

**In the Matter of
*The Securities Act, 1988***

and

**In the Matter of
Jack Louis Comeau
Pinnacle Wealth Brokers Inc.
and
Grasswood Property Finance Ltd.**

**AMENDED STATEMENT OF ALLEGATIONS
OF STAFF OF FINANCIAL AND CONSUMER AFFAIRS
AUTHORITY OF SASKATCHEWAN**

**To: Jack Louis Comeau
Pinnacle Wealth Brokers Inc.
Grasswood Property Finance Ltd.**

Staff of Financial and Consumer Affairs Authority of Saskatchewan (Staff of FCAA)
make the following allegations:

The Respondents

1. The Respondent, Jack Louis Comeau (Comeau), is an individual resident in Saskatoon, Saskatchewan. ~~was, since~~ From on or around January 23, 2012 ~~and at all material times~~ to on or about April 30, 2019, Comeau was registered in Saskatchewan as a dealing representative with Pinnacle Wealth Brokers Inc. (Pinnacle) as a dealing representative under the exempt market dealer category.
2. The Respondent, Pinnacle, is a business corporation ~~has been registered in Saskatchewan as an~~ under the Exempt Market Dealer category. ~~Pinnacle has been registered in this category since in or around October 2010.~~
3. The Respondent, Grasswood Property Finance Ltd. (Grasswood), ~~is an active Alberta~~ a business corporation, incorporated pursuant to the laws of the province of Alberta on or around February 1, 2008. Grasswood was registered in Saskatchewan as a New West Partnership Business Corporation on or around May 1, 2008. Grasswood was struck from the Saskatchewan Corporate registry on

or around August 19, 2011 and is no longer incorporated in Saskatchewan.

(collectively, the Respondents)

Contraventions of ~~clause subsections 27(2), 33.1(1), 55.11(1) and 58(1) of The Securities Act, 1988 (the Act) and section 6.1 of National Instrument 45-106 Prospectus Exemptions (NI 45-106), clause 44.1(2) of the Act, subsection 55.11(1) of the Act and subsection 13.3(1) of National Instrument 31-103, Registration Requirements, Exemptions and Ongoing Registrant Obligations (NI 31-103)~~

4. From in or around June, 2012 to in or around November/January, 2015⁴ (the Relevant Time), Comeau acted as a dealer as defined in the Act by engaging in the business of trading in securities issued by Grasswood in Saskatchewan. While engaged in this business, Comeau failed to deal fairly, honestly and in good faith with his clients; engaged in an unfair practice with the intention of advising or effecting the purchase or sale of a security; and also made statements that he knew, or reasonably ought to have known, were misleading or untrue in material respects at the time and in light of the circumstances under which they were made, which statements would have reasonably been expected to have a significant effect on the market price or value of a security or derivative. Further, during the Relevant time, Comeau failed to take reasonable steps to ensure that, before making a recommendation to or accepting an instruction from a client to buy or sell a security, or making a purchase or sale of a security for a client's managed account, the purchase or sale was suitable for the client. The details of such activities include, but are not limited to, the following:

a. During the Relevant Time, Comeau met with persons who were known to him as clients of Pinnacle (the Pinnacle Clients) and also other individuals who were not clients of Pinnacle (the Other Investors) at Pinnacle's branch office in Saskatoon, Saskatchewan, to advise them with respect to and assist them in the buying of various securities, including securities offered by Grasswood.

a.b. With the intention of effecting sales of securities issued by Grasswood, Comeau stated the following, to at least some of the Pinnacle Clients, as noted:

(Pinnacle Client 1):

- i. That an investment portfolio containing Grasswood securities along with three other exempt market securities, would provide him with "monthly and quarterly cashflow, [sic] without any encroachment on the principal amount";
- ii. That the risk level associated with an investment in Grasswood securities was "Fixed rate";
- iii. That one of the benefits of investing in the investment portfolio suggested by Comeau, which included investments in Grasswood

securities as well as other exempt market securities, was that it had “Low volatility – low level of risk”;

- iv. That an investment made in securities of Grasswood would be redeemable within 30 days;
- v. That all investments sold by Comeau had to pass through Pinnacle’s due diligence team;
- vi. That Grasswood investors’ investments were secured by title to a piece of land;

(Pinnacle Client 11)

- vii. That the signing of the risk acknowledgment form was just a standard procedure, and not to worry, as the investment was ‘very secure’;
- viii. That Pinnacle Client 11 need not worry about any risk in the Grasswood securities, as Comeau had done his due diligence; and
- ix. That any investment in Grasswood securities would be secured by a first mortgage on title.

c. In order to facilitate the purchases by the Pinnacle Clients and the Other Investors of either Series A Bonds or Series B Bonds, offered for sale by Grasswood (the Grasswood Bonds), Comeau provided each of the Pinnacle Clients and the Other Investors a subscription agreement for bonds (the Subscription Agreements);

d. Comeau met with the Pinnacle Clients and the Other Investors to take the signed Subscription Agreements and payment from these persons pursuant to the Subscription Agreements, in the following amounts:

