

**IN THE MATTER OF THE *SECURITIES ACT*,
R.S.O. 1990 c.S.5, AS AMENDED**

- and -

IN THE MATTER OF LLOYD BRUCE

SETTLEMENT AGREEMENT

I. INTRODUCTION

1. On the 6th day of July, 2001, the Ontario Securities Commission (the “Commission”) ordered, among other things, pursuant to clause 1 of subsection 127(1) of the *Securities Act*, R.S.O. 1990, c.S.5, as amended (the “Act”), that the registration of Buckingham Securities Corporation (“Buckingham”) be suspended and that trading in any securities by Buckingham, Lloyd Bruce (“Bruce”) and David Bromberg (“Bromberg”) cease for a period of fifteen days from the date of the order (the “Temporary Order”).

2. On the 20th day of July, 2001 the Commission ordered pursuant to subsection 127(7) of the Act, that the Temporary Order, among other things, be extended against Buckingham, Bruce and Bromberg until the hearing is concluded and that the hearing be adjourned *sine die*.

3. By Notice of Hearing dated April 15, 2004, the Ontario Securities Commission announced that it proposed to hold a hearing to consider whether, pursuant to sections 127 and 127.1 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended, it is in the public interest for the Commission to make certain orders in respect of Bruce and other respondents as specified therein.

4. By Notice of Hearing dated October 8, 2003 in respect of Bruce and Verbeek (“Proceeding in respect of Bruce and Verbeek”), the Ontario Securities Commission

announced that it proposed to hold a hearing to consider whether, pursuant to sections 127(1) and 127.1 of the Act, it is in the public interest for the Commission to make certain orders in respect of Bruce as specified therein.

II. JOINT SETTLEMENT RECOMMENDATION

5. Staff recommend settlement of the allegations against the respondent Bruce initiated by Notices of Hearing referred to in paragraphs 3 and 4 above in accordance with the terms and conditions set out below. Bruce agrees to the settlement on the basis of the facts and conclusions agreed to as provided in Part IV and consents to the making of an order against him in the form attached as Schedule "A" on the basis of the facts set out in Part IV.

6. This settlement agreement, including the attached Schedules "A" and "B" (collectively, the "Settlement Agreement") will be released to the public only if and when the Settlement Agreement is approved by the Commission.

III. ACKNOWLEDGEMENT

7. Staff and Bruce agree with the facts and conclusions set out in Part IV for the purpose of this settlement proceeding only and further agree that this agreement of facts and conclusions is without prejudice to Bruce in any other proceedings of any kind including, but without limiting the generality of the foregoing, any proceedings brought by the Commission under the Act or any civil or other proceedings which may be brought by any other person or agency.

IV. AGREED FACTS AND CONCLUSIONS

A. Proceeding in respect of Bruce

Background

8. Buckingham is incorporated pursuant to the laws of Ontario. Buckingham was registered under Ontario securities law as a securities dealer during the period from March 17, 1997 to July 6, 2001 (the "Material Time"). Buckingham commenced trading for clients in or about April 1997.

9. The registration of Buckingham was suspended on July 6, 2001 by Temporary Order made by the Commission, and extended by Order of the Commission dated July 20, 2001. BDO Dunwoody Limited was appointed Receiver and Manager of the assets and undertaking of Buckingham by Order of the Honourable Madame Justice Swinton dated July 26, 2001.

10. David Bromberg (“Bromberg”) and Norman Frydrych (“Frydrych”) were the principals of Buckingham since its incorporation in August in 1996.

11. Lloyd Bruce (“Bruce”) was registered with Buckingham pursuant to section 26 as the sole officer of Buckingham from January 26, 1998 to July 6, 2001. Bruce was the president, trading officer and compliance officer of Buckingham. As the compliance officer, Bruce was responsible for discharging the obligations of Buckingham under Ontario securities law. Bruce’s registration as an officer of Buckingham has been suspended since July 6, 2001. By the terms of the Commission’s Temporary Order and Order referred to above, Bruce has been prohibited from trading in securities since July 6, 2001.

