



British Columbia Securities Commission

Citation: 2015 BCSECCOM 418

### **Notice of Hearing**

**David Tuan Seng Lim, Michael Mugford,  
and EuroHelvetia TrustCo S.A. now known as EHT Corporate Services S.A.**

**(collectively, 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 (Act), based on the following facts:

#### **Background**

1. David Tuan Seng Lim (Lim) was an investment advisor registered under the Act during the relevant period. Lim resides in British Columbia.
2. Michael Mugford (Mugford) was Lim's client and business associate during the relevant period. Mugford resides in British Columbia.
3. EuroHelvetia TrustCo S.A. (EuroHelvetia) is a Swiss wealth management firm. Lim and Mugford had a prior relationship with EuroHelvetia.
4. HL Ventures Inc. (HL Ventures) is a Nevada company. It was a natural resource company at the exploration stage that had halted its exploration and had no revenues.
5. HL Ventures' shares were quoted on the Over The Counter Bulletin Board markets in the United States. Its shares had never traded before November 4, 2009.
6. JF is the former president of a private Alberta company (JF's private company). JF died in 2011. JF had a prior relationship with Mugford.

#### **MISCONDUCT**

##### ***Respondents planned a market manipulation***

7. In May 2009, Lim, Mugford, and EuroHelvetia devised a scheme for profiting from the acquisition and promotion of a shell company. Generally, the scheme worked as follows:



- The shares of a shell company would be delivered to EuroHelvetia in Switzerland and held for the benefit of the Respondents and another party.
  - The shell company would be promoted.
  - EuroHelvetia would sell the shares.
  - The trading proceeds would be used to pay for the promotion and the purchase price of the shell company, with the remainder to be shared equally among the Respondents and another party.
8. On June 15, 2009, JF emailed Mugford that he was looking for a shell company that JF could obtain to pursue a business model for growing produce indoors.
9. By June 26, 2009, the overall scheme had evolved into a plan for JF's private company to acquire a shell company, HL Ventures. The plan was outlined in an email from Lim to EuroHelvetia:
- Sign a letter of intent and embark on the first stage of marketing to raise the \$100,000 purchase price of the shell company.
  - Hold the free trading shares in trust.
  - Account for all the shares.
  - Forward split the shell company's shares to achieve a target of about 40 million issued shares.
  - Pay for the cost of the shell company, the cost of the promotion, and EuroHelvetia's fees from the trading proceeds.
10. On July 22, 2009, HL Ventures:
- Entered into a letter of intent for a reverse takeover (RTO) by JF's private company.
  - Approved a 7-for-1 forward split of the company's common shares.
11. On August 19, 2009, HL Ventures obtained a new ticker symbol to reflect its name change to Urban Barns Foods Inc. (Urban Barns).
12. To assist with the promotion, Lim and Mugford provided content for Urban Barns' website.
13. On September 29, 2009, a publisher of penny stock promotional material (tout sheet publisher) emailed JF with the first draft of Urban Barns' promotional material (tout sheet). The draft tout sheet was forwarded to Mugford the same day.



14. On October 9, 2009, Urban Barns entered into a formal RTO agreement with JF's private company, which closed on December 4, 2009.
15. As of October 31, 2009, Urban Barns:
  - Was in the development stage.
  - Had about US \$80,000 in total assets.
  - Had no revenues since its inception.
  - Had 43.4 million shares issued and outstanding consisting of
    - 21 million restricted shares.
    - 22.4 million free-trading shares.

***Respondents controlled Urban Barns' free-trading shares in market***

16. Between about July 27, 2009 and February 3, 2010, EuroHelvetia received 7.7 million Urban Barns' free-trading shares (Urban Barns' Swiss shares) and deposited them into a brokerage account controlled by EuroHelvetia. The Urban Barns' Swiss shares represented over 34% of all Urban Barns' free-trading shares during the relevant period, defined below.
17. On or about November 5, 2009, Lim instructed the transfer of a further 7.15 million Urban Barns' free-trading shares into the names of four offshore companies. They were deposited into offshore accounts. It is unknown how many of these shares were sold during the relevant period.
18. The remaining Urban Barns' free-trading shares were not deposited into a brokerage account and did not trade during the relevant period.

