



IN THE MATTER OF THE MORTGAGE BROKERS ACT
R.S.B.C. 1996, C. 313

-AND-

GORDON STEPHEN LEMON

CONSENT ORDER

(Pursuant to section 8(1.2) of the *Mortgage Brokers Act*)

WHEREAS Gordon Stephen Lemon ("Mr. Lemon") was registered as a submortgage broker on October 21, 2011 and his registration was suspended on February 11, 2014;

AND WHEREAS at all material times Mr. Lemon was concurrently registered with, and was the Designated Individual for each of MIC Canada Mortgage Investment Corp. ("MICCAN"), SWS Mortgage Investment Corp. ("SWS") and TIB Mortgage Investment Corporation (BC0901508) ("TIB");

AND WHEREAS Northstone Investment Fund Inc. ("Northstone") was incorporated on April 18, 2013, and Mr. Lemon was the president and director of Northstone, which was never registered under the *Mortgage Brokers Act*, R.S.B.C. 1996, c. 313 (the "*Act*");

AND WHEREAS on February 11, 2014, the Registrar issued a cease and desist order ("Cease Order") against Northstone and Mr. Lemon, pursuant to which, (1) Mr. Lemon's registration was suspended and he was ordered to cease promoting Northstone in British Columbia, and (2) Northstone was ordered to cease and desist holding itself out as a mortgage broker, and to cease and desist engaging in unregistered mortgage broker activity until it became registered;

AND WHEREAS the following agreement has been reached between Mr. Lemon and the Staff of the Registrar of Mortgage Brokers (the "Staff");

AND WHEREAS the Registrar of Mortgage Brokers (the "Registrar") agrees to the following terms of a consent order:

A. FINDINGS

The Registrar makes the following findings against Mr. Lemon, and Mr. Lemon accepts the following findings made against him:

1. Mr. Lemon conducted business in a manner prejudicial to the public interest contrary to section 8(1)(i) of the *Act* in that he failed to properly carry out his obligations as the designated individual and sole submortgage broker of TIB. In particular, Mr. Lemon failed to:
 - (a) ensure that a loan by TIB in the amount of \$154,000 (the "Loan") granted to [REDACTED] of SWS and MICCAN, was properly secured by mortgages to be registered over multiple properties as required by a mortgage commitment dated March 22, 2012; and
 - (b) properly document his authority and keep proper records of the second advance of the Loan in the amount of \$72,0000.00 to [REDACTED], a company owned by [REDACTED], when [REDACTED] was not a borrower to the Loan.
2. Mr. Lemon, while a registered submortgage broker under the *Act*, and while a director of Northstone, conducted business in a manner prejudicial to the public interest contrary to section 8(1)(i) of the *Act* by permitting the unregistered mortgage broker activity of Northstone in that Northstone held itself out as a mortgage investment corporation as follows:

- (a) Mr. Lemon executed and Northstone filed an offering memorandum dated December 20, 2013 stating that Northstone was in the business of investing in mortgages and would operate as a mortgage investment corporation ("MIC");
- (b) Northstone advertised itself as a MIC operating within the scheme of the *Act* on its website; and
- (c) Northstone sponsored an Investment Alternatives Conference scheduled to be held February 15, 2014 in Vancouver, British Columbia.

B. ORDERS AND PENALTY

Pursuant to sections 8, 8(1.2), 4, and 6(9) of the *Act*, Mr. Lemon hereby consents to and the Registrar hereby makes the following orders:

- 3. Mr. Lemon's registration of a submortgage broker is suspended for 3 years, commencing February 11, 2014;
- 4. Mr. Lemon agrees never to reapply to be a Designated Individual, for any mortgage broker, pursuant to section 8(1)(e) of the *Act*;
- 5. Should Mr. Lemon apply for registration as a submortgage broker or mortgage broker and his application is approved by the Registrar; his registration is restricted to carrying on business as a mortgage broker or submortgage broker as follows:
 - a. Mr. Lemon may only arrange mortgages on behalf of borrowers and where the lender or lenders are to the best of his knowledge not a related party to Mr. Lemon;
 - b. Mr. Lemon may not solicit investments into mortgages;

c. Mr. Lemon may not handle trust funds in relation to any mortgage business;

6. Pursuant to section 6(9) of the *Act* Mr. Lemon will pay partial investigative costs of \$2,500; and
7. All payments will be made by cheque, bank draft or money order payable to the Minister of Finance and all amounts outstanding thirty (30) days following execution of this Order will represent a debt owing and be subject to interest pursuant to the *Financial Administration Act*, R.S.B.C. 1996, c. 138.

C. AGREED FACTS

8. Mr. Lemon was registered as a submortgage broker pursuant to the *Act* from October 21, 2011 to February 11, 2014.
9. On February 28, 2012, MICCAN, SWS and TIB were registered as mortgage brokers under the *Act* (together the "MICs") and Mr. Lemon was registered as the Designated Individual and sole submortgage broker for each of the MICs.
10. [REDACTED] and [REDACTED] were at all material times directors of SWS and MICCAN; and Mr. Lemon and [REDACTED] were directors of TIB.
11. On February 5, 2013, Mr. Lemon cancelled the registration of the MICs, resigned from TIB and ceased to be TIB's designated individual.
12. On February 6, 2013 Mr. Lemon became registered as a submortgage broker with another brokerage.
13. On April 18, 2013, Northstone was incorporated and Mr. Lemon was the president and a director of Northstone. Northstone was never registered under the *Act*.

