

THE SECURITIES ACT

)

Order No. 4993

)

Subsections 19(5) and 148.1

)

January 11, 2006

M.R.S. TRUST COMPANY

WHEREAS:

(A) On February 24, 2004, The Manitoba Securities Commission (the "Commission") issued a Notice of Hearing (the "Notice") giving notice of its intention to hold a hearing (the "Hearing") to consider whether or not it was in the public interest to grant an order pursuant to subsections 19(5) and 148.1(1) of The Securities Act (the "Act") with respect to M.R.S. Trust Company ("M.R.S. Trust");

(B) Staff of the Commission and M.R.S. Trust entered into a Settlement Agreement (a copy of which is attached as Schedule "A") dated October 21 2005 (the "Settlement Agreement"), which proposed settlement of the proceedings initiated by the Notice, subject to the approval of the Commission;

(C) M.R.S. Trust has consented to the issuance of this Order and has waived its rights to a full hearing;

(D) The Commission has reviewed 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** M.R.S. Trust will make a voluntary payment to the Treasury of the Province of Manitoba in the amount of \$35,000.00.

BY ORDER OF THE COMMISSION

Director, Legal and Enforcement

Schedule "A"

**In the Matter of the Securities Act,
S.M. 1988, c. S50 as amended**

- and -

**In the Matter of M.R.S. Trust Company, B2B Trust,
W.H. Stuart Mutuals Ltd., Eric Sonogo, Ingram Jeffrey Eshun,
Josephus Delacore Lewis and Marilyn Dianne Stuart**

SETTLEMENT AGREEMENT

A. INTRODUCTION

A.1 By way of Notice of Hearing and a Statement of Allegations of Staff of the Manitoba Securities Commission (collectively the "Notice of Hearing") notice was given to M.R.S. Trust Company ("M.R.S. Trust"), and to the other parties named above, of the intention of the Manitoba Securities Commission (the "Commission") to hold a hearing under the Securities Act (the "Act") to consider:

- (a) whether or not it is in the public interest to order, pursuant to subsection 19(5) of the Act, that subsections 19(1) and 19(3) of the Act do not apply to M.R.S. Trust with respect to such of the trades referred to in those sections and that subsection 19(2) of the Act does not apply to M.R.S. Trust with respect to such of the securities referred to in that section;
- (b) whether or not it is in the public interest to order that M.R.S. Trust pay an administrative penalty pursuant to Section 148.1 of the Act;
- (c) whether or not it is in the public interest to order that M.R.S. Trust pay the costs of and incidental to the hearing; and
- (d) whether or not it is in the public interest to make any other order or orders.

A.2 Discussions have been held amongst M.R.S. Trust and Staff of the Commission ("Staff") in an effort to settle all issues in connection with the matters set out in the Notice of Hearing (the "Proceedings") and this Agreement. A Settlement (the "Settlement") has been reached based on the terms and conditions set forth in this Agreement (the "Settlement Agreement").

A.3 Pursuant to the Settlement, Staff agrees to recommend to the Commission that the Proceedings initiated against M.R.S. Trust be resolved and disposed of in accordance with the terms and conditions of this Settlement Agreement as set forth below. M.R.S. Trust consents to the Settlement and to the making of the Consent Order referred to in subparagraph D.1 below, on the terms and conditions set forth in this Settlement Agreement.

B. STATEMENT OF FACTS

B.1 M.R.S. Trust agrees with the facts set out in this Part B.

M.R.S. Trust

B.2 M.R.S. Trust carries on the business of a trust company with its registered office in Toronto, Ontario.

The Pension/RRSP Scheme

B.3 Between 1997 to 2000, Manitoba residents were solicited to convert their locked in pension funds or registered retirement savings plan holdings (the "Locked-in Funds") into shares of companies and loans (the "Scheme"). Other than acting as trustee of the Locked-in Funds, MRS Trust did not participate in and was not aware of the Scheme.

B.4 Under the Scheme, shares of Canadian Controlled Private Corporations ("CCPCs") were utilized. CCPCs can constitute a qualified investment for registered retirement savings plans and similar types of registered plans ("RRSPs") provided the requirements prescribed in the Income Tax Act and Regulations are met.

B.5 Individuals participating in the Scheme (the "Clients") were told that their Locked in Funds would be transferred in cash to a trust company where self directed RRSP accounts (the "Accounts") would be opened. The Clients were required to sign various documentation, including a new client application form and a letter of direction providing instructions to purchase shares of the CCPC. The documentation was then obtained by the promoter of the Scheme, or individuals acting on their behalf, and forwarded to a trust company where the Accounts were opened in the Clients' name.

B.6 Under the Scheme, a registrant would identify himself as the account representative for the Clients.

