BRITISH COLUMBIA SECURITIES COMMISSION
Securities Act, RSBC 1996, c. 418

Citation: Bridges, 2024 BCSECCOM 36 Date: 20240125

Alexander William Bridges (a.k.a. Alex Blackwell), Shane Douglas Harder-Toews, and Fraser Valley Hop Farms Inc.

Panel	Gordon Johnson	Vice Chair
	Karen Keilty	Commissioner
	Jason Milne	Commissioner

Submissions completed	December 15, 2023
Decision date	January 25, 2024

Parties

Mila Pivnenko Jillian Dean	For the Executive Director
Alexander William Bridges	For Alexander William Bridges (aka Alex Blackwell)
Shane Douglas Harder-Toews	For Shane Douglas Harder-Toews
Fraser Valley Hop Farms Inc.	For Fraser Valley Hop Farms Inc

Decision

I. Introduction

[1] This is the sanctions portion of a hearing under sections 161(1) and 162 of the *Securities Act*, RSBC 1996, c. 418 (Act). The findings of this panel on liability made on November 17, 2023, reported at 2023 BCSECCOM 548, are part of this decision.

[2] We found that:

a) Alexander William Bridges (Bridges) and Fraser Valley Hop Farms Inc. (FVHF) contravened section 57(b) of the Act when they knowingly committed acts of deceit that deprived investors of their investments;

b) Bridges authorized, permitted or acquiesced in FVHF's contraventions of section 57(b) of the Act and therefore also contravened that section by operation of section 168.2;

c) Bridges, Shane Douglas Harder-Toews (Toews) and FVHF contravened section 61 of the Act when they distributed securities to investors without a prospectus or a legitimate exemption; and

d) Bridges and Toews authorized, permitted or acquiesced in FVHF's contraventions of section 61 of the Act and therefore also contravened that section by operation of section 168.2 of the Act.

[3] The executive director made written submissions on the appropriate sanctions which should be imposed in this case. The executive director also provided additional evidence applicable to the sanctions analysis in the form of evidence from the BC Company office on the relationship between Bridges and FVHF, the status of FVHF and the relationship between Toews and Aditanium Capital Corp.

[4] None of the respondents made submissions or otherwise participated in the sanctions process.

[5] This is our decision with respect to sanctions.

II. Position of the Parties

[6] The executive director submits it is in the public interest that we impose the following sanctions:

a) Bridges:
   i. permanent orders under sections 161(1)(b)(ii), 161(1)(c) and 161(1)(d)(i), (ii), (iii), (iv) and (v) of the Act;
   ii. disgorgement order of $498,273 jointly and severally with FVHF, under section 161(1)(g) of the Act;
   iii. administrative penalty of $500,000 under section 162 of the Act;

b) FVHF:
   i. permanent orders under sections 161(1)(b)(ii) and 161(1)(d)(v) of the Act;
   ii. disgorgement order of $498,273 jointly and severally with Bridges, under section 161(1)(g) of the Act;

c) Toews:
   i. orders for a period of six years or until he pays his administrative penalty under section 162 of the Act, whichever period is longer, under sections 161(1)(b)(ii), 161(1)(c) and 161(1)(d)(i), (ii), (iii), (iv) and (v) of the Act; and
   ii. administrative penalty of $50,000 under section 162 of the Act.

[7] The executive director provides detailed arguments in favour of each of his positions. We will not summarize those arguments here, but we do reference the most important of those arguments as we come to them in the analysis which follows.

III. Analysis

A. Introduction

[8] Section 161(1) orders are protective and preventative in nature and prospective in orientation. This means that, when it crafts its orders, the Commission aims to protect investors, promote the fairness and efficiency of the capital markets, and preserve public confidence in those markets.

