

# 2011 BCSECCOM 299

**John Arthur Roche McLoughlin, MCL Ventures Inc.,  
Blue Lighthouse Ltd. and Robert Douglas Collins**

*Securities Act, RSBC 1996, c. 418*

## Hearing

<b>Panel</b>	Brent W. Aitken Shelley C. Williams Suzanne K. Wiltshire	Vice Chair Commissioner Commissioner
<b>Hearing date</b>	May 16, 2011	
<b>Submissions completed</b>	May 30, 2011	
<b>Date of Decision</b>	June 27, 2011	
<b>Appearing</b>	Mila Pivnenko	For the Executive Director

## Decision

**(Blue Lighthouse Ltd. and Robert Douglas Collins)**

### I Introduction

- ¶ 1 This is a hearing under sections 161(1) and 162 of the *Securities Act*, RSBC 1996, c. 418.
- ¶ 2 On November 24, 2010, the executive director issued a notice of hearing alleging that John Arthur Roche McLoughlin, MCL Ventures Inc., Blue Lighthouse Ltd. and Robert Douglas Collins contravened the Act from March 2009 to April 2010 by raising over \$300,000 by distributing securities of Blue Lighthouse to 22 investors, most of whom were residents of British Columbia, without being registered and without filing a prospectus.
- ¶ 3 McLoughlin and MCL admitted the allegations in the notice of hearing. On April 29, 2011 the Commission rendered its decision on those respondents (see 2011 BCSECCOM 202). The Commission panel banned McLoughlin from the securities market for 15 years and ordered him to pay an administrative penalty of \$50,000. The panel permanently cease traded MCL.
- ¶ 4 On April 29, 2011 a hearing was held on the allegations against Blue Lighthouse and Collins. Neither of them appeared or was represented by counsel at the

## 2011 BCSECCOM 299

hearing. We granted the executive director's request that we consider submissions on both liability and sanction together.

- ¶ 5 Blue Lighthouse distributed securities investors called "Investor Warrant Agreements". These agreements purportedly entitled investors to a share of the profits Blue Lighthouse earned through the salvage of shipwrecks.
- ¶ 6 Collins incorporated Blue Lighthouse and is one of its directors. He represented himself as its "Managing Director" in the Investor Warrant Agreements. He signed all of them. He made the significant decisions about the affairs of Blue Lighthouse.
- ¶ 7 Neither Collins nor Blue Lighthouse has been registered under the Act. Blue Lighthouse has never filed a prospectus under the Act.

### II Findings

- ¶ 8 Section 34(1) of the Act says that a person must not trade securities without being registered to do so. Section 61(1) says that a person must not trade securities in a distribution without filing a prospectus. We find that the executive director proved that the Investor Warrant Agreements were securities and that Blue Lighthouse raised \$317,636 by distributing securities to 22 investors, most of whom were resident in British Columbia, without being registered and without filing a prospectus, contrary to sections 34(1) and 61(1) of the Act.
- ¶ 9 Section 168.2 says that if "a person, other than an individual" contravenes a provision of the Act, an officer or director of the person "who authorizes, permits, or acquiesces in the contravention" also contravenes the provision.
- ¶ 10 We find that the executive director proved that Collins authorized, permitted or acquiesced in the contravention by Blue Lighthouse of sections 34(1) and 61(1), and therefore also contravened those sections through the operation of section 168.2.

### III Sanctions

- ¶ 11 The factors relevant to sanction are set forth in *Re Eron Mortgage Corporation* [2000] 7 BCSC Weekly Summary 22 (see page 24).
- ¶ 12 Collins used Blue Lighthouse as a vehicle to illegally raise funds from investors.
- ¶ 13 Collins benefited from his illegal activity by receiving \$14,607 personally from investors' funds.

## 2011 BCSECCOM 299

- ¶ 14 There is no evidence to suggest that investors will recover any part of their investment. In these circumstances, we consider it appropriate to order disgorgement.
- ¶ 15 All of this damages the integrity and reputation of our markets, both locally and in the other jurisdictions where Blue Lighthouse and Collins raised money.
- ¶ 16 There are no aggravating or mitigating factors.
- ¶ 17 The orders we are making are intended to deter the respondents from future misconduct and to demonstrate the consequences of inappropriate conduct to other market participants.
- ¶ 18 Commission staff proposed, on the basis of past decisions, an administrative penalty of \$20,000. In our opinion, this is appropriate in the circumstances. The orders against McLoughlin, including an administrative penalty of \$50,000 reflect his greater role in the illegal distribution, his continuation of the misconduct in the face of warnings from Commission staff, and his breach of a prior order of the Commission.

### **IV Orders**

- ¶ 19 Considering it to be in the public interest, we order:

#### ***Collins***

1. under section 161(1)(b) of the Act, that Collins cease trading, and is prohibited from purchasing, securities or exchange contracts;
2. under section 161(1)(d)(i) and (ii), that Collins resign any position he holds as, and is prohibited from becoming or acting as, a director or officer of any issuer, registrant, or investment fund manager;
3. under section 161(1)(d)(iii), that Collins is prohibited from becoming or acting as a registrant, investment fund manager or promoter;
4. under section 161(1)(d)(iv), that Collins is prohibited from acting in a management or consultative capacity in connection with activities in the securities market;
5. under section 161(1)(d)(v), that Collins is prohibited from engaging in investor relations activities;

## 2011 BCSECCOM 299

6. under section 161(1)(g), that Collins pay to the Commission the funds he obtained as a result of his contraventions of the Act, which we find to be not less than \$14,607;
7. under section 162, that Collins pay an administrative penalty of \$20,000;
8. the orders in paragraphs 1 through 5 remain in force until the latest of June 27, 2016 and the dates the amounts described in paragraphs 6 and 7 are paid;

### ***Blue Lighthouse***

9. under section 161(1)(b), that all persons cease trading permanently, and are prohibited permanently from purchasing, any securities of Blue Lighthouse;
10. under section 161(1)(b), that Blue Lighthouse permanently cease trading in, and be permanently prohibited from purchasing, any securities or exchange contracts; and
11. under section 161(1)(d)(v), that Blue Lighthouse is prohibited permanently from engaging in investor relations activities.

¶ 20 June 27, 2011

¶ 21 **For the Commission**

Brent W. Aitken  
Vice Chair

Shelley C. Williams  
Commissioner

Suzanne K. Wiltshire  
Commissioner