

**In the Matter of
*The Securities Act, 1988***

and

**In the Matter of
Playa Exclusive Realty & Déjà Properties S.A. De C.V.
Brad Yarotsky
and
Santino Bellabono**

**STATEMENT OF ALLEGATIONS
OF STAFF OF FINANCIAL AND CONSUMER AFFAIRS
AUTHORITY OF SASKATCHEWAN**

Staff of Financial and Consumer Affairs Authority of Saskatchewan (**FCAA Staff**) make the following allegations:

The Respondents

1. The Respondent, Playa Exclusive Realty & Déjà Properties S.A. De C.V. (**Playa**), was at all material times a business corporation registered in the state of Quintana Roo, Mexico. The registered office of Playa was at all material times in the city of Playa del Carmen in the State of Quintana Roo, Mexico.
2. The Respondent, Brad Yarotsky (**Yarotsky**), is an individual residing in [REDACTED], [REDACTED]. At all material times, he was the Chief Operating Officer, Chief Technical Officer, a co-managing partner, and/or a shareholder of Playa.
3. The Respondent, Santino Bellabono (**Bellabono**), is an individual residing in or around the state of [REDACTED], [REDACTED]. At all material times, he was the Chief Executive Officer, sole administrator, a co-managing partner, and/or the majority shareholder of Playa.
4. Playa, Yarotsky, and Bellabono will be collectively referred to as “the Respondents”.

Contraventions of subsections 27(2), 55.1, 55.11(1), and 58(1) of *The Securities Act, 1988* (Act); sections 13.2 and 13.3 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (NI 31-103); and section 6.1 of National Instrument 45-106 *Prospectus Exemptions* (NI 45-106)

5. In or around 2017, Playa undertook the development and operation of two projects located in Playa del Carmen, Quintana Roo, Mexico. The first was Déjà vu Hostel and Rooftop Bar (**Déjà 1**). The second was an ongoing project involving the renovation of a hotel into

a hostel (**Déjà 2**).

6. From in or around October, 2017 to in or around June, 2018 (**Relevant Time**), Yarotsky met with residents of Saskatchewan and provided them with information regarding an investment opportunity relating to Déjà 2. Yarotsky received approximately \$150,000 from 19 investors for the Déjà 2 project.
7. During the Relevant Time, the following 3 of the above mentioned investors made investments in the Déjà 2 project on the following dates (or thereabouts):

Investor 1	\$10,000.00	November 29, 2017
Investors 1 and 2	\$5,000.00	March 6, 2018
Investor 3	\$5,000.00	January 26, 2018
	\$5,000.00	February 20, 2018

(collectively, **Déjà 2 Investors**)

Investor 1 and 2's Investments with the Respondents

8. On or about November 29, 2017 Investor 1 purchased four shares in the Déjà 2 project for \$2,500.00 each. Yarotsky issued Investor 1 a "Receipt for Purchased Shares", which was signed by Investor 1 and Yarotsky. Investor 1's investment funds were deposited into Yarotsky's personal bank account.
9. Yarotsky and Bellabono regularly communicated with the Déjà 2 Investors *via* WhatsApp: a cross-platform messaging service. On or about March 4, 2018 Bellabono sent a request to the Déjà 2 Investors over WhatsApp for an additional \$15,000.00 to complete Deja 2.
10. In response, on or about March 6, 2018 Investor 1 and his wife, Investor 2, purchased an additional two shares in Déjà 2 for \$2,500.00 each. Yarotsky issued Investors 1 and 2 a "Receipt for Purchased Shares", which was signed by Investor 1 and Yarotsky. Investor 1 and 2's investment funds were deposited into Yarotsky's personal bank account. The funds were further transferred in whole or in part to Bellabono's personal bank account.
11. The Respondents were not registered as dealers or as representatives of a registered dealer in Saskatchewan.
12. The Respondents were not registered as advisers in Saskatchewan.
13. The Respondents represented that they would provide a shareholder agreement, prospectus, and accurate and detailed monthly financial reports to Investors 1 and 2. No shareholder agreement or prospectus were ever provided to Investor 1 and 2. Financial reports were not provided to Investors 1 and 2 on a monthly basis.
14. Yarotsky represented to Investors 1 and 2 that he owned 25 shares in Déjà 2, however he

did not pay for some or all of the shares. Yarotsky did not inform Investors 1 and 2 of this fact.

