

>IN THE MATTER OF: THE SECURITIES ACT

-and-

IN THE MATTER OF: M.R.S. TRUST COMPANY, B2B TRUST,
W.H. STUART MUTUALS LTD., ERIC
SONEGO, INGRAM JEFFREY ESHUN,
JOSEPHUS DELACORE LEWIS AND
MARILYN DIANNE STUART

STATEMENT OF ALLEGATIONS OF STAFF OF
THE MANITOBA SECURITIES COMMISSION

STAFF OF THE MANITOBA SECURITIES COMMISSION ALLEGE THAT:

I. THE RESPONDENTS

1. Josephus Delacore Lewis (“Lewis”) resides in the Province of Ontario. At all material times, Lewis was not registered to trade in securities under The Securities Act of Manitoba (the “Act”).
2. Ingram Jeffrey Eshun (“Eshun”) resides in the Province of Ontario. At all material times, Eshun was not registered to trade in securities under the Act.
3. Eric Sonego (“Sonego”) resides in the Province of Ontario. At all material times, Sonego was not registered to trade in securities under the Act.
4. M.R.S Trust Company (“M.R.S. Trust”) carries on the business of a trust/loan company with its registered office in Toronto, Ontario. At all material times M.R.S. Trust was not registered to trade in securities in Manitoba under the Act.
5. B2B Trust (“B2B Trust”) carries on the business of a trust/loan company with its registered office in Toronto, Ontario. At all material times B2B Trust was not registered to trade in securities in Manitoba under the Act.
6. W.H. Stuart Mutuals Ltd. (“W.H. Stuart”) is presently and at all material times has been registered as a Mutual Fund Dealer under the Act.
7. Marilyn Dianne Stuart (“Stuart”) resides in the Province of Ontario. Stuart is registered under the Act as an officer (non-trading) with W.H. Stuart.

II. THE PENSION/RRSP SCHEME

8. In recent years, Manitoba residents have been solicited to convert their locked-in pension and/or registered retirement savings plan holdings (the “Locked-in Funds”) into shares of companies and loans (the “Scheme”).

9. Many of the individuals solicited wish to access their Locked-in Funds for financial assistance or to obtain funds to invest in a “high yield” investment.

10. Under the Scheme, shares of Canadian Controlled Private Corporations (“CCPCs”) are utilized. CCPCs can constitute a qualified investment for registered retirement savings plans and similar types of registered plans (“RRSPs”) provided the requirements prescribed by The Income Tax Act and Regulations are met.

11. Individuals participating in the Scheme (the “Clients”) are told their Locked-in Funds will be transferred in cash to a trust company where an account will be opened. The Client is required to sign various documentation including a new client application form and letter of direction providing instructions to purchase shares of the CCPC. The documentation is then obtained by the promoter of the Scheme, or individuals acting on their behalf, and forwarded to a trust company where an account is opened in the Client’s name.

12. Under the Scheme, a registrant would identify himself as the account representative for the Clients.

13. Once received, the trust company acts on the letter of direction and forwards the cash in the Client’s account to the CCPC. Shares for the CCPC are then registered in the name of the trust company in trust for the Client.

14. To confirm the CCPC shares are eligible for registered accounts, the trust company requires receipt of documentation from an accountant confirming the shares of the CCPC are so eligible.

15. The Clients who purchase shares of CCPC using their Locked-in Funds, would concurrently obtain a loan arranged by the promoter of this Scheme representing a portion of the purchase price of the CCPCs. The remaining portion of the purchase price would be charged as an “administration fee” by the promoters of the Scheme.

16. Clients would continue to receive from the trust company statements confirming their holdings in the CCPCs. The value of the shares reported by the trust company to the Clients would correspond to the value attributed to the shares by the accountant certifying their eligibility for registered plans.

III. THE SCHEME INVOLVING LEWIS, ESHUN AND SONEGO

17. From approximately August 1997 to September 2000, Lewis was a promoter of a Scheme involving 31 Manitoba residents. Lewis had a number of individuals in Manitoba (the “Agents”) who referred individuals to him. Lewis also placed advertisements in local papers advertising one could receive cash from LIRA accounts.

18. After receiving a referral from an Agent, Lewis forwarded the Manitoba resident a package of information which included a loan and account opening application.

19. Once the Client had returned the information package to Lewis, he reviewed the application so as to ensure the individual had Locked-in Funds. Once satisfied, Lewis forwarded the documentation, which included an account opening form, to one of M.R.S. Trust, B2B Trust or W.H. Stuart, or Eshun. Many of the documents enclosed in the information package were purported to be witnessed by Lewis, notwithstanding he did not meet with the Manitoba residents.

20. Eshun, who at all material times was a registered salesperson with W.H. Stuart in Ontario, completed documentation to open an account with M.R.S. Trust, B2B Trust or W.H. Stuart. Eshun did not meet with or have any contact with the Manitoba residents.

