

THE SECURITIES ACT) **Order No. 4440**
)
Subsections 8(1) and 148.1(1)) **April 28, 2004**

JOHN LAWRENCE REID

WHEREAS:

(A) On February 16, 2004, The Manitoba Securities Commission ("Commission") issued a Notice of Hearing ("Notice") giving notice of its intention to hold a hearing to consider, inter alia, whether or not it was in the public interest to grant an order pursuant to subsection 8(1) of The Securities Act ("Act") and an order pursuant to subsection 148.1(1) of the Act with respect to John Lawrence Reid ("Reid");

(B) Staff of the Commission and Reid entered into a Settlement Agreement (a copy of which is attached as Schedule "A") dated April 15, 2004 ("Settlement Agreement"), which proposed settlement of the proceedings initiated by the Notice, subject to the approval of the Commission;

(C) Reid has consented to the issuance of this Order and has waived his right to a full hearing;

(D) On April 28, 2004 the Commission held a hearing ("Settlement Hearing") to consider whether or not to approve the Settlement Agreement;

(E) At the Settlement Hearing the Commission approved the Settlement Agreement and is of the opinion that it is in the public interest to make this order.

IT IS ORDERED:

1. THAT the Settlement Agreement, Schedule "A", be and the same is hereby approved.

2. THAT pursuant to subsection 8(1) of the Act, a written reprimand be placed on Reid's registration file with the Commission relating to the matters set out in the Settlement Agreement.

3. THAT pursuant to subsection 148.1(1) of the Act, Reid pay an administrative penalty of \$5,000.00, to be paid within seven (7) days of the date of this Order.

4. THAT Reid's conduct and practices as a salesman registered under the Act continue to be closely supervised by an individual acceptable to and upon such terms as are deemed appropriate by the Director, Registrations of the Commission until and including June 30, 2004.

5. THAT Reid enroll in and successfully complete the Canadian Securities Institute Conduct & Practices Handbook course within nine (9) months of the date of this Order.

6. THAT Reid pay to the Commission costs in the amount of \$500.00 forthwith.

BY ORDER OF THE COMMISSION

Director, Legal and Enforcement

Settlement Agreement

John Lawrence Reid

and

The Staff of The Manitoba Securities Commission

The Manitoba Securities Commission
1130 - 405 Broadway
Winnipeg, Manitoba
R3C 3L6

SETTLEMENT AGREEMENT

A. Introduction

A1. On February 16th, 2004, The Manitoba Securities Commission ("Commission") issued a notice of hearing ("Notice of Hearing") giving notice of its intention to hold a hearing under The Securities Act to consider:

1. whether or not it is in the public interest to order, pursuant to subsection 8(1) of The Securities Act ("Act"), that the registration of John Lawrence Reid ("Reid") as a salesman under the Act be suspended, cancelled, or subject to terms or conditions and/or that Reid be reprimanded;
2. whether or not it is in the public interest to order, pursuant to subsection 148.1(1) of the Act, that Reid pay an administrative penalty;
3. whether or not it is in the public interest to order that Reid pay the costs of the investigation and the hearing;

such further and other matters and the making of such further and other orders as the Commission may deem appropriate.

A2. Discussions have been held between the respondent and staff of the Commission ("Staff") in an effort to settle the matters set out in the Notice of Hearing and Statement of Allegations dated February 16th, 2004 ("Proceedings"). The Respondent has been advised of his right to legal counsel and has waived that right. A settlement ("Settlement") has been reached based on the terms and conditions set forth in this agreement ("Settlement Agreement").

A3. Pursuant to the Settlement, Staff agrees to recommend to the Commission that the Proceedings initiated against the respondent be resolved and disposed of in accordance with the terms and conditions of this Settlement Agreement as set forth below. The respondent consents to the Settlement and to the making of the consent order referred to in paragraph D. below, on the terms and conditions set forth in this Settlement Agreement.

B. Statement of Facts

B1. John Lawrence Reid ("Reid") was first registered as a salesman under the Act on August 23, 1996 and thereafter has been registered as follows:

(a) from August 23, 1996 to November 10, 2003 with Manulife SecuritiesInternational Ltd. ("Manulife");

(b) from December 11, 2003 to present, under conditions of supervision, with another employer, being a Broker Dealer restricted to mutual funds.

B2. The registration of Reid under his current Certificate will expire on December 31, 2004, unless renewed.

B3. At all material times, Reid's employer was Manulife.

B4. Ms. Marshall became a client of Reid's in or about December of 1999.

B5. At the time, Ms. Marshall was in her early 50's, was recently divorced, and had an annual income of approximately \$20,000.00.

B6. For his part, Reid says that when Ms. Marshall became his client in or about December of 1999, he understood that Ms. Marshall planned to work until age 60 and planned to be teaching in the fall of 2000.

