

# INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

In the matter of:

**The By-laws of the  
Investment Dealers Association of Canada**

**and**

**The Dealer Member Rules of the  
Investment Industry Regulatory Organization of Canada**

**and**

**Lucy Marie Pariak-Lukic**

## NOTICE OF HEARING

**TAKE NOTICE** that pursuant to Part 10 of Dealer Member Rule 20 and Section 1.9 of Schedule C.1 to Transition Rule No.1 of the Investment Industry Regulatory Organization of Canada (“IIROC”), a set date hearing will be held before a hearing panel of IIROC (“Hearing Panel”) on Wednesday, March 13, 2013 at IIROC British Columbia Room, 121 King Street West, 20<sup>th</sup> Floor, Toronto, Ontario at 10am, or as soon thereafter as the hearing can be heard.

**TAKE FURTHER NOTICE** that pursuant to Rule 6.2 of IIROC’s Dealer Member Rules of Practice and Procedure (“Rules of Practice and Procedure”), that the hearing shall be designated on the:

The Standard Track

The Complex Track

**TAKE FURTHER NOTICE** that on June 1, 2008, IIROC consolidated the regulatory and enforcement functions of the Investment Dealers Association of Canada (“IDA”) and Market Regulation Services Inc. Pursuant to the *Administrative and Regulatory Services Agreement* between IDA and IIROC, effective June 1, 2008, the IDA has retained IIROC to provide services for IDA to carry out its regulatory functions.

**THE PURPOSE OF THE HEARING** is to determine whether Lucy Marie Pariak-Lukic (“Pariak-Lukic” or the “Respondent”) has committed the following contraventions that are alleged by the staff of IIROC (“Staff”):

Between 2006 and 2007, Pariak-Lukic recommended and/or facilitated off-book investments for clients

- a. without the knowledge or approval of her employer firm;
- b. without fully disclosing a conflict of interest to her clients; and
- c. without ensuring that a prospectus had been filed for the investment, or that the distribution properly qualify for a prospectus exemption;

contrary to IDA by-law 29.1.

## **PARTICULARS**

**TAKE FURTHER NOTICE** that the following is a summary of the facts alleged and to be relied upon by Staff at the hearing:

### ***Overview***

1. In 2006 and 2007, Pariak-Lukic recommended an off-book, investment to her clients without the knowledge or approval of her employer firm. Although, the investment did not qualify for prospectus exemption, no prospectus was filed with the appropriate securities regulator. Pariak-Lukic's husband receives compensation in his role as the President and sole Director of the issuer, a conflict of interest not fully appreciated by all of her clients.
2. The investment, portrayed by Pariak-Lukic to her clients as a medium risk investment backed by real estate, ceased making payments to its investors in or around November 2010. In total, thirteen clients of Pariak-Lukic invested \$2.48 million in Lakepoint. They are facing the possibility of losing their entire investment.

### ***Pariak-Lukic's Registration History***

3. Pariak-Lukic first became registered with the IDA in 1994. She was employed by yourCFO Advisory Group Inc. ("yourCFO") as a registered representative between November 2005 and July 2011. In July 2011, she resigned in good standing from yourCFO and commenced employment as a registered representative with Burgeonvest Bick Securities Ltd.
4. On June 1, 2008, Pariak-Lukic became a regulated person of IIROC.

### ***Lakepoint Mortgage Investment Fund***

5. Lakepoint Mortgage Investment Fund 1 Inc. ("Lakepoint") was an Ontario corporation incorporated in November 2006.
6. Pariak-Lukic's husband, VL, was the president and sole director of Lakepoint.
7. Lakepoint' issued common shares to its investors with the expectation that it would pay monthly dividends amounting to approximately 8% annual return. Investors could redeem their shares at any time after five years, or by giving one year notice to Lakepoint in the first five years. Lakepoint's offering was up to \$3,000,000, with a minimum investment of \$100,000.
8. Lakepoint was not a reporting issuer, and it did not file a prospectus with the Ontario

Securities Commission. The investors purchased shares of Lakepoint by executing a shareholders agreement. There was no prospectus exemption available or applicable to this distribution.

9. Lakepoint's sole business was to loan funds to another corporate entity, Trinity Diversified North America Limited ("Trinity"), for the purpose of investing in second mortgages on residential properties in the Toronto area.
10. In or around November 2010, distributions from Trinity to Lakepoint stopped. Lakepoint's investors were advised that there would be no further payments. In or around December 2010, Lakepoint commenced legal action against Trinity to recover the fund it loaned to Trinity. Lakepoint's investors are facing the possibility of losing their entire investment.

