

Re Benarroch et al

IN THE MATTER OF:

**The Dealer Member Rules of the Investment Industry Regulatory
Organization of Canada (IIROC)**

and

The By-Laws of the Investment Dealers Association of Canada (IDA)

and

**Georges Benarroch, Linda Kent, Marjorie Ann Glover and
Credifinance Securities Limited**

2011 IIROC 11

Investment Industry Regulatory Organization of Canada
Hearing Panel (Ontario District Council)

Heard: February 16, 2011
Decision: February 16, 2011
(13 paras.)

Hearing Panel:

Frederick H. Webber- chairman, Peter Bailey, Terrence Bourne

Appearances:

Natalija Popovic, Kathryn Andrews and Milton Chan, Enforcement Counsel
No one appeared for the Respondent

HEARING PANEL DECISION

¶ 1 The sole purpose of this hearing is to determine what sanctions, if any, are appropriate in this proceeding, based upon an agreed statement of facts and violations {the Statement} which is attached hereto. This hearing is pursuant to an order of the Ontario Securities Commission {OSC} dated January 11, 2011 and released February 9, 2011. The OSC order followed an appeal to the OSC from the penalty decision of a previous hearing panel of IIROC. The OSC order and previous penalty proceedings in this matter may be found on the IIROC website. Immediately prior to this hearing, IIROC and the panel members were advised in writing that the Respondents and their legal counsel would not attend this hearing and the hearing proceeded in their absence in accordance with Rule 13.5 of the IIROC Rules of Practice and Procedure.

¶ 2 By agreeing to the attached Statement, the Respondents have each agreed that they have failed to comply with IDA By-law 29.1 in the respective counts, count 1 in the case of Benarroch and Kent, count 2 in the case of Glover and count 3 in the case of Credifinance. Therefore, the sole purpose of this panel is to determine the appropriate sanction, if any, against each of the Respondents in accordance with IDA By-laws 20.33 and 20.34.

¶ 3 IIROC counsel referred the panel to the IDA Disciplinary Sanction Guidelines for guidance in

determining the appropriate sanctions for each of the Respondents. As stated in the Guidelines, the main concerns of hearing panels are protection of the investing public, the IDA membership, the integrity of the IDA's process, the integrity of the securities markets and prevention of repetition of the conduct of the type under consideration. The hearing panel may take into account the seriousness of the Respondent's conduct and specific and general deterrence. General deterrence can be achieved if the sanction strikes a balance by addressing the registrant's conduct and discipline history but also being in line with industry expectations. The primary purpose of the sanction is prevention rather than punishment. This panel agrees with and took into account the principles stated in the Guidelines.

¶ 4 IIROC counsel referred the panel to the factors which the panel should take into account in determining the appropriate sanction. The first factor is harm to clients, the employer and/or the securities market. In this matter there was no harm to clients or the employer, only to the reputation of the securities market. In the case of Benarroch, Kent and Glover, they permitted and facilitated suspicious transactions in client accounts without making diligent inquiries to ensure legitimacy of the transactions in circumstances where such inquiries were required for them to discharge their obligations. In addition, Benarroch and Kent personally participated in suspicious transactions with Credifinance clients who were associated with the Respondents for their personal benefit, or in the case of Benarroch, entities in which he had an interest {Benarroch Entities}. In permitting these transactions or failing to question them, Glover and Credifinance failed to adequately supervise the activities of Benarroch and Kent.

¶ 5 Blameworthiness and degree of participation are also factors. The conduct of each of the Respondents was intentional, ongoing over a long period of time and systematic. All of the Respondents were experienced in the industry and none of them blamed others for their actions or claimed to be taken advantage of. Each fully participated in the activities described in the Statement and was to blame for his or her own actions or failures to act.

¶ 6 Kent benefited directly and Benarroch indirectly through the Benarroch Entities, from their actions. Disgorgement of the benefits of her improper actions by Kent is appropriate. IIROC cannot claim disgorgement from the Benarroch Entities since IIROC has no jurisdiction over them, but it is appropriate that any fine paid by Benarroch should reflect that he benefited indirectly from his improper actions.

¶ 7 There is ample evidence in the Statement that the actions of the Respondents, which they have agreed is contrary to By-law 29.1, was planned, organized, systematic, involved multiple incidents over a number of years, and in the case of Benarroch and Kent intended to benefit them directly or indirectly.