- i. Pinnacle Client 1: \$300,000.00;
- ii. Pinnacle Client 2: \$150,000.00;
- iii. Pinnacle Client 3: \$ 75,000.00;
- iv. Pinnacle Client 4: \$100,000.00;
- v. Pinnacle Client 5: \$ 25,000.00;
- vi. Pinnacle Client 6: \$ 75,000.00;
- vii. Pinnacle Client 7: \$310,000.00;
- viii. Pinnacle Client 8: \$100,000.00;
- ix. Pinnacle Client 9: \$100,000.00;
- x. Pinnacle Client 10: \$ 87,500.00;
- xi. Pinnacle Client 11: \$ 60,000.00;
- xii. Pinnacle Client 12: \$ 75,000.00;
- xiii. Pinnacle Client 13: \$ 20,000.00;
- xiv. Pinnacle Client 14: \$ Unknown;
- xv. Pinnacle Client 15: \$ 30,000.00;
- xvi. Pinnacle Client 16: \$ 10,000.00;
- xvii. Pinnacle Client 17: \$100,000.00;
- xviii. Pinnacle Client 18: \$ Unknown;

xix.	Pinnacle Client 19:	\$ 55,000.00
xx.	Other Investor 1:	\$ 38,000.00;
xxi.	Other Investor 2:	\$ Unknown;
xxii.	Other Investor 3:	\$200,000.00;
xxiii.	Other Investor 4:	\$150,000.00;
xxiv.	Other Investor 5:	\$ 75,000.00;
xxv.	Other Investor 6:	\$ 10,000.00;
xxvi.	Other Investor 7:	\$250,000.00; and
xxvii.	Other Investor 8:	\$250,000.00;

- e. Each of the Subscription Agreements that Comeau provided to the Pinnacle Clients and the Other Investors to sign included the following phrase:

“the person selling me these securities is not registered with a securities regulatory authority and is prohibited from telling me that this investment is suitable for me”;

- f. Comeau forwarded the signed Subscription Agreements along with the payments collected from the Pinnacle Clients and the Other Investors to Grasswood, and in turn, Grasswood issued each of the Pinnacle Clients and Other Investors the subscribed-for number of Grasswood Bonds;

- g. Along with the Subscription Agreements, Comeau also had various of the Pinnacle Investors as well as various of the Other Investors sign a document labelled “Disclaimer/Conflict of Interest” which stated the following:

“Please be advised that the Grasswood Estates Bond offering is not available through Pinnacle Wealth Brokers. This investment opportunity is made available through a referral arrangement between Comeau Financial and Urban Developments Corporation. Jack Comeau of Comeau Financial is receiving no compensation, commissions, or any remuneration for this referral arrangement. Jack Comeau is not benefitting in any way, including having any equity position or ownership in this investment opportunity.”

5. At no time did Pinnacle approve any securities issued by Grasswood for sale by its representatives.
6. Throughout the Relevant Time, the Pinnacle Clients understood that Comeau was acting for and on behalf of Pinnacle while he sold them the Grasswood Bonds.
7. At no time did Pinnacle conduct any due diligence on Grasswood or securities issued by Grasswood.

8. Throughout the Relevant Time, Pinnacle was not aware of the above-noted sales of securities of Grasswood to the Pinnacle Clients.
9. While Comeau carried out the acts indicated in paragraph 4, above, he was acting as a dealer in Saskatchewan but was neither registered as a dealer, as required by clause 27(2)(a)(i) of the Act, nor was he registered as a representative of a registered dealer and acting on behalf of that registered dealer, as required by clause 27(2)(a)(ii) of the Act, and therefore was in contravention of clause 27(2)(a) of the Act.
10. As Comeau was not registered as a dealer nor registered as a representative of a dealer and acting on behalf of that registered dealer, while engaged in the activities outlined in paragraph 4, above, the exemption from the requirement to register as an adviser with respect to these sales, found in section 8.23 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registration Obligations* (NI 31-103) was not available to Comeau. Therefore, while Comeau carried out the acts indicated in paragraph 4, above, he was acting as an adviser while not registered to do so, in contravention of clause 27(2)(b) of the Act.
11. During the Relevant Time, there was no referral arrangement between Comeau Financial and Urban Developments Corporation.
12. Pursuant to an unwritten agreement between Comeau and Grasswood, for his assistance in selling the Grasswood Bonds during the Relevant Time, Comeau was to receive a future payment from Grasswood, at such time as the Grasswood Project became profitable.
13. Given the facts in paragraphs 11 and 12, above, when Comeau had the various Pinnacle Clients sign the document referred to in paragraph 4(g), above, he failed to deal fairly, honestly, and in good faith with his clients, contrary to subsection 33.1(1) of the Act.
14. When Comeau had the Pinnacle Clients sign the Subscription Agreements, he was registered in Saskatchewan as a dealing representative under the exempt market dealer category, and as such, he was registered with a securities regulatory authority and he was required to (not prohibited from), pursuant to section 13.3 of NI 31-103, take reasonable steps to ensure, before he accepts an instruction from a client to buy a security, that the purchase is suitable for the client.
15. By having the Pinnacle Clients sign the Subscription Agreements, which contained the phrase reproduced at paragraph 4(e), above, Comeau failed to deal fairly, honestly, and in good faith with his clients, contrary to subsection 33.1(1) of the Act.
16. The statements made by Comeau, as referred to in paragraph 4(b), above, were

misleading or untrue in material respects at the time and in light of the circumstances in which they were made. These statements would reasonably be expected to have a significant effect on the market price or value of a security, and as such, Comeau has contravened subsection 55.11(1) of the Act.

