

Citation: 2013 BCSECCOM 454

**Won Sang Shen Cho, also known as Craig Cho, d.b.a. Chosen Media
and Groops Media**

Securities Act, RSBC 1996, c. 418

Hearing

Panel	Brent W. Aitken Audrey T. Ho Don Rowlatt	Vice Chair Commissioner Commissioner
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Submissions completed October 4, 2013

Date of Decision October 22, 2013

Submissions filed by
Brigeeta C. Richdale For the Executive Director

Decision

I Introduction

- ¶ 1 This is the sanctions portion of a hearing under sections 161(1) and 162 of the *Securities Act*, RSBC 1996, c. 418 (the Act). Our Findings on liability made on August 1, 2013 (2013 BCSECCOM 300) are part of this decision.
- ¶ 2 We found that Won Sang Shen Cho, also known as Craig Cho, doing business as Chosen Media and Groops Media, contravened section 61(1) of the Act when they illegally distributed securities without being registered to do so. We also found that Cho made misrepresentations contrary to section 50(1)(d) of the Act, and that Cho and Chosen Media perpetrated a fraud contrary to section 57(b) of the Act.
- ¶ 3 Cho raised a total of \$101,846 from five investors to whom he returned purported investment returns of \$62,000. At the time of the amended Notice of Hearing, three of the five investors were owed in total \$57,000. They are still owed \$20,569 after the Commission revoked its freeze order on May 28, 2013 to permit a *pro rata* distribution of the frozen funds to the three investors.

II Analysis

- ¶ 4 The executive director seeks orders:
1. permanently prohibiting Cho, Chosen Media and Groops Media from trading in or purchasing securities and prohibiting them from engaging in investor relations activities; and
 2. permanently prohibiting Cho from acting as a director or officer of any issuer or acting in a management or consultative capacity in connection with activities in the securities market.
- ¶ 5 The executive director also seeks a disgorgement order against Cho and an administrative penalty of \$200,000.
- ¶ 6 Cho filed no submissions.
- ¶ 7 In *Re Eron Mortgage Corporation* [2000] 7 BCSC Weekly Summary 22, the Commission identified the factors relevant to sanction as follows (at page 24):

“In making orders under sections 161 and 162 of the Act, the Commission must consider what is in the public interest in the context of its mandate to regulate trading in securities. The circumstances of each case are different, so it is not possible to produce an exhaustive list of all of the factors that the Commission considers in making orders under sections 161 and 162, but the following are usually relevant:

- the seriousness of respondent’s conduct,
- the harm suffered by investors as a result of the respondent’s conduct,
- the damage done to the integrity of the capital markets in British Columbia by the respondent’s conduct,
- the extent to which the respondent was enriched,
- factors that mitigate the respondent’s conduct,
- the respondent’s past conduct,
- the risk to investors and the capital markets posed by the respondent’s continued participation in the capital markets of British Columbia,
- the respondent’s fitness to be a registrant or to bear the responsibilities associated with being a director, officer or adviser to issuers,

- the need to demonstrate the consequences of inappropriate conduct to those who enjoy the benefits of access to the capital markets,
- the need to deter those who participate in the capital markets from engaging in inappropriate conduct, and
- orders made by the Commission in similar circumstances in the past.”

Seriousness of the conduct; damages to markets

- ¶ 8 In *Manna Trading Corp Ltd.* 2009 BCSECCOM 595 the Commission said (at para. 18), “Nothing strikes more viciously at the integrity of our capital markets than fraud.” It is the most serious misconduct prohibited by the Act.
- ¶ 9 As noted in our Findings, the respondents promoted on Craigslist and distributed securities with respect to gaming, without compliance with prospectus requirements. In addition, Cho deliberately told prospective investors that there were more investors with Chosen Media than there actually were, and used multiple identities in his correspondence with investors to create the impression that there were more employees with Chosen Media than there actually were. The most serious misrepresentation and dishonesty was in his promises of “risk-free” rates of return of 30% to 70% in 30 to 90 days (which would equate to an annual non-compounded rate of return of 120% to 840%), and a guaranteed minimum return of 20% within six months (which would equate to an annual non-compounded return of 40%).
- ¶ 10 Cho and Chosen Media perpetrated a fraud, and three of the five investors suffered actual loss. Their fraud damages the reputation of our markets.

Enrichment; harm to investors

- ¶ 11 Cho received a total of \$101,846 from five investors. Three are still owed \$20,569. There is no evidence that their loss could be recovered.

Mitigating or aggravating factors

- ¶ 12 There are no mitigating factors. An aggravating factor is Cho’s pattern of misconduct as described below.

Past conduct

- ¶ 13 Cho also received but ignored prior warnings from the Commission about illegal distributions. The evidence shows that in 2002, Cho, using the name Interpower, sent e-mails to solicit investments from prospective investors. Cho described Interpower as an online gambling company. At that time, a Commission staff investigator warned Cho, first by telephone and then documented in a letter, that his investor relations activities and future distributions of securities with respect to Interpower must be made in full compliance with securities legislation.
- ¶ 14 In December 2012, Cho sent an e-mail promoting an investment with Groops Media requiring a minimum of \$10,000 investment and guaranteeing a minimum return of 20% within six months. This happened while Chosen Media was under investigation and after Cho was warned by Commission staff that he must comply with prospectus requirements when distributing securities through Chosen Media.

Risk to investors and markets; fitness as director, officer, advisor

- ¶ 15 Cho has been given several chances to correct his behaviour and has not taken them. It is clear that he poses a serious and continuing risk to investors and to our markets.

Specific and general deterrence

- ¶ 16 The sanctions we impose must be sufficiently severe to ensure that the respondents and others will be deterred from engaging in similarly reprehensible conduct.
- ¶ 17 Although the number of investors and amounts involved here are relatively modest, Cho's repeated misconduct in blatant disregard of the law indicates that a permanent ban and a significant penalty is warranted for deterrence purposes.

Previous orders

- ¶ 18 In previous decisions in fraud cases, the Commission has made permanent orders and imposed significant financial sanctions. We have followed these precedents.

III Orders

- ¶ 19 The seriousness of the misconduct warrants permanent orders under section 161(1). We are also ordering disgorgement and ordering an administrative penalty based on two times the amount Cho raised from the fraud.
- ¶ 20 Considering it to be in the public interest, we order:

Cho, Chosen Media and Groops Media

1. under section 161(1)(b), that Cho, Chosen Media and Groops Media cease trading in, and are prohibited from purchasing, all securities permanently;
2. under section 161(1)(d)(v), that Cho, Chosen Media and Groops Media are permanently prohibited from engaging in investor relations activities;

Cho

3. under sections 161(1)(d)(i) and (ii), that Cho resign any position he holds as, and is permanently prohibited from becoming or acting as, a director or officer of any issuer or registrant;
4. under section 161(1)(d)(iv), that Cho is permanently prohibited from acting in a management or consultative capacity in connection with activities in the securities market;
5. under section 161(1)(g), that Cho pay to the Commission \$20,569, being the outstanding amount obtained, directly or indirectly, as a result of contraventions of the Act; and
6. under section 162, that Cho pay an administrative penalty of \$200,000.

¶ 21 October 22, 2013

¶ 22 **For the Commission**

Brent W. Aitken
Vice Chair

Audrey T. Ho
Commissioner

Don Rowlatt
Commissioner