

ALBERTA SECURITIES COMMISSION

Citation: Re Lackan, 2022 ABASC 134

Docket: ENF-012695

Date: 20221004

NOTICE OF HEARING

To: Paul Lackan (**Respondent**)

Notice: The Alberta Securities Commission (the **Commission**) will convene an Appearance 3:00 p.m. on Wednesday, November 16, 2022, or as otherwise directed (the **Set Date Hearing**), at Calgary, Alberta, to set a date or dates for the conduct of a hearing regarding the allegations in this Notice (the **Merits Hearing**). At the Merits Hearing, the Commission will consider whether the allegations have been proven. If so, the Commission will subsequently consider whether it is in the public interest to make orders against you under sections 198, 199, and 202 of the *Securities Act*, RSA 2000, c. S-4, as amended (the *Act*).

Location: Alberta Securities Commission, 5th Floor, 250 – 5 Street S.W., Calgary, Alberta.

Procedure:

1. You may obtain disclosure and particulars of the allegations in this Notice from Adam Karbani or Amanda Goodwin, c/o Alberta Securities Commission, 600, 250 - 5 Street S.W., Calgary, Alberta, T2P 0R4, telephone: 403.592.8183 or 403.355.4315, email: adam.karbani@asc.ca or amanda.goodwin@asc.ca.
2. You may be represented by legal counsel or represent yourself. You or your legal counsel may make representations at the Set Date Hearing as part of the process for scheduling the Merits Hearing and the hearing management sessions that will take place between the Set Date Hearing and the Merits Hearing. At the Merits Hearing, you or your legal counsel may make representations and introduce evidence regarding the allegations in this Notice.
3. If you or your legal counsel fail to attend the Set Date Hearing, the scheduling of the Merits Hearing and the hearing management sessions may proceed in your absence without further notice, following which orders may be made against you.

See attached sections 29, 93(1)(b), 198, 199, and 202 of the Act, and Commission Rule 15-501 – Rules of Practice and Procedure for Commission Proceedings.

Reciprocation: Take notice that orders or settlements made by the Commission may form the basis for parallel orders in other jurisdictions in Canada. The securities laws of some other Canadian jurisdictions may allow orders made in this matter to take effect in those other jurisdictions automatically, without further notice to you. If an order is made or a settlement agreement is reached in relation to this Notice, you should contact the securities regulator of any other jurisdiction in which you may intend to engage in any securities related activities.

Allegations

Parties

1. Paul Lackan (**Lackan**) is an individual who resided in Calgary, Alberta from July 1, 2018 to December 31, 2020 (the **Relevant Period**). Lackan was in the business of providing accounting services to clients, including 1495516 Alberta Ltd. (**149**). During the Relevant Period or any time prior thereto, Lackan was not a director, officer or shareholder of 149. During the Relevant Period, Lackan did have signing authority over 149's bank account.

Circumstances

2. During the Relevant Period, Lackan raised capital by promoting an investment opportunity related to ACT Medical Centres Inc. (**ACT**), an Alberta corporation with a registered office in Calgary. Lackan raised at least \$200,000 from at least nine investors, most of whom were clients of Lackan's accounting business.
3. Lackan represented to investors that ACT was expanding its business and investors could expect a return. Lackan told investors that their funds would be used for:
 - 3.1 A purchase of shares in ACT; or
 - 3.2 A pooling of funds to support the acquisition of ACT, with shares to be issued to investors when the acquisition was complete.
4. In accordance with Lackan's representations, the investors provided funds to Lackan on the understanding that they were:
 - 4.1 Purchasing shares in ACT; or
 - 4.2 Providing loans convertible to share subscriptions in ACT; or
 - 4.3 Entering into investment contracts related to ACT
 (collectively, the **Securities**).
5. Each of the Securities was a security within the meaning of section 1(ggg) of the *Act*.

6. During the Relevant Period, Lackan was not a director, officer, shareholder or agent of ACT. Lackan had no legal authority to issue ACT shares or to raise funds on ACT's behalf. None of the investors were issued shares in ACT.
7. Lackan did not acquire ACT during the Relevant Period or thereafter. ACT was sold to a third party in July 2021 and Lackan's investors did not receive ACT shares as a result of the sale.
8. Lackan directed the majority of investor funds through 149 and used them for personal and/or other unauthorized purposes.

Fraudulent Course of Conduct

9. During the Relevant Period, Lackan:
 - 9.1 Provided false and misleading information to investors about how their funds would be used, including false representations that their funds would be used for business purposes related to ACT or the acquisition of ACT; and
 - 9.2 Misappropriated investor funds for Lackan's personal use and/or other unauthorized uses, including by:
 - 9.2.1 Transferring investor funds to his personal bank accounts;
 - 9.2.2 Paying legal fees for personal or business matters unrelated to ACT; and
 - 9.2.3 Paying the balance owing on his leased personal vehicle
 (the **Prohibited Acts**).
10. In carrying out the Prohibited Acts Lackan deceived investors, including by:
 - 10.1 Not advising investors that their funds would be used directly or indirectly for Lackan's personal use and/or other unauthorized uses;
 - 10.2 Purporting to sell shares in ACT to some or all investors, or otherwise contracting with some or all investors for shares in ACT, when Lackan did not own the shares or otherwise have legal authority to issue shares in ACT; and
 - 10.3 Issuing to some investors share certificates for 149 that were forged or otherwise invalid.

Investors' Pecuniary Interests at Risk

11. In carrying out the Prohibited Acts, Lackan put the investors' pecuniary interests at risk as follows:
 - 11.1 Lackan used investor funds for purposes that were contrary to the representations he made to those investors about how their funds would be used; and

- 11.2 In so doing, Lackan put the investors at risk of losing funds or caused investors to lose funds.

Knowledge of the Prohibited Act and Deprivation

12. Lackan, by engaging in the Prohibited Acts, had knowledge of the Prohibited Acts. Lackan made the representations to the investors and he controlled the capital raised from investors.
13. In carrying out the Prohibited Acts, Lackan knew or reasonably ought to have known that engaging in the Prohibited Acts could have, as a consequence, investor losses or investors' pecuniary interests being put at risk.
14. In carrying out the Prohibited Acts, Lackan engaged in acts, practices or a course of conduct that he knew or ought to have known may perpetrate a fraud on investors within the meaning of the *Act*.

Breaches

15. As a result of the above, Staff allege that Lackan breached section 93(1)(b) of the *Act* by directly or indirectly engaging or participating in an act, practice or course of conduct relating to securities that he knew or ought to have known may perpetrate a fraud on investors.

Calgary, Alberta, 4 October, 2022.

) ALBERTA SECURITIES COMMISSION
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) “Original signed by”
) _____
) David C. Linder, K.C.
) Executive Director