



THE MANITOBA
SECURITIES
COMMISSION

IN THE MATTER OF: THE REAL ESTATE BROKERS ACT

- and -

IN THE MATTER OF: SARAH PAO

**STATEMENT OF ALLEGATIONS OF STAFF OF
THE MANITOBA SECURITIES COMMISSION**

STAFF OF THE MANITOBA SECURITIES COMMISSION ALLEGE, AMONG OTHER THINGS, THAT:

A. REGISTRATION

1. Sarah Pao ("SARAH PAO") was first registered as a salesperson under *The Real Estate Brokers Act* ("Act") on May 11, 2010 and continued to be so registered until June 30, 2016.
2. At all material times, SARAH PAO was registered as a salesperson with 3529763 Manitoba Ltd. operating as Coldwell Banker Preferred Real Estate ("COLDWELL BANKER") as her employing broker.
3. At all material times, COLDWELL BANKER was registered as a broker under the Act.
4. SARAH PAO ceased to be registered under the Act on June 30, 2016 and has not been registered under the Act in any capacity since.

B. DETAILS

Background -

1. The conduct which is the subject of these allegations involves the sale of various properties by three first nations for whom SARAH PAO acted as real estate salesperson and, furthermore, the subsequent resale of some of said properties in which case SARAH PAO was again involved

as real estate salesperson.

2. Each of the properties in question was owned by one of three first nations: Long Plain First Nation ("LONG PLAIN"), Sandy Bay Ojibway First Nation ("SANDY BAY") and Birdtail Sioux First Nation ("BIRDTAIL"), hereinafter collectively referred to as the FIRST NATIONS.
3. Each of the FIRST NATIONS had themselves only recently acquired the properties in question for nominal fees as a result of a federal government program.
4. Each of the FIRST NATIONS had an immediate need for money and was looking to the sale of the properties for funds needed.
5. SARAH PAO was aware of the FIRST NATIONS' financial distress and their immediate need for money from sale proceeds.

First Group of Sales by LONG PLAIN (no real estate salesperson) -

6. In 2013, LONG PLAIN sold three properties located in Virden, Manitoba ("LONG PLAIN Virden Properties") to Zenke Investments Ltd. ("ZENKE") as a result of offers to purchase made by ZENKE in January of 2013.
7. ZENKE was at all material times a company incorporated under the laws of Manitoba with Apolinaria Tugade ("TUGADE"), SARAH PAO's maternal grandmother, as first director and Evelyn Pao ("EVELYN"), SARAH PAO's mother, named as director prior to said offers having been made.
8. In each case, the offer to purchase was signed by TUGADE, for ZENKE.
9. In each case, land titles and mortgage documents were signed by EVELYN, for ZENKE.
10. In conjunction with purchasing the LONG PLAIN Virden Properties, a mortgage was obtained by ZENKE as signed by EVELYN.
11. SARAH PAO was a covenantor on the purchaser's mortgage.
12. The offers to purchase the LONG PLAIN Virden Properties provided for purchase prices well below the assessed and appraised values.
13. The total amount offered for the LONG PLAIN Virden Properties was

approximately 82% of the total assessed values and 66% of the total appraised values.

14. No sales commissions were paid on the sale of the LONG PLAIN Virden Properties, as there was no real estate salesperson representing LONG PLAIN.
15. Following the sale of the LONG PLAIN Virden Properties, nine additional properties owned by LONG PLAIN were sold with, in each case, SARAH PAO acting as the real estate salesperson. Details of the sale of these subsequent properties are stated below.
16. In addition, following the sale of the LONG PLAIN Virden Properties, properties owned by SANDY BAY and BIRDTAIL were also sold with SARAH PAO acting as the real estate salesperson. The circumstances regarding the sale of these properties are also stated below.
17. As to all of the sales by FIRST NATIONS of the properties described below, all were sold to numbered companies owned by immediate family of SARAH PAO and operated by her mother EVELYN.

