

# 2007 BCSECCOM 323

## Settlement Agreement

### DRG Investments Inc. and Richard Robert Good

#### *Securities Act, RSBC 1996, c. 418*

- ¶ 1 The Executive Director of the British Columbia Securities Commission (the Executive Director) and DRG Investments Inc. (DRG) and Richard Robert Good (Good) (collectively, the Respondents) agree as follows:

#### **Agreed Statement of Facts**

1. DRG is a British Columbia company. Good is a resident of British Columbia and at all material times was the sole shareholder, officer and director of DRG.
2. Good has never been registered under the Act. DRG has never filed a prospectus with the British Columbia Securities Commission and has never been registered under the Act.

#### **Misconduct**

##### ***Unregistered Trading and Illegal Distribution***

3. Between December 1, 2003 and June 6, 2006, DRG entered into investment contracts with forty-three investors through a document titled Loan Agreement and Promissory Note (the DRG Agreements). Investors invested approximately \$2.3 million through the DRG Agreements. Thirty-eight of these investors were British Columbia residents.
4. Between June 6, 2006 and August 16, 2006, Good entered into investment contracts with two investors through a document titled Loan Agreement and Promissory Note (the Good Agreements). These investors invested approximately \$127,500 through the Good Agreements. One of these investors was a British Columbia resident.
5. DRG and Good traded and distributed the DRG and Good Agreements without being registered and without having filed a prospectus, contrary to sections 34(1) and 61(1) of the Act.

#### ***Misrepresentations***

6. In promoting the DRG and Good Agreements to investors, Good stated that:
  - (a) investors' money would be invested in commodity futures or public resource companies;

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- (b) their investments would generate or had generated high returns, averaging 15% annually and on one occasion DRG predicted a 100% return in about 60 days;
  - (c) their principal investment was guaranteed; and
  - (d) DRG had a proven performance record and Good had 30 years of experience and expertise in trading,
- (the Statements).

7. The Statements were untrue or misleading because:

- (a) no more than \$605,000 of investors' money was invested in commodities futures and public resource companies;
- (b) money was used to pay interest to other investors;
- (c) investors' funds were not guaranteed and neither Good nor DRG were in a financial position to guarantee the principal investment; and
- (d) DRG did not have a proven performance record and Good did not have investing expertise and was not a successful trader.

8. By making these omissions and statements, Good made misrepresentations contrary to section 50(1)(d) of the Act.

### ***Misrepresentations - Financial Circumstances***

9. By at least April 24, 2006, Good knew that there was uncertainty about DRG's continuing viability. Nevertheless, between April 24, 2006 and May 25, 2006, DRG entered into DRG Agreements with four investors who invested \$45,000.
10. Neither Good nor DRG disclosed to investors the uncertainty about DRG's continuing viability. Instead, Good promised these investors that they would receive high returns, their capital was safe and their money would be invested in gold futures.
11. By making these omissions and statements, Good and DRG made misrepresentations contrary to section 50(1)(d) of the Act.

### ***Section 57***

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12. Investors' money was initially deposited in DRG's bank account. Good and DRG transferred about \$605,000 of investors' money from the DRG bank account to trading accounts, to be used to trade in commodity futures and equities. Trading losses in those accounts were at least \$182,000. From the balance of the trading proceeds, Good transferred:
- (a) \$160,000 to Good's spouse that was used to purchase real property held in her name; and
  - (b) \$263,000 to the DRG bank account.
13. Without informing investors, Good and DRG used the balance of their money held in the DRG bank account for purposes other than trading in commodities futures or public resource companies, including:
- (a) \$1,177,000 to pay purported interest and capital investments to other investors;
  - (b) \$296,000 to purchase personal items;
  - (c) \$329,000 to pay personal credit card bills; and
  - (d) \$129,000 that was transferred to personal bank accounts Good held jointly with his spouse, or held in her name solely.
14. By engaging in these transactions, Good and DRG breached section 57(b) of the Act.

### ¶ 2 **Public Interest**

DRG and Good acted contrary to the public interest by engaging in the conduct set out above.

### ¶ 3 **Mitigating Factor**

The Executive Director has taken into account as a mitigating factor that Good does not have any reasonable prospect of being able to pay to the Commission the sanction amount of \$250,000, which would otherwise be required in the public interest in respect of the misconduct described in this settlement.

### ¶ 4 **Orders** **DRG**

1. DRG consents to an order by the Executive Director that:

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- (a) under section 161(1)(a) of the Act, DRG comply fully with the Act, the *Securities Rules*, and any applicable regulations; and
- (b) under section 161(1)(b) of the Act, DRG permanently cease trading in and be prohibited from purchasing any securities.

### **Good**

2. Good consents to an order by the Executive Director that:

- (a) under section 161(1)(a) of the Act, Good comply fully with the Act, the *Securities Rules*, and any applicable regulations;
- (b) under section 161(1)(b) of the Act, Good cease trading in and be permanently prohibited from purchasing any securities, except that he may trade and purchase securities in one account in his own name for his own financial purpose, solely through a dealer registered to trade in securities under the Act and provided he gives the dealer a copy of the order before any trade takes place;
- (c) under section 161(1)(d)(i) and (ii) of the Act, Good resign any position he may hold, and be permanently prohibited from becoming or acting, as a director or officer of any issuer, and
- (d) under section 161(1)(d)(iii) of the Act, Good be permanently prohibited from engaging in investor relations activities.

### **Consent to Reciprocal Orders**

- ¶ 5 The Respondents consent to any securities regulator in Canada relying on the facts admitted in this settlement to make orders against them.

### **Waiver**

- ¶ 6 The Respondents each waive any right they may have, under the Act or otherwise, to a hearing, hearing and review, judicial review or appeal related to, in connection with, or incidental to this settlement.

### **Counterpart**

- ¶ 7 This Settlement Agreement may be executed in counterpart or by facsimile execution and all such counterparts of executed copies or faxed copies shall be

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read or construed together as if they formed one originally executed document.

¶ 8 May 31, 2007

¶ 9 DRG Investments Inc.

Richard Good  
Authorized signatory  
Richard R. Good  
Authorized signatory (please print name)

Brian Alan Mason )  
Guaranteed Signature )  
Brian Alan Mason )  
Witness Name (please print) )  
Maitland & Company )  
700 – 625 Howe Street, Vancouver, BC )  
Address )  
Barrister & Solicitor )  
Occupation )

¶ 10 May 31, 2007

¶ 11 Richard Robert Good

Richard Good  
Richard Robert Good

Brian Alan Mason )  
Guaranteed Signature )  
Brian Alan Mason )  
Witness Name (please print) )  
Maitland & Company )  
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Occupation )

¶ 12 June 8, 2007

Brenda Leong

¶ 13 Brenda M. Leong  
Executive Director