

BRITISH COLUMBIA SECURITIES COMMISSION

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

Citation: Re BridgeMark Financial, 2020 BCSECCOM 188

20200612

BridgeMark Financial Corp., Jackson & Company Professional Corp., Anthony Kevin Jackson, Lukor Capital Corp., Justin Edgar Liu, Rockshore Advisors Ltd. (formerly known as Cam Paddock Enterprises Inc.), Cameron Robert Paddock, Simran Singh Gill, JCN Capital Corp., John Rosarino Bevilacqua, Essos Corporate Services Inc., Sway Capital Corp., Von Rowell Torres, David Matthew Schmidt, Detona Capital Corp., Danilen Villanueva, Natasha Jon Emami, Altitude Marketing Corp., Ryan Peter Venier, Platinum Capital Corp., 658111 B.C. Ltd., Jason Christopher Shull, Tryton Financial Corp., Abeir Haddad, Tavistock Capital Corp., Robert John Lawrence, Jarman Capital Inc., Scott Jason Jarman, Northwest Marketing and Management Inc., Aly Babu Husein Mawji, Rufiza Babu Husein Mawji-Esmail, Denise Marie Trainor, Randy White, Escher Invest SA, Hunton Advisory Ltd., Kendl Capital Limited, 1153307 B.C. Ltd., Russell Grant Van Skiver, Bertho Holdings Ltd., Robert William Boswell, Haight-Ashbury Media Consultants Ltd., Ashkan Shahrokhi, Saiya Capital Corporation, Tara Kerry Haddad, Keir Paul MacPherson, Tollstam & Company Chartered Accountants, Albert Kenneth Tollstam, 727 Capital, David Raymond Duggan, Viral Stocks Inc., 10X Capital, Cryptobloc Technologies Corp., New Point Exploration Corp., Green 2 Blue Energy Corp., BLOK Technologies Inc., Kootenay Zinc Corp., Affinor Growers Inc., Liht Cannabis Corp. (formerly known as Marapharm Ventures Inc.), PreveCeutical Medical Inc., and Abattis Bioceuticals Corp.¹

Panel	Audrey T. Ho Judith Downes	Commissioner Commissioner
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Decision date	May 26, 2020
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Date of reasons	June 12, 2020
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Appearing

Graham R. MacLennan James K. Torrance	For the Executive Director
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Patrick J. Sullivan Jordanna Cytrynbaum	For Anthony Kevin Jackson
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J. Kenneth McEwan, Q.C. Laesha Smith	For Lukor Capital Corp. and Justin Edgar Liu
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¹ The original style of cause in this matter included Beleave Inc. and Speakeasy Cannabis Club Ltd. On June 11, 2019 and on May 4, 2020, considering it would not be prejudicial to the public interest, the executive director discontinued the proceedings against Beleave and Speakeasy, respectively. Therefore, the style of cause has been amended to refer only to the remaining respondents.

Reasons for Decision

I. Introduction

- [1] On November 26, 2018, the Executive Director issued temporary orders and a notice of hearing against the originally named respondents. In this decision we will refer to Cryptobloc Technologies Corp., New Point Exploration Corp., Green 2 Blue Energy Corp., BLOK Technologies Inc., Kootenay Zinc Corp., Affinor Growers Inc., Beleave Inc., Liht Cannabis Corp. (formerly known as Marapharm Ventures Inc.), PreveCeutical Medical Inc., Speakeasy Cannabis Club Ltd. and Abattis Bioceuticals Corp., collectively as the “Issuer Respondents”. All respondents, other than the Issuer Respondents, will be referred to as the “Non-Issuer Respondents”.
- [2] In the notice of hearing, the executive director alleged that:
- (a) members of the Non-Issuer Respondents entered into agreements to provide consulting services to the Issuer Respondents,
 - (b) members of the Non-Issuer Respondents paid for free-trading securities of the Issuer Respondents through private placements,
 - (c) the Issuer Respondents issued securities through private placements to members of the Non-Issuer Respondents relying on the consultant exemption to the prospectus requirement in section 2.24 of National Instrument 45-106 (Consultant Exemption),
 - (d) members of the Non-Issuer Respondents purported to be consultants under the Consultant Exemption but were not,
 - (e) the Issuer Respondents paid most of the private placement funds back to members of the Non-Issuer Respondents and kept very little of the money raised,
 - (f) members of the Non-Issuer Respondents sold securities of the Issuer Respondents in the market, often at prices below the private-placement acquisition cost,
 - (g) the Issuer Respondents issued news releases informing the market they raised the full amount of the private placement when they had only retained a small portion of the funds, and
 - (h) by engaging in this conduct, the Non-Issuer Respondents engaged in conduct that is abusive to the capital markets, and the Issuer Respondents illegally distributed securities contravening section 61 of the Act.
- [3] The original temporary orders imposed by the executive director were as follows:
- (a) under section 161(1)(b)(ii), that the Non-Issuer Respondents cease trading in, and are prohibited from purchasing, securities of the Issuer Respondents,

