

2003 BCSECCOM 210

Amended Temporary Order and Notice of Hearing

River Ranch Resort Corp., River Ranch Resort (VCC) Corp., River Ranch Resort (VCC) II Corp., River Ranch Limited Partnership, River Ranch Financial Corp., River Ranch Capital Corp., Strategic Concepts Investment Trust, and Quantum Value Ventures (VCC) Corp.

And

IDF Financial Services Incorporated, 557515 B.C. Ltd. carrying on business as Comprehensive Holdings, Comprehensive Financial Services Inc., and Capital Financial Securities Inc.

And

Mark Cramer, Michael Cramer and James Fortin

Section 161 of the *Securities Act*, RSBC 1996, c. 418

Amended on March 14, 2003

- ¶ 1 This Temporary Order and Notice of Hearing replaces and consolidates the Temporary Orders and Notices of Hearing issued by the Executive Director on April 9, 2001 and on May 3, 2001.
- ¶ 2 A hearing will be held (the Hearing) to give River Ranch Resort (VCC) Corp. (Ranch VCC), River Ranch Resort (VCC) II Corp. (Ranch #2 VCC), River Ranch Limited Partnership (Cow-Calf LP), River Ranch Financial Corp. (FinCorp), River Ranch Capital Corp. (CapCorp), Strategic Concepts Investment Trust (Strategic Trust), and Quantum Value Ventures (VCC) Corp. (Quantum VCC), (collectively the Offering Issuers) and IDF Financial Services Incorporated (IDF), 557515 B.C. Ltd. carrying on business as Comprehensive Holdings (Holding Company), Comprehensive Financial Services Inc. (Planning Firm), and Capital Financial Securities Inc. (Capital), River Ranch Resort Corp. (Ranch Private Co.), (collectively the Corporate Respondents) and Mark Cramer, Michael Cramer and James Fortin (collectively the Individual Respondents) (all collectively the Respondents) an opportunity to be heard before the British Columbia Securities Commission determines whether it is in the public interest to make the following orders:
1. under section 161(1)(b) of the *Securities Act*, RSBC 1996, c. 418 (the Act) that all persons cease trading in the securities of the Offering Issuers;

2003 BCSECCOM 210

2. under section 161(1)(c) of the Act that any or all of the exemptions described in sections 44 to 47, 74, 75, 98 or 99 of the Act do not apply to the Offering Issuers, Corporate Respondents and Individual Respondents for a specified period of time;
 3. under section 161(1)(d) of the Act that the Individual Respondents resign any position they hold as a director or officer of any issuer and be prohibited from becoming or acting as a director or officer of any issuer;
 4. under section 161(1)(d) of the Act that the Individual Respondents and the Corporate Respondents be prohibited from engaging in investor relations activities;
 5. under section 161(1)(f) of the Act that the registration of IDF Financial Services Incorporated (IDF) and each of the Individual Respondents be cancelled;
 6. under section 162 of the Act that each of the Respondents pay an administrative penalty;
 7. under section 174 of the Act that each of the Respondents pay the prescribed fees or charges for the costs of or related to the Hearing; and
 8. to make any other orders as the Commission may deem appropriate in the circumstances.
- ¶ 3 The Commission will be asked to consider the following facts and allegations in making its determinations:

Parties

1. 557515 B.C. Ltd. was incorporated in British Columbia on January 13, 1998 and is referred to by its directors and officers as Comprehensive Holdings (the Holding Company). The shareholders of the Holding Company are: Mark Cramer (30%); Florence Cramer (30%); Michael Cramer (30%); Grant Cramer (5%); and Jeremy Yaseniuk (5%).
2. IDF was incorporated in British Columbia on March 28, 1990, and is a securities dealer registered under the Act. The Holding Company has owned 100% of IDF since June 1998.
3. River Ranch Resort Corp. (Ranch Private Co.) was incorporated in British Columbia on November 4, 1996. Mark Cramer holds 95% of the issued and outstanding common shares of Ranch Private Co. Its purported business is to

2003 BCSECCOM 210

construct and operate a guest ranch and tourist destination resort on approximately 3,942 acres of land southeast of Vanderhoof, British Columbia (the Property).

