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

Citation: Core Capital Partners Inc., 2026 BCSECCOM 16 Date: 20260119

Core Capital Partners Inc., Kamaldeep Thindal, Amandeep Thindal, Yazan Al Homsi, Mani Chopra, Pardeep Luddu and Aarun Kumar aka Aaron Rai Kumar

Panel	Gordon Johnson	Vice Chair
	Judith Downes	Commissioner
	Jason Milne	Commissioner

Hearing dates April 2, 3, 5, 18, 19, 29, 30, May 1-3, 6–8, 10, June 27 and 28, 2024

Submissions completed January 20, 2025

Date of findings January 19, 2026

Parties

Derek Chapman Deborah Flood Amir Ghorbani	For the Executive Director
Kenneth J. McEwan, KC Brendan Coffey	For Core Capital Partners Inc., Kamaldeep Thindal and Amandeep Thindal
Laesha Smith Kyle Thompson	For Yazan Al Homsi
H. Roderick Anderson Jessica Mank	For Mani Chopra
Patrick Sullivan Sara Shuchat	For Pardeep Luddu and Aarun Kumar

Findings

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I. Introduction

[1] This is the liability portion of a hearing under sections 161, 162 and 174 of the *Securities Act*, 1996, c. 418 (Act).

[2] In an Amended Notice of Hearing issued March 26, 2024 (2024 BCSECCOM 111) (Notice of Hearing), the executive director alleged, among other things, that:

(a) Core Capital Partners Inc. (Core Capital), Kamaldeep Thindal (K. Thindal), Amandeep Thindal (A. Thindal), Yazan Al Homsi (Al Homsi), Mani Chopra (Chopra), Pardeep Luddu (Luddu) and Aarun Kumar aka Aaron Rai Kumar (Kumar) (collectively, the Respondents) carried out a pump and dump scheme that created a misleading appearance of trading activity in, or an artificial price for, securities of three reporting issuers in British Columbia. As part of the scheme, the Respondents, together and separately:

- concealed their control of the issuers;
- coordinated and caused the issuers to issue misleading news releases;
- arranged for misleading promotional campaigns about the issuers; and
- sold their shares of the issuers during the promotional periods for net proceeds of approximately $46 million.

(b) By engaging in this conduct, the Respondents contravened section 57(a) of the Act.

[3] One commission investigator testified at the hearing and was cross-examined by the Respondents. Certain Respondents tendered a written opinion from an expert. That expert provided very brief evidence in chief and was then cross examined by counsel for the executive director.

[4] The liability hearing was followed by written submissions and also, on January 7, 10 and 20, 2025, by oral submissions.

II. Brief Overview

[5] This matter centres around a group of individuals who, through similar conduct across multiple companies, were allegedly involved in what are colloquially known as “pump and dump” schemes.

[6] A pump and dump scheme, generally, is a concerted effort by disguised individuals to artificially inflate the price of an issuer and, once done, sell securities into the inflated market, deriving significant gains to the detriment of the unknowing public. These schemes are particularly insidious to the capital markets in British Columbia. While efficient markets are premised on transparency and accurate timely disclosure by issuers, a pump and dump scheme is exactly the opposite: inaccurate or artificial impressions are created by unknown parties to inflate share prices. These adverse effects impact the market in real time, and unwitting investors gain knowledge of the ruse only after the fact.

[7] The concept of a pump and dump, however, is not explicitly identified in the Act. Rather, matters involving them proceed as this one has, with allegations under section 57(a) of the Act. The executive director must prove that someone with the requisite knowledge, has engaged in conduct that either results in, or contributes to, a misleading appearance of trading activity, or an artificial price.

[8] While we canvas the law relating to this provision at length, the analysis in this matter hinges not on the misleading appearance of trading, but whether or not the Respondents engaged in conduct that resulted in or contributed to an artificial price for securities of the issuers. Critical to the analysis is the concept of an "artificial price." We canvas at length the test for determining how an artificial price is established, below.

[9] There is also substantial evidence that some of the Respondents made significant profits (trading securities in all three issuers) during this time. Based on the evidence we have reviewed, it was not a stretch for the executive director to bring allegations against the Respondents relating to this conduct.

[10] However, it is important at the outset to note that evidence of trading profits is not definitive in the analysis of whether an artificial price was created, and trading profits do not necessarily prove that a Respondent had knowledge of a manipulation. It is not alleged by the executive director that the trading activity of the Respondents formed part of the manipulation.

[11] Generally, the evidence adduced before us demonstrates that the Respondents in this matter, to varying degrees, participated in events leading up to a spike in share price for each of the three issuers. Unsurprisingly, the share price for those issuers subsequently declined after a short period of time. The facts relating to the rise in price of each issuer are complicated and require separate analysis.

[12] The facts relating to the three issuers, Reliq Health Technologies Inc. (Reliq), Integrated Cannabis Company, Inc. (Integrated) and Block One Capital Inc. (Block One), are unique amongst each other. That the same Respondents were involved to some degree with each of the issuers did not mean that we could make the same conclusions regarding each issuer. We have had to take significant care in reviewing the business and circumstances of each issuer and the impact news releases or promotional campaigns would have on each.

[13] The communication of a fact that is false or misleading can be the primary cause of an artificial price. To determine if certain conduct created an artificial price requires a careful review of the entire context. We have taken our time to sift through the evidence and consider it closely. We have examined how that evidence relates specifically to each Respondent regarding their individual conduct that potentially could affect the share price of each issuer.

[14] In particular, we have had to:

- analyse the evidence and whatever supportable inferences can be made,
- establish if a communication or statement is false or misleading,
- determine specifically whether each Respondent
  - engaged in conduct that resulted in a market price for each security that would be different in an open and fair market, free from manipulation, and also
  - had the requisite knowledge at the relevant time.

[15] The central figure to this matter is K. Thindal, whose conduct, ultimately, was the primary cause of the creation of an artificial price for two of the three relevant issuers described in the Notice of Hearing.

[16] Other significant figures in this story include:

- K. Thindal's brother, A. Thindal, who was trusted by K. Thindal to perform important tasks relating to the relevant conduct, and
- Al Homsi, who was influential in creating misleading investor awareness presentations and communications with the public in collaboration with K. Thindal.

[17] In conducting this analysis in detail, we came to different conclusions for each issuer relating to the Respondents. In summary, we find that in relation to:

- Reliq, while the conduct of the Respondents may have contributed to creating an artificial price for Reliq securities, they did not have the required mental state under section 57(a) to find that they contravened that provision of the Act. We dismiss those allegations.

- Integrated and Block One:
  - K. Thindal and Core Capital directed the key steps which resulted in the market manipulation, contrary to section 57(a) of the Act,
  - A. Thindal and Al Homsi assisted in the creation of an artificial price for shares of Integrated and Block One, contrary to section 57(a) of the Act,
  - Kumar acted contrary to section 57(a) in relation to Block One, but the allegations against him in relation to Integrated are dismissed, and
  - the allegations against Chopra and Luddu are not proven and dismissed.

[18] Our detailed review and analysis are outlined below.

III. Key companies and individuals

A. The Respondents

[19] Core Capital is a British Columbia company which was incorporated on November 13, 2015.

[20] As of April 13, 2018, Core Capital described itself on its website as providing merchant banking services such as capital raising and deal structuring as well as advice to emerging companies in the health care, technology, mining, and cannabis sectors.

[21] Core Capital has never been registered in any capacity under the Act.

[22] K. Thindal is listed on Core Capital's BC Company Summary as its sole director. As of April 11, 2018, K. Thindal was described on Core Capital's website as being Core Capital's Managing Partner and co-founder.

[23] A. Thindal is K. Thindal's brother. As of April 11, 2018, he was described on Core Capital's website as Core Capital's Chief Financial Officer.

[24] Al Homsi was described on Core Capital's website as of April 11, 2018, as being Core Capital's Vice President, Investments.

[25] Luddu was described on Core Capital's website as of April 11, 2018, as being an associate with the company.

[26] Kumar was registered under the Act as a dealing representative with Union Securities Ltd. from August to October 2012, PI Financial Corp. from October 2012 to November 2015, and Haywood Securities Inc. from November 2015 to January 2017. Kumar was the dealing representative (then known as an investment advisor) for K. Thindal, A. Thindal, Al Homsi, Luddu and Chopra for their trading accounts at Haywood Securities Inc.

[27] Chopra is a retired securities lawyer who provided administrative support to Block One and Integrated. During the relevant period, Chopra shared an office with Core Capital.

B. Other key companies and individuals

[28] As noted above, the allegations are that a pump and dump scheme was implemented against three issuers. Although there are some similarities in the evidence related to each of the three alleged schemes, there are also significant differences, including regarding which individuals are associated with which issuer.

[29] The first of the issuers alleged to be the subject of a pump and dump scheme is Reliq. Reliq is a British Columbia healthcare technology company which was formerly known as Moseda Technologies, Inc. (Moseda). It was incorporated on September 1, 2005. Reliq was, at the relevant time, in the health care technology business.

[30] Some of the key individuals associated with Reliq, other than the Respondents, were Dr. C, the Chief Executive Officer of Reliq and one of its directors, and DL, an employee of Reliq who was involved in its efforts to collect revenue from health care service providers.

[31] The second of the issuers which was alleged to be the subject of a pump and dump scheme is Block One. Block One was incorporated federally on February 2, 2010, as Essex Angel Capital Inc. It was recognized in British Columbia on February 14, 2017, and changed its name to Block One on November 9, 2017.

[32] Block One was an investment company. In a news release of Block One dated February 20, 2018, headed "Block One Announces Investment Portfolio Update and First Shipment of Bitcoin Miners Received" Block One provided a description of its investment portfolio as of that time. Block One also characterized the focus of its business as "sourcing, evaluating and investing in early stage, high growth opportunities at attractive valuations."

[33] The investment by Block One, which is the focus of the Notice of Hearing was in TG12 Ventures Inc. (TG12 Ventures), a company described by Block One in its February 20, 2018 news release as follows:

> **TG12 Ventures Inc.: Cryptocurrency Mining**
> Block One has acquired 90% of TG12 Ventures Inc. ("TG12"), a cryptocurrency mining company that is in the process of bringing online a diversified cryptocurrency mining operation in the Mid-Western United States. TG12 will be implementing two types of miners: Bitmain's S9 Antminers and Canaan's Avalon 821s. TG12 has received the first shipment of miners and expects that 1,000 miners will be operational by the end of March 2018.

[34] TG12 Ventures is a British Columbia company that was incorporated on November 16, 2017, with Kumar as its sole director. The completing party of the incorporation application was A. Thindal.

[35] The chief executive officer of Block One was DB. DB was also a director of TG12 Ventures and he signed most or all of the news releases issued by Block One.

[36] The third of the issuers alleged to be the subject of a pump and dump scheme is Integrated, a British Columbia company which was incorporated on September 15, 2011, as CNRP Mining Inc. (CNRP). It changed its name to Integrated on June 6, 2018.

[37] On October 25, 2017, CNRP announced it had entered into an agreement to acquire the shares of 1127466 BC Ltd., a company that held a worldwide exclusive license for XSPRAYS.

[38] On November 20, 2017 Integrated, then still known as CNRP, issued a news release announcing that JK had been appointed as the new CEO for XSPRAYS. XSPRAYS was described in that news release as follows:

> **About X-SPRAYS**
> X-SPRAYS is comprised of dedicated scientists and product engineers who are passionate about health and creating the ultimate delivery system for optimal nutrition. The company has focused its efforts in creating a product line of oral sprays to deliver medicines, nutrients and vitamins. To date, X-SPRAYS has developed a novel line of 8 health care and life enhancement nutraceutical products focused on enhancing pain relief, awareness, sleep, libido, energy and recovery.
>
> The Company's product line is ready for commercialization with 8 novel sprays that include both hemp cannabidiol (CBD) and nutraceutical ingredients (4 with CBD and 4 nutraceutical). X-SPRAYS intends to expand its product line to include cannabis Tetrahydrocannabinol (THC) and CBD sprays. For more information, please visit the company's website at: www.x-sprays.com.

[39] CK and CS were representatives of the XSPRAYS organization who frequently communicated with CNRP.

C. The Nature of a Market Manipulation

[40] In the course of this proceeding we heard many days of oral evidence. We were presented with a very large body of evidence, including many hundreds of exhibits, some of which were quite lengthy. In very general terms, the evidence addresses how the Respondents were connected to Reliq, to Block One, and to Integrated, what securities they acquired in those issuers, how the issuers were promoted and what proceeds were earned by the Respondents and persons associated with the Respondents by selling securities of the issuers.

[41] Some of the activity established by the evidence is, as interpreted by the executive director, supportive of a conclusion that the Respondents worked collectively to pump and then dump securities while creating a misleading impression of market activity and share value. Some of the evidence is, as interpreted by the Respondents, reflective of normal business practices which involve no breach of the Act. Our primary task is to apply the appropriate legal tests and standard of proof to assess whether some or all of the Respondents breached the Act in the manner alleged in the Notice of Hearing.

[42] It is not disputed by the executive director that, in very general terms, Core Capital can and often does carry on its business in a legitimate manner. In fact the original investigation in this matter related to a larger group of promotions involving Core Capital than the group of promotions subject to the allegations in the Notice of Hearing. It is obvious that, in the opinion of the executive director, some of the Respondents' promotions did not justify inclusion in the Notice of Hearing.

[43] It is generally a benefit for the economy of British Columbia if businesses promote themselves to the market. Many businesses have good business prospects and could grow more quickly, thereby creating wealth and employment, if those businesses had

more access to capital. Fair and accurate promotion of the prospects of an issuer to the public is consistent with the Act.

[44] Advisory businesses exist which earn revenue by assisting venture companies to raise capital. These businesses describe themselves in various ways, including sometimes as providers of investment banking services. These businesses sometimes go beyond providing fee-based advisory services. They might try to profit by investing in the equity of a venture issuer. Sometimes they might identify opportunities for the issuer to change its business focus, change its management team, attract new capital and promote itself in the market with a different focus. In the absence of misconduct, there is nothing improper about these types of service providers or investors.

[45] One type of misconduct which is at times present in the market is what is generally referred to as a pump and dump. The elements of a pump and dump can vary from case to case. In general, a pump and dump will involve one or more individuals acquiring and then pumping up the value of securities of an issuer through a mix of both false and possibly accurate but aggressively hyped communications. If a pump and dump has occurred, it would, absent some form of disruption, predictably be followed by a profit-taking stage. Often in a pump and dump there is a large degree of control assumed by the bad actors over the issuer, or at least control over the communications of the issuer, in order to assist in the aggressive promotional communication strategy.

[46] Misleading pump and dump schemes are prohibited by section 57(a) of the Act. At all relevant times, section 57(a) of the Act read as follows:

> **Manipulation and fraud**
> **57** A person must not, directly or indirectly, engage in or participate in conduct relating to securities or exchange contracts if the person knows, or reasonably should know, that the conduct
>
> (a) results in or contributes to a misleading appearance of trading activity in, or an artificial price for, a security or exchange contract, or
> …

[47] The key precedents which interpret section 57(a) of the Act are discussed below, following our reference to the applicable standard of proof.

IV. Standard of Proof

[48] The standard of proof is proof on a balance of probabilities. In *F.H. v. McDougall*, 2008 SCC 53, the Supreme Court of Canada held, at paragraph 49:

> In the result, I would reaffirm that in civil cases there is only one standard of proof and that is proof on a balance of probabilities. In all civil cases, the trial judge must scrutinize the relevant evidence with care to determine whether it is more likely than not that an alleged event occurred.

[49] The Court also held at paragraph 46 that the “evidence must always be sufficiently clear, convincing and cogent to satisfy the balance of probabilities test”.

V. Key case precedents regarding section 57(a)

[50] An early but useful precedent is *Re Podorieszach*, 2004 ASCD No. 360 [*Podorieszach*]. That was an Alberta Securities Commission (ASC) case decided in the context of similar, but not identical, statutory language to that contained in the Act. In that case the primary evidence of the creation of an artificial price was the trading activity of the respondents, and particularly their conduct in ordering a number of buy trades, in small volume, just before the close of trading on 11 of 16 relevant dates. The respondents argued that their trading was conducted because it reflected an economic strategy, and it was not intended to create a misleading impression of trading activity.

[51] The panel in *Podorieszach* acknowledged that the intention of the respondents to mislead had not been admitted and would have to be assessed by inference based upon facts which had been established. The panel addressed the issue of how and when to draw an inference as follows:

> 78. It is of course open to a respondent to argue that particular circumstantial evidence does not support a particular inference, or that it is capable of supporting different inferences. If the contravention of a provision requires there to have been improper intent, it might be that the circumstantial evidence could be consistent with either improper intent or an innocent intent. The decision-maker in such a case is not precluded from drawing any inference as to intent. Rather, in analysing the circumstantial evidence, the decision-maker must consider the alternative possible inferences. Applying the degree of care and the standard of proof appropriate to a case such as the one before us, it would be insufficient to conclude that two alternative inferences are equally plausible and then to infer the improper intent. The evidence would have to clearly and cogently support the inference of improper intent.

[52] Turning to the issue of what constitutes an artificial price, the panel stated as follows:

> 84. The Act does not define "artificial price", and we found few helpful cases on this point. In our view, the meaning can best be determined by considering it in the context of the Act and the framework of securities regulation established by the Act. As we said earlier, that framework is designed to protect investors and to foster fair, efficient capital markets and confidence in those markets, all of which turn on the integrity with which the market and market participants operate. Key to that market integrity is that the market be able to operate on real information.
>
> 85. Viewing subsection 93(b) in this context, an artificial price can be described as a price that differs from the price that would result from the market operating freely and fairly on the basis of information concerning true market supply and demand.

[53] The panel found that the allegations had been proven. The panel concluded that the high close transactions were intended to create the appearance of relative strength in the market, and that an artificial price resulted.

[54] *Re Coastal Pacific Mining Corp.*, 2016 ABASC 301 [*Coastal Pacific*], was another case decided by the ASC. In that case what was essentially an inactive shell with the name of a mining company was promoted by a flurry of emails which presented, among other things, estimates of mineable ore not described in accordance with Canadian securities law for mining disclosure, along with suggestions of potential values “in excess of 1

billion dollars”. These promotional statements were made in parallel with increased trading activity conducted by the respondents.

[55] The panel found that there was an economic justification for the trading activity, which was not found to be artificial. However, regarding the promotional statements, the panel concluded:

> [48] …Such artificiality may originate in, or be coupled with, a distorted appearance of trading activity … but such a combination is neither inevitable nor required to establish a breach of section 93(a)(ii) [the relevant section of the Alberta Securities Act, RSA 2000, c S-4].
>
> [49] The evidence here persuades us that the capital market generally, and specific investors who bought Coastal shares in the period of the promotional campaign, were misinformed and misled about the merits of Coastal as a business enterprise, and therefore about the inherent value of a Coastal share. The news release campaign described above communicated supposed good news – extremely good news – about Coastal's supposed mining business when that business was not, in reality, being pursued in a serious way. The sudden burst of near-daily (or more-than-daily) news releases from Coastal in the relevant period, and the highly optimistic (at best) content of at least the 1 November 2010 news release (the only one in evidence), conveyed a sense that good things were happening to Coastal, and happening quickly. A similar impression was communicated even more frenetically by the concurrent email campaign, which (as evident from the quoted email of 1 November 2010) also touted an anticipated, vastly higher, share price.
>
> [50] It is clear that this vigorous (but misleading) promotional campaign artificially stimulated investor interest in, and demand for, Coastal shares. Investors bought Coastal shares at higher prices and in higher volumes. That actual trading activity, reported to the market, undoubtedly reinforced the impressions communicated by the promotional campaign. As seen from the table above, trading prices and volumes reached remarkable levels.
>
> [51] When the promotional campaign ended with nothing else to sustain market interest, Coastal's share price "crashed". This corroborated the artificiality of the higher prices that had been temporarily achieved.
>
> [52] We find that the prices at which Coastal shares traded from 20 October into November 2010 were artificial, and that this artificiality was directly attributable to the promotional campaign undertaken during that period. As we concluded above, Coastal itself was among the participants in that campaign.

[56] A panel of our Commission weighed into the question of what proof is required to establish an improper pump and dump in *Re Lim*, 2017 BCSECCOM 196 [*Lim*]. That case related to promotional communications regarding a business called Urban Barns. The panel summarized a part of the promotional communications as follows:

[44] On September 29, 2009, a third party sent draft promotional materials regarding Urban Barns to Mugford for his review.

[45] Just the two headlines and the first paragraph make clear that these were grossly promotional tout sheet materials:

> ## *Investors:* this little company just solved the global food crisis!
>
> ### Buy *URBF* now at $1 … Sell at $100!
>
> "They've got patented technology that grows crops 4 to 5 times faster in 1/400th space, with 99% less water – *INDOORS*
>
> …

[46] During the hearing, the earliest copy of published materials of this ilk that was entered as evidence was taken on a screen shot from the internet dated November 20, 2009. The published materials were toned down somewhat from the September draft but remained grossly promotional:

> ## *Investors:* this little company just solved the global food crisis!
>
> "They've got unique technology that grows crops in as little as 1/4th the time, and amazingly, in as little as 1/100th of the space required by conventional farming methods!
>
> Crops are grown indoors in a controlled environment, 100% free from outside contaminants such as pesticides, bird and animal feces and even bugs.
>
> All this while using 99% less water!
>
> …

[47] To put the statements in these tout sheet materials in context:

- the Form 10-Q that Urban Barns filed with securities regulatory authorities in the US for the quarter ended October 31, 2009 disclosed that Urban Barns had spent approximately US$12,000 to acquire a growing machine and that this was its only material asset;
- there is nothing on the balance sheet (or elsewhere in the disclosures) to suggest that Urban Barns had any proprietary rights in the technology associated with the growing machine;
- the Form 10-Q that Urban Barns filed for the period ended January 31, 2010 indicated that the company (on a consolidated basis, which would include Urban Barns Alberta) did not conduct any operations nor generate any revenue during the period. Further, the financial statements contained a going concern note (i.e. that the company's working capital would be insufficient to meet its anticipated liabilities in the next twelve months).

[57] There was evidence before the panel that respondents acquired shares in Urban Barn at low prices and sold some shares at much higher prices during the course of promotional activities.

[58] The panel considered the basis upon which it could properly draw inferences from the proven circumstances. The panel said:

> [84] We received submissions from all the parties on the law relating to the circumstances in which a panel may properly infer a fact. There was no real disagreement about the applicable law. There was considerable divergence in the submissions from all of the parties as to the manner in which that law should be applied to the circumstances of this case.
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> [85] This commission most recently considered the issue of inferences in Re Weicker, 2015 BCSECCOM 19 (at para.80):
>
>> Insider trading cases often require panels to consider inferences. We may make inferences, we cannot speculate. In drawing inferences, we must ensure that we do not assume a fact that has not been proven and that any inference that we make is reasonable based on the facts that have been proven.
>
> [86] Without listing each of the parties' positions on each of the above inferences, it is sufficient for these purposes to note that, in most cases, one or more of the respondents submitted that it would be mere speculation for the panel to make the inference in question.

[59] In its analysis of section 57(a) of the Act, the panel in *Lim* said that in order to prove a breach the executive director must establish four elements:

1. did the conduct of the respondent relate to securities or exchange contracts?

2. was there either (or both) a misleading appearance of trading activity in, or an artificial price for, that security or exchange contract (what we will refer to as the form of the manipulation)?

3. was there the requisite causal connection between the respondent's conduct and the form of the manipulation (i.e. did the respondent, directly or indirectly, engage in conduct that results in or contributes to the form of the manipulation?) and

4. did the respondent have the requisite mental state for the contravention (i.e. did the respondent know, or should they have reasonably known, that their conduct had the requisite causal connection to the form of manipulation?

[60] When assessing whether an artificial price had been created for the shares of Urban Barns, the panel expressed its agreement with the analysis of the ASC in *Coastal Pacific*. The panel went on to characterize the promotional material used in relation to Urban Barns, stating:

> [118] There is a substantial difference between the material that was published by the respondent in *Carnes* and the tout sheet materials that were published by CFM. In *Carnes*, it was questionable whether the report published by the respondent could be considered a fair representation of all of the facts that the respondent knew about the issuer's technical

> reports, as it failed to contain certain information that the respondent learned in his due diligence investigations on the issuer. In this case, the tout sheet materials were so grossly promotional that they were completely devoid of reality. There was no basis for the tout sheet materials to claim that Urban Barns, a company which had spent approximately US$12,000 on equipment and had no other material asset or unique proprietary technology, had "solved the global food crisis" or that its shares would soon be worth $7 per share.
>
> [119] There will be a "grey area" where certain, reasonably held, opinions create the legitimate basis for parties other than the issuer to make promotional statements. This is not one of those cases. The tout sheets were fabrications designed to trick the reader into believing that the Urban Barns shares were worth far more than they really were. To use the words from the *Coastal Pacific* decision, it is clear that the readers of this material would be misinformed and misled about the merits of Urban Barns as a business enterprise, and therefore about the inherent value of an Urban Barns share.

[61] The panel in *Lim* rejected the argument that the respondents could not be liable because they were not involved in purchasing shares at the relevant time and so had no effect on market prices. The *Lim* case establishes, consistent with *Coastal Pacific*, that an artificial price can be established without any evidence it was caused by trading activity.

[62] The panel in *Lim* followed the Commission decision *Re Cerisse*, 2017 BCSECCOM 27 [*Cerisse*], to interpret the causal connection element. Causal connection requires a panel to analyze the actions of the respondents to determine whether they, directly or indirectly, contributed to the market manipulation. The panel in *Cerisse* stated, at paragraph 142:

> There is a spectrum of conduct that is tangential to the core trading and promotional efforts associated with a market manipulation. Where various conduct fits within this spectrum will be highly factual and context specific. Generally, where the conduct is further removed from the actual improper trading or specific improper promotional activities, it will be more difficult to establish that that conduct "results in" or "contributes to" a misleading appearance of trading activity or an artificial price for a security. Examples of conduct on this end of the spectrum would include efforts to establish a general business website for an issuer, maintenance of an issuer's securities regulatory filings, instructing escrow agents or transfer agents and the mere assisting in the opening of brokerage accounts on behalf of others.

[63] However, even conduct that seems more innocent should be reviewed holistically in connection with conduct which is found to be improper. The panel in *Lim* stated, at paragraph 129:

> It is also important to look at the entirety of a respondent's conduct. Although the following comments from this Commission's decision in *Re Siddiqi*, 2005 BCSECCOM 416 were made in the context of an analysis of a case concerned primarily with a misleading appearance of trading activity, we think they also apply when considering the actions of a respondent to create an artificial price for a security
>
>> 118 As is clear from these authorities, a person manipulating the market might use a variety of tools to do the job. Some of these tools are not inherently illegitimate trading practices – they only become so when employed with the intention of manipulating the market. It is also necessary to consider the conduct

> of the alleged manipulator as a whole. Some trading and order activity may not seem manipulative when viewed in isolation, but it is clearly so when considered along with all of the manipulator's other conduct.

[64] The next key decision relevant to the issues before us is the ASC decision in *Re Cohodes*, 2018 ABASC 161 [*Cohodes*]. In that case the respondent had tweeted out a false image indicating the staff of an oil and gas industry issuer was improperly disposing of toxic waste. The respondent held a short position in the stock and his intent might have been to drive down the price of the issuer. However, there was no evidence of the effect of the respondent's conduct on the share price, and the actual decline in share prices was closer in time to the release of financial statements than to the negative tweet. The panel found that it could not infer that an artificial price had been created. As the panel explained:

> [100] In *Coastal*, the facts were consistent with a typical pump and dump scheme, including: an issuer whose shares were quoted on an over-the-counter market at pennies per share with minimal trading volumes; a substantial number of shares issued to and controlled by the issuer's principals and associates; a coordinated promotional campaign involving several news releases from the issuer and concurrent emails from an associate using a pseudonym; and a dramatic runup in the share price on significant trading volumes, followed by the inevitable collapse in share price once the promotional campaign ended. On those facts, the artificiality of the subject share price was self-evident.
>
> [101] However, in this case we were asked to infer artificiality from the mere fact of *prima facie* misinformation contained in the June 27 Tweet. Again, we are of the view that the overall context in which the impugned misinformation is conveyed must be considered before an inference can be drawn. As the Alberta Court of Appeal cautioned in *Walton v. Alberta (Securities Commission)*, 2014 ABCA 273 (at para. 26): "[d]rawing inferences when there is an evidentiary gap, based on an 'educated guess', is speculation". There is an impermissible logical leap from *prima facie* evidence of misinformation about an issuer, regardless of source and other relevant context, to a finding that the issuer's share price was, or may have been, artificially affected.

[65] This Commission addressed a different fact pattern in *Re Deyrmenjian*, 2018 BCSECCOM 125 [*Deyrmenjian*]. That case involved allegations that certain respondents had created an artificial price for shares of an issuer named Kunekt Corporation (Kunekt). Kunekt announced that it had entered into an agreement to acquire a company in the mobile device business. The formal announcement included a description of some of the risks Kunekt would face in the new business. However, tout sheets which were circulated at around the same time were not so restrained. They were grossly promotional, referring to Kunekt as "the next Apple" and stating that "this company is offering you a chance at 5,192% profits" within a few months. The panel stated:

> [55] To put the statements in the tout sheets in context, the Form 10-Q that Kunekt filed with US securities regulatory authorities for the quarter ended January 31, 2011 disclosed that Kunekt had approximately $360,000 in assets and no proprietary technology. Also noted were accumulated significant losses, a negative working capital and a deficit in shareholders' equity. A going concern note was included in the financial statements (i.e. that the company's working capital would be insufficient to meet its anticipated liabilities in the next 12 months).

[66] The panel in *Deyrmenjian* addressed the issue of when it was appropriate to draw inferences. It stated, in part:

> [72] Also in *Re Suman*, the OSC said that staff is not required to prove that the inferences they invite the panel to draw are the only inferences that can be drawn from the evidence, nor must the inferences be the most obvious or the most easily drawn. However, as held in *Amos v. Yukon Tire Centre*, 2005 YKSC 41, in a circumstantial evidence case, if the inference of non-fault is as consistent with fault, the standard of proof has not been met and the case cannot succeed.
>
> [73] In *Re Agueci*, 2015 ONSEC 2, the OSC held that whether it is more likely than not that a respondent has knowledge (in that case of a material fact) can be based on inferences reasonably and logically drawn from the entire factual matrix. The panel cited (at para. 67) the Alberta Securities Commission's decision in *Re Holtby* that "pieces of evidence, each by itself insufficient, may…when combined, justify the inference that the facts exist."

[67] The panel then examined the evidence and drew inferences on a number of topics, including whether the respondents worked together and whether the activity in certain accounts was conducted on the instructions of respondents. Other inferences which the executive director submitted should be drawn from the proven facts were rejected by the panel, including regarding whether one particular respondent controlled the nature, timing and length of the promotional campaign.

[68] Turning to the central issue of whether there had been a manipulation, the panel stated:

> [144] As the panel noted in *Re Lim*, there will be a "grey area" where certain, reasonably held opinions will create a legitimate basis for third parties to make promotional statements. It is clear, however, that this is not such a case. The Kunekt tout sheet materials were fabrications designed to lead the reader to conclude that the Kunekt shares were worth far more than they really were. To use the words from the *Coastal Pacific* decision adopted in *Re Lim*, it is clear that readers of this material would be misinformed and mislead about the merits of Kunekt as a business enterprise, and therefore about the inherent value of a Kunekt share.
>
> [145] As noted above, after Kunekt announced that it had entered into a letter of intent to acquire control of AMS-INT, there was little market reaction. Few shares were traded and the closing share price remained below $0.60.
>
> [146] Kunekt's share price and trading volume spiked during the first week of mass email blasts of the tout sheets, closing on January 28, 2011 at $1.43 on a volume of 3.6 million shares.
>
> [147] Kunekt's share price reached $2.89 on February 28, 2011 on a volume of 16.4 million shares giving it a market capitalization of almost $180 million. There was no rational basis for this exponential rise in trading price or volume. Other than the tout sheets, there were no news releases or other disclosure that could account for the increase. Kunekt issued the news release on January 24, 2011 announcing the signing of a definitive agreement to acquire AMS-INT. However, as noted above, the forward-looking statement section of the news release made it clear that this plan was at a very early stage.
>
> [148] Based on our conclusions regarding the misleading nature of the Kunekt tout sheets and the irrational nature of the price of the Kunekt shares, we find that there was an artificial price for Kunekt shares commencing on January 25, 2011 and continuing at least

> until April 19, 2011, being two trading days after the completion of the tout sheet promotional campaign. The artificial price was created by the tout sheet marketing campaign conducted by CFM which commenced on January 25, 2011 and continued until April 15, 2011.

[69] The panel went on to assess the conduct of each respondent and its causal connection to the artificial price and found liability accordingly.

[70] The panel's decision in *Deyrmenjian* was upheld by the BC Court of Appeal in *Khorchidian v. British Columbia Securities Commission*, 2024 BCCA 232.

VI. Factual overview regarding Reliq

[71] Since none of the parties who were present for the events testified before us, the most comprehensive explanation of what happened is found in the transcripts of the interviews conducted by Commission staff with the CEO of Reliq, Dr. C. Some of what Dr. C states in her transcripts is accepted, or at least uncontested, by all parties. Because it includes the most complete description of events and because parts of it are not contradicted by other evidence, large portions of this factual overview are drawn from Dr. C's transcripts. However, we recognize that each party takes issue with certain specific statements of Dr. C, that Dr. C provided other relevant evidence in affidavit form in another proceeding and that some questions have been raised about Dr. C's conduct in relation to disclosures made by Reliq. As a result, although we reference and rely on large portions of Dr. C's evidence, we also discuss, in our analysis further below, certain portions of Dr. C's evidence which we do not rely on.

[72] In the course of the factual overview which follows we identify which communications are alleged to have been misleading.

[73] Dr. C obtained a PhD in chemical engineering from Queens University. Later her career evolved such that she developed experience as the CEO of a series of private companies which utilized software in health care applications. In 2015, she was the CEO of a private health care technology company which the primary investor wanted to sell. In the course of exploring sale or merger options for that company Dr. C came into contact with representatives of Moseda as a potential merger or acquisition candidate. Dr. C came to the conclusion that the then CEO of Moseda lacked some of the credentials which he claimed to have. She passed that information on to the board of Moseda.

[74] Later, after the sale of her health care technology company to others, representatives of Moseda, and particularly K. Thindal, recruited Dr. C to become the CEO of Moseda.

[75] Dr. C felt that Moseda's name was a hindrance to the business because it suggested a connection to the Mossad. She picked Reliq as the new name, stating in her interview that:

> "So my fathers a classicist, so Reliq is from the Latin reliquum for future. So future of health. So we branded it after I started, a few months after I started."

[76] Dr. C was asked about the extent to which she followed K. Thindal's instructions during the relevant period. She addressed the topic in a number of ways, including the following:

> Q. Why was Kam involved in the decision of what Moseda's name was going to be?
>
> A. Just as repeated background, so my background is running private companies. And, in private companies, your board are your investors. And so when I came on, my understanding - - I mean, really even until very recently, was that Kam and Yazan were my bosses; they are not on the board, but they constituted the board and they are the investors. So they were always involved in every decision. Yes.
>
> But I had to overrule them on this one, because these were - - they were suggesting names that other companies already have.
>
> Q. Right. Did Kam Thindal attend management calls?
>
> A. Sorry, I am trying to remember just back to the beginning. Definitely not recently in the last two years. Initially, we didn't have management calls, but we definitely had calls with Kam, regularly, to report back.
>
> Q. What would you report to Kam?
>
> A. Everything. You know, if we had hired someone or were thinking of hiring people, if we - - when we were getting office space, we wanted to secure office space, we got his permission for that and then reported back when we found it.
>
> Every time we were close with a customer, with getting somebody onboard - - mostly around business development, what was coming down the pipeline, what was falling off, I guess, if things were falling off.
>
> And then we would talk to them about financials. So if we were running low on money, they reviewed the annual budgets, the financial projections that I put together. Yazan gave me a template actually, to use, but I used a …

[77] Regarding the business activities of Reliq when she first joined it, Dr. C stated that Reliq really had no business when she joined as CEO. Dr. C was aware of a product named Carekit, which was software that managed and tracked treatments and medications of residents/patients who were outpatients, with the intended result of reducing re-admissions to hospital. Dr. C helped arrange for Reliq to acquire the Carekit software with the intention of marketing it to care homes in the United States. Revenue for the service would be earned on a per person basis, billed to care home providers but funded by the relevant American state or federal Medicare system.