(b) under section 161(1)(c), that the Consultant Exemption does not apply to the Issuer Respondents for a distribution to a consultant, and

(c) under section 161(1)(c), that the Consultant Exemption does not apply to any issuer listed on the Canadian Securities Exchange (CSE) for a distribution to a Non-Issuer Respondent.

Prior variations and extensions of temporary orders

[4] On December 7, 2018, the original panel² held a hearing with respect to an application by the executive director to extend these temporary orders. The temporary orders were to expire on December 11, 2018. At the completion of the hearing, the original panel extended the original temporary orders until it issued a decision on that application.

[5] On January 15, 2019, the original panel issued the first extension decision (2019 BCSECCOM 14), and extended and varied the original temporary orders against certain of the respondents until April 10, 2019, as follows:

(a) under section 161(1)(b)(ii), that Anthony Kevin Jackson, Lukor Capital Corp., Justin Edgar Liu, Rockshore Advisors Ltd. (formerly known as Cam Paddock Enterprises Inc.), Cameron Robert Paddock, Simran Singh Gill, JCN Capital Corp., John Rosarino Bevilacqua, Essos Corporate Services Inc., Sway Capital Corp., Von Rowell Torres, Detona Capital Corp., Danilen Villanueva, Altitude Marketing Corp., Ryan Peter Venier, Platinum Capital Corp., 658111 B.C. Ltd., Jason Christopher Shull, Tavistock Capital Corp., Robert John Lawrence, Jarman Capital Corp., Scott Jason Jarman, Northwest Marketing and Management Inc., Rufiza Babu Husein Mawji-Esmail, Denise Marie Trainor, Aly Babu Husein Mawji, Escher Invest SA, Hunton Advisory Ltd., Randy White, Kendl Capital Limited, 1153307 B.C. Ltd., Russell Grant Van Skiver, Bertho Holdings Ltd., Robert William Boswell, Haight-Ashbury Media Consultants Ltd., Ashkan Shahrokhi, Keir Paul MacPherson, Tollstam & Company Chartered Accountants and Albert Kenneth Tollstam, cease trading in, and are prohibited from purchasing, securities of Cryptobloc, New Point, Green 2 and BLOK (the Trading Ban);

(b) under section 161(1)(c), that the exemption under section 2.24 of National Instrument 45-106 does not apply to Cryptobloc, New Point, Green 2 and BLOK for a distribution to a consultant; and

(c) under section 161(1)(b)(ii), that Jackson, Lukor, Liu, Cam Paddock Enterprises, Paddock, Gill, JCN, Bevilacqua, Essos, Sway, Torres, Detona, Villanueva, Altitude, Venier, Platinum, 658111 BC, Shull, Tavistock, Lawrence, Jarman, Scott Jarman, Northwest, Esmail, Trainor, Mawji, Escher, Hunton, White, Kendl, 1153307 BC, Van Skiver, Bertho, Boswell, Haight-Ashbury, Shahrokhi, MacPherson, Tollstam & Company and Tollstam, be prohibited from purchasing any securities of an issuer listed

² The original panel was comprised of the current panel and Vice Chair Cave. Vice Chair Cave left the Commission before the current application to extend the temporary orders and took no part in this decision.

on the CSE that are distributed using the exemption set out in subparagraph (b) above (the Consultant Exemption Ban).

- [6] The original temporary orders against the remaining respondents were not extended or varied and expired on January 15, 2019.
- [7] The hearing of the allegations set out in the notice of hearing was adjourned, without setting dates for the hearing itself, until 10:00 am on April 9, 2019.
- [8] On March 22, 2019, the executive director applied to further extend the varied temporary orders until a hearing was held and a decision rendered. The original panel held a hearing of that application on April 9, 2019 and at the completion of that hearing, it extended the varied temporary orders until it issued a decision on the application.
- [9] On May 29, 2019, the original panel issued the second extension decision (2019 BCSECCOM 191), and further extended the varied temporary orders until May 27, 2020. The hearing of the allegations set out in the notice of hearing was also adjourned, without setting dates for the hearing itself, until 10:00 am on May 27, 2020.

