



Ontario
Securities
Commission
3S8

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~~IN THE MATTER OF
THE SECURITIES ACT, R.S.O. 1990, c. S.5~~

~~-and-~~

**IN THE MATTER OF
LARRY KEITH DAVIS**

AMENDED STATEMENT OF ALLEGATIONS
OF STAFF OF THE ONTARIO SECURITIES COMMISSION
(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 ("Staff") ~~allege 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.

I. OVERVIEW

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) 1. against Larry Keith Davis ("**Davis**" or the "Respondent") is subject to an order made by the British Columbia Securities Commission (the "BCSC") dated November 7, 2016 (the "BCSC Order") that imposes sanctions, conditions, restrictions or requirements upon him. **Respondent**) that:

- i. pursuant to paragraph 2 of subsection 127(1) of the Act, trading in any securities or derivatives by Davis cease permanently, except that he may trade securities or derivatives for his own account through a registrant, if he provides the registrant with a copy of the Order of the British Columbia Securities Commission (**BCSC**) dated September 19, 2018 (the **BCSC Order**), and a copy of 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 Davis cease permanently, except that he may purchase securities for his own account through a registrant, if he provides the registrant with a copy of the BCSC Order, and a copy of the Order of the 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 Davis permanently;
 - iv. pursuant to paragraphs 7 and 8.1 of subsection 127(1) of the Act, Davis 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, Davis be prohibited permanently from becoming or acting as a director or officer of any issuer or registrant; and
 - vi. pursuant to paragraph 8.5 of subsection 127(1) of the Act, Davis be prohibited permanently 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. Davis is subject to an order of the BCSC, which imposes sanctions, conditions, restrictions or requirements upon him.
4. ~~2.~~ In its findings on liability dated June 22, 2016 (the "**Findings**"), a panel of the BCSC (the "**BCSC Panel**") found that Davis perpetrated a fraud, contrary to section 57(b) of the British Columbia *Securities Act*, RSBC ~~1996~~, 1996 c 418 (the "**BC Act**").
- ~~3.~~ Staff are seeking an inter-jurisdictional enforcement order, pursuant to paragraph 4 of subsection 127(10) of the Ontario *Securities Act*, R.S.O. 1990, c. S.5 (the "**Act**").

II. THE BCSC PROCEEDINGS

(i) The BCSC Findings Proceedings

Background

5. ~~4.~~ The conduct for which Davis was sanctioned took place between June 2011 and May 2013 (the "**Material Time**").
6. ~~5.~~ As of the date of the Findings, Davis was a resident of British Columbia. Davis has never been registered under the BC Act.
7. ~~6.~~ During the Material Time, Davis was working in investor relations using the name Bravo International Services ("**Bravo**"). In 2009, Davis began doing investor relations work for various companies, including FormCap Corp. ("**FormCap**"), a Nevada company trading on the U.S. over-the-counter market. His involvement with the companies was through an individual ("**Mr. B**").
8. ~~7.~~ Davis had no agreement with FormCap to provide investor relations services, and received no remuneration from the company. He obtained

information relating to FormCap from Mr. B. and public sources. For a brief period of time in early 2011, Davis was remunerated for his work relating to FormCap through the transfer of FormCap shares to him from existing shareholders, but had sold his shares by April 2011. The BCSC Panel found that Davis never received any FormCap shares after January 2011.

9. ~~8.~~ WM was a neighbour and family friend of Davis, who had little investment knowledge or experience.

First Investment

10. ~~9.~~ In June 2011, Davis led WM to believe that there was an investment opportunity for her in FormCap, and that she could purchase shares through him. WM provided Davis \$4,000 towards her investment, which was to turn into 40,000 FormCap shares in August or September 2011. WM received a receipt for her investment on Bravo letterhead, with an attached Stock Purchase Agreement ("~~SPA~~") which had been authored by Davis. The SPA set out the terms of the investment, including identifying Davis as the seller of the FormCap shares to WM.
11. ~~10.~~ The BCSC Panel found that Davis deposited the investor's initial investment funds into his personal bank account. Rather than investing the funds as promised, Davis used them instead on personal expenses and cash withdrawals.
12. ~~11.~~ In July 2011, FormCap announced that it had approved a consolidation of its shares on a 1-for-10 share basis by which shareholders would receive one share for every ten shares tendered. By October 17, 2011, however, FormCap abandoned the proposed 1-for-10 share consolidations and disclosed this publicly. Davis knew the 1-for-10 share consolidation was not proceeding, but did not convey that information to WM.

