IN THE MATTER OF
YORKTON SECURITIES INC.

APPLICATION
OF MACQUARIE CAPITAL MARKETS CANADA LTD.

(For Variation of a Decision Under Section 144(1) of the *Securities Act*, R.S.O. 1990, c. S.5)

A. ORDER SOUGHT

The Applicant, Macquarie Capital Markets Canada Ltd., formerly Yorkton Securities Inc., requests that the Ontario Securities Commission make the following order(s):

1. To vary an order issued by the Ontario Securities Commission (the **Commission**) on December 19, 2001 (the **Order**) under subsection 127(1) of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the **Act**) to among other things:

   (i) require each officer and employee of Yorkton Securities Inc. (**Yorkton**) now Macquarie Capital Markets Canada Ltd. (**Macquarie**) to execute the undertaking attached to the Order as a condition of continued employment; and

   (ii) to report to Staff of the Commission in the event that Yorkton, now Macquarie, received information that any officer or employee of Yorkton, now Macquarie, (each an **Employee**) had breached or was in breach of the undertaking to have each brokerage account in which that Employee has any direct or indirect beneficial interest, including any brokerage accounts over that Employee exercises control or direction (each an **Account**), with Yorkton, now Macquarie, and with no other dealer

   (the **Terms and Conditions**),

   by removing the Terms and Conditions in paragraph 5 of the Order from Macquarie's registration so that the Employees may transfer their Account(s) to a Pre-Approved Dealer that complies with the Conditions (as defined below), or open an Exempt Account(s) that complies with the Exempt Conditions (each as defined below).

B. GROUNDS

The grounds for the request are:

1. Macquarie is a corporation amalgamated under the laws of Ontario. The head office of Macquarie is located in Toronto, Ontario.

2. A copy of the Order is attached as Exhibit 1.

3. At the time of the Order, Macquarie was then known as Yorkton, which became Orion Securities Inc. on June 25, 2003 before becoming known as Macquarie on December 1, 2007.

4. Macquarie is a wholly-owned indirect subsidiary of Macquarie Group Limited. Macquarie is a bank holding company subject to the regulation and oversight of the Australian Prudential Regulatory Authority.

5. Macquarie is registered, among other things, as an investment dealer and futures commission merchant in Ontario, as an investment dealer in each of the other provinces and territories of Canada, and as a derivatives dealer in Québec.

6. Macquarie is a member of the Investment Regulatory Organization of Canada (**IIROC**).

7. Macquarie is a participating organization or member of the Toronto Stock Exchange (the **TSX**), the TSX Venture Exchange, the Montréal Exchange, certain electronic markets, and is a member of the Canadian Derivatives Clearing Corporation.

8. Pursuant to the terms of the Order, Yorkton agreed to the imposition of the Terms and Conditions on its registration as an investment dealer across Canada.

9. The Terms and Conditions have remained in place since 2001 and Macquarie and its predecessors have fully complied with such Terms and Conditions since that time.

10. None of the Employees currently have any interest in any Offshore Entity (defined below).

11. As Macquarie currently only acts for institutional clients and no longer has any retail clients, other than the Accounts of its Employees, Macquarie wants to transfer the Accounts of its Employees to other investment dealers provided that:

    (a) Macquarie has pre-approved the investment dealers to which its Employees can transfer their Accounts to, which in each case must be a member of IIROC (each a **Pre-Approved Dealer**);

    (b) the Employees of Macquarie will only be allowed to transfer their Accounts to a Pre-Approved Dealer(s);

    (c) the Employees of Macquarie will be required to annually confirm that they:

        (i) have all of their Accounts with a Pre-Approved Dealer(s); and

        (ii) do not have any direct or indirect beneficial interest in, or control or direction over, any type of account, corporation, trust, partnership, investment club, nominee arrangement, or any other type of entity, structure, arrangement or organization that is incorporated, located,

domiciled, registered or resident outside of Canada (each an **Offshore Entity**);

(d) an Employee can only open an Account(s) at a Pre-Approved Dealer, if the Employee directs the Pre-Approved Dealer to:

(i) allow Macquarie to pre-approve all of the Employee's trades at the Pre-Approved Dealer;

(ii) provide Macquarie with a copy of all trade confirmations and statements that are sent to the Employee by the Pre-Approved Dealer with respect to their Account(s);

(iii) give Macquarie access to the trade blotter of the Pre-Approved Dealer with respect to the Employee's Account(s) or access to equivalent information in some other acceptable format if available; and

(iv) allow Macquarie to pre-approve all trades involving the Employee's Account(s) at the Pre-Authorized Dealer that may occur off market (e.g., private placement or over-the-counter)

(collectively, the **Conditions**).

12. The Conditions will not apply to an Account(s) of an Employee of Macquarie that is:

(a) managed on a fully discretionary basis by a portfolio manager where the Employee does not have any ability to direct any trades that are carried out by the portfolio manager; or

(b) with a mutual fund dealer that is a member of the Mutual Fund Dealers Association of Canada

(each an **Exempt Account**);

provided that:

(d) Macquarie pre-approves the opening of each Exempt Account;

(e) each Employee with an Exempt Account directs the portfolio manager or mutual fund dealer, as applicable, to:

(i) provide Macquarie with a copy of all trade confirmations and statements that are sent to that Employee with respect to the Employee's Exempt Account(s); and;

(ii) allow Macquarie to pre-approve all trades involving the Employee's Exempt Account(s) that may occur off market (e.g., private placement or over-the-counter);

(f) the Employees of Macquarie will be required to annually confirm that they do not have any Exempt Accounts that have not been pre-approved by the Filer

(collectively, the **Exempt Conditions**).

13. Macquarie is in the process of implementing new policies and procedures to ensure that it will be able to properly monitor all of the Accounts of its Employees at the Pre-Approved Dealers in accordance with the Conditions, and any Exempt Accounts in accordance with the Exempt Conditions.

14. By only allowing its Employees to transfer their Accounts at Macquarie to a Pre-Approved Dealer(s), that as part of such transfer will be directed by each Employee to comply with the Conditions, Macquarie will be able to effectively monitor the Accounts of that Employee at their Pre-Approved Dealer(s) to ensure that all trades of that Employee are in full compliance with Macquarie's policies and procedures.

15. The Conditions being imposed on the Pre-Approved Dealers are sufficiently robust that Macquarie will have access to all of the pertinent information about the trading activity that is occurring in the Accounts of its Employees.

