

2006 BCSECCOM 750

Notice of Hearing

Virtual Community Exhibitions Inc., Ralph Kelly and Raymond Patrick Shaw

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

- ¶ 1 The Commission will hold a hearing at which the Executive Director will tender evidence, make submissions and apply for orders against the Respondents under sections 161, 162 and 174 of the *Securities Act*, RSBC 1996, c. 418 (Act).

Background

1. Virtual Community Exhibitions Inc. (VCE) was incorporated in British Columbia on April 20, 2001. The Registrar of Companies dissolved it on November 21, 2005 for failing to file annual reports. VCE has never been registered or filed a prospectus under the Act.
2. VCE and its affiliated companies, International Trade Technologies Inc. (ITTI), World E-Tailers Inc. (E-Tailers), WorldXpo Online Inc. (Online), World E-Tailers Express Inc. (Express) and World E-Shoppers Inc. (Shoppers) (together, the Affiliated Companies) purported to create a virtual trade show and advertising website with product purchasing and delivery features (Intellectual Property).
3. Ralph Kelly (Kelly) is a resident of British Columbia. Between April 2001 and March 10, 2006, Kelly was the president, a director and the guiding mind of VCE. Kelly was also the guiding mind of the Affiliated Companies. Kelly has never been registered under the Act.
4. Ray Shaw (Shaw) is a resident of British Columbia. Shaw has never been registered under the Act.

Misconduct

Illegal Trading and Distributions

5. Between May 1, 2001 and June, 2003, VCE, Kelly, and Shaw distributed 510,100 Class "C" common non-voting shares each with a par value of \$1 (VCE Securities) to investors in British Columbia.
6. VCE, Kelly, and Shaw, directly and through agents, raised approximately \$418,440 through the cash sales of VCE Securities to 58 investors.
7. VCE, Kelly, and Shaw traded in the VCE Securities without being registered and without a prospectus, contrary to sections 34(1)(a) and 61(1) of the Act.

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Misrepresentations

8. In making some of the distributions of the VCE Securities:
 - (a) VCE, Kelly and Shaw represented that VCE would repurchase VCE Securities within one year of their sale at a price of 20% above the original purchase price, contrary to section 50(1)(a) of the Act; and
 - (b) VCE and Kelly:
 - (i) overstated the revenues and profits of VCE and the Affiliated Companies;
 - (ii) made false statements about licensing the Intellectual Property; and
 - (iii) falsely stated that VCE had scheduled certain trade shows that VCE and Kelly knew or reasonably ought to have known could not have occurred because the Intellectual Property had not been completely developed,

all contrary to section 50(1)(d) of the Act.

Fraud

9. Instead of using the proceeds from the sale of VCE Securities for VCE's general business purposes, Kelly and Shaw instead used the proceeds to:
 - (a) pay rent, fees and a portion of the purchase price of Kelly's residence located at 1274 Saturna Drive, Parksville, British Columbia (1274 Saturna Drive) totaling at least \$38,773.50 to Paul O'Connor from May 15, 2002 to October 15, 2003;
 - (b) pay at least \$32,384 to Beverley Leech (Leech) towards mortgage payments on Leech's home and as partial repayment of \$225,000 that Leech had advanced to Kelly through a company controlled by Leech;
 - (c) pay for \$72,855.10 in improvements to 1274 Saturna Drive; and
 - (d) make payments of at least \$121,025 to Kelly, Shaw, and Kelly's ex-wife.
10. By engaging in the series of transactions outlined immediately above, Kelly and Shaw perpetrated a fraud, contrary to section 57 of the Act.

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Hearing Process

- ¶ 2 At the Hearing, the Respondents may be represented by counsel, make representations and lead evidence. The Respondents are requested to advise the Commission of their intention to attend the Hearing by informing the Secretary to the Commission at PO Box 10142, Pacific Centre, 701 West Georgia Street, Vancouver, BC V7Y 1L2 phone: (604) 899-6500; email: commsec@bcsc.bc.ca.
- ¶ 3 The Respondents or their counsel are required to attend at the 12th Floor Hearing Room, 701 West Georgia Street, Vancouver, British Columbia, on Wednesday, February 5, 2007 at 9:00 am if they wish to be heard before the Commission sets a date for the hearing.
- ¶ 4 If the Respondents or their counsel do not appear at the Hearing, the Executive Director will apply to have questions of liability and sanction heard at the same time. Determinations adverse to the Respondents may be made in their absence.
- ¶ 5 December 14, 2006

- ¶ 6 Brenda M. Leong
Executive Director