



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

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

-AND-

IN THE MATTER OF
**MAITLAND CAPITAL LTD., ALLEN GROSSMAN,
HANOCH ULFAN, LEONARD WADDINGHAM,
RON GARNER, GORD VALDE, MARIANNE HYACINTHE,
DIANNA CASSIDY, RON CATONE, STEVEN LANYS, ROGER MCKENZIE,
TOM MEZINSKI, WILLIAM ROUSE and JASON SNOW**

**REASONS AND DECISION ON SANCTIONS AND COSTS
with respect to Steven Lanys
(Section 127 of the *Securities Act*)**

Hearing: February 15, 2012

Reasons: July 6, 2012

Panel: Edward P. Kerwin – Commissioner

Counsel: Derek J. Ferris – For Staff of the Ontario Securities
Commission

Jerry Herszkopf – For Steven Lanys

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I. INTRODUCTION

A. Background

[1] This proceeding arises out of a Notice of Hearing issued on January 24, 2006, by the Ontario Securities Commission (the “**Commission**”) and a Statement of Allegations filed by staff of the Commission (“**Staff**”) on the same day. The Statement of Allegations contained allegations against Steven Lanys (“**Lanys**”), Tom Mezinski (“**Mezinski**”), Maitland Capital Ltd. (“**Maitland**”), Allen Grossman (“**Grossman**”), Hanoch Ulfan (“**Ulfan**”), Leonard Waddingham (“**Waddingham**”), Ron Garner (“**Garner**”), Gord Valde (“**Valde**”), Marianne Hyacinthe (“**Hyacinthe**”), Dianna Cassidy (“**Cassidy**”), Ron Catone (“**Catone**”), Roger McKenzie (“**McKenzie**”), William Rouse (“**Rouse**”) and Jason Snow (“**Snow**”) (collectively the “**Maitland Respondents**”).

B. History of Proceedings

[2] Staff alleges that between November 2004 and November 2005, inclusive, Maitland operated a “boiler room” from two locations in Toronto, Ontario and raised approximately \$5.5 million through the sale of Maitland shares to approximately 1,200 investors across Canada and in other countries. Staff alleges that Maitland hired salespersons to telephone investors and sell Maitland shares to them, such salespersons being paid a commission ranging from 17% to 20% of the amounts paid for the purchase of Maitland shares.

[3] On January 24, 2006, the Commission ordered pursuant to subsection 127(1) and 127(5) of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the “**Act**”) that (i) all trading by Maitland and its officers, directors, employees and/or agents in securities of Maitland cease; (ii) the Maitland Respondents cease trading in all securities; and (iii) any exemptions in Ontario securities law not apply to the Maitland Respondents (the “**Temporary Order**”).

[4] As stated above, the Commission issued a Notice of Hearing on January 24, 2006, advising the Maitland Respondents that a hearing would be convened on February 8, 2006, to consider whether it was in the public interest for the Commission to make an Order (i) extending the Temporary Order until the conclusion of the hearing; (ii) that all trading in Maitland securities be ceased; (iii) imposing sanctions against the Respondents under subsection 127(1) of the Act; And (iv) for the payment of costs by the Maitland Respondents pursuant to section 127.1 of the Act

[5] Lanys did not attend the hearing on February 8, 2006, although he attended with counsel at subsequent hearings before the Commission.

[6] The Temporary Order was extended by orders of the Commission on February 8, 2006, February 28, 2006, April 19, 2006, May 29, 2006, and June 28, 2006.

[7] On May 19, 2006, the Commission authorized the commencement of a quasi-criminal proceeding under section 122 of the Act against Maitland, Grossman (who was the president and director of Maitland), and Ulfan (who was the secretary-treasurer of Maitland) (the “**Section 122 Proceeding**”).

[8] On September 12, 2006, the Commission ordered that (i) the Temporary Order be extended until the conclusion of the hearing on the merits, (ii) the hearing of the proceedings under section 127 of the Act against the Maitland Respondents be adjourned pending completion of the Section 122 Proceeding, and (iii) within four to eight weeks of judgement being rendered in the Section 122 Proceeding, a hearing be scheduled before the Commission in connection with the section 127 proceeding.

[9] On March 23, 2011, following a trial in the Section 122 Proceeding, Justice Sparrow of the Ontario Court of Justice found Maitland, Grossman and Ulfan guilty of breaches of subsections 25(1), 38(2), 38(3), 53(1), 122(1)(b) and 122(3) of the Act. On May 4, 2011, Justice Sparrow sentenced each of Grossman and Ulfan to 21 months in jail and two years of probation, and fined Maitland \$1 million.

[10] On May 27, 2011, Staff amended the Notice of Hearing and Statement of Allegations to request an inter-jurisdictional enforcement order under subsection 127(10) of the Act in reliance upon previous orders of the Alberta Securities Commission, the Saskatchewan Financial Services Commission (“**SFSC**”) and the convictions of Ontario Court of Justice involving Maitland and some of the Maitland Respondents, including Lanys in respect of the order of the SFSC.

[11] By Order of the Commission issued on June 28, 2011, the proceeding in respect of certain Maitland Respondents was split into three parts, which would proceed as follows:

- i. The proceeding against Maitland, Grossman and Ulfan would be dealt with by a hearing in writing;
- ii. The hearing with respect to Waddingham, Cassidy, Valde, Garner, Snow, Catone, McKenzie and Hyacinthe would be adjourned to September 2, 2011, to consider possible agreed statements of facts and appropriate sanctions, if any; and
- iii. The hearing in respect of Lanys, Rouse and Mezinski would be adjourned to September 2, 2011, to set a date for a merits hearing.

[12] On September 2, 2011, Staff filed a Notice of Withdrawal with respect to the allegations against Snow, Catone, McKenzie and Hyacinthe.

[13] By Order of the Commission issued on September 2, 2011, the merits hearing in respect of Lanys, Rouse and Mezinski was ordered to commence on February 15, 2012, and continue on February 16 and 17, 2012.

[14] On February 15, 2012, Staff filed a Notice of Withdrawal with respect to the allegations against Rouse.

[15] The hearing on the merits was convened on February 15, 2012. Lanys was present at the hearing and was represented by counsel, Jerry Herszkopf. Mezinski was neither present nor represented at the hearing.

II. PRELIMINARY ISSUES

A. Request to convert the Merits Hearing into a Sanctions Hearing

[16] At the commencement of the hearing on the merits on February 15, 2012, Staff filed an “Agreed Statement of Facts Between Staff of the Enforcement Branch and Steven Lanys” dated February 14, 2012 (the “**Agreed Statement of Facts**”), a copy of which is reproduced as Schedule “B” to these Reasons.

[17] In the Agreed Statement of Facts, Lanys admits to having engaged in the following conduct, which constituted breaches of Ontario securities law and/or was contrary to the public interest:

- (a) Lanys traded in securities of Maitland where no exemption was available contrary to the registration requirements of section 25 of the Act;
- (b) Lanys traded securities of Maitland without a prospectus in circumstances where no exemption was available contrary to the prospectus requirements of section 53 of the Act; and
- (c) Lanys made prohibited representations to Maitland investors contrary to subsections 38(2) and 38(3) of the Act.