16. As a result of the Conditions being imposed on the Pre-Approved Dealers, Macquarie will be able to vette all of the trades of each Employee and will have the ability to refuse those trades that it has concerns about (e.g., a trade involving insider trading).

17. As a result of the Exempt Conditions imposed on each Exempt Account, Macquarie will be able to sufficiently monitor the activities of that Exempt Account from a compliance perspective.

18. Macquarie's policies and procedures will be reviewed and revised at least annually to ensure that it has fully implemented appropriate guidelines to effectively monitor all of the Accounts and Exempt Accounts of its Employees in accordance with any applicable securities laws that apply to Macquarie.

C. EVIDENCE

The Applicant(s) intend(s) to rely on the following evidence at the hearing:

1. The affidavit of Paula Amy Hewitt, Chief Compliance Officer, Senior Vice President Risk Management Group of Macquarie, dated January 31st, 2018 confirming the truth of the facts contained in this application.

DATED this 5th day of February 2018.

Garth J. Foster
Fasken Martineau DuMoulin LLP
on behalf of Macquarie Capital Markets Canada Ltd.

Exhibit 1

Order involving Yorkton Securities Inc.
Dated December 19, 2001

Securities Law & Instruments

INTHE MATTER OF

THESECURITIES ACT

R.S.O.1990, c. S.5, as amended

AND

INTHE MATTER OF

YORKTONSECURITIES INC.

ORDER

WHEREASon December 17, 2001, the Ontario Securities Commission (the "Commission")issued a Notice of Hearing pursuant to sections 127(1) and 127.1of the Securities Act, R.S.O. 1990 c. S.5, as amended (the "Act")in respect of Yorkton Securities Inc. ("Yorkton");

ANDWHEREAS Yorkton entered into a settlement agreement datedDecember 17, 2001 (the "Settlement Agreement") in which it agreedto a proposed settlement of the proceeding, subject to the approvalof the Commission;

ANDUPON reviewing the Settlement Agreement and the Statementof Allegations of Staff of the Commission ("Staff"), and uponhearing submissions from counsel for Yorkton and from Staff;

ANDWHEREAS the Commission is of the opinion that it is inthe public interest to make this Order;

ITIS HEREBY ORDERED THAT:

1.the Settlement Agreement dated December 17, 2001, attached tothis Order, is hereby approved;

2.pursuant to subsection 127(1)(6) of the Act, Yorkton is herebyreprimanded;

3.pursuant to subsection 127(1)(4) of the Act, effective the dateof this Order, Yorkton shall implement the proposed amendmentsto IDA Regulation 1300 in the form attached as Schedule "1"to this Settlement Agreement, and any amendments to IDA Regulation1300 as ultimately approved by the Board of Directors of theIDA;

4.pursuant to 127(1)(4) of the Act, that within six months ofthe date of the Order Yorkton will have retained, at its soleexpense, PwC to conduct a independent review of the plan adoptedby Yorkton, as described in Part IV, and Schedule "1", to ensuresatisfactory implementation of the plan, and to provide a reportto Yorkton and Staff as to the results of the review and, inparticular, a report as to whether Yorkton has complied withthe steps referred to in Part IV and Schedule "1". The PwC reportwill be completed within a reasonable time frame to be set outby PwC, in consultation with Yorkton and Staff.

5.pursuant to clause 1 of subsection 127(1) of the Act, effectivethe date of this Order, the following terms and conditions areimposed on the registration of Yorkton:

i.Yorkton will require each officer and employee of the firm toexecute forthwith the undertaking attached in the form as Schedule"2" hereto, as a condition to continued employment with Yorkton;and

ii.Yorkton will report forthwith to Staff of the Commission inthe event that Yorkton receives information that any officeror employee of Yorkton has breached or is in breach of the undertakingattached in the form of Schedule "2".

6.Pursuant to subsection 127.1(2)(b) of the Act, at the time ofapproval of this settlement, Yorkton is ordered to pay $200,000to the Commission in respect of a portion of the Commission'scosts with respect to this matter.

December19, 2001.

"HowardWetston" "TM McLeod" "Derek Brown"

INTHE MATTER OF

THESECURITIES ACT

R.S.O.1990, c. S.5, AS AMENDED

AND

INTHE MATTER OF

YORKTONSECURITIES INC.

SETTLEMENTAGREEMENT

I.INTRODUCTION

1. ByNotice of Hearing dated December 17, 2001 (the "Notice of Hearing"),the Ontario Securities Commission (the "Commission") announcedthat it proposed to hold a hearing to consider whether, pursuantto sections 127(1) and 127.1 of the Securities Act, R.S.O. 1990,c. S.5, as amended (the "Act"), it is in the public interest forthe Commission:

(a)to make an order approving the proposed settlement entered intobetween Staff of the Commission ("Staff") and the respondent,Yorkton Securities Inc. ("Yorkton") of this proceeding, pursuantto sections 127 and 127.1 of the Act, which approval will be soughtjointly by Staff and Yorkton;

(b)to make an order that the registration of other respondents besuspended or restricted for such time as the Commission may direct,or be terminated, or be subject to such terms and conditions asthe Commission may order;

(c)to make an order that trading in securities by other respondentscease permanently or for such other period as specified by theCommission;

(d)to make an order that other respondents be prohibited from becomingor acting as a director or officer of any

issuer;

(e)to make an order that Yorkton institute such changes as may beordered by the Commission and submit to a review of its practicesand procedures;

(f)to make an order that the respondents be reprimanded; and

(g)to make an order that the respondents pay costs to the Commission.

II.JOINT SETTLEMENT RECOMMENDATION

2.Staff agree to recommend settlement of the proceeding initiatedin respect of the respondent Yorkton by the Notice of Hearingin accordance with the terms and conditions set out below. Yorktonconsents to the making of an order against it in the form attachedas Schedule "A" on the basis of the facts set out below.

III.STATEMENT OF FACTS

ACKNOWLEDGEMENT

3.Solely for the purposes of this proceeding, and of any otherproceeding commenced by a securities regulatory agency, Yorktonagrees with the facts as set out in this Part III.

FACTS

YORKTONSECURITIES INC.

4.The conduct of Yorkton Securities Inc. ("Yorkton") that is thesubject matter of this settlement agreement occurred prior toFebruary 2001 (the "Material Time"). Since February, 2001, Yorktonhas taken a number of steps to adopt best practices in the areaof regulatory compliance.

