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**BCSC panel finds that two B.C. residents and two B.C. companies
committed fraud and illegally distributed securities**

Vancouver – A British Columbia Securities Commission panel has found that Theodore Ralph Everett, Robert H. Duke, Micron Systems Inc., and Independent Academies Canada (IAC) committed fraud, illegally distributed securities and breached the terms of a cease trade order (CTO).

During the relevant period, Everett and Duke were directors of both IAC and Micron, a subsidiary of IAC. Both were officers of IAC, and Everett was also an officer of Micron.

In 2006, IAC acquired a 2,040-acre property in the Comox Valley known as Sage Hills. IAC's promotional materials described Sage Hills as its "flagship project". (In fact, Sage Hills was IAC's only project.) IAC said it planned to develop a mixed-use community focused on private education with a sports and educational orientation.

Everett and Duke admit that between August 2002 and July 2011, IAC distributed securities to 126 investors for proceeds of \$5.1 million without filing a prospectus and without the availability of any prospectus exemptions.

Everett and Duke also admit that they contravened a July 2011 CTO issued against IAC by distributing promissory notes to existing IAC investors for proceeds of \$195,000. These promissory notes included a promise by Micron to issue IAC shares to the investors immediately or in the future.

In October 2007, IAC granted a mortgage on the Sage Hills property to Liberty Excell Mortgage Corp. IAC defaulted on the mortgage payments, and in November 2009 Liberty commenced foreclosure proceedings, resulting in a sale of the Sage Hills property in September 2012. None of the respondents disclosed the foreclosure to investors.

The panel found that between November 2009 and July 2011, Everett and Duke perpetrated a fraud by continuing to distribute securities to 55 investors for proceeds of \$1.45 million without disclosing Sage Hills foreclosure.

The panel said, "The development of Sage Hills was IAC's whole business. It was what investors believed they were financing. The Sage Hills development was the entire story told to investors about IAC. All of IAC's promotional materials and all of the



communications to investors spoke of nothing else. Clearly, Everett and Duke had to have known that without the Sage Hills property, IAC had no business. They had to have known that without the Sage Hills property, the investors would have no identifiable means of recovering their investment.”

The panel found that Everett and Duke knew that the foreclosure could lead to the sale of the Sage Hills property and their failure to disclose it to investors put the investors’ pecuniary interests at risk.

The panel directed the parties to make submissions on sanctions according to the schedule set out in the findings.

Leonard George Ralph was named as a respondent in the original notice of hearing issued in January 2013. He settled with the Executive Director in October 2013.

You may view the findings decision on our website www.bsc.bc.ca by typing Independent Academies Canada, Micron Systems Inc., Theodore Ralph Everett, Robert H. Duke, or 2014 BCSECCOM 93 in the search box. To view the Executive Director’s settlement agreement with Leonard Ralph, please type 2013 BCSECCOM 414 in the search box. Information regarding disciplinary proceedings can be found in the Enforcement section of the BCSC website.

Please visit the Canadian Securities Administrators’ Disciplined Persons List for information relating to persons disciplined by provincial securities regulators, the Investment Industry Regulatory Organization of Canada (IIROC) and the Mutual Fund Dealers Association (MFDA).

About the British Columbia Securities Commission (www.bsc.bc.ca)

The British Columbia Securities Commission is the independent provincial government agency responsible for regulating capital markets in British Columbia through the administration of the *Securities Act*. Our mission is to protect and promote the public interest by fostering:

- A securities market that is fair and warrants public confidence
- A dynamic and competitive securities industry that provides investment opportunities and access to capital

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