



IN THE MATTER OF  
*THE SECURITIES ACT, 1988, S.S. 1988, c. S-42.2*

AND

IN THE MATTER OF  
TRI-LINK CONSULTANTS INC.  
KLAUS LINK  
DEBBIE STANDON

## **NOTICE OF HEARING**

TAKE NOTICE that the Saskatchewan Financial Services Commission (the Commission) will hold a hearing at 7<sup>th</sup> Floor – 1919 Saskatchewan Drive, Regina, Saskatchewan from Tuesday, June 10 to Friday, June 13, 2008 beginning at 10:00 a.m.;

TO CONSIDER WHETHER:

1. It is in the public interest to order pursuant to clause 134(1)(a) of *The Securities Act, 1988* (the Act) that the exemptions in Saskatchewan securities laws do not apply to Tri-Link Consultants Inc., Klaus Link and Debbie Standon (collectively the “Respondents”);
2. It is in the public interest to order pursuant to clause 134(1)(d) of the Act that the Respondents cease trading in all securities and exchange contracts;
3. It is in public interest to order pursuant to section 135.1 of the Act that the Respondents pay an administrative penalty of up to \$100,000;
4. To order pursuant to subsection 135.6(4) of the Act that the Respondents pay financial compensation of up to \$100,000 to each person who or company that has suffered a financial loss caused by the Respondents’ contravention of or failure to comply with Saskatchewan securities laws; and
5. It is in the public interest to order pursuant to section 161 of the Act that the Respondents pay the costs of or relating to the hearing.

BY REASON OF THE FOLLOWING MATTERS AND ALLEGATIONS:

**Tri-Link Consultants Inc.**

1. Tri-Link Consultants Inc. ("Tri-Link") is a body corporate formed under *The Business Corporations Act* (Saskatchewan) on March 4, 1992 through the amalgamation of Tri-General Enterprises Inc. and Tri-Link Consultants Inc.
2. Debbie Standon is currently the secretary, and sole director and shareholder of Tri-Link.
3. Klaus Link is the directing mind and driving force behind Tri-Link. He solicits new clients, maintains relationships with existing clients and oversees Tri-Link's operations.
4. Tri-Link has never been registered under the Act as either a dealer or an adviser.

**Klaus Link**

5. Klaus Link ("Link") is a resident of Regina, Saskatchewan.
6. Link has been licensed since January 1, 1986 by the Insurance Councils of Saskatchewan to sell life insurance and accident and sickness insurance. Link's license is sponsored by SSQ Life Insurance Company Inc. representing groupSource Limited Partnership.
7. Link has been registered under the Act as follows:
  - (a) between March 2, 1992 and August 1, 1996, to sell mutual funds on behalf of Summit Securities Ltd.;
  - (b) from August 9, 1996 to December 31, 2001, to sell mutual funds on behalf of W.H. Stuart Mutuals Ltd.;
  - (c) from February 13, 2002 to May 1, 2002, to sell mutual funds on behalf of Equinox Investor Services Inc.; and
  - (d) from May 1, 2002 to June 14, 2006, to sell mutual funds on behalf of Partners in Planning Financial Services Ltd.
8. Link has not been registered under the Act since June 14, 2006.

**Debbie Standon**

9. Debbie Standon ("Standon") is a resident of Regina, Saskatchewan.
10. Standon performs most of the day to day office duties for Tri-Link.
11. Standon has never been registered under the Act.

