



Ontario  
Securities  
Commission

Commission des  
valeurs mobilières  
de l'Ontario

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

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

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

**- and -**

**ALBERT LESLIE JAMES, EZRA DOUSE  
and DOMINION INVESTMENTS CLUB INC.**

**STATEMENT OF ALLEGATIONS**

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

**I. Overview**

1. During 2007 and 2008, two separate but related foreign exchange (“forex”) investment schemes were conceived and promoted to Ontario investors, one under the name of Prosporex and the other under the name Dominion. Both of the forex schemes involved persons holding insurance licences issued by the Financial Services Commission of Ontario (“FSCO”) and their associates. This proceeding relates to the “Dominion” scheme, defined within.
2. These Respondents were involved in the Dominion forex scheme.
3. Both of the forex schemes were structured as “investment clubs”. Individual investors signed investment contracts and pooled their funds with the funds of others, with the pooled funds to be invested by third party forex brokers in foreign exchange transactions. The investors were to share the resulting investment gains or losses.

4. Both of the forex investment schemes utilized multi-level or pyramid marketing techniques whereby investors were compensated to recruit others to purchase forex investment contracts. In both of the forex schemes false promises and unrealistic forward looking statements about investment returns were made to the investors so as to persuade them to purchase the forex investment contracts.
5. Approximately \$26 million in total was directed to both of the forex schemes; few if any investors received a return on their invested capital. The vast majority of the \$26 million was borrowed from AGF Trust Company (“AGF Trust”) pursuant to applications for RSP loans facilitated by the FSCO – licensed insurance agency. The Respondents knew or ought to have known that the forex investment was not an RSP eligible product. The Dominion scheme concerns approximately \$1.5 million of the total raised.

## **II. The Respondents**

6. Albert Leslie James (“James”) is an individual residing in the Province of Ontario. James has never been registered by the Commission in any capacity.
7. Ezra Douse (“Douse”) is an individual residing in the Province of Ontario and has never been registered by the Commission in any capacity.
8. Dominion Investments Club Inc. (“Dominion”) is an Ontario company which was incorporated on June 11, 2008 by James, Douse, James’ then wife Noni James (“Noni”) and David Whitely (“Whitely”). It has never been registered by the Commission in any capacity.
9. Dominion sold the forex investment to Ontario investors; it is one of the two investment schemes referred to in paragraphs 1 through 3.
10. Prior to the incorporation of Dominion, James, Noni and Whitely had sold forex investments to investors through an unincorporated entity called “Dominion Investments”.

**Other Relevant Entities**

11. James, Douse and Dominion came into contact with Wilton J. Neale (“Neale”) and his licensed insurance agency 360 Degree Financial Services Inc. (“360”) in or about the Summer of 2008.
12. James, Douse and Dominion utilized Neale, 360° and 360°’s relationship with AGF Trust in order to increase their sales of forex investments, contrary to the public interest and contrary to Ontario securities law.

**III. Background Information**

13. Prior to incorporating Dominion, James and Douse had both been investors in a forex investment club called Prosporex Investment Club Inc. (“Prosporex”), which is the second of the two forex investment schemes referred to in paragraphs 1 through 3 of this Statement of Allegations and is the subject of a separate, related, proceeding.
14. James, Noni and Whitely established a forex investment club of their own modeled on Prosporex and had engaged in the sale of forex investments to investors. Their forex club was called Dominion Investments, an unincorporated proprietorship. Dominion Investments originally took in funds from fifteen customers who invested using their own resources and did not borrow money to invest.
15. In or about May 2008, James approached Douse and Douse agreed to become involved as an owner in Dominion Investments. Thereafter, as stated in paragraph 8, Dominion was incorporated.

