

**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**

**SETTLEMENT AGREEMENT BETWEEN STAFF OF THE
ONTARIO SECURITIES COMMISSION AND ROGER CHIASSON**

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 section 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 Roger Chiasson ("Chiasson") cease permanently or for such time as the Commission may direct;
- (b) prohibiting Chiasson from becoming or acting as a director or officer of any issuer permanently or for such period as specified by the Commission;
- (c) reprimanding Chiasson;
- (d) requiring Chiasson 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.

II. JOINT SETTLEMENT RECOMMENDATION

2. Staff of the Commission ("Staff") agrees to recommend settlement of the proceeding respecting Chiasson initiated by the Notice of Hearing in accordance with the terms and conditions set out below. Chiasson 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

3. Solely for the purposes of this proceeding, and of any other proceeding commenced by a securities regulatory agency, Staff and Chiasson agree with the facts set out in paragraphs 4 through 33 of this Settlement Agreement.

Facts

(i) Chiasson

4. During the material time, Chiasson worked out of an office with the respondent Irvine Dyck (“Dyck”). Dyck was registered with the Commission to sell mutual fund securities and limited market products under the sponsorship of Triple A Financial Services Inc. (“Triple A”). Chiasson has never been registered in any capacity with the Commission. During the material time, he was licensed with the Financial Services Commission of Ontario.

(ii) The North George Capital Limited Partnerships

5. 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.

6. 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.

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

7. 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.

8. The North George Limited Partnerships initially promised an annual rate of return of at least 120% (60% to investors). Later, the Partnerships reduced investors’ annual rate of return to 24%. 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.

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

10. 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.

11. 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 incorporated as an attempt to circumvent the “seed capital” exemption requirement that sales be made to no more than 25 purchasers.

12. 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.

13. The Partnerships’ Offering Memoranda provided insufficient information about, and an inadequate explanation of, how the investment worked.

14. The North George Limited Partnerships generated little income. Any “interest” paid to subscribers came largely out of other subscribers’ capital. Most investors lost a significant portion of their investment.

(iv) 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.

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. Among other things, the Lionaird Offering Memorandum provided insufficient information about, or inadequate explanation of, the means by which Lionaird would realize the promised rate of return.

20. Most of the investors in Lionaird lost a substantial portion of their investment.

(v) Chiasson’s Conduct

21. Chiasson engaged in conduct which constituted “trading” in the North George Limited Partnerships and Lionaird securities without being registered to do so contrary to section 25 of the Act.

22. Chiasson solicited his life insurance clients to purchase the Partnerships and Lionaird securities. In some cases, Chiasson aggressively pursued his clients respecting their purchase of the North George Limited Partnerships and Lionaird investments.

23. In so doing, he represented to his clients that the North George Limited Partnerships and Lionaird investments were safe and posed no risk for investors. Further, Chiasson told certain clients that:

- (a) the investment products were completely guaranteed and secure notwithstanding, among other things, that the Partnerships and Lionaird Offering Memoranda stated that the securities were speculative and the Lionaird Offering Memorandum stated that its promissory notes were secured against the assets of the company;
- (b) all his or her funds were accessible on due notice and without penalty or redemption fees notwithstanding, among other things, that the Lionaird notes matured in five years and were only redeemable by the company;
- (c) the Lionaird investment was protected by the government; and
- (d) these “risk free” investments would pay high rates of return.

24. Chiasson told some of his clients that he had personally invested in Lionaird when he had not done so.

25. Chiasson knew that the promoter of Lionaird had also promoted the North George Limited Partnerships, a similar investment program that had experienced difficulties. He did not inform his clients of these facts.

26. Further, in making the representations described in paragraph 23, Chiasson made inquiries only of Dyck. Chiasson took Dyck's representations at face value without an adequate review of the Offering Memoranda or financial statements and notwithstanding discrepancies in the Offering Memoranda, a lack of any 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.

27. Chiasson ultimately introduced each of his clients to Dyck. Chiasson, however, had the relationship of trust with his clients. Chiasson was present during most client conversations with Dyck. In some cases, Chiasson filled out the paperwork for Dyck's signature.

28. Between January 1997 and August 1998, twenty-five of Chiasson's clients invested in excess of \$585,000 in the North George Limited Partnerships and Lionaird. A number of clients made more than one investment in Lionaird at Chiasson's urging.

29. Chiasson's clients trusted him and relied upon his representations in purchasing the North George Limited Partnerships and Lionaird products. They transferred insurance, segregated fund and mutual fund monies to the North George Limited Partnerships and Lionaird. One client invested their life savings (in excess of \$130,000) in Lionaird based on Chiasson's recommendation and representations.

30. Chiasson arranged an RRSP loan so that one of his clients could invest in Lionaird.

31. Chiasson earned a "finder's fee" on each of his client's purchases of the North George Limited Partnerships units and Lionaird promissory notes. He also earned on-going trailer fees based on the interest paid to his clients by the Partnerships and Lionaird. Chiasson was promised a share in any bonuses paid to Dyck relating to the former's clients' investments. Further, Chiasson did not pay for sharing office space with Dyck.

32. At the time the investments collapsed, Chiasson had received approximately \$28,500. Chiasson did not tell his clients that he would be receiving a finder's fee and continuing trailer fees on their investments.

33. Chiasson's conduct was contrary to Ontario securities law and the public interest.

IV. CHIASSON'S POSITION

34. Chiasson represents to Staff that:

- (a) He trusted and relied on the representations of Dyck;

- (b) He did not inform his clients that the Lionaird promoter was the same as the North George Limited Partnerships' promoter because he was told by Dyck that the two investments were unrelated and that it would be a short time before the problems with the Partnerships were cleared up;
- (c) He was not aware that the selling of the North George Limited Partnerships and Lionaird investments was in violation of the Act; and
- (d) He told all his clients that he was not yet qualified to effect the purchase of the Partnerships and Lionaird products.

V. TERMS OF SETTLEMENT

35. Chiasson agrees to the following terms of settlement:

- (a) the making of an order:
 - (i) approving this settlement;
 - (ii) that trading in any securities by Chiasson cease for twelve years with the exception that after three years from the date of the approval of this settlement, Chiasson 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 Chiasson is prohibited from becoming or acting as an officer or director of a reporting issuer for twelve years;
 - (iv) reprimanding Chiasson; and
 - (v) that Chiasson will pay costs to the Commission in the amount of \$1,500.

VI. STAFF COMMITMENT

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

VII. APPROVAL OF SETTLEMENT

37. Approval of the settlement set out in this Settlement Agreement shall be sought at the public hearing of the Commission scheduled for November 27, 2002 or such other date as may be agreed to by Staff and Chiasson (the "Settlement Hearing"). Chiasson will attend in person at the Settlement Hearing.

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

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

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

41. 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 Chiasson leading up to its presentation at the Settlement Hearing, shall be without prejudice to Staff and Chiasson;
- (b) Staff and Chiasson 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 Chiasson or as may be required by law; and
- (d) Chiasson 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

42. Except as permitted under paragraph 38 above, this Settlement Agreement and its terms will be treated as confidential by Staff and Chiasson 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 Chiasson, or as may be required by law.

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

IX. EXECUTION OF SETTLEMENT AGREEMENT

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

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

DATED this 25th day of November , 2002

WITNESS

ROGER CHIASSON

DATED this 26th day of November , 2002

**STAFF OF THE ONTARIO
SECURITIES COMMISSION**

MICHAEL WATSON
Director, Enforcement Branch