[18] On the basis of the Agreed Statement of Facts, Staff asked the Commission to issue an Order imposing sanctions against Lanys pursuant to section 127(1) of the Act. Staff requested that the Panel immediately hear submissions on sanctions with respect to Lanys, thereby obviating the need to schedule a separate sanctions hearing for that purpose. Counsel for Lanys agreed there was no need to conduct a separate sanctions hearing with respect to his client, and consented to the Panel hearing submissions on the nature of the sanctions order that may be considered in respect of the conduct and contraventions of the Act admitted by his client.

[19] Rule 17.3 of the Ontario Securities Commission Rules of Procedure (2010), 33 O.S.C.B 8017, states that “[u]nless the parties to a proceeding agree to the contrary, a separate hearing shall be held to determine the matter of sanctions and costs.” In this case, I agreed to convert the hearing on the merits with respect to Lanys into a sanctions hearing because the Agreed Statement of Facts effectively resolved the question of whether Lanys contravened the Act (the primary purpose of the merits hearing), and because the parties agree to forego a separate hearing

on sanctions. Counsel for Staff and counsel for Lanys proceeded to make submissions in respect of sanctions.

[20] My decision to convert the hearing to a sanctions hearing pertained only to Lanys. The hearing with respect to Mezinski proceeded as a merits hearing for the purpose of determining whether Mezinski acted contrary to the Act and/or contrary to the public interest. My findings with respect to the merits of the allegations against Mezinski are addressed in separate Reasons.

[21] These are my reasons and decision as to the appropriate sanctions against Lanys.

III. OTHER DECISIONS CONCERNING THE MAITLAND RESPONDENTS

A. The Decision of Justice Sparrow of the Ontario Court of Justice

[22] As referenced above, Maitland, Grossman and Ulfan were the subject of a criminal proceeding under section 122 of the Act. On March 23, 2011, Justice Sparrow of the Ontario Court of Justice convicted Maitland, Grossman and Ulfan of contraventions of the Act in the course of their operation of a “boiler room”, which sold large volumes of Maitland shares through high pressure sales tactics to non-accredited investors across Canada and in other countries (*R. v. Maitland Capital Limited et al.*, 2011 ONCJ 168 (CanLII), hereafter “*R. v. Maitland*”). Specifically, Justice Sparrow convicted Grossman and Ulfan on the following offences:

- trading in securities of Maitland without registration contrary to subsections 25(1) and 122(1)(c) of the Act;
- trading in securities of Maitland without a prospectus contrary to subsections 53(1) and 122(1)(c) of the Act;
- giving prohibited undertakings as to the future value or price of the securities of Maitland with the intention of effecting trades contrary to subsections 38(2) and 122(1)(c) of the Act;
- making prohibited representations regarding the future listing of the securities of Maitland on a stock exchange contrary to subsections 38(3) and 122(1)(c) of the Act.

[23] In addition, Grossman and Ulfan were convicted of the following offences arising from the fact that they were officers or directors of Maitland:

- authorizing, permitting or acquiescing in trades in securities of Maitland without Maitland and its salespersons being registered to trade in such securities contrary to subsection 122(3) of the Act;

- authorizing, permitting or acquiescing in trades in securities of Maitland where such trading was a distribution of such securities without a prospectus contrary to subsection 122(3) of the Act;
- authorizing, permitting or acquiescing in the giving of undertakings as to the future value or price of the securities of Maitland with the intention of effecting trades contrary to subsection 122(3) of the Act; and
- authorizing, permitting or acquiescing in the making of prohibited representation by Maitland salespersons regarding the future listing of the securities of Maitland on a stock exchange with the intention of effecting trades contrary to subsection 122(3) of the Act;

[24] Finally, Grossman and Maitland were convicted of the offence of making a misleading or untrue statement contrary to subsection 122(1)(b) of the Act, and Ulfan was convicted of the offence of authorizing, permitting or acquiescing to the making of that misleading or untrue statement, contrary to subsection 122(3) of the Act.

[25] At his hearing of the criminal proceeding, Grossman testified that he believed Maitland was exempt from the registration and prospectus requirements under the “accredited investor” exemption in National Instrument 45-501 – Prospectus and Registration Exemptions (“**NI 45-501**”), although he claimed not to know what the term “accredited investor” meant. Justice Sparrow rejected Grossman’s claim of ignorance, finding it “inherently incredible” in light of his experience in the investment industry (*R. v. Maitland supra* at para. 110). She ruled that most of the investors did not qualify as “accredited investors” and that neither Grossman or Ulfan had taken reasonable steps to ascertain whether the investors fell within the definition of an “accredited investor”.

[26] In a subsequent sentencing decision dated May 4, 2011, Justice Sparrow sentenced each of Grossman and Ulfan to 21 months in jail, and imposed a fine against Maitland in the amount of \$1,000,000.

B. OSC Decision with respect to Maitland, Grossman and Ulfan

[27] On June 28, 2011, the Commission ordered that a hearing be conducted “...in respect of Grossman, Ulfan and Maitland to consider whether an order should be made against them under subsection 127(10) of the *Act*” and that such hearing “...shall proceed in writing.”

[28] Subsection 127(10) of the Act reads as follows:

127(10) – Without limiting the generality of subsections (1) and (5), an order may be made under subsection (1) or (5) in respect of a person or company if any of the following circumstances exist:

1. The person or company has been convicted in any jurisdiction of an offence arising from a transaction, business or course of conduct related to securities or derivatives.

2. The person or company has been convicted in any jurisdiction of an offence under a law respecting the buying or selling of securities or derivatives.
3. The person or company has been found by a court in any jurisdiction to have contravened the laws of the jurisdiction respecting the buying or selling of securities or derivatives.
4. The person or company is subject to an order made by a securities regulatory authority, derivatives regulatory authority or financial regulatory authority, in any jurisdiction, that imposes sanctions, conditions, restrictions or requirements on the person or company.
5. The person or company has agreed with a securities regulatory authority, derivatives regulatory authority or financial regulatory authority, in any jurisdiction, to be made subject to sanctions, conditions, restrictions or requirements.

