

IN THE MATTER OF: THE SECURITIES ACT

-and-

IN THE MATTER OF: ROBERT CHARLES NAPPER

AMENDED STATEMENT OF ALLEGATIONS OF STAFF OF THE  
MANITOBA SECURITIES COMMISSION

STAFF OF THE MANITOBA SECURITIES COMMISSION ALLEGE, AMONG OTHER THINGS, THAT:

A. REGISTRATION

1. Robert Charles Napper ("Napper") has been registered continuously under The Securities Act (the "Act") since 1993. He was first registered as a salesman for Moss Lawson & Company Limited commencing May 26th, 1993 and was so continuously registered until May 3rd, 1995. Commencing May 4th, 1995 to the present time Napper has been registered as a salesman with Wellington West Capital Inc.
2. At all material times Napper was not registered to deal with securities in the province of Saskatchewan.
3. Wellington West Capital Inc. has been continuously registered as a Broker and Investment Dealer under the Act since October 21, 1993.

B. ACTIVITIES

The Gs

1. GG and MG (MG together with GG, the "Gs") were at all material times residents of Manitoba and clients of Napper. The Gs first became clients of Napper in November 1995.
2. Prior to becoming a client of Napper's, GG had invested in stocks, mutual funds, limited partnerships, options, bonds and commodities. MG's prior experience was investing in stocks, bonds and mutual funds.
3. At the time they became Napper's clients, the Gs signed new account application forms which recorded information concerning their investing experience, their net worth and their investment objectives.
4. MG's new account application form dated November 24, 1995 indicates investment objectives of long term growth and short term trading, which objectives remained unchanged. MG executed a limited power of attorney which appointed GG her attorney for the purposes of instructing Wellington West concerning trading activity on her account.

5. GG's new account application form dated November 23, 1995 indicates investment objectives of long term growth for his RRSP account. A subsequent new account application form dated January 11, 1996 showed his investment objectives to be income and long-term growth.

#### KWG Resources

6. In early 1996 Napper recommended GG purchase shares of KWG Resources Inc. ("KWG"), a Canadian mining company. In connection with this recommendation Napper advised that:

(a) Wellington West Capital Inc. had worked very closely with KWG;

(b) That Charles Spiring, a trading official of Wellington West and Pierre Gauthier, president of KWG were very close friends and Charles Spiring was very familiar with all the operations;

(c) That the shares of KWG which were trading at the time at under \$20.00 per share were expected to go up in value and that "it would be another Bre-X";

7. GG advised Napper that he was not interested if the investment was risky and was assured by Napper that the investment was not risky.

8. GG purchased 1,300 shares of KWG on February 29, 1996 for \$23,887.50 using MG's trading account.

9. Approximately one week following the purchase of the KWG shares their value decreased. When questioned about the share value Napper represented to GG that the share value would be increasing after a major announcement which was to be made by KWG. Based upon these representations and on the recommendation of Napper, GG purchased a further 1,000 shares of KWG for \$16,500.00 on March 12, 1996 using MG's account.

10. Subsequent to the purchase the KWG shares continued to decline in value.

#### Turbodyne Technologies Inc.

11. In the Spring of 1996 Napper recommended that GG purchase shares of Turbodyne Technologies Inc. ("Turbodyne") which were being offered by way of private placement in Manitoba.

12. A private placement is exempt from the Act if a purchaser acquires securities in accordance with the requirements of the Act with a aggregate acquisition cost of \$97,000.00 or more.

13. Napper represented to GG that the Turbodyne shares could be purchased at \$5.00 per share however there was a minimum subscription amount of \$100,000.00 for 20,000 shares. With that purchase GG would also receive 10,000 warrants (the "Turbodyne Placement"). On being exercised 2 warrants would entitle the holder to acquire 1 Turbodyne share at a price of \$5.50 per share.

