



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 BLACK PANTHER TRADING CORPORATION
and CHARLES ROBERT GODDARD**

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

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

A. OVERVIEW

1. This proceeding involves unregistered activities and fraudulent conduct carried out in Ontario by Black Panther Trading Corporation (“**Black Panther**”) and Charles Robert Goddard (“**Goddard**”) (collectively, the “**Respondents**”) during the period of about July 1, 2012, to April 30, 2015 (the “**Material Time**”).

2. During the Material Time, the Respondents engaged in unregistered trading and illegal distribution through the sale of securities to approximately 16 Ontario investors (the “**Note Holders**”), from whom the Respondents raised approximately \$425,000. The Respondents also engaged in unregistered advising.

3. Furthermore, the Respondents engaged in fraudulent conduct by making misleading or untrue statements to investors regarding the use of Note Holders’ funds, by using Note Holders’ funds to pay investment returns and redemptions to other Note

Holder, and by using Note Holder's funds for other business purposes and for personal benefit. Goddard also made prohibited representations.

4. During Staff's investigation of this matter, Goddard misled Staff and improperly disclosed information regarding an examination made pursuant to section 13 of the *Securities Act*, R.S.O. 1990, c.S.5, as amended (the "**Act**").

5. The Respondents have acted in a manner contrary to Ontario securities law and contrary to the public interest.

B. THE RESPONDENTS

6. Black Panther was incorporated as an Ontario corporation on June 9, 2009. Its registered office address is in Ottawa, Ontario. Black Panther has never been registered with the Ontario Securities Commission (the "**Commission**") in any capacity.

7. Goddard is a resident of Ottawa, Ontario. He has been the controlling mind and *de facto* director and officer of Black Panther since its incorporation. He has been Black Panther's sole legal director since its incorporation, except for the period of December 14, 2010, to May 20, 2014, when he controlled the corporation through a nominee.

8. Goddard was previously registered with the Commission for almost 24 years (from June 1986 to March 2010) under a variety of categories including Securities Salesperson (mutual funds only), Salesperson, Branch Manager, Trading Officer, and Dealing Representative.

9. Goddard's designation as a Branch Manager was suspended from May 24, 2000, to November 6, 2000, for failing to complete prescribed training. He was subject to Close Supervision from May 30, 2003, to April 8, 2004. His registration was subject to conditions from January 7, 2009, until his registration was terminated by his employer on March 3, 2010.

C. PARTICULARS OF THE ALLEGATIONS

(i) *Unregistered Trading and Illegal Distribution*

10. During the Material Time, the Respondents entered into “letters of understanding” totalling approximately \$425,000 with at least 16 Ontario investors (the “**Letters of Understanding**”).

11. The Letters of Understanding were issued by Black Panther to the Note Holders and promised the repayment of the debt obligation plus interest in the range of 20% to 30% per annum at the end of the contractual term, which mainly varied from one to two years.

12. In connection with the sale of the Letters of Understanding, Goddard engaged in public marketing activities including distributing flyers and advertising online.

13. He further solicited Ontario residents to purchase the Letters of Understanding by meeting with potential Note Holders, claiming he could generate profits in excess of 40% to 60% from trading, stating that investment funds would be used for trading in the stock, commodities, futures, and/or foreign currency markets (the “**Markets**”), and making representations regarding the purported profits Note Holders would earn by entering into the investment.

14. Goddard further recommended to Note Holders and potential Note Holders that they collapse or deregister their Registered Retirement Savings Plans as a means of accessing funds to invest with the Respondents.

15. Note Holders’ funds were primarily deposited by Goddard into a bank account he controlled in the name of Black Panther. Funds from some Note Holders were deposited into a personal bank account of Goddard, while at least one Note Holder paid Goddard cash.

16. Each Letter of Understanding evidenced indebtedness and/or was an “investment contract” and therefore a “security” as defined in subsection 1(1) of the Act.

17. As noted above, neither of the Respondents was registered with the Commission during the Material Time. No exemptions from registration were available to them under the Act, and they have never filed a Form 45-106F1 (“Report of Exempt Distribution”) with the Commission.

