



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

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**IN THE MATTER OF
SIU MUI "DEBBIE" WONG, SIU KON "BONNIE" SOO,
1300302 ALBERTA INC. and
D&E ARCTIC INVESTMENTS INC.**

**STATEMENT OF ALLEGATIONS
(Subsections 127(1) and 127(10) of the *Securities Act*, RSO 1990 c S.5)**

1. Staff of the Enforcement Branch (**Staff**) of the Ontario Securities Commission (the **Commission**) elect to proceed using the expedited procedure for inter-jurisdictional proceedings as set out in Rule 11(3) of the Commission's *Rules of Procedure*.

A. ORDER SOUGHT

2. Staff request that the Commission make the following inter-jurisdictional enforcement order, pursuant to paragraph 4 of subsection 127(10) of the Ontario *Securities Act*, RSO 1990 c S.5 (the **Act**):

(a) against Siu Mui "Debbie" Wong (**Wong**) that:

- i. pursuant to paragraph 2 of subsection 127(1) of the Act, trading in any securities or derivatives by Wong cease permanently, except trades that are made for her own account through one registered dealer or advisor if she gives that dealer or advisor a copy of the British Columbia Securities Commission's Order dated February 20, 2017 (the **BCSC Order**), and a copy of the Order of this Commission, if granted;

- ii. pursuant to paragraph 2.1 of subsection 127(1) of the Act, the acquisition of any securities by Wong cease permanently, except purchases that are made for her own account through one registered dealer or advisor if she gives that dealer or advisor a copy of the BCSC Order, and a copy of the Order of this Commission, if granted;
 - iii. pursuant to paragraph 3 of subsection 127(1) of the Act, any exemptions contained in Ontario securities law do not apply to Wong permanently, except for those exemptions necessary to allow Wong to trade securities or derivatives or purchase securities for her own account;
 - iv. pursuant to paragraphs 7, 8.1 and 8.3 of subsection 127(1) of the Act, Wong resign any positions that she holds as a director or officer of any issuer or registrant, including an investment fund manager;
 - v. pursuant to paragraphs 8. 8.2 and 8.4 of subsection 127(1) of the Act, Wong be prohibited permanently from becoming or acting as a director or officer of any issuer or registrant, including an investment fund manager, except that she may act as a director or officer of an issuer whose securities are solely owned by her or by her and her immediate family members (being: Wong's spouse, parent, child, sibling, mother or father-in-law, son or daughter-in-law, or brother or sister-in-law); and
 - vi. pursuant to paragraph 8.5 of subsection 127(1) of the Act, Wong be prohibited permanently from becoming or acting as a registrant, including an investment fund manager, or promoter;
- (b) against Siu Kon "Bonnie" Soo (**Soo**) that:
- i. pursuant to paragraph 2 of subsection 127(1) of the Act, trading in any securities or derivatives by Soo cease permanently, except

trades that are made for her own account through one registered dealer or advisor if she gives that dealer or advisor a copy of the BCSC Order, and a copy of the Order of this Commission, if granted;

- ii. pursuant to paragraph 2.1 of subsection 127(1) of the Act, the acquisition of any securities by Soo cease permanently, except purchases that are made for her own account through one registered dealer or advisor if she gives that dealer or advisor a copy of the BCSC Order, and a copy of the Order of this Commission, if granted;
- iii. pursuant to paragraph 3 of subsection 127(1) of the Act, any exemptions contained in Ontario securities law do not apply to Soo permanently, except for those exemptions necessary to allow Soo to trade securities or derivatives or purchase securities for her own account;
- iv. pursuant to paragraphs 7, 8.1 and 8.3 of subsection 127(1) of the Act, Soo resign any positions that she holds as a director or officer of any issuer or registrant, including an investment fund manager;
- v. pursuant to paragraphs 8, 8.2 and 8.4 of subsection 127(1) of the Act, Soo be prohibited permanently from becoming or acting as a director or officer of any issuer or registrant, including an investment fund manager, except that she may act as a director or officer of an issuer whose securities are solely owned by her or by her and her immediate family members (being: Soo's spouse, parent, child, sibling, mother or father-in-law, son or daughter-in-law, or brother or sister-in-law); and