14. At the time that GG was approached by Napper to purchase the Turbodyne Placement, Turbodyne shares were being quoted over the counter at approximately \$9.00 per share. Napper suggested that GG short sell the shares on the basis that on completing the private placement when the shares became unrestricted he would be able to cover his short position. Napper advised GG that the short sale should be done through a different broker as it would not look good if the shares were shorted at Wellington West.

15. GG advised Napper he did not have the \$100,000.00 necessary to purchase the Turbodyne Placement. Napper suggested that GG enlist a second person to make a joint purchase of the Turbodyne shares pursuant to the Turbodyne Placement.

16. In discussing the concept of two persons buying a private placement Napper advised GG that he should not tell anyone about the arrangement as it was contrary to the Regulations to the Act. Napper further advised that there was a group of persons at his office buying shares on this basis and splitting the cost.

17. GG enlisted JP to invest money along with the Gs, such that between the two of them they could purchase securities of Turbodyne pursuant to the Turbodyne Placement at \$5.00 per share

18. In March 1996, Napper received a cheque from WP (the spouse of JP) in the amount of \$50,000.00. The source of funds for the cheque included proceeds from the sale of mutual funds, savings, a cash advance on a life insurance policy and a cash advance on a credit card.

19. On March 22, 1996, Napper confirmed the purchase of Turbodyne shares would be made using MG's account. Shortly after receiving this confirmation GG arranged to short sell the shares through Scotia Discount Brokerage.

20. There was a delay in receiving the Turbodyne shares which Napper advised was due to the fact that the offering of the Turbodyne Placement had been oversold.

21. Both GG and JP had, in addition to their accounts with Wellington West, accounts with other securities dealers. Napper suggested that if GG and JP transferred all of their securities accounts over to Wellington West they would have a better chance of acquiring Turbodyne shares. Both the Gs and the Ps did transfer their accounts to Wellington West on this recommendation.

22. The Turbodyne shares and warrants were not actually purchased until July 31, 1996. The purchase was made in MG's account. Subsequently shares of Turbodyne were transferred to the Ps' accounts as instructed by MG.

23. Napper arranged for the execution of the subscription agreement with respect to the Turbodyne Placement by MG, including the execution of a Form 8 report which is required to be filed with the Commission in connection with a trade made pursuant to the private placement provisions of the Act (the "Gs Form 8"). MG executed the Gs Form 8 on June 24, 1996. The Gs Form 8 was filed with the Commission on July 15, 1996.

Central Asia Goldfields Corporation

24. Napper also suggested that GG purchase shares in Central Asia Goldfields Corporation ("Central Asia"). Napper advised GG that Central Asia was a mining company which was actually producing gold and as such there was no risk that the shares would decline in value. If they did decrease in value Napper promised GG he would cover any losses by not charging commissions on future transactions.

25. On March 7, 1997 GG purchased 7,700 shares of Central Asia for \$10,087.00. On March 10, 1997 GG purchased a further 12,300 shares of Central Asia for \$16,263.00. The share value subsequently declined significantly.

26. In a subsequent conversation with Charles Spiring, GG discovered that Central Asia had been split into two companies, one which was involved in gold production, the other being involved in exploration and that the shares Napper recommended were for the exploration company.

Prevent Co Inc.

27. In September 1996 Napper suggested that GG purchase shares of Prevent Co Inc. ("Prevent Co"). Napper indicated that the shares were trading that day at \$3.15 per share. Napper recommended GG short sell as many Prevent Co shares as possible as on the following Monday he would be able to purchase as many Prevent Co shares as he wanted at \$3.00 per share.

28. On September 11, 1996 and September 12, 1996 GG sold short shares of Prevent Co. On September 17, 1996, GG purchased shares to cover his short position at a lower price than the short sale price.

29. Shortly after purchasing the Prevent Co shares to cover the short position, Napper contacted GG seeking permission to reverse all transactions in the Prevent Co because Wellington West was a promoter for the issuance of the Prevent Co shares. Napper advised GG that he was reprimanded for shorting stock that Wellington was promoting. GG agreed to reverse the transactions.

The Ps

30. JP and WP (WP together with JP the "Ps") were at all material times clients of Napper. The Ps were residents of Saskatchewan between May 1992 and July 1996.

