IN THE MATTER OF THE SECURITIES ACT,
R.S.O. 1990, c. S.5, AS AMENDED

- and –

IN THE MATTER OF
MICHAEL GOSELIN, IRVINE DYCK,
DONALD McCRORY and ROGER CHIASSON

- and -

IN THE MATTER OF IRVINE JAMES DYCK

SETTLEMENT AGREEMENT BETWEEN STAFF OF THE ONTARIO SECURITIES COMMISSION AND IRVINE DYCK

I. INTRODUCTION

1. By Notice of Hearing dated November 9, 2001 (the "Notice of Hearing"), the Ontario Securities Commission (the "Commission") announced that it proposed to hold a hearing to consider, among other things, whether pursuant to subsection 127(1) and 127.1 of the *Securities Act*, R.S.O. 1990, c. S.5 (the "Act"), it is in the public interest for the Commission to make an Order:

(a) that trading in any securities by the respondent Irvine Dyck ("Dyck") cease permanently or for such time as the Commission may direct;

(b) prohibiting Dyck from becoming or acting as a director or officer of any issuer permanently or for such period as specified by the Commission;

(c) reprimanding Dyck;

(d) requiring Dyck to pay the costs of the Commission's investigation and the hearing; and

(e) such other terms and conditions as the Commission may deem appropriate.

2. By Notice of Hearing dated October 13, 1999 (the "Dual Capital Notice of Hearing") the Commission announced that it proposed to hold a hearing to consider whether pursuant to subsection 127(1) of the Act, it is in the public interest for the Commission to make an Order:

(a) that trading in any securities by Dyck cease permanently or for such time as the Commission may direct;

(b) that any exemptions contained in Ontario securities law do not apply to Dyck permanently, or for such period as specified by the Commission;

(c) reprimanding Dyck; and

(d) such other order as the Commission may deem appropriate.

II. JOINT SETTLEMENT RECOMMENDATION

3. Staff of the Commission ("Staff") agrees to recommend settlement of the proceeding respecting Dyck initiated by the Notice of Hearing and Dual Capital Notice of Hearing (collectively, the "Proceedings") in accordance with the terms and conditions set out below. Dyck consents to the making of an order against him in the form attached as Schedule "A" based on the facts set out in Part III of this Settlement Agreement.

III. STATEMENT OF FACTS

Acknowledgement

4. Solely for the purposes of the Proceedings, and of any other proceeding commenced by a securities regulatory agency, Staff and Dyck agree with the facts set out in paragraphs 5 through 31 of this Settlement Agreement.

Facts

A. DYCK'S REGISTRATION

5. Dyck became registered with the Commission to sell mutual funds in September 1987. By October 1988, he also was registered to sell limited market products. During the material times, Triple A Financial Services Inc. ("Triple A") sponsored Dyck's registration. Dyck has not been registered since October 1999.

6. During the time that Triple A sponsored Dyck, Roderick Alton ("Alton") was Triple A's President and a director. Dyck operated a Branch Office in North Bay under the sponsorship of Triple A.

B. THE NORTH GEORGE CAPITAL LIMITED PARTNERSHIPS AND LIONAIRD CAPITAL CORP.

(i) The North George Capital Limited Partnerships

7. In the mid-nineteen nineties, Alton and Michael Magee ("Magee") formed several limited partnerships. North George Capital Limited Partnership was formed on September 8, 1995 pursuant to the laws of Ontario. North George Capital II Limited Partnership, North George

Capital III Limited Partnership, North George Capital IV Limited Partnership and North George Capital V Limited Partnership (collectively with North George Capital Limited Partnership, the "North George Limited Partnerships" or the "Partnerships") were formed on August 16, 1996.

8. The general partner of the North George Limited Partnerships was North George Capital Management Limited ("North George Management"). North George Management was a private corporation owned equally by Alton and Magee.

(ii) The Distribution of Units of the North George Limited Partnerships

9. The North George Limited Partnerships raised funds by offering investors/subscribers the opportunity to purchase units in one or more of the Partnerships. Each subscriber became a limited partner of the Partnership(s) in which he or she invested. Through the sale of units, the North George Limited Partnerships raised approximately US$4.4 million. Such sales did not go through Triple A or any other registered dealer.

10. The distribution of the North George Limited Partnerships securities contravened section 53 of the Act. None of the North George Limited Partnerships filed a preliminary prospectus or prospectus with the Commission.

11. The North George Limited Partnerships prepared Offering Memoranda, according to which the Partnerships relied on the "seed capital" prospectus exemption contained in paragraph 72(1)(p) of the Act. Neither this, nor any other, prospectus exemption under the Act was available to the Partnerships.

