



British Columbia Securities Commission

Citation: 2015 BCSECCOM 327

Notice of Hearing

**Christine Maria Cerisse, Laurence Frederick Austin, also known as
Lawrence Frederick Austin, and Thomas John Sadler**

(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 Christine Maria Cerisse, Laurence Frederick Austin, also known as Lawrence Frederick Austin, and Thomas John Sadler under sections 161, 162 and 174 of the *Securities Act*, RSBC 1996, c. 418 (Act), based on the following facts:

Background

1. Solanex Management Inc. (Solanex), now known as Solanbridge Group, Inc., is a Nevada company. During the relevant period, its shares were quoted on the Over the Counter Bulletin Board (OTCBB) in the United States. It was an OTC reporting issuer under BC Instrument 51-509, *Issuers Quoted in the U.S. Over-the-Counter Markets*.
2. Christine Maria Cerisse (Cerisse) resides in British Columbia. She used to be registered under the Act. Cerisse was in the business of creating shell companies, getting their shares quoted on the OTCBB, and then selling the shell companies. Cerisse was a control person and a de facto director and officer of Solanex during the relevant period.
3. Laurence Frederick Austin, also known as Lawrence Frederick Austin (Austin), resides in British Columbia. He is married to Cerisse. Austin was in the business of setting up foreign corporations for clients who wanted to conceal their involvement with the corporations. Austin was a control person of Solanex during the relevant period.
4. Thomas John Sadler (Sadler) resides in British Columbia. Sadler was a control person and a de facto director and officer of Solanex during the relevant period.

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5. AB was a stock promoter who resided in British Columbia. He died in 2011. AB was a control person and de facto director and officer of Solanex during the relevant period.
6. CD resides in British Columbia. He assisted with the program to promote Solanex described below.
7. Cerisse created Solanex. She then took steps to get Solanex's shares quoted on the OTCBB in 2007. By that point, Cerisse and Austin had complete control over the company:
 - Its sole director and officer was a nominee.
 - Cerisse and Austin controlled over 99% of Solanex's shares. They concealed their control by holding their shares through corporations and nominee shareholders who had signed stock transfer documents.
8. Solanex's shares were cease traded on April 1, 2010 for failure to file various documents with the Commission in accordance with Solanex's continuous disclosure obligations. The cease trade order was varied on February 2, 2011 to reflect Solanex's name change.

Selling Solanex as a shell company

9. As of January 2009, Solanex was a shell company:
 - Its only asset was \$959 in cash.
 - It had no revenues since its inception.
 - It had abandoned its only technology.
10. In January 2009, Cerisse and Austin received an inquiry from Sadler that he was looking to buy a shell company. Sadler was acting on behalf of a group of undisclosed buyers that included AB (Sadler's group).
11. In an agreement dated March 3, 2009 (agreement), Cerisse and Austin, through one of their corporations, agreed to sell over 99% of Solanex's shares to Sadler's group for US \$400,000. The closing date for payment of the purchase price was still to be determined. The agreement was never disclosed to the investing public.
12. Sadler's group also intended to have Solanex raise US \$1.5 million through a private placement of 5 million common shares at US \$0.30 per share.



Misconduct

Planned program to promote Solanex to create demand

13. Sadler's group did not have funds to pay the purchase price under the agreement.
14. The Respondents and AB participated in a program to promote Solanex (program) with the intention of creating demand for Solanex shares. The purpose of the program was to:
 - Raise funds to pay the purchase price under the agreement.
 - Create the market conditions for the private placement to proceed.
15. The program was premised on the supply of Solanex shares being secretly controlled. Cerisse and Austin controlled over 99% of Solanex's shares, being 15,310,080 of its 15,460,080 issued and outstanding shares, leaving only 100,000 Solanex shares in the market. Sadler and AB, acting in concert with Cerisse and Austin under the agreement, also controlled Solanex's shares. Their control of Solanex was never disclosed to the investing public.
16. The program involved:
 - Solanex
 - entering into non-binding agreements with various companies to acquire new technologies.
 - finding new directors.
 - announcing the agreements and new directors in a planned sequence of news releases.
 - not disclosing that the agreements had in fact been entered into months earlier.
 - not disclosing that Solanex had lost the legal rights to its only technology.
 - AB
 - calling potential buyers and telling them to purchase Solanex shares.
 - preparing a confidential investor presentation for Solanex dated April 17, 2009 (investor presentation) that refers to Solanex having "working agreements" with the companies who would be named in the planned news releases.
 - Selling Solanex shares that were in the Respondents' and AB's control into a rising market and sharing the trading proceeds.
 - Not disclosing to the investing public that the shares being sold were from the holdings of people who controlled Solanex.



17. Prior to the program starting, Solanex lost the legal rights to the only technology it had owned since the company's inception (previous technology). At no time during the program did the Respondents cause Solanex to issue a news release disclosing this fact. Solanex disclosed that it lost the legal rights to the previous technology in February 2010 in an 8-K current report with the United States Securities and Exchange Commission (SEC), long after the promotion had concluded.
18. Sadler outlined the planned sequence of news releases under the program in an email to AB dated May 17, 2009.
19. Cerisse and Austin knew that Sadler's group was trying to create demand for Solanex's shares at rising prices, as they were in regular communication with him. They also knew that selling Solanex shares into a rising market was the intended mechanism to provide them with the purchase price in the agreement.
20. On July 14, 2009, Sadler emailed Cerisse that "[w]e are completing this unbelievable complicated web" and concludes:

"I will contact you as soon as [I] know the program has begun. They still say they will do approx 2 million shares over the first 2 weeks of trading."
21. On July 24, 2009, Sadler and Cerisse were surprised by Solanex trading volume that day as the program had yet to begin. Sadler emailed Cerisse that day:

"... as we set up the bids to get the value up to a reasonable 40 to 50 we are getting hit... NOT one of the shares in [our] control has been sold. That would leave the other 100k which I thought was under 100% control! Tracking down where the trades are coming from".
22. On July 28, 2009, Solanex issued a news release announcing that it was being featured in a company's small cap stock daily newsletter, daily blogs, and message boards. AB and Sadler had retained this company to give Solanex's news releases wider distribution under the program. Solanex shares were transferred without consideration from the Respondents' and AB's control to this company to pay for its services.