- vi. pursuant to paragraph 8.5 of subsection 127(1) of the Act, Soo be prohibited permanently from becoming or acting as a registrant, including an investment fund manager, or promoter;
- (c) against 1300302 Alberta Inc. (**1300302**) that:
- i. pursuant to paragraph 2 of subsection 127(1) of the Act, trading in any securities or derivatives by 1300302 cease permanently;
 - ii. pursuant to paragraph 2.1 of subsection 127(1) of the Act, the acquisition of any securities by 1300302 cease permanently;
 - iii. pursuant to paragraph 3 of subsection 127(1) of the Act, any exemptions contained in Ontario securities law do not apply to 1300302 permanently; and
 - iv. pursuant to paragraph 8.5 of subsection 127(1) of the Act, 1300302 be prohibited permanently from becoming or acting as a registrant or promoter;
- (d) against D&E Arctic Investments Inc. (**D&E Arctic**) that:
- i. pursuant to paragraph 2 of subsection 127(1) of the Act, trading in any securities or derivatives by D&E Arctic cease permanently;
 - ii. pursuant to paragraph 2.1 of subsection 127(1) of the Act, the acquisition of any securities by D&E Arctic cease permanently;
 - iii. pursuant to paragraph 3 of subsection 127(1) of the Act, any exemptions contained in Ontario securities law do not apply to D&E Arctic permanently; and
 - iv. pursuant to paragraph 8.5 of subsection 127(1) of the Act, D&E Arctic be prohibited permanently from becoming or acting as a registrant or promoter;
- (e) such other order or orders as the Commission considers appropriate.

B. FACTS

Staff make the following allegations of fact:

3. Wong, Soo, 1300302 and D&E Arctic (collectively, the **Respondents**) are subject to the BCSC Order that imposes sanctions, conditions, restrictions or requirements upon them.
4. In its findings on liability dated June 16, 2016 (the **Findings**) a panel of the BCSC (the **BCSC Panel**) found that Wong and Soo perpetrated a fraud, contrary to section 57(b) of the British Columbia *Securities Act*, RSBC 1996, c. 418 (the **BC Act**). The BCSC Panel further found that the Respondents engaged in an illegal distribution of securities, contrary to section 61 of the BC Act.

(i) The BCSC Proceedings*Background*

5. The conduct for which the Respondents were sanctioned occurred between May 2007 and January 2008 (the **Material Time**).
6. Wong and Soo are sisters. During the Material Time, they were residents of British Columbia.
7. Wheatland Industrial Park Inc. (**Wheatland**) is an Alberta corporation and the registered owner of over 306 acres of land in Wheatland, Alberta (the **Wheatland Lands**). Wong and Soo were Wheatland's directors during the Material Time. Wheatland has never filed a prospectus under the BC Act.
8. 1300302 and D&E Arctic are Alberta corporations. They are the registered owners of approximately 158.2 acres of land in Rocky View, Alberta (the **Rocky View Lands**). During the Material Time, Soo and one of Wong's sons were the directors of 1300302, and Wong and one of Soo's daughters were the directors of D&E Arctic. 1300302 and D&E Arctic have never filed a prospectus under the BC Act.