17. The Grasswood Bonds, issued by Grasswood during the Relevant Time to the Pinnacle Clients and the Other Investors, were previously unissued securities, and as such, trades in these securities were distributions, pursuant to the Act.
18. At no time during the Relevant Time did Grasswood file a preliminary prospectus or prospectus with the Financial and Consumer Affairs Authority of Saskatchewan (the Authority) in relation to the distributions of the Grasswood Bonds, and no receipts have been issued by the Director, Securities Division, the Authority, and as such, Grasswood has contravened subsection 58(1) of the Act.
19. At no time during the Relevant time has Grasswood filed any Form 45-106F1's (Reports of Exempt Distribution), and as such, insofar as Grasswood may intend to claim any exemptions from the requirements of subsection 58(1) of the Act, then it has breached section 6.1 of NI 45-106, for failing to file a Report of Exempt Distribution within ten days after the distributions of the Grasswood Bonds.
20. Throughout the Relevant time, Comeau also met with various of the Pinnacle Clients in order to advise them with respect to, and assist them in, the buying of securities which were approved by Pinnacle for sale to its clients. At various such meetings, Comeau failed to deal fairly, honestly and in good faith with his clients, thereby contravening subsection 33.1(1). The details of these activities include, but are not limited to, the following:
 - a. Placing a large quantity of documents before Pinnacle Client 1 and having Pinnacle Client 1 sign and initial these documents in the locations directed by Comeau, in rapid succession, with little to no explanation as to what was being signed or initialed or why, nor confirmation from Pinnacle Client 1 that the information being signed off on was correct. These documents included a Subscription Agreement for Grasswood securities, subscription agreements for other exempt market securities, risk acknowledgment forms, a document labelled "Pinnacle Wealth Brokers Know Your Client (KYC) Form", and a document labelled "Disclaimer/Conflict of Interest";
 - b. Placing a large quantity of blank documents before Pinnacle Client 1 and having Pinnacle Client 1 sign and initial such blank documents as directed. These documents included a Subscription Agreement for Grasswood securities, subscription agreements for other exempt market securities, risk acknowledgment forms, a document labelled "Pinnacle Wealth Brokers Know Your Client (KYC) Form", and a document labelled

“Disclaimer/Conflict of Interest”;

- c. Filling in, or causing to be filled in, the blank documents noted in clause 20(b), above, after Pinnacle Client 1 had signed them, and after Pinnacle Client 1 had left the meeting with Comeau;
- d. Failing to advise Pinnacle Client 1 with respect to the risks associated with the exempt market securities being purchased;
- e. Failing to advise Pinnacle Client 1 with respect to the features of the exempt market securities being purchased, and in particular, failing to advise Pinnacle Client 1 with respect to any redemption clauses associated with the securities and the ability to liquidate said securities;
- f. Presenting Pinnacle Client 1 with a document entitled “INVESTMENT PLAN FOR [Pinnacle Client 1]”, dated June 2012, in containing the following information:
 - i. “Safety of principal is critical...”;
 - ii. “Want to invest in good, secure, safe investments that generate a reasonable level of return”;
 - iii. In a suggested “Income” portfolio, which proposed investing 30% of available funds in Grasswood, and the remaining 70% in three other exempt market products, and indication that the “portfolio, consisting primarily of mortgage and bond investments will provide the investor with a monthly and quarterly cashflow, without any encroachment on the principal amount”;
 - iv. That the risk level associated with investments in each of four separate exempt market products, one of which was Grasswood securities, was “Fixed rate”; and
 - v. That one of the benefits of investing in the investment portfolio suggested by Comeau, which included investments in Grasswood securities as well as other exempt market securities, was that it had “Low volatility – low level of risk”;

and then subsequently advising Pinnacle Client 1 to invest in a portfolio comprised of entirely high-risk exempt market products, while at the same time failing to advise Pinnacle Client 1 that these products were all high-risk;

- g. Placing a large quantity of documents before Pinnacle Client 20 and having Pinnacle Client 20 sign and initial these documents in the locations directed by Comeau, in rapid succession, with little to no explanation as to what was being signed or initialed or why, nor confirmation from Pinnacle Client 20 that the information being signed off on was correct. These documents included subscription agreements for five separate exempt

market securities, risk acknowledgment forms, and a document labelled "Pinnacle Wealth Brokers Know Your Client (KYC) Form":