¶ 8 All of the foregoing factors are aggravating factors considered by the panel in determining the appropriate sanctions. In addition, and despite the absence of the Respondents or their counsel from the hearing, the panel also considered a number of mitigating factors. In particular, the Statement does not disclose that any clients were harmed by, nor did any complain of, the actions of the Respondents in this matter. This was not disputed by IIROC counsel.

¶ 9 In addition, except for a complaint against Credifinance concerning regulatory capital which was resolved by settlement agreement in 1997, none of the Respondents has a prior disciplinary record. It is also noted by this panel that the Respondents admitted their wrongdoing by agreeing to the Statement and appear to have cooperated with the investigation, although there is no separate evidence of remorse.

¶ 10 In addition to the foregoing, IIROC counsel referred the panel to a number of cases. While instructive as to the appropriate sanctions in this matter, each can be distinguished in some respects and it is not necessary to review these cases in detail in these reasons other than to note that the cases were read by the panel members and taken into account in the decision.

¶ 11 This panel also had the benefit of reading the decision of the previous panel in this matter dated April 13, 2010 [2010] IIROC No. 16, and the appeal decision of the OSC dated December 15, 2010.

¶ 12 Although no clients were harmed by, or complained about the actions of the Respondents, this panel agrees with IIROC that the actions of the Respondents constituted serious, not trivial, breaches of By-law 29.1,

in particular because of the need to protect the integrity of the securities markets

¶ 13 After carefully reviewing the Statement, the Guidelines as outlined above, the previous decisions in this matter and the cases referred to, this panel agrees with the sanctions requested by IIROC and accordingly makes the following order:

1. Georges Benarroch is fined the amount of \$250,000 and is suspended from any registration with IIROC for a period of 15 years;
2. Linda Kent is fined the amount of \$50,000, is ordered to disgorge the sum of \$170,000, and is suspended from any registration with IIROC for 2 years;
3. Marjorie Ann Glover is fined the amount of \$50,000, is suspended for 5 years from any registration with IIROC which permits a supervisory role, and suspended from any registration with IIROC for 1 year:
4. Credifinance is fined the amount of \$50,000 and is permanently expelled from any registration with IIROC; and
5. Costs in the amount of \$100,000 are ordered paid as follows:
 - \$ 50,000 by Benarroch
 - \$ 25,000 by Kent
 - \$ 25,000 by Glover.

Dated at Toronto as of the 16th day of February 2011.

Frederick H. Webber- chairman

Peter Bailey

Terrence Bourne

AGREED STATEMENT OF FACTS AND VIOLATIONS

THE PURPOSE OF THE HEARING is to determine what sanctions, if any, are appropriate in this proceeding, in which Georges Benarroch (“Benarroch”), Linda Kent (“Kent”), Marjorie Ann Glover (“Glover”) and Credifinance Securities Limited (“Credifinance”) (collectively, the “Respondents”) have admitted that they have committed the following contraventions as alleged by Staff of IIROC, on behalf of the IDA (Staff):

COUNT 1

Benarroch and Kent, while Registered Representatives with Credifinance, and particularly from in or about January 2003 to in or about March 2006, failed to properly perform their gatekeeper responsibilities in connection with trading in Credifinance client accounts in the shares of Magnum D’Or Resources Inc. (“Magnum”) and Osprey Gold Corp. (“Osprey”) and engaged in financial and business transactions with Credifinance clients in relation to the distribution and sale of shares of Magnum and Osprey, which was conduct unbecoming and detrimental to the public interest, contrary to By-law 29.1 of the IDA.

COUNT 2

Glover, while a Registered Representative and Chief Compliance Officer with Credifinance, and particularly from in or about January 2003 to in or about March 2006, failed to exercise due diligence and failed to adequately supervise the conduct of Benarroch and Kent in respect of their dealings with Credifinance clients, and in particular their dealings in shares in Magnum and Osprey, which conduct was a failure in her role as

gatekeeper and was unbecoming a registrant and detrimental to the public interest, contrary to By-law 29.1 of the IDA.

COUNT 3

Credifinance, while a Member of the IDA, and particularly from in or about January 2003 to in or about March 2006, failed in its role as a gatekeeper in that it failed to supervise the conduct of Benarroch and Kent and failed to supervise the transactions in Benarroch's and Kent's clients' accounts, which conduct was unbecoming a Member and detrimental to the public interest, contrary to By-law 29.1 of the IDA.

