

Citation: 2019 BCSECCOM 338

Settlement Agreement

Chung-Shen “Johnson” Kao

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

- ¶ 1 The Executive Director of the British Columbia Securities Commission (the Executive Director) and Chung-Shen “Johnson” Kao (Kao) agree as follows:

Agreed Statement of Facts

Background

1. Kao is a resident of Alberta. He has never been registered in any capacity under the Act.
2. Kao has no history of securities regulatory misconduct.

Misconduct

3. FS Financial Services (Alberta) Inc. (FS Alberta) is a company incorporated in Alberta.
4. Kao was a nominee director of FS Alberta between April 2015 and June 2016 (relevant period). He acted on the instructions of the *de facto* directors of FS Alberta.
5. FS Alberta raised approximately \$12.6 million from 72 investors in British Columbia without filing a prospectus and without being exempt from the prospectus requirement. Kao was aware of, but did not participate in, FS Alberta’s fundraising during the relevant period.
6. By acting as a nominee director of FS Alberta, Kao engaged in conduct abusive to the capital markets.

Mitigating Factors

7. Kao agreed to make early admissions with respect to the above-noted misconduct prior to the hearing of the alleged misconduct in the further amended notice of hearing.
8. Kao cooperated with staff throughout the investigation.
9. Kao invested his own funds into FS Alberta.

Public Interest

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

Undertakings

11. Kao undertakes to:
 - a) complete a course of study on the duties and responsibilities of corporate officers and directors that is acceptable to the Executive Director; and
 - b) provide the Executive Director with evidence of his successful completion of the course.

Order

- ¶ 2 The Executive Director will issue an order (the Order) that:
1. under section 161(1)(d)(i), Kao resign any position he holds as a director or officer of an issuer or registrant;
 2. Kao is prohibited for the latter of one year or until he has fulfilled his undertakings in paragraph 11:
 - a) under section 161(1)(b)(ii), from trading in or purchasing any securities or exchange contracts, except that he may trade securities through a registrant in one RRSP account and one TFSA account held in his own name, if he first provides a copy of the Order to the registrant;
 - b) under section 161(1)(c), from relying on any of the exemptions set out in this 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.

Consent to Regulatory Orders

¶ 3 Kao 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 2 above.

Waiver

¶ 4 Kao 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

¶ 5 This Settlement Agreement may be executed in counterpart or by electronic 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 October 10 , 2019

¶ 7 Chung-Shen "Johnson" Kao
Chung-Shen "Johnson" Kao

(REDACTED))
Witness Signature)
(REDACTED))
Witness Name (please print))
(REDACTED))
(REDACTED))
Address)
(REDACTED))
Occupation)

¶ 8 October 18 , 2019

Peter J. Brady

¶ 9 _____
Peter J. Brady
Executive Director