

IN THE MATTER OF A DISCIPLINE HEARING PURSUANT TO BY-LAW 20  
OF THE INVESTMENT DEALERS ASSOCIATION OF CANADA

**RE: ZONA PAULETTE ARMSTRONG**

**NOTICE OF HEARING**

**NOTICE** is hereby given that a hearing will be held before the Alberta District Council (“the District Council”) of the Investment Dealers Association of Canada (“the Association”), on the **18th day of November 2002**, at 425 1<sup>st</sup> Street SW, Suite 1000, Calgary Alberta, **at 10:00 AM.**, or so soon thereafter as the hearing can be held, regarding a disciplinary action brought by the Association concerning **Zona Paulette Armstrong** ("the Respondent").

**NOTICE** is further given that the Staff of the Association allege the following violations of the By-laws, Regulations or Policies of the Association:

**Count One:**

Between March 1996 and August 1996 inclusive, the Respondent, while a Registered Representative of a Member of the Association failed to learn the essential facts relative to her client L.C. and to an order or account accepted, contrary to Regulation 1300.1(a);

**Count Two:**

Between June 1997 and August 1998 inclusive, the Respondent, while a Registered Representative of a Member of the Association, failed to use due diligence to ensure that the recommendations made for the client accounts of L.C. were appropriate for the client and in keeping with the client’s investment objectives, contrary to Regulation 1300.1(c).

**Count Three:**

Between May 1995 and April 1999 inclusive, the Respondent, while a Registered Representative of a Member of the Association, failed to use due diligence to ensure that the recommendations made for the client accounts of F.E. and P.E. were appropriate for the clients and in keeping with the clients’ investment objectives, contrary to Regulation 1300.1(c).

**Count Four:**

Between September 1996 and January 1999 inclusive, the Respondent, while a Registered Representative of a Member of the Association, failed to use due diligence to ensure that the recommendations made for the client account of D.H. and F.H. were appropriate for the

client and in keeping with the clients' investment objectives, contrary to Regulation 1300.1(c).

**Count Five:**

Between November 1996 and February 1998 inclusive, the Respondent, while a Registered Representative of a Member of the Association, failed to use due diligence to ensure that the recommendations made for the client accounts of F.H. were appropriate for the client and in keeping with the client's investment objectives, contrary to Regulation 1300.1(c).

**Count Six:**

Between January 1996 and April 1999 inclusive, the Respondent, while a Registered Representative of a Member of the Association, failed to use due diligence to ensure that the recommendations made for the client accounts of P.H. were appropriate for the client and in keeping with the client's investment objectives, contrary to Regulation 1300.1(c).

**Count Seven:**

Between February 1996 and January 1999 inclusive, the Respondent, while a Registered Representative of a Member of the Association, failed to use due diligence to ensure that the recommendations made for the client account of A.H. and C.H. were appropriate for the clients and in keeping with the clients' investment objectives, contrary to Regulation 1300.1(c).

**Count Eight:**

Between October 1996 and February 1999 inclusive, the Respondent, while a Registered Representative of a Member of the Association, failed to use due diligence to ensure that the recommendations made for the client account of A.H. were appropriate for the client and in keeping with the client's investment objectives, contrary to Regulation 1300.1(c).

**Count Nine:**

Between December 1996 and April 1999 inclusive, the Respondent, while a Registered Representative of a Member of the Association, failed to use due diligence to ensure that the recommendations made for the client account of M.J. were appropriate for the client and in keeping with the client's investment objectives, contrary to Regulation 1300.1(c).

**Count Ten:**

Between September 1997 and April 1999 inclusive, the Respondent, while a Registered Representative of a Member of the Association failed to learn the essential facts relative to her client W.J. and to an order or account accepted, contrary to Regulation 1300.1(a);

**Count Eleven:**

Between October 1996 and April 1999 inclusive, the Respondent, while a Registered Representative of a Member of the Association, failed to use due diligence to ensure that the recommendations made for the client accounts of A.M. and T.M. were appropriate for the clients and in keeping with the clients' investment objectives, contrary to Regulation 1300.1(c).

**Count Twelve:**

Between August 1997 and April 1999 inclusive, the Respondent, while a Registered Representative of a Member of the Association, failed to use due diligence to ensure that the recommendations made for the client accounts of E.S. were appropriate for the client and in keeping with the client's investment objectives, contrary to Regulation 1300.1(c).

**Count Thirteen:**

Between June 1997 and February 1999 inclusive, the Respondent, while a Registered Representative of a Member of the Association, failed to use due diligence to ensure that the recommendations made for the client account of K.W. and C.W. were appropriate for the clients and in keeping with the clients' investment objectives, contrary to Regulation 1300.1(c).

**Count Fourteen:**

Between September 1998 and November 1998 inclusive, the Respondent, while a Registered Representative of a Member of the Association, failed to use due diligence to ensure that price lists submitted by her to her Member firm for purposes of pricing certain U.S. corporate debt securities were materially correct, thereby engaging in business conduct or practice which was unbecoming or detrimental to the public interest, contrary to By-law 29.1.

**Count Fifteen:**

Between October 25, 1999 and October 23, 2002 inclusive, the Respondent failed or refused to comply with requests from the Association to attend and give information in relation to the investigation of eight complaints, in particular, the complaints of P.H., W.J., M.J., A.M., T.M., E.S., K.W. and C.W., contrary to By-law 19.5.

## PARTICULARS

**NOTICE** is further given that the following is a summary of the facts alleged and intended to be relied upon and the conclusions drawn by the Association at the said hearing:

**(i) Introduction and Background:**

1. At all material times, the Respondent was employed as a Registered Representative, Registered Options Representative, and as Senior Vice-President – Trading (Securities Options) by Burns Fry Limited (subsequently BMO Nesbitt Burns Inc.) (hereinafter referred to as “Nesbitt”), a Member of the Association.
2. The Respondent entered the industry in 1978 in the employ of Merrill Lynch Royal Securities Limited, having been duly registered and approved as follows:

Registration Issue Date	Registration Termination Date	Employer	Registration Category
April 14, 1978	June 2, 1978	Merrill Lynch Royal Securities Ltd.	Registered Representative
November 6, 1978	June 23, 1980	Richardson Securities of Canada	Registered Representative
September, 21 1982	December 23, 1985	Merrill Lynch Royal Securities Ltd.	Registered Representative
December 23, 1985	August 26, 1986	Merrill Lynch Royal Securities Ltd.	Registered Representative, Registered Options Representative
August 26, 1986	February 20, 1987	Merrill Lynch Canada Inc.	Registered Representative, Registered Options Representative, Assistant Vice-President
February 20, 1987	October 13, 1989	Merrill Lynch Canada Inc.	Registered Representative, Registered Options Representative
October 25, 1989	March 7, 1990	Prudential-Bache Securities Canada Ltd.	Registered Representative, Registered Options Representative
March 7, 1990	June 29, 1990	Prudential-Bache Securities Canada Ltd.	Registered Representative, Registered Options Representative, Senior Vice-President (Trading)
June 29, 1990	February 10, 1992	Burns Fry Limited	Registered Representative, Registered Options Representative

