

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

- and -

**IN THE MATTER OF
BRIAN PETER VERBEEK,
and
LLOYD HUTCHINSON EBENEZER BRUCE**

**STATEMENT OF ALLEGATIONS
OF STAFF OF THE ONTARIO SECURITIES COMMISSION**

Staff of the Ontario Securities Commission make the following allegations:

I. THE RESPONDENTS

The Parties

1. Brian Peter Verbeek resides in the province of Ontario.
2. During the material period, Verbeek was registered with the Commission as a branch manager and/or salesperson for an office located in Nepean. The only other staff that was present in the office were clerical staff.
3. Verbeek is currently not registered under the Act. His prior registration included the following:
 - i. from April 8, 1997 to August 27, 1999, Verbeek was registered as a salesperson with Fortune Financial Corporation, a dealer in the category of Securities Dealer. From July 3, 1997 to August 27, 1999, Verbeek was registered as a branch manager of 38 Auriga Drive, Suite 225, Nepean, Ontario. On February 2, 1998, the branch located at 38 Auriga Drive, Suite 225 moved to 57 Auriga Drive, Suite 204, Nepean, Ontario;

- ii. from August 27, 1999 to May 1, 2000, Verbeek was registered as a registered representative with Dundee Securities Corporation, a dealer in the category of Broker/Investment Dealer – Equities, Options and managed Accounts. From February 18, 2000 to May 1, 2000, Verbeek was registered as a branch manager of 57 Auriga Drive, Suite 204, Nepean, Ontario; and,

- iii. on August 21, 2000, Verbeek was registered as a salesperson with Buckingham Securities Corporation, a dealer in the category of Securities Dealer. Lloyd Hutchinson Ebenezer Bruce was appointed supervisor for Buckingham's sub-branch located at 57 Auriga Drive, Suite 204 Nepean, Ontario, from September 5, 2000 until June 21, 2001. Verbeek's registration was subject to the following terms and conditions:
 - (a) For a one year period, Bruce was required to submit, on the prescribed form, quarterly reports to the General Manager, Registration, regarding Verbeek's sales and client service activities. The first report, covering the period from initial registration to October 30, 2000, was to be submitted no later than November 15, 2000. Each subsequent report was due on the 15th day of the month following each quarter.

 - (b) Verbeek's activities with Buckingham were approved and supervised by Bruce, an approved officer of Buckingham.

 - (c) The Supervisory Report due November 21, 2000 was delivered to the Commission December 19, 2000. The Supervisory Reports due February 21, 2001 and May 21, 2001 were not submitted to the Commission.

4. By letter dated December 29, 2000, Buckingham suspended Verbeek from conducting business as a registered representative of Buckingham. By letter dated May 23, 2001, Verbeek was re-instated by Buckingham as a registered representative.
5. On June 21, 2001, Verbeek was terminated for cause by Buckingham due to numerous unresolved client complaints, concerns that he was violating the terms and conditions of his registration and concerns that he was involved in questionable private placements.
6. Bruce was first registered under the Act as a salesperson on February 2, 1994 and continued to be registered as a salesperson until January 26, 1998, when he was registered as a trading officer with Buckingham. On February 3, 1998, Bruce was appointed Supervisory Procedures Officer of Buckingham. On July 6, 2001, Buckingham's registration was suspended by way of Commission Order.

II. ILLEGAL DISTRIBUTION

7. From approximately August of 1998 to June 2001, Verbeek participated in schemes, organized by various promoters, whereby advertisements were placed in newspapers throughout Ontario and other provinces to attract clients. In response to the advertisements, the clients contacted Verbeek or the promoters. The advertisements offered "fast financial assistance" to persons wishing access to funds in their locked-in Registered Retirement Savings Plan.
8. These clients, with Verbeek's assistance, purchased shares of Canadian Controlled Private Corporations ("CCPCs") using funds located in the clients' locked-in RRSPs. The CCPCs were purported to be qualified investments for locked-in RRSP accounts. Verbeek facilitated the purchase of shares and the processing of the loans. Concurrently, the clients obtained a loan from the scheme's promoters representing a portion of the purchase price of the CCPC shares, varying from approximately 60% to 80%. The remaining portion, varying from approximately 20% to 40% was charged as an "administration fee" by the promoters of the scheme.

9. Verbeek was involved with two different sets of promoters for the following, overlapping time periods:

- i. Messrs. P. and R. - August 1998 to November 2000 ; and,
- ii. Mr. Tremblay - December 1999 to June 2001.