5.Yorkton is registered as, among other things, a broker and investmentdealer under the Act and is a member of, among other things, TheToronto Stock Exchange (the "TSE") and the Investment DealersAssociation of Canada (the "IDA"). Yorkton is an employee-ownedfirm with over 600 employees. Yorkton is a wholly-owned subsidiaryof Yorkton Financial Inc. ("Yorkton Financial").

6.G. Scott Paterson ("Paterson") was registered as a trading officerand the Chairman and Chief Executive Officer of Yorkton sinceOctober 1998, and President of Yorkton from May 20, 1997 to October1, 1998. During the Material Time, Paterson owned approximately15% of Yorkton Financial. Paterson was registered as a tradingofficer with the title of Executive Vice-President and Directorfrom May 16, 1995 to May 20, 1997.
7.Piergiorgio Donnini ("Donnini") was during the Material TimeYorkton's Head Institutional and Liability Trader. Donnini'semployment with Yorkton was terminated in April 2001. From November14, 1995 to April 5, 2001, Donnini was registered as a salesrepresentative with Yorkton, with the exception from September,1998 to April, 1999 when Donnini was not employed with Yorkton.

8.Roger Arnold Dent ("Dent") has been registered since September1998 as a trading officer and director with the titles of Vice-Chairman,Executive Vice-President and Director of Research of Yorkton.Dent was registered as a trading officer with the title of Vice-Presidentand Director from March 19, 1997 to March 9, 1998, and as ExecutiveVice-President from March 9, 1998 to September 8, 1998.

9.Nelson Charles Smith ("Smith") is, and has been registered sinceMarch 26, 2001, as a trading officer with the titles of Vice-Presidentand Managing Director, Head of Investment Banking. Smith wasregistered as a trading officer with the title of Vice-Presidentfrom November 9, 1995 to January 30, 1997, and from January30, 1997 to March 26, 2001 as Vice-President and Director ofInvestment Banking for the Media, Entertainment & LeisureGroup.

10.Alkarim Jivraj ("Jivraj") has been employed with Yorkton asan investment banker since 1996. Jivraj was registered as anapproved, non-trading officer with the title of Vice-Presidentand Director from May 24, 2000 to March 12, 2001. Since March12, 2001 Jivraj has been registered as an approved, non-tradingofficer with the title of Vice-President and Managing Director,Technology Investment.

GTRGROUP INC.

11.GTR Group Inc. ("GTR") was the continuing company formed throughthe reverse take-over (the "RTO") by Games Trader Inc. ("GTI")of the listed "shell" then known as Xencet Investments Inc. ("Xencet")in October 1998 and the concurrent exchange of securities withshareholders of 1308129 Ontario Inc. ("1308129"). Effective September5, 2001, GTR changed its name to Mad Catz Interactive Inc. Duringthe Material Time GTR was a reporting issuer in British Columbia,Alberta and Ontario and its common shares were listed and postedfor trading on the TSE under the symbol GTR.

12.During the Material Time GTR carried on business through two operatingsubsidiaries. Through the first of those subsidiaries (which carriedon business under the name "Games Trader"), GTR was a supplierof video

games to mass merchant and specialty retailers in theUnited States and Canada, with its principal business activitybeing the sourcing, refurbishing, repackaging and distributionof previously played video game software. Through the second ofthose subsidiaries, GTR designed, developed, manufactured (throughthird parties) and marketed interactive video game control devicesand accessories.

13.GTI was, until it was taken public through the RTO, a closely-heldcompany that carried on the business later operated under the"Games Trader" name.

1.Investments by Yorkton Group in GTI

14.In March 1997, Capital Canada Limited ("CCL") made a presentationto representatives of Yorkton concerning an opportunity to participatein the acquisition and financing of GTI. In this presentation,CCL expressed the view that individuals at Yorkton should acquireshares in GTI as a sign of their good faith.

15.In response to this presentation, ultimately Yorkton acquired250,000 common shares, representing approximately 6% of the outstandingcommon shares of GTI. Yorkton then transferred those shares tothe various persons and entities including Smith, Dent and PatstarInc., a corporation owned by Paterson (collectively, the "YorktonGroup").

2.Yorkton/Paterson Relationship with Xencet

16.Xencet was incorporated in 1993 as a "junior capital pool" underthe name Patch Ventures Inc. ("Patch") at the initiative of, amongothers, Paterson. In 1994, Patch acquired all of the issued andoutstanding shares of Legacy Manufacturing Corporation pursuantto a reverse take-over, following which the name of the companywas changed to Legacy Storage Systems International Inc. ("Legacy").In 1995, Paterson joined the board of directors of Legacy andits shares were listed and posted for trading on the TSE. Patersonhas since 1995 also been a shareholder of Legacy and its successorcompanies.

17.Since 1995, Yorkton has regularly acted as underwriter and financialadvisor for Xencet and its predecessor companies and was alsoa security holder. In particular, Yorkton was the underwriterin respect of two special warrant offerings of Legacy completedin May 1995 and December 1995, and the underwriter in respectof the unit offering of Legacy completed in March 1996. Yorktonalso acted as financial advisor to Legacy in connection with theacquisition by Legacy of shares and assets of Rexon Inc., completedin March 1996. Legacy subsequently changed its name to TecmarTechnologies International Inc. in December 1996. In January 1998,its name again was changed to Xencet Investments Inc. ("Xencet")in connection with the proposed sale of the last of its operatingbusinesses. Paterson remained on the board of Xencet (and

itspredecessor companies as of August 1995) until his resignationfrom the board on September 30, 1998.

18.Upon completion of the sale of the last of Xencet's operatingbusinesses, in mid-February 1998, Xencet had no significant operations.It held cash and cash equivalents in excess of $7.5 million. Itsonly other asset was a listing on the TSE. To preserve this listing,the TSE required that Xencet enter into a legally binding agreementby August 18, 1998 to acquire an operating business that, if completed,would result in Xencet meeting the original listing requirementsof the TSE. Failing that, the shares of Xencet would be de-listed.The board of directors of Xencet asked Paterson and other firmsand individuals and firms to search out business opportunities.