[9] In *Re Eron Mortgage Corporation*, [2000] 7 BCSC Weekly Summary 22, at page 24, the Commission provided a non-exhaustive list of factors relevant to making orders under sections 161 and 162 of the Act:

> In making orders under sections 161 and 162 of the Act, the Commission must consider what is in the public interest in the context of its mandate to regulate trading in securities. The circumstances of each case are different, so it is not possible to produce an exhaustive list of all of the factors that the Commission considers in making orders under sections 161 and 162, but the following are usually relevant:
>
> - the seriousness of the respondent's conduct,
> - the harm suffered by investors as a result of the respondent's conduct,
> - the damage done to the integrity of the capital markets in British Columbia by the respondent's conduct,
> - the extent to which the respondent was enriched,
> - factors that mitigate the respondent's conduct,
> - the respondent's past conduct,
> - the risk to investors and the capital markets posed by the respondent's continued participation in the capital markets of British Columbia,
> - the respondent's fitness to be a registrant or to bear the responsibilities associated with being a director, officer or adviser to issuers,
> - the need to demonstrate the consequences of inappropriate conduct to those who enjoy the benefits of access to the capital markets,
> - the need to deter those who participate in the capital markets from engaging in inappropriate conduct, and
> - orders made by the Commission in similar circumstances in the past.

[10] The Commission must also consider a respondent's individual circumstances and the principles of proportionality when determining sanctions. See *Davis v. British Columbia (Securities Commission)*, 2018 BCCA 149.

[11] We address the factors which are relevant under the following headings.

B. Seriousness of Conduct

[12] The Commission has repeatedly found that fraud is the most serious misconduct prohibited by the Act. As the panel stated in *Re Manna Trading Corp. Ltd.*, 2009 BCSECCOM 595, at paragraph 18, "nothing strikes more viciously at the integrity of our capital markets than fraud."

[13] In *Re Bai*, 2018 BCSECCOM 156, at paragraph 9, the panel explained why the Commission views fraud so seriously:

> It is the most serious misconduct owing to the deceit that will have been perpetrated upon investors and fraud requires that the respondent have had the requisite mental intent (or *mens rea*) with respect to his or her misconduct.

[14] The executive director reviews the misconduct found against Bridges and FVHF and submits that "Bridges and FVHF's conduct is at the highest end of seriousness". Certainly the conduct is very serious. As the executive director appropriately emphasizes:

a) FVHF and its decision-maker Bridges committed fraud with respect to 18 investors who invested $1,852,300 in FVHF.

b) The investors were misled about how their investment funds would be used. Investors were told that their funds would be used for the hops farm. In reality, Bridges and FVHF knowingly used $498,273 of their money for other purposes.

c) Bridges, Toews and FVHF also breached section 61 of the Act in numerous illegal distributions totaling several hundreds of thousands of dollars. This Commission has consistently held that breaches of section 61 of the Act are inherently serious. This is because section 61 is one of the foundational requirements for investor protection and the preservation of the integrity of the capital markets. Section 61(1) requires that those who wish to distribute securities file a prospectus with the Commission, so that investors and their advisors get the information they need to make an informed investment decision.

[15] We would add that even in cases of fraud there are varying degrees of seriousness. The most serious cases involve factors such as the development of a scheme which is entirely fraudulent from the outset, the falsification of documents or multiple deceitful statements extending over a long period of time which create significant losses. Here the evidence established that Bridges and FVHF collected money from investors and used a significant amount of those funds for their own benefit instead of for purposes which had been described to investors. There were multiple instances of Bridges and FVHF doing this and their conduct continued over a long period of time causing significant losses to investors. On the whole we would characterize the fraud committed by FVHF and Bridges as being near to the most serious type of fraud possible in an investment context.

[16] The illegal distribution conducted by FVHF and Bridges is also quite serious. The securities laws related to the distribution of securities establish the types of disclosure to be made to potential investors and the available exemptions from those requirements. The requirements are intended to create an environment in which investors can make informed decisions about the risks of investing in a particular business. When those requirements are ignored, as happened here, investors may be subjected to undisclosed risks and the public can lose trust in the integrity of capital markets. This view is supported by *Re Bracetek*, 2023 BCSECCOM 118.

[17] The illegal distribution conducted by FVHF, Bridges and by Toews resulted in funds being assembled in an account over which Bridges had control. Bridges and FVHF then misused the funds, and it is reasonable to conclude that this illegal distribution enabled the fraud which followed.

