



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 CARMINE DOMENICUCCI

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

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

I. OVERVIEW

1. During the period September 2008 to June 2009 (the "Material Time"), Carmine Domenicucci ("Domenicucci") engaged in trading in securities beyond the scope of his registration, illegal distributions of securities and held himself out as engaging in the business of advising with respect to investing or buying securities without proper registration contrary to the *Securities Act*, R.S.O. 1990, c.S.5 as amended (the "Act") and contrary to the public interest.
2. During the Material Time, Domenicucci was the sole officer and director of G8 Resorts Management Inc. ("G8 Resorts") when G8 Resorts engaged in trading without registration and in illegal distributions of securities contrary to the Act and contrary to the public interest.
3. Further, during the Material Time, Domenicucci and G8 Resorts made misleading statements in offering memoranda delivered to investors.

II. BACKGROUND

4. Domenicucci is a resident of Ottawa, Ontario. Domenicucci was registered as a trading officer in the category of limited market dealer with Oasis Park Investments Ltd. (“Oasis”) from July 18, 2006 to August 25, 2009. Domenicucci was also a shareholder and the designated compliance officer of Oasis.
5. From May 10, 2006 to July 1, 2009, Domenicucci was the sole officer and director of G8 Resorts. G8 Resorts is an Ontario company incorporated on May 10, 2006 and was formerly named 1686980 Ontario Ltd.
6. G8 Resorts was the general partner for Minas Investments Limited Partnership (“Minas”), a limited partnership registered under the *Limited Partnerships Act*, R.S.O. 1990, c.L.16 (the “*Limited Partnerships Act*”) on June 3, 2008.
7. G8 Resorts was also the *de facto* general partner for GEMS Capital Limited Partnership II (“GEMS II”), a limited partnership registered under the *Limited Partnerships Act* on January 6, 2009. G8 Resorts was identified as the general partner for GEMS II in the GEMS II Offering Memorandum (the “GEMS II OM”) that was delivered to investors.
8. Ciccone Group Inc. is an Ontario company incorporated on August 18, 1992 that was formerly named 990509 Ontario Inc. (collectively referred to as “Ciccone Group”). During the Material Time, Vincent Ciccone, a resident of Cambridge, Ontario and a childhood friend of Domenicucci, was the sole officer and director of Ciccone Group. Ciccone Group purported to be one of the fastest growing niche financial venture companies in Canada.
9. 990509 Ontario Inc. (now known as Ciccone Group) was identified as the fund manager (the “GEMS II Fund Manager”) in the GEMS II OM.
10. Ciccone Group was assigned into bankruptcy on November 30, 2010, at which time it owed over \$17 million to investors.

11. None of G8 Resorts, Minas or GEMS II was registered with the Commission in any capacity during the period September 2008 to June 2009.

A. Trading without Registration and Distribution of Securities without a Prospectus

(i) Minas

12. During the period October 2008 to May 2009, Minas raised approximately \$1.9 million from the issuance and sale of Minas limited partnership units (“Minas securities”) to approximately 43 investors.
13. Commencing in or about September 2008 to May, 2009, G8 Resorts and Domenicucci engaged in acts in furtherance of trades of Minas securities and thereby traded in Minas securities. In particular, as the General Partner and the sole officer and director of the General Partner, G8 Resorts and Domenicucci respectively caused Minas to trade in its securities. In addition, Domenicucci prepared the Offering Memorandum used in connection with the sale of Minas securities to investors (the “Minas OM”).
14. Domenicucci traded in Minas securities when no exemption was available which was contrary to the scope of his registration. G8 Resorts traded in Minas securities without registration.
15. The sale of Minas securities were trades in securities not previously issued and were therefore distributions. Domenicucci and G8 Resorts traded in Minas securities when a preliminary prospectus and a prospectus had not been filed for Minas and receipts had not been issued for them by the Director.

(ii) GEMS II

16. During the period February 2009 to October 2009, GEMS II raised approximately \$6.2 million from the issuance and sale of GEMS II limited partnership units (“GEMS II securities”) to approximately 30 investors.
17. Commencing in or about January 2009 to June 2009, G8 Resorts and Domenicucci engaged in acts in furtherance of the trades in GEMS II securities and thereby traded in

GEMS II securities. In particular, as the General Partner and the sole officer and director of the General Partner, G8 Resorts and Domenicucci respectively caused GEMS II to trade in its securities. In addition, Domenicucci prepared the GEMS II OM used in connection with the sale of GEMS II securities to investors.

18. Domenicucci traded in GEMS II securities when no exemption was available which was contrary to the scope of his registration. G8 Resorts traded in GEMS II securities without registration.
19. The sale of GEMS II securities were trades in securities not previously issued and were therefore distributions. Domenicucci and G8 Resorts traded in GEMS II securities when a preliminary prospectus and a prospectus had not been filed for GEMS II and receipts had not been issued for them by the Director.

