



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

22nd Floor
20 Queen Street West
Toronto ON M5H 3S8

22^e étage
20, rue queen ouest
Toronto ON M5H 3S8

IN THE MATTER OF PAUL WEBSTER

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 Paul Webster (**Webster**) that:

until the later of July 24, 2030, or the date on which the amount in paragraph 2(3) of the Order of the British Columbia Securities Commission (**BCSC**) dated July 24, 2018 (the **BCSC Order**) has been paid:

- i. pursuant to paragraphs 2 and 2.1 of subsection 127(1) of the Act, trading in any securities or derivatives, or acquisition of any securities, by Webster cease, except that he may trade in securities or derivatives through a registrant in one non-

registered account, one RRSP account and one TFSA account held in his own name, if he first provides copies of the BCSC Order and the order of the Commission in this proceeding, if granted, to the registrant;

- ii. pursuant to paragraph 3 of subsection 127(1) of the Act, any exemptions contained in Ontario securities law do not apply to Webster;
- iii. pursuant to paragraphs 7, 8.1 and 8.3 of subsection 127(1) of the Act, Webster resign any positions that he holds as a director or officer of any issuer or registrant;
- iv. pursuant to paragraphs 8, 8.2 and 8.4 of subsection 127(1) of the Act, Webster be prohibited from becoming or acting as a director or officer of any issuer or registrant, except that Webster may become or act as an officer or director of a company of which he owns all the shares; and
- v. pursuant to paragraph 8.5 of subsection 127(1) of the Act, Webster be prohibited from becoming or acting as a registrant 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 24, 2018, Webster entered into the Settlement Agreement with the BCSC.
- 4. Pursuant to the Settlement Agreement, Webster 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. Webster is subject to an order of the BCSC, which imposes sanctions, conditions, restrictions or requirements upon him.

(i) The BCSC Proceedings

Agreed Statement of Facts

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

Background

- (a) Webster is a resident of British Columbia. Between July 2011 and April 2014, he was a director and officer or *de facto* director and officer of Titan-West Explorations Inc. (**Titan-West**).
- (b) In 2012, Titan-West and Webster attempted to mine for gold in the Yukon. Webster relocated his family to the Yukon for this purpose. Based on information provided to him from the people who sold the claims, he understood there was a substantial amount of gold on the property. Titan-West's 2012 financial statements showed gold revenue of \$41,307 and an operating loss of \$566,050.
- (c) Titan-West is dissolved.

Misconduct

- (d) Titan-West did not mine for gold in 2013. However, between October 2013 and February 2014, Titan-West and Webster raised capital for Titan-West.
- (e) Representatives of Titan-West provided some of the prospective investors promotional material, including a business plan and executive summary that Webster provided to the representatives.
- (f) The business plan provided to prospective investors did not disclose the 2012 operating loss of \$566,050 on gold revenue of \$41,307. Instead, the business plan disclosed an outdated 2012 "pro forma"

financial statement with gross revenue of \$12 million and net operating income of \$6,959,418, which Webster ought to have known would be relied on by the investors.

- (g) Four prospective investors who received the business plan invested \$172,000.
- (h) On February 13, 2014, the Executive Director of the BCSC issued an Order under section 164(1) of the British Columbia *Securities Act*, RSBC 1996 c 418 (the **BC Act**), ordering that all trading in the securities of Titan-West cease (**Cease Trade Order**).

Misrepresentations

- (i) Titan-West made misrepresentations to investors by failing to disclose the 2012 operating loss, and by disclosing the 2012 pro forma financial statements, contrary to section 50(1)(d) of the BC Act. As a director and officer of Titan-West, Webster authorized, permitted or acquiesced in Titan-West's misrepresentations.

Breach of Cease Trade Order

- (j) After the Cease Trade Order was issued:
 - 1. Titan-West representatives emailed and telephoned prospective investors, soliciting investment in Titan-West; and
 - 2. Titan-West issued two promissory notes for \$27,000 to two previous Titan-West investors. The \$27,000 comprises part of the \$172,000 mentioned above.
- (k) The foregoing conduct contravened the Cease Trade Order. As a director and officer of Titan-West, Webster authorized, permitted or acquiesced in Titan-West's contraventions of the Cease Trade Order.

- (l) Webster has advised the BCSC's Executive Director that he received legal advice that Titan-West could borrow money despite the Cease Trade Order. As a result, Webster did not think Titan-West was contravening the Cease Trade Order by issuing promissory notes.

(ii) BCSC Settlement and Undertaking

Disgorgement

- (m) Webster agreed to an order under section 161(1)(g) of the BC Act to pay \$48,000 to the BCSC.

Undertaking

- (n) Webster undertook to not directly or indirectly make an application for restoration of Titan-West.

(iii) The BCSC Order

- 7. The BCSC Order imposed the following sanctions, conditions, restrictions or requirements upon Webster:

- (a) under section 161(1)(d)(i) of the BC Act, Webster resign any position he holds as a director or officer of an issuer or registrant;
- (b) Webster is prohibited for the later of 12 years from the date of the Settlement Agreement and the date that the amount set out in subparagraph (c) below is paid:
 - 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 securities through a registrant in one non-registered account, one RRSP account and one TFSA account held in his own name if he first provides a copy of the BCSC Order to the registrant;

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 except that Webster may become or act as an officer or director of a company of which he owns all the shares;
 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) of the BC Act, from acting in a management or consultative capacity in connection with activities in the securities market; and
 6. under section 161(1)(d)(v) of the BC Act, from engaging in investor relations activities;
- (c) Webster pay to the BCSC \$48,000 pursuant to section 161(1)(g) of the BC Act.

Consent to Regulatory Orders

8. Webster 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 2 of the Settlement Agreement.

C. JURISDICTION OF THE ONTARIO SECURITIES COMMISSION

9. Pursuant to the Settlement Agreement, Webster agreed to be made subject to sanctions, conditions, restrictions or requirements within the province of British Columbia.
10. Webster 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 Webster.
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 27th day of November, 2018.

Kai Olson
Litigation Counsel
Enforcement Branch

Tel: (416) 597-7242
Email: kolson@osc.gov.on.ca