- h. Placing a large quantity of blank documents before Pinnacle Client 20 and having Pinnacle Client 20 sign and initial such blank documents as directed. These documents included subscription agreements for five separate exempt market securities, risk acknowledgment forms, and a document labelled "Pinnacle Wealth Brokers Know Your Client (KYC) Form":
 - i. Filling in, or causing to be filled in, the blank documents noted in clause 20(h), above, after Pinnacle Client 20 had signed them, and after Pinnacle Client 20 had left the meeting with Comeau;
 - j. Filling in, or causing to be filled in, the KYC form for Pinnacle Client 20 with financial information that was inaccurate, not reflective of the information provided by Pinnacle Client 20 to Comeau, and which grossly overstated Pinnacle Client 20's net financial assets, unbeknownst to Pinnacle Client 20;
 - k. Failing to advise Pinnacle Client 20 with respect to the risks associated with the exempt market securities being purchased; and
 - l. Failing to advise Pinnacle Client 20 with respect to the features of the exempt market securities being purchased, and in particular, failing to advise Pinnacle Client 20 with respect to any redemption clauses associated with the securities and the ability to liquidate said securities.
-
- ~~b. Investor 1, a resident of Saskatchewan, met Comeau through a networking club.~~
 - ~~e. Having known Comeau for a number of years, and having heard Comeau speak during networking club meetings about investments, Investor 1 asked Comeau what she should do with her Locked-In Retirement Account (LIRA).~~
 - ~~d. Comeau recommended that Investor 1 open an account with him and move her LIRA account to him.~~
 - ~~e. After moving her LIRA account to Comeau, he then recommended multiple exempt market investments to Investor 1.~~
 - ~~f. In or around the middle to end of 2014, Investor 1 invested her entire LIRA account and RRSP account in the exempt market investments~~

recommended by Comeau, which were sold using the offering memorandum exemption.

- g. Investor 1 invested a total of \$43,550.00 in the following investments (the Investor 1 Investments) through Comeau:

Investments	Amount Invested (CAD)
Canadian Coyote — Plan A LIRA	\$6,780.00
KV Mortgage — Class B LIRA	\$10,000.00
Omni/Arch Class C Bond LIRA	\$10,000.00
SecureCare Series F 5-year Bond LIRA	\$10,000.00
Weslease Income Growth Fund RRSP	\$6,770.00
Total	\$43,550.00

- h. All of the Investor 1 Investments are rated as high-risk investments, which were not suitable for Investor 1.
- i. Investor 1 signed a standard Risk Acknowledgement Form (Form 45-106F4) before she invested in any of the Investor 1 Investments.
- j. When signing documents, such as the Form 45-106F4, the Know Your Client Form (KYC Form), and blank subscription agreements (collectively, the Documents), Comeau simply placed a large quantity of documents in front of Investor 1 and pointed out where she had to sign or initial.
- k. On the Documents, Investor 1 did not fill in any information that needed to be filled in. Rather, Comeau filled or caused to be filled in any information that needed to be filled in at a later time without Investor 1 present. Comeau had Investor 1 sign the Documents in rapid succession and did not fully explain the Documents to Investor 1.
- l. The net financial assets, net fixed assets and estimated net worth specified on Investor 1's KYC Form do not reflect Investor 1's financial situation at the time of investment. These financial numbers were added, without Investor 1's knowledge, to her KYC Form after Investor 1 had already signed the forms. Investor 1 does not know how Comeau would have come up with the financial numbers written on her KYC Form.
- m. The net financial assets, net fixed assets and estimated net worth specified on Investor 1's KYC Form are not only greatly exaggerated but it appears someone has further modified the original numbers on the KYC Form, without Investor 1's knowledge, in order to make it appear that Investor 1 has over \$400,000 in net assets.

- n. On the subscription agreements Investor 1 initialed that she is an “Eligible Investor” because Comeau indicated the she should initial as such. However, Investor 1 does not meet the definition of “Eligible Investor”.
- o. Investor 1 did not understand the liquidity issues with her investments, and Comeau did not fully explain the liquidity issues to Investor 1.
- p. According to Investor 1, the status of her investments are as follows:

Investments	Status
Canadian Coyote — Plan A LIRA	Company is no longer operating and it is unknown if Investor 1 will receive any of her investment capital.
KV Mortgage — Class B LIRA	Investor 1 has cashed out this investment and expects that the entire investment and some interest will be paid to her.
Omni/Arch Class C Bond LIRA	The company is restructuring or in receivership.
SecureCare Series F 5-year Bond LIRA	The company has solvency issues and applied for protection from creditors.
Weslease Income Growth Fund RRSP	The fund is not paying interest payments and units cannot currently be redeemed.

- q. On or around June 29, 2012 Investor 2, a resident of Alberta, on behalf of a company owned by Investor 2 and his wife, invested \$300,000.00 through Comeau in Series A Bonds of Grasswood, which were sold using the offering memorandum exemption.
- r. Investor 2 attended Comeau’s office in Saskatoon, SK to make the investment in Grasswood and the trade took place in Saskatoon, SK.
- s. In or around 2016, Grasswood stopped paying interest on the Series A Bonds of Grasswood.