12. Miller Bernstein & Partners LLP (formerly known as Miller Bernstein & Partners) (“Miller Bernstein”) is a firm of chartered accountants with an office at Toronto. Buckingham appointed Miller Bernstein as the firm’s auditor.

Buckingham’s Trading Activities - Accounts held with Executing Brokers

13. Buckingham was not a member of the Investment Dealers Association of Canada (“IDA”) or any other self-regulatory organization (“SRO”). During the Material Time, Buckingham engaged in trading on an agency basis for clients. Buckingham had approximately 2400 client cash, margin or RRSP accounts (1000 of which were active accounts at the time of the suspension of Buckingham’s operations in July 2001). Buckingham’s clients purchased securities through Buckingham salespeople for cash or on margin. Client orders were executed through various IDA member firms.

14. During the Material Time, Buckingham entered into executing broker arrangements with various firms including Canaccord Capital Corporation (“Canaccord”) and W.D. Latimer Co. Ltd. (“Latimer”) to process Buckingham’s client orders.

15. From approximately May 1997 to July 2000, Buckingham conducted the majority of its trading for its clients using cash or margin accounts at Canaccord (the “Canaccord Accounts”). The Canaccord Accounts were held in the name of Buckingham and were operated as omnibus accounts. These accounts held clients’ securities in aggregate, and did not identify individual Buckingham client names and the corresponding security positions of individual clients.

16. In April 2000, Canaccord notified Buckingham that it intended to close the Canaccord Accounts because of its concerns with the form and operation of the Canaccord Accounts.

17. On or about July 28, 2000, Buckingham transferred the securities it held at Canaccord to cash and margin accounts at Latimer. The accounts held in the name of Buckingham at Latimer operated as omnibus accounts, in the same manner as described in paragraph 15 above.

18. During the Material Time, Latimer and Buckingham, as represented by someone other than Bruce, entered into an agreement in respect of the Latimer Accounts, which provided, in part:

[T]hat all securities and credit balances held by LATIMER for the Customer’s account shall be subject to a general lien for any and all indebtedness to LATIMER howsoever arising and in whatever account appearing, including any liability arising by reason of any guarantee by the Customer of the account or of any other person; that LATIMER is authorized hereby to sell, purchase, pledge, or repledge any or all such securities without notice of advertisement to satisfy this lien, and that LATIMER may at any time without notice whenever LATIMER carries more than one account for the Customer enter credit or debit balances, whether in respect of securities or money, to any of such accounts and make such adjustments between such accounts as LATIMER may in its sole discretion deem fit; and that any reference to the Customer’s account in this clause shall include any account in which the Customer has an interest whether jointly or otherwise.

19. The trades processed by Buckingham through the Canaccord, Latimer and other brokerage accounts involved both securities that had been fully paid and securities purchased on margin by Buckingham’s clients. As described below, it was Buckingham’s responsibility to ensure that the securities owned by clients, including excess margin securities, were properly segregated, and that such securities were not available for

pledging as collateral security for any indebtedness owing by Buckingham to Latimer, or other brokers who had similar executing broker arrangements with Buckingham.

Buckingham's Failure to Segregate Clients' Securities

20. Section 117 of the Regulation to the Act requires that securities held by a registrant for a client that are unencumbered and that are either fully paid for or are excess margin securities shall be (a) segregated and identified as being held in trust for the client; and (b) described as being held in segregation on the registrant's security position record, client ledger and statement of account.

21. During the Material Time, Buckingham failed to segregate fully paid or excess margin securities owned by its clients and held in Buckingham's omnibus accounts with other brokerage firms, as outlined above, contrary to the requirements contained in section 117 of Regulation to the Act.

22. Buckingham, in failing to comply with the segregation requirements contained in section 117 of the Regulation to the Act, put client assets at risk (ie. client assets were available to be used as collateral in support of Buckingham's indebtedness to brokerage firms.) In the ongoing receivership proceeding, two firms have asserted a security interest or lien over securities held in the Buckingham accounts. As a consequence of Buckingham's failure to segregate, many of Buckingham's clients may suffer financial losses should it be determined in the receivership proceeding that the secured claims of the two brokers include fully-paid-for client securities improperly pledged by Buckingham. Bromberg, Bruce and Frydrych authorized, permitted or acquiesced in Buckingham's breach of the requirements contained in section 117 of the Regulation to the Act.

