



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

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**IN THE MATTER OF THE *SECURITIES ACT*,
RSO 1990, c S.5**

- AND -

**IN THE MATTER OF
THOMAS ARTHUR WILLIAMS,
GLOBAL WEALTH CREATION OPPORTUNITIES INC.,
GLOBAL WEALTH CREATION OPPORTUNITIES INC. (BELIZE),
GLOBAL WEALTH FINANCIAL INC.,
GLOBAL WEALTH CREATION STRATEGIES INC.,
CDN GLOBAL WEALTH CREATION CLUB RW-TW,
2002 CONCEPTS INC., SUSAN GRACE NEMETH, RENEE MICHELLE PENKO, IRENE
G. BEILSTEIN and DENNIS CARL WEIGEL**

**REASONS AND DECISION
(Subsections 127(1) and (10) of the Act)**

Hearing: In writing

Decision: March 29, 2017

Panel: Monica Kowal - Vice-Chair

Appearances: Malinda Alvaro - For Staff of the Commission
No submissions were received on behalf of the Respondents

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REASONS AND DECISION

I. STAFF'S REQUEST

- [1] Staff ("**Staff**") of the Ontario Securities Commission (the "**Commission**") seeks an enforcement order pursuant to paragraph 4 of subsection 127(10) and subsection 127(1) of the *Securities Act*, RSO 1990, c S.5 (the "**Act**"), imposing sanctions in Ontario against: Thomas Arthur Williams ("**Williams**"), Global Wealth Creation Opportunities Inc. ("**Global Opportunities**"), Global Wealth Creation Opportunities Inc. (Belize) ("**Global Opportunities (Belize)**"), Global Wealth Financial Inc. ("**Global Financial**"), Global Wealth Creation Strategies Inc. ("**Global Strategies**"), CDN Global Wealth Creation Club RW-TW ("**Global Club**"), 2002 Concepts Inc. ("**2002 Concepts**") ("collectively, the "**Global Entities**"), Susan Grace Nemeth ("**Nemeth**"), Renee Michelle Penko ("**Penko**"), Irene G. Beilstein ("**Beilstein**") and Dennis Carl Weigel ("**Weigel**") (collectively, the "**Respondents**"). The Respondents are subject to an order made by a securities regulatory authority, specifically the British Columbia Securities Commission (the "**BCSC**").
- [2] The Commission conducted a written hearing to consider Staff's request, and these are the reasons for granting Staff's requested order.

II. PRELIMINARY MATTERS

- [3] The Respondents were served with the Notice of Hearing issued on January 10, 2017, a Statement of Allegations dated January 10, 2017 and Staff's disclosure.¹
- [4] The Respondents did not communicate with Staff and did not appear or otherwise participate at the hearing on January 30, 2017. On January 30, 2017, Staff brought an application to convert the matter to a written hearing, as permitted by Rule 11 of the Commission's *Rules of Procedure* (2014), 37 OSCB 4168. The application was granted and a timeline was set for the exchange of materials between Staff and the Respondents. The Respondents were required to serve and file their materials by March 9, 2017.
- [5] The Respondents did not file evidence or make submissions in accordance with the timelines set on January 30, 2017. As set out in the Affidavit of Service of Lee Crann sworn February 21, 2017,² the Respondents were served: (1) by courier with the Commission's Order dated January 30, 2017 which set out the timeline for the exchange of materials, and (2) by email and/or courier with Staff's written materials, including Staff's written Submissions, Brief of Authorities and Hearing Brief.³
- [6] A tribunal may proceed in the absence of a party where that party has been given notice of the hearing (Subsection 7(2), *Statutory Powers Procedure Act*, RSO 1990, c S.22 (the "**SPPA**")). Based on the evidence of service from Staff, I am satisfied that the Respondents were properly served and had notice of the

¹ Affidavit of Service of Lee Crann sworn January 25, 2017, 18 tabs, and Affidavit of Service of Lee Crann sworn January 25, 2017, 5 tabs, respectively marked as Exhibits #1 and #2 at the hearing on January 30, 2017.