[18] In terms of the relative seriousness of the conduct as between the respondents, Bridges and FVHF participated in 22 illegal distributions totaling $930,000. Toews participated in 10 illegal distributions totally $378,000 directly and also, because he was a de facto director of FVHF, Toews was found vicariously liable for the $939,000 in illegal distributions of FVHF. There was no finding that Toews participated in or was aware of the fraud which was proven against the other respondents. On the whole Toews' breaches of the Act were serious, but significantly less serious than those of Bridges and FVHF.

C. Harm to investors

[19] We agree with the executive director that the respondents' misconduct has resulted in significant financial and emotional harm to investors. It is virtually certain that the investors lost all of their money. FVHF is not in good standing with the BC Company office and is in danger of being dissolved. There is no evidence indicating any potential avenue for recovery by investors.

[20] We agree with the summaries of investor testimony suggested by the executive director regarding the harm they suffered, specifically:

a) Investor XL testified that:
   - the loss of her investments had a big impact on her. At the time of the investment, she was going through divorce, had two young children, and her mother had cancer. She could not afford to buy a bigger home for her family, and the cash flow of her business suffered;
   - the psychological impact on her was even bigger than financial. The investment experience was a big blow to her confidence, and she thought "maybe I don't really know what I'm doing". She did not think she would invest in a hop farm again. She was angry and her belief in people's honesty was shaken;

b) Investor AJ testified that:
   - she worked hard and made an honest living, so it was disappointing to her that her money was not used how it was supposed to;
   - her investment experience convinced her that she should not venture outside of the investments she knows about and made her more cautious about investing. She would not invest in a startup business again;

c) Investor YL testified that:
   - the loss of his investment set him back in his income. It was a lot of money for him to lose;
   - the investment experience made him unable to trust people anymore, and caused tensions in his relationship with his wife;

d) Investor L testified that:
   - the main impact of this investment was the loss of the opportunity to provide a living wage for his son, which meant that Investor L had to find other ways to do so;
   - in addition, he had financial loss of about $225,000 and the loss of income if that money had continued to be invested in dividend paying companies;
   - he had "a lot of great disappointments" in this investment experience. Due to his "huge disappointment that this failed and it had a lot going for it but clearly not competent management", he planned to stay away from investing in venture capital or start-up capital opportunities in the future;

e) Investor CG stated in his interview under oath that:
   - he planned to use the investment money for a down payment on a house for his family. The loss of this investment affected him a lot;

f) Investor SB stated in his interview under oath that:

- he was a welder, and did not make the kind of money he invested ($121,000). His investment funds came from a lottery win. He felt foolish about the loss of his investment. He “wouldn’t trust anything like this ever again”;

g) Investor BE stated in her interview under oath that:
   - she was disabled from a car accident and a subsequent negligent medical procedure, and the money she invested in FVHF was from her settlement. She told Bridges and Toews about this and trusted them. She also had a history of severe trauma and abuse and was terrified of Toews when things were falling apart and he started screaming at her. The investment experience was “quite traumatic” to her.

[23] The respondents’ conduct harmed the investors who invested in FVHF and damaged the integrity of the capital markets in British Columbia.

D. Enrichment of the Respondents

[24] Bridges and FVHF were enriched by $498,273, the amount of the fraud, as is explained in further detail below.

[25] There is no evidence that Toews was enriched by his misconduct.

E. Aggravating factors

[26] The executive director accepts that there are no aggravating factors with respect to FVHF or Toews, but submits that Bridges’ poor record keeping regarding funds collected from investors is a materially aggravating factor. We agree.

[27] This Commission has repeatedly found that it is a materially aggravating factor when those who raise substantial sums from the investing public are unable to account properly for the manner in which those funds are used. (See *Re Bezzaz*, 2020 BCSECCOM 263, at paragraph 18; *Re Schouw*, 2017 BCSECCOM 168, at paragraph 24; *Re SPYru, Inc.*, 2015 BCSECCOM 452, at paragraphs 41-43; *Re Oei*, 2018 BCSECCOM 231, at paragraph 28; *Re Sand, Achs, Gulston*, 2022 BCSECCOM 473, at paragraphs 17-18.)

