Ontario Securities Commission | Commission des valeurs mobilières de l'Ontario | 22nd Floor, 20 Queen Street West, Toronto ON M5H 3S8 | 22e étage, 20, rue queen ouest, Toronto ON M5H 3S8

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

- and -

LANCE KOTTON

SETTLEMENT AGREEMENT

PART I - INTRODUCTION

1. This matter concerns the misleading statements and fraudulent conduct of Lance Kotton ("Kotton"), contrary to sections 44(2) and 126.1(1)(b) of the *Securities Act*, RSO 1990, c S5, as amended (the "Act"), respectively. Mr. Kotton was the founder and directing mind of the Titan Equity Group Ltd. ("TEG"). The conduct in question related to the solicitation and sale of securities of a number of issuers within a larger corporate structure that was controlled and managed by Kotton (the "Titan Group"). Between April 2011 and November 2015 (the "Material Time"), the Titan Group raised an aggregate of approximately $40 million from 394 investors, mostly in Ontario. As of March 2017 and following the sale of assets by the Receiver (as defined below), the shortfall to individual investors and other unsecured creditors of the Titan Group is approximately $24 million. This amount remains outstanding.

2. The Ontario Securities Commission (the "Commission") will issue a Notice of Hearing to announce that it will hold a hearing to consider whether, pursuant to sections 127 and 127.1 of the Act, it is in the public interest to make certain orders against Kotton in respect of the conduct described herein.

PART II - JOINT SETTLEMENT RECOMMENDATION

3. Staff of the Commission ("Staff") recommend settlement of the proceeding ("Proceeding") against the Respondent commenced by the Notice of Hearing, in accordance with

the terms and conditions set out in Part VII of the Settlement Agreement. The Respondent consents to the making of an order (the "Order") in the form attached as Schedule "A" to this Settlement Agreement based on the facts set out herein.

4. For the purposes of the Proceeding, and any other regulatory proceeding commenced by a securities regulatory authority, the Respondent agrees with the facts set out in Part III of this Settlement Agreement and the conclusion in Part IV of this Settlement Agreement.

PART III - AGREED FACTS

A. BACKGROUND

(i) Lance Kotton

5. During the Material Time, Kotton was a resident of Vaughan, Ontario. Kotton has never been registered with the Commission in any capacity.

6. Kotton was the president ("President") and chief executive officer ("CEO") and sole shareholder of Titan Equity Group ("TEG"). Kotton owned, directly or indirectly, most of the entities in the Titan Group (the "Titan Entities") described below. Kotton was also the President as well as the sole officer and director of some of them.

(ii) The Titan Group

7. TEG was formed in March 2012. The primary purpose of TEG was to market and sell securities to individual investors in order to acquire and develop real estate projects, including:

(a) The property known as "Oxford on Bathurst", located in Richmond Hill, Ontario;

(b) The property known as "Kotton Cachet", also located in Richmond Hill, Ontario; and

(c) A retirement residence known as "Villa Del Sole", located in Woodbridge, Ontario

(collectively, the "Properties").

8. In summary, the roles performed by each of the Titan Entities are as follows:

Titan Group Entity	**Role**
TEG	Solicited investments from investors, primarily in Ontario. Owned by Lance Kotton, directly.
Executive Leasing Inc. ("Executive")	Received and disbursed investor funds from 2011 to 2014.
Executive Leasing Capital Corp. ("ELCC")	Acted as the manager and administrator of the Properties, and received and disbursed investor funds. ELCC solicited investments from investors prior to the formation of TEG.
Shan-Kael Group Inc. ("Shan-Kael")	The registered owner and operator of Villa Del Sole.
2216296 Ontario Inc.	Kotton's personal company for a pre-Titan project and held 65.6% of Shan-Kael, which owned Villa Del Sole.
Titan 10703 Bathurst Inc. ("10703 Bathurst")	The registered owner of the Oxford on Bathurst.
Titan 10703 Bathurst Holdings Inc. ("10703 Bathurst Holdings")	Owned 100% of the Class B Common shares of 10703 Bathurst, which owned the Oxford on Bathurst, and raised investor funds through the issuance of preferred shares.
Titan Real Estate Acquisition & Development Corp.	Owned by TEG directly. Owned 100% of the common shares of TREAD Finance Corp., 230 Major Mack Holdings Inc., and Titan 10703 Bathurst Inc.
Titan 230 Major Mack Inc. ("230 Major Mack")	The registered owner of Kotton Cachet.
230 Major Mack Holdings Inc. ("MM Holdings")	Owned 100% of the shares of 230 Major Mack, which owned Kotton Cachet, and raised investor funds through the issuance of preferred shares.
Tread Finance Corp. ("TREAD")	Issued promissory notes to investors to raise funds for the Properties.

9. All of the Titan Entities were incorporated in Ontario, with the exception of TREAD, which is an Alberta company. None of the Titan Entities have ever been reporting issuers in Ontario nor have they ever been registered with the Commission in any capacity

10. In addition to selling securities to individual investors, Kotton, through the Titan Group, raised funds by way of secured mortgages from institutional lenders.

