



Citation: 2020 BCSECCOM 126

## Settlement Agreement

SpeakEasy Cannabis Club Ltd.

### *Securities Act, RSBC 1996, c. 418*

- ¶ 1 The Executive Director of the British Columbia Securities Commission (the Executive Director) and SpeakEasy Cannabis Club Ltd. (SpeakEasy) agree as follows:

#### **Agreed Statement of Facts**

1. SpeakEasy is a cannabis company headquartered in Rock Creek, British Columbia. It is a reporting issuer in British Columbia and listed on the Canadian Securities Exchange (CSE) and Frankfurt Stock Exchange (FSE).
2. SpeakEasy has no history of securities regulatory misconduct.

#### **Misconduct**

3. On July 24, 2018, SpeakEasy issued a news release informing the market that it had closed a non-brokered private placement raising approximately \$3,000,000. According to SpeakEasy's news release, the proceeds from the private placement were to be used for general working capital. This was inaccurate.
4. In fact, SpeakEasy retained only \$1.55M of the private placement proceeds. On or around the same day as the news release, SpeakEasy returned \$1.25M in consulting fees to seven purported consultants. One further payment was made to another purported consultant on August 2, 2018 for \$200,000, for a total of \$1.45M in payments to the group of consultants (Purported Consultant Group).
5. No services were provided by the Purported Consultant Group in exchange for those payments.
6. An associate of SpeakEasy's then-CFO, and two members of the Purported Consultant Group (together, the Consultant Subscribers) subscribed for 3,452,857 units of SpeakEasy's 4,285,714 unit private placement. SpeakEasy relied on prospectus exemption 2.24 of NI 45-106 for distributions to the Consultant Subscribers, which meant that the shares were immediately free-trading.
7. Various of the Consultant Subscribers represented to SpeakEasy that the shares were for investment purposes and were not for resale in the short term. However, by September 13, 2018, the Consultant Subscribers sold a total of 2,782,426 SpeakEasy shares at average prices below the private placement acquisition cost, for a profit of \$1,530,753.



8. As a result of the activity above, SpeakEasy participated in conduct abusive to the capital markets that, but for the mitigating factors outlined below, would warrant public interest orders under s. 161 of the Act.

***Mitigating Factors***

9. The July 2018 private placement was initiated and engineered by Speakeasy's then CFO. The other board members, including the CEO, Marc Geen (Geen), were not aware of the payments made to the Purported Consultant Group from the private placement funds.
10. Shortly after the July 2018 private placement, but before any action initiated by the Commission, Geen and SpeakEasy's new corporate secretary began making efforts to remove the CFO and to investigate financial irregularities at SpeakEasy.
11. SpeakEasy's board only became aware of the private placement's connection to, or the full details regarding the payments to consultants once the Executive Director issued a Temporary Order and Notice of Hearing, 2018 BCSECCOM 369, on November 26, 2018.
12. When SpeakEasy became aware of the Executive Director's allegations concerning the above transactions, it:
  - (a) Conducted an internal investigation;
  - (b) Refreshed its management team and board, removing all directors involved at the time of the improper transactions;
  - (c) Strengthened its internal control and management processes, including appointing a designated compliance lead and implementing comprehensive corporate governance policies; and
  - (d) Fully cooperated with the Commission's investigation.

***Undertaking(s)***

13. SpeakEasy undertakes to retain an independent monitor for a period of at least one (1) year to review corporate governance and compliance policies, procedures and processes
14. Geen undertakes not to become or act as a director or officer of any reporting issuer for a period of one (1) year.

***Public Interest***

15. Although SpeakEasy's misconduct caused harm to investors and the capital markets, in light of all the circumstances – including SpeakEasy's response to the allegations and efforts to reform, its undertaking to retain an independent monitor for a period of



one year, and the potential impact of financial orders on existing shareholders – it is not in the public interest for the Executive Director to issue orders under section 161 of the Act against SpeakEasy.


**Waiver**


¶ 2 SpeakEasy waives any right it may have, under the Act or otherwise, to a hearing, hearing and review, judicial review or appeal related to, in connection with, or incidental to this settlement.

**Counterpart**

¶ 3 This settlement agreement may be signed in counterpart and all such counterparts of signed copies, whether delivered electronically or otherwise, shall be read or construed together as if they formed one originally executed document.

¶ 4 May 1st , 2020

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SpeakEasy Cannabis Club Ltd.  
(per Bin Huang, CEO)

  
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Witness Signature )  
Wei Cui )  
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Witness Name (please print) )  
2407 - 1199 Seymour Street )  
\_\_\_\_\_)  
Vancouver V6B 1K3 )  
\_\_\_\_\_)  
Address )  
IT Consultant )  
\_\_\_\_\_)  
Occupation )

¶ 6 Peter J. Brady  
Executive Director