Buckingham's Failure to Maintain Adequate Capital

23. All registrants must maintain adequate capital at all times in accordance with section 107 of the Regulation to the Act. As set out in paragraph 29 below, Buckingham had a deficiency of net free capital in excess of \$9,000,000 for its financial year ending March 31, 1999, and a deficiency of net free capital in excess of \$27,500,000 for its financial year ending March 31, 2000. Buckingham failed to report such information in the audited financial Form 9 reports it was required to file under Ontario securities law,

and instead reported excess net free capital which was misleading or untrue, as further described in paragraph 29 below.

24. In June 2001, during a compliance review conducted by Commission Staff in respect of the operations of Buckingham, Staff identified several areas of concern, including Buckingham's significant capital deficiency. As set out in paragraph 8 above, Buckingham's registration was suspended on July 6, 2001 and BDO Dunwoody was appointed receiver and manager of Buckingham shortly thereafter.

25. During the Material Time, Buckingham contravened the requirement contained in section 107 of the Regulation to the Act to maintain adequate capital at all times. Bromberg, Bruce and Frydrych authorized, permitted or acquiesced in Buckingham's contravention of section 107 of the Regulation to the Act.

Failure to Maintain Books and Records

26. During the Material Time, Buckingham failed to keep necessary records required under Ontario securities law, contrary to section 113 of the Regulation to the Act. In particular, during the Material Time, Buckingham failed to prepare documents on a monthly basis to record reasonable calculations of minimum free capital, adjusted liabilities and capital required by the firm in order to ensure that Buckingham complied with its capital requirements pursuant to section 107 of the Regulation to the Act. Bromberg, Bruce and Frydrych authorized, permitted or acquiesced in Buckingham's breach of the requirement contained in section 113 of the Regulation to the Act.

Misleading or Untrue Statements in 1999 and 2000 Form 9 Reports

27. Buckingham prepared Form 9 reports for the financial years ending March 31, 1999 and March 31, 2000 (hereafter, referred to as the "1999 Form 9 Report" and the "2000 Form 9 Report"). Section 141 of the Regulation to the Act requires a securities dealer, who is not a member of an SRO, to deliver to the Commission within 90 days after the end of each financial year a report prepared in accordance with Form 9. The Form 9 reports, among other things, record the capital position and requirements of the securities dealer, and confirm the segregation of clients' fully paid and excess margin securities. Section 144 of the Regulation to the Act requires that the Form 9 Reports be audited by an

auditor appointed by the securities dealer, in accordance with generally accepted auditing standards and the audit requirements published by the Commission.

28. The 1999 and 2000 Form 9 Reports were submitted to the Commission. Bruce, although neither a partner nor a director, and Bromberg each signed the Certificate of Partners or Directors on behalf of Buckingham for the 1999 and 2000 Form 9 Reports, certifying, among other things, that:

- (a) the financial statements and other information presented fairly the financial position of Buckingham; and
- (b) information stated in the Certificate was true and correct, including the statement that Buckingham promptly segregated all clients' free securities.

29. Buckingham, for the fiscal years ending March 31, 1999 and March 31, 2000, made statements in the 1999 and 2000 Form 9 Reports required to be filed or furnished under Ontario securities law that, in a material respect and at the time and in the light of the circumstances under which they were made, were misleading or untrue or did not state a fact that was required to be stated or that was necessary to make the statements not misleading; specifically

- (i) a. the 1999 Statement of Assets and Liabilities and Capital stated that the amount of Buckingham's total liabilities (excluding subordinated loans) was \$4,402,608 when such amount was in excess of \$12,000,000;
- b. the 1999 Statement of Net Free Capital stated that Buckingham had excess net free capital, before taking account of capital requirements, in the amount of \$521,766, when Buckingham had a deficiency of net free capital in excess of \$8,000,000;
- c. the 1999 Statement of Adjusted Liabilities stated that the amount of Buckingham's adjusted liabilities was \$3,527,784, when the amount was in excess of \$11,500,000;
- d. the 1999 Statement of Minimum Free Capital stated that Buckingham had excess net free capital, after deducting capital

requirements in the amount of \$179,544, when Buckingham had a deficiency of net free capital in excess of \$9,000,000;

e. the 1999 Certificate of Partners or Directors stated that Buckingham properly segregated all clients' free securities, when Buckingham was not segregating clients' free securities.