Wheatland Joint Venture

9. Wong and Soo created Wheatland to buy and develop the Wheatland Lands into saleable, subdivided lots, which could be sold at a profit. Wheatland held legal title to the lands as bare trustee for the joint venture investors.
10. In approximately May 2007, Wong and Soo promoted and sold Wheatland joint venture units through referrals from friends and through word of mouth. At least 78 investors paid approximately \$85,000 per unit, and each unit entitled an investor to an undivided interest in one acre of the Wheatland Lands. Wong and Soo advised investors about their past successes with real estate projects, and that investors could expect to make a profit after one or two years.
11. Under the bare trust, investors authorized Wong and Soo, as Wheatland's directors, to coordinate the development and re-sale of the Wheatland Lands. However, major decisions relating to the sale, mortgage or final use of the Wheatland Lands required a vote of the investors. Wong and Soo told investors they would not take any profit up front, but would take only 5% of net profits when the Wheatland joint venture investors made a profit.

Illegal Distribution

12. The BCSC Panel found that Wong, Soo and Wheatland (under the control and direction of Wong and Soo) illegally distributed \$2,000,000 in securities to 25 investors who did not qualify for exemptions under the BC Act.

Fraud

13. The BCSC Panel also found that Wong and Soo perpetrated a fraud by transferring 33.5 of the Wheatland joint venture units to companies owned by their adult children and husbands, without consideration and without obtaining approval to do so from investors.

14. The BCSC Panel further found that Wong and Soo perpetrated a fraud by misappropriating Wheatland investors' subscription proceeds to fund two related company loans totalling \$1,208,000, without investors' permission.

Rocky View Lands

15. The Rocky View Lands were farmland in Rocky View, Alberta, not yet rezoned for a higher use. Similar to Wheatland, the sisters set up 1300302 and D&E Arctic to buy and develop land in Rocky View through the sale of units in both companies. Some Rocky View investors had also invested in the Wheatland joint venture.
16. Between June 2007 and January 2008, Wong and Soo promoted and sold 1300302 and D&E Arctic joint venture units through referrals from friends and through word of mouth. A total of 158 units were available for sale, corresponding to 158 acres in the Rocky View Lands. Approximately 130 units were sold, and most investors paid \$65,000 per unit. Some investors were told that the development of the Rocky View Lands would take place in phases, over approximately five years, and that the value of the lands would increase as development progressed. Wong and Soo advised Rocky View investors about their past successes with real estate projects, and that a \$65,000 investment could eventually be worth over \$1.5 million.
17. 1300302 and D&E Arctic held legal title to the Rocky View Lands as bare trustees for their respective investors. Under the joint venture agreement, Wong and Soo were retained to manage the Rocky View project. However, major decisions relating to the sale, mortgage or development of the Rocky View Lands required a vote of the investors.
18. Investors were told that Wong and Soo were transferring the Rocky View Lands to them at the original price they paid to acquire the lands (being \$10,271,300), and that Wong and Soo would not make any profit from the investors, but would take a 5% commission at the last stage of the joint ventures when investors received a profit.

Illegal Distribution

19. The BCSC Panel found that Soo, Wong and 1300302 illegally distributed securities and raised \$2,785,000 from 44 investors, and that Soo, Wong and D&E Arctic illegally distributed securities and raised \$1,105,000 from 19 investors. None of the investors qualified for exemptions under the BC Act.

Fraud

20. The BCSC Panel further found that Wong and Soo committed multiple acts of fraud through 1300302 and D&E Arctic:
 - (a) Wong and Soo inflated the purchase price of the Rocky View Lands and lied about it to investors. Wong and Soo used a company they controlled called LCco to initially buy the land for \$5,540,000, and then sold it to 1300302 and D&E Arctic at an inflated price of \$10,271,300 in an artificial transaction. Wong and Soo sold Rocky View joint venture units to investors based on the inflated price, not the initial purchase price.
 - (b) Wong and Soo withheld information about potential delays in development of the Rocky View Lands from an investor. On December 12, 2007, Wong received a memo from an engineering firm Wong and Soo had hired, stating that rezoning of the Rocky View Lands was purely speculative. On December 21, 2007, Wong received another memo from the firm giving notice that applications to develop the land were being put on hold.
 - (c) All distributions but one were fully paid for before the December 12 memo. Wong and Soo accepted money from one investor after December 21, but did not tell the investor about the potential delays detailed in the engineering firm's two memos. By not disclosing the contents of those memos to the investor, the BCSC Panel found Wong and Soo committed an act of fraud.

