



British Columbia Securities Commission

Citation: 2015 BCSECCOM 31

## **Amended Notice of Hearing**

**0902395 B.C. Ltd. and Robert James Maddigan**

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

¶ 1 The British Columbia Securities Commission (Commission) will hold a hearing (Hearing) at which the Executive Director will tender evidence, make submissions and apply for orders against 0902395 B.C. Ltd. and Robert James Maddigan (collectively 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. Robert James Maddigan (Maddigan) is an Alberta resident. Maddigan was licensed as an engineer in Alberta until January 2010 and in the Northwest Territories and Nunavut until the end of 2012. He has served as a director, officer, or consultant to public junior mining companies.
2. 0902395 B.C. Ltd. (Maddigan's Company) is a non-reporting British Columbia company. Maddigan is its sole director and officer.
3. Maddigan's Company was a consultant to a coal company for the acquisition of a coal mine in Mongolia. In return, the coal company agreed to issue some of its shares to Maddigan's Company.
4. In 2011, Maddigan's Company sold the shares before it had received them from the coal company. It entered into agreements with thirty-four investors, under which the investors provided funds to Maddigan's Company. These agreements appeared as loan agreements, with funds repayable in cash or shares in a new company at 10 cents a share, but investors were informed they were buying the coal company's shares. In total, investors paid \$880,000 to Maddigan's Company for 8.8 million shares of the coal company.

### **Misconduct**

#### ***Fraud***

5. In 2012, Maddigan's Company received 9 million shares from the coal company.
6. In 2013, Maddigan's Company transferred the shares to some of the investors. However, Maddigan's Company did not transfer the shares in accord with the agreements.

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7. Certain investors, including a business associate and a friend of Maddigan, received more shares than they had paid for. Maddigan's business associate, acting through his company, paid for 250,000 shares. He received 2 million shares because Maddigan owed him a debt. Maddigan's friend paid for 150,000 shares but received 950,000, because Maddigan owed him rent.
8. Two investors Maddigan did not know – who paid \$30,000 and US\$12,500 for a total of 425,000 shares – received no shares. Maddigan, through his lawyer, told Commission staff that he would repay these two investors in cash. He has not done so.
9. The Respondents put investors' money at risk of deprivation when Maddigan's Company overpaid those investors Maddigan knew personally. By overpaying those investors, while failing to deliver shares or return the money of other investors Maddigan did not know, the Respondents committed fraud contrary to section 57 of the Act.

***Liability Under s.168.2***

10. Maddigan, as the sole director and officer of Maddigan's Company, authorized, permitted or acquiesced in contraventions of the Act by Maddigan's Company. Therefore, by operation of section 168.2 of the Act, he also contravened the Act.

**Public Interest**

11. The Respondents' conduct described in this Notice of Hearing, including:
  - favouring investors Maddigan knew personally, even though all investors signed the same agreement and paid the same price per share;
  - taking money from investors for shares, and failing either to deliver the promised shares or to return investors' money; and
  - misrepresenting to Commission staff that Maddigan would repay two investors who did not receive their shares;

harms the reputation, integrity, and credibility of the province's securities market and regulatory environment, demonstrates they lack the integrity required to participate in this market, and is contrary to the public interest.

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



### **Hearing Process**

- ¶ 2 The Respondents or their counsel are required to attend at the 12th Floor Hearing Room, 701 West Georgia Street, Vancouver, British Columbia, on **Tuesday, February 3, 2015, at 9:00 a.m.** if they wish to be heard before the Commission sets a date for the Hearing. Relevant information gathered by Commission Staff in the investigation of this matter will be disclosed to the Respondent upon request to the Executive Director.
  
- ¶ 3 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.
  
- ¶ 4 If the Respondents or their counsel do not appear at the Hearing, the Executive Director will apply to have questions of liability and sanction heard at the same time. Determinations adverse to the Respondents may be made in their absence.

Paul C. Bourque  
Jan 23 2015 10:24 AM

- ¶ 5 Paul C. Bourque, Q.C.  
Executive Director