[78] During her interview Dr. C indicated that she agreed with the content of a particular email in which K. Thindal described the origins of Reliq's business and Core's involvement in it as follows:

> Attached is the deck on Reliq. We took the deal over about 4 months after it went public in 2015. The company was in complete disarray and all of the parties involved were fighting. Long story short: we got rid of the entire board, capital markets people and eventually the Founder/CEO. In December 2015 we recruited

a killer CEO in [redacted] and [redacted] has helped us rebuild what was essentially a shell with no asset in it.

[79] During her interview Dr. C spoke extensively about the role which A. Thindal played with Reliq. She said that A. Thindal was placed with Reliq as the CFO by K. Thindal.

[80] Regarding the dynamic between K. Thindal and A. Thindal, Dr. C said the following:

> A. They are a close family, a very close family, and with their sister, too. They are very close. Their whole family, they have a lot of weddings and things that they are gone for four days at time to. And, yes, they are very close. Aman, his office was in the Core Capital space, which they said was a way of helping us not have to pay Vancouver rent for one staff out there. Yes. But they get along very well.

[81] Dr. C elaborated that although the brothers were "nice to each other" it was clear to her that K. Thindal was in charge and A. Thindal followed K. Thindal's direction.

[82] Dr. C said that although she did not hear A. Thindal ask K. Thindal for business advice regarding the affairs of Reliq she did have conversations with A. Thindal at times when Reliq needed money and A. Thindal would say "I will talk to Kam" and then the money would be made available.

[83] Dr. C expressed the view that A. Thindal was not a competent CFO. She based that view in part on what she described as a number of mistakes which A. Thindal made, such as not getting payments made or tax forms delivered on time. She said that at one point she wanted to replace A. Thindal but that decision was "vetoed" by K. Thindal.

[84] Dr. C stated that later she had deeper concerns about A. Thindal and about the involvement of the Core Capital team in the affairs of Reliq. According to Dr. C, during the early months of 2018, she and another director of Core Capital were regularly asking A. Thindal, who was managing the billing consultant retained by Reliq, "are we collecting in Texas? Is everything okay?". A. Thindal was replying to the effect that everything was fine and "the cheque is in the mail". According to Dr. C, it turned out that A. Thindal never even spoke to the billing consultant, and suddenly in the fall of 2018 it emerged that Reliq would be forced to restate its revenues, which evolved into a decision to write off those revenues.

[85] During her interview Dr. C confirmed the accuracy of a June 29, 2017 email from her to A. Thindal in which she said that "none of us (on the management team) have any clarity on our current financial status at any point in time, except you" and that she was still waiting for log on information for the main bank account of Reliq despite having been on the job as CEO for 18 months.

[86] Dr. C said that when she joined Reliq, Al Homsi was a signatory for Reliq's bank account, but "they took him off".

[87] Regarding Core Capital's role with Reliq, Dr. C said that she was told "it was basically the cost of capital", because Core Capital would raise funds for Reliq and the monthly consulting fees were a cost of that.

[88] Regarding Al Homsi, Dr. C said the following:

> Q. …what was Yazan Al Homsi's role relating to Reliq?
>
> A. Yes. That, I kept asking that. It was kind of confusing because, at first, he was part of Core Capital. And then they said, because he dealt with a lot of prospective shareholders and shareholders, that he couldn't be part of core, he couldn't be an actual adviser to the company. Or at least he couldn't - - like, Core always reviewed the press releases before they went out. But they said Yazan couldn't because he dealt more with shareholders. Does this make any sense? That is what they said. He dealt more with shareholders, so he had to be treated as an independent - - as an outsider.
>
> So Core Capital were actual consultants, and they could be treated as insiders, but Yazan had to be treated as external to the company, so very limited sharing of information. But he would call all the time, asking for information to share with his shareholders.

[89] During her interview Dr. C spoke about the origins of the revenue collection problems which Reliq encountered. She said that under Reliq's contracts with clients the clients would not be obligated to pay Reliq until the client was paid by Medicare or Medicaid. However, with respect to revenue recognition, she said "I am not one hundred percent sure what revenue recognition Aman applied". In spite of that statement, Dr. C immediately went on to explain that revenue was recognized as soon as Reliq issued an invoice which had to be paid within 30 days.

[90] Dr. C said it eventually emerged that clients were not paying Reliq because the payments were not covered by Medicare or Medicaid.

[91] Dr. C gave a description of the process followed around Reliq's news releases. She said:

> Q. In general, who wrote the news releases?
>
> A. Generally, I wrote them, but they would be edited by Kam - - yes, Kam. He wrote them initially, and then I took over because my grammar is better.
>
> Q. Who approved them?
>
> A. Well, I mean, Kam had to approve them before they went out. And the board all approved them; they were always sent to the board in advance, for approval. Is that what you mean? Yes.
>
> Q. For what time period was Core involved in the news releases?
>
> A. All - - always up until the end of November 2018, they crafted the press release about Aman leaving.

> Q. And what would be Kam and Yazan
>
> A. Kam and Aman probably did that one, but Kam - - no, Yazan wasn't really involved in drafting of the press releases, or at least not as far as I know. But Kam was.

[92] During her interview, Dr. C commented on the role played by Luddu regarding news releases. Dr. C described Luddu as a pretty junior resource who played mainly a secretarial role. According to Dr. C, when she first met Luddu he was Core Capital's receptionist.

[93] Dr. C described the roles of Core Capital representatives in arranging promotional activities on behalf of Reliq. She said that K. Thindal played a role, particularly at a particular conference, but that primarily it was Al Homsi who arranged the paid promotions which were conducted on behalf of Reliq.

[94] Dr. C did not testify at the hearing. However, in addition to the transcripts of her interview and her more detailed subsequent interview, we received into evidence an affidavit of Dr. C dated July 26, 2021. That affidavit stated that it had been made to respond to allegations in an action which was intended to be certified as a class action against defendants Core Capital, Dr. C, A. Thindal, and other individuals who had been directors of Core Capital.

[95] In her affidavit Dr. C denies that she or Reliq made any false statements in Reliq's public disclosure. She asserts that Reliq was actually the victim of a fraud by a former senior employee of Reliq which, in the words of Dr. C, "played a material role in the Company failing to collect revenue which the Company had initially recognized, but was forced to eventually classify as a bad debt." Dr. C then goes on to elaborate in great detail about Reliq's acquisition and further development of its remote health monitoring software and its attempts to earn revenue from that software. Among other things, Dr. C states:

> In 2017, Texas Medicaid was publically stating that it was in favour of promoting remote patient monitoring as a way of improving health outcomes for patients with complex health issues and controlling health costs by reducing hospital admissions. Texas Medicaid requires that telemonitoring services be delivered through Home Health Agencies, and only Home Health Agencies (not physicians) can bill Texas Medicaid for telemonitoring.

[96] Dr. C deposes in her affidavit that she expected Reliq's first major client to be able to successfully collect billings from Medicaid because it had done so with respect to another supplier's remote monitoring software. Dr. C elaborates on communications which followed with clients leading up to the fall of 2018, and particularly those involving Reliq's then chief information officer, a Mr. S. According to Dr. C, Mr. S was by that time concealing information from Reliq and was in fact destroying information. According to Dr. C, with support from some contemporaneous documents, Reliq later commenced legal proceedings against Mr. S and, after a mediation, received a substantial settlement payment based on the misconduct of Mr. S regarding revenues which Reliq believed it was earning from clients in the US but which were not ultimately paid.

[97] Nowhere in her affidavit does Dr. C suggest that any Respondent was aware of a risk that Reliq's revenues would be uncollectable until after certain critical events which are described below.

[98] A transcript was entered into evidence of an interview conducted by Commission investigators with senior Reliq employee DL. DL described the events leading to Reliq restating its revenue as involving considerable confusion, in part because Reliq staff failed to understand the requirements of Medicaid and in part in terms of distinctions between patients who were receiving monitoring systems, which was at times a very large number, and patients registered and eligible to generate billings, which was a smaller number.

[99] During the period between Reliq's initial marketing of its remote monitoring health software and Reliq's eventual write off of revenue as bad debt, Reliq issued a series of disclosures, including regarding the revenue it was earning and regarding its progress in becoming cash flow positive.

[100] On January 23, 2017 at 9:34pm, Dr. C emailed a draft news release about Reliq entering into an agreement with Paz Home Health to Al Homsi, DL, A. Thindal and K. Thindal. K. Thindal replied on January 24, 2017: "good draft. [redacted], can you provide some talking points re potential revenue – worst and best case." Al Homsi replied on January 25, 2017 asking if they can add any "revenue figures that we can place." Al Homsi also suggested shortening title to something more "punchy" like: "Reliq Health Technologies Signs [Definitive] Agreement of [ ] USD [in recurring revenue] with Paz Home Health, TX, USA."

[101] After Dr. C indicated that she did not want to include a revenue number, K. Thindal replied on January 25, 2017: "For internal purposes – what is the revenue number/how many pts?" Dr. C replied the same day:

> It's $50/patient/month and ultimately we expect to have all 10,000 of their patients using our system, so $500,000/month or $6,000,000 per year for this account. We're starting in March/April with 500 patients and adding another 1,000 patients every 2-3 months. So we'll start receiving revenue of $25,000/month in late April (since the terms are Net 30) and then by July we'll be receiving $75K/month, and by October or sooner we'll be up to $125K/month. Once we've hit 2,500 patients we'll meet with the Paz team and implement any requested changes, and then we should be ready to deploy to the full 10,000 patients by January 2018. Note: all amounts in USD.
> We expect to secure contracts with other affiliated groups in Texas as well (e.g. Rio Grande Valley Health Alliance, which has 10,000 family practice patients), so by early next year we could easily have tens of thousands of patients using our system in Texas alone.
>
> [redacted] - Let me know if I misspoke anywhere above.

[102] K. Thindal replied the same day: "awesome".

[103] Dr. C emailed Al Homsi, K. Thindal, DL and A. Thindal an updated Reliq news release about Paz Home Health on January 26, 2017. Al Homsi replied on January 28, 2017: "Can we highlight that this is a 10,000 patient account and state its [sic] definitive".

[104] Dr. C emailed an updated Reliq news release about Paz Home Health on February 9, 2017 to Al Homsi, K. Thindal, A. Thindal and some directors of Reliq:

> I've added in some revenue info in the first paragraph, because the market doesn't seem to get excited about anything except concrete revenue numbers! I was concerned about other customers knowing our pricing for this particular project but we can always explain that this is a stripped down version of our standard product. Can everyone please review and let me know how the new revenue info reads?

[105] The updated news release was now titled "Reliq Health Technologies Signs Agreement with Paz Home Health, TX, USA to Provide Remote Patient Monitoring to > 10,000 Home Care Clients" and included the following:

> Patient enrollment will begin in June 2017 with 500 Paz Home Health patients, building to >10,000 patients and >$6 million/year in recurring annual revenue in 2018.

[106] On February 15, 2017, one of Reliq's directors emailed A. Thindal, Dr. C, DL, and another Reliq director with the subject line "Reliq news for tomorrow": "Are we ready to go tomorrow?". A. Thindal replied the same day: "Yes please let's do 7:00am EST".

[107] A. Thindal emailed Reliq's news release about Paz Home Health to Luddu on February 16, 2017 at 5:31am. Reliq issued the news release that day with the changes Dr. C included in her February 9, 2017 email.

[108] A. Thindal emailed Reliq's corporate update news release dated March 29, 2017 to Al Homsi, Luddu and K. Thindal on March 28, 2017, advising: "Attached you will find the final news release for dissemination tomorrow at 5:00am pst."

[109] Reliq's corporate update news release dated March 29, 2017 included the following:

> *Contracts and Pilot Programs*
> Reliq has launched a portfolio of remote patient monitoring, care collaboration and telemedicine solutions and has secured the following contracts and pilots:
>
> - Reliq has secured a contract with the Paz Home Health in McAllen, Texas that is expected to generate over US$6 million in recurring annual revenue by 2018. Under the terms of the contract, Reliq will provide its remote patient monitoring and care collaboration platform to Paz's homecare providers and 10,000+ patients. The first 500 patients are expected to go live on the platform in June 2017 ramping up to the full 10,000+ patient population by the end of Q1 2018, corresponding to recurring revenue of over US$500,000/month
>
> *Upcoming milestones in the next 6-12 months:*
> - Reliq is focused on continuing to secure new contracts with home care agencies, assisted living facilities and hospitals in the United States and Canada
> - The Company expects to achieve profitability by the end of 2017.

[110] On April 6, 2017, Reliq announced by news release a paid pilot with Rio Grande Valley Health Alliance (McCallen, Texas), a primary care provider to over 30,000 patients. The news release stated that the pilot would go live in May 2017.

[111] Al Homsi had developed the title of the April 6, 2017 news release. He described his revisions in his March 19, 2017 email to Dr. C, K. Thindal and A. Thindal as follows:

> My quick thought is around increasing visibility of our news by focusing on our banners. Now that we have made it clear that number of patients is what will drive the business's top line and bottom line both, I would suggest changing the title to one that is more punchy such as:
>
> Reliq Health Technologies Announces Paid Pilot with Rio Grande Valley Health Alliance, a Primary Care Giver with 30,000 Patient in Texas, USA.

[112] According to its financial statements, Reliq had no revenues for the three months ended March 31, 2017 and a comprehensive loss of $535,865 for the same period. This jumped to a comprehensive loss of $1,505,582 for the nine months ended March 31, 2017. The company had not achieved profitable operations, had accumulated a deficit of $11,186,201 since inception and expected to incur further operating losses in the development of its business. According to the financial statements there was a material uncertainty which might cast significant doubt about the company's ability to continue as a going concern.

[113] On June 28, 2017, Dr. C emailed K. Thindal and Kumar two sets of financial projections proposed to be included in an investor presentation. She asked which should she send, or whether there were other numbers entirely that K. Thindal or Kumar would suggest. Kumar replied on June 29, 2017:

> You have to think, are you really going to have $18M of revenue in 2018. Once we disseminate these numbers they are used as baseline numbers.
>
> What is your level of confidence and visibility into the addition of 11,000 patients in 2018.
>
> If you can back this up, which could probably be added underneath, then the conservative may be able to be used.

[114] Dr. C replied on June 29, 2017, mentioning the names of the key health care organizations with which Reliq had contracted, ACO and Paz Home Health:

> So, based on our existing contracts with Paz and the ACO we should easily reach 12,000 patients by the end of 2018. However, I was worried about the optics of saying we're going to go from ~$2M to $18M in one year since it seems crazy aggressive. I'll go back and revise and send you two a new draft.

[115] On June 29, 2017, DL provided an email update for Reliq's management meeting call including an update about Paz Home Health and the ACO. Al Homsi replied the same day, copied to Dr. C, A. Thindal and DL: "Please keep us posted once we have billed

PAZ and ACO for month 1". He added he was looking forward to having a management call the next Thursday or Friday.

[116] Dr. C emailed Kumar and K. Thindal on June 29, 2017 with updated financial projections for Reliq. They stated:

> OK, I reworked the financial projections using number of patients instead of number of accounts so they're easier to explain, and I reduced the overall numbers in the interests of being more conservative. A few key points to note:
>
> - This model assumes that we're charging US$50/patient/month because that's what we can show investors customers (Paz, the ACO) are already willing to pay, but in reality we should be able to charge closer to $200/patient/month for customers who will be using our full system (i.e. the majority of customers going forward).
>
> - We already have contracts with Paz (12,000 patients and growing) and the ACO (36,000 patients). The model assumes that it will take us until mid-2020 to get all 48,000 patients onboarded when in reality both organizations are anxious to get all of their patients onboarded
>
> - The model assumes we will reach 80,000 patients by the end of 2020, which in effect means we only need to land another 4 home care agencies or 2 ACOs over the next three years.
>
> So, I think the numbers in the attached are genuinely achievable with lots of potential upside. Thoughts on sharing the attached with Raphael [Gravitas]?

[117] The attached financial projections included the following projections for 2017 and 2018:

	2017	**2018**
Number of new patients	6,000	13,500
Total cumulative patients	6,000	19,500
Number of new consumer customers	-	11,000
Total cumulative consumer customers	-	11,000
Custom contracts	$562,500	$350,000
Gross revenues	$2,169,375	$13,614,375
Salaries & benefits	$1,162,750	$3,993,377
Hardware expenses (CoGS)	$112,500	$550,000
Operating expenses	$2,054,000	$1,230,000
EBITA	-$1,159,875	$7,850,498
Headcount (year end)	14	30
Capital required	$1,500,000	-

[118] Kumar replied to Dr. C's email, copied to K. Thindal, on June 29, 2017 advising "I am happy with this. Include your key points."

[119] On July 6, 2017, Dr. C emailed Reliq's July investor presentation to a securities firm, copied to Kumar, K. Thindal and Luddu. Reliq's July investor presentation included the above financial projections for 2017 and 2018.

[120] Reliq's investor presentation referred to various upcoming milestones for calendar year 2017 including "profitability and growth" for Q4 2017 with revenue of greater than $400,000/month.

[121] On July 6, 2017, Kumar forwarded Reliq's July investor presentation to A. Thindal.

[122] On July 10, 2017, Dr. C emailed Al Homsi, K. Thindal. A. Thindal, a Reliq board member, and DL with the subject line "Patients":

> Hi all - I just spoke to GC and we can't invoice Paz or the ACO for June because our system isn't up and running yet. [Redacted] can provide the details but it looks like the timelines will be pushed back a month (first 100 pts in July, first 1,000 in August). We may be able to add more than our target 1,000 pts/month later in the year to make up for the delay.
>
> [redacted] - Can you provide more background?

[123] On July 28, 2017, Al Homsi emailed DL, copied to Dr. C, A. Thindal, a Reliq board member and K. Thindal with the subject line "GC updates for management call":

> Thanks [redacted] for the great update.
>
> Just few questions re PAZ/ACO, how many patients do we have live on the platform right now? Are we able to still hit c. 1,000 patients by end of August? When can we start billing them?

[124] On July 30, 2017, Dr. C emailed a link to A. Thindal, a Reliq board member and DL with a draft Reliq news release:

> The link below is to a draft press release for the Paz go-live. I need some help coming up with an exciting title :). Aman - Please share with our friends for feedback.

[125] A. Thindal replied on July 31, 2017, with an updated news release, advising the only change made was updating the title.

[126] On September 28, 2017, Dr. C emailed a draft news release about Reliq reaching 1,000 patients live to a Reliq director as well as to A. Thindal and DL as follows:

> For some reason I struggled with writing this one and I'm not particularly thrilled with the result, so please review and let me know if you have any edits. GC - Please confirm that we're good to release this next Tuesday at 1:00am PDT.

[127] Reliq's share price closed at $0.315 on September 28, 2017, up 16.7% from the previous day's close. Reliq's trading volume jumped to 1,199,561 shares, up more than 442% from the previous day's volume.

[128] A director of Reliq emailed October 2, 2017 asking if there was any update on the news release. A. Thindal replied on the same date advising they were going to release the news a bit later in the week, most likely Wednesday.

[129] On October 2, 2017, K. Thindal emailed Reliq's updated October investor presentation to Luddu, Kumar, and Chopra. On October 5, 2017, Kumar forwarded the updated investor presentation to his brother, N. Kumar. The updated investor presentation included milestones for calendar year 2017 including suggested revenue of more than $400,000 per month by December of 2017.

[130] On October 4, 2017 at 6:30pm, the publisher of a publication dedicated to promoting issuers emailed an article about Reliq to K. Thindal that included the following:

> Reliq has four pilots going with medium to large healthcare providers, with the biggest being the British universal health provider, the National Health Service (NHS).
>
> Pilots are fine. Companies do pilots. The proof of a future has always been, can you move from a pilot to a full program?
>
> Well, Reliq has. They've now got 1000 patients into their system from two customers, and expect somewhere between 2000 and 2500 to be added next month.
>
> In financial terms, they're bringing in $50k per month ($600k per year) in recurring revenue now. $150k per month ($1.8m per year) if projections play out in October.
>
> The plan is to move 40,000+ patients into the system at that rate, which would bring $26 million at full deployment. And that's with just the customers using the system now. If the NHS were to take it on, though admittedly that would be a far longer process to complete, the dollar value would be insane.

[131] K. Thindal replied the same evening stating "Can you post at 530am pdt?". The reply the same evening was "Yes, will do".

[132] On October 5, 2017 at 5:28am, Luddu emailed Reliq's news release of the same date to news@stockwatch.com requesting that it be "disseminated asap please". Luddu also asked for assurance that the same title be used as was on the news release. In the news release Reliq announced that it reached the first major milestone of 1,000 patients live on its remote patient monitoring and telemedicine platform. The news release added:

> Reliq… is pleased to announce that it now has 1,000 paid subscribers using its chronic care management, remote patient monitoring and telemedicine solution, representing recurring monthly revenue of US$50,000/month.

> “We are excited to announce that we now have 1,000 patients live on our platform,” said [Dr. C.], CEO of Reliq Health. “This is a critical milestone for Reliq as we move forward with our roll out to over 40,000 patients in accordance with our previously-announced contracts with Paz Home Health, LLC (Pharr, TX) and Rio Grande Valley Health Alliance, LLC (McAllen, TX). We expect to enrol at least 1,000 new patients per month through 2018 with these two contracts, which together are worth over US$26 Million annually in recurring revenue at full deployment.”

[133] This is the first news release which is alleged to be misleading. It is allegedly misleading because the “recurring monthly revenue” was either not collectable or not collectable in a timely way.

[134] On October 5, 2017, Reliq’s share price closed up 9.2% from the close the day before, and trading volume was up 165% from the day before.

[135] On November 14, 2017, Dr. C emailed a draft news release to A. Thindal, DL, and a director of Reliq about Reliq having 2,000 patients live on its remote patient monitoring and telemedicine platform. DL replied the same day:

> Everything is good.
>
> Do we say the 1,000 or 2,000 patients are coming form [sic] PAZ or does it matter? I just have to let PAZ know we are sending this out.

[136] Dr. C replied to all on November 14. 2107:

> We definitely do NOT want to say that, Investors will panic if they think the ACO isn’t moving forward even though this is all according to plan.
> We’re fine just saying that these patients are part of the existing contracts without getting more specific.

[137] A. Thindal replied on November 14, 2017:

> News looks great to me, well written.
>
> [redacted], please have this ready to be sent out Thursday the 16th at 5am PT on Canadian paid service. I will get the wide distribution ready on my end.

[138] A. Thindal emailed Dr. C, DL, and others on November 15, 2017:

> Sorry I was going to suggest making one change to the news release, are we okay shortening the title to the following:
>
> CURRENT "Reliq Health Technologies Reaches over 2,000 Patients Live on Its iUGO Care Platform, and Announces Launch of Newly Revamped Company Website"
>
> SUGGESTED "Reliq Health Technologies Reaches over 2,000 Patients Live on Its iUGO Care Platform"
>
> Let me know your thoughts.

[139] Reliq issued the news release on November 16, 2017 (using A. Thindal's suggestion) with the title "Reliq reaches over 2,000 patients live on its iUGO Platform". The news release stated:

> Reliq…is pleased to announce that it now has over 2,000 paid subscribers using its iUGO Care chronic care management, remote patient monitoring and telemedicine platform, representing recurring monthly revenue of over US $100,000/month.

[140] This is the second news release which is alleged to be misleading. It is allegedly misleading because the "recurring monthly revenue" was either not collectable or not collectable in a timely way.

[141] On November 16, 2017, Reliq's share price closed 1.2% higher than the closing price the day before, and Reliq's trading volume increased by 114% over the day before.

[142] On November 29, 2017, Dr. C emailed a draft news release about Reliq reaching over 4,000 patients to A. Thindal, DL, and a director of Reliq as follows:

> Attached please find a draft press release for your review. We would like to issue the news release tomorrow morning at 5:00amPST so please provide any comments by 4:00pm PST today.

[143] The title of the draft news release included the phrase "…and Announces That the Company Will Be Cashflow Positive in December 2017". The news release itself repeated that phrase.

[144] After DL replied "[l]ooks good" on November 29, 2017, A. Thindal replied to all the same day:

> We need to edit the news release around the discussion of the company being cashflow positive. When you state you are cashflow positive in December it means that we have received the funds for the amounts billed, so technically if we have 4,000 patients billed we wont [sic] be cashflow positive until the funds are received from that billing cycle.
>
> [redacted] when do we expect to collect on the billing?

[145] DL replied to all on November 29, 2017: "I am currently in Texas working with a claims expert to figure out what we need for our invoices etc. and working with PAZ. I will have updates soon".

[146] Dr. C replied to all on November 29, 2017:

> Hi Aman - My previous auditor at PwC told me that as long as we're billing and have genuine comfort that we'll receive the funds then we can recognize the revenue and say we're cashflow positive from it?

[147] A. Thindal replied to all on November 29, 2017 that he had updated the news release and added: "Let me know if you are good with it". His updated version of Reliq's November 30, 2017 news release replaced the references to Reliq being "cashflow

positive” in December 2017 to Reliq achieving its “break-event point” in December 2017.

[148] On November 30, 2017, Reliq announced in a news release that it had reached “…Over 4,000 Patients Live On Its iUGO Care Platform, Will Achieve Breakeven In December 2017”. The news release added:

> “Reliq …now has over 4,000 paid subscribers using its iUGO Care
> chronic care management, remote patient monitoring and telemedicine platform. This represents recurring monthly revenue of over $200,000 (U.S); as a result the Company will achieve its break-even point in
> December 2017.
> . . .

[149] The news release went on to quote Dr. C as follows:

> “The onboarding of patients is starting to accelerate as we move forward with our roll out to over 40,000 patients with the two current contracts in Texas. We are also very pleased to announce that we have achieved another critical milestone, as the company will reach break-even in December 2017”.

[150] This is the third news release alleged to be misleading. It is allegedly misleading because the “recurring monthly revenue” was either not collectable or not collectable in a timely way.

[151] On November 30, 2017, Reliq’s share price closed up 15% over the day before and the trading volume increased by 452% over the day before.

[152] On January 9, 2018, Dr. C emailed a draft Reliq news release to A. Thindal, DL, and others, adding “Let me know if you have any edits”.

[153] On January 10, 2018, one of Reliq’s directors replied to all: “Please confirm this is final for tomorrow morning”. A. Thindal replied the same day stating “I am making some edits will circulate shortly”.

[154] A. Thindal replied to all later on January 10, 2018:

> I have attached my edits to the news release. The changes i have made are to the references to the company being cashflow positive,
> because technically we are not cashflow positive as we are yet to
> collect on our billings therefore i think references to profitability are more accurate.
>
> Let me know your thoughts.

[155] A. Thindal attached the draft news release to his email. In the draft he used track changes to show where he replaced the references to Reliq being “cashflow positive” in December 2017 with Reliq “reaches profitability” and “had its first profitable month” in December of 2017”.

[156] Dr. C replied to all January 10, 2018:

> I thought it was the other way around? Isn't that why we referenced cashflow positive instead of profitability in the last release? I'm fine with whatever you think is the right language.

[157] A. Thindal replied to all January 10, 2018:

> In the last release when we announced 4,000 patients we actually ended up changing references to "cashflow positive" to "breakeven".

[158] Dr. C replied to all on January 10, 2018: "Ah, got it. Thanks :)".

[159] On January 11, 2018, Reliq announced in a news release that it had reached over 6,000 patients live on its iUGO Care Platform and that the company had achieved profitability. The news release stated:

> Reliq… is pleased to announce that it closed 2017 with over 6,000 paid subscribers using its iUGO Care chronic care management, remote patient monitoring and telemedicine platform, representing recurring monthly revenue of over US$300,000/month. As a result, December 2017 was the Company's first month of profitability.
>
> "We are excited to announce that we now have over 6,000 patients live on our iUGO Care platform," said (Dr. C), CEO of Reliq Health. "The onboarding of patients is starting to accelerate as we move forward with our roll out to over 40,000 patients with the three current contracts in Texas. We are also very pleased to announce that we have achieved another critical milestone, as the Company reached profitability in December 2017".

[160] This is the fourth news release alleged to be misleading. It is alleged to be misleading because the "recurring monthly revenue" was either not collectable or not collectable in a timely way. In addition, it is alleged that the news release was false and misleading because Reliq had not achieved profitability by that date, and would never achieve profitability during the relevant period.

[161] On January 11, 2018, Reliq's share price closed up 6.7% over the day before and its trading volume increased by 114% over the day before.

[162] On January 25, 2018, Reliq announced that it had signed an agreement with True Life Home Health LLC in Texas to provide its patient monitoring and telemedicine platform to their over 2,000 home care clients. The contract would generate over $1.2 million USD in gross recurring annual revenue at full deployment with patient enrollment beginning in February 2018.

[163] At this time IIROC asked Reliq to provide an update to the market. Reliq disclosed that it now had contracts to provide its iUGO platform to over 50,000 patients, representing over $30 million USD in gross recurring annual revenue at full deployment with associated projected gross margins over 80%.

[164] On March 28, 2018, Dr. C emailed a draft Reliq corporate update press release to A. Thindal, DL, and other directors as follows:

> [redacted] – Please review for compliance. Everyone else – please review and let me know if you have any edits or other juicy tidbits I can add :)

[165] On March 29, 2018, Reliq issued the news release which Dr. C had circulated. It disclosed that it now had 12,000 patients enrolled on its iUGO Care Platform, it had hired a new sales team and had provided a corporate update. The news release added:

> "This has been an extraordinarily busy and productive three months for Reliq Health", said [redacted], CEO of Reliq Health Technologies.
> . . .
>
> "We've continued to execute on our business plan and meet our milestones as forecast, including our go-live with Sioux Lookout Meno Ya Wen Health Centre in Ontario and ongoing patient enrollment at our customer sites in Texas, despite the intense effort required by our internal corporate initiatives."
> . . .
>
> Patient enrollment
> The company has now onboarded over 12,000 patients and is continuing to add at least 2,000 new patients per month to the platform.

[166] This is the fifth news release alleged to be misleading. It is alleged to be misleading because it was known by the Respondents that investors would equate every additional 1,000 patients enrolled with $50,000 in recurring monthly revenue ($50 per patient per month), thereby overstating the recurring monthly revenue because the revenue was either not collectable or not collectable in a timely way.

[167] On April 5, 2018, Reliq issued a news release announcing, among other things, that under a revised contract with Paz Home Health Reliq's number of patients was increasing by 5,000, bringing the total number of patients under contract to over 15,000. According to the news release, this would generate over $9 million USD in annual recurring revenue by the fourth quarter of that year.

[168] This is the sixth news release alleged to be misleading. It is alleged to be misleading on the same basis as the March 29, 2018 news release.

[169] On June 12, 2018, Dr. C emailed a draft Reliq news release regarding new clinics to board members asking them to review and let her know if they had any suggested edits. A. Thindal replied to suggest a shorter title and he followed up by email to advise: "We can stick to the original it reads well".

[170] On June 13, 2018, Reliq announced six new primary care physicians in Texas to enroll up to 5,000 new patients to its iUGO Care remote patient monitoring system. The news release states:

> Reliq… is pleased to announce that six new primary practices in Texas will add up to 5,000 new patients at full deployment to Reliq's iUGO Care remote patient monitoring platform.

[171] This is the final news release alleged to be misleading. It is alleged to be misleading on the same basis as the March 29, 2018 news release.

[172] During the period in and around the above mentioned news releases and investor presentations were created, some of the Respondents created or contributed to many additional communications which were intended to reach investors. These additional communications can generally be divided into the categories of social media posts or support given to individuals paid to promote Reliq.

[173] The relevant social media posts were all sent out by Al Homsi. Al Homsi frequently posted tweets on his then Twitter account. His tweets disclosed his real identity and carried a disclaimer that he might own stocks or options that were mentioned in his tweets. Many of Al Homsi's tweets simply re-tweeted links to various news releases which Reliq issued, including both news releases alleged to be misleading and those which were not. Many of Al Homsi's tweets linked to news stories and promotional pieces regarding Reliq, some of which Al Homsi had encouraged and many of which he had not.

[174] The most interesting of Al Homsi's tweets occurred in the period of late 2017 and early 2018. For example, on December 1, 2017, Al Homsi tweeted that Reliq was "officially in the 10 bagger group", referencing the increase which had occurred in Reliq's share price. On January 6, 2018, at a time when Reliq's shares were trading slightly above $1.00 per share, Al Homsi tweeted referencing "if management continues to execute". He said: If they achieve those figures we are looking at 3$plus".

[175] On January 9, 2018, Al Homsi tweeted as follows:

> "All $RHT now needs is on major announcement (new contract, turning a pilot into a contract or a pilot w a major) and I think it would be on it's way to a new all time high."

[176] As is described elsewhere in this description of the factual background, the Al Homsi tweet of January 9 referencing the potential benefit to investors if Reliq had further positive news to announce was made at a time when insiders of Reliq were preparing a news release announcing positive news. It is fair to say that although Al Homsi tweeted quite frequently, including quite frequently about Reliq, his most effusive tweets were often coincidental in time with major announcements released by Reliq.

[177] Regarding support provided by Respondents for promotional efforts related to Reliq, the executive director has provided detailed submissions, well supported by background documents, regarding promotional activities conducted by newsletters, promotional websites and other paid promotional professionals. The following paragraphs from the submission of the executive director capture the key elements:

Summary of misleading promotional campaigns

Technical420/Wake and Trade newsletter

334. Stonebridge Partners invoices Reliq $6,500 per month for preparing and disseminating promotional materials about the company in its Technical420 Wake and Trade articles. Anthony Varrell usually emailed the invoices to A. Thindal and Al Homsi for payment, and one time emailed an invoice to K. Thindal as well. StoneBridge Partners invoiced Reliq for the following months for promotional materials:
    - July to December 2017
    - March to April 2018
    - August to October 2018

335. Reliq paid StoneBridge Partners a total of $93,306.20 for its promotional materials about the company in its Technical420 articles during the Reliq promotional period.

Street Smart/Streetwise Reports

336. On June 21, 2018, K. Thindal forwarded Street Smart's $75,000 invoice (USD $61,000 equivalent) to A. Thindal and instructed: "Pls pay this week". The invoice was from Yabucoa Partners Corp. dba Street Smart.

337. Reliq wired USD $20,000 to Yabucoa Partners on June 26, 2018.

MarijuanaStocks

338. On October 31, 2017, Adam Heiman emailed an engagement letter between Midam Ventures, LLC and Reliq and related invoice to Al Homsi. The invoice referred to 60 days of marketing & advertising for USD $25,000.

339. Midam Ventures, LLC is an affiliate of MarijuanaStocks and WolfofWeedStreet.com.

[178] In the fall of 2018, the relationships between the Respondents and Reliq collapsed. The collapse appears to have been caused by the news about the collectability of Reliq's revenue and disagreements about how the revenue issues should be reported by Reliq. As noted above, some of the Respondents had pressed Dr. C to issue a news release announcing that Reliq would restate its income.