BCSC Findings - Conclusions

21. In its Findings, the BCSC Panel concluded that:

(a) Wong and Soo perpetrated fraud, contrary to section 57(b) of the BC Act, when they:

1. transferred Wheatland joint venture units without consideration to the benefit of their husbands and adult children;
2. misappropriated \$1,208,000 from the Wheatland joint venture;
3. inflated the purchase price of the Rocky View Lands and lied about it to investors; and
4. withheld information about potential delays in Rocky View's development from one investor;

(b) Wong, Soo, Wheatland, 1300302 and D&E Arctic made illegal distributions, contrary to section 61 of the BC Act, as follows:

1. Wong, Soo and Wheatland - \$2,000,000 in Wheatland securities to 25 investors;
2. Wong, Soo and 1300302 - \$2,785,000 in 1300302 securities to 44 investors, and
3. Wong, Soo and D & E Arctic - \$1,105,000 in D & E Arctic securities to 19 investors.

(ii) The BCSC Order

22. The BCSC Order imposed the following sanctions, conditions, restrictions or requirements upon the Respondents:

1. Wong

- (a) subject to the exception in subparagraph (b)(ii) below, under section 161(1)(d)(i) of the BC Act, Wong resigns any position she holds as a director or officer of an issuer or registrant;
- (b) Wong be permanently prohibited:
 - i. under section 161(1)(b)(ii) of the BC Act, from trading in or purchasing any securities or exchange contracts, except that she may trade and purchase them for her own account through one registered dealer or advisor if she gives that dealer or advisor a copy of the BCSC Order;
 - ii. under section 161(1)(d)(ii) of the BC Act, from becoming or acting as a director or officer of any issuer or registrant, except that she may act as a director or officer of an issuer whose securities are solely owned by her or by her and her immediate family members (being: Wong's spouse, parent, child, sibling, mother or father-in-law, son or daughter-in-law, or brother or sister-in-law);
 - iii. under section 161(1)(d)(iii) of the BC Act, from becoming or acting as a promoter;
 - iv. under section 161(1)(d)(iv) of the BC Act, from acting in a management or consultative capacity in connection with activities in the securities market; and
 - v. under section 161(1)(d)(v) of the BC Act, from engaging in investor relations activities;
- (c) under section 161(1)(c) of the BC Act, except for those exemptions necessary to allow Wong to trade or purchase securities and exchange contracts for her own account, none of the exemptions set out in the

BC Act, the regulations or decisions (as those terms are defined by the BC Act), will apply to Wong, on a permanent basis;

- (d) subject to subparagraph 5 below, under section 161(1)(g) of the BC Act, Wong pays to the BCSC \$9,857,850; and
- (e) under section 162 of the BC Act, Wong pays to the BCSC an administrative penalty of \$6 million;

2. Soo

- (a) subject to the exception in subparagraph (b)(ii) below, under section 161(1)(d)(i) of the BC Act, Soo resigns any position she holds as a director or officer of an issuer or registrant;
- (b) Soo be permanently prohibited:
 - i. under section 161(1)(b)(ii) of the BC Act, from trading in or purchasing any securities or exchange contracts, except that she may trade and purchase them for her own account through one registered dealer or advisor if she gives that dealer or advisor a copy of the BCSC Order;
 - ii. under section 161(1)(d)(ii) of the BC Act, from becoming or acting as a director or officer of any issuer or registrant, except that she may act as a director or officer of an issuer whose securities are solely owned by her or by her and her immediate family members (being: Soo's spouse, parent, child, sibling, mother or father-in-law, son or daughter-in-law, or brother or sister-in-law);
 - iii. under section 161(1)(d)(iii) of the BC Act, from becoming or acting as a promoter;
 - iv. under section 161(1)(d)(iv) of the BC Act, from acting in a management or consultative capacity in connection with activities in the securities market; and