February 10, 1992	April 29, 1999	Burns Fry Limited (subsequently BMO Nesbitt Burns Inc.)	Registered Representative, Registered Options Representative, Senior Vice-President – Trading (Securities Options)
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3. While employed by Nesbitt, the Respondent was active in the trading of U.S. corporate securities.
4. In 1998 and 1999, the Association received 10 complaints against the Respondent in respect of the period of time she was employed by Nesbitt at its sub-branches in Camrose and Olds, Alberta.
5. In April 1999, the Respondent left the employ of Nesbitt without notice.
6. Staff investigated the complaints that the Association had received and determined that the Respondent recommended the purchase of certain U.S. corporate debt securities to her clients and concluded that the convertible debentures in question were medium to high risk investments that were generally inappropriate or inappropriate in the amounts held, given the investment objectives and risk tolerance of her clients.
7. Upon conclusion of its investigation into the conduct of the Respondent, Staff recommended that disciplinary action be taken in that:
  - (a) The Respondent failed to ensure that her investment recommendations for her clients were in keeping with their documented investment objectives and tolerance for risk, thereby violating Association Regulation 1300.1(c).
  - (b) With respect to at least two client accounts, the Respondent failed to learn the essential facts relative to her clients contrary to Association Regulation 1300.1(a);
  - (c) The Respondent prepared price lists used by Nesbitt for purposes of pricing certain U.S. corporate debt securities, and on at least three (3) occasions the prices of at least three (3) of the securities appearing on the price lists were inflated, and therefore materially incorrect. The Respondent thereby engaged in business conduct or practice which was unbecoming or detrimental to the public interest, contrary to Association By-law 29.1; and
  - (d) The Respondent failed to attend and give information in respect of the investigation being conducted by the IDA's Enforcement Department in contravention of Association By-law 19.5.

**Counts One and Two: Accounts of L.S.**

8. Between March 1996 and August 1996, L.S. opened a margin account, a RRSP account, and a locked-in retirement account at Nesbitt's Olds, Alberta branch office.
9. The New Client Application Forms ("NCAFs") completed at that time indicated the following:

<b>Age</b>	46		
<b>Occupation</b>	Process Operator		
<b>Annual Income</b>	<b>Personal:</b> \$75,000	<b>Spouse:</b> Not Married	<b>Household:</b> No provision on form
<b>Net Worth</b>	<b>Fixed:</b> No provision on form	<b>Liquid:</b> \$400,000	<b>Net Worth:</b> No provision on form
<b>Investment Knowledge</b>	Average, with Moderate Investment Experience in Common and Preferred Shares, Bonds, Money Market, New Issues, Mutual Funds, Real Estate		
<b>Investment Objectives</b>	Margin (710-16170): 50% Income, 25% Moderate Growth, 25% Aggressive Trading RRSP (711-07497): 50% Income, 25% Moderate Growth, 25% Aggressive Trading LIRA (711-07733): 50% Income, 25% Moderate Growth, 25% Aggressive Trading		
<b>Risk Factors</b>	All accounts were "Some"		

10. Prior to the opening of the accounts with the Respondent, L.C. had only invested with his bank, primarily in GICs. As he was about to receive a severance package from his employer, he was referred to Nesbitt by his banking representative at Bank of Montreal as he inquired about placing the severance funds in a registered locked-in retirement account.
11. The NCAFs were prepared by John Alexander Harvie ("Harvie"), another registered representative employed by Nesbitt at its Olds, Alberta branch, in the absence of the Respondent. However, the NCAFs were ultimately signed by the Respondent without her ever meeting the client or discussing the client's investment objectives or risk tolerance to confirm the information set out in the NCAFs.
12. The Respondent's failure to learn the essential facts relative to her client L.C. constituted a violation of Association Regulation 1300.1(a).
13. Upon opening the accounts, the Respondent proceeded to purchase corporate debt securities for all of L.C.'s accounts for the purpose of meeting his stated objective of investing 50% of the market value of his assets in income generating securities.
14. However, despite L.C.'s stated tolerance of only "some" risk, and his desire for "secure" investments, beginning in December 1996, the Respondent began to purchase for L.C.'s accounts certain U.S. corporate convertible debentures that were medium to high risk in nature.

15. Eight (8) of the fifteen (15) U.S. corporate convertible debentures held in L.C.'s accounts were rated "B" or lower by Standard and Poor's . Specifically, the debentures held in Theratx Inc., Unisys Corp., Nine West Group Inc., Apple Computer Inc., Boston Chicken Inc. and Converse Inc. were rated "B" time of their purchase, and those held in Phymatrix and Coeur D'Alene Mine Corp. were rated "CCC" The debentures in Boston Chicken Inc. and Physicians Resources Group were subsequently downgraded to "CCC" after they were purchased.
16. According to *Standard and Poor's*, "[o]bligors rated 'BB', 'B', 'CCC', and 'CC' are regarded as having significant speculative characteristics. An obligation rated 'B' is more vulnerable to non-payment than obligations rated 'BB', but the obligor currently has the capacity to meet its financial commitment on the obligation. Adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitment on the obligation". Furthermore, "[a]n obligor rated 'CCC' is currently vulnerable, and is dependent upon favourable business, financial, and economic conditions to meet its financial obligations".
17. Furthermore, Enforcement staff's analysis of the concentration of securities within L.C.'s margin account revealed that the percentage of U.S. corporate debt securities held in the account, in relation to the account's market value, ranged from 13% to 64% while the account was under the Respondent's direction. Notwithstanding the inherent risk associated with the individual debentures themselves, the concentration of these securities within L.C.'s margin account further subjected the account to a higher degree of risk as the Respondent failed to diversify the client's holdings across other asset classes.
18. Based on the foregoing, the Respondent exposed all of L.C.'s accounts to a level of risk that did not accord with the client's stated risk tolerance. Further, the asset allocation within L.C.'s margin account did not accord with his documented investment objectives and tolerance for risk. The Respondent's failure to ensure the suitability of investment recommendations made to L.C. constituted a violation of Association Regulation 1300.1(c).
19. While L.C.'s accounts were under the Respondent's direction, L.C. suffered a loss on the US corporate securities of \$36,809.32 US and \$2,208.10 CDN in his accounts. He was subsequently paid \$60,000.00 CDN by Nesbitt in full satisfaction of his claim against the firm for investment losses.

