



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 MM CAFÉ FRANCHISE INC., TECHOCAN INTERNATIONAL
CO. LTD., 1727350 ONTARIO LIMITED, MARIANNE GODWIN, DAVE GARNET
CRAIG and HAIYAN (HELEN) GAO JORDAN**

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

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

Overview

1. This is a case of unregistered trading, illegal distributions and fraud.

The Corporate Respondents

2. MM Café Franchise Inc. (“MMCF”) was incorporated on September 6, 2011 as a Canadian corporation. It has a registered corporate address in Ontario. MMCF has never been registered with the Commission in any capacity.
3. Techocan International Co. Ltd. (“Techocan”) was incorporated in Ontario on August 31, 1998. Techocan has never been registered with the Commission in any capacity.
4. 1727350 Ontario Limited (“1727350”) was incorporated in Ontario on February 26, 2007. 1727350 has never been registered with the Commission in any capacity.

The Individual Respondents

5. Marianne Godwin (“Godwin”) was an Ontario resident and the Chief Executive Officer (“CEO”) and a director of MMCF. Godwin has never been registered with the Commission in any capacity.
6. Dave Garnet Craig (“Craig”) was an Ontario resident and the Chief Development Officer (“CDO”) and a director of MMCF. Craig has never been registered with the Commission in any capacity.
7. Haiyan (Helen) Gao Jordan (“Jordan”) was an Ontario resident and: (i) the President and directing mind of Techocan; and (ii) a director of 1727350. Jordan was registered with the Commission as a dealing representative for a scholarship plan dealer from March 7, 2011 to September 16, 2011.

Scope of Activity

8. Between July 2011 and December 2014 (the “Material Time”), Jordan solicited and sold shares of several Ontario corporations, including MMCF, DCL Healthcare Properties Inc. (“DCL”), Culturalite Media Inc. (“Culturalite”) and Café Enterprise Toronto (“CET”) (collectively the “Companies”), to investors in China and Ontario, raising a total of approximately \$12 million in investor funds. Jordan solicited investors by using the lure of an Ontario immigration program, representing to investors that they could qualify to obtain permanent resident status in Canada through the Opportunities Ontario Provincial Nominee Program (the “OPNP”) if they invested in any of MMCF, DCL, Culturalite or CET.

MMCF

Unregistered Trading And Illegal Distribution By Jordan

9. In 2011, Godwin and Craig incorporated MMCF for the purpose of franchising coffee shops that used the Marilyn Monroe name.

10. During the Material Time, MMCF offered shares to investors. The shares offered by MMCF are securities as defined in subsection 1(1) of the *Securities Act*, R.S.O. 1990, c.S.5, as amended (the “Act”).
11. Commencing in or about July 2011, Jordan, directly, and indirectly through the use of agents, solicited investors in China and Ontario to invest in MMCF. She met with and provided potential investors with promotional materials about MMCF, made representations about MMCF and offered investors the opportunity to purchase MMCF shares. Information about investing in MMCF was also posted on the webpage of Jordan’s company, Techocan.
12. Jordan enticed investors to purchase MMCF shares by making representations that their investment in MMCF could be used to qualify for permanent resident status in Canada under the OPNP. During the Material Time, applications were submitted by at least seven investors to the OPNP. All of the MMCF investors’ applications were rejected under the OPNP.
13. Jordan provided investors with subscription agreements for MMCF shares and then submitted the executed subscription agreements to MMCF on behalf of the investors.
14. Jordan accepted funds from investors for the purchase of MMCF shares in her personal bank account, which she then transferred to MMCF. Investor funds were also deposited directly into Techocan’s bank account and then transferred to MMCF. Jordan also accepted cheques from investors on behalf of MMCF.
15. As a result of this activity, Jordan and MMCF raised approximately \$5.1 million from 21 investors who purchased MMCF shares during the Material Time.
16. Jordan, Techocan and 1727350 received consulting fees and shares of MMCF from MMCF for soliciting investors.
17. The trades in MMCF’s securities were “distributions” as defined in subsection 1(1) of the Act as the securities had not been previously issued.

18. By engaging in the conduct described above, Jordan engaged in the business of trading securities of MMCF without being registered, contrary to subsection 25(1) of the Act and traded in securities for which a preliminary prospectus or prospectus was not filed with the Commission and for which exemptions were not properly relied upon, contrary to subsection 53(1) of the Act.

Unregistered Trading and Illegal Distribution By Godwin, Craig and MMCF

19. Godwin, Craig and MMCF engaged in the business of trading securities of MMCF by:
 - a. meeting with and making presentations to potential investors;
 - b. creating promotional materials about MMCF that were provided to potential investors;
 - c. accepting and signing the subscription agreements submitted by investors as principals of MMCF;
 - d. controlling and being the signatories on MMCF's bank accounts which received investor funds for the purchase of MMCF shares; and
 - e. engaging and compensating Jordan, Techocan and 1727350 to solicit investors and sell shares of MMCF.
20. By engaging in the conduct described above, Godwin, Craig and MMCF engaged in the business of trading securities of MMCF without being registered, contrary to subsection 25(1) of the Act and traded in securities without filing a preliminary prospectus or prospectus and obtaining a receipt from the Director, and for which exemptions were not properly relied upon, contrary to subsection 53(1) of the Act.

Fraudulent Conduct By Godwin, Craig and MMCF

21. Godwin, Craig and MMCF engaged in a course of conduct related to securities, commencing with the solicitation of investors, that they knew, or reasonably ought to have known, perpetrated a fraud on investors.