***Respondents promoted Urban Barns' shares***

19. Before November 4, 2009, Urban Barns' shares had never traded. On November 4, 2009, Lim bought 20,000 shares of Urban Barns in the market through a Swiss company he controlled. Urban Barns' shares closed at US \$0.85 that day on trading volume of 102,000 shares.
20. On November 5, 2009, a number of Lim's clients started to buy shares of Urban Barns.
21. Between November 5, 2009 and February 28, 2010, Lim was responsible for ordering and paying for the issuance of the tout sheets. Lim paid for the tout sheets using the trading proceeds from the sale of the Urban Barns' Swiss shares.



22. The tout sheets were grossly promotional and included the following:

- Investors: This little company just solved the global food crisis!
- If Urban Barns grows to a conservative 15% of the size of Whole Foods, we're looking at a \$675 million company with a \$14 stock here. It's a no-brainer.
- Urban Barns can double in size every year with its own cash while throwing off generous \$3 per share dividends.
- I've just uncovered the most profitable stock of my career. URGENT BUY ALERT. Buy shares of Urban Barns now and watch your modest \$1,000 investment skyrocket past \$7,000... on its way to \$14,000 or more... While possibly paying YOU a whopping \$3 dividend PER SHARE!!!
- Urban Barns amazing technology will transform food production around the globe!
- The company's advance is so spectacular it could soon be the fastest growing company in North America.
- There's nothing comparable to Urban Barns in the business world today.
- The fact is, Urban Barns' patented technology is far superior to anything in existence today. And it'll be years before the competition can catch up....

23. On November 6, 2009, Mugford bought 40,000 shares of Urban Barns in the market through a company he controlled. Urban Barns' shares closed at US \$1.00 that day on trading volume of 220,000 shares.

24. On November 16, 2009, Lim informed the tout sheet publisher:

- To continue with the marketing of Urban Barns.
- That he would wire \$300,000 that week for that purpose.
- That he was contemplating a marketing budget of \$600,000 for the rest of the year.

25. On January 28, 2010, Lim informed the tout sheet publisher:

- Thanking him for his continued marketing of Urban Barns, adding it was providing great exposure for the company.
- Advising they would like to continue to move forward on a week to week basis as Lim requested at the beginning of the month.
- Budgeting \$70,000 for the upcoming week.



***Respondents sold Urban Barns' shares into the promotion***

26. Between November 4, 2009 and February 28, 2010 (relevant period), EuroHelvetia sold 4,634,349 of the Urban Barns' Swiss shares for trading proceeds of over US \$4.582 million. This represented 44% of Urban Barns' trading volume during the relevant period.
27. Urban Barns' share price closed as high as US \$1.27 during the relevant period, giving the company a market capitalization of over US \$55 million.
28. According to Urban Barns' filings with the Securities and Exchange Commission in the United States, Urban Barns during the relevant period:
  - Was not operational.
  - Had no revenues.
29. After the last tout sheet was issued on or around February 28, 2010, Urban Barns' share price dropped to \$0.22 by May 10, 2010.

***Market Manipulation***

30. By engaging in the conduct described in the notice of hearing, the Respondents engaged or participated in conduct relating to Urban Barns' 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, Urban Barns' shares, contrary to section 57(a) of the Act.

***Illegal Distribution***

31. The Respondents were control persons of Urban Barns' shares during the relevant period.
32. Because the Urban Barns' Swiss shares were sold from the Respondents' holdings as control persons without first issuing a prospectus, as described in the notice of hearing, the Respondents made illegal distributions, contrary to section 61 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, January 12, 2016, 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 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](mailto: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  
Nov 20 2015 10:59 AM

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