19.In late March 1998, notwithstanding that Xencet had no apparentneed or use for additional cash, Paterson proposed to the twoother directors of Xencet a transaction pursuant to which Patersonand certain other investors identified by him would acquire for$0.65 per unit approximately 1,150,000 units. Each unit was toconsist of one common share in the capital of Xencet and one commonshare purchase warrant exercisable for $0.70 per share for a periodof two years from the date of issue. On March 31, 1998, the closingprice of the common shares of Xencet on the TSE was $0.70 pershare.

20.The proposed private placement was announced by Xencet on April30, 1998 (the "Xencet Private Placement"). The Xencet PrivatePlacement closed in late May 1998 at which time 460,000 unitswere issued to Yorkton in trust for Paterson, and 690,000 unitswere issued to two Yorkton institutional clients.

21.Xencet's press release of April 30, 1998 did not disclose theidentity of the subscribers to the Xencet Private Placement, andcertain Yorkton personnel assisting with the RTO were not madeaware that Paterson had participated in the Xencet Private Placementuntil such disclosure was made in the Xencet Information Circulardated August 26, 1998 in connection with the RTO. Paterson signedhis subscription agreement in relation to the Xencet Private Placementon May 21, 1998 and filed his insider report on September 16,1998, reporting his acquisition of 460,000 units of Xencet effectiveMay 22, 1998.

3.The RTO - Role of Yorkton's Officers and Investment Bankers

22.In March 1998, Paterson committed to the board of Xencet resourcesof Yorkton. In particular, Paterson committed employees of Yorktonto review possible merger or RTO candidates and to report theresults of the review to the Xencet Board. As a director of Xencet,Paterson was informed of all business opportunities presentedto the Xencet board, and the development of any proposed transaction.Although Paterson committed Yorkton resources to help search outproposed business opportunities, Paterson did not cause Yorktonto enter into an engagement agreement with Xencet. Xencet wasnot placed on the grey list (also referred to as a watch

list)in March 1998. Yorkton did not place Xencet on its grey list untilAugust 13, 1998.

23.During the Material Time, other Yorkton senior officers and investmentbankers acted as financial advisors to GTI, including Smith, theDirector of Investment Banking for the Media, Entertainment &Leisure Group.

24.Through 1997 and into 1998, representatives of GTI met with Smith,and others at Yorkton, on various occasions to discuss the timingof an initial public offering of GTI and the company's financingrequirements.

25.On or about April 16, 1998, Smith, Dent and other employees onbehalf of Yorkton, met with the President of GTI for a generalbusiness update on GTI. Smith arranged for the GTI President togive a presentation to Paterson on or about April 24, 1998.

26.After that presentation, Paterson advised representatives of GTIthat it was Yorkton's view that, given GTI's recent operatingresults and financial condition, an initial public offering wasnot likely to be successfully completed until 1999 or later. Patersonindicated that he was aware, however, of a TSE-listed companythat was looking for merger or acquisition candidates and thathe would take the information provided by GTI and consider whetherthere could be a deal between GTI and that listed company. Shortlyafter this meeting, discussions ensued concerning a possible transaction,and the identity of Xencet was disclosed to GTI.

27.During April and May 1998, GTI was in discussions with Movies& Games 4 Sale, L.P. ("M4S"), a Dallas-based private limitedpartnership engaged in the same type of business as GTI, withrespect to the possible combination of the businesses of GTI andM4S.

28.Paterson introduced GTI to the Board of Directors of Xencet onor about May 5, 1998.

29.In early May, 1998, Paterson, on behalf of Xencet, and a representativeof GTI, negotiated the share exchange ratio in respect of thethree businesses, such that Xencet, GTI and M4S were agreed tobe valued as one-third interests of the proposed business combination.The share exchange ratio agreed to by the parties was not publiclyavailable. In or about early May, 1998, Smith was informed ofthe share exchange ratio agreed to by Xencet and GTI in relationto the interests of Xencet, GTI and M4S. This information wasmade available to Dent in or about early May, 1998 by virtue ofhis role.

30.On or about June 12, 1998, it was determined by the interestedparties that the proposed merger/RTO would no longer include M4Sas a party to the transaction.

31.On or about June 16, 1998, Paterson, on behalf of Xencet, andrepresentatives of GTI reached an agreement

in respect of theshare exchange ratio for the proposed RTO of GTI and Xencet. Theparties agreed to a 50/50 share exchange ratio. The share exchangeratio agreed to by the parties was not publicly announced at thistime. The information concerning the share exchange ratio agreedto by Xencet and GTI was available to each of Dent and Smith inor about mid-June, 1998, by virtue of their roles. On Friday,June 19, 1998, Xencet and GTI also entered into a confidentialityagreement, and began to exchange information under that agreementon Monday, June 22, 1998.

32.In order to proceed with the proposed RTO, GTI also approachedthe shareholders of GTI and requested that the original shareholders(which included Patstar Inc., Smith and Dent) purchase sharesfrom the founder of GTI.

33.On June 30, 1998, Paterson, Smith and Dent, purchased common sharesof GTI. Paterson, through Patstar Inc., purchased 55,627 sharesof GTI. Dent and certain of his relatives purchased 30,990 sharesof GTI. Smith purchased 2,660 shares of GTI.

34.On July 31, 1998, Xencet and GTI entered into an acquisition agreement(the "Acquisition Agreement"), as amended and restated on August20, 1998, providing for the acquisition of all the issued andoutstanding common shares of GTI, pursuant to securities exchangeagreements to be entered into with the holders of GTI common sharesin exchange for units of Xencet comprised of common shares anda fractional number of common share purchase warrants.

35.The share ratio agreed to by Xencet and GTI, as reflected in theAcquisition Agreement, was as follows:

"Onthe terms and subject to the conditions set out herein and inthe Securities Exchange Agreement, the transactions contemplatedby this Agreement shall be effected by the implementation of thefollowing steps on the Closing Date:

(a)Xencet shall acquire all of the GTI Securities from the GTI Securityholdersin exchange for an aggregate of:

(i)10,300,000 Xencet Common Shares: and

(ii)1,000,000 Xencet Series A Warrants;
(b) Peter Koziczshall receive options to purchase 514,884 common shares of Xencetexercisable until April 7, 2000 for the Kozicz Options heldby him, it being the intent that the options to be granted toPeter Kozicz will be granted at the market price of the commonshares of Xencet, as agreed to with the TSE, and that the accruedgain in the Kozicz Options, being the excess of the exerciseprice per share of the options to be granted

by Xencet to PeterKozicz over $0.4017 (the "Excess Amount") will be treated asa pre-payment of a portion of the exercise price per share payableunder such options equal to the Excess Amount per share of theoptions to be granted to Peter Kozicz, so that Peter Koziczis in the same economic position as if he continued to holdthe Kozicz Options, and the TSE shall have approved the issuanceof such options on the foregoing terms on or before August 12,1998."

