



Contact:
Elsa Renzella
Enforcement Counsel
(416) 943-5877

For distribution to relevant parties within your firm

BULLETIN #3099

January 3, 2003

Discipline

Discipline Penalties Imposed on Jeffrey MacDonald – Violation of Regulation 1300.1(c)

Person Disciplined	The Ontario District Council of the Investment Dealers Association of Canada (“the Association”) has imposed discipline penalties on Jeffrey MacDonald at the material time, a Registered Representative at ScotiaMcleod Inc. (“Scotia”)
By-laws, Regulations, Policies Violated	On December 18, 2002, the Ontario District Council considered, reviewed and accepted a settlement agreement negotiated between Mr. MacDonald and Association Staff. Pursuant to the Settlement Agreement, Mr. MacDonald admitted that during the period between June 1997 and February 1998, inclusive, he made recommendations and accepted unsolicited orders in connection with AlphaNet Telecom Inc. (“AlphaNet”) for seven clients that given their personal circumstances were not appropriate and not in keeping with their investment objectives, contrary to Regulation 1300.1(c).
Penalty Assessed	The discipline penalties assessed against Mr. MacDonald are a fine in the amount of \$18,000, and disgorgement of commissions in the amount of \$994.44. In addition, Mr. MacDonald is required to pay \$3,005.56 towards the Association’s costs of this matter.
Summary of Facts	Between June 1997 and February 1998, inclusive, Mr. MacDonald made recommendations and accepted unsolicited orders for the purchase of AlphaNet for seven clients. Six of the seven clients did not have investment objectives containing any speculative component, as indicated in their New Account Application Forms (“NAAFs”). However, one of the seven clients did have investment objectives containing a 25% speculative component according to her NAAF. For this client, AlphaNet constituted 100% of the account at the time of purchase. The total amount invested in AlphaNet by these seven clients was \$74,574.83.

Since AlphaNet was not a security which was covered by Scotia, Mr. MacDonald conducted his own research before recommending AlphaNet to these seven clients. It was Mr. MacDonald’s honest belief that AlphaNet fell within Scotia’s definition of a

long term capital growth stock and recommended the security on this basis. While he provided research material and regular updates to these clients regarding AlphaNet, he did not present the security as a high risk speculative investment. Instead, he presented the security as a growth stock with great long term capital appreciation potential. It was on this basis that the clients agreed to purchase AlphaNet. The branch manager knew and consented to the Mr. MacDonald's characterization of AlphaNet to these clients as well as to the material and updates that were sent by Mr. MacDonald to these clients.

Despite Mr. MacDonald's honest belief, information available at the relevant time indicated that AlphaNet was a speculative security that was not suitable for any of these seven clients given their personal circumstances.

On February 8, 1999, approximately a year after the recommendations were made, AlphaNet declared bankruptcy. As a result, these clients lost their entire investment in AlphaNet.

Mr. MacDonald is currently employed as a Registered Representative Options at TD Waterhouse Canada Inc.

Kenneth A. Nason
Association Secretary