- t. ~~At the time Investor 2 invested in Grasswood, Comeau told Investor 2 that the investment was very secure, as Investor 2 was registered as a "landowner in the estate". Investor 2 has since learned that another company holds a first mortgage position on the property and his interest in Grasswood is subordinate to the first mortgage. The offering memorandum does not indicate that Investor 2 would own any of the property in the Grasswood development.~~
- u. ~~At the time Investor 2 invested in Grasswood, Comeau told Investor 2 that any investment vehicles he represented had to pass a strict due diligence review. No due diligence was done by Comeau or Pinnacle on Grasswood.~~
- v. ~~A disclaimer/conflict of interest document, purportedly signed by Investor 2, provides the following:~~

~~Please be advised that the Grasswood Estates Bond offering is not available through Pinnacle Wealth Brokers. This investment opportunity is made available through a referral arrangement between Comeau Financial and Urban Elements Development Corporation. Jack Comeau of Comeau Financial is receiving no compensation, commissions, or any remuneration for this referral arrangement. Jack Comeau is not benefitting in any way, including having any equity position or ownership in this investment opportunity.~~

~~Updates and information regarding this investment will not be provided by Pinnacle, as this will be the responsibility of the issuer, Urban Elements development Corporation.~~

~~I have discussed this matter in full with Jack Comeau.~~

- w. ~~Investor 2 says that his signature on the disclaimer/conflict of interest document was forged.~~
- x. ~~There was no written referral arrangement entered into between Comeau, Comeau Financial and Grasswood or any related company.~~
- y. ~~Comeau personally owns \$300,000 worth of Grasswood Series "A" Bonds and he has received at least a year of interest payments on his bonds, after Investor 2 invested.~~
- z. ~~Investor 2 was directed by Comeau to sign a blank KYC Form and blank subscription agreements in rapid succession without Comeau fully explaining the documents to Investor 2.~~
- aa. ~~Investor 2 was directed by Comeau to sign Risk Acknowledgement forms without Comeau fully explaining the forms to Investor 2.~~
- bb. ~~Investor 2 did not understand the liquidity issues of the investment in Grasswood and Comeau did not fully explain the liquidity issues to Investor 2.~~
- cc. ~~In an Investment Plan (the Investment Plan) Comeau completed during his first meeting with Investor 2, it is noted that Investor 2 is looking to invest in good, secure, safe investments that generate a reasonable level of return,~~

and that safety of principal was more important than growth of principal and

dd. Even though Comeau was aware of Investor 2's investment wants, Comeau invested a large portion of Investor 2's investment money into high-risk exempt market products, which were not suitable for Investor 2.

4. In carrying out the acts indicated in paragraph 4, above, Comeau failed to deal fairly, honestly and in good faith with his clients, thereby contravening clause 33.1(1) of the Act.
5. In carrying out the acts indicated in paragraph 4, above, Comeau engaged in an unfair practice with the intention of advising or effecting the purchase or sale of a security, thereby contravening clause 44.1(2) of the Act.
6. In carrying out the acts indicated in paragraph 4, above, Comeau made statements that he knew, or reasonably ought to have known, were misleading in material respects in light of the circumstances under which they were made, and said statements would have reasonably been expected to have a significant effect on the value of a security or derivative, thereby contravening subsection 55.11(1) of the Act.

Contraventions of section 13.3 of NI 31-103

21. Throughout the Relevant Time, Comeau met with various of the Pinnacle Clients for the purpose of advising and assisting the Pinnacle Clients with respect to the buying of various exempt market securities, including, among others, the Grasswood Bonds. The details of these activities include, as mentioned, those acts outlined in paragraph 4, above, as well as, but not limited to, the following:

- a. In an initial meeting, Comeau discussed Pinnacle Client 1's risk tolerance and was advised by Pinnacle Client 1 that security of the principal was key, and that Pinnacle Client 1 had no interest in any high-risk investments;
- b. Knowing this information, Comeau subsequently met with Pinnacle Client 1 and advised Pinnacle Client 1 to make the following purchases of exempt market securities:

i. Optimus U.S. Real Estate Fund:	\$349,999.65
ii. Westpoint Capital Performance MIC:	\$300,000.00
iii. OmniArch Capital Fixed Income Bond:	\$300,000.00
iv. Centurion REIT:	\$350,000.00
v. Walton Alliston Development:	\$200,000.00
vi. Grasswood Bonds	\$300,000.00
- c. Pinnacle Client 1, on Comeau's advice, and with Comeau's assistance, made the above-noted investments, all of which were high-risk investments;

- d. In an initial meeting with Pinnacle Client 20, Comeau discussed Pinnacle Client 20's income and assets, and was advised that Pinnacle Client 20's estimated net assets would have been approximately \$80,000 - \$90,000;
- e. Comeau and Pinnacle Client 20 also discussed the importance to Pinnacle Client 20 that any investment made be easily liquidated;
- f. Knowing the above information Comeau advised Pinnacle Client 20 to make the following purchases of exempt market securities:
 - i. Canadian Coyote Energy Trust: \$6,780.00
 - ii. KV Capital: \$10,000.00
 - iii. OmniArch: \$10,000.00
 - iv. SecureCare \$10,000.00
 - v. Weslease Income Growth: \$6,770.00
- g. Pinnacle Client 20, on Comeau's advice, and with Comeau's assistance, made the above-noted investments, all of which required that the purchaser be an "eligible investor" (being a person whose net assets exceeded \$400,000), and all of which had limits or penalties associated with redemption;

~~7.22.~~ In carrying out the acts indicated in paragraph 214, above, Comeau failed to take reasonable steps to ensure that, before making a recommendation to or accepting an instruction from a client to buy or sell a security or derivative, ~~or making a purchase or sale of a security or derivative for a client's managed account,~~ the purchase or sale is suitable for the client, thereby contravening subsection 13.3(1) of NI 31-103.

