



British Columbia
Securities Commission

REPLY TO:

Deborah W. Flood

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By Regular Mail

July 30, 2021

Dear Mr. Bucci:

**Joseph Gaetano Bucci
Reciprocal Order Application**

I am writing this letter on behalf of the Executive Director of the British Columbia Securities Commission (the Executive Director).

This letter notifies you and the British Columbia Securities Commission (the Commission) that the Executive Director is applying for orders against you under sections 161(6)(b) and 161(1) of the *Securities Act*, RSBC 1996, c. 418 (the Act). The Executive Director is not seeking a financial penalty.

The Executive Director is making this application based on the facts and findings in the Provincial Court of Alberta for securities misconduct:

- *Her Majesty the Queen v. Joseph Gaetano Bucci and Caroline Meyers*, Registry: Calgary, Action No.: 151072634P1

PROVINCIAL COURT ACTION

1. On September 9, 2015, you were charged with four counts, including: unregistered trading, distribution without filing a prospectus, engaging in conduct that resulted or contributed to a false or misleading appearance of trading activity in securities, and engaging in conduct that resulted or contributed to an artificial price for securities.

Information

2. On September 28, 2015, you pled guilty to all four counts in the Information.
3. On September 28, 2015, Judge Skene, of the Provincial Court of Alberta sentenced you to the following:

- (a) 18 month sentence on each count, to run concurrently (conditional sentence);

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- (b) Permanent prohibition on trading and purchasing securities or derivatives of publically traded or quoted issuers, and denied exemptions in Alberta securities laws;
- (c) Permanent prohibition on becoming or acting as a director or officer of any issuer; and
- (d) Permanent prohibition from acting in a management or consultative capacity in connection with activities in the securities market.

Sentencing Transcript, p. 19, l. 34-41, p. 20, l. 1-25
Order

Summary of Findings

4. You signed an agreed statement of facts on August 24, 2015. At your sentence, the statement of agreed facts was filed with the court and made an exhibit.

Sentencing Transcript, p. 6, l. 19-34

5. The following facts are contained in the transcript from your sentence and the agreed statement of facts:

- (a) Coastal Pacific Mining Corporation (“Coastal”) was incorporated in March 2007 in Alberta. You and your long term acquaintance Michael Vlahovic directed the incorporation.

Statement of Agreed Facts, para. 2

- (a) Coastal was described in public filings as an exploration stage mining company. Throughout its history, Coastal had no revenues or full-time employees, had incurred repeated operating losses, and had nominal (cash) assets. Any option or joint ventures Coastal entered into were terminated or lapsed under your direction.

Statement of Agreed Facts, para. 4

- (b) You were introduced to your co-defendant, Caroline Winsor in October 2009. Winsor was presented to you as someone who could assist in getting companies quoted on the Over-the-Counter (OTC) markets in the U.S. Winsor operated a Calgary company called International Securities Group Inc. (“ISG”). ISG purported to provide filing services to publicly traded companies.

Statement of Agreed Facts, paras. 5 and 6

- (c) You arranged for a number of your friends and acquaintances to participate as seed shareholders of Coastal. The share certificates for the



seed shares remained in your physical possession and you and Winsor had significant influence over the seed shareholders.

Statement of Agreed Facts, para. 8

- (d) After Winsor made the appropriate filings with the US Securities and Exchange Commission (SEC) and the Financial Industry Regulatory Authority (FINRA), Coastal's securities were quoted on the OTC markets and available for public trading.

Statement of Agreed Facts, para. 9

- (e) In June 2010, you officially became President and CEO of Coastal. Your role included drafting press releases.

Statement of Agreed Facts, para. 13

- (f) In a meeting in September 2010, a Vancouver resident, Lawrence Chang offered to purchase the free-trading shares of Coastal, over which you and Winsor had significant influence. Chang's offer was accepted and all free-trading shares except those in the hands of the general public were transferred by you and Winsor to entities identified by Chang and a US lawyer involved with Chang.

Statement of Agreed Facts, paras. 14-15

- (g) You understood that Chang had a connection with Fred Sharp of Vancouver and a company called Corporate House, and that the shares obtained in Coastal would be sold to multiple entities through Corporate House. You understood that the transferred Coastal shares would be the subject of questionable or possibly illegal tactics.

Statement of Agreed Facts, para. 16

- (h) In exchange for transferring the free-trading shares of Coastal to Chang, it was agreed that Chang would arrange for \$2 million in payments to you and Winsor. Of the first million dollars received from Chang, you and Winsor received a portion of \$600,000.

Statement of Agreed Facts, para. 17

The Promotion

- (i) On September 23, 2010, you prepared and sent nine news releases to Winsor/ISG about Coastal's operations. At this time, there was zero trading activity in Coastal and some of the events in the press releases had yet to happen.