15. Bellabono represented to Investors 1 and 2 that he owned 25 shares in Déjà 2, however he did not pay for some or all of the shares. Bellabono did not inform Investors 1 and 2 of this fact.
16. During the Relevant Time, Playa did not have its own corporate bank account, and investment funds were instead being deposited and transferred through Yarotsky and Bellabono's personal bank accounts. The Respondents did not inform Investors 1 and 2 of this fact.
17. Playa was not licensed to operate a hostel in Quintana Roo, Mexico. The Respondents did not inform Investors 1 and 2 of this fact.
18. The Respondents acquired investment funds from new investors and used those funds to reimburse a previous investor who wanted a return of their investment funds. The Respondents did not inform Investors 1 and 2 of this fact.
19. The Respondents did not file a preliminary prospectus or prospectus with the FCAA relating to the distribution of any of shares in Déjà 2, and no receipts have been issued by the Director of the FCAA's Securities Division.
20. The Respondents did not file any Form 45-106F1s (Reports of Exempt Distribution) with the FCAA after the distribution of shares in Déjà 2 to Investors 1 and 2 insofar as the Respondents claim that any exemptions from the requirements in subsection 58(1) were available to them.

Investor 3's Investments with the Respondents

21. On or about January 26, 2018 Investor 3 purchased two shares in the Déjà 2 project for \$2,500.00CAD each. Yarotsky issued Investor 3 a "Receipt for Purchased Shares", which was signed by Yarotsky. Investor 3's investment funds were deposited into Yarotsky's personal bank account.
22. In or about February, 2018 Yarotsky sent a request over WhatsApp to the Déjà 2 Investors for additional funds to complete the project.
23. On or about February 20, 2018 Investor 3 purchased an additional two shares in the Déjà 2 project for \$2,500.00 each. Yarotsky issued Investor 3 a "Receipt for Purchased Shares", which was signed by Yarotsky. Investor 3's investment funds were deposited into Yarotsky's personal bank account.
24. On or about March 4, 2018, Bellabono requested funds from Déjà 2 Investors including Investor 3
25. The Respondents were not registered as dealers or as representatives of a registered dealer in Saskatchewan.

26. The Respondents were not registered as advisers in Saskatchewan.
27. The Respondents represented that they would provide a shareholder agreement, prospectus, and accurate and detailed monthly financial reports to Investor 3. No shareholder agreement or prospectus were ever provided to Investor 3. Financial reports were not provided to Investor 3 on a monthly basis.
28. Yarotsky represented to Investor 3 that he owned 25 shares in Déjà 2, however he did not pay for some or all of the shares. Yarotsky did not inform Investor 3 of this fact.
29. Bellabono represented to Investor 3 that he owned 25 shares in Déjà 2, however he did not pay for some or all of the shares. Bellabono did not inform Investor 3 of this fact.
30. During the Relevant Time, Playa did not have its own corporate bank account, and investment funds were instead being deposited and transferred through Yarotsky and Bellabono's personal bank accounts. The Respondents did not inform Investor 3 of this fact.
31. Playa was not licensed to operate a hostel in Quintana Roo, Mexico. The Respondents did not inform Investor 3 of this fact.
32. The Respondents acquired investment funds from new investors and used those funds to reimburse a previous investor who wanted a return of their investment funds. The Respondents did not inform Investor 3 of this fact.
33. The Respondents did not file a preliminary prospectus or prospectus with the FCAA relating to the distribution of any of shares in Déjà 2, and no receipts have been issued by the Director of the FCAA's Securities Division.
34. The Respondents did not file any Form 45-106F1s (Reports of Exempt Distribution) with the FCAA after the distribution of shares in Déjà 2 to Investor 3 insofar as the Respondents claim that any exemptions from the requirements in subsection 58(1) were available to them.

Contraventions

35. In carrying out the acts indicated at paragraphs 5-8, 10, 11, 21, and 24 above, the Respondents acted as dealers as defined in paragraph 2(1)(m) of *The Securities Act (Act)* by engaging in or holding themselves out as engaging in the business of trading in securities or derivatives as principal or agent without being registered to do so in contravention of paragraph 27(2)(a) of the Act.
36. In carrying out the acts indicated at paragraph 6, 12, and 26 above, Yarotsky acted as an adviser as defined by section 2(1)(a.1) of the Act by engaging in or holding himself out as engaging in the business of advising another as to the investing in or the buying or selling of securities or derivatives without being registered to do so in contravention of paragraph 27(2)(b) of the Act.