Second Investment

13. ~~12.~~ In April 2012, Davis convinced the investor to make a second investment of \$3,000 in exchange for 30,000 FormCap shares. Although WM had yet to receive FormCap shares relating to her first investment, she proceeded with the additional investment. WM believed she was buying FormCap shares from Davis, through Bravo, and opened a brokerage account on Davis' suggestion, into which her FormCap shares were to be deposited. WM received no purchase agreement or receipt in respect of her second investment.
14. ~~13.~~ Following WM's second investment, FormCap restructured and commenced a 1-for-50 share consolidation on August 10, 2012.

SPA Amendment and Request for Return of Investment Funds

15. ~~14.~~ Throughout April and May 2013, WM asked Davis for the return of her investment funds. Davis repeatedly refused her requests, explaining, among other things, that WM's investments were in shares tied to the stock market. At the insistence of WM, the SPA was eventually amended in May 2013 to reflect her second investment.
16. ~~15.~~ The BCSC Panel found that as late as May 2013, Davis continued to represent to WM that he owned FormCap shares, despite the 1-for-10 share consolidation having been abandoned in October 2011, and the fact that Davis had never received any FormCap shares following the 1-for-50 share consolidation which commenced in August 2012.
17. ~~16.~~ WM never received any FormCap shares from Davis, but eventually succeeded in getting the return of her funds from him through a Small Claims Court process.

BCSC Findings - Conclusions

18. ~~17.~~ In its Findings, the BCSC Panel concluded that:

- (a) ~~a.~~ Davis perpetrated a fraud on WM in the aggregate amount of \$7,000 contrary to section 57(b) of the BC Act.

(ii) The BCSC Order

19. ~~18.~~ The BCSC Order imposed the following sanctions, conditions, restrictions or requirements upon Davis:

- (a) ~~a.~~ under section 161(1)(b)(ii), (c), and (d)(i), (ii), (iii), (iv) and (v) of the BC Act, Davis cease trading in, and is permanently prohibited from purchasing, any securities, or exchange contracts, except ~~he~~ Davis may trade or purchase securities for his own account through a registrant if he gives the registrant a copy of the BCSC Order;
- (b) ~~ii.~~ under section 161(1)(c) of the BC Act, any or all of the exemptions set out in the BC Act, regulations or a decision do not apply to Davis;
- (c) ~~iii.~~ under section 161(1)(d)(i) and (ii) of the BC Act, Davis resign any position he holds as, and is permanently prohibited from becoming or acting as, a director or officer of any issuer or registrant;
- (d) ~~iv.~~ under section 161(1)(d)(iii) of the BC Act, Davis is permanently prohibited from becoming or acting as a registrant or promoter;
- (e) ~~v.~~ under section 161(1)(d)(iv) of the BC Act, Davis is permanently prohibited from acting in a management or consultative capacity in connection with activities in the securities market; and
- (f) ~~vi.~~ Davis is permanently prohibited from engaging in investor relations activities; under section 161(1)(d)(v) of the BC Act, Davis is permanently prohibited from engaging in investor relations activities.

~~b.~~ under section 162 of the BC Act,

(iii) Davis' Appeal – British Columbia Court of Appeal

20. On December 6, 2016, Davis filed a Notice of Application for Leave to Appeal with the British Columbia Court of Appeal (BCCA) with respect to the Findings and the BCSC's original sanctions order dated November 7, 2016 (the BCSC Original Sanctions Order). On March 22, 2017, the BCCA granted Davis leave to appeal, and ordered a stay of execution of the market prohibitions and administrative penalty against Davis within the BCSC Original Sanctions Order pending outcome of the appeal.
21. On April 20, 2018, the BCCA issued its Reasons for Judgment, dismissing Davis' appeal on the BCSC's Findings. The BCCA allowed his appeal with respect to the BCSC Original Sanctions Order, staying the orders therein and setting aside the administrative penalty payable by Davis to the BCSC. The BCCA remitted the issue of those sanctions back to the BCSC for reconsideration (*Davis v British Columbia (Securities Commission)*, 2018 BCCA 149).
22. On September 19, 2018, the BCSC issued its decision on reconsideration of sanctions (the BCSC Order), ultimately ordering the same market prohibition sanctions against Davis as those contained within the BCSC Original Sanctions Order.
23. At paragraph 61(2) of the BCSC Original Sanctions Order, the BCSC considered it in the public interest to order that Davis pay to the BCSC an administrative penalty of \$15,000. That order was not set aside by the BCCA and remains in effect.

III.C. JURISDICTION OF THE ONTARIO SECURITIES COMMISSION

24. ~~19.~~–The Respondent is subject to an order of the BCSC imposing sanctions, conditions, restrictions or requirements upon him.
25. ~~20.~~–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,

