



British Columbia  
Securities Commission

REPLY TO:

**Deborah W. Flood**

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**By Regular Mail**

November 22, 2021

Dear Ms. Danforth:

**Caroline Danforth (aka Caroline Winsor, Caroline Meyers)  
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)(a) 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 findings from the Provincial Court in Alberta, as well as your criminal conviction in the United States for unregistered trading, securities fraud, market manipulation and conspiracy to commit market manipulation:

- *U.S.A. v. Caroline Winsor, aka Caroline Meyer and Caroline Danforth*, Case: 2:12-cr-00656-TJS (US Action)
- *Her Majesty the Queen v. Joseph Gaetano Bucci and Caroline Meyers*, Registry: Calgary, Action No.: 130092554P1 (Canadian Action)

**ACTIONS**

***United States***

1. On December 5, 2012, you were charged with nine counts of violations, including securities fraud, wire fraud, and conspiracy to commit fraud and misrepresentation.

Indictment

2. You pled guilty to three counts: conspiracy to commit fraud, misrepresentation, wire fraud, and securities fraud.

Judgment

Tel: 604 899-6500 Fax: 604 899-6506 Toll Free: 1 800-373-6393 [www.bcsc.bc.ca](http://www.bcsc.bc.ca)  
P.O. Box 10142, Pacific Centre, 701 West Georgia Street Vancouver, BC, Canada V7Y 1L2



3. On April 13, 2016, you were sentenced to:

- (a) Time served;
- (b) Supervised release for three years, to run concurrently with the sentence imposed in the Canadian criminal matter; and
- (c) Fine of \$10,000.

Judgment, p. 2

**Summary of Findings from US Criminal Action**

4. The transcript of the sentence hearing is under seal. Therefore, we refer to the following facts contained in the indictment for the counts you pled guilty to:

- (a) You were the managing partner of International Securities Group Inc. (“ISG”). ISG was a Canadian corporation that purportedly provided administrative support services and handled regulatory filings for various Over the Counter Bulletin Board (OTCBB) and Pink Sheet-listed companies. Two of ISG’s clients were FACT Corporation and Viosolar Inc. ISG was also FACT’s largest shareholder.

Indictment, paras. 3, 5

- (b) Viosolar was a Canadian corporation with its principal place of business in Athens, Greece. Viosolar’s securities were traded on the Over the Counter Bulletin Board (OTCBB) and the OTC Link. FACT was a Colorado corporation with its principal place of business in New Jersey, and its securities were traded on the OTC Link.

Indictment, paras. 1 and 2

- (c) From in or about July 2008 through to in or about October 2008, you and the other defendants conspired and agreed to willfully and knowingly, directly and indirectly, use and employ manipulative devices to defraud, make untrue statements of material facts and omitting material facts necessary to make the statements not misleading, and engaging in acts, practices, and courses of business which operated and would operate as a fraud, in connection with the purchase and sale of a security.

Indictment, para. 11

- (d) As part of a conspiracy, you and your co-conspirators sought to generate illegal proceeds by causing manipulative market activity in Viosolar and FACT stock. You and your co-conspirators did this in various ways:



- a. Agreeing to engage in manipulative and deceptive securities transactions to artificially increase the sales volume and price of Viosolar and FACT stock;
- b. Agreeing to bribe brokers to purchase and hold, on behalf of their retail customers, Viosolar and FACT stock;
- c. Agreeing to coordinate manipulative trading activity by issuing press releases to provide a false pretext for the increased volume and price of Viosolar and FACT stock; and
- d. Using wires and facilitates of interstate and foreign commerce in furtherance of the conspiracy.

Indictment, para. 12

(e) In furtherance of the conspiracy, you:

- a. held many phone calls with co-conspirators, a cooperating government witness, and others. On these calls, you provided information and discussed and made plans to further the stock manipulation scheme of FACT and Viosolar securities.

Indictment, Overt Acts, p. 5-9, paras. 2, 4-7, 12

- b. You used emails to discuss and attach press releases about FACT, and the “time line” for the stock buying campaign in FACT.

