



Ontario  
Securities  
Commission

Commission des  
valeurs mobilières  
de l'Ontario

P.O. Box 55, 22<sup>nd</sup> Floor CP 55, 22e étage  
20 Queen Street West 20, rue queen ouest  
Toronto ON M5H 3S8 Toronto ON M5H 3S8

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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  
GLOBAL CONSULTING AND FINANCIAL SERVICES, GLOBAL CAPITAL GROUP,  
CROWN CAPITAL MANAGEMENT CORP., MICHAEL CHOMICA, JAN CHOMICA  
and LORNE BANKS**

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**SETTLEMENT AGREEMENT  
BETWEEN STAFF AND LORNE BANKS**

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**PART I - INTRODUCTION**

1. By Notice of Hearing dated March 27, 2013, the Ontario Securities Commission (the “Commission”) announced that it proposed to hold a hearing, commencing on April 17, 2013, pursuant to sections 37, 127, and 127.1 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the “Act”), to consider whether it is in the public interest to make orders, as specified therein, against Global Consulting and Financial Services, Global Capital Group (“Global Capital”), Crown Capital Management, Michael Chomica (“Chomica”), Jan Chomica and Lorne Banks (“Banks”). The Notice of Hearing was issued in connection with the allegations as set out in the Statement of Allegations of Staff of the Commission (“Staff”) dated March 27, 2013.

2. The Commission will issue a Notice of Hearing to announce that it will hold a hearing to consider whether, pursuant to sections 37 and 127 of the Act, it is in the public interest for the Commission to approve this Settlement Agreement and to make certain orders in respect of Banks.

**PART II – JOINT SETTLEMENT RECOMMENDATION**

3. Staff agree to recommend settlement of the proceeding initiated by the Notice of Hearing dated March 27, 2013 against Banks (the “Proceeding”) in accordance with the

terms and conditions set out below. Banks consents to the making of an order in the form attached as Schedule “A”, based on the facts set out below.

### **PART III – AGREED FACTS**

#### **Overview**

4. This proceeding, as it relates to Banks, centres on Banks’ solicitation of investors residing outside Canada as part of a fraudulent “advance-fee” scheme (the “Global Capital Scheme”) operated from Ontario from approximately March 2010 to November 2010 (the “Material Time”).

5. Chomica was the architect and directing mind of the Global Capital Scheme and he operated it from his residential apartment located on Bloor Street East in Toronto (the “Bloor Street Address”). Banks worked under Chomica’s direction and both Banks and Chomica solicited investors in connection with the Global Capital Scheme, by telephone and email, from the Bloor Street Address.

6. A total of USD \$160,470 was raised from at least 5 investors in connection with the Global Capital Scheme.

7. Banks personally received approximately \$25,000 from Chomica for his activities in soliciting investors.

8. On November 3, 2010, Staff executed a search warrant on the Bloor Street Address halting the scheme.

9. Banks is a resident of Ontario.

10. Banks was registered as a salesman/salesperson with the Commission from August 30, 1983 to November 15, 1988 and from November 22, 1988 to February 28, 1991 when his registration was revoked pursuant to an Order of the Commission made in connection with a settlement agreement between Banks and Staff.

11. None of Banks, Chomica or Global Capital was registered with the Commission in any capacity during the Material Time.

### **The Global Capital Scheme**

12. During the Material Time, from the Bloor Street Address, Chomica and Banks, using aliases and purporting to act on behalf of Global Capital Group (“Global Capital”), contacted shareholders in Dixon, Perot & Champion Inc. residing in Europe, the United Kingdom, Asia and Africa (the “DP&C Shareholders”) for the purpose of inducing them to make various payments as part of the Global Capital Scheme.

13. Banks and Chomica, purportedly on behalf of Global Capital, presented the DP&C Shareholders with an offer to exchange their shares in Dixon, Perot & Champion Inc. (the “DP&C Shares”) for shares in Microsoft Inc. (the “Microsoft Shares”). The DP&C Shares were virtually worthless and illiquid at the time of the solicitations, however, Banks and Chomica told the DP&C Shareholders that Global Capital valued them at prices ranging from USD \$6 to \$14. Whereas the Microsoft Shares were valued at prices ranging from USD \$24 to \$27.

14. As part of the Global Capital Scheme, Chomica and Banks informed the DP&C Shareholders that they had to make certain up-front payments in order to complete the transactions and obtain the Microsoft Shares. First, Banks and Chomica told the DP&C Shareholders that up-front payments were necessary to cover the difference in value between the DP&C Shares and the Microsoft Shares. However, once this initial payment was made, Banks and Chomica solicited the DP&C Shareholders for additional payments purportedly to cover taxes and various other costs.