TAKE FURTHER NOTICE that the following is a summary of the facts alleged and intended to be relied upon by Staff at the hearing, all of which facts are hereby admitted by the Respondents:

A. Respondents' Registration History

1. Credifinance became a Member of the IDA in March 1991. Throughout the relevant time, Benarroch, Kent and Glover were Registered Representatives employed at Credifinance.
2. Benarroch is the Director, Chairman, Chief Executive Officer ("CEO") and Ultimate Designated Person of Credifinance. He has been the Director, Chairman and CEO since September 1991. He has also been a Registered Representative at Credifinance since the firm's inception. Prior to his employment at Credifinance, Benarroch was the director, president, CEO and an industry advisor of another brokerage firm commencing in 1984.
3. Glover is the Chief Compliance Officer ("CCO") and Alternate Designated Person at Credifinance. She has held the position of CCO since in or about September 1997 and the position of ADP since in or about November 2001. Prior to joining Credifinance, Glover was registered at another brokerage firm commencing in 1984.
4. Kent is a Registered Representative ("RR") at Credifinance. Prior to joining Credifinance, Kent was employed as an RR at various investment firms dating back to 1980. Kent joined Credifinance in or around January 2000.

B. Magnum D'Or Resources Inc. and Osprey Gold Corp.

5. Magnum is a mining company incorporated in Nevada with its head office in Toronto. In or around March 2003, Reno Calabrigo ("Calabrigo"), a client of Kent's and a business associate of Benarroch's, became the President of Magnum.
6. Osprey is a Nevada company located in Orangeville, Ontario. In or around April 2004, Kent approached Gordon Leliever ("Leliever"), her uncle and then President of Osprey, and suggested that Credifinance assist Osprey with a U.S. \$5 million financing. Benarroch and Kent became directors of Osprey in or about September 2004 and August 2004, respectively. In or around November 2004, Benarroch was appointed President of Osprey, and Kent was appointed Corporate Secretary and Treasurer.

C. Entities Associated with Benarroch

7. Benarroch used a number of corporate entities (collectively, the "Benarroch Entities") that were owned by, controlled by or otherwise associated with him and/or his family to profit from the sale of Magnum and Osprey shares. The following Benarroch Entities were used to engage in Magnum and Osprey transactions on Benarroch's behalf:
 - (i) FRD Trust is an entity with longstanding ties to Benarroch's family and which he directly or indirectly controls. FRD Trust was a Credifinance client during the material time. According to Benarroch, it owns various Benarroch family properties and pays the mortgages and insurance premiums on these residential properties. Benarroch and/or his heirs beneficially own FRD Trust.
 - (ii) Credifinance is an Ontario company that was owned by Credifinance Capital Inc. ("CFCI") until it was amalgamated with CFCI in November 2005. CFCI was owned by Credifinance Capital Corp., which is

owned by FRD Trust. As such, Benarroch indirectly owns or controls Credifinance, as well as being its Chairman, President, CEO and a director.

- (iii) CFCI was an Ontario company as described above. Benarroch indirectly owned or controlled CFCI through the structure described above, as well as being its President and a director.
- (iv) Financiera Hispano-Suiza (“FHS”) is a company incorporated in Panama that was owned by Benarroch and/or members of Benarroch’s family during the material time period. FHS paid for Benarroch’s staff, as well as various personal expenses. During the material time, Benarroch held a special power of attorney for FHS that gave him control of its accounts. FHS was a Credifinance client until early 2004.
- (v) LIFMAC S.A. (“LIFMAC”) is a company incorporated in Panama that was owned by Benarroch and/or FRD Trust. LIFMAC was a Credifinance client until early 2004. In 2004, LIFMAC changed its name to Simy Holdings Inc. (“Simy Holdings”). Benarroch is the President of Simy Holdings and during the material time controlled its investments. FRD Trust beneficially owns Simy Holdings.
- (vi) Capital Securities & Credit Corp. (“CSCC”) is a company incorporated in Panama that has, at various times, been owned by Benarroch and/or members of his family. Although CSCC was apparently controlled by a friend and business associate of Benarroch, Gerard Serfati (“Serfati”), during the material time Benarroch held a special power of attorney that gave him control of CSCC’s brokerage accounts. CSCC was a Credifinance client until early 2004.