TheAcquisition Agreement and the terms contained therein were notmade publicly available.

36.In or about late July 1998, Jivraj was formally assigned to theXencet, GTI RTO transaction, although Jivraj had information regardingthe RTO prior to that date. Jivraj's primary responsibility wasto close the financing transaction concurrent with the RTO. Inmid 1998, Jivraj became aware that several senior Yorkton officershad recently purchased shares in GTI.

37.In mid 1998, Jivraj approached Paterson and proposed that Patersonsell to him common shares in GTI. Paterson agreed to sell a portionof his position in GTI.

38.On August 19, 1998 Jivraj purchased 2,217 common shares of GTIfrom Patstar Inc. for $1,441.05.

39.The RTO transaction was publicly announced by Xencet on August26, 1998, which announcement included disclosure of the shareexchange ratio agreed to by Xencet and GTI as reflected in theAcquisition Agreement, as amended and restated on August 20, 1998.The RTO was completed by October 30, 1998, and the name of thecompany was changed to GTR as of November 11, 1998. Followingthe RTO, the common shares of Xencet/GTR traded on the TSE atprices substantially above the price at which the units were soldto Paterson and the two Yorkton institutional clients, pursuantto the Xencet Private Placement, and substantially above the priceof the GTI shares purchased by Paterson, Smith, Dent and Jivrajin the summer of 1998.

KASTENCHASE APPLIED RESEARCH LIMITED

40.Kasten Chase Applied Research Limited ("KCA") is a corporationincorporated under the Business Corporations Act (Ontario). KCAdevelops and applies technology to provide secure remote accessto computer networks. KCA was a privately held company up until1994 at which time Yorkton structured the reverse take over byKCA of the reporting issuer known as Dysis Corp. KCA is a reportingissuer in British Columbia, Alberta, Saskatchewan, Manitoba, Ontarioand Quebec. The common shares of KCA are listed and posted fortrading on the TSE under the symbol KCA. Since 1994 Yorkton hasacted as underwriter in respect of several financings and privateplacements for KCA.

1.First KCA Special Warrant Financing

41.In early February 2000, Yorkton and KCA engaged in discussionsabout a possible financing of KCA. On February 10, 2000, KCA sought"price protection" from the TSE for an offering of special warrantsbased on the $1.37 closing price of its common shares on February9, 2000.

42.On February 11, 2000, KCA executed an engagement agreement withYorkton under which KCA proposed to raise $5 million by issuing4 million special warrants priced at $1.25 each (referred to asthe "SWI"). Pursuant to subsections 619(a) and (b) and 622 ofthe TSE Company Manual, special warrants exchangeable into listedcommon shares may be issued at a discount to the closing priceof the common shares on the TSE on the day before the date onwhich price protection is sought. Each special warrant was toentitle the holder to acquire one common share of KCA and onewarrant to acquire one-half of one common share at an exerciseprice equal to $1.75 per common share.

43.Pursuant to the engagement agreement, Yorkton was entitled toreceive an underwriter's commission equal to 8% of the gross proceedsof the offering (or $400,000 in cash commission) and compensationoptions to acquire 400,000 units at an exercise price of $1.37per unit. Each unit was to be exchangeable for one common shareof KCA and one warrant to acquire one-half of one common shareat an exercise price equal to $1.75 per common share. Yorktondid not own freely tradeable shares of KCA at this time.

44.The arrangements between Yorkton and KCA set out in the engagementagreement were confirmed in an underwriting agreement dated February24, 2000. The financing closed on February 24, 2000.

2.Subscriptions For First KCA Special Warrants

45.During the pre-marketing of SWI, Yorkton's institutional clientsexpressed a greater demand for the purchase of SWI units thanthe proposed 4 million units. These clients were prepared to purchaseclose to 6.5 million KCA units.

46.Accordingly, on February 11, 2000, Yorkton received sufficientorders to purchase the special warrants that resulted in the offeringbeing oversubscribed.

47.Among others, a Yorkton institutional client (the "Yorkton InstitutionalClient"), subscribed for 340,000 special warrants and a Yorktonretail client (the "Yorkton Retail Client") subscribed for 78,000special warrants, respectively.

48.Each subscriber was required to complete a subscription agreementand a private placement questionnaire and undertaking in a formprescribed by the TSE. Pursuant to the undertaking, each subscriberundertook to the TSE that, except with the "prior consent" ofthe TSE, it would not "sell or otherwise dispose of any of thesaid securities so purchased or any securities derived therefromfor the lesser of" six months or the date that a receipt for afinal prospectus in respect of those securities was issued bythe Commission.

3.Purchases by Yorkton of KCA Special Warrants

49.The trading price of KCA common shares on the TSE increased substantiallyfrom $2.05 per KCA common share at the close of business on February11, 2000 to $6.75 per common share by the close of business onFebruary 28, 2000. As a result, subscribers for the special warrantsenjoyed a substantial unrealized appreciation in value.

50.Commencing in mid-February 2000, certain Yorkton salespersonsspoke with some of the subscribers for the special warrants todetermine their interest in realizing a profit by selling someor all of their special warrants. The clients approached werepleased to have the opportunity to sell the special warrants andrealize a profit on the sale.

51.On or about February 28, 2000, Yorkton agreed to purchase fromthe Yorkton Institutional Client, for Yorkton's own account, 80,000of the KCA special warrants at a price of $5.00 per warrant.

52.On or about February 29, 2000, Yorkton agreed to purchase fromthe Yorkton Retail Client, for Yorkton's own account, 78,000 ofthe KCA special warrants at a price of $7.65 per warrant. Yorktoncharged the Yorkton Retail Client an aggregate commission of $19,500on this sale and Yorkton did not disclose to the Yorkton RetailClient that Yorkton was purchasing the special warrants as principal.Yorkton has agreed to credit $19,500 to the account of this client.

53.On or about February 29, 2000, Yorkton agreed to purchase fromthe Yorkton Institutional Client, for Yorkton's own account, 60,000of the KCA special warrants at a price of $7.00 per warrant and100,000 special warrants at a price of $7.75 per warrant.