4. River Ranch Resort (VCC) Corp. (Ranch VCC) and River Ranch Resort (VCC) II Corp. (Ranch #2 VCC) are companies registered under the *Small Business Venture Capital Act*, R.S.B.C. 1996, c. 429 and are each non-reporting issuers that have filed offering memoranda with the Commission.
5. Capital Financial Securities Inc. (Capital) was incorporated in British Columbia on March 8, 1996. It appears that 100% of Capital is owned by Florence Cramer.
6. River Ranch Limited Partnership (Cow-Calf LP) was formed as of November 12, 1998 as a limited partnership under the *Partnership Act*, R.S.B.C. 1996, c. 348. Cow-Calf LP has contracted with Ranch Private Co. to lease all of Ranch Private Co.'s farming lands, buildings, equipment and cattle for a fee of \$450,000 per year. Capital is the general partner of Cow-Calf LP and provides it with management services for a fee of \$100,000 per year.
7. River Ranch Financial Corp. (FinCorp) was incorporated in British Columbia on December 11, 1997. River Ranch Capital Corp. (CapCorp) was incorporated in British Columbia on December 5, 1997. Cow-Calf LP, FinCorp and CapCorp are non-reporting issuers that have filed a joint offering memorandum with the Commission.
8. Strategic Concepts Investment Trust (Strategic Trust) was formed by way of settlement in British Columbia on November 19, 1998. It is a non-reporting issuer that has filed an offering memorandum with the Commission. Funds raised under the offering memorandum are to be invested at the discretion of its trustee. Capital is the trustee of Strategic Trust. To date, Strategic Trust has invested in Ranch Private Co. and the companies discussed at para. 3, items 8(a) and (d) below:
 - (a) Comprehensive Financial Services Inc. (Planning Firm) was incorporated in British Columbia on January 19, 1988. Planning Firm carries on a financial planning business out of the offices of IDF. All registered representatives employed by IDF are also financial planners with Planning Firm. The Holding Company owns 100% of Planning Firm;
 - (b) AFP Securities Ltd. (AFP) was incorporated in British Columbia on February 8, 1994. The purported business of AFP is to negotiate leases

2003 BCSECCOM 210

for the Holding Company and to recruit individuals for employment at IDF and Planning Firm. The Holding Company owns 100% of AFP;

- (c) Prospero Entertainment Group Inc. (Prospero) was incorporated in British Columbia on June 21, 1999. The purported business of Prospero is the production of motion pictures. Holding Company or Capital owned 33% of Prospero;
 - (d) McBride Forest Industries Ltd. (McBride) was incorporated in British Columbia on October 15, 1999. Its business is to operate a plywood veneer mill in the vicinity of McBride, British Columbia. McBride is 100% owned by 599768 B.C. Ltd. which was incorporated on January 20, 2000. It appears that as of June 28, 2000, 599768 B.C. Ltd. was owned by "A" shareholders and "D" shareholders. The "A" shareholders were: Strategic Trust (49%) Planning Firm (25.5%) and Runtz Forest Management Ltd. (25.5%). The "D" shareholders were: Strategic Trust (49.2%); Capital (20.6%); Runtz Forest Management Ltd. (20.6%); Jeremy Yaseniuk (5%); Grant Cramer (4.1%); and Michael Cramer, Gordon Patterson, Rod Albers, Al Sanderson, Mike Flynn, Roger Ollenberger, Peter James, Debbie Hanrahan, Hedy Schulz and John Kason (0.5%, in the aggregate).
9. Quantum Value Ventures (VCC) Corp. (Quantum VCC) was incorporated in British Columbia on December 30, 1999. It is a non-reporting issuer that has filed an offering memorandum with the Commission. Capital is the fund manager of Quantum VCC. To date, it appears that Quantum VCC has invested only in Prospero.
10. Mark Cramer is a director of each of the Holding Company, Capital, Planning Firm, Ranch Private Co., FinCorp, CapCorp, McBride and AFP. He was a registered representative with IDF and was a current or former branch manager and director of IDF. He is the controlling and majority shareholder of Ranch Private Co. He is a current or former president of Capital and the president of each of the Holding Company, Planning Firm, FinCorp, CapCorp, and AFP.
11. Michael Cramer is the son of Mark Cramer and is a director of each of the Holding Company, Planning Firm and AFP. He is a registered representative with IDF and is a current or former director of IDF. He is, or was, an officer of Strategic Trust and member of an advisory committee whose role is to oversee all business investments made by Strategic Trust.

