



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, 19e 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 -

**CARLTON IVANHOE LEWIS, MARK ANTHONY SCOTT, SEDWICK HILL,
LEVERAGE PRO INC., PROSPOREX INVESTMENT CLUB INC.,
PROSPOREX INVESTMENTS INC., PROSPOREX LTD.,
PROSPOREX INC., PROSPOREX FOREX SPV TRUST, NETWORTH FINANCIAL
GROUP INC., and NETWORTH MARKETING SOLUTIONS**

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 is in respect of the "Prosporex" scheme.
2. 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.

3. Both of the forex investment schemes utilized multi-level or pyramid marketing techniques whereby investors were compensated to recruit others to purchase the 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.
4. Approximately \$26 million in total was directed to both of the forex schemes; few if any investors received the return of 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 that the forex investment was not an RSP eligible product. The Prosporex scheme concerns approximately \$24 million of the total raised.

II. The Respondents

5. Carlton Ivanhoe Lewis (“Lewis”) is an individual residing in the Province of Ontario. Lewis was licensed by the Financial Services Commission of Ontario (“FSCO”) as a life insurance and an accident and sickness insurance agent until on or about May 27, 2009 at which his time license expired. Lewis was earlier registered with the Commission as a salesperson with a scholarship plan dealer, however that registration terminated on June 16, 2003 and Lewis has not been registered by the Commission in any capacity since that date.
6. Sedwick Hill (“Hill”) is an individual residing in the Province of Ontario. Hill was registered in the category of mutual funds salesperson with Keybase Financial Group Inc., until October 29, 2009 at which time a temporary cease trade order was made against him by the Commission. Hill was also licensed with FSCO as a life insurance and accident and sickness insurance agent until November 18, 2008 at which time his license expired.
7. LeveragePro Inc. (“LeveragePro”) was incorporated pursuant to the *Canada Business Corporations Act* by Lewis, Hill another individual on May 15, 2006. Hill and Lewis were

the owners and directors of LeveragePro and were its [directing minds](#). Hill and Lewis operated bank accounts on behalf of LeveragePro.

8. LeveragePro is not registered with the Commission in any capacity.
9. Mark Anthony Scott (“Scott”) is a individual residing in the Province of Ontario. Scott held a FSCO license to sell insurance products, however that license expired several years before the events in issue. Scott has never been registered with the Commission in any capacity.
10. Lewis, Hill and Scott incorporated Prosporex Investment Club Inc. (“Prosporex”) under the *Ontario Business Corporations Act* on May 18, 2007. Prosporex has never been registered by the Commission in any capacity.
11. During the course of operating the Prosporex investment scheme the principals of Prosporex caused related companies with variants of the “Prosporex” name to be incorporated in other jurisdictions for the purpose of facilitating the scheme. “Prosporex Investments Inc.” and “Prosporex Ltd.” were incorporated by Lewis on the island of Nevis in the West Indies. “Prosporex Inc.” appears to be a trade name adopted by the principals of Prosporex, and Prosporex Forex SPV Trust is another entity established by them. These related Prosporex entities were often used interchangeably by the principals in their communications with investors; they were all wholly controlled by Lewis, Hill and Scott, and all were used to facilitate the Prosporex forex scheme and had no other business purpose.
12. For the purpose of this Statement of Allegations, all of the entities identified above are referred to collectively with the Prosporex Investment Club Inc. as “Prosporex”.
13. Lewis, Scott and Hill were the directing minds of Prosporex and used it to conduct one of the two forex investment schemes referred to in paragraphs 1 and 2 of this Statement of Allegations.

14. Networth Financial Group Inc. was incorporated under the *Ontario Business Corporations Act* on January 12, 2004 by Scott and his spouse, Sharon Scott. Scott was the directing mind of Networth and used it to facilitate the Prosporex forex investment scheme.
15. Networth Marketing Solutions is an unincorporated entity created and controlled by Scott and also used by him to facilitate the Prosporex forex investment scheme. This unincorporated entity and Networth Financial Group Inc. are referred to collectively as “Networth”.

Other Relevant Entities

16. LeveragePro was party to a distribution agreement with AGF Trust (“Distribution Agreement”). Pursuant to the Distribution Agreement, LeveragePro was able to make application to AGF Trust for RSP investment loans on behalf of its clients. The Distribution Agreement required all such loan proceeds to be directed to eligible investments.

