



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 STEVEN J. MARTEL,
MARTEL GROUP OF COMPANIES INC. and 8446997 CANADA INC.**

**AMENDED STATEMENT OF ALLEGATION OF
STAFF OF THE ONTARIO SECURITIES COMMISSION**

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

A. Overview

1. During the period from September 2012 to March 2013 (the “Material Time”), Steven J. Martel (“Martel”), Martel Group of Companies Inc. (“MGC”) and 8446997 Canada Inc. (“8446997”), (together, the “Respondents”): (i) illegally distributed securities contrary to subsection 53(1) of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the “Act”), and (ii) engaged in conduct contrary to the public interest.
2. The Respondents raised a total of approximately US\$10 million from the sale of units of Man Camp Limited Partnership #1 (“MCLP1”), Man Camp Limited Partnership #2 (“MCLP2”), Man Camp Limited Partnership #3 (“MCLP3”) and Man Camp Limited Partnership #4 (“MCLP4”) (together the “MCLPs”) to approximately 90 investors resident in Canada who were solicited to invest in the development and construction of temporary workforce housing (the “Man Camp”) and a waste water treatment facility located in North Dakota.
3. The Respondents raised an additional approximately US\$3 million from approximately 30 investors resident in Canada through promissory notes executed by Martel, who were solicited to invest in the Man Camp as well as other projects operated by MGC.
4. Further, the Respondents made false or misleading statements that a reasonable investor would consider relevant in deciding whether to enter into or maintain a trading relationship or

omitted information necessary to prevent the statement from being false or misleading in the circumstances it was made, contrary to subsection 44(2) of the Act.

B. Respondents and Related Parties

5. During the Material Time, Martel was a resident of Ottawa, Ontario and an officer and/or director and directing mind of 8446997, MGC and the MCLPs. During the Material Time, Martel operated a real estate coaching seminar business through MGC.
6. MGC was incorporated in Ontario in February 2009 with a registered address in Ottawa, Ontario. Martel is the sole officer and director of MGC. During the Material Time, MGC did not file a preliminary prospectus and prospectus and did not file any reports of exempt distribution with the Ontario Securities Commission (the “Commission”).
7. 8446997 was incorporated in Canada in February 2013 with a registered address in Ottawa, Ontario. During the Material Time, 8446997 was the general partner of the MCLPs and Martel is the sole director of 8446997. During the Material Time, 8446997 did not file a preliminary prospectus and prospectus and did not file any reports of exempt distribution with the Commission.
8. The MCLPs were formed in March 2013 and have a registered address in Ottawa, Ontario. During the Material Time, Martel was the signatory for MCLPs. After the Material Time, 8446997 was removed as the general partner of the MCLPs and Martel was removed as signatory. During the Material Time, the MCLPs did not file a preliminary prospectus and prospectus and did not file any reports of exempt distribution with the Commission.

C. Illegal Distribution

(a) Investment Contracts for Units in the Man Camp Limited Partnerships

9. Beginning in September 2012, Martel and MGC solicited Canadian residents to advance investment monies for the purpose of developing and constructing the Man Camp and a waste water treatment facility in North Dakota (the “Phase One Investors”). As a result of solicitations to Phase One Investors, a total of approximately US\$6.7 million from 59 investors was raised.

10. Beginning in November 2012, Martel and MGC solicited Canadian residents to advance investment monies for the purpose of developing and constructing the Man Camp in North Dakota (the “Phase Two Investors”). As a result of solicitations to Phase Two Investors, a total of approximately US\$3.3 million from an additional 29 investors was raised.
11. The individuals solicited by Martel and MGC to invest in the Man Camp and related projects were members of the public and were sourced from a contact database generated from the real estate coaching seminar business operated through MGC.
12. Martel and MGC engaged in the solicitation of investors on behalf of the MCLPs prior to their formation, which included disseminating promotional materials regarding the investment on offer, describing the nature of the investment offer and the purported profits to be earned by entering into the investment. Investors were provided with several agreements relating to the investment, including a Memorandum of Understanding (“MOU”), an Agreement of Partnership, and a Subscription Agreement.
13. Beginning in October 2012, investors entered into an MOU and an Agreement of Partnership with respect to their investment in the Man Camp and related projects. The MOU and Agreement of Partnership were issued by MGC and executed by Martel in advance of the proposed creation of the MCLPs to hold the investments and carry out the development and construction of the Man Camp and related projects. The MOU stipulated that the advance of funds by investors “shall create rights” for investors in the proposed MCLPs, which would entitle each investor to a certain number of units in an MCLP.
14. The Agreement of Partnership specified that investors would begin receiving returns on their investment in April 2013 and that thereafter quarterly returns would be provided. Starting in month 23 of the project, investors would receive 20 percent of their capital once a year for five years. MGC provided a personal guarantee on the investment monies until the creation of the proposed MCLPs. Between March 2013 and November 2013, Phase One and Phase Two Investors received return payments totaling US\$649,461. Approximately US\$419,000 of the money used for these return payments was sourced from funds received from the Promissory Note Investors (defined below).