² Marked as Exhibit #3.

³ Staff's Hearing Brief is marked as Exhibit #4.

written hearing and that the matter may proceed in the absence of their participation in accordance with the SPPA.

III. THE BCSC FINDINGS AND ORDER

[7] In its findings decision dated January 14, 2016 (*Re Williams*, 2016 BCSECCOM 18 (the "**Findings**")), the BCSC Panel found that the following misconduct occurred between February 2007 to April 2010 (the "**Material Time**"):

- (a) Williams and each of the Global Entities perpetrated a fraud in contravention of section 57(b) of the British Columbia *Securities Act*, RSBC 1996, c 418 (the "**BC Act**") with respect to \$11.7 million of securities sold to 123 investors.⁴
- (b) With the exception of 2002 Concepts, each of the Respondents engaged in unregistered trading (contrary to section 34 of the BC Act) and an illegal distribution (contrary to section 61 of the BC Act) with respect to the following distributions:
 - Williams and Global Strategies - \$5.3 million to 101 investors for 156 investments;
 - Global Opportunities - \$2,893,307 to 51 investors for 83 investments;
 - Global Opportunities (Belize) - \$2,893,307 to 51 investors for 83 investments;
 - Global Financial - \$25,000 to one investor;
 - Global Club - \$244,000 to five investors for seven investments;
 - Penko - \$1,171,003 to 22 investors for 31 investments;
 - Nemeth - \$1,249,723 to 19 investors for 34 investments;
 - Beilstein - \$170,500 to three investors for five investments;
 - Weigel - \$40,000 to three investors.⁵
- (c) Williams was the sole directing mind of each of the Global Entities and was liable for the Global Entities' contraventions of the BC Act.⁶

[8] The scheme involved investors lending funds to certain Global Entities under various agreements.⁷ Although money was lent by the investors to different Global Entities under the terms of different agreements, investors were promised

⁴ Findings, at para 255

⁵ Findings, at paras 212 and 256

⁶ Findings, at paras 191 and 257

⁷ Findings, at para 39

monthly returns between 2% and 6% per month.⁸ Williams told investors that they were invested in something called a "managed risk opportunity" and advised investors that the funds were secure and would not be put at risk.⁹ Williams, through Global Strategies, hired Nemeth, Penko, Beilstein and Weigel as associates or "finders" who acted as intermediaries between investors and Williams to persuade investors to invest and these finders earned commissions for doing so.¹⁰ While some investors received cash distributions on their investments as promised early on in the Global Scheme, starting in 2009 the Global Entities started missing payments to investors and in mid to late 2009 the Global Scheme collapsed as investor demands for cash payments continued to be unmet.¹¹

- [9] The BCSC Panel found that no funds had ever been invested by the Global Entities in the managed risk opportunity, and that no money was ever received by any Global Entity from investments. The Global Entities had no revenue other than investor loans, a fact that was never disclosed to investors.¹²
- [10] A sanctions hearing was held and the BCSC Panel issued its sanctions decision on August 17, 2016 (*Re Williams*, 2016 BCSECCOM 283 ("BCSC Order")). The BCSC ordered a combination of trading and purchasing bans, market participation prohibition bans, administrative penalties and payments to the BCSC on each respondent. The quantum and length of the sanctions imposed were proportionate to the culpability of each of the respondents, taking into account their participation and role in the scheme.

IV. RESPONDENTS' POSITION

- [11] The Respondents did not provide the Commission with any evidence or submissions that would persuade the Commission that Staff's requested order is not appropriate in the circumstances.

V. DECISION

- [12] In my view, it is in the public interest to grant the order requested by Staff.
- [13] At paragraph 4 of subsection 127(10), the Act provides for inter-jurisdictional enforcement where another securities regulatory authority has imposed "sanctions, conditions, restrictions or requirements on the person or company". The Commission must determine whether, based on any such finding by another securities regulatory authority, an order should be made under subsection 127(1) of the Act.
- [14] I find that Staff established the threshold criteria under paragraph 4 of subsection 127(10) of the Act. In addition, I find that it is in the public interest to grant Staff's requested order. I am guided by the public interest mandate of the Act, to provide protection to investors from unfair, improper or fraudulent practices, and to foster fair and efficient capital markets and confidence in capital markets.

