IN THE MATTER OF: THE SECURITIES ACT

-and-

IN THE MATTER OF: CHARLES EDWARD GRIFFITH

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. Charles Edward Griffith ("Griffith") is a resident of the City of Winnipeg, in the Province of Manitoba.

2. Griffith was first registered under The Securities Act ("Act") as a salesman on or about May 24, 1977 and was thereafter registered under the Act from time to time as a salesman.

3. At all material times Griffith was registered with Burns Fry Limited ("Fry") from June 5, 1992 until October 1, 1994 and with Nesbitt Burns Inc. ("Nesbitt") from October 1, 1994 to on or about January 8, 1999.

4. Nesbitt was registered as a Broker & Investment Dealer.

5. Following his employment with Nesbitt, Griffith was registered, under conditions of supervision, with a Broker Dealer restricted to mutual funds, from August 30, 1999 to March 26, 2001, at which time his employment terminated.

6. On March 26, 2001, his registration was suspended by The Manitoba Securities Commission ("Commission").

7. Griffith has not been registered under the Act since March 26, 2001.

B.DETAILS

Client - Ms. B

1. In or about August of 1994, Ms. B became a client of Griffith's. At the time, Ms. B was in her early 60's, retired, and recently divorced. Ms. B's annual income was approximately $45,000.00 in interim spousal maintenance and about $200.00 per month in pension.

2. Ms. B's past investment experience consisted of some Hydro bonds and GIC's. Ms. B did not want risky investments and was concerned about maintaining her capital.

3.A New Account Form was completed by Griffith which stated Ms. B's investment objectives as 50% income and 50% long-term growth and her investment knowledge as "Limited or Nil".

4.In August of 1994 a cash account was opened for Ms. B, which shortly thereafter became a margin account ("B's Margin Account").

5. In August of 1994, Ms. B provided Griffith with approximately $199,000.00 to be invested by him. Later, in or about September of 1995, a further $200,000.00 of inheritance money was received by Ms. B and forwarded to Griffith for investment.

6. Ms. B trusted Griffith to act in accordance with her best interests.

7. Commencing in or about June of 1995, Griffith began to utilize a trading style in B's Margin Account consisting of the purchase, and quick sale, of new issue securities.

8. This trading style continued beyond 1995 such that numerous short-term trades of new issue securities were made in B's Margin Account from June 1995 through to and inclusive of part of 1998.

9. Overall, from its inception to December 1998, B's Margin Account suffered a total loss of approximately $135,873.00, which was, after taking into account withdrawals, almost one-half of its net original capital.

10. In addition, commencing in or about February of 1997 and continuing through to December of 1998, Griffith's use of margin in B's Margin Account was consistent and excessive.

11. For the period of February of 1997 to December of 1998, the average outstanding loan at the end of each month was in excess of $184,000.00. The maximum amount of the loan occurred in November of 1997 when it reached in excess of $800,000.00.

12. During this period of 1997 and 1998, B's Margin Account lost approximately $271,000.00.

13. B's Margin Account incurred margin interest costs of approximately $21,214.00.

14. In 1997 and 1998, the level of turnover in B's Margin Account exceeded acceptable industry levels.

Client - Mr. C

15. In or about February 1997, Mr. C became a client of Griffith's. Mr. C was 65 years of age and retired, with an annual income of approximately $20,000.00.

16. At the time that Mr. C became a client of Griffith's, Mr. C had had past investment experience in stocks, mutual funds, and bonds. He did not have experience in buying new issues or in utilizing a margin account.

17. Mr. C had approximately $500,000.00 in investments, a significant portion of which were fixed income investments. Mr. C intended to transfer his investments to Griffith in order to invest in secure investments, including some bank stocks.

18. In or about February of 1997, a New Account Form was completed by Griffith ("February 97 NAF") which stated Mr. C's investment objectives as 50% income and 50% moderate growth and his investment knowledge as "Limited".

19. Two accounts were opened for Mr. C - a margin account and an RRSP account (respectively, "C's Margin Account" and "C's RRSP Account").

C's Margin Account

20. When C's Margin Account was established in February of 1997, its initial value was approximately $179,701.00.

21. By the end of December of 1998, C's Margin Account had incurred a loss of approximately $48,429.00.

22. The main investment activity in C's Margin Account had been the purchase and sale of new issue securities. The majority of these new issue securities were sold within two months of having been purchased.

23. For 1997 and 1998, the level of turnover in C's Margin Account exceeded acceptable industry levels.

24. In addition, for the period of April of 1997 continuing through to December of 1998, Griffith's use of margin in C's Margin Account was consistent and excessive.

25. From the inception of C's Margin Account in February of 1997 to December of 1998, the average outstanding loan at the end of each month was approximately $70,257.00.

