



Ontario  
Securities  
Commission

Commission des  
valeurs mobilières  
de l'Ontario

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**IN THE MATTER OF THE *SECURITIES ACT*,  
R.S.O. 1990, c. S.5, as amended**

**- and -**

**IN THE MATTER OF ENERGY SYNDICATIONS INC.  
GREEN SYNDICATIONS INC. , SYNDICATIONS CANADA INC.,  
DANIEL STRUMOS, MICHAEL BAUM  
and DOUGLAS WILLIAM CHADDOCK**

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

Staff of the Ontario Securities Commission (“Staff”) make the following allegations:

**I. OVERVIEW**

1. This proceeding relates to the sale of securities in breach of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the “Act”) by the respondent issuers, Energy Syndications Inc. (“Energy”) and Syndications Canada Inc. (“SCI”), a related company, Green Syndications Inc. (“Green”) (collectively, the “Corporate Respondents”), a directing mind of these entities, Douglas William Chaddock (“Chaddock”), and by the other individually named respondents, Michael Baum (“Baum”) and Daniel Strumos (“Strumos”), who were employees and/or agents of the Corporate Respondents (collectively, the “Respondents”).
2. Between October 2008 and April 2011 (the "Material Time"), securities of Energy and SCI were sold by the Respondents to approximately 114 persons and companies throughout Canada, raising a total of approximately \$3.75 million.
3. The Respondents solicited persons and companies to invest in securities offered by Energy and SCI, thereby engaging in unregistered trading, contrary to section 25 of the Act, and an illegal distribution of securities, contrary to section 53 of the Act.

4. Further, the Respondents made false, inaccurate or misleading statements and failed to disclose important facts to investors and potential investors with respect to the securities of Energy, contrary to subsection 44(2) of the Act.

## **II. THE RESPONDENTS**

5. SCI was incorporated in October 2008 pursuant to the laws of Canada. SCI has never been a reporting issuer in Ontario and has never been registered with the Ontario Securities Commission (the “Commission”) in any capacity. SCI has never filed a prospectus or preliminary prospectus with the Commission.
6. Energy was incorporated in August 2010 pursuant to the laws of Ontario. Energy has never been a reporting issuer in Ontario and has never been registered with the Commission in any capacity. Energy has never filed a prospectus or preliminary prospectus with the Commission.
7. Green was incorporated in August 2010 pursuant to the laws of Canada. Green has never been a reporting issuer in Ontario and has never been registered with the Commission in any capacity.
8. Chaddock is the sole director and officer of Energy and SCI and a director of Green. He was a directing mind of the Corporate Respondents at all material times. Chaddock is a resident of Toronto, Ontario. He has never been registered with the Commission in any capacity.
9. Strumos is a resident of Richmond Hill, Ontario. He has never been registered with the Commission in any capacity.
10. Baum is a resident of Toronto, Ontario. He has never been registered with the Commission in any capacity.

## **II. BACKGROUND**

### **A. Trading in Securities**

#### **(i) Solicitation of Investors**

11. Chaddock and the Corporate Respondents directly solicited Ontario investors to invest in securities offered by Energy and SCI.

