



Ontario  
Securities  
Commission

Commission des  
valeurs mobilières  
de l'Ontario

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## IN THE MATTER OF DEREK SCHEINMAN

### STATEMENT OF ALLEGATIONS

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

#### A. OVERVIEW

1. An inter-jurisdictional enforcement is sought based on a holding of the Ontario Court of Justice (the **OCJ**) that Derek Scheinman (**Scheinman**) engaged in a fraud where he defrauded his business partners and investors of approximately \$23 million.
2. This order is sought using the expedited procedure for inter-jurisdictional proceedings set out in Rule 11(3) of the Capital Markets Tribunal's (the **Tribunal**) *Rules of Procedure and Forms*.

#### B. FACTS

##### (i) The Sentence

3. Scheinman is a resident of Thornhill, Ontario. He owned and operated a mortgage investment company called DMS Financial Management (**DMS**) from its offices in Richmond Hill, Ontario. He was previously registered with the OSC between April 12, 2000 and July 25, 2002.
4. Scheinman was charged for offenses taking place between August 2, 2006, to March 22, 2017 relating to transactions, business or a course of conduct related to securities.

5. On February 5, 2021, Scheinman pled guilty to two counts of fraud over \$5,000 contrary to section 380(1)(a) of the *Criminal Code* of Canada (**CCC**) before the Honourable Justice P. Bourque of the Ontario Court of Justice.
6. On September 24, 2021, Justice Bourque sentenced Scheinman to a four-year sentence less four months credit for time served. Justice Bourque ordered Scheinman be prohibited for five years 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, pursuant to s. 380.2 of the CCC.
7. The Tribunal is requested to make an inter-jurisdictional enforcement order reciprocating Scheinman's conviction, pursuant to paragraph 1 of subsection 127(10) of the Ontario *Securities Act*, RSO 1990, c S.5, as amended (the **Act**).

**(ii) The Fraudulent Scheme**

*Grossman Silver Horizon Limited Partnership*

8. Scheinman defrauded partners in Grossman Silver Horizon Limited Partnership (the **Grossman Partnership**) of approximately \$13,000,000. He and his spouse funded a lavish lifestyle including gambling, luxury vacations, properties, and shopping sprees with this money.
9. In 2006, Scheinman formed the Grossman Partnership as an Ontario partnership. The limited partners were Pinecap Mortgage Corporation and 2106271 Ontario Inc. (the **Limited Partners**). DMS was the general partner. The Grossman Partnership's purpose was to invest in and manage mortgages.
10. The Limited Partners funded the Grossman Partnership while Scheinman managed the day-to-day operations of the Grossman Partnership. The Limited Partners had

\$33,000,000 invested into the Grossman Partnership at one point. In addition to compensation received for his services, DMS and the Limited Partners also entered into a profit-sharing agreement.

11. In 2015, the Limited Partners discovered a discrepancy of \$800,000 including several unusual payments relating to a cottage and a condo in Florida both owned by Scheinman. The Limited Partners decided to dissolve the partnership and subsequently retained a lawyer and a forensic accountant.
12. 28 mortgages totaling more than \$9,000,000 were revealed to be fictitious. Some real mortgages were discharged but Scheinman reported them to the Limited Partners as still outstanding. Unbeknownst to the Limited Partners, Scheinman opened additional bank accounts for the Grossman Partnership. He had sole signing authority for those accounts and monies meant to fund the mortgages flowed into these accounts.
13. Scheinman used the funds to (i) send money to companies controlled by Scheinman, his spouse, and unrelated third parties; (ii) pay for the expenses of three properties registered to relatives; (iii) pay for his credit card debt; and (iv) withdraw \$600,000 in cash.

*New Horizon Investment Management Corporation*

14. Separately, Scheinman also operated a Ponzi scheme, defrauding investors of \$10,000,000 and diverted this money to his spouse and her business, and used it to purchase personal properties in Florida.
15. Scheinman operated another mortgage investment company called New Horizon Investment Management Corporation (**New Horizon**). New Horizon purportedly invested in mortgages as a security for loans for residential real estate and investment properties in Canada. Scheinman had promised New Horizon investors an unrealistic rate of return.

16. There are approximately 30 known investors in New Horizon. They received subscription agreements and share certificates in exchange for their investment. The investors believed that they were investing in mortgages backed by residential real estate.
17. In reality, Scheinman failed to make mortgage investments for years. Instead, he operated a Ponzi scheme where he paid older investors with funds provided by newer investors to maintain the façade of real investment returns. When Scheinman could not make interest payments from the contributions of new investors, he either failed to make the interest payments or he used funds from the Grossman Partnership. Between 2004 and 2017, Scheinman defrauded New Horizon and its investors of approximately \$10,000,000.

**C. JURISDICTION OF THE CAPITAL MARKETS TRIBUNAL**

18. Pursuant to paragraph 1 of subsection 127(10) of the Act, Scheinman'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. It is in the public interest to make an order against Scheinman.
20. The Tribunal reserves the right to amend these allegations and to make such further and other allegations as the Tribunal deems fit and the Tribunal may permit.

**D. ORDER SOUGHT**

21. The Tribunal is requested to make the following inter-jurisdictional enforcement order, pursuant to paragraph 1 of subsection 127(10) of the Act:
  - a. against Scheinman that:
    - i. pursuant to paragraph 2 of subsection 127(1) of the Act, trading in any

- securities or derivatives by Scheinman cease permanently;
- ii. pursuant to paragraph 2.1 of subsection 127(1) of the Act, acquisition of any securities by Scheinman 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 Scheinman permanently;
  - iv. pursuant to paragraphs 7, 8.1 and 8.3 of subsection 127(1) of the Act, Scheinman 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, Scheinman 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, Scheinman be prohibited permanently from becoming or acting as a registrant or promoter; and
- b. such other order or orders as the Tribunal considers appropriate.

**DATED** this 6th day of September, 2023.

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