Indictment, Overt Acts, p. 9-12, paras. 12-15, 27

- c. You wired money from ISG in Canada to make test purchases of stock in FACT and Vioslar.

Indictment, Overt Acts, p. 11, para. 21-23

***Provincial Court Action***

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

Criminal Information



6. On December 7, 2015, you pled guilty to all counts in the Criminal Information. On June 27, 2016, you received a two year jail sentence, as well as permanent market bans.

Provincial Court Order  
Sentencing Transcript, p. 14, l. 8-11

**Summary of Findings from Provincial Court Action**

7. The following facts are contained in the transcript from your sentence and the agreed statement of facts that were admitted by you:

- (a) Coastal Pacific Mining (Coastal) was incorporated on March 27, 2007 in Alberta at the direction of Joseph Bucci and Michael Vlahovic.

Agreed Statement of Facts, para. 2

- (b) All or most of the corporate activities for Coastal took place at or through your company, ISG, under the direction of Bucci or Vlahovic.

Agreed Statement of Facts, para. 2

- (c) Coastal was described in public filings as an exploration stage mining company. Throughout its history, Coastal had no revenues nor full-time employees, and incurred repeated operating losses.

Agreed Statement of Facts, para. 4

- (d) In 2007, on instructions from Bucci and Vlahovic, you directed and assisted your staff with preparing and filing a registration statement for Coastal with the SEC. No reference was made in that filing regarding Bucci's and Vlahovic's control and direction over Coastal.

Agreed Statement of Facts, para. 6

- (e) In early 2008, you, Bucci, and Vlahovic arranged for 5.5 million Coastal shares to be issued from treasury in the names of friends and acquaintances (Seed Shares or Seed Shareholders). Many of the share certificates for the Seed Shares were held at ISG offices. Despite the shares' issuance to the Seed Shareholders, you, Bucci, and Vlahovic had effective control over the majority of these shares.

Agreed Statement of Facts, para. 9

- (f) From late 2009 into mid-2010, you and Bucci sought out buyers for the Coastal shell. In May 2010, you and Bucci began talking with British Columbia residents' Lawrence Chang and Robert Oliver. Chang offered



to purchase the majority of the free trading shares of Coastal ("Float"). The terms of Chang's offer were finalized in September 2010 at a meeting in Calgary attended by you and Bucci (Meeting).

Agreed Statement of Facts, paras. 11-13

- (g) At the Meeting, a plan was discussed to transfer the control and direction over the Float to Chang. Chang would arrange to heavily promote Coastal with a view to increasing trading volumes, drive up the stock price, and then sell the Float into the market (Plan). Also discussed, was the amount that you, Bucci, and Coastal could earn from the proceeds of the Plan for exchanging the Float.

Agreed Statement of Facts, para. 16

- (h) Pursuant to the Plan, Chang provided you with a list of offshore entities, into whose names the Coastal Float was to be transferred. The majority of these entities were controlled by Chang and others.

Agreed Statement of Facts, para. 17

- (i) All free-trading Coastal shares, except the limited amount that were in the hands of the general public, were transferred by you and Bucci to the entities identified by Chang or a lawyer, Luis Carrillo.

Agreed Statement of Facts, para. 18

### **The Promotion**

- (j) On September 23, 2010, and pursuant to the Plan, you received a series of press releases from Bucci that were to be issued in conjunction with the promotional campaign orchestrated by Chang. At the time, there was zero trading activity in Coastal and the events described in the press releases had yet to happen.

Agreed Statement of Facts, para. 19

- (k) You knew that the purpose of the campaign was to create a false appearance of trading activity in Coastal, and an artificial price for the shares, in accordance with the Plan.

Agreed Statement of Facts, para. 20

- (l) Between October 6 and November 5, 2010, Coastal issued 15 news releases as part of the campaign.

Agreed Statement of Facts, para. 21



- (m) Following the issuance of the first news releases, and building with the others, Coastal shares went from zero trades and no value to significant trading volumes and prices. On November 1, 2010, approximately 60,000,000 shares of Coastal traded and the share price closed at \$0.50 per share. After the campaign, Coastal share volumes and prices crashed to almost nothing. In the end, over 12,000 shareholders invested in Coastal.