15. The DP&C Shareholders were instructed to send the funds to the account of Commonwealth Capital Corp. (“Commonwealth”), an Isle of Man corporation, at the Bank of Nevis in St. Kitts and Nevis (the “Commonwealth Bank Account”). During the Material Time, Chomica controlled the Commonwealth Bank Account.

16. At least five Global Capital Investors paid advance-fees totalling USD \$160,470 to the Commonwealth Bank Account as a result of the solicitations noted above.

17. The majority of the funds transferred to the Commonwealth Bank Account by the Global Capital Investors were then transferred to accounts in the name of Global Consulting and Financial Services (the “Global Consulting Bank Accounts”). The majority of the funds deposited into the Global Consulting Bank Accounts were withdrawn as cash. During the Material Time, transactions in the Global Consulting Bank Accounts were carried out at Chomica’s direction.

18. The offer to exchange the DP&C Shareholders’ shares and the subsequent communications were part of an artifice designed solely to extract money from the DP&C Shareholders.

19. The purported exchange of the DP&C Shareholders’ shares never occurred, the DP&C Shareholders never received any Microsoft Shares and instead suffered a complete loss of the amounts paid towards the advance fees.

20. Banks used an alias when corresponding with the DP&C Shareholders and he knowingly made false and deceitful representations to the DP&C Shareholders for the purpose of inducing them to send funds to the Commonwealth Bank Account. Further, Banks knew that by engaging in this conduct he was likely to cause a deprivation to the DP&C Shareholders.

#### **PART IV - CONDUCT CONTRARY TO ONTARIO SECURITIES LAW AND THE PUBLIC INTEREST**

21. By engaging in the conduct described above, Banks admits and acknowledges that he contravened Ontario securities law during the Material Time in the following ways:

- (a) During the Material Time, Banks traded in and engaged in and held himself out as engaging in the business of trading in securities without being registered to trade in securities, contrary to subsection 25(1) of the Act and contrary to the public interest; and

- (b) During the Material Time, Banks engaged or participated in acts, practices or a course of conduct relating to securities that he knew or reasonably ought to have known perpetrated a fraud on persons or companies, contrary to subsection 126.1(b) of the Act and contrary to the public interest.

22. Banks admits and acknowledges that he acted contrary to the public interest by contravening Ontario securities law as set out in sub-paragraphs 21 (a) and (b) above.

#### **PART V - TERMS OF SETTLEMENT**

23. Banks agrees to the terms of settlement listed below.

24. The Commission will make an order, pursuant to section 37 and subsection 127(1) of the Act, that:

- (a) the Settlement Agreement is approved;
- (b) pursuant to clause 2 of subsection 127(1) of the Act, trading in any securities by Banks cease permanently from the date of the approval of the Settlement Agreement;
- (c) pursuant to clause 2.1 of subsection 127(1) of the Act, the acquisition of any securities by Banks is prohibited permanently from the date of the approval of the Settlement Agreement;
- (d) pursuant to clause 3 of subsection 127(1) of the Act, any exemptions contained in Ontario securities law do not apply to Banks permanently from the date of the approval of the Settlement Agreement;
- (e) pursuant to clause 6 of subsection 127(1) of the Act, Banks is reprimanded;
- (f) pursuant to clauses 8, 8.2, and 8.4 of subsection 127(1) of the Act, Banks is prohibited permanently from the date of the approval of the Settlement

Agreement from becoming or acting as a director or officer of any issuer, registrant, or investment fund manager;

- (g) pursuant to clause 8.5 of subsection 127(1) of the Act, Banks is prohibited permanently from the date of the approval of the Settlement Agreement from becoming or acting as a registrant, as an investment fund manager or as a promoter;
- (h) pursuant to clause 10 of subsection 127(1) of the Act, Banks shall disgorge to the Commission the amount of \$25,000 obtained as a result of his non-compliance with Ontario securities law, such amount to be designated for allocation or for use by the Commission pursuant to subsection 3.4(2)(b) (i) or (ii) of the Act;
- (i) pursuant to clause 9 of subsection 127(1) of the Act, Banks shall pay an administrative penalty in the amount of \$50,000 for his failure to comply with Ontario securities law, such amount to be designated for allocation or for use by the Commission pursuant to subsection 3.4(2)(b) (i) or (ii) of the Act;
- (j) pursuant to subsection 37(1) of the Act, Banks is prohibited permanently, from the date of the approval of the Settlement Agreement, from telephoning from within Ontario to any residence within or outside Ontario for the purpose of trading in any security or any class of securities; and
- (k) Notwithstanding the provisions of paragraph 24 herein, once Banks has fully satisfied the terms of sub-paragraphs (h) and (i) above, Banks shall be permitted to trade for his own account, solely through a registered dealer or, as appropriate, a registered dealer in a foreign jurisdiction (which dealer must be given a copy of this Order) in (a) any "exchange-traded security" or "foreign exchange-traded security" within the meaning of National Instrument 21-101 provided that he does not own beneficially or exercise control or direction over more than 5 percent of the voting or equity securities of the issuer(s) of any such securities; or (b) any security issued by a mutual fund that is a reporting issuer.