(ii) a. the 2000 Statements of Assets and Liabilities and Capital stated that the amount of Buckingham's total liabilities (excluding subordinated loans) was \$11,085,049, when such amount was in excess of \$36,000,000;

b. the 2000 Statement of Net Free Capital stated that Buckingham had excess net free capital, before taking into account of capital requirements, in the amount of \$738,675, when Buckingham had a deficiency of net free capital in excess of \$25,500,000;

c. the 2000 Statement of Adjusted Liabilities stated that the amount of Buckingham's adjusted liabilities was \$6,914,102, when such amount was in excess of \$31,000,000;

d. the 2000 Statement of Minimum Free Capital stated that Buckingham had excess net free capital, after deducting capital requirements, in the amount of \$144,778, when Buckingham had a deficiency of net free capital in excess of \$27,500,000;

e. the 2000 Certificate of Partners or Directors stated that Buckingham had properly segregated all clients' free securities, when Buckingham was not segregating clients' free securities.

30. Bruce, Bromberg and Frydrych, for the fiscal years ending March 31, 1999 and March 31, 2000, authorized permitted or acquiesced in Buckingham making statements in Buckingham's 1999 and 2000 Form 9 Reports required to be filed or furnished under Ontario securities law that, in a material respect and at the time and in the light of the circumstances under which they were made, were misleading or untrue or did not state a

fact that was required to be stated or that was necessary to make the statements not misleading.

Breach of Requirement to File Form 9 (Financial Questionnaire and Report)

31. Section 142 of the Regulation to the Act provides that every securities dealer, that is not a member of an SRO, must deliver to the Commission within ninety days after the end of its financial year a report prepared in accordance with Form 9 (Financial Questionnaire and Report).

32. Buckingham's Form 9 report for the fiscal year ending March 31, 2001 was due on June 30, 2001. Staff received a request for an extension to file the 2001 Form 9 on the basis that Buckingham's auditor was not prepared to certify the Form 9. By letter dated June 29, 2001 Bruce, on behalf of Buckingham, advised Staff that its auditor "... is uncomfortable certifying the Form 9 at this time given the capital deficiency that has been brought to our attention recently during the OSC's Compliance Audit. Our auditor performed this year's audit in the same manner as in previous years, and did not reflect any capital deductions or deficiencies caused by under margin accounts or the segregation of cash and securities. In effect, a Form 9 based on the current financial statements prepared by our Auditor would be incorrect."

33. Buckingham failed to comply with the requirement contained in section 142 of the Regulation to the Act to file the required audited form 9 for the fiscal year ending March 31, 2001.

Conduct Contrary to the Public Interest

34. Bruce's conduct was contrary to the public interest in that:

- (a) During the Material Time, Buckingham failed to segregate fully paid or excess margin securities owned by its clients contrary to the requirements contained in section 117 of the Regulation to the Act.
- (b) During the Material Time, Buckingham failed to maintain adequate capital at all times contrary to the requirements of section 107 of the Regulation to the Act.