26. During the 1997 and 1998 period, C's Margin Account incurred margin interest costs of approximately $11,121.00.

C's DAP Account

27. In or about December of 1997, a second New Account Form was prepared by Griffith ("December 97 NAF") with which Griffith opened a third account for Mr. C - a Cash on Delivery account ("C's DAP Account"). The December 97 NAF now stated the investment objectives to be 100% aggressive trading.

28. In February of 1998, $250,000.00 worth of shares of Pipe NT Corp ("Pipe Shares") were purchased in the DAP Account and then immediately sold.

29. The Pipe Shares were sold through an account opened at another broker ("Outside Account"). The Outside Account had been opened in or about December 1997 at the recommendation of Griffith.

C's RRSP Account

30. C's RRSP Account was opened in February of 1997. The starting value was $325,102.00. A significant portion of C's RRSP Account consisted of fixed income assets.

31. In October of 1997, three new issue securities were purchased. As a result, C's RRSP Account had a negative cash balance of approximately $438,281.00.

32. In November of 1997, Griffith liquidated fixed income investments to pay for the purchases of new issue equity securities that had occurred in October.

33. By the end of December of 1998, the value of C's RRSP Account had been reduced to $251,964.00, thereby having incurred a loss over the 1997 and 1998 period of $73,138.00.

Discretionary Trading

34. During the 1997 year, Griffith conducted transactions without the prior knowledge, authorization, and consent of Mr. C, including the following:

Security Purchased	**Settlement Date**	**Quantity**	**Value**	**Account**
Genesis Exploration Ltd.	Oct. 3/97	21,200	$190,800	Margin
Harrowston Inc.	Oct. 28/97	20,000	$125,000	RRSP

35. After having discovered the acquisition of the Genesis securities shown above, Mr. C wanted to sell the securities and purchase safer securities. Griffith recommended to Mr. C that he not sell. Mr. C followed the advice of Griffith.

36. After having discovered the acquisition of the Harrowston securities shown above, Mr. C was concerned and contacted Griffith. Griffith reassured Mr. C that the Harrowston securities in question would be sold.

37. By the end of 1997, as a result of Mr. C's concern for Griffith having conducted transactions without his permission and his concern for the kind of stocks which had been purchased, Mr. C had blatantly instructed Griffith not to trade any further without his permission.

38. In February of 1998, Griffith purchased the Pipe Shares in C's DAP Account, without the prior knowledge, authorization, and consent of Mr. C.

General

39. As to the handling of Mr. C's investments and as to the use of a margin account at all, Mr. C trusted Griffith to act in accordance with his best interests.

Client - Ms. MF and Mr. BF

40. In December of 1994, BF opened a joint cash account for his mother, MF, who was the primary account holder. MF was 78 years of age and resided in a senior's care facility. BF was authorized to make decisions for the account ("The F Account").

41. In addition to some monies in a RRIF account, the monies in The F Account were relied upon by MF to pay her living expenses.

42. BF understood from Griffith that the money would be kept in safe, guaranteed investments like bonds.

43. At the time of the opening of The F Account, the client's objectives were stated as 100% "income". MF's investment knowledge was stated as "Limited or Nil".

44. At the outset, the investments in The F Account were fixed income debentures and bonds.

45. Commencing in June of 1995, at the direction of Griffith, The F Account was changed to a margin account and a pattern of short-term trading began. The short-term trading included purchases and subsequent sales of new issue securities.

46. For the period of July 1995 to November 1998, the level of turnover in The F Account far exceeded acceptable industry levels.

47. In addition, from time to time in 1996 and, thereafter, consistently during the period of February 1997 through to November 1998, Griffith's use of margin in The F Account was excessive.

48. For the period of February of 1997 to November of 1998, the average outstanding loan at the end of each month was almost $200,000.00. The loan reached its highest amount in November of 1997, when it was in excess of $550,000.00. The account value in November of 1997 was less than $200,000.00.

49. From its inception in December 1994 to November 1998, The F Account lost almost $163,000.00.

50. In order to convert The F Account into a margin account in June of 1995, a new Client Account Form had been completed, which changed the client's investment objectives to include 50% moderate growth. MF's personal circumstances however had not changed. Thereafter, in November of 1997, at Griffith's suggestion, the name of the account holder for The F Account was changed to BF's name alone. Furthermore, the investment objectives for The F Account had again been changed, to show even riskier objectives - 50% "moderate growth" and 50% "aggressive trading".

Discretionary Trading

51. During the 1997 year, Griffith conducted numerous transactions without the prior knowledge, authorization, and consent of BF. After the fact, in general BF did not question the transactions, as BF relied upon the expertise of Griffith. On occasion, when BF did question particular transactions, Griffith provided reassurances to BF to the effect that it was a safe investment and that money would be made. BF trusted Griffith.

