

THE SECURITIES ACT

Section 8(1)

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Order No. 5891

April 15, 2009

RANDY REYNOLDS

WHEREAS:

(A) On June 7, 2007, The Manitoba Securities Commission ("Commission") issued a Notice of Hearing ("Notice") giving notice of its intention to hold a hearing to consider, inter alia, whether or not it was in the public interest to grant an order pursuant to subsection 8(1) of The Securities Act ("Act") with respect to Randy Reynolds ("REYNOLDS")

(B) Staff of the Commission and REYNOLDS entered into a Settlement Agreement (a copy of which is attached as Schedule "A") dated March 24, 2009 ("Settlement Agreement") which proposed settlement of the proceedings initiated by the Notice, subject to the approval of the Commission.

(C) REYNOLDS has consented to the issuance of this Order and has waived his right to a full hearing.

(D) On April 15, 2009, the Commission held a hearing ("Settlement Hearing") to consider whether or not to approve the Settlement Agreement.

(E) At the Settlement Hearing the Commission approved 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** pursuant to subsection 8(1) of the Act:
 - i) REYNOLDS be prohibited from acting as a branch manager for a period of three years from April 15, 2009;

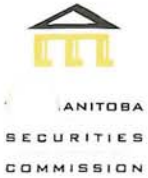
- ii) Upon the expiration of the three years, REYNOLDS not be allowed to act in the capacity of Branch Manager without retaking The Branch Managers Course and successfully challenging the examination;
- iii) REYNOLDS enrol in and successfully complete The Conduct and Practices Handbook ("CPH") course within nine months from April 15, 2009.

BY ORDER OF THE COMMISSION


Director - Legal and Enforcement

SCHEDULE "A"

SETTLEMENT AGREEMENT



BETWEEN:

RANDY REYNOLDS

AND

STAFF OF THE MANITOBA SECURITIES COMMISSION

**The Manitoba Securities Commission
500 – 400 St. Mary Avenue
Winnipeg, MB
R3C 4K5**

IN THE MATTER OF: THE SECURITIES ACT

-and-

IN THE MATTER OF: RANDY KENNETH REYNOLDS

SETTLEMENT AGREEMENT

A.1 By way of Notice of Hearing and Statement of Allegations (collectively the "Notice of Hearing") of Staff of The Manitoba Securities Commission ("Commission"), notice was given to Randy Kenneth Reynolds ("Reynolds") to consider:

1. whether or not it is in the public interest to order, pursuant to subsection 8(1) of *The Securities Act* ("Act"), that the registration of Randy Kenneth Reynolds ("Reynolds") as a branch manager under the Act be suspended, cancelled, or subject to terms or conditions;
2. whether or not it is in the public interest to order, pursuant to subsection 148.1(1) of the Act, that Reynolds pay an administrative penalty;

3. whether or not it is in the public interest to order, pursuant to subsection 19(5) of the Act that subsection 19(1) of the Act does not apply to Reynolds with respect to such of the trades referred to in that subsection and that subsection 19(2) of the Act does not apply to Reynolds with respect to such of the securities referred to in that subsection;
4. whether or not pursuant to section 148.2 of the Act, that Reynolds be ordered to pay compensation for financial loss;
5. whether or not it is in the public interest to order that Reynolds pay the costs of the investigation and the hearing.

A.2 Discussions have been held amongst Reynolds 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 Reynolds be resolved. Reynolds consents to the Settlement and to the making of the Consent Order referred to in paragraph D.1 below, on terms and conditions set forth in this Settlement Agreement.

B. STATEMENT OF FACTS

B.1 Reynolds agrees with the facts set out in this Part B.

B.2 At all material times, Reynolds was registered under the Act as a Branch Manager with Portfolio Strategies Corporation ("Portfolio Strategies") and was responsible for the supervision of John David Griffiths ("Griffiths"). Reynolds is currently registered under the Act as a Salesperson with Wellington West Financial Services Inc.

B.3 At all material times, John David Griffiths ("Griffiths") was registered as a salesperson under the Act with Portfolio Strategies.

B.4 At all material times, Portfolio Strategies was registered as a broker – dealer, restricted to the trading of mutual funds and labour sponsored funds as set out in its conditions of registration under the Act.

B.5 In or about March, 2001, Reynolds received an advertisement from Digital World Financial Inc. ("Digital World") regarding securities it was offering to the public.

