

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

- and -

**IN THE MATTER OF
THOMAS HINKE**

**STATEMENT OF ALLEGATIONS
OF STAFF OF THE ONTARIO SECURITIES COMMISSION**

Staff of the Ontario Securities Commission make the following allegations:

Background

1. Pursuant to a Notice of Hearing and Statement of Allegations issued March 6, 2006, Staff of the Commission commenced proceedings against Thomas Hinke (“Hinke”) for failing to file insider reports, as required by s. 107(2) of the Act, and for breaching the terms of an Executive Director’s Settlement Agreement dated April 9, 2002 between Hinke and the Executive Director of the Commission (the “First Settlement Agreement”).

2. On April 12, 2006 the Commission found, based on an agreed statement of facts, that Hinke had breached Ontario securities law and that his conduct was contrary to the public interest. Prior to the hearing in respect of sanctions, Staff and Hinke reached a settlement agreement on sanctions (the “Second Settlement Agreement”). On May 1, 2006 the Commission issued an Order (the “Order”) approving the Second Settlement Agreement.

3. Pursuant to the Order, the Commission ordered Hinke to:
 - (a) cease trading in the securities of Thermal Energy International Inc. (“TEI”) for a six month period, commencing from the date of his last trade in TEI (the effective cease trade period being February 15, 2006 to August 15, 2006);
 - (b) cease trading in all other reporting issuers in which he held in excess of 5% of any class of securities or for which he was deemed to be an insider, for a one year period;
 - (c) be reprimanded;
 - (d) pay an administrative penalty of \$32,000; and
 - (e) pay costs of \$5,000.

4. The Commission noted in its Order that as a term of the Second Settlement Agreement, Hinke undertook to provide a copy of the Order to any registrant with whom he dealt for a one year period from the date of the Order.

Overview of Allegations

5. It is the allegation of Staff that Hinke: (i) breached the cease trade term of the Order, (ii) breached his undertaking in the Second Settlement Agreement to provide a copy of the Order to all registrants with whom he dealt and (iii) made misleading or untrue statements to Staff and the Commission regarding his assets and liabilities and TEI shareholdings.

(i) Breaches of the Cease Trade Order

6. Contrary to the cease trade term of the Order, on July 7, 2006 Hinke sold 17,478 shares of TEI from account number 490-09630, a BMO Nesbitt Burns Inc. account held in Hinke’s name (the “BMO Account”). By cheque dated July 12, 2006, Hinke received funds in the amount of \$2,554.45 on account of the trade.

(ii) Breach of the Undertaking in the Second Settlement Agreement

7. Paragraph 13(f) of the Second Settlement Agreement provided:

“Hinke shall provide a copy of the order issued by the Commission to any registrant with whom he deals for the next year.”

8. Contrary to the undertaking, Hinke did not provide a copy of the Order to the broker of the BMO Account.

(iii) Misleading Statements to Staff and the Commission

9. In a sworn statement of assets and liabilities dated on or about April 28, 2006, Hinke provided Staff with a sworn schedule of assets and liabilities. Hinke did not reveal his TEI shareholdings in the BMO Account in the schedule.

10. Moreover, at paragraph 12 of the Second Settlement Agreement Hinke acknowledged, in part, that:

“ ... all of Hinke’s remaining TEI shares are being held, in trust, with Gowling Strathy Henderson LLP in Ottawa.”

11. Contrary to the forgoing, the 17,478 shares sold by Hinke through the BMO Account were not held in trust with Gowling Strathy Henderson LLP and were not disclosed to Staff in the sworn schedule of assets and liabilities.

Breach of Ontario Securities Law and Conduct Contrary to the Public Interest

12. The trades by Hinke in the BMO Account amounted to a breach of the cease trade term of the Order. Hinke breached his undertaking in the Second Settlement Agreement to provide all registrants with whom he dealt a copy of the Order. Moreover, Hinke made misleading or untrue statements to Staff and the Commission regarding his TEI holdings and regarding his statement of assets and liabilities. Hinke’s conduct was in contravention of Ontario securities law and was contrary to the public interest.

13. Staff reserve the right to make such further and other allegations as Staff submit and the Commission may permit.

DATED at Toronto this 7th day of November, 2006.