18. The sales of the Letters of Understanding were trades in securities not previously issued and were therefore distributions. During the Material Time, the Respondents did not file a preliminary prospectus and prospectus with the Commission or obtain receipts for them from the Director as required by subsection 53(1) of the Act.

19. Staff is not aware of any Note Holders who qualify as “accredited investors” or who meet applicable exemptions from prospectus requirements.

20. By engaging in the conduct described above, the Respondents traded and engaged in, or held themselves out as engaging in, the business of trading in securities and participated in acts, solicitations, conduct, or negotiations directly or indirectly in furtherance of the sale or disposition of securities not previously issued for valuable consideration, in circumstances where there were no exemptions available to the Respondents under the Act, contrary to sections 25(1) and 53(1) of the Act and contrary to the public interest.

(ii) *Unregistered Advising*

21. Goddard and Black Panther also received compensation in the form of a “management fee” from at least one Note Holder for direct trading in and advising with respect to an account held in the Note Holder’s name.

22. Goddard also obtained formal trading authority in another three Note Holders’ personal brokerage accounts.

23. Accordingly, Goddard and Black Panther engaged in or held themselves out as engaging in the business of advising members of the public with respect to investing in, buying or selling securities without being registered to do so in circumstances in which no exemption was available, contrary to section 25(3) of the Act.

(iii) *Fraudulent Conduct*

24. Prior to advancing funds, Goddard and Black Panther told Note Holders that their investment monies would be pooled with other Note Holders' monies and traded in the Markets. These statements were untrue or misleading and perpetrated a fraud.

25. However, only a small portion of Note Holders' funds were actually used to trade in the Markets. Instead, Goddard used Note Holders' funds to pay investment returns and redemptions to other Note Holders, for other business purposes, and for his personal benefit including, but not limited to, making cash withdrawals, transferring funds to his personal bank accounts, transferring funds to family members or related parties, making credit card payments, and paying for his personal expenditures.

26. Goddard and Black Panther further communicated to certain Note Holders and potential Note Holders that their investment funds deposited in Black Panther's bank account were guaranteed by the Canadian Deposit Insurance Corporation, that the funds were then transferred to trading accounts that were covered by the Canadian Investor Protection Fund, that a number of steps had been taken to minimize trading risk, and that Black Panther's investment structure carried no more risk than a Guaranteed Investment Certificate. These statements were untrue and/or misleading and perpetrated a fraud on Note Holders.

27. Black Panther and Goddard subsequently provided some Note Holders and potential Note Holders with untrue or misleading information that purported to show the rate of return the Respondents had achieved by trading Note Holders' funds.

28. Accordingly, Goddard and Black Panther engaged in or participated in acts, practices, or courses of conduct relating to securities that they knew or reasonably ought to have known perpetrated a fraud on persons or companies contrary to paragraph 126.1(b) of the Act as that section existed at the time the conduct at issue commenced on July 1, 2012, and contrary to section 126.1(1)(b) of the Act as subsequently amended on June 21, 2013.

(iv) *Prohibited Representations*

29. As outlined above in paragraphs 23 to 26, Goddard and Black Panther made untrue or misleading statements about matters that a reasonable investor would consider relevant in deciding whether to enter into or maintain a trading or advising relationship and/or omitted information necessary to prevent the statements from being false or misleading in the circumstances in which they were made.

30. As such, during the Material Time Goddard and Black Panther breached subsection 44(2) of the Act.

(v) *Misleading and Untrue Statements to Staff*

31. Pursuant to a summons issued under section 13 of the Act (the “**Summons**”), Goddard attended for a compelled examination (the “**Examination**”).

32. At the Examination Goddard made numerous statements to Staff that were, , in a material respect and at the time and in light of the circumstances under which they were made, misleading or untrue or did not state facts that were required to be stated or that were necessary to make the statements not misleading, including the nature of representations he had made to Note Holders, the supposed existence of bank and trading accounts purportedly containing Note Holders funds, the number of Note Holders, the amount of money raised from Note Holders, the amount of money owed to Note Holders, and the nature of Goddard’s relationship to certain Note Holders.