8. Credifinance and Glover permitted FRD Trust, FHS, LIFMAC and CSCC to open and operate accounts at Credifinance, and permitted Benarroch to act as RR for those accounts, despite his actual or apparent control over those entities and the fact that he and/or his family had a beneficial interest in each of the entities. Only FRD Trust’s account was marked as a pro account.

9. All of the Benarroch Entities were the recipients of shares in one or both of Magnum and Osprey and/or were recipients of proceeds from the sale of shares in one or both of Magnum and Osprey. These funds flowed to the Benarroch Entities from the accounts of various Credifinance clients. Neither Credifinance nor Glover made any written inquiries or conducted an appropriate investigation into the transactions between the Benarroch Entities and Credifinance’s clients.

D. Overview of Activity Complained Of

10. Benarroch, Kent and Glover permitted and facilitated suspicious transactions in client accounts at Credifinance without making diligent inquiries to ensure the legitimacy of the transactions in circumstances where such inquiries were required in order for Benarroch, Kent and Glover to properly discharge their respective obligations as RR’s and CCO.

11. Moreover, Benarroch and Kent personally participated in suspicious transactions with Credifinance clients for their personal benefit or, in the case of Benarroch, for the benefit of the Benarroch Entities. In permitting these transactions and/or failing to question them, Glover and Credifinance failed to adequately supervise the activities of Benarroch and Kent.

E. Transactions in Magnum D’Or Resources

12. During his tenure as CEO of Magnum, Calabrigo received millions of Magnum shares, many of which were deposited into his account at Credifinance. These shares were either sold from Calabrigo’s account into the market and/or journaled to the accounts of other Credifinance clients. Outside of transactions in Magnum shares, there was little trading activity in Calabrigo’s account during the material time.

13. Tom Tedesco (“Tedesco”), another client of Kent, also received a significant number of Magnum shares, many of which were journaled to the account of CSCC. Transactions in Magnum shares represented the primary trading activity in Tedesco’s account during the material time.

14. Neither Glover nor Kent questioned Calabrigo or Tedesco as to the origin of the many millions of Magnum shares flowing through their accounts, or as to why the shares were being journaled to other

Credifinance clients (almost exclusively Benarroch’s and Kent’s clients) for no apparent consideration. Furthermore, there is no evidence that Credifinance or Glover questioned Kent about any of the transactions in either Calabrigo’s or Tedesco’s accounts.

15. Moreover, and transparent to Credifinance, Glover and Kent, Magnum shares and/or proceeds from the sale of Magnum shares were frequently transferred from Credifinance clients to Benarroch and/or one or more of the Benarroch Entities for no apparent reason. These shares and funds were received either directly from Calabrigo or indirectly through the brokerage account of CSCC (purportedly owned by Serfati) and a bank account in Serfati’s name at the National Bank of Canada (the “Serfati bank account”). Neither Credifinance nor Glover questioned Benarroch about or conducted any investigation into why Magnum shares and/or proceeds from the sale of Magnum shares were being transferred from Credifinance clients to the Benarroch Entities.

16. Kent was also the recipient of Magnum shares and/or proceeds from the sale of Magnum shares. Although Glover was advised by Kent that the funds she received represented a loan from Serfati, there is no evidence that she or Credifinance conducted any investigation to verify that information, nor did she or Credifinance question the propriety of Kent borrowing money from a Credifinance client.

17. Particulars of the shares and funds that flowed to Benarroch, the Benarroch Entities and Kent are set out in the table below:

Date	Payor	Payee	Amount	Notes
January 27, 2003	Calabrigo Family Trust	FHS	15,000 Magnum shares	Transferred as a “consulting fee”.
April 23, 2003	Calabrigo	Credifinance	350,000 Magnum shares	Transferred as a “consulting fee”.
April 30, 2003	Credifinance	Kent	85,000 Magnum shares	Represents a portion of the 350,000 Magnum shares transferred to Credifinance from Calabrigo.
July 9, 2003	Calabrigo	CFCI	U.S. \$11,000.00	This payment was purportedly for “services rendered”.
July 15, 2003	Calabrigo	CFCI	U.S. \$2,940.00	This payment was purportedly for “services rendered”.
August 21, 2003	Calabrigo	CFCI	U.S. \$22,370.00	
September 4, 2003	Calabrigo	LIFMAC	250,000 Magnum shares	Transferred as a “consulting fee”.
September 9, 2003	Calabrigo	CSCC	5,500,000 Magnum shares	Transferred as a “consulting fee”.
September 10, 2003	LIFMAC	Benarroch	U.S. \$3,870.00	Representing proceeds from the sale of the 250,000 Magnum shares transferred to LIFMAC from Calabrigo on September 4, 2003.
September 11,	Calabrigo	CSCC	3,500,000	