**Count Three: Accounts of F.E. and P.E.**

20. F.E. and P.E. ("the E.s"), a husband and wife, opened several accounts with the Respondent at Nesbitt in May 1995. The following table summarizes the information contained on their New Client Application Forms ("NCAFs") completed at that time:

<b>Age</b>	F.E.: 69 P.E.: 61
<b>Occupation</b>	Owners, Holding Company

<b>Annual Income</b>	<b>Personal:</b> \$120,000	<b>Spouse:</b> \$120,000	<b>Household:</b> No provision on form
<b>Net Worth</b>	<b>Fixed:</b> No provision on form	<b>Liquid:</b> \$1,700,000	<b>Net Worth:</b> No provision on form
<b>Investment Knowledge</b>	Average, with Moderate investment experience in Common and Preferred Shares, Bonds, Money Market, New Issues, Mutual Funds, Real Estate		
<b>Investment Objectives</b>	<p>Joint (710-14480): 70% Income, 20% Moderate Growth, 10% Aggressive Trading</p> <p>P.E. Margin (710-14481): 70% Income, 20% Moderate Growth, 10% Aggressive Trading</p> <p>P.E. RRSP (711-06376): 70% Income, 20% Moderate Growth, 10% Aggressive Trading</p> <p>F.E. Cash (710-14487): 70% Income, 20% Moderate Growth, 10% Aggressive Trading</p> <p>F.E. RRSP (711-06377): 60% Income, 20% Moderate Growth, 20% Aggressive Trading</p> <p>Holding Company: (711-14484): 70% Income, 20% Moderate Growth, 10% Aggressive Trading</p>		
<b>Risk Factors</b>	All accounts are "Some"		

21. Upon opening the accounts, the Respondent proceeded to purchase corporate debt securities for the purpose of meeting the clients' stated objective of investing 70% of the market value of their assets in income generating securities.
22. However, despite the E.'s stated tolerance of only "some" risk, and their statements to the Respondent on a number of occasions that they were both risk adverse and that they needed some liquidity in their accounts for business purposes, the Respondent purchased certain U.S. corporate convertible debentures that were medium to high risk in nature.
23. Seventeen (17) of the 40 U.S. corporate convertible debentures held in the E.'s accounts were rated "B" or lower time of their purchase by Standard and Poor's. Specifically, the debentures held in Nova Care Inc., Baker J. Inc., Magnetek Inc., Baby Superstores Inc., Theratx Inc., Outboard Marine Corp., U.S. Office Products Co., Repton Electronics Inc., Lam Research Corp., Physicians Resource Group Inc., Phycor Inc., Unisys Corp., Nine West Group Inc., and Boston Chicken Inc. were rated "B", and those held in Phymatrix, Coeur D'Alene Mine Corp. and Apple Computer Inc were rated "CCC" The debentures in Boston Chicken Inc. and Physicians Resources Group were subsequently downgraded to "CCC" after they were purchased.
24. Furthermore, Enforcement staff's analysis of the concentration of securities within P.E's margin account revealed that the percentage of U.S. corporate debt securities held in the account, in relation to the account's market value, ranged from 5% to 100% while the account was under the Respondent's direction. A similar analysis of the E.'s joint margin account revealed the concentration to be between 11% and 100% over the same time period.



25. Notwithstanding the inherent risk associated with the individual debentures themselves, the concentration of these securities within the two portfolios further subjected the E.s to a higher degree of risk as the Respondent failed to diversify the client's holdings across other asset classes.
26. Based on the foregoing, the Respondent exposed all of the E.'s accounts to a level of risk that did not accord with their stated risk tolerance. Further, the asset allocation within P.E's margin account and the E.'s joint margin account did not accord with their documented investment objectives and tolerance for risk. The Respondent's failure to ensure the suitability of investment recommendations made to the E.s constituted a violation of Association Regulation 1300.1(c).
27. While the E.s accounts were under the Respondent's direction, P.E. suffered a cumulative loss on the US corporate securities of \$253,730.89 US and \$5,324.05 CDN in their accounts. The E.s were subsequently paid \$800,000.00 CDN by Nesbitt in full satisfaction of their claim against the firm for investment losses.

**Counts Four and Five: Accounts of D.H. and F.H.**

28. D.H. and F.H. ("the H.s), a husband and wife, opened several accounts at Nesbitt on or about July 5, 1996. The New Client Application Forms ("NCAF") completed at that time indicated the following:

<b>Age</b>	D.H. 45 F.H. 47		
<b>Occupation</b>	Farmers		
<b>Annual Income</b>	<b>Personal:</b> \$24,000	<b>Spouse:</b> \$14,000	<b>Household:</b> No provision on form
<b>Net Worth</b>	<b>Fixed:</b> No provision on form	<b>Liquid:</b> \$700,000	<b>Net Worth:</b> No provision on form
<b>Investment Knowledge</b>	Average, with Moderate Investment Experience in Common and Preferred Shares, Bonds, Money Market, New Issues, Mutual Funds, Real Estate		
<b>Investment Objectives</b>	Joint Margin (710-16885): 75% Income, 20% Moderate Growth, 5% Aggressive Trading  F.H. RRSP (711-07614): 75% Income, 20% Moderate Growth, 5% Aggressive Trading  D.H. RRSP (711-07615): 75% Income, 20% Moderate Growth, 5% Aggressive Trading		
<b>Risk Factors</b>	All accounts were "Some"		

29. Upon opening the accounts, the Respondent proceeded to purchase corporate debt securities for the purpose of meeting the clients' stated objective of investing 75% of the market value of their assets in income generating securities.
30. However, despite the H.'s stated tolerance of only "some" risk, the Respondent purchased certain U.S. corporate convertible debentures that were medium to high risk in nature.