SARAH PAO as agent (Long Plain Sales) –

18. After the LONG PLAIN Virden Properties, nine more properties owned by LONG PLAIN were promptly sold (“LONG PLAIN Nine”).
19. SARAH PAO was the agent for LONG PLAIN with exclusive listings in each case of the LONG PLAIN Nine.
20. SARAH PAO contacted her mother EVELYN as to whether she was interested in buying the properties. Thereafter, offers were made by companies owned and operated by immediate family of SARAH PAO and presented by SARAH PAO to her client LONG PLAIN.
21. In each case, no other offers to purchase were presented by SARAH PAO to her client. The properties were not listed on the multiple listing service (“MLS”). No other potential purchasers were approached by SARAH PAO.
22. The prices offered and accepted for the LONG PLAIN Nine properties were as shown below, together with the assessed and the pre-sale appraised values.

Property #	2012 Assessed Value	Appraised Value	Appraised Date	Offer Accepted Date	Purchase Amount	Re-Sale offer accepted date	Re-Sale Amount
4	202,000	200,000	2012-12-10	2013-05-29	114,000	2013-07-25	216,000
5	101,000	99,000	2012-12-10	2013-05-29	66,000	2013-10-06	135,000
6	126,000	131,000	2012-12-10	2013-05-29	76,000	2013-11-23	136,000
7	114,000	120,000	2012-12-10	2013-05-29	56,000	2013-08-09	105,000
8	153,000	124,000	2011-07-12	2013-06-11	50,000	2013-07-22	129,900
9	140,500	N/A	N/A	2013-08-13	100,000		
10	140,500	N/A	N/A	2013-08-13	100,000		
11	179,000	N/A	N/A	2013-08-13	130,000	2014-10-22	244,000
12	116,800	N/A	N/A	2013-08-13	100,000		

23. For properties #4 to #8, the offers to purchase were made by 6719636 Manitoba Ltd. ("6719636").
24. 6719636 was at all material times a company incorporated under the laws of Manitoba.
25. As at its date of incorporation, May 22, 2013, the incorporator and first director of 6719636 was TUGADE, SARAH PAO's maternal grandmother.
26. In each case, the offer to purchase was signed on behalf of 6719636 by TUGADE.
27. On June 1, 2013, TUGADE ceased to be a director of 6719636. Concurrently, EVELYN, SARAH PAO's mother, became a director and signed documentation as president of 6719636, submitted to the Companies Office, Province of Manitoba.
28. At all material times, 6719636 was operated by EVELYN for the purpose of purchasing and renovating properties and income splitting.
29. The offers to purchase properties #4 to #8 provided for purchase prices well below the assessed and appraised values.
30. The total amount offered for properties #4 to #8 was approximately 49% of the total assessed values and approximately 54% of the total appraised values.
31. For properties #9 to #12, the offers to purchase were made by 6758917 Manitoba Ltd. ("6758917").
32. 6758917 was incorporated on July 30, 2013 and was at all material times a company incorporated under the laws of Manitoba.

33. The incorporator and first director of 6758917 was Erin Watson ("WATSON"). WATSON was a daughter-in-law of EVELYN and a sister-in-law to SARAH PAO.
34. In each case, the offer to purchase was signed on behalf of 6758917 by WATSON.
35. At all material times, 6758917 was operated by EVELYN for the purpose of purchasing and renovating properties.
36. The offers to purchase properties #9 to #12 provided for purchase prices well below the assessed values.
37. The total amount offered for properties #9 to #12 was approximately 75% of the total assessed values. There were no appraisals.
38. The transfers of land for three of the four properties #9 to #12 were filed in the Brandon Land Titles Office ("BLTO"). The BLTO questioned the fair market values stated in the transfers as being too low. The fair market value as initially sworn had matched the price being paid to LONG PLAIN. Subsequently, a schedule signed by EVELYN was filed with the BLTO for each of the three transfers, restating the fair market values to match the assessed values.
39. In conjunction with purchasing each of the properties #9 to #12, a mortgage was obtained by 6758917 as signed by EVELYN.
40. SARAH PAO was a covenantor on the purchaser's mortgage in each case.
41. LONG PLAIN paid realtor commissions on the sale of the LONG PLAIN Nine totaling \$39,600.00. SARAH PAO acted as agent for both the seller LONG PLAIN and the purchaser.
42. In the case of properties #8 to #12, there were no written listing agreements. For properties #8 to #12 alone, LONG PLAIN paid commissions of \$24,000.00.