[29] Following receipt of written submissions from Staff, and no submissions having been made by Grossman, Ulfan or Maitland, the Commission issued an Order on February 8, 2012, pursuant to subsection 127(1) and (10) of the Act, imposing the following sanctions:

- (a) pursuant to clause 2 of subsection 127(1) of the Act, Grossman, Maitland and Ulfan shall permanently cease trading in any securities;
- (b) pursuant to clause 2.1 of subsection 127(1) of the Act, the acquisition of any securities by Grossman, Maitland or Ulfan is permanently prohibited;
- (c) pursuant to clause 3 of subsection 127(1) of the Act, any exemptions contained in Ontario securities law do not apply to Grossman, Maitland or Ulfan permanently;
- (d) pursuant to clause 6 of subsection 127(1) of the Act, Grossman, Maitland and Ulfan are reprimanded;
- (e) pursuant to clause 7 of subsection 127(1) of the Act, Grossman and Ulfan shall immediately resign all positions that they may hold as a director or officer of any issuer;
- (f) pursuant to clause 8 of subsection 127(1) of the Act, Grossman and Ulfan are prohibited permanently from becoming or acting as a director or officer of any issuer;
- (g) pursuant to clause 8.1 of subsection 127(1) of the Act, Grossman and Ulfan shall immediately resign all positions that they may hold as a director or officer of any registrant;

- (h) pursuant to clause 8.2 of subsection 127(1) of the Act, Grossman and Ulfan are prohibited permanently from becoming or acting as a director or officer of any registrant;
- (i) pursuant to clause 8.3 of subsection 127(1) of the Act, Grossman and Ulfan shall immediately resign all positions that they may hold as a director or officer of any investment fund manager;
- (j) pursuant to clause 8.4 of subsection 127(1) of the Act, Grossman and Ulfan are prohibited permanently from becoming or acting as a director or officer of any investment fund manager;
- (k) pursuant to clause 8.5 of subsection 127(1) of the Act, Grossman, Maitland and Ulfan are prohibited permanently from becoming or acting as a registrant, as an investment fund manager or as a promoter; and
- (l) pursuant to subsection 37(1) of the Act, Maitland, Grossman and Ulfan are prohibited permanently from telephoning from a location within Ontario to residences within or outside Ontario for the purposes of trading in securities.

C. OSC Decision with respect to Valde, Waddingham, Cassidy and Garner

[30] On or about September 2, 2011, each of Valde, Waddingham, Cassidy and Garner entered into an agreed statement of facts with Staff in which each of them admitted certain breaches of the Act. The Commission conducted a sanctions hearing on September 2, 2011, on the basis of the four agreed statements of fact. On November 4, 2011, the Commission issued reasons, indicating that the Commission was satisfied that each of those four Maitland Respondents participated as salespersons in a fraudulent investment scheme, did not comply with Ontario securities law and acted contrary to the public interest, and accordingly the Commission issued an Order imposing the following sanctions against Valde, Waddingham, Cassidy and Garner:

- (a) pursuant to clause 2 of subsection 127(1) of the Act, each of Valde, Waddingham, Cassidy and Garner shall cease trading in any securities for a period of three years, with the exception that each of them will be permitted to trade securities for the account of their respective registered retirement savings plans (as defined in the Income Tax Act (Canada)) in which the respondent and/or the spouse of the respondent have sole legal and beneficial ownership, provided that
 - (i) the securities are listed and posted for trading on the Toronto Stock Exchange, the New York Stock Exchange or NASDAQ (or their successor exchanges) or are issued by a mutual fund that is a reporting issuer;

- (ii) the four subject Respondents do not own legally or beneficially (in the aggregate, together with the Respondents' spouse) more than one percent of the outstanding securities of the class or series of the class in question;
 - (iii) the four subject Respondents carry out any permitted trading through a registered dealer (who has been given a copy of this Order) and in accounts opened in the Respondents' name only, and the Respondents must close any accounts that are not in the Respondents' name only; and
 - (iv) no such trading shall be permitted unless and until the subject Respondent has paid in full the disgorgement order against the Respondent set out in subparagraph (e) of this Order;
- (b) pursuant to clause 2.1 of subsection 127(1) of the Act, the acquisition of any securities by any of Valde, Waddingham, Cassidy and Garner is prohibited for a period of three years, subject to the same exception set out in subparagraph (1) of the order;
- (c) pursuant to clause 3 of subsection 127(1) of the Act, any exemptions in Ontario securities law do not apply to any of Valde, Waddingham, Cassidy and Garner for a period of three years, subject to the same exception set out in subparagraph (a) of the order;
- (d) pursuant to clause 6 of subsection 127(1) of the Act, each of Cassidy, Garner, Waddingham and Valde is reprimanded;
- (e) pursuant to clause 10 of subsection 127(1) of the Act, the following amounts shall be disgorged by each of the four subject Respondents, respectively:
- Cassidy \$10,000
 - Garner \$27,791.25
 - Waddingham \$32,857.59; and
 - Valde \$12,307.50
- (f) pursuant to section 37 of the Act, each of Valde, Waddingham, Cassidy and Garner shall be prohibited permanently from calling or telephoning from a location in Ontario to any residence located in or out of Ontario for the purpose of trading in any security or in any class of securities.

IV. THE AGREED STATEMENT OF FACTS

[31] The following facts were among those agreed to between Staff and Lanys as set out in the Agreed Statement of Facts:

- (a) Lanys worked as a securities salesperson at various firms at various times between May 1986 and March 1999;
- (b) Lanys was hired by Grossman as a Maitland salesperson in May 2005. Lanys held the title “Senior V.P. (Operations) Maitland Capital Ltd.”;
- (c) Lanys worked as a “reseller”. He contacted existing shareholders of Maitland and encouraged them to purchase additional Maitland shares;
- (d) Lanys advised Maitland shareholders that prices of Maitland shares were poised to increase. Grossman and Ulfan advised Lanys that Maitland was a “pre-IPO” company that was going public, and Lanys advised existing Maitland shareholders that Maitland was “going public”. These representations were made by Lanys to existing Maitland shareholders to encourage them to purchase additional shares;
- (e) Lanys normally did not ask about investors’ income or net worth as he was never instructed to make such inquiries;
- (f) Grossman advised Lanys that each purchaser of Maitland shares was required to sign a document signifying that they were an accredited investor, and it was Lanys’ understanding that each investor signed such a document;
- (g) Lanys sold Maitland shares to investors at \$2.50 per share. There was no minimum purchase requirement;
- (h) Lanys received from Maitland a commission of 8.75% on the amount of each “resale” of additional Maitland shares;
- (i) Lanys, through Mastermind Consultants Group, was paid \$91,407.10 in commission by way of cheques from Maitland between May 12, 2005 and October 28, 2005;
- (j) Lanys left Maitland at the end of October 2005;
- (k) Lanys is divorced with three children aged 26 years, 23 years and 21 years. Two of his children attend college or university;

(l) Lanys is not currently working and currently has no RRSP; and

(m) Lanys is remorseful for his dealings with Maitland shareholders.

[32] As noted in paragraph 17 above, Lanys specifically admitted in the Agreed Statement of Facts that he engaged in conduct, which constituted breaches of Ontario securities law and/or was contrary to the public interest, including:

(a) Lanys worked as a salesperson for Maitland;

(b) Lanys traded securities of Maitland where no exemption was available contrary to the registration requirements of section 25 of the Act;

(c) Lanys traded securities of Maitland without a prospectus in circumstances where no exemption was available contrary to the prospectus requirements of section 53 of the Act; and

(d) Lanys made prohibited representations to Maitland investors contrary to subsections 38(2) and 38(3) of the Act.

[33] I am satisfied that Lanys participated as a salesperson in a fraudulent investment scheme, did not comply with Ontario securities law and acted contrary to the public interest, all as admitted by Lanys and as set forth in the Agreed Statement of Fact.

