

2010 BCSECCOM 654

Settlement Agreement

**Steven Brian Friedland, Western Liquid Funding and
Western Liquid Funding Inc.
(collectively, the Respondents)**

Securities Act, RSBC 1996, c. 418 (the Act)

¶ 1 The Executive Director of the British Columbia Securities Commission (the Executive Director), Steven Brian Friedland (Friedland), Western Liquid Funding (WLF) and Western Liquid Funding Inc. (WLF Inc.) agree as follows:

Agreed Statement of Facts

1. Friedland is a 52 year old British Columbia resident and was never registered under the Act. He did business as WLF, a sole proprietorship. He incorporated WLF Inc. on September 9, 2009 and was its sole officer, director and shareholder.
2. Between August, 2004 and June 2010, Friedland, through WLF and WLF Inc., entered into investment agreements (Investment Agreements) with more than 140 investors, at least 100 of whom were British Columbia residents (the Investors). The Respondents raised a total of more than \$12 million through the Investment Agreements.
3. The Investment Agreements:
 - (a) provided for payment of monthly interest to the Investors;
 - (b) were for an initial term of 6 months, after which the investment capital became repayable to the investor, upon demand; and
 - (c) provided that the investment capital would be used by the Respondents to make bridge financing loans to third party borrowers (the Borrowers).
4. By entering into the Investment Agreements, the Respondents traded securities.
5. The Respondents used the funds raised from Investors pursuant to the Investment Agreements to make bridge financing loans to Borrowers.

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Misconduct

6. The Respondents were not registered to trade securities and no prospectus was filed for the Investment Agreements. By entering into the Investment Agreements, the Respondents contravened sections 34(a) and 61(1) of the Act.

Public Interest

7. Friedland, WLF and WLF Inc. acted contrary to the public interest by engaging in the conduct set out above.

Mitigating Factors

8. Between June, 2004 and June 2010, the Respondents paid interest to Investors in excess of \$10 million, together with substantial repayments of capital. Up to June, 2010, the Respondents paid all interest due to the Investors, and repaid all investment capital on demand, in accordance with the terms of the Investment Agreements.
9. In June, 2010, as a result of the failure of some Borrowers to fulfil their loan obligations to the Respondents, the Respondents were unable to continue meeting all obligations under the Investment Agreements as they came due, and suspended further payments.
10. Friedland invested substantially all of his personal assets in the business of the Respondents, and incurred significant debt in order to meet obligations to investors.
11. In the summer of 2009, Friedland became aware that the business of the Respondents was subject to regulation and took steps to restructure the business of the Respondents to conform to the requirements of the Act. In the course of the restructuring, Friedland disclosed the Respondents' misconduct to Commission staff.
12. The Respondents have cooperated with Commission staff in the investigation of this matter.
13. On October 6, 2010, Friedland and WLF Inc. were adjudged bankrupt by the British Columbia Supreme Court, on the application of an Investor. Friedland and WLF Inc. did not oppose the application and have co-operated with Investors and the trustee in bankruptcy in dealing with his and WLF Inc.'s assets.

Inability to Pay

14. Friedland and WLF Inc. are bankrupt and have no reasonable prospect of being able to pay the fine of \$225,000 that would otherwise be appropriate in

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the public interest for the misconduct described in this settlement.

Order

¶ 2

The Executive Director, considering it to be in the public interest, will issue an order (the Order) that:

1. under section 161(1)(a) of the Act, Friedland, WLF and WLF Inc. comply fully with the Act, the *Securities Rules*, BC Reg. 194/97, and any applicable regulations;
2. under section 161(1)(b) of the Act, Friedland cease trading in and be prohibited from purchasing any securities for a period of 20 years from the date of the Order, except that he may trade and purchase securities through accounts in his own name through a registered representative if he provides a copy of this Order to the registered representative before any trade;
3. under section 161(1)(b) of the Act, WLF and WLF Inc. permanently cease trading in and be prohibited from purchasing any securities;
4. under section 161(1)(d)(i) of the Act, Friedland resign any position that he holds as a director or officer of any issuer, registrant or investment fund manager, except that he may continue to be an officer and director of WLF Inc. and WLF (OM) Inc. solely for the purpose of winding up their businesses and to facilitate recovery of outstanding loans to Borrowers for the benefit of Investors;
5. under section 161(1)(d)(ii) of the Act, Friedland is prohibited from becoming or acting as a director or officer of any issuer, registrant or investment fund manager, for a period of 20 years from the date of the Order, except that he may act as an officer or director of a private company in which he, his spouse or a family trust are the only shareholders;
6. under section 161(1)(d)(iii) of the Act, Friedland is prohibited from becoming or acting as a registrant, investment fund manager or promoter, for a period of 20 years from the date of the Order;
7. under section 161(1)(d)(iv) of the Act, Friedland is prohibited from acting in a management or consultative capacity in connection with activities in the securities market, for a period of 20 years from the date of the Order; and
8. under section 161(1)(d)(v) of the Act, Friedland is prohibited from engaging in investor relations activities, for a period of 20 years from the date of the Order.

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Consent to Reciprocal Orders

- ¶ 3 Any securities regulator in Canada may rely on the facts admitted in this agreement solely for the purpose of making an order similar to the one contemplated above.

Waiver

- ¶ 4 Friedland, WLF and WLF Inc. waive any right they 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.

Counterpart

- ¶ 5 This Settlement Agreement may be executed in counterpart or by facsimile execution and all such counterparts of executed copies or faxed copies shall be read or construed together as if they formed one originally executed document.

- ¶ 6 November 30, 2010

Steven Brian Friedlan

- ¶ 7 _____
Steven Brian Friedland
Western Liquid Funding and
Western Liquid Funding Inc.

John S. Forstrom)
Witness Signature)

John S. Forstrom)
Witness Name (please print))

1200 – 625 Howe Street)

Vancouver, BC)
Address)

Barrister & Solicitor)
Occupation)

- ¶ 8 November 30, 2010

Paul Bourque

- ¶ 9 Paul Bourque, QC
Executive Director