2003 BCSECCOM 210

12. James Fortin is the nephew of Mark Cramer and is a registered representative with IDF. He is, or was, an officer of Strategic Trust and a member of an advisory committee whose role is to oversee all business investments made by Strategic Trust.
13. During the period from July 1, 1997 forward (the Relevant Period), Ranch Private Co. and the Offering Issuers financed their operations and developments almost exclusively through distributions of securities under exempt offerings.
14. During the Relevant Period Mark Cramer was the directing mind of the Offering Issuers and the Corporate Respondents.

Ranch VCC and Ranch #2 VCC Offerings - \$4,949,000

15. Under three offering memoranda dated July 15, 1997, May 19, 1999 and April 19, 1999 respectively, Ranch VCC issued common shares, pursuant to which a total of \$4,805,000 was raised.
16. Under an offering memorandum dated January 24, 2000, Ranch #2 VCC issued common shares, pursuant to which a total of \$144,000 was raised as of July 30, 2000.
17. The terms and conditions of the Ranch VCC and Ranch #2 VCC offering memoranda were substantially the same. In each case, the net proceeds were to be invested in convertible preferred shares of Ranch Private Co. The securities of Ranch VCC and Ranch #2 VCC were sold exclusively by employees of IDF or Planning Firm.
18. All of the Individual Respondents sold securities of Ranch VCC or Ranch #2 VCC, or both.
19. Under the Ranch VCC and Ranch #2 VCC offering memoranda, the securities were offered for sale in reliance upon the prospectus exemptions contained in subsections 128(a) and 128(b) of the *Securities Rules*, B.C. Reg. 194/97 (the Rules).
20. None of the exemptions under section 128 of the Rules was available in respect of some of the distributions made under the Ranch VCC and Ranch #2 VCC offerings because, among other things, the purchasers were not sophisticated and purchases were made for amounts of less than \$25,000. Accordingly, Ranch VCC, Ranch #2 VCC and the Individual Respondents who sold them, contrary to section 61 of the Act, made these distributions.

2003 BCSECCOM 210

21. The securities offered for sale by the Ranch VCC and Ranch #2 VCC were not suitable for many of the subscribers, and therefore IDF and the Individual Respondents breached sections 14 and 48 of the Rules in selling them.
22. The Ranch #2 VCC offering memorandum contained false or misleading statements, contrary to sections 50(1)(d) and 168.1(1)(b) of the Act. It did not accurately represent the appraised value of the Property. It also falsely represented that a large hotel chain was significantly involved in the design of a hotel proposed to be built on the Property.

Cow-Calf LP Offering - \$4,917,500

23. Under an offering memorandum dated January 20, 1999, Cow-Calf LP offered to sell units and FinCorp and CapCorp each offered to sell bonds. The offering memorandum represented that proceeds from the sale of units were to be used to finance a cattle operation on the Property. Proceeds from the sale of bonds were to be used to finance the acquisition of units, thereby making the same underlying investment eligible for registered retirement savings plans.
24. Between January 20, 1999 and December 29, 2000, Cow-Calf LP, FinCorp and CapCorp issued securities in the amount of \$4,917,500 under the offering memorandum. These securities were sold exclusively through IDF or Planning Firm.
25. All of the Individual Respondents sold securities of Cow-Calf LP, FinCorp and CapCorp.
26. In connection with this offering, Cow-Calf Ltd., FinCorp and CapCorp purported to rely upon the prospectus exemptions contained in subsection 74(2)(4) of the Act and subsections 128(a), 128(b) and 128(c) of the Rules. Neither the exemption in subsection 74(2)(4) of the Act nor any of the exemptions under section 128 of the Rules was available in respect of some of the distributions made under this offering because, among other things, the purchasers were not sophisticated and purchases were made for amounts of less than \$25,000. Accordingly, Cow-Calf LP, FinCorp, CapCorp and the Individual Respondents who sold them, contrary to section 61 of the Act, made these distributions.
27. The investment in units and bonds was not suitable for many of the subscribers, and therefore IDF and the Individual Respondents breached sections 14 and 48 of the Rules in selling those securities.