14. On or about November 22, 2013, Staff of the Registrar ("Staff") received a complaint against Mr. Lemon regarding a loan in the amount of \$154,000 (the "Loan") from TIB to [REDACTED], and a payment of \$20,000 to a construction company owned by [REDACTED].
15. Mr. Lemon was also involved with Northstone as a director and president. Northstone was not registered under the *Act*, and was not exempt from the registration requirements under the *Act*.
16. On March 22, 2012, Mr. Lemon, as underwriter for TIB, approved the Loan to Mr. [REDACTED]. The Loan was also approved by TIB's lending committee, on the basis that it was to be secured by way of a mortgage registered over multiple properties. Although not set out in the mortgage commitment, it appears that the Loan was to be advanced in two stages; a first advance of \$82,000 and a subsequent advance of \$72,000.
17. The first advance of the Loan was made by Mr. Lemon, as underwriter, on March 31, 2012. To advance the funds, Mr. Lemon simply transferred funds from TIB's account with TIB's bank card to Mr. [REDACTED]'s bank account.
18. The second advance of the Loan was made by Mr. Lemon, as underwriter, on June 12, 2012 in the amount of \$72,000, and was paid to [REDACTED] Inc., a company owned by Mr. [REDACTED], and not a borrower pursuant to the mortgage commitment. Mr. Lemon transferred funds from TIB's account using TIB's bank card. Mr. Lemon admits he only had verbal authorization, not written authorization from Mr. [REDACTED] to pay the funds to [REDACTED] Inc.
19. Mr. Lemon states that he had been assured by others at TIB that a mortgage would promptly be registered over Mr. [REDACTED]'s multiple properties, but admits that as the Designated Individual and sole submortgage broker he was responsible for ensuring that the mortgages be registered prior to agreeing to advance the first and second advances of the Loan.


20. Ultimately, there were no mortgages registered over any of the properties to be secured by the Loan, and one of the properties was never owned by Mr. [REDACTED], a fact Mr. Lemon was unaware of.
21. On May 1, 2012, Mr. Lemon caused a payment of \$20,000 to be made to [REDACTED] Management Ltd. ("[REDACTED]"), a company owned by Mr. [REDACTED]. Mr. Lemon states that the \$20,000 payment represented the redemption of shares from a shareholder in TIB. Mr. Lemon states that the shareholder had hired [REDACTED] to build a home for the shareholders, and that he called the shareholders to get their authorization to transfer the funds to [REDACTED]. Mr. Lemon did not get the authorization in writing, but states that the transaction was later documented in writing.
22. Mr. Lemon states that he had no interest, directly or indirectly, in the Loan or the payment made to [REDACTED].
23. Mr. Lemon was the president and director of Northstone, and was registered as a submortgage broker under the *Act* during all material times.
24. On December 13, 2013, Northstone issued an offering memorandum stating that Northstone was in the business of investing in mortgages and will operate as a mortgage investment corporation ("MIC"). Mr. Lemon states that no money was ever raised pursuant to the offering memorandum by Northstone.
25. Through its website, Northstone advertised that it was a MIC operating within the scheme of the *Act*, when it was not registered and there were no exceptions available to Northstone regarding registration.
26. In approximately February 2014, Northstone arranged to be a sponsor of the Investment Alternatives Conference. Mr. Lemon intended to be a presenter at that conference, and Mr. Lemon states that the purpose of his presentation was to educate the public about investments in mortgage investment corporations generally and to raise the public profile of Northstone.

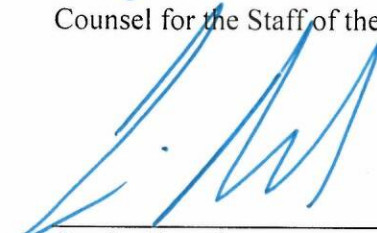
27. Mr. Lemon has no discipline history with the Registrar of Mortgage Brokers.

D. WAIVER

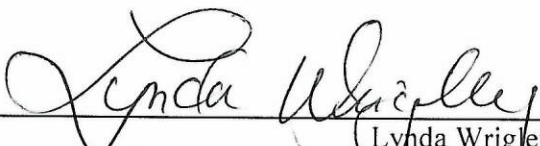
Mr. Lemon waives his right to a hearing under sections 4 and 8 of the *Act* and waives his right to appeal under section 9 of the *Act*.

Approved as to form and content by:


_____ this 22nd day of May, 2018
Andrea K. Glen
Counsel for the Staff of the Registrar of Mortgage Brokers


_____ this 22nd day of May, 2018
Owais Ahmed
Counsel for Gordon Stephen Lemon

Dated in the City of West Vancouver, in the Province of British Columbia, this
28 day of May, 2018



Lynda Wrigley
Designate of the Registrar of Mortgage Brokers
Province of British Columbia