

# 2008 BCSECCOM 385

## ^^ Amended Notice of Hearing

**Manna Trading Corp Ltd, Manna Humanitarian Foundation,  
Legacy Capital Inc. and Legacy Trust Inc.  
Hal (Mick) Allan McLeod, David John Vaughan,  
Kenneth Robert McMordie also known as Byrun Fox,  
Dianne Sharon Rosiek, Robert (Robb) Murray Perkinson  
(collectively, the Respondents)**

### **Section 161 of the *Securities Act*, RSBC 1996, c. 418**

- ¶ 1 The Commission will hold a hearing at which the Executive Director will tender evidence, make submissions and apply for orders against the Respondents under sections 161, 162 and 174 of the *Securities Act*, RSBC 1996, c. 418 (the Act), based on the following facts:

#### **Overview**

1. Manna Humanitarian Foundation (Manna Foundation) is a Washington State society registered extra-provincially in British Columbia. Manna Trading Corp Ltd (Manna Trading) was incorporated in England and Wales on June 27, 2005, was dissolved on June 27, 2006, and re-incorporated July 10, 2006.
2. Legacy Capital Inc. (Legacy Capital) is a British Columbia company.
3. From at least January 2005, the Respondents sold securities to investors in the form of high yield loan contracts with Manna Trading and subsequently with Manna Foundation. In or around July 2006, the Respondents commenced selling loan contracts using the name Legacy Trust Inc. Promotional material described Legacy Trust as Manna Trading's "licensee". The Manna Trading, Manna Foundation and Legacy Trust securities (Loan Contracts) have substantially the same purported features. Respondents and investors referred to the Manna Trading and Manna Foundation investments as "Manna" and the Legacy Trust and Legacy Capital investments as "Legacy"
4. The Respondents entered into Loan Contracts totaling more than \$16 million.
5. ^^

#### **Parties**

6. Hal Allan McLeod (McLeod), also known as Mick, Mic or Mc, is a British Columbia resident. McLeod is responsible for the overall operations of Manna and Legacy.

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7. David John Vaughan (Vaughan) resides in Surrey, British Columbia. On February 16, 1999, the Executive Director ordered, among other things, that the exemptions described in sections 44 to 47, 74, 75, 98 and 99 of the Act did not apply to him for one year or until Vaughan paid a prescribed amount. The order was in respect of Vaughan's participation in the unregistered trading and illegal distribution of securities. Vaughan has not paid the full prescribed amount and the exemptions under the Act remain unavailable to him.
8. Vaughan was responsible for the day to day administration of Manna. In connection with the promotion and sale of Loan Contracts, Vaughan's duties included receiving investor money, hosting information sessions and producing monthly statements for investors.
9. Kenneth Robert McMordie (McMordie), also known as Byrun Fox, is a British Columbia resident. Starting in February 2006, investors were required to purchase Loan Contracts purportedly through "private spiritual common law trusts" created by the Respondents. McMordie gave presentations at investor meetings and was responsible for facilitating investments in Loan Contracts through the purported spiritual trust arrangements. McMordie declared bankruptcy on January 11, 2006. He was found guilty of uttering forged documents, contrary to section 368(1) of the Criminal Code, on January 30, 2007.
10. Dianne Sharon Rosiek (Rosiek) resides in Surrey, British Columbia. She is responsible for the administration of Legacy, which includes giving presentations to investors, soliciting investors, receiving investors' funds and creating spiritual trusts for investors. On December 5, 1995, Rosiek was convicted in the United States of conspiring to traffic in narcotics. On December 5, 1996, she was deported to Canada under a prisoner exchange agreement.
11. Robert (Robb) Murray Perkinson (Perkinson) resides in West Vancouver, British Columbia. Approximately USD\$3.4 million of the investor funds raised between January 2006 to August 2006 went to Perkinson's companies or were deposited into corporate bank accounts he controlled.

### **Illegal Distribution**

12. None of the Parties is registered in any capacity under the Act. No prospectus has ever been filed in British Columbia respecting distribution of the Loan Contracts.

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13. All of the Respondents were directly or indirectly involved in soliciting, facilitating or negotiating the sale of the Loan Contracts, contrary to sections 34(1) and 61 of the Act.

### **Misrepresentations**

14. McLeod, Vaughan, McMordie and Rosiek, in promoting the Loan Contracts, represented to investors and potential investors that:

- (a) Loan Contracts, as a result of being made through the spiritual trusts, would be shielded from certain tax and securities laws;
- (b) investors' funds would be placed with experienced traders, who would conduct trades in companies listed on the Standard & Poor's "e-mini trading division", commodities and foreign currency;
- (c) Manna Foundation had "an annualized trading history of profit returns not less than 20% per month (240%) per year"; and
- (d) as a result of these trading profits, holders of Loan Contracts would receive high rates of return in the form of interest payments, the historical of which had been 125.22%.

15. The above statements are all false.

- a) It is not possible to shield securities transactions from the application of securities laws through the use of the spiritual trusts.
- b) There is no evidence that any of the investor funds were placed with traders, experienced or otherwise. Investors' funds were directed to the control of the individual Respondents, paid to others as purported commissions, or were returned to investors as a purported return on their investment.
- c) There is no evidence that the Loan Contracts have earned any interest. Instead, "interest" payments have been paid out of the principal amounts of the Loan Contracts.

16. In making these and other false statements, the Respondents made misrepresentations contrary to section 50(1)(d) of the Act.

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### Fraud

17. The distribution of the Loan Contracts by the Respondents was a Ponzi scheme. By ^^ misdirecting investors' funds and making the above false statements to investors and potential investors, the Respondents perpetrated a fraud against investors, contrary to sections 57 and 57.1 of the Act.

### Temporary Order

- ¶ 2 On June 20, 2007, the Executive Director issued a Temporary Order and Notice of Hearing against the Respondents, expiring July 4, 2007.
- ¶ 3 On July 4, 2007, the Commission extended the Temporary Order, to July 26, 2007. On July 26, 2007, the Commission extended the Temporary Order to July 27, 2007.
- ¶ 4 On July 27, 2007, the Commission:
- ¶ 1 extended the Temporary Order against the Respondents, except Kenneth Robert McMordie and Robert Murray Perkinson, until a hearing is held and a decision rendered; and
- ¶ 2 set hearing dates for this matter for April 28 to June 6, 2008, excluding three dates in that time period.
- ¶ 5 On February 7, 2008, the Commission granted the Executive Director's application to adjourn the hearing dates. The Hearing now will be held at the 12<sup>th</sup> Floor Hearing Room, 701 West Georgia Street, Vancouver, British Columbia on the following dates:
- October 6 to 8, 15 to 17 and 20 to 31, 2008;
  - November 3 to 4, and 12 to 28, 2008; and
  - December 1 to 3 and 5, 2008.
- ¶ 6 The Respondents may be represented by counsel at the Hearing and may make representations and lead evidence. The Respondents are requested to advise the Commission of their intention to attend by contacting the Commission Secretary at PO Box 10142, Pacific Centre, 5th Floor, 701 West Georgia Street, Vancouver, BC, V7Y 1L2, phone: (604) 899-6500; email: commsec@bcsc.bc.ca.

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¶ 7 Determinations may be made in this matter if the Respondents or their counsel do not appear at the Hearing.

¶ 8 June 27, 2008

Brenda M. Leong

¶ 9 Brenda M. Leong  
Executive Director