⁸ Findings, at para 40

⁹ Findings, at paras 45 and 48

¹⁰ Findings, at para 18

¹¹ Findings, at paras 44 and 80

¹² Findings, at paras 53 and 56

[15] While the Commission must make its own determination of what is in the public interest, it is also important that the Commission be aware of and responsive to an interconnected, inter-provincial securities industry. Comity requires that there not be barriers to recognizing and reciprocating the order of other regulatory authorities when the findings of the other jurisdiction qualify under subsection 127(10) of the Act. For comity to be effective and the public interest to be protected, the threshold for reciprocity must be low.

[16] In my view, Staff's requested order is appropriate for the following reasons:

- The BCSC Panel found that the Respondents engaged in very serious misconduct and the magnitude of the misconduct is on the high end of the spectrum. Specifically:

The fraud in this case was a massive Ponzi scheme which was exacerbated by the diversion by Williams and the Global Entities of approximately \$6 million of funds raised from investors to various entities controlled by persons with a significant history of securities and/or criminal misconduct. The scope of the fraudulent conduct in this case in terms of the number of investors, the amount of money raised from investors and the extent of the deceit visited on investors was extremely significant. We find the fraudulent misconduct of Williams and the Global Entities alone (without regard to their other misconduct) to be on the upper end of seriousness of the matters that the Commission oversees.¹³

- This Commission has found that fraud is one of the most egregious securities violations and it decreases the confidence in the fairness and efficiency of the capital markets.¹⁴ The BCSC Panel also acknowledged the severity of the fraud in this case and found that it was an aggravating factor that:

...the entire investment scheme was a Ponzi scheme and that certain of the funds were diverted to persons with a history of criminal and securities related fraud and other misconduct.¹⁵

- Investor harm was significant in this case. Specifically, the BCSC found that:

In addition to the direct financial loss of their investments, we heard testimony from a number of investors who were persuaded to withdraw funds from other investments, including retirement plans, or to borrow money in order to purchase securities of the Global Entities. There has also been significant indirect financial loss, by way of incurred interest expense and withdrawals from retirement planning and other investments, as a consequence of the misconduct in this case.¹⁶

- The terms of Staff's requested order are consistent with the fundamental principle that the Commission maintain high standards of fitness and business

¹³ BCSC Order, at para 22

¹⁴ *Al-Tar Energy Corp* (2010) 33 OSCB 5535 at para 214

¹⁵ BCSC Order, at para 44

¹⁶ BCSC Order, at para 32

conduct to ensure honest and responsible conduct by market participants. Williams, Nemeth and Penko have a history of previous registration and should have been aware of the registration requirements associated with the sale of securities.¹⁷ I note that the BCSC Panel took into account Penko's remorse and determined that she could keep her current job provided she is subject to strict supervision.¹⁸

- The sanctions imposed in the BCSC Order are proportionately appropriate to the magnitude of the misconduct engaged in by each of the Respondents, and provide both specific and general deterrence. The terms of Staff's requested order align with the sanctions for trading and market prohibitions imposed by the BCSC Panel to the extent possible under the Act and will deter the Respondents from engaging in similar misconduct in Ontario.
- The sanctions proposed by Staff are prospective in nature, and would impact the Respondents only if they attempted to participate in the capital markets of Ontario.

