

IN THE MATTER OF: THE SECURITIES ACT

-and-

IN THE MATTER OF: BRET ALLAN DOBBIN

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

**STAFF OF THE MANITOBA SECURITIES COMMISSION ALLEGE, INTER ALIA,
THAT:**

A. REGISTRATION

1. Bret Allan Dobbin ("DOBBIN") was registered as a salesman under The Securities Act ("Act") from May 17, 2002 to August 13, 2002 with Edward Jones ("Edward Jones").
2. At all material times, Edward Jones was registered under the Act as an Investment Dealer.
3. The registration of DOBBIN under the Act did not cover the investments and promissory notes described below.

B. DETAILS

1. In or about May or June of 2002, DOBBIN left his business card and an Edward Jones pamphlet in the mailbox at the residence of Ms. G. As a result, Ms. G contacted DOBBIN and in June of 2002 became his client.
2. At the time she became a client, Ms. G was 78 years of age and living on her own.
3. Ms. G intended to provide monies to DOBBIN to be invested in Edward Jones.

Ms. G – First Set Promissory Notes (\$23,100)

4. In June of 2002, DOBBIN filled out the details of three cheques drawn on the account of Ms. G, all of which were payable from Ms. G to DOBBIN's wife ("June Cheques").
5. The total amount of funds covered by the June Cheques was \$23,100.
6. Each of the June Cheques bore a notation as to "paying" a percentage rate being 10%, 8%, or 6% depending on the particular cheque.
7. DOBBIN caused to be issued three Promissory Notes from his wife payable to Ms. G, one for each of the three cheques ("First Set Promissory Notes").
8. At no time did Ms. G intend to invest any of her monies with DOBBIN's wife.

9. At no time did Ms. G intend to loan any of her monies to DOBBIN or to his wife.

10. At all material times, Ms. G's intentions had been to provide monies to DOBBIN for the purpose of investing her monies in Edward Jones.

11. Contrary to the intentions of Ms. G, none of the \$23,100 identified above went into investments for Ms. G through Edward Jones.

12. At all material times, DOBBIN and his wife were involved in making loans to various people. The various people included tenants living in rental properties owned by the DOBBINS. For record keeping purposes, the name BNK Financial Services ("BNK") was used by the DOBBINS. BNK was not an incorporated entity.

13. Of the \$23,100 in monies obtained from Ms. G, approximately \$17,500 was used by DOBBIN to make loans to various people; approximately \$5,600 was spent by the DOBBINS on their own expenses.

14. The loans made to various people were made at annual interest rates ranging from 18% to 28%, being rates considerably higher than that to be paid by DOBBIN and/or his wife to Ms. G on her investments.

Ms. G – Second Set Promissory Notes (\$39,000)

15. In furtherance of her intention to invest money in Edward Jones, Ms. G gave DOBBIN her chequebook from which DOBBIN wrote 4 cheques, all at the same time, as follows:

Cheque amount	Payor	Payee	Cheque date	
(a) \$9,800	Ms. G	DW	May 30/02	("Cheque A")
(b) \$9,700	Ms. G	Mr. B	June 1/02	("Cheque B")
(c) \$9,900	Ms. G	Ms. R	May 15/02	("Cheque C")
(d) <u>\$9,600</u>	Ms. G	Mr. S	July 15/02	("Cheque D")
39,000				

16. The above noted payees were selected by DOBBIN. None of the payees were known to Ms. G.

17. Three of the four payees were tenants residing in properties owned by DOBBIN and had financial difficulties. The fourth payee – the recipient of *Cheque A* – was a person to whom DOBBIN owed money.

18. Ms. G had not intended to invest any of her monies with the above-noted payees, nor had she intended to make any loans to them.

19. DOBBIN provided to Ms. G four Promissory Notes, one each for each of the four cheques listed above ("**Second Set Promissory Notes**"). The interest rates to be paid to Ms. G pursuant to the Second Set Promissory Notes were:

Principal Amount of Promissory Note	Interest Rate	Corresponding Cheque of Ms. G
(a) \$9,800	8.00%	Cheque A
(b) \$9,700	7.00%	Cheque B
(c) \$9,900	9.00%	Cheque C
(d) \$9,600	6.00%	Cheque D
39,000		

20. In each of the Second Set Promissory Notes, the borrower was named as DOBBIN's wife.

21. Ms. G had not intended to invest any of her monies with DOBBIN's wife.

22. Ms. G's only intentions had been to provide monies to DOBBIN for the purpose of investing her monies in Edward Jones.

23. Contrary to the intentions of Ms. G, none of the \$39,000 identified above went into investments for Ms. G through Edward Jones.