III. Background Information

17. In or about 2007, Lewis, Hill and Scott became involved in a direct marketing campaign whereby forex investments would be promoted to individuals. Scott purported to have taken a course in forex trading and professed to be knowledgeable about investing in foreign exchange contracts.
18. Lewis, Hill and Scott jointly established an investment club whereby individuals would be solicited to pool their funds for investment by experienced forex traders in forex transactions. The members of the “club” were told that they would receive their proportionate share of the gains resulting from the forex trading. Prosporex was the entity into which the investors’ funds would be placed for subsequent investment in foreign exchange transactions.

19. Investors signed a Prosporex Participation Agreement to subscribe to the forex investment; that Agreement was intended to govern the forex investment and provided in material part as follows:

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

PROSPOREX INVESTMENT CLUB INC. 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 Traders and Brokerage firms.

Contributions are made by money order payable to PROSPOREX INVESTMENT CLUB INC.

- 1) **Monthly Payout Earn up-to 20% of your contribution payable monthly from net profits. Monthly deposits start 60 days after the account setup date and are made on the first day of each month or the next business day thereafter.**
- 2) **Annual Renewable Earnings are compounded weekly from net profits. The Term starts on the account setup date.**

I understand there will be no other expenses incurred on my behalf by PROSPOREX INVESTMENT CLUB INC. I understand that any costs for the wiring of funds from my contribution profit will be paid by me (the depositor). ...

20. The forex investment as described in the above Agreement is an investment contract and hence a security within the meaning of the *Securities Act* (“the Act”).
21. It was not disclosed to investors, either within the Prosporex Participation Agreement or otherwise, that their funds would be invested in anything other than the forex investment. It was not disclosed that investors’ funds would be used to pay draws or salaries to the principals of Prosporex, or be directed to non-forex uses by the principals of Prosporex.

22. Individuals who wished to purchase the forex investment were told that in order to do so they had to first complete Network forms and pay a fee to join Network. There was no business reason to interpose Network; it was merely a conduit through which fees were charged. Network rendered no services in exchange for the fee paid by the Prosporex investors.
23. Prosporex operated from premises at 1315 Lawrence Avenue, East, Unit 404, Toronto, Ontario. Lewis, Hill and Scott conducted or caused to be conducted sales presentations at Prosporex's office at which prospective investors were advised to purchase the forex investment. They represented that forex investors would earn as much as 5% to 10% per month on their investment, and that they could expect to receive such returns on their investment each month if they chose the monthly payout option. Attendees who chose to become investors were also told that if they recruited others to invest they would receive additional compensation.
24. In order to facilitate Prosporex's sale of the forex investments, the principals of Prosporex directly or indirectly advised the investors to invest with borrowed funds. They engaged in a course of conduct whereby, under LeveragePro's Distribution Agreement with AGF Trust, LeveragePro would apply for RSP loans on behalf of the Prosporex investors. The loan proceeds would be received by LeveragePro then transferred by LeveragePro to Prosporex. Prosporex was to thereafter transfer the RSP loan proceeds to the forex traders to conduct forex transactions.
25. The principals of Prosporex submitted AGF Trust RSP Loan Applications to AGF Trust in the name of forex investors. The Application forms provided as follows:

“You acknowledge that it will be your responsibility to ensure the Loan proceeds are appropriately applied to RSP/RESP contributions. You agree to maintain your RSP/RESP as approved by AGF Trust Company (“AGF Trust”), until such time as the Loan is paid in full. For value received, you irrevocably authorize AGF Trust to advance and direct the Loan proceeds for contribution to an RSP/RESP as approved by AGF Trust.”