[179] On October 16, 2018, Reliq announced its quarterly reporting call and plans to restate its financials due to revenue collection issues. The news release stated:

> Reliq… has decided to restate certain financial information reported for the quarter ended March 31, 2018.
>
> The decision to restate followed a review conducted by the Company's auditor and Audit Committee, wherein it was determined that the timing and certainty of receiving the revenue invoiced to clients is substantially unclear, due to clients' issues with securing reimbursement from the payor.
>
> The material changes to be included in the restatement will affect the Company's revenue and are projected to increase the Company's loss and comprehensive loss for Fiscal Year 2018. In addition, the Company's Board of Directors have taken the position that no revenue will be reported for Q4 of fiscal 2018 until revenue collection issues are resolved.

"It is unfortunate that there has been such a steep learning curve for both Reliq and our clients in South Texas in terms of the claims submission process, but we have been working hard to address this issue and improve revenue collection going forward," said [redacted], CEO of Reliq Health. "Many of the challenges the Company has faced in South Texas relate to the highly manual nature of the current clients' internal processes. We are building out new capabilities in our platform to help automate the critical components of these processes, including eligibility screening, creation and approval of care plans and billing code selection.

Management expects to have all of the necessary tools in place later this quarter to allow the company to move forward successfully."

The Company will issue restated Q3 interim financial statements upon the completion of the June 30, 2018 audit, which will be filed on October 29, 2018.

[180] Dr. C stated at her investigative interview about Reliq's October 16, 2028 news release as follows:

Q. When this press release was being prepared, did Aman the CFO explain to you what all this meant about restatement?

A. I can give you sort of the timeline, the playback of how this happened. We had made the decision to close the Vancouver office. On October 15th in the evening, I was on a plane to Vancouver and at about 9:00p.m., I got an e-mail from Wi-Fi on the plane from Aman. At the time, I had all of these envelopes spread out and all of the termination letters and I was signing them, foldings them up and sticking them in the envelopes to prepare for the next day. I get a call from Aman saying: We have to issue a press release; we have to restate revenues. I responded back: What are you talking about? We talked to the auditors about that. We agreed that because we still felt that this revenue was collectible, that we would report it as an aging payable but that we still felt that there was a very high probability the revenue would come in. He said: I will pick you up from the airport when you land and we will all explain everything. He picked me up from the airport when I landed at midnight Eastern Time. He took me into the office. We walk into the boardroom and Aarun Kumar is there, Pardeep Luddu, Kam and Aman and me. They say: This is the press release. It has to go out tomorrow. The auditors say this is actually restatement, not an aging payable. It is a material disclosure so it has to go out tomorrow.
…

So at about 2:00 a.m., we left the office and this was submitted to GlobeNewswire for dissemination and it came out the next morning. Then I went into the Vancouver office and terminated everyone and I got a lot of calls that day from investors, particularly the institutions saying, you know, that is not how this should have been phrased and you should have halted trading and had a call.
. . .

I was like: I just got off a plane and I was told this was urgent, had to go out, so it is what it is. It is out. It might be killing the stock price but this is - - if this is what they say we have to disclose, this is what we have to disclose. Two weeks later, the auditors are suddenly saying it is bad debt.

[181] According to Dr. C, after the news release was issued Reliq terminated its relationships with the Respondents. Later, Reliq's representatives had further conversations with their auditors. A decision was made that the unpaid invoices which had been issued by

Reliq should be accounted for as a bad debt. As a result Reliq's revenues were not restated.

[182] The executive director introduced substantial evidence regarding the shares of Reliq which were acquired by the Respondents and people and entities related to them. For reasons which are evident from our analysis below, we do not find it necessary to provide a detailed summary of that evidence here.

VII. Factual overview regarding Integrated

[183] Integrated is an issuer incorporated in British Columbia. It is currently named LEEF Brands Inc. Before the events relevant to this proceeding it was a mining company named CNRP. As we have mentioned above, during the period relevant to the Amended Notice of Hearing CNRP changed its name to Integrated. Throughout this decision we use the names Integrated and CNRP interchangeably. Generally we use the name which existed at the moment key events occurred.

[184] By February of 2017, some of the Respondents had accumulated a large share position in CNRP.

[185] On February 17, 2017, CNRP announced that the previous majority shareholder in the company had sold his position and had resigned from the board along with the remainder of CNRP's board. CNRP announced the appointment of EB, RC, and N. Kumar as its new directors.

[186] CNRP's transfer journal shows that the previous majority shareholder transferred a total of 8.4 million shares to 12 investors on February 17, 2017. The recipients were N. Kumar, RC, 0978931 BC Ltd., KR, A. Thindal, K. Thindal, another person with the last name Thindal, Luddu, DL, PW, PC, and the shareholder of the corporation which had previously been the majority shareholder.

[187] N. Kumar, RC, 0978931 BC Ltd., KR, A. Thindal, K. Thindal, the other individual whose last name was Thindal, and Luddu had 1895 - 1066 West Hastings Street, Vancouver listed as their address on the transfer journal. That was Core Capital's office address.

[188] On March 7, 2017, N. Kumar, EB, and RC were the three directors of CNRP.

[189] At some point in or around April of 2017, K. Thindal came into contact with the representatives of a business which had developed and was continuing to develop a number of products which were delivered in spray form. The products were sometimes referred to as the XSPRAYS family of products.

[190] The exact corporate structure of the XSPRAYS organization is not entirely clear to us. But in any event discussions started between the XSPRAYS organization and K. Thindal regarding the potential that CNRP would acquire rights to some of the XSPRAYS family of products and the XSPRAYS organization. The expectation was that in return the XSPRAYS organization would receive cash and shares in CNRP or another publicly traded issuer.

[191] There is considerable evidence that a respected national law firm with offices in Vancouver (the Law Firm) acted as counsel to the XSPRAYS organization and provided considerable advice regarding how to structure the relationship between the XSPRAYS organization and CNRP. However, as the detailed description of events below demonstrates, the Law Firm representatives did not play a leading role in negotiating the terms of the transaction. Lawyers from the Law Firm may well have been advising in the background, and providing certain documents, and helping by incorporating at least one corporation used in the eventual structure. But the key terms of the transaction to acquire rights from the XSPRAYS organization were agreed to in direct communications between representatives of the XSPRAYS organization on the one hand and representatives of CNRP and Core Capital on the other hand.

[192] On April 29, 2017, K. Thindal emailed a representative of the XSPRAYS organization, CK, with the subject Xsprays Structure / Logistics:

> Hi [redacted],
>
> Thanks for taking the time to meet and chat this week and I appreciate that we are able to speak w/ candour. I am excited to be working together on X-Sprays and look forward to us collectively making this project a success for all of us.
>
> Below are the steps towards completing this transaction and in doing so, ensuring that the positions for the partners are created as previously agreed to:
>
> 1. Post a 10:1 rollback (effective May 4) the vehicle will have 1,405,000 shares outstanding. Based on the closing price on Friday, Apr 28 the stock should open up $0.15.
>
> 2. We will complete a 'partner positioning' financing of 6,000,000 shares at the maximum discount to $0.15 (which would be a $0.1125 / share) for gross proceeds of $660,000. This will create 3MM free trading shares and 3MM shares that are subject to a 4 month hold period. The partners will have their cost reduced to the shell cost previously discussed ($0.045 per share) by assigning and converting existing debt within the company. Timeframe: subs ready and file to close on Friday, May 05. Total shares out after PP: 6,405,000 (4.4MM free trading, 3.0MM w/ a 4 month hold).
>
> 3. A private company w/ a mining property will be acquired for 7,000,000 shares. Total shares out after acquisition of privco: 13,405,000 (11.4MM free trading, 3.0MM w/ a 4 month hold). Timeframe: mid-May.
>
> **Bridge (USD $375,000) to X-Sprays:**
> We have 2 options on how we do this: (1) we use the cash raised in step 2 to put some or all of the $375k into the company immediately; (2) we utilize a convertible debenture into the shell that has various features that are in favour of the lender, such that we have the flexibility to convert at favourable terms. I am open to either method, however, given the immediate need for cash and to give you some breathing room option 1 may be better (to at least get some partial funds to the company).
>
> I am around all weekend to discuss this and provide further clarity. My wife and daughter are out of town for her girlfriend's baby shower, so its a working weekend for me.

[193] On April 30, 2017, K. Thindal emailed CK with the subject “X-sprays Comments / Questions”:

> Hi [redacted], After reviewing the business plan and slide deck this weekend I have some comments / Qs that I thought I would share as we begin to tell the X-Sprays story to others. In my experience it is important that we are all singing to the same tune such that our message to the street and others is uniform.

[194] On May 2, 2017, K. Thindal emailed Chopra and Luddu with the subject “CND – Xsprays”:

> We need to have a LOI by which PSL acquires Titration Technologies, LLC OR has assigned to it the ’Asset Purchase Agreement with Spraylabs, Inc. of [redacted], Suite B, Phoenix, Arizona, USA. The agreement allows TTL to acquire the family of X-Sprays products exculsively from Spraylabs. TTL has a worldwide, exclusive, perpetual license agreement w/ SprayLabs that allows TTL to market sell and distribute the family of X-Sprays.
>
> TITRATION TECHNOLOGIES, LLC
> [redacted]
> CHEYENNE, WYOMING
> 82001 USA
> CONTACT / SIGNATORY: [redacted]
>
> Sunny, can you see what we did for MJ in December – we may be able to just use the same document.

[195] On May 16, 2017, K. Thindal emailed CK with the subject “Needed for LOI”:

> [CK],
>
> Below is what is needed for the LOI between Titration and PSL (my privco). The LOI will assign the agreements that Titration has w SprayLabs to PSL and PSL will be the 'placeholder' until they are ultimately assigned to the pubco.
>
> - Licensing agreement between Titration and SprayLabs
> - Manufacturing agreement between Titration and SprayLabs (if applicable)
> - Any other agreements that include confirmation of the worldwide, exclusive rights that Titration has on the SprayLabs products/technology to be marketed as X-Sprays

[196] On May 24, 2017, CK emailed K. Thindal with an image of a signed signature page and the subject “Signed LOI”.

[197] K. Thindal forwarded that agreement to Luddu with instructions to “Convert to PDF, sign it, add as sig page to attached and send to me.”

[198] A further exchange of emails followed along with a signed document, addressed to Titration Technologies LLC (Titration) to the attention of CK, which had the subject line “Re : Assignment of agreements between Titration Technologies, LLC and Spraylabs,

Inc. to PSL Ventures Ltd" (the Titration Assignment). It bore the signatures of the president of PSL Ventures and "Managing Member" of Titration.

[199] The Titration Assignment purported to assign the interests of Titration in two agreements between Titration and Sprays Labs, Inc. (Spraylabs) to PSL Ventures, the entity which K. Thindal had described as his "privco". The two assigned agreements were a manufacturing and supply agreement and an asset licensing agreement. PSL Ventures agreed to pay 375,000 USD to Titration as partial consideration. PSL Ventures further promised to "introduce a CSE listing (the "Vehicle") in which TTL will get approximately 49% of shares to be issued by the Vehicle."

[200] The Titration Assignment was signed by Luddu and CK on behalf of PSL Ventures.

[201] On June 9, 2017, K. Thindal emailed Luddu and CK with the subject "Re: Signed LOI":

> Let's agree to extend the LOI by 15 days. Rather than revise the attached one to extend the timeline by 15 days, I will make a new LOI with the same terms, but revised dates. Cool?

[202] On June 9, 2017, CK emailed K. Thindal and Luddu with the subject "Re: Signed LOI":

> Hi Kam and Pardeep,
>
> Yes, we can extend as asked and I suggest we make it 15 days from yesterday in order to close on or before Friday June 23rd. Also, item 3.1 b needs an amendment to adjust for the agreed upon 1.3+m Share increase in the vend in.
>
> Will this email acknowledgement suffice?
>
> Please let me know what else is needed and let's speak soon.

[203] On May 29, 2017, K. Thindal emailed CK with the subject "Thoughts on positioning":

> Hi CK,
>
> Below are two ideas on how we get you more liquid as a part of this transaction. Feel free to suggest other ideas as this is simply a basis for conversation.
>
> 1. We provide some of the vend-in stock that is being issued (to Titration) to partners / strategic investors at some discount to the bridge round of funding and/or the larger funding.
>
> - considerations: what is the discount (as this stock will be subject to escrow)? how much is Titration willing to sell?
>
> 2. The partners in the shell each give up an equal amount of free trading stock to you / Titration and those amounts are replaced by vend-in stock being issued to Titration.
>
> - considerations: what should the ratio be for replacing shell stock (that is free trading) w/ vend-in stock? are the other partners willing to partake in such an arrangement?
>
> Give it some thought and lets chat in the AM. Happy to hear other ideas that you may have.

[204] On June 1, 2017, K. Thindal emailed CK with the subject “X-SPRAYS update” and an attachment named “X-Sprays Post Funding Cap Table-May312017.pdf”:

> Hi CK,
>
> Attached is the updated cap table w/ the 8% finder's fee payable.
>
> Let's discuss tomorrow.
>
> Arrived at Esperneza and settled in for the week. Beautiful villa and property.

[205] The attachment was a document which read as follows:

X-Sprays
Proposed Capital Structure

Shares Issued	Date Closed	Shares/Units Issued (#)	Price per Share/Unit or Market Value	Gross Proceeds or Value ($)
Shell Issued		1,405,000	-	-
Partner Debt Conversion	Jun-17	8,260,086	$0.115	
Bridge Funding	Jun-17	3,000,000	$0.20	$ 600,000.00
Privco Vend-in	Jun-17	13,333,334	$0.30	$ 4,000,000.20
RTO Private Placement	Jun-17	10,000,000	$0.30	$ 3,000,000.00
Finder's Fee (Acquisition 8%)	Jun-17	1,066,667	-	-
Issued and Outstanding		37,065,087		$ 7,600,000.20

Dilutives	Expiry Date	Shares/Units Issued (#)	Exercise Price	Potential Gross Proceeds ($)
Warrants/Performance Shares:				
Partner Funding	Jun-17	6,195,065	$ 0.15	
RTO Private Placement	Jun-17	5,000,000	$ 0.60	$ 3,000,000.00
RTO Finder's Warrants - Q1 2017	Jun-17	800,000	$ 0.60	$ 480,000.00
Performance Shares		20,000,000		
Total Warrants/Shares		31,995,065		$ 3,480,000.00
Options:				
Board of Directors			$ 0.30	$ -
Employees			$ 0.30	$ -
Management			$ 0.30	$ -
Consultants			$ 0.30	$ -
Total Options		0		
Total Fully Diluted		69,060,152		$ 11,080,000.20

[206] On June 8, 2017, CNRP published a news release titled “CNRP Mining Provides Clarification of Private Placement”:

> CNRP Mining Inc. (CSE: CND) (the “Company” or “CNRP Mining”), is pleased to announce that it intends to complete a non-brokered private placement offering of up to 9,012,500

units (the “Units”) at a price of $0.115 per Unit for gross proceeds of up to $1,036,437.50 (the “Offering”).

[207] On June 12, 2017, A. Thindal emailed Luddu with the subject “Re: CND”, attaching a document titled “Copy of CND Allocations.” The attached document was a spreadsheet with names of subscribers to 9,012,500 shares of CNRP:

CND ALLOCATIONS

Last Name	First Name	Corporation	Units	Amount	FT (Y)
Luddu	Pardeep		500,000	$57,500	Yes
Thindal	Kamaldeep		500,000	$57,500	Yes
[redacted]	[redacted]		500,000	$57,500	
Thindal	Amandeep		500,000	$57,500	Yes
[redacted]	[redacted]		80,000	$9,200	
Al Homsi	Yazan		500,000	$57,500	Yes
[redacted]	[redacted]		500,000	$57,500	Yes
			500,000	$57,500	
			500,000	$57,500	
Chopra	Mani		500,000	$57,500	Yes
[redacted]	[redacted]		500,000	$57,500	Yes
			500,000	$57,500	
			500,000	$57,500	
			285,000	$32,775	
			500,000	$57,500	Yes
			500,000	$57,500	
		Navigator Capital Partners	500,000	$57,500	
[redacted]	[redacted]		190,000	$21,850	
			500,000	$57,500	Yes
			357,500	$41,112.50	
			100,000	$11,500	Yes
			9,012,500		

WHO	UNITS
CCP FT =	3,500,000
[redacted] FT =	500,000
[redacted] FT =	600,000
[redacted] & [redacted]	1,100,000

	ALLOCATIONS
CCP	5,080,000.00
[redacted]	1,690,000.00
	1,957,500.00
	285,000
	9,012,500.00

[208] On June 13, 2017, CNRP published a news release titled “CNRP Mining Announces Closing of Private Placement” which stated that the previously described non-brokered private placement of 9,012,500 units was closed.

[209] On July 4, 2017, CNRP published a news release titled announcing a $600,000 private placement at a price of $0.20 per share.

[210] On July 10, 2017, Luddu emailed K. Thindal with the subject “CNRP $0.115” and attachments titled “CNRP Control Sheet.docx” and “CND Allocations.xlsx”.

[211] On July 14, 2017, K. Thindal emailed A. Thindal and EB with the subject “Release for today” and an attachment. The attachment was a word document named “CNRP NR July 14 - close PP Final.docx”:

> Please issue immediately via paid dissemination.

[212] On July 18, 2017, K. Thindal emailed representatives of a securities firm with the subject “X-Sprays Meeting?”:

> Hey Boys,
>
> **Attached is a deck on X-Sprays – a Company that we are funding and taking public** [emphasis added].
>
> The Company has developed a novel line of 8 health care / life enhancement neutraceutical products in a spray format. The products focus on therapeutic areas such as: pain, sleep, libido and energy amongst others. The founder (CK) is the business founder of Helius (HSM.T) and is the guy who brough that deal to Vancouver/Canada.
>
> [CK] and his team are in town next week on July 24 and 25th. Are you guys interested in taking a meeting to hear the story?

[213] On July 19, 2017, Kumar forwarded K. Thindal's July 19 email attaching an investor presentation to Luddu.

[214] On July 19, 2017, Luddu emailed a potential investor with the subject "X-Sprays" attaching the July, 2017 investor presentation:

> Hope you are doing well.
>
> I wanted to bring to your attention a deal we will be focusing on in the fall – I know your primary focus is in the mining space, however I believe this company has tremendous upside (slide deck attached for your reference).
>
> The Company has developed a novel line of 8 health care / life enhancement neutraceutical products in a spray format. The products focus on therapeutic areas such as: pain, sleep, libido and energy amongst others. The founder [redacted] is the business founder of Helius (HSM.T) and is the guy who brought that deal to Vancouver/Canada. [Redacted] and his team are in town next week on July 24 and 25th. Are you interested in taking a meeting to hear the story?

[215] On July 18, 2017, Chopra emailed a representative of a large securities firm and K. Thindal with the subject "Meeting – Monday 10:30 AM":

> Could you please advise Kam Thindal (copied on this email) of your availability on Monday to meet with Kam and the principal of XSprays of Southern California. XSprays is a CBD products distribution company with established product lines.
>
> Kam will share more detailed info on the project and the financing plans.
>
> I am travelling in California today and consequently request you feel free to communicate directly with Kam.

[216] On July 18, 2017, K. Thindal replied to Chopra's email to that same representative of the large securities firm, attaching the July, 2017 investor presentation:

> Attached is a deck on X-Sprays. The Company has developed a novel line of 8 health care / life enhancement neutraceutical products in a spray format. The products focus on therapeutic areas such as: pain, sleep, libido and energy amongst others. The founder [redacted] is the business founder of Helius (HSM.T) and is the guy who brough that deal to Vancouver/Canada.

> [CK] and his team are in town next week on July 24 and 25th.

[217] On July 27, 2017, K. Thindal emailed a potential investor, copied to Chopra, and wrote:

> A shell of mine and Mani's (cc'd), CND.C, is acquiring X-SPRAYS. I would like to chat w/ you this week regarding funding once you have had a chance to review the deck.

[218] On July 20, 2017 at 11:53am, 1127466 BC Ltd. was incorporated. The Law Firm organized the incorporation. An individual with the initials GM was the sole director of the new corporation. A review of the evidence shows that GM signed various documents at the request of some of the Respondents. He may well have done a lot more regarding the operations of 1127466 BC Ltd., we do not have to explain what else he was doing. But his name is notably absent from communications regarding the terms of transactions related to 1127466 BC Ltd.

[219] Our summary below is to some extent unusually detailed and a bit tedious. However, there is a purpose to our including, rather than summarizing, the details which are present. From the details, a picture emerges regarding who played what role regarding the terms of the transaction and how it was characterized.

[220] On July 20, 2017, at 1:01pm, K. Thindal emailed Luddu with the subject "draft of LOI" and attached a draft letter agreement between unrelated parties to be used as a precedent.

[221] On July 20, 2017, at 1:33pm, Luddu replied to K. Thindal with an attachment named "Letter Agreement – CND". Luddu asked K. Thindal to "check highlighted info and insert what you want there."

[222] The attached letter agreement dated July 20, 2017, with the subject line "Re: Proposed Share Acquisition", contemplated the acquisition of the issued and outstanding share capital of 1127466 B.C. Ltd. (dba Spraylabs, Inc.) by a corporate vehicle ("PubCo"), to be identified by CNRP Mining Inc. (CND) and listed on the Canadian Securities Exchange. The following sections were included in the letter agreement:

> 2. Consideration
>
> 2.1 In consideration for the Acquisition, at closing, PubCo shall issue to the XXXX B.C. shareholders 5,000,000 common shares in the capital of PubCo (the "PubCo Shares") at a deemed price of CDN$0.20 per PubCo Share. An additional 2,750,000 PubCo Shares will be issued when the strip technology is ready for commercialization. An additional 1,000,000 Pubco Shares will be issued when each of two alternative selected extractions/products are ready for commercialization.
>
> 4. Definitive Agreement
>
> 4.1 It is the intention of the Parties to enter into a comprehensive
>
> agreement for a transaction of this type on or before January 21, 2017.
>
> 5. Intended Financing Plan Concurrent to the Acquistion

5.1 Prior to or concurrently with the closing of the Acquisition, PubCo may complete a financing or series of financings (the “Concurrent Financing”) such that PubCo shall raise at least $1,500,000.

5.2 The Parties intend that the Concurrent Financing be completed at a price not less than $0.20 per Pubco Share.

6. Closing Conditions

6.1 In addition to customary conditions set out in a typical purchase and sale agreement for a Acquisition of this type, the closing of the Acquisition (the “Closing”) is subject to the satisfaction or waiver of the following closing conditions:

(e) 1127466 **B.C. will enter into a definitive agreement with CELS Research & Development** [emphasis added].

If this Letter Agreement accurately reflects the intentions of 1127466 B.C., please so indicate by executing and returning a copy of this Letter Agreement to the undersigned **no later than 5:00 pm Pacific Standard Time on July 20, 2017**. In the event CND does not receive a copy of this Letter Agreement signed on behalf of 1127466 B.C. by such time, this LOI shall be deemed null and void and of no further effect [emphasis added].

[223] On July 20, 2017, at 2:35pm, A. Thindal emailed RC (as noted above, RC was a director of CNRP) asking him to sign a document for CNRP’s OTCQB listing. RC replied to A. Thindal within 15 minutes attaching the signed document.

[224] On July 20, 2017, at 7:07pm, Luddu emailed A. Thindal with an attachment named “LOI Letter Agreement-revised”. The attached letter agreement was a draft of the letter of intent between CNRP and 1127466 BC Ltd.:

This letter (the “Letter Agreement”) sets out the principal terms and conditions on and subject to which CNRP Mining Inc. (“CNRP”) is willing to enter into arrangements with 1127466 B.C. LTD. (“1127466 B.C.”) for the acquisition of the issued and outstanding share capital of 1127466 B.C. by CNRP, subject to the agreement and signing by the parties of a formal share acquisition agreement (the “Definitive Agreement.

1.1 CNRP shall acquire from the shareholders of 1127466 B.C. 100% of the common shares which are issued and outstanding as of the closing date (the “Acquisition”).

. . .

2. Consideration

2.1 In consideration for the Acquisition, at closing, CNRP shall issue to the 1127466 B.C. shareholders 14,666,667 common shares in the capital of CNRP (the “CNRP Shares”) at a deemed price of CDN$0.30 per CNRP Share. An additional up to 20,000,000 CNRP Shares will be issued upon certain commercial milestones being achieved by 1127466 B.C.

. . .

4. Definitive Agreement

4.1 It is the intention of the Parties to enter into a comprehensive agreement for a transaction of this type on or before August 30, 2017.

. . .

5. Intended Financing Plan Concurrent to the Acquisition

5.1 Prior to or concurrently with the closing of the Acquisition, CNRP may complete a financing or series of financings (the “Concurrent Financing”) such that CNRP shall raise at least $3,000,000.

> 5.2 The Parties intend that the Concurrent Financing be completed at a price not less than $0.30 per CNRP Share.
>
> . . .
>
> 6. Closing Conditions
>
> 6.1 In addition to customary conditions set out in a typical purchase and sale agreement for a Acquisition of this type, the closing of the Acquisition (the "Closing") is subject to the satisfaction or waiver of the following closing conditions:
>
> . . .
>
> (g) **1127466 B.C. shall have acquired, either directly or indirectly, the assets of Spraylabs and entered into a manufacturing and R&D agreement** satisfactory to 1127466 B.C [emphasis added].
>
> . . .
>
> If this Letter Agreement accurately reflects the intentions of 1127466 B.C., please so indicate by executing and returning a copy of this Letter Agreement to the undersigned **no later than 5:00 pm Pacific Standard Time on July 20, 2017**. In the event CND does not receive a copy of this Letter Agreement signed on behalf of 1127466 B.C. by such time, this LOI shall be deemed null and void and of no further effect [emphasis added].

[225] CNRP and 1127466 BC Ltd. were the parties to this agreement. RC was the signatory for CNRP while GM was the signatory for 112 BC. As described below, A. Thindal arranged for the execution of the agreement.

[226] On July 20, 2017, at 7:19 PM, A. Thindal emailed GM with the subject "signature" and attached the signature page for the letter of intent between CNRP and 1127466 BC Ltd. A. Thindal asked GM to sign the attached document.

[227] On July 20, 2017, at 7:30 PM, GM emailed A. Thindal the signature page he had signed on behalf of 1127466 BC Ltd.

[228] On July 20, 2017, at 7:32 PM, GM emailed A. Thindal again advised that he would drop off the original document the next day.

[229] On July 20, 2017, at 7:33 PM, A. Thindal forwarded the letter of intent signature page executed by GM to RC with the subject "FW: signature" and asked RC to sign it.

[230] On July 20, 2017, at 7:54 PM, RC replied to A. Thindal attaching the signature page he had executed on behalf of CNRP Mining.

[231] On July 20, 2017, at 7:56 PM, A. Thindal emailed K. Thindal and Luddu with the subject "executed loi" and attached the letter of intent between CNRP Mining and 1127466 B.C .Ltd. with the fully executed signature page.

[232] On July 20, 2017, at 8:43 PM, K. Thindal forwarded the fully executed letter of intent to CK.

[233] On July 20, 2017, XSPRAYS Industries Inc. (XSPRAYS Industries) was incorporated in Delaware.

[234] Based on its Securities Register, the sole shareholder of XSPRAYS Industries as of July 20, 2017 was 1127466 BC Ltd., which owned 100 shares of XSPRAYS Industries.

[235] On 20 July, 2017, at 3:47 PM, Luddu emailed K. Thindal and A. Thindal with the subject "News Release Draft" and an attachment named "CNRP – Xsprays LOI". He forwarded that email and attachment to A. Thindal at 3:53 PM on the same day.

[236] The attachment was a word document with the title "CNRP Mining Inc. Announces Letter Agreement for Acquisition of 112 BC (dba X-Sprays)" and was a draft of the July 21, 2017 news release.

[237] On 20 July, 2017, at 4:39 PM, A. Thindal emailed K. Thindal, AL Homsi, Luddu, and Chopra with the subject "updated NR" and an attachment named "CNRP – Xsprays LOI".

[238] The attachment, titled "CNRP Mining Inc. Announces LOI for Acquisition of X-Sprays", was a draft of the July 21, 2017 news release and an edited copy of the attachment in the earlier emails.

[239] K. Thindal replied to A. Thindal's 4:39 PM email, copying Luddu, Chopra, and Al Homsi, at 5:03 PM with instructions to not send the draft news release to anyone:

> Gents dont [sic] send this to anyone. Major changes will be made.

[240] Chopra replied to K. Thindal on July 20, 2017, at 6:45 PM with the subject "Re: updated NR – shall we revise the warrant?" and no other text in the body.

[241] On July 20, 2017, K. Thindal emailed CK and DE at 9:01 PM with the subject "DRAFT release for Fri, July 21 at 6am PDT" and an attachment named "CNRP NR July 14 - Close PP FINAL.docx":

> Gents,
>
> Please see the proposed draft release for tomorrow (Friday) morning at 6am PDT. One of the directors of CNRP will send it to IIROC for review ahead of dissemination.
>
> We have a half warrant at $0.60 reserved, however, not disclosed in the release as we may be able to fund without a warrant (we can always add it if we need to).
>
> Comments?

[242] K. Thindal's 9:01 PM email resulted in some confusion. Then, the following day at 6:10 AM, K. Thindal emailed Al Homsi, Luddu, Kumar, and A. Thindal with another draft of the July 21, 2017 news release, instructing them to "Use ONLY this version".

[243] On July 21, 2017, at 6:12 AM, K. Thindal emailed CK and DE with the subject "FINAL Release" and an attachment named "CNRP - Xsprays LOI Release FINAL, July21."

[244] On July 21, 2017, at 6:49 PM, K. Thindal emailed CK and Luddu with the subject "assignment agreement" and an attachment named "CND - LOI with PSL Ventures and TTL may24."

[245] The attachment to K. Thindal's email was similar to the document referred to the Titration Assignment. It bore the subject line "Re: Assignment of agreements between Titration Technologies, LLC and Spraylabs, Inc. to PSL Ventures Ltd.", was dated May 24, 2017, and was addressed to CK. Its first paragraph stated:

> This letter of intent (the "LOI") is intended to describe the essential terms and conditions of the agreement between PSL Ventures Ltd. ("PSL" or the "Company") and Titration Technologies, LLC ("TTL") in connection with an assignment of agreements entered into by TTL with Spraylabs, Inc ("Spraylabs"). Upon execution of this LOI, PSL and TTL shall instruct legal counsel to negotiate and prepare a Definitive Agreement (as hereinafter defined) which upon execution shall replace and supersede this LOI. (TTL and PSL are hereinafter collectively referred to as the "Parties" and individually as a "Party").

[246] On July 21, 2017, Luddu emailed K. Thindal with the subject "final news release" and an attachment named "CNRP - Xsprays LOI Release FINAL, July21."

[247] On July 21, 2017, at 6:55 AM, TJ Senior Capital Markets Strategist at Stockhouse, emailed info@cnrpmining.com with the subject "Re: CNRP Mining to acquire oral spay product line". Jensen asked RC whether CNRP would be interested in Stockhouse's news dissemination and promotion services.

[248] On July 21, 2017, at 8:47 AM, K. Thindal emailed TJ and Luddu with the subject "Fwd: FINAL Release" and an attachment named "CNRP - Xsprays LOI Release FINAL, July21". K. Thindal asked TJ "can we have the attached news release blasted this morning?"

[249] On July 21, 2017, at 9:44 AM, "Stockhouse News Blast" sent out an email with the subject "CNRP Mining Announces LOI to Acquire X-SPRAYS" with the July 21, 2017 news release in its body:

> CNRP Mining Inc. Announces LOI for Acquisition of X-SPRAYS
>
> VANCOUVER, BC, July 21, 2017 / - CNRP Mining Inc. (CSE:CND OTC Pinks: CRPGF) ("CNRP" or the "Company"), is pleased to announce that it has entered into non-binding letter of intent (the "LOI") to acquire (the "Transaction") all of the issued and outstanding shares of 1127466 B.C. Ltd. which holds, through a wholly owned subsidiary, a world-wide, exclusive license for X-SPRAYS – a brand of state-of-the-art life-enhancement products administered via an optimal oral spray delivery system.
>
> **About X-SPRAYS**
>
> X-SPRAYS is comprised of dedicated scientists and product engineers who are passionate about health and ...
> The Company's product line is ready for commercialization with 8 novel sprays ...
> . . .
> **Letter Agreement**

> Pursuant to the terms of the Letter Agreement, the Company will, upon closing of the Transaction, issue to X-SPRAYS shareholders an aggregate of 14,666,667 common shares in the capital of the Company (the "Payment Shares") at a deemed price of CAD$0.30 per Payment Share ...

[250] The July 21, 2017 news release was the first of the CNRP news releases alleged to be false and misleading. It is alleged to be false and misleading as it failed to include the following information:

a) The Respondents caused a nominee to incorporate 1127466 BC Ltd. the day before the news release;

b) Neither the numbered company nor its subsidiary had any licensing rights for XSPRAYS; and

c) CNRP's acquisition of the numbered company was not an arm's length transaction as the Respondent's controlled the numbered company and CNRP.

[251] On July 21, 2017, at 9:34 AM, K. Thindal emailed a potential investor with the subject "New Deal...live (CND.C)":

> Hey buddy, just so you are in the loop...
>
> Attached is a deck on X-Sprays – a Company that we are funding and taking public. The Company has developed a novel line of 8 health care / life enhancement neutraceutical products in a spray format. The products focus on therapeutic areas such as: pain, sleep, libido and energy amongst others. The founder (CK) is the business founder of Helius (HSM.T) and is the guy who brough that deal to Vancouver/Canada.
>
> We just announced the LOI w/ our vehicle CND.C this morning (release is also attached).

[252] On July 21, 2017, CNRP shares opened at a high of $0.50 per share and closed at $0.42 a share. Total volume of trades in CNRP's share was 1,270,672.

[253] On August 1, 2017, Luddu emailed potential investors with the subject "X-SPRAYS" and three attachments named "CNRP Term Sheet", X-Spray Investor Deck – July", and "CNRP – Xsprays LOI Release FINAL":

> Hi,
>
> Hope you are doing well and enjoying your summer.
>
> I wanted to introduce a deal to you that we are currently working on. We are acquiring a California company called XSPRAYS via CND.C.
>
> . . .
>
> Attachments

- News release announcing proposed acquisition
- X-SPRAYS slide deck
- Private Placement Term Sheet

> Let me know if this is of any interest to you and/or if you would be interested in learning more about the company. We currently have a lead order of $1M already spoken for.
>
> In addition, I do have samples of their products available at the office for viewing.
>
> Please feel free to reach me at (778)989-0673 if you have any further questions.

[254] The investor presentation attached to Luddu's email had investors@cnrpmining.com as the contact email for 'X-Sprays'.

[255] On August 22, 2017, CNRP disseminated a news release titled "CNRP Mining Inc. Provides Update on X-SPRAYS Acquisition and $3,000,000 Private Placement". In its news release, CNRP announced that it had advanced USD $300,000 to XSPRAYS and anticipated signing a definitive agreement for the acquisition in September 2017.

[256] On August 9, 2017, K. Thindal emailed CK with the subject "DRAFT of Assignment Agreement" and an attachment named "Titration – SprayLab Asset Purchase Agrt v.1". K. Thindal asked for CK's help to "fill in some blanks".

[257] The attachment was a 16-page document headed "Asset Purchase Agreement" between XSPRAYS Industries Inc. and Titration Technologies, LLC.