Date	Payor	Payee	Amount	Notes
2003			Magnum shares	
September 11, 2003	Calabrigo	CFCI	U.S. \$10,000.00	
October 3, 2003	Calabrigo	Credifinance Commission (internal Credifinance account)	250,000 Magnum shares	
October 10, 2003	Tedesco	CSCC	944,000 Magnum shares	Transferred as a “consulting fee”.
October 20, 2003	CSCC	FHS	U.S. \$52,881.40	Representing proceeds from the sale of Magnum shares.
November 26, 2003	Tedesco	CSCC	50,000 Magnum shares	Journal entry to correct the October 10, 2003 transaction, which should have been a journal of 994,000 Magnum shares.
December 23, 2003	Serfati	FRD Trust	Cdn. \$11,500.00	Representing a portion of the proceeds from the sale of Magnum shares from CSCC’s brokerage account that were deposited to Serfati’s bank account on December 23, 2003. Glover completed the cheque payable to FRD Trust on Benarroch’s instructions.
January 26, 2004	Serfati	Kent	Cdn. \$7,381.34	Representing a portion of the proceeds from the sale of Magnum shares from CSCC’s brokerage account that were deposited to Serfati’s bank account on January 21, 2004. Glover completed the cheque payable to Kent on Benarroch’ instructions.

Date	Payor	Payee	Amount	Notes
January 29, 2004	Serfati	FRD Trust	Cdn. \$9,000.00	Representing a portion of the proceeds from the sale of Magnum shares from CSCC's brokerage account that were deposited to Serfati's bank account on January 21, 2004. Glover completed the cheque payable to FRD Trust on Benarroch's instructions.

18. Of the 9,994,000 Magnum shares that were deposited to CSCC's account between September and November 2003, 8,850,000 shares were journaled to third parties for no apparent consideration. The remaining Magnum shares were sold into the market. There was very little other trading activity in the CSCC account during the material time.

19. Other than a cheque in the amount of \$11,761.49 that Benarroch directed be paid to a law firm, the proceeds from the sale of Magnum shares from the CSCC account were distributed as set out in the table above. The Magnum proceeds that were transferred to Serfati were deposited into the Serfati bank account. Benarroch controlled the Serfati bank account in that he held numerous blank cheques signed by Serfati.

20. Benarroch and Kent improperly engaged in personal business dealings and transactions with Credifinance clients, including Calabrigo, Tedesco, Serfati, and CSCC, pursuant to which they received compensation. As a result of these transactions Benarroch and the Benarroch Entities received a benefit of U.S. \$103,061.40, Cdn. \$20,500 and approximately 2,009,000 Magnum shares worth approximately \$200,000 (valued at the end of the month the shares were received), while Kent received Cdn. \$7,381.34 and 85,000 Magnum shares worth approximately \$4,600 (valued at the end of the month the shares were received).

21. Credifinance and Glover failed to oversee the activity in the accounts of Credifinance's clients, including Calabrigo and CSCC. Neither Credifinance nor Glover made any diligent inquiries to determine what services were being rendered for the "consulting fees", or whether there was any legitimate purpose behind the transfer of Magnum shares. Glover's failure was despite her knowledge that Magnum shares were being transferred from a Credifinance client to the Benarroch Entities and that funds from CSCC's account at Credifinance were being transferred to the Serfati bank account and subsequently, at the direction of Benarroch, to the Benarroch Entities and Kent. At no time did Credifinance or Glover contact Serfati to ensure that the funds from the Serfati bank account were being distributed pursuant to his instructions, nor did Credifinance or Glover question Benarroch holding blank signed cheques for a client's bank account.

22. Moreover, Glover was aware that Benarroch held a special power of attorney for CSCC and was therefore authorized to control its brokerage accounts. Neither Credifinance nor Glover took any steps to confirm that Benarroch was not controlling CSCC's account at Credifinance. At no time did either Credifinance or Glover contact Serfati to confirm his instructions in respect of the CSCC account at Credifinance.