31. The Ps first met Napper in early 1996 having been introduced to Napper through GG. The Ps' opened trading accounts with Napper while still resident in Saskatchewan.

32. Prior to dealing with Napper, the Ps had a securities account with Richardson Greenshields. While a client of Richardson Greenshields, the Ps had purchased mutual funds, bonds and shares in JP's employer. The Ps had no other prior experience in investing in common shares, preferred shares or partnership units. JP considered himself to have only minimal knowledge in investing.

Turbodyne Technologies Inc.

33. Based upon advice from Napper as described in paragraphs 15 and 16 above, GG approached the Ps about pooling funds to purchase Turbodyne shares on a private placement basis.

34. Subsequent to being approached by GG, Napper telephoned JP to discuss his purchasing shares in Turodyne on a private placement basis.

35. Napper advised JP that the Turbodyne shares were being sold in \$100,000.00 allotments at \$5.00 per share. The shares would be restricted and could not be resold for a period of 90 days from the date of purchase. Napper further told JP that if the shares were restricted for longer than 90 days Turbodyne would issue a warrant for ½ a Turbodyne share as compensation.

36. Napper explained to JP that the Turbodyne shares were being purchased as a private placement which was normally done in \$100,000.00 installments. In this case JP and GG would be purchasing together with the purchase registered in MG's name only and made on MG's account. Half the shares would then be transferred from GG's account into the Ps' accounts. In total, the JP understood he would be entitled to 10,000 shares and 10,000 warrants to purchase ½ a Turbodyne share at \$5.50 per share exercisable for up to 12 months from the day the shares became freely tradeable.

37. Napper advised JP that Turbodyne shares were trading at \$9.00 per share and that this would be a safe investment for the Ps.

38. In early 1996 Napper mailed a Wellington West New Account Form to JP who completed name and address information and mailed it back to Napper. After mailing it back, Napper advised JP that the money to purchase the Turbodyne Placement would be required at the beginning of April 1996.

39. Napper received a cheque from WP in the amount of \$50,000.00. The source of funds for the cheque included proceeds from the sale of mutual funds, savings, a cash advance on a life insurance policy and a cash advance on a credit card.

40. JP instructed Napper that the Turbodyne shares to be purchased should be registered in WP name. An account was opened for WP at Wellington West, notwithstanding the Napper never met WP nor talked to her at any time about opening an account or purchasing the Turbodyne shares.

41. When questioned by JP, Napper explained the delay between the date Wellington West received the money and the date of the actual purchase was due to some problems with the securities commissions in Ontario and British Columbia respecting Turbodyne.

42. Contrary to Napper's advice, the Turbodyne Shares did not become unrestricted until July 2, 1997 and the Turbodyne Warrants expired July 2, 1997 as well.

Central Asia Goldfileds Inc.

43. Napper also suggested that JP purchase shares in Central Asia. Napper told JP that Central Asia was operating a gold producing mine in Russia.

44. Napper advised JP that Central Asia was a good opportunity as the share prices had dropped substantially and there was no reason for the drop other than the fact that an institutional buyer was selling its position. Once the position was sold the price would go up once again.

45. Napper did not discuss with the Ps the risks involved in buying shares in Central Asia Gold.

46. On March 11, 1997 WP purchased 4,000 shares of Central Asia Gold shares at \$1.35 per share for total consideration of \$5,400.00. The share value subsequently declined.

47. JP subsequently discovered that in fact Central Asia was involved in exploration and not gold production.

Prevent Co. Inc.

48. In the spring of 1997, Napper suggested that JP purchase shares of Prevent Co. Napper indicated that the shares could be purchased through Wellington West at \$3.00 per share even though they were already trading that day at over \$3.00 per share. Napper recommended JP short sell as many Preventco shares as possible and then he would be able to purchase as many Preventco shares as he wanted at \$3.00 per share and obtain an instant profit.