V. EVIDENCE

[34] Jody Sikora, Senior Forensic Accountant with the Enforcement Branch of the Commission, testified as a witness on behalf of Staff. Mr. Sikora testified that he obtained, by summons issued to TD Canada Trust, banking records relating to an account held in the name of Maitland Corp. Mr. Sikora testified that the banking records revealed that approximately \$5.5 million worth of cheques from individuals believed to be Maitland investors had been deposited into Maitland's TD Canada Trust account. Mr. Sikora testified that the banking records also contained records of payments made to Maitland's officers and employees, including approximately \$1.5 million paid to each to Grossman and Ulfan through their respective business accounts. The banking records also contain records of 25 cheques for a total amount of \$91,407.10 having been paid by Maitland to Mastermind Consultants Group between May 12, 2005 and October 28, 2005.

[35] Mr. Sikora also testified that he questioned various Maitland investors about what they had been asked by Maitland salespersons concerning their personal finances, and whether they met the definition of "accredited investors". Mr. Sikora testified that most of the investors were not aware of, and were not made aware of, the "accredited investor" exemption or did not indicate that they were asked about the exemptions or their personal finances by Maitland salespersons.

VI. SANCTIONS REQUESTED BY STAFF

[36] In their written and oral submissions, Staff requested that the following sanctions be imposed against Lanys:

- (a) trading in any securities by Lanys shall cease for a further three years from the date of the Order, with a carve out for trading by Lanys in his personal RRSP account after the payment set out in subparagraph (5) below is paid in full;
- (b) the acquisition of any securities by Lanys is prohibited for three years from the date of the Order, with a carve out for the acquisition of securities by Lanys in his personal RRSP account after the payment set out in subparagraph (5) below is paid in full;
- (c) any exemptions contained in Ontario securities law do not apply to Lanys for three years subject to the carve out set out in subparagraphs (1) and (2) above;
- (d) Lanys is reprimanded;
- (e) Lanys shall disgorge to the Commission the amount of \$91,407.10 obtained as a result of his non-compliance with Ontario securities law to be allocated to or for the benefit of third parties including investors who lost money as a result of purchasing Maitland shares, in accordance with subsection 3.4(2)(b) of the Act; and
- (f) Lanys shall cease permanently, from the date of the Order, to call at or telephone from a location within Ontario to any residence within or outside Ontario for the purpose of trading in any security or class of securities pursuant to section 37 of the Act.

VII. THE SUBMISSIONS OF STAFF

[37] Staff submits that the sanctions requested are proportionate to Lanys' conduct in this matter and will serve as a specific and general deterrent. In Staff's view, an order removing Lanys from the capital markets for an additional period of three years and requiring disgorgement of all funds obtained by him as sales commissions will signal both to Lanys and to like-minded individuals that disregard for the rules governing the sale of securities to investors will result in significant consequences and sanctions.

[38] Staff submitted that the sanctions sought against Lanys are consistent with the sanctions imposed by the Commission against Valde, Waddingham, Cassidy and Garner in its Order of November 4, 2011. Staff argued that the conduct of Valde, Waddingham, Cassidy and Garner,

who were Maitland salespersons during the relevant time, was substantially similar to the conduct of Lanys and justifies similar sanctions, including an order that Lanys disgorge the funds he obtained in contravention of the Act.

[39] Staff submitted that the Commission has jurisdiction to order full disgorgement of the amounts earned by Lanys in contravention of the Act despite the fact that some of the investors may have resided outside Ontario. Staff points out that all the “trades” by Lanys that are the subject of this proceeding were conducted from Ontario. Staff relies on the Supreme Court of Canada decision in *Gregory & Co. v. Quebec (Commission des valeurs mobilières)*, [1961] S.C.R. 584, in which the Court stated:

The paramount object of the Act is to ensure that persons who, in the province, carry on the business of trading in securities or acting as investment counsel, shall be honest and of good repute and, in this way, to protect the public, in the province or elsewhere, from being defrauded as a result of certain activities initiated in the province by persons therein carrying on such a business.

...

In order to protect the public against fraud, it provides for the establishment and operation of a control and supervision over the conduct, in the Province of Quebec, of persons engaged therein, in carrying on the business of trading in securities or acting as investment counsel.

[40] Staff also relies on the recent decision in *Re XI Biofuels Inc.* 2011 ONSC 6918 (December 5, 2011), in which the Divisional Court found that the Commission had jurisdiction over extraprovincial trading activity. Referring to the SCC’s decision in *Gregory*, Justice Swinton of the Divisional Court states:

As *Gregory* makes clear, and contrary to what the appellants assert, a province is not limited to protecting the interests of domestic investors from unfair or fraudulent activities. Provincial securities legislation can also be applied to regulate corporations or individuals within the province in order to protect investors outside the province from unfair, improper or fraudulent activities. Where the Commission is regulating trades that have an extraprovincial character, the question is not the location of the investors; rather, it is whether there is a sufficient connection between Ontario and the impugned activities and the entities involved to justify regulatory action by the Commission.

[41] In Staff’s submission, the Commission has jurisdiction to regulate the trades conducted by Lanys, including the issuance of a disgorgement order in respect of the amounts earned through those trades, because the trades were conducted from Ontario.

[42] Staff submitted that an order requiring Lanys to disgorge the funds he obtained in contravention of the Act would ensure that Lanys does not benefit from his breaches of the Act. In Staff’s view, it is not in the public interest to allow Lanys to retain any of those funds.

[43] Finally, Staff sought to distinguish the Commission's Order of February 8, 2012, in which the Commission declined to order Grossman and Ulfan to disgorge the amounts they obtained in contravention of the Act. Staff argued that the case against Lanys more closely resembles, both substantively and procedurally, the proceedings against Valde, Waddingham, Cassidy and Garner, and a similar disgorgement order should follow. In particular, Staff submitted that the Commission's refusal to issue a disgorgement order against Grossman and Ulfan was procedurally due to the fact that the Grossman and Ulfan hearing was conducted pursuant to subsection 127(10) of the Act to determine whether a reciprocal order should be issued. In that sense, Staff submitted that the proceeding against Lanys is procedurally similar to the case against Valde, Waddingham, Cassidy and Garner, and a similar disgorgement order should follow.

Costs

[44] Staff is not seeking an order for investigation and hearing costs pursuant to section 127.1 of the Act. Costs were not ordered against Valde, Waddingham, Cassidy or Garner, each of whom, like Lanys, had entered into an agreed statement of fact with Staff, thereby significantly shortening these proceedings.

VIII. THE SUBMISSIONS OF LANYS

[45] Counsel for Lanys argued that a \$91,000 disgorgement order would be, in effect, a penalty and punitive in nature, would not likely be within the financial ability of Lanys to be paid and would do little to protect Ontario investors. In Counsel's submission, the public interest would be better served if his client is given a lifetime ban on trading in securities with no disgorgement order.

[46] Counsel for Lanys submitted that Lanys was misled by Grossman and Ulfan. Counsel submitted that Lanys believed his activities were exempt from the registration and prospectus requirements of the Act by virtue of the "accredited investor" exemption. Counsel questioned why it should be incumbent upon a salesperson, such as Lanys, to verify whether the information provided by his employer is correct.

