



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

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

- AND -

IN THE MATTER OF VINCENT CICCONE and MEDRA CORP.

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

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

I. OVERVIEW

1. During the period April 2008 to June 2010, over \$19 million in investor funds were deposited into bank accounts belonging to Ciccone Group Inc. ("Ciccone Group"), a company controlled by Vincent Ciccone ("Ciccone"). These investor funds were raised from various distributions of securities in breach of the *Securities Act*, R.S.O. 1990, c.S.5, as amended (the "Act") and in a manner that was contrary to the public interest.
2. In relation to three of the distributions of securities, Ciccone and Ciccone Group committed a fraud by using investor funds for purposes other than the investment purposes that were communicated to investors.
3. In general, other than using the proceeds to pay interest and redemptions to investors, proceeds from the distributions were directed to Ciccone business ventures, to charities or loaned to friends, associates and/or companies related to Ciccone in circumstances where there was no or very little prospect of ever generating returns, despite the fact that Ciccone and Ciccone Group promised over 20% returns on the Ciccone Group promissory notes they sold to investors.

4. Ciccone Group was assigned into bankruptcy on November 30th, 2010, at which time it owed over \$17 million to investors.
5. The conduct at issue occurred during the period December 2007 to December 2010 (the “Material Time”).

II. BACKGROUND

A. The Respondents

6. Ciccone is a resident of Cambridge, Ontario. Ciccone was registered as a salesperson in the dealer category of a limited market dealer during the period November 1, 2004 to August 29, 2005. Ciccone was not registered in any capacity during the Material Time.
7. During the Material Time, Ciccone was the sole officer and director of Ciccone Group, an Ontario company incorporated on August 18, 1992 that was formerly named 990509 Ontario Inc. (collectively referred to as “Ciccone Group”). Ciccone Group purported to be one of the fastest growing niche financial venture companies in Canada.
8. Medra Corp. (“Medra”) is a Delaware company incorporated on July 13, 2006 that was formerly named DCH Technology Inc. From about March 2008 up to and including December 2009, Ciccone was the CEO and President of Medra. During this time, Medra represented to investors that it specialized in resort real-estate development and land acquisition.

B. Illegal Distributions and trading without registration

(i) Ciccone Group Promissory Notes

9. Since approximately 2006, Ciccone Group issued promissory notes to the public. During the period November 2008 to December 31 2009 (the “Ciccone Group Distribution Period”), Ciccone Group issued promissory notes (“Ciccone Group securities”) totalling \$2.7 million to approximately 46 investors.

10. During the Ciccone Group Distribution Period, Ciccone Group and Ciccone traded in Ciccone Group securities when they were not registered with the Commission and when no exemptions from registration were available to them under the Act.
11. The sale of Ciccone Group securities were trades in securities not previously issued and were therefore distributions. Ciccone Group has never filed a preliminary prospectus or a prospectus with the Commission, and no prospectus receipt has ever been issued to qualify the sale of Ciccone Group securities.

(ii) Medra shares and Founding Partners Program

12. During the period April 2008 to December 2009 (the “Medra Distribution Period”), Medra raised approximately \$8 million from investors from the issuance and sale of over 85 million shares to over 370 investors and from the sale of units of Medra’s Founding Partners Program to at least 15 investors. During this period, Medra was quoted on the Pink Sheets under the symbol “MDRA”.
13. Each unit of Medra’s Founding Partners Program was an investment contract and thereby a security under the Act.
14. In particular, each unit of Medra’s Founding Partners Program was priced at \$50,000 and purported to grant investors 20 weeks of lease time in Medra’s Puerto Aventuras Resort during a 5 year period. At the end of the 5 year period, an investor could either seek a return of the \$50,000 or could purchase a right of first refusal to purchase a share of stock of the 13 shares issued by a not-for-profit Mexican corporation that owned a condo unit in the Puerto Aventuras Resort. If that option was exercised, the investor’s 1/13 share would be listed for sale by Medra and the investor would receive 50% of the net proceeds of the sale.
15. During the Medra Distribution Period, Ciccone Group, Ciccone and Medra traded in shares of Medra and in units of Medra’s Founding Partners Program when they were not registered with the Commission and when no exemptions from registration were available to them under the Act.

16. The sale of Medra shares and of units of Medra's Founding Partners Program (collectively the "Medra securities") were trades in securities not previously issued and were therefore distributions. Medra has never filed a preliminary prospectus or a prospectus with the Commission, and no prospectus receipt has ever been issued to qualify the sale of Medra securities.