[258] On August 14, 2017, CK emailed K. Thindal and a representative of XSPRAYS with the subject "Dropbox for Kam":

> I called earlier and could not get you. I think you are in the lab and I don't want to bother you now. Let's coordinate the material that has been edited for Kam.
>
> One element that needs to be added to the IP transfer agreement concerns the omission of medical research and an FDA approved spray product...I'm paraphrasing. We will want to exclude cannabinoids in the medical sector. Kam, please elaborate as needed and let's all sync up on this. [CS] and I have had this ongoing dialogue for over a year...so, should be easy to articulate.
>
> CS, call me ... Kam too...please gents. Thanks.

[259] On August 16, 2017, K. Thindal replied to CK and another representative of the XSPRAYS organization, CS:

> Further to [redacted]'s email, it may be best to list the products that are a part of the assignment and after they are explicitly listed add some language that limits the scope of the assignment to only those products and excludes any future therapeutic products for which you may seek FDA (and/or other jurisdictional) registration and. I can take a stab at the language if you like?
>
> Also, please do send me the dropbox link.

It is important that we have the agreement signed off this week.

[260] On August 16, 2017, CS replied to K. Thindal's email:

Hi Kam,

Thanks for the email - this helps immensely and I will get to work on it.

I will also send the link to the current dropbox shortly.

[261] On August 17, 2017, CS emailed K. Thindal and CK with the subject "X-Sprays Information":

Hi Kam,

I was just talking with [redacted] who is back home in California, and since I didn't hear back from you, I wanted to make sure that the information I emailed yesterday covered the points regarding medicinal products, etc.

I have re-attached the page for [redacted]'s benefit so he has it in front of him.

[262] On August 19, 2017, K. Thindal replied:

Thanks for sending this. The major issue I see is this exhibit refers to a 'non-exclusive' license. The license for the assets is to be a world-wide exclusive.

Would you like to revise or should I?

[263] On August 19, 2017, CS replied:

Hi Kam,

The "non-exclusive" license language applies to the non-cannabis infused products (4 at this time). The license for cannabis-infused products IS world-wide exclusive (with the exceptions noted).

Hopefully this makes sense, but if there is confusion on this, do we need a quick call?

[264] On August 22, 2017 at 9:27 AM, K. Thindal responded:

Gents,
Please see attached (red-lined w/ some additional language).

Let me know your thoughts.

[265] On August 22, 2017 at 9:35 AM, CS wrote:

Good morning,

[redacted] - please give your input on whether we add language to cover any patented formulations as excluded. Otherwise OK by me.

[266] On August 22, 2017 at 11:21 AM, C. Spray replied to K. Thindal's 9:27 AM email again:

> Hi Kam, [redacted] - please see below sentences for addition to Exhibit 1 to
>
> allow Spray Labs to sell cannabis-infused products outside the X-SPRAYS brand.
>
> Please edit as necessary.
>
> SPRAY LABS LLC may, with prior written approval from XSPRAYS INDUSTRIES INC, sell certain CBD infused products to third party customers (i.e. sales of cannabis-infused products outside the X-SPRAYS brand). XSPRAYS INDUSTRIES INC will receive a royalty on all such sales. The amount of the royalty will be on terms agreed, in writing, between the parties.

[267] On August 22, 2017 at 2:45 PM, CK emailed K. Thindal and CS with the subject "Documents":

> Guys,
>
> I want to make sure we are getting the paperwork completed as needed. Please liaise and include me as needed.
>
> All the best. [redacted]

[268] K. Thindal replied to CK and CS on August 22, 2017 at 4:26 PM:

> Gents,
>
> Are we changing the agreement to be directly between SprayLabs and Newco (XSPRAYS Industries)? Whereby, eliminating any reference to Titration?
>
> If so, please send me the complete registered address for SprayLabs.

[269] CS replied on August 22, 2017 at 6:28 PM:

> Hi Kam,
>
> It is my understanding that the agreement should be between Spray
>
> Labs, LLC and Newco. [redacted] - please correct me if I am wrong.
>
> Registered address:
>
> SPRAY LABS, LLC
>
> 500 N RAINBOW BLVD, STE 300A
>
> LAS VEGAS NV 89107-1061

[270] K. Thindal replied to CS and CK on the same day at 6:44 PM:

> Thx, [redacted].
>
> Once [redacted] confirms I will make the edits and circulate an execution version.

[271] On August 22, 2017, CK replied to K. Thindal and CS:

> Gents,
>
> Sorry for the tardy reply. It seems Spray Labs directly is the logical choice and provides a seamless process for the regulatory review.
>
> Please proceed and let's speak tomorrow.

[272] On August 24, 2017, CS wrote to K. Thindal and CK with the subject "Asset Purchase":

> Also - in reference to the earlier emails - we suggest the following language:
>
> In the event that this agreement is not fully funded with $CAD 3 million, within 60 days of the signing of this agreement, this entire agreement will become null and void and all assets described in this agreement will revert to Spray Labs, LLC.
>
> Please review and insert as appropriate. Many thanks, [CS]

[273] On August 25, 2017, K. Thindal replied with an attachment titled "XSPRAYS - SprayLab Asset Purchase Agrt aug24":

> Gents,
>
> I have added the language (page 2/20, section 1.5). Please review and we can circulate an execution copy. Please ensure you reply-all.

[274] The attachment was headed "Asset Purchase Agreement" and was between XSPRAYS Industries Inc. and Spray Labs, LLC. It was a word document with the track changes feature active, showing some changes that K. Thindal had made to the agreement. Section 1.5 of the agreement stated:

> In the event that this agreement is not fully funded with CAD $3 million, within 60 days of the signing of this agreement, this entire agreement will become null and void and all assets described in this agreement will revert to Spray Labs, LLC. The 60 days may be extended by mutual agreement of both Parties.

[275] On August 25, 2017, CS wrote to K. Thindal and CK at 10:29 AM:

> Please see the attached - in this morning's email from Kam only Exhibit A was attached - therefore, for expediency, I have inserted the edited Exhibit A that Kam emailed this morning into the edited copy of the agreement that I returned yesterday. I also added the language page 2, section 1.5.

Let me know if there are any questions,

[276] K. Thindal replied to CS's email at 3:15 PM:

> I have added a sentence to section 1.5. If you are happy w/ it please accept all changes and send a clean version w/ your or [redacted]'s signature and I will have it countersigned on my end.

[277] The attachment was headed "Asset Purchase Agreement" and was between XSPRAYS Industries Inc. and Spray Labs, LLC (the August 25 Agreement). It was a word document with the track changes feature active, showing some changes that K. Thindal had made to the agreement. Exhibit A-1 to the agreement set out the assets XSPRAYS Industries Inc. purchased. Furthermore, section 3 of the document set out that XSPRAYS Industries Inc. would pay $10 as consideration for the assets being purchased to the Spray Labs, LLC.

[278] On August 25, 2017 at 3:47 PM, CS wrote to CK and K. Thindal:

> Kam / [redacted] - looks good to me.
> I accepted all changes and attach a clean copy.
>
> Please confirm receipt of this email.
>
> [redacted] - can you sign on:
>
> Page 12
> Page 17
> Page 19.
>
> THANKS everyone, [redacted]

[279] On August 25, 2017 at 4:41 PM, CK wrote to CS and K. Thindal:

> Great.
>
> I will review, sign and send along. Thank you [redacted]. Call me if you're still in the office. Otherwise, have a super weekend.
>
> Kam, welcome to Rome...the ride in from Fiumicuno airport is a little ugly, but it gets interesting in the old town. Enjoy.

[280] On August 30, 3017, K. Thindal emailed A. Thindal the August 25 Agreement:

> Aman,
>
> Please have [redacted] sign and return

[281] On November 13, 2017 CS wrote to K. Thindal, CK, and A. Thindal with the subject "Re: Asset Purchase" and an attachment named "XSPRAYS - SprayLab Asset Purchase Agrt AUGUST25-final_clean_esigned":

Hi Kam,

Please see attached - I have e signed the document as Member of the LLC in the appropriate places - please confirm receipt.

Also, following up on whether you were able to wire the funds to the account. I understand it is a holiday in BC today but just want to make sure everything is going smoothly.

[282] The attachment was the August 25 Agreement between XSPRAYS Industries Inc. and Spray Labs, LLC. It was signed by CS on all execution pages. Exhibit A-1 to the agreement described the purchased assets as follows:

EXHIBIT A-1

Purchased Assets

XSPRAYS INDUSTRIES INC. is purchasing from SPRAY LABS, LLC the world- wide, exclusive rights to market and sell as dietary supplements for non-medical use only the cannabinoid and cannabis-infused sprays that have been, and will in the future be, developed by SPRAY LABS, LLC., including, but not limited to a THC product that is currently being developed. **In addition, SPRAY LABS, LLC grants a non-exclusive license to market and sell as dietary supplements for non-medical use only four (4) "non-cannabis infused" sprays under the X-Sprays label.** This purchase agreement does not cover: a: any products, cannabis-infused or otherwise, that Spray Labs, LLC develops for medicinal and therapeutic use and for which FDA (or foreign equivalent) approval is sought, and b: any patented formulations or the rights granted by any patents awarded to SPRAY LABS, LLC [emphasis added].

The specific products covered by this agreement, on the effective date, are:

CBD-Infused Products	CBD (300 mg)
	Focus
	Relief
	Sleep with CBD
Non-CBD-Infused Products:	Energy
	Libido
	Recover
	Sleep

[283] On September 1, 2017, CNRP started to trade on the OTCQB.

[284] On September 6, 2017 at 1:46 PM, K. Thindal emailed CK in response to an email with the subject "Any news?":

In a meeting until 3pm. Lets chat after?

The release should be out this afternoon.

[285] On September 6, 2017 at 5:41 PM, Luddu emailed news@stockwatch.com with the subject "CND" and an attachment named "CNRP - NR Transaction Update and OTC Listing Sept 6 2017 FINAL (2)":

> Hi there,
>
> Can we get the attached disseminated asap please?

[286] The attachment was a CNRP news release dated September 6, 2017 and headed "CNRP Mining Provides Update on X-SPRAYS Acquisition, $3,000,000 Private Placement and DTC Eligibility for OTCQB-Quoted Common Shares" (the September 6, 2017 news release":

> VANCOUVER, BRITISH COLUMBIA – September 6, 2017 – CNRP Mining Inc. (CSE: CND)(OTC Pinks: CRPGF) (the "Company" or "CNRP Mining"), is pleased to provide an update on its proposed acquisition of all of the issued and outstanding shares of 1127466 B.C. Ltd. ("X-Sprays") which holds, through a wholly owned subsidiary, a world-wide, exclusive license for X-SPRAYS – a brand of state-of-the-art life enhancement products administered via an optimal oral spray delivery system (the "Transaction").
>
> The Company has now completed business and financial diligence on X-Sprays and its assets and is now ready to move on with the Transaction. The Company is now moving into drafting of the definitive acquisition agreement which it expects will be completed within the next two weeks. ...
>
> In connection with the Transaction, the Company is also pleased to announce that it intends to close its previously announced non-brokered private placement offering of up to 10,000,000 common shares at a price of $0.30 per share for gross proceeds of up to $3,000,000 (the "Offering") on September 8, 2017.

[287] Stockwatch disseminated the September 6, 2017 news release. CNRP shares were halted after the September 6, 2017 news release. On September 6, 2017, CNRP shares traded at $0.76 a share.

[288] The September 6, 2017 news release is the second CNRP news release alleged to be misleading. It is alleged to be misleading as it failed to include the following information:

a) 1127466 BC Ltd., the subsidiary, had obtained a license for XSPRAYS just two weeks earlier for only $10; and

b) the licensing agreement was not an arm's length transaction.

[289] On September 13, 2017, CNRP announced that ST had been appointed to its board of directors and that EB had resigned from its board of directors. On September 15, 2017, the changes to CNRP's board of directors were filed with BC Registry Services.

[290] On October 24, 2017 at 1:39 PM, A. Thindal emailed EB with the subject “CNRP News” and an attachment. A. Thindal instructed EB to “have the attached press release for CNRP Mining issued for tomorrow”.

[291] On October 24, 2017 at 4:51 PM, A. Thindal forwarded his email to EB to Luddu with two attachments. A. Thindal instructed Luddu, “News for tomorrow morning please submit to stockhouse.”

[292] On October 24, 2017 at 10:57 PM, Luddu forwarded A. Thindal’s email to news@stockwatch.com, asking them to disseminate the attached news release at 5:30 AM PDT.

[293] On October 25, 2017, CNRP disseminated a news release titled “CNRP Mining Announces Definitive Agreement for Acquisition of X-SPRAYS”:

> VANCOUVER, British Columbia, Oct. 25, 2017 -- CNRP Mining Inc. (CSE:CND) (OTCQB:CRPGF) (the “Company” or “CNRP Mining”), is pleased to announce that further to its press releases of July 21, 2017 and August 22, 2017 it has entered into a share exchange agreement dated October 24, 2017 (the “Definitive Agreement”) to acquire all of the issued and outstanding shares of 1127466 B.C. Ltd. which holds, through a wholly owned subsidiary, a world-wide, exclusive license for X-SPRAYS – a brand of state-of-the-art life-enhancement products administered via an optimal oral spray delivery system (the “Transaction”).
>
> Pursuant to the terms of the Definitive Agreement, the Company will, upon closing of the Transaction, issue to X-SPRAYS shareholders an aggregate of 16,500,000 common shares in the capital of the Company (the “Payment Shares”) at a deemed price of CAD$0.30 per Payment Share. Additionally, up to 28,000,000 CNRP shares will be issuable upon certain commercial milestones being achieved by X-SPRAYS (the “Performance Shares”). The Payment Shares and the Performance Shares will be subject to escrow conditions and/or resale restrictions as required by applicable securities laws and the policies of the Canadian Securities Exchange (the “CSE”).

[294] On October 12, 2017, A. Thindal emailed K. Thindal with no subject and an attachment named “Vend-in”. The attachment was an excel spreadsheet with names and addresses of persons and numbers of shares to be allocated to each.

[295] On October 12, 2017, K. Thindal emailed CK with the subject “Vend in spreadsheet” and the same spreadsheet attached:

> Please see attached. We will fill in the blanks for the 6th name (maybe we can use one of the ones from your list?).
>
> Please fill in the amounts (I have left them as 2,750,000 across the board).

[296] CK replied on October 12, 2017:

> Hi Kam,
>
> Attached is the amended list. Please alter as you see fit. You know what is best where and if it makes any difference. Please make the call.

As for the remaining name, I only had one that was vetoed. Call me when you free up.

Thanks.

[297] The attachment was an excel spreadsheet with names and addresses of persons and numbers of shares allocated to each.

[298] On October 20, 2017, 1127466 BC Ltd. issued new share certificates totaling 16,500,000 shares to multiple persons.

[299] In response to a March 19, 2019 order from the BCSC to provide information or produce records to the BCSC, counsel for CNRP provided a copy of “the share exchange agreement with X-Sprays, defined as the "definitive agreement" in the Company's October 25, 2017 news release.”

[300] The share exchange agreement defined as the “definitive agreement” in CNRP’s October 25, 2017 news release (the October 24 Agreement) was a document headed “Share Exchange Agreement”, dated October 24, 2017 and between CNRP(defined as Purchaser), 1127466 BC LTD (defined as X-Sprays), and shareholders of X-Sprays (individually defined as Shareholder and collectively Shareholders). It includes the following terms:

> WHEREAS on the terms and subject to the conditions herein set forth, the Purchaser desires to purchase from the Shareholders all of the issued common shares of X-Sprays (the “Purchased Shares”), representing all of the issued and outstanding shares of X-Sprays as at the date of this Agreement, and the Shareholders desire to sell the Purchased Shares to the Purchaser.
>
> . . .
>
> **<u>2.02 Purchase Price</u>**
>
> In consideration for the acquisition of the Purchased Shares, the Purchaser shall issue from treasury to the Shareholders pro rata in proportion to their holdings of Purchased Shares at the Time of Closing, an aggregate of 16,500,000 Common Shares (the “Payment Shares”) to the Shareholders. The Payment Shares are being issued at a deemed value of $0.30 per Payment Share.
>
> As additional consideration for the Purchased Shares, subject to CSE approval, and subject to the satisfaction of the following performance milestones, the Purchaser shall issue to the Shareholders pro rata in proportion to their holdings of Purchased Shares at the Time of Closing, a total of 28,000,000 additional Common Shares (the “Performance Shares”) in accordance with the following:
>
> . . .
>
> **<u>6.02 Conditions of Closing in Favour of X-Sprays and the Shareholders</u>**
>
> . . .
>
> (n) the board of directors of the Purchaser shall consist of four directors, where on Closing, three of whom shall be a nominee of X-Sprays; and

. . .

5.03 Representations and Warranties of X-Sprays

. . .

the audited financial statements of X-Sprays as at and for the period from incorporation until the period ended September 30, 2017 (the "X-Sprays Financial Statements"), will be prepared in accordance with IFRS. The X-Sprays Financial Statements will be true, correct and complete and present fairly the assets, liabilities (whether accrued, absolute, contingent or otherwise) and financial condition of X-Sprays as at the date thereof and results of operations of X-Sprays for the period then ended. Since September 30, 2017, there has been no material alteration in the manner of keeping the books, accounts or records of X-Sprays or in its accounting policies or practices;

[301] The October 24 Agreement was executed by RC on behalf of CNRP and by GM on behalf of 1127466 BC Ltd.

[302] In the months which followed various efforts were taken to promote CNRP. It is not necessary to describe them in detail. Some of the details are described below in relation to the roles played by certain specific Respondents.

[303] On June 4, 2018, CNRP published a news release with the title "CNRP Announces Acquisition of X-Sprays and Warrant Extension" that included the following:

> CNRP Mining Inc. ("CNRP" or the "Company") (CSE: CND)(OTCQB: CRPGF) is pleased to announce that further to its press release of October 25, 2017 it has completed the acquisition (the "Transaction") of all of the issued and outstanding shares of 1127466 B.C. Ltd. ("XSPRAYS"), which holds, through a wholly-owned subsidiary, a world- wide, exclusive license for X-SPRAYSTM – a brand of state-of-the-art life-enhancement products administered via an optimal oral spray delivery system, a private British Columbia company, pursuant to the terms of a share exchange agreement dated October 24, 2017, as amended, (the "Share Exchange Agreement"). The Transaction constitutes a "fundamental change" for the Company pursuant to the policies of the Canadian Securities Exchange (the "CSE").
>
> In consideration for the Transaction, the Company issued 16,500,000 common shares in the capital of CNRP (the "Payment Shares") to the holders of X-SPRAYS securities at a deemed price of $0.30 per Payment Share. In addition, up to 28,000,000 CNRP shares will be issuable upon certain commercial milestones being achieved by X-SPRAYS.
>
> In connection with the Transaction, the Company also issued 1,650,000 common shares to an arm's length third party at a deemed price of $0.30 per Common Share as a finder's fee.

[304] The June 4, 2018 news release was alleged to be misleading in that if failed to include the relevant information that the acquisition was not an arm's length transaction as the Respondent's controlled CNRP and 1227466 BC Ltd.

[305] On July 5, 2018, Al Homsi emailed K. Thindal with the subject "ICAN – Confidential":

Hey bro,

Following our conversation yesterday, I think trying to make [redacted] work with us is not worth the effort. Meanwhile, we are now able to set it from the ground up & put this into gear and at the same time make this worth our time.

Following are my thoughts:

1) X-Sprays remains the base deal - with our own plan of roll-out with partners that are willing to give us a PR (For example: X-Sprays signs agreement with Future Farm to roll out it's products into their dispensaries). Clearly the more of those the more legit the base is. I think between you and I we can have 5/6 agreements quick.

2) Have a conversation with [redacted] either they are in or out. If they opt out, it's quite tempting to take an active role.

3) Roll-out the THC products - we need that as investors will pivot towards that more than a pure CBD play

3) Acquisitions: A) Vapes deal - we can use Namaste as a base for a much higher valuation B) We need to get a revenue deal for stock - I am thinking something like Betru to build a revenue story

4) I think we can discuss partnering with Parmar on this, cause they already have an infrastructure in place. My thinking is if we give unto 4M shares to get ISOL 2.0 it's way better than all what CK can ever bring to the table.

This will allow us not only access to the 14M shares, but also we can build our way to making the performance warrants over time as the story is built (almost tempting to get too involved in this environment).

Overall, it's clear from the endless conversations that this marriage with CK is over and he really has very little that he can do about it.

[306] Significant promotional efforts were undertaken by some of the Respondents during the summer and fall of 2018. It is not necessary to repeat these here in detail. Some of them are referenced below in relation to the roles played by individual Respondents.

[307] On September 27, 2018, Integrated disseminated a news release headed "Integrated Cannabis Company, Inc. Signs Co-Development and Marketing Agreement with, a Canadian Licensed Producer, GTEC Holdings Ltd.":

VANCOUVER, BRITISH COLUMBIA – September 27, 2018 – Integrated Cannabis Company, Inc. (CSE: ICAN, OTCQB: ICNAF) ("Integrated Cannabis"), is pleased to announce the completion of a Letter Agreement (the "Agreement") to collaborate on X-SPRAYSTM products for the Canadian market with GTEC Holdings Ltd ("GTEC") (TSXV: GTEC,OTCPK:GGTTF), a Canadian License Producer under Health Canada's Access to Cannabis for Medical Purposes Regulations (ACMPR).

The Agreement allows for the co-development and marketing of novel spray products, utilizing proprietary nanotization technology containing both Cannabidiol (CBD) and/or Tetrahydrocannabinol (THC) for distribution in the Canadian medicinal and recreational markets. The Agreement is subject to the implementation of federal legislation in

> Canada and corresponding provincial and territorial legislation that permits the distribution and sale of certain formats of cannabis products, including without limitation sprays.
>
> Over the coming weeks the companies will engage with their science, marketing and distribution teams to streamline the logistics of developing and ultimately introducing products to the Canadian marketplace.
>
> “Partnering with a Canadian Licensed Producer has been a major goal of ours in order to facilitate the expansion of our product line into legal, established marketplaces. The GTEC team is an ideal partner given their status as a LP and their tenure in the cannabis industry and provide a great alliance for our innovative product line,” said Mr. John Knapp, CEO of Integrated Cannabis.
>
> “We are very excited to be working with Integrated Cannabis and their line of the X-SPRAYSTM products. As we continue to push towards positioning ourselves as a preeminent cannabis company it is critical to diversify our product offering with formulations that are both novel and offer alternative delivery methods,” said Mr. Norton Singhavon, CEO of GTEC.
>
> The companies aim to have a definitive agreement in place by October 31, 2018.
>
> **About GTEC Holdings Ltd.**
>
> GTEC was founded in 2017 to capitalize on opportunities in the nascent and rapidly growing legal cannabis industry. GTEC is focused on growing premium quality craft cannabis in purpose-built indoor facilities. The Company also has a number of retail cannabis initiatives in Western Canada. GTEC currently holds a 100% interest in GreenTec Bio-Pharmaceuticals Corp., Tumbleweed Farms Corp., Falcon Ridge Naturals Ltd., Alberta Craft Cannabis Inc., Grey Bruce Farms Inc., Zenalytic Laboratories Ltd. and Spectre Labs Inc. GTEC is a publicly-traded corporation based in Kelowna, British Columbia. The Company’s shares are listed on the TSX Venture Exchange and OTC Pink Sheets.
>
> **About Integrated Cannabis Company, Inc.**
>
> Integrated Cannabis Company, Inc. is comprised of dedicated scientists and product engineers who are passionate about health and creating health and lifestyle products utilizing advanced delivery systems and formulations. For more information, please visit the company’s website at: www.x-sprays.com.

[308] This was the final news release of Integrated which was alleged to be misleading. It was alleged to be misleading as it failed to include the relevant information that K. Thindal was a director of GTEC and, therefore, it was not an arm’s length transaction.

[309] At various times during the period relevant to the Notice of Hearing certain of the Respondents, and individuals and corporations connected to them, sold shares of CNRP.

VIII. Factual overview regarding Block One

[310] As of early October of 2017, and for several years before that, Block One was a public company listed on the TSX-V as a Tier 2 Investment Issuer with the legal name Essex Angel Capital Inc.

[311] As of March 6, 2017, approximately 40% of the shares of Essex Angel Capital were owned by some of the Respondents, by close relatives of Respondents, or by companies which some of the Respondents were at least officers. At this point we do not need to address the allegation of the executive director about the extent to which some of the Respondents controlled or even beneficially owned all of these accounts.

[312] By a treasury order dated October 13, 2017, Essex Angel Capital issued two million shares to A. Thindal, 700,000 shares to Chopra, one million shares to S. Chopra, and 2.3 million shares to companies allegedly controlled by Chopra, all at a cost of $0.075 per share.

[313] On November 3, 2017, shares of Essex Angel Capital closed trading at a share price of $0.24 per share. Within a couple of weeks the share price spiked to over $1.60, then declined in a slow but uneven pattern, dropping below $0.60 per share in May of 2018.

[314] On November 6, 2017, Essex Angel Capital issued a news release announcing that its board of directors had approved a name change to Block One. The news release quoted its then CEO, DB, as expressing the board's excitement that Block One would "begin deploying new investment capital into the Blockchain Sector".

[315] On November 7, 2017, a directors consent resolution was passed by Block One's directors that granted seven people the option to buy 2 million common shares at a price of $0.25 cents per share for a period of two years from the date of the grant. Included in this group were:

- A. Thindal: for 600,000 shares
- Kumar: for 500,000 shares
- N. Kumar: for 500,000 shares
- A. Chopra (Chopra's sister/Kumar's aunt): for 165,000 shares

[316] By November 10, 2017, Block One shares were trading at over $0.40. Some of the Respondents, and companies connected to them and relatives of theirs, were active traders in shares of Block One around this time.

[317] On November 17, 2017, Block One issued a news release announcing that it was not aware of any material change. The news release explained that it had issued the news release because IIROC had asked it to comment on the recent trading of its stock.

[318] By treasury orders dated November 30 and December 4, 2017, shares of Block One were issued for $0.10 per share, to K. Thindal (3 million shares), A Thindal (500,000 shares), Kumar (500,000 shares), Luddu (250,000 shares) and Al Homsi's spouse (1 million shares). There were other share transactions of Block One involving the Respondents which will not be summarized in detail. The share transactions which are mentioned above are important in relation to their timing with reference to other events.

[319] TG12 Ventures was a British Columbia company incorporated on November 16, 2017 with Kumar listed as the incorporator and A. Thindal listed as the completing party. Kumar was the sole director of TG12 Ventures. On November 29, 2017, TG12 Ventures entered into a written agreement with a seller for the purchase of some bitminers. The key terms of the agreement were as follows:

> Transaction:
> The Buyer shall purchase from the seller **100 S9 Antminer mining rigs** (the "Rigs") for a purchase price of **US$230,000 (the "First Payment")**, including shipping and power supply costs. The Rigs are to be delivered on or before January 31, 2018 to such location as directed by the Buyer in writing. The Rigs will be in full operation between January 31, 2018 and February 14, 2018. This payment is due on **November 29th, 2017**.
>
> The Buyer shall purchase from the seller **900 additional Rigs** for a purchase price of **US$2,070,000 (the "Second Payment")**, including shipping and power supply costs. The Rigs are to be delivered on or before February 28, 2018 to such location as directed by the Buyer in writing. The Second Payment is due on **December 23, 2017**.
> . . .
>
> Prior to December 31, 2017, the parties shall execute a comprehensive trust agreement (the "Trust Agreement") to govern payment of Third Payment (as defined herein). The Buyer shall place six months of colocation fees for the amount of **US$637,778.78** in trust, pursuant to the terms of Trust Agreement. The Third Payment is due on **December 31, 2017**
> . . .
>
> All Rig payments will be directed to the manufacturer Bitmain [and includes wire information for Bitmain Technologies Limited. [emphasis added]

[320] On November 30, 2017, Block One issued a news release announcing that it had signed a binding term sheet to acquire up to 90% of TG12 Ventures, a company engaged in cryptocurrency mining, for USD $2.3 million. The news release stated that TG12 Ventures had entered into an agreement to acquire 1,000 cryptocurrency miners. In the news release Block One estimated that TG12 Ventures would have annual revenue of USD $7.8 million when the miners were fully operational. This is the first Block One news release which is alleged to have been misleading.

[321] It is alleged that Block One's November 30, 2017 news release was false and misleading as it failed to include relevant information, including:

a. TG12 Ventures had been incorporated by the Respondents two weeks earlier and was not engaged in cryptocurrency mining;
b. TG12 Ventures had no funds to pay for the miners;
c. The Respondents, and not TG12 Ventures, had paid TG12 Ventures' first payment owed for the miners; and

d. Block One’s acquisition of up to 90% of TG12 Ventures was not an arm’s length transaction as the Respondent’s controlled both Block One and TG12 Ventures.

[322] On November 30, 2017, Al Homsi made 37 tweets or retweets about Block One. Mostly they were retweets. Some of what he tweeted or retweeted on November 30, 2017 are the following:

- “so using this math $BLOK should be trading at 10 times the valuation of $CYX. CYX closed yesterday at 23Mcap, $BLOK.V @41MCap.
- “$BLOK Be right and sit tight because the ride just started, only day 2!!” and a link to the Block One investor presentation.
- “$BLOK.V looking great this morning up 32% this morning on 600K+volume following their first investment, with USD7M of revenue #cryptocurrencies #blockchain.

[323] Block One’s share price closed at $0.90 on November 30, 2017, up 28.5% from the previous day’s close. Block One’s trading volume jumped to 1,998,911 shares, up more than 1,438% from the previous day’s volume.

[324] In the period of several days leading up to December 2, 2017, several of the Respondent’s collaborated on the creation of a Block One investor presentation in the form of a slide deck. All of Luddu, Chopra, Kumar, and K. Thindal provided input into the substance of the presentation. Al Homsi provided input in the form of an email dated November 25, 2017, key portions of which are as follows:

Gents,

Following are a few comments on the deck as it stands. I will add more tomorrow:

1) Leadership/Team: if we want investors to buy the idea that we are a way for them to gain access to the best Blockchain investments out there, we need to showcase that our leadership is robust. We mention this across the deck, but we never say who & why are they best in class in selecting these investments

2) Crypto mining - current slides are good. However, given that most Vancouver companies coming to market are going after mining we need t(show that we are ahead of the game. Following are things we need to address:

a) which cryptocurrency(ies) are we mining? why? how is the model profitable despite increasing competition (we do not have the HIVE advantage)?
b) what is the impact of change in the underlying currency on profitability? Ultimately we want to have exposure to change in coin prices (depending on which one we are mining) however we have to generate revenue/profit irrespective of the price. James Stauffer from OilPrice raised this question and he advised that no Company mining Etherium will be profitable based on his experience.
c) scalability - we want to show that we are profitable at 100 machines and more so at 1,000. This has to be laid out in clear numbers: what revenue/profit we make at 100 vs. 1,000 etc. Right now, I am yet to see any investor deck of publicly listed companies that talks numbers and we know that this is the easiest investment to replicate (I already know 4 deals that are going public on mining alone aside from Global Blockchain's Coinstream)

3) Flow of investments for the next 12 months - can we add a slide that outlines the overall strategy for Block One Capital as follows:
Q4-17 - first investment and hiring of advisors
Q1- 18 second investment & first cashflow from 1st (anything else?)
Q2- 18 Pre ICo round from 2nd Investment & 3rd investment in place (maybe expansion of Crypto mining business)
etc

Happy to have a call tomorrow to discuss further.

[325] On December 4, 2017, Block One issued a news release announcing that it had formed an advisory board and had appointed LT to that advisory board. The news release provided LT's background, which included experience as a vice president with Cisco Systems Inc. and time spent on the boards of other technology companies.

[326] Al Homsi's tweets and retweets about Block One continued into December at a frequent but somewhat reduced frequency as compared to his 37 tweets on November 30. For

example on December 1, 2017, Al Homsi tweeted or retweeted about Block One 25 times. Some of Al Homsi's tweets or retweets on December 4 included:

- "I think $BLOK.V is a no brainer here. Small float. Marketcap way lower than other companies. And they are also called $BLOK. I'd think they have some #blockchain plans. Don't see $weed growing strawberries…"
- "$BLOK. Absolute Monster. Period" and link to the tweet showing Block One share price at $1.70.
- "$BLOK on fire today…" a retweet of Small Cap Reporter's tweet.

[327] On December 6, 2017, Block One issued a news release announcing that it had agreed to acquire 40% of New York based Finzat LLC, a private company engaged in creating a blockchain system to create a streamlined, digitized mortgage process.

[328] On December 7, 2017, Block One issued a news release announcing that TG12 Ventures had agreed to purchase a further 1,000 miners. This is the second Block One news release which is alleged to be misleading. The news release read, in part:

> The S9 Antminers are manufactured by Bitmain, one of the world's most recognized Bitcoin/ cryptocurrency companies. The first batch of S9 Antminers is scheduled to be shipped and delivered in January 2018 and be operable in February 2018. The S9s are planned to operate at a co-location facility located in Montral, Quebec, Canada, where the all-in cost of operating the miners, inclusive of electricity, rent, cooling, general rig maintenance and management, is estimated to be about US$0.10 per kilowatt hour.
>
> Based on TG12's financial forecasting, current conservative Bitcoin price estimate of US$8,000 and the 2000 miners are being fully operable, the estimated revenue per year is US$15,600,000. With any appreciation of the price f Bitcoin above this estimate, the return on investment of the miners should become even greater. Based on the current Bitcoin price of approximately US$13,900 on December 2017, the estimated revenue per year would be US$25,970,000.

[329] Block One's December 7, 2017 News release is alleged to have been misleading in that TG12 Ventures had no funds to pay for any miners.

[330] On December 11, 2017, Block One issued a news release announcing a non-brokered private placement for gross proceeds of $5 million. On the following day Block One announced that, due to increased demand, the gross proceeds were now expected to be $8 million. On December 22, 2017, Block One announced that the private placement had been over-subscribed and had closed after raising gross proceeds of $10 million.

[331] Also on December 11, 2017, Luddu described Core Capital's role with Block One as follows in an email to a potential investor:

> I have a very good investment opportunity that just came up today:
> An investment issuer that we are behind and took public in a vehicle of ours, Block One Capital Inc. (TSXV: BLOK), just announced that they are doing a $5M non-brokered private placement.

> Terms: $1.00 per unit w/ a half warrant at $1.50 for 2 years w/ accleration [sic] at $2.50.

[332] On January 3, 2018, Block One issued a news release which it promptly retracted and replaced with a further news release which had been edited. The key language in the initial news release was:

> VANCOUVER, BRITISH COLUMBIA – January 03, 2018 – Block One Capital Inc. (TSXV: BLOK, Frankfurt: ES3) (the “**Company**” or “**Block One**”), is pleased to announce that it has entered into a definitive agreement with TG12 Ventures Inc. (“**TG12**”) to acquire up to 90%. Under the terms of the definitive agreement the Company has funded TG12 for US$2,910,000. Block One may provide additional funding as needed based on certain milestones over the next twelve (12) months.
>
> TG12 is in the process of setting up a diversified digital currency mining facility with two thousand (2000) Bitmain S9 Antminers, with the first one thousand (1000) S9 Antminers to be operable in Q1-2018. The S9s are planned to operate at a co-location facility where the all-in cost of operating the miners, inclusive of electricity, rent, cooling, general rig maintenance and management, is estimated to be about US$0.10 per kilowatt hour.
>
> Based on the Company’s current estimate, using a recent Bitcoin price of approximately US$13,900 (January 02, 2018) and the 2000 miners being fully operable, TG12’s estimated gross revenue per year is US$25,970,000.