24. DOBBIN used the majority of the \$39,000 obtained from Ms. G for the following purposes:

- to make loans to three of the four payees as filled in by DOBBIN on Ms. G's four cheques,
- to pay debt owed by DOBBIN, and
- to pay debt owed to DOBBIN.

25. The remaining monies from the \$39,000, being \$7,461.31 (\$4,700 and \$2,761.31), were redirected back to DOBBIN.

26. The particulars of the disbursement of the \$39,000 from Ms. G are as follows:

Loan	Source of Funds (Ms. G)	Principal of loan	Borrower	Interest Rate	Balance of \$, from Ms. G as Source, not used in loan
#1	<i>Cheque B</i>	\$ 5,000	Mr. B and	18.00%	\$4,700 Ms. W (back to DOBBIN)
#2	<i>Cheque C</i> + Cash	\$11,580	Ms. R	18.00%	0
#3	<i>Cheque D</i>	\$ 9,600	Mr. S	12.00%	0 (of the \$9,600, \$6,000)

back to DOBBIN for
debt owed by Mr. S to
DOBBIN)

27. The Loans made by DOBBIN to the borrowers shown immediately above were made at annual interest rates of either 12% or 18%, being rates considerably higher than that to be paid to Ms. G on her investments.

28. As to the circumstances of Loan #1, DOBBIN gave Ms. G's *Cheque B* to Mr. B and Ms. W to be deposited into their bank account, of which \$5,000 was left in their account representing the loan to them and \$4,700 was returned to DOBBIN.

29. As to the circumstances of *Cheque A*, *Cheque A* was given by DOBBIN to DW. Of the \$9,800, \$7,038.69 was retained by DW in payment of a debt owed by DOBBIN to DW. At the direction of DOBBIN, the remaining amount was returned to DOBBIN in the form of a cheque from DW made payable to DOBBIN's wife.

Ms. G - General

30. All of the above referred to Promissory Notes were issued during the period of DOBBIN's employment with Edward Jones.

31. DOBBIN did not inform his employer of the Promissory Notes.

DW - Various Promissory Notes

32. DW was the recipient of *Cheque A* as obtained by DOBBIN from Ms. G and described above.

33. As referenced above at paragraph 29, \$7,038.69 of the \$9,800 cheque was retained by DW in payment of debt owed by DOBBIN to DW.

34. The debt owed by DOBBIN was as a result of an arrangement between DOBBIN and DW.

35. The arrangement had been initiated by DOBBIN and consisted of DW providing monies to DOBBIN, to be returned together with interest, at an annual rate ranging from 17% - 52% depending on the particular transaction. As part of the transactions, DOBBIN gave DW Promissory Notes.

36. From April of 1999 through to July of 2002, the following such transactions occurred between DOBBIN and DW:

Date (on or about)	Amount of Monies Received by DOBBIN from DW	Interest Rate to be paid to DW
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(a) April 1 - 6, 1999	\$4,739	19%
(b) April 13, 1999	\$3,000	18%
(c) February 2001	\$2,000	52%
(d) May 11, 2001	\$2,810	52%
August 8, 2001	\$ 675	52%
May 16, 2002	\$4,453.37	52%
(e) July 17, 2002	\$3,700	17%

37. In general, the monies obtained from DW were then used by DOBBIN to make loans to various people.

C. ALLEGATIONS

1. Staff of the Commission allege that DOBBIN acted contrary to the public interest by:

- (a) trading in securities without registration or beyond the scope of his registration contrary to section 6 of the Act;
- (b) failing to follow the instructions of his client Ms. G to invest her monies in investments in Edward Jones;
- (c) failing to avoid personal financial dealings with his client Ms. G;
- (d) failing to disclose to his employer the seven Promissory Notes provided to Ms. G or any of them and the circumstances surrounding the issuance of the Promissory Notes;
- (e) failing to disclose to his employer the Promissory Note provided to DW in July of 2002 and/or the investment activity of DW with DOBBIN which remained outstanding during DOBBIN's employment with Edward Jones;
- (f) failing to disclose to his employer that he was in the business of loaning monies for profit while employed as a registrant with Edward Jones;
- (g) failing to act in the best interests of his client Ms. G;

and that due to any or all of the foregoing allegations, DOBBIN acted contrary to the best interests of the public and should not be entitled to use any of the exemptions set out in the Act and therefore should not participate in the exempt markets in Manitoba in the future and that an administrative penalty pursuant to section 148.1(1) of the Act should be ordered against DOBBIN.

2. Such further and other matters as counsel may advise and the Commission may permit.

DATED at Winnipeg, Manitoba this 12th day of October, 2005.

Director, Legal and Enforcement

TO: BRET ALLAN DOBBIN