BRITISH COLUMBIA SECURITIES COMMISSION
Securities Act, RSBC 1996, c. 418

Citation: Re Inverlake, 2015 BCSECCOM 348 Date: 20150914

Inverlake Property Investment Group Inc., Wheatland Business Park Ltd., and Alfredo Miguel "Michael" Yong

Panel	Nigel P. Cave Suzanne K. Wiltshire	Vice Chair Commissioner
Hearing Dates	April 7, 8, 9, 10, 13, 14 and June 19, 2015	
Submissions Completed	June 19, 2015	
Date of Decision	September 14, 2015	
Appearing		
James Torrance	For the Executive Director	
Patrick Sullivan	For Alfredo Miguel "Michael" Yong, Inverlake Property Investment Group Inc. and Wheatland Business Park Ltd.	

Findings

I. Introduction

[1] This is the liability portion of a hearing under sections 161(1) and 162 of the *Securities Act*, RSBC 1996, c. 418.

[2] In an amended notice of hearing issued March 9, 2015 (2015 BCSECCOM 84), the executive director alleges that:

a) Inverlake Property Investment Group Inc., Wheatland Business Park Ltd. and Alfredo Miguel "Michael" Yong breached section 61 of the Act when they distributed securities without a prospectus and without an exemption from the requirement to do so;

b) Yong, as a director of Inverlake and Wheatland, is liable for Inverlake's and Wheatland's contraventions of section 61 pursuant to section 168.2 of the Act;

c) Yong committed fraud in contravention of section 57(b) of the Act, when he:

i) inflated the purchase price of land that Inverlake was to acquire (Inverlake Land) with the proceeds from its distribution of securities; and

ii) failed to tell investors that the Inverlake Land was being foreclosed following a failure to make the required payments under a mortgage registered against the Inverlake Land; and

d) the respondents' conduct was contrary to the public interest.

[3] The executive director called seven witnesses - one Commission investigator and 6 investors - and tendered documentary evidence. Yong testified at the hearing and the respondents, collectively, tendered documentary evidence.

[4] The parties tendered an agreed statement of facts. In the statement of facts, the respondents admitted to certain contraventions of section 61, as discussed below. At the start of the hearing, the respondents admitted to further contraventions of section 61.

[5] During oral submissions, the executive director withdrew his allegation that the respondents' conduct was contrary to the public interest.

II. Background

The Respondents

[6] Inverlake is an Alberta corporation that was incorporated in March 2008. Inverlake was incorporated to acquire and hold the Inverlake Land. Inverlake has never filed a prospectus under the Act.

[7] Wheatland is an Alberta corporation that was incorporated in June 2008. Wheatland was incorporated to acquire and hold land in Wheatland County, Alberta. Wheatland has never filed a prospectus under the Act.

[8] Yong was a resident of British Columbia until late in 2008, at which point he moved to Alberta. For the entire time period relevant to the matters in the amended notice of hearing, Yong was the sole director of both Inverlake and Wheatland.

Inverlake and Inverlake Lands

Land purchase agreements

[9] On September 26, 2007, 1264065 Alberta Inc. entered into a purchase and sale agreement with a vendor (AF) to acquire two quarter sections (320 acres in total) of land in Alberta (the Original Agreement). 1264065 Alberta Inc. was a non-arm's length party to Yong in that its two directors were Yong's older brother (HY) and Yong's business associate (DM).

[10] The purchase price under the Original Agreement was $6,446,000 for the two quarter sections of land. One of the two quarter sections of land was the Inverlake Land. The other quarter section is not relevant to this proceeding.

[11] The Original Agreement contemplated that two separate vendor take-back mortgages would be put in place on closing, one on each of the two quarter sections. It also allowed 1264065 Alberta Inc. to assign the Original Agreement without the consent of the vendor.

[12] Ultimately, Inverlake acquired the Inverlake Land. The question of how it came to acquire the Inverlake Land is central to these proceedings.

[13] In an interview under oath with Commission investigators, Yong was asked how Inverlake acquired the Inverlake Land. He said that Inverlake acquired the property directly from AF and made no mention of any agreement between Inverlake and 1264065 Alberta Inc. under which Inverlake would obtain 1264065 Alberta Inc.'s right to purchase the Inverlake Lands.

[14] During the hearing, Yong testified about why he did not mention any agreement between Inverlake and 1264065 Alberta Inc. during this interview. He claimed that he believed that the Commission was only concerned with Inverlake's illegal distributions and that he was not aware that the Commission also had concerns about the representations made to investors regarding the acquisition of the Inverlake Land. He says that he was just trying to keep HY and DM "out of it".

