



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
YORK RIO RESOURCES INC., BRILLIANTE BRASILCAN RESOURCES CORP.,
VICTOR YORK, ROBERT RUSIC, GEORGE SCHWARTZ, PETER ROBINSON,
ADAM SHERMAN, RYAN DEMCHUK, MATTHEW OLIVER,
GORDON VALDE AND SCOTT BASSINGDALE**

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

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

I. OVERVIEW

1. This proceeding involves the distribution of securities of York-Rio Resources Inc., a company incorporated separately in both Ontario and Nevada (collectively, “York Rio”), and Brilliante Brasilcan Resources Corp. (“Brilliante”), a company incorporated in Ontario, to members of the public.
2. Staff allege that course of conduct regarding the trading of York Rio securities occurred during the period from May 10, 2004 up to October 21, 2008 (the “Material Time”).
3. Staff allege that course of conduct regarding the trading of Brilliante securities occurred during the Material Time, more specifically from January 17, 2007 up to October 21, 2008.

II. THE CORPORATE RESPONDENTS

4. York Rio was incorporated in Ontario on May 10, 2004 by Victor York (“York”). York Rio was subsequently incorporated in Nevada in May of 2006.
5. York Rio has never been registered with the Ontario Securities Commission (the “Commission”) in any capacity.
6. The primary business of York Rio was selling securities in York Rio.
7. Brilliante was incorporated in Ontario in January 19, 2007. Brian Aidelman (“Aidelman”) who was the son-in-law of Victor York and was the sole registered Director of Brilliante.
8. Brilliante has never been registered with the Commission in any capacity.
9. The primary business of Brilliante was selling securities of Brilliante.

III. THE INDIVIDUAL RESPONDENTS

10. York was a resident of Ontario. He the sole registered director of York Rio at the time of its creation and throughout the Material Time. York was also one of the directing minds of Brilliante.
11. Robert Runic (“Runic”) was a resident of Ontario and was initially a salesperson of York Rio securities. In August of 2007, Runic then became one of the directing minds of York Rio and Brilliante by virtue of his role in the trading of York Rio and Brilliante securities.

12. George Schwartz (“Schwartz”) is a resident of Ontario and was one of the directing minds of York Rio by virtue of his role in the trading of York Rio securities.
13. Adam Sherman (“Sherman”) and Peter Robinson (“Robinson”) were both residents of Ontario and were salespersons of York Rio securities.
14. Ryan Demchuk (“Demchuk”), Matthew Oliver (“Oliver”), Gordon Valde (“Valde”) and Scott Bassingdale (“Bassingdale”) were all residents of Ontario and were all salespersons of York Rio and Brilliante securities.
15. York, Runic, Schwartz, Robinson, Sherman, Demchuk, Oliver, Valde and Bassingdale were not registered with the Commission in any capacity during the Material Time.

IV. York Rio

- **Unregistered Trading in Securities of York Rio Contrary to Section 25(1)**

16. Staff allege that York Rio, York, Runic, Schwartz, Robinson, Sherman, Demchuk, Oliver, Valde and Bassingdale traded in securities of York Rio from locations in Ontario during the Material Time.
17. Members of public in Ontario and elsewhere in Canada were called by salespersons, agents and representatives of York Rio and were solicited to purchase York Rio securities.
18. Approximately \$18 million was raised from the sale of York Rio securities to investors (the “York Rio Investors”) as a result of being solicited to do so by the salespersons, representatives or agents of York Rio from locations in Ontario.
19. The actions of York Rio, York, Runic, Schwartz, Robinson, Sherman, Demchuk, Oliver, Valde and Bassingdale related to York Rio securities constituted the trading of securities

without registration contrary to section 25(1) of the *Securities Act*, R.S.O. 1990, c. S. 5, as amended (the “Act”)

- **Prohibited Representations Contrary to Section 38(3)**

20. The salespersons, representatives and agents of York Rio, including York, Runic, Robinson, Sherman, Demchuk, Oliver, Valde and Bassingdale, represented to members of the public that York Rio would be listed on a stock exchange.
21. As required by section 38(3) of the Act, the Commission had not provided permission to York Rio or its salespersons, representatives or agents to make these representations regarding a listing of York Rio on a stock exchange.
22. The making of these representations by York, Runic, Robinson, Sherman, Demchuk, Oliver, Valde and Bassingdale were contrary to section 38(3) of the Act.

- **Illegal Distribution of Securities of York Rio Contrary to Section 53(1)**

23. York Rio has never filed a prospectus or a preliminary prospectus with the Commission or obtained receipts for them from the Director as required by section 53(1) of the Act.
24. The trading of York Rio securities as set out above constituted distributions of York Rio securities by York Rio, York, Runic, Schwartz, Robinson, Sherman, Demchuk, Oliver, Valde and Bassingdale in circumstances where there were no exemptions available to them under the Act contrary to section 53(1) of the Act.