(iii) The Receivership in 2015

11. In November 2015, a receiver was appointed (the "Receiver") over the assets of the Titan Group and Kotton, personally, pursuant to section 129 of the Act. Through the receivership proceeding (the "Receivership"), all of the Titan Group's assets and Kotton's personal assets, including his house, were liquidated.

12. Although the Properties were sold by the Receiver for aggregate gross proceeds of over $40 million, almost $17 million in excess of their acquisition price, there were insufficient funds to fully repay all investors/creditors out of the recoveries on the Properties.

13. As of March 2017, the shortfall to individual investors and other unsecured creditors is approximately $24 million. This amount remains outstanding.

B. DETAILED FACTS

(i) Titan Securities Issued

14. Kotton and TEG raised funds from investors through the sale and issuance of three main types of securities:

(a) "Pooled Mortgage Investments" or "PMIs": Securities in the form of syndicated mortgages wherein two or more persons or companies participate, directly or indirectly, as lenders in the debt obligation, issued by the registered owner of the property for which the funds were raised and secured by way of a second mortgage on such property. PMIs generally offered 8-12% annual interest for a fixed 1-5 year term. Investors were to receive monthly interest payments from an interest reserve set aside at the outset of the investment. PMIs were generally sold on the basis that the combined mortgages on the property would not exceed 85% of the appraised "as is" value ("85% LTV"). PMIs were issued in respect of each of the Properties;

(b) TREAD Notes: Securities in the form of either promissory notes or debentures issued by TREAD that generally offered 10-16% annual interest for a fixed 1-5 year term.

Each series of TREAD Note was issued to raise funds for a specific project and was to pay all accrued interest at the stated maturity date of each instrument. TEG expressly promoted that TREAD Notes were "secured by Titan's own equity in the project[s]" and "could be reasonably considered as a 3rd position on the property and takes priority over all subsequent positions and charges". TREAD Notes were issued in respect of all the Properties; and

(c) Preferred Shares: Non-voting Class A preferred shares issued by MM Holdings in connection with Kotton Cachet and by Bathurst Holdings in connection with Oxford on Bathurst. The Preferred Shares offered a defined return of either 14 or 16% and for a fixed term of either 2 or 3 years, respectively. Preferred Shares were available for purchase to Accredited Investors (as defined by the Act) for a minimum cash investment of $150,000. Upon the sale of the relevant property, investors were to receive dividends or distributions of assets in priority to other shareholders of the corporation.

15. Kotton and TEG also offered participating equity agreements ("PEAs") and short term loan agreements (collectively with the PMIs, TREAD Notes and Preferred Shares, the "Titan Securities").

16. PEAs were issued in respect of Villa Del Sole and were to pay an "anticipated return" of 18% upon a sale of the property provided it was sold for at least $15.5 million.

17. The short term loan agreements ("Short Term Loans") were a short term investment opportunity offered by Kotton and TEG in respect of Oxford on Bathurst. The Short Term Loans offered a term of either 30 or 60 days and a range of "return" of up to 20%.

18. Each of the Titan Securities fall within one or more categories of "document, instrument or writing commonly known a security", "evidence of indebtedness" and/or "investment contract" and are thereby "securities" as defined in subsection 1(1) of the Act.

19. In most cases, the documents evidencing the respective Titan Securities were signed by Kotton on behalf of the Titan Group entity issuing the security. In some cases, Kotton, either directly or through the Titan Group, sold Titan Securities to investors.

(ii) Misleading Statements - The Titan Marketing and Promotional Material

20. During the Material Time, TEG, at the direction and instruction of Kotton, created marketing and promotional materials to promote the sale of Titan Securities, including brochures, term sheets and presentation materials (the "Titan Marketing and Promotional Materials").

21. The Titan Marketing and Promotional Materials were disseminated to a network of third party sales agents (the "Sales Agents") who solicited investors to buy Titan Securities and to whom TEG paid commissions and/or referral fees.

22. Certain of the Titan Marketing and Promotional Materials were also made available to individual investors who visited the TEG offices.

23. In the Titan Marketing and Promotional Materials, Kotton is held out as having "over 20 years of experience in [the] financial services and real estate investment arena" and as a global keynote speaker in this field.

24. This was an overstatement. Prior to the formation of TEG in 2012, Kotton's experience in developing real estate was limited to one condominium project in St. Catharines in 2010. Also, Kotton's experience in financial services began in the early 2000s and consisted of being licensed with the Financial Services Commission of Ontario ("FSCO") as a mortgage broker, licensed under the Mortgage Centre in Richmond Hill, ON, and, among other things sold syndicated mortgage investments. At this same time, Kotton also operated a car leasing business.