Agreed Statement of Facts, para. 22

- (n) Chang was to move up to \$2 million in funds from the proceeds of the campaign to Coastal. Pursuant to this agreement, Chang wired \$1.1 million to Coastal.

Agreed Statement of Facts, para. 23

- (o) During the campaign, at the request of Chang, you sold 2.5 million Coastal shares from your account into the market, for proceeds of \$900,450. From these funds, the seed shareholders, creditors and finder's fees were paid. You received approximately \$366,000 out of these funds as your compensation for the Plan.

Agreed Statement of Facts, para. 24

- (p) At no time were you 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 with the ASC by anyone for any trades in the securities of Coastal.

Agreed Statement of Facts, para. 27

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

Agreed Statement of Facts, para. 28

### **THIS APPLICATION**

8. 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.
9. 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.



10. 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

11. 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).

12. 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 risk to investors and the capital markets posed by the respondent's continued participation in the capital markets of British Columbia,
- (f) the respondent's fitness to be a registrant or to bear the responsibilities associated with being a director, officer or adviser to issuers,
- (g) the need to demonstrate the consequences of inappropriate conduct to those who enjoy the benefits of access to the capital markets,
- (h) the need to deter those who participate in the capital markets from engaging in inappropriate conduct, and
- (i) 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***

13. 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 types of misconduct contemplated by the Act.

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

14. 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)

15. You admitted to market manipulation in Canada and conspiracy to commit market manipulation in the U.S. The market manipulation schemes were sophisticated, involving multiple co-defendants and nominees. Your guilty plea confirms your intention to knowingly and deliberately engage in this type of egregious misconduct.
16. Although your market manipulation scheme in the U.S. was thwarted, attempted frauds have the same potential to seriously impair the integrity and reputation of our markets as do actual frauds.

[Allaby \(Re\)](#), 2012 BCSECOM 399 (CanLII)

17. The registration requirement in the US (and the equivalent prospectus delivery and exemption requirement in British Columbia and Alberta) 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***

18. By the very nature of the misconduct (market manipulation), members of the investing public were deceived as to the value of the shares that were sold by the respondent. While we are unable to attach a specific figure to the harm suffered by investors as a consequence, we are able to say that the harm to investors was significant because investors were trading the shares based upon false information.

[Re Hable](#), 2017 BCSECCOM 340

19. This is not a case where we have evidence of specific harm to individual investors. No doubt harm was suffered by investors as a result of the market manipulation in Canada. 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.

Agreed Statement of Facts, p. 3, para. 22

***Enrichment***

20. In the Canadian Action, you were enriched in the amount of \$366,000 as a result of your misconduct.





***Risk to investors and the capital markets***

21. A market manipulation by its very nature involves deceit. Because of this, your continued participation in British Columbia's capital markets would pose a significant ongoing risk to both investors and capital markets.

*Re Sungro*, 2015 BCSECCOM 281, para. 41

22. Your contraventions of securities laws is widespread and unrelenting. You have been sanctioned in Canada and the U.S. for two separate and unrelated market manipulations.
23. Your conduct in organizing and facilitating sophisticated market manipulation schemes both in Canada and the U.S. 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***

24. 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.
25. 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

26. By its very nature, the perpetration of market manipulation shows that you are clearly unfit to be a registrant or to bear the responsibilities associated with being a director, an officer or an advisor to issuers.
27. You have demonstrated deceit and dishonesty and a disregard for compliance with applicable laws. You 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. A sanction denying you access to the capital markets permanently is proportionate to your misconduct

***Deterrence***

28. You have a long history of participating in stock manipulation schemes. The need for specific deterrence cannot be overstated. Additionally, the need for general deterrence is incredibly high. Especially because sophisticated market manipulation schemes are difficult to detect and prosecute. It is very difficult to infiltrate these kinds of schemes and therefore, it is vitally important for the market to know that these offences are treated seriously.