49. JP asked Napper if this scheme was "above board" and was assured by Napper that it was legitimate.

50. On September 10, 1996, JP short sold 8,000 shares of Prevent Co. and on September 12 purchased 8,000 shares of Prevent Co to cover the position at a lower price. Napper telephoned JP and advised that he had made \$3,200.00 on the transaction and the profits would be in his account in 3 days.

51. Napper subsequently contacted JP to advise him the Prevent Co was not happy with what had happened with the transaction and that Wellington West would be reversing his transaction. JP objected to the transactions being reversed. The transactions were reversed on September 17, 1996.

The MTS Offering

52. In late 1996 The Manitoba Telephone System, a crown corporation wholly owned by the Province of Manitoba. Pursuant to The Reorganization Act provided for the reorganization of the capital structure of The Manitoba Telephone System to become a share capital corporation known as Manitoba Telecom Services Inc. ("MTS").

53. Pursuant to The Reorganization Act the authorized share capital of MTS consists of an unlimited number of common shares, an unlimited number of preference shares and one special share. In order to effect the reorganization, 70,000,000 common shares and the one special share

were issued to the Province of Manitoba. Common shares would then be acquired by a group of underwriters who would distribute the shares to the public by way of an initial public offering by secondary distribution pursuant to a prospectus.

54. On December 20, 1996 MTS filed with the Commission and obtained a receipt from the Director for a prospectus (the "Final Prospectus") qualifying the distribution of 70,000,000 common shares of MTS (the "MTS Shares"). The offering of the shares to the public was done by way of an underwriting group which included Wellington West (the "MTS Offering").

55. The MTS Offering consisted of three parts: the offering of MTS shares in all the provinces of Canada (the "National Offering"), the offering of Common Shares to Manitoba residents only pursuant to an installment plan for which installment receipts (the "Installment Receipts") were issued (the "Installment Offering"), and an offering to MTS employees pursuant to an employee share plan (the "Employee Offering"). Of the 70,000,000 shares being offered, 50,540,706 were reserved to be issued pursuant to the Installment Offering.

56. Commission Order No. 1509, dated October 29, 1996, was issued permitting certain activities taking place in connection with the Installment Offering and the Employee Offering prior to a receipt being issued for the Final Prospectus.

57. To subscribe for Installment Receipts under the Installment Offering Commission Order No. 1509 required potential purchasers to complete a form which was referred to as a Priority Application Form Under the Installment Plan (the "PAF"). All PAFs had to be received by a Dealer, Registered Representative or Financial Institution (as those terms are defined in Commission Order No. 1509) no later than December 14, 1996.

58. The PAF was required to be completed in addition to whatever other documentation a registered dealer would require for trading on an account with that registered dealer. As an example, if the purchaser was not an existing client of the registered dealer, the registered dealer would complete the necessary documentation to establish an account with the registered dealer for the purchaser.

59. The underwriting group placed limits on the number of Installment Receipts that a person could subscribe for (the "Personal Allotment"). This limit was disclosed in the prospectus qualifying the MTS shares. The initial restriction was 4,000 Installment Receipts which was subsequently changed to 1,600 in the Final Prospectus.

60. An Installment Receipt entitled a holder to make two payments, the first payment of \$7.00 per MTS Share on or before January 7, 1997, the second payment of \$6.00 per MTS Share on or before January 8, 1998. Holders of Installment Receipts were afforded certain rights described in the Final Prospectus.

61. CIBC Wood Gundy Securities Inc., the lead underwriter with respect to the MTS Offering, circulated a memo dated December 12, 1996 to all members of the underwriting group as well as financial institutions forming part of the selling group to deal with certain inappropriate sales practices which have been identified as occurring. One of the points raised in the memo was that

the Commission had received reports that syndicate and selling group employees were counselling Manitobans to borrow the name and Social Insurance Numbers of other Manitobans for the purposes of exceeding their personal allotments. The memo stated that any such allocations were considered fraudulent.

#### Target Investment Club

62. After seeing reports in the media concerning an upcoming initial public offering of shares in MTS GG contacted Napper about the possibility of acquiring MTS Shares.