- (c) During the Material Time, Buckingham failed to keep such books and records required under section 113 of the Regulation to the Act, and in particular, failed to maintain on a monthly basis a record of a reasonable calculation of minimum free capital, adjusted liabilities, and capital required by the firm to meet its capital requirements.
- (d) Buckingham failed to comply with the requirement contained in section 142 of the Regulation to the Act to deliver the required audited Form 9 Report for the fiscal year ending March 31, 2001;
- (e) During the Material Time, Bruce authorized, permitted or acquiesced in Buckingham's violations of the requirements of Ontario securities law, described in subparagraphs (a), (b), (c) and (d) above.
- (f) Buckingham, for the fiscal years ending March 31, 1999 and March 31, 2000, made statements in the 1999 and 2000 Form 9 Reports required to be filed or furnished under Ontario securities law that, in a material respect and at the time and in the light of the circumstances under which they were made, were misleading or untrue or did not state a fact that was required to be stated or that was necessary to make the statements not misleading; and
- (g) Bruce for the fiscal years ending March 31, 1999 and March 31, 2000, authorized permitted or acquiesced in Buckingham making statements in Buckingham's 1999 and 2000 Form 9 Reports required to be filed or furnished under Ontario securities law that, in a material respect and at the time and in the light of the circumstances under which they were made, were misleading or untrue or did not state a fact that was required to be stated or that was necessary to make the statements not misleading.

B. Proceeding in respect of Bruce and Verbeek

35. The conduct of Bruce referred to below occurred between August of 2000 and July 2001.

36. Bruce was appointed the supervisor of Brian Peter Verbeek, a registrant. Verbeek was registered with the Commission as a branch manager and/or salesperson for an office located in Nepean. The only other staff that was present in the office were clerical staff. Verbeek is currently not registered under the Act and his prior registration included the following:

- i. from August 27, 1999 to May 1, 2000, Verbeek was registered as a registered representative with Dundee Securities Corporation, a dealer in the category of Broker/Investment Dealer – Equities, Options and managed Accounts. From February 18, 2000 to May 1, 2000, Verbeek was registered as a branch manager of 57 Auriga Drive, Suite 204, Nepean, Ontario; and,
- ii. on August 21, 2000, Verbeek was registered as a salesperson with Buckingham Securities Corporation, a dealer in the category of Securities Dealer. Lloyd Hutchinson Ebenezer Bruce was appointed supervisor for Buckingham's sub-branch located at 57 Auriga Drive, Suite 204 Nepean, Ontario, from September 5, 2000 until June 21, 2001. Verbeek's registration was subject to the following terms and conditions:
 - (a) For a one year period, Bruce was required to submit, on the prescribed form, quarterly reports to the General Manager, Registration, regarding Verbeek's sales and client service activities. The first report, covering the period from initial registration to October 30, 2000, was to be submitted no later than November 15, 2000. Each subsequent report was due on the 15th day of the month following each quarter.
 - (b) Verbeek's activities with Buckingham were approved and supervised by Bruce, an approved officer of Buckingham.
 - (c) The Supervisory Report due November 15, 2000 was delivered to the Commission December 19, 2000. The Supervisory Reports due February 15, 2001 and May 15, 2001 were not submitted to the Commission.

37. By letter dated December 29, 2000, Buckingham suspended Verbeek from conducting business as a registered representative of Buckingham. By letter dated May 23, 2001, Verbeek was re-instated by Buckingham as a registered representative.

38. On June 21, 2001, Verbeek was terminated for cause by Buckingham due to numerous unresolved client complaints, concerns that he was violating the terms and conditions of his registration and concerns that he was involved in questionable private placements.

Verbeek

39. From approximately August of 1998 to June 2001, which includes the period of time when Verbeek was registered through Buckingham and supervised by Bruce, Verbeek participated in schemes, organized by various promoters, whereby advertisements were placed in newspapers throughout Ontario and other provinces to attract clients. In response to the advertisements, the clients contacted Verbeek or the promoters. The advertisements offered “fast financial assistance” to persons wishing to access funds in their locked-in Registered Retirement Savings Plan.

40. These clients, with Verbeek’s assistance, purchased shares of Canadian Controlled Private Corporations (“CCPCs”) using funds located in the clients’ locked-in RRSPs. The CCPCs were purported to be qualified investments for locked-in RRSP accounts. Verbeek facilitated the purchase of shares and the processing of the loans. Concurrently, the clients obtained a loan from the scheme’s promoters representing a portion of the purchase price of the CCPC shares, varying from approximately 60% to 80%. The remaining portion, varying from approximately 20% to 40% was charged as an “administration fee” by the promoters of the scheme.

41. Verbeek processed over 670 transactions in excess of \$17 million while registered with Fortune Financial Corporation, Dundee and Buckingham and including a period of time when he was not registered.