- v. under section 161(1)(d)(v) of the BC Act, from engaging in investor relations activities;
- (c) under section 161(1)(c) of the BC Act, except for those exemptions necessary to allow Soo to trade or purchase securities and exchange contracts for her own account, none of the exemptions set out in the BC Act, the regulations or decisions (as those terms are defined by the BC Act), will apply to Soo, on a permanent basis;
- (d) subject to subparagraph 5 below, under section 161(1)(g) of the BC Act, Soo pays to the BCSC \$9,857,850; and
- (e) under section 162 of the BC Act, Soo pays to the BCSC an administrative penalty of \$6 million;

3. 1300302

- (a) under section 161(1)(b)(ii) of the BC Act, 1300302 permanently cease trading in, and be permanently prohibited from purchasing, any securities or exchange contracts;
- (b) under section 161(1)(c) of the BC Act, on a permanent basis, none of the exemptions set out in the BC Act, the regulations or decisions (as those terms are defined by the BC Act), will apply to 1300302;
- (c) under section 161(1)(d)(v) of the BC Act, 1300302 is permanently prohibited from engaging in investor relations activities; and
- (d) subject to subparagraph 5 below, under section 161(1)(g) of the BC Act, 1300302 pays to the BCSC \$2,785,000;

4. D&E Arctic

- (a) under section 161(1)(b)(ii) of the BC Act, D&E Arctic permanently cease trading in, and be permanently prohibited from purchasing, any securities or exchange contracts;

- (b) under section 161(1)(c) of the BC Act, on a permanent basis, none of the exemptions set out in the BC Act, the regulations or decisions (as those terms are defined by the BC Act), will apply to D&E Arctic;
- (c) under section 161(1)(d)(v) of the BC Act, D&E Arctic is permanently prohibited from engaging in investor relations activities; and
- (d) subject to subparagraph 5 below, under section 161(1)(g) of the BC Act, D&E Arctic pays to the BCSC \$1,105,000.

5. Section 161(1)(g) of the BC Act payments:

The total of the amounts payable to the BCSC by the Respondents under subparagraphs (1)(d), (2)(d), (3)(d) and (4)(d) above shall not exceed \$9,857,850, and the Respondents' obligations to pay under those subparagraphs shall be as follows:

- (a) \$2,785,000 - 1300302, Wong and Soo on a joint and several basis;
- (b) \$1,105,000 - D&E Arctic, Wong and Soo, on a joint and several basis;
and
- (c) \$5,967,850 - Wong and Soo, on a joint and several basis.

23. The BCSC Panel made no orders against Wheatland.

(iii) Application for Leave to Appeal - British Columbia Court of Appeal

24. On July 18, 2016 and on March 21, 2017, Wong and Soo filed Notices of Application for Leave to Appeal with the British Columbia Court of Appeal (**BCCA**) regarding the BCSC Findings and the BCSC Order, respectively. On April 19, 2018, the BCCA issued its Oral Reasons for Judgment, dismissing Wong's and Soo's application for leave to appeal (*Wong v. British Columbia Securities Commission*, 2018 BCCA 192).

C. JURISDICTION OF THE ONTARIO SECURITIES COMMISSION

25. The Respondents are subject to an order of the BCSC imposing sanctions, conditions, restrictions or requirements upon them.
26. Pursuant to paragraph 4 of subsection 127(10) of the Act, an order made by a securities regulatory authority, derivatives regulatory authority or financial regulatory authority, in any jurisdiction, that imposes sanctions, conditions, restrictions or requirements on a person or company may form the basis for an order in the public interest made under subsection 127(1) of the Act.
27. Staff allege that it is in the public interest to make an order against the Respondents.
28. Staff reserve the right to amend these allegations and to make such further and other allegations as Staff deem fit and the Commission may permit.

DATED at Toronto this 6th day of September, 2018.