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Notice of Hearing

**Alain Germain Chevalier,
576928 BC Ltd. (formerly Moneywatch Consultants Ltd.)
and Graham Martin Hope
(collectively, the Respondents)**

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

¶ 1

A hearing will be held (the Hearing) to give the Respondents an opportunity to be heard before the British Columbia Securities Commission (the Commission) considers whether it is in the public interest to make the following orders:

1. under section 161(1)(c) of the of the *Securities Act*, RSBC 1996, c. 418 (the Act), that any or all of the exemptions described in sections 44 to 47, 74, 75, 98 or 99 of the Act do not apply to the Respondents;
2. under section 161(1)(d) of the Act, that Alain Germain Chevalier (Chevalier) and Graham Martin Hope (Hope) are prohibited from becoming or acting as a director or officer of any issuer;
3. under section 161(1)(d) of the Act that the Respondents are prohibited from engaging in investor relations activities;
4. under section 161(1)(f) of the Act that Hope be reprimanded, and that the registration of Hope be suspended, cancelled, or restricted, or that conditions be imposed on his registration;
5. under section 162 of the Act, that the Respondents pay an administrative penalty;
6. under section 174 of the Act, that the Respondents pay the prescribed fees or charges of or related to the hearing; and
7. any other orders that may be appropriate in the circumstances.

¶ 2

The Commission will be asked to consider the following facts and allegations in making its determination:

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Chevalier

1. Chevalier was registered under the Act 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).

576928 BC Ltd.

3. Moneywatch was incorporated as a British Columbia Company in November, 1993, and was a registered under the Act in British Columbia from January 4, 1994 until March 8, 1999.
4. Moneywatch was a Securities Dealer during the Relevant Period.
5. Moneywatch changed its name to 458026 BC Ltd. on March 11, 1999.
6. 458026 B.C. Ltd. and 576928 BC Ltd., a British Columbia company incorporated in December 1998, were amalgamated as one company under the name 576928 BC Ltd. (576928) on June 9, 1999. Moneywatch retained the name 576928 as at May 1, 2002.

Hope

7. Hope was the sole director of Moneywatch in the Relevant Period, and remains a director of Moneywatch (now 576928).
8. Hope was registered under the Act in British Columbia from May 1, 1993 to the present.
9. Hope was registered with Moneywatch as a Trading Partner, Director or Officer restricted to trading in mutual fund securities during the Relevant Period.
10. During the Relevant Period, Hope, the sole director of Moneywatch and a Trading Partner, Director or Officer of Moneywatch, was required to ensure compliance with the Act and the regulations, by Moneywatch and its employee, Chevalier, in accordance with sections 47 and 65 of the *Securities Rules*, BC Reg. 479/95 and the *Securities Rules*, BC Reg. 194/97 (the Rules).

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The Investments: The Multimetro Products and the Megale Bonds

12. Multimetro Mortgage Corporation (Multimetro) was incorporated as a British Columbia company in December 1994.
13. During the Relevant Period, Multimetro was registered as a mortgage broker with the Financial Institutions Commission (FICOM).
14. 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.
15. 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);
 - (e) Parksville Oceanfront Resort First Mortgage Fund (Parksville); and
 - (f) Canada House Second Mortgage Fund.(collectively the Multimetro Products)
17. Megale Capital Corporation (Megale Capital) (now MMI Capital Inc.) was incorporated as a British Columbia company in December 1991.
18. 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”.

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19. 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)

Activity Contrary to the Act, the Securities Rules and the Public Interest *Chevalier*

20. During the Relevant Period, Chevalier recommended and sold one or more of the Multimetro Products and the Megale Bonds to clients, when the purchase of these investments/ securities was unsuitable for the client, contrary to section 48 of the Rules and contrary to the public interest.
21. The Multimetro Products and the Megale Bonds 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;
 - (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) were not appropriate given the net worth, income and/or age of the client; or
 - (e) Chevalier recommended borrowing or leveraging strategies to his clients that further and inappropriately increased the risk of the purchase or investment where that recommendation was followed.
22. 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 understood the risk of the investments he recommended to them;
 - (b) failed to ensure his clients understood the true nature of their investment, including that:

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- (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.

Hope and 576928 BC Ltd.

23. During the Relevant Period, Hope, as a Trading Partner, Director or Officer and Moneywatch (now 576928) failed to supervise Chevalier and ensure Chevalier's compliance with the Act and the regulations, contrary to sections 47 and 65 of the Rules and contrary to the public interest.
24. During the Relevant Period, Moneywatch's and Hope's failure to properly supervise Chevalier included not having an adequate method, procedure or system to:
- (a) review trading activity in Chevalier's client accounts;
 - (b) know how many clients Chevalier and Moneywatch had; and
 - (c) ensure each of Chevalier's client accounts contained appropriate documentation such as a New Client Application Form (NCAF) or Know Your Client (KYC) form, or a complete(d) NCAF or KYC.
25. Moneywatch also failed to ensure the requirements of section 44 of the Rules were met by the conduct described in paragraphs 23 and 24, and breached section 48 of the Rules by the conduct described in paragraph 24(c), contrary to the public interest.

¶ 3

The Respondents may be represented by counsel at the Hearing, and make representations and lead evidence. The Respondents are requested to advise the Commission of their intention to attend the Hearing by informing the Commission Secretary at PO Box 10142, Pacific Centre, 701 West Georgia Street, Vancouver, BC V7Y 1L2 phone: (604) 899-6500; email: commsec@bcsc.bc.ca.

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¶ 4

The Respondents or their counsel are required to attend at the 12th Floor Hearing Room, 701 West Georgia Street, Vancouver, British Columbia, on Wednesday, June 19, 2002, at 9:30 am if they wish to be heard before the Commission sets a date for the Hearing.

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

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May 9, 2002

Martin Eady, C.A.
A/Executive Director