Statement of Agreed Facts, para. 18

- (j) Between October 1 to November 5, 2010, 15 Coastal news releases were issued in a scheduled fashion under your authority or direction. At the same time, Chang and/or Corporate House investors organized an online promotion of Coastal's shares that coincided with the news releases you had prepared.

Statement of Agreed Facts, para. 19

- (k) Following the issuance of the first news release, and building with the others, Coastal shares went from zero trades and no value to significant volumes and prices. One example was on November 1, 2010, approximately 60,000,000 shares of Coastal traded at prices in excess of \$.50. The cessation of the news releases after November 1, 2020, saw the Coastal share volumes and prices crash to almost nothing. In the end, over 12,000 shareholders invested in Coastal.

Statement of Agreed Facts, para. 20

- (l) As the press releases were issued, you were aware of internet traffic concerning Coastal, including suspected "short" investors attempting to deflate Coastal's stock price on internet blogs, and emails promoting Coastal's stock. You suspected these emails were linked to the Corporate House investors.

Statement of Agreed Facts, para. 21

- (m) You profited from your involvement in the Coastal activity and promotion.

Statement of Agreed Facts, para. 22

- (n) You were never registered with the executive director of the ASC to trade in, or act as a dealer in relation to any securities. No preliminary prospectus or prospectus was ever filed by anyone for any trades in securities of Coastal.

Statement of Agreed Facts, para. 23

- (o) You admitted that you engaged in a course of conduct relating to Coastal that you knew or reasonably ought to have known would result in a false or misleading appearance of trading activity, or an artificial price, or both, for Coastal securities.

Statement of Agreed Facts, para. 24



THIS APPLICATION

6. With this letter, the Executive Director is applying to the Commission for orders against you under section 161 of the Act. I have enclosed a copy of section 161 of the Act for your reference.
7. In making orders under section 161 of the Act, the Commission must consider what is in the public interest in the context of its mandate to regulate trading in securities.
8. Orders under section 161(1) of the Act are protective, preventative and intended to be exercised to prevent future harm.

Committee for the Equal Treatment of Asbestos Minority Shareholders v. Ontario (Securities Commission),
[2001] 2 SCR 132, 2001 SCC 37 (CanLII), paras. 36, 39, and 56

9. In *Re Eron Mortgage Corporation*, [2000] 7 BCSC Weekly Summary 22, and in subsequent decisions, the Commission identified factors to consider when determining orders under section 161(1).
10. The following factors from *Re Eron* are relevant in this proceeding:
 - (a) the seriousness of the respondent's conduct,
 - (b) the harm suffered by investors as a result of the respondent's conduct,
 - (c) the extent to which the respondent was enriched;
 - (d) factors that mitigate the respondent's conduct;
 - (e) the respondent's past conduct;
 - (f) the risk to investors and the capital markets posed by the respondent's continued participation in the capital markets of British Columbia,
 - (g) the respondent's fitness to be a registrant or to bear the responsibilities associated with being a director, officer or adviser to issuers,
 - (h) the need to demonstrate the consequences of inappropriate conduct to those who enjoy the benefits of access to the capital markets,
 - (i) the need to deter those who participate in the capital markets from engaging in inappropriate conduct, and
 - (j) orders made by the Commission in similar circumstances in the past.

Re Eron Mortgage Corporation, [2000] 7 BCSC Weekly Summary 22

Application of the Factors

Seriousness of the Conduct

11. Market manipulations, share two significant similarities with fraudulent misconduct. Like fraud, it requires a finding of intent on the part of the respondent and some element of deceit (i.e. creating a misleading appearance of trading



activity in, or an artificial price for, a security). As a consequence, a market manipulation is one of the most serious misconduct contemplated by the Act.

[Re Lim](#), 2017 BCSECCOM 319, para. 12

12. Manipulative trading undermines the integrity of the capital market. It is unfair to investors, and jeopardizes the confidence in the capital market on which legitimate investor interest and capital formation depend.

[De Gouveia, Re](#), 2013 ABASC 249 (CanLII)

13. You were intimately involved in the market manipulation. You had control over the shares and coordinated the promotion with others. Your actions in drafting the news releases were key to carrying out the market manipulation. Your guilty plea confirms your intention to knowingly and deliberately engage in this type of egregious misconduct.
14. Your misconduct also involved unregistered trading. The requirement to be registered is a fundamental element of investor protection in securities legislation. Its purpose is to ensure that investors are provided with adequate disclosure about the securities that they purchase. Failure to comply with these requirements deprives investors of critical information and damages the capital markets.

[Re Pierce](#), 2016 BCSECCOM 264, para. 41 (CanLII)

Harm suffered by investors

15. Previous panels of the Commission have recognized that the harm caused by market manipulation, is difficult to quantify in monetary terms. Despite being unable to attach a specific figure to the harm suffered by investors as a consequences, panels have determined that harm to investors can be significant because investors were trading the shares based upon false information.

