

ALBERTA SECURITIES COMMISSION

SETTLEMENT AGREEMENT AND UNDERTAKING

Citation: Re UrbanStar Capital Inc., 2015 ABASC 564

Date: 20150219
Docket: ENF - 009442

Securities Act, R.S.A. 2000, c. S-4, as amended (Act)

**UrbanStar Capital Inc., UrbanStar Windy Ridge Commercial Capital Inc.,
UrbanStar Windy Ridge Phase 1 Capital Inc. and Dean Frank Gorenc**

Agreed Facts

Introduction

1. The staff of the Alberta Securities Commission (respectively, **Staff** and **Commission**) conducted an investigation into allegations that UrbanStar Capital Inc., UrbanStar Windy Ridge Commercial Capital Inc., and UrbanStar Windy Ridge Phase 1 Capital Inc. (collectively, **Capital Companies**) and Dean Frank Gorenc (**Gorenc**), breached Alberta securities laws and acted contrary to the public interest by acting as dealers in securities without registration.
2. The Capital Companies and Gorenc acknowledge that they breached section 75 of the *Act* and acted contrary to the public interest.
3. Solely for securities regulatory purposes in Alberta and elsewhere, and as the basis for the settlement and undertakings set out below, each of the Capital Companies and Gorenc agree to the facts and consequences set out in this Settlement Agreement and Undertaking (**Agreement**).
4. Terms used in this Agreement have the same meaning as provided in the Alberta securities laws, a defined term in the *Act*.

Parties

5. The Capital Companies are all incorporated under the *Business Corporations Act* (Alberta) (**ABCA**) and their principal business offices are located in Alberta.
6. The Capital Companies carry on a real estate business through a group of companies known as UrbanStar, headquartered in Calgary, Alberta.
7. Gorenc is an Alberta resident and was at all material times the principal and guiding mind of the Capital Companies and the Issuer Companies, as defined below.

Circumstances

8. From September 2010 to December 2013, the Capital Companies engaged in the sale of securities of UrbanStar Windy Ridge Estates Ltd., UrbanStar Glendale Manor Inc., UrbanStar Windy Ridge Commercial Inc., and UrbanStar Windy Ridge Phase 1 Inc. (collectively **Issuer Companies**). The Issuer Companies are all incorporated under the *ABCA* and are in the business of syndicating the purchase of bare land located in Alberta under the trade-mark "UrbanStar". At least \$20 million for the Issuer Companies was raised from Alberta investors.
9. Investors executed subscription agreements for the trades in securities facilitated by the Capital Companies.
10. Gorenc supervised the sale of securities to investors and was personally involved in the sale of securities to certain investors, including family and friends.
11. As a result of Alberta securities laws regulatory amendments, the Capital Companies and Gorenc were required under National Instrument 31-103 *Registration Requirements (NI 31-103)* to apply for registration as an exempt market dealer (**EMD**) by September 28, 2010.
12. As at December 31, 2013, neither the Capital Companies nor Gorenc had applied for registration as an EMD.
13. During the Relevant Period, as defined below, the Capital Companies and Gorenc purportedly attempted to rely on the registration exemption contained in Alberta Securities Commission Blanket Order 31-505 (**BO 31-505**).
14. The Capital Companies and Gorenc failed to comply with the requirements of BO 31-505. As a result, during the Relevant Period the Capital Companies and Gorenc were acting as dealers in securities without registration as an EMD, and in circumstances where no exemption from the registration requirements was available to them.

Admitted Breaches of Alberta Securities Laws

15. The Capital Companies and Gorenc breached section 75 of the *Act* by each acting as a dealer with respect to trades in securities of the Issuer Companies from September 30, 2010 to December 31, 2013 (**Relevant Period**), without registration and in circumstances where no exemption from the registration requirements was available.
16. The Capital Companies and Gorenc also admit that their acts described above constituted conduct contrary to the public interest.

