

*From the Regulators*

## Court dismisses appeal in \$65-million fraud case targeting B.C. seniors

**David Michaels has not paid the BCSC any of the \$5.8 million he earned by bilking clients, nor has he paid the \$17.5 million fine**

By Camille Bains | April 01, 2016 16:45  
Source: The Canadian Press



British Columbia's top court has refused to overturn the case of a former mutual funds salesman who defrauded hundreds of seniors by selling them \$65 million in exempt securities.

David Michaels appealed a \$17.5-million fine imposed by the B.C. Securities Commission, which found he illegally and fraudulently advised 484 people without being properly registered to sell securities.

The commission also ordered him to pay back the \$5.8 million he earned in commissions and marketing fees for securities by advising seniors to sell their stocks, bonds and mutual funds to buy high-risk exempt market securities, which can be sold without filing a prospectus, and insurance-based investment products.

See: [Former fund salesman fined \\$17.5 million\(http://www.investmentexecutive.com/-/former-fund-salesman-fined-17-5-million\)](http://www.investmentexecutive.com/-/former-fund-salesman-fined-17-5-million)

The B.C. Court of Appeal has upheld the commission's findings of fraud and misrepresentation and the imposition of the fine in separate decisions for Michaels' activities between 2007 and 2010.

Michaels promoted his business through 45-minute weekly infomercials titled "Creating Wealth with David Michaels" on a radio station in Victoria, saying he loved helping seniors make money.

However, the court says almost all the investments are now worthless and that many of Michaels' clients have had their financial futures ruined.

"He told his listeners that the average age of his clients was 72," the decision says, adding Michaels also held seminars in hotels and that his brochure described opportunities to earn an income without any stock market risk.

He also said clients could build their wealth by owning real estate, double their retirement savings every six years and have a guaranteed income that would last the rest of their lives.

In an August 2014 decision, the commission described Michaels' actions as a textbook case of improper sales practices "that so violate the principle of investor protection and so seriously damage the integrity of our markets.

"Michaels preyed on clients by frightening them and misleading them into leaving the comparative safety of traditional capital markets for the far riskier part of the exempt market."

The Vancouver Island man's actions damaged the confidence of investors in both traditional and exempt markets because he portrayed himself as an experienced insider but operated on deceit, the commission said.

Spokesman Richard Gilhooley said Michaels has not paid the commission any of the \$5.8 million he earned by bilking clients, nor has he paid the \$17.5 million fine.

Gilhooley said the commission has the option of pursuing the money through B.C. Supreme Court but has not yet decided whether it will do so.

Investors would split any money the commission receives, he said.

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