[28] We think that the executive director made the point clearly and succinctly with the following submission, which we adopt:

> Bridges’s failure to keep proper records enabled the fraud by hiding the fact that he was directing only a portion of the investor money towards the hops farm, and spending the rest on other purposes.

F. Mitigating factors

[29] There are no mitigating factors in this case.

G. Past misconduct

[30] There is no evidence of prior securities related misconduct by any of the respondents.

H. Specific and general deterrence

[31] The purpose of deterrence is to discourage future misconduct from the individual wrongdoer specifically and society generally. The panel in *Re Smith*, 2021 BCSECCOM 486, at paragraph 22, described specific and general deterrence as:

> Specific deterrence and general deterrence are related but not identical concepts. Specific deterrence discourages this respondent from participating in future misconduct. General deterrence discourages others from participating in misconduct similar to that in the subject case. Both goals are legitimate in the crafting of a sanction which properly balances all of the factors which are relevant in any particular case.

[32] The Supreme Court of Canada in *Cartaway Resources Corp. (Re)*, 2004 SCC 26, stated, at paragraph 55, that it was reasonable to assume "that general deterrence has a proper role to play in determining whether to make orders in the public interest and, if they choose to do so, the severity of those orders." The Court continued, at paragraph 60, that "it is reasonable to view general deterrence as an appropriate, and perhaps necessary, consideration in making orders that are both protective and preventative."

[33] The Court in *Cartaway* stated, at paragraph 61, that it is "reasonable to consider general deterrence as a factor, albeit not the only one, in imposing a sanction under s.162. The respective importance of general deterrence as a factor will vary according to the breach of the Act and the circumstances of the person charged with breaching the Act."

[34] Specific and general deterrence should be balanced between a respondent's circumstances and the public interest in preventing them or others from committing similar future acts. The Alberta Court of Appeal in *Walton v. Alberta Securities Commission*, 2014 ABCA 273, stated, at paragraph 154, that "the sanction must be proportionate and reasonable for each appellant. The pursuit of general deterrence does not warrant imposing a crushing or unfit sanction on any individual appellant."

[35] The Court in *Walton* concluded, at paragraph 165:

> Monetary penalties are most often imposed in the criminal or regulatory context. While the analogy is not exact, there are overlapping considerations. One purpose of fines, at least, is to remove the profit from offences. That sort of penalty must be large enough so that it does not simply become a "licencing fee" for the offence. General deterrence is also a legitimate consideration, but at some point the monetary penalty must be proportionate to the circumstances of the individual offender: *R. v Tracy* (1992), 12 BCAC 150, 71 CCC (3d) 329. As was said in *Magna Carta*:
>
> > 20. For a trivial offence, a freeman shall be fined only in proportion to the degree of his offence, and for a serious offence correspondingly, but not so heavily as to deprive him of his livelihood. . . .
>
> A monetary penalty that is beyond the capacity of the individual offender cannot be justified on the basis that it will deter others who are in a better financial condition.

[36] The British Columbia Court of Appeal in *Davis* (*supra*) further stated that the Commission must consider the principles of proportionality and assess the respondent's "individual circumstances and alternative sanctions" when determining sanctions.

[37] The panel in *Re QcX Gold Corp.*, 2022 BCSECCOM 422, referenced *Walton* and concluded, at paragraph 46:

> It can be very challenging for a panel to properly reflect the importance of the factor that sometimes parties who have committed serious breaches of the Act might have very limited resources available to pay a financial sanction. We are seeking to craft an appropriate sanction in order to protect the public. This suggests that significant weight should be placed on the factor of general deterrence. At the same time, there are limits on the public benefit achieved by the imposition of massive penalties which the party who committed the breach has no realistic ability to pay.