Client - Mr. E

52. Mr. E became a client of Griffith's in 1993. At the time, Mr. E was in his 70's and his annual income was approximately $30,000.00.

53. Prior to becoming a client of Griffith's, Mr. E had had experience in purchasing shares. However, it had not been Mr. E's practice to buy shares for quick resale.

54. In 1996 and 1997, Mr. E had Canadian and US dollar margin account(s) with Griffith ("E's Margin Account"). At the time, Mr. E's annual income was approximately $24,000.00, including $12,000.00 the source of which would expire in 1999.

55. Mr. E intended to use E's Margin Account as his source of retirement income.

56. The updated New Account Form signed by Griffith in February of 1993 for E's Margin Account, stated the investment objectives to be 30% long-term growth, 40% short-term trading, and 30% venture; investment knowledge was recorded as "Good".

57. On or about May 14, 1996, $82,000.00 worth of a new issue security, Barrington Petroleum Ltd. ("Barrington Shares"), had been purchased in E's Margin Account by Griffith. The purchase was done entirely on margin and without the prior knowledge and consent of Mr. E. In June of 1996, the Barrington Shares were sold by Griffith for $81,930.00.

58. As at December 31, 1996, the approximate value of E's Margin Account was $87,700.00.

59. Commencing in or about January of 1997, Griffith began to utilize a trading style in E's Margin Account consisting of the purchase, and quick sale, of new issue securities.

60. Throughout 1997, numerous short-term trades of new issue securities were made in E's Margin Account by Griffith.

61. In addition, in 1997, Griffith's use of margin in E's Margin Account was consistent and excessive.

62. For the period of January to November of 1997, the average outstanding loan at the end of each month was in excess of $127,000.00. For the same time period, the average equity was under $139,000.00. The maximum amount of margin loan occurred in November of 1997, when it reached in excess of $728,000.00.

63. In December of 1997, Mr. E noticed that the November balance of E's Margin Account was approximately $68,000.00. This amount was approximately 1/2 of what the account value had been in the previous 3 months. Mr. E was shocked by the low value and contacted Griffith for an explanation.

64. Griffith informed Mr. E that he had been trying to make money for him, but that the market had kept going down.

65. Over the course of 1996 and 1997, E's Margin Account suffered a loss of $68,237.00. For that same period, excluding the results of two securities chosen by Mr. E, E's Margin Account had suffered a loss that totaled almost $78,500.00.

66. Also from January to November of 1997, E's Margin Account incurred margin interest costs of approximately $6,467.00.

Discretionary Trading

67. In 1996, the purchase of the Barrington Shares as described above was done without the knowledge, authorization, and consent of Mr. E.

68. In the summer of 1997, Mr. E sought the advice of Griffith as to an investment that was safe and would produce an income from which he could live. At the time, Mr. E knew that an income which he currently received from the ownership of land in the amount of $12,000 per year would come to an end in 1999 and he was seeking an alternative source of income for his living expenses. Griffith recommended income trusts.

69. Following Griffith's recommendation, Mr. E authorized the purchase of $100,000.00 of income trusts and trusted Griffith to implement his instructions. Mr. E had cash of approximately $127,000.00 in E's Margin Account, from which the $100,000.00 of income trust units was to be bought.

70. In August of 1997, Griffith purchased in excess of $300,000.00 worth of income trust units. This amount was over 3 times the amount authorized by Mr. E.

71. Furthermore, throughout 1997, Griffith conducted numerous transactions in E's Margin Account without the prior knowledge, authorization, and consent of Mr. E, including but not limited to the following:

Security Purchased	**Settlement Date**	**Purchase (P) or sale (S)**	**Value**
MTS	Jan. 7/97	P	$11,200
*and sale	Jan. 10/97	S	$12,700
Canadian Resources	Feb. 20 /97	P	$30,000
Westcastle Energy Trust	March 13 /97	P	$30,000
*and sale	April 25/97	S	$24,420

NCE Energy	March 20/97	P	$50,000
*and sale	April 25 + 29/97	S	$37,932
Telco Split Corp	Aug. 15/97	S	$71,320
Enermark	Aug. 19/97	S	$35,670
Enervest	Aug. 19/97	S	$94,420
Telco Split Corp	Nov. 4/97	S	$10,520
Telco Split Corp	Nov. 25/97	S	$27,720
Timberwest Timber trust	Nov. 12/97	P	$75,000
Canadian Real Estate	Nov. 13/97	P	$140,500
B Split Corp	Nov. 28/97	P	$188,100
B Split Corp	Nov. 28/97	P	$250,000
various securities	December 97	S	over $750,000

Clients - Mr. H, Ms. H and H's Company

72. Mr. H and his company ("H's Company") became clients of Griffith's in or about 1994. In or about late 1995, early 1996, Mr. H's wife, Ms. H, also became a client of Griffith's.