B.7 Once received, the trust company would act on the letter of direction and forward the cash in the Client's account to the CCPC. Shares for the CCPC were then registered in the name of the trust company in trust for the Client.

B.8 The Clients who purchased shares of CCPCs using their Locked in Funds, would concurrently apply for 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 by the promoters of the Scheme as a fee for consultation, processing, membership and pre-payment of interest on the loan made.

B.9 The CCPCs participating in the Scheme were not eligible investments under the Income Tax Act, and the Scheme thus facilitated the improper withdrawal of the Locked in Funds from the Accounts.

The Role of M.R.S. Trust

B.10 Between 1997 and 1999, following the receipt of instructions from a registrant and from the investors, twenty-seven accounts for Manitoba residents were opened by M.R.S. Trust in connection with the Scheme. M.R.S. Trust retained Multiple Retirement Services Inc. ("M.R.S.

Inc.") to act as the administrator of the Clients' Accounts, and as such M.R.S. Inc. was the entity directed to open the Accounts.

B.11 Other than acting as trustee and administrator, respectively, of the Accounts, M.R.S. Trust and M.R.S. Inc. did not participate in and were not aware of the Scheme.

B.12 In 1999, subsequent to the matters referred to in B.10 above, M.R.S. Trust took steps to improve its administrative procedures with respect to the purchase of CCPCs by self directed RRSP plans.

C. ACKNOWLEDGEMENTS OF M.R.S. TRUST

C.1 M.R.S. Trust acknowledges that it used documentation that was not clear with respect to the roles and responsibilities of M.R.S. Trust and M.R.S. Inc.

C.2 M.R.S. Trust further acknowledges that it has taken steps to improve its administrative procedures with respect to the purchase of CCPCs by self-directed RRSP plans, and that these steps were in the public interest.

C.3 Staff acknowledges that M.R.S. Trust has co operated and assisted in the investigation of these matters, and that M.R.S. Trust has provided information elaborating on its administrative procedures with respect to the purchase of CCPCs by self-directed RRSP plans as requested by Staff.

D. TERMS OF SETTLEMENT

D.1 Staff seek an Order (the "Consent Order") from the Commission consistent with the terms contained in Section D.2 of this Settlement Agreement, pursuant to provisions of the Act.

D.2 The Consent Order sought by Staff is as follows:

(a) that this Settlement Agreement be approved;

(b) upon approval of this settlement, M.R.S. Trust will make a voluntary payment of \$35,000 to the Treasury of the Province of Manitoba.

E. PROCEDURE

E.1 The approval of this Settlement Agreement shall be sought at a public hearing.

E.2 If this Settlement Agreement is approved by the Commission, and if a Consent Order issues in accordance with this Settlement Agreement, this Settlement Agreement will constitute the entirety of the evidence to be submitted to the Commission in connection with the Proceedings and, upon the making of the order contemplated by this Settlement Agreement, M.R.S. Trust waives its right to a full hearing and appeal of this matter.

E.3 Notwithstanding any other provision of this Settlement Agreement, if, for any reason whatsoever, this Settlement Agreement is not approved by the Commission or the Consent Order referred to in Section D above is not made by the Commission, Staff will be entitled to proceed with whatever steps it is entitled by law to take, including but not restricted to, the commencement of a hearing before the Commission, unaffected by this Settlement Agreement or the settlement discussions. In the event that such steps are taken, M.R.S. Trust shall have all of the usual rights of a person subject to such proceedings.

E.4 If the Settlement Agreement is not approved or the Consent Order set out in Section D above is not made by the Commission, the terms of this Settlement Agreement shall remain confidential and shall not be raised in this or any other proceeding, and any admissions contained in this Settlement Agreement shall be considered as without prejudice communications and furtherance of settlement discussions which will not be binding upon the parties and which will be inadmissible in any proceeding whatsoever.

E.5 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.

E.6 M.R.S. Trust agrees that, if this Settlement Agreement is approved by the Commission and the Consent Order is made upon the terms set out in this Settlement Agreement, M.R.S. Trust will not raise as a basis for attack on the Order this Settlement Agreement or the negotiation or process of approval of this Settlement Agreement, alleged bias, alleged unfairness, or any such other challenges to the validity of the Consent Order.

E.7 M.R.S. Trust further agrees, that if this Settlement Agreement is approved by the Commission and the Consent Order is made upon the terms set out in this Settlement

E.8 Agreement, it will not make any statements inconsistent with the terms of this Agreement.

Dated at Toronto, Ontario this "6th" day of "October", 2005

M.R.S. TRUST COMPANY

Per:
Allen M. Warren
President and Chief Executive Officer

Dated at Winnipeg, Manitoba this "21" day of "October", 2005

STAFF OF THE MANITOBA SECURITIES
COMMISSION

Per:
Douglas R. Brown