[17] Taking into consideration the nature of the misconduct engaged in, the importance of inter-jurisdictional cooperation among securities regulatory authorities in Canada, and the need to deter the Respondents from engaging in similar misconduct in Ontario, I conclude that an order ought to be made in the public interest pursuant to the authority provided in subsection 127(1) of the Act. I therefore order:

(a) against Williams that:

- i. pursuant to paragraph 2 of subsection 127(1) of the Act, trading in any securities or derivatives by Williams shall cease permanently;
- ii. pursuant to paragraph 2.1 of subsection 127(1) of the Act, the acquisition of any securities by Williams is 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 Williams permanently;
- iv. pursuant to paragraphs 7 and 8.1 of subsection 127(1) of the Act, Williams resign any positions that he holds as a director or officer of any issuer or registrant;
- v. pursuant to paragraphs 8 and 8.2 of subsection 127(1) of the Act, Williams is prohibited permanently from becoming or acting as a director or officer of any issuer or registrant; and
- vi. pursuant to paragraph 8.5 of subsection 127(1) of the Act, Williams is prohibited permanently from becoming or acting as a registrant, investment fund manager or promoter;

¹⁷ BCSC Order, at paras 42, 48 and 50

¹⁸ BCSC Order, at para 48

(b) against Nemeth that:

- i. pursuant to paragraph 2 of subsection 127(1) of the Act, trading in any securities or derivatives by Nemeth shall cease, except that:
 1. she may trade securities through her own account through a registrant, provided that a copy of the BCSC Order, and a copy of the Order of the Commission in this proceeding, are provided to the registrant;
- ii. pursuant to paragraph 2.1 of subsection 127(1) of the Act, the acquisition of any securities by Nemeth is prohibited, except that:
 1. she may purchase securities through her own account through a registrant, provided that a copy of the BCSC Order, and a copy of the Order of the Commission in this proceeding, are provided to the registrant;
- iii. pursuant to paragraph 3 of subsection 127(1) of the Act, any exemptions contained in Ontario securities law do not apply to Nemeth, except for those exemptions necessary to enable Nemeth to trade or purchase securities in her own account as contemplated by subclauses i. 1. and ii. 1. of paragraph (b) above;
- iv. pursuant to paragraphs 7 and 8.1 of subsection 127(1) of the Act, Nemeth resign any positions that she holds as a director or officer of any issuer or registrant;
- v. pursuant to paragraphs 8 and 8.2 of subsection 127(1) of the Act, Nemeth is prohibited 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, Nemeth is prohibited from becoming or acting as a registrant, investment fund manager or promoter; and
- vii. the sanctions listed in (b) i., ii., iii., v. and vi. shall apply until the later of August 17, 2023, and the date on which the payments ordered against Nemeth in paragraphs 133(17) and 133(18) of the BCSC Order have been made;

(c) against Penko that:

- i. pursuant to paragraph 2 of subsection 127(1) of the Act, trading in any securities or derivatives by Penko shall cease, except that:
 1. she may trade securities:
 - a. through her own account through a registrant, provided that a copy of the BCSC Order, and a copy of the Order

of the Commission in this proceeding, are provided to the registrant; and

- b. in the course of her employment with a dealer registered under the applicable securities legislation, and only with or to the clients of that dealer;
- ii. pursuant to paragraph 2.1 of subsection 127(1) of the Act, the acquisition of any securities by Penko is prohibited, except that:
 - 1. she may purchase securities:
 - a. through her own account through a registrant, provided that a copy of the BCSC Order, and a copy of the Order of the Commission in this proceeding, are provided to the registrant; and
 - b. in the course of her employment with a dealer registered under the applicable securities legislation, and only with or to the clients of that dealer;
- iii. pursuant to paragraph 3 of subsection 127(1) of the Act, any exemptions contained in Ontario securities law do not apply to Penko, except for those exemptions necessary to enable Penko to trade or purchase securities in her own account as contemplated by subclauses i. 1. a. and ii. 1. a. of paragraph (c) above;
- iv. pursuant to paragraphs 7 and 8.1 of subsection 127(1) of the Act, Penko resign any positions that she holds as a director or officer of any issuer or registrant;
- v. pursuant to paragraphs 8 and 8.2 of subsection 127(1) of the Act, Penko is prohibited 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, Penko is prohibited from becoming or acting as a registrant, investment fund manager or promoter, except in connection with her employment with a dealer under the applicable securities legislation and under the condition of strict supervision of Penko's registerable activities on the same terms as Appendix A of the BCSC Order; and
- vii. the sanctions listed in (c) i., ii., iii., v. and vi. shall apply until the later of August 17, 2020, and the date on which the payments ordered against Penko in paragraphs 133(25) and 133(26) of the BCSC Order have been made;