[38] As noted in paragraph 4, none of the respondents made submissions or otherwise participated in the sanctions process. We saw no evidence of circumstances specific to any of the respondents that would lead us to conclude that the sanctions we order will be disproportionate or unreasonable for any of them.

[39] Our conclusion regarding the specific and general deterrence factor is that it is in the public interest to deter the respondents and the general public from fraudulent acts and illegal distributions and that the respondents have not given any circumstances that would mitigate financial penalties or market bans.

I. Fitness to be a registrant, risk to investors

[40] As a director of a company which was raising funds from investors Bridges was in a position of trust. He had fiduciary duties to the company, including duties to safeguard company funds and ensure those funds were used for appropriate and authorized purposes. Instead of fulfilling his duties Bridges chose to enrich himself. In addition, his failure to maintain appropriate records and the continuation of his breaches of the Act over an extended period of time show a level of intentionality to Bridges conduct. Finally, Bridges leadership of FVHF's illegal distribution further demonstrates a lack of respect for securities laws. We conclude that Bridges is unfit to be a registrant and that he poses a continuing risk to investors. He should not be trusted with investor funds in the future and he should not be trusted in a position of responsibility with an issuer in the future. We do not see a reasonable basis to limit those conclusions to a certain period of time.

[41] The breaches of the Act committed by Toews are more limited than those of Bridges. There is no allegation or finding that Toews participated in or was aware of the fraud. However, Toews did repeatedly breach the Act by convincing investors to participate in illegal distributions. Further, there is no evidence that Toews took any appropriate steps to ensure that he was complying with securities laws. The conduct of Toews establishes a continuing risk of harm to investors and that conduct also supports our conclusion that Toews is not fit to be a registrant for a significant period of time.

J. Prior Decisions

[42] The executive director submits that we should be guided by the following precedents regarding fraud and illegal distribution, and the executive director has helpfully identified factors in the precedents that help us make comparisons to the present case:

Case	Quantum of fraud	Investors	Market bans	Admin. Penalty	Comments
Re Sand, Achs, Gulston John Sand Karol Achs Jolyon Charles Christopher Gulston	$600,000	2	Permanent Permanent Permanent	$380,000 $380,000 $380,000	Gulston also breached s. 51 but was less culpable for fraud. Each respondent ordered to disgorge specific amount he benefitted from the misconduct.
Re The Falls Capital Corp Rodney Jack Wharram The Falls Deercrest West Karma	$517,500	Multiple	Permanent Permanent Permanent	$500,000 None None None	Corporate respondents were directed and controlled by Wharram. Wharram also made false statements to an investigator.
Case at bar *Bridges* *FVHF*	$498,273	18	Permanent Permanent	$500,000 None	Bridges and FVHF also breached s.61. Aggravating factor for Bridges – poor record keeping.
Re Furman	$452,000	12	Permanent	$350,000	Furman also created and used fraudulent documents.
Re Braun Alan Braun Braun Developments	$450,000	2	Permanent Permanent	$450,000 None	Aggravating factor for Braun - predatory nature of interactions with an extremely vulnerable investor. Braun was ordered to disgorge the amount retained from misconduct.
Re Nickford	$318,141	13	Permanent	$300,000	Aggravating factor – poor record keeping.

Case	Quantum of illegal distribution	Market Bans	Admin. Penalty	Comments
Re SBC Financial Group Inc. Prabhjot Singh Bakshi	$1.54 million	10 years	$100,000	Also contravened s. 34(a) of the Act in the amount of $2.6 million. Aggravating factor – Bakshi was a former registrant. Bakshi was enriched.
Re Williams Susan Grace Nemeth Renee Michelle Penko	$1,249,723 $1,171,003	7 years 4 years	$70,000 $40,000	Aggravating factor for Nemeth – prior registrant. Penko displayed genuine remorse and was a current registrant under strict supervision.
Case at bar *Toews*	$931,000	6 years	$50,000	No mitigating or aggravating factors.

