

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

- and -

**IN THE MATTER OF
MICHAEL GOSELIN, IRVINE DYCK,
DONALD McCrORY and ROGER CHIASSON**

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

Staff of the Ontario Securities Commission (“Staff”) makes the following allegations:

The Respondents

1. During the material time, the respondent Michael Goselin (“Goselin”) was registered with the Ontario Securities Commission (the “Commission”) pursuant to the *Securities Act*, R.S.O. 1990, c. S.5 (the “Act”) as a mutual fund dealer and limited market dealer sponsored by Triple A Financial Services Inc. (“Triple A”). Since October 1998, Goselin has been so registered through his sponsorship by Investment and Tax Counsel Corp.
2. During the material time, the respondent Irvine Dyck (“Dyck”) was registered with the Commission as a mutual fund dealer and limited market dealer pursuant to the Act through the sponsorship of Triple A. Dyck has not been registered in any capacity with the Commission since October 1999.
3. During the material time, the respondent Donald McCrory (“McCrory”) was registered with the Commission as a mutual fund dealer and limited market dealer pursuant to the Act through the sponsorship of Triple A. McCrory is no longer registered with the Commission.
4. The respondent Roger Chiasson (“Chiasson”) has never been registered in any capacity with the Commission.
5. During the time that Triple A employed and sponsored Goselin, Dyck and McCrory, Roderick Alton (“Alton”) was Triple A’s President and a director.

The North George Limited Partnerships

6. In the mid-nineteen nineties, Alton and Michael Magee (“Magee”) incorporated several limited partnerships. North George Capital Limited Partnership was incorporated on December 7, 1995 pursuant to the laws of Ontario. North George Capital II Limited Partnership, North George Capital III Limited Partnership, North George Capital IV Limited Partnership and North George Capital V Limited Partnership (collectively with North George Capital Limited Partnership, the “North George Limited Partnerships” or the “Partnerships”) were incorporated August 16, 1996 pursuant to the laws of Ontario.

7. The general partner of the North George Limited Partnerships was North George Capital Management Limited (“North George Management”). North George Management was a private corporation owned equally by Alton and McGee.

Illegal Distribution of Units of the North George Limited Partnerships

8. The North George Limited Partnerships raised funds by offering investors/subscribers the opportunity to purchase units in one or more of the Partnerships. Each subscriber became a limited partner of the Partnership(s) in which he or she invested.

9. None of the North George Limited Partnerships filed a preliminary prospectus or prospectus with the Commission.

10. The North George Limited Partnerships prepared Offering Memoranda, according to which the Partnerships relied on the seed capital prospectus exemption contained in paragraph 72(1)(p) of the Act. Neither this, nor any other, prospectus exemption under the Act was available to the Partnerships.

11. Further, reliance by the North George Limited Partnerships upon the seed capital prospectus exemption constituted an abuse of the exemption contrary to the purpose and objects of the Act. Effectively, the Partnerships were one issuer. Among other things, they raised funds based on virtually identical Offering Memoranda and co-mingled investors’ funds to be used for a common purpose. Several Partnerships were incorporated as an attempt to circumvent the seed capital exemption requirement that sales be made to no more than 25 purchasers.

12. Only the Offering Memoranda of North George Capital IV Limited Partnership was filed with the Commission. None of the Partnerships filed a report (Form 20) as required by subsection 72(3) of the Act.

13. In selling units of the North George Limited Partnerships, the respondents participated in an illegal distribution of a security and acted contrary to the public interest by, *inter alia*:

- (a) selling a security for which no preliminary prospectus or prospectus was filed with the Commission and no prospectus exemption was available;
- (b) selling a security for which reliance on the seed capital prospectus exemption was abusive;
- (c) selling a security respecting which no Offering Memorandum and no report was filed with the Commission;
- (d) failing to provide their clients access to substantially the same information concerning the Partnerships that a prospectus filed under the Act would provide. Certain clients did not receive from the respondents the correct, or any, Offering Memorandum prior to purchasing units in the North George Limited Partnerships. Further, the Partnerships' Offering Memoranda provided insufficient information and/or inadequate explanation of, *inter alia*, how the Partnerships would render the promised rate of return of 24% to 60% per year and the respondents failed to provide their clients with adequate supplemental information;
- (e) misrepresenting to their clients, *inter alia*, the nature and quality of, and the return to be realized on, an investment in the Partnerships. Among other things, the respondents told their clients that the investments were risk free notwithstanding that the Offering Memoranda explicitly stated that the securities offered were speculative and should be considered only by investors who were able to make long term investments and who were able to accept the risks inherent in the trading of bonds and other similar debt instruments;
- (f) failing to disclose to their clients the risks inherent in an investment in the Partnerships;
- (g) recommending and selling speculative investments unsuitable for their clients given the clients' financial circumstances and investment objectives contrary to Regulation 1015, section 114; and
- (h) engaging in high pressure sales tactics including advising clients to borrow funds or redeem mutual funds to invest in the North George Limited Partnerships.