[Re Hable](#), 2017 BCSECCOM 340, para. 13

16. This case is no different to other market manipulations. Members of the investing public were deceived as to the value of Coastal shares. Harm to investors was significant because by the end of the marketing campaign in Coastal, the share volumes and prices crashed to almost nothing. In the end, over 12,000 shareholders invested in Coastal.

Statement of Agreed Facts, para. 20

Enrichment

17. You and your co-defendant Winsor, were enriched in an unknown amount as a result of your misconduct. You admit that you profited from your involvement in the Coastal activity and promotion.



Mitigating Factors

18. The Commission has previously held that it is a significant mitigating factor when respondents admit liability pre-hearing.

[Re Flexfi Inc.](#), 2018 BCSECCOM 166, para. 70

19. Entering into a guilty plea pretrial is a mitigating factor.

Past conduct

20. There is no evidence of past misconduct.

Risk to investors and the capital markets

21. Market manipulation, by its very nature involves deceit. Because of this, respondents who engage in market manipulation pose a significant ongoing risk to both investors and capital markets.

[Re Sungro](#), 2015 BCSECCOM 281, para. 41

22. Your conduct in organizing and facilitating a sophisticated market manipulation scheme demonstrates that your participation in the capital markets of British Columbia in any capacity would pose a significant risk to investors and to the capital markets.

Participation in our capital markets/Fitness to be a registrant, officer or director

23. Participants who engage in the securities industry do so voluntarily and for their own profit. In exchange for the privilege of participating, individuals and companies must comply with securities laws. Compliance is paramount, ensuring the protection of the public and the integrity of the capital markets.
24. Market manipulation, similarly to fraud, violates the fundamental investor protection objectives of the Act. Investors must be confident that the markets are properly regulated and free from manipulation by individuals like you.

[Mesidor \(Re\)](#), 2014 BCSECCOM 6 (CanLII), paras. 13 and 14

25. Honesty is a critical part of being a registrant or a director or an officer of an issuer. In fact, it is part of the basic duties of those positions.

[Re SBC Financial Group Inc.](#), 2018 BCSECCOM 267, para. 34

26. By its very nature, the perpetration of market manipulation shows that you are clearly unfit to be registrants or to bear the responsibilities associated with being directors, officers or advisors to issuers.



27. You have demonstrated deceit and dishonesty, a disregard for compliance with applicable laws, and have no concern for the necessity of markets that are honest and fair. Your participation in the capital markets in any capacity poses a significant risk and you are ill-suited to act as a registrant, director or officer or as an advisor to any private or public issuers going forward. A sanction denying you access to the capital markets permanently is proportionate to your misconduct.

Deterrence

28. The market as a whole must understand that a finding of market manipulation will result in a significant penalty.
29. Your misconduct warrants significant sanctions to deliver stern messages of specific and general deterrence.
30. Through the orders we are seeking, we intend to demonstrate the consequences of your conduct, to deter you from future misconduct, and to create an appropriate general deterrent. Permanent market bans are proportionate to your misconduct and are necessary to ensure that you and others will be deterred from engaging in similar misconduct in the future.

Previous orders

31. We refer to two decisions for guidance on the appropriate sanction. The Commission ordered permanent market bans in the decisions below. These decisions involve market manipulation.
- [*Re Hable*](#), 2017 BCSECCOM 340
 - The respondent contravened the Act by creating an artificial price for the shares of an issuer by issuing news releases containing false take-over bids, and submitting a fabricated document to a Commission investigator. The respondent was enriched in the amount of \$157,596.96.
 - [*Re Sungro*](#), 2015 BCSECCOM 281
 - The respondent Hainey manipulated the shares of an issuer, Sungro. Hainey's actions included posting messages on chat boards encouraging others to purchase Sungro shares. Hainey also obtained a large number of free Sungro shares from seed shareholders and sold those shares to a core group that assisted with the manipulation. Hainey and his co-respondent realized proceeds of \$595,000 as a result of the manipulation.
32. The circumstances of Hainey in *Re Sungro* and Hable in *Re Hable* are similar to the facts in your case. Similar to Hainey's actions, you actively encouraged others to purchase shares by drafting news releases. Also like Hainey, you transferred a large number of free shares from seed shareholders to groups that participated in the market manipulation. Hainey, like you, had no previous misconduct.



33. Similar to your actions, Hable was a director of an issuer who drafted a news release promoting fake news, in his case, a proposed take-over bid. Hable was enriched in the amount of \$157,596.96.
34. Permanent market orders such as the orders against Hainey and Hable are consistent with the egregious nature of your intentional and deliberate misconduct.