Pacific Ocean Resources Corporation (Re) Donald Verne Dyer	US$836,658	10 years	$65,000	Also contravened s. 49(2)(b) of the Act. Aggravating factor – Dyer deliberately structured transactions as loans to avoid application of the Act.
VerifySmart Corp. (Re) Daniel Scammell Casper De Beer	$641,309 $575,000	5 years 5 years	$50,000 $50,000	Scammell and De Beer also contravened s. 34. Both respondents lost money.

IV. Section 161(1)(g) Orders and Costs

[43] Section 161(1)(g) authorizes us to order:

> if a person has not complied with this Act, the regulations or a decision of the commission or the executive director, that the person pay to the commission any amount obtained, or payment or loss avoided, directly or indirectly, as a result of the failure to comply or the contravention.

[44] Orders under section 161(1)(g) are sometimes known as "disgorgement orders".

[45] The executive director submits it is in the public interest for us to make an order under section 161(1)(g) jointly and severally against Bridges and FVHF. No such order is sought against Toews. There is no evidence that Toews obtained any money directly from the investors as a result of his misconduct.

[46] The BC Court of Appeal in *Poonian v. British Columbia Securities Commission,* 2017 BCCA 207, adopted a two-step approach to considering orders under section 161(1)(g):

> The first step is to determine whether a respondent, directly or indirectly, obtained amounts arising from his or her contraventions of the Act. This determination is necessary in order to determine if an order can be made, at all, under section 161(1)(g).
>
> The second step of my analysis is to determine if it is in the public interest to make such an order. It is clear from the discretionary language of section 161(1)(g) that we must consider the public interest, including issues of specific and general deterrence.

[47] The Court of Appeal in *Poonian* further adopted several principles to apply in interpreting section 161(1)(g):

1. The purpose of s. 161(1)(g) is to deter persons from contravening the *Act* by removing the incentive to contravene, i.e., by ensuring the person does not retain the "benefit" of their wrongdoing.

2. The purpose of s. 161(1)(g) is not to punish the contravener or to compensate the public or victims of the contravention. Those objectives may be achieved through other mechanisms in the *Act*, such as the claims process set up under Part 3 of the *Securities Regulation* or the s.157 compliance proceedings in the *Act*.

3. There is no "profit" notion, and the "amount obtained" does not require the Commission to allow for deductions of expenses, costs, or amounts other persons paid to the Commission. It does, however, permit deductions for amounts returned to the victim(s).

4. The "amount obtained" must be obtained *by that respondent, directly or indirectly*, as a result of the failure to comply with or contravention of the *Act*. This generally prohibits the making of a joint and several order because such an order would require someone to pay an amount that person did not obtain as a result of that person's contravention.

5. However, a joint and several order may be made where the parties being held jointly and severally liable are under the direction and control of the contravener such that, in fact, the contravener obtained those amounts *indirectly*. Non-exhaustive examples include use of a corporate *alter ego*, use of other persons' accounts, or use of other persons as nominee recipients.

[48] Finally, the Court of Appeal in *Poonian* approved an approach to determining the amounts obtained, directly or indirectly, by a respondent that requires Executive Director to provide evidence of an "approximate" amount, following which the burden of proof switches to the respondent to disprove the reasonableness of this number.

Step 1 – Can a section 161(1)(g) order be made?

[49] In the circumstances of this case the key question in this part of the analysis is whether Bridges and FVHF obtained amounts by their breach of the Act. In this regard we begin by repeating some of the conclusions we expressed in our findings. We found that the evidence we were presented regarding the misuse of funds, and the calculation of how much had been proven to have been misused ($498,273) was reliable evidence. We found that those funds had had been placed in the bank account of FVHF. In addition, to quote our findings:

> [112] We also conclude that both FVHF and Bridges had subjective knowledge of both the deceit and the deprivation which we have identified. Bridges directed all of the funds which passed into FVHF's control. Only he had authority to spend the funds from the relevant accounts. Since Bridges was the primary manager of and a director of FVHF, there is no doubt that steps taken regarding FVHF at Bridges direction were taken with full knowledge by Bridges.

[50] It has been proven that Bridges obtained $498,273 of the funds paid by investors indirectly because he had sole control of those funds, he could direct them at his discretion and he did in fact use them at his own discretion for his own benefit.

