IN THE MATTER OF

THE MUTUAL FUND DEALER RULES

AND

DAVID GRAHAME LILLIE

NOTICE OF HEARING

A first appearance will be held before a Hearing Panel of the Canadian Investment Regulatory Organization ("CIRO")[1] pursuant to Mutual Fund Dealer Rule 7.3 to schedule a hearing in the matter of David Grahame Lillie (the "Respondent"). The first appearance and the hearing will be subject to Mutual Fund Dealer Rule 7, and the Mutual Fund Dealer Rules of Procedure ("Rules of Procedure"), as further referenced below, that govern the conduct of enforcement proceedings.

The first appearance will be held by way of videoconference on October 8, 2026 at 1:00 p.m. ET

The purpose of the hearing will be to determine whether the Respondent has contravened CIRO requirements. A summary of the facts alleged and intended to be relied upon by CIRO, the conclusions drawn by CIRO based on the alleged facts, and alleged contraventions are contained in the Statement of Allegations attached to this Notice of Hearing.

If the Hearing Panel finds that the Respondent has contravened CIRO requirements as alleged in the Statement of Allegations, the Hearing Panel may impose one or more of the following sanctions pursuant to Mutual Fund Dealer Rule 7.4.1.1:

(a) a reprimand;

(b) disgorgement of any amount obtained, including any loss avoided, as a result of committing the violation;

(c) a fine not exceeding the greater of:

  (i) $5,000,000 for each offence, and

  (ii) an amount equal to three times the profit obtained or loss avoided by such person as a result of committing the violation;

(d) suspension of the authority of the person to conduct securities related business for such specified period and upon such terms as the Hearing Panel may determine;

(e) revocation of the authority of such person to conduct securities related business;

(f) prohibition of the authority of the person to conduct securities related business in any capacity for any period of time; and

(g) such conditions of authority to conduct securities related business as may be considered appropriate by the Hearing Panel.

In addition, pursuant to Mutual Fund Dealer Rule 7.4.2, a Hearing Panel may require the Respondent to pay any costs incurred by or on behalf of CIRO in connection with the proceeding and any investigation related to the proceeding.

The Respondent must serve on Enforcement Staff a Reply to this Notice of Hearing in accordance with Rule of Procedure 8 and Mutual Fund Dealer Rule 7.3.2 within 20 days from the effective date of service of this Notice of Hearing. The Respondent must also file the Reply at the Hearing Office in accordance with Rule of Procedure 4.6.

The Reply may either:

(a) specifically deny (with a summary of the facts alleged and intended to be relied upon by the Respondent, and the conclusions drawn by the Respondent based on the alleged facts) any or all of the facts alleged or the conclusions drawn by CIRO in the Statement of Allegations; or

(b) admit the facts alleged and conclusions drawn by CIRO in the Statement of Allegations and plead circumstances in mitigation of any penalty to be assessed.

Pursuant to Mutual Fund Dealer Rule 7.3.3 and Rule of Procedure 8.3, the Hearing Panel may accept as having been proven any facts alleged or conclusions drawn by CIRO in the Statement of Allegations that the Respondent does not specifically deny in the Reply.

Pursuant to Mutual Fund Dealer Rule 7.3.4 and Rules of Procedure 7.3 and 8.4, if the Respondent fails to:

(a) serve and file a Reply; or

(b) attend at the hearing specified in the Notice of Hearing, notwithstanding that a Reply may have been served, the Hearing Panel may, among other things, proceed with the hearing on the date and at the time and place set out in the Notice of Hearing (or on any subsequent date, at any time and place), without further notice to and in the absence of the Respondent, and the Hearing Panel may accept as proven the facts, conclusions, and contraventions alleged in the Statement of Allegations, and may impose sanctions and costs.

The Respondent is entitled to attend the hearing and to be heard, to be represented by counsel or by an agent, to call, examine and cross-examine witnesses, to present evidence, and to make submissions to the Hearing Panel at the hearing.