12. Effectively, the Partnerships were one issuer. Among other things, such Partnerships raised funds based on virtually identical Offering Memoranda and co-mingled investors' funds to be used for a common purpose. The North George Limited Partnerships represented five tranches of the same investment program. Several Partnerships were formed as an attempt to circumvent the "seed capital" exemption requirement that sales be made to no more than 25 purchasers.

13. Only the Offering Memorandum of North George Capital IV Limited Partnership was filed with the Commission. Only North George Capital IV Limited Partnership filed reports (Form 20's) as required under the Act.

14. The North George Limited Partnerships initially promised a rate of return of 5% per month to investors (with the salesperson earning the same monthly percentage as the investor). Subsequently, the Partnerships offered investors a 24% annual return (from a total generated rate of return in excess of 48%). The North George Limited Partnerships generated little income. Any "interest" paid to subscribers came largely out of other subscribers' capital. A small number of investors redeemed their investment. Most investors lost a significant portion of their investment.

(iii) The Distribution of Lionaird Capital Corp. Promissory Notes

15. In May 1997, Lionaird Capital Corp. ("Lionaird") was incorporated pursuant to the laws of Ontario. Lionaird was a private corporation the shares of which were held by Alton, Magee

and others in trust for an unnamed party. Alton was the President, Chief Operating Officer and a director of Lionaird. Magee was Lionaird's Vice-President and a director. Kenneth Gill ("Gill") also was an officer and a director.

16. Lionaird raised monies through the sale of promissory notes to investors. Lionaird promissory notes were marketed as RRSP-eligible. Through the purchase of promissory notes by investors, Lionaird raised in excess of $3.4 million. Such sales did not go through Triple A or any other registered dealer.

17. The distribution of Lionaird promissory notes contravened section 53 of the Act. Lionaird did not file a preliminary prospectus or a prospectus with the Commission. On September 12, 1997, Lionaird filed with the Commission an Offering Memorandum dated July 25, 1997. The Lionaird Offering Memorandum related to a purported private placement of 12% secured redeemable promissory notes. Such notes were described in the Offering Memorandum as having a five year term and paying interest to investors of 12% per year (with a potential bonus payment of up to 12%).

18. According to its Offering Memorandum, Lionaird relied on the "private placement" and "seed capital" prospectus exemptions contained in paragraphs 72(1)(d) and (p) of the Act. Neither these, nor any other, prospectus exemptions under the Act were available to Lionaird.

19. Most of the investors in Lionaird lost all, or substantially all, of their investment.

C. THE SALE OF DUAL CAPITAL LIMITED PARTNERSHIP UNITS

20. Between October, 1994 and December 1995, Dyck sold securities, namely limited partnership units (the "Dual Capital Units") of Dual Capital Limited Partnership, where such trading was a distribution of such securities, without having filed a preliminary prospectus and a prospectus and obtaining receipts therefor from the Director as required by subsection 53(1) of the Act.

21. The Dual Capital Units were purportedly offered for sale pursuant to the "seed capital" prospectus exemption set out in paragraph 72(1)(p) of the Act. The requirements of the "seed capital" exemption from the prospectus requirements in Ontario securities law were not satisfied.

22. During the material times, Dyck sold securities, namely the Dual Capital Units, on his own behalf and/or on behalf of a company operating under the name "Dual Financial Group", and not as a salesperson registered with Triple A. Therefore, Dyck did not trade in accordance with his registration under subsection 26(1) of the Act.

23. Dyck sold Dual Capital Units to ten investors. The ten investors paid $370,000 in total for the purchase of the Dual Capital Units through Dyck. Dyck earned commissions of approximately $30,000 for the sale of the Dual Capital Units.

24. Further, Dyck failed to assess the suitability of the investments to the needs of the investors.

25. Dyck and his wife invested US$30,000 in the Dual Capital Units.

D. DYCK'S CONDUCT

(i) The North George Limited Partnerships and Lionaird

26. Between June 1996 and late February 1998, Dyck sold approximately US$1.1 million worth of units in the North George Limited Partnerships to 36 Ontario investors and approximately $2.7 million worth of Lionaird promissory notes (approximately $1.8 million as a RRSP investment) to 114 Ontario investors.

27. A significant percentage of Dyck's clients who invested in the Partnerships and/or Lionaird were retired or approaching retirement. Many investors had been clients of Dyck for several years and trusted him implicitly.

28. Dyck participated in distributions which did not comply with the Act and engaged in other conduct contrary to Ontario securities law and the public interest by:

(a) failing to deal fairly and in the best interests of his clients.