37. In carrying out the acts indicated at paragraphs 7, 8, 10, 17, 18, 21, 23, 31 and 32 above, the Respondents engaged or participated in acts, practices, or courses of action relating to securities or derivatives or underlying interests in derivatives that they knew or reasonably ought to have known perpetrated a fraud on a person or company in contravention of subsection 55.1(b) of the Act.
38. In carrying out the acts indicated at paragraphs 13-18 and 27-32 above, the Respondents made statements that they knew or reasonably ought to have known were misleading or untrue in a material respect and at the time and in the light of the circumstances under which they were made, and the statements would reasonably have been expected to have a significant effect on the market price or value of a security or derivative in contravention of subsection 55.11(1) of the Act.
39. In carrying out the acts indicated at paragraphs 8, 10, 21, and 23 above, the Respondents did not take reasonable steps to ensure that they had sufficient information of the Déjà 2 Investors' investment needs and objectives, financial circumstances, and risk tolerance in contravention of section 13.2 of NI 31-103.
40. In carrying out the acts indicated at paragraphs 8, 10, 21, and 23 above, the Respondents did not take reasonable steps to ensure that, before they made a recommendation to or accepted instruction from the Déjà 2 Investors to buy a security, the purchase of the security was suitable for the Déjà 2 Investors in contravention of section 13.3 of NI 31-103.
41. In carrying out the acts indicated at paragraphs 8, 10, 19, 21, 23, and 33 above, the Respondents traded in a security on their own behalf or on behalf of another person or company where the trade was a distribution of the security without filing a preliminary prospectus relating to the distribution of the security with the FCAA and without receiving a receipt for the preliminary prospectus in contravention of subsection 58(1) of the Act.
42. In carrying out the acts indicated at paragraphs 20 and 34 above, and insofar as the Respondents are able to prove the availability of any exemptions from the requirements of subsection 58(1) of the Act, the Respondents contravened section 6.1 of NI 45-106.

Relief Sought

43. Based on the above, FCAA Staff ask a panel of the FCAA appointed pursuant to section 17 of The Financial and Consumer Affairs Authority of Saskatchewan Act (**Panel**) to consider whether it is in the public interest to make the following orders:
 - a. Pursuant to paragraph 134(1)(a) of the Act, all of the exemptions in Saskatchewan securities laws do not apply to the Respondents, permanently;
 - b. Pursuant to paragraph 134(1)(d) of the Act, the Respondents shall cease trading in any securities and derivatives in Saskatchewan, permanently;

- c. Pursuant so paragraph 134(1) (d.1) of the Act, the Respondents shall cease acquiring securities and derivatives for and on behalf of residents of Saskatchewan, permanently;
- d. Pursuant to paragraph 134(1)(e) of the Act, the Respondents shall cease giving advice respecting securities, derivatives, and trades thereof in Saskatchewan, permanently;
- e. Pursuant to subparagraph 134(1)(h)(i) of the Act, Yarotsky and Bellabono shall resign any position that they hold as a director or officer of an issuer, a registrant, or an investment fund manager;
- f. Pursuant to subparagraph 134(1)(h)(ii) of the Act, Yarotsky and Bellabono are prohibited from becoming or acting as a director or officer of any issuer, registrant, or investment fund manager, permanently;
- g. Pursuant to subparagraph 134(1)(h)(iii) of the Act, Yarotsky and Bellabono shall not be employed by any issuer, registrant, or investment fund manager in any capacity that would entitle them to trade or advise in securities or derivatives, permanently;
- h. Pursuant to paragraph 134(1) (h.1) of the Act, the Respondents are prohibited from becoming or acting as a registrant, an investment fund manager, or a promoter, permanently;
- i. Pursuant to section 135.1 of the Act, the Respondents shall, jointly and severally, pay an administrative penalty to the FCAA in the amount of \$40,000.00, or any other amount allowed by the Panel;
- j. Pursuant to section 135.6 of the Act, the Respondents shall, jointly and severally, pay financial compensation to each person or company found to have sustained financial loss caused in whole or in part by contraventions of Saskatchewan securities laws committed by the Respondents, in amounts to be determined; and
- k. Pursuant to section 161 of the Act the Respondents shall, jointly and severally, pay the costs of or relating to the hearing of this matter.

DATED at Regina, Saskatchewan, this 1 day of May, 2020.

“Dean Murrison”

Dean Murrison
Director,
Securities Division
Financial and Consumer Affairs Authority of
Saskatchewan