31. Nine (9) of the 16 U.S. corporate convertible debentures held in the H.'s accounts were rated "B" or lower at the time of their purchase by Standard and Poor's. Specifically, the debentures held in Nova Care Inc., Theratx Inc., Outboard Marine Corp., Baker J. Inc., Converse Inc., Physicians Resource Group Inc., Cypress Semiconductor Corp. were rated "B", and those held in Coeur D'Alene Mine Corp. and Apple Computer Inc were rated "CCC" The debentures in Physicians Resources Group were subsequently downgraded to "CCC" after they were purchased.
32. Furthermore, Enforcement staff's analysis of the concentration of securities within the H.'s joint margin account from September 1996 to January 1999 revealed that the percentage of U.S. corporate debt securities held in the account, in relation to the account's market value, ranged from 40% to 100%. A similar analysis of the F.H.'s RRSP account from November 1996 to February 1998 revealed the concentration in U.S. corporate debt securities to be 100%.
33. Notwithstanding the inherent risk associated with the individual debentures themselves, the concentration of these securities within the two portfolios further subjected the H.s to a higher degree of risk as the Respondent failed to diversify the client's holdings across other asset classes.
34. Based on the foregoing, the Respondent exposed all of the H.'s accounts to a level of risk that did not accord with their stated risk tolerance. Further, the asset allocation within the H's joint margin account and the F.H's RRSP account did not accord with their documented investment objectives and tolerance for risk. The Respondent's failure to ensure the suitability of investment recommendations made to the H.s constituted a violation of Association Regulation 1300.1(c).
35. While the H.s accounts were under the Respondent's direction, the H.'s suffered a cumulative loss on the US corporate securities of \$92,065.58 US in their accounts, The H.s were subsequently paid \$185,000 CDN by Nesbitt in full satisfaction of their claim against the firm for investment losses.

**Count Six: Accounts of P.H.**

36. P.H. opened several registered (May 1991) and non-registered (June 1995) accounts with the Respondent at Nesbitt. The New Client Application Forms ("NCAF") completed at that time indicated the following:

<b>Age</b>	58 (in May 1991) and 62 (in June 1995)		
<b>Occupation</b>	Comptroller / Retired		
<b>Annual Income</b>	<b>Personal:</b> \$60,000	<b>Spouse:</b> Not provided	<b>Household:</b> No provision on form
<b>Net Worth</b>	<b>Fixed:</b> No provision on form	<b>Liquid:</b> \$280,000	<b>Net Worth:</b> No provision on form
<b>Investment Knowledge</b>	Average, with Moderate Investment Experience in Common & Preferred Shares, Bonds, Money Market, New Issues, Mutual Funds, Real Estate		

<b>Investment Objectives</b>	Margin (710-09526): 25% Income, 25% Long-term Growth, 25% Short-term Trading, 25% Venture RRSP (711-04420): 60% Income, 20% Moderate Growth, 20% Aggressive Trading RRIF (712-00162): 60% Income, 20% Moderate Growth, 20% Aggressive Trading LIRA (711-03461): 60% Income, 20% Moderate Growth, 20% Aggressive Trading
<b>Risk Factors</b>	"Some"

37. Upon opening the accounts, the Respondent proceeded to purchase corporate debt securities for the purpose of meeting the client's stated objective of investing a portion of the market value of his assets in income generating securities.
38. However, despite P.H.'s stated tolerance of only "some" risk, the Respondent purchased certain U.S. corporate convertible debentures that were medium to high risk in nature.
39. Nine (9) of the 17 U.S. corporate convertible debentures held in P.H.'s accounts were rated "B" or lower time of their purchase by Standard and Poor's. Specifically, the debentures held in Phymatrix Corp., Unisys Corp., Magnetek Inc., Theratx Inc., Lam Research Corp., Nova Care Inc., and Phycor Inc. were rated "B", and those held in Coeur D'Alene Mine Corp. and Apple Computer Inc were rated "CCC"
40. Furthermore, Enforcement staff's analysis of the concentration of securities within P.H.'s margin account from January 1996 to April 1999 revealed that the percentage of U.S. corporate debt securities held in the account, in relation to the account's market value, ranged from 32% to 94%. A similar analysis of P.H.'s RRSP and LIRA accounts over the same time period revealed the concentration in U.S. corporate debt securities to range from 2% to 61% and 14% to 58%, respectively
41. Notwithstanding the inherent risk associated with the individual debentures themselves, the concentration of these securities within the two portfolios further subjected P.H. to a higher degree of risk as the Respondent failed to diversify the client's holdings across other asset classes.
42. Based on the foregoing, the Respondent exposed all of the P.H.'s accounts to a level of risk that did not accord with their stated risk tolerance. Further, the asset allocation within P.H.'s accounts did not accord with his documented investment objectives and tolerance for risk. The Respondent's failure to ensure the suitability of investment recommendations made to P.H. constituted a violation of Association Regulation 1300.1(c).
43. While P.H.'s accounts were under the Respondent's direction, P.H. suffered a cumulative loss on the US corporate securities of \$14,277.33 US and 11,827.76 CDN. P.H. was subsequently paid \$42,358.82 CDN by Nesbitt in full satisfaction of his claim against the firm for investment losses.

**Counts Seven and Eight: Accounts of A.H. and C.H.**

44. A.H. and C.H. (“the H.s”), a husband and wife, opened several accounts with the Respondent at Nesbitt’s branch in Olds, Alberta between October 1995 and January 1996. The New Client Application Forms (“NCAFs”) completed at that time indicated the following:

<b>Age at Account Opening</b>	A.H.: 58 C.H.: 57		
<b>Occupation</b>	A.H.: Senior Technician / Retired C.H.: Secretary / Retired		
<b>Annual Income</b>	<b>Personal:</b> (A.H): \$41,000	<b>Spouse:</b> \$47,000	<b>Household:</b> No provision on form
<b>Net Worth</b>	<b>Fixed:</b> No provision on form	<b>Liquid:</b> \$1.5 million	<b>Net Worth:</b> No provision on form
<b>Investment Knowledge</b>	Moderate in Common and Preferred Shares, Bonds, Money Market, New Issues, Mutual Funds, Options, Commodities/Futures, Real Estate		
<b>Investment Objectives</b>	A. H. Margin: 55% Income, 40% Moderate Growth, 5% Aggressive Trading A. H. RRSP: 55% Income, 40% Moderate Growth, 5% Aggressive Trading Joint Margin: 55% Income, 40% Moderate Growth, 5% Aggressive Trading C. H. Margin: 55% Income, 40% Moderate Growth, 5% Aggressive Trading C. H. RRSP: 55% Income, 40% Moderate Growth, 5% Aggressive Trading C. H. LIRA: 70% Income, 20% Moderate Growth, 10% Aggressive Trading		
<b>Risk Factors</b>	All accounts were “Some”		

45. Upon opening the accounts, the Respondent proceeded to purchase corporate debt securities for the purpose of meeting the clients’ stated objective of investing a portion of the market value of their assets in income generating securities.
46. However, despite the H.’s stated tolerance of only “some” risk and their request to the Respondent that she only purchase moderate to no risk investments for their accounts, the Respondent purchased certain U.S. corporate convertible debentures that were medium to high risk in nature.
47. Sixteen (16) of the 25 U.S. corporate convertible debentures held in the H.’s accounts were rated “B” or lower time of their purchase by Standard and Poor’s. Specifically, the debentures held in Baker J. Inc., Nova Care Inc., Magnetek Inc., Baby Superstore Inc., Theratx Inc., Outboard Marine Corp., Unisys Corp., Apple Computer Inc., Converse Inc., Physicians Resource Group Inc., Reptron Electronics Inc., Lam Research Corp. and Cypress Semiconductor Corp. were rated “B”, and those held in Phymatrix, Coeur D’Alene Mine Corp. and Apple Computer Inc were rated “CCC” The debentures in Physicians Resources Group were subsequently downgraded to “CCC” after they were purchased.