54.On March 2, 2000, Yorkton sought and obtained the TSE's consentto these purchases of KCA special warrants from the Yorkton InstitutionalClient and the Yorkton Retail Client, conditional upon, amongother things, Yorkton filing a questionnaire and undertaking inthe prescribed form. Yorkton failed to file the questionnaireand undertaking as required.

55.Yorkton did not maintain an itemized daily record of the purchasesfrom the Yorkton Institutional Client and the Yorkton Retail Client.The purchases were not recorded, and the trades were not ticketed,until March 3, 2000, the day after TSE consent was received.

4.Yorkton's Borrowing and Short Sales [(1)]in KCA Common Shares

56.Commencing on or about February 15, 2000, with the knowledge andapproval of Paterson, Donnini began executing short sales of commonshares of KCA for Yorkton's own account.

57.On or about February 17, 2000, Donnini, on behalf of Yorkton,began to borrow KCA common shares from various registered dealers.Between February 15, 2000 and February 28, 2000, Yorkton soldshort for its own account approximately 355,000 common sharesof KCA. These transactions were transparent to the market as Donninitraded from Yorkton's inventory account.

58.The short sales carried out prior to February 29, 2000, were effectedas part of a strategy to lock in Yorkton's profits in relationto compensation options and special warrants from SWI, which couldnot be freely traded.

5.Second KCA Special Warrant Financing Proposal

59.On February 29, 2000, Paterson presented a financing proposalto the Chief Financial Officer of KCA. Paterson informed Donninion February 29, 2000 that the proposed second KCA financing wasa $10 million special warrant offering at $6.75 per special warrant,and was to have a structure similar to the SWI financing. Giventhe nature of the information provided by Paterson to Donnini,which was not publicly available, Paterson should have instructedor directed Donnini to cease his short selling of KCA common shareson February 29, 2000, but failed to do so. Having regard to thestatus of the negotiations, Paterson should have informed Yorkton'scompliance department that KCA be placed on the grey list on February29, 2000, but failed to do so.

60.Following receipt of information from Paterson, as described above,Donnini traded in common shares of KCA for Yorkton's account throughjitney trades. By the close of business on February 29, 2000,Donnini had sold short for Yorkton's account 579,000 commons sharesof KCA.

61.On the morning of March 1, 2000, the CFO of KCA continued to negotiatethe terms of the special warrant offering with Paterson, and bymid-day, KCA had reached an agreement in principle with Yorktonin relation to the following terms of the second warrant financing(subject to board approval of KCA and negotiation of the

engagementletter with Yorkton):

thepricing of the special warrants II offering;

thesize of the special warrants II offering (including the commonshare purchase warrants and the exercise period and exercise priceof the warrants);

theCommission to be paid to Yorkton in respect of the special warrantsII offering, and the number, exercise price and exercise periodof the compensation warrants to be issued to Yorkton in respectof the underwriting.

62.On March 1, 2000 KCA sought price protection from the TSE foran offering of special warrants at $6.75 per special warrant basedon the $6.90 closing price of KCA's common shares on February29, 2000.

63.At the close of the day on March 1, 2000, the board of directorsof KCA approved the second special warrant financing.

64.On March 1, 2000, Yorkton sold short for its own account a further440,200 common shares of KCA, of which over 400,000 shares werejitneyed through another investment dealer, which had the effectof concealing Yorkton's involvement in the trade. By the closeof trading on the TSE on March 1, 2000, Yorkton had sold shortapproximately 1,375,000 common shares of KCA. Paterson took nosteps to restrict Donnini's trading in KCA common shares. Allof the short sales from February 29 and March 1 were made at pricesin excess of the $6.75 price for the KCA SW2 warrants. The averageprice of these trades (i.e. short sales) excuted by Donnini beginningon the afternoon of February 29 at approximately 2:45 p.m., andcontinuing on March 1, was $7.48.

65.Yorkton's "bought deal" committee approved Yorkton's participationin the second special warrants financing at about 8:00 a.m. onMarch 2, 2000. KCA and Yorkton then executed an engagement agreementpursuant to which KCA agreed to raise, and Yorkton agreed to underwrite,$10 million by issuing 1.483 million special warrants priced at$6.75 each. Each special warrant was to entitle the holder toacquire one common share of KCA and one warrant to acquire one-halfof one common share at an exercise price equal to $7.75 per commonshare.

66.Pursuant to the engagement agreement, Yorkton was entitled toreceive an underwriter's commission equal to 8% of the gross proceedsof the offering and compensation options to acquire 148,399 unitsat an exercise price of $6.90 per unit. Each unit was to be exchangeablefor one common share of KCA and one warrant to acquire one-halfof one common share at an exercise price equal to $7.75 per commonshare.

67.After Yorkton's "bought deal" committee approved the financing,KCA was placed on Yorkton's "restricted list", which was distributedby e-mail shortly before markets opened on March 2, 2000.

68.The arrangements between Yorkton and KCA set out in the engagementagreement were formalized in an underwriting agreement dated March15, 2000. The financing closed on March 15, 2000.

69.Yorkton's retail salespersons advised Yorkton's syndication departmentthat they had received indications of interest from sophisticatedretail clients in purchasing a total of 609,500 special warrants.Retail sales were allocated 431,000 of the 1.483 million specialwarrants that were to be distributed. Except for some hedge fundclients, Yorkton's institutional clients were not interested inpurchasing KCA units in the second warrant financing. Yorktonpurchased, as principal, the remaining 650,000 special warrantsat a price of $4,387,500, with the result that fewer special warrantswere allocated to sophisticated retail clients.

BOOK4GOLF.COMCORPORATION

70.Book4golf.com Corporation ("Book4golf") has since September 22,1999 been incorporated pursuant to the Canada Business CorporationsAct. Book4golf is the developer and owner of Book4golf.com, ane-commerce Web portal that allows golfers to book tee times atvarious types of golf courses over the Internet. Book4golf isa reporting issuer in British Columbia and Ontario. The commonshares of Book4golf are listed and posted for trading on the CanadianVenture Exchange ("CDNX") under the symbol BFG.

71.Dent, Yorkton's Director of Research, became a director of Book4golfon September 22, 1999 and resigned as a director effective January10, 2001.