~~Contraventions of subsection 27(2) of the Act and section 6.1 of National Instrument 45-106 Prospectus Exemptions (NI 45-106)~~

- 8. ~~During the Relevant Time, Comeau and/or Grasswood acted as dealers by engaging in the business of trading in securities or derivatives or holding themselves out as engaging in the business of trading in securities or derivatives in Saskatchewan. Further, during the Relevant Time, Comeau acted as an adviser in Saskatchewan by engaging in the business of advising the public on securities or derivatives or holding himself out as engaging in the business of advising the public on securities or derivatives. The details of such activities include, but are not limited to, the following:~~
 - a. ~~On or around June 29, 2012, while registered with Pinnacle, Comeau advised on and sold \$300,000.00 worth of Series A Bonds of Grasswood to Investor 2, on behalf of a company owned by Investor 2 and his wife.~~

- b. ~~Grasswood is an exempt market security and was not a product on Pinnacle's shelf at the time the investment was made. Comeau was therefore not properly licensed to sell this product.~~
 - c. ~~The May 2009 Offering Memorandum for Grasswood bonds indicated that \$800,000.00 is budgeted to be paid to selling agents on all subscriptions.~~
 - d. ~~Since starting at Pinnacle, Comeau has referred approximately 15 investors to Grasswood; and~~
 - e. ~~From around January, 2012 to around March, 2015, there have been 35 separate trades of Grasswood bonds, several of which were multiple trades to the same person.~~
9. ~~In carrying out the acts indicated in paragraph 9, above, Comeau and/or Grasswood engaged in, or held themselves out as engaging in, the business of trading in securities or derivatives, and as such, acted as 'dealers' as defined in the act.~~
 10. ~~Grasswood is not registered in the National Registration Database in any capacity.~~
 11. ~~The Grasswood bonds were previously unissued securities, and as such, trades in these securities would be distributions, pursuant to the Act.~~
 12. ~~A Form NI 45-106F1 pursuant to section 6.1 of NI 45-106 was never filed for Investor 2's investment in Grasswood, or for any trades in Grasswood bonds since 2011. As such, Grasswood failed to file its report of exempt distribution within 10 days after each distribution, as required by section 6.1 of NI 45-106.~~
 13. ~~Neither Comeau nor Grasswood complied with General Order 45-918 when they sold the Grasswood Series "A" Bonds to Investor 2 and Comeau or Grasswood made no filings relating to General Order 45-918 *Registration Exemption For Trades in Connection with Certain Prospectus Exempt Distributions* during the material time. Comeau and/or Grasswood have therefore contravened clause 27(2)(a) of the Act.~~
 14. ~~In carrying out the acts indicated in paragraph 9, above, Comeau engaged in, or held himself out as engaging in, the business of advising the public on securities or derivatives, and as such, acted as an 'adviser' as defined in the Act.~~
 15. ~~During the Relevant Time, Comeau was not registered as an 'adviser' as required by the Act, and therefore, Comeau has contravened clause 27(2)(b) of the Act.~~

Contravention of subsection 135.7(1) of the Act

- ~~16.23.~~ Comeau destroyed, concealed or withheld, or attempted to destroy, conceal or

withhold, information, property, and/or things reasonably required for an investigation pursuant to the Act. The details of such activities include, but are not limited to, the following:

- a. The Investment Plan provided to ~~Investor 2~~ Pinnacle Client 1 contained a number of ~~misrepresentations~~statements, including ~~the~~a stated risk level for the investments offered, a comment that the proposed plan had a “low level of risk” and identifying the Grasswood investment as Grasswood Estates;
- b. In a summons, Comeau was requested by Staff of FCAA to provide “A copy of all marketing materials, investment plans or related documents” given to ~~Investor 2~~Pinnacle Client 1 and/or ~~his company's~~its director;
- c. In response to the summons, Comeau provided Staff of FCAA a revised copy of the Investment Plan he had given to ~~Investor 2~~Pinnacle Client 1 (the Revised Investment Plan);
- d. The Revised Investment Plan was prepared by Comeau to give to Pinnacle after ~~Investor 2~~Pinnacle Client 1 had made a complaint to Pinnacle and later to Staff of FCAA; and
- e. The Revised Investment Plan removed a number of the ~~misrepresentations~~statements that were present in the Investment Plan, including all references to Grasswood, the statement which referred to the proposed plan as having a “low level of risk” and the stated risk levels of the proposed investments.