48. Furthermore, Enforcement staff’s analysis of the concentration of securities within the H.’s joint margin account over the time that the Respondent managed the account revealed that the percentage of U.S. corporate debt securities held in the account, in relation to the account’s market value, ranged from 45% to 84%. A similar analysis of the A.H.’s margin account from October 1996 to February 1999 revealed the concentration in U.S. corporate debt securities to range from 9% to 98%.
49. Notwithstanding the inherent risk associated with the individual debentures themselves, the concentration of these securities within the two portfolios further subjected the H.s to a higher degree of risk as the Respondent failed to diversify the client’s holdings across other asset classes.
50. Based on the foregoing, the Respondent exposed all of the H.’s accounts to a level of risk that did not accord with their stated risk tolerance. Further, the asset allocation within the H.’s joint margin account and the A.H.’s margin account did not accord with their documented investment objectives and tolerance for risk. The Respondent’s failure to ensure the suitability of investment recommendations made to the H.s constituted a violation of Association Regulation 1300.1(c).
51. While the H.s accounts were under the Respondent’s direction, the H.’s suffered a cumulative loss on the US corporate securities of \$123,575.11 US and \$36,415.20 CDN in their accounts. The H.s were subsequently paid \$295,000 CDN by Nesbitt in full satisfaction of their claim against the firm for investment losses.

**Counts Nine and Ten: Accounts of W.J and M.J.**

52. W.J. and M.J. (“the J.s”), a husband and wife, opened several accounts with the Respondent at Nesbitt. The New Client Application Forms (“NCAFs”) for these accounts were updated in 1997. The NCAFs completed at that time indicated the following:

<b>Age</b>	W.J.: 53 M.J.: 52			
<b>Occupation</b>	W.J. Account Manager M.J.: Homemaker			
<b>Annual Income</b>	<b>Personal:</b> W.J.: \$110,000	<b>Spouse:</b> \$20,000	<b>Household:</b> No provision on form	
<b>Net Worth</b>	<b>Fixed:</b> No provision on form	<b>Liquid:</b> \$700,000	<b>Net Worth:</b> No provision on form	
<b>Investment Knowledge</b>	W.J.: Sophisticated M.J.: Average			
<b>Investment Objective and Risk Factors</b>	<b>Account</b>	<b>Date</b>	<b>Objectives</b>	<b>Risk Factors</b>
	<b>Name:</b> W. J. <b>No. and Type:</b> 68-AKUE-7 - Margin  68-AKUT-2 - RRSP	March 1991 (Account Opening)	25% Income 25% Long-term Growth 25% Short-term Trading 25% Venture	No provision on form

<b>Name:</b> W.J. <b>No. and Type:</b> 710-09472 - Margin  711-04406 - RRSP	September 1997 (NCAF update for 68-AKUE-7 and 68-AKUT- 2)	25% Income 50% Moderate Growth 25% Aggressive Trading	"Some"
<b>Name:</b> M.J. <b>No. and Type:</b> 68-ATYT-6 - RRSP	June 1991 (Account Opening)	25% Income 25% Long-term Growth 25% Short-term Trading 25% Venture	Not provided
<b>Name:</b> M.J. <b>No. and Type:</b> 710-14335 - Margin  711-04428 - RRSP	April 1995 (Initial NCAF for Margin Account)	60% Income 30% Moderate Growth 10% Aggressive Trading	"Low"
<b>Name:</b> M.J. <b>No. and Type:</b> 710-14335 - Margin  711-04428 - RRSP	September 1997 (Update)	25% Income 50% Moderate Growth 25% Aggressive Trading	"Some"

53. Upon opening the accounts, the Respondent proceeded to purchase corporate debt securities for the purpose of meeting the clients' stated objective of investing a portion of the market value of their assets in income generating securities.
54. At the time of the purchase of the corporate debt securities, the Respondent represented to the J.s that she would only invest the J.s's money in bonds rated "BBB" or better.
55. However, despite the J.s's stated tolerance of only "some" risk, the Respondent purchased certain U.S. corporate convertible debentures that were medium to high risk in nature.
56. Six (6) of the 10 U.S. corporate convertible debentures held in the J.s's accounts were rated "B" or lower at the time of their purchase by Standard and Poor's. Specifically, the debentures held in Theratx Inc., Apple Computer Inc., Converse Inc., Repron Electronics Inc., and Phycor Inc. were rated "B", and those held in Apple Computer Inc were rated "CCC".
57. Furthermore, Enforcement staff's analysis of the concentration of securities within M.J.'s margin account over the period December 1996 to April 1999 revealed that the percentage of U.S. corporate debt securities held in the account, in relation to the account's market value, ranged from 22% to 70%.
58. Notwithstanding the inherent risk associated with the individual debentures themselves, the concentration of these securities within the portfolio further subjected

M.J. to a higher degree of risk as the Respondent failed to diversify the client's holdings across other asset classes.

59. Based on the foregoing, the Respondent exposed all of the J.s's accounts to a level of risk that did not accord with their stated risk tolerance. Further, the asset allocation within M.J.'s margin account did not accord with their documented investment objectives and tolerance for risk. The Respondent's failure to ensure the suitability of investment recommendations made to the J.s constituted a violation of Association Regulation 1300.1(c).
60. Further review of W.J.'s margin account disclosed that 100% of the account was concentrated in a single security, namely Canadian Crude Separators Inc. Given that the stated investment objectives for this account called for greater diversity (25% Income, 50% Moderate Growth, and 25% Aggressive Trading), it can be inferred that the Respondent failed to update the NCAF for this account to allow for this concentrated position, contrary to Regulation 1300.1(a).
61. While the J.s's accounts were under the Respondent's direction, the J.s suffered cumulative losses on the US corporate securities of \$26,962.38 CDN and \$43,830.33 US. The J.s were subsequently paid \$140,000 CDN and \$9,275.00 U.S by Nesbitt in full satisfaction of their claim against the firm for investment losses.