12. Chaddock and the Corporate Respondents paid commissions to Baum and Strumos, who were employed by SCI and who solicited investors on behalf of Energy and SCI.
13. During the Material Time, the solicitation of investors by Chaddock and the Corporate Respondents included placing advertisements in major newspapers and disseminating promotional materials. Further, investors were solicited through the attendance of Green and SCI at investment trade shows. Chaddock and the Corporate Respondents accepted investor funds on behalf of Energy and SCI in exchange for securities.
14. Strumos began soliciting investors on behalf of Energy and SCI in or about October 2008. As a result of his promotional and trading activities he earned in excess of \$140,000 in commissions. His activities included communicating with existing investors to offer investment contracts, discussing the features of the investment contract with investors, and providing investors with promotional material. Strumos also provided blank investment agreements for investors to complete, completed parts of the agreements on behalf of investors, collected investor funds, and facilitated the payment of returns to investors.
15. Baum began soliciting investors on behalf of Energy and SCI in or about October 2008. As a result of his promotional and trading activities he earned in excess of \$155,000 in commissions. These activities included attending investment trade shows, placing newspaper ads to attract new investors, discussing the features of the investment contracts with investors, and providing investors with promotional material. Baum also provided blank investment agreements for investors to complete, completed parts of the agreements on behalf of investors, and collected investor funds.
16. During the Material Time, a total of approximately \$3.75 million was received from approximately 114 persons and companies (collectively, the “Investors”) as a result of being solicited by the Respondents. The Investors were resident in several Canadian provinces.
17. The Respondents participated in acts, solicitations, conduct, or negotiations directly or indirectly in furtherance of the sale or disposition of securities for valuable consideration, in circumstances where there were no exemptions available to the Respondents under the Act.

**(ii) The Land Return Options Investment**

18. During the Material Time, SCI accepted funds from Ontario residents for an investment product offered by SCI, which included a transfer of title in a plot of land approximately 8'x8' in size to the investor plus a fixed return on the invested principal within a specified time period (the "Land Return Options Investment").
19. Investors entered into a written agreement with SCI with respect to their investment in the Land Return Options Investment. Once title to the plot of land was transferred to the investor, the investor would hold the land until planning permission for development was given or until the end of the investment term. The duration of the investment term was typically one year.
20. The Land Return Options Investment included an option that would allow SCI the right to buy-back the plot from the investor or would allow the investor the right to sell the plot of land back to SCI at the end of the term of the investment contract (the "Repurchase Option"). The repurchase price of the plot of land was fixed from the outset of the investment contract. Investors had the option to reinvest at the end of the investment term if product was available.
21. As part of the Repurchase Option, investors received a fixed return and were typically promised a guaranteed annual return of 12 to 25 percent on their invested principal.
22. The Land Return Options Investment was an "investment contract" within the definition of a "security" found in the Act.
23. During the Material Time, approximately 60 investors invested approximately \$2.75 million in the Land Return Options Investment. Return payments were made to investors totalling approximately \$525,000 during this period. Approximately \$2.2 million in investor principal has not been returned.
24. During the Material Time, Chaddock, SCI, Baum, and Strumos traded and engaged in, or held themselves out as engaging in, the business of trading in the Land Return Options Investment securities of SCI in circumstances where there were no exemptions available under the Act, contrary to sections 25 and 53 of the Act.

**(iii) The Solar Panel Return Options Investment**

25. Between June 2010 and November 2010, Energy accepted funds from Ontario residents for an investment product relating to the sale and manufacturing of solar panels that offered investors several options, including an option for fixed returns on the investment principal (the “Solar Panel Return Options Investment”).
26. The Respondents told investors and potential investors in the Solar Panel Return Options Investment that at the end of the six-month investment term the investor could select one of the following options:
  - (a) refund the purchase price plus interest (the “Refund Option”);
  - (b) pay out the interest and enter into a new agreement (the “Renewal Option”);
  - (c) deliver the solar panels (the “Delivery Option”); or
  - (d) pay out the interest and lease out the solar panels for a period of 20 years to earn 9 percent per year paid quarterly (the “Lease Option”).
27. Investors entered into a written agreement with Energy with respect to their investment in the Solar Panel Return Options Investment. Investors were typically promised a fixed return of 9 to 20 percent on their invested principal for a six-month investment term.
28. The Solar Panel Return Options Investment was an “investment contract” within the definition of a “security” found in the Act.
29. Between June 2010 and November 2010, approximately 54 investors invested approximately \$1 million in the Solar Panel Return Options Investment. Return payments were made to investors totalling approximately \$200,000 during this period. Approximately \$800,000 in investor principal has not been returned.
30. Between June 2010 and November 2010, the Respondents traded and engaged in, or held themselves out as engaging in, the business of trading in the Solar Panel Returns Option Investment securities of Energy in circumstances where there were no exemptions available under the Act, contrary to sections 25 and 53 of the Act.