[333] The revised January 3, 2018 news release is the third news release of Block One which is alleged to be misleading. The revised news release stated Block One was retracting the earlier news release at the request of IIROC and the TSX-V, and the revenue estimated contained in the earlier news release should not be relied upon due to the volatile price of Bitcoin. The replacement news release included the following language:

> VANCOUVER, BRITISH COLUMBIA —January 03, 2018 - Block One Capital Inc. (TSXV: BLOK, Frankfurt: ES3) (the "**Company**" or "**Block One**"), is pleased to announce that it has entered into a binding agreement (the "**Agreement**") with TG12 Ventures Inc. ("TG12"), a newly formed private arm's length British Columbia company, to acquire 90% of its issued and outstanding shares for US$2,910,000 (the "**Cash Payment**").
>
> TG12 is commencing a diversified digital currency mining operation pursuant to which it has agreed to acquire two thousand (2000) Bitmain S9 Antminers ("**Antminers**"), with the first one thousand (1000) Antminers expected to begin operations in Q1-2018, and the remaining Antminers expected to begin operations in Q2-2018. TG12 has advanced the Cash Payment as a deposit for the initial 1000 Antminers, and will be required to advance a further US$3,000,000 in order to complete the purchase of the remaining 1000 Antminers.
>
> The Antminers are planned to operate at a co-location facility in Central Canada or the Northwester United States, where the all-in cost of operating the miners, inclusive of electricity, rent, cooling, general rig maintenance and management, is US$0.10 per kilowatt hour.

[334] It is alleged that the January 3, 2018 news release was misleading because:

a) Block One had paid TG12 Ventures the equivalent of USD $2.681 million so TG12 Ventures could make its remaining payments to acquire the original 1,000 miners;

b) The binding agreement stated that Block One would only acquire 40% of TG12 Ventures for $2.91 million, not 90%; and

c) TG12 Ventures was controlled by the Respondents and was not an arms-length company.

[335] On January 9, 2018, Chopra sent an email to an individual who introduced investors to Block One as follows:

> You are the current appointed representative of Block One Capital Inc. on the 3 member board.
>
> **We expect you to be aware of all corporate discussions and provide those to management of Block One Capital as their designated representatives (being Kam and Mani).**
>
> Your appointment is not permanent and is at the behest of Block One [emphasis added].

[336] On January 18, 2018, Block One issued a news release announcing that it had entered into a binding term sheet to acquire up to 40% of UK based OMAAT Ltd. OMAAT Ltd. was described as a blockchain based, patented fintech solutions company aimed at democratizing the purchase of protected natural capital such as rainforests.

[337] On January 25, 2018, Block One issued a news release announcing that it had entered into a definitive agreement to acquire 40% of the blockchain company which it had earlier made an announcement about, Finzat. The news release noted that Block One had paid Finzat US$600,000.

[338] On February 1, 2018, Block One issued a news release announcing the appointments of ST as CEO and PS as chief technology officer. The announcements described the impressive backgrounds of the appointed individuals.

[339] On March 1, 2018, Block One issued a news release announcing that AS and A. Thindal had been appointed to the board of directors of Block One.

[340] On March 9, 2018, Block One issued a news release announcing that LJ and SC had joined the advisory board of Block One.

[341] SC was interviewed during the investigation of this case and he recalled traveling to Vancouver to have a face-to-face meeting of the advisory board of Block One. SC said that there were a number of conversations between advisory board members by telephone, but only one in person meeting that he was aware of. SC said that while he was in Vancouver for a meeting of the advisory board of Block One, K. Thindal must have come to the meeting, but his memory is unclear. He recalls meeting K. Thindal

socially. SC's primary connection to Block One was through that company's CEO, ST.

[342] On March 14, 2018, Block One issued a news release announcing that its investee company, TG12 Ventures, had commenced mining bitcoin. That was the fourth Block One news release which is alleged to be misleading. The news release continued:

> "We are pleased that TG12 has begun generating revenue and look forward to ramping up our mining capacity over the coming months. The audit procedures that are being implemented both remotely and physically will allow us to effectively gauge the potential growth of the operation moving forward," said [redacted], CEO of Block One.

[343] It is alleged that Block One's March 14, 2018 news release was false and misleading because TG12 Ventures and Block One had not begun generating revenue from mining any cryptocurrency as of that date.

[344] SC recalls that representatives of Block One were concerned about TG12 Ventures because they were not getting any indication of when the company hosting their miners was going to have the miners up and running. A trip was arranged to Butte, Montana, the site where the TG12 Ventures miners had been shipped, to look into the status of the miners. SC had some knowledge of data centers and what a cryptocurrency mining operation should look like, so he agreed to go. He arranged to meet with A. Thindal in Butte, Montana. Email correspondence from the time indicates that the site visit to the servers took place on Monday, April 9, 2018.

[345] SC recalled that he was not impressed with the operators of the co-hosting site which was to operate the miners. He said that a part of their operation was alongside construction which included the operation of large machinery, and these sites are supposed to be "white", and very clean.

[346] SC said that they located most of the miners which TG12 Ventures had purchased, still in their boxes. He said they could not locate some of the miners. Asked by investigators to confirm that none of the miners connected to TG12 Ventures had been unpacked out of their boxes, SC disagreed. He said "I think I recall that some of the miners may have been racked to get some in production, but I, I don't recall." Asked about the same subject again later, he said "I'm trying to recall. I think they might have racked some of them to get them into operation".

[347] During the visit to the hosting site of the miner, or shortly afterwards, SC agreed to use his contacts to seek another hosting site, given the poor conditions at the Butte location. Later, on April 18, 2018, SC sent Block One information about the cost of moving the miners to a different host in the area of New York, New Jersey, or Pennsylvania. Eventually, based on discussions which the email record indicates were led by some of the Respondents, a decision was made to sell TG12 Ventures before moving the cryptocurrency miners.

[348] On April 11, 2018, Block One issued a news release announcing that it had received an allocation in the highly oversubscribed offering of tokens related to Shopin, a retail blockchain solution company.

[349] On April 13, 2018, Block One issued a news release announcing a private placement seeking to raise $2 million, with proceeds to be used to advance Block One's ongoing investment strategy in the cryptocurrency and blockchain space.

[350] On May 8, 2018, Block One issued a news release announcing that it had completed its sale of its 90% interest in TG12 Ventures to Hashchain Technology Inc. (Hashchain) in exchange for 8.9 million shares of Hashchain at a deemed price of $0.35 per share.

IX. Position of the executive director

[351] The executive director's written submission is almost 340 pages long. The written submission was supplemented by detailed oral submissions. It is very challenging to develop a succinct summary of the executive director's arguments. However, it is possible to succinctly state some of the executive director's main arguments and recurring themes.

[352] The executive director asserts that each of the three alleged pump and dump schemes followed the same pattern. The Respondents accumulated large positions of cheap shares in each of the target issuers. Then the Respondents assumed control of the issuers, either directly or through nominees who would do the bidding of the Respondents. Then the Respondents began promotional campaigns which included misleading and false statements which led to artificial prices, and they sold shares following the promotions in order to generate substantial profits.

[353] With respect to the acquisition of shares, much of the executive director's position is supported by comprehensive source documents. However, some of the shares were purchased by or deposited into accounts which are not in the names of any of the Respondents. Some of those accounts were in the name of corporations which have some connection to at least one of the Respondents. The executive director asks us to draw inferences about the extent to which connections between corporations and Respondents means the Respondents controlled those corporations.

[354] Some of the relevant accounts were in the name of individuals who are related to one or more of the Respondents. Again, the executive director asks us to draw inferences about the extent to which the connections between these individuals and the Respondents means that the individuals were either nominees for the Respondents or were acting on the instructions of the Respondents.

[355] With respect to the disposition of the shares of the relevant issuers, the executive director has produced tables showing proceeds realized.

[356] With respect to the relative involvement of each individual Respondent, the executive director has itemized various steps taken by each individual to further the alleged

promotions. Similarly, the executive director has itemized factors which suggest that each Respondent possessed the relevant mental state to support a finding that he breached Section 57(a). Once again, these submissions call upon the panel to draw inferences from the facts which we find have been proven.

[357] With respect to the Respondents' control over the relevant issuers, the executive director has cast a wide net and has advanced a relatively absolutist position. It is not much of an over-generalization to suggest that the executive director submits that whatever non-respondents and third parties were involved in the issuers were effectively order takers at the direction of the Respondents.

[358] With respect to the alleged promotional statements leading to artificial prices, the executive director focuses on both the official news releases of the relevant issuers and the surrounding tweets and other promotional statements which were designed to amplify the narratives and specific statements made in the news releases.

[359] The most important elements of the executive director's submissions are discussed below as they arise in the course of our analysis.

X. Positions of the Respondents

[360] On many issues counsel for Core Capital and K. Thindal and A. Thindal stated a position which other parties adopted. In other cases parties chose to formally adopt positions stated by Respondents other than Core Capital and the Thindals. We have chosen not to track which Respondents formally adopted which positions. To the extent that we conclude that a position which is favorable to a Respondent is the correct position, we apply that favorable conclusion to the benefit of all Respondents.

[361] The Respondents each submitted substantial written submissions with thorough analysis of the evidence. While we have not reproduced every submission made, a brief summary of their submissions is outlined below for context.

A. Core Capital, K. Thindal and A. Thindal

[362] These Respondents argued that the executive director's evidence was weak and did not support his allegations.

[363] In particular, K. Thindal, A. Thindal and Core Capital submit that the executive director led no evidence of witnesses with direct knowledge in support of the allegations that the Respondents were the directing minds behind pump and dump schemes involving the three issuers in these proceedings. They submit that the executive director's attempts to establish these facts through investigator testimony and after the fact review of records is fatally flawed.

[364] K. Thindal, A. Thindal and Core Capital submit that the evidence does not establish the necessary elements under section 57(a) of the Act. In particular, they submit that there is no evidence that they controlled any of the three issuers in these proceedings that issued news releases that were reasonably known to be misleading. Further, there is

no evidence that any news release had any artificial impact on any of the issuers' share price.

[365] Further, with respect to Reliq, K. Thindal, A. Thindal and Core Capital submit that the overwhelming evidence demonstrates that it had independent directors and the Respondents did not direct the operations of the company. Further, there is no evidence that the Respondents had any reason to disbelieve the press releases at issue, given that they originated exclusively from the company's CEO.

[366] With respect to both Integrated and Block One, K. Thindal and Core Capital submit that there is no evidence that the press releases were misleading, let alone led to an artificial price in their shares.

B. Al Homsi

[367] Al Homsi submits that the executive director's circumstantial case cannot support the allegation made against him. In particular, Al Homsi submits that he did not secretly control any of the three issuers in these proceedings. Relating to Reliq, Al Homsi argues that the executive director has neither shown that he was involved with the publication of the news releases, nor that he was aware that Reliq had not achieved profitability or was experiencing collection issues.

[368] In relation to Block One, among other things, Al Homsi submits that there was no artificial price created for its shares, as the price was consistent with genuine demand in the market. Furthermore, the news releases at issue were not misleading, and Al Homsi submits that the executive director did not adduce any evidence from investors who were purportedly mislead.

[369] Further, Al Homsi similarly submits that in relation to Integrated, there was no artificial price created, the news releases were not misleading, and the executive director did not prove a causal connection between Al Homsi's conduct and the share price.

C. Chopra

[370] No allegations were made against Chopra relating to Reliq. Regarding the other two issuers, Chopra submits that the executive director's case against him is based entirely on circumstantial evidence. There is not a single document that shows he was substantially involved with any of the news releases or promotional materials of Block One or Integrated. As a shareholder and a retired securities lawyer, Chopra submits that he provided administrative support to Block One, but was not engaged in all facets of the business of the issuers in this matter.

[371] Chopra argues that there is no evidence that he was involved in any "pump" of the issuers, or had any knowledge of any purported improper activities relating to the issuers. Nor, he submits, was he involved in any "dump" – in that he did not sell any Block One shares, and any sales of Integrated are reasonably explained by market forces at the relevant time.

[372] Chopra submits that the allegations against him should be dismissed in their entirety.

D. Luddu and Kumar

[373] Luddu and Kumar have a less substantial role in the narrative of this matter.

[374] They submit that they are two young men at the beginning of their careers during the relevant period: Luddu a young, inexperienced secretary, and Kumar was a "newly minted" employee at Core Capital.

[375] They both submit that neither of them had the ability to influence the actions of Core Capital, given that Kumar was in a support role, and Luddu was a secretary and office employee with limited responsibility. As a result, they could not have "authorized, permitted or acquiesced" to any of Core Capital's conduct.

[376] Given the lack of evidence demonstrating any significant role in the facts underlying the allegations in this matter, both Luddu and Kumar submit that their tangential involvement with Core Capital is insufficient to prove the allegations made by the executive director.

XI. Analysis regarding Reliq

[377] In *Lim*, the Commission identified the four elements which must be proven in order to establish a breach of section 57(a) of the Act. The *Lim* analysis was accepted by the panel in *Deyrmenjian*. We agree that it is the correct analysis to apply.

[378] In the ordinary course we would work our way through the elements identified in *Lim* in sequence, beginning with the relationship of the conduct to securities, then the creation of an artificial price, and then to the existence of a causal connection between the impugned conduct and the actions of each respondent. At that stage we would turn to examine the mental state of the Respondents. In the case of the Reliq allegations it is appropriate that we begin with some general observations about the meaning of section 57(a), and then to turn to and analysis of the mental state of these Respondents, because that analysis is determinative of the Reliq allegations.

[379] Our general observations, which we expand on later in this decision, are that liability under section 57(a) requires both prohibited conduct and the presence of a specified mental element. The conduct which is prohibited by the section is, in simplified terms, conduct which contributes to a misleading appearance of trading activity or an artificial price. In this proceeding it is not alleged that the trading activity of the Respondents formed a part of the manipulation. The conduct of the Respondents is alleged to breach the Act because it created an artificial price for the relevant securities.

[380] The concept that a person's conduct has created an artificial price is not synonymous with the concept that the person raised or lowered a price by making a false statement. "Artificial" and "false" convey similar, but not identical meanings. In the context of section 57(a) artificiality references a price which is unnatural or based on an inaccurate impression. For example, the conduct of an hypothetical respondent in finding an

issuer which has no real assets and is carrying on no real activities and hyping the issuer with a series of communications suggesting that the situation is different from reality might breach section 57(a), even if the communications do not state a specific fact which is false. As our analysis later in this decision makes clear, a decision about the existence of an artificial price requires an examination of the entire context.

[381] The mental element which must be proven in the context of the type of manipulation alleged here is set out clearly in the words of section 57(a). The onus is on the executive director to establish that the Respondents knew, or reasonably should have known, that their conduct would result in or contribute to an artificial price for the securities of Reliq. We conclude that this element of section 57(a) precludes liability if the Respondents were unaware that the statements being made about the revenues and profitability of Reliq were false or misleading. As noted, we have chosen to address that issue first.

[382] It is clear that the information which Reliq circulated regarding its revenues and profitability was false and misleading and obviously ultimately very harmful to investors in Reliq. It would be easy to conclude that an artificial price was created for the securities of Reliq by this environment of misleading information circulating to the public, and that the conduct of some of the Respondent's contributed to that artificial price. However, it is far less clear that the Respondents were the source of the false information in question, or that they were aware of it until immediately before the collectability of Reliq's revenue was disclosed to the public. The primary alternatives regarding how the revenue issues went undisclosed for so long are the following:

a) As alleged by Dr. C in her affidavit filed in response to the class action against Reliq, all of Reliq's representatives were misled by DL, who acted dishonestly regarding the relationship between Reliq and the health care agencies Reliq contracted with and who concealed the basis for the delays in payment to Reliq;

b) DL and perhaps other members of the Reliq team who dealt with the relevant health authorities were honest but lacking in skills and diligence regarding the collectability of the revenues;

c) Dr. C knew or should have known about Reliq's initial delays and subsequent failures in collecting revenue, and Dr. C kept that information quiet when she should have ensured that Reliq was more candid in its public disclosures about the uncertainty of payment; or

d) One or more of the Respondents knew about the likely unrecoverability of Reliq's revenue, but despite that knowledge encouraged Reliq to issue the disclosure which was issued.

[383] There are many factors which influence our views on which of the primary alternatives is the most likely.

[384] One important factor is that there are conflicting positions about the credibility of the evidence obtained from Dr. C. As we noted earlier, some of that evidence, particularly about the general chronology, is consistent with the contemporaneous emails and other documentation and is not contradicted by any other evidence. However, all parties challenge at least some portions of Dr. C's evidence.

[385] The executive director asks us to accept the evidence Dr. C gave in her interview with Commission staff to the effect that K. Thindal wrote all news releases, at least initially, and approved all subsequent news releases, and that K. Thindal and Al Homsi:

> "are not on the board, but they constituted the board and they are the investors. So they were involved in every decision."

[386] At the same time, with respect to the evidence of Dr. C in her affidavit in response to the class action, and particularly in response to her evidence implicating DL while exonerating herself and others, the executive director asks us to place no weight on Dr. C's evidence because Dr. C's desire to defend against the allegations in the class action created a motive for her to implicate DL.

[387] Dr. C's evidence about the fault of DL is partially corroborated because Dr. C deposes that DL paid a substantial settlement to Reliq as a result of his conduct in connection to Reliq's contracts with health agencies.

[388] The Respondents, in turn, ask us to accept Dr. C's evidence regarding who had knowledge of the collectability of Reliq's revenues while rejecting Dr. C's evidence regarding the extent of control which K. Thindal and Al Homsi had over the affairs of Reliq. To be fair to the Respondents, they are not suggesting that Dr. C is lying in some cases and telling the truth in other cases. Instead, the Respondents challenge some aspects of Dr. C's evidence by pointing out that certain general statements made by her, for example statements that K. Thindal wrote Reliq's news releases, were focused on a certain time period and do not apply to news releases written at other times. There is significant support for the Respondents' arguments in this respect, because we have before us the exchanges of emails which led to the drafting and issuance of each of the relevant emails, all of which we have summarized in considerable detail above.

[389] It is clear to us from an examination of the emails recording the discussion leading to the news releases, as detailed above, that the information contained in the news releases regarding the number of patients who were under contract with health authorities and generating revenue for Reliq consistently originated with Dr. C and never originated with K. Thindal.

[390] Dr. C was not called as a witness. Having found, as we do, that Dr. C's general description of the chronology was consistent with the documentary record, we are comfortable to attach some weight to all of Dr. C's evidence. We agree that it is appropriate to apply caution and some reduced weight regarding the evidence of Dr. C on topics where she had a clear personal interest, such as her interest in avoiding personal responsibility for misleading revenue disclosure by Reliq while she was the

CEO. But no witness testified to contradict Dr. C's evidence. Dr. C's uncontradicted evidence adds credibility to the suggestion that Reliq's management was misled by an employee and, until it was too late, believed that its revenue was delayed rather than uncollectable.

[391] We turn to consider the alternative that despite the lack of awareness of Dr. C, the Respondents were, or should have been, aware that the revenues recognized by Reliq were not collectable. In addition to the evidence of Dr. C regarding how Reliq itself was misled, there is other evidence of specific events which suggest that the Respondents were not seeking to overstate Reliq's revenues or profitability.

[392] The first specific event which suggests the Respondents were not seeking to overstate Reliq's revenues or profitability relates to the discussions between A. Thindal and Dr. C about whether Reliq could say it was "cash flow positive" or "profitable". It was A. Thindal who was the more cautious of the two, in the sense that he was seeking wording which would not suggest that Reliq was generating cash through its activities rather than revenues which were open to Reliq to recognize according to applicable accounting standards.

[393] Another specific event relates to the pressure put on Dr. C by representatives of Core Capital in October of 2018 for Reliq to announce that it was re-stating its financial statements to reflect that it had not earned the revenue which had been recognized in Reliq's prior financial statements. Of course it is possible that by that moment the Respondents, or some of them, had realized that the full truth was about to come out, and they were in damage control mode. But there is no evidence to support that possibility. What is evident is that at that particular moment in time they were the individuals pressing Reliq to promptly correct the false impression which had been created by Reliq's prior disclosures.

[394] It is clear that Core Capital and other Respondents promoted Reliq during the relevant time and amplified Reliq's misleading disclosures, including by tweets and by pressing influential analysts to report on Reliq's apparent but inaccurate revenue growth. However, the balance of the evidence indicates that none of the Respondents were aware Reliq would not be collecting the revenues which it was recognizing as invoices were issued. As a result, the Respondent's lacked the mental state which would establish a breach of section 57(a).

XII. Analysis regarding Integrated

[395] As we have noted above, we use the names Integrated and CNRP interchangeably. Both names refer to the same entity.

[396] It is alleged that the manipulation of the share price of Integrated was supported by the issuance of four news releases which were false or misleading. The dates of the impugned news releases are July 21, 2017, September 6, 2017, June 4, 2018 and September 27, 2018. It is also alleged that the news releases were accompanied by misleading promotional campaigns which repeated misleading information from the

news releases and which otherwise made highly promotional claims in support of the alleged manipulation.

[397] We conclude that investors or potential investors in Integrated who read the July 21, 2017 news release would reasonably have believed:

a) a business organization named XSPRAYS existed which comprised a group of dedicated scientists and product engineers who had focused on creating a product line of oral sprays to deliver medicines, nutrients and vitamins;

b) XSPRAYS had created a novel line of eight products which addressed such areas as pain relief, awareness, sleep, libido, energy, and recovery;

c) XSPRAYS product line included a product with CBD ingredients and XSPRAYS intended to expand its product line to include THC and CBD sprays;

d) 1127466 B.C. Ltd. held, through a wholly owned subsidiary, a world-wide, exclusive license for XSPRAYS;

e) CNRP had entered into a non-binding letter of intent to acquire all of the issued and outstanding shares of 1127466 BC Ltd.;

f) there was no reason to expect that the relationships and agreements between CNRP and 1127466 BC Ltd. were anything other than arm’s length;

g) in connection with the acquisition, assuming it proceeds, CNRP will issue 14,666,667 shares at a deemed price of $0.30 per share (for a total of $4,400,000) and might issue up to 20,000,000 more shares, depending on whether certain milestones were achieved; and

h) CNRP was also announcing a private placement offering of up to 10,000,000 shares at $0.30 per share.

[398] The impression created by the July 21, 2017 news release can also be fairly described in more succinct and simple terms. An investor or potential investor would likely believe that CNRP’s rights were limited, because all it had was a non-binding letter of intent. However, it would be understood that CNRP was developing a relationship with 1127466 BC Ltd, and 1127466 BC Ltd. had acquired licensing rights to some XSPRAYS products which might have significant value. The plans of CNRP to raise many millions of dollars in relation to the acquisition was an indication that management of CNRP considered that 1127466 BC Ltd had value because it held world-wide, exclusive licensing rights to the products listed in the news release.

[399] The July 21, 2017 news release was false and misleading. It appears to be true that Spraylabs Inc. had developed some technology and had licensed it to Titration

Technologies Inc. It is true that PSL Ventures Inc., a company that K. Thindal acknowledged as his own, had signed a letter of intent with Titration Technologies Inc. under which certain rights to some XSPRAYS products were assigned to PSL Ventures Inc. It is true that 1127466 BC Ltd. had entered into a non-binding letter of intent which contemplated that 1127466 BC Ltd. would acquire rights to XSPRAYS products. In fact, that letter of intent was conditional on 1127466 BC Ltd. acquiring such rights by the date of acquisition of its shares by CNRP. But 1127466 BC Ltd. had no such rights at the time of the news release.

[400] The picture which the July 21, 2017 news release painted of CNRP potentially acquiring 1127466 BC Ltd, which was in turn holding what appeared to be exciting and valuable exclusive international rights, was false.

[401] The July 21, 2017 news release was also false in that it created an impression that 1127466 BC Ltd. was arm's length from CNRP. We have provided comments below regarding Block One detailing why investors and potential investors might be given such an impression from communications such as news releases, even when the communications in question do not use words such as "these entities are negotiating at arms-length and the agreements they reach and prices they negotiate will reflect that". The same analysis applies here, with at least equal strength.

[402] We recognize there is significant evidence indicating that the Law Firm was an advisor to the XSPRAYS organization. The Law Firm likely suggested many elements of the structure of the relationship which was adopted between the XSPRAYS organization on the one hand and CNRP and those related to CNRP on the other hand. The Law Firm may have been advising representatives of the XSPRAYS organization about the content of the documents which the XSPRAYS organization was a party to. However, it is clear from the exchanges of documents between the XSPRAYS organization and CNRP and its representatives that the details of the agreements were negotiated primarily by drafts exchanged by email, the key steps of which are set out in considerable detail above. Those same emails show that some of the Respondents were active in developing initial drafts of most key documents and in discussing amendments to those drafts. More importantly, this proceeding is significantly focused on what CNRP announced and how it was promoted. There is no basis to conclude that the Law Firm was involved in any the disclosure which was false or misleading. The evidence clearly shows that at least some of the Respondents are responsible for that.

[403] Turning specifically to the nature and degree of control which some of the Respondents had over CNRP and its activities, we note that the executive director submits that the Respondents' control extended to the XSPRAYS organization. We do not conclude that this is supported by the evidence. Based on the evidence, the more probable reality was that the XSPRAYS organization was at arm's length from CNRP. We have carefully reviewed the correspondence between representatives of the XSPRAYS organization and CNRP and its representatives. In that correspondence we see many instances when the XSPRAYS organization asserted itself by, for example, asking for board seats,

asking about pricing of shares, excluding products from the negotiation, or stating that certain licensing rights would be non-exclusive.

[404] In order to establish that the July 21, 2017 news release was misleading it is not necessary to establish that the extent of control by the Respondents included the XSPRAYS organization. The key issue is whether the Respondents controlled 1227466 BC Ltd., such that, contrary to the July 21, 2017 news release, it was not in an arm's-length relationship with CNRP. The evidence is quite clear that the Respondents controlled both CNRP and 1127466 BC Ltd. We have set out that evidence in significant detail above, and we reference some of it below.

[405] Further, the issue of control is not about whether the Respondents dictated to the board of CNRP about how that company might implement plans to use the license to XSPRAYS products. The board and any employees of CNRP might have been quite active in developing plans to commercialize the XSPRAYS products. Day-to-day control is not the type of control which is at issue here. Our focus is on whether the Respondents, or some of them, controlled CNRP regarding the nature of the agreements it entered into with 1127466 BC Ltd., and they also controlled the positions taken by 1127466 BC Ltd. in its negotiations with the XSPRAYS organization. The answer to that question is apparent in the correspondence leading to the formation of the relevant terms. The Respondents were in control regarding the relevant issues. We can assume that the board of directors and the executives performed their duties with CNRP in day-to-day operations.

[406] The Notice of Hearing takes a maximalist approach to characterizing the degree of control which the Respondents had. The suggestion is that the Respondents controlled Integrated (and Reliq and Block One, for that matter) and their boards and their entire businesses. Such broad allegations are not supported by the facts. But we do find that the Respondents, or at least some of them, controlled the relevant issuers on the subjects that mattered for the purposes of communicating false and misleading information to investors and to potential investors.

[407] We see the high level of control exercised in the initial arrangement which K. Thindal makes with the XSPRAYS organization which results in an assignments of rights from Titration Technologies Inc. to PSL Ventures, a company controlled by K. Thindal. We see who has control as we read the email from Luddu to K. Thindal at 1:33 pm on July 20, 2017 where Luddu draws K. Thindal's attention to clauses regarding share pricing and says "insert what you want here". We see the control in K. Thindal's dictation of the substance of news releases, telling people which version to use and when to send it out.

[408] We also see some level of control evidence in the decision made to not address whatever rights were held by PSL Ventures under its assignment from Titration Technologies Inc. prior to the July 21, 2017 news release. PSL Ventures was controlled by K. Thindal, and he had initially made arrangements with representatives of the XSPRAYS organization for certain rights to be assigned to it. Later, PSL Ventures was

dropped out of the organization chart. The strategy behind that decision is not clear, and we should not speculate about it. However, it is evident that PSL Ventures could not have agreed to effectively give up whatever rights it held under its assignment agreement without the agreement from K. Thindal, and no evidence exists that any compensation was paid to PSL Ventures in return or that any representative of CNRP who was not a Respondent contributed to the structure which was eventually created to hold rights to XSPRAYS products

[409] We see control by the Respondents in how the rights ultimately acquired from the XSPRAYS organization were so different from what was originally described in the July 21, 2017 news release. Those differences represent, to a large degree, positions taken by the XSPRAYS organization. But they also show how the Respondents were not accountable to anyone else. They organized the terms of the initial assignment and they controlled the language of the related announcement. Later the rights obtained were much more limited, with no explanation offered.

[410] It is not entirely clear how the final structure was chosen to hold the rights to XSPRAYS products. Perhaps the Respondents made all of the decisions, including to incorporate 1127466 BC Ltd. on July 20, 2017, or perhaps arrangements were made based on advice from the Law Firm. What we do know is how K. Thindal described the context in his July 27, 2017 email to a potential investor. That email included K. Thindal's statement that "A shell of mine and Mani's (cc'd), CND C, is acquiring X-Spray". In context, this statement is indicative the actual rights holder, 1127466 BC Ltd., was not independent from K. Thindal's control. Indeed, the sole director of 1127466 BC Ltd. was GM, who had no other role in the key events which we summarize in this decision. A review of the relevant communications shows GM providing no input regarding the substance of any transaction. Those communications show that director complying immediately whenever asked by a Respondent to add his signature to a document.

[411] We also see control by some of the Respondents throughout the detailed chronology, above, and especially paragraphs 219 through 309, where again and again the instructions given and followed show that the Respondents controlled the relevant disclosure by CNRP and the inter-relationships, transactions and pricing between PSL Ventures, 1127466 BC Ltd., CNRP and many of the investors in CNRP.

[412] Moving to the next allegation, the Notice of Hearing alleges that the July 21, 2017 news release was false and misleading because it failed to disclose that 1127466 BC Ltd. had been incorporated the day before the news release. We do not find that the news release suggested anything about the timing of incorporation of 1127466 BC Ltd. We conclude that if 1227466 BC Ltd. was an arm's length company which had the assets it was described as having, no one would have cared about when the company was incorporated. We do not find that liability turns on the date of incorporation.

[413] Turning to the news release of September 6, 2017, we conclude that investors or potential investors who read that news release would have believed that:

a) CNRP still had a non-binding letter of intent to acquire the shares of 1127466 BC Ltd. which, through a wholly owned subsidiary, held a worldwide exclusive license for XSPRAYS;

b) 1127466 BC Ltd. were dealing at arm's length; and

c) CNRP had completed its due diligence and intended to proceed with the transaction.

[414] The Notice of Hearing does not allege that the September 6, 2017 news release was misleading regarding the relationship between CNRP and 1127466 BC Ltd. Instead, the Notice of Hearing alleges that the licensing agreement, which was between 1127466 BC Ltd. and the XSPRAYS organization, was not an arm's length transaction. The executive director's submission proceeds as though the Notice of Hearing references the non-arm's length relationship between CNRP and 1127466 BC Ltd. in connection to the September 6, 2017 news release. We are obliged to limit our analysis to what is contained in the Notice of Hearing. As noted above, the XSPRAYS organization had its own interests and was at arm's length from the Respondents.

[415] The Notice of Hearing also alleges that the September 6, 2017 news release was misleading because the license for XSPRAYS had been purchased just two weeks earlier for $10. What this allegation overlooks is that although the purchase price mentioned in the asset purchase agreement says that the price paid was $10.00, that price was clearly only one aspect of a larger arrangement. The XSPRAYS organization was also receiving share participation in CNRP. In addition, according to CK, XSPRAYS was eventually paid the $350,000 payable by PSL Ventures for licensing rights to the XSPRAYS products.

[416] In any event it is not accurate to say that the total consideration to be received by the XSPRAYS organization as a result of the transaction described in the September 6, 2017 news release was limited to $10.

[417] The Notice of Hearing also alleges that the September 6, 2017 news release was misleading regarding the date on which the licensing agreement was entered into. In response to this, Core Capital submits that "the timing of when XSPRAYS was acquired by 1127466 BC Ltd. was immaterial to this news release. Regardless of when the asset was acquired, 1127466 BC Ltd. was in possession of the XSPRAYS license on September 6, 2017. The purpose of the allegation, or how it might contribute to an artificial price, is entirely unclear." That submission has significant merit.

[418] The executive director's submissions do not elaborate on the allegation that the September 6, 2017 news release was misleading for failing to note when the licensing agreement was made. We have not attempted to formulate our own elaboration. We find that this aspect of the Notice of Hearing has not been proven.

[419] After the September 6, 2017 news release, trading in CNRP was halted by the CSE. There was no material change in the share price for CNRP until June 8, 2018. By that date CNRP had changed its name to Integrated.

[420] On June 4, 2018, Integrated announced that it had completed its acquisition of 1127466 BC Ltd. This is the third news release which is alleged to be misleading. It is alleged to be misleading in that it failed to include the relevant information that the acquisition was not an arm's length transaction. For all of the reasons stated above in relationship to the control exercised by the Respondents over Integrated and 1127466 BC Ltd., we agree. The news release was misleading. Through the June 4, 2018 news release the Respondents confirmed and renewed the false impressions which they had already created.

[421] The final Integrated news release which is alleged to be misleading is the news release of September 27, 2018. That news release announced that Integrated had signed an agreement with GTEC Holdings Ltd. to collaborate on XSPRAYS products for the Canadian market. It is alleged that the news release was misleading because K. Thindal was a director of GTEC and, therefore, the transaction was not an arm's length transaction. Although we agree that in some circumstances the non-disclosure of the non-arm's length nature of a transaction can mislead, we do not find that the involvement of a Respondent as a director of a party to an agreement automatically classifies a transaction which follows as a non-arm's length transaction in the sense that we have used the term above.

[422] In our findings above as well as below in relation to Block One we address situations where the relevant news releases announced transactions in circumstances where a reasonable reader would assume that if an important, non-arm's length relationship existed, then that relationship would be disclosed at the same time. In the present case regarding GTEC, we do not have enough context to make such a determination. The evidence does not establish very much more than the fact that K. Thindal was a director of GTEC and had influence over that company. We do not know the extent of his control over GTEC, and we do not know enough to determine if that control equated to the degree of control which he had over entities such as Integrated, 1227466 BC Ltd., Block One and TG12 Ventures. As a result, we find that this allegation is not proven.

[423] The Notice of Hearing also alleges that investor presentations and promotional campaigns were misleading. We find that they were to the extent that they repeated information which we find, above, to have been false or misleading. We also conclude that the investor presentations and promotional campaigns were more significant in terms of how much they were ramped up at key moments in relation to the issuance of misleading news releases, especially the July 21, 2017 news release and the June 6, 2018 news release, and in terms of which individual Respondents assisted with the presentations and campaigns.

[424] Having expressed our conclusions regarding which of the communications alleged in the Notice of Hearing were proven to be false or misleading, we turn our attention to the requirements set out in *Lim*.

A. Conduct relating to securities

[425] The relevant conduct related to the shares of Integrated. Such shares are defined under the Act to constitute securities.

B. Artificial price

[426] We begin this part of our analysis by once again referring to the wording of section 57(a). In addition to the other required elements, there is no breach of section 57(a) unless it is established that the conduct in question "results in or contributes to…an artificial price". It is not enough if the conduct would normally result in an artificial price. It is necessary to establish that an artificial price actually resulted from, or was contributed to by, the conduct.

[427] Before we continue our own analysis, we provide our conclusions on three questions which arise in the circumstances of this case. First, what is our role as adjudicators with specialized expertise in assessing the artificiality of the prices of securities, and what weight should we place on expert evidence? Second, in assessing whether an artificial price has been created should we require that the alleged artificial price diverge in a material way from the price which would result from the market operating freely and fairly on the basis of information concerning the true market supply and demand? Some Respondents submit that we should, and that we should require all of the elements of a materiality analysis starting with the definition of materiality in section 1 of the Act. And finally, what weight should we apply to actual price movements at the time of relevant conduct?