25. By making the above representations, TEG, at the direction and instruction of Kotton , made statements that a reasonable investor would consider relevant in deciding whether to enter into or maintain a trading or advising relationship, which statements were untrue or omitted information necessary to prevent the statements from being false or misleading in the circumstances in which they were made, contrary to subsection 44(2) of the Act.

(iii) Other Misleading Statements by Kotton and TEG

26. From the outset, TEG (and its predecessor ELCC) purported to offer "stable generous returns". Kotton made and directed the making of these representations knowing that, at the time of these representations, TEG had not successfully developed and sold a single real estate project, nor had any of the Properties generated any positive cash flow, profit or retained earnings. Any "return" or interest paid to investors during the Material Time was a return of investor capital or sourced from other financed funds.

27. In addition to disseminating the Titan Marketing and Promotional Materials, TEG posted investor presentation videos on the video-sharing website YouTube to market its securities to the public. The videos, which remained active until 2015, included the following representations regarding the Commission's involvement with and/or approval of TEG's investment products:

(a) "Your investment is registered directly with the OSC" […] "secured by way of an OSC Registered Debenture";

(b) TREAD Notes are "vetted by the OSC, CRA and Olympia Trust"; and

(c) "Interest [on PMIs] is deposited into an OSC approved trust account".

28. At no time during the Material Time were any of the Titan Securities either "registered" with or "vetted" by the Commission nor did the Commission "approve" any trust accounts involved in the sale of PMIs or other Titan Securities.

29. By making these representations, TEG made statements that a reasonable investor would consider relevant in deciding whether to enter into or maintain a trading or advising relationship, which statements were untrue or omitted information necessary to prevent the statements from being false or misleading in the circumstances in which they were made, contrary to subsection 44(2) of the Act.

(iv) Conduct Contrary to s. 126.1(1)(b) of the Act - Villa Del Sole

30. Villa Del Sole was a retirement residence located in Woodbridge, Ontario. It was acquired by Shan-Kael on May 6, 2011 for total consideration of $6.2 million. Although Villa Del Sole was still partially under construction at the time, the construction was substantially complete by around April 2012.

31. During the Material Time, Kotton and TEG raised a total of approximately $14.5 million in connection with Villa Del Sole through the sale and issuance of PMIs, PEAs and TREAD Notes.

32. When the Receiver was appointed in November 2015, the obligations to investors and other lenders in respect of the property exceeded $19.5 million, including a $2 million third mortgage to ELCC.

33. Prior to the acquisition of Villa Del Sole, Kotton and TEG had no prior experience in developing or operating a retirement residence. During the Material Time, Villa Del Sole was never fully occupied, nor was it cash flow positive and, when the Receiver took possession, it was less than 50% occupied and operating at a cash flow deficiency of $20,000 per month.

34. Villa Del Sole was sold in 2016 during the course of the Receivership for approximately $6 million, the net proceeds of which were paid to the first mortgagee of the property. Accordingly, none of the PMI investors of Shan-Kael or TREAD Note holders who had obligations outstanding at the time of the Receivership received a distribution from the sale. Investor losses on Villa Del Sole exceed $12.6 million.

35. As further described below, Kotton and TEG engaged in a course of conduct relating to the securities sold in connection with Villa Del Sole that is contrary to s. 126.1(1)(b) of the Act.

Villa Del Sole - 2012 Sales Period

36. In or around April 2012 (the "2012 Sales Period"), Kotton and ELCC were seeking to raise capital in connection with Villa Del Sole. At the time, Villa Del Sole was unoccupied and did not have all of the municipal approvals it required to operate.

37. On April 23, 2012, ELCC obtained an appraisal letter (the "2012 Appraisal Letter") from a real estate appraisal firm (the "2012 Appraiser") stating the current market value of Villa Del Sole for financing purposes was $15.5 million (the "2012 Appraisal Value"), with a full report to follow.

38. On April 25, 2012, the full report in respect of the 2012 Appraisal Letter was issued to ELCC with an appraised value $15.5 million, "as complete" and subject to certain extraordinary assumptions, which included approval of rezoning permits to convert the facility from a 44 bed nursing home to a 51 suite retirement facility and approval of 30 off-site parking spaces (the "2012 Appraisal Report"). These qualifications were not noted in the 2012 Appraisal Letter.

39. By May 1, 2012, ELCC had sold $3,949,500 in PMIs to investors (the "2012 PMIs"). With respect to the value of Villa Del Sole, the offering closed on the basis that it had been appraised at $15.5 million "as is".

40. At no time prior to the closing of the 2012 PMIs did Kotton or ELCC disclose the 2012 Appraisal Report to the Sales Agents selling the 2012 PMIs or to investors directly, nor did they disclose that the 2012 Appraisal Value was on an "as complete" basis and subject to extraordinary assumptions as set out in the 2012 Appraisal Report. By concealing these important facts from investors while selling the 2012 PMIs, Kotton and TEG dishonestly placed investors' pecuniary interests at risk.

