

2012 BCSECCOM 336

Notice of Hearing

**Cinnabar Explorations Inc., Christopher James G. Bass,
Daniel Grant McGee and Dale Zucchet**

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

- ¶ 1 The British Columbia Securities Commission (Commission) will hold a hearing at which the Executive Director will tender evidence, make submissions and apply for orders against Cinnabar Explorations Inc. (Cinnabar), Christopher James G. Bass (Bass), Daniel Grant McGee (McGee) and Dale Zucchet (Zucchet), (collectively, the Respondents) under sections 161, 162 and 174 of the *Securities Act*, RSBC 1996, c. 418 (the Act), based on the following facts:

Background

1. Cinnabar is a non-reporting British Columbia issuer that purported to own a gold and copper property in Idaho. It has never filed a prospectus under the Act.
2. Bass is a resident British Columbia and he was the Chief Executive Officer and a director of Cinnabar until his resignation on October 4, 2011. He was registered as an investment advisor from 1986 to 1987 and was previously sanctioned by the Commission in 1988.
3. McGee and Zucchet are both residents of British Columbia. McGee is a director of Cinnabar. Neither has ever been registered in any capacity under the Act.
4. On July 21, 2011, the Corporate Finance Division of the Commission ordered under section 164 of the Act that all persons cease trading in the securities of Cinnabar.

Illegal Distribution of Securities

5. Between April 5, 2011 and July 13, 2011, Cinnabar raised \$45,000 from 13 investors.
6. Cinnabar filed Exempt Distribution Reports with the Commission, signed by McGee, in respect of the distribution, and purported to rely on the Family, Friends and Business Associates and Accredited Investor Exemptions from the registration and prospectus requirements of the Act.

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7. The exemptions relied on by Cinnabar were not available for:
 - (a) Two investors solicited by Bass; and
 - (b) Five investors solicited by Zucchet.
8. By trading and distributing securities without having filed a prospectus, Cinnabar, Bass and Zucchet contravened section 61 of the Act.
9. McGee and Bass authorized, permitted or acquiesced in the contravention of section 61 of the Act, and therefore also contravened the same provision under section 168.2 of the Act.

Prohibited Representations

10. On July 14, 2011, the Commission received a complaint from a member of the public regarding a spam email message from Zucchet offering a private placement in Cinnabar securities.
11. On July 19, 2011, a Commission investigator, posing as a potential investor, contacted Zucchet requesting information about Cinnabar. Zucchet forwarded promotional material and a Private Placement Subscription Agreement to the investigator. The agreement stated that only an accredited investor or a family member, friend or business associate would be eligible to invest.
12. In a phone call on the same date, Zucchet promoted Cinnabar shares to the investigator and told him that:
 - (a) Cinnabar expected to go public either on NASDAQ or the TSX Venture Exchange by either the fall of 2011 or the spring of 2012; and
 - (b) even though the investigator said he did not qualify under the exemptions, he could still execute the agreement and purchase shares because the reference to eligibility limits in it were just “legal jargon.”
13. These statements were materially false or misleading because:
 - (a) Cinnabar had not taken any steps to go public; and
 - (b) A distribution of securities to a person who is not qualified to purchase them under the Act is illegal.

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14. Zucchet, while promoting Cinnabar securities, made statements that he knew or ought to have known were misrepresentations, contrary to section 50(1)(d) 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.

Hearing Process

- ¶ 3 The Respondents or their counsel are required to attend at the 12th Floor Hearing Room, 701 West Georgia Street, Vancouver, British Columbia, on **Tuesday, September 18, 2012**, at **9:00 am** if they wish to be heard before the Commission sets a date for the Hearing. Relevant information gathered by Commission Staff in the investigation of this matter will be disclosed to the Respondents upon request to the Executive Director.
- ¶ 4 At the Hearing, the Respondents may be represented by counsel, make submissions and tender 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.
- ¶ 5 If the Respondents or their counsel do not appear at the hearing, the Executive Director may apply to have questions of liability and sanction heard at the same time. Determinations adverse to the Respondents may be made in their absence.
- ¶ 6 August 20, 2012.

Paul C. Bourque

Paul C. Bourque, Q.C.
Executive Director