**B. Representations Prohibited**

31. Between June 2010 and the end of the Material Time, investors were told by the Respondents, expressly or impliedly, that Energy could fulfill its obligations to investors under the terms of the Solar Panel Return Options Investment by:
- (a) paying out interest and refunding the purchase price under the terms of the Refund Option and Renewal Option; or
  - (b) procuring solar panels for delivery to investors for or lease under the terms of the Delivery Option or Lease Option.
32. Further, investors were told that Energy was profitable and/or successful business. For example, it was advertised that:
- (a) Energy was “well funded” and had “the capacity to plan, build and implement small, medium and large scale solar PV farms”; and
  - (b) Energy had developed a “simple, clever business model” which allowed investors an opportunity to participate in and profit from the manufacture of solar panels, which, at the same time, gave Energy an opportunity to “expand rapidly and cost effectively”.
33. Between June 2010 and the end of the Material Time, the Respondents failed to make the following information known to investors in circumstances in which it was necessary to prevent the above-noted statements to investors from being false, inaccurate, or misleading:
- (a) Energy was a start-up company with no established income source other than funds raised through the offering of the Solar Panel Return Options Investment;
  - (b) neither Chaddock nor the Corporate Respondents had any significant source of funds other than funds generated through further sales of the Solar Return Options Investments or Land Return Options Investments;
  - (c) investor funds would be used either in whole or in part to pay interest or principal to other investors, pay for properties purchased by SCI, or pay for the business expenses of the Corporate Respondents and other related corporate entities;

- (d) neither Chaddock nor the Corporate Respondents had any revenue stream to generate or repay the principal or rates of returns promised to investors;
  - (e) none of Chaddock or the Corporate Respondents had any binding agreements with manufacturers of solar panels to acquire or produce solar panels for distribution;
  - (f) none of Chaddock or the Corporate Respondents had actually purchased any solar panels for distribution to investors pursuant to the investment contract; and
  - (g) neither Chaddock nor the Corporate Respondents had sufficient funds to actually purchase solar panels for delivery to investors.
34. During the Material Time, the Respondents made statements about matters that a reasonable investor would consider relevant in deciding whether to enter into or maintain a trading relationship with Energy and the statements were untrue or omitted information necessary to prevent the statements from being false or misleading in the circumstances in which they were made, contrary to subsection 44(2) of the Act.

### **III. CONDUCT CONTRARY TO ONTARIO SECURITIES LAW AND THE PUBLIC INTEREST**

35. During the Material Time, the Respondents traded and engaged in, or held themselves out as engaging in, the business of trading securities of Energy and SCI without being registered to do so, contrary to subsection 25(1)(a) of the Act for the period before September 28, 2009 and contrary to subsection 25(a) of the Act for the period on and after September 28, 2009;
36. During the Material Time, the Respondents traded in securities of Energy and SCI when a preliminary prospectus and prospectus had not been filed and receipts had not been issued for them by the Director, contrary to subsection 53(1) of the Act;
37. During the Material Time, the Respondents made statements about matters that a reasonable investor would consider relevant in deciding whether to enter into or maintain a trading relationship with Energy and the statements were untrue or omitted information necessary to prevent the statements from being or false or misleading in the circumstances in which they were made, contrary to subsection 44(2) of the Act;

38. During the Material Time, Chaddock, being an officer or director, authorized, permitted or acquiesced in the Corporate Respondents' non-compliance with Ontario securities law and accordingly failed to comply with Ontario securities law, contrary to section 129.2 of the Act; and
39. The Respondents' conduct was contrary to the public interest and harmful to the integrity of the Ontario capital markets.
40. Staff reserve the right to make such other allegations as Staff may advise and the Commission may permit.

**DATED** at Toronto, March 30, 2012.