Villa Del Sole - 2013 Sales Period

41. In 2013, Kotton and TEG were seeking to raise further funds and, in June and July 2013 (the "2013 PMI Sales Period"), TEG and Kotton sold a total of $7.125 million in PMIs in respect of Villa Del Sole (the "2013 PMIs"). Of the funds raised, approximately $3.74 million consisted of funds rolled-over from the 2012 PMIs (and some PEAs), and approximately $3.38 million consisted of new funds. The offering closed on August 2, 2013 (the "Closing").

42. Throughout the 2013 PMI Sales Period, TEG and Kotton continued to market and sell PMIs to investors based on the 2012 Appraisal Value. In addition, Kotton and TEG generally represented to investors that a new appraisal was anticipated that would reflect a significantly higher value than $15.5 million.

43. In that period, Kotton also represented to at least one Sales Agent that the new valuation for Villa Del Sole would be closer to $22 million with a 5.5% capitalization rate (*i.e.*, the ratio of net operating income to the current market value of the asset). Kotton's prediction of valuation of $22 million was based on a one page income approach created by TEG (not a third party appraiser), and was based upon inputs that were less conservative than those used by third party appraisers.

44. This "valuation" was disseminated to existing investors who were considering whether to redeem their investment or to reinvest their funds in Villa Del Sole. At least 9 investors reinvested following receipt of this communication. Kotton and TEG effected these sales without knowing whether they would obtain a third party appraisal higher than the 2012 Appraisal Value and without disclosing the basis for Kotton's representations that the new valuation would be approximately $22 million.

45. On or around July 24, 2013, approximately 10 days prior to the Closing, Kotton caused a third mortgage to be registered on the property in favour of ELCC in the amount of $2 million (the "ELCC Mortgage"), resulting in increased mortgage obligations owing on Villa Del Sole and affecting the LTV of the property. This mortgage was not disclosed to prospective PMI investors.

46. On or around July 30, 2013, approximately four days prior to the Closing, an appraisal report was issued to TEG in respect of Villa Del Sole, reflecting a current market value "as if complete and fully occupied" of $11 million, and $10 million on an "as is" basis by subtracting operational losses and construction costs (the "July 2013 Appraisal").

47. At the Closing, TEG, at the direction and instruction of Kotton, prepared a package of documents for each investor entitled "Investor's Legal Documents" (the "Closing Documents") which included the 2012 Appraisal Letter, a participation agreement and commitment letter, a term sheet summarizing the project and the terms of the investment, and a disclosure document required to be completed for the sale of mortgage securities (the "Disclosure Document").

48. The July 2013 Appraisal was not included in the Closing Documents. The July 2013 Appraisal was an important fact not disclosed to the Sales Agents selling PMIs or to investors directly prior to the Closing.

49. Furthermore, because the Closing Documents only included the 2012 Appraisal Letter and not the 2012 Appraisal Report, investors were left with the impression that the 2012 Appraised Value was on an "as is" basis. The Closing Documents also represented that a "new appraisal [was] nearing completion and income stabilized value should reflect significantly higher than $15.5 million", despite the fact that the July 2013 Appraisal suggested the contrary. The Closing Documents also omitted any reference to the increased obligations of Shan-Kael due to the ELCC Mortgage and falsely represented the LTV to be 85% when it was in fact closer to 100% based on the $15.5 million valuation. By not including the July 2013 Appraisal, the 2012 Appraisal Report or making reference to the ELCC Mortgage, Kotton and TEG dishonestly placed investors' pecuniary interests at risk.

Villa Del Sole – TREAD Note Sales

50. In addition to the PMI funds raised in connection with Villa Del Sole, Kotton and TEG raised funds from investors through the sale of TREAD Notes.

51. Between July 5, 2013 and March 7, 2014 (the "TREAD Note Sales Period"), TREAD issued an aggregate of approximately $3.5 million in TREAD Notes to 24 investors ("Villa Del Sole TREAD Notes"). Some of these investments were reinvestments or "rollovers" of previous PEA and PMI investments in Villa Del Sole that had matured.

52. The sales of the Villa Del Sole TREAD Notes created total obligations in connection with the property in excess of $19 million.

53. Early in the TREAD Note Sales Period, and within days of the July 2013 Appraisal, a further appraisal report was issued to TEG by the 2012 Appraiser. This report, dated August 2, 2013, reflected a current market value of $13.3 million ("the August 2013 Appraisal").

54. Following the receipt of the July and August 2013 Appraisals, TEG and Kotton continued to raise capital in respect of Villa Del Sole and caused TREAD to issue TREAD Notes that

created obligations to investors beyond any appraised value known for Villa Del Sole at that time.

55. In effecting the sales of Villa Del Sole TREAD Notes, Kotton was aware that the most current appraised values for the property ranged from $10 - 13.3 million, and was aware that the sale of the Villa Del Sole TREAD Notes created total obligations on the property in excess of any known appraised value. The lower appraised values were important facts not disclosed to the Sales Agents or to investors directly prior to the distribution of the Villa Del Sole TREAD Notes. By not disclosing these lower appraised values and selling the TREAD Notes when the appraised value did not support the obligations on the property, Kotton and TEG dishonestly placed investors' pecuniary interests at risk.