(d) against Beilstein that:

- i. pursuant to paragraph 2 of subsection 127(1) of the Act, trading in any securities or derivatives by Beilstein shall cease, except that:
 - 1. she may trade securities through her own account through a registrant, provided that a copy of the BCSC Order, and a copy of the Order of the Commission in this proceeding, are provided to the registrant;
 - ii. pursuant to paragraph 2.1 of subsection 127(1) of the Act, the acquisition of any securities by Beilstein is prohibited, except that:
 - 1. she may purchase securities through her own account through a registrant, provided that a copy of the BCSC Order, and a copy of the Order of the Commission in this proceeding, are provided to the registrant;
 - iii. pursuant to paragraph 3 of subsection 127(1) of the Act, any exemptions contained in Ontario securities law do not apply to Beilstein, except for those exemptions necessary to enable Beilstein to trade or purchase securities in her own account as contemplated by subclauses i. 1. and ii. 1. of paragraph (d) above;
 - iv. pursuant to paragraphs 7 and 8.1 of subsection 127(1) of the Act, Beilstein resign any positions that she holds as a director or officer of any issuer or registrant;
 - v. pursuant to paragraphs 8 and 8.2 of subsection 127(1) of the Act, Beilstein is prohibited 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, Beilstein is prohibited from becoming or acting as a registrant, investment fund manager or promoter; and
 - vii. the sanctions listed in (d) i., ii., iii., v. and vi. shall apply until the later of August 17, 2019, and the date on which the payments ordered against Beilstein in paragraphs 133(34) and 133(35) of the BCSC Order have been made;
- (e) against Weigel that:
- i. pursuant to paragraph 2 of subsection 127(1) of the Act, trading in any securities or derivatives by Weigel shall cease, except that:
 - 1. he may trade securities through his own account through a registrant, provided that a copy of the BCSC Order, and a copy of the Order of the Commission in this proceeding, are provided to the registrant;

- ii. pursuant to paragraph 2.1 of subsection 127(1) of the Act, the acquisition of any securities by Weigel is prohibited, except that:
 - 1. he may purchase securities through his own account through a registrant, provided that a copy of the BCSC Order, and a copy of the Order of the Commission in this proceeding, are provided to the registrant;
 - iii. pursuant to paragraph 3 of subsection 127(1) of the Act, any exemptions contained in Ontario securities law do not apply to Weigel, except for those exemptions necessary to enable Weigel to trade or purchase securities in his own account as contemplated by subclauses i. 1. and ii. 1. of paragraph (e) above;
 - iv. pursuant to paragraphs 7 and 8.1 of subsection 127(1) of the Act, Weigel resign any positions that he holds as a director or officer of any issuer or registrant;
 - v. pursuant to paragraphs 8 and 8.2 of subsection 127(1) of the Act, Weigel is prohibited 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, Weigel is prohibited from becoming or acting as a registrant, investment fund manager or promoter; and
 - vii. the sanctions listed in (e) i., ii., iii., v. and vi. shall apply until the later of August 17, 2017, and the date on which the payments ordered against Weigel in paragraphs 133(43) and 133(44) of the BCSC Order have been made;
- (f) against each of the Global Entities:
- i. pursuant to paragraph 2 of subsection 127(1) of the Act, trading in any securities or derivatives of each of the Global Entities shall cease permanently;
 - ii. pursuant to paragraph 2 of subsection 127(1) of the Act, trading in any securities or derivatives by each of the Global Entities shall cease permanently;
 - iii. pursuant to paragraph 3 of subsection 127(1) of the Act, any exemptions contained in Ontario securities law do not apply to each of the Global Entities permanently; and
 - iv. pursuant to paragraph 8.5 of subsection 127(1) of the Act, each of the Global Entities is prohibited permanently from becoming or acting as a registrant, investment fund manager or promoter.

Dated at Toronto this 29th day of March 2017.

"Monica Kowal"

Monica Kowal