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Settlement Agreement

Alain Germain Chevalier

Securities Act, RSBC 1996, c. 418

¶ 1 The following settlement of issues has been reached between Alain Germain Chevalier (Chevalier) and the Executive Director.

Agreed Statement of Facts

¶ 2 As the basis for the undertakings and orders referred to in this settlement, Chevalier acknowledges the following facts as correct:

1. Chevalier was registered under the *Securities Act*, RSBC 1996, c. 418 in British Columbia from October 27, 1982 until May 15, 1999.
2. Chevalier was a registered representative with Moneywatch Consultants Ltd. (Moneywatch) from July 9, 1996 to June 16, 1997 (the Relevant Period).
3. Multimetro Mortgage Corporation (Multimetro) was incorporated as a British Columbia company in December 1994.
4. During the Relevant Period, Multimetro was registered as a mortgage broker with the Financial Institutions Commission (FICOM).
5. Multimetro was in the business of providing development and redevelopment financing for real estate development. Developers would use funds obtained from Multimetro to, among other things, pay out existing mortgage financing, purchase real estate sites for development, pay construction costs, and provide operating capital. Multimetro would syndicate a mortgage by dividing it into mortgage units that were then sold to members of the public.
6. During the Relevant Period, Chevalier sold Multimetro investments/securities including:
 - (a) Chemainus B.C. Second Mortgage Fund;
 - (b) Nanaimo B.C. Waterfront First Mortgage Fund (Nanaimo);
 - (c) Saltspring Island Village Resort Second Mortgage Fund;
 - (d) 1997 Quail Ridge Third Mortgage Fund (Quail Ridge Third);

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- (e) Parksville Oceanfront Resort First Mortgage Fund (Parksville); and
 - (f) Canada House Second Mortgage Fund
- (collectively the Multimetro Products).
7. Megale Capital Corporation (Megale Capital) (now MMI Capital Inc.) was incorporated as a British Columbia company in December 1991.
 8. Megale Capital was in the business of providing development and redevelopment financing for real estate development. Developers would use funds obtained from Megale Capital to, among other things, pay out existing mortgage financing, purchase real estate sites for development, pay construction costs, and provide operating capital. Megale Capital was not registered as a mortgage broker. Megale Capital offered investment opportunities for the public that were not secured by a mortgage, and were described as “corporate bonds” although none of the issuer’s assets secured these “corporate bonds”.
 9. During the Relevant Period, Chevalier sold Megale Capital corporate bond investments/ securities including:
 - (a) the North Vancouver Corporate Bond (North Vancouver); and
 - (b) the Vancouver Island Corporate Bond(collectively the Megale Bonds).
 10. During the Relevant Period, Chevalier recommended and sold one or more of the Multimetro Products and the Megale Bonds (collectively, the Multimetro Securities) to 18 clients, when the purchase of these investments/ securities was unsuitable for the client, contrary to section 48 of the *Securities Rules*, BC Reg. 194/97 and contrary to the public interest.
 11. The Multimetro Securities were unsuitable because they were risky, illiquid and speculative, and:
 - (a) did not meet the actual or stated investment needs and objectives of the client;
 - (b) did not meet the actual or stated risk tolerance of the client;

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- (c) the percentage of the client's investment portfolio or concentration of the client's portfolio that was invested in or being invested in high risk, illiquid and speculative securities was inappropriate;
 - (d) given the net worth, income and/or age of the client; or
 - (e) Chevalier recommended borrowing or leveraging strategies to his clients that further increased the risk of the purchase or investment where that recommendation was followed.
12. During the Relevant Period, Chevalier failed to deal fairly, honestly, and in good faith with his clients, contrary to section 14 of the Rules and contrary to the public interest. Chevalier:
- (a) failed to ensure his clients actually understood the risk of the investments he recommended to them, despite having some of them sign a form acknowledging the risks associated with their investment;
 - (b) failed to ensure his clients understood the true nature of their investment, including that:
 - (i) the Megale Bonds were not secured by a mortgage or any other asset; or
 - (ii) the funds raised from the sale of some Multimetro Products, Nanaimo and Quail Ridge Third, would be used to repay investors in earlier Multimetro Products or Megale Bonds, including investments in the Multimetro Products or Megale Bonds already held by the client to whom the current investment was being recommended; and
 - (c) sold Quail Ridge Third and North Vancouver in the Relevant Period when Moneywatch had not approved these investments/ securities for sale.