### *Pariak-Lukic's Recommendations to Clients*

11. Between 2006 and 2007, Pariak-Lukic solicited a number of her clients to make investment in Lakepoint. Pariak-Lukic portrayed Lakepoint to her clients as a medium risk, income generating investment backed by real estate.
12. In total, thirteen clients of Pariak-Lukic invested \$2.48 million in Lakepoint. Pariak-Lukic and VL personally invested \$100,000 into Lakepoint. In total, these investments comprised over 90% of all funds raised by Lakepoint. In addition, Pariak-Lukic and Vel invested \$300,000 in another Ontario corporation which loaned funds to Trinity.
13. Pariak-Lukic did not conduct any due diligence with respect to the validity of the investment in Lakepoint and/or Trinity. Furthermore, she failed to take reasonable steps to ensure that Lakepoint's distribution properly qualify for the prospectus exemption it intends to rely upon. As a result of Pariak-Lukic solicitation, her clients invested in an investment that was illegally distributed.
14. Furthermore, Pariak-Lukic did not fully disclose to all her clients the conflict of interest that existed when recommending this investment. While some of her clients knew her husband was involved in Lakepoint, Pariak-Lukic did not fully disclose to all of her clients her husband's role in and his compensation from Lakepoint.
15. Pariak-Lukic recommended to some clients to borrow funds to invest in Lakepoint, and facilitated mortgage financing for some of her clients. One of the clients, an elderly women who supplemented her Canada Pension Plan and Old Age Security benefits with her investment income, took a mortgage against her house to invest in Lakepoint based on the Pariak-Lukic's recommendation.
16. The clients' investments were not made through their account with yourCFO and did not appear on the statements issued by yourCFO. Pariak-Lukic facilitated these investments without the knowledge or approval of yourCFO. However, some clients received

documentations from Pariak-Lukic prepared on yourCFO letterhead that included their investment in Lakepoint.

### **GENERAL PROCEDURAL MATTERS**

**TAKE FURTHER NOTICE** that the hearing and related proceedings shall be subject to the Rules of Practice and Procedure.

**TAKE FURTHER NOTICE** that pursuant to Rule 13.1 of the Rules of Practice and Procedure, the Respondent is entitled to attend and be heard, be represented by counsel or an agent, call, examine and cross-examine witnesses, and make submissions to the Hearing Panel at the hearing.

### **RESPONSE TO NOTICE OF HEARING**

**TAKE FURTHER NOTICE** that the Respondent must serve upon the Staff of IIROC a Response to the Notice of Hearing in accordance with Rule 7 of the Rules of Practice and Procedure within twenty (20) days (for a Standard Track disciplinary proceeding) or within thirty (30) days (for a Complex Track disciplinary proceeding) from the effective date of service of the Notice of Hearing.

### **FAILURE TO RESPOND OR ATTEND HEARING**

**TAKE FURTHER NOTICE** that if the Respondent fails to serve a Response or attend the hearing, the Hearing Panel may, pursuant to Rules 7.2 and 13.5 of the Rules of Practice and Procedure:

- (a) proceed with the hearing as set out in the Notice of Hearing, without further notice to the Respondent;
- (b) accept as proven the facts and contraventions alleged by Staff in the Notice of Hearing; and
- (c) order penalties and costs against the Respondent pursuant to Dealer Member Rules 20.33, 20.34 and 20.49.

### **PENALTIES & COSTS**

**TAKE FURTHER NOTICE** that if the Hearing Panel concludes that the Respondent did commit any or all of the contraventions alleged by Staff in the Notice of Hearing, the Hearing Panel may, pursuant to Dealer Member Rules 20.33 and 20.34, impose any one or more of the following penalties:

#### **Where the Respondent is/was an Approved Person:**

- (a) a reprimand;
- (b) a fine not exceeding the greater of:

- (i) \$1,000,000 per contravention; and
- (ii) an amount equal to three times the profit made or loss avoided by such Approved Person by reason of the contravention.
- (c) suspension of approval for any period of time and upon any conditions or terms;
- (d) terms and conditions of continued approval;
- (e) prohibition of approval in any capacity for any period of time;
- (f) termination of the rights and privileges of approval;
- (g) revocation of approval;
- (h) a permanent bar from approval with the IIROC; or
- (i) any other fit remedy or penalty.

**Where the Respondent is/was a Dealer Member:**

- (a) a reprimand;
- (b) a fine not exceeding the greater of:
  - (i) \$5,000,000 per contravention; and
  - (ii) an amount equal to three times the profit made or loss avoided by the Dealer Member by reason of the contravention;
- (c) suspension of the rights and privileges of the Dealer Member (and such suspension may include a direction to the Dealer Member to cease dealing with the public) for any period of time and upon any conditions or terms;
- (d) terms and conditions of continued Membership;
- (e) termination of the rights and privileges of Membership;
- (f) expulsion of the Dealer Member from membership in the IIROC; or
- (g) any other fit remedy or penalty.

**TAKE FURTHER NOTICE** that if the Hearing Panel concludes that the Respondent did commit any or all of the contraventions alleged by the Staff in the Notice of Hearing, the Hearing Panel may pursuant to Dealer Member Rule 20.49 assess and order any investigation and prosecution costs determined to be appropriate and reasonable in the circumstances.

**DATED** at the City of Toronto, this 6th day of February, 2013.

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JEFFREY KEHOE  
VICE-PRESIDENT, ENFORCEMENT  
INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA  
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