

IN THE MATTER OF THE SECURITIES ACT,
S.N.B. 2004, c. S-5.5, AS AMENDED

AND IN THE MATTER OF

**PIERRE EMOND, ARMEL DRAPEAU, JULES BOSSÉ and
ROBERT SAINTONGE**

(Respondents)

FILED WITH/DÉPOSÉ AVEC
the Secretary to the Commission
le secrétaire de la Commission

AUG 19 2009

File # 2300-E1

NBSC/CVMNB

MOTION

1. **The following relief is being sought by staff:**

An order pursuant to section 184(1)(d) of the *Securities Act*, S.N.B. 2004, c. S-5.5, as amended, that any exemptions under New Brunswick securities law do not apply to the Respondents until otherwise ordered by the New Brunswick Securities Commission.

An order pursuant to section 184(1)(a) of the *Securities Act*, S.N.B. 2004, c. S-5.5, as amended, that the registration of Robert Saintonge be suspended until otherwise ordered by the New Brunswick Securities Commission.

2. **The factual and legal grounds for this motion are:**

The Respondents

1. Pierre Emond ("Emond") is an individual resident at 110 Av. Bossé, Edmundston, New Brunswick.
2. Armel Drapeau ("Drapeau") is an individual resident at 92 rue Leblond, Edmundston, New Brunswick. Drapeau was a registered mutual fund salesperson at Investia Financial Services Inc. ("Investia"). His registration was terminated by Investia on 25 March 2009.
3. Jules Bossé ("Bossé") is an individual resident at 709, chemin Baisley, St-Jacques, New Brunswick.

4. Robert Saintonge ("Saintonge") is an individual resident at 815 Mitchell Street, Fredericton, New Brunswick. Saintonge is a registered mutual fund salesperson at Investia.
5. Emond and Bossé are not registered to trade in securities in New Brunswick.

The Respondents participation in an illegal distribution of securities

6. Emond, Drapeau, Bossé, and Saintonge (the "Respondents") each promoted an illegal distribution of securities issued by Centre de traitement d'information de crédit (C.T.I.C.) Inc. ("CTIC" and the "CTIC Distribution"), as described below. The Respondents were each paid commissions in respect of their participation in the distribution.
7. Bossé acted on a single trade to one investor, while Saintonge acted on four trades to three separate investors. Emond and Drapeau each acted on numerous trades.
8. The CTIC Distribution was illegal in that there was no prospectus and no exemption from the prospectus requirement, thereby contravening section 71(1) of the *Securities Act*, S.N.B. 2004, c. s-5.5 (the "*Securities Act*"). As such, the investors were denied required information about the investment.
9. Emond and Bossé were not registered to trade in securities at the time of their participation in the CTIC Distribution. Drapeau and Saintonge were both registered as mutual fund salespersons at the time of the CTIC Distribution, but the trades were not conducted through Investia, their registered dealer. As such, each Respondent has breached section 45(a) of the *Securities Act*, which requires that non-exempt trades in securities be conducted through registered dealers.
10. The unregistered status of Emond and Bossé denied their customers the protection inherent in the registration requirement under 45(a) of the *Securities Act*.
11. The failure of Drapeau and Saintonge to involve their registered dealer in the promotion of CTIC denied their customers the protection inherent in the registration requirement under 45(a) of the *Securities Act*.

Off-book selling by Drapeau and Saintonge

12. Drapeau and Saintonge, as registrants at Investia, were subject to the rules and by-laws of the Mutual Fund Dealers Association of Canada (the "MFDA").

13. MFDA Rule 1.1.1 prohibited Drapeau and Saintonge from engaging in all securities related business except that which is carried on for the account of Investia and through the facilities of Investia. Drapeau and Saintonge breached this provision, which in turn constitutes a breach of section 54 of the *Securities Act* and conduct contrary to the public interest.

Failure to disclose commissions and to conduct proper due diligence

14. Given that the CTIC distribution was not exempt from the registration requirement, and given the definition of "registrant" in the *Securities Act*, each of the Respondents was required to comply with section 54 of the *Securities Act*, and ought to have conducted due diligence on the CTIC securities and determined its suitability for each of the investors. The Respondents' failure in this regard denied the investors the protection intended by section 54 of the *Securities Act*.
15. The Respondents each knew that the securities promoted by them purported to pay annual interest totaling 24%. This included interest of 12% to 14% to the investors, as noted on the written loan agreements, and interest of 10% to 12% to the salesperson, which was not indicated on the written loan agreements.
16. The promotion by each of the Respondents of securities that fail to explicitly indicate that the salesperson stands to profit as much as the investor constitutes an unfair practice and a contravention of section 58.2(2) of the *Securities Act*.
17. Knowledge of the total interest of 24% per annum ought to have caused each Respondent to exercise an extraordinary degree of due diligence to confirm sufficient commercial profits by CTIC to repay its debts, prior to promoting the securities.
18. Instead of conducting proper due diligence on CTIC, Emond and Drapeau instead made claims about the investment that they failed to verify, such as the fact that the investment was "guaranteed", and that the funds were being used for factoring accounts that were insured.

Illegal distribution of CITCAP securities by Drapeau

19. Drapeau also participated in the illegal distribution of securities issued by a related company, CITCAP Groupe Financier Inc. ("CITCAP"). This included acting as the salesperson on a trade involving \$200,000 on 14 January 2009. This occurred after he had given a written undertaking to the New Brunswick Securities Commission ("NBSC") on 20 May 2008 not to trade in the securities of CTIC. He was paid, or was to be paid, a commission of \$10,000 in connection with this distribution, in contravention of section 2.9(6) of National Instrument 45-106.

20. Drapeau acted in furtherance of 3 other distributions of CITCAP securities in New Brunswick. Drapeau subsequently misled Staff with respect to his conduct in this regard.

The results of the illegal distribution in New Brunswick

21. On 14 April 2009, CTIC and CITCAP consented to an order of the New Brunswick Securities Commission denying them all exemptions under New Brunswick securities law.
22. In May of 2009, the Autorité des Marchés Financiers obtained an order freezing the accounts of CTIC and CITCAP.
23. CTIC and CITCAP have since commenced bankruptcy proceedings, and the initial trustee in bankruptcy has reported his opinion that the companies operated as a "Ponzi" scheme since at least July of 2008. It appears that there will be a substantial deficiency in the bankruptcy and that investors will lose a significant portion of their investments.
24. Emond represents many of the New Brunswick investors / creditors in the CTIC bankruptcy. Emond in turn is represented by the law firm of Langlois Kronström Desjardins, which is the firm that represented CTIC during the early part the NBSC investigation.

The Status of the Investigation

25. The NBSC issued an Investigation Order, pursuant to section 170(2) of the *Securities Act*, against certain Respondents on 10 February 2009. The investigation is ongoing. The present investigation largely consists of monitoring the CTIC and CITCAP bankruptcy proceedings in Québec.

Conclusion

26. The conduct of the Respondents warrants that they be removed from the capital markets in New Brunswick until such time as the investigation is complete and any Statement of Allegations filed is determined, or until otherwise ordered by the NBSC. This relief is sought in the public interest pursuant to section 184(1) of the *Securities Act*.

3. Evidence being relied on:

1. The affidavit of Ed LeBlanc, Investigator, sworn the 19th day of August, 2009; and

2. Such further and other evidence as Staff may adduce and the Commission permit, in support of this motion for an *interim* Order.

DATED at the City of Saint John this 19th day of August, 2009.

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