SARAH PAO as agent (Sandy Bay Sales) –

43. After the LONG PLAIN Nine, SARAH PAO acted as agent for SANDY BAY with exclusive listings in the sale of a total of 20 properties ("SANDY BAY PROPERTIES").
44. All of the SANDY BAY PROPERTIES were sold to 6758917.

45. All of the offers to purchase were signed on behalf of 6758917 by WATSON.
46. In each case, no other offers to purchase were presented by SARAH PAO to her client. The properties were not listed on the multiple listing service ("MLS"). No other potential purchasers were approached by SARAH PAO.
47. 11 of the 20 properties sold by offers to purchase accepted on October 4, 2013 ("SANDY BAY FIRST GROUP").
48. The remaining nine of the 20 properties sold by offers to purchase accepted on January 14, 2014 ("SANDY BAY SECOND GROUP").
49. The prices offered and accepted for the SANDY BAY PROPERTIES were as shown below, together with the 2012 assessed values.

SANDY BAY FIRST GROUP

Property #	2012 Assessed Value	Offer Accepted Date	Purchase Amount	Re-Sale offer accepted date	Re-Sale Amount
13	177,000	2013-10-04	120,500	2014-08-18	195,000.00
14	135,000	2013-10-04	84,750	2014-06-15	209,900.00
15	199,000	2013-10-04	120,500	2014-09-06	223,000.00
16	124,000	2013-10-04	83,750	2014-03-10	185,000.00
17	55,100	2013-10-04	36,500	2014-03-05	82,500.00
18	55,100	2013-10-04	36,500	2014-03-05	82,500.00
19	181,000	2013-10-04	99,000	2014-07-05	214,900.00
20	151,000	2013-10-04	99,000		
21	37,000	2013-10-04	26,000	2014-03-24	48,000.00
22	290,000	2013-10-04	210,000	2014-05-08	325,000.00
23	151,000	2013-10-04	83,500		
TOTALS	1,555,200		1,000,000		

SANDY BAY SECOND GROUP

Property #	2012 Assessed Value	Offer Accepted Date	Purchase Amount	Re-Sale offer accepted date	Re-Sale Amount
34	133,600	2014-01-14	90,000		
35	135,500	2014-01-14	90,000		
36	132,400	2014-01-14	90,000	2015-03-31	185,000.00
37	119,300	2014-01-14	90,000		
38	209,000	2014-01-14	150,000		
39	223,800	2014-01-14	176,000	2014-07-14	279,900.00
40	139,400	2014-01-14	81,440		
41	162,000	2014-01-14	81,440		
42	108,200	2014-01-14	80,000		
TOTALS	1,363,200		928,880		

50. The offers to purchase the SANDY BAY FIRST GROUP and the SANDY BAY SECOND GROUP properties provided for purchase prices well below the assessed values, at 64% and 68% respectively. There were no applicable pre-transaction appraised values.
51. Of the SANDY BAY PROPERTIES, the seven transfers of land filed with the BLTO, namely for properties #34 to #37 and #39 to #41, were rejected as the sworn fair market values were too low. The values as initially sworn had matched the price being paid to SANDY BAY. Subsequently, a schedule for each transfer was signed by EVELYN and filed with the BLTO restating the fair market values to match the assessed values.
52. All of the above described rejected transfers were for properties in the SANDY BAY SECOND GROUP.
53. In respect of the SANDY BAY FIRST GROUP, for four of the 11 properties there was a mortgage placed on the property, with EVELYN, SARAH PAO's mother, signing the land titles form. For at least three of the four mortgages, SARAH PAO was a covenantor.
54. In respect of the SANDY BAY SECOND GROUP, in conjunction with purchasing each of the nine properties, a mortgage was obtained by 6758917 with the related land titles form signed by EVELYN. SARAH PAO was a covenantor on the mortgage in each case.
55. SANDY BAY paid realtor commissions on the sale of the SANDY BAY PROPERTIES totaling \$96,444.00. SARAH PAO acted as agent for both the seller SANDY BAY and the purchaser.
56. In the case of the SANDY BAY SECOND GROUP, there were no written listing agreements. For these properties alone, SANDY BAY paid commissions of \$46,444.00.