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 a number of decisions for guidance on the appropriate sanction. These decisions involve the same or a similar contravention to your conduct and involve enrichment in an amount close to or similar to your enrichment.

- [Re Hable](#), 2017 BCSECCOM 340
  - The respondent contravened the Act by creating an artificial price for the shares of an issuer, 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 Williams was found to have manipulated the shares of an issuer. The panel found Williams had a history of regulatory misconduct after the SEC obtained a judgment against him after he allegedly recommended and encouraged two stocks to investors while he secretly sold millions of shares that he had received from the companies for promoting their stock. The panel issued a permanent ban against Williams.

- [Re Deyrmenjian](#), 2019 BCSECCOM 93
  - The respondent Craven was found to have manipulated the shares of an issuer. There was no evidence that Craven was enriched by the misconduct. The panel found Craven had a history of regulatory misconduct after the SEC obtained a judgment against him for carrying out a “pump and dump” scheme to manipulate the public trading market of an issuer. The panel issued a permanent ban against Craven.

- [Re Braun](#), 2019 BCSECCOM 65
  - The respondents committed a fraud on two investors. The Braun respondents were enriched in the amount of \$322,500.

32. There are no identical decisions in our jurisdiction containing similar misconduct and enrichment. The most comparable decision on enrichment is *Braun* and *Hable*, and the most comparable decisions on misconduct are *Sungro* and *Re*



*Deyrmenjian*. Similar to you, both Craven in *Deyrmenjian* and Williams in *Sungro* were recidivists, as they both had a history of misconduct.

33. Permanent market orders such as the ones ordered against Craven and Williams are consistent with the egregious nature of your intentional and deliberate conduct.
34. Considering the findings and the application of the relevant *Eron* factors to the evidence, you are deserving of significant rebuke and orders at the upper end of the spectrum. Only permanent market bans would protect the investing public and the capital markets in B.C.

#### ***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 is unaware of any individual circumstances that would support orders short of a permanent market ban.

#### **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 the paragraphs 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) permanent prohibitions:



- (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) Indictment
- (b) Judgment
- (c) Criminal Information
- (d) Provincial Court Order
- (e) Sentencing Transcript
- (f) Statement of Agreed Facts
- (g) [\*Committee for the Equal Treatment of Asbestos Minority Shareholders v. Ontario \(Securities Commission\)\*](#), [2001] 2 SCR 132, 2001 SCC 37 (CanLII)
- (h) [\*Re Eron Mortgage Corporation\*](#), [2000] 7 BCSC Weekly Summary 22
- (i) [\*Re Lim\*](#), 2017 BCSECCOM 319



- (j) [\*De Gouveia, Re\*](#), 2013 ABASC 249 (CanLII)
- (k) [\*Allaby \(Re\)\*](#), 2012 BCSECOM 399 (CanLII)
- (l) [\*Re Pierce\*](#), 2016 BCSECCOM 264, para. 41 (CanLII)
- (m) [\*Re Hable\*](#), 2017 BCSECCOM 340
- (n) [\*Re Flexfi Inc.\*](#), 2018 BCSECCOM 166
- (o) US Government Motion for Pretrial Detention
- (p) Transcript of detention arraignment hearing
- (q) [\*Re Sungro\*](#), 2015 BCSECCOM 281
- (r) [\*Mesidor \(Re\)\*](#), 2014 BCSECCOM 6 (CanLII)
- (s) [\*Re Deyrmenjian\*](#), 2019 BCSECCOM 93
- (t) [\*Re Braun\*](#), 2019 BCSECCOM 65
- (u) [\*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 **Wednesday, January 12, 2022**.

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

Commission Hearing Office  
British Columbia Securities Commission  
PO Box 10142, Pacific Centre  
12<sup>th</sup> Floor, 701 West Georgia Street  
Vancouver, BC V7Y 1L2  
E-mail: [commsec@bcsc.bc.ca](mailto: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](mailto:dflood@bcsc.bc.ca)**

Yours truly,

Douglas B. Muir  
Director, Enforcement  
DWF/crc  
Enclosures

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