22. In October 2011, Godwin and Craig executed a license agreement on behalf of MMCF with Authentic Brands Group (“ABG”), in which MMCF was required to pay ABG USD 1 million per year to use the Marilyn Monroe name. The term of the license agreement was 20 years.
23. The promotional materials that were provided to investors omitted the fact that MMCF was required to pay USD 1 million per year to ABG pursuant to the license agreement. Instead, materials provided to investors only referred to one USD 1 million payment to ABG and investors were advised that this amount was settled in full on October 20, 2011. The fact that MMCF had to pay ABG USD 1 million a year was an important fact that investors should have known. By concealing this fact, Godwin and Craig dishonestly placed investors’ pecuniary interests at risk.
24. Godwin and Craig represented to investors that their funds would be used to develop a franchise system and a model café. Contrary to this representation, a significant amount of investor funds were used for the personal benefit of Godwin and Craig, including:
 - a. payment of \$70,000 to Godwin for a share buy-back of MMCF shares;
 - b. payment of \$70,000 to Craig for a share buy-back of MMCF shares;
 - c. cash advances;
 - d. a one-time payment of \$45,000 to each of Godwin and Craig;
 - e. life insurance for Godwin, which named Godwin’s children as the beneficiaries, rather than the corporation;
 - f. food and beverages;
 - g. taxis; and
 - h. personal travel.
25. No investor funds have been returned by MMCF and there is no money remaining in the MMCF bank accounts.

Other Unregistered Trading By Jordan

26. During the Material Time, Jordan, directly, and indirectly through the use of agents, solicited investors in China and Ontario to purchase shares in a number of other Ontario companies, including, DCL, Culturalite and CET. Similar to MMCF, Jordan met with and provided potential investors with promotional materials, made representations about and offered investors the opportunity to purchase shares of DCL, Culturalite and CET. Jordan also provided investors with subscription agreements and then submitted executed subscription agreements to the principals DCL, Culturalite and CET on behalf of investors.
27. Information about some of these investments was also posted on Techocan's website.
28. Jordan enticed investors to purchase shares in DCL, Culturalite and CET by making representations that their investment could be used to qualify for permanent resident status in Canada under the OPNP. During the Material Time, applications were made by more than 12 investors to the OPNP. All of these applications were rejected under the OPNP, except for one of which the status is unknown.
29. As a result of this activity, Jordan raised at total of \$6.9 million for DCL, Culturalite and CET during the Material Time.
30. Jordan and Techocan received consulting fees and/or other payments for soliciting investors to purchase shares in DCL, Culturalite and CET.
31. By engaging in the conduct described above, Jordan engaged in the business of trading securities of DCL, Culturalite and CET without being registered, contrary to subsection 25(1) of the Act.

Breaches of Ontario Securities Law and Conduct Contrary to the Public Interest

32. The Respondents breached Ontario securities law in the following ways:

- a. During the Material Time, MMCF, Godwin, Craig, and Jordan traded and engaged in or held themselves out as engaging in the business of trading in securities without being registered, contrary to subsection 25(1) of the Act;
 - b. During the Material Time, the trading of MMCF constituted a distribution of MMCF securities by MMCF, Godwin, Craig and Jordan in circumstances where no preliminary prospectus and prospectus were filed and receipts had not been issued for them by the Director and for which exemptions were not properly relied upon, contrary to subsection 53(1) of the Act;
 - c. During the Material Time, Godwin, Craig and MMCF engaged in or participated in acts, practices or courses of conduct relating to securities of MMCF that they knew or reasonably ought to have known perpetrated a fraud on persons or companies, contrary to subsection 126.1(1)(b) of the Act; and
 - d. During the Material Time, Godwin and Craig, as directors and officers of MMCF authorized, permitted, or acquiesced in MMCF's non-compliance with Ontario securities law and as a result are deemed to also have not complied with Ontario securities law pursuant to section 129.2 of the Act.
33. The conduct described above was also contrary to the public interest as the Respondents' conduct was contrary to the fundamental purposes and principles of the Act as set out in subsections 1.1 and 2.1 of the Act, namely by engaging in unfair, improper and fraudulent practices which harmed investors in MMCF and by impugning the integrity of the capital markets.
34. MMCF, Godwin, Craig and Jordan harmed investors and negatively affected the reputation and integrity of Ontario's capital markets by engaging in the business of trading in securities without being registered to do so.
35. MMCF, Godwin, Craig and Jordan harmed investors and negatively affected the reputation and integrity of Ontario's capital markets by failing to file a preliminary

prospectus or prospectus for the distribution of MMCF shares and by failing to properly rely on any exemptions.

36. Godwin, Craig and Jordan failed to understand that the investments made in MMCF did not meet the minimum threshold to qualify for nomination under the OPNP and were “immigration-linked investment schemes” prohibited by the applicable Immigration and Refugee Protection Regulations.
37. Godwin, Craig and MMCF harmed investors and impugned the integrity of the Ontario capital markets by omitting to tell investors important facts about their investment and using investor funds for their personal benefit.
38. Jordan, Techocan and 1727350 harmed investors and impugned the integrity of the Ontario capital markets by receiving compensation from MMCF, DCL, Culturalite and CET for soliciting investors and raising funds in breach of the Act.
39. Staff reserve the right to make such other allegations as Staff may advise and the Commission may permit.

Dated at Toronto this 26th day of July, 2016.