[51] There is no evidence that any of that money has been returned to the investors. Therefore, there are no repayments that need to be considered in arriving at the appropriate disgorgement amount. As a consequence, we conclude that we can make a section 161(1)(g) order against FVHF and Bridges in the amount of $498,273.

Step 2 – Is it in the public interest to make section 161(1)(g) order against Bridges and FVHF?

[52] We found that FVHF and Bridges used $498,273 in a fraudulent manner. Therefore, it is in the public interest, equitable and not punitive to order FHVF and Bridges to disgorge the full $498,273 that they obtained through fraud.

[53] Bridges and FVHF deprived the investors of their money and profited from their misconduct. There are no mitigating circumstances in this case that would warrant not ordering them to disgorge their ill-gotten gains.

[54] As Bridges controlled FVHF's account in this case and FVHF did not act independently from Bridges, it would be appropriate to make a joint and several disgorgement order against Bridges and FVHF. Such an order would be in line with the finding in *Poonian* that a joint and several order is appropriate in such cases:

> Using a corporate *alter ego* is but one example of a mechanism a wrongdoer may employ to indirectly obtain funds from wrongdoing. It is impossible to imagine and enumerate the wide variety of tactics wrongdoers may use to do so. The critical element is that the wrongdoer were, in effect, acting as one person. This may occur, in another example, where one wrongdoer directs and controls the accounts of numerous other persons, and effectively has direction and control over the activity and assets in those accounts (e.g., using nominee accounts).

[55] To summarize, the test for applying section 161(1)(g) has been met and we conclude that it is in the public interest to apply that test and make an order that FVHF and Bridges jointly and severally pay $498,273 under that section.

V. Conclusions Regarding Appropriate Sanctions

A. Market prohibitions

[56] Based on our analysis above of the continuing risk Bridges poses to the public and his lack of fitness to be a registrant, we conclude that broad prohibitions should be ordered against Bridges to limit his participation in public markets, except as an investor through accounts for his own benefit which are supervised for suitability. Given the seriousness of the conduct and the continuing risk to the public those prohibitions should be permanent.

[57] Also based on our analysis above, we conclude that the same prohibitions should be ordered against Toews, except in his case we agree with the executive director that the prohibitions should apply only until the later of the date of payment of the administrative penalty imposed below and six years after the date of this order.

[58] In addition, we agree with the executive director that it is appropriate to impose prohibitions against FVHF participating in trading or promotional activities.

B. Administrative Penalties

[59] Bridges led an illegal distribution of securities to British Columbia investors, he raised funds from those investors based on representations the funds would be used for specified purposes and then he diverted a significant proportion of those funds to personal uses. Bridges deficient record keeping partially concealed the extent of his misuse of investor funds. We have explained above how serious Bridges conduct was,

and how he has harmed both individual investors and risked harm to the trust that investors generally have in the integrity of capital markets.

[60] Based on the precedents that have been presented to us the range of sanctions that has been imposed in similar, relatively recent cases of fraud is between $300,000 and $500,000. We think that considering all of the circumstances of Bridge's fraud, including his conduct in continuing to raise funds from unsuspecting investors while he was busy spending invested funds on personal uses, the administrative penalty here should be at the top of the range identified by the executive director. In addition, we think that the executive directors recommendation for an administrative penalty, while otherwise carefully calibrated and well supported, does not place enough emphasis on the scope of the illegal distribution which Bridges led. As a result, we order that Bridges pay an administrative penalty totaling $550,000.

[61] In the case of Toews the range of administrative penalties identified by the executive director is between $40,000 and $100,000. Toews was responsible for both his own direct participation in the illegal distribution, which was extended and calculated in terms of the persistent, convincing representations made by Toews to investors, and for his personal liability for the conduct of FVHF. Considering all of the analysis stated above, we conclude that an administrative penalty of $50,000, the amount recommended by the executive director, is appropriate in this case.

