



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
FRANK ANDREW DEVCICH AND GOBINDER KULAR SINGH
STATEMENT OF ALLEGATIONS
OF STAFF OF THE ONTARIO SECURITIES COMMISSION**

Staff of the Ontario Securities Commission (“Staff”) allege:

I. THE RESPONDENTS

1. Frank Andrew Devcich (“Devcich”) is a Chartered Accountant, residing in Alberta. At all material times Devcich was the Chief Financial Officer of Genesis Land Development Corp. (“Genesis”).
2. Gobinder Kular Singh (“Singh”) is a professional engineer, residing in Alberta. At all material times Singh was the President, Chief Executive Officer and a director of Genesis.

II. OVERVIEW

3. On August 29, 2011, Devcich and Singh agreed with the Alberta Securities Commission (the “ASC”) to be made subject to sanctions and restrictions pursuant to the terms of a Settlement Agreement and Undertaking (the “Alberta Settlement”), in relation to conduct that took place during 2008 and 2009.
4. Genesis is an Alberta corporation with its head office in Calgary. It is a reporting issuer in both Ontario and Alberta. Genesis’ securities are listed for trading on the Toronto Stock Exchange. Genesis carries on business as a real estate development company, with projects in Alberta and British Columbia.

5. In the Alberta Settlement Devcich and Singh each admitted to breaching Alberta's *Securities Act* (the "ASA") by authorizing, permitting, or acquiescing in Genesis' failure to provide prescribed disclosure, namely, interim financial statements prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP").
6. Devcich and Singh further admitted that they failed to inform the Audit Committee of the Genesis Board of Directors (the "Audit Committee") and third party auditors reviewing the interim financial statements (the "Auditors") of all the material facts relating to the sale of certain lands (the "Lands") prior to the filing of the interim financial statements, and thereby acted contrary to the public interest.
7. Staff allege that on the basis of the admissions of Devcich and Singh in the Alberta Settlement, it is in the public interest for the Ontario Securities Commission (the "Commission") to make an order imposing sanctions on Devcich and Singh under s. 127(1) and s.127(10) of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act").

III. ALLEGATIONS

8. In the Alberta Settlement, Devcich and Singh each admitted to the following:
 - a. During the material time, GenCap Equity Inc. ("GenCap") was in a "very close" relationship with Genesis.
 - b. On September 29, 2008 GenCap paid \$4.5 million to Genesis as a deposit towards the purchase of the Lands (the "Deposit").
 - c. Devcich and Singh failed to inform the Genesis accounting staff, the Audit Committee, or the Auditors that the source of the GenCap funds to pay the Deposit was a loan that, through their efforts, had been fully guaranteed by Genesis (the "Loan Guarantee"). Further, Devcich and Singh informed some or all of these parties that the Lands transaction was an arm's length deal and they knew of no reason why the Deposit could not be recorded immediately as revenue.
 - d. Genesis recorded the Deposit as revenue in its interim financial statements for the third quarter of 2008, which it filed with the ASC (the "Q3 2008 Financials").

- e. The Audit Committee later determined the Q3 2008 Financials would have to be restated as, under GAAP, the Deposit should not have been recorded as revenue, and the Loan Guarantee should have been recorded as a debt.
- f. On February 4, 2009, Genesis filed restated interim financial statements for the third quarter of 2008 (the “Restated Q3 2008 Financials”) in which the accounting of the Lands transaction was reversed and, among other things, the Deposit was removed from revenue and the Loan Guarantee was recorded as a debt.

Agreement to be Subject to Sanctions

9. Based on these facts and admissions, Devcich and Singh each undertook to the Executive Director of the ASC upon execution of the Alberta Settlement:
 - a. to each pay to the Commission the amount of \$100,000 in settlement;
 - b. to each pay to the Commission the amount of \$30,000 towards investigation and legal costs; and,
 - c. to each resign all positions as a director or officer of any issuer and to refrain from becoming or acting as a director or officer, or both, of any issuer, for 7 years from the date of the Agreement.

Jurisdiction of the Ontario Securities Commission

10. Devcich and Singh each agreed with the ASC to be made subject to the sanctions, conditions, restrictions or requirements set out in paragraph 9 above.
11. Devcich and Singh each admitted to the conduct described above. They further admitted that the conduct was contrary to Alberta securities law and contrary to the public interest.
12. Pursuant to subsection 127(10)5 of the Act, the extra-provincial conduct of the Respondents may form the basis of an order in the public interest in Ontario under subsection 127(1).
13. It is in the public interest to make orders against the Respondents.

14. Staff reserve the right to amend these allegations and to make such further and other allegations as they deem fit and the Commission may permit.

DATED at Toronto this 22nd day of March, 2012.