26. Rather than AGF advancing the loans as RSP contributions, LeveragePro took advantage of the Multi Fund Option available under the Distribution Agreement. This permitted LeveragePro to receive the RSP Loan proceeds directly from AGF, subject to the following:
- “You (viz. LeveragePro) agree to invest such loan proceeds in eligible investments in accordance with the Customer’s Investment instructions upon receipt of Loan proceeds from AGF Trust.”**
27. Lewis, Hill and Scott all knew or ought to have known that the forex investment was not an RSP eligible investment. They signed (in the case of Lewis) or caused to be signed AGF Trust RSP Loan Applications which falsely represented that the proceeds would be invested in RSP-eligible products. They knew or ought to have known that AGF Trust would not have lent the funds it did to LeveragePro had it known that the loan proceeds were not going to be invested in RSP eligible investments.
28. LeveragePro, Lewis, Hill and Scott knowingly participated in misleading AGF Trust. During the period of time that Prosporex operated approximately \$25 million was borrowed from AGF Trust pursuant to RSP Loan Applications and not directed to RSP products as required by the Distribution Agreement and the Loan Application.
29. The Respondents misrepresented to the investors that their invested capital (being the amount of each investor’s AGF RSP Loan) would be invested in forex investments. Contrary to that representation, Staff to date have determined that the Respondents:
- a) Invested less than half of the investors’ capital with forex brokers;
 - b) Used investors’ capital to pay them out the monthly payouts of “up to 20%” on their capital which had been promised in the Prosporex Participation Agreement;
 - c) Paid \$1.4 million to or for the benefit of Sedwick Hill;
 - d) Paid \$1,419,600 to or for the benefit of Ysis Entertainment Inc., a corporation of which Hill was an owner, officer and director and which promoted a theatre show;

- e) Paid approximately \$595,000 to Lewis personally;
- f) Paid approximately \$57,000 to Scott personally;
- g) Paid or caused to be paid approximately \$3 million into New Zealand Bank accounts in the name of Global Fin Net Ltd. T/A Prosporex, which were under the control of Scott. From one of the New Zealand accounts, approximately \$2 million was transferred to offshore banks for which there has been no accounting. Scott also caused payments to be made from these New Zealand accounts to Networth and another company in which he had an interest;
- h) Paid \$1 million dollars to invest in waste management technology;
- i) Directed funds to the promoters of other (non-forex) off-shore investment schemes;
and
- j) Paid approximately \$1.38 million to establish a business in Jamaica.

IV. Allegations

The Deception of AGF Trust

30. As described above, \$25 million worth of RSP loans were facilitated by LeveragePro and its principals and the loan proceeds were diverted to non-RSP uses. When an AGF Trust representative attempted to question LeveragePro about these loans, Lewis and Hill misled the AGF Trust representative so as to be able to continue the Prosporex investment scheme.

The Deception of Prosporex Investors

31. Prosporex investors who elected the monthly payout option under their Prosporex Participation Agreement received cheques issued by Networth and Prosporex purporting to represent monthly returns from the forex trading net profits.

32. These returns did not derive from actual forex trading profits. Lewis and Hill between themselves decided on a *ad hoc* basis each month what amount to return to investors and cheques were issued accordingly. The monthly “payouts” were funded by new money coming into the forex investment scheme from later Prosporex investors.
33. The object of paying these false “returns” was to deceive investors into thinking that the forex investment was very profitable. By this means investors were induced to increase their investment in Prosporex and to recruit friends and family to become investors in Prosporex.

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

34. Lewis, Hill and Scott were at no time registered to advise in or to trade securities. The creation and sale of the forex investment contracts by them and by Prosporex was a distribution of securities within the meaning of the *Act*. The activities of Lewis, Hill and Scott in promoting and selling the forex investment to investors constituted offering securities advice and effecting securities trades. None of the Respondents were registered in either capacity.
35. The majority of Prosporex investors lost all or substantially all of their invested capital. As that capital was virtually all borrowed from AGF Trust they remain indebted to AGF Trust for the amounts of their RSP loans. The present value of their Prosporex investment is nil. The investors have been financially harmed by virtue of their involvement with the Respondents.

V. Conduct Contrary to Public Interest

36. Lewis, Hill, Scott, Prosporex and Networth have engaged in the unregistered trading of securities and the unregistered advising in securities, contrary to Sections 25(1)(a) and (c) of the *Act*;

37. Lewis, Hill, Scott and Prosporex engaged in an illegal distribution of securities contrary to Section 53(1) of the *Act*;
38. Lewis, Hill, Scott, Prosporex and Networth engaged in fraudulent or misleading conduct contrary to Sections 126.1 and 126.2 of the *Act*;
39. All Respondents acted contrary to the public interest; and
40. Such further allegations as Staff may advise and the Commission permit.

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