

Citation: 2013 BCSECCOM 411

Settlement Agreement

Adam Gant, Emanuel Arruda, and League Investment Services Inc.

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

- ¶ 1 The Executive Director of the British Columbia Securities Commission (the Executive Director) and Adam Gant, Emanuel Arruda, and League Investment Services Inc. agree as follows:

Agreed Statement of Facts

Background

1. League Investment Services Inc. (LISI) is a B.C. corporation registered in all provinces as an exempt market dealer.
2. Adam Gant (Gant) and Emanuel Arruda (Arruda), through their family trusts, own 100% of LISI. They are also its officers and sole directors. Gant is LISI's Ultimate Designated Person. Arruda is in charge of LISI's investor relations activities.
3. Gant and Arruda are B.C. residents.

LISI promoted the sale of IGW Real Estate Investment Trust (IGW REIT) without proper disclosure

4. During the period September 2010 to June 2012, LISI promoted the sale of IGW REIT securities through its website, brochures and its Blue Book of Real Estate Syndication (Blue Book).
5. IGW REIT is a real estate investment trust that owns commercial properties in Ontario, Manitoba, Saskatchewan and British Columbia. IGW REIT has about 2,200 investors, who as of June 19, 2013 had invested approximately \$290 million.
6. Gant and Arruda are trustees of IGW REIT. Gant is President of IGW REIT.
7. League Assets Corporation (LAC) manages IGW REIT. LAC earns management fees based on the sale of IGW REIT securities by LISI. In 2010, IGW REIT paid management fees of \$7.8 million to LAC.
8. Gant and Arruda, through their family trusts, own 100% of LAC and are its officers and sole directors. Gant is Chief Executive Officer and Arruda is President and Co-Chairman of LAC.

9. While promoting the sale of IGW REIT securities through its website, brochures, and Blue Book, LISI did not disclose in these marketing materials that its owners and sole directors—Gant and Arruda—are also:
 - (a) trustees of the issuer IGW REIT, whose securities LISI sells; and
 - (b) owners, officers, and the sole directors of LAC, IGW REIT’s management company.

Misconduct

10. During the period September 2010 to June 2012, by recommending an investment in IGW REIT securities, without disclosing its relationship or connection to IGW REIT and LAC in the same medium of communication, LISI contravened section 13.6 of National Instrument 31-103.
11. The Respondents’ conduct described in this Settlement Agreement was contrary to the public interest.

Mitigating Factor

12. The offering memoranda distributed during the relevant period disclosed that IGW REIT may be a connected and related issuer of LISI. The offering memoranda also disclosed that Gant and Arruda have ownership interests in LISI and LAC through family trusts.
13. The subscription agreements executed during the relevant period also disclosed the same information that was contained in the offering memoranda referred to above. The subscription agreements were signed by each investor that invested.

Public Interest

14. It is in the public interest that the Executive Director issue orders under section 161 of the Act.

Undertaking(s)

15. Gant undertakes to pay \$150,000 and Arruda undertakes to pay \$100,000 to the Commission in respect of settlement of this matter, which sums are a condition of settlement due and payable at the time of execution of this Settlement Agreement.
16. Gant and Arruda undertake to pass a securities course for exempt market dealer representatives, acceptable to the Executive Director, within six months from the execution of this Settlement Agreement.

Order

- ¶ 2 The Executive Director will issue an order (the Order) that:
 1. under section 161(1)(a) that Gant, Arruda, and LISI comply with all provisions of the Act; and
 2. under section 161(1)(e)(ii) that LISI disclose in its marketing materials, to the satisfaction of the Executive Director, its relationship with IGW REIT.

Consent to Regulatory Orders

- ¶ 3 Gant, Arruda, and LISI consent to a regulatory Order made by any provincial or territorial securities regulatory authority in Canada containing any or all of the Orders set out in ¶ 2 above.

Waiver

- ¶ 4 Gant, Arruda, and LISI 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 September 27th, 2013 September 26th, 2013

¶ 7 <u>Adam Gant</u> Adam Gant <u>Gemma Bosworth</u>) Witness Signature) <u>Gemma Bosworth</u>) Witness Name (please print)) <u>200-710 Redbrick St</u>) <u>Victoria, BC V8T 5S3</u>) Address) <u>Executive Assistant</u>) Occupation)	<u>Emanuel Arruda</u> Emanuel Arruda <u>Susan Pearson</u>) Witness Signature) <u>Susan Pearson</u>) Witness Name (please print)) <u>200 – 710 Redbrick Street</u>) _____) Address) <u>Executive Scheduler</u>) Occupation)
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¶ 10 October 1, 2013

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