[47] Counsel for Lanys asked the Commission to consider the mitigating factors contained in the Agreed Statement of Facts (see paragraphs 21 to 29 of Schedule B attached).

[48] As an alternative to an order of disgorgement, Counsel for Lanys suggested the Commission make the following orders under subsection 127(10) of the Act:

- (a) an order requiring Lanys to make an apology, either by letter or via a website, to all Maitland investors that Lanys can reach, the content of which would be subject to approval by Staff and, if necessary, the Commission;
- (b) an order requiring Lanys to perform a term of community service; and

- (c) an order requiring Lanys make himself available to give speeches to other registrants or salespersons about the risks involved in contravening the Act and his experience of being found to have contravened the Act.

[49] Finally, Counsel for Lanys argued that any sanctions imposed on Lanys by the Commissions should be proportional to the sanctions imposed by the Commission against Grossman and Ulfan. In Counsel's view, since the Commission did not order disgorgement against Grossman and Ulfan, who were the main players involved in Maitland, it would offend the principles of proportionality to order disgorgement by Lanys.

IX. THE LAW ON SANCTIONS

[50] The Commission's mandate is to (a) provide protection to investors from unfair, improper or fraudulent practices; and (b) foster fair and efficient capital markets and confidence in capital markets (section 1.1 of the Act).

[51] In exercising its public interest jurisdiction, the Commission must act in a protective and preventative manner, as stated by the Commission in *Re Mithras Management Ltd.*:

[T]he role of this Commission is to protect the public interest by removing from the capital markets -- wholly or partially, permanently or temporarily, as the circumstances may warrant -- those whose conduct in the past leads us to conclude that their conduct in the future may well be detrimental to the integrity of those capital markets. We are not here to punish past conduct; that is the role of the courts, particularly under section 118 [now 122] of the Act. We are here to restrain, as best we can, future conduct that is likely to be prejudicial to the public interest in having capital markets that are both fair and efficient. In so doing we must, of necessity, look to past conduct as a guide to what we believe a person's future conduct might reasonably be expected to be; we are not prescient, after all (*Re Mithras Management Ltd.* (1990), 13 O.S.C.B. 1600 at pp. 1610-1611).

[52] The Supreme Court of Canada has described the Commission's public interest jurisdiction as follows:

The purpose of an order under s. 127 is to restrain future conduct that is likely to be prejudicial to the public interest in fair and efficient capital markets. The role of the [Commission] under s. 127 is to protect the public interest by removing from the capital markets those whose past conduct is so abusive as to warrant apprehension of future conduct detrimental to the integrity of the capital markets (*Committee for Equal Treatment of Asbestos Minority Shareholders v. Ontario (Securities Commission)*, [2001] 2 S.C.R. 132 at para. 43).

[53] In addition, the Commission should consider general deterrence as an important factor when determining appropriate sanctions. In *Re Cartaway Resources Corp.*, [2004] 1 S.C.R. 672 at para. 60, the Supreme Court of Canada stated that "... it is reasonable to view general

deterrence as an appropriate, and perhaps necessary, consideration in making orders that are both protective and preventative”.

[54] The Commission has previously identified the following as factors that the Commission should consider when imposing sanctions:

- (a) the seriousness of the conduct and the breaches of the Act;
- (b) the respondent’s experience in the marketplace;
- (c) the level of a respondent’s activity in the marketplace;
- (d) whether or not there has been recognition by a respondent of the seriousness of the improprieties;
- (e) whether or not the sanctions imposed may serve to deter not only those involved in the matter being considered, but any like-minded people, from engaging in similar abuses of the capital markets;
- (f) the size of any profit obtained or loss avoided from the illegal conduct;
- (g) the size of any financial sanction or voluntary payment;
- (h) the effect any sanctions may have on the ability of a respondent to participate without check in the capital markets;
- (i) the reputation and prestige of the respondent;
- (j) the remorse of the respondent; and
- (k) any mitigating factors.

(See *Re Belteco Holdings Inc.* (1998), 21 O.S.C.B. 7743 at page 7746; *Re M.C.J.C. Holdings Inc. and Michael Cowpland*, (2002), 25 O.S.C.B. 1133 at para. 26; *Limelight Entertainment Inc. (Re)* (2008) 31 OSCB 12030 at para. 21 (“*Re Limelight*”); and *Re Sabourin* (2010), 33 OSCB 5299 at para. 57 (“*Re Sabourin*”))

X. ANALYSIS

A. Findings with respect to Sanctions

[55] When the Commission imposes sanctions, it must do so (a) based only on the findings in the Merits Decision (or in this case, the Agreed Statement of Facts) and on the other evidence presented at the merits hearing and the sanctions hearing (see for example *Re First Global et al.* (2008), 31 O.S.C.B. 10869, at para. 65); (b) in respect of trades and acts in furtherance of trades

that occurred in or from Ontario; and (c) with the objective of protecting Ontario investors and Ontario capital markets.

[56] Overall, the sanctions imposed must protect investors and Ontario capital markets by barring or restricting the respondents from participating in those markets in the future and by sending a clear message to the respondents and to others participating in our capital markets that these types of illegal activities and abusive sales practices will simply not be tolerated.

[57] In making my findings with respect to sanctions, I have given little weight to Lanys' claim that he was misled by Grossman and Ulfan with respect to the accredited investor exemption or the prohibited representations. In light of his experience as a registered securities salesperson, I find it difficult to believe that Lanys did not recognize the impropriety of his activities at Maitland. Lanys may not have been the directing mind of this fraudulent scheme, but he must bear responsibility for his actions, actions which caused serious harm to investors.

[58] For the purposes of this order I have considered all trading activities conducted by Lanys in Ontario, regardless of the location of the investors. On this issue I am guided by the Supreme Court of Canada's decision in *Gregory, supra*, and the Divisional Court in *XI Biofuels, supra*. In both cases, the Courts have confirmed the Commission's jurisdiction to regulate trading activity in Ontario even where such activities have an extraprovincial aspect.

[59] In considering the factors referred to in paragraph 54 of these Reasons and Decision, I find the following factors and circumstances to be particularly relevant:

- (a) The seriousness of the allegations. I accept Staff's submission that the acts committed by Lanys constitute serious breaches of the Act;
- (b) Lanys' experience in the marketplace. Lanys was registered with the Commission to trade in securities between May 1986 and March 1999 with various registrants. As a former registered salesperson Lanys would have been aware of the prospectus and registration requirements, as well as the minimum qualifications of an "accredited investor";
- (c) Lanys' level of activity in the marketplace. Although there is no direct evidence of the number of Maitland shares Lanys sold during the six months that he worked at Maitland (May 2005 to October 2005), it is possible to extrapolate his total sales activity based on his admitted earnings and his admitted commission rate. Lanys admits to having received \$91,407.10 in commission at a rate of 8.75% on his sales. On the basis of those admissions, I conclude that Lanys sold in excess of \$1,000,000 in Maitland shares over a six month period. This represents a high level of activity in the marketplace;
- (d) Lanys made prohibited representations to vulnerable and unsophisticated investors;
- (e) None of the funds obtained from investors has been recovered;

- (f) Lanys breached key provisions of the Act which are intended to protect investors from the very conduct that occurred in this matter. His actions caused serious financial harm to investors and to the integrity of Ontario's capital markets and were contrary to the public interest;
- (g) Grossman and Ulfan orchestrated the fraudulent scheme and appear to be the directing minds of Maitland;
- (h) Lanys reached an agreed statement of facts with Staff with respect to his involvement in the sale of Maitland shares;
- (i) Lanys cooperated with Staff by consenting to various procedural orders;
- (j) Lanys has limited financial resources; and
- (k) Lanys has expressed remorse for his participation in the sale of Maitland shares.