B. Misleading and Untrue Statements in Minas OM and GEMS II OM

(i) The Minas OM

20. The Minas OM contained statements which Domenicucci knew or reasonably ought to have known, were, in a material respect and at the time and in light of the circumstances under which they were made, misleading and did not state a fact that was required to be stated or was necessary to make the statements not misleading, contrary to subsection 126.2(1) of the Act and contrary to the public interest. In particular:
 - (a) Domenicucci knew at the time of the drafting of the Minas OM that the funds raised from the Minas distribution were to be invested with Gordon Driver (“Driver”), the principal of Axxess Automation LLC (“Axxess”). However, neither Driver’s name nor Axxess’s name appears anywhere in the Minas OM. Instead the Minas OM includes details about three investment advisors to the fund manager and that these advisors were being supported by a network of traders, analysts and operations staff when Domenicucci knew or reasonably ought to have known that this network did not exist;
 - (b) During the period in which the Minas OM was being provided to investors, Domenicucci was sending Minas investor funds to Ciccone Group in exchange for Ciccone Group Promissory Notes on the basis that Ciccone Group would be investing the money in Axxess. However, there is no mention of any of this in the Minas OM;

- (c) The Minas OM states that the General Partner of the Fund Manager is an experienced computer scientist, which statement was not true at the time it was made. There was no General Partner to the Fund Manager. The only other General Partner involved in the Minas distribution was G8 Resorts. Domenicucci was the sole officer and director of G8 Resorts at the time of the Minas distribution and he knew that G8 Resorts was not an experienced computer scientist; and
 - (d) Domenicucci signed a Certificate to the Minas OM to the effect that the Minas OM contained no misrepresentations when he knew or reasonably ought to have known that this statement was not true.
- 21. The misleading statements referred to above would reasonably be expected to have a significant effect on the market price or value of the Minas securities.
- (ii) The GEMS II OM**
- 22. The GEMS II OM contained statements which Domenicucci knew or reasonably ought to have known, were, in a material respect and at the time and in light of the circumstances under which they were made, misleading and did not state a fact that was required to be stated or was necessary to make the statements not misleading, contrary to subsection 126.2(1) of the Act and contrary to the public interest. In particular:
 - (a) Domenicucci is referred to in the GEMS II OM as an investment advisor to the GEMS II Fund Manager. This reference remained in the GEMS II OM which continued to be distributed to investors when Domenicucci knew or reasonably ought to have known that he was not fulfilling that function;
 - (b) The GEMS II OM also stated that three investment advisors to the fund were supported by an experienced network of traders, analysts and operations staff when Domenicucci knew or reasonably ought to have known that this statement was not true; and
 - (c) The GEMS II OM contained a certificate signed by Domenicucci to the effect that the GEMS II OM contained no misrepresentations. Domenicucci knew or reasonably ought to have known that this statement was not true.
- 23. The misleading statements referred to above would reasonably be expected to have a significant effect on the market price or value of the GEMS II securities.

C. Advising in Securities without Registration

24. Domenicucci is listed in the GEMS II OM as one of three principal advisors to the fund manager. Based on the investment strategy of GEMS II which included buying and selling long and short positions in securities and the description of Domenicucci in the GEMS II OM, Domenicucci held himself out in the GEMS II OM as engaging in the business of advising others as to investing in or the buying or selling of securities without being registered with the Commission to advise in securities.

D. Benefits received by Domenicucci

25. Minas and GEMS II investor funds were used, in part, to pay management fees and/or professional fees to G8 Resorts and/or Linkline International Ltd (“Linkline”), an Ontario corporation owned and controlled by Domenicucci and, of the amounts paid to G8 Resorts and Linkline, Domenicucci personally received approximately \$100,000 as draws.

III. STAFF’S ALLEGATIONS - Conduct Contrary to Ontario Securities Law and Contrary to the Public Interest

26. The specific allegations advanced by Staff are:
- (a) Domenicucci traded in Minas and GEMS II securities when no exemption was available and thereby traded outside the scope of his registration, contrary to subsection 25(1)(a) of the Act (as that subsection existed during the Material Time) and contrary to the public interest;
 - (b) G8 Resorts traded in Minas and GEMS II securities without being registered to trade in securities, contrary to subsection 25(1)(a) of the Act (as that subsection existed during the Material Time) and contrary to the public interest;
 - (c) Domenicucci and G8 Resorts traded in Minas securities when a preliminary prospectus and a prospectus had not been filed for Minas and receipts had not been issued for them by the Director, contrary to subsection 53(1) of the Act and contrary to the public interest;

- (d) Domenicucci and G8 Resorts traded in GEMS II securities when a preliminary prospectus and a prospectus had not been filed and receipts had not been issued for them by the Director, contrary to subsection 53(1) of the Act and contrary to the public interest;
- (e) The Minas OM contained statements which Domenicucci and G8 Resorts knew or reasonably ought to have known, were, in a material respect and at the time and in light of the circumstances under which they were made, misleading and did not state a fact that was required to be stated or was necessary to make the statements not misleading and which would reasonably be expected to have a significant effect on the market price or value of Minas securities, contrary to subsection 126.2(1) of the Act and contrary to the public interest;
- (f) The GEMS II OM contained statements which Domenicucci and G8 Resorts knew or reasonably ought to have known, were, in a material respect and at the time and in light of the circumstances under which they were made, misleading and did not state a fact that was required to be stated or was necessary to make the statements not misleading and which would reasonably be expected to have a significant effect on the market price or value of GEMS II securities, contrary to subsection 126.2(1) of the Act and contrary to the public interest;
- (g) Domenicucci engaged in advising without being registered to advise in securities contrary to subsection 25(1)(c) of the Act (as that subsection existed during the Material Time) and contrary to the public interest; and
- (h) Domenicucci, as a director and officer of G8 Resorts during the Material Time, authorized, permitted or acquiesced in the commission of the violations of subsections 25(1)(a), 53(1) and 126.2(1) of the Act, as set out above, by G8 Resorts pursuant to section 129.2 of the Act and contrary to the public interest.

27. Staff reserve the right to make such other allegations as Staff may advise and the Commission may permit.

Dated at Toronto this 23rd day of March, 2012