Current application to extend temporary orders

- [10] On May 5, 2020, the executive director applied to further extend the Trading Ban and the Consultant Exemption Ban against the respondents Anthony Kevin Jackson (Jackson), Justin Edgar Liu (Liu) and Lukor Capital Corp. (Lukor), until a hearing is held and a decision rendered. The executive director did not seek an extension of the varied temporary orders against any other party.
- [11] The executive director also applied for an order to limit distribution of his application and supporting materials to Jackson, Liu and Lukor, on the grounds that the materials contain sensitive financial and personal information, and there is no need for any other party to see them since the only parties whose interests were engaged by the application are Jackson, Liu, Lukor and the executive director.
- [12] All respondents were given notice of the executive director's application to limit distribution, and an opportunity to make submissions on the executive director's application. The Commission did not receive a response from any respondent. We find that all respondents received notice of the executive director's application pursuant to section 180 of the Act, and they took no position. On May 19, 2020, we granted the executive director's application to limit distribution of the application materials to Jackson, Liu and Lukor, and advised the other respondents that anyone wishing to vary the order may make a section 171 application. No such application has been received.
- [13] The panel directed that the application to extend the temporary orders be heard in writing due to the temporary suspension of in-person hearings during the Covid-19 pandemic.
- [14] The executive director made written submissions and filed two affidavits of a Commission investigator. He also relied on three affidavits of the investigator previously filed in support of

the prior temporary order extension applications.

[15] Jackson opposed the executive director's application, and made written submissions.

[16] Liu and Lukor took no position on the orders sought by the executive director.

Our Decision

[17] On May 26, 2020, we issued our decision (*Re Bridgemark Financial*, 2020 BCSECCOM 171), and extended the Trading Ban and the Consultant Exemption Ban against Jackson, Liu and Lukor, until May 26, 2021, as follows:

(a) under section 161(1)(b)(ii), that Liu, Lukor and Jackson cease trading in, and are prohibited from purchasing, securities of Cryptobloc, New Point, Green 2 and BLOK, and

(b) under section 161(1)(b)(ii), that Liu, Lukor and Jackson be prohibited from purchasing any securities of an issuer listed on the CSE that are distributed using the exemption set out under section 2.24 of National Instrument 45-106.

[18] We also adjourned the hearing of the allegations in the notice of hearing, without setting a new date for that hearing.

[19] On May 27, 2020, the varied temporary orders of May 29, 2019 expired against all the remaining respondents named in that order.

[20] These are the reasons for our decision.

II. Facts

[21] Our findings of fact from our previous decisions to extend and vary the temporary orders form part of this decision.

[22] The further evidence tendered by the executive director in support of this application can be summarized as follows:

- the Commission's investigation in this matter is ongoing;
- Liu, Lukor and another related company transferred funds totalling over \$12 million to 10 other Non-Issuer Respondents who made private placements in eight Issuer Respondents;
- Liu, Lukor and another related company received \$4.2 million in consulting fees from the same eight Issuer Respondents, and provided minimal evidence that consulting services were provided;
- the eight Issuer Respondents and one other issuer paid over \$10.2 million to consultants including some of the Non-Issuer Respondents. Liu, Lukor and another related company received more than \$9.7 million of that amount from those consultants, shortly after the

consultants received the fees;

- Jackson's related companies, BridgeMark Financial Corp. and Jackson & Company Professional Corp., received over \$3.3 million in consulting fees from seven Issuer Respondents and one other issuer, and provided minimal evidence that consulting services were provided; and
- Jackson's family members and entities related to them received over \$3.3 million in consulting fees from five Issuer Respondents and one other issuer, and provided minimal evidence that consulting services were provided. Two of the family members who are also Non-Issuer Respondents said it was Jackson who introduced them to some of the consulting opportunities and arranged some of their consulting agreements, including consulting agreements with Cryptobloc and Green 2 Blue.

III. Positions of the parties

[23] The executive director submitted that further extending the varied temporary orders against Jackson, Liu and Lukor is both necessary and in the public interest. He relied on the evidence filed in previous extension applications that led the panel to find *prima facie* evidence that all three respondents engaged in conduct that raised significant public interest concerns.