**Registered plans and accounts**

12. The Respondents held themselves out as administering retirement savings plans registered under the *Income Tax Act* (Canada) (the “registered plans”) including:
  - (a) registered pension plans to which employers and employees contribute funds to provide income to employees when they retire;
  - (b) registered retirement savings plans to which individuals contribute funds to provide income when they retire;
  - (c) registered retirement income funds to which individuals transfer assets from another registered plan to provide income upon their retirement.
13. In September, 1993 Montreal Trust Company of Canada became the custodian of the registered plans administered by Tri-Link.
14. In 1996 Montreal Trust, on Tri-Link’s behalf, sought from Revenue Canada registration of the Tri-Link Consultants Inc. Self-Directed Retirement Savings Plan under the *Income Tax Act*.
15. By letter dated June 10, 1996 Revenue Canada gave notice that the submission by Tri-Link Consultants Inc. Self-Directed Retirement Savings Plan (the “Tri-Link Registered Plan”) was accepted for the purpose of section 146 of the *Income Tax Act*, and was assigned identification number RSP 314-393.
16. In June 1998 W.H. Stuart Mutuals Ltd. replaced Montreal Trust as the custodian of the Tri-Link Registered Plan.
17. The Respondents operate the following accounts at the Bank of Montreal, Capital City branch, in Regina, Saskatchewan:
  - (a) account number 1011-776 in the name of “Klaus Link in trust for Tri-Link Consultants Incorporated Trust #16” (the “Tri-Link Trust Account”). The Respondents use this account to hold and process funds received from clients; and
  - (b) account number 1008-649 in the name of “Tri-Link Consultants Inc. carrying on business under the name GroupSource Benefits Inc”(the “Tri-Link Operating Account”). The Respondents used this account as their operating account.
18. The Respondents also operate account number 21536 with Canadian Western Trust in the name of “Tri-Link Consultants Inc” (the “Canadian Western Trust Account”). The Respondents use this account to administer registered plans for employees.
19. On June 19, 2003 the Revenue Canada terminated registration of the Tri-Link Registered Plan. From June 2003 to the present, Tri-Link has not reinstated registration of that plan under the *Income Tax Act*.

### **Company Clients**

20. Beginning in 1993, the Respondents, through their custodians at the relevant time, received funds from companies to be deposited into registered plans within the Tri-Link Registered Plan for the

benefit of their employees, and to be invested in securities on behalf of those employees. The companies included Dutch Industries, the Hotel Saskatchewan (1990) Ltd., Estevan Brick (1995) Ltd., and Wheatheart Hydrostatic & Machine Ltd. The employees of these companies are referred to as the “Company Clients”.

21. As administrator of the Tri-Link Registered Plan, the Respondents were responsible for keeping records of funds received for and paid out to each Company Client, investing the funds received on behalf of each Company Client, issuing account statements and balances, processing redemption and transfer requests and issuing annual income tax receipts.
22. According to the records W.H. Stuart Mutuals Ltd, the custodian of the Tri-Link Registered Plan at the time, the Respondents administered approximately \$1.2 million for Company Clients as at December 31, 2001.
23. Initially the Respondents invested the Company Clients’ funds in mutual funds and bonds. Gradually and at their own discretion, the Respondents invested the funds in the securities of mortgage syndicates and mortgage investment companies operated in Alberta by Glenn Watts as described in paragraph 27 below.

#### **Glen Watts and the mortgage securities**

24. Glenn Watts (“Watts”) is a resident of Calgary, Alberta.
25. Watts is registered as a mortgage broker with the Real Estate Council of Alberta.
26. Watts has never been registered under the Act or as a mortgage broker in Saskatchewan.
27. Watts is the directing mind and driving force behind Canadian Achievers Financial Ltd. (“Canadian Achievers”), a company incorporated in Alberta. The main business of Canadian Achievers is to:
  - (a) create syndications of second, third and sometimes fourth mortgages against real property in Alberta; and
  - (b) organize, incorporate and promote mortgage investment companies (MICs) including Evanworth Mortgage Investment Corporation and Sherbrooke Mortgage Investment Corporation. These companies invest in second, third and sometimes fourth mortgages on real property in Alberta and issue their securities to investors.
28. By February 2003 and continuing to the present all of the funds administered by the Respondents on behalf of the Company Clients were invested in the securities of mortgage syndications and MICs promoted by Watts and Canadian Achievers.
29. Many of the mortgages held by the syndications and by the MICs in which the Respondents invested their clients’ funds are in arrears or the subject of foreclosure proceedings.

#### **Drake Meats**

30. Between September 2003 and October 2007 Drake Meat Processors Inc. (“Drake Meats”) gave the Respondents approximately \$115,000 to be deposited in registered plans within the Tri-Link

Registered Plan for the benefit of its employees, and then for investment in securities.