33. By making these statements, Goddard breached section 122(1)(a) of the Act.

(vi) *Breach of Non-Disclosure Obligations*

34. Goddard provided a copy of the Summons to a third party and disclosed to numerous individuals the fact of the Examination, the nature of the questions asked at the Examination, and the testimony he gave.

35. By doing so, Goddard breached section 16 of the Act.

(vii) *Authorizing, Permitting, and Acquiescing in Breaches of the Act*

36. Goddard, as a director of Black Panther, authorized, permitted or acquiesced in the conduct of Black Panther described above that constituted breaches of subsection 25(1), subsection 25(3), subsection 53(1), subsection 44(2) and paragraph 126.1(b) of the Act as that section existed at the time the conduct at issue commenced on July 1, 2012, and contrary to section 126.1(1)(b) of the Act as subsequently amended on June 21, 2013.

37. As a result, Goddard is also deemed to have not complied with Ontario securities law pursuant to section 129.2 of the Act.

D. BREACHES OF ONTARIO SECURITIES LAW AND CONDUCT CONTRARY TO THE PUBLIC INTEREST

38. The specific allegations advanced by Staff are:

- (i) During the Material Time, the Respondents engaged in or held themselves out as engaging in the business of trading in securities without being registered to do so in circumstances where there were no exemptions available to them under the Act, contrary to section 25(1) of the Act;
- (ii) During the Material Time, the Respondents traded securities when a preliminary prospectus and a prospectus had not been filed and receipts had not been issued for them by the Director, contrary to subsection 53(1) of the Act;
- (iii) During the Material Time, the Respondents engaged in or held themselves out as engaging in the business of advising members of the public with respect to investing in, buying or selling securities without being registered to do so in circumstances in which no exemption was available, contrary to section 25(3) of the Act;
- (iv) During the Material Time, the Respondents engaged in or participated in acts, practices, or courses of conduct relating to securities that they knew or

reasonably ought to have known perpetrated a fraud on persons or companies contrary to paragraph 126.1(b) of the Act as that section existed at the time the conduct at issue commenced on July 1, 2012, and contrary to section 126.1(1)(b) of the Act as subsequently amended on June 21, 2013;

- (v) During the Material Time, the Respondents made untrue statements about matters that a reasonable investor would consider relevant in deciding whether to enter into or maintain a trading or advising relationship and/or omitted information necessary to prevent the statements from being false or misleading in the circumstances in which they were made, contrary to subsection 44(2) of the Act;
- (vi) Goddard made statements to Staff appointed to make an investigation or examination under the Act that were, in a material respect and at the time and in light of the circumstances under which they were made, misleading or untrue or did not state facts that were required to be stated or that were necessary to make the statements not misleading, contrary to section 122(1)(a) of the Act;
- (vii) Goddard disclosed the name of a person examined under section 13, testimony given under section 13, information produced under section 13, the nature or content of questions asked under section 13, the nature or content of demands for the production of documents under section 13, and/or the fact that a document was produced under section 13, contrary to section 16 of the Act; and
- (viii) During the Material Time, Goddard, being a director of Black Panther, authorized, permitted or acquiesced in Black Panther's non-compliance with Ontario securities law and is deemed to have failed to comply with Ontario securities law, pursuant to section 129.2 of the Act.

39. By reason of the foregoing, the Respondents violated the requirements of Ontario securities law such that it is in the public interest to make orders under section 127 of the Act.

40. The conduct described above also engages the fundamental purposes and principles of the Act as set out in subsections 1.1 and 2.1 of the Act and, as a result, constitutes conduct contrary to the public interest.

41. Specifically, the Respondents' conduct during the Material Period was contrary to the purposes of the Act to:

- (i) provide protection to investors from unfair, improper, or fraudulent practices; and
- (ii) foster confidence in capital markets.

42. Goddard's conduct fell markedly below the high standard of behaviour expected from someone of his extensive experience in capital markets industry, including almost 24 years as a registrant.

43. By engaging in the conduct described above, the Respondents impugned the integrity of the Ontario capital markets, including through deceit of Note Holders and Staff, failing to provide full and true disclosure to Note Holders concerning their investments, putting the Note Holder's funds at significant risk, and spending Note Holder funds for improper purposes.

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

DATED at Toronto, October 13th, 2015.