21. Eshun and Lewis were involved in setting up the following accounts with Manitoba residents:

Company Name	No. of Manitoba Investors
M.R.S. Trust	27
B2B	Trust 2
W.H. Stuart	2

22. In each case, Eshun and/or Lewis forwarded account opening information to M.R.S. Trust and B2B Trust which identified Eshun as the representative for the Manitoba resident and W.H. Stuart as the registered dealer. Eshun did not forward to W.H. Stuart documentation to open an account with W.H. Stuart, he forwarded the account opening documentation only to one of M.R.S. Trust and B2B Trust.

23. Once accounts were opened at M.R.S. Trust, B2B Trust and W.H. Stuart as set out in paragraph 19, Eshun had no further involvement in the trading activities in these accounts.

24. Once the Manitoba residents' accounts were opened with M.R.S. Trust, B2B Trust and W.H. Stuart, Lewis forwarded letters of direction signed by the Manitoba residents directing that the cash held in their accounts be used to purchase shares in a numbered corporation. Lewis also requested that he be advised when the cheque for the purchase would be available to be picked up.

25. Lewis caused to be incorporated the following numbered corporations in which the Manitoba investors invested. They are:

(a) 1221634 ONTARIO INC.
Ontario Corp. No. 1221634
Incorporated 1997/02/04
Registered Office:
Suite 206 – 5109 Steeles Avenue West
Weston, Ontario M9L 2Y8
Administrator: Josephus D. LEWIS

Suite 750 – 130 Slater Street
Ottawa, Ontario K1P 6E2
LEWIS is also shown as the Director

(b) 1259037 ONTARIO INC.
Ontario Corp. No. 1259037
Incorporated 1997/12/10
Registered Office:
Suite 302 - 1390 Prince of Wales Drive
Ottawa, Ontario K2C 3N6
Administrator: Eric A. SONEGO
108 Equestrian Drive
Kanata, Ontario K2M 1H6
SONEGO is also shown as the Director

(c) 1343575 ONTARIO INC.
Ontario Corp. No. 1343575
Incorporated 1999/05/03
Registered Office:
Suite 302 – 1390 Prince of Wales Drive
Ottawa, Ontario K2C 3N6
Administrator: Eric SONEGO
108 Equestrian Drive
Kanata, Ontario K2M 1H6
SONEGO is also shown as the Director

(collectively the “corporations”). No preliminary prospectus or final prospectus was filed under the Act with respect to the corporations.

26. Once the Manitoba residents purchased shares in one of the corporations they were to receive under the Scheme approximately 70% of the purchase price of the corporations as a loan. The remaining portion was charged as a fee for consultation, processing, membership and pre-payment of interest on the loan made. Not all the Manitoba residents received 70% of the funds invested in the corporations.

27. Sonego participated in the Scheme by signing, as an accountant, documentation certifying the shares in the corporations as being qualified investments for an RRSP or RIFF or that they qualified as eligible investments that may be held in a registered product.

28. Sonego’s certification was forwarded to M.R.S. Trust, B2B Trust and W.H. Stuart to facilitate the Manitoba residents’ purchase of shares of one of the corporations.

Sonego certified the value of the shares in the corporation to be \$10.00 per share based on Lewis’ advice, without verifying the share’s value. Sonego received, from Lewis, \$125.00 for each certification letter provided. Sonego is not registered as an accountant in Ontario or Manitoba.

29. Through M.R.S. Trust, B2B Trust and W.H. Stuart, Lewis, Eshun and Sonego facilitated the purchase of shares by Manitoba residents in the following corporations:

	Company Name	Dates of Trades		No. of Investors	Total Amount Invested
		From	To		
1.	1221634 Ontario Inc.	1997-09-19	2000-08-24	17	\$576,520.00
2.	1259037 Ontario Inc.	1997-09-19	1999-06-01	13	\$400,130.00
3.	1343575 Ontario Inc.	1997-07-05		1	\$ 18,750.00

IV. TRUST COMPANIES

M.R.S. Trust

30. 27 accounts of Manitoba residents were opened by M.R.S. Trust through Lewis and/or Eshun.

31. 27 unsolicited orders were placed with M.R.S. Trust under the Scheme promoted by Lewis and all orders were executed by M.R.S. Trust. W.H. Stuart was not registered under the Act to trade in shares of the corporations.

32. M.R.S. Trust account opening documents required identification of and signature of a dealer and representative. Most of the account opening forms received on behalf of the Manitoba residents identified W.H. Stuart as the dealer, but did not contain any signature of an officer of dealer or other authorized dealer signature as set out on the account opening forms.

33. Orders to M.R.S. Trust to purchase the corporation shares were placed by Lewis and not through a registered dealer. M.R.S. Trust proceeded to execute the orders of the Manitoba residents to purchase shares in the corporations placed through Lewis.