B. Trading and Other Prohibitions

[60] One of the Commission's principal objectives in imposing sanctions is to restrain future conduct that could be harmful to investors or Ontario capital markets. In this case, we find that the public interest requires that the Commission restrict the Respondent's future participation in Ontario's capital markets.

[61] I have concluded that it is in the public interest to make the following orders, substantially on the terms requested by Staff:

- (a) trading in all securities by Lanys shall cease for a further three years from the date of the Order;
- (b) the acquisition of any securities by Lanys is prohibited for three years from the date of the Order;
- (c) any exemptions contained in Ontario securities law do not apply to Lanys for three years from the date of the Order; and
- (d) Lanys is reprimanded.

[62] For reasons outlined below in respect of the issue of disgorgement, I believe the public interest is better served in this case by a temporary trading ban, as opposed to the lifetime ban suggested by Counsel for Lanys.

C. Disgorgement

i. *The Law on Disgorgement*

[63] Subsection 127(1)10 of the Act provides that a person or company that has not complied with Ontario securities law can be ordered to disgorge to the Commission “any amounts obtained” as a result of the non-compliance. The disgorgement remedy is intended to ensure that respondents do not retain any financial benefit from their breaches of the Act and to provide specific and general deterrence.

[64] In considering a disgorgement order, the Commission views the following issues and factors to be relevant:

- (a) whether an amount was obtained by a respondent as a result of non-compliance with the Act;
- (b) the seriousness of the misconduct and the breaches of the Act and whether investors were seriously harmed;
- (c) whether the amount that a respondent obtained as a result of non-compliance with the Act is reasonably ascertainable;
- (d) whether the individuals who suffered losses are likely to be able to obtain redress [by other means]; and
- (e) the deterrent effect of a disgorgement order on the respondents and other market participants.

(*Re Limelight, supra*, at para. 52)

[65] The disgorgement orders being sought by Staff in this proceeding are consistent with the disgorgement orders issued in *Re York Rio Resources Inc. and Adam Sherman* (2011), 34 OSCB 5261, *Re York Rio Resources Inc. and Peter Robinson* (2010), 33 OSCB 10434 and *Re Sabourin* at para. 69 and are also consistent with the disgorgement orders issued by the Commission against Valde, Waddingham, Cassidy and Garner, who were Maitland salespersons, in its Order of November 4, 2011. In each of those decisions, the salespersons were ordered to disgorge the entire amount earned in contravention of the Act. In *Re Sabourin*, the Commission stated:

In our view, a disgorgement order is appropriate in these circumstances because it ensures that none of the respondents will benefit from their breaches of the Act and because such an order will deter them and others from similar conduct.

ii. Findings on Disgorgement

[66] I find that an order requiring Lanys to disgorge to the Commission the specific amount that he earned in contravention of the Act is appropriate and in the public interest. I agree with Staff that a disgorgement order is necessary in these circumstances because it will ensure that Lanys does not benefit from his breaches of the Act and because such an order will deter Lanys and others from similar misconduct.

[67] In making my findings on this issue, I am not bound by the Commission's earlier Order against Grossman and Ulfan in which the Commission declined to order disgorgement. As in all cases, I must reach my decision on the basis of the facts and the hearing before me. The specific facts and the hearing which led the Commission to decline to order disgorgement against Grossman and Ulfan are not present in this case. In particular, the sanctions order sought by staff against Lanys is sought in a hearing under subsection 127(1) of the Act and not in a hearing under subsection 127(10) of the Act.

[68] Finally, I do not agree that a disgorgement order against Lanys offends the principle of proportionality. I believe the appropriate comparator in this case is the other Maitland salespersons, each of whom were required to disgorge the amounts they obtained in contravention of the Act.

iii. Conclusion as to Disgorgement

[69] The Commission will order that Lanys disgorge to the Commission the amount of \$91,407.10 pursuant to paragraph 10 of subsection 127(1) of the Act for allocation to or for the benefit of third parties in accordance with subsection 3.4(2)(b) of the Act.

D. Carve-outs with respect to trading prohibitions

[70] I agree with Staff that Lanys should be permitted to trade shares and/or acquire shares for the purposes of his personal RRSP account, but only after he has disgorged to the Commission the full amount which he obtained through his contraventions of the Act.

E. Telephone Solicitation Ban

[71] Staff has requested a permanent ban be imposed prohibiting Lanys from calling at a residence or telephoning from a location in Ontario to a residence located within or outside of Ontario for the purpose of trading in any securities, pursuant to section 37 of the Act. Lanys did not oppose the imposition of this sanction. In my view, the public interest is served by a prohibition on calling and telephone solicitation, and I will so order.

F. Other sanctions proposed by Lanys

[72] Counsel for Lanys proposed several sanctions in the alternative to a disgorgement order. Because I have decided that a disgorgement order against Lanys is appropriate and in the public interest, it is not necessary to consider the alternative sanctions proposed. In any event, the Commission lacks the statutory authority to impose any of the alternative sanctions proposed by Counsel for Lanys.

XI. ORDER

[73] For the reasons discussed above, I have concluded that the sanctions to be imposed are in the public interest and are proportionate to the circumstances of this matter. Accordingly, I order that:

- (a) pursuant to clause 2 of subsection 127(1) of the Act, Lanys shall cease trading in any securities for a period of three years from the date of this Order, with the exception that Lanys shall be permitted to trade securities for the account of his registered retirement savings plans (as defined in the *Income Tax Act* (Canada)) in which he has sole legal and beneficial ownership, provided that:
 - (i) the securities traded are listed and posted for trading on the Toronto Stock Exchange, the New York Stock Exchange or NASDAQ (or their successor exchanges) or are issued by a mutual fund which is a reporting issuer;
 - (ii) he does not own legally or beneficially more than one percent of the outstanding securities of the class or series of the class in question;
 - (iii) he carries out any permitted trading through a registered dealer (who has been given a copy of this Order) and in accounts opened in his name only, and he must close any accounts that are not in his name only; and
 - (iv) no such trading shall be permitted unless and until he has paid in full the disgorgement order set out in subparagraph (e) of this Order;
- (b) pursuant to clause 2.1 of subsection 127(1) of the Act, the acquisition of any securities by Lanys is prohibited for a period of three years from the date of this Order, subject to the same exception set out in subparagraph (a) of this Order;
- (c) pursuant to clause 3 of subsection 127(1) of the Act, any exemptions in Ontario securities law do not apply to Lanys for a period of three years from

the date of this Order, subject to the same exception set out in subparagraph (a) of this Order;

- (d) pursuant to clause 6 of subsection 127(1) of the Act, Lanys is reprimanded;
- (e) pursuant to clause 10 of subsection 127(1) of the Act, Lanys shall disgorge to the Commission \$91,407.10;
- (f) pursuant to section 37 of the Act, Lanys shall be prohibited permanently from calling at a residence or telephoning from a location in Ontario to any residence located in or out of Ontario for the purpose of trading in any security or in any class of securities; and
- (g) the amount set out in subparagraph (e) of this Order shall be allocated by the Commission to or for the benefit of third parties, including investors who lost money as a result of investing in the Maitland shares, as permitted under subsection 3.4(2)(b) of the Act.