63. Napper originally advised GG that there was no limit on the number of MTS Shares he could purchase.

64. Napper also advised GG that Wellington West had access to information not generally available about the sale of MTS shares.

65. GG originally discussed with Napper purchasing \$600,000.00 in MTS Shares. Napper advised GG that he could buy even more than that without having to actually pay for the shares as they could be immediately resold in the secondary market. Napper described the secondary market as a "grey market" where shares would be pre-sold to persons not resident in Manitoba who could not purchase Installment Receipts in the Priority Offering.

66. GG understood from Napper that he would only have to pay for those shares he actually intended to hold onto.

67. Napper subsequently advised GG that there were restrictions on the number of shares that an individual could buy under the Installment Offering.

68. Napper told GG that he could approach any number of Manitoba residents who were eligible to purchase shares under the Installment Offering to see if they intended to buy Installment Receipts. If they did not, Napper advised GG to ask that person for permission to use their name and social insurance number so that GG could purchase that person's Personal Allotment for himself.

69. Napper told GG that Wellington West would have to open an account in the name of each of the persons whose names had been collected by GG.

70. Napper provided GG with a number of blank PAFs and Wellington West Account Opening Forms which were to be filled out for each person whose name and social insurance number GG was using to purchase additional MTS Shares.

71. In November 1996 GG provided Napper with a list of names and social insurance numbers to facilitate GG purchasing Installment Receipts in excess of his Personal Allotment.



72. Subsequently the Personal Allotment was changed again. Napper advised GG that instead of establishing separate accounts for each of the persons whose names and social insurance numbers he collected he should instead set up an investment club.

73. Napper provided GG with the documents required by Wellington West to establish a trading account for Target Capital Investment Club (the "Target Account"). Napper told GG to complete the documentation with the names and social insurance numbers of those people who were allowing their names to be used by GG. When GG could not arrange for individuals not living in Winnipeg to sign the documentation, Napper advised GG to "sign for them".

74. GG provided Napper with the list of names and social insurance numbers. Napper confirmed that the names would be needed for placing the order but all the shares purchased would go into GG's account after purchase.

75. GG arranged to borrow \$64,000.00 which was deposited to the Target Account on January 7, 1997. No other cash or securities were deposited to the account except for the Installment Receipts which GG subscribed for utilizing his name and the other names provided to Napper.

76. On January 7, 1999 GG subscribed for 24,000 Installment Receipts for consideration of \$168,000.00.

77. GG intended to hold the shares, however shortly after January 7, 1999 he was contacted by Napper. Napper contacted GG to tell him that the Commission was looking into the MTS Offering. Napper advised GG to sell the Installment Receipts saying it would be a favour to Napper.

78. GG sold the Installment Receipts on January 24, 1997 from the Target Account and repurchased them through an account he held with TD Greenline.

#### Turbo Investment Club

79. Napper advised JP that he should be investing in the MTS Offering.

80. Napper initially advised JP that he would not have to put up any money to purchase MTS Shares because there would be an over the counter market where he would be able to immediately resell the shares before he would be required to deposit money for the purchase into his account.

81. Napper also advised Ps that he would have 48 hours to cancel any purchase from the date the MTS Shares started trading such that if the price dropped he could simply cancel the order.

82. If JP wanted to retain any MTS Shares, Napper advised him that those shares could be purchased on margin.

83. Napper advised JP there was no risk of loss in the transaction.

84. Napper subsequently advised JP that there were restrictions on the number of shares that an individual could buy under the Installment Offering.

85. Napper told JP that he could approach any number of Manitoba residents who were eligible for purchasing shares under the Installment Offering to see if they intended to buy shares. If they did not, JP could ask that person for permission to use their name and social insurance number so that JP could purchase that person's Personal Allotment for himself.

86. JP recruited a number of people for the purpose of purchasing MTS Shares for himself in excess of his Personal Allotment and was subsequently advised he would have to establish an investment club to carry out the scheme. Napper provided JP with the documents required to open a trading account with Wellington West for the Turbo Investment Club (the "Turbo Account"). He was instructed to have the documents signed and return them to Wellington West.

