



British Columbia Securities Commission

Citation: 2013 BCSECCOM 404

Amended Notice of Hearing

Siu Mui “Debbie” Wong, Siu Kon “Bonnie” Soo, Wheatland Industrial Park Inc., 1300302 Alberta Inc., and D & E Arctic Investments Inc.

(the Respondents)

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

- ¶ 1 The British Columbia Securities Commission (Commission) will hold a hearing (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 (the Act), based on the following facts:

Wheatland Industrial Park Inc.

Background

1. Wheatland Industrial Park Inc. (Wheatland) is an Alberta corporation that owns property in Wheatland, Alberta (the Wheatland Property). Wheatland has never filed a prospectus under the Act.
2. Siu Mui “Debbie” Wong (Wong) and Siu Kon “Bonnie” Soo (Soo), sisters, founded Wheatland in May 2007 to acquire the Wheatland Property. At all material times, they were the sole directors of Wheatland and residents of British Columbia.

Misconduct

Illegal Distribution

3. In and around June 2007, Wong and Soo promoted shares in a joint venture with Wheatland primarily to B.C. residents (the Joint Venture). The purpose of the Joint Venture was to develop the Wheatland Property into saleable, subdivided parcels of industrial land that would result in profit to the investors and Wheatland.
4. A share in the Joint Venture entitled investors to an interest in the Wheatland Property.
5. The Joint Venture authorized Wong and Soo to coordinate the development and re-sale of the Wheatland Property. Wong and Soo were entitled to 5% of net profits for their efforts.



6. At least 78 individuals and corporate entities purchased shares in the Joint Venture at around \$85,000 per share. For approximately 25 of the purchasers totaling \$2 million in shares, there was no exemption to the prospectus requirement in the Act available to Wheatland.
7. By distributing securities to these 25 investors for which no prospectus was filed, Wheatland, Wong, and Soo contravened section 61 of the Act.
8. Wong and Soo, as directors and officers of Wheatland, authorized, permitted, or acquiesced in Wheatland's contravention of section 61 of the Act and, therefore, contravened section 61 under section 168.2 of the Act.

Fraud

Wong and Soo used investors' money for their own benefit

9. Wong and Soo took Joint Venture money to make at least \$5.2 million in loans to themselves and their various companies. They used the loans for their own business endeavours unrelated to Wheatland, and they made the loans without the knowledge or permission of investors.
10. Wong and Soo subsequently paid these loans back to Wheatland.

Wong and Soo transferred shares to related companies without consideration

11. Wong and Soo transferred 33.5 shares in the Joint Venture, worth approximately \$2.8 million, without consideration to companies held by their adult children. They did this without the knowledge or permission of investors.
12. Wong and Soo agreed to pay this money back to Wheatland with interest by July 31, 2013, but they have not.
13. Wheatland is in default of its mortgage obligations for parts of the Wheatland Property and foreclosure proceedings have been commenced.

Wong and Soo sold the Joint Venture shares at an inflated price

14. When promoting the Joint Venture shares, Wong and Soo showed investors a contract between Wheatland and Bob Cavendish Holdings Ltd. that purported to be an agreement to purchase the Wheatland Property for \$19.3 million. This transaction was a sham.
15. Wong and Soo did not pay \$19.3 million for the Wheatland Property, and they did not purchase it from Bob Cavendish Holdings Ltd. They purchased it for \$9.1 million from the real owner, Cavendish Investing Ltd. Wong and Soo did not disclose this transaction to investors.



16. Wong and Soo's business associates incorporated Bob Cavendish Holdings Ltd. to give the appearance of an arm's-length transaction. They used the name Bob Cavendish Holdings Ltd. because it was similar to the name of the actual owner.
17. Wong and Soo calculated the Joint Venture share price using \$19.3 million as the cost of the Wheatland Property instead of \$9.1 million. Therefore, they sold the Joint Venture shares at an inflated price.

Summary of Wheatland fraud allegations

18. By:
 - Misappropriating funds from the Joint Venture,
 - Transferring Joint Venture shares without consideration to the benefit of their adult children, and
 - Inflating the purchase price and lying about this to investorsWong and Soo perpetrated a fraud contrary to section 57(b) of the Act.

Rocky View Land

Background

19. 1300302 Alberta Inc. (1300302 Alberta) is an Alberta corporation that owns an interest in land in Rocky View County, Alberta (Rocky View Land). 1300302 Alberta has never filed a prospectus under the Act.
20. D & E Arctic Investments Inc. (D & E Arctic) is an Alberta corporation that also owns an interest in the Rocky View Land. D & E Arctic has never filed a prospectus under the Act.
21. Soo was, at all material times, a director of 1300302 Alberta.
22. Wong was, at all material times, a director of D & E Arctic.

Misconduct

Illegal Distribution

23. Between June 2007 and January 2008, Wong and Soo promoted and sold shares, primarily to B.C. residents, in the Rocky View Land. These shares entitled investors to an ownership interest in the Rocky View Land based on one share per acre of land.
24. Wong and Soo sold the shares through either 1300302 Alberta (Soo) or D & E Arctic (Wong). Wong and Soo told investors that the Rocky View Land would be re-zoned, developed and sold at significant profit. Wong and Soo



told some investors that a \$65,000 investment could eventually be worth over \$1.5 million after the development and sale of the land.