34. M.R.S. Trust facilitated the purchase of shares of the following corporations by Manitoba residents under the Scheme:

	Company Name	Dates of Trades		No. of Investors	Total Amount Invested
		From	To		
1.	1221634 Ontario Inc.	1997-09-19	1998-02-26	16	\$549,520.00
2.	1259037 Ontario Inc.	1997-09-19	1999-01-11	11	\$317,180.00

35. M.R.S. Trust was authorized to carry on business as a trust corporation in Manitoba as of the 10th day of December, 1997 and obtained a Certificate of Registration under The Corporations Act on January 2, 1998.

B2B Trust

36. Two accounts for Manitoba residents were opened by B2B Trust which were used for the Scheme promoted by Lewis.

37. One of the accounts did not have a registered representative or dealer attached to the account. The other account listed Eshun as the representative and W.H. Stuart as the dealer.

38. On or about February 23, 1998, B2B Trust facilitated the purchase of shares in 1259037 Ontario Inc. for one of the Manitoba residents for \$46,600.00. This unsolicited order was purported to be placed through Eshun although Eshun and W.H. Stuart were not registered to trade in securities of the corporations.

39. On or about August 24, 2000, B2B Trust facilitated the purchase of shares in 1221634 Ontario Inc. for one of the Manitoba residents for \$27,000.00. This unsolicited order was not placed through a registered dealer.

W.H. Stuart and Stuart

40. Two accounts for Manitoba residents were opened with W.H. Stuart by Eshun. Trades in the corporations occurred in these accounts. The trades were executed at the request of Lewis who provided letters of direction signed by the Manitoba residents.

41. W.H. Stuart facilitated the purchase of shares in the following corporations by Manitoba residents:

	Company Name	Dates of Trades		No. of Investors	Total Amount Invested
		From	To		
1.	1259037 Ontario Inc.	1999-06-01	_____	1	\$36,350.00
2.	1343575 Ontario Inc.	1999-07-05	_____	1	\$18,750.00

42. W.H. Stuart's registration under the Act did not allow them to trade in securities of the corporations.

43. W.H. Stuart was responsible for ensuring that it had adequate compliance and supervision programs and procedures in place to ensure compliance with applicable securities laws. The

monitoring would have included reviewing new account application forms, reviewing trading activity of its employees and identifying and investigating potential problems. At all material times, Stuart was the Compliance Officer for W.H. Stuart and responsible for its supervision and compliance procedures.

44. W.H. Stuart received, from time to time, statements from M.R.S. Trust confirming the account activity for the Manitoba residents with M.R.S. Trust accounts where Eshun was listed as the representative.

45. Eshun was the listed representative for the Manitoba residents for the accounts opened at W.H. Stuart.

V. ALLEGATIONS

1. Staff of the Commission allege that:

(a) Lewis traded in securities with Manitoba residents without having been registered and without prospectus in contravention of the Act.

(b) Sonego traded in securities with Manitoba residents without having been registered and without prospectus in contravention of the Act.

(c) Eshun traded in securities with Manitoba residents without having been registered and without prospectus in contravention of the Act.

(d) M.R.S. Trust traded in securities with Manitoba residents without being registered and without prospectus in contravention of the Act.

(e) B2B Trust traded in securities with Manitoba residents without being registered and without prospectus in contravention of the Act.

(f) W.H. Stuart traded in securities with Manitoba residents without having been registered and without prospectus in contravention of the Act.

(g) W.H. Stuart and Stuart acted improperly and contrary to the public interest in that they failed to:

i) detect on a timely basis the illegal trading activities of Eshun;

ii) act quickly enough and in an effective manner when the trading activity in accounts opened by Eshun at M.R.S. Trust were identified;

iii) act quickly enough and in an effective manner when the trading of securities of the corporations in the accounts opened for Manitoba residents was identified;

iv) obtain or adequately review new client forms and applications sufficiently to assess appropriateness of investment objectives and ensure that sufficient information was obtained to satisfy the “know your client” obligation;

v) detect if salespersons and/or employees accepted instructions and executed trades on behalf of residents of Manitoba without being registered to trade in securities under the Act;

vi) detect if salespersons and/or employees accepted instructions and executed trades on behalf of residents of Manitoba in securities for which W.H. Stuart was not registered to trade in under the Act.

and due to the allegations, the Respondents should not be entitled to use of any of the exemptions set out in the Act, should not be entitled to participate in the exempt markets in the future and should be ordered to pay an administrative penalty pursuant to section 148.1(1) of the Act. Further, due to the allegations, W.H. Stuart’s registration under the Act as a Mutual Fund Dealer should be suspended or cancelled.

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

DATED at the City of Winnipeg, in Manitoba this 24th day of February, 2004.

Director – Legal and Enforcement