B7. As a result of her divorce, Ms. Marshall was to receive approximately \$240,000.00 from her former husband's pension. Ms. Marshall also had an RRSP account valued at approximately \$65,000.00. The RRSP was comprised of approximately two-thirds fixed income mutual funds and one-third equity mutual funds. These financial assets represented virtually all of Ms. Marshall's assets.

B8. Ms. Marshall's past investing experience was minimal.

B9. In or about December of 1999, Reid opened two accounts for Ms. Marshall: a LIF Account ("M's LIF Account") and an RRSP Account ("M's RRSP Account") - (collectively, M's Accounts").

B10. In opening M's Accounts, Reid assessed Ms. Marshall's risk tolerance to be 60% Medium and 40% High. The investment objectives were stated as 100% Long-term capital.

B11. In or about January 2000, the RRSP monies in the amount of \$64,696.25 were forwarded to Reid and invested by him through M's RRSP Account.

B12. In or about February of 2000, the pension monies from the divorce in the amount of \$239,794.40 were forwarded to Reid and invested by him through M's LIF Account.

B13. In total, Ms. Marshall entrusted Reid with \$304,490.65 to invest ("M's Monies").

B14. The specific mutual funds into which M's Monies were invested, and the amounts allocated to each, were recommended by Reid. At all material times, Ms. Marshall trusted Reid and relied upon his expertise, advice and recommendations.

B15. Reid invested 100% of M's Monies into equity mutual funds.

B16. Of the equity funds chosen, approximately two-thirds of the funds were based on single sectors or on international companies.

B17. By August of 2002, approximately 2 and one-half years after the inception of M's Accounts, M's Accounts had suffered a loss of approximately \$89,000.00 or 29% of the original amount.

C. Acknowledgements

C1. Reid acknowledges and agrees that he acted contrary to the public interest in that he:

(a) recommended investments and provided investment advice and recommendations that resulted in an unsuitable portfolio;

(b) failed to follow the Know Your Client Rule thereby exposing Ms. Marshall to unnecessary risk, including the assessment of the client's risk tolerance.

D. Terms of Settlement

D1. In order to effect a resolution of the issues raised by the Notice of Hearing, Staff and the respondent have entered into this Settlement Agreement. Upon this basis, Staff seek an order ("Consent Order") from the Commission pursuant to subsections 8(1) and 148.1(1) of the Act that:

(a) the Settlement Agreement be approved;

(b) pursuant to subsection 8(1) of the Act, a written reprimand be placed on Reid's registration file with the Commission relating to the matters set out in this Settlement Agreement;

(c) pursuant to subsection 148.1(1) of the Act, Reid pay an administrative penalty of \$5,000.00, to be paid within 7 days of the date of the Order;

(d) Reid's conduct and practices as a salesman registered under the Act continue to be closely supervised by an individual acceptable to and upon such terms as are deemed appropriate by the Director, Registrations of the Commission until and including June 30, 2004;

(e) Reid enroll in and successfully complete the Canadian Securities Institute Conduct & Practices Handbook course within nine (9) months of the date of the Order;

(f) Reid pay to the Commission costs in the amount of \$500.00 to be paid forthwith upon approval of the Settlement Agreement.

E1. The approval of this Settlement Agreement and the making of the Consent Order set out in this Settlement Agreement shall be sought at a public hearing pursuant to the Notice of Hearing.

E2. Staff and the respondent agree that if this Settlement Agreement is approved by the Commission, it will constitute the entirety of the evidence to be submitted to the Commission in connection with the Proceedings and the respondent hereby waives his right to a full hearing and appeal of this matter.

E3. If, for any reason whatsoever, this Settlement Agreement is not approved by the Commission or the Consent Order referred to in paragraph D. above is not made by the Commission, Staff will be entitled to proceed with the hearing commenced by the Notice of Hearing unaffected by this Settlement Agreement or the settlement discussions. If this Settlement Agreement is not approved or the Consent Order set out in paragraph D. above is not made by the Commission, the terms of this Settlement Agreement will not be raised in the Proceedings or in any other proceeding.

E4. Staff and the respondent agree that if this Settlement Agreement is approved by the Commission and the Consent Order made upon the terms set out in this Settlement Agreement, this Settlement Agreement will be a public document.

E5. The respondent agrees that he will not raise in any proceeding this Settlement Agreement or the negotiation or process of approval of this Settlement Agreement as a basis for an attack on the Commission's jurisdiction, alleged bias, alleged unfairness or any other challenge that may be available.

E6. If this Settlement Agreement is approved by the Commission and the Consent Order is made upon the terms set out in this Settlement Agreement, neither Staff nor the respondent will make any statement inconsistent with this Settlement Agreement.

DATED at Winnipeg, Manitoba, this 12th day of April, 2004.

Witness

John Lawrence Reid

DATED at Winnipeg, Manitoba, this 15th day of April, 2004.

Staff of the Manitoba Securities Commission
per: Director, Legal and Enforcement