

IN THE MATTER OF: THE SECURITIES ACT

-and-

IN THE MATTER OF: JOHN LAWRENCE REID

STATEMENT OF ALLEGATIONS OF STAFF OF
THE MANITOBA SECURITIES COMMISSION

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

A. REGISTRATION

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

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

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

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

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

B. DETAILS

1. Ms. M became a client of Reid's in or about December of 1999.

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

3. As a result of her divorce, Ms. M was to receive approximately \$240,000.00 from her former husband's pension. Ms. M 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. M's assets.

4. Ms. M's past investing experience was minimal.

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

6. In opening M's Accounts, Reid assessed Ms. M's risk tolerance to be 60% Medium and 40% High. The investment objectives were stated as 100% Long-term capital.
7. 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.
8. 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.
9. In total, Ms. M entrusted Reid with \$304,490.65 to invest ("M's Monies").
10. The specific mutual funds into which M's Monies were invested, and the amounts allocated to each, were determined by Reid. Ms. M trusted Reid and relied upon his knowledge and expertise.
11. Reid invested 100% of M's Monies into equity mutual funds.
12. Of the equity funds chosen by Reid, approximately two-thirds of the funds were based on single sectors or on international companies.
13. 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.
14. At all material times, Ms. M. had relied upon Reid's expertise, advice and recommendations.

C. ALLEGATIONS

1. Staff of the Commission allege that, as to Ms. M:

(a) Reid recommended investments and provided investment advice and recommendations to Ms. M that, in all of the circumstances, including investment knowledge, experience and objectives, risk tolerance, age, and financial position, were unsuitable, including a failure to diversify into different types of mutual funds other than equities;

(b) Reid failed to follow the Know Your Client Rule thereby exposing Ms. M to unnecessary risk, including the assessment of the client's risk tolerance and the selection of investments within M's Accounts;

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

and that due to these allegations, it is in the public interest that pursuant to section 8 of the Act the registration of Reid as a salesman under the Act be subject to terms and conditions, suspended, or cancelled, Reid be reprimanded, or one or more of the foregoing and that an administrative penalty pursuant to section 148.1(1) of the Act be ordered against Reid.

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

DATED at Winnipeg, Manitoba this 16th day of February, 2004.

Director, Legal and Enforcement

TO: JOHN LAWRENCE REID