



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

P.O. Box 55, 19th Floor
20 Queen Street West
Toronto ON M5H 3S8

CP 55, 19^e étage
20, rue queen ouest
Toronto ON M5H 3S8

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

- AND -

**IN THE MATTER OF CHARTCANDLE INVESTMENTS CORPORATION, CCI
FINANCIAL, LLC, CHARTCANDLE INC., PSST GLOBAL CORPORATION,
STEPHEN MICHAEL CHESNOWITZ and CHARLES PAULY**

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

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

I. OVERVIEW

1. This proceeding involves the solicitation of residents of the United States and Ontario, for the purpose of investing money to be managed by Stephen Michael Chesnowitz (“Chesnowitz”) through the Chartcandle Inc. Investment Hedge Fund (the “Chartcandle Fund”).
2. Staff allege that the respondents’ course of conduct spanned the period from December 1, 2004 to December, 31, 2006 (the “Material Time”).

II. BACKGROUND

A. THE CORPORATE RESPONDENTS

3. Chartcandle Investments Corporation (“Chartcandle Corp.”) was incorporated in Alberta on December 8, 2004 and then continued in Ontario as of December 15, 2005. During the Material Time, the place of business for Chartcandle Corp. was Petersburg, Ontario.

4. CCI Financial, LLC (“CCI Financial”) was incorporated in Nevada, United States of America on August 24, 2005. During the Material Time, the place of business for CCI Financial was Petersburg, Ontario.
5. Chartcandle Inc. (“Chartcandle Inc.”) was incorporated in Nevada, United States of America on August 3, 2005. Chartcandle Inc. was held out as the manager, managing partner or general partner of CCI Financial. During the Material Time, the place of business for Chartcandle Inc. was Petersburg, Ontario.
6. PSST Global Corporation (“PSST Global”) was incorporated in Ontario on September 2, 2005. During the Material Time, the registered address and place of business for PSST Global was Kitchener, Ontario.
7. None of the corporate respondents have ever been registered with the Commission in any capacity.

B. THE INDIVIDUAL RESPONDENTS

8. During the Material Time, Chesnowitz resided in Petersburg, Ontario. Chesnowitz was a director of Chartcandle Corp., PSST Global, and the sole director of Chartcandle Inc. Chesnowitz held himself out as a director of CCI Financial and caused a resolution to be passed authorizing himself to conduct trading and banking on behalf of CCI Financial. Chesnowitz has never been registered with the Commission in any capacity.
9. During the Material Time, Chesnowitz was the directing and controlling mind behind all of the corporate respondents.
10. Charles Pauly (“Pauly”) resides in Clinton, Ontario. Pauly has never been registered with the Commission in any capacity.
11. John Williams (“Williams”) was an investment advisor operating in Maryland, United States of America, who solicited investors to raise funds to be invested and managed by Chesnowitz.

III. TRADING/ADVISING WITH INVESTOR FUNDS

A. THE CHARTCANDLE FUND

12. Chesnowitz met Williams in 2005 and they subsequently developed a business relationship whereby Williams solicited U.S. residents to invest funds to be managed by Chesnowitz through the Chartcandle Fund.
13. Chesnowitz solicited a small number of Ontario residents directly to invest in the Chartcandle Fund and have their investments managed by Chesnowitz.
14. Chesnowitz purported to sell partnership interests and/or debt instruments in the various corporate respondents in order to facilitate investment in the Chartcandle Fund.
15. Chesnowitz held himself out to Williams, and to potential investors, as an experienced trader with an established trading system that produced consistent returns over long periods of time. Furthermore, Chesnowitz, represented that he had been mentored by several prominent traders. These representations were not true.
16. Chesnowitz was the Trader and President of the Chartcandle Fund and was the only individual responsible for directing all trading in the Chartcandle Fund.
17. Investor funds were transferred to bank accounts under the control of Chesnowitz in several ways: (i) investors transferred funds to Wells Fargo bank accounts opened in the name of Chartcandle Corp. and CCI Financial in the United States (the “Wells Fargo Accounts”); (ii) investors transferred funds to one of several Canadian bank accounts located at the Bank of Montreal or TD Canada Trust opened in the name of Chartcandle Corp. (the “Canadian Accounts”); and (iii) investor funds were forwarded from Millenium Trust Company, LLC to Chesnowitz for the purpose of investing on behalf of various U.S. investors.
18. Chesnowitz transferred, directly or indirectly, investor funds from: (i) the Wells Fargo Accounts; (ii) the Canadian Accounts; and (iii) the funds sent from Millenium Trust