23. On July 31, 2009, Sadler emailed Cerisse updating her on the status of the program:

“We have also brought forward new directors (2) which will be released right after the aforementioned news release, and have the next two business transactions signed and ready for followup releases.”

Selling under the program begins on August 24, 2009

24. Between August 10, 2009 and September 10, 2009, the Respondents and AB caused Solanex to issue various news releases in accordance with the program.

25. The August 10, 2009 and September 4, 2009 news releases claimed that Solanex still had rights to the previous technology, which was false or misleading. On August 25, 2009, Cerisse caused the August 10, 2009 news release to be republished on the Solanex website.

26. Solanex shares were transferred without consideration from the Respondents' and AB's control as follows to sell into a rising market (selling shares):

- 2 million shares to AB's company.
- 738,125 shares to CD's company.

27. Up until August 24, 2009, Solanex shares were thinly-traded. They had only traded four times that month for a total volume of 22,500 shares.

28. On August 24, 2009, trading under the program began. That day, the trading volume shot up to over 440,000 shares after only 12,500 shares traded the previous trading day. The closing price on August 24, 2009 was \$0.20, after closing at \$0.10 the previous trading day. The trading volume remained dramatically above its pre-August 24, 2009 levels until October 30, 2009.

29. On September 16, 2009, the Respondents and AB caused Solanex to issue a news release that was not part of the initial program. The news release was false or misleading as it:

- Announced that Solanex had entered into a non-binding agreement to acquire a new technology before any such agreement existed.
- Claimed that Solanex still had rights to the previous technology.

30. Between August 24 and October 30, 2009, Solanex's share price reached a high of US \$0.75, giving the company a market capitalization of over US \$11.5 million.



31. AB and CD sold virtually all of the selling shares during the program for proceeds of about \$790,000. That amount was split among the Respondents, AB, CD, and others. Neither the Respondents, nor AB issued a prospectus before the selling shares were sold. They were not entitled to an exemption from doing so. Despite being an insider of Solanex, AB did not file any insider reports relating to his trades.
32. Cerisse and Austin's corporations received about US\$102,000 of the total proceeds. They never received the balance of the purchase price under the agreement.
33. On November 14, 2009, Cerisse and Austin still hoped to receive the balance owing under the agreement. That day, Cerisse emailed Sadler about suggested revisions to Solanex's 10-Q quarterly report for the SEC. She writes:

“...the key here is that investors will look at this - they know there was a minimal business before so you may want to say certain things about the previous technology... also **you want to appear you are actively working on contracts, funding, and going to have revenues** (but not be promotional) in the descriptions – **it will help your market so you want to say something that makes it look real and that this is an ACTIVE business going somewhere...**” [emphasis added]

Misrepresentation

34. By causing Solanex to issue false or misleading news releases, the Respondents, while engaging in investor relations activities or with the intention of effecting a trade in a security, made statements that they knew, or ought reasonably to know, were misrepresentations, contrary to section 50(1)(d) of the Act.
35. The Respondents authorized, permitted or acquiesced in Solanex issuing false or misleading news releases, contrary to section 50(1)(d) of the Act. Under section 168.2 of the Act, the Respondents also contravened section 50(1)(d) of the Act.

Illegal distribution

36. Because the selling shares were sold from the Respondents' and AB's holdings as control persons without first issuing a prospectus, the Respondents made illegal distributions, contrary to section 61 of the Act.



Market manipulation

37. By engaging in the above conduct, the Respondents, directly or indirectly, engaged in or participated in conduct relating to Solanex's shares that they knew, or reasonably should have known, resulted in or contributed to a misleading appearance of trading activity in, or an artificial price for, Solanex's shares, contrary to section 57(a) of the Act.

False or misleading statements

38. Cerisse attended a compelled interview over two days in 2013. During her interview, Cerisse made false or misleading statements, contrary to section 168.1(1)(a) of the Act, about:

- (a) Who RBT Group Inc. was, the corporation on whose behalf she signed the agreement.
- (b) Whether she controlled the shares referred to in the agreement.
- (c) How EF, one of the original Solanex shareholders, had paid for her shares and had rights to the technology.
- (d) Who Gateways International Inc. and Sierra Group Inc. were, two corporations that were Solanex shareholders.
- (e) Why Pegasus Investments Limited, Pickwick Company, and Clinical Natural Limited received money from AB's company.

39. It is in the public interest that the Commission issue orders against the Respondents under section 161 and 162 of the Act.

Hearing Process

- ¶ 2 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 22, 2015, at 9:00 a.m.** 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 Respondent 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.

Paul C. Bourque
August 24, 2015 1:42 PM

- ¶ 5 Paul C. Bourque, Q.C.
Executive Director