- **Fraudulent Conduct Related to Trading in York Rio Securities Contrary to Section 126.1**

25. During the Material Time from locations in Ontario, York Rio, York, Runic, Schwartz, Robinson, Sherman, Demchuk, Oliver, Valde and Bassingdale and other representatives or agents of York Rio provided information to the York Rio Investors that was false, inaccurate and misleading, including, but not limited to, the following:

- (a) that York Rio owned or held interests in certain mining properties in Brazil;
- (b) that these York Rio mining properties in Brazil were currently producing diamonds;
- (c) that York Rio was going to go public; and
- (d) that numerous companies has approached York Rio with a view to taking over York Rio.

These and other false, inaccurate, misleading representations and omissions were made with the intention of effecting trades in York Rio securities.

26. Salespersons, representatives and agents of York Rio used aliases when selling York Rio securities to members of the public. The directing minds of York Rio were aware that aliases were being used when York Rio securities were sold to members of the public.
27. Approximately 70% of the total funds raised through the sale of York Rio securities were paid in commissions to salespersons including Runic, Schwartz, Robinson, Sherman, Demchuk, Oliver, Valde and Bassingdale. The York Rio Investors were not informed of this fact.
28. York Rio, York, Runic, Schwartz, Robinson, Sherman, Demchuk, Oliver, Valde and Bassingdale and other salespersons, representatives and agents of York Rio engaged in a course of conduct relating to securities that they knew or reasonably ought to have known would result in a fraud on persons purchasing securities of York Rio contrary to section 126.1 of the Act.

- **Breach of Commission Order by Schwartz Contrary to Section 122(1)**

29. Schwartz was prohibited from trading in securities by the Commission as a result of a temporary cease trade order originally made against Schwartz and Euston Capital Corp. (“Euston”) on May 1, 2006 (the “Temporary Order”). The Temporary Order was

extended as against Schwartz and Euston on May 11, June 9, October 17, and December 4, 2006 and the Temporary Order remained in effect during the Material Time.

30. Schwartz traded in the securities of York Rio during the Material Time and by so doing violated Ontario securities laws.

V. Brilliante

- **Trading in Securities of Brilliante Contrary to Section 25(1)**

31. Staff allege that Brilliante, York, Runic, Demchuk, Oliver, Valde and Bassingdale traded in securities of Brilliante from locations in Ontario during the Material Time.
32. Members of the public in Ontario and elsewhere in Canada received calls from salespersons, agents and representatives of Brilliante and were solicited to purchase Brilliante securities.
33. Approximately \$150,000 was received from investors that purchased Brilliante securities (the “Brilliante Investors”) as a result of being solicited to do so by the salespersons, agents and representatives of Brilliante.
34. The actions of York, Runic, Demchuk, Oliver, Valde and Bassingdale related to Brilliante securities constituted the trading of securities without registration contrary to section 25(1) of the Act.

- **Prohibited Representations Contrary to Section 38(3)**

35. The salespersons, agents and representatives of Brilliante, including Demchuk, Oliver, Valde and Bassingdale, represented to members of the public that Brilliante would be listed on a stock exchange.

36. As required by section 38(3) of the Act, the Commission had not provided permission to Brilliante or its salespersons, agents and representatives to make these representations regarding a listing of Brilliante on a stock exchange.

37. The making of these representations by Demchuk, Oliver, Valde and Bassingdale were contrary to section 38(3) of the Act.

- **Illegal Distribution of Securities of Brilliante Contrary to Section 53(1)**

38. Brilliante has never filed a prospectus or a preliminary prospectus with the Commission or obtained receipts for them from the Director as required by section 53(1) of the Act.

39. The trading of Brilliante securities as set out above constituted distributions of Brilliante securities by Brilliante, York, Runic, Demchuk, Oliver, Valde and Bassingdale in circumstances where there were no exemptions available to them under the Act contrary to section 53(1) of the Act.

- **Fraudulent Conduct Related to Trading in Brilliante Securities**

40. During the Material Time from locations in Ontario, Brilliante, York, Runic, Demchuk, Oliver, Valde and Bassingdale and representatives or agents of Brilliante provided information to the Brilliante Investors that was false, inaccurate and misleading, including, but not limited to, the following:

(a) that Brilliante owned interests in certain mining properties in Brazil;

(b) false and misappropriated information on the Brilliante website describing the business of Brilliante;

(c) false information about the sole registered director of Brilliante: and

(d) false information contained in the business plan of Brilliante.