2003 BCSECCOM 210

Strategic Trust Offerings - \$3,282,500

28. Under an offering memorandum dated February 11, 1999, Strategic Trust issued securities in the amount of \$636,500.
29. Under an updated offering memorandum dated March 8, 2000, Strategic Trust issued additional securities in the amount of \$2,645,000 as of December 31, 2000.
30. The securities of Strategic Trust were sold exclusively through IDF.
31. All of the Individual Respondents sold securities of Strategic Trust.
32. In connection with these offerings, Strategic Trust purported to rely upon the prospectus exemptions contained in subsection 74(2)(4) of the Act and subsections 128(a), 128(b) and 128(c) of the Rules. Neither the exemption in subsection 74(2)(4) of the Act nor any of the exemptions under section 128 of the Rules was available in respect of some of the distributions made under these offerings because, among other things, the purchasers were not sophisticated and purchases were made for amounts of less than \$25,000. Accordingly, Strategic Trust and the Individual Respondents who sold them, contrary to section 61 of the Act, made these distributions.
33. Neither of the Strategic Trust offering memoranda made proper disclosure concerning the nature of Strategic Trust's business, the projects to be financed or the use of proceeds, as required by the form specified under section 133(1)(c) of the Rules. The distribution made under each offering memorandum was made contrary to section 61 of the Act.
34. The investment in the securities of Strategic Trust was not suitable for many of its subscribers, and therefore IDF and the Individual Respondents breached sections 14 and 48 of the Rules in selling those securities.

Quantum VCC Offering - \$832,000

35. Under an offering memorandum dated August 31, 2000, Quantum VCC issued securities in the amount of \$832,000 as of December 31, 2000.
36. To date, the securities of Quantum VCC were sold exclusively through IDF.
37. Except for Mark Cramer, all of the Individual Respondents sold securities of Quantum VCC.

2003 BCSECCOM 210

38. In connection with this offering, Quantum VCC purported to rely upon the prospectus exemptions contained in subsections 128(a) and 128(b) of the Rules. None of the exemptions under section 128 of the Rules was available in respect of some of the distributions made under this offering because, among other things, the purchasers were not sophisticated and purchases were made for amounts of less than \$25,000. Accordingly, Quantum VCC and the Individual Respondents who sold them, contrary to section 61 of the Act, made these distributions.
39. The Quantum VCC offering memorandum did not make proper disclosure concerning the nature of Quantum VCC's business, the projects to be financed or the use of proceeds, as required by the form specified by section 133(1)(c) of the Rules. The distribution made under the offering memorandum was made by Quantum VCC contrary to section 61 of the Act.
40. The investment in the securities of Quantum VCC was not suitable for many of its subscribers, and therefore IDF and the Individual Respondents who sold those securities breached section 14 and 48 of the Rules.

Misrepresentations and False Advertising

41. Advertising literature authorized by Mark Cramer and distributed by Ranch Private Co., Capital and certain of the Individual Respondents misrepresented the involvement of a large hotel chain in the development of the Property, contrary to section 50(1)(d) of the Act.
42. Mark Cramer, Ranch Private Co. and Capital breached section 50(1)(d) of the Act when they made statements that they knew or ought to have known were misrepresentations, while engaging in investor relations activities and with the intention of effecting a trade in the securities of Ranch Private Co., Ranch VCC, Ranch #2 VCC, FinCorp and CapCorp.
43. In the absence of a proper factual basis and without a real prospect of success, Mark Cramer and Michael Cramer each either intentionally or recklessly assured certain investors that the hotel or lodge to be built on the Property would be completed at various specified times, certain of which had already passed at the time investments were made by clients of IDF in Ranch VCC, Ranch #2 VCC Cow-Calf LP, FinCorp and CapCorp, contrary to section 50(1)(d) of the Act.
44. AWT Holdings Ltd. (AWT) was incorporated in British Columbia on January 23, 1997. It is a non-reporting issuer that filed an offering memorandum dated December 5, 1997 with the Commission.