DATED July 8, 2026.

"National Hearing Officer"
NATIONAL HEARING OFFICER
Canadian Investment Regulatory Organization
40 Temperance Street, Suite 2600
Toronto, Ontario, M5H 0B4

[1] Where the rules, by-laws, and policies of the Mutual Fund Dealers Association of Canada (the "MFDA") that were in force immediately prior to amalgamation of the Investment Industry Regulatory Organization of Canada and the MFDA have been incorporated into the Mutual Fund Dealer Rules, Enforcement Staff have referenced the relevant section of the Mutual Fund Dealer Rules.

IN THE MATTER OF

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AND

DAVID GRAHAME LILLIE

STATEMENT OF ALLEGATIONS

Further to a Notice of Hearing dated July 8, 2026. Enforcement Staff make the following allegations:

PART I – REQUIREMENTS CONTRAVENED

Contravention 1: Between April 4, 2022 to November 28, 2024, the Respondent engaged in outside activities that were not disclosed to or approved by the Dealer Member, contrary to MFDA Rule 1.3.2.

Contravention 2: Between May 26, 2022 to November 28, 2024, the Respondent engaged in personal financial dealings with clients which gave rise to a material conflict of interest that the Respondent failed to identify, report to the Dealer Member, or address in the best interests of the client, contrary to Mutual Fund Dealer Rule 2.1.4(2).

PART II – RELEVANT FACTS AND CONCLUSIONS

Overview

1. In 2022, David Grahame Lillie (the "Respondent") solicited clients GH and NH to enter a joint business venture with the Respondent to purchase commercial real estate through a corporation called Puddingstone Property Management Corp. ("Puddingstone").

2. Puddingstone had three equal shareholders: (i) Lillie Financial Ltd. ("Lillie Financial") a company owned by the Respondent; (ii) SSMPG Integrating Services Inc. ("SSMPG"), a company owned by members of the Respondent's family; and (iii) a numbered company owned by client GH ("Client GH's Company").

3. Between May 2022 and August 2022, clients GH and NH invested approximately $155,000 in Puddingstone that would be used for the purchase of two commercial buildings in Sault Ste. Marie.

4. Lillie engaged in outside activities involving Puddingstone such as incorporating the company, participating in its governance, identifying the properties for purchase and acting as one of its Directors and its President. He failed to disclose and obtain approval from the Dealer Member for his outside activities with Puddingstone, including entering business with clients GH and NH.

5. On or about August or September 2023, clients GH and NH began to experience financial difficulties and requested to be removed as shareholders of Puddingstone and to have their monies returned. To date, the monies invested by clients GH and NH into Puddingstone have not been repaid and clients GH and NH remain shareholders in Puddingstone.

Registration History

6. Between December 4, 2014 and November 28, 2024, the Respondent was registered in the provinces of Alberta, British Columbia, and Ontario as a dealing representative with IPC Investment Corp., a Dealer Member of CIRO (the "Dealer Member").

7. On November 28, 2024, the Respondent was terminated by the Dealer Member and is not currently registered in the securities industry in any capacity.

8. At all material times, the Respondent conducted business in and around the greater Sault Ste. Marie, Ontario area.

Misconduct

The Dealer Member's Policies and Procedures

9. At all material times, the Dealer Member's policies and procedures required that Approved Persons: a) disclose to the Dealer Member and receive its approval prior to engaging in an outside activity; and b) take reasonable measures to detect conflicts or potential conflicts of interest with clients, disclose such conflicts to the Dealer Member, and together with the Dealer Member, ensure that such conflicts are addressed by the exercise of responsible business judgment influenced only by the best interests of the client.

10. Joint business activities with clients were specifically prohibited in the policies and procedures of the Dealer Member but may be permissible in certain limited circumstances subject to review by the Dealer Member and provided that the policies regarding outside business activities are fully satisfied.

11. At all material times, the Respondent was also subject to a Code of Conduct, which required that Approved Persons avoid conflicts of interest, or the appearance of conflicts of interest, and which prohibited Approved Persons from engaging in outside activities without Dealer Member approval.