(v) Breaches under the Act - Oxford on Bathurst

56. The Oxford on Bathurst was a development property located in Richmond Hill, Ontario, the registered owner of which was 10703 Bathurst. 10703 Bathurst acquired the property in October 2012 for $9 million.

57. TEG marketed the Oxford on Bathurst as a townhouse development project. Although certain zoning approvals were granted and certificates issued in respect of the planning and development of the Oxford on Bathurst, the property remained undeveloped during the Material Time.

58. Between 2012 and 2015, TEG and Kotton raised a total of approximately $12 million from, investors through the sale of PMIs, TREAD Notes, Preferred Shares and Short Term Loans in respect of Oxford on Bathurst.

59. As of the date of the Receivership in November 2015, the total obligations owing in respect of the property exceeded $24 million.

60. The sale of the Oxford on Bathurst was completed by the Receiver in November 2015 for $20 million. At the time of the sale, the equity in the Oxford on Bathurst was insufficient to repay investors. Investor losses on the Oxford on Bathurst are at least $6.6 million.

61. Of the almost $12 million raised from investors in connection with Oxford on Bathurst, approximately $5.61 million was raised from the sale of TREAD Notes.

62. A key feature of TEG's branding in respect of both the PMIs and the TREAD Notes was the "security" offered by these investments and their "asset backed" nature. For instance, the Titan Marketing and Promotional Materials contained general representations that TEG offers a wide variety of "asset backed investment vehicles" that "suit all investors by providing "true" security, rather than the "perceived" security that is often found in the marketplace".

63. In respect of the TREAD Note particularly, the Titan Marketing and Promotional Materials included representations that it was "secured against TITAN's own equity in the project". This was further described in certain of the promotional materials as follows:

> The TREAD Note is considered a higher risk than PMI investments because of two primary reasons; firstly, because the investment is not secured by way of a mortgage; and secondly, because there is no interest reserve set aside for the interest payments. It's important to note that while the TREAD note typically is not secured by a mortgage, it falls second only to mortgages secured against the property, which includes the TITAN PMI, and the construction financing, so this investment could be reasonably considered as a 3rd position on the property and takes priority over all subsequent positions or charges. Also, the interest payable on the TREAD note is paid at maturity. As such; there is no need for an interest reserve, as an investor's interest and principle will be returned in full upon the maturity of their investment.

64. When it became known to Kotton that there was insufficient credit support in place to effect the purported security, he took no steps to remedy that deficiency with respect to individuals who had purchased TREAD Notes prior to this point. By failing to do so, these investors were misled about the secured nature of their investment.

65. Further, contrary to TEG's representations to investors about the "asset backed" nature of their investment, Kotton caused the equity in Oxford on Bathurst to be eroded by costly short-term mortgage financings such that there was insufficient equity upon the sale of Oxford on Bathurst to repay TREAD Note-holders from the proceeds.

66. In a 13 month period between October 2014 and November 2015, Kotton eroded at least $3 million in equity by increasing the mortgage obligations on Oxford on Bathurst to pay, among others, creditors from other properties/projects.

67. More particularly, on October 16, 2014, $2.2 million was advanced to Kotton for which a third mortgage was registered against the property in the face amount of $3 million (the "Third Mortgage"). The Third Mortgage was at a rate of interest of 30% per annum and matured in 6 months on April 15, 2015.

68. Subsequently, on August 5, 2015, $4.75 million was advanced (the "New Third Mortgage") to pay out the existing Third Mortgage (which at that time was in default and notice of sale proceedings had been issued by the mortgagee) in the amount of $3.075 million and to allow Kotton to pay out a loan of $500,000, which funds had been advanced to Kotton in connection with a failed joint venture that was unrelated to Oxford on Bathurst or the other Properties. The New Third Mortgage carried interest at the rate of 24% and had a management fee of $750,000 for what was intended to be a 3 month mortgage. The balance of the proceeds, approximately $330,000, was used to pay other creditors.

69. Any equity that would otherwise have been available to satisfy obligations to the TREAD Note-holders upon the sale of Oxford on Bathurst was eroded by Kotton, resulting in losses to those investors.

70. By making representations about the "asset backed" nature of the TREAD Note in Titan Marketing and Promotional Materials as particularized above, Kotton and TEG made statements that a reasonable investor would consider relevant in deciding whether to enter into or maintain a trading or advising relationship, which statements were untrue or omitted information necessary to prevent the statements from being false or misleading in the circumstances in which they were made, contrary to subsection 44(2) of the Act.

71. As the Third Mortgage had not been paid out by the maturity date, the mortgagee issued a Notice of Sale under the *Mortgages Act* (Ontario) on May 6, 2015, with a redemption date of June 12, 2015. While the redemption period was running, Kotton attempted to obtain institutional financing to pay out the Third Mortgage.