SARAH PAO as agent (Birdtail Sales) -

57. The hiring of SARAH PAO as agent for BIRDTAIL was done through David Meeches, then Chief of LONG PLAIN.
58. SARAH PAO acted as agent for BIRDTAIL with exclusive listings in the sale of a total of 10 properties ("BIRDTAIL PROPERTIES").
59. All of the BIRDTAIL PROPERTIES were sold to 6758917.
60. All of the offers to purchase were signed on behalf of 6758917 by WATSON.

61. In each case, no other offers to purchase were presented by SARAH PAO to her client. The properties were not listed on the multiple listing service ("MLS"). No other potential purchasers were approached by SARAH PAO.
62. Half of the properties sold by offers to purchase accepted on November 4, 2013 ("BIRDTAIL FIRST HALF").
63. The remaining half of the 10 BIRDTAIL PROPERTIES sold by offers to purchase accepted on January 7, 2014 ("BIRDTAIL SECOND HALF").
64. The prices offered and accepted for the BIRDTAIL PROPERTIES were as shown below, together with the 2012 assessed and the pre-sale appraised values.

Property #	2012 Assessed Value	Appraised Value	Appraised Date	Offer Accepted Date	Purchase Amount	Re-Sale offer accepted date	Re-Sale Amount
24	176,600	180,000	2013-09-12	2013-11-04	126,000		
25	163,600	188,000	2013-09-12	2013-11-04	138,000	2015-01-19	185,000
26	190,000	200,000	2013-09-12	2013-11-04	135,000		
27	199,500	200,000	2013-09-12	2013-11-04	127,000		
28	174,900	232,000	2013-09-12	2013-11-04	154,000		
29	150,900	167,500	2013-10-07	2014-01-07	150,000		
30	152,500	170,000	2013-10-07	2014-01-07	140,000		
31	133,300	130,000	2013-10-07	2014-01-07	126,000		
32	144,000	160,000	2013-10-07	2014-01-07	135,000		
33	102,500	110,000	2013-10-07	2014-01-07	100,000		

65. The 2013 offers to purchase the BIRDTAIL FIRST HALF provided for purchase prices well below the 2012 assessed values and appraised values, at 75% and 68% respectively.
66. The 2014 offers to purchase the BIRDTAIL SECOND HALF provided for purchase prices below the 2012 assessed values and appraised values, at 95% and 88%.
67. All of the transfers of land for the BIRDTAIL PROPERTIES were filed in the BLTO. The BLTO questioned the fair market values stated in the transfers as being too low. The fair market value as initially sworn had matched the price being paid to BIRDTAIL. Subsequently, a schedule was filed with the BLTO for each transfer, restating the fair market values to be higher than initially stated.
68. In the case of properties #24 to #26 and all of the BIRDTAIL SECOND HALF properties, the fair market value was restated to be the appraised

values.

69. In the case of properties #27 and #28, the fair market value was restated to be the assessed values.
70. In respect of the BIRDTAIL PROPERTIES, in each case, EVELYN, SARAH PAO's mother, signed a land titles form regarding a mortgage.
71. In respect of the BIRDTAIL FIRST HALF, in conjunction with purchasing the properties, a mortgage was obtained by 6758917 as signed by EVELYN.
72. SARAH PAO was a covenantor on the purchaser's mortgage in each case.
73. In respect of the BIRDTAIL SECOND HALF, a mortgage was obtained by 6758917 as signed by EVELYN.
74. SARAH PAO was a covenantor on the purchaser's mortgage in each case.
75. BIRDTAIL paid realtor commissions on the sale of the BIRDTAIL PROPERTIES totaling \$66,550.00.
76. In the case of the BIRDTAIL SECOND HALF, there were no written listing agreements. For these properties alone, BIRDTAIL paid commissions of \$32,550.00.