(iii) GEMS Capital Limited Partnership II ("GEMS II") units

17. GEMS II was registered under the *Limited Partnerships Act* on January 6, 2009.
18. During the period February 2009 to October 2009 (the "GEMS II Distribution Period"), GEMS II raised approximately \$6.2 million from the issuance and sale of GEMS II units ("GEMS II securities") to approximately 30 investors.
19. During the GEMS II Distribution Period, Ciccone and Ciccone Group traded in GEMS II securities when they were not registered with the Commission and when no exemptions from registration were available to them under the Act.
20. The sale of GEMS II securities were trades in securities not previously issued and were therefore distributions. GEMS II has never filed a preliminary prospectus or a prospectus with the Commission, and no prospectus receipt has ever been issued to qualify the sale of GEMS II securities.

C. Misleading Statements - The GEMS II Offering Memorandum ("OM")

21. Ciccone received drafts of the GEMS II OM and provided the final GEMS II OM to investors.
22. The GEMS II OM contained statements which Ciccone and Ciccone Group knew or reasonably ought to have known, were, in a material respect and at the time and in light of the circumstances under which they were made, misleading and did not state a fact that was required to be stated or necessary to make the statements not misleading, contrary to section 126.2(1) of the Act and contrary to the public interest. In particular:

- a. Carmine Domenicucci (“Domenicucci”) is referred to in the GEMS II OM as an investment advisor to the Fund Manager. This reference remained in the OM and the OM was provided to investors even when Ciccone and Ciccone Group knew or ought to have known that Domenicucci was not fulfilling that function.
 - b. The OM also stated that three investment advisors to the fund were supported by an experienced network of traders, analysts and operations staff when Ciccone and Ciccone Group knew or ought to have known that this statement was not true.
 - c. The OM contained a certificate signed by Domenicucci to the effect that the OM contained no misrepresentations. Ciccone and Ciccone Group knew or ought to have known that this statement was not true.
23. The misleading statements referred to above would reasonably be expected to have a significant effect on the market price or value of the GEMS II securities.

D. Ciccone and Ciccone Group engaged in advising

24. During the Material Time, Ciccone and Ciccone Group provided advice to investors regarding securities, including providing opinions on the merits of investments, their level of risk and by expressly or impliedly recommending or endorsing them.
25. Ciccone and Ciccone Group thereby acted as advisers without being registered with the Commission to advise in securities.

E. Fraudulent conduct

(i) Use of Medra Investor Funds

26. Ciccone, Ciccone Group and Medra engaged in acts, practices or courses of conduct relating to Medra securities that they knew or reasonably ought to have known perpetrated a fraud on investors and that was contrary to the public interest. In particular, while Medra was marketed as a company specializing in resort real-estate development and land acquisition, Ciccone, Ciccone Group and Medra misappropriated Medra investor funds and used those funds for purposes completely unrelated to real estate development and land acquisition. Specifically, during the period April 2008 to June 2010, approximately \$2.6 million in Medra investor funds were transferred to Ciccone Group and used primarily to invest either in Axxess Automation LLC (“Axxess”) (a

company purportedly in the business of computerized trading) or were ultimately transferred to Ciccone personally and used by him to purchase Medra shares in the secondary market to create an artificial price and/or artificial volume for Medra shares. Approximately \$1.6 million was paid back to Medra by Ciccone Group, leaving an unpaid balance of approximately \$1 million in misappropriated Medra investor funds.

(ii) Use of Minas and GEMS II Investor Funds

27. Ciccone and Ciccone Group engaged in acts, practices or courses of conduct relating to securities of Minas Investments Limited Partnership (“Minas”), a limited partnership registered under the *Limited Partnerships Act* on June 3, 2008 and GEMS II securities that they knew or reasonably ought to have known perpetrated a fraud on investors and that was contrary to the public interest.
28. In particular, during the period October 2008 to May 2009 (the “Minas Distribution Period”), Minas raised approximately \$1.9 million from the issuance and sale of Minas units (“Minas securities”) to approximately 43 investors.
29. The Minas investor funds, for the most part, were transferred to Ciccone Group in exchange for Ciccone Group Promissory Notes. Ciccone and Ciccone Group advised the General Partner of Minas that Minas investor funds would be invested in Axxess.
30. In addition, Ciccone and Ciccone Group were aware or reasonably ought to have been aware that the GEMS II OM stated that its primary investment strategy was to utilize proprietary computerized trading programs with a secondary strategy of real estate development once the funds were sufficiently capitalized.
31. However, although Ciccone Group received at least \$6.9 million from Minas and GEMS II during the period November 2008 to June 2010, from November 2008 onwards, less than \$950,000 was invested by Ciccone Group in computerized trading programs or real estate developments. The majority of Minas and GEMS II investor funds were used by Ciccone and Ciccone Group for purposes other than computerized trading programs or real estate.