F. Transactions in Osprey Gold Corp.

23. In early May 2004, a letter of intent was entered into amongst Osprey and Credifinance. The letter of intent was executed by Leliever, Osprey's Vice President Douglas Budden ("Budden"), Osprey's Secretary Betty North ("North"), Osprey's then CFO Doug Young ("Young") and Benarroch, and provided that:

- (a) Osprey would issue 3 million shares pursuant to the S-8 prospectus exemption to Serfati for consulting work;

- (b) North's company, Boardwalk International ("Boardwalk"), would sell 4 million restricted shares of Osprey to Credifinance for \$1,000;
- (c) Credifinance would remit to Osprey U.S. \$250,000 raised from other investors;
- (d) Boardwalk would give 69,890,000 Osprey shares to Credifinance as collateral (which shares were to be returned by May 28, 2004 if the terms of the letter of intent were satisfied); and
- (e) Credifinance would arrange for a private placement of Osprey shares.

24. Serfati was issued 4 million Osprey S-8 shares in May 2004, presumably pursuant to the terms of the letter of intent, and an additional 15 million Osprey S-8 shares in September 2004. Serfati purportedly entered into a Services Agreement with Osprey to provide it with various services in exchange for the 15 million Osprey S-8 shares. No services agreement was entered into for the 4 million Osprey S-8 shares received by Serfati in May 2004.

25. According to Benarroch, Serfati's only purported services to Osprey in exchange for receiving 19 million S-8 shares was to introduce it to foreign investors. In large measure, Serfati intended to introduce foreign investors to Osprey through a road show that ultimately did not take place. There is no evidence that Serfati in fact provided any services to Osprey.

26. The Osprey S-8 shares were deposited into Serfati's account at Credifinance, for which Benarroch was the registered representative. Transactions in Osprey shares represented the primary trading activity in Serfati's account during the material time. The table below shows the flow of Osprey shares and funds through Serfati's account:

Date	Transaction	Payee (if applicable)	Amount/Value (U.S. \$ unless otherwise indicated)
April 30, 2004	balance		\$479.10
May 11, 2004	received 4 million S-8 Osprey shares		
June 28, 2004 to July 12, 2004	sell 542,500 Osprey shares		\$77,465.67
July 12, 2004	cheque	Serfati	\$77,467.15
July 13, 2004 to July 27, 2004	sell 373,200 Osprey shares		\$67,066.42
July 29, 2004	cheque	Serfati	\$20,000.00
July 30, 2004	cheque	Serfati	\$9,109.55
July 30, 2004 to August 19, 2004	sell 380,000 Osprey shares		\$52,673.76
September 3, 2004	received 8 million S-8 Osprey shares		
September 7, 2004 to September 17, 2004	sell 827,000 Osprey shares		\$83,943.02
September 20, 2004	received 7 million S-8 Osprey shares		

Date	Transaction	Payee (if applicable)	Amount/Value (U.S. \$ unless otherwise indicated)
September 23, 2004	sell 50,000 Osprey shares		\$5,049.88
September 24, 2004	cheque	Serfati	\$5,050.00
October 4, 2004	delivery out of 15 million Osprey shares (to various third parties – 875,500 were delivered back to Serfati’s account at Credifinance and 11 million were delivered to CSCC’s account at Whitehall Parker Securities in San Fransisco).		
October 5, 2004	cheque	Serfati	Cdn. \$94,000.00
October 5, 2004	cheque	Kyto Biopharma Inc. (a company of which Benarroch’s nephew is the President and CEO and of which Benarroch is a director).	\$100,000.00
October 27, 2004 to November 4, 2004	sell 1,520,000 Osprey shares		\$97,467.45
November 9, 2004	cheque	Serfati	Cdn. \$11,950.00
November 10, 2004	sell 170,000 Osprey shares		\$7,769.82
December 1, 2004	cheque	FHS	\$95,000.00
December 14, 2004	cheque	Serfati	Cdn. \$11,427.84
December 15, 2004	sell 137,000 Osprey shares		\$9,215.78
January 12, 2005	received 875,000 Osprey shares		
January 31, 2005	cheque	Serfati	Cdn. \$6,580.20
January 31, 2005 to February 7, 2005	sell 385,000 Osprey shares		\$14,829.64
February 14,	cheque	Serfati	Cdn. \$13,431.98

Date	Transaction	Payee (if applicable)	Amount/Value (U.S. \$ unless otherwise indicated)
2005			
December 20, 2005	sell 490,870 Osprey shares		\$16,735.02
December 21, 2005	cheque	Serfati	Cdn. \$20,010.32

27. All of the cheques issued to Serfati from his Credifinance account, which represented the proceeds from the sale of Osprey shares, were deposited into the Serfati bank account.