XII. CONCLUSION

[74] For the reasons set out above, I have concluded that the sanctions imposed against Lanys are proportionate to his conduct relative to the other Respondents in this Maitland proceeding and are in the public interest. I will issue a sanctions order in the form attached as Schedule “A” to these reasons.

Dated at Toronto, this 6th day of July, 2012.

“Edward P. Kerwin”

Edward P. Kerwin

Schedule "A"



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

P.O. Box 55, 19th Floor CP 55, 19^e étage
20 Queen Street West 20, rue queen ouest
Toronto ON M5H 3S8 Toronto ON M5H 3S8

IN THE MATTER OF THE *SECURITIES ACT*,

R.S.O. 1990, c. S.5, AS AMENDED

-AND-

IN THE MATTER OF

**MAITLAND CAPITAL LTD., ALLEN GROSSMAN,
HANOCH ULFAN, LEONARD WADDINGHAM,
RON GARNER, GORD VALDE, MARIANNE HYACINTHE,
DIANNA CASSIDY, RON CATONE, STEVEN LANYS, ROGER MCKENZIE,
TOM MEZINSKI, WILLIAM ROUSE and JASON SNOW**

ORDER

**with respect to Steven Lanys
(Section 127 of the *Securities Act*)**

WHEREAS on January 24, 2006, the Ontario Securities Commission (the "Commission") issued a Notice of Hearing pursuant to sections 127 and 127.1 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act") with respect to Maitland Capital Ltd. ("Maitland") Allen Grossman, Hanouch Ulfan, Leonard Waddingham, Ron Garner, Gord Valde, Marianne Hyacinthe, Dianna Cassidy, Ron Catone, Steven Lanys ("Lanys"), Roger Mckenzie, Tom Mezinski, William Rouse and Jason Snow, accompanied by a Statement of Allegations filed by staff of the Commission ("Staff");

AND WHEREAS on September 2, 2011, the Commission ordered that the hearing on the merits with respect to the allegations against Lanys would commence on February 15, 2012;

AND WHEREAS on February 15, 2012, Staff filed an Agreed Statement of Facts between and Staff and Lanys in which Lanys admitted certain acts in contravention of the Act;

AND WHEREAS the Commission is satisfied that Lanys did not comply with Ontario securities law and acted contrary to the public interest;

AND WHEREAS on February 15, 2012, on the consent of the parties, the Commission heard submissions from Staff and counsel for Lanys on the issue of whether it was in the public interest to issue an order under s. 127 of the Act imposing sanctions against Lanys;

AND WHEREAS the Commission is of the opinion that it is in the public interest to make this Order;

IT IS HEREBY ORDERED THAT:

- (a) pursuant to clause 2 of subsection 127(1) of the Act, Lanys shall cease trading in any securities for a period of three years from the date of this Order, with the exception that Lanys shall be permitted to trade securities for the account of his registered retirement savings plans (as defined in the *Income Tax Act* (Canada)) in which he has sole legal and beneficial ownership, provided that:
 - (i) the securities traded are listed and posted for trading on the Toronto Stock Exchange, the New York Stock Exchange or NASDAQ (or their successor exchanges) or are issued by a mutual fund which is a reporting issuer;
 - (ii) he does not own legally or beneficially more than one percent of the outstanding securities of the class or series of the class in question;
 - (iii) he carries out any permitted trading through a registered dealer (who has been given a copy of this Order) and in accounts opened in his name only, and he must close any accounts that are not in his name only; and
 - (iv) no such trading shall be permitted unless and until he has paid in full the disgorgement order set out in subparagraph (e) of this Order;
- (b) pursuant to clause 2.1 of subsection 127(1) of the Act, the acquisition of any securities by any of Lanys is prohibited for a period of three years from the date of this Order, subject to the same exception set out in subparagraph (a) of this Order;
- (c) pursuant to clause 3 of subsection 127(1) of the Act, any exemptions in Ontario securities law do not apply to Lanys for a period of three years from the date of this Order, subject to the same exception set out in subparagraph (a) of this Order;
- (d) pursuant to clause 6 of subsection 127(1) of the Act, Lanys is reprimanded;
- (e) pursuant to clause 10 of subsection 127(1) of the Act, Lanys shall disgorge to the Commission \$91,407.10;
- (f) pursuant to section 37 of the Act, Lanys shall be prohibited permanently from calling at a residence or telephoning from a location in Ontario to any residence located in or out of Ontario for the purpose of trading in any security or in any class of securities; and
- (g) the amount set out in subparagraph (e) of this Order shall be allocated by the Commission to or for the benefit of third parties, including investors who lost money as a result of investing in the Maitland shares, as permitted under subsection 3.4(2)(b) of the Act.

DATED at Toronto, Ontario this 6th day of July, 2012.

Edward P. Kerwin

Schedule "B"



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

P.O. Box 55, 19th Floor
20 Queen Street West
Toronto ON M5H 3S8

CP 55, 19^e 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 -

**IN THE MATTER OF
MAITLAND CAPITAL LTD., ALLEN GROSSMAN,
HANOCH ULFAN, LEONARD WADDINGHAM,
RON GARNER, GORD VALDE, MARIANNE HYACINTHE,
DIANNA CASSIDY, RON CATONE, STEVEN LANYS, ROGER MCKENZIE,
TOM MEZINSKI, WILLIAM ROUSE and JASON SNOW**

**AGREED STATEMENT OF FACTS BETWEEN STAFF OF THE ENFORCEMENT
BRANCH AND STEVEN LANYS**

Background

1. Maitland Capital Ltd. ("Maitland") was incorporated in Ontario on November 2, 2004. Maitland has never filed a prospectus with the Commission and has never been registered with the Commission in any capacity.
2. Between November 2004 and November 2005 inclusive, Maitland operated an office and raised approximately \$5.5 million through the sale of Maitland shares to investors across Canada and other countries.
3. Steven Lanys ("Lanys") was formerly a securities salesperson at various times between May 6, 1986 to March 29, 1999 inclusive with Gordon-Daly Grenadier Securities, Trend Capital Services Inc., Arlington Securities Inc., Glendale Securities Inc. and J.M. Charter Securities Corp.
4. Lanys had advised Staff that he worked in the furniture business from approximately 1999 to 2005.