When Dyck started to sell the North George Limited Partnerhsips units to his clients, he had been registered for 7 years. Dyck failed to conduct the appropriate due diligence concerning the nature and quality of the Partnerships and Lionaird investments and the requirements of Ontario securities law relating to their distributions.

Dyck made inquiries exclusively of Alton, a principal of the Partnerships and Lionaird and in an obvious conflict position. Dyck took his representations at face value notwithstanding discrepancies in the Offering Memoranda, a lack of credible supporting documentation, a logical inconsistency between a "no risk" investment and high rates of return and the ultimate difficulties experienced by the North George Limited Partnerships.

The Offering Memoranda prepared by the Partnerships and Lionaird contained inconsistent statements and did not provide a clear or logical explanation as to how the investment worked and why it was able to generate significant rates of return. In many instances, Dyck did not provide to investors a copy of the correct, or any, Offering Memorandum prior to their purchase.

Dyck did not review the financial statements of the Partnerships prior to selling the Partnerships and Lionaird products to many of his clients. When he received the Partnerships' statements, he continued to sell notwithstanding that they indicated that the "interest" being paid to investors was taken largely from other investors' capital;

(b) representing to his clients that:

(i) the North George Limited Partnerships and Lionaird investments were safe and that an investor's principal was 100% guaranteed notwithstanding, among other things, that the Offering Memoranda stated that the securities were speculative and the Lionaird Offering Memorandum stated that each note was secured against the assets of the company. Dyck continued to assure clients that their principal invested in Lionaird was 100% guaranteed even in the face of a company memorandum which explicitly stated that the notes were not guaranteed;

(ii) his verbal representations overrode inconsistent statements in the Offering Memoranda since the Memoranda only existed to satisfy the Commission;

(iii) all the client's funds could be retrieved notwithstanding, among other things, that the Lionaird notes matured in five years and were only redeemable by the company;

(iv) the minimum investment was larger than enumerated in the Offering Memoranda;

(v) the investments were registered with the Commission; and

(vi) the government had approved Lionaird as RRSP-eligible.

(c) recommending and encouraging investors to borrow funds, obtain a line of credit secured by their home, or use their existing line of credit, to invest in the Partnerships and/or Lionaird;

(d) aggressively marketing the North George Limited Partnerships and Lionaird investments to his clients. Dyck pressured many clients to buy by telling them that the investment opportunity would expire or be capped imminently;

(e) selling Lionaird notes to investors notwithstanding that the North George Limited Partnerships were facing difficulties and were failing to pay the promised return, particularly given that the principals and general investment strategy were the same for both investments.

Dyck sold the Lionaird securities even in the face of a request from Anne Gilmour (administrator of Lionaird) to stop selling the notes because of serious concerns over the propriety of Alton's conduct respecting investors' funds;

(f) signing Subscription Forms/Agreements for certain clients of the respondent Roger Chiasson ("Chiasson") without conducting the appropriate KYC;

(g) recommending and selling investments unsuitable for his clients. Dyck advised many of his clients to transfer and redeem conservative investments to purchase the Partnerships and Lionaird securities. Certain clients redeemed a diversified portfolio of mutual funds to invest in one product. Several retired clients, or clients approaching retirement, invested all or most of their retirement savings/RRSP monies in Partnerships and/or Lionaird on the advice of Dyck.

Many of Dyck's clients were financially and/or emotionally devastated by the loss of their savings. Several of his clients' health suffered because of the resulting stress and anxiety.

29. The Partnerships' Offering Memoranda stated that the units would be sold directly to investors by the General Partner and that no commissions were payable. Further, investors were unaware that Dyck was entitled to continuing trailer fees equivalent to their interest payments.

30. As a result of selling units in the North George Limited Partnerships and promissory notes of Lionaird to clients, Dyck earned commissions and trailer fees of approximately $322,200. He paid out approximately $50,600 to individuals (including Chiasson) for their involvement in certain sales.

(ii) Dual Capital

31. In relation to the sale of Dual Capital Units, Dyck acted contrary to the public interest by:

(a) selling securities on his own behalf and/or on behalf of a company operating under the name "Dual Financial Group" contrary to his registration as a salesperson with Triple A under subsection 26(1) of the Act;

(b) selling securities, namely the Dual Capital Units, which constituted a distribution without a prospectus contrary to subsection 53(1) of the Act; and

(c) failing to assess the suitability of the Dual Capital Units to the needs of his clients.

