

Citation: 2018 BCSECCOM 221

Settlement Agreement

Larry Lee

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

- ¶ 1 The Executive Director of the British Columbia Securities Commission (the Executive Director) and Larry Lee (Lee) agree as follows:

Agreed Statement of Facts

Background

1. Lee is a resident of British Columbia. From 2010 through 2013, he was engaged in the business of developing real estate websites.

Misconduct

2. On May 11, 2012, Lee raised \$200,000 from two joint investors (the Investors) under a promissory note (the Investment). The terms of the promissory note provided a 24% annual return for two years and an option to own a 15% stake of Lee's business.
3. Lee represented to the Investors that he would use their funds to develop his business and told the Investors that:
 - (a) the Investment was low risk with guaranteed repayment of the principal and 24% annual return over two years;
 - (b) he was confident he could sell his business for at least \$10 million by December 31, 2014;
 - (c) he owned his house and, if necessary, would sell it in order to repay the investors; and
 - (d) if he passed away during the term of the promissory note, his estate would repay the investors.
4. Lee omitted to tell the Investors that:
 - (a) his business had no revenue and minimal assets;

- (b) he had no basis to guarantee a 24% rate of return;
 - (c) he was approximately \$800,000 in debt; and
 - (d) he only owned a 20% interest in the house, which was significantly encumbered.
5. On May 11, 2012 Lee deposited the Investment into his personal bank account and immediately used the funds to pay friends, family, credit card debt, and bank loans.
 6. Lee's business never generated any revenue and he abandoned it at the end of 2013.

Fraud

7. By engaging in the conduct set out above, Lee perpetrated a fraud on the Investors contrary to section 57(b) of the Act.

Mitigating Factors

8. Lee voluntarily repaid \$10,000 to the Investors prior to Staff involvement in this matter. Lee also cooperated with the Executive Director.

Public Interest

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

Disgorgement

- ¶ 2 Lee agrees to disgorge \$190,000 to the British Columbia Securities Commission (the Commission) pursuant to paragraph 161(1)(g) of the Act, which represents the net funds obtained from his misconduct. This amount is payable immediately, without further notice or demand.

Undertakings

- ¶ 3 Lee undertakes to
 - a) pay \$50,000 to the Commission in respect of settlement of this matter;
 - b) on demand by the Commission, consent to judgment for the amounts described in ¶2 and ¶3(a); and
 - c) as security for any and all amounts outstanding to the Commission, grant a mortgage in favour of the Commission in a form satisfactory to the Commission, of his interest in real property in British Columbia.

Order

¶ 4 The Executive Director will issue an order (the Order) that:

1. Under section 161(1)(d)(i), Lee resign any position he holds as a director or officer of any issuer or registrant;
2. Lee is permanently prohibited from:
 - (a) under section 161(1)(b)(ii), from trading in or purchasing any securities or exchange contracts, except that he may trade and purchase securities or exchange contracts for his own account (including one RRSP account, one TFSA account and one RESP account) through a registered dealer, if he gives the registered dealer a copy of this settlement;
 - (b) under section 161(1)(c), from relying on any of the exemptions set out in the Act, the regulations or a decision;
 - (c) under section 161(1)(d)(ii), from becoming or acting as a director or officer of any issuer or registrant;
 - (d) under section 161(1)(d)(iii), from becoming or acting as a registrant or promoter;
 - (e) under section 161(1)(d)(iv), from acting in a management or consultative capacity in connection with activities in the securities market; and
 - (f) under section 161(1)(d)(v), from engaging in investor relations activities;
3. Lee pay to the Commission \$190,000 pursuant to section 161(1)(g) of the Act.

Consent to Regulatory Orders

¶ 5 Lee consents 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 paragraph ¶4 above.

Waiver

¶ 6 Lee waives any right he 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

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

¶ 8 July 30, 2018

¶ 9 Larry Lee
Larry Lee

Brigeta C. Richdale)
Witness Signature)
Brigeta C. Richdale)
Witness Name (please print))
#2200 – 885 West Georgia St.)
)
Vancouver, BC V6C 3E8)
Address)
Lawyer)
Occupation)

¶ 10 July 31, 2018

Peter J. Brady

¶ 11 Peter J. Brady
Executive Director