Puddingstone Property Management Corp.

12. In January 2021, Lillie Financial was approved by the Dealer Member as an outside business of the Respondent for the limited purpose of receiving and collecting mutual fund and insurance commissions.

13. On April 4, 2022, without disclosing to or obtaining approval from the Dealer Member, Puddingstone was incorporated as a commercial real estate business. Lillie Financial was one of three equal shareholders in Puddingstone and the Respondent was one of its Directors and its President.

14. As described below, after incorporating Puddingstone as a real estate company, the Respondent identified potential commercial properties for purchase with consideration of their long-term appreciation value and their regular rental income stream from tenants that were already in place, or soon to be in place, at the prospective properties.

Clients GH and NH

15. GH and NH are spouses. GH is self-employed and a senior citizen. NH is retired.

16. Shortly after becoming clients, the Respondent solicited clients GH and NH to invest in Puddingstone, a business which would purchase commercial properties.

17. Puddingstone's ownership was distributed equally between three shareholders: (i) Lillie Financial; (ii) SSMPG (a business controlled by members of the Respondent's family); and (iii) Client GH's Company.

The Properties

18. On May 26, 2022, clients GH and NH, through client GH's Company, invested $107,000 in Puddingstone for the purchase of a property in Sault Ste. Marie ("Property #1").

19. On the same date, Lillie Financial and SSMPG invested $107,000 and $91,120.44 respectively, in Puddingstone for the purchase of Property #1.

20. On May 30, 2022, Puddingstone purchased Property #1 for $299,000.

21. The Respondent identified and encouraged the purchase of a particular property by Puddingstone with the intention that it would house the new offices of Lillie Financial in Sault Ste. Marie ("Property #2").

22. On August 2, 2022, SSMPG invested $37,968.11 in Puddingstone for the purchase of Property #2.

23. On August 3, 2022, clients GH and NH, through Client GH's Company, invested $47,968.11 in Puddingstone for the purchase of Property #2.

24. On the same date, Lillie Financial invested $48,000 in Puddingstone for the purchase of Property #2.

25. On August 4, 2022, Puddingstone purchased Property #2 for $480,000.

26. In total, clients GH and NH invested approximately $155,000 in Puddingstone's purchases of Property #1 and Property #2. Clients GH and NH borrowed monies from their Home Equity Line of Credit ("HELOC") to invest in Puddingstone.

27. In May 2023, Lillie Financial moved into offices located in Property #2.

28. In or about August or September 2023, clients GH and NH met with the Respondent to review their investments at the Dealer Member. At that time, clients GH and NH informed the Respondent that they were experiencing financial difficulties due to numerous interest rate increases to the HELOC that was the source of the monies used to invest in Puddingstone.

29. On or about November 2023, clients GH and NH had a second meeting with the Respondent to discuss Puddingstone's operations and to complain that they had not received any income from their investments in Puddingstone.

30. Between February 2024 and April 2024, clients GH and NH contacted or met with the Respondent on multiple occasions to request that they be removed as shareholders in Puddingstone and to request a return of their approximately $155,000 investment in Puddingstone.

31. On April 22, 2024, the Dealer Member became aware of the Respondent's activities during a telephone call with clients GH and NH. After discovering the Respondent's activities with clients GH and NH, the Dealer Member began an investigation into the Respondent's activities.

32. In May 2024, clients GH and NH transferred all their investments from the Dealer Member.

33. On November 19, 2024, client GH emailed the Respondent's family member (also an owner of SSMPG, who was also a Puddingstone shareholder) to request that he and client NH be removed as shareholders in Puddingstone and to request the return of their monies.

34. On November 28, 2024, the Respondent was terminated by the Dealer Member because of the activities described above.

35. To date, clients GH and NH remain shareholders in Puddingstone and their monies have not been returned or repaid.

DATED at Toronto, Ontario this July 8, 2026.