

IN THE MATTER OF:

THE SECURITIES ACT

and

IN THE MATTER OF:

PORTFOLIO STRATEGIES CORPORATION  
JOHN DAVID GRIFFITHS and  
RANDY KENNETH REYNOLDS

STATEMENT OF RESPONSE  
OF PORTFOLIO STRATEGIES CORPORATION

In answer to the Statement of Allegations herein, Portfolio Strategies Corporation ("PSC") says as follows:

1. Pursuant to s. 96 of the Constitution Act, 1982, the authority to determine civil claims and award financial compensation in the nature of damages is one of the "core functions" of a Superior Court appointed pursuant to s. 96. Any attempt by a provincial legislature to transfer this core function to any entity other than a s. 96 Superior Court is unconstitutional. Thus, sub-sections 148.2(3) and (4) of the Securities Act are unconstitutional and *ultra vires* the Legislature of the Province of Manitoba because they purport to confer a s. 96 power on a provincially appointed tribunal.

2. PSC had no knowledge of the alleged or any trades in "off book" product by Reynolds and/or Griffiths and says that any such transactions were unauthorized and prohibited both by PSC and the requirements of the self-regulatory organization of which the other Respondents were "Approved Persons". Moreover, PSC has no knowledge of the alleged claims of M.G., B.G.

and the estate of P.D., nor any knowledge of the circumstances under which they acquired "off-book" product from Reynolds and Griffiths, as alleged. By reason of the foregoing, no act occurred in the course of the employment of Reynolds and Griffiths by or which they were acting on behalf of PSC and no relief or remedy may be ordered under section 148.2 as alleged or at all.

4. Further, it is not "in the public interest" for the Manitoba Securities Commission (the "Commission") to order PSC to pay financial loss compensation to M.G., B.G. and the estate of P.D. where:

- the primary liability and financial wherewithal of Reynolds and Griffiths have not been tested;
- no act of PSC caused or contributed to the alleged or any loss or damage allegedly suffered by M.G., B.G., and the estate of P.D.; and
- no principle of liability exists in public law for a registrant such as PSC to be held liable for the conduct of others in the present circumstances; and
- such other particulars as counsel may provide.

4. Moreover, it would be unjust, contrary to the principles of procedural fairness, and contrary to applicable regulatory policy and principles for the Commission to require PSC to pay or be liable for the alleged claims of M.G., B.G. and the estate of P.D., when the alleged claims of M.G., B.G., and the estate of P.D. may be advanced in a civil trial or other due process in the Court of Queen's Bench of Manitoba.

WHEREFORE PSC seeks an Order that section 148.2 of the Securities Act is and be declared to be *ultra vires* the Legislature of the Province of Manitoba and invalid, inapplicable or inoperable.

FURTHER, PSC seeks an Order that this proceeding be dismissed summarily as against PSC and such further and other relief as counsel may advise.

DATED this 12th day of July, 2007.

TO: The DIRECTOR, Legal and Enforcement

AND TO: JOHN DAVID GRIFFITHS

AND TO: RANDY KENNETH REYNOLDS

AND TO: THEIR RESPECTIVE COUNSEL

This STATEMENT OF RESPONSE is given by Thomas Manson, Associate Counsel with the firm of Forstrom Jackson (File Number FOLI0766) solicitors for the Respondent PSC herein, whose place of business and address for delivery is Suite 1200 – 625 Howe Street, Vancouver, BC V6C 2T6 Telephone: (604) 661.0740 Fax: (604) 661-0759.