[15] We do not find this evidence credible given the communications between Yong and Commission staff leading up to the interview nor the context of the questions posed during the interview itself.

[16] The respondents now rely on a document that purports to be an agreement between 1264065 Alberta Inc. and Inverlake that effectively assigned 1264065 Alberta Inc.'s rights under the Original Agreement to Inverlake. This purported agreement would allow Inverlake, for a price, to purchase the Inverlake Land directly from AF (the Inverlake Agreement).

[17] Yong's evidence during the hearing was that DM approached him and offered that 1264065 Alberta Inc. would "sell" the Inverlake Land to Inverlake for $39,000 an acre or $6,240,000 million, which was the typewritten amount in the Inverlake Agreement.

[18] Although a $6,240,000 purchase price was typed in the agreement, handwritten markings on the agreement suggest that the final closing price was $4,731,500.

[19] Yong testified that his capital raising efforts for Inverlake (discussed below) ultimately fell short and that he had to renegotiate the terms of the Inverlake Agreement. He testified that he did not know when the handwritten change was made to the Inverlake Agreement. He assumed that it must have occurred when Inverlake acquired the Inverlake Land, as he says that Inverlake ultimately paid a total of $4,731,500 for the

Inverlake Land - $3,223,000 to AF, comprised of approximately $1.6 million in cash and a $1.6 million vendor take-back mortgage with AF, and $1,508,500 by way of a mortgage to 1264065 Alberta Inc.

[20] In addition to the handwritten changes to the purchase price in the Inverlake Agreement, there are various dates in the Inverlake Agreement that are difficult to reconcile. It purports to have a deadline for acceptance of September 22, 2007, which was before the date of the Original Agreement, an offer date of September 28, 2007 and an acceptance date of September 27, 2007.

[21] HY and DM attended interviews under oath with Commission investigators. Their interview transcripts were tendered as evidence in the hearing.

[22] In his interview, DM had difficulty remembering details of the transactions involving the Inverlake Land but what he did remember was generally consistent with Yong's evidence.

[23] HY said he was not involved in negotiating the Inverlake Agreement and was not able to offer any insight into its history. However, he did recall signing the document. Again, his evidence was generally consistent with Yong's evidence.

[24] The executive director says the Inverlake Agreement was merely a sham, and points to the following:

a) the discrepancy between the answers Yong gave at his interview and his evidence at the hearing about the acquisition of the Inverlake Land;

b) Yong's wife and HY executed the Inverlake Agreement. The executive director says this is unusual because Yong testified that he and DM negotiated the $39,000 per acre figure that Yong says was the price Inverlake was to pay for the Inverlake Land. Further, Yong's wife had nothing to do with Inverlake and was not an officer or a director of Inverlake;

c) there are a number of unusual aspects of the Inverlake Agreement, including

   i) an obligation for Inverlake to make deposits, presumably as partial payments under the Inverlake Agreement, although the agreement is not clear on this point, to AF's bank account, not, as should have been the case, to 1264065 Alberta Inc.'s account;

   ii) there is a reference to a real estate agent's involvement in the transaction yet it is clear that Yong never spoke to this realtor and this realtor was involved in negotiating the Original Agreement, not the Inverlake Agreement; and

   iii) the mix-up in the offer and acceptance dates, as described above;

d) Inverlake's mortgage to 1264065 Alberta Inc. was never registered on title to the Inverlake Land.

Securities distributions to raise funds for purchase of the Inverlake property

[25] In late 2007 and early 2008, Yong and Inverlake began to raise funds in support of acquiring the Inverlake Land. Yong was a resident of British Columbia at this time and sold securities of Inverlake to British Columbia residents.

[26] Investments in Inverlake were structured as an acquisition of one share for $39,000. Each share entitled the holder to a beneficial interest in one acre of Inverlake Land. Payment was to be made in two instalments, with $19,500 payable initially and an additional $19,500 payable after two years. If the shareholder elected not to pay the second instalment of $19,500, then the shareholder's interest would be reduced to half an acre.

[27] Yong prepared a marketing document he called a prospectus, but which was not a prospectus as defined under the Act. Yong's prospectus document contains a description of the investment structure and a statement that Inverlake was to pay $6.24 million for the Inverlake Land. There was no description of the Original Agreement, the Inverlake Agreement or their terms.

