

**IN THE MATTER OF THE SECURITIES ACT  
R.S.O. 1990, c.S.5, as amended**

**- and -**

**MICROSOURCEONLINE INC., MICHAEL PETER ANZELMO, VITO CURALLI  
JAIME S. LOBO, SUMIT MAJUMDAR and JEFFREY DAVID MANDELL**

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

Staff of the Ontario Securities Commission (“Staff”) make the following allegations:

**I. BACKGROUND**

1. The respondent Microsourceonline Inc. (“Microsource”) is a corporation incorporated in Delaware which, between July 2002 and August 2004, carried on business from premises in Toronto and Mississauga, Ontario. Microsource closed its Ontario offices in August 2004 and has continued its operations in North Carolina. At the relevant time between July 2002 and August 2004, Microsource purported to be developing a website to provide computer product and pricing information. Microsource is not, and has never been, a reporting issuer in Ontario. Microsource is not, and has never been, registered in any capacity with the Ontario Securities Commission.

2. The respondents Michael Peter Anzelmo, Vito Curalli and Jeffrey David Mandell (collectively, the “Salespeople” and individually, the “Salesperson”) are salespeople hired by Microsource to sell Microsource common shares to investors in Ontario.

3. Michael Peter Anzelmo (“Anzelmo”) was registered with the Commission as follows:

- (a) between November 9, 1992 and January 8, 1993, as a salesperson in the category of securities dealer with Glendale Securities Inc.;
- (b) between February 1, 1993 and September 16, 1994, as a salesperson in the category of investment dealer with A.C. Macpherson & Co. Inc.;
- (c) between December 6, 1995 and February 26, 1996, as a salesperson in the category of securities dealer with J.M. Charter Securities Corp.; and
- (d) between April 29, 1996 and July 6, 2000, as a salesperson in the category of securities dealer with Gordon-Daly Grenadier Securities.

However, after July 6, 2000, Anzelmo was not registered with the Commission.

4. In the period between July 23, 1990 and July 6, 2000, Vito Curalli (“Curalli”) was registered with the Commission as a salesperson in the category of a securities dealer with Gordon-Daly Grenadier Securities. However, after July 6, 2000, Curalli was not registered with the Commission.

5. In the period between October 29, 1985 and July 10, 2000, Jeffrey David Mandell (“Mandell”) was registered with the Commission as a salesperson in the category of

securities dealer with Gordon-Daly Grenadier Securities. However, after July 10, 2000, Mandell was not registered with the Commission.

6. Jaime Lobo (“Lobo”) is a resident of Ontario who was, at all relevant times, a director, president and chief financial officer of Microsource. He has never been registered with the Commission.

7. Sumit Majumdar (“Majumdar”) is a resident of Ontario who was, in the period between June 2000 and December 2002, an officer and director of Microsource. After he resigned from his positions as officer and director of Microsource, Majumdar remained fully involved in Microsource’s management, regulatory and corporate affairs. He has never been registered with the Commission.

8. Lobo and Majumdar were the directing minds of Microsource.

9. The Salespeople were hired in 2002 by Microsource to sell Microsource common shares to investors in Ontario, purportedly pursuant to the accredited investor exemption set out in Ontario Securities Commission Rule 45-501 (as it then was).

10. The scope of the Salespeople’s duties was set out in separate contracts dated July 26, 2002 between Microsource (under the signature of Majumdar) and each Salesperson as

follows:

1. Employment

1) *[Salesperson] represents, and warrants to [Microsource] that [Salesperson] has the required skills and experience to perform the duties and exercise the responsibilities required of [Salesperson] as an Investor Relations Consultant. In carrying out these duties and responsibilities, [Salesperson] undertakes to comply with all lawful reasonable instructions which he or she may receive from any supervisors or superiors representing [Salesperson]. [Salesperson] specifically undertakes and shall be responsible for the following:*

*(a) Solicitation and forwarding of Investor expressions of interest to [Microsource]. [Salesperson] understands and agrees that he shall not have authority to accept any orders; nor shall he have any authority to enter into an agreement or incur any liability on behalf of [Microsource];*

[there were no further lettered subparagraphs to clause 1)]

....

