



British Columbia
Securities Commission

REPLY TO:

Deborah W. Flood

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Email: dflood@bcsc.bc.ca

By Regular Mail

May 13, 2021

Dear Mr. Vermeeren:

**Douglas John Vermeeren
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)(d) 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 settlement agreement you entered into with the Alberta Securities Commission (ASC) where you admitted that you had breached sections of the *Securities Act*, R.S.A. 2000, c. S-4, as amended (Alberta Securities Act) and agreed to be subject to orders.

SETTLEMENT WITH THE ASC

1. On June 9, 2016, you entered into a settlement agreement and undertaking with the ASC., [*Re Vermeeren*](#), 2016 ABASC 182 (Settlement Agreement).
2. As part of the Settlement Agreement, you admitted to contravening the Alberta Securities Act by participating in fraud, making misleading or untrue statements, engaging in illegal trading and distribution, and breaching a cease trade order (CTO).
3. You agreed to a 10 year capital market ban, restrictions on trading, and restrictions on acting as a director, officer, registrant, or investment fund manager.

Settlement Agreement, para. 25



4. In reaching the Settlement Agreement, you and the ASC agreed upon the following facts:

- (a) Staff of the ASC conducted an investigation into you and the corporate entities you controlled. The investigation led to evidence supporting the facts and admissions set out in the Settlement Agreement.

Settlement Agreement, para. 1

- (b) You are a resident of Calgary, Alberta. At all material times, you were the sole director and officer of Calgary-based company Monthly Millionaire Mentor Ltd. (MMM).

Settlement Agreement, para. 4

Illegal Trading and Distribution

- (c) From approximately December 2011 to April 2014, you entered into loan agreements, some evidenced by promissory notes (the Loan Agreements), with at least 43 investors from Alberta and elsewhere in Canada. You raised in excess of \$735,000 pursuant to the Loan Agreements.

Settlement Agreement, para. 5

- (d) Investors understood that their funds would be used for loans to third parties, usually small business. The updates to some investors described these loans as “venture capital lending”.

Settlement Agreement, para. 8

- (e) The Loan Agreements constituted trades in securities as defined in the Alberta Securities Act. By your conduct, you were engaging in, or holding yourself out as engaging in, the business of trading in securities or exchange contracts under the Alberta Securities Act. Further, these securities had not been previously issued, and were distributions under the Alberta Securities Act.

Settlement Agreement, paras. 9-11

- (f) At all material times, neither you nor MMM was registered as a dealer in accordance with the Alberta Securities Act.

Settlement Agreement, para. 12

- (g) At the time of and in relation to the trades, no preliminary or final prospectus had been filed with or receipted by the executive director of the ASC.



Settlement Agreement, para. 13

- (h) You admitted to trading in securities without being registered, without filing a prospectus, and without an exemption from those requirements.

Settlement Agreement, para. 20

Misleading or untrue statements

- (i) You made statements to an investor or investors that you knew or reasonably ought to know were misleading or untrue. These statements included:
 - (i) the invested funds would be used for “capital lending” or “venture capital lending”;
 - (ii) there were no risks associated with the investment;
 - (iii) the investment was guaranteed; and
 - (iv) you never lost money for investors.

Settlement Agreement, para. 14

- (j) You knew, or ought reasonably to have known that the statements were misleading or untrue as:
 - (i) a portion of the investment funds were used to pay your personal expenses or to pay returns to prior investors; and
 - (ii) there was no basis for the statements that the investments were risk free or guaranteed; and
 - (iii) some investors had lost some or all of the amounts invested with you.

Settlement Agreement, para. 15

- (k) You admitted to breaching section 92(4.1) of the Alberta Securities Act by making statements that you knew or reasonably ought to have known were misleading or untrue, or which failed to state a fact necessary to make a statement not misleading, and which would reasonably be expected to have a significant effect on the market price or value of the securities.

Settlement Agreement, para. 20.4

Fraud

- (l) You admitted to engaging or participating in an act, practice, or course of conduct relating to securities that you knew or reasonably ought to have known perpetrated a fraud on investors.

Settlement Agreement, paras. 20.3

- (m) Your fraudulent conduct included:



- (i) commingling investor funds into your personal account and the corporate accounts you controlled; and
- (ii) using some of the funds for personal expenditure and to pay investors.

Settlement Agreement, para. 16

Breach of CTO

- (n) On March 14, 2013, the ASC issued an interim CTO against you and MMM. The interim CTO was extended “until an enforcement proceeding in the matter is concluded and a decision rendered...”.

Settlement Agreement, para. 18

- (o) You raised funds from additional investors in breach of the interim CTO.

Settlement Agreement, para. 19

- (p) You admitted to trading in and distributing securities in contravention of the interim CTO.