[28] Yong met with a number of potential investors – in some cases in small groups and in some cases individually. Yong says that he generally took potential investors through the contents of the prospectus document, discussed the investment opportunity and the structure of the investment. Several investors also testified that they went to Alberta to view the Inverlake Land.

[29] In all, Yong found 28 investors for the Inverlake investment. However, Yong was not able to raise the amount needed to pay $6.24 million, the amount typed in the Inverlake Agreement. Yong says that this is what triggered the renegotiation of the Inverlake Agreement's payment terms as discussed above.

[30] Yong and his wife, directly and indirectly, acquired a total of 67 shares in Inverlake. The evidence is not clear as to the exact amount of cash Yong and his wife paid in order to acquire those shares, however, it is clear that they paid far less than what other investors paid. Yong's evidence was that he and his wife acquired their shares in return for a promise to pay the interest on the mortgage to AF.

[31] Yong says that he personally made approximately $130,000 in mortgage payments on the AF mortgage. The executive director did not take issue with this figure.

The Inverlake Land acquisition

[32] During the distributions, Inverlake forwarded deposit payments in respect of the Inverlake Land to a company controlled by HY and DM. We do not have any evidence of what then happened to those deposit payments. The executive director tendered evidence of a deposit schedule that Yong says was prepared in 2008. That schedule suggests that Inverlake forwarded deposit payments that were half of the payments that 1264065 Alberta Inc. was required to pay under the deposit terms of the Original Agreement.

[33] The executive director submits that this suggests that they were payments made in support of the Original Agreement as the Inverlake Lands made up exactly half of the land covered by the Original Agreement. The Inverlake Agreement required deposit payments from Inverlake to 1264065 Alberta Inc. that were double the amount of the actual deposit payments made by Inverlake. There was no evidence that any further deposits were made by Inverlake, as required, pursuant to the terms of the Inverlake Agreement.

[34] The executive director says that this is further evidence that the Inverlake Agreement was a sham as the parties did not follow its terms from the outset.

[35] Yong's evidence of the closing of the acquisition was vague, and he testified that he lost all records of the closing during his move from British Columbia to Alberta. Yong guessed that he would have provided instructions to a Calgary law firm as to the closing and the release of funds but he did not have a clear recollection of those events. As a result, we do not have documents to support the exact mechanics of the closing nor the payments made in support of the various agreements.

[36] Land title records show that Inverlake acquired the Inverlake Land directly from AF, without an interim purchase by 1264065 Alberta Inc.

[37] Given the land title records, it is reasonable to infer that at closing, Inverlake paid AF approximately $1.6 million in cash and AF registered a vendor take-back mortgage of approximately $1.6 million on the title to the Inverlake Land, as contemplated under the Original Agreement.

[38] Also at closing, Yong says 1264065 Alberta Inc. took back a mortgage for approximately $1.5 million. This mortgage was never registered against the title of the Inverlake Land. An unsigned, undated copy of the mortgage document was tendered at the hearing. Again, the executive director says that this is evidence that the Inverlake Agreement was a sham.

The bare trust agreements

[39] Sometime after the Inverlake Land acquisition, all the Inverlake investors signed a document called a Bare Trust Agreement. This document evidenced the number of acres the investors beneficially owned in the Inverlake Land. The investors who testified at the hearing did not really understand the nature of this document, nor its contents. There does not appear to have been much effort to explain its contents to the Inverlake investors.

[40] The Bare Trust Agreement contained a number of provisions, including an obligation on Inverlake to notify the signatories of any bankruptcy or foreclosure proceedings and an obligation on Inverlake to seek the beneficial owners' consent to significant actions in respect of the Inverlake Land, including foreclosure.

[41] In the years following Inverlake's acquisition of the Inverlake Land, Yong says that the value of the land decreased in price significantly. This was generally supported by evidence of third party appraisals completed after the acquisition and filed as evidence in the hearing. There was no evidence tendered by the executive director to suggest that Yong's evidence and the appraisals were incorrect.

[42] At the second anniversary of the closing of the acquisition, no Inverlake investor was asked to make their second payment of $19,500 and none did. Two investors were concerned about their legal obligation to make the second payment and executed agreements with Inverlake. The agreements confirmed that those investors' interest in the Inverlake Land was reduced to half an acre.

[43] There was no evidence that Inverlake took any steps to halve the interests of the other Inverlake investors – although, under the terms of the Inverlake Bare Trust Agreement it is not clear that any further steps were required to be taken in order to accomplish this.