Circumstances Relevant to Settlement

17. At all material times, the Capital Companies and Gorenc relied on advice of legal counsel.
18. The Capital Companies and Gorenc state that they intended to comply with securities laws and the breach of section 75 of the *Act* was inadvertent.

19. Gorenc has repaid to the Issuer Companies all commissions gained while acting as a dealer in securities while in contravention of the *Act*.
20. The Capital Companies and Gorenc have not been previously sanctioned by the Commission.
21. The Capital Companies and Gorenc cooperated with Staff throughout the investigation.
22. This Agreement has saved the Commission the time and expense associated with a contested hearing.

Settlement Payments and Undertakings

23. Based on these facts and admissions, the Capital Companies and Gorenc will jointly pay to the Commission the amount of \$10,000 in settlement of all allegations against them, plus \$2,500 for investigation costs.
24. Gorenc further undertakes to the Executive Director of the Commission:
 - (a) not to rely on BO 31-505 for a period of five years from the date of this Agreement; and
 - (b) not to cause any issuer of which he is a director or principal to benefit from BO 31-505 for a period of five years from the date of execution of this Agreement, and to comply in the future with all Alberta securities laws. During such five-year period Gorenc will ensure that any sales of securities to investors in Alberta of any issuer of which he is a director or principal are made through registered dealers and are otherwise in compliance with Alberta securities laws.

Administration

25. The Capital Companies and Gorenc acknowledge that they have sought and received legal advice in respect of this settlement and that the admissions herein have been made voluntarily.
26. The Capital Companies and Gorenc waive any right existing under the *Act*, or otherwise, to a hearing, review, judicial review or appeal of this matter.
27. The Capital Companies and Gorenc acknowledge that this Agreement may be referred to solely for securities regulatory purposes in Alberta and elsewhere.
28. This Agreement resolves all issues outstanding as at the date of this Agreement involving the parties to this Agreement and any of their directors, officers, employees or agents, and Staff will take no further steps against any of these parties arising from these facts.

29. This Agreement may be executed by facsimile and in counterpart.

Signed by Dean Frank Gorenc at Calgary,)
 Alberta this 17 day of February,)
 2015, in the presence of:)
)
 WITNESS NAME)
 Barrister & Solicitor)
 _____)
 Witness Name)
 "*Original Signed By*")
 _____)
 Signature)

"Original Signed By"

 DEAN FRANK GORENC

Signed by the duly authorized signatory of)
 UrbanStar Capital Inc. at Calgary, Alberta)
 this 17 day of February, 2015,)
 in the presence of:)
)
 WITNESS NAME)
 Barrister & Solicitor)
 _____)
 Witness Name)
 "*Original Signed By*")
 _____)
 Signature)

URBANSTAR CAPITAL INC.

Per: *"Original Signed By"*

 Dean Frank Gorenc, President

Signed by the duly authorized signatory of)
 UrbanStar Windy Ridge Commercial Capital)
 Inc. at Calgary, Alberta this 17 day of)
 February, 2015, in the presence of:)
)
 WITNESS NAME)
 Barrister & Solicitor)
 _____)
 Witness Name)
 "*Original Signed By*")
 _____)
 Signature)

**URBANSTAR WINDY RIDGE
COMMERCIAL CAPITAL INC.**

Per: *"Original Signed By"*

 Dean Frank Gorenc, President

Signed by the duly authorized signatory of)
 UrbanStar Windy Ridge Phase 1 Capital Inc. at)
 Calgary, Alberta this 17 day of)
 February, 2015, in the presence of:)
)
 WITNESS NAME)
 Barrister & Solicitor)
 _____)
 Witness Name)
 "*Original Signed By*")
 _____)
 Signature)

**URBANSTAR WINDY RIDGE
PHASE 1 CAPITAL INC.**

Per: *"Original Signed By"*

 Dean Frank Gorenc, President

Calgary, Alberta, February 19, 2015

) **ALBERTA SECURITIES COMMISSION**

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) Per *“Original Signed By”*

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David Linder, Q.C.

) Executive Director