

# 2012 BCSECCOM 154

## Temporary Order and Notice of Hearing

**Paul Lester Stiles**

**(the Respondent)**

### **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 Paul Lester Stiles under sections 161, 162, and 174 of the *Securities Act*, RSBC 1996, c. 418 (the Act), based on the following facts:

#### **Background**

1. Velocity Entertainment Inc. (Velocity) was a British Columbia company that dissolved on December 5, 2005 and has never filed a prospectus under the Act.
2. Paul Lester Stiles (Stiles) is a British Columbia resident and was the sole director of Velocity.
3. In 2011, Stiles promoted an investment in Velocity that he purported would provide BC investors returns ranging from 12% in one year to 100% within six months (the Investment).

#### **Misconduct**

##### ***Illegal Distribution of a Security***

4. In July and August 2011, commission staff discovered two identical advertisements in the Financial Services section of Vancouver's "Craigslist" webpage that promoted the Investment, offering a 12% return in one year (the Advertisements).
5. On August 5, 2011, a commission investigator posing as an investor responded to the Advertisements, asking if there was a minimum investment amount.
6. In the ensuing email correspondence, Stiles replied by asking how much the "investor" was able to invest. When the investigator stated that she could invest between \$15,000 and \$20,000, Stiles told her that a \$15,000 investment would yield a \$30,000 return within six months and that the investment would be totally secure.
7. Stiles emailed the investigator an investment agreement (the Investment Agreement) on August 8, 2011. Under the Investment Agreement, Velocity was to:
  - (a) produce two feature films;

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- (b) borrow \$15,000 from the investigator to facilitate the creation of the films;
  - (c) repay the investigator \$30,000 within six months of receiving the loan; and
  - (d) credit the investigator as an Associate Producer on the film projects.
8. On September 29, 2011, Stiles provided the investigator with instructions to transfer investment funds to his BC bank account.
9. By promoting the Investment to the undercover investigator, Stiles made solicitations in furtherance of a trade, for which no prospectus had been filed and for which there were no exemptions under the Act, contrary to section 61 of the Act.

### *Misrepresentations*

10. In the course of promoting the Investment, Stiles made the following statements to the undercover investigator:
- (a) Velocity is a Vancouver based corporation;
  - (b) Velocity holds accounts at a specific Canadian bank with cash balances totalling approximately \$100,000; and
  - (c) the Investment would provide a “totally secure” rate of return of 100% in six months.
11. These statements were false. In reality:
- (a) Velocity’s purported office address is a mailbox that has not been registered to Velocity or Stiles since 2007, and Velocity was struck from the BC’s corporate register in 2005;
  - (b) neither Stiles nor Velocity hold any accounts at the bank; and
  - (c) Stiles’ claimed rate of return is impossible without risk.
12. Stiles made misrepresentations, contrary to section 50(1)(d) of the Act.

### *Continuing Illegal Conduct*

13. In March 2012, commission staff discovered a third advertisement in the Financial Services section of Vancouver’s “Craigslist” webpage that promoted an investment in Velocity’s purported film productions (the March Investment).

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On April 2, 2012, a commission investigator posing as an investor responded to the advertisement, asking for additional information.

14. In the ensuing email correspondence, Stiles told the investigator that within sixty days:

- a \$20,000 investment would yield a \$25,000 return (25%);
- a \$10,000 investment would yield a \$13,000 return (30%);
- a \$7,500 investment would yield a \$9,000 return (20%); and that
- Stiles would guarantee the investment.

15. By promoting the March Investment to the undercover investigator, Stiles made solicitations in furtherance of a trade, for which no prospectus had been filed and for which there were no exemptions under the Act, contrary to section 61 of the Act.

### **Public Interest**

¶ 2 It is in the public interest that the Commission issue orders under sections 161 and 162 of the Act.

### **Temporary Order**

¶ 3 The Executive Director, considering the length of time to hold a hearing under section 161(1) of the Securities Act to be prejudicial to the public interest, orders under section 161(1)(b) and 161(1)(d) of the Securities Act that (the Temporary Order):

- (a) Paul Lester Stiles cease trading in all securities; and
- (b) Paul Lester Stiles be prohibited from engaging in investor relations activities.

until May 17, 2012 at 9:00 am.

¶ 4 A hearing will be held in the 12<sup>th</sup> Floor Hearing Room, 701 West Georgia Street, Vancouver, British Columbia, on **May 17, 2012, at 9:00 am**, at which the Executive Director will ask the Commission to issue final orders against the Respondent and, if necessary, extend the Temporary Order until such time as the decision is rendered.

¶ 5 Relevant information gathered by Commission Staff in the investigation of this matter will be disclosed to the Respondent upon request to the Executive Director.

¶ 6 At the Hearing, the Respondent may be represented by counsel, make submissions and tender evidence. The Respondent is requested to advise the Commission of their intention to attend the Hearing by informing the Secretary to the Commission

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at PO Box 10142, Pacific Centre, 701 West Georgia Street, Vancouver, BC V7Y 1L2, phone: 604-899-6500; email: commsec@bcsc.bc.ca.

¶ 7 If the Respondent or his counsel does 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 Respondent may be made in if the Respondent or his counsel does not appear at the hearing.

¶ 8 May 3, 2012.

Paul C. Bourque

¶ 9 Paul C. Bourque, Q.C.  
Executive Director