



British Columbia Securities Commission

Citation: 2013 BCSECCOM 1

## Temporary Order and Notice of Hearing

**IAC-Independent Academies Canada Inc., Micron Systems Inc.,  
Theodore Robert Everett,  
Leonard George Ralph and Robert H. Duke**

**(the Respondents)**

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

- ¶ 1 The Commission will hold a hearing at which the Executive Director will tender evidence, make submissions and apply for orders against the Respondents under sections 161, 162, and 174 of the *Securities Act*, RSBC 1996, c. 418 (the Act), based on the following facts:

#### **Background**

1. IAC-Independent Academies Canada Inc. (IAC) and its parent company, Micron Systems Inc. (Micron), were both incorporated in British Columbia with a registered and records office in Victoria.
2. Neither IAC nor Micron has ever been registered or filed a prospectus under the Act.
3. Theodore Robert Everett (Everett), Leonard George Ralph, (Ralph) and Robert H. Duke (Duke) are British Columbia residents, directors and officers of IAC, and directors of Micron. Everett was registered under the Act as a registered representative from March 4, 1982 to March 2, 1984. Ralph and Duke have never been registered under the Act.
4. Everett and Ralph are also officers of Micron.
5. Since 2002, the Respondents have been attempting to develop a business concept combining a sports training facility, a high school and university education program, a wellness community, and residential units into one complex. (the Development)
6. In 2006, IAC acquired property in Comox, BC known as Sage Hills (the Property), with a view to building their Development.

#### **Misconduct**

##### ***Illegal Distribution***

7. Between August 2002 and July 2011 IAC distributed securities to finance their Development to at least 150 investors (the Investors) for proceeds of \$7.3 million.



8. In respect of at least 122 investors who invested approximately \$5.96 million, IAC filed 36 Exempt Distribution reports purporting to rely primarily on the Family, Friends and Business Associates (FFBA) exemptions from the prospectus requirements of the Act of which only \$1.94 million from 15 investors actually qualified for an exemption.
9. By distributing securities of IAC without having filed a prospectus, IAC, Everett, Ralph, and Duke contravened section 61 of the Act.

***Fraud***

10. On November 16, 2009, Liberty Excell Mortgage (Liberty) commenced foreclosure proceedings against the Property and on November 18, 2009 registered a Certificate of Pending Litigation.
11. On July 14, 2010, the court granted an Order Nisi and Conduct of Sale to Liberty for the Property. A court ordered sale of the property was approved on September 13, 2012.
12. Without disclosing to investors that foreclosure proceedings had been commenced and were ongoing against the Property, the Respondents continued to market and sell IAC securities to 61 investors totaling approximately \$1.49 million.
13. By engaging in the conduct described above, the Respondents perpetrated a fraud contrary to section 57(b) of the Act.

***Breach of Cease Trade Order***

14. On July 19, 2011, the Executive Director ordered that trading in the securities of IAC cease (CTO) after determining that they had improperly claimed the FFBA exemption.
15. In order to circumvent the CTO, Micron began issuing promissory notes to existing IAC investors totaling \$195,000 in order to finance IAC expenditures. The promissory notes also included a promise by Micron to issue IAC shares to the investors either immediately or in the future.
16. By engaging in the conduct described above, Micron, Everett, Ralph and Duke contravened the CTO.
17. The CTO remains in effect.



### ***Continuing Conduct***

18. On November 19, 2012, IAC distributed to its investors a written “update” advising that IAC intended to restructure the company by moving away from property development and instead building on the intellectual property of IAC.
19. On December 10, 2012, IAC distributed to its investors another update advising IAC was “nearing completion on the restructuring process” into a new entity called “ISE” and that an ISE private placement had been prepared and was being marketed in order “to raise interim capital of \$3 million in the next 4 to 5 weeks.”

### **Liability Under s.168.2**

20. Everett, Ralph, and Duke as directors of IAC and Micron authorized, permitted, or acquiesced in IAC and Micron’s contraventions of the Act and therefore also contravened those same provisions by operation of section 168.2 of the Act.

### **Public Interest**

- ¶ 2 It is in the public interest that the Commission issue orders under sections 161 and 162 of the Act.

### **Temporary Order**

- ¶ 3 The Executive Director, considering the length of time to hold a hearing under section 161(2) of the Securities Act to be prejudicial to the public interest, orders under section 161(1) of the Securities Act that (the Temporary Order):
- (a) The Respondents cease trading in all securities; and
  - (b) The Respondents be prohibited from engaging in investor relation activities.

until January 30, 2013 at 9:00 am.

### **Hearing Process**

- ¶ 4 A hearing will be held in the 12<sup>th</sup> Floor Hearing Room, 701 West Georgia Street, Vancouver, British Columbia, on **January 30, 2013, at 9:00 am**, at which time the Executive Director will ask the Commission to extend the temporary order until a hearing is held and a decision is rendered.
- ¶ 5 At the Hearing, the Respondents may be represented by counsel, make submissions and tender evidence. The Respondents are requested to advise the Commission of their intention to attend the Hearing by informing the Secretary to the Commission at PO Box 10142, Pacific Centre, 701 West Georgia Street, Vancouver, BC V7Y 1L2, phone: 604-899-6500; email: [commsec@bcsc.bc.ca](mailto:commsec@bcsc.bc.ca).



¶ 6 If the Respondents or their counsel do not appear at the Hearing, the Executive Director may apply to have questions of liability and sanction heard at the same time and determinations adverse to the Respondents may be made.

¶ 7 January 15, 2013.

Paul C. Bourque  
Executive Director



¶ 8 Paul C. Bourque, Q.C.  
Executive Director