



Ontario  
Securities  
Commission

Commission des  
valeurs mobilières  
de l'Ontario

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**IN THE MATTER OF  
LARRY LEE**

**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 paragraphs 4 and 5 of subsection 127(10) of the Ontario *Securities Act*, RSO 1990 c S.5 (the **Act**):
  - (a) against Larry Lee (**Lee**) that:
    - i. pursuant to paragraph 2 of subsection 127(1) of the Act, trading in any securities or derivatives by Lee cease permanently, except that he may trade securities or derivatives through his own account (including one RRSP account, one TFSA account and one RESP account) through a registered dealer who has been provided with copies of the Order of the British Columbia Securities Commission (**BCSC**) dated July 31, 2018 (the **BCSC Order**) and the order of the Commission in this proceeding, if granted;

- ii. pursuant to paragraph 2.1 of subsection 127(1) of the Act, the acquisition of any securities by Lee cease permanently, except that he may purchase securities for his own account (including one RRSP account, one TFSA account and one RESP account) through a registered dealer who has been provided with copies of the BCSC Order and the order of this Commission in this proceeding, 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 Lee permanently;
- iv. pursuant to paragraphs 7, 8.1 and 8.3 of subsection 127(1) of the Act, Lee resign any positions that he 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, Lee be prohibited permanently from becoming or acting as a director or officer of any issuer or registrant, including an investment fund manager; and
- vi. pursuant to paragraph 8.5 of subsection 127(1) of the Act, Lee be prohibited permanently from becoming or acting as a registrant, including an investment fund manager, or promoter;

(b) such other order or orders as the Commission considers appropriate.

## **B. FACTS**

Staff make the following allegations of fact:

3. On July 31, 2018, Lee entered into a Settlement Agreement (the **Settlement Agreement**) with the BCSC.

4. Pursuant to the Settlement Agreement, Lee admitted to breaching British Columbia securities legislation, and agreed to be made subject to sanctions, conditions, restrictions or requirements within the province of British Columbia.
5. Lee is subject to an order of the BCSC, which imposes sanctions, conditions, restrictions or requirements upon him.

**(i) The BCSC Proceedings**

**Statement of Agreed Facts**

6. In the Settlement Agreement, Lee agreed with the following facts:

Background

- (a) Lee is a resident of British Columbia. From 2010 through 2013, he was engaged in the business of developing real estate websites.

Misconduct

- (b) On May 11, 2012, Lee raised \$200,000 from two joint investors (the **Investors**) under a promissory note (the **Investment**). The terms of the promissory note provided a 24% annual return for two years and an option to own a 15% stake of Lee's business.
- (c) Lee represented to the Investors that he would use their funds to develop his business and told the Investors that:
  1. the Investment was low risk with guaranteed repayment of the principal and 24% annual return over two years;
  2. he was confident he could sell his business for at least \$10 million by December 31, 2014;
  3. he owned his house and, if necessary, would sell it in order to repay the investors; and

4. if he passed away during the term of the promissory note, his estate would repay the investors.
- (d) Lee omitted to tell the Investors that:
1. his business had no revenue and minimal assets;
  2. he had no basis to guarantee a 24% rate of return;
  3. he was approximately \$800,000 in debt; and
  4. he only owned a 20% interest in the house, which was significantly encumbered.
- (e) On May 11, 2012, Lee deposited the Investment into his personal bank account and immediately used the funds to pay friends, family, credit card debt, and bank loans.
- (f) Lee's business never generated any revenue and he abandoned it at the end of 2013.

*Admitted Breach of British Columbia Securities Law*

- (g) By engaging in the conduct set out above, Lee perpetrated a fraud on the Investors contrary to section 57(b) of the British Columbia *Securities Act*, RSBC 1996 c 418 (the **BC Act**).

*Mitigating Factors*

- (h) Lee voluntarily repaid \$10,000 to the Investors prior to BCSC Staff's involvement. Lee also cooperated with the BCSC's Executive Director.

**(ii) BCSC Settlement and Undertakings****Disgorgement**

- (i) Lee agreed to disgorge \$190,000 to the BCSC pursuant to paragraph 161(1)(g) of the BC Act, which represents the net funds obtained from his misconduct.

**Undertakings**

- (j) Lee undertook to:
  - 1. pay \$50,000 to the BCSC in respect of settlement;
  - 2. on demand by the BCSC, consent to judgment for the amounts described in subparagraphs 6(i) and 6(j)(1); and
  - 3. as security for any and all amounts outstanding to the BCSC, grant a mortgage in favour of the BCSC in a form satisfactory to the BCSC, of his interest in real property in British Columbia.

**(iii) The BCSC Order**

- 7. The BCSC Order imposed the following sanctions, conditions, restrictions or requirements upon Lee:
  - (a) under section 161(1)(d)(i) of the BC Act, Lee resign any position he holds as a director or officer of an issuer or registrant;
  - (b) Lee is permanently prohibited:
    - 1. under section 161(1)(b)(ii) of the BC Act, from trading in or purchasing any securities or exchange contracts, except that he may trade and purchase securities or exchange contracts for his own account (including one RRSP account, one TFSA account and one RESP account) through a registered dealer, if he gives the registered dealer a copy of the BCSC Order;

2. under section 161(1)(c) of the BC Act, from relying on any of the exemptions set out in the BC Act, the regulations or a decision;
  3. under section 161(1)(d)(ii) of the BC Act, from becoming or acting as a director or officer of any issuer or registrant;
  4. under section 161(1)(d)(iii) of the BC Act, from becoming or acting as a registrant or promoter;
  5. under section 161(1)(d)(iv) BC Act, from acting in a management or consultative capacity in connection with activities in the securities market;
  6. under section 161(1)(d)(v) BC Act, from engaging in investor relations activities; and
- (c) Lee pay to the BCSC \$190,000 pursuant to section 161(1)(g) of the BC Act.

### **Consent to Regulatory Orders**

8. Lee consented to regulatory Orders made by any provincial or territorial securities regulatory authority in Canada containing any or all of the Orders set out in paragraph 4 of the Settlement Agreement.

### **C. JURISDICTION OF THE ONTARIO SECURITIES COMMISSION**

9. Pursuant to the Settlement Agreement, Lee agreed to be made subject to sanctions, conditions, restrictions or requirements within the province of British Columbia.
10. Lee is subject to an order of the BCSC imposing sanctions, conditions, restrictions or requirements upon him.
11. Pursuant to paragraphs 4 and 5, respectively, 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, or an agreement with a securities regulatory authority, derivatives regulatory authority or financial regulatory authority, in any jurisdiction, that a person or company is to be made subject to sanctions, conditions, restrictions or requirements may form the basis for an order in the public interest made under subsection 127(1) of the Act.

12. Staff allege that it is in the public interest to make an order against Lee.
13. 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 9<sup>th</sup> day of October, 2018.