87. A trading account was opened for Turbo Investment Club.

88. After establishing the Turbo Investment Club, JP was advised that the purchase of Installment Receipts could not be made on margin and that there would have to be cash in the Turbo Investment Club account to cover all purchases.

89. Napper advised JP that since he was the one putting up all the money for the shares he would be the one to receive all the profits or assume the liabilities if there were losses.

90. On January 7, 1999 JP purchased for himself through the Turbo Investment Club 10,000 Installment Receipts for consideration of \$70,000.00.

91. In addition to the Turbo Investment Club, Napper opened a trading account in the name of DJ, a friend of JP whose name and social insurance number was given to Napper. Napper executed a purchase of 1,600 Installment Receipts in DJ's name. Napper never had any contact with DJ.

92. Subsequent to the MTS Offering JP questioned Napper about the legality of the investment club and was advised by Napper that everything had been done appropriately.

### C. ALLEGATIONS

93. Staff of the Commission allege that with respect to Napper's dealings with the Gs:

(a) Napper acted improperly and contrary to the public interest in misrepresenting to GG that the investment in KWG was low risk when he was aware the Gs were not interested in an investment with significant risk;

(b) Napper acted improperly and contrary to the public interest in suggesting to GG that an officer of Wellington West had inside information about KWG which was not generally available;

(c) Napper acted improperly and contrary to the public interest in recommending GG engage in a scheme which Napper knew or ought to have known was contrary to the Act and Regulations in suggesting GG pool funds with other purchasers to come up with \$97,000.00 to purchase securities in Turbodyne in purported reliance on section 90 of the Security Regulations;

(d) Napper did acts in furtherance of trades in securities in the course of a primary distribution to the public without there having been filed with the Commission both a preliminary prospectus and a prospectus and receipts therefore having been obtained from the director in respect of the offering of those securities, contrary to section 37 of the Act in recommending to GG that he engage in a scheme which Napper knew or ought to have known was contrary to the Act and Regulations in suggesting GG pool funds with other purchasers to come up with \$97,000.00 to purchase securities in Turbodyne in purported reliance on section 90 of the Security Regulations;

(e) Napper did trades in securities in the course of a primary distribution to the public without there having been filed with the Commission both a preliminary prospectus and a prospectus and receipts therefore having been obtained from the director in respect of the offering of those securities, contrary to section 37 of the Act in executing trades on behalf of the Gs which Napper knew or ought to have known was contrary to the Act and Regulations in that Gs pool funds with other purchasers to come up with \$97,000.00 to purchase securities in Turbodyne in purported reliance on section 90 of the Security Regulations;

(f) Napper acted improperly and contrary to the public interest in assisting MG in executing the Gs Form 8 for the purpose of filing the Gs Form 8 with the Commission to purportedly rely upon section 90 of the Security Regulation in connection with the purchase of Turbodyne shares by the Gs and the Ps when he knew or ought to have known that the Gs and Ps had, in accordance with his suggestion, pooled funds to purchase the Turbodyne shares contrary to the Act and Regulations.

(g) Napper acted improperly and contrary to the public interest in suggesting to GG that his trades would be processed more quickly if he transferred all of his securities accounts with other broker dealers registered under the Act to Wellington West.

(h) Napper acted improperly and contrary to the public interest in misrepresenting to GG that the investment in Central Asia Gold was low risk when he was aware the Gs were not interested in an investment with significant risk;

(i) Napper acted improperly and contrary to the public interest in recommending the Gs short sell shares in Preventco when Preventco shares were being offered at a price below current market price in an offering where Wellington West was a promoter of the offering;

(j) Napper acted improperly and contrary to the public interest in recommending GG obtain the name and social insurance numbers of Manitoba residents such that GG would be able to acquire MTS Shares in excess of the Personal Allotment, contrary to specific instructions from the lead underwriter that such a practice was considered fraudulent;

(k) Napper acted improperly and contrary to the public interest in providing GG with blank PAFs and Wellington West Account Opening Forms with instructions on how to complete same so that it appeared that those persons were purchasing the MTS Shares which GG would acquire in excess of the Personal Allotment;

(l) Napper acted improperly and contrary to the public interest in providing GG with documentation and assistance for the establishment of Target Capital Investment Club and opening the Target Account when he knew or ought to have known the purpose of establishing the investment club was to permit GG to purchase MTS Shares in excess of his Personal Allotment.