72. At that time, Kotton also began to solicit investors about a "short term investment opportunity" in the form of Short Term Loans that would be paid out upon securing refinancing to pay out the Third Mortgage.

73. As Kotton was aware, the highest and most current appraisal for Oxford on Bathurst was $18-19 million "as is" and $21 million "as approved", and the obligations owing to creditors and investors in connection with the property at that time exceeded $21 million.

74. Between May 19 2015 and July 6 2015, Kotton raised a total of $1.6 million by causing 10703 Bathurst to issue Short Term Loans to 8 investors, increasing the total obligations against the property to $23.5 million.

75. Although Kotton secured financing by way of the New Third Mortgage in August 2015, none of the investors in the Short Term Loans were repaid.

76. In September, Kotton agreed to sell the Oxford on Bathurst for $20 million and the sale was completed during the course of the Receivership, with a shortfall of at least $3.5 million in connection with investor obligations on the property.

77. In effecting the sales of the Short Term Loans, Kotton was aware that the most current appraised value for Oxford on Bathurst ranged from $18-21 million, at its highest, and was aware that the issuance of the Short Term Loans created obligations on the property in excess of any known appraised value for the property. By soliciting investors and causing 10703 Bathurst to issue the Short Term Loans when, as Kotton knew, the appraised value did not support the obligations owing in connection with the property, Kotton dishonestly placed investors' pecuniary interests at risk, contrary to s. 126.1(1)(b) of the Act.

(vi) Conduct Contrary to s. 126.1(1)(b) of the Act - Kotton Cachet

78. Kotton Cachet consisted of four residential properties, each of which was occupied by a single-family detached home.

79. 230 Major Mack acquired the initial property on or about July 20, 2012 for $3 million and subsequently acquired the three adjoining properties on January 26, 2015 for $5.26 million.

80. Kotton and TEG raised funds in respect of Kotton Cachet through the sale of a various securities, including PMIs, TREAD Notes, and Preferred Shares. During the Material Time, Kotton and TEG raised a total of approximately $8 million from investors.

81. Although the Titan Group had completed its initial plans to remove the existing dwellings and to construct a series of detached and semi-detached homes, the property remained undeveloped during the Material Time.

82. Kotton Cachet was sold during the course of the Receivership for $14.25 million. At the time of the sale, the equity in Kotton Cachet was insufficient to fully repay the TREAD Note-holders and Preferred Shareholders.

83. In 2012, TEG, at the direction and instruction of Kotton, sold Preferred Shares in MM Holdings to raise funds in respect of Kotton Cachet. The Preferred Shares were marketed as "an equity investment" that was secured via an equity position in the property, with a defined term of 2 years, and a defined return of 14%.

84. In total, Kotton and TEG caused MM Holdings to issue approximately $3.1 million in Preferred Shares to approximately 18 investors. The Preferred Shares were sold on the basis that they could be redeemed upon maturity for the purchase price plus any accrued but unpaid dividends.

85. Kotton directed that the funds raised from the sale and issuance of the Preferred Shares be transferred to Executive and then used, among other things, for a loan to 230 Major Mack. As a result, MM Holdings had limited liquid assets. To satisfy its obligations to pay dividends, MM Holdings used a combination of subscription proceeds from a later Preferred Share issuance and subscription proceeds raised in connection with another property. Consequently, MM Holdings had a shareholders' deficiency and was insolvent.

86. Throughout the Material Time, MM Holdings had no income and no assets that would yield income until Kotton Cachet was completed and sold.

87. As was known to Kotton, the payment of dividends and the right to redeem the Preferred Shares was contingent upon on MM Holdings satisfying the solvency tests under the *Business Corporations Act* (Ontario).

88. Due to the structure of the Titan Group, the manner in which it raised funds, and the use of investor funds within the Titan Group, all of which was directed by Kotton, MM Holdings was at no time during the Material Time able to satisfy the corporate law solvency tests for the payment of redemption proceeds or dividends.

89. At no time during the Material Time, including at the time of sale or at the time of redemption in 2014, did Kotton or TEG disclose to investors that MM Holdings was insolvent and could not pay dividends or redemption proceeds. These were important facts that were not disclosed to investors. By not disclosing these facts to investors, Kotton and TEG dishonestly placed investors' pecuniary interests at risk, contrary to subsection 126.1(1)(b) of the Act

PART IV - NON-COMPLIANCE WITH ONTARIO SECURITIES LAW AND CONDUCT CONTRARY TO THE PUBLIC INTEREST

90. The Respondent acknowledges and admits that, during the Material Time :

(a) the Respondent made statements that a reasonable investor would consider relevant in deciding whether to enter into or maintain a trading or advising relationship, which statements were untrue or omitted information necessary to prevent the statements from being false or misleading in the circumstances in which they were made, contrary to subsection 44(2) of the Act;

(b) the Respondent engaged in or participated in acts contrary to section 126.1(1)(b) of the Act;

(c) the Respondent as an actual and/or *de facto* officer and director of each of the Titan Entities, authorized, permitted or acquiesced in the Titan Group's non-compliance with Ontario securities law and is responsible for same pursuant to section 129.2 of the Act; and

(d) as set out in sub-paragraphs (a) to (c), above, the Respondent engaged in conduct contrary to the public interest.