[44] At some point, Yong stopped making the mortgage payments on the AF mortgage and AF ultimately foreclosed on the Inverlake Land.

[45] Yong admits that neither he nor Inverlake notified any of the Inverlake investors as to the foreclosure proceedings nor did he or Inverlake seek their consent to the foreclosure.

[46] The Inverlake investors have lost all of their investment.

Wheatland

[47] Yong raised money on behalf of Wheatland's acquisition of a property (Wheatland Property) in Alberta during July and August 2008.

[48] Investments in Wheatland were structured similarly, although not identically, to that of Inverlake. For $53,000, investors acquired a share in Wheatland, which share entitled them to a beneficial interest in one acre of the Wheatland Property.

[49] Yong and Wheatland issued shares to a total of 19 investors.

[50] No evidence was led as to the current status of the investments made by the investors in Wheatland.

III. Analysis and Findings

A. Applicable Law

Standard of proof

[51] The standard of proof is proof on a balance of probabilities. In *F.H. v. McDougall*, 2008 SCC 53, the Supreme Court of Canada held at paragraph 49:

> In the result, I would reaffirm that in civil cases there is only one standard of proof and that is proof on a balance of probabilities. In all civil cases, the trial judge must scrutinize the relevant evidence with care to determine whether it is more likely than not that an alleged event occurred.

[52] The Court also held (at paragraph 46) that the evidence must be "sufficiently clear, convincing and cogent" to satisfy the balance of probabilities test.

[53] This is the standard that the Commission applies to allegations: see *David Michael Michaels and 509802 BC Ltd. doing business as Michaels Wealth Management Group*, 2014 BCSECCOM 327, para. 35.

Prospectus requirements

[54] The relevant provisions of the Act are as follows

a) Section 1(1) defines "trade" to include "(a) a disposition of a security for valuable consideration" and "(f) any act, advertisement, solicitation, conduct or negotiation directly or indirectly in furtherance of any of the activities specified in paragraphs (a) to (e)".

b) Section 1(1) defines "security" to include "(a) a document, instrument or writing commonly known as a security" and "(b) a document evidencing title to, or an interest in, the capital, assets, property, profits, earnings or royalties of a person" and "(l) an investment contract".

c) Section 61(1) says "Unless exempted under this Act, a person must not distribute a security unless…a preliminary prospectus and a prospectus respecting the security have been filed with the executive director" and the executive director has issued receipts for them.

d) Section 1(1) defines "distribution" as "a trade in a security of an issuer that has not been previously issued".

[55] The respondents purport to rely on what are referred to as the "accredited investor" and "close personal friend" and/or "close business associate" exemptions for their distributions of Inverlake and Wheatland securities.

[56] *National Instrument 45-106 – Prospectus and Registration Exemptions* ("NI 45-106") sets out a series of specific prospectus exemptions. Subsection 2.3 removes the prospectus requirement where the purchaser purchases as principal and is an "accredited investor". An accredited investor is a defined term and for an individual, that individual must satisfy one of a number of income or assets tests.

[57] Subsection 2.5 of NI 45-106 removes the prospectus requirement if the investor is a close personal friend or close business associate of a director, executive officer or control person of the issuer.

[58] Sections 2.7 and 2.8 of the companion policy to NI 45-106 sets out guidelines regarding the meaning of "close personal friend" and "close business associate". These guidelines say that the relationship with the director, executive officer or control person must, at the time of the trade, be of a nature that the investor can assess the person's capabilities and trustworthiness.

[59] For an investor to be a "close personal friend", the investor must know the person well enough and for a sufficient period of time to be in a position to make that assessment. For an investor to be a "close business associate", the investor must have had sufficient prior business dealings with the person to make that assessment. In *Solara Technologies Inc. and William Dorn Beattie,* 2010 BCSECCOM 163, the Commission stated that these guidelines were correct for the purpose of the availability of exemptions.

[60] Section 1.10 of the companion policy to NI 45-106 states that the person distributing securities is responsible for determining, given the facts available, whether an exemption is available.

[61] In *Solara*, the Commission confirmed that it is the responsibility of a person trading in securities to ensure that the trade complies with the Act. The Commission also said that a person relying on an exemption has the onus of proving that the exemption is available. The Commission said:

> 37 The determination of whether an exemption applies is a question of mixed law and fact. Many exemptions are not available unless certain facts exist, often known only to the investor. To rely on those facts to ensure the exemption is available, the issuer must have a reasonable belief the facts are true.
>
> 38 To form that reasonable belief, the issuer must have evidence. For example, if the issuer wishes to rely on the friends exemption, it will need representations from the investor about the nature of the relationship…

Fraud

[62] Section 57(b) says

> A person must not, directly or indirectly, engage in or participate in conduct relating to securities . . . if the person knows, or reasonably should know, that the conduct
> . . .
> (b) perpetrates a fraud on any person.