2003 BCSECCOM 210

45. In the absence of a proper factual basis and without a real prospect of success, Michael Cramer represented to clients of IDF that the securities of Ranch Private Co. and AWT would eventually be posted and listed for trading on a stock exchange and would trade at prices higher than those at which they could be purchased, contrary to sections 50(1)(c) and 50(1)(d) of the Act.

Fraud

46. Contrary to section 57(b) of the Act, both Mark Cramer and Michael Cramer each directly and indirectly engaged in or participated in a series of transactions relating to trades in securities of Ranch VCC, Ranch #2 VCC Cow-Calf LP, FinCorp, CapCorp and AWT that they each knew or ought to have known perpetrated a fraud on clients of IDF in British Columbia, namely:

- (a) each sold securities offered under the Ranch #2 VCC offering memorandum, which contained statements they each knew or ought to have known were false or misleading as alleged in para. 3, items 41, 42 and 43;
- (b) Mark Cramer authorized advertising literature that he knew or ought to have known was false or misleading, as alleged in para. 3, item 41, above;
- (c) Mark Cramer directly and indirectly distributed the foregoing advertising literature to clients of IDF;
- (d) Michael Cramer directly or indirectly distributed the foregoing advertising literature to clients of IDF;
- (e) Mark Cramer and Michael Cramer each represented to investors on a number of occasions that the hotel or lodge to be built on the Property would be completed, which they each knew or ought to have known as false or misleading as alleged in para. 3, item 41-43, above;
- (f) Michael Cramer represented to investors that the securities of River Ranch Co. and AWT would be listed for trading on a stock exchange, which he knew or ought to have known was false or misleading as alleged in para. 3, items 44 and 45, above; and
- (g) Mark Cramer and Michael Cramer each sold securities of the Offering Issuers to clients of IDF when they each knew or ought to have known that such sales were unsuitable for and unfair to those clients within the meaning of sections 48 and 14 of the Rules and as alleged above, and in

2003 BCSECCOM 210

respect of which the proceeds of sale ultimately flowed to enterprises in which Mark Cramer, Michael Cramer and their family members had significant financial interests.

Fair Dealing and Suitability

47. The securities distributed by the Offering Issuers and sold by IDF and the Individual Respondents were all high-risk investments. Irrespective of client needs or risk tolerance, the Individual Respondents nonetheless sold the securities of the Offering Issuers to IDF clients who had specifically stated that they wished only to make low-risk investments, who had limited investment knowledge or who otherwise had a low-risk tolerance, contrary to sections 14 and 48 of the Rules and the public interest.
48. Mark Cramer was the Trading Director/Partner and de facto Compliance Officer of IDF during the Relevant Period. He was also a director and officer of IDF.
49. At the time he conducted himself as a de facto Compliance Officer and as Trading Director/Partner of IDF, Mark Cramer failed to comply with section 65 of the Rules that required him to ensure compliance with the Act and the regulations by IDF and its employees. He failed to supervise the transactions of IDF and its employees, contrary to section 47 of the Rules.
50. IDF, as the employer of the Individual Respondents and as a registrant under the Act, failed to review the account opening documentation and the suitability of the investments for the clients of IDF, which review would have revealed the unsuitable nature of the investments being made and the role of the employees in the investments.
51. IDF, as a registrant, was required to establish and apply proper compliance and supervision procedures. With proper compliance procedures in place, and properly applied, IDF should have detected the extent of the activity in the exempt market and the investor accounts and should have been able to detect the unsuitable nature of the investments for the investors. IDF's failure to put in place proper compliance procedures in this regard allowed the sale of exempt product to continue.
52. IDF failed to supervise its employees properly or at all, and failed to put in place proper business procedures to ensure proper supervision of its employees, in breach of its duties and contrary to the public interest set out in sections 44(1) and 47 of the Rules.