Mitigating Factors

¶ 3 Although Chevalier agrees the monetary portion of the sanction that otherwise would have applied in this case is \$25,000, the Executive Director has taken into account the following facts as factors mitigating the monetary sanctions that are in the public interest. Chevalier represents and the Executive Director accepts that:

1. In 1996 and 1997, Chevalier, together with his spouse, personally invested, and have now lost, \$264,000 in the Multimetro Products named in this settlement and other securities of Multimetro.

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2. Chevalier and his spouse paid additional administration fees to Multimetro in order to attempt to recover the value of any underlying security or assets of the Multimetro Products in which they invested.
3. A portion of the commissions earned by Chevalier from the sale of Multimetro Securities remains unpaid.
4. Chevalier recommended an investment in the Multimetro Securities to other of his family members. These family members have also lost significant amounts of money.

Undertaking

¶ 4 Chevalier undertakes to do the following:

1. pay to the Commission the amount of \$15,000, of which \$5,000 represents costs of the investigation, payable as follows:
 - (a) \$5,000 on his execution of this agreement;
 - (b) \$5,000 within 3 months of his executing this agreement; and
 - (c) \$5,000 within 6 months of his executing this agreement;
2. comply with the provisions of the Act and the Rules; and
3. not say anything, in writing or orally, which may contradict the terms of this settlement agreement or call those terms into question.

Order

¶ 5 Chevalier consents to an order by the Executive Director (the Order) that:

1. under section 161(1)(b) of the Act, Chevalier is prohibited from purchasing any securities or exchange contracts and under section 161(1)(c) of the Act, any and all of the exemptions described in sections 44 to 47, 74, 75, 98 or 99 of the Act do not apply to Chevalier, all until the later of:
 - (a) five years from the date of the Order;
 - (b) the date Chevalier successfully completes a course of study satisfactory to the Executive Director concerning the duties and responsibilities of directors and officers; and

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- (c) the date Chevalier satisfies his undertaking to pay \$15,000 to the Commission;

except that Chevalier may rely on the exemption in section 45(2)(7) of the Act to trade in his own accounts through a registered dealer, or purchase securities or exchange contracts for his own accounts through a registered dealer, as long as Chevalier provides the registered dealer with a copy of the Order before any trades or purchases take place, and except as required to give effect to the exception set out in paragraph 5, item 2, of this agreement;

- 2. under section 161(1)(d) of the Act Chevalier will resign any position he holds as a director or officer of any issuer and is prohibited from becoming or acting as a director or officer of any issuer, or of any issuer that provides management, consulting or administrative services for any other issuer, until the later of:

- (a) five years from the date of the Order;
- (b) the date he successfully completes a course of study satisfactory to the Executive Director concerning the duties and responsibilities of directors and officers; and
- (c) the date Chevalier satisfies his undertaking to pay \$15,000 to the Commission;

except that Chevalier may be a director or officer of an issuer in which he and his spouse are the sole shareholders; and

- 3. under section 161(1)(d) of the Act Chevalier is prohibited from engaging in any investor relations activities until the later of:
 - (a) five years from the date of the Order; and
 - (b) the date Chevalier satisfies his undertaking to pay \$15,000 to the Commission.

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Waiver

¶ 6 Chevalier waives any right he may have, under the Act or otherwise, to a hearing, hearing and review, judicial review or appeal related to, in connection with, or incidental to this settlement.

¶ 7 January 20, 2003

¶ 8 “Alain Germain”)
Alain Germain Chevalier

_____)
Witness Signature)
Sharon Chevalier)
Witness Name (please print))
5086 Empire Drive)
Burnaby, BC)
Address)
Consultant)
Occupation)

¶ 9 February 4, 2003

“Stephen J. Wilson”

¶ 10 Stephen J. Wilson
Executive Director