

DECISION OF A PANEL APPOINTED PURSUANT TO *The Financial and Consumer Affairs Authority of Saskatchewan Act*

**In the Matter of
*The Securities Act, 1988, S.S. 1988, C.S-42.2***

And

**In the Matter of
C2 Ventures Inc.
Monte Dobson
(collectively referred to as the Respondents)**

DECISION

Orders Pursuant to Subsection 135.6(2) of *The Securities Act, 1988*

Hearing Held: November 10, 2015

Before: Derrek Fahl (Chairperson), Peter Carton (Panel Member)

Appearances: Dallas Smith, Legal Counsel for the Financial and Consumer Affairs Authority
David Mackay, Legal Counsel for the Respondent
Monte Dobson, Respondent

Date of Decision: August 29, 2017

Introduction

The Respondents, C2 Ventures Inc., ("C2 Ventures") under the direction of Monte Dobson, were involved in attracting investors to invest in a real estate development project in Regina in 2007 (the "Project"). The Project eventually failed in 2009, and investors' interests were not fully returned.

On July 13, 2013 an agreed statement of Facts was signed by the Respondents admitting to breaching *The Saskatchewan Securities Act, 1988* (the "Act") and a subsequent order was issued December 19, 2013.

On May 18, 2014 the Director of the Securities Division of the Financial and Consumers Affairs Authority ("FCAA") issued an order pursuant to section 135.6 of the Act requesting financial compensation for the following individuals:

1. [REDACTED], of Victoria, British Columbia, in the amount of \$20,164.41;
2. [REDACTED], of Saskatoon, Saskatchewan, in the amount of \$40,328.82;
3. [REDACTED], of Regina, Saskatchewan, in the amount of \$40,328.82; and
4. [REDACTED], of Martensville, Saskatchewan, in the amount of \$40,328.82.

Preliminary Matters

Counsel for the Respondent, brought an application before the panel to quash the hearing as they felt that the Director had failed to follow procedures laid out in 13.2(2) of the Saskatchewan Policy Statement, Procedure for Hearings and Reviews. This policy states that once a hearing is held and the respondents are found to have breach Securities laws, the panel will set a date in the decision by which the director must apply for compensation.

The panel also heard from Counsel of the FCAA on the matter.

The panel found that given there was no hearing conducted for this matter, the matter was consensual, there was therefore no date set for which the Director needed to comply with. The panel ruled the hearing into compensation should proceed.

Issues

The issue at hand for the panel is to determine whether the requirements for a Financial Compensation Order have been met.

Subsection 135.6(4) of the Act gives the FCAA the power, upon a request from the Director, to order that a person or company pay to a claimant financial compensation for the claimant's loss, if, after a hearing, the Authority:

- a. determines that the person or company has contravened or failed to comply with Saskatchewan securities laws, a written undertaking made by the person or company to the Authority or the Director, or a term or condition of the person's or company's registration;
- b. is able to determine the amount of financial loss suffered by the claimant on the evidence; and
- c. finds that the person's or company's contravention or failure caused the claimant's financial loss in whole or part.

Facts

1. By a Notice of Hearing dated November 24, 2011, Staff of Financial and Consumer Affairs Authority of Saskatchewan ("FCAA Staff") alleged that the Respondents engaged in specific activities contrary to the public interest and in contravention of the following sections of the Act:
 - a. Sections 27 and 58 – prospectus and registration requirements; and
 - b. Subsection 55.11(1) – misleading and untrue statements.
2. On July 31, 2013 the Respondents signed an Agreed Statement of Facts, admitting, *inter alia*, the following:
 - a. Based on representations made by C2 Ventures, from July 2007 to August 2007 approximately 11 Saskatchewan investors entered into joint venture agreements with C2 Ventures and sent approximately \$900,000 to C2 Ventures.
 - b. The particulars of these investors included, but were not limited to, the following:
 - ██████████ invested \$200,000;
 - ██████████ invested \$50,000; and
 - ██████████ and ██████████ together invested \$50,000.

- c. Some other investors who purchased C2 Ventures securities are as follows:
- ██████████ invested \$50,000;
 - ██████████ invested \$37,500;
 - ██████████ invested \$25,000;
 - ██████████ \$50,000;
 - ██████████ invested \$200,000; and
 - ██████████ and ██████████ together invested \$200,000.
- d. In carrying out certain activities outlined in the Agreed Statement of Facts, the Respondents engaged in the business of trading in securities in Saskatchewan.
- e. In carrying out certain activities outlined in the Agreed Statement of Facts, the Respondents made a distribution of securities in Saskatchewan.
- f. The Respondents were not registered to trade in securities in Saskatchewan, and insofar as any exemptions did not apply to these trades, they contravened the registration requirement in section 27 of the Act.
- g. No exemptions apply to ██████████, ██████████, ██████████ or ██████████, and therefore, section 27 was violated in relation to these investors.
- h. The Director had not issued a receipt for a prospectus for the securities of C2 Ventures, and insofar as any exemptions did not apply to these distributions, the Respondents have contravened section 58 of the Act.
- i. No exemptions apply to ██████████, ██████████, ██████████ or ██████████, and therefore, section 58 was violated in relation to these investors.
- j. The Respondents intend to claim exemptions in relation to the remaining investors.
- k. The Respondents have not filed reports pursuant to section 6.1 of National Instrument 45-106 *Prospectus and Registration Exemptions* (NI 45-106) claiming any exemptions in NI 45-106.
3. Upon the consent of the Respondents and FCAA Staff, a Hearing Panel of the Authority (the "Hearing Panel") determined it was in the public interest to order the following:

- a. Pursuant to clause 134(1)(a) of the Act, the exemptions under Saskatchewan securities laws do not apply to the Respondents for a period of five years from the date of the Order;
- b. Pursuant to clause 134(1)(d) of the Act, the Respondents cease trading in securities or exchange contracts in Saskatchewan for a period of five years from date of the Order;
- c. Pursuant to clause 134(1)(d.1) of the Act, the Respondents cease acquiring securities or exchange contracts in Saskatchewan for Saskatchewan residents for a period of five years from the date of the Order;
- d. Pursuant to clause 134(1)(e) of the Act, the Respondents cease giving advice to Saskatchewan residents regarding securities for a period of five years from the date of the Order;
- e. Pursuant to clause 134(1)(h)(i) of the Act, Dobson resign any position that he holds as a director or officer of an issuer, a registrant or an investment fund manager;
- f. Pursuant to clause 134(1)(h)(ii) of the Act, Dobson is prohibited from becoming or acting as a director or officer of an issuer, registrant or investment fund manager for a period of five years from the date of the Order;
- g. Pursuant to clause 134(1)(h)(iii) of the Act, Dobson shall not be employed by an issuer, registrant or investment fund manager in a capacity that would entitle him to trade or advise in securities for a period of five years from the date of the Order;
- h. Pursuant to clause 134(1)(h.1) of the Act, Dobson shall not become or act as a registrant, an investment fund manager or a promoter in Saskatchewan for a period of five years from the date of the Order;
- i. Pursuant to section 135.1 of the Act, the Respondents shall pay an administrative penalty of \$20,000; and
- j. Pursuant to section 161 of the Act, the Respondents shall pay costs in the amount of \$1,000.

The panel heard from FCAA staff that in 2011 the notice of hearing was posted on the internet advising investors that more information could be obtained by contacting them. Additionally they had directly contacted all investors whom the respondents had admitted to trading in securities with.

The panel heard testimony from Kenneth Foster an Investigator with the Securities Division of the FCAA. He provided documentation to support the claims of the 4 investors in question.

Arguments of the Parties

Legal counsel for the FCAA argued that the agreed statement of facts signed by the Respondents, dated July 31, 2017, proved that they contravened the Securities Act of Saskatchewan. The documentation provided by the investors and verified by the FCAA investigator Kenneth Foster, was a true reflection of the claimant's loss. The company and Mr. Dobson's activities resulted in the failure of the enterprise and caused the loss.

Counsel for the Respondent argued that Mr. Dobson and all the investors took a loss. Mr. Dobson's Alberta partner, [REDACTED] was the real mastermind of the real estate development, he was acting as an agent. The panel heard that he formed C2 Ventures Inc. to invest in Real estate, met [REDACTED] through a seminar. He was offered increased percentages in the project by [REDACTED] if he could raise more funds finding investors for the development. [REDACTED] provided all the documentation that was used. As a result of changing markets and a rejected development permit the venture failed in 2010. He claimed not to have actively sought out these four investors. Counsel argued that the market and Mr. [REDACTED] caused the loss, it was a business failure and the investors did not lose their monies as a result of Dobson's activities.

Analysis

As set out before, the requirements for a compensation order must meet a three pronged test.

1. **A breach of the Act must have occurred** – in this instance the Respondents have admitted to same in an agreed statement of facts dated July 31, 2013.
2. **The amount of financial loss suffered by the claimant must be backed by evidence** – All four claimants in this request provided evidence of their loss. The investigator for the FCAA verified the same and documentation was provided to the panel during his sworn testimony.
3. **The Respondents contravention or failure caused the claimants financial loss in whole or in part** - The Respondents failed to comply with registration requirement in section 27 of the Act. If they had been registered, they would have had to have met the requisite education, experience and other requirements for registrants. If this were the case, it is doubtful that the Respondents would have sold these securities to the claimants.

Further, the Respondents failed to comply with prospectus requirement in section 58 of the Act. If the Respondents had complied with prospectus requirements under the Act, they would have set out full, true and plain disclosure of all material facts. If the Respondents had given the claimants full, true and plain disclosure of the true state of affairs (for example that the investment was not secured by the real estate project as stated, and investor would not receive the full return of their investments if the project failed), the claimants would likely not have invested.

The Respondents have admitted that no exemptions from the registration or prospectus requirements were available for the trades with [REDACTED] or [REDACTED]. The panel was provided no evidence at the hearing that any exemptions were available for [REDACTED] or [REDACTED] and therefore concludes there were none.

Conclusion

The panel finds that the Respondents have been negligent in their actions which in turn led to the loss of the investors monies in question.

The panel hereby orders that that the Authority issue orders pursuant to section 135.6 of the Act, ordering the Respondents to pay compensation to each of:

1. [REDACTED] of Victoria, British Columbia, in the amount of \$20,164.41;
2. [REDACTED] of Saskatoon, Saskatchewan, in the amount of \$40,328.82;
3. [REDACTED] of Regina, Saskatchewan, in the amount of \$40,328.82; and
4. [REDACTED] of Martensville, Saskatchewan, in the amount of \$40,328.82.

This is the unanimous decision of the panel.

Dated: March 13, 2018

[REDACTED]

Derrek Fahl, Chairperson

[REDACTED]

Peter Carton