**Count Eleven: Accounts of A.M. and T.M.**

62. A.M. and T.M. ("the M.'s), a husband and wife, opened several accounts with Armstrong at Nesbitt between August and October 1996. Their New Client Application Forms ("NCAFs") indicated the following:

<b>Age</b>	A.M. 61 T.M.: 57		
<b>Occupation</b>	Retired		
<b>Annual Income</b>	<b>Personal:</b> \$30,000	<b>Spouse:</b> \$30,000	<b>Household:</b> No provision on form
<b>Net Worth</b>	<b>Fixed:</b> No provision on form	<b>Liquid:</b> \$800,000	<b>Net Worth:</b> No provision on form
<b>Investment Knowledge</b>	Average, with Moderate Investment Experience in Common and Preferred Shares, Bonds, Money Market, New Issues, Mutual Funds, Real Estate		
<b>Investment Objectives</b>	Joint Margin (710-17564): 65% Income, 30% Moderate Growth, 5% Aggressive		
	A.M. Margin (710-17009): 65% Income, 30% Moderate Growth, 5% Aggressive		
	A.M. RRSP (711-07938): 65% Income, 30% Moderate Growth, 5% Aggressive		
	T.M. Margin (710-17010): 75% Income, 20% Moderate Growth, 5% Aggressive		
	T.M. RRSP (711-07940): 75% Income, 20% Moderate Growth, 5% Aggressive		
	T.M. RRSP (711-07939): 75% Income, 50% Moderate Growth, 5% Aggressive		
<b>Risk Factors</b>	All accounts are "Some"		

63. Upon opening the accounts, the Respondent proceeded to purchase corporate debt securities for the purpose of meeting the clients' stated objective of investing a portion of the market value of their assets in income generating securities.
64. However, despite the M.'s stated tolerance of only "some" risk, the Respondent purchased certain U.S. corporate convertible debentures that were medium to high risk in nature.
65. Eight (8) of the 15 U.S. corporate convertible debentures held in M.s's accounts were rated "B" or lower at the time of their purchase by Standard and Poor's. Specifically, the debentures held in Outboard Marine Corp., Theratx Inc., Unisys Corp., Repron Electronics Inc., Magnetek Inc., and Nova Care Inc. were rated "B", and those held in Coeur D'Alene Mine Corp. and Phymatrix Corp. were rated "CCC". Two other securities held in the M.s's accounts, Boston Chicken Inc and Physicians Resources Group, were subsequently downgraded to 'CCC'.
66. Furthermore, Enforcement staff's analysis of the concentration of securities within the M.s's accounts from January 1996 to May 1999 revealed that the percentage of U.S. corporate debt securities in relation to the accounts' market value rose, in some cases to 100% while the accounts were under Armstrong's direction. The following table illustrates the percentage concentration of the M.s's accounts over the time the Respondent managed their accounts:

Account Name	Account No.	Account Type	Investment Objectives and Risk Factors	Risk Tolerance	Period Under Review	Range in Percent Concentration in U.S. Corporate Debt Securities
A.M. / T.M.	710-17564	Joint Margin	65% Income 30% Moderate Growth 5% Aggressive Trading	Some	October 1996 to April 1999	42% to 90%
A.M.	710-17009	Margin	65% Income 30% Moderate Growth 5% Aggressive Trading	Some	October 1996 to April 1999	73% to 100%
A.M.	711-7938	RRSP	65%Income 30% Moderate Growth 5% Aggressive	Some	October 1996 to April 1999	19% to 50%
T.M.	710-7010	Margin	75%Income 20% Moderate Growth 5% Aggressive	Some	August 1996 to April 1999	0% to 100%
T.M.	711-7940	RRSP	75% Income 20% Moderate Growth 5% Aggressive	Some	October 1996 to April 1999	20% to 71%

67. Notwithstanding the inherent risk associated with the individual debentures themselves, the concentration of these securities within the portfolio further subjected



the M.s to a higher degree of risk as the Respondent failed to diversify the client's holdings across other asset classes.

68. Based on the foregoing, the Respondent exposed all of the M.s.'s accounts to a level of risk that did not accord with their stated risk tolerance. The Respondent's failure to ensure the suitability of investment recommendations made to the M.s constituted a violation of Association Regulation 1300.1(c).
69. While the M.s accounts were under the Respondent's direction, the M.'s suffered cumulative losses on the US corporate securities of \$35,661.38 US and \$3,423.39 CDN. The M.s were subsequently paid \$159,700.00 CDN by Nesbitt in full satisfaction of their claim against the firm for investment losses.

**Count Twelve: Accounts of E.S.**

70. E.S. opened a non-registered investment account with the Respondent Nesbitt on July 22, 1997. The New Client Application Form ("NCAF") completed at that time indicated the following:

<b>Age</b>	77		
<b>Occupation</b>	Retired		
<b>Annual Income</b>	<b>Personal:</b> \$25,000	<b>Spouse:</b> Not provided	<b>Household:</b> No provision on form
<b>Net Worth</b>	<b>Fixed:</b> No provision on form	<b>Liquid:</b> \$500,000	<b>Net Worth:</b> No provision on form
<b>Investment Knowledge</b>	Average, with Moderate Investment Experience in Common and Preferred Shares, Bonds, Money Market, New Issues, Mutual Funds, Real Estate		
<b>Investment Objectives</b>	60% Income, 30% Moderate Growth, 10% Aggressive Trading		
<b>Risk Factors</b>	"Some"		

71. Upon opening the account, the Respondent proceeded to purchase corporate debt securities for the purpose of meeting the client's stated objective of investing a portion of the market value of her assets in income generating securities.
72. However, despite E.S.'s stated tolerance of only "some" risk, and the Respondent's knowledge that the income generated from this account was to be used to augment E.S.'s Old Age Pension, the Respondent purchased certain U.S. corporate convertible debentures that were medium to high risk in nature.
73. Two (2) of the 7 U.S. corporate convertible debentures held in E.S.'s account were rated "B" or lower time of their purchase by Standard and Poor's. Specifically, the debentures held in Nova Care Inc. were rated "B", and those held in Coeur D'Alene Mine Corp. were rated "CCC". The debentures in Physicians Resources Group were subsequently downgraded to "CCC" after they were purchased.
74. Furthermore, Enforcement staff's analysis of the concentration of securities within E.S.'s margin account while it was under the direction of the Respondent revealed

that the percentage of U.S. corporate debt securities held in the account, in relation to the account's market value, ranged from 69% to 81%.

