



British Columbia Securities Commission

Citation: 2018 BCSECCOM 181

### **Amended Notice of Hearing**

**Forum National Investments Ltd., Daniel Clozza, Robert Logan Dunn,  
Douglas Corrigan, and Mosaic Holdings Ltd.**

(collectively, the Respondents)

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

- ¶ 1 The British Columbia Securities Commission (Commission) will hold a hearing (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:

#### **Summary**

1. Clozza hired a stock promoter (the Promoter) to assist him in conducting a market manipulation of Forum shares. The manipulation included:
  - the Promoter publishing grossly promotional materials about Forum
  - Clozza directing Forum to issue false or misleading press releases
  - Clozza directing nominee and cross trading of Forum shares
2. Dunn and Mosaic participated in the market manipulation by paying for the promotion, Forum by issuing the false or misleading press releases, and Corrigan by executing the nominee and cross trades.
3. By engaging in the conduct as set out in this Amended Notice of Hearing, the Respondents, directly or indirectly, engaged in or participated in conduct relating to Forum's shares that they knew, or reasonably should have known, resulted in or contributed to a misleading appearance of trading activity in, or an artificial price for, Forum's shares, contrary to section 57(a) of the Act.
4. The Executive Director issued temporary cease trade orders on July 20, 2012. At the temporary order hearing, Clozza tendered his affidavit denying any involvement with the promotion which was a false or misleading statement, contrary to section 168.1(1)(a) of the Act.

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5. As an officer and director of Forum, Clozza authorized, permitted or acquiesced in Forum's contraventions, and he therefore contravened the same provision under section 168.2 of the Act.
6. As an officer and director of Mosaic, Dunn authorized, permitted or acquiesced in Mosaic's contraventions, and he therefore contravened the same provision under section 168.2 of the Act.

### **Background**

7. Forum was incorporated in British Columbia and its shares were traded on the Over-The-Counter Bulletin Board market in the United States under the stock symbol "FMNL". In 2008, Forum entered the life settlement industry.
8. Daniel Clozza, Robert Logan Dunn and Douglas Corrigan are residents of British Columbia.
9. At all relevant times
  - Clozza was the president and chief executive officer of Forum as well as being a director and shareholder;
  - Corrigan was a broker at the Vancouver branch of a registered investment dealer;
  - Dunn was a shareholder of Forum and the sole director and officer of Mosaic; and
  - Mosaic was a British Columbia company.

### **Misconduct**

#### ***Market Manipulation***

##### *Promotion of Forum shares contributed to an artificial price or volume*

10. In December 2011, Forum was experiencing significant financial difficulties. At that time, Clozza flew the Promoter to Vancouver to discuss promoting Forum shares.
11. In April 2012, Clozza hired the Promoter. They agreed Forum would issue press releases and the Promoter would publish promotional materials. As well, Clozza directed Corrigan to commence nominee trading in Forum shares. Prior to these trades, Forum had not traded for over two months.
12. Between May 15 and June 19, 2012, Dunn and Mosaic paid the Promoter in instalments. During this time, both Dunn and Clozza were in regular communication with the Promoter and each other.



13. In May and June 2012, the Promoter published promotional materials containing grossly promotional statements about Forum.
14. Prior to May 2012, Forum had not issued any press releases for 32 months. However, in conjunction with the Promoter publishing the grossly promotional materials, Forum issued seven press releases between May 15 and June 25, 2012 that were false or misleading.

*Nominee trading*

15. Between April 11 and June 28, 2012 (Trading Period), Clozza directed trading in at least two nominee accounts (Nominee A and Nominee B) through Corrigan who was the broker for these accounts. During the Trading Period, Clozza and Corrigan spoke on the phone almost every trading day and often many times in one day.
16. During the Trading Period neither Nominee A or B gave trading instructions to Corrigan yet each account actively traded:
  - Nominee A's account bought Forum shares on 30 days and sold shares on 18 days.
  - Nominee B's account bought shares on 9 days and sold shares on 14 days.
17. Clozza and a third nominee funded the trading of Nominees A and B and other Forum shareholders.

*Cross trades*

18. In May and June 2012, one Forum shareholder (Seller) wanted to transfer shares to some of his associates, including Dunn, at no cost to the recipient. To increase trading volume, Clozza and Corrigan told the Seller to "cross" Forum shares in the market instead of transferring them privately. As a result, the seller transferred 560,000 shares through the market at no cost or reduced cost to the recipients.

*Summary of share price rise and trading volume*

19. In 2012, prior to the Trading Period, Forum traded only twice, both in January, totaling 13,510 shares. The closing price after the second trade was \$0.15.
20. During the Trading Period, the trading volume of Forum increased significantly reaching over 400,000 shares traded on seven different days. The share price rose and peaked at \$2.18 on June 21.



21. On June 28, 2012, the executive director issued a halt trade order.

*Financial benefit to Clozza, Dunn and Corrigan*

22. In June 2012, Nominee B paid Clozza proceeds from the sale of Forum shares.

23. During the Trading Period, Dunn received proceeds from his sale of Forum shares.

24. During the Trading Period, Corrigan received commissions from the nominee trading and the cross trades.

*False information to Commission*

25. Clozza swore and filed an affidavit with the Commission in support of revoking a temporary order issued on July 20, 2012 claiming that he had nothing to do with the promotion.

26. Clozza's claims were false or misleading as he hired the Promoter and spoke with him during the time of the promotion.

27. By engaging in this conduct, Clozza contravened section 168.1(1)(a) of the Act.

**Hearing Process**

¶ 2 The Respondents or their counsel are required to attend at the 12th Floor Hearing Room, 701 West Georgia Street, Vancouver, British Columbia, on **Tuesday, August 14, 2018, at 9:00 a.m.** if they wish to be heard before the Commission sets a date for the Hearing. Relevant information gathered by Commission Staff in the investigation of this matter will be disclosed to the Respondent upon request to the Executive Director.

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



- ¶ 4 If the Respondents or their counsel do not appear at the Hearing, the Executive Director will apply to have questions of liability and sanction heard at the same time. Determinations adverse to the Respondents may be made in their absence.

*Peter J Brady*  
*Jun 15 2018 3:04 PM -7:00*

- ¶ 5 Peter J. Brady  
Executive Director