The Davis Consideration

35. In the Court of Appeal decision in [Davis v. British Columbia \(Securities Commission\)](#), 2018 BCCA 149, the Court identified that it is incumbent upon a tribunal to consider a respondent's individual circumstances when determining whether measures short of a permanent ban would protect the investing public where a person's livelihood is at stake.
36. The Executive Director has considered your personal circumstances that were disclosed to the court at your sentencing, but in our view, the risk you present to the integrity of the capital markets and to investors warrants your permanent removal from the capital markets of British Columbia.

ORDERS SOUGHT

37. Although there is no limitation on the Commission from imposing a capital market sanction that is similar or different to the court sanctions, the Commission needs to consider what is reasonable based on the evidence known to it, as well as what is in the public interest.
38. In seeking orders under 161(1) of the Act, the Executive Director has taken the following factors into consideration when applying for orders in this proceeding:
 - (a) the circumstances of your misconduct including the Settlement Agreement;
 - (b) the factors from *Eron* and *Davis*;
 - (c) the sanctions ordered in previous cases cited above; and
 - (d) the public interest.
39. Based on the factors in paragraph above, the Executive Director is seeking the following orders pursuant to section 161(1) of the Act:
 - (a) under section 161(1)(d)(i), you resign any position you hold as a director or officer of an issuer or registrant;
 - (b) you are permanently prohibited:



- (i) under section 161(1)(b)(ii), from trading in or purchasing any securities or derivatives, a specified security or derivative or a specified class of securities or class of derivatives;
- (ii) under section 161(1)(c), from relying on any of the exemptions set out in this Act, the regulations or a decision;
- (iii) under section 161(1)(d)(ii), from becoming or acting as a director or officer of any issuer or registrant;
- (iv) under section 161(1)(d)(iii), from becoming or acting as a registrant or promoter;
- (v) under section 161(1)(d)(iv), from advising or otherwise acting in a management or consultative capacity in connection with activities in the securities or derivatives markets;
- (vi) under section 161(1)(d)(v), from engaging in promotional activities by or on behalf of
 - (A) an issuer, security holder or party to a derivative, or
 - (B) another person that is reasonably expected to benefit from the promotional activity; and
- (vii) under section 161(1)(vi) from engaging in promotional activities on the person's own behalf in respect of circumstances that would reasonably be expected to benefit the person.

40. The Executive Director is not seeking any monetary sanctions against you.

SUPPORTING MATERIALS

41. In making this application, the Executive Director relies on the following, copies of which are enclosed:

- (a) Information
- (b) Sentencing Transcript
- (c) Order
- (d) Statement of Agreed Facts
- (e) [*Committee for the Equal Treatment of Asbestos Minority Shareholders v. Ontario \(Securities Commission\)*](#), [2001] 2 SCR 132, 2001 SCC 37 (CanLII)
- (f) [*Re Eron Mortgage Corporation*](#), [2000] 7 BCSC Weekly Summary 22
- (g) [*Re Lim*](#), 2017 BCSECCOM 319
- (h) [*De Gouveia, Re*](#), 2013 ABASC 249 (CanLII)
- (i) [*Re Pierce*](#), 2016 BCSECCOM 264, para. 41 (CanLII)
- (j) [*Re Hable*](#), 2017 BCSECCOM 340



- (k) [*Re Flexfi Inc.*](#), 2018 BCSECCOM 166
- (l) [*Re Sungro*](#), 2015 BCSECCOM 281
- (m) [*Mesidor \(Re\)*](#), 2014 BCSECCOM 6 (CanLII)
- (n) [*Re SBC Financial Group Inc.*](#), 2018 BCSECCOM 267
- (o) [*Re Deyrmenjian*](#), 2019 BCSECCOM 93
- (p) [*Davis v. British Columbia \(Securities Commission\)*](#), 2018 BCCA 149

YOUR RESPONSE

42. You are entitled to respond to this application. To do so, you must deliver any response in writing, together with any supporting materials, to the Commission Hearing Office by **Tuesday, September 7, 2021**.

43. The contact information for the Commission Hearing Office is:

Commission Hearing Office
British Columbia Securities Commission
PO Box 10142, Pacific Centre
12th Floor, 701 West Georgia Street
Vancouver, BC V7Y 1L2
E-mail: commsec@bcsc.bc.ca
Telephone: 604-899-6500

44. If you do not respond within the time set out above, the Commission will decide this application and may make orders against you without further notice.

45. The Commission will send you a copy of its decision.

46. **If you have any questions regarding this application, please contact Ms. Deborah Flood, at 604-899-6623, or dflood@bcsc.bc.ca**

Yours truly,

Douglas B. Muir
Director, Enforcement

DWF/crc
Enclosures

cc: Hearing Office (by email to commsec@bcsc.bc.ca)