42. In particular, through Buckingham, Verbeek processed approximately 204 New Client Application Forms (“NCAFs”) and approximately 91 investors purchased shares for a total value of at least \$2.6 million;

Bruce – Buckingham Compliance Officer

43. On May 1, 2000, Verbeek resigned from Dundee Securities. Subsequent to Verbeek’s resignation, Dundee received a number of complaints, causing Dundee to resubmit the Uniform Termination Notice. As a result, the Investment Dealer’s Association sent Verbeek a warning letter and various conditions were attached to Verbeek’s registration.

44. On August 21, 2000, Verbeek was registered as a salesperson with Buckingham. Due to the conditions that were attached to Verbeek’s registration, Verbeek was not able to be the branch manager. As a result, Bruce was appointed supervisor of the branch where Verbeek was located. In addition, as noted at paragraph 36 (ii) (a) of this Settlement Agreement, Bruce was required to submit quarterly reports over a one year period to the General Manager of Registration at the Commission that detailed Verbeek’s sales and client service activities.

45. Bruce failed to adequately supervise Verbeek’s accounts and Verbeek’s actions in relation to his accounts, despite numerous indications that close supervision was required. For example:

- i. Bruce was appointed supervisor for Buckingham’s sub-branch located at 57 Auriga Drive, Suite 204, Nepean, Ontario;
- ii. through Buckingham, Verbeek processed approximately 204 New Client Application Forms and approximately 91 investors purchased shares for a total value of at least \$2.6 million;
- iii. Verbeek’s registration was subject to terms and conditions which required Bruce to approve and supervise Verbeek’s activities with Buckingham;

- iv. many of the NCAFs submitted to Buckingham by Verbeek required that Bruce make inquiries of the suitability of the proposed purchases or sales of the securities for the investor. Bruce did not make any inquiries regarding suitability;
- v. Bruce did not adequately address concerns regarding the suitability of converting the investor's locked-in RRSP to a "high risk" investment such as the purchase of these shares;
- vi. Bruce permitted Verbeek to process documents through Buckingham even though they had not been completed or signed by the investors; and,
- vii. under Bruce's supervision, Verbeek processed documents through Buckingham that referred to the firm of "Lafferty, Harwood and Partners Ltd." even though Verbeek was never employed by Lafferty.

Conduct Contrary to the Public Interest

46. By engaging in the conduct described above, Bruce failed to adequately supervise Verbeek's accounts and Verbeek's actions in relation to his accounts, contrary to the public interest and contrary to sections 3.1 of Ontario Securities Commission Rule 31-505.

V. POSITION OF THE RESPONDENT

47.

VI. TERMS OF SETTLEMENT

48. Bruce agrees to the following terms of settlement:

- a. pursuant to clause 1 of subsection 127(1) of the Act, the registration of Bruce is terminated;
- b. pursuant to clause 2 of subsection 127(1) of the Act, trading in any securities by Bruce cease permanently from the date of the Order of the Commission approving the Settlement Agreement, with the exception that Bruce be permitted to trade in securities:

- i. in personal accounts in his name in which he has sole beneficial interest, and
 - ii. in registered retirement savings plans in which he, either alone or with his spouse, has sole beneficial interest.
- c. pursuant to clause 7 of subsection 127(1) of the Act, Bruce will forthwith resign any positions he holds as an officer or director of any reporting issuer or any issuer which is a registrant or any issuer which has any interest directly or indirectly in a registrant;
- d. pursuant to clause 8 of subsection 127(1) of the Act, Bruce is permanently prohibited from becoming or acting as an officer or director of any reporting issuer or an officer or director of a registrant or any issuer which has an interest directly or indirectly in any registrant, from the date of the Order of the Commission approving the Settlement Agreement;
- e. Bruce undertakes to the Commission never to apply for registration in any capacity under Ontario securities law, and further undertakes never to own directly or indirectly, any interest in a registrant. Bruce agrees to execute an undertaking to the Commission in the form attached as Schedule “B” to this Settlement Agreement;
- f. pursuant to clause 6 of subsection 127(1) of the Act, Bruce will be reprimanded by the Commission;
- g. Bruce agrees to attend, in person, the hearing before the Commission on a date to be determined by the Secretary to the Commission to consider the Settlement Agreement, or such other date as may be agreed to by the parties for the scheduling of the hearing to consider the Settlement Agreement.