[63] In *Anderson v. British Columbia (Securities Commission)*, 2004 BCCA 7, the British Columbia Court of Appeal cited the elements of fraud from *R. v. Théroux*, [1993] 2 SCR 5 (at page 20):

> … the actus reus of the offence of fraud will be established by proof of:
> 1. the prohibited act, be it an act of deceit, a falsehood or some other fraudulent means; and
> 2. deprivation caused by the prohibited act, which may consist in actual loss or the placing of the victim's pecuniary interests at risk.
>
> Correspondingly, the mens rea of fraud is established by proof of:
> 1. subjective knowledge of the prohibited act; and
> 2. subjective knowledge that the prohibited act could have as a consequence the deprivation of another (which deprivation may consist in knowledge that the victim's pecuniary interests are put at risk).

Liability under 168.2(1)

[64] Section 168.2(1) of the Act states that if a corporate respondent contravenes a provision of the Act an individual who is an employee, officer, director or agent of the company also contravenes the same provision of the Act, if the individual "authorizes, permits, or acquiesces in the contravention".

B. Application of the law to the facts

Contraventions of Section 61

[65] There is no dispute in these proceedings that Inverlake and Wheatland sold shares to investors. The respondents have conceded that the shares were securities. There is also no dispute that the sales of shares were distributions under the Act, and that no prospectus was ever filed in connection with the distributions.

[66] Both Inverlake and Wheatland made a number of distributions of their securities. The executive director alleged that only a portion of those distributions were completed in contravention of section 61.

[67] With respect to those distributions, the respondents admitted to contravening section 61 in the following manner:

a) Yong and Inverlake, with respect to distributions to 23 investors for a total of $910,650; and

b) Yong and Wheatland, with respect to distributions to 14 investors for a total of $984,479.

[68] These admissions leave two distributions about which we have to determine whether or not they were in contravention of section 61.

[69] In respect of each of Inverlake and Wheatland, there was one distribution to an investor that the executive director says contravened section 61. The only issue between the parties is whether exemptions from the prospectus requirements were available for these two distributions.

[70] For Inverlake, the distribution in question was made to AW. Yong testified that he and AW had been friends for approximately 18 years. Yong's description of their friendship was consistent with the description of a "close personal friend" as described in the companion policy to NI 45-106. We found Yong's evidence on this point to be credible. There was no evidence in the hearing which contradicted this testimony. We find that this distribution did not contravene section 61.

[71] For Wheatland, the distribution in question was made to SW. Yong testified that SW had merely lent him money and that he had repaid that money. Yong could not remember many details of the specific transactions. The respondents did not lead any evidence in support of the availability of an exemption under NI 45-106 as it applied to SW.

[72] SW's name appeared in the Wheatland Bare Trust Agreement and on Wheatland's investor list as having acquired two shares of Wheatland for a total subscription price of $106,000. This dollar figure coincides with the subscription price for 2 shares in Wheatland. The documentary evidence suggests that SW was an investor in Wheatland, although she may, at some point, have had her money returned to her.

[73] Whether her investment was returned is not relevant if there was originally a distribution of a Wheatland security to SW. We find that there was a distribution to SW. The respondents have not satisfied their onus of proving that SW qualified for an exemption from the prospectus requirement. We therefore find that this distribution was in contravention of section 61.

[74] Therefore we find that the respondents contravened section 61 in the following manner:

a) Yong and Inverlake, with respect to distributions to 23 investors for a total of $910,650; and

b) Yong and Wheatland, with respect to distributions to 15 investors for a total of $1,090,479.

Liability under section 168.2 for Inverlake's and Wheatland's breaches of section 61

[75] The executive director has alleged that Yong, as a sole director of both Inverlake and Wheatland, should be found, pursuant to section 168.2, to have authorized, permitted, or acquiesced to both corporation's contraventions of section 61 and therefore to have also contravened section 61.

[76] In the agreed statement of facts, Yong admitted, as the sole director of both Inverlake and Wheatland, that he was liable under section 168.2 for the contraventions of section 61 committed by those corporations.