6) *[Salesperson] acknowledges that share sales made to investors in Ontario will be accepted by [Microsource] provided that the Share Subscription Form is executed by the proposed shareholder and delivered to [Microsource] together with funds equal to the amount of shares subscribed for by the purchaser multiplied by the subscription price per share.*

7) [Salesperson] acknowledges that his employment duties shall include:

- a) the dissemination of the Offering Documents to persons resident in the Province of Ontario;
- b) to obtain expressions of interest from investors as that term is defined in Rule 45-501 and expressed in the Subscription form;
- c) to forward expression of interest in the capital stock of [Microsource] business to [Microsource]. *Emphasis added*

## II. SALES OF COMMON SHARES OF MICROSOURCE

11. Between July 2002 and August 2004, Microsource and the Salespeople participated in a sales process for Microsource's common shares. Potential investors were identified

by cold calling individuals listed in a directory of business owners. A “qualifier” made the initial telephone calls and provided potential investors with information about Microsource. If a potential investor was interested, an offering memorandum was sent.

12. One of the Salespeople would then call the potential investor back to discuss the material sent, provide more information about Microsource and gather purchase information to be included on a subscription form. The Salespeople used a persistent and aggressive sales approach in their telephone calls with investors and presented Microsource as a favourably-priced investment opportunity in a manner that downplayed the risks of the investment.

13. The Salespeople sent subscription forms to the investor for signature. Prior to subscription forms being sent to individuals for their signature, section (m) of the accredited investor definition section was pre-marked with an “x”, thereby indicating that the individual was an accredited investor. Section (m) in the subscription form corresponded to subsection (m) of the definition of “accredited investor” in section 1.1 of Ontario Securities Commission Rule 45-501 (as it then was). The Salespeople did not typically mention the term “accredited investor” during phone calls with potential investors, nor did the Salespeople ask potential investors specific questions about their net worth.

14. The investor returned a signed subscription form and cheque to the Salespeople. Once a prospective purchaser sent the Salespeople a signed subscription form and a cheque, Lobo and/or Majumdar would review and approve the subscription form and deal with the funds received.

15. After the investor had made an initial investment, the Salespeople usually contacted the investor again to solicit further purchases of Microsource common shares. As a result, many investors purchased Microsource shares on more than one occasion. In discussions concerning follow-on investments, there was no discussion of the investors' net worth.

16. Microsource established sales policies, but also relied on the Salespeople's prior experience for sales practices. Lobo and Majumdar were responsible for supervising the Salespeople. The Salespeople also provided training to others involved in the sale of shares by Microsource. Microsource communicated to the Salespeople that they were to solicit sales only to investors who qualified as accredited investors.

17. Microsource closed the offering on August 5, 2004. With the closure of the offering, there was no further role for the Salespeople and their work for Microsource ended.

### **III. CAPITAL RAISED**

18. The Salespeople sold Microsource's common shares to accredited investors and also to investors who were not accredited investors. The total capital raised in the Microsource offering was \$2,207,400.00 from approximately 115 Ontario investors.

### **IV. CONDUCT CONTRARY TO THE PUBLIC INTEREST**

19. By carrying out acts directly or indirectly in furtherance of trades of Microsource common shares, Microsource and the Salespeople have engaged in conduct that constitutes "trading" in securities. Accordingly, they are required to be registered pursuant to section 25 of the *Securities Act*, R.S.O. 1990, C. S.5, as amended (the "Act").

20. By engaging, and holding themselves out as engaging, in the business of trading in securities in Ontario, Microsource and the Salespeople have acted as market intermediaries, as defined in s. 204 of the Regulation to the *Act*, R.R.O. 1990, Regulation 1015. As such, the accredited investor exemption from the registration requirements in Ontario securities law was not available for the sale of those securities, by virtue of section 3.4 of Ontario Securities Commission Rule 45-501 (as it then was). Registration in the limited market dealer category was required.

21. By failing to register in the proper category under the *Act*, or at all, Microsource and the Salespeople have breached s. 25 of the *Act*.

22. The sales approach adopted by Microsource and the Salespeople was also contrary to the public interest.

23. The Salespeople benefited financially from their misconduct, receiving total compensation in respect of selling Microsource shares, in the following amounts:

- (a) Anzelmo \$287,550.00;
- (b) Curalli, \$288,600.00; and
- (c) Mandell, \$380,250.00.

This compensation constituted a substantial percentage of the funds raised in the offering.

24. Microsource benefited financially from its misconduct by raising capital in the offering of \$2,207,400.00 from approximately 115 Ontario investors.

25. By their actions set out above, the respondents Lobo and Majumdar authorized, permitted or acquiesced in Microsource's and the Salespeople's breach of s. 25(1) of the Act.

26. The conduct of the Respondents contravened Ontario securities law and is contrary to the public interest.

27. Staff reserve the right to make such other allegations as Staff may advise and the Commission may permit.

Dated at Toronto this 26th day of July, 2006