10. Verbeek processed over 670 transactions in excess of \$17 million while registered with Fortune, Dundee and Buckingham. Verbeek continued to process these transactions during May 2000 to August 2000, while Verbeek was not registered. In addition, approximately 100 New Client Application Forms (“NCAF”) were submitted by Verbeek but the transactions were never processed. Verbeek failed to ascertain the general investment needs, objectives and suitability of the purchases of the securities for these clients.

Part I – Messrs. P. and R. - August 1998 to November 2000

11. Sometime in 1998, Verbeek became involved with Messrs. P. and R. who were promoters of a scheme involving the purchase of shares, using a client’s locked-in RRSP funds, and the subsequent loan back to the client for a portion of the proceeds of the shares. Verbeek was responsible for processing the purchase of shares and subsequent loan.

12. Clients, who were referred from other clients or who responded to the advertisements that were placed in newspapers in Ontario and other provinces, contacted Verbeek’s office. Verbeek processed the purchase of shares of the various private companies by setting up client accounts at Fortune, Dundee and then Buckingham.

13. Through Fortune, Dundee, Buckingham and while not registered, Verbeek facilitated the purchase of shares from the following companies:

	Company Name	Province of	Activity		#	\$
		Incorporation	From	To	Investors	Amount
1	Atlas Mckenzie Inc.	Ontario	Jul-99	Mar-00	14	228,600
2	Data Safenet Inc.	Ontario	Aug-98	Mar-00	49	1,117,000
3	Distribution Perilandaise Inc.	Quebec	Sep-98	Mar-00	47	1,186,027
4	Eau-Necessaire Inc.	Quebec	Dec-99	Sep-00	42	1,663,270
5	Eurontario Inc.	Ontario	Feb-99	Sep-00	48	1,290,600
6	Flash VDO PC Inc.	Quebec	Jul-00	Oct-00	39	896,700
7	Generatrices 2000 Plus Inc.	Quebec	Aug-98	Nov-98	15	473,500
8	LMN Techno-Soft Inc.	Quebec	Oct-99	Sep-00	45	1,752,600
9	Logiciels St. Malo Inc.	Quebec	Aug-98	Nov-99	9	207,900
10	Mainmont Inc.	Quebec	Sep-98	May-99	23	645,900
11	NAV et LOGI-CIEL Inc.	Quebec	Feb-00	Sep-00	41	1,727,100
12	Sylkon Security Inc.	Ontario	Jul-00	Sep-00	1	100,400
13	Vilcorp Inc.	Ontario	Jul-00	Oct-00	7	277,400
	Total				380	11,566,997

14. In total, Verbeek facilitated approximately 380 transactions for a total of approximately \$11.5 million involving these thirteen private companies. In most cases, the clients did not know the identity of the company as the name of the company that the clients purchased shares from was only disclosed after the purchase was made.

15. The clients then obtained a loan from the scheme’s promoters, representing a portion of the purchase price of the CCPC shares. In some instances, Verbeek was involved in processing the loans. The clients received loans that represented approximately 60% to 80% of the total amount of private company shares that they had purchased. The remaining 20% to 40% of the total amount was deemed to be an “administration fee”.
16. Clients who commenced repaying the loans may still be repaying these loans.
17. Verbeek received approximately \$2 million for participating in this scheme with Messrs. P. and R.

Part II – Mr. Tremblay - December 1999 to June 2001

18. Sometime in late October of 1999, Verbeek became involved with Mr. Tremblay, the President of Financiere Telco Inc. Tremblay was a promoter of a scheme involving the purchase of shares, using clients’ locked-in RRSP funds, and the subsequent loan back to the client for a portion of the proceeds of the shares. Verbeek was responsible for processing the purchase of shares using funds located in locked-in RRSPs.
19. In response to advertisements that were placed in a number of newspapers in Ontario, potential clients were referred to Consultant Financement Multiples Inc. (“CFM”) in Montreal, owned by Tremblay. Representatives of CFM met with the clients and completed the necessary documentation, which was then sent to Verbeek’s office. Verbeek processed the purchase of shares of various private companies.
20. Through Dundee, Buckingham and while not registered, Verbeek facilitated the purchase of shares from the following companies:

	Company Name	Province of Incorporation	Activity		# Investors	\$ Amount
			From	To		
1	Edimax Technologie Inc.	Unknown	May-00	Nov-00	48	1,171,275
2	Inter Technologie Inc.	Quebec	Dec-99	Mar-00	33	828,900

3	Intermax Technologie Inc.	Quebec	Oct-99	Feb-00	49	1,294,950
4	Via Net Tech Inc. CL-B	Quebec	Dec-99	Aug-00	49	1,151,900
5	Vox Technologie Inc.	Ontario	Apr-00	Oct-00	47	1,080,510
	Total				226	5,527,535

21. In total, Verbeek facilitated approximately 226 transactions for a total of approximately \$5.5 million involving these five private Canadian companies.