These and other false, inaccurate, misleading representations and omissions were made with the intention of effecting trades in Brilliante securities.

41. Salespersons, representatives and agents of Brilliante used aliases when selling Brilliante securities to members of the public. The directing minds of Brilliante were aware that aliases were being used when Brilliante securities were sold to members of the public.
42. Approximately 70% of the total funds raised through the sale of Brilliante securities were paid in commissions to salespersons including Runic, Demchuk, Oliver, Valde and Bassingdale. The Brilliante Investors were not informed of this fact.
43. Brilliante, York, Runic, Demchuk, Oliver, Valde and Bassingdale and salespersons, representatives and agents of Brilliante engaged in a course of conduct relating to securities that they knew or reasonably ought to have known would result in a fraud on persons purchasing securities of Brilliante.

VI. Conduct Contrary to Ontario Securities Law and Contrary to the Public Interest Related to York Rio

44. The specific allegations advanced by Staff related to the trades in York Rio securities during the Material Time are as follows:
 - (a) York Rio, York, Runic, Schwartz, Robinson, Sherman, Demchuk, Oliver, Valde and Bassingdale traded in securities without being registered to trade in securities, contrary to section 25(1)(a) of the Act and contrary to the public interest;
 - (b) York, Runic, Robinson, Sherman, Demchuk, Oliver, Valde and Bassingdale made prohibited representations that York Rio securities were to be listed on a stock exchange, contrary to section 38(3) of the Act and contrary to the public interest;
 - (c) The actions of York Rio, York, Runic, Schwartz, Robinson, Sherman, Demchuk, Oliver, Valde and Bassingdale related to the sale of York Rio securities constituted distributions of securities of York Rio where no preliminary

prospectus and prospectus were issued nor received by the Director, contrary to section 53(1) of the Act and contrary to the public interest;

(d) York Rio, York, Runic, Schwartz, Robinson, Sherman, Demchuk, Oliver, Valde and Bassingdale engaged or participated in acts, practices or courses of conduct relating to securities of York Rio that York Rio, York, Runic, Schwartz, Robinson, Sherman, Demchuk, Oliver, Valde and Bassingdale knew or reasonably ought to have known perpetrated a fraud on persons or companies, contrary to section 126.1(b) of the Act and contrary to the public interest;

(e) York, Runic and Schwartz, being directors and/or officers of York Rio, did authorize, permit or acquiesce in the commission of the violations of sections 25(1)(a), 38(3), 53(1) and 126.1(b) of the Act, as set out above, by York Rio or by the salespersons, representatives or agents of York Rio, contrary to section 129.2 of the Act and contrary to the public interest; and

(f) Schwartz violated Ontario securities laws by trading in securities while he was prohibited from doing so by order of the Commission, contrary to section 122(1)(c) of the Act and contrary to the public interest.

VII. Conduct Contrary to Ontario Securities Law and Contrary to the Public Interest Related to Brillante

45. The specific allegations advanced by Staff related to the trades in Brillante securities during the Material Time are as follows:

(a) Brillante, York, Runic, Demchuk, Oliver, Valde and Bassingdale traded in securities without being registered to trade in securities, contrary to section 25(1)(a) of the Act and contrary to the public interest;

- (b) Demchuk, Oliver, Valde and Bassingdale made prohibited representations that York Rio securities were to be listed on a stock exchange, contrary to section 38(3) of the Act and contrary to the public interest;
 - (c) The actions of Brilliante, York, Runic, Demchuk, Oliver, Valde and Bassingdale related to the sale of Brilliante securities constituted distributions of securities of Brilliante where no preliminary prospectus and prospectus were issued nor received by the Director, contrary to section 53(1) of the Act and contrary to the public interest;
 - (d) Brilliante, York, Runic, Demchuk, Oliver, Valde and Bassingdale engaged or participated in acts, practices or courses of conduct relating to securities of York Rio that Brilliante, York, Runic, Demchuk, Oliver, Valde and Bassingdale knew or reasonably ought to have known perpetrated a fraud on persons or companies, contrary to section 126.1(b) of the Act and contrary to the public interest;
 - (e) York and Runic, being directors and/or officers of Brilliante, did authorize, permit or acquiesce in the commission of the violations of sections 25(1)(a), 38(3), 53(1) and 126.1(b) of the Act, as set out above, by Brilliante or by the salespersons, representatives or agents of Brilliante, contrary to section 129.2 of the Act and contrary to the public interest.
46. Staff reserve the right to make such other allegations as Staff may advise and the Commission may permit.

DATED at Toronto, March 2, 2010.