5. Lanys was hired by Allen Grossman ("Grossman") to work as a Maitland salesperson in May 2005. Lanys advised Staff that Lanys had no prior knowledge or dealings with Grossman. Lanys' title was Senior V.P. (Operations), Maitland Capital Ltd.
6. Lanys has advised Staff that he was paid a commission of approximately 8.75% on each resale of additional Maitland shares which was one half of the commission rates paid to Maitland salespersons.
7. Lanys worked out of the Maitland office at 161 Eglinton Avenue East in Toronto.

Trading in Maitland Shares by Steven Lanys

8. Lanys' job as a Maitland "reseller" was to telephone existing Maitland shareholders and encourage these shareholders to purchase additional Maitland shares.
9. Each day, Lanys received cards which contained investors' name, address and other contact information. After a resale was made, the subscription agreements were then prepared by the Maitland office and sent out to Maitland shareholders. A courier was then sent to drop off a blank subscription agreement and pick up the investor's cheque.
10. Maitland shares were sold to investors at \$2.50 per share. There was no minimum purchase. Lanys used information from various Maitland press releases which he received from Grossman and Hanoch Ulfan ("Ulfan"). Lanys discussed the growing demand for oil and gas with investors and advised Maitland shareholders that prices of Maitland shares were poised to increase. Grossman and Ulfan advised Lanys and others that Maitland was a pre-IPO company that was going public and Lanys advised existing shareholders that Maitland was going public. These representations were made by Lanys to existing Maitland shareholders in order to encourage them to purchase additional shares.
11. Lanys normally did not ask about investors' income or net worth as he was never instructed to make such enquiries. Prior to selling Maitland shares, Grossman advised Lanys that each purchaser of Maitland shares was required to sign a document signifying that they were accredited investors and it was Lanys' understanding that each investor signed such a document. Lanys advised Staff that Grossman advised him prior to hiring Lanys as a salesperson that Maitland was relying upon the accredited investor exemption

for the sale of Maitland shares to comply with the Ontario *Securities Act* and OSC Rule 45-501.

12. Lanys through Mastermind Consultants Group was paid \$91,407.10 in commission cheques from Maitland from May 12, 2005 to October 28, 2005 inclusive. A list of these cheques payable to Mastermind Consultants Group is attached as Schedule "A".
13. Lanys left Maitland at the end of October 2005.

Saskatchewan Cease Trading Order

14. On July 22, 2005, the Saskatchewan Financial Services Commission issued a temporary order against Maitland, Grossman and Lanys. The temporary order was extended by order dated August 8, 2005 and remains in effect today.
15. Lanys has advised Staff that he was never served with the orders of the Saskatchewan Financial Services Commission and only became aware of the orders from his discussions with a Maitland shareholder.
16. Lanys has advised Staff that he stopped calling Saskatchewan investors after he became aware of the Saskatchewan orders.
17. Lanys has advised Staff that he was very upset at Grossman for not bringing the existence of the Saskatchewan orders to Lanys' attention. Lanys has advised Staff that he continued to work at Maitland as he was advised by Grossman that Maitland's lawyer was dealing with the Saskatchewan orders and Lanys required an income to continue paying his child support.

Admissions by Lanys

18. The foregoing conduct engaged in by Lanys constituted breaches of Ontario securities law and/or was contrary to the public interest:
 - (a) Lanys worked as a salesperson for Maitland;
 - (b) Lanys traded securities of Maitland where no exemption was available contrary to the registration requirements of section 25 of the Act;

- (c) Lanys traded securities of Maitland without a prospectus in circumstances where no exemption was available contrary to the prospectus requirements of section 53 of the Act; and
- (d) Lanys made prohibited representations to Maitland investors contrary to subsections 38(2) and 38(3) of the Act.

Ronald Collins

- 19. Staff has information attached to the affidavit of Ed LeBlanc, an investigator with the New Brunswick Securities Commission, that a Maitland salesperson initially sold \$250 in Maitland shares to Ronald Collins ("Collins") of Moncton, New Brunswick. According to Collins, Lanys then called and attempted to sell Collins further Maitland shares in the amount of \$2,250. Notwithstanding that Collins did not have \$2,250 to invest, a purchase confirmation form was sent to him and a courier was sent to his house to pick up his cheque. According to Collins, he then complained to Lanys that the share purchase confirmation was sent to him notwithstanding that Lanys was told that Collins had no extra cash and no available credit and was in a bankrupt situation.
- 20. Lanys has no independent recollection of any dealings with Collins but Lanys has advised Staff that it was his practice not to allow investors to borrow money in order to purchase additional Maitland shares.

Mitigating Factors

- 21. Lanys has advised Staff that he was unaware that his conduct constituted breaches of Ontario securities law.
- 22. Lany has co-operated with Staff in reaching this agreed statement of facts. Lanys has also confirmed for Staff that Mezinski was a Maitland salesperson who sold Maitland shares to investors at the same time that Lanys worked as a Maitland salesperson.
- 23. Lanys has advised Staff that Grossman advised him and Lanys believed that Maitland was only selling shares to accredited investors as permitted under OSC Rule 45-501.

24. Lanys has advised Staff that he advised many Maitland shareholders of the risks associated with their investments and told many investors that they could lose their investments and to only invest amounts with which they were comfortable.
25. Lanys has advised Staff that he is divorced with three children aged 26 years, 23 years and 21 years. Lanys advised Staff that none of his children live with him although two of his children attend college and university
26. Lanys has advised Staff that he is remorseful for his dealings with Maitland shareholders.
27. Lanys has advised Staff that he believes that he was deliberately misled by Allen Grossman and Hanoch Ulfan and believed that the representations that he was making to investors were true.
28. Lanys has advised Staff that he did not use an alias in his dealings with Maitland shareholders as he believed that he was complying with the Ontario *Securities Act* including OSC Rule 45-501.
29. Lanys has advised Staff that he is currently not working and currently has no RRSP.

February 14, 2012

Schedule "A"

Steven Lanys

Date	Amount	Cheque #	Reference #
12-May-2005	3,370.50	470	1857
19-May-2005	6,420.00	500	1876
05-May-2005	8,386.13	433	1899
26-May-2005	6,141.80	530	1920
02-Jun-2005	1,471.25	565	1946
09-Jun-2005	3,250.13	594	1976
16-Jun-2005	3,631.31	626	1998
24-Jun-2005	10,131.56	687	561
14-Jul-2005	1,845.75	771	2051
21-Jul-2005	7,704.00	806	2068
07-Jul-2005	3,210.00	734	2129
29-Jul-2005	1,966.13	855	2161
04-Aug-2005	200.63	900	2207
11-Aug-2005	321.00	933	2222
18-Aug-2005	7,631.78	962	2249
02-Sep-2005	2,688.37	1038	2313
08-Sep-2005	412.50	1077	2328
15-Sep-2005	2,316.01	1109	2353
22-Sep-2005	2,247.00	1145	2373
29-Sep-2005	5,778.00	1176	2397
07-Oct-2005	1,872.50	1236	2427
14-Oct-2005	2,969.25	1259	2447
21-Oct-2005	241.50	1301	2481
21-Oct-2005	3,450.00	1284	2482
28-Oct-2005	3,750.00	1316	2498
Total	91,407.10		