

IN THE MATTER OF: THE SECURITIES ACT

-and-

IN THE MATTER OF: MAX SYSTEMS INC., BARRY BANEK, SHAWN RATTAI AND
RONALD M. FRANK

SECOND AMENDED
STATEMENT OF ALLEGATIONS OF STAFF OF THE
MANITOBA SECURITIES COMMISSION

STAFF OF THE MANITOBA SECURITIES COMMISSION ALLEGE, INTER ALIA, THAT:

A. REGISTRATION

1. None of Max Systems Inc. ("Max Systems"), Barry Banek ("Banek"), Shawn Rattai ("Rattai") and/or Ronald M. Frank ("Frank") (collectively, the "Respondents") is now or ever have been registered in any capacity under the Act;
2. On August 25, 1995 Max Systems filed a Form 23 Notice of Intention to Trade in a Security with the Commission.
3. No Form 27, Notice of Termination was filed with the Commission.

B. DETAILS

1. On October 5, 1995, a letter from Staff of the Commission was sent to Max Systems, to the attention of Banek, advising that the Offering Memorandum being circulated to members of the public was deficient in that it did not satisfy the requirements of Form 26 of the Regulation to the Act.
2. Notwithstanding the letter, Banek, Rattai and Frank continued to trade in securities to the public.
3. On or about October 9, 1996 Max Systems advised staff of the Commission that trades in securities of Max Systems had been completed as follows:

<u>Name</u>	<u>Amount</u>	<u>Date</u>	<u>Number of Shares</u>
<i>Investor C</i>	\$35,000.	Nov./95	100,000
<i>Investor H</i>	\$35,000.	Oct./95	100,000
<i>Investor S</i>	\$5,000.	Dec./95	14,286
<i>Investor N</i>	\$10,000.	Dec./95	28,572
<i>Investor DS</i>	\$5,000.	Dec./95	14,286
<i>Investor R</i>	\$10,000.	Nov./95	28,572
<i>Investor RS</i>	\$0.00	Aug./95	10,000

Investor CF

\$100,000.

Aug./95

300,000

4. Investigation by staff has revealed that Investor CF's investment was taken from the committee of her estate and that the Respondents knew or ought to have known that the investment in securities of Max Systems was highly speculative and not a suitable investment for the estate of a minor person.

C. ALLEGATIONS

1. Staff of the Commission allege that:

(a) the Respondents traded in securities without being registered;

(b) the Respondents traded in securities of Max Systems without having filed and received a receipt for a prospectus;

(c) the Respondents traded in securities after being advised that the offering document they were providing to investors was deficient and not in accordance with the requirements of the Act;

(d) the Respondents traded in securities to the estate of Investor CF, a minor, knowing that the investment was highly speculative and without giving due consideration to the appropriateness or not of the investment;

(e) the Respondents orally represented, stated, or gave undertakings as to the future value or price of the securities of Max Systems and as to the potential for the securities to be listed on a stock exchange with the intent of effecting a trade;

(f) the Respondents made oral and written representations which were false or misleading, including a failure to divulge pertinent information, to investors in the course of trading in securities;

(g) without limiting the extent of any deficiencies in the offering documents referred to above at paragraph C.1.(c), the Respondents made false or misleading statements, written and/or oral, with respect to material facts, or omitted to state material facts the omission of which made statements of the Respondents false or misleading, to Commission staff in the matter of the investment by a committee of funds of the estate of a minor in Max Systems;

and that due to these allegations, none of Max Systems, Banek, Rattai and/or Frank should be entitled to use any of the exemptions set out in the Act and participate in the exempt markets in Manitoba in the future.

2. Such further and other matters as counsel may advise and the Commission may permit.

DATED at Winnipeg, Manitoba this 12th day of May, 2000.

Director – Legal & Enforcement

TO: MAX SYSTEMS INC., BARRY BANEK AND SHAWN RATTAI