B.6 Reynolds followed up with Digital World and obtained binders containing information about Digital World and the securities it was offering. The information obtained included a Digital World Sales Terms and Regulations document which provided, in part, that Digital World products are available in the form of notes and that Digital World is the express guarantor of all notes at issue, debt notes of all types, Guaranteed Investment Certificates ("GICs"), promissory notes, debentures, conditional sales contracts, certificated securities and non-certificated securities.

B.7 Reynolds gave a Digital World binder to Griffiths. Reynolds told Griffiths to deal with Digital World directly.

B.8 Before any sales of Digital World securities took place, the principal of Digital World was contacted by Griffiths and Reynolds to determine whether the Digital World products were legitimate and fully guaranteed. Reynolds and Griffiths did not have any prior experience with Digital World or its principals.

B.9 In or about May, 2001, Griffiths became the provincial sales agent for Digital World and was responsible for promoting Digital World and was to be paid commissions.

B.10 Reynolds and Griffiths did not advise Portfolio Strategies that they were intending to offer the Digital World securities to clients.

B.11 The Digital World securities were not securities permitted to be traded under the conditions of registration of Portfolio Strategies under the Act.

B.12 In or about May 2001, without the knowledge and consent of Portfolio Strategies, Reynolds contacted Bryan Orchard ("Orchard") and recommended he purchase a Digital World GIC. Orchard purchased a Digital World GIC in the amount of \$50,000.00 for a one year term.

B.13 Orchard was able to redeem his Digital World GIC and received his principal amount invested plus interest.

B.14 Between June 2001 and August 2001, Griffiths traded in Digital World securities described as GICs to the following individuals:

<u>INDIVIDUAL</u>	<u>DATE PURCHASED</u>	<u>AMOUNT PURCHASED</u>
Marilyn Griffiths	August, 2001	\$50,000.00
Bruce Griffiths	August, 2001	\$50,000.00
Pearl Drulak	August, 2001	\$84,191.03

B.15 From time to time, maturing Digital World GICs sold by Griffiths to Marilyn and Bruce Griffiths were renewed for further terms.

B.16 Reynolds was aware of the trades of Digital World securities made by Griffiths.

B.17 Portfolio Strategies was not aware of the trades of the Digital World securities made by Griffiths or Reynolds.

B.18 The Digital World GICs sold by Reynolds and Griffiths were not guaranteed by the Government of Canada, the Government of any province, or a municipal corporation, a bank, trust, company, loan company, Credit Union or Caisse Populaire.

B.19 Marilyn Griffiths, Bruce Griffiths and Pearl Drulak did not receive any payments of interest nor their principal back from Digital World.

B.20 The Director of The Manitoba Securities Commission received claims for compensation for financial loss from Marilyn Griffiths, Bruce Griffiths and Pearl Drulak (the "Claimants") pursuant to subsection 148.2 of the Act.

B.21 Reynolds has reached a resolution with each of the Claimants with respect to claims for financial loss filed with the Director. A Notice of Discontinuance in respect of that portion of the proceeding requesting that Reynolds pay compensation for financial loss to Marilyn Griffiths, Bruce Griffiths and the estate of Pearl Drulak pursuant to subsection 148.2 of the Act will be filed by Staff.

C. ACKNOWLEDGEMENT BY REYNOLDS

C.1 Reynolds acknowledges and agrees he acted contrary to the public interest in that:

- a) He traded in securities other than those specifically authorized by his registration under the Act;
- b) He did not ensure that the Digital World securities were an approved product for sale by Portfolio Strategies personnel.

D. TERMS OF SETTLEMENT

D.1 In order to effect a resolution of the issues raised by the Notice of Hearing, Staff and Reynolds have entered into this Settlement Agreement. Upon this basis, Staff seek an Order (Consent Order) from the Commission pursuant to subsections 8(1) of the Act that:

- a) The Settlement Agreement be approved;
- b) Reynolds be prohibited from acting as a branch manager for a period of three years from the date this Settlement Agreement is approved;

- c) Upon the expiration of three years, Reynolds not be allowed to act in the capacity of Branch Manager without retaking The Branch Managers Course and successfully challenging the examination;
- d) Reynolds enrol in and successfully complete The Conduct and Practices Handbook ("CPH") course within nine months from the date the Settlement Agreement is approved.

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, Reynolds waives his 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, Reynolds 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 Reynolds 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, Reynolds 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 Reynolds 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 Agreement, he will not make any statements inconsistent with the terms of this Agreement.

Dated at Winnipeg, Manitoba this 16th day of March, 2009.

[Signature]
Witness

[Signature]
Randy Reynolds

Dated at Winnipeg, Manitoba this 24 day of March, 2009.

Staff of The Manitoba Securities Commission

Per: [Signature]
Douglas R. Brown