VII. STAFF COMMITMENT

49. If this settlement is approved by the Commission, Staff will not initiate any other proceeding under the Act against Bruce in relation to the facts set out in Part IV of this Settlement Agreement, subject to the provisions contained in paragraphs 50 and 56 below.

50. If this Settlement Agreement is approved by the Commission, and at any subsequent time Bruce fails to honour the terms and undertakings contained in Part VI herein, Staff reserve the right to bring proceedings under Ontario securities law against Bruce based on the facts set out in Part IV of the Settlement Agreement, as well as the breach of the terms and undertakings.

VIII. PROCEDURE FOR APPROVAL OF SETTLEMENT

51. Approval of the settlement set out in the Settlement Agreement shall be sought at a public hearing of the Commission scheduled on a date to be determined by the Secretary to the Commission, or such other date as may be agreed to by the parties for the scheduling of the hearing to consider the Settlement Agreement.

52. Staff and the respondent may refer to any part, or all, of the Settlement Agreement at the Settlement Hearing. Staff and Bruce agree that the Settlement Agreement will constitute the entirety of the evidence to be submitted at the Settlement Hearing, unless the parties later agree that further evidence should be submitted at the Settlement Hearing.

53. If the Settlement Agreement is approved by the Commission, Bruce agrees to waive his right to a full hearing, judicial review or appeal of the matter under the Act.

54. Staff and Bruce agree and undertake that if the Settlement Agreement is approved by the Commission, they will not make any statement inconsistent with the Settlement Agreement. This undertaking is a fundamental term of the Settlement Agreement, the breach of which Bruce agrees will be deemed to be a fundamental breach of the Settlement Agreement.

55. Whether or not the Settlement Agreement is approved by the Commission, Bruce agrees that he will not, in any proceeding, refer to or rely upon the Settlement Agreement or the settlement negotiations as the basis of any attack on the Commission's jurisdiction,

alleged bias or appearance of bias, alleged unfairness or any other remedies or challenges that may otherwise be available.

56. If, for any reason whatsoever, the Settlement Agreement is not approved by the Commission, or an order in the form attached as Schedule "A" is not made by the Commission;

- a. the Settlement Agreement and its terms, including all settlement negotiations between Staff and Bruce leading up to its presentation at the Settlement Hearing, shall be without prejudice to Staff and Bruce;
- b. Staff and Bruce shall be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing on the merits of the allegations in the Notice of Hearing and Statement of Allegations of Staff, unaffected by the Settlement Agreement or the settlement negotiations; and
- c. the terms of the Settlement Agreement will not be referred to in any subsequent proceeding, or disclosed to any person except with the written consent of Staff and Bruce or as may be required by law.

IX. DISCLOSURE OF SETTLEMENT AGREEMENT

57. The Settlement Agreement and its terms will be treated as confidential by Staff and Bruce, until approved by the Commission, and forever if, for any reason whatsoever, the

Settlement Agreement is not approved by the Commission, except with the written consent of Staff and Bruce or as may be required by law.

58. Any obligations of confidentiality shall terminate upon approval of the Settlement Agreement by the Commission.

X. EXECUTION OF SETTLEMENT AGREEMENT

59. The Settlement Agreement may be signed in one or more counterparts which together shall constitute a binding agreement.