1.Book4golf Research Reports

72.Yorkton commenced research coverage of Book4golf effective February1, 2000. On February 1, 2000, Yorkton issued a "Research Comment"about Book4golf authored by a Yorkton Research Analyst (the "YorktonResearch Analyst"), that contained a "strong buy" recommendation.The Research Comment disclosed that Yorkton had acted as "agentfor financing of or financial advisor for" Book4golf within thepreceding three years, but did not disclose that Dent was a directorof Book4golf.

73.The strong buy recommendation was repeated in research documentson Book4golf authored by the Yorkton Research Analyst dated March17, 2000; March 22, 2000; April 11, 2000; April 28, 2000; May3, 2000; June 5, 2000; June 26, 2000; July 17, 2000 and July 31,2000, variously titled as "Online", "The Wake-Up Call" and "ResearchComment". The Yorkton Research Analyst authored two further researchdocuments

dated September 26, 2000 and October 16, 2000 in whichYorkton's recommendations changed from "strong buy" to "speculativebuy". Each of the foregoing documents (collectively, referredto as the "Research Reports") disclosed that Yorkton had actedas "agent for financing of or financial advisor for" Book4golf,but did not disclose that Dent was a director of Book4golf.

74.The research document dated January 11, 2001, titled "The Wake-UpCall" authored by the Yorkton Research Analyst disclosed thatDent had stepped down as director of Book4golf.

75.At no time did Yorkton or Dent instruct the Yorkton Research Analystto disclose in the Research Reports that Dent was a director ofBook4golf, or instruct the Yorkton Research Analyst to disclosein the Research Reports the existence of a conflict of interestarising from Dent's position as a Book4golf director and Yorkton'sresearch coverage of Book4golf.

2.Book4golf off CDNX Trade

76.Paterson and Yorkton played a major role in the affairs of SomervilleCapital Inc., a junior capital pool ("JCP") company, and theycontinued to play a major role after the RTO transaction thattransformed the JCP into Book4golf. Yorkton acted as underwriterand financial advisor. Paterson and other Yorkton employeeswere shareholders and Paterson publicly supported Book4golf.Yorkton provided research coverage on Book4golf and the Directorof Research reported directly to Paterson. Yorkton was the dominanttrading member firm in Book4golf shares.

77.On January 24, 2000, Book4golf opened at a price of $17.30,reached a high of $18.05 and a low of $14.00, and closed at$15.85. The following day Book4golf opened at a price of $17.00.

78.On January 24, 2000, a U.S. client of Yorkton's Chicago officewished to sell 100,000 shares of Book4golf. The Chicago officerelayed the information to Donnini, the Head of InstitutionalTrading in Yorkton's Toronto office. Donnini, who reported directlyto Paterson, approached Paterson and together they decided tooffer a bid price of $13.75 per share, a 25¢ discount to thelowest transaction price on that date. Of the 100,000 Book4golfshares, Donnini purchased 25,000 Book4golf shares in his personalaccount and Paterson purchased the remaining 75,000 Book4golfshares through the account of his personal holding company.

79.Donnini failed to disclose the 100,000 sale of the Book4golfshares to CDNX and the transactions were only recorded on thebooks and records of Yorkton on January 25, 2000 "as of January24, 2000". The size and nature of this transaction would havedepressed the market price of Book4golf if it had been placedthrough the facilities of the CDNX.

80.Paterson actively traded Book4golf shares on January 24, 2000prior to buying the 75,000 Book4golf shares.

81.From January 26, 2000 to February 18, 2000, Paterson sold 75,000shares of Book4golf at prices ranging from $16.00 to $23.25.On a "last in, first out" basis, he made a profit of over $400,000.

82.Donnini and Yorkton were sanctioned by the CDNX for failing toreport the transaction involving the 100,000 shares of Book4golf.The settlement agreement was approved on June 4, 2001 by a DisciplinaryHearing Panel of the CDNX.

3.Missing Trade Tickets

83.In the course of its investigation giving rise to this settlementagreement, on September 5, 2001, Staff requested that Yorktonprovide certain trade tickets in Book4golf.

84.Yorkton was unable to provide to Staff the requested documentsas required under Ontario securities law.
85.Yorkton has advised Staff that Yorkton's former external recordsretention service provider lost the requested documents. However,Yorkton accepts full responsibility for its failure to produceto Staff the requested records, as required under Ontario securitieslaw.

STORAGEONE INC.

1.Establishment of Storage One

86.Storage One Inc. ("Storage One") was incorporated under the BusinessCorporations Act (Ontario) as Storage Express Inc. on October18, 1993 as a subsidiary of Tecmar Technologies Incorporated ("Tecmar").Storage Express Inc. changed its name to Storage One effectiveNovember 10, 1993 and to EcomPark Inc. effective May 19, 1999.

87.Tecmar was a wholly owned subsidiary of Tecmar Technologies InternationalInc. As noted above in paragraph 17, Tecmar Technologies InternationalInc. was formerly Legacy Storage Systems International Inc. Patersonwas a shareholder of Legacy Storage Systems International Inc.(and the successor companies, including Xencet) from 1995 to date,and a director of Legacy Systems International Inc. (and its successorcompanies) from 1995 until his resignation from the Xencet boardon September 30, 1998.

88.Storage One did not carry on active business until April 14, 1997,when it acquired certain inventory, fixed assets, prepaid expensesand goodwill of the computer storage hardware business carriedon by Tecmar. On the advice of Paterson to the board of TecmarTechnologies International Inc., Storage One became a separatecompany in April, 1997.

89.Effective August, 1997, Storage One became a reporting issuerin British Columbia, Alberta and Ontario. Effective October, 1997,the common shares of Storage One were listed and posted for tradingon the Alberta Stock Exchange (as it then was) under the symbolSOJ.

2.August 18, 1997 Prospectus

90.Pursuant to a prospectus dated August 18, 1997, Storage Onemade an initial public offering (the "August IPO") by whichit raised $800,000 by offering 3,200,000 units consisting ofa common share and common share purchase warrant. The same prospectusqualified for distribution common shares and warrants issuableupon the exercise of special warrants issued in April 1997 forproceeds of $2,893,500. These investments were described inthe prospectus as speculative and involving a high degree ofrisk.

