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Commission panel finds four B.C. residents committed fraud in Ponzi scheme

Vancouver – A British Columbia Securities Commission panel has found that four B.C. residents perpetrated a “deliberate and well-organized” fraud in a Ponzi scheme that resulted in the loss of over US\$10-million by more than 800 investors in B.C. and elsewhere.

Hal (Mick) Allan McLeod, David John Vaughan, Kenneth Robert McMordie (also known as Byrun Fox), and Dianne Sharon Rosiek also violated securities laws when they traded in securities without being registered and distributed securities without filing a prospectus. They made misrepresentations when they lied to investors about how their money would be invested, the returns investors could expect, and the risk associated with the investments.

The four made the distributions, misrepresentations and frauds through Manna Trading Corp Ltd., Manna Humanitarian Foundation, Legacy Capital Inc. and Legacy Trust Inc.

The Ponzi scheme began as an investment club. Between 2005 and 2007, the number of investors grew from a handful to more than 800, who deposited about US\$16-million before its collapse in June 2007. Investors received back as little as US\$3-million and no more than US\$5.6-million.

McLeod created the “Manna scheme” and he expanded it with Vaughan’s help, and later more aggressively expanded it with the assistance of Fox and Rosiek.

Investors were induced to loan Manna money and told that their money would be placed with experienced traders who had a long history of producing double-digit monthly returns through foreign currency trading. Manna promised investors seven per cent monthly returns (later reduced to five per cent), sometimes compounded. (A seven per cent monthly-compounded return is an annualized return of over 125 per cent.)

Some investors who brought in new investors were paid a commission and a continuing share of the return of the new investment.

The scheme used “private common law spiritual trusts,” concocted by Fox to avoid the application of tax and securities laws to investments in the Manna scheme.



“All of these statements were misrepresentations,” said the panel in its decision. “There is no evidence that Manna placed investors’ funds with foreign currency traders, or that the investors’ funds earned returns from any other source. Manna had no trading profits. Manna investors did not experience the historical returns Manna said they did. Manna had no source of revenue other than investor contributions. The trust structure was a sham.”

The panel concluded, “The reality is that Manna was a Ponzi scheme. Manna fraudulently used the investments of later investors to fund the promised returns to earlier investors, to pay commissions to the affiliates and consultants, to invest in an online gaming business, and to buy real estate in Costa Rica.

“McLeod, Vaughan, Fox and Rosiek fraudulently used investors’ funds to enrich themselves.”

A sanctions decision will be made after the parties have made submissions on sanctions.

The B.C. Securities Commission is the independent provincial government agency responsible for regulating trading in securities within the province. You may view the decision on our website www.bcsc.bc.ca by typing in the search box Hal (Mick) Allan McLeod, David John Vaughan, Kenneth Robert McMordie, Dianne Sharon Rosiek, or 2009 BCSECCOM 426. If you have questions, contact Ken Gracey, media relations, 604-899-6577.

Learn how to avoid investment fraud at the BCSC's investor education website:
www.investright.org.