31. The Respondents deposited the funds they received from Drake Meats in the Canadian Western Trust Account, and dealt with the funds as follows:
  - (a) in November 2004 paid approximately \$12,000 to Watts; and
  - (b) between January 2004 and October 2007 transferred approximately \$102,000 to the Tri-Link Trust Account and disbursed that amount as follows:
    - (i) paid approximately \$27,000 to former employees of Drake Meats;
    - (ii) in January 2004 sent a cheque in the amount of \$20,000 to the Canadian Western Bank;
    - (iii) between January 2004 and August 2007 paid approximately \$28,000 to Klaus Link;
    - (iv) between December 2004 and November 2007 paid approximately \$29,000 to the Tri-Link Operating Account;
    - (v) between November 2004 and March 2007 paid approximately \$8,000 to other clients;
    - (vi) between November 2004 and December 2005 paid approximately \$7,000 to entities such as Assiniboia Gallery, Avenue Electric Ltd., Capital Pontiac, Paradise Pools, Rotary Club and Youth for Christ; and
    - (vii) between December 2004 and October 2007 paid approximately \$8,000 out by cheque to non-identifiable payees.

### **Weyburn Inland Terminal**

32. Weyburn Inland Terminal Ltd. ("WIT") has a registered pension plan (the "WIT pension plan") for the benefit of its employees. In June 1997 the Respondents became the administrator of the plan.
33. After June 1997 WIT regularly gave the Respondents funds to be deposited into the WIT pension plan, and then for investment in securities. By June 2003 the Respondents held approximately \$1.9 million in the plan.
34. During the period from January to September 2003 WIT gave the Respondents approximately \$175,000 to be deposited into the WIT pension plan for the benefit of its employees.
35. The Respondents deposited the funds it received from WIT into the Tri-Link Trust Account, and dispersed the funds as follows:
  - (a) between August and December 2003 approximately \$19,000 was transferred to the Tri-Link Operating Account;
  - (b) in October 2003 approximately \$3,500 was paid to Canadian Achievers;

- (c) between April and August 2003 \$19,000 was paid by certified cheques to unidentified payees;
  - (d) between January and December 2003 \$32,500 was paid to Link;
  - (e) between January and December 2003 approximately \$45,000 was paid to entities such as Alpine Ceramic Tile, D & J Paving Stones, Glenwood Draperies, Iles Electric, Renaissance Glaziers, Tubello Tile and Lakeview Gardens;
  - (f) between May and December 2003 approximately \$6,000 was paid to entities such as Susan Whitney Gallery, Rotary Club and Venice Tailors Ltd.; and
  - (g) between March and July 2003 approximately \$52,000 was paid to clients, which may have included former WIT employees.
36. In October 2003 WIT stopped sending the Respondents payments after their former employees encountered difficulties in receiving payments from the WIT pension plan.
37. WIT engaged legal and accounting professionals to look into the matter, and they determined that the Respondents:
- (a) had invested almost half of the funds in the WIT pension plan in securities of mortgage syndications and MICs promoted by Watts and Canadian Achievers; and
  - (b) had not kept proper records and could not account for the WIT employees' interest in the mortgage syndications and MICs.
38. By summer 2007 after considerable expense and effort, WIT received the full value of the funds belonging to the WIT pension plan.

### **Individual investors**

39. The Respondents accepted funds from various individuals for deposit into retirement savings plans within the Tri-Link Registered Plan, and then for investment in securities. These individuals included Constantin and Tamara S, and Ron and Irene P as set out in paragraphs 40 and 41 below.
40. Between July 2001 to fall 2007, Constantin and Tamara S gave the Respondents payments totaling approximately \$40,000 for investment into a retirement savings plan within the Tri-Link Registered Plan.
41. Between December 2004 and March 2005 Ron and Irene P gave the Respondents a total of approximately \$102,000 for investment into retirement savings plans within the Tri-Link Registered Plan.
42. The Respondents deposited all of the approximately \$102,000 received from Ron and Irene P, and \$3200 received from Constantin and Tamara S into the Tri-Link Trust Account, and dispersed those funds as follows:

- (a) during the period from December 2004 to March 2005 transferred approximately \$21,000 to the Tri-Link Operating Account;
- (b) during the period from January to March 2005 paid approximately \$56,000 to or on behalf of other clients;
- (c) during the period from December 2004 to March 2005 paid approximately \$18,000 to Link;
- (d) in January 2005 paid \$2,300 to 4040392 Manitoba Ltd, which is described in paragraph 43 below.
- (e) during the period from December 2004 to February 2005 paid approximately \$9,000 to entities such as Venice Tailors Ltd., Accent Tire, Assiniboia Gallery, First Baptist Church, Opera Saskatchewan, Regina Symphony Orchestra and Rotary Club.

**4040392 Manitoba Ltd.**

43. The Corporate Registry for the Province of Saskatchewan shows that 4040392 Manitoba Ltd. is:

- (a) incorporated in the Province of Manitoba;
- (b) registered as an extra-provincial corporation in Saskatchewan;
- (c) a real estate investment company; and
- (d) has Standon as its sole shareholder, officer and director.

44. 4040392 Manitoba Ltd. holds title to real property including:

- (a) Link's residence at 119 Rogers Road in Regina, Saskatchewan, and
- (b) the residence of Link's parents at 1201 – 1305 Grant Avenue, in Winnipeg, Manitoba.

45. 4040392 Manitoba Ltd. granted mortgages on the properties described in clauses 44(a) and (b) above to persons who and companies that loaned it money, including Hans G and his holding companies as described in paragraph 47 below.

**Mortgage Clients**

46. The Respondents accepted funds from various individuals for investment in the securities of mortgage syndications and MICs through Watts, including Hans G, as set out in paragraph 47 below.

47. Prior to May 2004 Hans G and his holding companies, 60XXXX Saskatchewan Ltd. and 62XXXX Saskatchewan Ltd., gave the Respondents approximately \$2,275,000 for investment in the securities of mortgage syndications and MICs promoted by:

(a) Watts and Canadian Achievers; and

(b) 4040392 Manitoba Ltd.

48. At the Respondent's direction Watts withdrew funds invested for Hans G in the mortgage securities and transferred the funds into the Tri-Link Trust Account as follows:

(a) \$200,000 in July 2007; and

(b) \$100,000 in September 2007.

49. The Respondents dispersed the \$300,000 described in paragraph 48 above from the Tri-Link Trust Account as follows:

(a) during the period from July to September 2007 paid approximately \$37,000 to Link;

(b) during the period from July to November 2007 transferred approximately \$39,000 to the Tri-Link Operating Account;

(c) during the period from July to November 2007 paid \$192,000 to the Respondent's other clients;

(d) in August 2007 paid \$30,000 for Link's purchase of shares in 1270006 Alberta Ltd; and

(e) in August 2007 paid approximately \$1,300 to Assiniboia Gallery.

### **Reporting to Clients**

50. Beginning in 1996 the Respondents purported to set up pooled funds, including the following:

(a) the TLC Guaranteed Fund that was composed of money market mutual funds, cash, and short and long term strip bonds and coupons;

(b) the TLC Fixed Income Fund that was composed of money market mutual funds, cash, short and long term strip bonds and coupons and a global bond mutual fund;

(c) the TLC Canadian Equity Fund that was composed of money market mutual funds, cash and Canadian equity mutual funds; and

(d) the TLC Foreign Growth Fund that was composed of foreign equity mutual funds.

51. The Respondents from time to time changed the names of these pooled funds and the types of assets that comprised the pooled funds.

52. The Respondents purported to:



- (a) allocate funds they received from individual clients and from companies on behalf of Company Employees into these pooled funds; and
- (b) report to individual clients and Company Employees on the return that their funds had earned in the pooled funds.

53. The Respondents sent to clients account statements that showed that the pooled funds earned certain rates of return. However, the Respondents had no systems in place to track the rates of return on the pooled funds, and therefore had no means of knowing the rates of return that they earned.

54. The Respondents sent to clients account statements that showed the funds that the Respondents administered on their behalf were invested in the pooled funds, when their funds were actually invested in the securities of mortgage syndications and MICs through Watts.

