



**IN THE MATTER OF THE *SECURITIES ACT*,  
R.S.O. 1990, c. S.5, AS AMENDED**

**- AND -**

**PAUL IANNICCA**

**STATEMENT OF ALLEGATIONS  
OF STAFF OF THE ONTARIO SECURITIES COMMISSION**

Staff of the Ontario Securities Commission (“Staff”) make the following allegations regarding violations of the *Securities Act*, R.S.O 1990, c. S. 5, as amended (the “Act”) and conduct contrary to the public interest:

**I. THE RESPONDENT**

1. Paul Iannicca (“Iannicca”) is an accountant who practices in Mississauga, Ontario.

**II. TRADING IN SECURITIES OF GOLD-QUEST**

**i) The Gold-Quest Pyramid Scheme**

2. Gold-Quest International (“Gold-Quest”) is a Panamanian corporation that was controlled by a number of individuals resident in the United States.
3. From June 2006 to May 2008, Gold-Quest accepted approximately \$29 million (U.S.) from investors, including investors in Ontario, through direct solicitations, an Internet website maintained by Gold-Quest and by referrals from existing investors.

4. On May 6, 2008, the Securities and Exchange Commission of the United States (the “SEC”) filed a complaint in the United States District Court, District of Nevada, alleging that Gold-Quest was operating a pyramid or “Ponzi” scheme. Gold-Quest has never been registered in any capacity with the SEC. The SEC further alleged that Gold-Quest used very little of the money that it raised for legitimate investments but rather the vast majority of new investor funds was used by Gold-Quest to make payments to current investors and commissions to participants in the Ponzi scheme.
5. Individuals that introduced an investor to Gold-Quest would receive the title “Administrative Manager” for the new investor. Administrative Managers would receive an up-front commission of 10% of that investor’s original investment and then a further 4% per month for a year (for a total commission of 58% of the principal invested). The individual who introduced the Administrative Manager to Gold-Quest would receive the title “Managing Director” for the new investor and would receive a commission of 1.5% per month (for a year for a total of 18% of the principal invested). Lastly, the individual who introduced the Managing Director to Gold-Quest would receive the title “Supervisory Managing Director” for the new investor and would receive a commission of 1% per month for one year (for a total of 12% of the principal invested). In sum, when a new investor sent funds to Gold-Quest, 88% of that investor’s funds were earmarked for commissions to be paid to their Administrative Manager, Managing Director and the Supervisory Managing Director over the course of a year.
6. From June 2006 until May, 2008, despite receiving no income from its investments or business operations, Gold-Quest disbursed \$20.3 million (U.S.) through distributions to investors and payment of commissions as set out in paragraph 5.
7. Gold-Quest has ceased to operate and has been put into receivership by order of the United States District Court. As of December 12, 2008, the receiver appointed by the United States District Court had only recovered \$273,475.85 (U.S.).

**ii) Trading in Gold-Quest Securities in Ontario**

8. Gold-Quest has never been registered in any capacity with the Ontario Securities Commission (the “Commission”).
9. No preliminary prospectus or prospectus has ever been filed with the Commission to attempt to qualify the trading of Gold-Quest securities.
10. Iannicca was registered with the Commission as a limited market dealer with London House Capital Management from May 29, 2007 to present.
11. Between April and August of 2007 (the “Material Time”), approximately 38 Ontario residents (the “Gold-Quest Investors”) invested over \$300,000 (U.S.) with Gold-Quest as a result of promotional and trading activities by Iannicca. These activities included recommending investing with Gold-Quest and providing specific information regarding the nature of the investment with Gold-Quest.
12. During the Material Time, the Gold-Quest Investors sent over \$300,000 (U.S.) to Gold-Quest as a result of promotional and trading activities by Iannicca.
13. The Gold-Quest Investors entered into one-year investment contracts with Gold-Quest. Gold-Quest stated investor funds would be invested in the foreign exchange or “forex” market. Gold-Quest informed the Gold-Quest Investors that they would receive an annual return on investment equal to 87.5% of the funds invested with Gold-Quest. However, in order to receive this 87.5% investment return, the Gold-Quest Investors would be required to leave their funds with Gold-Quest for a year.
14. Iannicca was aware of the nature of the investment contract entered into by the Gold-Quest Investors as well as the commission structure outlined above in paragraph 5. However, Iannicca did not inform the Gold-Quest Investors of this commission structure.
15. Staff are not aware of any exemptions under the Act allowing trading in Gold-Quest securities.

**III. VIOLATIONS OF THE SECURITIES ACT AND CONDUCT CONTRARY TO THE PUBLIC INTEREST**

16. The conduct of Iannicca was contrary to the public interest and constituted the following breaches of the Act:

(i) trading without registration contrary to section 25 of the Act; and

(ii) an illegal distribution of securities contrary to section 53 of the Act

17. Staff reserve the right to make such other allegations as Staff may advise and the Commission may permit.

**DATED** at Toronto, March 12, 2009.