25. After investing with either 1300302 Alberta (Soo) or D & E Arctic (Wong), investors signed bare trust agreements (Bare Trusts) with the relevant company as trustee.
26. To facilitate the development of the Rocky View Land, 1300302 Alberta (Soo) and D & E Arctic (Wong) executed a joint venture agreement which authorized Wong and Soo to coordinate the development and re-sale of the Rocky View Land. Wong and Soo were entitled to 5% of net profit for their efforts.
27. At least 76 individuals and corporate entities purchased shares in the Rocky View Land at \$65,000 per share. For approximately 63 investors who purchased 58 shares for \$3.9 million, there was no exemption to the prospectus requirement in the Act.
28. By distributing securities to non-exempt investors without filing a prospectus, Wong, Soo, 1300302 Alberta, and D & E Arctic contravened section 61 of the Act.
29. Wong, as a director and officer of D & E Arctic, authorized, permitted or acquiesced in D & E Arctic's contravention of section 61 of the Act and, therefore, contravened section 61 under section 168.2 of the Act.
30. Soo, as a director of 1300302 Alberta, authorized, permitted or acquiesced in 1300302 Alberta's contravention of section 61 of the Act, and, therefore, contravened section 61 under section 168.2 of the Act.

Fraud

Wong and Soo sold the shares at an inflated price

31. Prior to promoting and selling shares in the Rocky View Land, Wong and Soo planned to inflate the price of the Rocky View Land using a nominee company (Nominee) controlled by Wong.
32. In early 2007, Wong, through the Nominee, offered to purchase the Rocky View Land from the third party owner for \$5,540,000. The day after the third party owner accepted the offer, 1300302 Alberta (Soo) offered to purchase the Rocky View Land from the Nominee for \$10,271,300.



33. In August 2007, the Rocky View Land was transferred to 1300302 Alberta (Soo) and D & E Arctic (Wong) from the Nominee for \$10,271,300.
34. When promoting and selling shares, Wong and Soo told some investors that the share price calculation was based on the \$10,271,300 price, almost double the actual cost.

Wong and Soo secretly mortgaged the Rocky View Land

35. In early 2010, in violation of the Bare Trusts, Soo and Wong, through 1300302 Alberta (Soo) and D & E Arctic (Wong), secretly obtained a \$1.65 million mortgage on the Rocky View Land. They did not seek or obtain prior approval from the investors.
36. Once investors discovered this unauthorized mortgage several months later, Wong and Soo signed an undertaking to repay the mortgage. To prevent Wong and Soo from any further dealings with the Rocky View Land, five investors each registered caveats on the Rocky View Land.
37. The mortgage has an outstanding balance of \$1.5 million.

Wong and Soo did not use the mortgage proceeds for the development of the Rocky View Land

38. Wong and Soo did not use the mortgage proceeds to develop the Rocky View Land. Instead, they used the mortgage proceeds to:
 - Pay off an overdraft of over \$440,000 in a bank account used for car and personal loan payments for Soo's daughter, as well as other matters; and
 - Pay off an overdraft of over \$1.2 million in a second bank account.

Wong and Soo sold shares knowing the re-zoning was speculative

39. While Wong and Soo were promoting investment in the Rocky View Land they did not advise investors as to any potential delays in the development of the land. Rather, they told investors of the significant profits to be made at the various stages of the development of the land and that re-zoning had either already occurred or was likely to occur.
40. An engineering firm retained by Wong and Soo had advised Wong, in writing, about potential delays:
 - In late June 2007, the engineering firm told Wong that there could be delays in the development of the Rocky View Land due to the lack of a "definitive growth management strategy" with the Municipal District of Rockyview (MDRV).



- In July 2007, the engineering firm told Wong of potential delays due to land development issues currently being addressed by the MDRV.
- In December 2007, the engineering firm told Wong that “land acquisition and development in the [MDRV] is purely speculative. We have stated this fact on a number of occasions.” The engineering firm also advised Wong that the MDRV was putting a “hold” on the application.

41. To date, the MDRV has not approved the development of the Rocky View Land.

Summary of Rocky View Land fraud allegations

42. By:

- Inflating the purchase price and lying about this fact to investors,
- Obtaining an unauthorized mortgage contrary to the Bare Trusts,
- Using the mortgage proceeds for purposes other than the development of the Rocky View Land, and
- Withholding information about potential delays in the development from investors.

Wong and Soo perpetrated a fraud contrary to section 57(b) of the Act.

43. The Respondents’ conduct described in this Notice of Hearing is contrary to the public interest.

Orders Sought

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

Hearing Process

- ¶ 2 The hearing of this matter is scheduled for February 17 - 28, 2014 at the 12th Floor Hearing Room, 701 West Georgia Street, Vancouver, British Columbia. Additional relevant information gathered by Commission Staff in the investigation of this matter will be disclosed to the Respondents upon request to the Executive Director.
- ¶ 3 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.



¶ 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 September 25, 2013.

Peter Brady

¶ 6 Peter Brady
Acting Executive Director