim financial statements (“IFS”) within 60 days of the end of the interim period pursuant to s. 4.2(b)(i) and 4.4(b)(i) of NI 51-102, respectively. Pursuant to s. 5.1(2)(a) of NI 51-102, they must also file Management Discussion & Analysis (“MD&A”) at the same time as AFS and IFS.

7. Prior to March 30, 2004, pursuant to Rule 52-501, Mountain and Kananaskis were required to file AFS within 140 days of their financial year end and to file IFS within 60 days of the end of the interim period.

8. Effective March 30, 2004, Multilateral Instrument 52-109 (“MI 52-109”) requires the CEO and CFO of a reporting issuer to personally sign interim and annual certificates attesting to the completeness and accuracy of the interim and annual filings (“CEO/CFO Certificates”). Pursuant to s. 2.2 and 3.2 of MI 52-109, Mountain and Kananaskis must file CEO/CFO Certificates at the same time as their annual and interim filings.

C. Repeated Late Filing

9. From 2003 to 2005, despite requests by Staff, Mountain and Kananaskis have failed to file on time their AFS, IFS, the related MD&A and the CEO/CFO Certificates required to be signed by Pennington.

10. The interim and annual filings for fiscal 2003 to 2005 for Mountain and Kananaskis are detailed below:

2003

Date	Filing	Period Ending	Due Date	Date Filed	Late Period (Business Days)
First quarter	IFS	Mar 31/03	May 30/03	June 3/03	2 days
Second quarter	IFS	June 30/03	Aug 29/03	Aug 28/03	On time
Third quarter	IFS	Sept 30/03	Nov 29/03	Nov 28/03	On time
Fourth Quarter	AFS	Dec 31/03	May 19/04	June 10/04	15 days

2004

Date	Filing	Period Ending	Due Date	Date Filed	Late Period (Business Days)
First quarter	IFS	Mar 31/04	May 31/04	May 31/04	On time
	MD&A Certificates	Mar 31/04	May 31/04	July 14/04	31 days
Second quarter	IFS	June 30/04	Aug 30/04	Aug 31/04	1 day
	MD&A Certificates	June 30/04	Aug 30/04	May 17/05	203 days
Third quarter	IFS	Sept 30/04	Nov 29/04	Nov 30/04	1 day
	MD&A Certificates	Sept 30/04	Nov 29/04	Dec 9/04	8 days
Fourth quarter	AFS	Dec 31/04	May 2/05	May 13/05	9 days
	MD&A Certificates	Dec 31/04	May 2/05	May 17/05	11 days

2005

Date	Filing	Period Ending	Due Date	Date Filed	Late Period (Business Days)
First quarter	IFS	Mar 31/05	May 30/05	May 13/05	On time
	MD&A Certificates	Mar 31/05	May 30/05	June 7/05	6 days
Second quarter	IFS	June 30/05	Aug 29/05	Aug 16/05	On time
	MD&A Certificates	June 30/05	Aug 29/05	Aug 16/05	On time

In summary, over the past 18 months Mountain and Kananaskis have:

- a) failed to make annual filings on time, resulting in the following cease-trade orders:
 - (i) from May 28, 2004 to June 11, 2004 for failing to file AFS on time for fiscal 2003.
 - (ii) from May 3, 2005 and May 17, 2005 for failing to file AFS on time for fiscal 2004, together with MD&A and CEO/CFO Certificates.
- b) failed to make interim filings on time by:
 - (i) failing to file IFS on time for three of the past five filing deadlines. Filings were late from one business day to nine business days.
 - (ii) failing to file interim MD&A and interim CEO/CFO Certificates by Pennington on time for four of the past five filing deadlines. Filings were late from six business days to 203 business days.

D. Conduct Contrary to the Public Interest

- 11. Mountain and Kananaskis have breached their continuous disclosure obligations required by NI 51-102 and MI 52-109.
- 12. Pennington authorized, permitted or acquiesced in contraventions of NI 51-102 and MI 52-109 by Mountain and Kananaskis.
- 13. Each of the Respondents has breached Ontario securities law and engaged in conduct contrary to the public interest.

IV. TERMS OF SETTLEMENT

- 14. The Respondents agree to the following terms of settlement.
- 15. The Commission will make an order, under clause 4 of s. 127(1) of the *Act*, requiring the Corporate Respondents to implement the changes to their existing plans and procedures

described in the attached Schedule "A" to ensure timely filing of their future annual and interim filings.

16. The Commission will make an order, under clause 6 of s. 127(1) of the *Act*, reprimanding Pennington, Mountain and Kananaskis.

17. The Commission will make an order, under clause 9 of section 127(1) of the *Act*, requiring Mountain and Kananaskis to each pay an administrative penalty of \$5,000.

V. STAFF COMMITMENT

18. If this Settlement Agreement is approved by the Commission, Staff will not initiate any proceeding under Ontario securities law in respect of any conduct or alleged conduct of the Respondents in relation to the facts set out in Part III of this Settlement Agreement, subject to the provisions of paragraph 21 below.

VI. PROCEDURE FOR APPROVAL OF SETTLEMENT

19. Approval of this Settlement Agreement shall be sought at the public hearing of the Commission scheduled for Friday, November 18, 2005, or such other date as may be agreed to by Staff and the Respondents in accordance with the procedures described in this Settlement Agreement.

20. Staff and the Respondents agree that if this Settlement Agreement is approved by the Commission, it will constitute the entirety of the evidence to be submitted respecting the respondents in this matter, and the Respondents agree to waive their rights to a full hearing, judicial review or appeal of the matter under the *Act*.