75. Notwithstanding the inherent risk associated with the individual debentures themselves, the concentration of these securities within the portfolio further subjected E.S. to a higher degree of risk as the Respondent failed to diversify the client's holdings across other asset classes.
76. Based on the foregoing, the Respondent exposed E.S to a level of risk that did not accord with her stated risk tolerance. Further, the asset allocation within E.S.'s accounts did not accord with her documented investment objectives and tolerance for risk. The Respondent's failure to ensure the suitability of investment recommendations made to E.S. constituted a violation of Association Regulation 1300.1(c).
77. While E.S.'s accounts were under the Respondent's direction, E.S. suffered a cumulative loss on the US corporate securities of \$29,358.65 US. E.S was subsequently paid \$58,484.00 CDN by Nesbitt in full satisfaction of her claim against the firm for investment losses.

**Count Thirteen: Accounts of K.W. and C.W.**

78. K.W. and C.W. ("the W.s"), a husband and wife, opened several accounts with the Respondent at Nesbitt between May and October 1996 for themselves and their incorporated company. The New Client Application Forms ("NCAFs") completed at that time indicated the following:

<b>Age at time of Opening of Accounts</b>	43 years for both		
<b>Occupation</b>	Farmers		
<b>Annual Income</b>	<b>Personal:</b> \$40,000	<b>Spouse:</b> \$40,000	<b>Household:</b> No provision on form
<b>Net Worth</b>	<b>Fixed:</b> No provision on form	<b>Liquid:</b> \$800,000	<b>Net Worth:</b> No provision on form
<b>Investment Knowledge</b>	Average, with Moderate Investment Experience in Common and Preferred Shares, Bonds, Money Market, New Issues, Mutual Funds, Real Estate		
<b>Investment Objectives</b>	Joint Margin (710-16549): 70% Income, 20% Moderate Growth, 10% Aggressive Trading W. Contracting Ltd. (710-20334): 50% Income, 25% Moderate Growth, 25% Aggressive Trading K.W. RRSP (711-07574): 50% Income, 25% Moderate Growth, 25% Aggressive Trading C.W. RRSP (711-07887): 50% Income, 25% Moderate Growth, 25% Aggressive Trading C.W. RRSP (711-07886): 50% Income, 25% Moderate Growth, 25% Aggressive Trading		
<b>Risk Factors</b>	All accounts were "Some"		

79. Upon opening the accounts, the Respondent proceeded to purchase corporate debt securities for the purpose of meeting the clients' stated objective of investing a portion of the market value of their assets in income generating securities.

80. However, despite the W.'s stated tolerance of only "some" risk, the Respondent purchased certain U.S. corporate convertible debentures that were medium to high risk in nature.
81. Seven (7) of the 10 U.S. corporate convertible debentures held in the W.'s accounts were rated "B" or lower by Standard and Poor's. Specifically, the debentures held in Boston Chicken Inc., Baker J. Inc., Phycor Inc., Nova Care Inc., and Converse Inc. were rated "B", and those held in Apple Computer Inc. and Coeur D'Alene Mine Corp. were rated "CCC". Boston Chicken Inc was subsequently downgraded to 'CCC.
82. Furthermore, Enforcement staff's analysis of the concentration of securities within the W.'s joint margin account over the period June 1997 to July 1998 revealed that the percentage of U.S. corporate debt securities held in the account, in relation to the account's market value, ranged from 90% to 94. %. From that point until February 1999, the concentration steadily dropped to 49%—a decrease which can be largely attributed to the decline in market value of these securities.
83. Notwithstanding the inherent risk associated with the individual debentures themselves, the concentration of these securities within the portfolio further subjected the W.s. to a higher degree of risk as the Respondent failed to diversify the client's holdings across other asset classes.
84. Based on the foregoing, the Respondent exposed the W.s to a level of risk that did not accord with their stated risk tolerance. Further, the asset allocation within the W.'s joint margin account did not accord with their documented investment objectives and tolerance for risk. The Respondent's failure to ensure the suitability of investment recommendations made to the W.s. constituted a violation of Association Regulation 1300.1(c).
85. While the W.s's accounts were under the Respondent's direction, the W.s's suffered a cumulative loss on the US corporate securities of \$23,336.29 US and \$3,823.62 CDN. The W.s were subsequently paid \$70,000.00 CDN by Nesbitt in full satisfaction of their claim against the firm for investment losses.

#### **Count Fifteen: Pricing of Convertible Debentures**

86. Some time between 1996 and 1998, the Respondent began to provide to Nesbitt's Risk Management Department lists of what she claimed were the fair market values of certain U.S. corporate convertible debentures for the purposes of client month-end statements.
87. At the time, Nesbitt had no written policies dealing with the verification of prices of U.S. corporate convertible debentures for the purpose of month-end statements. However, Nesbitt's general policy was that all prices for month-end statements had to be obtained through or verified by an external source. The practice was that prices of convertible debentures that could not be obtained directly by computer would be obtained or confirmed by Nesbitt's trading desk with sources in New York.

88. On September 30, 1998, October 30, 1998 and November 30, 1998 the Respondent prepared lists of “month end prices” for certain U.S. corporate convertible debentures, which were then submitted to Nesbitt’s Risk Management Department by facsimile transmission the same day.
89. The prices provided by the Respondent were not confirmed with the Nesbitt's trading desk. Nesbitt’s Risk Management Department was aware of, and acquiesced in, this circumvention of internal policies.
90. The prices submitted by the Respondent to Nesbitt for the following U.S. corporate convertible debentures were materially incorrect as there was a substantial gap between the prices listed by the Respondent and the fair market value of the securities at the material time according to readily attainable, independent, published sources (Value Line Investment Survey, Standard and Poor’s, and Bloomberg L.P.):

Date	Security	FMV of Securities in USD	Prices Appearing on Faxed “Price List” in USD	Variance in USD	Percentage Variance Between “Price List” and FMV
September 30, 1998	Converse Inc. 7% due 6/1/04	\$47.72	\$60.00	- \$12.28	- 25.73%
	PHP HealthCare Corp. 6.5% due 12/15/02	\$8.00	\$51.00	- \$43.00	- 537.5%
October 30, 1998	Converse Inc. 7% due 6/1/04	\$37.50	\$51.00	- \$13.50	- 36.00%
	PHP HealthCare Corp. 6.5% due 12/15/02	\$7.50	\$40.00	- \$32.50	- 433.33%
November 30, 1998	Converse Inc. 7% due 6/1/04	\$37.06	\$48.00	- \$10.94	- 29.52%
	Jumbosports Inc. 4.25% due 11/1/00	\$13.50	\$29.00	- \$15.50	- 114.81%
	PHP HealthCare Corp. 6.5% due 12/15/02	\$1.00	\$40.00	- \$39.00	- 3900%