25. Banks undertakes to consent to a regulatory order made by any provincial or territorial securities regulatory authority in Canada containing any or all of the sanctions set out in subparagraphs 24 (b) to (g) and (j) above.

#### **PART VI - STAFF COMMITMENT**

26. If this Settlement Agreement is approved by the Commission, Staff will not initiate any other proceeding under the Act against Banks in relation to the facts set out in Part III herein, subject to the provisions of paragraph 27 below.

27. If this Settlement Agreement is approved by the Commission, and at any subsequent time Banks fails to honour the terms of the Settlement Agreement, Staff reserve the right to bring proceedings under Ontario securities law against Banks based on, but not limited to, the facts set out in Part III herein as well as the breach of the Settlement Agreement.

#### **PART VII - PROCEDURE FOR APPROVAL OF SETTLEMENT**

28. Approval of this Settlement Agreement will be sought at a hearing of the Commission scheduled on a date to be determined by the Secretary to the Commission, or such other date as may be agreed to by Staff and Banks for the scheduling of the hearing to consider the Settlement Agreement.

29. Staff and Banks agree that this Settlement Agreement will constitute the entirety of the agreed facts to be submitted at the settlement hearing regarding Banks' conduct in this matter, unless the parties agree that further facts should be submitted at the settlement hearing.

30. If this Settlement Agreement is approved by the Commission, Banks agrees to waive all rights to a full hearing, judicial review or appeal of this matter under the Act.

31. If this Settlement Agreement is approved by the Commission, neither party will make any public statement that is inconsistent with this Settlement Agreement or inconsistent with any additional agreed facts submitted at the settlement hearing.

32. Whether or not this Settlement Agreement is approved by the Commission, Banks agrees that he will not, in any proceeding, refer to or rely upon this Settlement Agreement or the settlement negotiations as the basis of any attack on the Commission's jurisdiction, alleged bias or appearance of bias, alleged unfairness or any other remedies or challenges that may otherwise be available.

#### **PART VIII – DISCLOSURE OF SETTLEMENT AGREEMENT**

33. If, for any reason whatsoever, this Settlement Agreement is not approved by the Commission or the order attached as Schedule "A" is not made by the Commission:

- (a) this Settlement Agreement and its terms, including all settlement negotiations between Staff and Banks leading up to its presentation at the settlement hearing, shall be without prejudice to Staff and Banks; and
- (b) Staff and Banks shall be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing on the merits of the allegations in the Notice of Hearing and the Statement of Allegations of Staff, unaffected by the Settlement Agreement or the settlement discussions/negotiations.

34. The terms of this Settlement Agreement will be treated as confidential by all parties hereto until approved by the Commission. Any obligations of confidentiality shall terminate

upon approval of this Settlement Agreement by the Commission. The terms of the Settlement Agreement will be treated as confidential forever if the Settlement Agreement is not approved for any reason whatsoever by the Commission, except with the written consent of Banks and Staff or as may be required by law.

**PART IX - EXECUTION OF SETTLEMENT AGREEMENT**

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

36. A facsimile copy of any signature will be as effective as an original signature.

Signed in the presence of:

*“Winnifred Lynn Holden”*

*“Lorne Banks”*

\_\_\_\_\_  
Witness:

\_\_\_\_\_  
**Lorne Banks**

Dated this 3<sup>rd</sup> day of July, 2013

Dated this 3<sup>rd</sup> day of July, 2013

*“Tom Atkinson”*

\_\_\_\_\_  
**STAFF OF THE ONTARIO SECURITIES COMMISSION**  
**per Tom Atkinson**  
Director, Enforcement Branch

Dated this 4<sup>th</sup> day of July, 2013



## SCHEDULE "A"

Ontario  
Securities  
Commission

Commission des  
valeurs mobilières  
de l'Ontario

P.O. Box 55, 22<sup>nd</sup> Floor  
20 Queen Street West  
Toronto ON M5H 3S8

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**IN THE MATTER OF THE *SECURITIES ACT*,  
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- AND -