21. Staff and the Respondents agree that if this Settlement Agreement is approved by the Commission, neither Staff nor the Respondents will make any public statement inconsistent with this Settlement Agreement.

22. If a Respondent fails to honour the agreement contained in paragraph 21 of this Settlement Agreement, Staff reserve the right to bring proceedings under Ontario securities law against that Respondent based on the facts set out in Part III of this Settlement Agreement or based on the breach of this Settlement Agreement.

23. If, for any reason whatsoever, this Settlement Agreement is not approved by the Commission or an order in the form attached as Schedule "1" is not made by the Commission, each of Staff and the Respondents will be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing of the allegations in the Notice of Hearing and Statement of Allegations, unaffected by this Settlement Agreement or the settlement negotiations.

24. Whether or not this Settlement Agreement is approved by the Commission, the Respondents agree that they will not, in any proceeding, refer to or rely upon this Settlement Agreement or the negotiation or process of approval of this Settlement Agreement as the basis for any attack on the Commission's jurisdiction, alleged bias, appearance of bias, alleged unfairness or any other remedies or challenges that may otherwise be available.

VII. DISCLOSURE OF AGREEMENT

25. The terms of this Settlement Agreement will be treated as confidential by all parties hereto until approved by the Commission and, forever, if for any reason whatsoever, this Settlement Agreement is not approved by the Commission, except with the written consent of both the Respondents and Staff or as may be required by law.

26. Any obligations of confidentiality shall terminate upon approval of this Settlement Agreement by the Commission.

VIII. EXECUTION OF AGREEMENT

27. This Settlement Agreement may be signed in one or more counterparts which together shall constitute a binding agreement.

28. A facsimile copy of any signature shall be effective as an original signature.

Dated this 16th day of November, 2005

THE MOUNTAIN INN AT RIBBON
CREEK LIMITED PARTNERSHIP

“Melanie Coombs ”

Per: “John Pennington”
Authorized Signing Officer

Dated this 16th day of November, 2005

THE LODGE AT KANANASKIS
LIMITED PARTNERSHIP

“Melanie Coombs ”

Per: “John Pennington”
Authorized Signing Officer

Dated this 16th day of November, 2005

“Melanie Coombs ”

“John Pennington”
John Pennington

Dated this 16th day of November, 2005

STAFF OF THE ONTARIO
SECURITIES COMMISSION

“Michael Watson”
Michael Watson
Director, Enforcement Branch

SCHEDULE "1"

**IN THE MATTER OF THE *SECURITIES ACT*
R.S.O. 1990, c.S.5, AS AMENDED**

AND

**THE MOUNTAIN INN AT RIBBON CREEK LIMITED PARTNERSHIP,
THE LODGE AT KANANASKIS LIMITED PARTNERSHIP
and JOHN PENNINGTON**

**ORDER
(Sections 127)**

WHEREAS on November 16, 2005, the Ontario Securities Commission issued a Notice of Hearing pursuant to sections 127 and 127.1 of the *Securities Act* (the "Act") in respect of the Mountain Inn at Ribbon Creek Limited Partnership ("Mountain") and the Lodge at Kananaskis Limited Partnership ("Kananaskis"), and John Pennington ("Pennington");

AND WHEREAS the Respondents entered into a Settlement Agreement with Staff of the Commission dated November 16, 2005 (the "Settlement Agreement") in which they agreed to a proposed settlement of the proceeding commenced by the Notice of Hearing, subject to the approval of the Commission;

AND UPON reviewing the Settlement Agreement and the Notice of Hearing and Statement of Allegations of Staff of the Commission, and upon hearing submissions from counsel for the Respondents and from Staff of the Commission;

AND WHEREAS the Commission is of the opinion that it is in the public interest to make this Order

IT IS HEREBY ORDERED THAT

- (a) pursuant to s.127(1), clause 4, Mountain and Kananaskis institute the changes to their plans and procedures relating to filing future annual and interim filings as described in Schedule “A” to this order;
- (b) pursuant to s. 127(1), clause 6, that Pennington, Mountain and Kananaskis be reprimanded; and
- (c) pursuant to s.127(1), clause 9, that Mountain and Kananaskis each pay an administrative penalty of \$5,000.

IT IS FURTHER ORDERED pursuant s.3.4(2)(b) of the Act, that money received by the Commission pursuant to this Order is hereby allocated to or for the benefit of such third parties as may be determined by the Commission

DATED at Toronto this day of November, 2005

SCHEDULE “A”

This schedule describes the changes that will be implemented by the Mountain Inn at Ribbon Creek Limited Partnership (“Mountain”) and the Lodge at Kananaskis Limited Partnership (“Kananaskis”) within two weeks of an Order by the Ontario Securities Commission (the “Commission”) approving the settlement agreement dated November 16, 2005 between Staff of the Commission and Mountain and Kananaskis (the “Order”).

Within two weeks of the Order, Mountain and Kananaskis will, with the assistance of Folger Rubinoff LLP, or other appropriate securities law advisor, implement for a minimum period of two years, the plans and procedures necessary to ensure filing on time of future annual and interim filings by Mountain and Kananaskis, as prescribed by National Instrument 51-102 and Multilateral Instrument 52-109.

Mountain and Kananaskis acknowledge that ultimate responsibility for compliance with Ontario securities law rests with Mountain and Kananaskis and their officers and directors.