91. Given that the Respondent knew or ought to have known that Nesbitt would rely upon her price submissions, the Respondent’s failure to exercise due diligence in verifying the accuracy of her submissions either through Nesbitt’s trading desk or through external sources amounted to conduct unbecoming a registered representative and was clearly detrimental to the public interest.
92. In a Settlement Agreement between Association Staff and Nesbitt (approved by the Ontario District Council on July 23, 2002), Nesbitt admitted that it failed to ensure that its Risk-Management Department followed internal procedures for verifying prices of convertible debentures, in contravention of Association Regulation 1300.2, Policy No. 2, section 1, and Policy No. 3, Statement 1, and that it failed to verify that its Registered Representative Zona Armstrong complied with internal firm procedures regarding the pricing of U.S. convertible debentures, in contravention of Association Regulation 1300.2, Policy No. 2, section 1, and Policy No. 3, Statement 1.
93. As of May 1, 2002, Nesbitt had received complaints from 157 clients of the Respondent, each of which Nesbitt investigated. Given the concerns raised by the

Respondent's clients, and its inability to locate the Respondent, Nesbitt paid compensation totalling \$10,077,209.81 CDN and \$213,463.04 U.S. to 131 of the complainants. In the remaining cases, the Respondent concluded that no compensation was warranted.

**Count Fifteen: Failure to Cooperate:**

94. On August 26, 1999, the Respondent provided a compelled statement to the Association in respect of the complaints of L.C., D.H. and F.H., A.H. and C.H., and K.W. and C.W. Enforcement staff endeavoured to interview the Respondent with respect to the remaining complainants. However, despite being compelled by Staff to attend further interviews, the Respondent failed to appear.
95. On October 1, 1999, Enforcement staff delivered via courier a letter to the Respondent's legal counsel, in which the Respondent was advised that she was compelled to attend an interview at the Association's offices on at 8:00 a.m. on October 25, 1999.
96. By letter dated October 25, 1999, the Respondent advised the Association that she did not receive Enforcement staff's letter until October 24, 1999. The Respondent wrote, "...the fact that large civil suits are imminent and the IDA can offer no assurances that the testimony I give is free of subpoena in civil litigation...I therefore must respectfully decline to attend."
97. Enforcement staff's subsequent search of records at the Alberta Court of Queen's Bench on January 13, 2000 revealed that there were no past or pending actions against the Respondent at that time.
98. On January 26, 2000, the Association sent a letter to the Respondent's legal counsel advising that the Respondent was to contact the Association by February 9, 2000 with respect to scheduling a date for an interview. Neither the Respondent nor her legal counsel contacted the Association as requested.
99. On February 11, 2000, Enforcement staff delivered via courier a letter to the Respondent's legal counsel in which the Respondent was advised that she was compelled to attend at the Association's offices for an interview at 9:00 a.m. on February 25, 2000.
100. By letter dated February 14, 2000, the Respondent's legal counsel confirmed that he had mailed a copy of the February 11, 2000 letter to the Respondent and had also read the letter to her over the telephone.
101. On February 25, 2000, the Respondent sent a handwritten facsimile transmission to the Association to advise that she would not be attending the interview, "because of pending litigation," although she did offer to, "provide a written response to any queries... regarding client complaints".

102. No further attempts were made by the Association to contact Armstrong for the purposes of conducting an interview. Given the number of complainants, combined with the complexity of the matters under investigation, Enforcement staff determined that written questions would be ineffective and inappropriate.
103. Based on the foregoing, the Respondent's failure to appear before the Association constituted a violation of Association By-law 19.5.

**NOTICE** is further given that the Respondent shall be entitled to appear and be heard and be accompanied by counsel or agent at the hearing and to call, examine and cross-examine witnesses.

**NOTICE** is further given that Association By-laws provide that if, in the opinion of the District Council, the Respondent has failed to comply with or carry out the provisions of any applicable federal or provincial statute relating to trading or advising in respect of securities or commodities or of any regulation or policy made pursuant thereto; has failed to comply with or carry out the provisions of any By-law, Regulation, Ruling or Policy of the Association; has engaged in any business conduct or practice which such District Council in its discretion considers unbecoming or not in the public interest; or is otherwise not qualified whether by integrity, solvency, training or experience, the District Council has the power to impose any one or more of the following penalties:

- (a) a reprimand;
- (b) a fine not exceeding the greater of:
  - (i) \$1,000,000.00 per offence; and
  - (ii) an amount equal to three times the pecuniary benefit which accrued to such person as a result of committing the violation;
- (c) suspension of approval of the person for such specific period and upon such terms as such District Council may determine;
- (d) revocation of approval of such person;
- (e) prohibition of approval of the person in any capacity for any period of time;
- (f) such conditions of approval or continued approval as may be considered appropriate by the District Council.

**NOTICE** is further given that the District Council may, in its discretion, require that the Respondent pay the whole or part of the costs of the proceedings before the District Council and any investigation relating thereto.

**NOTICE** is further given that the District Council may accept as having been proven any facts alleged or conclusions drawn by the Association in the Notice of Hearing and Particulars that are not specifically denied, with a summary of the facts alleged and conclusions drawn based on those alleged facts, in a **Reply**.

**NOTICE** is further given that the Respondent has ten (10) days from the date on which this Notice of Hearing and Particulars was served, to serve a **Reply** upon:

Investment Dealers Association of Canada  
Suite 1600  
121 King St. West,  
Toronto, Ontario  
M5H 3T9

Attention: Kenneth J. Kelertas, Enforcement Counsel

A **Reply** may either:

- (i) specifically deny (with a summary of the facts alleged and intended to be relied upon by the Respondent, and the conclusions drawn by the Respondent based on all the alleged facts) any or all of the facts alleged or the conclusions drawn by the Association in the Notice of Hearing and Particulars; or
- (ii) admit the facts alleged and conclusions drawn by the Association in the Notice of Hearing and Particulars and plead circumstances in mitigation of any penalty to be assessed.

**NOTICE** is further given that if the Respondent fails to serve a **Reply** or attend at the hearing, notwithstanding that a **Reply** may have been served, the District Council may proceed with the hearing of the matter on the date and at the time and place set out in this notice, or on any subsequent date, at any time and place, without further notice to and in the absence of the Respondent, and the District Council may accept the facts alleged or the conclusions drawn by the Association in this notice as having been proven and may impose any of the penalties prescribed by the By-laws of the Association.

**DATED** at Toronto, this 24th day of October 2002.

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Warren H. Funt, Vice-President  
Western Canada, Member Regulation

**INVESTMENT DEALERS ASSOCIATION OF CANADA**  
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Vancouver, BC V6B 4N9