[62] The executive director did not seek an administrative penalty against FVHF, noting that the conduct in breach of the Act was led by Bridges, who is being sanctioned. To that we would add that FVHF appears to have no assets but has multiple claims against it by investors and likely by third party creditors as well. We do not order any administrative penalty against FVHF.

C. Section 161(1)(g) orders

[63] As noted above, section 161(1)(g) orders are appropriate against Bridges and FVHF.

VI. Orders

[64] Considering it to be in the public interest, and pursuant to sections 161 and 162 of the Act, we order that:

Bridges

1. under section 161(1)(d)(i) of the Act, Bridges resign any position he holds as a director or officer of an issuer or registrant;

2. Bridges is permanently prohibited:

    a) under section 161(1)(b)(ii) of the Act, from trading in or purchasing any securities or derivatives except that, if he gives the registered dealer a copy of this decision, he may trade in or purchase exchange traded funds or mutual funds securities only through a registered dealer in:

        (A) RRSPs, RRIFs, or tax-free savings accounts (as defined in the *Income Tax Act* (Canada)) or locked-in retirement accounts for his own benefit;

    b) under section 161(1)(c) of the Act, from relying on any exemptions set out in the Act, the regulations or a decision;

c) under section 161(1)(d)(ii) of the Act, from becoming or acting as a director or officer of any issuer or registrant;

d) under section 161(1)(d)(iii) of the Act, from becoming or acting as a registrant or promoter;

e) under section 161(1)(d)(iv) of the Act, from advising or otherwise acting in a management or consultative capacity in connection with activities in the securities or derivatives markets;

f) under section 161(1)(d)(v) of the Act, from engaging in promotional activities by or on behalf of:

(A) an issuer, security holder or party to a derivative, or

(B) another person that is reasonably expected to benefit from the promotional activity;

g) Bridges pay to the Commission $498,273, jointly and severally with FVHF, under section 161(1)(g) of the Act; and

h) Bridges pay an administrative penalty of $550,000 under section 162 of the Act;

FVHF

3. FVHF is permanently prohibited:

a) under section 161(1)(b)(ii) of the Act, from trading in or purchasing any securities or derivatives;

b) under section 161(1)(d)(v) of the Act, from engaging in promotional activities by or on behalf of:

i. an issuer, security holder or party to a derivative, or

ii. another person that is reasonably expected to benefit from the promotional activity;

c) FVHF pay to the Commission $498,273, jointly and severally with Bridges, under section 161(1)(g) of the Act.

Toews

4. under section 161(1)(d)(i), Toews resign any position he holds as a director or officer of an issuer or registrant;

5. Toews is prohibited:

a) under section 161(1)(b)(ii), from trading in or purchasing any securities or derivatives, except that, if he gives the registered dealer a copy of this decision, he may trade in or purchase exchange traded funds or mutual funds securities only through a registered dealer in:

(A) RRSPs, RRIFs, or tax-free savings accounts (as defined in the *Income Tax Act* (Canada)) or locked-in retirement accounts for his own benefit;

b) under section 161(1)(c), from relying on any exemptions set out in this Act, the regulations, or a decision;

c) under section 161(1)(d)(ii), from becoming or acting as a director or officer of any issuer or registrant;

d) under section 161(1)(d)(iii), from becoming or acting as a registrant or promoter;

e) under section 161(1)(d)(iv), from advising or otherwise acting in a management or consultative capacity in connection with activities in the securities or derivatives markets; and

f) under section 161(1)(d)(v), from engaging in promotional activities by or on behalf of:

i. an issuer, security holder or party to a derivative,

ii. or another person that is reasonably expected to benefit from the promotional activity;

until the later of:

a) the date that he pays to the Commission the administrative penalty described in subparagraph g) below; or

b) six years from the date of this order;

g) Toews pay to the Commission an administrative penalty of $50,000 under section 162 of the Act.

January 25, 2024

For the Commission

Gordon Johnson
Vice Chair

Karen Keilty
Commissioner

Jason Milne
Commissioner

NOTICE: The orders made against the respondents in this matter may automatically take effect against them in other Canadian jurisdictions, without further notice to them.