**IN THE MATTER OF  
GLOBAL CONSULTING AND FINANCIAL SERVICES, GLOBAL CAPITAL GROUP,  
CROWN CAPITAL MANAGEMENT CORP., MICHAEL CHOMICA, JAN CHOMICA  
and LORNE BANKS**

- AND -

**IN THE MATTER OF A SETTLEMENT AGREEMENT BETWEEN STAFF OF THE  
ONTARIO SECURITIES COMMISSION AND LORNE BANKS**

**ORDER  
(Sections 37 and 127(1))**

**WHEREAS** by Notice of Hearing dated March 27, 2013, the Ontario Securities Commission (the "Commission") announced that it proposed to hold a hearing, commencing on April 17, 2013, pursuant to sections 37, 127, and 127.1 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act"), to consider whether it is in the public interest to make orders, as specified therein, against Global Consulting and Financial Services, Global Capital Group, Crown Capital Management, Michael Chomica, Jan Chomica and Lorne Banks ("Banks"). The Notice of Hearing was issued in connection with the allegations as set out in the Statement of Allegations of Staff of the Commission ("Staff") dated March 27, 2013;

**AND WHEREAS** Banks entered into a settlement agreement with Staff dated \_\_\_\_\_, 2013 (the "Settlement Agreement") in which Banks agreed to a proposed settlement of the proceeding commenced by the Notice of Hearing dated March 27, 2013, subject to the approval of the Commission;

**WHEREAS** on \_\_\_\_\_, 2013, the Commission issued a Notice of Hearing pursuant to sections 37 and 127 of the Act to announce that it proposed to hold a hearing to consider whether it is in the public interest to approve the Settlement Agreement;

**AND UPON** reviewing the Settlement Agreement, the Notice of Hearing, and the Statements of Allegations of Staff, and upon hearing submissions from Banks and from Staff;

**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) the Settlement Agreement is approved;
- (b) pursuant to clause 2 of subsection 127(1) of the Act, trading in any securities by Banks cease permanently from the date of the approval of the Settlement Agreement;
- (c) pursuant to clause 2.1 of subsection 127(1) of the Act, the acquisition of any securities by Banks is prohibited permanently from the date of the approval of the Settlement Agreement;
- (d) pursuant to clause 3 of subsection 127(1) of the Act, any exemptions contained in Ontario securities law do not apply to Banks permanently from the date of the approval of the Settlement Agreement;
- (e) pursuant to clause 6 of subsection 127(1) of the Act, Banks is reprimanded;

- (f) pursuant to clauses 8, 8.2, and 8.4 of subsection 127(1) of the Act, Banks is prohibited permanently from the date of the approval of the Settlement Agreement from becoming or acting as a director or officer of any issuer, registrant, or investment fund manager;
- (g) pursuant to clause 8.5 of subsection 127(1) of the Act, Banks is prohibited permanently from the date of the approval of the Settlement Agreement from becoming or acting as a registrant, as an investment fund manager or as a promoter;
- (h) pursuant to clause 10 of subsection 127(1) of the Act, Banks shall disgorge to the Commission the amount of \$25,000 obtained as a result of his non-compliance with Ontario securities law, such amount to be designated for allocation or for use by the Commission pursuant to subsection 3.4(2)(b) (i) or (ii) of the Act;
- (i) pursuant to clause 9 of subsection 127(1) of the Act, Banks shall pay an administrative penalty in the amount of \$50,000 for his failure to comply with Ontario securities law, such amount to be designated for allocation or for use by the Commission pursuant to subsection 3.4(2)(b) (i) or (ii) of the Act;
- (j) pursuant to subsection 37(1) of the Act, Banks is prohibited permanently, from the date of the approval of the Settlement Agreement, from telephoning from within Ontario to any residence within or outside Ontario for the purpose of trading in any security or any class of securities; and
- (k) Notwithstanding the provisions of this Order, once Banks has fully satisfied the terms of sub-paragraphs (h) and (i) above, Banks shall be permitted to trade for his own account, solely through a registered dealer or, as appropriate, a registered dealer in a foreign jurisdiction (which dealer must be given a copy of this Order) in (a) any "exchange-traded security" or "foreign exchange-traded security" within the meaning of National Instrument 21-101 provided that he does not own

beneficially or exercise control or direction over more than 5 percent of the voting or equity securities of the issuer(s) of any such securities; or (b) any security issued by a mutual fund that is a reporting issuer.

**DATED** at Toronto this        day of        , 2013.

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