~~17.24.~~ In carrying out the acts indicated in paragraph ~~23~~17, above, Comeau destroyed, concealed or withheld, or attempted to destroy, conceal or withhold, information, property, and things reasonably required for an investigation pursuant to the Act, thereby contravening subsection 135.7(1) of the Act.

Contravention of section 4.1 of National Instrument 33-109 Registration Information (NI 33-109)

25. In or around January 2012 Comeau applied for registration as a dealing representative of an exempt market dealer with the Financial and Consumer Affairs Authority of Saskatchewan (the Authority), and as such, in accordance with NI 33-109, filed a form 33-109F4 with the Authority through the National Registration Database (NRD).
26. The form 33-109F4 filed by Comeau had appended to it a number of Schedule G's, which were confirmed by Comeau upon filing the form 33-109F4 on NRD to include all of his then-current business and employment activities, including employment and business activities with his sponsoring firm (namely, Pinnacle)

and any other employment and business activities outside his sponsoring firm. These were also confirmed to have included all of Comeau's then-current business related officer or director positions and any other equivalent positions held by Comeau, whether he received compensation or not.

27. The form 33-109F4 filed by Comeau did not include any information with respect to any activities related to Grasswood, nor any referral arrangements between Comeau or any company he owned or operated and Grasswood.
28. At no time since filing the above-mentioned form 33-109F4 in January 2012 did Comeau notify the Authority of any change to the information submitted in respect to this form 33-109F4. In particular, Comeau did not notify the Authority of any change to the information related to his outside business activities, specifically his activities related to Grasswood.
29. In failing to update his form 33-109F4 to reflect the change in his outside business activities, as outline in paragraph 4, above, Comeau breached section 4.1 of NI 33-109.

Contraventions of section 55.13 of the Act

30. On or about March 14, 2018, in response to a summons issued by Staff of FCAA, Comeau attended at Staff of FCAA's office to give evidence under oath in connection to an investigation into the activities and affairs of Comeau and Pinnacle relating to the administration of the Act and relating to trading in securities or derivatives.
31. Comeau did, on this day, after swearing that the evidence to be given during his examination would be the truth the whole truth and nothing but the truth, advise Staff of FCAA as follows:
 - a. that he had met with Pinnacle Client 20 on November 6, 2014 in his office, to discuss investing, and to sign documents to invest in OmniArch, Canadian Coyote, KV Mortgage and Weslease; and
 - b. that Pinnacle Client 20 signed the documents for the above noted investments on November 6, 2014.
32. Comeau also provided Staff of FCAA with a photocopy of a document that he advised was a copy of his personal appointment calendar. This calendar had marked at 10:00 a.m. on November 6, 2014, and appointment for Pinnacle Client 20.
33. Comeau did not meet with Pinnacle Client 20 on November 6, 2014.
34. On or about May 10, 2018 in response to a summons issued by Staff of FCAA,

Comeau attended at the offices of Royal Reporting Services Ltd. in Saskatoon, Saskatchewan, to give evidence under oath in connection to an investigation into the activities and affairs of Comeau and Pinnacle relating to the administration of the Act and relating to trading in securities or derivatives.

35. Comeau did, on this day, after swearing that the evidence to be given during his examination would be the truth the whole truth and nothing but the truth, advise Staff of FCAA as follows:
 - a. that when he met with Pinnacle Client 1 in his office in Saskatoon, it was a "very long" meeting, which he believed lasted "probably three-plus hours";
 - b. that he spent "lots of time" with Pinnacle Client 1 at this meeting, as if he was "trying to do [his] job properly, this - - a meeting like this takes three to - - three-plus hours."; and
 - c. that he and Pinnacle Client 1 had met "for five hours and then at least another three".
36. Comeau did not meet with Pinnacle Client 1 for three hours in his office in Saskatoon.
37. In giving this evidence, outlined in paragraphs 31, 32 and 35, above, Comeau made statements in evidence given to the Authority or a person acting under its authority that, in a material respect and at the time, in light of the circumstances under which they were made, were false, and therefore, contravened clause 55.13(1)(a) of the Act.
38. As a condition of Comeau's registration, Close Supervision Reports were to be completed on a monthly basis, by Pinnacle, and were to be retained and provided upon request.
39. On or about August 18, 2019, in response to a request for the same, Pinnacle provided Staff of FCAA with copies of the Close Monthly Supervision Reports completed by Pinnacle with respect to Comeau's sales activities and dealings with clients, from February 2012 to April 2019, inclusive.
40. On each of the Close Monthly Supervision Reports completed by Pinnacle, a statement was made by Pinnacle that all payments for the purchase of investments were made either to the dealer, or payable to the firm.
41. Many payments for the purchase of investments between February 2012 to April 2019 were made payable directly to the issuer, not the dealer nor the firm.
42. On each of the Close Monthly Supervision Reports completed by Pinnacle from September 2014 to January 2015, inclusive, Pinnacle stated that "All client accounts have been reviewed for [...] any amendments to know your client

information.”