IV. DYCK'S POSITION

32. Dyck represents to Staff that:

(a) He had worked with Alton for many years and trusted him;

(b) He was never a principal in the North George Limited Partnerships or Lionaird investments. He relied on the representations of Triple A (his dealer) and Alton that the Partnerships and Lionaird investments complied with the Act's and the Commission's requirements;

(c) he relied upon the representations of Triple A and Alton that they had conducted the appropriate due diligence on the North George Limited Partnerships and Lionaird investments;

(d) he relied upon and repeated the representations of Alton concerning the required minimum investment;

(e) he continued to sell the Lionaird investments after Anne Gilmour asked him to stop because Alton assured him that everything was fine;

(f) In 1996, his wife invested US$120,000 in the North George Limited Partnerships. Dyck and his wife purchased $227,000 worth of the Lionaird securities in February 1998. To so invest in Lionaird, they redeemed all their RRSP mutual funds. In order to invest in the Partnerships, Dyck's wife borrowed against the equity in their home. They have not received back any of their principal;

(g) In 1997, his brother-in-law invested US$100,000 in the Partnerships. He has not received back any of his principal; and

(h) In connection with his sale of the Dual Capital Units, he understood that such offering had been cleared by Triple A.

V. TERMS OF SETTLEMENT

33. Dyck agrees to the following terms of settlement:

(a) the making of an order:

(i) approving this settlement;

(ii) that trading in any securities by Dyck cease for twenty years with the exception that, after three years from the date of the approval of this settlement, Dyck is permitted to trade securities through a registered dealer for the account of his registered retirement savings plan (as defined in the *Income Tax Act (Canada)*);

(iii) that Dyck is prohibited from becoming or acting as an officer or director of a reporting issuer for twenty years; and

(iv) reprimanding Dyck.

VI. STAFF COMMITMENT

34. If this settlement is approved by the Commission, Staff will not initiate any other proceeding under the Act against Dyck in relation to the facts set out in Part III of this Settlement Agreement.

VII. APPROVAL OF SETTLEMENT

35. Approval of the settlement set out in this Settlement Agreement shall be sought at the public hearing of the Commission scheduled for November 18, 2002 or such other date as may be agreed to by Staff and Dyck (the "Settlement Hearing"). Dyck will attend in person at the Settlement Hearing.

36. Counsel for Staff or Dyck may refer to any part, or all, of this Settlement Agreement at the Settlement Hearing. Staff and Dyck agree that this Settlement Agreement will constitute the entirety of the evidence to be submitted at the Settlement Hearing.

37. If this settlement is approved by the Commission, Dyck agrees to waive his rights to a full hearing, judicial review or appeal of the matter under the Act.

38. Staff and Dyck agree that if this settlement is approved by the Commission, they will not make any public statement inconsistent with this Settlement Agreement.

39. If, for any reason whatsoever, this settlement is not approved by the Commission, or an order in the form attached as Schedule "A" is not made by the Commission:

(a) this Settlement Agreement and its terms, including all discussions and negotiations between Staff and Dyck leading up to its presentation at the Settlement Hearing, shall be without prejudice to Staff and Dyck;

(b) Staff and Dyck shall be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing of the allegations in the Notice of Hearing and Statement of Allegations of Staff, unaffected by this Agreement or the settlement discussions/negotiations;

(c) the terms of this Settlement Agreement will not be referred to in any subsequent proceeding, or disclosed to any person, except with the written consent of Staff and Dyck or as may be required by law; and

(d) Dyck agrees that he will not, in any proceeding, refer to or rely upon this Settlement Agreement, the settlement discussions/negotiations or the process of approval of this Settlement Agreement as the basis for any attack on the Commission's jurisdiction, alleged bias or appearance of

bias, alleged unfairness or any other remedies or challenges that may otherwise be available.

VIII. DISCLOSURE OF SETTLEMENT AGREEMENT

40. Except as permitted under paragraph 36 above, this Settlement Agreement and its terms will be treated as confidential by Staff and Dyck until approved by the Commission, and forever, if for any reason whatsoever this settlement is not approved by the Commission, except with the consent of Staff and Dyck, or as may be required by law.

41. Any obligations of confidentiality shall terminate upon approval of this settlement by the Commission.

IX. EXECUTION OF SETTLEMENT AGREEMENT

42. This Settlement Agreement may be signed in one or more counterparts which together shall constitute a binding agreement.

43. A facsimile copy of any signature shall be as effective as an original signature.

DATED this 17th day of November, 2002

_____
WITNESS

_____
IRVINE DYCK

DATED this 18th day of November, 2002

STAFF OF THE ONTARIO SECURITIES COMMISSION

_____
MICHAEL WATSON
Director, Enforcement Branch