[24] The executive director submitted that there is now substantially more evidence that supports the continuation of the varied temporary orders against Jackson, Liu and Lukor, as the additional evidence demonstrates that:

- Liu was a major actor in the "cash-swap" scheme across multiple issuers and multiple private placements, and funded others' participation;
- Liu and Jackson, together with related corporate entities and close family members, received over \$20 million in purported consulting fees through the scheme; and
- Liu and Jackson are the primary architects of the cash-swap scheme and a distinct threat to our capital markets.

[25] Jackson submitted that it is inappropriate to further extend the varied temporary orders against him because the executive director is making an unsubstantiated application on the basis of a new foundation not previously advanced. In particular:

- the executive director's decision not to seek an extension of the varied temporary orders against most of the other respondents who have been subject to them must mean that there are no longer any public interest concerns necessitating temporary orders to prevent securities transactions between the Non-Issuer Respondents and the four Issuer Respondents subject to the varied temporary orders;
- there is no clear and convincing evidence that Jackson is a primary architect of the scheme or a distinct threat to our capital markets;

- the executive director did not identify any specific future threat that Jackson poses to the public interest or how the varied temporary orders will address that threat.

[26] As we indicated, Liu and Lukor took no position on the orders sought by the executive director.

IV. Analysis

[27] Section 161(3) of the Act provides that the Commission, with or without a hearing, may make an order extending a temporary order if it considers it necessary and in the public interest. Temporary orders may be extended until a hearing is held and a decision is rendered.

[28] The starting proposition for our analysis in this case is that we (as part of the original panel) previously found on two separate occasions, based upon the evidence before us at those times, that it was necessary and in the public interest to extend (and vary) the temporary orders imposed on Jackson, Liu and Lukor. Our evidentiary findings and our reasons for reaching those decisions were set out in our previous decisions. Our reason for extending the temporary orders only until May 27, 2019 (and not, as the executive director applied for, until a hearing is held and a decision rendered) was based on a desire to understand the size and scope of the investigation and to have an opportunity, with this extension application, to get a “status check” on the proceedings.

[29] In addition to the two affidavits filed in respect of this application, we have all of the evidence filed by the executive director in connection with our previous decisions to extend and vary the temporary orders. We are of the view (for the reasons expressed previously) that that evidence would support a further extension of the varied temporary orders as necessary and in the public interest *unless* the further evidence filed in connection with the current application leads us to conclude that circumstances have changed or new evidence is before us which suggests that an extension of some or all of the orders is either unnecessary or not in the public interest.

Evidence with respect to Liu and Lukor

[30] The additional evidence tendered by the executive director is consistent with the evidence previously filed and with the original panel’s findings with respect to Liu and Lukor in the first extension decision (at para 33).

[31] Given the additional evidence, we are satisfied there is *prima facie* evidence that Liu and Lukor were significant participants in, and funded aspects of, the “cash swap” transactions that we had found to raise significant public interest concerns.

[32] Put plainly, the additional evidence reinforces our original conclusion that it is necessary and in the public interest to extend the varied temporary orders against Liu and Lukor.

Evidence with respect to Jackson

[33] Much of the additional evidence from the executive director demonstrates that Jackson or a family member, or a related corporate entity, received substantial consulting fees from seven of the Issuer Respondents and one other issuer. There is no clear evidence of Jackson having personally made any private placement in the paying issuers.