[428] With respect to the admissibility of opinion evidence, the leading case is *White Burgess Langille Inman v. Abbott and Haliburton Co.*, 2015 SCC 23 [*White Burgess*]. In *White Burgess*, the Court adopted a two-step approach for the admissibility of expert evidence. The first step is for the party seeking to admit the expert evidence to establish the four factors identified in *R. v. Mohan*, [1994] 2 SCR 9 [*Mohan*]:

1. Relevance
2. Necessity in assisting the trier of fact
3. The absence of any exclusionary rule
4. A properly qualified expert.

[429] The second step requires the trier of fact to balance whether admission of the evidence would be beneficial or if it could potentially harm the hearing process. As the Court said in *White Burgess*, "the judge must be satisfied that the potential helpfulness of the evidence is not outweighed by the risk of the dangers materializing that are associated with expert evidence".

[430] Although we generally follow the steps identified by the Court in determining the admissibility of expert evidence, section 173 of the Act states that panels are "not bound

by the rules of evidence" and permits a panel to "receive relevant evidence submitted by any person". As a result, we have the discretion to admit helpful relevant evidence even if it does not strictly follow the four *Mohan* factors (see: *Mountainstar Gold Inc. v. British Columbia Securities Commission*, 2022 BCCA 406). Panels have been particularly flexible about the admission of opinion evidence when there is no objection to its admission, which is the case here.

[431] There are many topics about which we would not hesitate to admit opinion evidence. For example, in *Re Donald Bergman and others*, 2021 BCSECCOM 302, the panel admitted evidence regarding the standard practice in the management of mortgage investment funds when some of the mortgages go into default. That is a topic about which this tribunal has little if any specialized knowledge.

[432] When we admit the evidence of an expert we might choose to give it considerable weight on issues about which we have limited expertise while giving it less weight on issues which we are comfortable and qualified to resolve in the absence of opinion evidence.

[433] Often reports of experts are very useful in that they establish data and background facts which were relevant to the expert's opinion and should influence our own opinion.

[434] On the question of whether a materiality analysis is necessary in relation to an allegation that an artificial price has been created as that concept is used in section 57(a), we conclude that the answer is no. There are sections of the Act which explicitly incorporate the concept of materiality. Section 57(a) is not one of those. The case precedents, which are numerous, do not apply the concept of materiality. Perhaps more importantly, the elements of section 57(a) are clear based on a plain reading of both the section and also the precedents which interpret it. Those elements appropriately limit the application of the section to avoid capturing behavior which we do not believe the Legislature would have intended to prohibit. There is no reason to read in other elements.

[435] Turning to the question of the importance of the weight to be applied to actual trading data and prices in evaluating whether an artificial price has resulted or been contributed to by certain conduct, we conclude that considerable weight should be given to actual data. Unlike in circumstances where the definition of "material fact" is in issue, we are not considering whether the conduct in question would reasonably be expected to have a specified effect on market prices. We are asking whether the artificial prices actually existed, because otherwise it could not have been created or contributed to by the conduct of a respondent.

[436] It is of course possible that at any given moment the price of a security might be artificial even if that price is unchanged from the day before or the moment before. But the circumstances of this case do not compel us to explore that possibility.

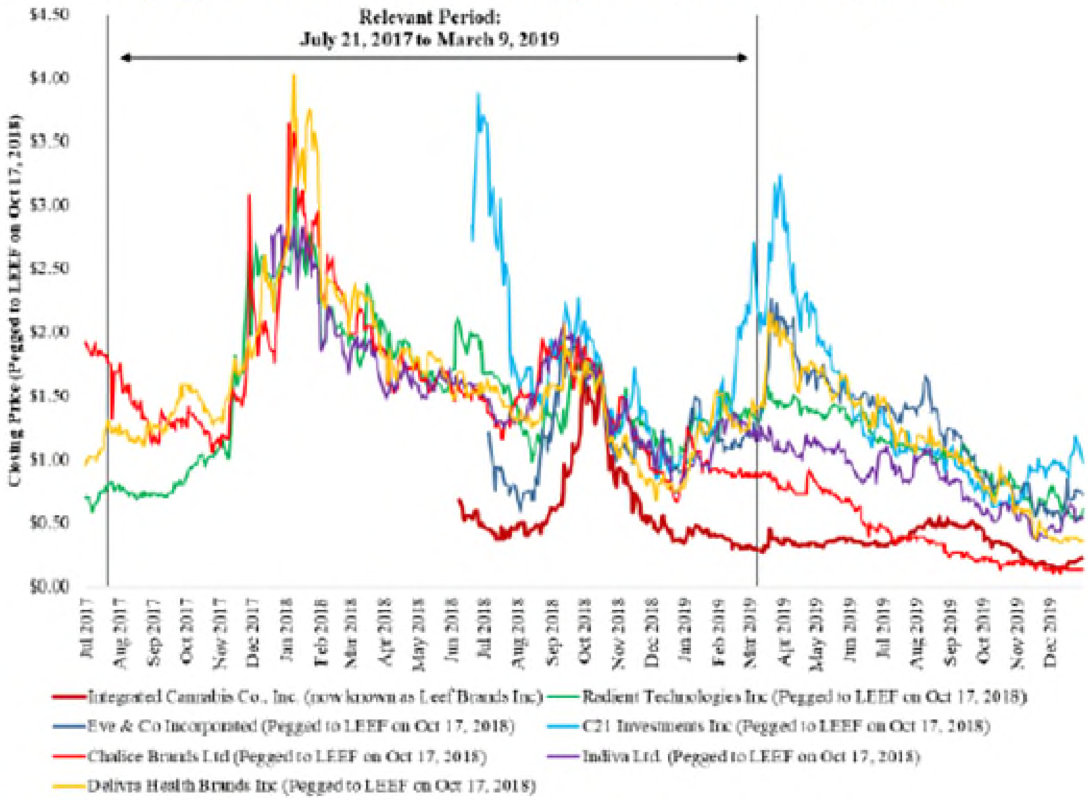
[437] The executive director submits that a finding of the creation of an artificial price for a security should follow if we make a finding that misleading information has been put into the market regarding an issuer or its business and prospects. We do not agree.

[438] It is appropriate for us to apply our specialized expertise regarding whether, based on its nature and the context, false information created an artificial price. However, such an analysis requires more than the fact that a misleading statement was made. Our conclusion in this regard is supported by the ASC's decision in *Cohodes*, where the panel held that it would be speculative to conclude that proof of the making of a misleading statement was also proof that an artificial price had resulted.

[439] There are three reasons why, in addition to the normal caution required given where the onus of proof lies, careful analysis is required before conclusions can be reached about whether an artificial price was created for the shares of CNRP. First, the reality is that CNRP's share price fell immediately after the July 21, 2017 news release. Second, for almost all of the period from early September of 2017 to early June of 2018, trading in the shares of Integrated were subject to a halt on the CSE. Finally, the Respondents' expert, BH, provided an opinion that the relevant trading activity for shares of Integrated is better explained by market conditions than by the disclosures which were made by Integrated.

[440] The most relevant chart contained in the BH report regarding the relationship between share prices of Integrated and certain other share prices is figure 2, reproduced here:

Figure 2: Closing Market Prices for Integrated and Six Other Junior Issuers in the Cannabis Sector, Daily, July 2017 to December 2019 (pegged to Market Price for Integrated on October 17, 2018)



Source: Data from FactSet Research Systems Inc.

[441] Turning to the initial issue of the decline in share prices at the time of the July 21, 2017 news release, we note that on that day Chopra and K. Thindal sold 495,000 shares at a price of $0.4082. On the same day Luddu sold 70,000 shares in small trades at a variety of prices ranging from $0.5000 to $0.4100. Together those trades represented 83% of Integrated' s trading volume for the day. Based on our experience observing share price behavior in a thinly traded venture security such as Integrated, we would have expected such heavy selling pressure to very significantly and immediately lower the share price, very possibly to below the $0.25 level it had traded at approximately a month earlier. As a result, the decline in CNRP's share price following the issuance of the misleading July 21, 2017 news release does not indicate that the news release failed to influence the market.

[442] We note that the relevant selling activity by some of the Respondents corresponded not only with the July 21, 2017 news release which we have found was misleading, but also with a series of promotional efforts made by Respondents, and especially by K. Thindal, to reach out to securities firms and potential investors soliciting their interests in investing in Integrated. We find that to be indicative of some level of knowledge that the July 21, 2017 news release would have the effect of buoying CNRP's share price.

[443] It was the Respondents' selling which led to the decrease in CNRP's share price around the time of the relevant news release. In the absence of that selling, and everything else being equal, it is likely that the misleading news release would have created at least a slight increase in the share price, and that upward pressure was artificial. The artificial lift in the share price was masked by the selling of shares by some of the Respondents.

[444] Turning to the argument regarding the halt trade which continued to June 8, 2018, we have found that an artificial price had been created before the halt trade. It continued because the false impression in the market was not corrected. In fact that false impression was reinforced by the news release of June 4, 2018.

[445] BH's report, including figure 2 above, does indicate that all cannabis related issuers experienced some buoyant share prices during the relevant period, with particular peaks around January and February of 2018, September and August of 2018 and, after the period relevant to the Notice of Hearing, in the spring of 2019. However, there are differences as well as similarities in the behavior of Integrated's share price compared to what are characterized as share prices of representative comparators. In comparison to the comparator group, Integrated's share price increase is proportionately much higher during the late autumn of 2018, and the price decrease which followed was proportionately much larger. In addition, the share price for Integrated simply did not follow the significant price rise seen by the comparator group early the following year.

[446] The connection between the share price for Integrated and the share price for the comparator group identified by BH is not strong enough to overcome the conclusion which the other evidence leads us to. That evidence includes the issuance of false and misleading information in the news releases as we describe above, the effect this would have had on the market in the absence of massive selling by the Respondents, the repetition of misleading information in news releases and in promotional materials which the Respondents circulated with heightened frequency around the time of the key news releases, and the promotion of hyperbolic claims about the prospects of Integrated, such as that it was a key player in the marijuana industry, generally at times when Respondents were selling shares. The evidence gathered by the executive director goes far beyond showing that a misleading statement was made. The Respondents conducted a significant and sustained campaign calculated to increase share prices, and the nature of the communications included in the campaign are clear enough to justify our conclusion that an artificial price was created as a result. The artificial price was first created on July 21, 2017 and it continued throughout the period relevant to the Notice of Hearing.

C. Causal connection and mental state

[447] As we noted with respect to Block One, the connection which each Respondent had with the conduct which contributed to the artificial price requires an individual by individual analysis, as does the question of what mental state existed. It makes sense in this proceeding to examine those issues together.

(a) Core Capital and K. Thindal

[448] The sole director of Core Capital was K. Thindal. K. Thindal led virtually every step in this multi-year, multi-party series of campaigns which, as we have concluded, involved the use of false and misleading information to create an artificial price for the shares of Integrated.

[449] It is not a struggle to find a reasonable analogy for the degree to which K. Thindal led the campaigns which we have described. Quarterback of a football offence, or conductor of an orchestra, are not inaccurate analogies. A read of the key emails which resulted in almost every one of the steps which we have concluded led to the creation of an artificial price shows K. Thindal directing others to take those steps. We have some evidence of Al Homsi acting more on his own initiative, especially to make strategic suggestions and to initiate promotional communications, but we do not see evidence of others doing so.

[450] In the same way that virtually every step towards the creating of an artificial price for Integrated involved K. Thindal, K. Thindal involved Core Capital in most of the steps which he took.

[451] Virtually every key step which is included in our analysis was conducted by representatives of Core Capital while using Core Capital email addresses.

[452] On the evidence we have summarized here, it is virtually impossible to conclude that there was a manipulation of the share price of Integrated in breach of section 57(a) absent a finding that K. Thindal and Core Capital were involved. We have concluded that such a breach occurred.

[453] K. Thindal led Core Capital and directed the key steps which constituted the breach of section 57(a). He led the negotiation of the terms regarding which entity would have what rights to the XSPRAYS family of products at various times, he knew that his private company had signed a letter of intent regarding rights under the Titration Agreement, he knew that 1127466 BC Ltd. did not have those rights at the time of the July 21, 2017 news release and he controlled decisions regarding valuation and corporate structure within the group which was dealing with the XSPRAYS organization. He knew that the news release published in the name of CNRP was false and misleading.

[454] K. Thindal’s significant efforts to attract buyers to the shares of CNRP, especially in the days around the July 21, 2017 news release, delivered the message to investors and potential investors that CNRP represented an attractive investment. That message was connected to the content of the misleading news release. At the same time, K. Thindal was selling what must be called a significant block of shares, and so were some of his colleagues at Core Capital.

[455] Based on his conduct, there is no space for a conclusion that K. Thindal was not acting with the full knowledge and intention to spread false information, to create an artificial price for the shares of Integrated, and to profit as a result.

[456] K. Thindal engaged in conduct relating to the shares of Integrated knowing that the conduct resulted in an artificial price for those shares. He breached section 57(a) of the Act.

(b) A. Thindal

[457] What follows is a slightly rephrased version of what the executive director submits in support of a conclusion that there was the required casual connection between A. Thindal's conduct and the creation of the artificial price for the shares of Integrated:

a) Thindal was involved in every aspect of the XSPRAYS transaction:

- He was involved in incorporating 1127466 BC Ltd. on July 20, 2017. BC Registries emailed incorporation documents for 1127466 BC Ltd. to his email.

- He was responsible for getting the letter agreement between Integrated and 1127466 BC Ltd. executed by the registered directors of both companies on July 20, 2017.

  i. He sent the signature page to GM to sign on behalf of 1127466 BC Ltd.

  ii. After GM did so, he sent the signature page to RC to sign on behalf of Integrated.

b) A. Thindal was involved in drafting the July 21, 2017 misleading news release in a series of emails between himself, Luddu, K. Thindal, Al Homsi, Chopra, and Kumar that attached updated versions of the July 21, 2017 news release.

c) A. Thindal was also involved in arranging payment for many of the promotional campaigns about Integrated.

- He was Integrated's signatory for the contract between Stonebridge Partners, which provided promotional services, and Integrated, in that he and Al Homsi were the contacts for payment of invoices and he directed EB to pay certain invoices.

[458] What follows is a slightly rephrased version of what the executive director submits in support of the conclusion that A. Thindal possessed the required mental state under section 57(a):

a) A. Thindal knew, or reasonably should have known, that his conduct would result in or contribute to an artificial price for the shares of Integrated. It is reasonable and logical to make this inference about his mental state based on the following proven facts:

The July 20, 2017 letter agreement

- He was involved in incorporating 1127466 BC Ltd. on July 20, 2017.
- He was involved in the execution of the letter agreement by the registered directors of Integrated and 1127466 BC Ltd. by sending them nothing except the signature page.

July 21, 2017 misleading news release

- He was involved in drafting the related July 21, 2017 news release announcing the agreement. Registered officers and directors of Integrated had no input in drafting the July 21, 2017 news release.
  - o The July 21, 2017 news release stated that 1127466 BC Ltd. held, through a wholly owned subsidiary, a world-wide, exclusive license for XSPRAYS which contradicted the letter agreement.
  - o The July 21, 2017 news release did not disclose that the letter agreement was not an arm's-length transaction.

Promotional Campaigns

- He paid for Integrated's promotional campaigns that repeated the misleading aspects of the misleading news releases.

b) It is not coincidental that A. Thindal traded significantly into Integrated's rising share price during the Integrated promotional period, resulting in substantial trading proceeds of over $3.4 million.

[459] A. Thindal's submissions are not structured as a point for point response to the submissions of the executive director. A. Thindal's submissions are incorporated into the submissions of K. Thindal and Core Capital. Those submissions are focused more on why the allegations in the Notice of Hearing are not proven at all.

[460] It is clear that, even given our findings of liability against K. Thindal, A. Thindal would submit that he did not breach section 57(a).

[461] As we have noted above in relation to Block One, an evaluation of whether any particular conduct is in breach of section 57(a) is highly contextual. Some conduct which would be otherwise innocuous will be in breach of section 57(a) if the individual who is responsible for the conduct knows, or ought to know, that the step he or she is taking is helping to spread misleading information in order to create an artificial price for a security.

[462] If an individual respondent knows or ought to know that his or her conduct will result in an artificial price for a security, then provided the conduct in question contributes to the

artificial price, liability does not require proof that the respondent's conduct was extensive or repeated. To illustrate this point with a hypothetical example, if an office receptionist is asked to set up meetings with investors and the actual but secret (from the receptionist) purpose of those meetings is to induce those investors to invest more money through false statements, then the office receptionist has no liability under section 57(a) for proceeding to arrange those meetings. However, if the same receptionist arranges the same meetings when he or she knew or should have known that false statements would be made to the investors with the expected and eventual result of an artificial price, then the receptionist should expect liability to follow. His or her conduct might have been modest in relation to the overall scheme, but that conduct contributed to the artificial price. With the described mental state present, liability would be established.

[463] A. Thindal's conduct consisted of far more than clerical work, although some of the conduct which the executive director points to as establishing A. Thindal's liability is not much more than clerical in nature.

[464] A careful review of the evidence shows that A. Thindal's opinions were sought on news releases and on the content of some promotional materials and he was given some discretion to deal with promotional firms and with some other issues. The collected emails repeatedly show K. Thindal asking employees such as Luddu, as an example, on May 24, 2017, to convert the signature page of the Titration Technologies assignment to PDF, sign it, attach it to an agreement, and return it. A. Thindal was generally directed by K. Thindal, but we see him given more autonomy and we see him giving directions to others, for example instructing directors of 1127466 BC Ltd. and CNRP to sign documents. We see enough "conduct" from A. Thindal for us to conclude that, if we draw inferences that A. Thindal was proceeding with the required level of knowledge of the misleading nature of the relevant communications, then the necessary elements of both conduct and mental state are present.

[465] There are a large number of reasons why we do draw an inference that A. Thindal had the mental state necessary to establish liability. These include:

a) the nature of the relationship between K. Thindal and A. Thindal. These two men are brothers. We would not infer too much from that fact on its own. In fact, we recognize that a family relationship can sometimes explain events which would otherwise be hard to explain, for example a situation where one party is paying funds to another party without apparent reason. In this case, when we join the existence of the family relationship here together with the fact that K. Thindal was A. Thindal's boss in their working relationship, and the strong evidence that K. Thindal frequently put A. Thindal into roles where he could act with some independence to assist K. Thindal, we see a reasonable likelihood that they were sharing information about the purposes of their business activities. When we mention A. Thindal accepting roles where he could help K. Thindal, we are thinking of events such as A. Thindal becoming the CFO for Reliq and, from that position, keeping K. Thindal informed of events.

b) As described by Dr. C, the Thindal brothers were very close and A. Thindal was constantly keeping K. Thindal updated on events at Reliq.

c) A. Thindal was involved in a high proportion of K. Thindal's conduct. Over and over again, when we review the documents related to a step led by K. Thindal to promote Integrated, including through false statements, we see that he has kept A. Thindal aware of events by including him in the relevant communications.

d) The degree to which A. Thindal benefited from his conduct. Although we do not rely on the executive director's net benefit calculations as fully taking into account share acquisition costs, we do see that most of the shares which A. Thindal acquired were acquired at relatively low prices and his selling proceeds were well over $3 million.

e) The most obviously false or misleading information put out by the Respondents regarding CNRP was the false information about what license 1127466 BC Ltd. held as of the date of the July 21, 2017 news release. A. Thindal saw the communications regarding 1127466 BC Ltd. and his role included being aware of what he was reading. He received documents which made it clear 1127466 BC Ltd. did not hold an exclusive worldwide license. He was involved enough in the drafting of the news release to see that it said otherwise.

[466] Based on the above, we find that A. Thindal was aware of the misleading nature of the communications and that they would lead to an artificial price for the shares of Integrated. If he did not have such actual knowledge, then he ought to have known based on the information which was sent to him.

[467] Since he possessed or ought to have possessed such knowledge, and since his conduct assisted in the creation of an artificial price for the shares of Integrated, A. Thindal breached section 57(a) of the Act.

(c) Al Homsi

[468] What follows is a slightly rephrased version of what the executive director submits in support of a conclusion that there was the required casual connection between Al Homsi and the conduct which created or contributed to the artificial price for the shares of Integrated:

a) Al Homsi was involved in drafting the July 21, 2017 misleading news release in email chains between himself, K. Thindal, A. Thindal, Kumar, Chopra, and Luddu.

b) Al Homsi was involved in arranging promotional campaigns about Integrated by Technical420 and MarijuanaStocks.

- In May 2017, Al Homsi provided Integrated's investor presentation to promoters with the comment "This will be our next project for July to December".
- Stonebridge Partners emailed Integrated's invoices to Al Homsi and A. Thindal on November 6, 2017.
- Al Homsi instructed Stonebridge Partners on content to produce and publish for Integrated in December, 2017.
- Stonebridge Partners emailed Integrated's invoices and agreements to Al Homsi and A. Thindal
- Al Homsi paid some of Integrated's invoices for MarijuanaStocks.com promotions. He admitted this at his investigative interview and, before that, to Commission staff in September 2017 when he said that he had paid $100,000 to MarijuanaStocks for a recent promotion of Integrated.

[469] What follows is a slightly rephrased version of what the executive director submits in support of a conclusion that Al Homsi possessed the required mental state under section 57(a):

a) Al Homsi knew, or reasonably should have known, that his conduct would result in or contribute to an artificial price for the shares of Integrated. It is reasonable and logical to make this inference about his mental state based on the following proven facts:

- He was on the email chain drafting the July 21, 2017 news release with the other respondents.
- None of the registered officers and directors of Integrated were involved in drafting the news release.
- He had an office at Core Capital at the time the July 21, 2017 news release was drafted by the respondents. He admitted at his investigative interview under oath that he was still working for Core Capital at this point.
- He was described as K. Thindal's "partner" by CK.
- He arranged the promotional campaigns about Integrated by Technical420 and MarijuanaStocks and received the related invoices for payment.
- He admitted to paying $100,000 of his own money to MarijuanaStocks to promote Integrated.

b) It is not coincidental that Al Homsi traded significantly into Integrated's rising share price during the Integrated promotional period, resulting in substantial trading proceeds of about $2.8 million.

[470] As we stated with respect to the findings we made in relation to A. Thindal, liability does not require extensive conduct. Liability is conditional on proof of conduct which results in or contributes to the artificial price created for shares of Integrated. It is of course

necessary that the executive director connect the conduct of each Respondent to the artificial price.

[471] The artificial price for CNRP was initially created or contributed to by false or misleading information in the July 21, 2017 news release about what license 1127466 BC Ltd. held and the non-arm's length relationship between CNRP and 1127466 BC Ltd.. After the artificial price was created, it was supported by the June 6, 2018 news release and by various promotional materials which were misleading by the relevant content or omission, and which also contained hyperbolic promotional claims.

[472] As a first step, it is necessary to examine whether Al Homsi knew or should have known that K. Thindal controlled CNRP and 1127466 BC Ltd. or that as of July of 2017, 1127466 BC Ltd. did not hold the license to XSPRAYS products in July of 2017.

[473] It is not clear that Al Homsi knew or should have known about how the XSPRAYS license was held as of July of 2017. A careful read of the emails between the parties in the weeks before July 21 of 2017 suggests that K. Thindal was in discussions with representatives of XSPRAYS about the terms of the proposed relationship, and that K. Thindal was keeping some representatives of Core Capital informed of developments by shared emails. Al Homsi was not one of those kept informed. We do not see a basis to infer that Al Homsi was kept aware of those developments through channels other than the shared emails.

[474] There is a basis to infer that Al Homsi was aware that both 1127466 BC Ltd. and CNRP were controlled by K. Thindal. Some reasons to draw this inference are the following:

a) Al Homsi was an employee of Core Capital at the time and he had an office there. It was a small office. Throughout the entire record of his involvement with Core Capital and its activities, when Al Homsi was involved he was proactive in such areas as what promotional strategies to follow, what outside consultants and promoters to engage and what to tell them. He could only act in that way if he was familiar with Core Capital's plans;

b) In May of 2017, Al Homsi circulated CNRP's investor presentation to promoters stating that it would be "our next project";

c) In July of 2017, K. Thindal included Al Homsi in the circulation of the drafts of the July 21, 2017 news release.

d) After July of 2017, Al Homsi played a significant role in the promotion of Integrated, arranging for involvement from promoters, arranging payment for promotional efforts, and even paying for promotional efforts himself. This suggests that he would have knowledge of the background of the proposed transactions;

e) Al Homsi had a significant financial position in CNRP, suggesting that he would have wanted to keep himself aware of all developments. As we have seen in relation to all of the promotions he was connected to, Al Homsi was quite direct in seeking information regarding his investments, to the point that the Reliq board had concerns about him seeking inside information

f) Throughout his involvement with Core Capital, Al Homsi's tweets were coordinated with key press releases regarding the issuers which Core Capital was promoting. The hyperbolic content of the tweets complimented news releases, and although Al Homsi was at many times a regular communicator on social media he ramped up his activity at key moments in support of Core Capital's promotions. All of this suggests a high degree of awareness and coordination between Al Homsi and K. Thindal.

g) Al Homsi frequently invested in Core Capital's promotions, he was let in on opportunities to acquire inexpensive shares early, and to some extent he cashed out a significant part of his investments after key announcements were made on behalf of the promoted issuers and before the promotional periods ended. Again, this suggests a high degree of information sharing between him and K. Thindal.

[475] Looking at all of the evidence, we do draw an inference that Al Homsi knew, or should have known, that K. Thindal controlled both CNRP and 1127466 BC Ltd. and that the July 21, 2017 news release was misleading as a result. This establishes the required mental state.

[476] Turning to the issue of whether Al Homsi's conduct has the necessary causal connection to the creation of the artificial price, we note that Al Homsi did not reply to the various emails he received attaching drafts of the July 21, 2017 news release. We have serious doubts about whether being the recipient of an email is enough conduct to engage section 57(a), and we do not see conduct as of July 21, 2017 which results in liability for Al Homsi under section 57(a) of the Act. However, we note that later in the period relevant to the Notice of Hearing Al Homsi was anything but passive in promoting CNRP. We conclude that his arranging for promotional communications which are full of hyperbolic claims is conduct and which contributed to the artificial price for CNRP. Al Homsi's conduct occurred after a false impression had been created regarding the existence of an arm's length relationship between 1127466 BC Ltd. and CNRP, which we have found Al Homsi knew of or should have known of. Al Homsi added the highly promotional communications which he was leading on top of the false impression which the July 21, 2017 news release had initially created.

[477] Al Homsi engaged in conduct related to the shares of Integrated which contributed to the artificial price of those shares, and he knew or should have known that his conduct would contribute to that artificial price. Al Homsi breached section 57(a) of the Act in relation to Integrated.

(d) Chopra

[478] What follows is a slightly rephrased version of what the executive director submits in support of a conclusion that there was the required casual connection between Chopra and the conduct which created or contributed to the artificial price for the shares of Integrated:

a) Chopra was involved in drafting the July 21, 2017 misleading news release in email chains between himself, K. Thindal, A. Thindal, Al Homsi, Kumar, and Luddu. Chopra was also copied on an email from K. Thindal on July 29, 2017 that sent the July 21, 2017 news release to a representative of a securities firm to promote CNRP's $3 million private placement.

b) Chopra distributed the misleading investor presentations. He sent Integrated's July 2017 investor presentation to Canaccord Genuity. He was also copied on an email from K. Thindal on July 29, 2017 that sent the July 2017 investor presentation to ML.

c) By being involved in drafting and distributing the July 21, 2017 misleading news release and distributing a misleading investor presentation to a brokerage and to a potential investor, Chopra engaged in conduct that resulted in or contributed to the artificial price of Integrated's shares.

[479] What follows is a slightly rephrased version of what the executive director submits in support of a conclusion that Chopra possessed the required mental state under section 57(a):

a) Chopra knew, or reasonably should have known, that his conduct would result in or contribute to an artificial price for the shares of Integrated. It is reasonable and logical to make this inference about his mental state based on the following proven facts:

July 21, 2017 news release

- He was involved in drafting the related July 21, 2017 news release announcing the agreement. Registered officers and directors of Integrated had no input in drafting the July 21, 2017 news release.
  - The July 21, 2017 news release stated that 1127466 BC Ltd. held, through a wholly owned subsidiary, a world-wide, exclusive license for XSPRAYS which contradicted the letter agreement.
  - The July 21, 2017 news release did not disclose that the letter agreement was not an arm's-length transaction.

CNRP was K. Thindal and Chopra's shell that was acquiring XSPRAYS

- In a July 27, 2017 email soliciting investors, K. Thindal described CNRP as a shell of his and Chopra's that was acquiring XSPRAYS. The email attached the July 21, 2017 news release, Integrated's investor presentation, and a term sheet for Integrated's most recent private placement. Chopra was copied on this email.

Chopra was a retired securities lawyer

- Chopra was a retired securities lawyer and was educated on the importance of a company providing accurate disclosure to investors.

Investor presentations

- He distributed Integrated's misleading investor presentations that did not refer to any of the respondents secretly controlling Integrated or to the transaction between Integrated and 1127466 BC Ltd.

[480] The executive director submits it is not coincidental that Chopra traded significantly into Integrated's rising share price during the Integrated promotional period, resulting in substantial trading proceeds of almost $1.2 million.

[481] Chopra makes a number of submissions in response to the executive director's submissions, most of them focused on the limited role which Chopra is alleged to have played in the pump and dump. Because we have disposed of these allegations based on the lack of sufficient evidence for us to support an inference about what Chopra knew or should have known, we will not review Chopra's submissions in detail.

[482] As we explain above, the artificial price for the shares of Integrated was initially created by the July 21, 2017 news release which failed to disclose the non-arm's length relationship between CNRP and 1127466 BC Ltd. and which falsely stated that 1127466 BC Ltd. held a global, exclusive license to certain XSPRAYS products. Our analysis focuses on whether Chopra knew or should have known that this information was false or misleading.

[483] There are some reasons why we might infer that Chopra knew or should have known that the July 21, 2017 news release was false or misleading. As the executive director notes, on July 27, 2017, K. Thindal described CNRP to potential investors as a shell of his and Chopra's which was acquiring XSPRAYS. That suggests that a significant relationship existed between K. Thindal and Chopra with respect to XSPRAYS. That possibility is supported by the fact that Chopra shared office space with Core Capital. The existence of a relationship between Core Capital and Chopra is also supported by evidence from more than one witness and also by the submissions of Chopra to the effect that Chopra was called upon by Core Capital to provide comments on transactions and business structures because he (Chopra) had considerable experience as a securities lawyer. In addition, we have the evidence that on July 21, 2017 Chopra sold the same number of Integrated shares, at the same price, as were sold by K. Thindal: 495,000 shares for proceeds of $201,039. This event strongly suggests that there was coordination between K. Thindal on a step which, we have found, masked the price increase which would have otherwise have resulted from the July 21, 2017 news release.

[484] There are some other factors which do not support drawing an inference that Chopra knew or should have known about the non-arm's length relationship between 1127466 BC Ltd. and CNRP. First, the record of communications between K. Thindal and others regarding the structure of the relationship between CNRP, 1127466 BC Ltd. and the XSPRAYS organization does not suggest that Chopra was involved in any planning or strategy, or even that he was kept informed about how those relationships would be structured. His email address is conspicuously absent from key emails regarding 1127466 BC Ltd. and what rights it held. Further, although Chopra shared office space with Core Capital he did not have a Core Capital email address and he was not an employee of Core Capital. As a result, it is not clear anyone should assume he was knowledgeable based on his proximity to K. Thindal. We should add that if Chopra was not familiar with the events surrounding 1127466 BC Ltd., he would not have been aware of the degree of control over that company which was exercised by K. Thindal.

[485] One piece of evidence that Chopra places considerable emphasis on in his submissions is that although Chopra received a copy of the draft July 21, 2017 news release, his only comment about it in reply related to the warrants in the financing which was announced at the same time.

[486] Still another factor is that although Chopra made some profits from the sales of shares of CNRP, through the shares he held or the shares he re-acquired after July 21, 2017, it is not fair to say that Chopra dumped the majority of his CNRP shares in accordance with the pattern which one would expect from someone who knew a pump and dump was underway.

[487] It is plausible that Chopra was an investor in Integrated without being involved in the conduct which created an artificial price for the shares of Integrated.

[488] Looking at all of the evidence, we see many explanations for Chopra's conduct which do not include a likelihood that he knew, or should have known, that the information being disclosed by CNRP was false or misleading.

[489] We conclude that the allegations against Chopra regarding Integrated are not proven.

(e) Luddu

[490] What follows is slightly rephrased version of what the executive director submits in support of a conclusion that there was the required casual connection between Luddu and the conduct which created or contributed to the artificial price for the shares of Integrated:

a) Luddu was involved in drafting the letter agreement between Integrated and 1127466 BC Ltd. on July 20, 2017.

b) Luddu was involved in drafting the July 21, 2017 misleading news release in email chains between himself, K. Thindal, A. Thindal, Al Homsi, Chopra, and

Kumar. Luddu disseminated the September 6, 2017 misleading news release by emailing it to Stockwatch and directing its distribution.

c) Luddu was involved in preparing and distributing Integrated's misleading investor presentations. He distributed Integrated's July 2017 investor presentation to investors. He also revised Integrated's September 2018 investor presentation.

d) By being involved in drafting one misleading news release and disseminating another, and by drafting and distributing misleading investor presentations, Luddu engaged in conduct that resulted in or contributed to the artificial price of Integrated's shares.

[491] Here is what the executive director submits in support of a conclusion that Luddu possessed the requisite mental state under section 57(a):

a) Luddu knew, or reasonably should have known, that his conduct would result in or contribute to an artificial price for the shares of Integrated. It is reasonable and logical to make this inference about his mental state based on the following proven facts:

The July 20, 2017 letter agreement

- He was involved in drafting the terms of the letter agreement between Integrated and 1127466 BC Ltd. with no input from their registered officers and directors.
  - 1127466 BC Ltd. was incorporated the same day as the letter agreement.
  - The letter agreement did not claim that 1127466 BC Ltd. or its subsidiary held a world wide exclusive license for XSPRAYS products.
  - The letter agreement made no reference to XSPRAYS whatsoever.
  - The letter agreement was not an arm's-length transaction.

The July 21, 2017 news release

- He was involved in drafting the related July 21, 2017 news release announcing the agreement. Registered officers and directors of Integrated had no input in drafting the July 21, 2017 news release.
  - The July 21, 2017 news release stated that 1127466 BC Ltd. held, through a wholly owned subsidiary, a world-wide, exclusive license for XSPRAYS which contradicted the letter agreement.
  - The July 21, 2017 news release did not disclose that the letter agreement was not an arm's-length transaction.

The September 6, 2017 news release

- He disseminated the September 6, 2017 news release by directing Stockwatch to distribute it.

Investor presentations

- He prepared and distributed Integrated’s misleading investor presentations that did not refer to any of the respondents secretly controlling Integrated or to the transaction between Integrated and 1127466 BC Ltd.

b) It is not coincidental that Luddu traded significantly into Integrated’s rising share price during the Integrated promotional period, resulting in substantial trading proceeds of over $736,000.

[492] Luddu submits that although the allegations against him in the Notice of Hearing were broad and far reaching, those allegations narrowed significantly as the evidence unfolded and as submissions were made. Luddu submits that even with that narrowing, the executive director significantly overstates Luddu’s role.

[493] Luddu characterizes his role at Core Capital as that of a young, inexperienced secretary. Luddu supports this submission in a number of ways, including by quoting the evidence of a number of witnesses who had some connection to one or more of Reliq, Block One, and Integrated, mostly individuals who are not respondents. Those witnesses either saw no involvement by Luddu in the key events, or they described his role as little more than clerical. Dr. C described Luddu as “literally the receptionist”.