Company, LLC to Chesnowitz, to brokerage accounts controlled by Chesnowitz. During the Material Time, Chesnowitz engaged in trading on behalf of investors without any trading strategy.

19. As a result of Chesnowitz's trading activity, significant losses were incurred in a very short period of time. During the Material Time approximately \$1.5 million was lost through trading by Chesnowitz, including \$1.2 million in a 24-hour period on or about May 22, 2006.
20. On July 31, 2006 approximately \$950,000 was frozen in a brokerage account controlled by Chesnowitz as a result of unrelated bankruptcy proceedings in the United States. Subsequently, approximately \$300,000 was returned to Chartcandle Corp. through the bankruptcy proceedings, however these funds were not used to reimburse investor losses.
21. During the Material Time, Chesnowitz received, directly or indirectly, approximately \$4 million from 53 investors for the purposes of investment in the Chartcandle Fund.

IV. FRAUDULENT CONDUCT

A. MYCHARTCANDLE.COM

22. Investors were provided access to www.mychartcandle.com (the "Website") as a means to follow their investments and review their accounts statements. The Website was created at the direction of Chesnowitz, and this was the only method of reporting provided to investors.
23. Pauly inputted data into a database used to update the Website with investment return percentages provided to him by Chesnowitz. The Website was updated on a regular basis at the direction of Chesnowitz. Despite heavy trading losses incurred by Chesnowitz during the Material Time, he directed Pauly to post false and misleading returns on the Website that did not reflect actual trading results.

24. Pauly knew that Chesnowitz had incurred significant trading losses during the Material Time and accordingly, that the returns he was posting on the Website were false and misleading to investors.
25. Pauly communicated with investors providing passwords and technical support to facilitate investors' access to the Website. Pauly and Chesnowitz were aware that investors were relying on the Website and its contents to follow their investments.
26. During the Material Time, Chesnowitz provided some investors directly, or indirectly through Williams, with a purported monthly return on their investment using capital from other investors.

B. PSST GLOBAL

27. During the Material Time, PSST Global held assets valued at approximately \$220,000 that were purchased with investor funds and used for personal purposes by Chesnowitz. PSST Global did not engage in any other business apart from holding these assets.

V. CONDUCT CONTRARY TO ONTARIO SECURITIES LAW AND CONTRARY TO THE PUBLIC INTEREST

28. The specific allegations advanced by Staff are:
 - (a) During the Material Time, the respondents traded in securities without registration in respect of which there was no exemption available, contrary to section 25(1)(a) of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act");
 - (b) During the Material Time, Chesnowitz acted as an advisor with respect to investing in, buying or selling securities without registration in respect of which there was no exemption available contrary to section 25(1)(c) of the Act;

- (c) During the Material Time, the respondents engaged or participated in acts, practices or courses of conduct relating to securities that the respondents knew or reasonably ought to have known perpetrated a fraud on persons, contrary to section 126.1(b) of the Act;
- (d) During the Material Time, Chesnowitz, being the sole director of Chartcandle Inc., a director of Chartcandle Corp. and PSST Global, as well as a *de facto* director of CCI Financial did authorize, permit or acquiesce in the commission of the violations of sections 25 and 126.1 of the Act, as set out above, by Chartcandle Corp., Chartcandle Inc., PSST Global and CCI Financial or by the employees, agents or representatives of Chartcandle Corp., Chartcandle Inc., PSST Global and CCI Financial, pursuant to section 129.2 of the Act; and
- (e) The respondents conduct was contrary to the public interest and harmful to the integrity of the capital markets of Ontario.

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

DATED at Toronto, the 17th day of February, 2010.