



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

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**IN THE MATTER OF
INVERLAKE PROPERTY INVESTMENT GROUP INC.,
WHEATLAND BUSINESS PARK LTD.,
and ALFREDO MIGUEL "MICHAEL" YONG**

**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 Alfredo Miguel "Michael" Yong (**Yong**) that:

until the later of August 3, 2021 and the date that Yong pays to the British Columbia Securities Commission (the **BCSC**) the amount in paragraph 2 of the BCSC's Order dated August 3, 2016 (the **BCSC Order**):

- i. pursuant to paragraph 2 of subsection 127(1) of the Act, trading in any securities or derivatives by Yong cease, except that he may trade for his own account through a registrant, provided that a copy

of the BCSC Order, and a copy of the Order of this Commission, if granted, is provided to that registrant;

- ii. pursuant to paragraph 2.1 of subsection 127(1) of the Act, the acquisition of any securities by Yong cease, except that he may purchase for his own account through a registrant, provided that a copy of the BCSC Order, and a copy of the Order of this Commission, if granted, is provided to that registrant;
 - iii. pursuant to paragraph 3 of subsection 127(1) of the Act, any exemptions contained in Ontario securities law do not apply to Yong;
 - iv. pursuant to paragraphs 7 and 8.1 of subsection 127(1) of the Act, Yong resign any positions that he holds as a director or officer of any issuer or registrant;
 - v. pursuant to paragraphs 8 and 8.2 of subsection 127(1) of the Act, Yong be prohibited from becoming or acting as a director or officer of any issuer or registrant, except that he may act as a director or officer of any issuer all of the securities of which are beneficially owned by Yong or members of his immediate family; and
 - vi. pursuant to paragraph 8.5 of subsection 127(1) of the Act, Yong be prohibited from becoming or acting as a registrant, investment fund manager or promoter;
- (b) against Inverlake Property Investment Group Inc. (**Inverlake**) that:
- i. pursuant to paragraph 2 of subsection 127(1) of the Act, trading in any securities of Inverlake cease permanently;
 - ii. pursuant to paragraph 2 of subsection 127(1) of the Act, trading in any securities or derivatives by Inverlake cease permanently;
 - iii. pursuant to paragraph 2.1 of subsection 127(1) of the Act, the acquisition of any securities by Inverlake cease permanently;

- iv. pursuant to paragraph 3 of subsection 127(1) of the Act, any exemptions contained in Ontario securities law do not apply to Inverlake permanently; and
 - v. pursuant to paragraph 8.5 of subsection 127(1) of the Act, Inverlake be prohibited permanently from becoming or acting as a registrant, investment fund manager or promoter;
- (c) against Wheatland Business Park Ltd. (**Wheatland**) that:
- i. pursuant to paragraph 2 of subsection 127(1) of the Act, trading in any securities of Wheatland cease permanently;
 - ii. pursuant to paragraph 2 of subsection 127(1) of the Act, trading in any securities or derivatives by Wheatland cease permanently;
 - iii. pursuant to paragraph 2.1 of subsection 127(1) of the Act, the acquisition of any securities by Wheatland cease permanently;
 - iv. pursuant to paragraph 3 of subsection 127(1) of the Act, any exemptions contained in Ontario securities law do not apply to Wheatland permanently; and
 - v. pursuant to paragraph 8.5 of subsection 127(1) of the Act, Wheatland be prohibited permanently from becoming or acting as a registrant, investment fund manager or promoter;
- (d) such other order or orders as the Commission considers appropriate.

B. FACTS

Staff make the following allegations of fact:

3. Inverlake, Wheatland and Yong (collectively, the **Respondents**) are subject to the BCSC Order, which imposes sanctions, conditions, restrictions or requirements upon them.

4. In its findings on liability dated September 14, 2015 (the **Findings**) a panel of the BCSC (the **BCSC Panel**) found that each of the Respondents engaged in an illegal distribution, contrary to section 61 of the British Columbia *Securities Act*, RSBC 1996, c. 418 (the **BC Act**).
5. Further, as sole director of Inverlake and Wheatland at all material times, Yong admitted he was liable under section 168.2 of the BC Act for each company's contraventions of British Columbia securities law.

(i) The BCSC Proceedings

Agreed Statement of Facts

6. Prior to the commencement of the BCSC proceedings, the parties tendered an Agreed Statement of Facts (**Agreed Facts**) in which the Respondents made admissions concerning the allegations of illegal distribution against them by BCSC Staff. A summary of the Agreed Facts and the BCSC Panel's Findings is as follows.

Parties

7. Inverlake is an Alberta corporation that was incorporated in March 2008, and owned land in the Municipal District of Rocky View, Alberta (the **Inverlake Land**). Inverlake has never filed a prospectus under the BC Act.
8. Wheatland is an Alberta corporation that was incorporated in June 2008, and owns land in Wheatland County, Alberta (the **Wheatland Property**). Wheatland has never filed a prospectus under the BC Act.
9. Yong was a resident of British Columbia until late 2008, when he moved to Alberta. Yong founded Inverlake and Wheatland, and at all material times, was the sole director of Inverlake and Wheatland.

