



Ontario
Securities
Commission
3S8

Commission des
valeurs mobilières
de l'Ontario

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**IN THE MATTER OF
STANISLAW A. PASYK**

STATEMENT OF ALLEGATIONS

(Subsections 127(1) and 127(10) of the *Securities Act*,
RSO 1990, c S.5)

A. OVERVIEW

1. Staff of the Enforcement Branch (**Staff**) of the Ontario Securities Commission (the **Commission**) elect to proceed using the expedited procedure for inter-jurisdictional proceedings as set out in Rule 11(3) of the Commission's *Rules of Procedure*.

B. FACTS

2. Staff make the following allegations of fact:

(i) Overview

3. On February 21, 2019, Pasyk pled guilty before the Honourable Justice Harris of the Ontario Court of Justice (the **OCJ**) to fraud over \$5000 contrary to section 380.1 of the Canadian Criminal Code (**Criminal Code**).
4. A sentencing hearing was subsequently held before Justice Harris who delivered his Reasons for Sentence on November 14, 2019 (the **Reasons for Sentence**), sentencing Pasyk to a conditional sentence of two years less a day, to be served in the community, followed by probation for three years.
5. The offences for which Pasyk was charged arose from transactions, business, or a course of conduct related to securities.

6. Staff is seeking an inter-jurisdictional enforcement order reciprocating Pasyk's conviction, pursuant to paragraph 1 of subsection 127(10) of the Act.
7. The offences for which Pasyk was charged took place between March 8, 2011 and July 3, 2017 (the **Material Time**). The Material Time was changed to March 8, 2011 to November 19, 2012 on the Information, at the time of sentencing, to conclude on November 19, 2012 so that section 742.1 of the Criminal Code would not preclude a conditional sentence of imprisonment from consideration. This change was made on the condition that the Respondent makes full restitution to his victims, which the Respondent has met.

(ii) The Respondent

8. Pasyk has pled guilty to the facts as set out below.
9. During the Material Time, Pasyk was the sole owner and operating mind of a diamond exploration company known as A4 Diamonds Inc. (**A4 Diamonds**). A4 Diamonds was registered with the Ontario government and Corporations Canada as a privately owned non-distributing corporation, with more than 50 shareholders. The head office was in Pasyk's home in Burlington, Ontario. A4 Diamonds held 14 mining claims with the Ministry of Northern Mines and Development that are located in the Kirkland Lake area. A4 Diamonds has never been registered with the Commission in any capacity.
10. During the Material Time, Pasyk and/or four recruiting agents that referred victims to him, approached at least 66 Ontario residents and convinced them to invest in A4 Diamonds. Over \$1 million has been identified as deposited into A4 Diamonds' bank account.
11. Pasyk made the following misleading or false statements to investors during the Material Time:
 - (a) A4 Diamonds was a diamond mining company in Ontario and it owned mining properties in the Kirkland Lake, Ontario, area;
 - (b) a minimum \$5,000 investment with A4 Diamonds would result in substantial profits and investors would receive a return of ten times their investment back within six months;

- (c) investors would receive a return within one year on their money;
 - (d) A4 Diamonds was going to mine the claims;
 - (e) A4 Diamonds would soon be listed on the stock exchange;
 - (f) A4 Diamonds was going to be sold to a Dubai company at a value that promises exorbitant returns for investors;
 - (g) there were rich veins of diamonds to be mined from A4 Diamonds' claims;
 - (h) A4 Diamonds was mining a diamond mine;
 - (i) there were precious stones in the mine;
 - (j) the accused had never owned a diamond mine company before A4 Diamonds;
 - (k) a Dubai company has made a down payment for the purchase of A4 Diamonds;
 - (l) A4 Diamonds' mine is beside a diamond mine owned by the diamond mining company De Beers;
 - (m) investment funds were to be used for the expense of drilling core samples to comply with the requirements of the Ontario Government;
 - (n) the accused himself was not going to take any of the money for himself;
 - (o) A4 Diamonds was drilling core samples and expected to be done within six months to a year;
 - (p) an initial public offering of A4 Diamonds was expected to occur in two to three years and the company may be listed on the Toronto, London, or Dubai Stock Exchange;
 - (q) the investment funds would be used for exploration and mining;
 - (r) through news update letters, the accused had stated A4 Diamonds owns a contiguous block of very select mining claims near Kirkland Lake, Ontario, totalling about 2,000 acres; and
 - (s) the accused's company, Canadian Mining Resources Inc., is his holding company for A4 Diamonds.
12. The accused held three seminars for prospective investors using PowerPoint presentations that included false and deceiving content (the **Presentations**). The Presentations were also sent to investors as an email attachment by Pasyk. There were three versions of the

Presentations that were shown to new investors throughout the Material Time. The Presentations were identical to each other except for the number of mining claims that were said to be held by A4 Diamonds.