PART V - RESPONDENT'S POSITION

91. The Respondent intends to request that the panel at the Settlement Hearing (as defined below) consider the following mitigating circumstances:

(a) Kotton is a resident of the City of Toronto in the Province of Ontario and is currently 50 years of age;

(b) prior to the Material Time, Kotton had limited experience in the marketplace and limited knowledge of securities rules and regulations; and

(c) Kotton's educational background is as an auto mechanic.

92. For the purposes of this Settlement Agreement, Staff do not dispute the facts set out in paragraph 91. It is Staff's view, however, that these facts are not materially mitigating.

PART VI – STAFF'S POSITION

93. But for the appointment of the Receiver over the personal and business assets of Kotton for the benefit of the investors and other creditors of the Titan Group, Staff would be seeking significant monetary sanctions as against Kotton greater than the $100,000 administrative penalty and $25,000 in costs as contained in sub-paragraphs 94 (h) and (i) below.

PART VII -TERMS OF SETTLEMENT

94. The Respondent agrees to the terms of settlement set forth below.

95. The Respondent consents to the Order, pursuant to which it is ordered that:

(a) this Settlement Agreement is approved;

(b) trading in any securities or derivatives by Kotton cease permanently, pursuant to paragraph 2 of subsection 127(1) of the Act;

(c) acquisition of any securities by Kotton be prohibited permanently, pursuant to paragraph 2.1 of subsection 127(1) of the Act;

(d) any exemptions contained in Ontario securities law not apply to Kotton permanently, pursuant to paragraph 3 of subsection 127(1) of the Act;

(e) Kotton immediately resign any positions that he holds as director or officer of any issuer, registrant or investment fund manager, pursuant to paragraphs 7, 8.1 and 8.3 of subsection 127(1) of the Act;

(f) Kotton be permanently prohibited from becoming or acting as an officer or director of any issuer, registrant or investment fund manager, pursuant to paragraphs 8, 8.2 and 8.4 of subsection 127(1) of the Act;

(g) Kotton be permanently prohibited from becoming or acting as a registrant, as an investment fund manager or as a promoter, pursuant to paragraph 8.5 of subsection 127(1) of the Act;

(h) Kotton pay an administrative penalty in the amount of $100,000, pursuant to paragraph 9 of subsection 127(1) of the Act, which amount shall be designated for allocation or for use by the Commission in accordance with subsections 3.4(2)(b)(i) or (ii) of the Act; and

(i) Kotton pay costs in the amount of $25,000, pursuant to section 127.1 of the Act.

96. Nothing in this Settlement Agreement shall prevent Kotton from bringing an application pursuant to s. 144 of the Act to revoke or vary the terms listed in paragraph 95.

97. The Respondent acknowledges that failure to pay in full any monetary sanctions and/or costs ordered will result in the Respondent's name being added to the list of "Respondents Delinquent in Payment of Commission Orders" published on the Commission's website.

98. The Respondent consents to a regulatory order made by any provincial or territorial securities regulatory authority in Canada containing any or all of the sanctions set out in

paragraph, other than sub-paragraphs 95 (h) and (i). These sanctions may be modified to reflect the provisions of the relevant provincial or territorial securities law.

99. The Respondent acknowledges that this Settlement Agreement and the Order may form the basis for orders of parallel effect in other jurisdictions in Canada. The securities laws of some other Canadian jurisdictions allow orders made in this matter to take effect in those other jurisdictions automatically, without further notice to the Respondent. The Respondent should contact the securities regulator of any other jurisdiction in which the Respondent intends to engage in any securities- or derivatives-related activities, prior to undertaking such activities.

PART VIII - FURTHER PROCEEDINGS

100. If the Commission approves this Settlement Agreement, Staff will not commence or continue any proceeding against the Respondent under Ontario securities law based on the misconduct described in Part III of this Settlement Agreement, unless the Respondent fails to comply with any term in this Settlement Agreement, with the exceptions of the terms set out in sub-paragraphs 95 (h) and (i) (a **"**Breach**"**). In the event that a Breach occurs, Staff may bring proceedings under Ontario securities law against the Respondent that may be based on, among other things, the facts set out in Part III of this Settlement Agreement as well as the breach of this Settlement Agreement.

101. The Respondent waives any defences to a proceeding referenced in paragraph 100 that are based on the limitation period in the Act, provided that no such proceeding shall be commenced later than six years from the date of the occurrence of the last failure to comply with this Settlement Agreement.

