



Ontario
Securities
Commission
3S8

Commission des
valeurs mobilières
de l'Ontario

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**IN THE MATTER OF
DINO PAOLUCCI**

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

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*.

A. OVERVIEW

2. On September 6, 2019, before the United States District Court for the Eastern District of Pennsylvania (**Eastern District Court**), Paolucci pleaded guilty to four counts of securities fraud (Counts 22, 23, 24 and 25) in violation of Title 15, United States Code, Sections 78j(b) and 78ff, Title 17, Code of Federal Regulations, Section 240.10b-5, and Title 18, United States Code, Section 2, before the Honourable Eduardo C. Robreno.

3. On December 10, 2019, Paolucci was sentenced to 84 months of imprisonment and ordered to forfeit to the United States an amount of USD \$2 million.

4. The offences for which Paolucci was convicted arose from transactions, business or a course of conduct related to securities. The conduct for which Paolucci was sanctioned took place between September 2012 through in or about 2013 (the **Material Time**), in the Eastern District of Pennsylvania and elsewhere.

5. Staff seek an inter-jurisdictional enforcement order reciprocating Paolucci's conviction, pursuant to paragraph 1 of subsection 127(10) of the Ontario *Securities Act*, RSO 1990 c S.5 (the **Act**).

B. FACTS

6. Staff make the following allegations of fact:

- a) Paolucci, a Canadian citizen residing in Mississauga, Ontario, was a stock promoter. He sometimes used the alias Kevin Hood. The Respondent promoted penny stocks knowing that the trading volume and price of those stocks were manipulated by himself and others and took actions to hinder the Securities Exchange Commission (**SEC**) from detecting the manipulations or taking regulatory enforcement action against them.
- b) To facilitate what is most commonly known as "pump and dump schemes", the Respondent worked with others who had gained control of the vast majority of restricted shares (which cannot be freely traded in the market) and free trading shares of companies that traded on the over-the-counter (**OTC**) markets. The Respondent would then create an illusion of market interest in the stocks of these companies by coordinating company press releases with promotional campaigns.
- c) During these promotional campaigns, the Respondent also worked with others (the **Schemers**) to coordinate trading of the stocks to create a false appearance of an active and liquid market to artificially drive up the share price and trading volume of the companies' shares.
- d) To avoid regulatory action from the SEC, Paolucci and the Schemers used nominee corporations and individuals to conceal their ownership and control of

most of the stocks being manipulated. In addition, offshore accounts and nominees (offshore and domestic) were used to veil the identity of recipients of the proceeds of the manipulations.

- e) The Respondent admits to manipulating the share prices of LiveWire Ergogenics (**LVVV**), YaFarm Technologies, Inc (**YFRM**), Resource Ventures Inc. (**REVI**), and Refill Energy (**REFG**).

LVVV

- f) Between September 2012 and January 26, 2013, Paolucci and the Schemers promoted LVVV stock by coordinating the issuance of misleading LVVV press releases with the dissemination of numerous misleading email blasts. Paolucci and the Schemers caused approximately 60% of the fraudulent proceeds to be transferred to Paolucci's nominees. Paolucci realized a benefit of approximately \$1,073,000 either directly or indirectly through his network of offshore nominees and entities.

YFRM

- g) In or about February 2013 to March 2013, Paolucci and the Schemers promoted YFRM stocks after they gained control of the vast majority of shares in the company. Paolucci realized a benefit of approximately \$247,000 either directly or indirectly through his network of offshore nominees and entities.

REVI

- h) Between January 2013 and July 2013, Paolucci and the Schemers promoted REVI stocks after they gained control of the vast majority of shares in the

company. Paolucci benefited directly or indirectly through his network of offshore nominees and entities by approximately \$565,000.

Refill Energy (REFG)

- i) From mid 2013 to September 2013, Paolucci and the schemers promoted stocks of REVI after they gained control of the vast majority of shares in the company. Paolucci received approximately \$349,000 from the illicit proceeds of the REFG stock sales through a nominee.

7. On December 10, 2019, Paolucci was sentenced to 84 months of imprisonment and ordered to forfeit USD \$2 million to the United States.

C. JURISDICTION OF THE ONTARIO SECURITIES COMMISSION

8. Pursuant to paragraph 1 of subsection 127(10) of the Act, Paolucci's convictions 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.

9. Staff allege that it is in the public interest to make an order against Paolucci.

10. 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

11. 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 Paolucci that:

- i. pursuant to paragraph 2 of subsection 127(1) of the Act, trading in any securities or derivatives by Paolucci cease permanently;
 - ii. pursuant to paragraph 2.1 of subsection 127(1) of the Act, acquisition of any securities by Paolucci be prohibited permanently;
 - iii. pursuant to paragraph 3 of subsection 127(1) of the Act, any exemptions contained in Ontario securities law do not apply to Paolucci permanently;
 - iv. pursuant to paragraphs 7, 8.1 and 8.3 of subsection 127(1) of the Act, Paolucci resign any positions that she 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, Paolucci 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, Paolucci 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 at Toronto this 4th day of August, 2020

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