- [34] As we said in the first extension decision (at para 39), where there is no evidence that a person who received a cash payment from an issuer also participated in a private placement in that issuer, the cash receipt alone is insufficient to constitute *prima facie* evidence of the cash swap that raises significant public interest concerns.
- [35] However, we have previously found in the first extension decision (at para. 37-38) that there is *prima facie* evidence that Jackson engaged in conduct that raises significant public interest concerns, on the basis of evidence that he was directly involved with:
- at least two of the Issuer Respondents in pitching the idea of the private placement transactions set out in the notice of hearing;
 - introducing some of the Non-Issuer Respondents to Issuer Respondents; and
 - negotiating the terms of some of the consulting agreements with Issuer Respondents.
- [36] The evidence filed in this application includes further *prima facie* evidence that Jackson arranged similar consulting agreements between his family members and two Issuer Respondents that we have found to have *prima facie* engaged in cash swaps with other Non-Issuer Respondents.
- [37] We make no conclusion on whether the evidence before us is sufficient to prove that Jackson was a primary architect of the cash-swap transactions. However, we were and remain satisfied that the evidence before us established on a *prima facie* basis that Jackson had engaged in conduct that raises significant public interest concerns. There is *prima facie* evidence that, at a minimum, Jackson was involved in facilitating some of the problematic transactions and in setting up similar consulting arrangements with issuers whom we have found to have *prima facie* engaged in conduct that raises significant public interest concerns. There has been no change in any of the circumstances or evidence to suggest that it is no longer necessary or in the public interest to extend the varied temporary orders against Jackson.
- [38] Jackson submitted that even if we find *prima facie* evidence of concerning conduct on his part, the executive director had impugned transactions in the second half of 2018 and there is no evidence that Jackson participated in any impugned transaction since June 2018. From that, we should conclude that extending the orders is no longer necessary nor in the public interest. We do not agree. We have no way of determining if the lack of further evidence of transactions of the kind described in the notice of hearing stems from the very fact that temporary orders have been in place since November 2018 or for some other reason. The absence of further transactions is not a reason to consider the further extension of the orders unnecessary.
- [39] The fact that the executive director is not requesting a further extension of the varied temporary orders against the other respondents does not necessarily mean that a temporary order is no longer necessary or in the public interest with respect to Jackson, Liu or Lukor. We do not know why the executive director is not pursuing an extension against the other respondents subject to the varied temporary orders, nor is that fact dispositive of the application before us. There may be circumstances regarding those other respondents that are not applicable to Jackson, Liu and Lukor. We cannot speculate. Our task is to assess whether it is necessary and in public interest

to continue temporary orders against each specific respondent in this application based on the evidence before us pertaining to that respondent, and that is what we have done.

- [40] In the case of Liu and Lukor, the new *prima facie* evidence that Liu and Lukor were involved with and funded other Non-Issuer Respondents in multiple transactions involving multiple issuers magnifies our concerns.
- [41] We continue to believe it to be necessary and in the public interest to prohibit further securities transactions between Liu and Lukor (whom we have found to *prima facie* have engaged in conduct that raises substantial public interest concerns) and the four Issuer Respondents whom we have found to *prima facie* have engaged in conduct that raises substantial public interest concerns.
- [42] It also continues to be necessary and in the public interest to prevent Liu and Lukor from trading or purchasing securities of any of these four Issuer Respondents in the secondary market, as there is *prima facie* evidence that each of these Issuer Respondents was involved in a strikingly similar scheme to distribute and resell their securities into the public markets in a way that raises substantial public interest concerns. The Trading Ban is also necessary and in the public interest to protect the integrity of the public markets.
- [43] Lastly, it continues to be necessary to prevent Liu and Lukor from entering into further transactions of this type with CSE-listed issuers in reliance on the Consultant Exemption.
- [44] In the case of Jackson, we had found that there is *prima facie* evidence that he was personally involved with facilitating some of the transactions that *prima facie* raised substantial public interest concerns, and arranging similar consulting agreements with Issuer Respondents whose conduct *prima facie* raised public interest concerns. That Jackson himself may have had limited or no participation in the specific private placements and consulting agreements relating to a particular transaction does not alleviate our concern about any further share transactions that he may have with Cryptobloc, New Point, Green 2 and BLOK or concerns about transactions with other CSE-listed issuers that involve the issuance of shares for consulting services.

V Order

- [45] For the above reasons, we made our order of May 26, 2020. To reiterate, we consider it necessary and in the public interest to extend the Trading Ban and the Consultant Exemption Ban until May 26, 2021, as follows:
- (a) under section 161(1)(b)(ii), that Liu, Lukor and Jackson cease trading in, and are prohibited from purchasing, securities of Cryptobloc, New Point, Green 2 and BLOK, and
 - (b) under section 161(1)(b)(ii), that Liu, Lukor and Jackson be prohibited from purchasing any securities of an issuer listed on the CSE that are distributed using the exemption under section 2.24 of National Instrument 45-106.
- [46] These temporary orders will expire on May 26, 2021, unless further extended by application of

the executive director or on our own motion.

[47] We remain of the view that it is in the public interest to not proceed with the hearing (of the allegations in the notice of hearing) until Commission staff conclude their investigation, and that is why we further adjourned that hearing in our order of May 26, 2020.

June 12, 2020

For the Commission

Audrey T. Ho
Commissioner

Judith Downes
Commissioner