22. Through CFM, the clients obtained a loan representing approximately 60% to 80% of the value of the share proceeds. The remaining 20% to 40% was charged as an “administration fee”. When some of the clients did not receive their loans, they contacted Verbeek..

23. Verbeek received approximately \$50,000 as payment for participating in this scheme with Mr. Tremblay.

Verbeek - Lafferty

24. During May 2000 to August 2000, while Verbeek was not registered, he sought employment with Lafferty, Harwood & Partners Inc., a Montreal-based brokerage firm. Even though Verbeek was never employed by Lafferty, he processed documents that referenced Lafferty without Lafferty’s knowledge.

25. From approximately August 2000 to December 2000, Verbeek was employed as a registered representative at Buckingham. During Verbeek’s employment with Buckingham, Verbeek’s clients signed Letters of Indemnity that continued to be addressed to Lafferty.

Bruce – Buckingham Compliance Officer

26. Bruce failed to adequately supervise Verbeek's accounts and Verbeek's actions in relation to his accounts, despite numerous indications that close supervision was required. For example:
- i. Bruce was appointed supervisor for Buckingham's sub-branch located at 57 Auriga Drive, Suite 204, Nepean, Ontario;
 - ii. through Buckingham, Verbeek processed approximately 240 NCAF and approximately 124 investors purchased shares for a total value of at least \$3.2 million;
 - iii. Verbeek's registration was subject to terms and conditions which required Bruce to approve and supervise Verbeek's activities with Buckingham; and,
 - iv. many of the NCAFs submitted to Buckingham by Verbeek required that Bruce make inquiries of the suitability of the proposed purchases or sales of the securities for the investor;
 - v. Bruce did not adequately address concerns regarding the suitability of converting the investor's locked-in RRSP to a "high risk" investment such as the purchase of these shares;
 - vi. Bruce permitted Verbeek to process documents through Buckingham even though they had not been completed or signed by the investors; and,
 - vii. under Bruce's supervision, Verbeek processed documents through Buckingham that referred to the firm of "Lafferty, Harwood and Partners Ltd." even though Verbeek was never employed by Lafferty.

Representations made by Verbeek to Staff

27. On or about February 14, 2001 and February 22, 2001, in response to inquiries made by Staff, Verbeek advised Staff as follows:

- i. he did not know that some of the investors were solicited;
- ii. he did not know that the transactions involved loans to the investors; and,
- iii. he had not received compensation for his involvement in these transactions.

28. At the time Verbeek made his representations to Staff, Verbeek knew, as described above, that

- i. Verbeek's phone number was provided in the advertisements;
- ii. Verbeek explained to some clients how they could obtain the loans; and,
- iii. Verbeek was compensated for his involvement in these transactions.

III. OVERVIEW OF STAFF'S ALLEGATIONS

29. In engaging in the conduct described below, the respondents have contravened Ontario securities law and engaged in conduct contrary to the public interest.

30. In trading shares of the private companies listed below, Verbeek participated in illegal distributions of securities, contrary to section 53(1) of the Securities Act, by trading securities for which there was no exemption available.

31. Verbeek failed to ascertain the general investment needs and objectives of his clients and the suitability of the purchases or sales of the securities for his clients, and thus acted contrary to the public interest and contrary to section 1.5 of Ontario Securities Commission Rule 31-505.

32. Verbeek acted contrary to the public interest by participating in the scheme that involved the subsequent loan to the investor of approximately 65% of the share purchase and by charging an administration fee to the investors of 35% of the loan proceeds.

33. Verbeek acted contrary to the public interest by processing documents that referenced “Lafferty, Harwood and Partners Ltd.” without Lafferty’s knowledge and at a time when Verbeek was not registered through Lafferty.

34. On or about February 14, 2001 and February 22, 2001, in response to inquiries made by Staff, Verbeek advised Staff that he did not know that advertisements had been placed; that he did not know that the transactions involved loans to the investors and that he had not received compensation for his involvement in these transactions. At the time Verbeek made these representations to Staff, he knew that they were misleading or untrue and, therefore, acted contrary to the public interest.

35. Bruce failed to adequately supervise Verbeek’s accounts and Verbeek’s actions in relation to his accounts, contrary to the public interest and contrary to sections 3.1 of Ontario Securities Commission Rule 31-505.

36. Such additional allegations as Staff may advise and the Commission may permit.

DATED at Toronto this 8th day of October, 2003.