14. Through the sale of units, the North George Limited Partnerships raised approximately \$5 million. The respondents earned commissions on their sales

notwithstanding that the North George Limited Partnerships' Offering Memoranda stated that no commissions would be paid in connection with the sale of units.

15. The North George Limited Partnerships generated little, if any, income. Any interest paid to subscribers came largely out of other subscribers' capital. Most of the subscribers in the Partnerships lost all, or substantially all, of their investment.

Lionaird Capital Corp.

16. In May 1997, Lionaird Capital Corp. ("Lionaird") was incorporated pursuant to the laws of Ontario. Lionaird was a private corporation the shares of which were held by Alton, Magee and others in trust for an unnamed party. Alton was the President, Chief Operating Officer and a director of Lionaird. Magee was Lionaird's Vice-President and a director.

Illegal Distribution of Lionaird Promissory Notes

17. Lionaird raised monies through the sale of promissory notes to investors. Lionaird did not file a preliminary prospectus and prospectus with the Commission. On September 12, 1997, Lionaird filed with the Commission an Offering Memorandum dated July 25, 1997. The Lionaird Offering Memorandum related to a purported private placement of 12% secured redeemable promissory notes. Such notes were described in the Offering Memorandum as having a five year term and paying interest of 12% per year (with a potential bonus payment of up to 12%).

18. According to its Offering Memorandum, Lionaird relied on the private placement and seed capital prospectus exemptions contained in paragraphs 72(1)(d) and (p) of the Act. Neither these, nor any other, prospectus exemptions under the Act were available to Lionaird.

19. In selling the Lionaird promissory notes to their clients, the respondents participated in an illegal distribution of a security and acted contrary to the public interest by, *inter alia*:

- (a) selling a security for which no preliminary prospectus or prospectus was filed with the Commission and no prospectus exemption was available;
- (b) failing to provide their clients access to substantially the same information concerning the issuer that a prospectus filed under the Act would provide. Investors often did not receive from the respondents the Lionaird Offering Memorandum prior to purchasing promissory notes. In any event, the Lionaird Offering Memorandum provided insufficient information or inadequate explanation of, *inter alia*, how Lionaird would realize the

promised rate of return on investment and the respondents failed to provide their clients with adequate supplemental information;

- (c) selling notes to more than 25 purchasers;
- (d) selling promissory notes to a purchaser where the acquisition cost was less than \$150,000;
- (e) misrepresenting to their clients, *inter alia*, the nature and quality of, and the return to be realized on, the Lionaird investment. Among other things, the respondents told their clients that the investments were risk free notwithstanding that the Lionaird Offering Memoranda explicitly stated that the securities offered were speculative and should be considered only by investors able to make a medium to long term investment;
- (f) recommending and selling speculative investments unsuitable for their clients given the clients' financial circumstances and investment objectives contrary to Regulation 1015, section 114; and
- (g) engaging in high pressure sales tactics including advising investors to borrow funds or redeem mutual funds to purchase Lionaird promissory notes.

20. Through the purchase of promissory notes by investors, Lionaird raised in excess of \$3.4 million. The respondents earned commissions and trailer fees on their sales of such notes notwithstanding that the Lionaird Offering Memorandum stated that commissions would not be paid in connection with the sale of promissory notes.

21. Most of the investors in Lionaird lost all, or substantially all, of their investment.

Goselin's Conduct

22. Goselin sold units in the North George Limited Partnerships and promissory notes in Lionaird to over 60 clients. As described in paragraphs 13 and 19 above, Goselin participated in illegal distributions of a security and engaged in other conduct contrary to Ontario securities law and the public interest. Moreover, contrary to the public interest, Goselin:

- (a) failed to deal fairly, honestly and in good faith with, and act in the best interests of, his clients;
- (b) abused his position of trust and took advantage of unsophisticated and vulnerable investors;

- (c) made several misrepresentations to clients including:
 - (i) that their principal (capital investment) was guaranteed;
 - (ii) that the investment was “risk free”;
 - (iii) that the investment in the North George Limited Partnerships was insured;
 - (iv) that the money invested by a client would be returned in full on 30 days’ notice (90 days’ notice in the case of Lionaird);
 - (v) that the Commission had approved the investment or declared it legitimate;
 - (vi) the required minimum investment; and
 - (vii) that the return on investment would be 24% to 60% in the case of the North George Limited Partnerships and 12% to 24% respecting Lionaird; and
- (d) selling Lionaird notes to investors in the North George Limited Partnerships once Goselin was aware that such Partnerships were facing difficulties and were failing to pay the promised return.