Settlement Agreement, para. 20.5

THIS APPLICATION

- 5. 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.
- 6. 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.
- 7. 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

- 8. 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).
- 9. 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 fitness to be a registrant or to bear the responsibilities associated with being a director, officer or adviser to issuers,
- (f) the need to demonstrate the consequences of inappropriate conduct to those who enjoy the benefits of access to the capital markets,
- (g) the need to deter those who participate in the capital markets from engaging in inappropriate conduct, and
- (h) 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

- 10. Your misconduct involved multiple serious contraventions of the Alberta Securities Act, including fraud, the making of misleading or untrue statements, illegal trading and distribution, and breaching a cease trade order. Your contraventions of the Alberta Securities Act are analogous to contraventions of sections 34, 50, 57(2)(a) and 61 of the Act.
- 11. The Commission characterizes fraud as one of the most serious types of misconduct prohibited by the Act.

[Manna Trading Corp. Ltd. et al.](#), 2009 BCSECCOM 595, para. 18

- 12. Not far behind fraud, in the scale of seriousness of misconduct, stands misrepresentation. Those who operate and profit in the capital markets by misstating material facts (through commission or omission), undermine the confidence of the public in one of the cornerstones of capital markets regulation; the provision of accurate and complete information for investors to make informed investment decisions.

[Michaels \(Re\)](#), 2014 BCSECCOM 457, para. 8

- 13. Contraventions of sections 34 and 61 are inherently serious. These sections are the Act's foundational requirements for protecting investors and preserving the integrity of the capital markets. They require those who wish to trade in securities to be registered and those who wish to distribute securities to file a prospectus with the Commission. This is intended to ensure that investors are offered only securities that are suitable and that they receive the information necessary to make an informed investment decision.



[Re Wireless Wizard](#), 2015 BCSECCOM 443 (para. 8)

14. Cease trade orders are one of the Commission's most important tools in protecting the capital markets. Failure to comply with them undermines the Commission's ability to effectively regulate the capital markets. Contravening a cease trade order is therefore serious misconduct.

[Re Loughery](#), 2019 BCSECCOM 78, para. 15

15. The seriousness of your misconduct argues for significant sanctions against you.

Harm suffered by investors and the capital markets

16. As a result of your failure to comply with the registration requirements of the Alberta Securities Act, investors were denied the benefits of fundamental protections to which they were entitled to under Alberta Securities laws.
17. You also damaged the reputation and integrity of the capital markets. Investors lose confidence in the markets and become hesitant to invest if they cannot trust those who sell securities to do so in compliance with securities regulations, and to inform them of all the facts that would reasonably be expected to have a significant effect on the value of their investments before they invest.

[Re Wireless Wizard](#), 2015 BCSECCOM 443, para. 11

18. At the time of the Settlement Agreement, you owed investors \$352,029.00

Settlement Agreement, paras. 5, 23

Enrichment

19. You were enriched as a result of your misconduct. You admitted that you used a portion of the invested funds to pay your personal expenses.

Settlement Agreement, para. 15

Mitigating Factors

20. The ASC enumerated a number of factors relevant to the settlement it reached with you, including the fact that you admitted liability. An admission of liability pre hearing is a significant mitigating factor. By entering into the Settlement Agreement, you saved the ASC the time and expense associated with a contested hearing under the Act.

Settlement Agreement, paras. 22, 24

21. You have no previous regulatory history with the ASC.

Settlement Agreement, para. 21



22. You made repayments to investors in the amount of \$382,971. This is over half of the \$735,000 that you raised.

Settlement Agreement, paras. 5, 21-24

23. You agreed to pay \$120,000 in settlement of all allegations against you and pay the Commission \$10,000 for the cost of the investigation.

Settlement Agreement, para. 25.1

Aggravating Factors

24. You did not keep adequate accounting records making it difficult to determine the precise scope of the fraudulent use of investor funds.

Settlement Agreement, para. 16

25. Proper record keeping is a necessity for those who raise funds in the capital markets. Those who raise money from investors in our capital markets and who fail to keep proper books and records do so at their peril. It is an aggravating factor.

[*JV Raleigh Superior Holdings Inc. \(Re\)*](#), 2012

BCSECCOM 492, para. 11

[*Re Bezzaz Holdings*](#), 2020 BCSECCOM 263 (CanLII),
para. 18

Risk to investors and the capital markets

26. Directors must raise money in the capital market according to securities laws. Directors and officers like you, who facilitate or allow capital-market misconduct, expose the capital market and investors to harm.
27. Your misconduct demonstrates that you pose a significant ongoing risk to other investors and to the capital markets of British Columbia. There is no basis to believe that you will abide by securities laws in the future and your presence in British Columbia's capital markets represents a risk to investors unless sufficiently deterred.

Participation in our capital markets

28. 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.
29. Your admitted non-compliance with securities regulations shows that your participation in the capital markets would pose a risk if you were to go unsanctioned.



Fitness to be a registrant or a director or officer

30. 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

31. In your capacity as the sole director and officer of MMM, you failed to ensure compliance with registration requirements, failed to ensure the accuracy of representations to investors, and perpetrated a fraud.
32. Your conduct falls short of that expected of participants in our capital markets. Accordingly, a sanction denying you access to the capital markets for a lengthy period is proportionate to your misconduct.