#### **Response to client requests**

55. The Respondents' clients have from time to time requested that the Respondents refund some or all of their invested funds, or transfer their invested funds to accounts with other financial institutions. The Respondents responded to those requests after extensive delays, or failed to comply with those requests.

#### **Allegations**

56. The Respondents failed to act honestly, fairly and in good faith toward their clients by reason of the following;

- (a) by investing in the securities of mortgage syndications and MICs through Watts and Canadian Achievers, the Respondents invested client funds in securities that were high risk and not suitable for their clients;
- (b) the Respondents failed to maintain registration of the Tri-Link Registered Plan under the *Income Tax Act*, and as a result many of the Respondents' clients are likely to suffer adverse income tax consequences;
- (c) the Respondents sent false statements of account to clients;
- (d) the Respondents used the money of some of their clients to pay out other clients; and
- (e) Link converted client funds to his own use.

57. The Director has not issued a prospectus receipt for the securities of the mortgage syndications and the MICs promoted by Watts and Canadian Achievers. The Respondents therefore contravened the prospectus requirements in section 58 of the Act when they traded securities of the mortgage syndications and MICs to their clients' accounts.

58. Tri-Link and Standon have never been registered under the Act. Link was registered only to trade mutual funds, and only until June 2006. The Respondents therefore contravened the registration requirements in section 27 of the Act:

- (a) when they traded securities to their clients' accounts, and
- (b) when they acted as advisers by buying and selling securities on behalf of their clients.

59. Neither the Commission nor the Director has issued an order exempting the Respondents or trades in securities from the registration and prospectus requirements of the Act.

60. On October 2, 2007 the Chairperson issued a temporary order (the Temporary Order) pursuant to section 134 of the Act ordering that:

- (a) the exemptions in Saskatchewan securities laws do not apply to the Respondents;
- (b) the Respondents cease trading in all securities and exchange contracts; and
- (c) the Respondents cease advising with respect to any securities, trades or exchange contracts.

61. On October 17, 2007 the Director extended the Temporary Order (the Extending Order) pursuant to subsection 134(3) of the Act. The Temporary Order and the Extending Order are currently still in force.

AND FURTHER TAKE NOTICE THAT the Director will provide particulars of claims by persons and companies for financial loss caused by the Respondents' contravention of or failure to comply with Saskatchewan securities laws that the Director will submit to the Commission in support of a request for orders pursuant to subsection 135.6(4), including:

- (a) the names of the claimants;
- (b) the amounts of their claims; and
- (c) the documents that support their claims.

AND TAKE FURTHER NOTICE THAT the Respondents may be represented by counsel at the hearing and may make representations and lead evidence;

AND TAKE FURTHER NOTICE THAT subsection 9(3.1) and (3.2) of the Act require the Respondents to give a written response to this Notice admitting or denying each of the allegations herein, such response to be addressed to the Secretary of the Commission, 601 – 1919 Saskatchewan Drive, Regina, Saskatchewan, S4P 4H2, at least five business days before the date set for the hearing. Pursuant to subsection 9(3.3) of the Act Respondents who do not file a written response within the prescribed time may pay the costs of the hearing;

AND FURTHER TAKE NOTICE THAT upon failure of the Respondents to attend at the time and

place as aforesaid, the hearing may proceed in their absence and no further notice of the proceeding will be given to them.

DATED at Regina, Saskatchewan, on April 22, 2008.

*“Barbara Shourounis”*

Barbara L. Shourounis

Director

**Note:** The Respondents may obtain documentary evidence to be used at the hearing at the Commission's office, 601 – 1919 Saskatchewan Drive, Regina, Saskatchewan, prior to the date of the hearing by appointment with the Legal Counsel, whose telephone number is (306) 787-5871.

Local Policy Statement 12-602 *Procedure on Hearings and Reviews Before the Commission* sets out information on the procedures for this hearing. Local Policy Statement 12-602 can be found on the Commission's website at [www.sfsc.gov.sk.ca](http://www.sfsc.gov.sk.ca).