[494] Luddu submits that although he was copied on emails attaching the letter agreement between 1127466 BC Ltd. and CNRP of July 20, 2017 and the July 21 news release, this is not evidence that he opened the attachments. Implicitly, Luddu is submitting that it was not Luddu’s normal role to review and comprehend the documents he was copied on.

[495] When we look at the role which Luddu played in relation to Integrated and throughout the evidence in this proceeding we see that many times Luddu took a specific step, and in almost every case that step was preceded by a clear and specific instruction to take that step. Usually the instruction was given to Luddu by K. Thindal.

[496] Luddu’s submissions amount to an argument that, among other issues, there is no proper basis for concluding that Luddu would have been aware that the July 21, 2017 news release was false and misleading because it failed to disclose the non-arm’s length relationship between 1127466 BC Ltd. and CNRP and the fact that 1127466 BC Ltd. did not hold the license which it was described as holding.

[497] We accept that Luddu’s role was a junior role, mostly clerical.

[498] As we have made clear in our conclusions above, if a hypothetical respondent was aware of conduct which would create an artificial price for a security and then added his or her own conduct which contributed to the artificial price, liability would normally follow. This would be so even if the extent of that conduct was relatively limited.

Further, a respondent's state of mind will rarely be admitted and can be inferred from facts which are established.

[499] The main fact which supports a conclusion that Luddu knew or should have known that an improper promotion was occurring regarding Integrated is that the proceeds which Luddu generated from selling shares of Integrated exceeded $700,000. We recognize that this figure does not correspond to Luddu's net profit. But it is nevertheless a very significant amount of revenue for a mere receptionist to generate, and it is at best a very suspicious circumstance.

[500] It is useful at this point to step back from a very narrow analysis of what documents Luddu was sent during a particular two day period in July of 2017 and what he would have understood from those communications. It is important to take a more holistic view.

[501] Based on a cumulative view of all of the evidence, we conclude that K. Thindal was the operating mind of Core Capital. He consistently worked closely with his brother A. Thindal, and they exchanged important, strategic information with each other. K. Thindal often worked closely with Al Homsi, and they exchanged communications regarding strategy and how to implement strategy. It is not clear that other individuals were involved in conduct which was at the level of planning or strategy.

[502] The strategy which is apparent in K. Thindal's actions was to identify hot sectors of the securities market which were attracting investment, to take control of a shell which could be used for trading, and then to insert an asset into the shell which he and the people he was working with could tell a story to the market. The story could be about the prospects for the asset in the cryptocurrency field, the medical technology field or the cannabis field, whatever was current. Unfortunately for investors, K. Thindal often pushed that "story" as far as he could by repeatedly making representations which were just barely true. At a few key moments K. Thindal went so far as to arrange events so that false and misleading statements were incorporated into the story.

[503] It is appropriate that we ask ourselves whether it is logical to conclude that K. Thindal would have shared information with junior employees of Core Capital about K. Thindal's conduct which was crossing the line. Maybe K. Thindal would have shared such information, Core Capital's was a small office and there were many familial relationships between the Respondents. For the wrong participants in our capital markets, misleading investors or coming right up to the line can be something which is celebrated.

[504] On the other hand, it is at least as likely that K. Thindal and those in his inner circle would have portrayed themselves to junior employees as legitimate promoters who were exercising skill in recognizing which areas of the market were hot, and in putting together attractive deals.

[505] We conclude that it would be speculation to infer that as K. Thindal took steps to mislead investors and potential investors he was explaining his intentions to junior members of his staff like Luddu.

[506] We also conclude it is not proven that Luddu knew of the nature of the false and misleading communications which we found were made in relation to CNRP.

[507] Should Luddu have had that knowledge? Luddu was copied on emails attaching documents which contained all of the information Luddu needed to reach the same conclusions which we have reached. Should he have read the attachments, and absorbed their contents?

[508] Luddu did not respond to the relevant emails he was sent regarding the July 21, 2017 news release. There is no basis to suggest that anyone was expecting him to comment on the substance of any of the attachments. We can't even have any confidence he was expected to look at the substance of the attachments. It is quite plausible that K. Thindal was including Luddu on the email chain because K. Thindal might want Luddu to be up to date in case K. Thindal would later need someone to send the documents, or a subsequent version of them, somewhere else.

[509] We find that the allegations regarding Integrated are not proven against Luddu.

(f) Kumar

[510] What follows is slightly rephrased version of what the executive director submits in support of a conclusion that there was the required casual connection between Kumar and the conduct which created or contributed to the artificial price for the shares of Integrated:

a) Kumar was involved in drafting the July 21, 2017 misleading news release in email chains between himself, K. Thindal, A. Thindal, Al Homsi, Chopra, and Luddu.

b) Kumar was involved in distributing the misleading investor presentations. He received the July 2017 investor presentation from K. Thindal and forwarded it to Luddu, who then emailed it to investors.

[511] What follows is a slightly rephrased version of what the executive director submits in support of a conclusion that Kumar possessed the requisite mental state under section 57(a):

a) Kumar knew, or reasonably should have known, that his conduct would result in or contribute to an artificial price for the shares of Integrated. It is reasonable and logical to make this inference about his mental state based on the following proven facts:
   - He was on the email chain drafting the July 21, 2017 news release with the other respondents.

- None of the registered officers and directors of Integrated were involved in drafting the news release, one of whom was his brother, N. Kumar.
- He was Vice President, Corporate Development at Core Capital and worked from the Core Capital offices.
- CK described Core Capital as being responsible for the “marketing and financing” for the XSPRAYS transaction.
- He was copied on several email chains that demonstrated that K. Thindal, A. Thindal, Luddu, and Al Homsi were heavily involved in making decisions about the company, including when news releases would be issued, and editing news releases.
- He received and distributed Integrated’s investor presentations that did not refer to any of the respondents secretly controlling Integrated or to the transaction between Integrated and 1127466 BC Ltd.
- Kumar was a former registrant and was educated on the importance of a company providing accurate disclosure to investors.

b) It is not coincidental that Kumar traded significantly into Integrated’s rising share price during the Integrated promotional period, resulting in substantial trading proceeds of over $748,000.

[512] Kumar’s submissions emphasize his youth and inexperience and that his role at Core Capital was similar to Luddu’s in that he was directed to do certain things by his bosses and he did them, but he did so without an awareness of any misconduct.

[513] To some extent there are reasons to draw inferences with respect to Kumar which should not be drawn for Luddu, particularly because Kumar had the role of Vice President, Corporate Development at Core Capital. One might therefore expect that Kumar played a role in important decisions about how Core Capital’s projects would be promoted. However, when one reviews the email history in this proceeding it becomes clear that Kumar did not have the degree of responsibility or independence which would normally be expected of someone in an executive role. Generally what we see when looking at the evidence is Kumar being asked to take routine steps, and Kumar doing so without exercising any real discretion.

[514] On the other hand, to some extent there are reasons to conclude that Kumar had less knowledge about the Integrated transaction than did Luddu. There is no evidence that Kumar had any involvement in relation to the role of 1127466 BC Ltd. As a result, it is difficult to draw conclusions that Kumar had a particular understanding about 1127466 BC Ltd. or its role or why it would in some circumstances to be misleading to mention a transaction related to that company without mentioning who controlled it.

[515] The executive director is correct that Kumar was copied on emails that attached the July 21, 2017 news release. He did not respond.

[516] We conclude that even assuming Kumar had read the July 21, 2017 news release, which is likely and which would likely have been expected of him given his role at Core

Capital, there is no reason to expect he would have understood what was misleading about that news release given his lack of knowledge about 1127466 BC Ltd. and the arrangement which that company had entered into.

[517] We conclude that the allegations against Kumar regarding Integrated are not proven.

XIII. Analysis regarding Block One

[518] As we have noted, section 57(a) prohibits conduct which contributes to an artificial price for a security. The communication of a fact which is proven to be false or misleading can be the primary cause of an artificial price, and so our analysis largely focuses on whether specific, false statements were made. However, as we mention above and expand upon below, the analysis of whether certain conduct created an artificial price requires a careful review of the entire context. The existence or absence of a specific, false or misleading statement is not necessarily determinative regarding whether an artificial price has been created.

[519] We begin this portion of our analysis with a focus on whether some or all of the Respondents communicated false or misleading information to the public. Then we consider whether the conduct of at least some of the Respondents otherwise created a misleading impression regarding Block One or its business. Then we turn to consider the specific elements which must be established, as explained in *Lim*, to support a finding of liability.

[520] The Notice of Hearing includes an allegation that an artificial price for Block One was created through a number of communications made by the Respondents, including in news releases issued by Block One and in the form of investor presentations and tweets. To a large extent Block One told its story through the news releases, and in general the other communications which are alleged to have contributed to an artificial price for Block One shares either echoed information contained in the news releases or are hyperbole carefully timed to compliment the news releases. As a result, it is useful to begin by focusing on the relevant news releases.

[521] We quote portions of the Notice of Hearing to emphasize the precise respects in which certain of the Block One news releases were alleged to be false or misleading or both:

> 41. The November 30, 2017 news release was false and misleading as it failed to include relevant information including:
>
> a) TG12 Ventures had been incorporated by the Respondents two weeks earlier and was not engaged in cryptocurrency mining;
> b) TG12 Ventures had no funds to pay for the miners under the cryptocurrency miner agreement;
> c) The Respondents, and not TG12 Ventures, had paid for TG12 Ventures' first payment owed under the cryptocurrency miner agreement; and

d) Block One's acquisition of up to 90% of TG12 Ventures was not an arm's length transaction as the Respondents controlled both Block One and TG12 Ventures.

42. In a news release dated December 7, 2017, Block One announced that TG12 Ventures was doubling the number of miners it was purchasing to 2,000 cryptocurrency miners. This news release was misleading as TG12 Ventures had no funds to pay for any miners.

44. The January 3, 2018 news release was misleading because:

a) Block One had, in fact, paid TG12 Ventures the equivalent of USD $2.681 million so TG12 Ventures could make its remaining payments to acquire the original 1,000 miners under the cryptocurrency miner agreement. TG12 Ventures had no funds to pay for any miners otherwise;
b) The binding agreement stated that Block One would only acquire 45% of TG12 Ventures for USD $2.91 million, not 90%; and
c) TG12 Ventures was controlled by the Respondents and was not an arm's length company.

45. In a news release dated March 14, 2018, Block One announced that TG12 Ventures had commenced mining Bitcoin and had begun generating revenue. This news release was false and misleading as Block One had not begun generating revenue from mining Bitcoin as of that date. In fact, Block One did not generate revenue from mining any cryptocurrency currency during the Block One promotional period.

46. In a news release dated May 8, 2018, Block One announced that it had completed the sale of its Bitcoin mining operations to another company for $3.115 million in shares. This was false and misleading as Block One had no Bitcoin mining operations to sell.

[522] When viewing those allegations it is crucial to keep in mind the entire context as it existed at the time and to fairly and accurately characterize how the news releases would have been interpreted by investors and potential investors.

[523] After the publication of Block One's November 30, 2017 news release, here is what investors and potential investors in Block One would reasonably have believed:

a) Block One was an investment holding company which took in investment funds through private placements and possibly from other sources and invested those funds in promising issuers in various blockchain related businesses;

b) TG12 Ventures was a promising issuer because there were significant profits to be made in cryptocurrency mining and TG12 Ventures was described both as "engaged in cryptocurrency mining" and as having an agreement to acquire 1,000 cryptocurrency miners, and so TG12 Ventures might already be an active cryptocurrency miner or, at a minimum, it was about to pay the agreed price to acquire mining hardware needed to begin operations;

c) Block One had signed a binding term sheet to acquire up to 90% of TG12 Ventures for USD $2.3 million, with 40% scheduled to be acquired immediately for USD $250,000, and Block One intended to pay the agreed price to acquire the agreed shares of TG12 Ventures;

d) when the miners were in full operation Block One expected TG12 Ventures would earn annual revenue of USD $7.8 million; and

e) there was no reason to doubt that the valuations of TG12 Ventures and its cryptocurrency miners were anything other than commercial values set through negotiations at arm's length.

[524] We agree with the Respondents that the November 30, 2017 news release did not create the impression that TG12 Ventures was an established entity or that it had on hand the funds needed to pay the first or other installments for the cryptocurrency miners. The November 30, 2017 news release does suggest in one place that TG12 Ventures was already operating. However, it suggests otherwise in the same document.

[525] The Notice of Hearing correctly identifies that TG12 Ventures had been incorporated two weeks before the November 30, 2017 news release and the Notice of Hearing correctly identifies that some of the Respondents made the first payment owed by TG12 Ventures under the cryptocurrency miner agreement, but those elements are not inconsistent with the impression which we find was created by the November 30, 2017 news release.

[526] The most consequential conclusion which we have drawn regarding the content of, the November 30, 2017 news release is that it creates the impression, as is alleged in paragraph 41(d) of the Notice of Hearing, that Block One's acquisition of up to 90% of TG12 Ventures was an arm's length transaction.

[527] Investors who have an interest in a transaction will assume that if there is a clear and obvious conflict of interest at the core of the transaction, for example when the transaction consists of the sale of an asset from an entity which certain parties control to another entity which they also control for a price which the same parties are setting, that conflict will be disclosed. When a transaction is described as if non-conflicted parties are setting the prices and terms related to the transaction, investors will ordinarily and naturally assume that the transaction is being conducted at arm's length.

[528] It is an obvious and natural implication of an arm's length transaction that asset prices will be set at what independent buyers and sellers consider to be market value. In this case, for example, Block One's acquisition of TG12 Ventures for $2.3 million would strongly suggest that there was an arm's length, market based basis to expect that TG12 Ventures had a value of $2.3 million.

[529] The Respondents submit that the executive director's use of the term "arm's length" is vague and undefined and not consistent with certain definitions used in securities legislation. We do not find these submissions to be compelling. The term "arm's length" is being used in this proceeding in a very generic sense which is to be contrasted with a party dealing with itself. That usage in this case is appropriate because that meaning is consistent with the expectations of investors.

[530] The Respondents refer to *Re North America Frac Sand, Inc*., 2022 ABASC 110 [*North American Frac Sand*], a decision of the ASC. In that case it was alleged that the issuer's filings were inaccurate due to a failure to identify a related party who had provided funding. There may have been arguments for liability in that case which had not been asserted by staff of the ASC. The panel in that case chose not to consider grounds of liability beyond what had been properly asserted by staff of the ASC, noting that the Respondents were entitled to a fair opportunity to respond to any allegation.

[531] We agree with the panel in *North America Frac Sand* that we should not make the case for the executive director by transforming his submissions into grounds of liability which the Respondents did not have a fair chance to respond to. We are holding the executive director to the allegations set out in the Notice of Hearing. However, we believe our findings are not outside of what was alleged in the Notice of Hearing. The executive director dedicated significant effort in leading evidence and making submissions to establish the degree of control exercised by the Respondents over Block One and TG12 Ventures, and both the executive director and the Respondents addressed us regarding topics such as how the news releases would be interpreted and how to assess materiality with reference to how reasonable investors would interpret information. The executive director placed considerable emphasis on the lack of arm's length relationships in the structure of TG12 Ventures' affairs. Our conclusion that investors would be misled in this regard follows from our interpretation of the evidence given to us applied to the portions of the Notice of Hearing alleging the non-disclosure of the non-arm's length nature of the transaction. We find that any description of the relationship between TG12 Ventures and Block One which failed to mention the extent to which the same parties controlled all aspects of that relationship was misleading.

[532] In response to the substance of the allegation that some of the Respondents controlled one or both of Block One and TG12 Ventures, the Respondents submit that those entities had directors and officers who must be presumed to be fulfilling their duties in good faith. The extracts from selected communications from some of those individuals which indicates some level of deference to the Respondents is dismissed by the Respondents. In very general terms, they submit that such evidence is taken out of context, is not tested by cross examination regarding what specific types of control was being referred to and in any event does not go so far as to indicate the type of total control alleged by the executive director. To a large extent we accept the submissions of the Respondents regarding the statements made by directors and employees of the companies which were allegedly controlled by the Respondents. However, based on other evidence we conclude that some of the Respondents exercised significant control

over Block One and TG12 Ventures. That control might not have been over the day-to-day operations of the relevant entities. Instead, the control was over such issues as what business activities those entities would pursue, what assets those entities would acquire, the terms of those acquisitions and whether those entities would proceed on the initiatives explained in the news releases which are listed in the Notice of Hearing.

[533] Confirmation of the dominant degree of control exercised by certain Respondents over both Block One and TG12 Ventures, and confirmation about how that would have been surprising to investors, can be found in many areas of evidence. The most compelling of that evidence consists of a series of emails to and from some of the Respondents.

[534] On November 19 and 20, 2017, Kumar arranged to sign, on behalf of TG12 Ventures, first a non-disclosure agreement with the supplier and then the letter of intent for the supply of the cryptocurrency miners.

[535] Some key emails regarding the formation of the legal relationship between TG12 Ventures and Block One are summarized in appropriate detail in paragraphs 672 through 685 of the submission of the executive director:

> <u>Block One and TG12 Ventures enter agreement</u>
>
> 672. Dated December 28, 2017, TG12 Ventures and Block One entered into two-page a definitive agreement. The terms of the definitive agreement included the following:
>
> | | |
> |---|---|
> | Purpose: | Block to acquire (the "Transaction") up to 90% interest in TG12 Ventures Inc. ("TG12 Interest") as more particularly described herein. |
> | Price: | Block shall pay to TG12 an aggregate amount of **$2,910,000 USD** (the "Purchase Price") on closing (the "Closing") for **45% interest** in TG12. |
> | Milestone: | As additional consideration of **$3,000,000 USD**, upon completion upon completion [sic] of order of additional 1000 Bitmain S9 Antminers, in exchange for an additional interest in 45%. |
>
> emphasis added
>
> 673. Block One and TG12 Ventures also entered into a share purchase agreement dated December 30, 2017 (Share Purchase Agreement). The terms included Block One purchasing 900 common shares of TG12 Ventures for USD$2,910,000. The agreement was executed by an authorized signatory of BlockOne. [Redacted] of Core Capital is the witness to the signature.
>
> 674. On January 1, 2018, Chopra emailed Kumar, cc K. Thindal, with the subject "Re: Notice the detail (confirming things are not definitive) in this BLOC release and Note only owns 49.9 percent, not 90%." Chopra wrote:
>
> > By buying 90% of TG12 we need audited financials of TG12. Watch how you move to definitive.
>
> 675. On January 2, 2018, at 12:42, K. Thindal emailed B, cc Kumar and Luddu with the subject "DRAFT release for tomorrow," and an attachment with a headline of "Block One Capital Inc. enters into definitive agreement to acquire 49.9 percent of

TG12 Ventures Inc. with exclusive option to acquire up to 90 percent". K. Thindal wrote:

> "Please see attached. Edits? Reply all. Thx."

676. At 13:04, Luddu responded by email and wrote: "my edits attached." Luddu's attachment had a heading that read, "Block One Capital Inc. Enters into Definitive Agreement to Acquire 49.9% of TG12 Ventures Inc. with an Exclusive Option to Acquire up to 90%."

677. At 12:56, B responded to K. Thindal and wrote:

> Let's maybe have a conference call the three of us **so I can get up to speed on this**. Looks negative. [emphasis added]

678. K. Thindal responded to B, cc A. Kumar and wrote, "does 1:30 p.m PTD work? I will patch you both in." Kumar responds with "yes works." B responds with "I AM READY WHENEVER."

679. At 15:36, K. Thindal emailed B, cc Kumar with an attachment called "2018-02-03 Block One TG12 definitive final." At 15:37, K. Tindal emailed A. Thindal and Luddu the same email.

680. At 15:40, K. Thindal sent a further email to A. Thindal and Luddu with an attached titled "revised". The attachment includes the following in bold, Block One Capital Inc. enters into definitive agreement to acquire 90 percent of TG12 Ventures Inc."

681. At 5:46 PM, A. Thindal emailed B with the subject, "news for Block One Capital" and an attachment, "2018-02-03 BLOK-TG12 Definitive Final."

682. At 5:26 PM, B emailed K. Thindal and Kumar with the subject, "DRAFT Release for Tomorrow." In the body of the email, B wrote that he made a few changes.

683. At 5:59 PM, A. Thindal emailed B a further email telling him to use the attached version.

684. At 22:52, Luddu emailed news@stockwatch.com with the subject "FWD: News for Block One Capital" an attachment that with the hearing, Block One Capital Enters into Definitive Agreement to Acquire 90% of TG12 Ventures Inc."

685. On January 3, 2018, Block One issued a news release announcing that "Block One Capital Inc. Enters into Definitive Agreement to Acquire 90% of TG12 Ventures Inc."

[536] What we observe from those communications, and from the body of emails generally, is that other than contacting directors or officers of Block One for signatures when needed, representatives of Core Capital developed all of the terms regarding which entity (as it happened, TG12 Ventures) would acquire cryptocurrency miners, they developed all of the terms regarding what relationship would be created between TG12 Ventures and they developed all of the language regarding how the transactions would be described to investors and to potential investors.

[537] Moving to Block One's December 7, 2017 news release, the allegations in the Notice of Hearing related to that document is that the news release was misleading because TG12 Ventures lacked the funds to pay for the additional miners mentioned in the news release. In reality, because of its relationship with the Respondents, TG12 Ventures had access to the funds, we know this because they obtained the funds when needed. This fact makes it very difficult to conclude that the statement in the December 7, 2017 news release was false. We do not make such a finding.

[538] Further confirmation of the full control which some of the Respondents had over the operations of TG12 Ventures can be found in events which occurred much later. At a point in time the location of the cryptocurrency miners was going to be within Canada. Later the miners were delivered to Montana. Later, on the advice of a member of the advisory committee, there was discussion of moving them. Still later a decision was made to sell TG12 Ventures instead of moving the cryptocurrency miners. A review of the emails discussing each of those steps shows some advice being received from the advisory committee, but the Respondents determining the outcome each time a decision was made.

[539] In general the allegations in the Notice of Hearing of false statements are not proven regarding the existence of discrepancies between the details of what Block One was announcing and the details of some of the underlying documents. This is because the details of the underlying documents do not conflict with the expectations created in the relevant news releases. However, the impression created in the relevant news releases of an arm's length relationship was misleading. Other alleged false and misleading statements relate to Block One's announcement in its March 14, 2018 news release that TG12 Ventures had commenced mining bitcoin and was earning revenue, and its May 8, 2018 news release that it was selling its "operations". The executive director submits that those announcements were not true because TG12 Ventures cryptocurrency miners were never operational. There is some evidence to support the executive director's submission, and some contrary evidence.

[540] The evidence which suggests that TG12 Ventures did not have miners which were operational was not earning revenue was summarized by the executive director as follows:

(a) Under the Bitminers Purchase Agreement, the first 100 miners were to be delivered on or before January 31, 2018 and be in full operation between January 31, 2018 and February 14, 2018. Block One never announced that TG12 Ventures had received this first shipment on time, or at all. Furthermore, the respondent did not produce a delivery slip or invoice for these 100 antminers stating when they were received.

(b) On January 10, 2018, TG12 Ventures purchased 120 Canaan Avalon 821 Bitcoin miners for USD $453,500. TG12 Ventures paid for these miners after receiving a loan the same day from Block One for $571,500 (Canadian).

(c) On February 20, 2018, Block One announced that TG12 Ventures would be implementing two types of miners: Bitmain's S9 Antminers and Canaan's Avalon

821's. The news release stated that TG12 Ventures had received the first shipment of "miners" and expected that 1,000 miners would be operational by the end of March 2018. The news release did not state that the first shipment of miners were operational or had begun generating revenue.

(d) Under the colocation facilities agreement dated March 1, 2018, between [redacted] and TG12 as customer, it notes, "Customer agrees and acknowledges, that Vendor will take up to ten (10) days to install Customer Equipment once such Customer Equipment has been received at the Colocation Space and accepted by the Customer (or approved for installation by Customer.)

(e) In an email to Kumar on March 8, 2018, [redacted] principal also noted that a "2 Month deposit needs to be wired…the 1 month electricity advance and monthly re-bill is wired to account…" This payment was not wired until after March 14, 2018.

(f) Under the cryptocurrency miner agreement, the second 900 miners were to be delivered on or before February 28, 2018. The buyer acknowledged a buffer period to a date of March 13th [2018] for the additional rigs to be up and fully running. Block One never announced that TG12 Ventures had received this second shipment on time.

(g) On April 21, 2018, K. Thindal emailed [redacted] with the subject line "mining equipment":

- 900 units of Bitmain S9 Antminers, brand new in box still, never opened, full warranty.
- 120 units of Avalon miners, brand new in box still, never opened, full warrant.

I can provide documentation as required. All the equipment is fully paid for and currently in Montana. My brother was there two weeks ago to check and verify the inventory and he took the pics I sent you.

(h) On April 23, 2018, Hashchain Technology Inc. announced it had entered into a letter agreement to acquire a company [TG12 Ventures] with "1,000 new S9 Antminer rigs". The news release did not state that any of the rigs were generating revenue:

> Currently, 100 of the rigs are resident in the company's Montana mining facility, and the other 900 will arrive and be deployed by the end of May, 2018.
> …
>
> "This latest 1,000 rigs, when deployed, will in increase our mining to seven megawatts. All of these rigs are new, giving us longevity in our mining operations".

(i) Block One's financial statements for the year ended August 31, 2018, state that its only revenue for the fiscal year was $69,288 in interest revenue. It did not report receiving any revenue from bitcoin mining or from TG12 Ventures.

[541] The responsive submissions of the Respondents were given primarily by counsel for Core Capital:

150. The Executive Director's theory rests on an email from April 21, 2018 of Kam Thindal wherein he states that there are 900 units of Bitmain S9 antminers, brand new in box still, never opened, and 120 units of Avalon miners, also brand new in box still. The Executive Director, in his opening statement summarized:

> This was a misleading the [sic] news release as TG12 Ventures never had any mining operations and as Kam Thindal stated in his email, they were brand new, still until [sic] the box, never opened.

151. However, 1000 Bitmain S9 miners were purchased, not 900. Pursuant to the Purchase and Sale Agreement between TG12 and MHK International of November 29, 2017, TG12 was acquiring a total of 1000 antminers, with an initial delivery of 100 units, for USD$230,000 which were scheduled to be received on or before January 31, 2018, and operational between January 31 and February 14, 2018.

152. On November 29, 2017, C3 Energy Inc. made a payment to Bitmain for the amount of US$230,000 by way of wire transfer. Pursuant to the November 30 News Release, Block would "immediately" be making an investment in TG12 for US$250,000.

153. [Investigator], when pressed in her cross-examination, agreed to having seen the news releases that said there was a batch of antminers of which delivery was expected in advance of the balance. The plain reading of the impugned email put to Ms. Smith in her cross-examination was that if out of 1000 purchased units, there are 900 which had full warranty and were never opened, then there would be 100 which did have a full warranty, because they were opened.

154. In fact, those initial 100 units did arrive. In its news release of February 20, 2018 (which is not impugned), Block announced it had received its "first shipment" of miners.

155. The news releases surrounding the sale of TG12's operations to Hashchain also corroborate that there was an active bitcoin mining operation to sell.

156. Nobody from the investigative team spoke to Hashchain, the ultimate purchaser of TG12's business. Despite the purposes of the Act and the Executive Director's consequent powers, no steps were taken to obtain the evidence of a party which, on the Executive Director's theory, would have been the victim of a fraudulent sale.

157. In a news release on April 23, 2018, Hashchain announced that it had entered into a letter agreement to acquire 1,000 new S9 antminer rigs. In that same news release, Hashchain announced that 100 of the rigs were resident in TG12's Montana mining facility.

158. The following week, on May 1, 2018, a news release was published, formally announcing the completion of the sale of TG12 to Hashchain. The news release further stated that "TG12 owns 1,000 S9 Antminer rigs of which 100 are currently operational at a mining facility in Montana in the United States […]".

159. Hashchain issued another news release on May 3, 2018 confirming this. Hashchain announced that they had "[…] signed a definitive agreement with Block One Capital Inc. to acquire 100 percent interest in TG12 Venture, which owns 1,000 rigs. Of those, 100 S9 antminer rigs are currently deployed at a Montana mining facility with an additional 900 planned to arrive in the current quarter.

160. Hashchain's own financial statements, for the year ended August 31, 2018, confirm the company acquired 100% of the issued and outstanding shares of TG12 on May 7th 2018.

161. The Montana Standard published an article on April 6, 2018, further confirming, by way of a quote from Matt Vincent, spokesperson for Cryptowatt, that CryptoWatt LLC and TG12 did have a contractual relationship. The article carried a quote from CryptoWatt, confirming that TG12 "does in fact have a small hosting/co-location agreement with Cryptowatt at our Butte site" and that they were “hosting a small number of machines owned by TG12 Ventures at its site”.

162. While [investigator] was taken to this article in her direct examination, it is striking that she was only taken to a part of it; she was not asked to read the confirmation of the ongoing hosting of the TG12 machines. On cross-examination, [investigator] agreed that the above-noted Cryptowatt article was talking about a small number of antminers "being in operation". The Executive Director chose not to interview [redacted], or anyone from CyrptoWatt, or [redacted] as part of his investigation.

163. Further, contrary to the Executive Director’s allegations, the evidence demonstrates that not only did TG12 have a mining operation to sell, but it was also generating revenue during this period.

164. Hashchain’s financial statements corroborated that operating mining operations and creating digital currency amounted to a form of revenue generation. This is industry standard.

165. In cross-examination, [investigator] was shown a copy of the Government of Canada's CRA guidance on cryptocurrency mining which says, at page 2, “at this point, the miner usually receives two types of payments in cryptocurrency. The first is income for the creation of a new cryptocurrency […]”.

[542] We find that the evidence relied on by the Respondents on this issue is more convincing than that which the executive director relies upon.

[543] In addition to the evidence referenced in the submissions of the parties and repeated above, there is also evidence before us in the form of the witness interview transcript of SC, summarized above, regarding his visit to the Butte, Montana site of the cryptocurrency miners. During his interview SC twice provided his impression, although expressed as being without a high degree of confidence, that at least some of the cryptocurrency miners were in operation at the time of his visit.

[544] As we interpret the evidence of SC, Block One had announced that it had purchased thousands of cryptocurrency miners and had commenced earning revenue. Block One was anxious to have at least some number of cryptocurrency miners in operation so it could disclose to investors that it was operational. Obviously, it was open to the Respondents to do better and to ensure that no investors would develop the false impression that a significant proportion of the cryptocurrency miners were generating revenue. Instead of focusing on creating a complete and accurate impression for all investors, the Respondents, or at least some of them, were content to develop disclosure about revenue generating cryptocurrency miners which was just accurate enough to avoid being misleading.

[545] We conclude that the allegation that the March 18 and May 8, 2018 news releases were misleading regarding TG12 Ventures being operational and earning revenue are not proven on a balance of probabilities.

[546] We conclude that false or misleading information was disseminated in relation to the failure to disclose the in the November 30, 2017 and the January 3, 2018 news releases the non-arm's length relationship between Block One and TG12 Ventures.

[547] Given these conclusions, we turn our attention to the specific elements of section 57(a) as identified in *Lim*.

A. Conduct relating to securities

[548] The communications and related activities in this proceeding all relate to the shares of companies. The definition of securities in the Act explicitly includes shares. We conclude that the relevant conduct related to securities.

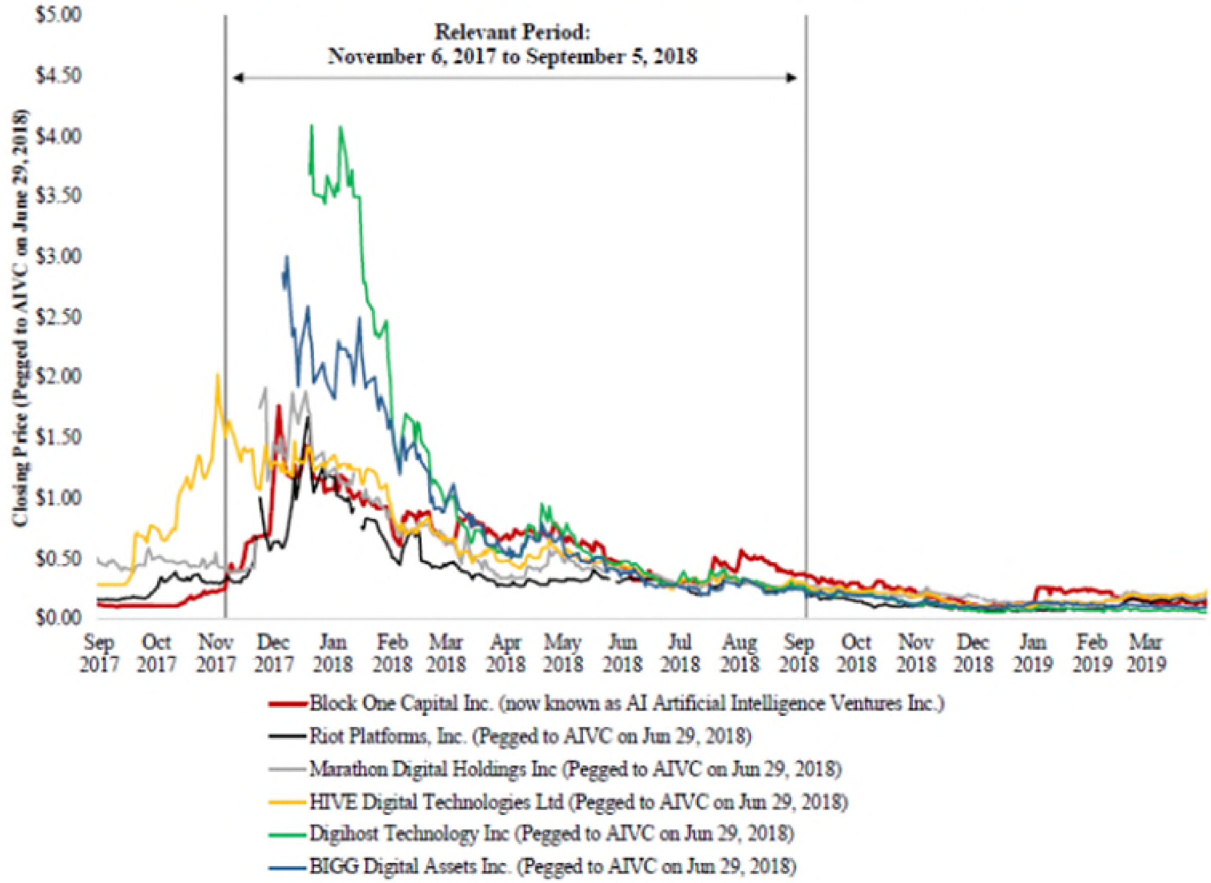
B. Artificial price

[549] We now turn to the question of whether the conduct of some of the Respondents created or contributed to an artificial price for the securities of Block One as alleged in the Notice of Hearing.

[550] We have minimized the extent to which we repeat here the comments made above with respect to Integrated which have a more general application.

[551] The only witness called by any of the Respondents was BH. He testified that issuers in the cryptocurrency sector experienced sharp rises in valuations in late 2017 and early 2018, before experiencing declines in 2018. The following chart from DH's report illustrates what DH found when comparing the share price of Block One to the share price of other issuers with similar businesses:

Figure 1: Closing Market Prices for Block and Five Other Junior Issuers in the Cryptocurrency Sector, Daily, September 1, 2017 to March 31, 2019 (pegged to the Market Price for Block on June 29, 2018)



Source: Data from FactSet Research Systems Inc.

[552] We accept BH's evidence that the market generally behaved as he described. However, we reject the conclusion which the Respondents submit we should then adopt; we do not accept that BH's evidence indicates that "Block's rises and falls are explicable, not because of any alleged misfeasance, but rather as a product of market conditions at the time."

