



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

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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**

**STATEMENT OF ALLEGATIONS
OF STAFF OF THE ONTARIO SECURITIES COMMISSION**

Staff of the Ontario Securities Commission (“Staff”) allege:

I. OVERVIEW

1. 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.
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, 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

The BCSC Findings

4. The conduct for which Davis was sanctioned took place between June 2011 and May 2013 (the “Material Time”).
5. As of the date of the Findings, Davis was a resident of British Columbia. Davis has never been registered under the BC Act.
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”).
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.
8. WM was a neighbour and family friend of Davis, who had little investment knowledge or experience.

First Investment

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.

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.
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

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.
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

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.
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.

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.
17. In its Findings, the BCSC Panel concluded that:
 - a. Davis perpetrated fraud on WM in the aggregate amount of \$7,000 contrary to section 57(b) of the BC Act.

The BCSC Order

18. The BCSC Order imposed the following sanctions, conditions, restrictions or requirements upon Davis:
 - a. under sections 161(1)(b)(ii), (c), and (d)(i), (ii), (iii), (iv) and (v) of BC Act,
 - i. Davis cease trading in, and is permanently prohibited from purchasing, securities; except he may trade or purchase securities for his own account through a registrant if he gives the registrant a copy of the BCSC Order;
 - ii. any or all of the exemptions set out in the BC Act, regulations or a decision do not apply to Davis;
 - iii. 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;
 - iv. Davis is permanently prohibited from becoming or acting as a registrant or promoter;
 - v. Davis is permanently prohibited from acting in a management or consultative capacity in connection with activities in the securities market; and
 - vi. Davis is permanently prohibited from engaging in investor relations activities;

- b. under section 162 of the BC Act, that Davis pay to the BCSC an administrative penalty of \$15,000.

III. JURISDICTION OF THE ONTARIO SECURITIES COMMISSION

- 19. The Respondent is subject to an order of the BCSC imposing sanctions, conditions, restrictions or requirements upon him.
- 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, 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.
- 21. Staff allege that it is in the public interest to make an order against the Respondent.
- 22. 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.
- 23. Staff request that this application be heard by way of a written hearing pursuant to Rules 2.6 and 11 of the *Ontario Securities Commission Rules of Procedure*.

DATED at Toronto, this 28th day of February, 2017.