Fraud

Inflation of the purchase price of the Inverlake Land

[77] The executive director says that Inverlake purchased the Inverlake Land from AF for $3.223 million but that Yong told investors that the purchase price per acre for the land was based on a purchase price of $6.24 million. The executive director says that for the purpose of fraud, this was the prohibited act.

[78] As a result of this act, he says, Inverlake investors paid almost twice the actual purchase price of the Inverlake land and this was the deprivation, for the purpose of fraud.

[79] It is important to note that the $6.24 million Yong quoted to investors was the purchase price, not the value of the property. In other words, there is no evidence and no allegation that Yong misrepresented the value of the Inverlake Land.

[80] It is not deceitful for Inverlake merely to sell shares to investors based on a purchase price that was greater than what 1264065 Alberta Inc. would have paid for the Inverlake Land. It may be a terrible business deal for investors but it is only deceitful, and therefore a prohibited act for the purpose of fraud, if Yong misrepresented to investors the price Inverlake would have to pay for the Inverlake Land.

[81] The onus is on the executive director to prove that Yong told investors Inverlake's purchase price was to be $6.24 million when in fact it was only $3.223 million, as alleged in the amended notice of hearing.

[82] The evidence in support of the first part is clear, that Yong told investors before they invested that Inverlake's purchase price for the Inverlake Land was $6.24 million. This was clearly set out in the prospectus document he shared with investors. However, we find that the executive director has not established the second part, that the purchase price was in fact only $3.223 million.

[83] As noted above, the executive director submits that the evidence raises many questions about the legitimacy of the Inverlake Agreement. We agree the evidence calls into question the Inverlake Agreement. If the Inverlake Agreement is not legitimate, however, that does not prove that the purchase price Inverlake was to pay was $3.223 million, as the executive director alleges.

[84] The executive director acknowledges that Inverlake never had an agreement with AF to acquire the Inverlake Land. There must have been some agreement between 1264065 Alberta Inc. and Inverlake under which Inverlake acquired the right to purchase the Inverlake Land. We have no evidence that the purchase price under that agreement was $3.223 million.

[85] The purchase price 1264065 Alberta Inc. was to pay AF under the Original Agreement was clearly $3.223 million. However, that does not prove that Inverlake was to pay $3.223 million for the Inverlake Land.

[86] Overall, the evidence is not sufficiently clear, convincing and cogent that Inverlake's purchase price was $3.223 million. As a consequence, the executive director has not proven the element of deceit for this fraud allegation, and therefore we dismiss it.

Failing to tell investors about the foreclosure of the Inverlake Land

[87] Yong admitted that neither he nor Inverlake told any of the Inverlake investors about the foreclosure of the Inverlake Land.

[88] The executive director alleges that Yong committed fraud by failing to tell investors about the foreclosure. There was no allegation in the notice of hearing that Inverlake committed a fraud in this respect.

[89] However, it was Inverlake's obligation to tell investors of a foreclosure under the terms of the Bare Trust Agreement covering the Inverlake Land. There is no evidence that Yong had any obligation to tell the Inverlake investors about the foreclosure or that in failing to do so he committed a deceit.

[90] Further, a contravention of section 57(b) of the Act requires that the conduct in question is "conduct relating to securities".

[91] The executive director says that the deceit relates to the securities of Inverlake in that a share in Inverlake entitled the investor to a beneficial interest in the Inverlake Land and the foreclosure took away that interest.

[92] We do not agree that the meaning of "conduct relating to securities" can be stretched as broadly as the executive director suggests. This deceit occurred years after the investment in securities by the Inverlake investors and it relates to the conduct of Inverlake's business, not to the distribution or other aspects of its securities. We therefore find it is not conduct relating to securities for the purpose of the Act

[93] We dismiss this fraud allegation.

IV. Submissions on Sanctions

[94] We direct the parties to make their submissions on sanction as follows:

By October 9, 2015	The executive director delivers submissions to the respondents and to the secretary to the Commission.
By October 23, 2015	The respondents deliver response submissions to each other, the executive director and to the secretary to the Commission. Any party seeking an oral hearing on the issue of sanctions so advises the secretary to the Commission. The secretary to the Commission will contact the parties to schedule the hearing as soon as practicable after the executive director delivers reply submissions (if any).
By October 30, 2015	The executive director delivers reply submissions (if any) to the respondents and to the secretary to the Commission.

September 14, 2015

For the Commission

Nigel P. Cave
Vice Chair

Suzanne K. Wiltshire
Commissioner