SARAH PAO Commissions on property sales by FIRST NATIONS –

77. The total amount of commissions paid by the FIRST NATIONS with SARAH PAO acting as their agent was \$202,594.
78. Of the above total, \$102,994.00 was paid on properties sold as exclusive listings for which there were no written listing agreements completed.

General -

79. SARAH PAO did not disclose to her selling clients, the FIRST NATIONS, that the numbered companies purchasing the properties were owned and operated by immediate family of hers.
80. SARAH PAO did not disclose to her selling clients, the FIRST NATIONS, that she herself had a financial interest as a covenantor on the mortgages of the purchasing numbered companies.

81. Although SARAH PAO had contacts for other potential buyers of the properties of the FIRST NATIONS, she only contacted her mother EVELYN, did not list any of the properties on MLS when being sold by the FIRST NATIONS, and in general did almost nothing to market the properties for her FIRST NATIONS clients or to advise them of their fair market value.
82. Many of the properties bought by numbered companies owned and operated by immediate family of SARAH PAO were resold for significantly higher prices. The resale prices are shown in the tables above.
83. On the resales, SARAH PAO again acted as agent and collected commissions.
84. As to the properties identified above as #8 - #12, #34 - #42, and #29 - #33, SARAH PAO did not report to her employing broker her conduct leading up to and of obtaining listing agreements.

Offers on Additional LONG PLAIN Properties for Sale -

85. In or about December of 2013, five additional properties were available for sale by LONG PLAIN. Offers on all five properties were submitted by SARAH PAO and were rejected by the new Chief and Council.
86. In or about February of 2014, offers were submitted by SARAH PAO on three properties and not accepted. One of the three had previously been included in the five offers made in December 2013.
87. All of the above properties were subsequently sold through a new agent for higher amounts.
88. None of the eight above described offers were reported by SARAH PAO to her employing broker.

Offers to Purchase without forms –

89. In or about December of 2013, SARAH PAO communicated offers to purchase five properties through email exchanges with a representative of LONG PLAIN without completing and having signed Offers to Purchase in printed form as prescribed by regulation to the REBA.
90. In or about February of 2014, SARAH PAO communicated offers to purchase three properties through email exchanges with a representative of LONG PLAIN without completing and having signed

Offers to Purchase in printed form as prescribed by regulation to the REBA.

C. ALLEGATIONS

1. Staff of the Commission allege that SARAH PAO's conduct while registered under REBA constituted breaches of various sections of REBA in that she:

- (a) acted contrary to section 20 of REBA by failing to complete and execute written listing agreements as prescribed;
- (b) acted contrary to section 31 of REBA by failing to deliver a signed copy of written listing agreements to the person having entered into said agreements;
- (c) acted contrary to subsection 15(5) of REBA by failing to report to her employing broker the solicitation or obtaining of listing agreements effected or made by her on behalf of her employer as soon as entered into, including any conduct, act or negotiation, directly or indirectly, in the furtherance or attempted furtherance of the foregoing;
- (d) acted contrary to subsection 21(1) of REBA by failing to have offers to purchase in writing, completed in no less than quadruplicate, and executed by the offeror in the presence of a witness, or at all;
- (e) acted contrary to subsection 15(5) of REBA by failing to report to her employing broker the offers submitted in or about December of 2013 and February of 2014 as described above; and/or,
- (f) acted contrary to subsection 21(3) of REBA by failing to have offers obtained on the printed form as prescribed by the regulations to REBA;

and furthermore was improper in that she:


- (g) failed in her primary duty to protect and promote the best interests of her client(s) LONG PLAIN, SANDY BAY and/or BIRDTAIL;
- (h) failed to disclose her financial interest as covenantor on mortgages of the purchaser in real estate transactions where she acted as agent for the seller(s); and/or,

- (i) failed to disclose her relationship to immediate family member(s) indirectly buying an interest in the property(ies) as shareholder(s) of a purchasing numbered company;

and that due to these allegations, it is in the public interest that SARAH PAO be barred from being registered in any capacity under REBA.

2. Such further and other matters as counsel may advise and this Commission permits.

DATED at Winnipeg, Manitoba this 15th day of March, 2019.



Director

TO: SARAH PAO