28. After funds from Serfati's Credifinance account were deposited to the Serfati bank account, they were, in most cases, redirected to Benarroch, the Benarroch Entities or Kent. In many instances, Glover completed cheques drawn against the Serfati bank account in accordance with instructions she received from Benarroch. The table below shows the flow of funds from the Serfati bank account:

Date of deposit to the Serfati bank account	Amount of deposit to the Serfati bank account	Date of cheque drawn against the Serfati bank account	Amount (Cdn. \$)	Payee	Note about cheques
July 12, 2004	U.S. \$77,467.15 (converted to Cdn. \$101,777.84)	July 14, 2004	\$101,777.84	Kent	Faxed instructions to National Bank of Canada requested that Glover be contacted when bank draft was ready for pick up.
July 29, 2004	U.S. \$20,000.00 (converted to Cdn. \$26,080)	July 30, 2004	\$25,000.00	Credifinance	Memo line read "fee/ invoice". Glover was aware of this cheque.
July 30, 2004	U.S. \$9,109.55 (converted to Cdn. \$11,865.19)	July 30, 2004	\$11,800.00	Leliever	Memo line read "Sales re OSGL". Glover was aware of this cheque.
September 24, 2004	U.S. \$5,050 (converted to Cdn. \$6,335.23)	September 27, 2004	\$6,413.50	Kent	Memo line read "OSGL". Glover completed the cheque on Benarroch's instructions.

Date of deposit to the Serfati bank account	Amount of deposit to the Serfati bank account	Date of cheque drawn against the Serfati bank account	Amount (Cdn. \$)	Payee	Note about cheques
October 5, 2004	Cdn. \$94,000.00	October 13, 2004	\$94,000.00	FRD Trust	Memo line read "Hazelton/OSGL sales". Glover completed the cheque on Benarroch's instructions.
November 9, 2004	Cdn. \$11,950.00	November 15, 2004	\$11,950.00	Kent	Memo line read "Sales OSGL"
December 14, 2004	Cdn. \$11,427.84	December 16, 2004	\$11,427.84	Kent	Memo line read "Sale 137K OSGL Proceeds in C\$".
January 31, 2005	Cdn. \$6,580.20	February 1, 2005	\$4,927.23	Jackie Doran (Kent's mother)	Memo line read "85k OSGL".
February 14, 2005	Cdn. \$13,431.98	February 16, 2005	\$13,453.68	Kent	Memo line read "Sales OSGL". Glover completed the cheque on Benarroch's instructions.
December 21, 2005	\$20,010.32	December 23, 2005	\$3,600.00	Benarroch	
		December 23, 2005	\$19,530.00	Kent	

29. Benarroch and Kent engaged in personal business dealings and transactions with Serfati, a Credifinance client, pursuant to which they received compensation. As a result of these transactions Benarroch and the Benarroch Entities received a benefit of U.S. \$95,000 and Cdn. \$122,600, while Kent received a benefit of Cdn. \$169,480.09.

30. Neither Credifinance nor Glover contacted Serfati to confirm Benarroch's instructions prior to Glover completing the cheques as instructed by Benarroch, despite the fact that Serfati was a Credifinance client and the cheques were being made payable to Benarroch, the Benarroch Entities and/or Kent. There is no evidence that either Credifinance or Glover inquired as to why Benarroch and the Benarroch Entities were receiving money from Serfati.

31. As noted with respect to proceeds from the sale of Magnum shares, Glover was advised that the funds received by Kent represented a loan from Serfati. However, neither Glover nor Credifinance took any steps to verify this information, nor did they question the propriety of Kent borrowing money from a client of

Credifinance.