43. At some point between September 2014 and January 2015, the know your client information for Pinnacle Client 20 was amended by writing altered numbers over top of the numbers originally printed on the know your client form, an activity which was a violation of Pinnacle’s own policies and procedures, but which was not noted on any of the Close Monthly Supervision Reports during this time.
44. On the Close Monthly Supervision Report for December 2017, Pinnacle stated that “No client complaints have been received during the proceeding month.”
45. Pinnacle received a client complaint from Pinnacle Client 20 on or about December 14, 2017.
46. On the Close Monthly Supervision Report for June 2018, Pinnacle stated that “No client complaints have been received during the proceeding month.”
47. Pinnacle received a client complaint from Other Investor 3 on or about June 5, 2018.
48. In making the above statements, outlined in paragraphs 40, 42, 44, and 46, above, Pinnacle made statements in records given to the Authority or a person acting under its authority that, in a material respect and at the time, in light of the circumstances under which they were made, were false, and therefore, contravened clause 55.13(1)(a) of the Act.

Contravention of subsection 11.1 (Compliance system) of NI 31-103

- 18-49. Pinnacle, in allowing, aiding or acquiescing to, or failing to detect or prevent, Comeau to commit the’s actions indicated in paragraphs 4, 209 and 2147, above, and, in addition, in failing to adequately investigate and address the complaints that it received from Pinnacle Client 1, Pinnacle Client 20 and Other Investor 3, failed to establish, maintain and apply policies and procedures that establish a system of controls and supervision sufficient to provide reasonable assurance that the firm and each individual acting on its behalf complies with securities legislation, in contravention of subsection 11.1 (Compliance system) of NI 31-103.

Orders Sought

- 19-50. Based on the above, Staff of FCAA ask the hearing panel to consider whether it is in the public interest to make the following orders:
 - a. Pursuant to subsection 134(1)(a) of the Act, all of the exemptions in Saskatchewan securities laws do not apply to Comeau, permanently, and Grasswood, for a period of 5 years;

- b. Pursuant to subsection 134(1)(d) of the Act, Comeau, ~~permanently, and Grasswood, for a period of 5 years,~~ shall cease trading in any securities and derivatives in Saskatchewan, permanently, and Grasswood shall cease trading in any securities and derivatives for a period of 5 years;
- c. Pursuant so subsection 134(1)(d.1) of the Act, Comeau, ~~permanently, and Grasswood, for a period of 5 years,~~ shall cease acquiring securities and derivatives for and on behalf of residents of Saskatchewan, permanently, and Grasswood shall cease acquiring securities and derivatives for and on behalf of residents of Saskatchewan for a period of 5 years;
- d. Pursuant to subsection 134(1)(e) of the Act, Comeau shall cease giving advice respecting securities, trades, and derivatives in Saskatchewan, permanently;
- e. Pursuant to clause 134(1)(h)(i) of the Act, Comeau shall resign any position that he holds as a director or officers of an issuer, a registrant or an investment fund manager;
- f. Pursuant to clause 134(1)(h)(ii) of the Act, Comeau is prohibited from becoming or acting as a director or officer of any issuer, registrant or investment fund manager, permanently;
- g. Pursuant to clause 134(h)(1)(iii) of the Act, Comeau shall not be employed by any issuer, registrant or investment fund manager in any capacity that would entitle him to trade or advise in securities, permanently;
- h. Pursuant to clause 134(1)(h.1) of the Act, Comeau is prohibited from becoming or acting as a registrant, an investment fund manager or a promoter, permanently;
- e.i. Pursuant to section 135.1 of the Act, Comeau shall pay an administrative penalty to the Financial and Consumer Affairs Authority of Saskatchewan, in the amount of \$~~75~~50,000.00;
- f.j. Pursuant to section 135.1 of the Act, Grasswood shall pay an administrative penalty to the Financial and Consumer Affairs Authority of Saskatchewan, in the amount of \$15,000.00;
- g.k. Pursuant to section 135.1 of the Act, Pinnacle shall pay an administrative penalty to the Financial and Consumer Affairs Authority of Saskatchewan, in the amount of \$~~10~~25,000.00;
- h.l. Pursuant to section 135.6 of the Act, ~~the Respondents~~ Comeau, Pinnacle and/or Grasswood, respectively, shall pay financial compensation to each person or company found to have sustained financial loss as-a

result, caused in whole or in part, of the Respondents' by contraventions of Saskatchewan securities laws committed by Comeau, Pinnacle and/or Grasswood, respectively the Act, in an amount to be determined; and

i.m. Pursuant to section 161 of the Act, the Respondents Comeau, Pinnacle and Grasswood shall pay the costs of or relating to the hearing in this matter.

DATED at Regina, Saskatchewan, this "27" day of June, 2018.

"Dean Murrison"

Dean Murrison
Director,
Securities Division
Financial and Consumer Affairs Authority of
Saskatchewan

AMENDED at Regina, Saskatchewan, this 30 day of August, 2019.

Dean Murrison
Director, Securities Division
Financial and Consumer Affairs Authority of
Saskatchewan