

BETWEEN:

ONTARIO SECURITIES COMMISSION

(Applicant)

-and-

IRA MORRIS

(Respondent)

APPLICATION FOR ENFORCEMENT PROCEEDING

(Subsections 127(1) and 127(4.0.1) of the *Securities Act*, RSO 1990, c S.5)

A. OVERVIEW

1. The Applicant, the Ontario Securities Commission (the **Commission**), requests that the Capital Markets Tribunal (the **Tribunal**) make an order in the public interest against the Respondent, Ira Morris (**Morris**) based on a conviction by the Ontario Court of Justice (**OCJ**) for engaging in securities fraud and unregistered trading. This order is sought without providing the Respondent an opportunity to be heard pursuant to subsection 127(4.0.1) of the Ontario *Securities Act*, RSO 1990, c S.5 (the **Act**).
2. In 2023, Morris pleaded guilty to and was convicted of two counts of contravening Ontario securities law under s. 122(1)(c) of the Act for engaging in unregistered trading contrary to s. 25(1) of the Act and fraud contrary to s. 126.1(1)(b) of the Act. Morris' conviction was based on admissions that between February 25, 2016 and April 18, 2022, he accepted investor funds via various business accounts and diverted said funds to his personal accounts and the accounts of others.
3. The sentence imposed by the OCJ against Morris included 18 months imprisonment, and a 2-year probation order. As part of his sentence, Morris also consented to an administrative order to be imposed by the Tribunal that included permanent trading, director and officer, and other market participation bans.

4. The Tribunal has jurisdiction to make orders in the public interest on an *ex parte* basis under ss. 127(1) and 127(4.0.1) of the Act where a person or company has been convicted in any jurisdiction of an offence under laws respecting securities or derivatives.

5. The order requested herein is in the public interest. The Respondent has consented to an order on the terms sought. The order is necessary to restrain potential future misconduct by the Respondent that exposes Ontario investors to unacceptable risks and to deter others from engaging in securities misconduct such as unregistered trading and the misappropriation of investor funds.

B. GROUNDS

OCJ Proceeding and Sentence

6. Pursuant to an Information sworn June 24, 2021 and amended October 4, 2022 (the **Information**), Morris was charged with two counts of contravening Ontario securities law under s. 122(1)(c) of the Act for engaging in unregistered trading contrary to s. 25(1) of the Act and fraud contrary to s. 126.1(1)(b) of the Act.

7. Morris pleaded guilty to both counts before the Honourable Justice V. Rondinelli on November 20, 2023 and was convicted based on admissions contained in a Statement of Agreed Facts in Support of Guilty Plea (**ASF**), which was entered into the court record.

8. On February 28, 2024, Morris was sentenced to 18 months imprisonment and two years probation.

9. Morris also consented to an administrative order to be imposed by the Tribunal. Morris consented to permanent director and officer bans, a permanent registrant and promoter ban, and permanent trading bans for him and the companies for which he served as a director, with a carve-out for Morris to conduct personal trading in registered accounts through a registered dealer. Morris understands that this consent will be presented to the Tribunal as a joint recommendation and that the wording of the final order will be determined and imposed by the Tribunal.

Admitted Conduct

10. The Commission relies on the following admissions in the ASF:

- (a) Between February 25, 2016 and April 18, 2022 (the **Material Time**), Morris received payments from investors through four companies incorporated in Ontario: Nextgen Asset Management Inc., Sovereign Management Group Corp., Croftberg Holdings Inc., and Sovereign Holding Group Inc. Morris was the sole director of these companies. None of Morris, Nextgen, Sovereign Management, or Sovereign Holding were registered to trade in securities as required by s. 25(1) of the Act during the Material Time.
- (b) On instructions from Norman Frydrych, Morris' ex-brother-in-law, Morris accepted investor funds via the companies' business banking accounts and diverted the funds to his personal bank accounts and the accounts of others.
- (c) Morris was wilfully blind that the money received was from investors, that he was not entitled to it, and that accepting these monies would cause deprivation or risk of deprivation to the people who sent the money.
- (d) Morris was informed on May 11, 2021 that he was under investigation by the Commission in relation to allegations of fraud and other breaches of the Act. He was subsequently served with a summons on June 24, 2021 informing him he was charged with fraud and trading securities without registration under the Act.
- (e) Despite being notified of the investigation and charges, Morris continued to accept investor funds via his business banking accounts and divert funds to his personal bank accounts and the accounts of others, on the instructions of Norman Frydrych. Morris incorporated Sovereign Holding, opened a bank account for it and diverted some of the investor funds to that account.
- (f) Morris knew that the money received was from investors and that he was not entitled to it. He knowingly made wrongful use of investor funds, and he

knew that accepting these monies would cause deprivation or risk of deprivation to others.

- (g) The Information was amended on October 4, 2022 to extend the date range of Morris' offences to cover investments made after the Information was laid.
- (h) In total, Morris received \$908,091.25 in investor funds into his business bank accounts. Of this amount, \$765,797.89 was diverted to his personal accounts or withdrawn.

Jurisdiction of the Tribunal

11. The investments in relation to which Morris received and misappropriated funds are securities under the Act.

12. Pursuant to paragraph 2 of s. 127(4.0.1) of the Act, if a person or company has been convicted in any jurisdiction of an offence under laws respecting securities and derivatives, the Tribunal may make any of the orders described in paragraphs 1 to 8.5 of s. 127(1) of the Act against the Respondent without giving the Respondent an opportunity to be heard.

13. Morris has been convicted by the OCJ of an offence under Ontario securities laws.

14. Subsection 127(4.0.4) of the Act allows the Tribunal to make an order under s. 127(4.0.1) even if the circumstances arose before s. 127(4.0.1) came into force.

15. It is in the public interest to make the requested orders against the Respondent to protect investors and safeguard the integrity of Ontario's capital markets.

C. ORDER SOUGHT

16. The Commission requests that the Tribunal make the following orders against Morris:

- (a) pursuant to paragraph 2 of subsection 127(1) of the Act, trading in any securities or derivatives by Morris shall cease permanently, except that this order does not preclude Morris from trading in securities or derivatives in a registered retirement

savings plan, a registered education savings plan, any registered retirement income funds, and/or a 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 only;

- (b) pursuant to paragraph 2 of subsection 127(1) of the Act, trading in any securities or derivatives by companies of which Morris is a director, including Nextgen Asset Management Inc., Sovereign Management Group Corp., Sovereign Holding Group Inc., and Croftberg Holdings Inc. shall cease permanently;
- (c) pursuant to paragraph 2.1 of subsection 127(1) of the Act, acquisition of any securities by Morris shall be prohibited permanently, except that this order does not preclude Morris from purchasing securities or derivatives in a registered retirement savings plan, a registered education savings plan, any registered retirement income funds, and/or a 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 only;
- (d) pursuant to paragraph 3 of subsection 127(1) of the Act, any exemptions contained in Ontario securities law permanently do not apply to Morris;
- (e) pursuant to paragraphs 7, 8.1 and 8.3 of subsection 127(1) of the Act, Morris shall resign any positions that he holds as a director or officer of any issuer or registrant as soon as corporate law permits;
- (f) pursuant to paragraphs 8, 8.2 and 8.4 of subsection 127(1) of the Act, Morris is be prohibited permanently from becoming or acting as a director or officer of any issuer or registrant;
- (g) pursuant to paragraph 8.5 of subsection 127(1) of the Act, Morris is prohibited permanently from becoming or acting as a registrant or promoter; and

(h) such other orders as the Tribunal considers appropriate.

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