Deterrence

33. Your misconduct warrants significant sanctions to deliver stern messages of specific and general deterrence.
34. The ASC concluded that market bans against you, with a duration of not less than ten years, would appropriately serve the public interest.
35. 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. Lengthy 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

36. We refer to a number of decisions for guidance on the appropriate sanction. The Commission ordered lengthy market bans in the four decisions below. The decisions involve similar contraventions (illegal trading and distributions, misrepresentation) and/or a similar amount of quantum.
- [Re Savage](#), 2008 BCSECCOM 71
 - The respondent Savage raised US\$765,000 from investors in contravention of section 61. The respondent also made misrepresentations to investors. Savage received a 10-year market ban.
 - [Re HRG Healthcare](#), 2016 BCSECCOM 326
 - The respondent raised over \$4 million from over 100 investors without disclosing material information. A panel found that HRG's directors, Mohan and Downie, were liable for HRG's



contraventions and ordered broad, temporary market bans for 8 years against the directors.

- [Royal Crown Ventures Group Ltd. \(Re\)](#), 2011 BCSECCOM 289 (CanLII)
 - The respondents were found to have made misrepresentations to investors, as well as trading without being registered and without filing a prospectus. The respondents raised \$1.9 million from investors. A panel ordered broad, market bans for 20 years against the respondent, Sears.
- [Re Williams](#), 2016 BCSECCOM 283
 - The respondent Nemeth contravened sections 61 and 34 with respect to \$1,249,723 to 19 investors. A panel ordered broad, market bans for 7 years against her.

37. The most similar decision in terms of quantum and misconduct is *Re Savage*. Based on the similarities between the facts of your case and the facts in *Re Savage*, a market ban in the range of ten years is reasonable.

38. 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 when a person's livelihood is at stake.

39. We are not aware of the impact a permanent ban would have on your livelihood.

ORDERS SOUGHT

40. You agreed to a 10 year capital market ban, restrictions on trading, and restrictions on acting as a director, officer, registrant, or investment fund manager.

Settlement Agreement, para. 25

41. Although there is no limitation on the Commission from imposing a capital market sanction that is similar or different to the ASC 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.

42. Normally, contraventions of illegal trading, misrepresentation, fraud, and breach of a commission order would result in a permanent market ban. However, the Executive Director has taken the following factors into consideration when deciding to seek 10 year market bans, starting from the date of the bans ordered by the ASC:



- (a) the circumstances of your misconduct and the mitigating facts contained in the Settlement Agreement;
 - (b) the factors from *Eron* and *Davis*;
 - (c) the sanctions ordered in previous cases cited above, specifically *Re Savage*; and
 - (d) the public interest.
- 43. 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 until June 14, 2026, except that you may continue to act as a director or officer (or both) of any issuer that and does not issue or propose to issue securities to the public;
 - (b) you are prohibited until June 14, 2026:
 - (i) under section 161(1)(b)(ii), from trading in or purchasing any securities or derivatives except that you can trade or purchase exchange-listed securities in your personal capacity for the benefit of your family only, through a registrant (who has first been given a copy of the order) in one or more personal or family accounts maintained with that registrant; and
 - (ii) under section 161(1)(d)(ii), from becoming or acting as a director or officer of any issuer or registrant or investment fund manager except that you may become a director or officer (or both) of any issuer that and does not issue or propose to issue securities to the public.
- 44. The Executive Director is not seeking any monetary sanctions against you.

SUPPORTING MATERIALS

- 45. In making this application, the Executive Director relies on the following, copies of which are enclosed:
 - (a) [*Re Vermeeren*](#), 2016 ABASC 182 (Settlement Agreement)
 - (b) [*Committee for the Equal Treatment of Asbestos Minority Shareholders v. Ontario \(Securities Commission\)*](#), [2001] 2 SCR 132, 2001 SCC 37 (CanLII)
 - (c) [*Re Eron Mortgage Corporation*](#), [2000] 7 BCSC Weekly Summary 22
 - (d) [*Manna Trading Corp. Ltd. et al.*](#), 2009 BCSECCOM 595
 - (e) [*Michaels \(Re\)*](#), 2014 BCSECCOM 457
 - (f) [*Re Wireless Wizard*](#), 2015 BCSECCOM 443
 - (g) [*Re Loughery*](#), 2019 BCSECCOM 78
 - (h) [*JV Raleigh Superior Holdings Inc. \(Re\)*](#), 2012 BCSECCOM 492



- (i) [*Re Bezzaz Holdings*](#), 2020 BCSECCOM 263 (CanLII)
- (j) [*Re SBC Financial Group Inc.*](#), 2018 BCSECCOM 267
- (k) [*Re Savage*](#), 2008 BCSECCOM 71
- (l) [*Re HRG Healthcare*](#), 2016 BCSECCOM 326
- (m) [*Royal Crown Ventures Group Ltd. \(Re\)*](#), 2011 BCSECCOM 289 (CanLII)
- (n) [*Re Williams*](#), 2016 BCSECCOM 283
- (o) [*Davis v. British Columbia \(Securities Commission\)*](#), 2018 BCCA 149

YOUR RESPONSE

46. 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 **Monday, June 21, 2021**.

47. 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

48. 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.

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

50. **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: Commission Hearing Office (by email to commsec@bcsc.bc.ca)