

## 2008 BCSECCOM 102

### Notice of Hearing

**Alvin Lee Johnson, Heng Goh and Victor Schwab**

### **Section 161 *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**

##### ***The Parties***

1. Alvin Lee Johnson (Johnson) is a resident of Vancouver, British Columbia. Johnson was registered as a salesperson in mutual fund securities from April 24, 1998 to April 24, 2000.
2. Heng Goh (Goh) is a resident of North Vancouver, British Columbia. Goh has never been registered under the Act.
3. Victor Schwab (Schwab) is a chartered accountant and a resident of Prince George, British Columbia. Schwab has never been registered under the Act.
4. VG Capital Group Inc. (Management Company) was a British Columbia company. Goh was a director of the Management Company. The shareholders of the Management Company were three companies owned, respectively, by Johnson, Goh, and the estate of William Christopher Teet Fung Chan, also known as Bill Chan (Chan). The British Columbia Ministry of Finance, Registry Services dissolved the Management Company for its failure to file on March 5, 2007. The Management Company has never been registered or filed a prospectus under the Act.
5. NOF Electrical Generation Inc. (NOF) is a British Columbia company. Schwab was a *de facto* director of and the accountant for NOF. NOF has never been registered or filed a prospectus under the Act.
6. Advanced Rescue Technologies Inc. (ARTI) is a British Columbia company. ARTI has never been registered or filed a prospectus under the Act.

7. The Management Company purported to be a financial consulting firm specializing in wealth preservation, tax minimization and wealth creation. It offered investments, through the securities of the Management Company subsidiaries and other companies under the control and direction of Goh and Chan (the VG Affiliates), in leasing, collateral lending contracts, bridge financing, equity mortgages, international investment opportunities, and joint venture and investment opportunities in real estate worldwide. The VG Affiliates have never been registered or filed a prospectus under the Act.

### **Misconduct**

#### ***Illegal Trading and Distributions***

8. Between March 2002 and July 2003, the Management Company, Johnson and Goh, directly and through agents, distributed a total of \$2,582,258 in securities of VG Affiliates (collectively, the VG Securities) to approximately 45 investors. Of those investors, 13 are British Columbia residents.
9. The VG Securities were, depending on the specific issuing VG Affiliate, in the form of preferred shares, promissory notes or loan agreements, and account statements.
10. Between February 2002 and March 2005, the Management Company, Johnson and ARTI, directly and through agents, distributed at least \$2.1 million in preferred shares of ARTI (the ARTI Securities) to at least 48 investors. Of those investors, at least 8 are British Columbia residents. Of the money raised, Johnson, directly and through an agent and the Management Company, raised \$123,400 from five investors.
11. Between November 2002 and April 2005, the Management Company, Johnson and NOF distributed directly and through agents, approximately \$4.5 million in preferred shares of NOF (the NOF Securities) to approximately 96 investors. Of those investors, at least 19 are British Columbia residents. Johnson, directly and through the Management Company, corporate agents and two Alberta agents, was responsible for raising approximately \$2.6 million from 61 investors.
12. Schwab distributed ARTI and NOF Securities. Schwab:
  - (a) advised Gregory Rivers (Rivers), the director and chief executive officer of ARTI, and NOF, about the structure and financing arrangements for ARTI and NOF;

- (b) introduced to Rivers agents who sold ARTI and NOF Securities;
  - (c) wrote comfort letters to financial institutions or trust companies holding potential investors' funds in registered retirement savings accounts, mutual funds and locked-in retirement accounts, stating that NOF and ARTI Securities were eligible registered retirement savings plan investments; and
  - (d) oversaw the payments of commissions to the agents who sold NOF Securities.
13. The Management Company, Johnson, Goh, and Schwab traded in securities without being registered and without a prospectus, contrary to sections 34(1)(a) and 61(1) of the Act.

***Misrepresentations***

14. In making distributions of VG Securities:

- (a) the Management Company, Johnson and Goh stated in corporate brochures and, in some instances, a website that:
  - (i) investments in VG Affiliates were safe and secure and generated great or above average returns;
  - (ii) an investment in one of the VG Affiliates would provide a guaranteed 8% return;
  - (iii) some of the VG Affiliates invested in a company called "VG Real Estate Inc." that would participate in joint venture and investment opportunities in real estate worldwide; and
  - (iv) some of the VG Affiliates invested in a company called "VG Equity Inc." that had a potential for exceptional returns;
- (b) Johnson stated in financial plans for potential investors that one of the VG Affiliates would provide a projected average rate of return of between 15 and 25 % annually with complete security of an investor's capital; and
- (c) Johnson and Goh personally stated to various investors in VG Affiliates that VG Securities were good investments that:

- (i) were risk free;
- (ii) guaranteed a minimum 8% return and investors could expect to receive up to a 20% return;
- (iii) the principal of which was completely secured; and
- (iv) were low, risk, cash flow generating, high-yield investments earning money from leasing operations and other similar sources of income.

15. The above representations were false or misleading, or omitted information to make them not false or misleading, because:

- (a) VG Equity Inc. did not exist;
- (b) VG Real Estate Inc. did not invest in real estate;
- (c) the Management Company and two of the VG Affiliates had deficits at the time some of the representations were made;
- (d) the VG Affiliates made interest-free inter-company loans of approximately \$900,000 to one another;
- (e) the VG Affiliates transferred a total of approximately \$1 million in investor funds to companies of which Chan was a director and shareholder or otherwise controlled, for the purchase of boats, cars and properties; and
- (f) the Management Company and the VG Affiliates transferred at least \$113,000 to a company owned by an affiliate of Chan's.

16. In making distributions of ARTI securities, the Management Company, Johnson and ARTI, failed to disclose to investors that instead of using the investors' funds for investment in the design and marketing of a rescue shuttle for transport of injured persons:

- (a) ARTI paid Johnson approximately \$4,950 in commissions for his sale of ARTI securities; and
- (b) ARTI paid the Management Company approximately \$69,949.

17. In making distributions of NOF securities, the Management Company, Johnson and NOF, failed to disclose to investors that instead of using the investors' funds for investment in the construction of an electrical co-generation power plant:
  - (a) NOF made interest-free non arm's length loans through Schwab of \$3,745,972 to various individuals and companies, including companies of which Johnson and Chan were directors or had an interest in, and companies of which the agents who assisted in the sale of NOF Securities were directors, officers, managers or sales agents; and
  - (b) NOF made loans and payments of \$289,000 to ARTI.
18. Johnson and Goh falsely represented to an investor that she was investing \$200,000 in one VG Affiliate, but instead she received shares in another one.
19. Goh falsely represented to investors they would receive approximately \$398,868 in securities of a VG Affiliate, but instead they received certificates evidencing ownership of shares in "Vestronn Financial (188) Inc.", a company that does not exist.
20. The Management Company, Johnson and Goh made statements of material facts and omitted to state material facts that were necessary to prevent them from being misleading in the circumstances in which they were made, contrary to section 50(1)(d) of the Act.

### ***Fraud***

21. In making the misrepresentations and engaging in the conduct described above, Johnson, Goh and Schwab perpetrated fraud, contrary to section 57 of the Act.

### **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 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.
- ¶ 3 The Respondents or their counsel are required to attend at the 12th Floor Hearing Room, 701 West Georgia Street, Vancouver, British Columbia, on April 8, 2008, at 10:00 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 February 15 , 2008

Brenda Leong

¶ 6 Brenda M. Leong  
Executive Director