#### IV. Allegations

##### Misleading AGF Trust

16. As had been the case at Prosporex, James and Douse wanted a source of capital that could be used by Dominion investors to invest in forex investments. To that end, James proposed to Neale that Neale apply to AGF Trust for RSP loans under 360°'s Distribution Agreement with AGF Trust. James proposed to Neale that 360° would transfer the loan proceeds to Dominion to be invested in forex. James and Dominion entered into an arrangement with Neale whereby in exchange for a fee Neale would submit AGF Trust RSP loan applications on behalf of investors in Dominion.
17. The Distribution Agreement between 360° and AGF Trust and the loan applications submitted thereunder required 360° to invest the loan proceeds in RSP eligible products.
18. Following March 2008, James, Douse and Dominion participated in a course of conduct whereby 360° applied for AGF Trust RSP loans, forwarded the loan proceeds to Dominion, and Dominion invested those proceeds in forex investments. James and Douse knew or ought to have known that forex investments were not RSP-eligible investments, and that approximately \$1 million dollars worth of AGF RSP loans had been obtained by inappropriate means. James, Douse and Dominion profited from this activity.

##### Misleading the Dominion Investors

19. As had been the case in Prosporex, Dominion required investors to sign a Participation Agreement which provided in material part as follows:

**“This agreement is for the purpose of participating collectively in the pooling of funds for Foreign Currency Trading Accounts and sharing in the profits and loss of this initiative.**

**Dominion Investments is not a Currency Trader or Brokerage House and does not make any claim to be so. We are simply managing the pooling of members to participate in this income generating service through our relationships with highly experienced and registered Traders and Brokerage Firms.”**

The Participation Agreement and the activities described therein constituted an investment contract and hence a security within the meaning of the *Securities Act* (“the Act”).

20. The Participation Agreement also provided for the payment of monthly returns on contributed capital as follows:

**“1)Proposed monthly Payout: 12.5% of your contribution payable monthly from net profits. Monthly returns/payments start 90 days after the account setup date and are made between the first and the fifth day of each month or the next business day thereafter when not compounding.”**

Dominion investors received cheques ostensibly representing between 5% and 10% as a monthly return on their invested capital.

21. The monthly “returns” on the investments did not derive from foreign currency trading profits but rather were funded by new money coming into the forex investment scheme from later Dominion investors.
22. The effect of paying these “returns” was to mislead investors into thinking that their forex investment was very profitable. By this means investors were induced to increase their investment in Dominion and to recruit friends and family to become investors in Dominion. As had occurred at Prosporex, Dominion also paid financial incentives to those who brought new investors into the program.
23. Douse and James both promoted and sold forex investments offered by Dominion to prospective investors and advised investors to borrow money and to purchase the forex investments. In so doing they made misleading statements about the forex investment and suggested that substantial profits were guaranteed.

**The unregistered distribution of securities and the unregistered sale and advising in relation to securities**

24. James and Douse were not at any time registered to advise in or to trade securities. The creation and sale of the forex investment contracts by them and by Dominion was a distribution of securities within the meaning of the *Act*.
25. Douse and James were:
  - (a) engaged in, or were holding themselves out as engaged in, the business of giving advice in respect of the buying of securities within the meaning of the *Securities Act*; and
  - (b) effecting trades in securities by soliciting investors to invest with Dominion, without being registered as advisors or traders as required under the *Act*.
26. Notwithstanding the receipt of some alleged returns, the majority of Dominion investors lost all or substantially all of their invested capital. As that capital was primarily borrowed from AGF Trust they remain indebted to AGF Trust for their amounts of their RSP loans. The investors have been financially harmed by virtue of their involvement with these respondents.

## **V. Conduct Contrary to Public Interest**

27. James, Douse and Dominion have engaged in the unregistered trading of securities and have advised in relation to securities contrary to Sections 25(1)(a) and (c) of the *Securities Act*;
28. James, Douse and Dominion engaged in an illegal distribution of securities contrary to Section 53(1) of the *Act*;
29. James, Douse and Dominion engaged in misleading conduct contrary to Section 126.2 of the *Act*;
30. James, Douse and Dominion acted contrary to the public interest; and
31. Such further allegations as Staff may advise and the Commission permit.

DATED at Toronto, the 12th day of March, 2010.