PART IX- PROCEDURE FOR APPROVAL OF SETTLEMENT

102. The parties will seek approval of this Settlement Agreement at a public hearing (the "Settlement Hearing") before the Commission, which shall be held on a date determined by the Secretary to the Commission in accordance with this Settlement Agreement and the Commission's *Rules of Procedure* (2014), 37 O.S.C.B. 4168.

103. The Respondent will attend the Settlement Hearing in person.

104. The parties confirm that this Settlement Agreement sets forth all of the agreed facts that will be submitted at the Settlement Hearing, unless the parties agree that additional facts should be submitted at the Settlement Hearing.

105. If the Commission approves this Settlement Agreement:

(a) the Respondent irrevocably waives all rights to a full hearing, judicial review or appeal of this matter under the Act; and

(b) neither party will make any public statement that is inconsistent with this Settlement Agreement or with any additional agreed facts submitted at the Settlement Hearing.

106. Whether or not the Commission approves this Settlement Agreement, the Respondent will not use, in any proceeding, this Settlement Agreement or the negotiation or process of approval of this Settlement Agreement as the basis for any attack on the Commission's jurisdiction, alleged bias, alleged unfairness or any other remedies or challenges that may be available.

PART X - DISCLOSURE OF SETTLEMENT AGREEMENT

107. If the Commission does not make the Order:

(a) this Settlement Agreement and all discussions and negotiations between Staff and the Respondent before the Settlement Hearing will be without prejudice to Staff and the Respondent; and

(b) Staff and the Respondent will each be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing on the merits of the allegations contained in the Statement of Allegations in respect of the Proceeding. Any such proceedings, remedies and challenges will not be affected by this Settlement Agreement, or by any discussions or negotiations relating to this Settlement Agreement.

108. The parties will keep the terms of this Settlement Agreement confidential until the Settlement Hearing, unless they agree in writing not to do so or unless otherwise required by law.

PART XI - EXECUTION OF SETTLEMENT AGREEMENT

109. This Settlement Agreement may be signed in one or more counterparts which together constitute a binding agreement.

110. A facsimile copy or other electronic copy of any signature will be as effective as an original signature.

DATED at the City of _____, the Province of _____ , this day of May, 2017.

"Maina Levin"	"Lance Kotton"
Witness:	**LANCE KOTTON**

DATED at the City of Toronto, the Province of Ontario, this 23rd day of May, 2017.

ONTARIO SECURITIES COMMISSION

"Jeff Kehoe"

By: _____

Name: Jeff Kehoe
Title: Director, Enforcement Branch

Schedule "A"

Ontario Securities Commission | Commission des valeurs mobilières de l'Ontario | 22nd Floor, 20 Queen Street West, Toronto ON M5H 3S8 | 22e étage, 20, rue queen ouest, Toronto ON M5H 3S8

IN THE MATTER OF
LANCE KOTTON

Timothy Moseley, Chair of the Panel
William Furlong, Commissioner
Mark Sandler, Commissioner

May 26, 2017

ORDER
(Sections 127 and 127.1 of the
***Securities Act* R.S.O. 1990, c S.5)**

THIS APPLICATION, made jointly by Staff of the Commission and Lance Kotton ("Kotton") for approval of a settlement agreement dated May 23, 2017 (the "Settlement Agreement"), was heard on May 26, 2017 at the offices of the Commission, located at 20 Queen Street West, 17th Floor, Toronto, Ontario;

ON READING the Statement of Allegations dated May 23, 2017, the Joint Application Record for a Settlement Hearing dated May 23, 2017, including the Settlement Agreement, and on hearing the submissions of the representatives for Kotton and Staff;

IT IS ORDERED THAT:

(a) the Settlement Agreement is approved;

(b) trading in any securities or derivatives by Kotton cease permanently, pursuant to paragraph 2 of subsection 127(1) of the Act;

(c) acquisition of any securities by Kotton be prohibited permanently, pursuant to paragraph 2.1 of subsection 127(1) of the Act;

(d) any exemptions contained in Ontario securities law not apply to Kotton permanently, pursuant to paragraph 3 of subsection 127(1) of the Act;

(e) Kotton immediately resign any positions that he holds as director or officer of any issuer, registrant or investment fund manager, pursuant to paragraphs 7, 8.1 and 8.3 of subsection 127(1) of the Act;

(f) Kotton be permanently prohibited from becoming or acting as an officer or director of any issuer, registrant or investment fund manager, pursuant to paragraphs 8, 8.2 and 8.4 of subsection 127(1) of the Act;

(g) Kotton be permanently prohibited from becoming or acting as a registrant, as an investment fund manager or as a promoter, pursuant to paragraph 8.5 of subsection 127(1) of the Act;

(h) Kotton pay an administrative penalty in the amount of $100,000, pursuant to paragraph 9 of subsection 127(1) of the Act, which amount shall be designated for allocation or for use by the Commission in accordance with subsections 3.4(2)(b)(i) or (ii) of the Act; and

(i) Kotton pay costs in the amount of $25,000, pursuant to section 127.1 of the Act.

Timothy Moseley

William Furlong

Mark Sandler