2003 BCSECCOM 210

Conflicts of Interest

53. IDF, Michael Cramer, Mark Cramer, the Offering Issuers and the Issuers were connected parties, related parties and associated parties within the meaning of section 75 of the Rules, which states, among other things, that a registrant and a person that has any relationship with the registrant are connected parties, if such a relationship would lead a reasonable prospective purchaser to securities to question whether the registrant and the person were independent of each other. In particular, Mark and Michael Cramer were directing minds of the Offering Issuers and some of the Corporate Respondents during the period when the Offering Issuers' securities were sold to investors.
54. The Individual Respondents did not act fairly, honestly and in the best interests of IDF's clients. In recommending to IDF's clients to invest in the securities of the Offering Issuers, the Individual Respondents put themselves in a position where their interests were in conflict with their duties to their clients. By consistently preferring their own interests to the prejudice of those to whom they owed a duty to act fairly, honestly and in good faith, they breached their fiduciary duties to their clients, acted contrary to section 14 of the Rules and contrary to the public interest.
55. Mark and Michael Cramer and IDF traded in the securities of the Offering Issuers, connected parties, in the course of an initial distribution. In some cases, Mark and Michael Cramer and IDF did not file a conflict of interest rules statement in the required form, contrary to section 77(1) of the Rules.
56. In some cases Mark and Michael Cramer and IDF did not provide to persons, upon their becoming clients, a copy of the current conflict of interest rules statement, contrary to section 77(2) of the Rules.
57. In some cases Mark and Michael Cramer and IDF did not deliver a current conflict of interest rules statement or the equivalent information to their clients prior to distributing the Offering Issuers' securities, contrary to section 79(1)(c) of the Rules.
58. In some cases Mark and Michael Cramer and IDF did not promptly send written confirmation to clients after their purchase of the Offering Issuers' securities that Mark and Michael Cramer and IDF and the Offering Issuers were connected parties, contrary to section 79(1)(d) of the Rules.
59. Mark and Michael Cramer and IDF advised their clients with respect to the Offering Issuers' securities without first advising their clients of their relationship to the Offering Issuers, contrary to section 81(1)(a) of the Rules.

2003 BCSECCOM 210

Orders issued by the Commission and the Executive Director

60. The following orders were issued by the Commission and the Executive Director (the Orders):

- (a) the Commission issued directions under section 151 of the Act on February 26 and 27, 2001, to freeze certain funds payable to Cow-Calf LP;
- (b) the Executive Director ordered under section 161 of the Act on April 9, 2001 that all persons cease trading in securities of the Offering Issuers;
- (c) the Executive Director ordered under section 161 of the Act none of the exemptions described in sections 44 to 47, 74, 75, 98 and 99 of the Act applies to any of the Corporate Respondents and Individual Respondents, except that each of them may trade in mutual fund securities and securities in respect of which prospectus receipts have been issued by the Executive Director and that each of the Individual Respondents may trade for their own personal accounts; and
- (d) each of the Individual Respondents and Corporate Respondents is prohibited from engaging in any investor relations activities;

the Orders made against the Respondents remain in effect.

- ¶ 4 Take notice that the Hearing will be held at the 12th Floor Hearing Room, 701 West Georgia Street, Vancouver, BC, on April 1 to April 30, 2003, with the exception of April 10.
- ¶ 5 The Offering Issuers, Corporate Respondents and Individual Respondents may be represented by counsel at the Hearing and may make representations and lead evidence. The Issuers, Corporate Respondents and Individual Respondents are requested to advise the Commission of their intention to attend the Hearing by contacting the Commission Secretary at PO Box 10142, Pacific Centre, 701 West Georgia Street, Vancouver, BC, V7Y 1L2, phone: 604-899-6500, email: commsec@bcsc.bc.ca.
- ¶ 6 The Commission may make determinations in this matter if the Offering Issuers,

2003 BCSECCOM 210

Corporate Respondents, Individual Respondents or their counsel do not appear at the Hearing.

¶ 7 March 14, 2003

¶ 8 Martin Eady
Acting Executive Director