60. A facsimile copy of any signature shall be as effective as an original signature.

DATED this 27th day of October, 2004

Signed in the presence of:

“Lloyd Bruce”

Lloyd Bruce

“Michael Watson”

Michael Watson

Director, Enforcement Branch

SCHEDULE “A”

**IN THE MATTER OF THE *SECURITIES ACT*
R.S.O. 1990, c.S.5, AS AMENDED**

AND

IN THE MATTER OF LLOYD BRUCE

**ORDER
(Sections 127 and 127.1)**

WHEREAS on the 6th day of July, 2001, the Ontario Securities Commission (the “Commission”) ordered, among other things, pursuant to clause 1 of subsection 127(1) of the *Securities Act*, R.S.O. 1990, c.S.5, as amended (the “Act”), that the registration of Buckingham Securities be suspended and that trading in any securities by Buckingham, Lloyd Bruce (“Bruce”) and David Bromberg (“Bromberg”) cease for a period of fifteen days from the date of the order (the “Temporary Order”);

AND WHEREAS on the 20th day of July, 2001 the Commission ordered as described above, pursuant to subsection 127(7) of the Act that the Temporary Order, among other things, be extended against Buckingham, Bruce and Bromberg until the hearing is concluded and that the hearing be adjourned *sine die*;

AND WHEREAS on April 15, 2004, the Commission issued a Notice of Hearing (the “Notice of Hearing dated April 15, 2004”) pursuant to sections 127 and 127.1 of the Act in respect of Bruce;

AND WHEREAS on October 8, 2003, the Commission issued a Notice of Hearing (the “Notice of Hearing dated October 8, 2003”) pursuant to sections 127 and 127.1 of the Act in respect of Bruce;

AND WHEREAS the respondent Lloyd Bruce entered into a settlement agreement dated October , 2004 (the “Settlement Agreement”), in which the respondent agreed to a proposed settlement of the proceeding commenced by the Notice of Hearing dated April 15, 2004 and Notice of Hearing dated October 8, 2003, subject to the approval of the Commission; and wherein Bruce provided to the Commission a written undertaking never to apply for registration in any capacity under Ontario securities law and never to own directly or indirectly any interest in a registrant;

AND UPON reviewing the Settlement Agreement and the Statements of Allegations of Staff of the Commission, and upon hearing submissions from the respondent and from Staff of the Commission;

AND WHEREAS the Commission is of the opinion that it is in the public interest to make this Order;

IT IS HEREBY ORDERED THAT:

1. the Settlement Agreement dated October , 2004, attached to this order as Schedule “1”, is hereby approved;
2. pursuant to clause 1 of subsection 127(1) of the Act, the registration granted to Bruce under Ontario securities law be terminated;
3. pursuant to clause 2 of subsection 127(1) of the Act, trading in any securities by Bruce cease permanently from the date of this order, with the exception that Bruce be permitted to trade in securities:
 - (a) in personal accounts in his name in which he has sole beneficial interest, and
 - (b) in registered retirement savings plans in which he, either alone or with his spouse, has sole beneficial interest.

4. pursuant to clause 7 of subsection 127(1) of the Act, Bruce resign forthwith any position he holds as an officer or director of any reporting issuer or any issuer which is a registrant or any issuer which has an interest directly or indirectly in a registrant;

5. pursuant to clause 8 of subsection 127(1) of the Act, Bruce is prohibited permanently from becoming or acting as an officer or director of any reporting issuer or an officer or director of any issuer that is a registrant, or any issuer that directly or indirectly has any interest in any registrant, from the date of this order;

6. pursuant to clause 6 of subsection 127(1) of the Act, Bruce is reprimanded by the Commission.

DATED at Toronto this day of October, 2004

SCHEDULE "B"

**IN THE MATTER OF THE *SECURITIES ACT*
R.S.O. 1990, c.S.5, AS AMENDED**

AND

IN THE MATTER OF LLOYD BRUCE

**UNDERTAKING TO THE
ONTARIO SECURITIES COMMISSION**

I, Lloyd Bruce, am a Respondent to a Notice of Hearing dated April 15, 2004 and a Notice of Hearing dated October 8, 2003 issued by the Ontario Securities Commission. I undertake to the Ontario Securities Commission that I will never apply for registration in any capacity under Ontario securities law. I further undertake that I will never have any ownership interest, directly or indirectly, in any registrant. I have agreed to such terms as set out in the settlement agreement between Staff of the Commission and me dated October , 2004.

Witness:

Date: October , 2004

Lloyd Bruce

Date: October , 2004

Acknowledgement as Received by,

John Stevenson
the Secretary to the
Ontario Securities Commission

Date: October , 2004