15. After the formation of the MCLPs in March 2013, the distribution of the units of the MCLPs occurred through Subscription Agreements provided to investors entered into by 8446997 and executed by Martel. The MOU, Agreement of Partnership, and Subscription Agreement are “securities”, as defined in subsection 1(1) of the Act.
16. Investor monies were accepted and deposited, directly or indirectly, into accounts associated with or related to the Respondents. The investor monies were then disbursed at the direction of Martel for use in the development and construction of the Man Camp and related projects. As a result of solicitations to Phase One and Phase Two Investors, the Respondents raised a total of approximately US\$10 million from 88 investors.

(b) Investment Contracts with Steve Martel

17. Beginning in February 2013, Martel solicited Canadian residents to advance monies for the purpose of developing and constructing the Man Camp and for the acquisition of apartment complexes in Phoenix, Arizona. In return for their investment, investors were issued a secured promissory note executed by Martel promising monthly interest payments at a rate of 15 percent per year. During the Material Time, approximately US\$3 million was raised from 33 investors through the secured promissory notes (the “Promissory Note Investors”).
18. The individuals solicited were members of the public and were sourced from the contact database generated through MGC. Martel and MGC engaged in the solicitation of investors by disseminating promotional materials regarding the investment on offer, describing the nature of the investment offer and the interest to be earned by entering into the investment. The promissory notes are “securities”, as defined in subsection 1(1) of the Act.
19. At the direction of Martel, money from the Promissory Note Investors was accepted by MGC and deposited into the trust account of a law firm located in Ottawa, Ontario. The monies were then disbursed at the direction of Martel for use in the development and construction of the Man Camp, other projects operated by MGC, and repayments to investors. During the period April 2013 and October 2013, the Promissory Note Investors received return payments totalling US\$261,293. Approximately US\$89,594 of the money used for these return payments was sourced from funds received from the Promissory Note Investors themselves.

20. By engaging in the conduct described above, the Respondents engaged in trading in securities and participated in acts, solicitations, conduct or negotiations directly or indirectly in furtherance of the sale and the 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 section 53 of the Act and/or contrary to the public interest.

D. Representations Prohibited

21. During the Material Time, Martel made repeated representations in materials disseminated to investors and potential investors concerning investments he made personally in the Man Camp and related projects:
- (a) In or around September 2012, Martel represented that he had personally invested approximately \$1.3 million in the Man Camp and related projects; and
 - (b) In or around October 2012, Martel provided investors with an Agreement of Partnership representing that Martel had personally invested US\$555,000 into the Man Camp and related projects.
22. With respect to Martel's purported investment of US\$555,000 in the Man Camp and related projects, Martel obtained US\$500,000 in August 2012 by entering into a private loan arrangement. This money was used as the down payment to purchase the lease for the land that was intended for construction of the Man Camp.
23. In late September 2012, the private loan was repaid with 10 percent interest for a total payment of US\$550,000. The source for the funds used to repay the private loan entered into by Martel was money raised from Phase One Investors.
24. During the time these representations were made, Martel did not have any significant personal funds invested in the Man Camp or related projects.
25. By engaging in the conduct described above, Martel made false or misleading statements that a reasonable investor would consider relevant in deciding whether to enter into or maintain a trading relationship or omitted information necessary to prevent the statement from being false or misleading in the circumstances it was made, contrary to subsection 44(2) of the Act.

E. Further Conduct Contrary to the Public Interest

26. In addition, the Respondents engaged in conduct that was intended to circumvent the requirements and principles of Ontario securities law. The MCLPs were formed after the receipt of investor funds and were specifically structured to have a maximum of 50 beneficial security holders in each MCLP in order to meet the requirements of the private issuer exemption. In fact, the Respondents accepted investments from 88 persons or companies.
27. Further, Martel directly and expressly instructed investors who did not qualify as accredited investors to indicate that they were a “close personal friend” or “close business associate” in order to qualify investors under the private issuer exemption. In fact, many of these investors did not qualify as a “close personal friend” or “close business associate” in the circumstances.
28. By reason of the foregoing, the Respondents engaged in unfair and improper conduct such that it is in the public interest to make orders under section 127 of the Act.

F. Breaches of Ontario Securities Law and/or Conduct Contrary to the Public Interest

29. The specific allegations advanced by Staff are:
 - (a) During the Material Time, the trading of securities as set out above constituted a distribution of securities by the Respondents in circumstances where no preliminary prospectus and prospectus were filed and receipts had not been issued for them by the Director, and where there were no exemptions available to the Respondents under the Act, contrary to subsection 53(1) of the Act;
 - (b) During the Material Time, Martel made statements about matters that a reasonable investor would consider relevant in deciding whether to enter into or maintain a trading relationship and the statements were untrue 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; and
 - (c) During the Material Time, Martel, as an officer or director of 8446997 and MGC, authorized, permitted or acquiesced in the non-compliance of 8446997 and MGC with Ontario securities law and as a result is deemed to also have not complied with Ontario securities law pursuant to section 129.2 of the Act.

30. The conduct described above was contrary to the fundamental purposes and principles of the Act found in subsections 1.1 and 2.1 of the Act. The Respondents engaged in unfair and improper practices, which harmed investors who invested in the MCLPs and with Martel, and by impugning the integrity of Ontario's capital markets.
31. By reason of the foregoing, the Respondents violated the principles and requirements of Ontario securities law such that it is in the public interest to make orders under section 127 of the Act.
32. Staff reserve the right to make such other allegations as Staff may advise and the Commission may permit.

DATED at Toronto, July 22, 2016