23. As a result of selling units in the North George Limited Partnerships and promissory notes of Lionaird to clients, Goselin earned commissions and trailer fees in excess of \$370,000.

Dyck’s Conduct

24. Dyck sold units in the North George Capital Limited Partnerships and promissory notes of Lionaird to over 85 clients. In connection with these sales, as described in paragraphs 13 and 19 above, Dyck participated in illegal distributions of a security and engaged in other conduct contrary to Ontario securities law and the public interest. Moreover, contrary to the public interest, Dyck:

- (a) failed to deal fairly, honestly and in good faith with, and in the best interests of, his clients;
- (b) abused his position of trust and took advantage of unsophisticated and vulnerable investors;

- (c) made misrepresentations to clients about their investments in the North George Limited Partnerships and Lionaird including:
 - (i) that the investment posed no risk to investors;
 - (ii) that the capital was guaranteed;
 - (iii) that an investor's capital investment would be returned in full on 30 days' notice;
 - (iv) that the Lionaird investment was a fully insured RRSP;
 - (v) the required minimum investment in the North George Limited Partnerships; and
 - (vi) that the return on investment would be 24% to 60% in the case of the North George Limited Partnerships and 12% to 24% respecting Lionaird;
- (d) selling Lionaird notes to investors in the North George Limited Partnerships once Dyck was aware that such Partnerships were facing difficulties and were failing to pay the promised return.

25. As a result of selling units in the North George Limited Partnerships and promissory notes of Lionaird to clients, Dyck earned commissions and trailer fees in excess of \$290,000.

Conduct of McCrory

26. McCrory sold units in the North George Limited Partnerships and promissory notes of Lionaird to over 30 clients. As described in paragraphs 13 and 19 above, McCrory participated in illegal distributions of a security and engaged in other conduct contrary to Ontario securities law and the public interest. Moreover, contrary to the public interest, McCrory:

- (a) failed to deal fairly, honestly and in good faith with, and in the best interests of, his clients;
- (b) made misrepresentations to his clients concerning their investment in the Partnerships and Lionaird including:
 - (i) that the investment was safe and risk free;
 - (ii) the required minimum investment;

- (iii) that an investor could retrieve all his or her funds on 30 days' notice; and
 - (iv) that the return on investment would be 24% to 60% in the case of the North George Limited Partnerships and 12% to 24% respecting Lionaird; and
- (c) selling Lionaird notes to investors in the North George Limited Partnerships once McCrory was aware that such Partnerships were facing difficulties and were failing to pay the promised return.

27. As a result of selling units in the North George Limited Partnership and promissory notes of Lionaird to clients, McCrory earned commissions and trailer fees in excess of \$54,800.

Conduct of Chiasson

28. Chiasson participated in illegal distributions of a security (see paragraphs 13 and 19 above) and engaged in other conduct contrary to Ontario securities law and the public interest.

29. During the material time, Chiasson worked out of an office with Dyck. On Dyck's suggestion, Chiasson advised several clients to invest in, and sold to them securities of, the North George Limited Partnerships and Lionaird. In so doing, Chiasson engaged in registerable activity without being registered with the Commission contrary to section 25 of the Act.

30. Further, Chiasson failed to deal fairly, honestly and in good faith with his clients. Among other things, he made several misrepresentations to clients including the following:

- (i) that investments in the North George Limited Partnerships and Lionaird were guaranteed;
- (ii) that investments in the North George Limited Partnerships and Lionaird were safe and posed no risk for investors;
- (iii) that any funds invested in Lionaird were accessible by the investor on 30 days' notice and without penalty or redemption fees; and
- (iv) the return on investment would be 24% to 60% in the case of the North George Limited Partnerships and 12% to 24% respecting Lionaird.

31. As a result of selling units in the North George Limited Partnerships and promissory notes of Lionaird to clients, Chiasson earned commissions.

32. Staff reserve the right to make such further and other allegations as Staff may submit and the Commission may allow.

DATED at Toronto, this 9th day of November, 2001.