13. The Presentations described A4 Diamonds' activities within the mining industry and officers or consultants to the company. These statements were designed to enhance the company's appearance of expertise and experience. The statements were misleading because they significantly overstated the level of involvement or level of expertise of these officers and/or consultants. The Presentations also overstated the amount and quality of diamonds that were expected to be found within the A4 Diamonds' claims. There was no deposit from any Dubai company or any revenue generated from A4 Diamonds' mining activities.
14. Analysis of the funds in Pasyk's and A4 Diamonds' bank accounts revealed that only \$58,198 of the \$1,035,150 collected from investors was used for A4 Diamonds' business purposes. Over half of the funds raised from investors, \$636,695, was transferred into the Respondent's personal account which he shares with his wife.
15. The Respondent admits that he made false and misleading statements to investors in order to finance his lifestyle, pay the mortgage on his home, and fund other unrelated businesses.

Pasyk's Sentence

16. A sentencing hearing was held before Justice Harris on November 14, 2019. It was confirmed that Pasyk had made full restitutions to all investors, with an intention to repay any investor who continues to come forward even after he is sentenced.
17. Pasyk was sentenced to a conditional sentence of two years less a day, to be served in the community, followed by probation for three years for one count of fraud listed as count one on the Information. In addition, pursuant to s. 380.2 of the Criminal Code, Pasyk is prohibited for the rest of his life from seeking, obtaining, or continuing any employment, or becoming or being a volunteer in any capacity that involves having authority over the real property, money or valuable security of another person, other than his wife.

C. JURISDICTION OF THE ONTARIO SECURITIES COMMISSION

18. Pursuant to paragraph 1 of subsection 127(10) of the Act, Pasyk's conviction for offences arising from transactions, business or a course of conduct related to securities or derivatives may form the basis for an order in the public interest made under subsection 127(1) of the Act.
19. Staff allege that it is in the public interest to make an order against Pasyk.
20. Staff reserve the right to amend these allegations and to make such further and other allegations as Staff deem fit and the Commission may permit.

D. ORDER SOUGHT

21. Staff request that the Commission make the following inter-jurisdictional enforcement order, pursuant to paragraph 1 of subsection 127(10) of the Ontario Securities Act, RSO 1990 c S.5 (the Act):
 - (a) against Pasyk that:
 - i. pursuant to paragraph 2 of subsection 127(1) of the Act, trading in any securities or derivatives by Pasyk shall cease permanently, except that this order does not preclude Pasyk from trading in securities or derivatives in a registered retirement savings plan, registered education savings plan, any registered retirement income funds, and/or tax-free savings account (as defined in the Income Tax Act (Canada)) in which he has a beneficial ownership, provided that he carries out any permitted trading through a registered dealer (which dealer must be given a copy of this Order) and through accounts opened in his name or his spouse's name only, or from disposing to members of his immediate family the securities he currently owns of his spouse's medical professional corporation at which he is employed;
 - ii. pursuant to paragraph 2.1 of subsection 127(1) of the Act, acquisition of any securities by Pasyk shall be prohibited permanently, except that this order does

not preclude Pasyk from purchasing securities or derivatives in a registered retirement savings plan, registered education savings plan, any registered retirement income funds, and/or tax-free savings account (as defined in the Income Tax Act (Canada)) in which he has a beneficial ownership, provided that he carries out any permitted acquisitions through a registered dealer (which dealer must be given a copy of this Order) and through accounts opened in his name or his spouse's name only;

- iii. pursuant to paragraph 3 of subsection 127(1) of the Act, any exemptions contained in Ontario securities law do not apply to Pasyk permanently;
 - iv. pursuant to paragraphs 7, 8.1 and 8.3 of subsection 127(1) of the Act, Pasyk resign any positions that he holds as a director or officer of any issuer or registrant;
 - v. pursuant to paragraphs 8, 8.2 and 8.4 of subsection 127(1) of the Act, Pasyk be prohibited permanently from becoming or acting as a director or officer of any issuer or registrant;
 - vi. pursuant to paragraph 8.5 of subsection 127(1) of the Act, Pasyk be prohibited permanently from becoming or acting as a registrant or promoter; and
- (b) such other order or orders as the Commission considers appropriate.

DATED this 8th day of June, 2020.

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