F. Breach of Temporary Cease Trade Order by Ciccone and Ciccone Group

32. On April 21, 2010, the Commission made a temporary order that, among other things, all trading in any securities by Ciccone and 990509 Ontario Inc. (the predecessor name for Ciccone Group) shall cease (the “TCTO”).
33. On April 23, 2010, Ciccone confirmed his receipt of the TCTO.
34. Commencing in 2010 and continuing after April 23, 2010, Ciccone and Ciccone Group traded in Ciccone Group Class B shares.
35. The trades in Ciccone Group Class B shares by Ciccone and Ciccone Group after April 23, 2010 were done in breach of the TCTO and were contrary to the public interest.

G. Conduct contrary to the public interest

36. The conduct referred to above was contrary to the Act and contrary to the public interest.
37. In addition, Ciccone, Medra and Ciccone Group engaged in other conduct that was contrary to the public interest. In particular, each of these Respondents was involved in a scheme whereby Medra shares were purchased in the secondary market for the specific purpose of creating an artificial price for Medra shares and/or an artificial volume for Medra shares.

STAFF’S ALLEGATIONS -- Conduct Contrary to Ontario Securities Law and Contrary to the Public Interest

38. The specific allegations advanced by Staff are:
 - a. Ciccone and Ciccone Group traded in securities of Ciccone Group without being registered to trade in securities, contrary to section 25 of the Act and contrary to the public interest;
 - b. Ciccone and Ciccone Group traded in securities of Ciccone Group when a preliminary prospectus and a prospectus had not been filed and receipts had not

been issued for them by the Director, contrary to section 53 of the Act and contrary to the public interest;

- c. Ciccone and Ciccone Group breached the TCTO contrary to section 122(1)(c) of the Act and contrary to the public interest;
- d. Ciccone, Ciccone Group and Medra traded in securities of Medra without being registered to trade in securities, contrary to section 25 of the Act and contrary to the public interest;
- e. Ciccone, Ciccone Group and Medra traded in securities of Medra when a preliminary prospectus and a prospectus had not been filed and receipts had not been issued for them by the Director, contrary to section 53 of the Act and contrary to the public interest;
- f. Ciccone and Ciccone Group traded in securities of GEMS II without being registered to trade in securities, contrary to section 25 of the Act and contrary to the public interest;
- g. Ciccone and Ciccone Group traded in securities of GEMS II when a preliminary prospectus and a prospectus had not been filed and receipts had not been issued for them by the Director, contrary to section 53 of the Act and contrary to the public interest;
- h. Ciccone and Ciccone Group engaged in advising without being registered to advise in securities, contrary to section 25 of the Act and contrary to the public interest;
- i. Ciccone, Ciccone Group and Medra engaged or participated in acts, practices or courses of conduct relating to Medra securities that Ciccone, Ciccone Group and Medra knew or reasonably ought to have known perpetrated a fraud on persons or companies, contrary to section 126.1(b) of the Act and contrary to the public interest;
- j. Ciccone and Ciccone Group engaged or participated in acts, practices or courses of conduct relating to GEMS II and Minas securities that Ciccone and Ciccone Group knew or reasonably ought to have known perpetrated a fraud on persons or companies, contrary to section 126.1(b) of the Act and contrary to the public interest;
- k. Ciccone and Ciccone Group made statements in the GEMS II OM which they knew or reasonably ought to have known, were, in a material respect and at the time and in light of the circumstances under which they were made, misleading and did not state a fact that was required to be stated or necessary to make the statements not misleading, contrary to section 126.2(1) of the Act and contrary to the public interest;

- l. Ciccone, as the sole director and officer of Ciccone Group and as the president and CEO of Medra, did authorize, permit or acquiesce in the breaches of the Act by Ciccone Group and Medra referred to above, contrary to section 129.2 of the Act; and
 - m. Ciccone, Ciccone Group and Medra engaged in a course of conduct related to Medra securities with a view to creating a misleading appearance of trading activity or an artificial price for Medra securities which conduct was contrary to the public interest.
39. Staff reserve the right to make such other allegations as Staff may advise and the Commission may permit.

Dated at Toronto this 30th day of September, 2011