32. Of the 15 million Osprey S-8 shares received by Serfati in September 2004 pursuant to the terms of the Services Agreement, 11 million were transferred to an account in the name of CSCC at Whitehall Parker Securities (“Whitehall”) in San Francisco. Benarroch opened this account by executing account opening documentation in or around September 2003. He also provided Whitehall with a Special Power of Attorney granting him the authority to, among other things, open and operate securities trading accounts on behalf of CSCC.

33. As Osprey S-8 shares were received into CSCC’s account, Benarroch directed that they be sold and the proceeds delivered to Simy Holdings, one of the Benarroch Entities. Between April 2005 and November 2005, CSCC sold over 7 million Osprey S-8 shares into the market for total proceeds of U.S. \$213,730, all of which was sent to Simy Holdings on the direction of Benarroch. There were no other transactions in the CSCC account at Whitehall during this period.

34. Although Glover was aware that Benarroch controlled the CSCC account at Whitehall, neither she nor Credifinance exercised any oversight over the operation of the account.

G. Supervisory Failures

35. The activity in the accounts of Calabrigo, Tedesco, CSCC and Serfati, together with the related activity of Benarroch and Kent, should have caused Credifinance and Glover to question the propriety of the transactions in the accounts. Credifinance and Glover failed to raise any questions concerning the propriety of the transactions in the accounts or concerning the actions of Benarroch and Kent generally.

36. Credifinance and Glover accepted instructions to transfer Magnum and Osprey shares, and proceeds from the sale of Magnum and Osprey shares, between accounts with no apparent explanation. Credifinance and Glover failed to make any diligent inquiries about such third party transfers in circumstances where reasonably diligent supervisors would have questioned the transactions and, unless reasonable explanations were provided and documented, refused to permit the transactions to take place in the accounts held at Credifinance.

GENERAL PROCEDURAL MATTERS

TAKE FURTHER NOTICE that the hearing and related proceedings shall be subject to IIROC’s Rules of Practice and Procedure.

TAKE FURTHER NOTICE that pursuant to Rule 13.1, the Respondent is entitled to attend and be heard, be represented by counsel or an agent, call, examine and cross-examine witnesses, and make submissions to the Hearing Panel at the hearing.

TAKE FURTHER NOTICE that on June 1, 2008, IIROC consolidated the regulatory and enforcement functions of the Investment Dealers Association of Canada (IDA) and Market Regulation Services Inc. Pursuant to the *Administrative and Regulatory Services Agreement* between the IDA and IIROC, effective June 1, 2008, the IDA has retained IIROC to provide services for the IDA to carry out its regulatory functions with respect to the conduct of IDA Members and registrants occurring before June 1, 2008.

PENALTIES & COSTS

TAKE FURTHER NOTICE that as the Respondents have admitted that they did commit the contraventions and facts as set out in the Agreed Statement of Facts and Violations, the Hearing Panel may, pursuant to IDA By-law 20.33 and IDA By-law 20.34, impose any one or more of the following penalties:

Where the Respondent is/was an Approved Person:

- (a) a reprimand;
- (b) a fine not exceeding the greater of:
 - (i) \$1,000,000 per contravention; and

- (ii) an amount equal to three times the profit made or loss avoided by such Approved Person by reason of the contravention.
- (c) suspension of approval for any period of time and upon any conditions or terms;
- (d) terms and conditions of continued approval;
- (e) prohibition of approval in any capacity for any period of time;
- (f) termination of the rights and privileges of approval;
- (g) revocation of approval;
- (h) a permanent bar from approval with the IIROC; or
- (i) any other fit remedy or penalty.

Where the Respondent is/was a Member firm:

- (a) a reprimand;
- (b) a fine not exceeding the greater of:
 - (i) \$5,000,000 per contravention; and
 - (ii) an amount equal to three times the profit made or loss avoided by the Member by reason of the contravention;
- (c) suspension of the rights and privileges of the Member (and such suspension may include a direction to the Member to cease dealing with the public) for any period of time and upon any conditions or terms;
- (d) terms and conditions of continued Membership;
- (e) termination of the rights and privileges of Membership;
- (f) expulsion of the Member from membership in the IIROC; or
- (g) any other fit remedy or penalty.

TAKE FURTHER NOTICE that as the Respondents have admitted that they did commit the contraventions as agreed to in the Statement of Facts and Violations, the Hearing Panel may pursuant to IDA By-law 20.49 assess and order any investigation and prosecution costs determined to be appropriate and reasonable in the circumstances.

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