

2003 BCSECCOM 268

Schedule "A"

Settlement Agreement

A.W. Auto Watch Group Inc. and Raymond Michael Roger Sasseville

Securities Act, RSBC 1996, c. 418

¶ 1 The following settlement of issues has been reached between A.W. Auto Watch Group Inc. (Auto Watch) and Raymond Michael Roger Sasseville (Sasseville), and the Executive Director.

Agreed Statement of Facts

- ¶ 2 As the basis for the undertakings and orders referred to in this settlement, Auto Watch and Sasseville acknowledge the following facts as correct:
1. Auto Watch was incorporated in British Columbia on November 1, 1996, has a head office in Westbank, British Columbia, and has never been registered in any capacity under the *Securities Act*, RSBC 1996, c. 418.
 2. At all material times, Sasseville was the president, controlling shareholder and a director of Auto Watch. He has never been registered in any capacity under the Act.
 3. Between February 24, 1998 and December 21, 2001 (the Relevant Period), Sasseville caused Auto Watch to distribute 2,969,490 of its common shares to a total of 53 persons (the Original Shareholders), 36 of whom were British Columbia residents. Auto Watch raised a total of approximately \$715,000 from the Original Shareholders.
 4. Auto Watch also formed a "Shareholder Syndicate" of an additional 22 British Columbia persons (the Syndicate Shareholders), who invested in the securities of Auto Watch during the Relevant Period. Auto Watch raised a total of approximately \$40,000 from the Syndicate Shareholders.
 5. Auto Watch did not file a prospectus under the Act and was unable to rely upon any statutory exemptions from the registration and prospectus requirements of the Act, in distributing its securities to the Original Shareholders and the Syndicate Shareholders, contrary to sections 34(1) and 61(1) of the Act (the Illegal Distributions).
 6. In making the Illegal Distributions, Auto Watch purported to rely upon the registration and prospectus exemption found at sections 46(j) and 75(a) of the Act (the Private Issuer Exemption).

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7. Most of the Original Shareholders and all of the Syndicate Shareholders did not meet the requirements of the Private Issuer Exemption because they were members of the public and did not have a special relationship with Auto Watch.
8. Sasseville participated in the Illegal Distributions, without being able to rely upon any statutory exemption from the registration requirements of the Act, contrary to section 34(1) of the Act.
9. On August 21, 2002, IVS Intelligent Vehicle Systems Inc. (IVS), which had its securities listed and posted for trading on the TSX Venture Exchange, signed a Letter of Intent with Auto Watch (the Letter of Intent). Under the terms of the Letter of Intent, IVS intended to purchase 100% of the assets of Auto Watch, in exchange for a convertible debenture (the IVS Debenture), representing the total dollar amount that was invested by the Original Shareholders and the Syndicate Shareholders, plus \$10,000 in cash. The IVS Debenture would have been convertible into the shares of IVS, at a price of \$1.00 per share, for a period of two years (the Two-Year Conversion Period). After the Two-Year Conversion Period, any of the Original Shareholders and Syndicate Shareholders, who had not converted their shares of Auto Watch into the shares of IVS, would be repaid their original investments in Auto Watch from the revenues generated for IVS by the sale of Auto Watch products.
10. Auto Watch and Sasseville have represented to the staff of the Commission that IVS was in agreement with the facts set out in paragraph 9 of this settlement.
11. On February 14, 2003, at the request of IVS, the TSX Venture Exchange halted trading in the securities of IVS, and, on February 28, 2003, IVS announced, in a news release, that it had “significant debt in excess of \$900,000, and lacks necessary capital financing to move forward”. IVS further stated that, “with no immediate and significant financing available for IVS, it has been determined the future of the company is in jeopardy.” All of the directors and officers of IVS submitted their resignations to IVS, effective February 24, 2003, and February 26, 2003, respectively.

Mitigating Factors

- ¶ 3 The Executive Director has taken into account the following facts as factors mitigating the sanctions that would otherwise have applied in the public interest:
1. Auto Watch is financially unable to offer a right of rescission to the Original Shareholders and the Syndicate Shareholders because its assets had been acquired by IVS, which is now insolvent. As a result, there is no longer an

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agreement in place between Auto Watch and IVS to proceed with the issuance of the IVS Debenture, which would have been used by Auto Watch to repay the investments made by the Original Shareholders and the Syndicate Shareholders.

2. The Executive Director is satisfied that Auto Watch is now inactive, insolvent, and has ceased distributing its securities to, and soliciting money from, the public; otherwise, the Executive Director would have required Auto Watch to make an offer of rescission to the Original Shareholders and the Syndicate Shareholders.
3. The Executive Director is also satisfied that Sasseville is impecunious and financially incapable of making an offer of rescission to the Original Shareholders and the Syndicate Shareholders, or paying to the Commission a sum greater than what is required by this settlement.

Undertaking

¶ 4 Sasseville undertakes to:

1. comply fully with the Act, the *Securities Rules*, BC Reg. 194/97, and any applicable regulations, from the date of this settlement; and
2. not say anything, in writing or orally, which may contradict the terms of this settlement or call those terms into question.

¶ 5 Sasseville undertakes to:

1. comply fully with the Act, the Rules, and any applicable regulations, from the date of this settlement;
2. pay to the Commission the sum of \$10,000, of which \$1,000 represents the costs of the investigation; and
3. not say anything, in writing or orally, which may contradict the terms of this settlement or call those terms into question.

Order

¶ 6 Auto Watch and Sasseville consent to an order by the Executive Director (the Order) that:

1. under section 161(1)(c) of the Act, any or all of the exemptions described in sections 44 to 47, 74, 75, 98 or 99 of the Act not apply to Sasseville until the later of three years from the date of the Order and the date Sasseville pays to

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the Commission the sum of \$10,000, except that Sasseville may trade in securities, solely through one registered dealer, under section 45(2)(7) of the Act;

2. under section 161(1)(d) of the Act, Sasseville resign any position he holds as a director and officer of any issuer, and is prohibited from becoming or acting as a director or officer of any issuer, until the later of three years from the date of the Order and the date Sasseville pays to the Commission the sum of \$10,000; and
3. under section 161(1)(d) of the Act, Sasseville is prohibited from engaging in investor relations activities on behalf of any issuer until the later of three years from the date of the Order and the date Sasseville pays to the Commission the sum of \$10,000.

Waiver

¶ 7 Auto Watch and Sasseville waive any right they each may have, under the Act or otherwise, to a hearing, hearing and review, judicial review or appeal related to, in connection with, or incidental to this settlement.

¶ 8 April 14, 2003

¶ 9 “M. Sasseville”
A.W. Auto Watch Group Inc. (Signing Authority)

“B. M. Porrelli”)
Witness Signature)
Barry M. Porrelli)
Witness Name (please print))
#260 – 2300 Carrington Road)
Westbank, BC V4T 2N6)
Address)
Barrister & Solicitor)
Occupation)

¶ 10 April 14, 2003

¶ 11 “M. Sasseville”

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Raymond Michael Roger Sasseville

“B.M. Porrelli”)
Witness Signature)
Barry M. Porrelli)
Witness Name (please print))
#260 – 2300 Carrington Road)
Westbank, BC V4T 2N6)
Address)
Barrister & Solicitor)
Occupation)

¶ 12 April 15, 2003

“S. J. Wilson”

¶ 13 Stephen J. Wilson
Executive Director