Discretionary Trading

73. The following purchases were conducted by Griffith, in the accounts noted below, without the prior knowledge, authorization, and consent of the client:

Security Purchased	**Account**	**Settlement Date**	**Quantity**	**Value**
Brookfield Properties Corp	H's Company	Oct. 28/ 97	8,000	$198,000
Saskatchewan Wheat Pool	H's Company	April 24/ 98	1,500	$ 30,975
Integrated Oil NT Corp	H's Company	June 3/ 98	12,000	$222,000
Integrated Oil NT Corp	Mr. H	June 3/ 98	12,000	$222,000
Integrated Oil NT Corp	Ms. H	June 3/ 98	12,000	$222,000

Compensation for Financial Loss

74. The Director, Legal and Enforcement ("Director") of the Commission has received an application for a claim against Griffith for compensation for financial loss in favour of Mr. E. The Director requests that the Commission order financial loss compensation to the claimant in the amount identified below:

Claimant	**Amount of loss**
Mr. E	$ 68,237.00

C. ALLEGATIONS

1. Staff of the Commission allege that:

(a) as to the client Ms. B:

(i) Griffith churned B's Margin Account;
(ii) Griffith recommended and/or utilized investment strategies in B's Margin Account that, in all of the circumstances including investment knowledge, experience and objectives, age and financial position, were unsuitable, such recommendations, strategies and/or advice to have included excessive short-term trading and the consistent and excessive use of margining;
(iii)Griffith failed to act in the best interests of his client;

(b) as to the client Mr. C

(i) Griffith churned C's Margin Account;

(ii)Griffith recommended and/or utilized investment strategies in C's Margin Account that, in all of the circumstances including investment knowledge, experience and objectives, age and financial position, were unsuitable, such recommendations, strategies and/or advice to have included excessive short-term trading and the consistent and excessive use of margining;

(iii) Griffith conducted a transaction constituting churning in C's DAP Account;

(iv) Griffith failed to follow the Know Your Client Rule by setting unsuitable investment objectives for C's DAP Account;

(v) Griffith churned C's RRSP Account;

(vi) Griffith recommended and/or conducted unsuitable trades and recommended and/or utilized investment strategies in C's RRSP Account that, in all of the circumstances including investment knowledge, experience and objectives, age and financial position, were unsuitable, such recommendations, strategies and/or advice to have included excessive short-term trading; (vii) Griffith failed to act in the best interests of his client;

(viii) Griffith conducted unauthorized trades in the three accounts of Mr. C;

(c) as to the clients MF and BF:

(i) Griffith churned The F Account;

(ii) Griffith recommended and/or conducted unsuitable trades and recommended and/or utilized investment strategies in The F Account that, in all of the circumstances including investment knowledge, experience and objectives, age and financial position, were unsuitable, such recommendations, strategies and/or advice to have included excessive short-term trading and the consistent and excessive use of margining;

(iii) Griffith failed to follow the Know Your Client Rule by setting unsuitable investment objectives for The F Account;

(iv) Griffith failed to act in the best interests of his client;

(v) Griffith conducted unauthorized trades in The F Account;

(d) as to the client Mr. E:

(i) in 1996, Griffith conducted a transaction constituting churning in E's Margin Account;

(ii) in 1997, Griffith churned E's Margin Account;

(iii) Griffith recommended and/or utilized investment strategies in E's Margin Account that, in all of the circumstances including investment knowledge, experience and objectives, age and financial position, were unsuitable, such recommendations, strategies and/or advice to have included excessive short-term trading and the consistent and excessive use of margining;

(iv) Griffith failed to follow the Know Your Client Rule by implementing unsuitable investment objectives for E's Margin Account;

(v) Griffith failed to act in the best interests of his client;

(vi) Griffith conducted unauthorized trades in E's Margin Account;

(e) as to the clients Mr. H, Ms. H, and H's Company:

(i) Griffith conducted unauthorized trades in the accounts of each of the aforementioned clients.
(ii) Griffith failed to act in the best interests of his client;
and that due to any or all of the foregoing allegations, Griffith acted contrary to the best interests of the public and should not be entitled to use any of the exemptions set out in the Act and therefore should not participate in the exempt markets in Manitoba in the future and that an administrative penalty pursuant to section 148.1(1) of the Act should be ordered against Griffith and furthermore that Griffith should be ordered to pay compensation for financial loss to Mr. E pursuant to section 148.2 of the Act.

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

DATED at Winnipeg, Manitoba this 19th day of April, 2004.

Director, Legal and Enforcement

TO: CHARLES EDWARD GRIFFITH