

Charges laid in \$13M Ponzi scheme

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A 40-year-old real estate broker from Stouffville has been charged in what police say was an elaborate property and mortgage Ponzi scheme that involved millions of dollars, 140 victims and condominiums in Toronto that didn't exist.

The broker and the company she operated in the town, York Region Realty Inc., also face a class-action lawsuit and an investigation by the Real Estate Council of Ontario, which last month froze the business bank accounts.

Police say people invested from \$300,000 to \$1.5 million, with losses totalling more than \$13 million.

Det. Fred Kerr of York Region police central fraud unit said outside court yesterday that more charges are forthcoming. "Some people here," he said, "have been financially wiped out."

Kerr said it was a Ponzi scheme, a scam that in the truest sense borrows from Peter to pay Paul. It is named after Carl Ponzi, the man who, in 1920, swindled many Boston police officers using the method.

"Investors are paid a higher rate of return than normal — paid from deposits of new people who come in," Kerr explained.

"Profits are never created by the success of the investment because there is no underlying investment."

Police allege clients made payments that were to have been invested in mortgages on Toronto condominiums. But "we found that these properties and mortgages never existed," Kerr said.

Police also allege deposit money from would-be buyers of commercial properties in Stouffville was misappropriated. Police say there was no authority to sell the properties.

The money, police allege, was used to pay off investors in the condo mortgages. Kerr said the scheme collapsed this fall when there wasn't enough money coming in to make payments.

One alleged victim interviewed by the *Star* said he invested his retirement savings, \$250,000, in both schemes. "I feel terrible, and also stupid," said the man, who asked not to be named.

Courtney Wallis-Simpson of Whitchurch-Stouffville is charged with defrauding the public and six counts each of fraud over \$5,000 and theft over \$5,000.

She declined to comment outside Newmarket court after a bail hearing, but her father, Newman Wallis, a former dean at Seneca College, said, "All I can tell you is that last year she was audited three times by the Real Estate Council of Ontario and she passed all three audits."

In October, acting on a complaint, the real estate council froze York Region Realty's bank accounts and informed police.

It's not the first time Wallis-Simpson has been investigated by the council. In 2002, the council fined her \$3,500 for breaching two of its ethics rules.

A council spokesperson would not comment on the case yesterday.

Last month, a group of alleged victims retained Toronto law firm Bennett Jones and await court approval to launch a class-action lawsuit in the amount of \$6 million, said the claimants' lawyer, Lincoln Caylor.