(m) Napper acted improperly and contrary to the public interest in advising GG to sell his MTS Shares to obstruct what he believed to be a possible investigation by Commission Staff into GG purchasing more than his Personal Allotment.

2. Staff of the Commission allege that with respect to Napper's dealings with the Ps:

(a) Napper acted improperly and contrary to the public interest in soliciting trades by, opening accounts for, and effecting trades on behalf of the Ps while they were resident in Saskatchewan without being registered in Saskatchewan to deal in securities.

(b) Napper acted improperly and contrary to the public interest in recommending JP engage in a scheme which Napper knew or ought to have known was contrary to the Act and Regulations in suggesting the Ps pool funds with other purchasers to come up with \$97,000.00 to purchase securities in Turbodyne in purported reliance on section 90 of the Security Regulations;

(c) Napper did acts in furtherance of trades in securities in the course of a primary distribution to the public without there having been filed with the Commission both a preliminary prospectus and a prospectus and receipts therefore having been obtained from the director in respect of the offering of those securities, contrary to section 37 of the Act in recommending to Ps that he engage in a scheme which Napper knew or ought to have known was contrary to the Act and Regulations in suggesting Ps pool funds with other purchasers to come up with \$97,000.00 to purchase securities in Turbodyne in purported reliance on section 90 of the Security Regulations;

(d) Napper did trades in securities in the course of a primary distribution to the public without there having been filed with the Commission both a preliminary

prospectus and a prospectus and receipts therefore having been obtained from the director in respect of the offering of those securities, contrary to section 37 of the Act in executing trades on behalf of the Ps which Napper knew or ought to have known was contrary to the Act and Regulations in that the Ps pool funds with other purchasers to come up with \$97,000.00 to purchase securities in Turbodyne in purported reliance on section 90 of the Security Regulations;

(e) Napper acted improperly and contrary to the public interest in suggesting to JP that his trades would be processed more quickly if he transferred all of his securities accounts with other broker dealers registered under the Act to Wellington West.

(f) Napper acted improperly and contrary to the public interest in misrepresenting to JP that the nature of the operations of Central Asia Gold;

(g) Napper acted improperly and contrary to the public interest in recommending that JP short sell shares in Preventco when Preventco shares were being offered at a price below current market price in an offering where Wellington West was a promoter of the offering;

(h) Napper acted improperly and contrary to the public interest in recommending JP obtain the name and social insurance numbers of Manitoba residents such that JP would be able to acquire MTS Shares in excess of the Personal Allotment, contrary to specific instructions from the lead underwriter that such a practice was considered fraudulent;

(i) Napper acted improperly and contrary to the public interest in providing JP with documentation and assistance for the establishment of Turbo Investment Club and opening the Turbo Account when he knew or ought to have known the purpose of establishing the investment club was to permit JP to purchase MTS Shares in excess of his Personal Allotment.

3. Staff of the Commission allege that with respect to Napper's dealings with DJ:

(a) Napper acted improperly and contrary to the public interest in opening a trading account in the name of DJ without obtaining authorization from DJ to do so.

(b) Napper acted improperly and contrary to the public interest in effecting trades in Installment Receipts on behalf of DJ without obtaining authorization from DJ to do so.

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

DATED at Winnipeg, Manitoba this "31st" day of January, 2000.

AS AMENDED this 16th day of October, 2000.

AS AMENDED this 28th day of February, 2001

Director - Legal

TO: ROBERT CHARLES NAPPER