The Inverlake Land

10. In late 2007 and early 2008, Yong and Inverlake began raising funds in support of acquiring the Inverlake Land. Investments in Inverlake were structured as an acquisition of one share for \$39,000. Each share entitled the holder to a beneficial interest in one acre of Inverlake Land. Payment was to be made in two instalments, with \$19,500 payable initially and an additional \$19,500 payable after two years. If the shareholder elected not to pay the second instalment of \$19,500, then the shareholder's interest would be reduced to half an acre.
11. Yong prepared a marketing document he called a prospectus, but which was not a prospectus as defined under the BC Act. Yong's prospectus document contained a description of the investment structure and a statement that Inverlake was to pay \$6.24 million for the Inverlake Land.
12. With the assistance of this marketing document, Yong promoted and sold shares in the Inverlake Land, primarily to BC Residents. At least 28 individuals and corporate entities purchased shares in the Inverlake Land, paying the initial \$19,500 per share.
13. All the Inverlake investors signed a document called a Bare Trust Agreement, with Inverlake as trustee, evidencing the number of acres the investors beneficially owned in the Inverlake Land. The Bare Trust Agreement contained a number of provisions, including obligations on Inverlake to notify the signatories of any bankruptcy or foreclosure proceedings, and to seek the investors' consent to significant actions in respect of the Inverlake Land, including foreclosure.
14. In the years following Inverlake's acquisition of the Inverlake Land, the value of the land decreased significantly. No Inverlake investor was asked to make their second payment of \$19,500, and none did. Yong stopped making mortgage payments on the Inverlake Land, and, ultimately, the mortgage was foreclosed on. Yong admitted that neither he nor Inverlake notified any

of the Inverlake investors as to the foreclosure proceedings, nor sought their consent to the foreclosure. The BCSC Panel found that the Inverlake investors have lost all of their investment.

15. The BCSC Panel found that Yong and Inverlake engaged in an illegal distribution of Inverlake securities to 23 investors for a total of \$910,650.

The Wheatland Property

16. In July and August 2008, Yong raised money on behalf of Wheatland's acquisition of the Wheatland Property in Alberta. Investments in Wheatland were structured similarly, but not identically, to investments in Inverlake. Yong promoted and sold Wheatland shares, primarily to BC Residents, for \$53,000 per share, which share entitled investors to an ownership interest in one acre of the Wheatland Property.
17. At least 19 individuals and corporate entities purchased shares in the Wheatland Property. No prospectus exemption was available under the BC Act for approximately 15 investors who purchased a total of \$1,090,479 worth of Wheatland shares. As at the time of the BCSC's proceedings, the status of the Wheatland Property investments was unknown.
18. The BCSC Panel found that Yong and Wheatland engaged in an illegal distribution of Wheatland securities to 15 investors for a total of \$1,090,479.

Liability

19. Pursuant to the Agreed Facts, Yong admitted that as sole director of Inverlake and Wheatland, he was liable under section 168.2 of the BC Act for each company's contraventions of British Columbia securities law.
20. In its Findings, the BCSC Panel concluded that:
 - (a) Yong and Inverlake contravened section 61 of the BC Act with respect to distributions to 23 investors for a total of \$910,650; and

- (b) Yong and Wheatland contravened section 61 of the BC Act with respect to distributions to 15 investors for a total of \$1,090,479.

(ii) The BCSC Order

21. The BCSC Order imposed the following sanctions, conditions, restrictions or requirements:

- i. upon Yong:

- (a) under sections 161(1)(b),(c) and (d)(i) through (v) of the BC Act:

1. Yong cease trading in, and is prohibited from purchasing, any securities or exchange contracts, except that he may trade for his own account through a registrant, provided that a copy of the BCSC Order is provided to that registrant;
2. the exemptions set out in the BC Act, the regulations or any decision as defined in the BC Act, do not apply to Yong;
3. Yong resign any positions he holds as, and is prohibited from becoming or acting as, a director or officer of any issuer or registrant, except that he may act as a director or officer of any issuer all of the securities of which are beneficially owned by Yong or members of his immediate family;
4. Yong is prohibited from becoming or acting as a registrant or promoter;
5. Yong is prohibited from acting in a management or consultative capacity in connection with activities in the securities market; and

6. Yong is prohibited from engaging in investor relations activities,

for a period that ends on the later of the date that Yong pays to the BCSC the amount in paragraph 21(i)(b) and August 3, 2021; and

(b) under section 162 of the BC Act, that Yong pay to the BCSC an administrative penalty of \$60,000;

ii. upon Inverlake:

(a) under sections 161(1)(b),(c) and (d)(iii) through (v) of the BC Act:

1. all persons permanently cease trading in and are permanently prohibited from purchasing any securities of Inverlake;
2. Inverlake cease trading in, and is permanently prohibited from purchasing, any securities or exchange contracts;
3. the exemptions set out in the BC Act, the regulations or any decision as defined in the BC Act, do not apply to Inverlake;
4. Inverlake is permanently prohibited from becoming or acting as a registrant or promoter;
5. Inverlake is permanently prohibited from acting in a management or consultative capacity in connection with activities in the securities market; and
6. Inverlake is permanently prohibited from engaging in investor relations activities;

iii. upon Wheatland:

(a) under sections 161(1)(b),(c) and (d)(iii) through (v) of the BC Act:

1. all persons permanently cease trading in and are permanently prohibited from purchasing any securities of Wheatland;
2. Wheatland cease trading in, and is permanently prohibited from purchasing, any securities or exchange contracts;
3. the exemptions set out in the BC Act, the regulations or any decision as defined in the BC Act, do not apply to Wheatland;
4. Wheatland is permanently prohibited from becoming or acting as a registrant or promoter;
5. Wheatland is permanently prohibited from acting in a management or consultative capacity in connection with activities in the securities market; and
6. Wheatland is permanently prohibited from engaging in investor relations activities.

C. JURISDICTION OF THE ONTARIO SECURITIES COMMISSION

22. The Respondents are subject to an order of the BCSC imposing sanctions, conditions, restrictions or requirements upon them.
23. 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.

24. Staff allege that it is in the public interest to make an order against the Respondents.
25. 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 23rd day of April, 2018.

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