[553] Our conclusion is that as of late 2017, the market for cryptocurrency related issuers, and specifically for cryptocurrency miners, was hot. Any public company which could credibly claim to have operations in the relevant fields, or which was close to having such operations, would attract investors and would see significant share appreciation. As will be seen by our conclusions, above, about what investors and potential investors would have taken from the November 30, 2017 news release, Block One was making statements which would be attractive to investors interested in the cryptocurrency field. The December 7, 2017 news release indicating that twice as many miners would be operational supports our view about what Block One was trying to convey.

[554] It may be that the reference issuers which BH used in his analysis, and whose share price history is captured in figure 1, above, were all active in the cryptocurrency space at the relevant time period. It may be that they otherwise suggested that they soon would be. It is established that Block One's share price followed a pattern very similar to theirs. But that is only because Block One established themselves as belonging in that group through its communications with investors and potential investors. Block One, and some of the Respondents, created that result in large part by conduct which was contrary to section 57(a) as described above.

[555] In addition, we find that the 28.5% jump in share price and the more than 1,400% increase in share trading volume for Block One immediately after the November 30, 2017 news release and the over-subscribed private placement which immediately followed the December 7, 2017 news releases did not merely result from market trends. They were the result of the impressions created in those news releases, and of the other promotional activities which were occurring at the same time to amplify the messages contained in the news releases. The price which resulted was artificial, and was created or contributed to by the conduct of some of the Respondents. The artificial price commenced with the November 30, 2017 news release and continued throughout the period relevant to the Notice of Hearing.

C. Causal connection, Mental State

[556] As described in *Lim*, the requirement for a causal connection between the conduct of each individual respondent to the creation of or contribution to an artificial price is a distinct element, as is the requirement that respondents have the requisite mental state in order to support a finding that he or she breached section 57(a) of the Act.

[557] It can be helpful to analyze these separate elements at the same time. It certainly is in this case, where there are multiple individual respondents, each with different roles, and potentially each with a different mental state. Many of the factual issues which are relevant to one of the required elements are also relevant to the other. In addition, it is helpful to assess certain conduct in light of our conclusions about individual respondent's knowledge, and to assess questions about knowledge and intent in light of evidence about conduct.

(a) Core Capital

[558] Core Capital was the umbrella organization through which virtually all conduct was conducted.

[559] For all of the reasons explained in this decision, we conclude that there was a breach of section 57(a) in relation to an artificial price which was created in the shares of Block One.

[560] On the evidence we have summarized here, it is virtually impossible to conclude that there was a manipulation of the share price of Block One in breach of section 57(a) absent a finding that Core Capital was a party to that breach. On an application of the standard of proof applicable here, Core Capital breached section 57(a).

(b) K. Thindal

[561] We have already provided our conclusions that an artificial price was created for the shares of Block One and that the artificial price was created because Block One stated in a news release that it was acquiring TG12 Ventures in a manner which suggested the arrangement between them was arm's length when it was not.

[562] It was K. Thindal whose conduct was the primary cause of the creation of the artificial price for Block One. As we have already stated in considerable detail, and as the communications between the Respondents makes very clear, K. Thindal was the directing mind for the key events.

[563] We will not repeat our sentences from the analysis regarding Integrated characterizing K. Thindal as the quarterback or conductor regarding key events. But our conclusions apply here.

[564] The evidence establishes that K. Thindal must have had actual knowledge of the true nature of the relationship between Block One and TG12 Ventures, and of the false and misleading nature of the relevant news releases.

[565] K. Thindal breached section 57(a) regarding the securities of Block One.

(c) A. Thindal

[566] What follows is a slightly rephrased version of what the executive director submits in support of a conclusion that there was the required causal connection between A. Thindal and the conduct which created or contributed to the artificial price for the shares of Block One:

a) Thindal was involved in drafting all five misleading news releases. He was responsible for disseminating four of the misleading news releases (all except for May 8, 2018).

b) A. Thindal was extensively involved in arranging for promoters to sign contracts to promote Block One, including using information which was found to be misleading, and in arranging for those promoters to be paid.

[567] A slightly rephrased version the executive director's submissions in support of a conclusion that A. Thindal possessed the required mental state under section 57(a) includes that:

a) A. Thindal knew or reasonably should have known that his conduct in drafting the misleading news releases and arranging and paying for some of the misleading promotional campaigns, would result in or contribute to an artificial price for Block One.

b) It is reasonable and logical to make these inferences based on the following proven and uncontroverted facts:

- The registered directors took direction from the respondents and deferred to the respondents about all aspects of Block One's business.
- The respondents made the decisions on Block One's misleading promotions, misleading news releases and misleading investor presentations with limited or no input from the registered directors.
- The respondents made the decisions on:
  - Block One's acquisition of TG12 Ventures,
  - TG12 Ventures' purchase of the bitminers; and
  - the sale of TG12 Ventures to HashChain

  with limited or no input from the registered directors.

- A. Thindal was the completing party of TG12 Ventures' incorporation application two weeks prior to the November 30, 2017 news release. As a start-up with no operations, A. Thindal knew TG12 Ventures had no money to make the payments under the Bitminers Purchase Agreement.
- A. Thindal took over Block One's CFO's accounting and bookkeeping duties in August 2017. A. Thindal presented expenses and cheques for signing to [redacted]. A. Thindal knew the financial circumstances of Block One and shared his knowledge with Chopra, Luddu, and K. Thindal.
- A. Thindal attended the location of the bitminers in Montana and had reported back to K. Thindal that the bitminers were still in boxes.
- He personally paid for promotions (misleading and non-misleading) for Block One.
- A. Thindal's undisclosed control became disclosed control after he became a bank signatory in February 2018 and after Block One announced him as a director on March 1, 2018.
- K. Thindal and A. Thindal jointly paid for a portion of the [redacted] promotions in an amount of USD $100,000. A. Thindal also received the [redacted] engagement letter for Block One which specified the type of promotions it would issue on Block One's behalf.
- A. Thindal gave instruction regarding contracts and payments for promotions.
- A. Thindal authorized Block One to pay for TG12 Ventures' colocation costs.
- It is not coincidental that A. Thindal traded significantly into Block One's rising share price during the Block One promotional period, in accounts in his name and in the names of others, resulting in significant trading proceeds of over $1 million.

[568] It is not credible that A. Thindal, based on his roles with Core Capital, TG12 Ventures and Block One would not have known that the news releases, investor presentations, and promotional materials were misleading.

[569] The submissions on behalf of A. Thindal are primarily directed towards persuading us that we should not find any breach of the Act by any Respondent.

[570] A. Thindal disputes that there is any basis to conclude that his conduct contributed to the artificial price for Block One, or that he knew or ought to have known his conduct would have that result.

[571] As we have explained with respect to the Integrated portion of this proceeding, if it is concluded that a Respondent knew or ought to have known that his conduct would result in an artificial price for a security, there would not be a lot of conduct required to result in liability under section 57(a). Conduct which contributed to the artificial price would be sufficient, there is no need to prove that there was extensive or repeated conduct. As a result, it is most helpful to focus our analysis on what A. Thindal knew or ought to have known based on the established facts.

[572] What was false or misleading about many of the promotional communications made on behalf of Block One is that they suggested that Block One and TG12 Ventures were dealing at arm's length when the opposite was true. They were both under the control of K. Thindal and Core Capital, and whatever arrangements they made with each other were controlled by K. Thindal. This is not a very complicated state of knowledge to acquire.

[573] The executive director's review of the factors which suggest that A. Thindal was directly and significantly involved in both Block One and TG12 Ventures is quite compelling in establishing what A. Thindal must have known. It is particularly compelling in establishing the extent of K. Thindal's control that A. Thindal was authorizing Block One to pay expenses for TG12 Ventures.

[574] In our analysis regarding Integrated we expressed conclusions regarding A. Thindal's relationship with K. Thindal and A. Thindal's role at Core Capital. A. Thindal was trusted to perform important tasks and to exercise some discretion in doing so. A. Thindal exchanged information with his brother, they were close and they trusted each other.

[575] We conclude that A. Thindal was aware of the non-arm's length relationship between Core Capital and TG12 Ventures. We conclude that A. Thindal was aware of the contents of the very important news release of November 30, 2017 news release. He helped to distribute multiple communications which followed throughout the period relevant to the Notice of Hearing which repeated the false impression created by the November 30, 2017 news release. By doing so with the knowledge which he had, A. Thindal breached section 57(a) of the Act in relation to the securities of Block One.

(d) Al Homsi

[576] What follows is a slightly rephrased version of what the executive director submits in support of a conclusion that there was the required causal connection between Al Homsi and the conduct which created or contributed to the artificial price for the shares of Block One:

a) Al Homsi was involved in drafting the December 7, 2017 misleading news release and had advance notice of the misleading January 3, 2018 clarifying news release and March 14, 2018.

b) Al Homsi was involved in reviewing the misleading investor presentations. He provided extensive comments on the investor presentations. Some of Al Homsi's comments were incorporated into the investor presentations.

c) Al Homsi also tweeted links to the misleading investor presentations throughout the promotional period.

d) Al Homsi arranged Block One's misleading promotional campaigns with [redacted], [redacted], [redacted] and [redacted]. He also arranged Block One's promotion in Germany [redacted] and received invoices for Block One addressed to his company.

e) Al Homsi regularly communicated with firms which provided promotional help to Block One, he gave instruction to them and he provided suggestions to them about promotional activities;

f) Al Homsi sent the misleading December 7, 2017 news release and misleading investor deck to a significant promotional firm to circulate with their investors.

g) Al Homsi forwarded [redacted] "Block One Capital services proposal" to A. Thindal. Al Homsi instructed A. Thindal to "have someone sign the agreement and return it ASAP."

h) From November 30, 2017 to March 12, 2018, Al Homsi, using his Twitter handle @makingmoneynow1 tweeted 561 times about Block One. On some days, he tweeted and retweeted about Block One multiple times. Al Homsi also tweeted highly promotional claims about Block One.

[577] What follows is a slightly rephrased version of what the executive director submits in support of a conclusion that Al Homsi possessed the required mental state under section 57(a):

a) Al Homsi knew or reasonably should have known that his conduct in drafting the misleading news releases and misleading investor presentations, arranging some of the misleading promotional campaigns and making promotional statements about Block One in his tweets and retweets on Twitter, would result in or contribute to an artificial price for Block One.

b) It is reasonable and logical to make these inferences based on the following proven and uncontroverted facts:

- Al Homsi was involved in all the business deals that Block One announced during the promotional period.
- Al Homsi referred to Kumar as "overseeing the TG12 operation" and K. Thindal as his "partner." Al Homsi referred to himself as part of the "Block One Team."
- It was Al Homsi's idea to include the misleading information about Block One's "leadership" because "if we buy the idea that we are a way for them to gain access to the best Blockchain investments out there, we need to show that our leadership is robust. We mention this across the deck, but we never say who & why are they best in class in selecting these investments."
- Al Homsi admitted to Commission staff that he introduced Block One to a promoter.
- The registered directors took direction from the respondents and deferred to the respondents about all aspects of Block One's business.
- The respondents made the decisions on Block One's misleading promotions, misleading news releases and misleading investor presentations with limited or no input from the registered directors.
- The respondents made the decisions on:
    - Block One's acquisition of TG12 Ventures,
    - TG12 Ventures' purchase of bitminers; and
    - the sale of TG12 Ventures to HashChain

  with limited or no input from the registered directors.
- Al Homsi arranged various promotional campaigns about Block One.
- He received regular invoices for the Block One promotional campaigns in the tens of thousands and forwarded them to A. Thindal for payment.
- He approved the content of some of Block One's promotional campaigns.
- It is not coincidental that Al Homsi traded significantly into Block One's rising share price during the Block One promotional period, in accounts in his name and in the names of others, resulting in significant trading proceeds of over $0.9 million.

[578] It is not credible that Al Homsi, based on his level of involvement with Core Capital and the other respondents and his knowledge of TG12 Ventures and Block One, would not have known that the news releases, investor presentations, promotional materials and tweets/retweets were misleading.

[579] The submissions on behalf of Al Homsi are extensive. They include considerable input regarding topics such as the lack of evidence that Al Homsi controlled Block One. On many issues we agree with Al Homsi.

[580] On certain issues Al Homsi's submissions are the same as all of the Respondents, for example regarding whether the relevant news releases were misleading and whether an artificial price was created in the shares of Block One. We have already provided our analysis of those issues.

[581] The issues regarding Al Homsi's liability are, at this point, very much narrowed. In this decision we have explained that the artificial price was caused by false or misleading information which suggested that Block One and TG12 Ventures were at arm's length when the opposite was true.

[582] The knowledge which Al Homsi must have possessed to establish a breach of section 57(a) is that K. Thindal controlled both Block One and TG12 Ventures, and that the November 30, 2017 news release, and latter communications, created a false impression about the relationship between those two companies.

[583] We know that Al Homsi was aware of the November 30, 2017 news release because Al Homsi's tweeting activity was frantic around the time of the issuance of that news release. This was not a coincidence. We can see a pattern throughout the evidence in this proceeding of Al Homsi ramping up his tweeting activity on schedules coordinated with the issuance of news releases which were primarily authored by K. Thindal, sometimes with input from Al Homsi.

[584] We also know that Al Homsi was quite aware in a general sense of all of the activities of Block One. This conclusion can be supported in a number of ways, and the most obvious one is that Al Homsi took on a significant role in adjusting the content of investor presentations regarding Block One. We conclude that Al Homsi would have and did inform himself about Block One before doing so. Al Homsi also kept himself well informed about Block One because he had a significant investment in it.

[585] We refer back to our analysis regarding Integrated where we discuss Al Homsi's role in connection with Integrated. All of our conclusions expressed there are further supported by the manner in which Al Homsi conducted himself in connection with Block One. Al Homsi was obviously collaborating with K. Thindal, but he was also exercising considerable discretion in his activities. Al Homsi was no mere order taker.

[586] We conclude that Al Homsi was aware of the nature and extent of K. Thindal's control over Block One and TG12 Ventures. We conclude that Al Homsi was aware that the November 30, 2019 news release and multiple communications which followed described the relationship between the companies in a way which suggested those companies were at arm's length. We conclude that, despite that knowledge, Al Homsi took steps to spread those communications and he took other steps to promote Block One with the knowledge that an artificial price had been created by the false information that we have described.

[587] We are aware of Al Homsi's submissions to the effect that his tweets were not false and in any event they were circulated to such a small audience that they would not likely

have had an impact. Starting with the second of those submissions, we are not relying on any conclusion that Al Homsi's tweets had a significant impact. We have viewed the tweets primarily to establish that Al Homsi's tweeting and K. Thindal's news releases were coordinated.

[588] Regarding the accuracy of Al Homsi's tweets, we note that the allegations in the Notice of Hearing do not turn directly on that issue. Certainly the executive director submits that the tweets at times republished news releases which were misleading. In addition, the executive director submits that many of the tweets were extremely promotional and they sometimes included hyperbolic language. Where there is no basis for such extremely promotional claims they can be misleading, but we have not been asked to evaluate liability on that basis in this case.

[589] For the reasons we have explained, we conclude that Al Homsi breached section 57(a) in relation to the securities of Block One.

(e) Kumar

[590] What follows is a slightly rephrased version of what the executive director submits in support of a conclusion that there was the required casual connection between Kumar and the conduct which created or contributed to the artificial price for the shares of Block One:

a) Kumar was involved in drafting and disseminating four of the misleading news releases (November 30, December 7, January 3, and March 14).

b) Kumar was involved in drafting and disseminating the misleading investor presentations.

c) Kumar knew, or ought reasonably to have known, that his involvement in drafting and disseminating the misleading news releases and the misleading investor presentations would result in or contribute to an artificial price for the shares of Block One.

[591] What follows is a slightly rephrased version of what the executive director submits in support of a conclusion that Kumar possessed the required mental state under section 57(a):

a) Kumar knew or reasonably should have known that his conduct in drafting the misleading news releases and misleading investor presentations would result in or contribute to an artificial price for Block One.

b) It is reasonable and logical to make these inferences based on the following proven and uncontroverted facts:
- Kumar was involved in all the business deals that Block One announced during the promotional period.

- Kumar was the incorporator and sole director of TG12 Ventures while also being involved in Block One. As a start-up with no operations, he knew TG12 Ventures had no money to make the payments under the Bitminers Purchase Agreement.
- Kumar was the authorized signatory on TG12 Ventures' bank account and knew it had no money without Block One's deposits.
- Kumar knew that Block One was making payments under the Bitminers Purchase Agreement. He sent invoices to Block One for payment. He knew that Block One paid the location cost for TG12 Ventures under the Bitminers Colocation Agreement.
- The registered directors took direction from the respondents and deferred to the respondents about all aspects of Block One's business.
- The respondents made the decisions on Block One's misleading promotions, misleading news releases and misleading investor presentations with limited or no input from the registered directors.
- The respondents made the decisions on:
  - Block One's acquisition of TG12 Ventures,
  - TG12 Ventures' purchase of bitminers; and
  - the sale of TG12 Ventures to HashChain

  with limited or no input from the registered directors.
- It is not coincidental that Kumar traded significantly into Block One's rising share price during the Block One promotional period, in accounts in his name and in the names of others, resulting in significant trading proceeds of over $1 million.

c) It is not credible that Kumar based on his level of involvement with Core Capital and the other respondents, TG12 Ventures and Block One would not have known that the news releases, investor presentations and promotional materials were misleading.

[592] Kumar's submissions with respect to Block One are similar to those which he made with respect to Integrated. Kumar emphasizes that he was young and inexperienced and he played a very limited role within Core Capital. Kumar notes several examples where the submissions of the executive director overreach. For example, suggestions by the executive director that Kumar had a certain intention because of what "the Respondents" did are not persuasive because they fail to distinguish between the very significant roles played by different Respondents.

[593] Our conclusions expressed during our analysis regarding Kumar's general role apply here as well. Kumar was an executive of Core Capital, but what he did from day to day was to follow the instructions of others, and occasionally take other steps or pass on instructions to others in order to implement what he had been directed to do. As a result, we do not conclude that anyone would have told Kumar that the steps Core Capital and other Respondents were taking in connection with Block One would mislead investors.

[594] However, this leaves open the possibility that Kumar would have become aware of the misleading conduct being led by K. Thindal simply based upon Kumar's observations of what was right in front of him.

[595] Kumar was kept aware of the contents of the misleading news releases. It would have been a part of his job to read them, and he would have understood them.

[596] Kumar was directly aware of the control which K. Thindal had over both Block One and TG12 Ventures. He was the signing officer for TG12 Ventures' bank account, and he saw multiple communications which demonstrated that on issues of what that company did and how it related to Block One, K. Thindal was giving the instructions. Similarly, although he would have recognized that Block One was involved in other activities besides TG12 Ventures, K. Thindal gave directions regarding the relationship between those two companies.

[597] Did Kumar actually come to the realization that it was misleading for Block One to suggest that it was at arm's length from TG12 Ventures? We could not confidently draw that conclusion. But we do draw the conclusion that Kumar should have known.

[598] By continuing to support promotional efforts and the issuance of news releases which reinforced the misleading information contained in the November 30, 2017 news releases when he should have known those were false or misleading, Kumar breached section 57(a). For greater clarity, we should be explicit that Kumar was likely only doing what he was directed to do, and likely his only alternative was to resign from Core Capital.

(f) Luddu

[599] What follows is a slightly rephrased version of what the executive director submits in support of a conclusion that there was the required casual connection between Luddu and the conduct which created or contributed to the artificial price for the shares of Block One:

a) Luddu was involved in drafting and disseminating four of the misleading news releases;

b) Luddu was involved in drafting misleading investor presentations, and disseminating at least one version to one investor, and arranging for investor presentations to be uploaded to the Block One website;

c) Luddu received promotional materials regarding Block One from a promotional firm.

[600] What follows is a slightly rephrased version of what the executive director submits in support of a conclusion that Luddu possessed the required mental state under section 57(a):

a) Luddu knew or reasonably should have known that his conduct in drafting the misleading news releases and misleading investor presentations would result in or contribute to an artificial price for Block One.

b) It is reasonable and logical to make these inferences based on the following proven and uncontroverted facts:
   - Luddu was involved in all the business deals that Block One announced during the promotional period.
   - Luddu was involved in drafting many of Block One's news releases during the promotional period, with limited or no input from Block One's registered directors.
   - Luddu referred to Block One as "an investment issuer that we are behind and took public in a vehicle of ours."
   - The registered directors took direction from the respondents and deferred to the respondents about all aspects of Block One's business.
   - The respondents made the decisions on Block One's misleading promotions, misleading news releases and misleading investor presentations with limited or no input from the registered directors.
   - The respondents made the decisions on:
     - Block One's acquisition of TG12 Ventures,
     - TG12 Ventures' purchase of bitminers; and
     - the sale of TG12 Ventures to HashChain

     with limited or no input from the registered directors.
   - Luddu arranged promotions of Block One, Stockhouse and [redacted], not included in misleading promotions) and in the case of Stockhouse, personally paid for the promotion and signed the promotional agreement on behalf of Block One.
   - Luddu took control of Block One's domain away from the registered director [redacted]. He also controlled the Block One website and had access to Block One's email address: info@blockonecap.com.
   - Luddu knew Block One's finances and shared this information with some of the other respondents.
   - It is not coincidental that Luddu traded significantly into Block One's rising share price during the Block One promotional period, resulting in trading proceeds of over $126,294.

c) It is not credible that Luddu based on his level of involvement with Core Capital and the other respondents, TG12 Ventures, and Block One, would not have known that the news releases, investor presentations, and promotional materials were misleading.

[601] Luddu's submissions regarding Block One, as they did for Integrated, emphasize how little Luddu is alleged to have done to contribute to the artificial price for Block One, and how Luddu had a clerical role.

[602] When we look at the factors which the executive director asserts establish Luddu's state of mind, we are struck by how many of those factors can be interpreted differently depending on your underlying perception of Luddu. If you review those factors with an underlying perception of Luddu as a receptionist, most of the factors say nothing about Luddu's knowledge. Luddu might approach each task on the basis that his boss asked him to send something out or to upload something to a website, and Luddu might comply without considering the substance of whatever document was before him or how it fit into one of the transactions which Core Capital was working on at the time.

[603] In contrast, if you review the same factors with an underlying perception of Luddu was a collaborator in a pump and dump scheme, then each step taken looks like he is advancing the scheme.

[604] We have stated repeatedly in relation to other Respondents why the facts they needed to be aware of to establish the mental state required under section 57(a) were very limited, and right in front of the eyes. It would have been an expectation of their job that they would be aware. But not all of that applies in the case of Luddu.

[605] Although Luddu is alleged to have done such things as participate in the drafting of offending news releases and being one of the Respondents who made "all of the decisions", that is simply not consistent with the detail of the evidence. Luddu was copied on emails attaching news releases. His bosses made decisions, primarily K. Thindal. There is no basis to conclude that it was part of Luddu's job to provide input on any of that, or to be aware of the context.

[606] We conclude that the evidence does not support a conclusion that Luddu breached section 57(a) in respect of the shares of Block One.

(g) Chopra

[607] The allegations regarding what conduct of Chopra caused or contributed to the artificial price of Block One are quite limited. It is alleged that Chopra:

> Was involved in drafting misleading news releases, including that of November 30, 2017, that he was involved in drafting and passing forward misleading investor presentations, that he took steps to have Block One sign an agreement with a promotional firm and that his company paid a promotional company for their promotional efforts relating to Block One.

[608] In response, Chopra's submissions emphasize that he was an investor in Block One from 2014, long before it considered becoming involved in blockchain technology. His submission emphasizes the assistance he provided to Block One was consistent with his role as a former securities lawyer, with the example being given of him assisting with a clarifying news release in response to questions from the TMX and TSX-V in December of 2017. In terms of Chopra paying expenses of Block One, the explanation from the company was that at times it was convenient to have Chopra pay expenses up front, to be reimbursed later, given that Block One would require two signing officers

and it was not always convenient for it to get cheques signed. Similarly, there is evidence that Chopra would assist with credit card payments because he was available with his card but Block One did not have a credit card.

[609] The main point about Chopra's involvement is that although the other Respondents were consistently included in email chains regarding TG12 Ventures and its activities, Chopra was not.

[610] The executive director submits that Chopra:

> "knew that TG12 Ventures was not an arm's length company and was not engaged in cryptocurrency mining as he had received TG12's certificate of incorporation showing that his nephew, Kumar, was TG12's sole director and incorporator. Chopra also communicated with Kumar about whether TG12 Ventures had started mining bitcoin and generating revenue. As a start-up with no operations, Chopra knew TG12 Ventures had no money to make the payments under the Bitminers purchase agreement."

[611] Much of the above submission about the state of knowledge of Chopra relates to allegations false or misleading communications regarding when TG12 Ventures started to earn revenue and whether it had money to pay for its cryptocurrency miners. Those are not relevant given our findings about what elements of the Block One news releases were misleading and which were not.

[612] The executive director's direct submission regarding why Chopra must have known that TG12 Ventures was not an arm's length company, because Kumar was the sole director, is not convincing. The type of control which we have found K. Thindal had over TG12 Ventures is one that allowed him to set the terms in transactions between TG12 Ventures and Block One. Kumar's role as described in the certificate of incorporation would not be sufficient to transmit such knowledge to Chopra.

[613] We are not persuaded regarding the allegations against Chopra in regards to Block One, and once again the fact that he did not sell a material number of shares during the relevant period is significant to us in our analysis. Chopra's mother sold shares during the relevant period and generated net trading proceeds of $13,642. As Chopra submits, we have not been shown precedents in which a respondent alleged to be involved in a pump and dump, and who held a considerable share position, did not sell a single share in his personal account or through his private company.

[614] We conclude that the allegations are not proven against Chopra with respect to Block One.

XIV. Liability under section 168.2 of the Act

[615] Under section 168.2 of the Act a director, officer, employee or agent of a corporation who authorizes, permits or acquiesces in a contravention of a provision of the Act by the corporation also contravenes the same provision.

[616] Core Capital has breached section 57(a) of the Act.

[617] We do not conclude that Chopra was a director, officer employee or agent of Core Capital.

[618] We do not conclude that Luddu acquiesced in any contravention of the Act.

[619] We do not conclude that Kumar acquiesced in a contravention of the Act with respect to Integrated.

[620] Kumar personally breached section 57(a) of the Act with respect to Block One, but that is based on findings that he should have been aware of the nature of the non-arm's length relationship between 1127466 BC Ltd. and Block One, not that he acquiesced in a breach. So we do not conclude that section 168.2 of the Act applies to him.

[621] All of the other individual respondents are liable under section 168.2 of the Act for the contraventions of Core Capital in relation to both Block One and Integrated.

XV. Some General Issues

[622] We have some comments to add to our formal analysis above.

A. Completeness of the investigation

[623] The Respondents were critical of the thoroughness of the investigation in this matter. To some degree that criticism is unfair. This investigation looked into literally thousands of events spread across several years involving a group of issuers which was eventually reduced to the three issuers whose shares were alleged in this proceeding to have been manipulated. At some point, the investigators have to stop gathering evidence and put forward the case which they have collected.

[624] It is fair for the Respondents to assert that on issues where serious accusations of wrongdoing are made against them, the executive director should be careful to collect the relevant facts first. The Respondents assert that there are significant factual gaps in the underlying investigation here.

[625] To some extent the executive director has effectively covered what might otherwise be factual gaps. The executive director collected a significant body of communications between the Respondents, and the executive director submits that this body of evidence, in the words of the Respondents, is the best evidence, with the result that it was not necessary to go further. We did find the contemporaneous record of the Respondents' emails to be quite convincing regarding how the key events in this case

unfolded, and particularly regarding issues such as the extent to which certain of the Respondents controlled key events.

[626] At the same time, it was very reasonable of the Respondents to point out instances where the facts were not established with clarity and where such facts could have been made clear had evidence been collected from other witnesses whose identity was clear. For example, some additional evidence which might have been accessed with relative ease would likely have cleared up the issue of which cryptocurrency miners were operational at which dates, and the extent to which the XSPRAYS organization was at arms' length from the Respondents. As our findings above will hopefully demonstrate, we were cautious about making findings against the Respondents regarding issues where there was factual uncertainty and where dispositive evidence would have been available but was not before us.

[627] There is one broad and significant area where the Respondents urged us to conclude we were lacking a complete picture but where we concluded against the Respondents. That relates to the issue of their control over Block One and Integrated. The Respondents point to lists of individuals who would have known more about the operations of those entities. The Respondents note that those potential witness were not interviewed. As we hope is made clear above, we resolved those issues of "control" as alleged in the Notice of Hearing by accepting there was a lot we did not know about how those entities were conducting their normal business. We accept that we do not know what the board members and senior managers of those entities were doing from day to day. This was because we concluded that the type of control relevant to the Notice of Hearing did not focus on those issues. We concluded that the type of control which is relevant relates to certain specific key activities over which certain Respondents did have control, and relates to those Respondents' control over how those subjects were described to investors and to potential investors.

B. Pre-hearing production of documents

[628] In the course of the investigation the investigators collected massive files of electronic documents, mainly emails which had certain characteristics. The investigators did not review every page of those materials, apparently because the mass of documents was too large to deal with through a normal review and because the investigators were comfortable with the steps which they did take. Instead of a page by page review the investigator applied certain search terms to the documents and evaluated relevance based on what documents were identified with those search terms. This left open the possibility that there were other relevant documents within the mass of materials which the investigators did not look at. The executive director addressed that latter issue by sharing the complete file, so the Respondents could conduct their own review.

[629] Perhaps the option of the investigator concluding that materials are not relevant while sharing unreviewed materials is appropriate. If so, then there is no reason why the executive director should be sharing the materials, which we repeat were too massive for the executive director to search effectively, very near to the commencement of the hearing. The Respondents were represented by teams of very experienced and

competent lawyers who, we expect, worked long and hard to properly respond to the situation they were put into. We do not conclude that an unfair hearing resulted. But there is no doubt that as the hearing was imminent and the Respondents and their counsel would normally be focused full time on hearing preparation, suddenly they were faced with a new and significant task. In future, if such files should appropriately be shared with counsel for respondents, they should be shared at a much earlier date.

[630] There is no downside to having parties identify to the executive director that records he thought were not relevant actually are – as this will benefit both the investigation and the hearing process in recreating and determining what transpired.

[631] Some of our rulings during the hearing regarding specific evidentiary issues ask the executive director to consider new methods to disclose documents which are relevant but for which production is resisted. In some cases the potential relevance of a topic would not have been apparent until in the course of the hearing, or until seeing a request of a Respondent. That can happen. But some of the issues which arose in this case should have been expected and can be expected to arise in future proceedings. The solutions do not lie in counsel for all parties staying in their offices late into the night during a hearing to sort out what should happen with several rounds of document production, although some degree of that might sometimes be inevitable. The solutions lie in systems developed by the executive director so that documentary production issues are identified in advance so they can be resolved in a controlled and planned manner.

C. Testimony of the investigator

[632] We expect that many of the witnesses who appear before us have been trained regarding how best to handle cross examination questions. Typical instructions to witnesses facing cross examination include "if you are asked about a document, ask to see the document before answering" and "if you have any doubt, ask for the question to be repeated". We often see witnesses follow those approaches, and we do not criticize witnesses for being careful.

[633] We also expect that when obvious facts are presented to a witness, that witness will quickly agree. We should rarely see a dynamic where a witness who spoke extensively and in detail about a topic during evidence in chief should need to refer to documents extensively before answering follow up questions which summarize answers already given. For example, in this proceeding one of the lines of argument of Respondents' counsel was that the investigator did not speak to certain potential witnesses. The introductory cross examination on that topic might include having the investigator confirm some of the non-controversial steps which she did take, to be followed by the question "but you didn't speak to Mr. X, did you?". Exchanges such as that should have consumed a few moments, but at times in this case they became painfully extended. This should not happen.

[634] Investigation staff at the Commission have access to some of the most significant legislative powers in the province. They can compel records as well as evidence under oath from parties adverse in interest. As part of the hearing process, when an investigator is called to the witness stand to give evidence about the investigation, they should expect to be asked questions about how staff conducted it, and how and for what purpose the powers under the Act were used. Not all questions asked by opposing parties or counsel are controversial. Where questions are straightforward, we expect that an investigator's answers to be candid and forthcoming.

[635] We make these points not out of a concern for our schedule, although we prefer to see no wasted time. We make these points because the public and all respondents, even those respondents who will disagree with the outcome of a proceeding, should feel that the evidence was presented fairly. We never want to see a perception develop that investigators are afraid to state the truth openly and clearly, whether it helps a respondent or not.

D. Calculation of gains made by Respondents

[636] We did not need to calculate the gains made by Respondents in order to reach our conclusions about liability. However, we acknowledge that in many cases what are described as net trading proceeds in the summaries prepared by the investigator represent instead selling prices. We have not analyzed the issue in detail, or considered its implications regarding what sanctions are appropriate. We expect that we will eventually have to consider those issues very carefully, and so we ask that in addressing sanctions the executive director be very clear to distinguish between whatever different concepts should apply.

[637] We have also left to the sanctions phase the issue of whether certain accounts, likely accounts which were frozen by order of the Commission, are nominee accounts, or beneficially owned by one or more of the Respondents. We hope that this decision, and the reasons for it, allow the parties to focus on such issues and then to provide us with helpful submissions.

XVI. Summary of Conclusions

[638] In conclusion, we find that:

Reliq

[639] The allegations against the Respondents are dismissed. The Respondents did not know or reasonably ought to have known that Reliq would not be collecting revenue from its invoices and their promotional activities did not contribute to an artificial price.

Integrated

[640] Core Capital, K. Thindal, A. Thindal, and Al Homsi knowingly engaged in conduct that resulted in an artificial price in the shares of Integrated and breached section 57(a) of the Act.

[641] The allegations that Chopra, Luddu, and Kumar knowingly engaged in conduct that resulted in an artificial price in the shares of Integrated and breached section 57(a) of the Act are dismissed.

Block One

[642] Core Capital, K. Thindal, A. Thindal and Al Homsi knowingly engaged in conduct that resulted in an artificial price for the shares of Block One and breached section 57(a) of the Act. Kumar breached the same section of the Act when he engaged in conduct when he reasonably should have known that the conduct contributed to an artificial price for the shares of Block One.

[643] The allegations that Chopra and Luddu knowingly engaged in conduct that resulted in an artificial price for the shares of Block One and breached section 57(a) of the Act are dismissed.

Section 168.2

[644] K. Thindal, A. Thindal, and Al Homsi authorized, permitted, or acquiesced in Core Capital's breach of section 57(a) and, by operation of section 168.2 of the Act, also contravened that section.

[645] The allegations that Chopra, Luddu, and Kumar authorized, permitted, or acquiesced in Core Capital's breach of section 57(a) and, by operation of section 168.2 of the Act, also contravened that section are dismissed.

XVII. Submissions on Sanction

[646] We direct the executive director and the respondents to make their submissions on sanctions as follows:

By February 25, 2026	The executive director delivers submissions to the respondents and the Commission Hearing Office.
By March 25, 2026	The respondents deliver response submissions to the executive director, [the other respondents] and the Commission Hearing Office. Any party seeking an oral hearing on the issue of sanctions so advises the Commission Hearing Office. The hearing officer will contact the parties to schedule the hearing as soon as practicable after the executive director delivers reply submissions (if any).

By April 8, 2026	The executive director delivers reply submissions (if any) to the respondents and to the Commission Hearing Office.

January 19, 2026

For the Commission

Gordon Johnson
Vice Chair

Judith Downes
Commissioner

Jason Milne
Commissioner

**On January 21, 2026, the panel issued a correction to the Decision. The revision is incorporated in paragraph 642.*