91.As described in the prospectus under the heading "Managementof Storage", each of the four managers of Storage One identifiedin the prospectus had held management positions with Tecmaror with its computer storage hardware business before that businesswas acquired by Storage One. Under the heading "Risk Factors",the prospectus stated that Storage One was substantially dependenton the services of a few key personnel, including three of thefour managers identified in the prospectus. The prospectus disclosedno concerns about the quality or abilities of management.

92.The financing agreement dated April 14, 1997 between StorageOne and Yorkton relating to the offering of the special warrantsof Storage One (the "April Private Placement"), required StorageOne to deposit into a segregated bank account the majority ofthe proceeds of that financing and the net proceeds of the saleof units later issued under the prospectus. These funds couldbe released only with the consent of two Yorkton nominees.

93.In connection with the April Private Placement, these restrictionswere required because Paterson had concerns in relation to management'suse of funds, and management's ability to manage its cash. Patersonassumed the lead role in respect of Yorkton's underwriting ofthe April Private Placement.

94.These restrictions remained in place at the time of the AugustIPO, and are disclosed in the prospectus as follows:

"Pursuantto the Underwriting Agreement, the Corporation agreed to depositthe net proceeds from the offering of Special Warrants in excessof $1,700,000, as well as the net proceeds from this Offeringand from the exercise of the Warrants, the New Warrants andthe Compensation Options into a segregated bank account of theSubsidiary that requires two signing officers, both of whomare nominees of Yorkton. As long as any funds remain in thisbank account of the Subsidiary, the Corporation has also agreed:(i) other than certain existing liens, not to create or permitany lien, claim, security interest or other encumbrance whatsoeveragainst or in respect of the Subsidiary; (ii) to ensure a majorityof the board of directors of the Subsidiary are nominees ofYorkton; and (iii) to ensure the Subsidiary does not conductany active business without the consent of Yorkton. The purposeof the funds deposited to the bank account of the Subsidiaryis to identify and pursue future acquisition and expansion opportunities".

95.Paterson's knowledge, information and belief in respect of themanagement of Storage One, giving rise to the imposition andcontinuation of these restrictions, was not disclosed in theStorage One prospectus.

3.Paterson's Undisclosed Views About Management

96.In the course of an interview by staff of the CDNX held on June6, 2000, Paterson testified that in 1997 he had serious concernsabout management of Storage One and about management's use offunds when employed by Tecmar. Paterson told the CDNX that therestrictions on the proceeds of the 1997 financings were adoptedfor this reason. Paterson did not share these views with theYorkton prospectus due diligence team.

4.Storage One March 1999 Private Placement

97.On February 2, 1999, Storage One announced a proposed privateplacement offering up to a maximum of 2,920,000 units of StorageOne at a price of $0.10 per unit. Each unit consisted of one commonshare and one share purchase warrant entitling the holder to purchaseone additional common share at an exercise price of $.15 per sharefor a period of two years from the closing date. The private placementclosed on March 5, 1999, (the "Storage One Placement"). The StorageOne Placement was completed under several private placement exemptions.

98.Following the completion of the Storage One Placement, YorktonStaff approached Paterson and expressed their disappointment thattheir clients did not have an opportunity to participate in therecent offering. Paterson contacted Alberta counsel to StorageOne to determine if certain investors in the Storage One Placementwould consider selling their units.

99.As a result of Paterson's request, arrangements were made on orabout July 7, 1999, through Storage One's Alberta counsel, forthe sale of approximately 1,062,500 shares of Storage One froman offshore corporation to 17 persons, 12 of which were clientsof Yorkton. Paterson advised Yorkton personnel that the StorageOne shares could only be sold to a non pro client.

100.Dent understood the requirement that Storage One shares be soldto a non pro client, but nonetheless arranged for the sale of40,000 Storage One shares to a close relative and loaned his closerelative funds to purchase the shares.

CONDUCTCONTRARY TO THE PUBLIC INTEREST

101.The conduct of Yorkton was contrary to the public interest forthe reasons set out below.

GTIand Xencet RTO

102.Yorkton permitted a culture of non-compliance, and therefore failedto prevent conflicts of interest in circumstances where Paterson:

(a)played multiple roles as a director and shareholder of Xencet,as a shareholder of GTI, and as a registrant and the then Presidentof Yorkton;

(b)initiated a private placement by Xencet in advance of the RTOwhen Xencet had no apparent need for additional cash;

(c)caused the private placement to be made available only to Patersonand two institutional clients and not to other Yorkton clients;

(d)purchased units of Xencet on May 22, 1998, having knowledge ofundisclosed information in respect of the proposed RTO, in circumstanceswhere Paterson should not have purchased Xencet units;

(e)purchased common shares of GTI on June 30, 1998, having knowledgeof undisclosed information in respect of the proposed RTO, incircumstances where Paterson should not have purchased the GTIshares; and

(f)sold GTI shares to Jivraj on or about August 19, 1998 in circumstanceswhere Paterson should not have sold GTI shares to Jivraj, andin circumstances where Paterson should have directed Jivraj notto purchase shares in

GTI from Yorkton or any other person.

103.Yorkton permitted a culture of non-compliance in circumstanceswhere:

(a)Smith's purchase of GTI shares on June 30, 1998 placed Smith ina conflict of interest given his position as a registrant, thenature of his involvement in assisting GTI with its financing,and either Smith's knowledge of undisclosed information in respectof the proposed RTO or the availability to Smith of such undisclosedinformation by virtue of his role in assisting GTI on the proposedRTO;

(b)Dent's purchase of GTI shares on June 30, 1998 placed Dent ina conflict of interest, given his position as a registrant, thenature of his involvement on the proposed RTO, and either Dent'sknowledge of undisclosed information in respect of the proposedRTO or the availability to Dent of such undisclosed informationby virtue of Dent's position in Yorkton; and

(c)Jivraj's purchase of GTI shares on August 19, 1998 was contraryto the public interest, given his position as an investment banker,the nature of his involvement in assisting GTI with its financing,and either his knowledge of undisclosed information, includingin relation to the share exchange ratio on the reverse takeovertransaction between GTI and Xencet and other terms of the AcquisitionAgreement, or availability to Jivraj of such undisclosed information.

KastenChase

104.Yorkton failed to properly supervise Paterson and Donnini andpermitted a culture of non-compliance in connection with the secondKCA financing in circumstances where:

(a)Yorkton's head trader, Donnini, traded (i.e. sold short) in excessof 500,000 KCA common shares for the benefit of Yorkton's inventoryaccount on February 29 and March 1, 2000, while Donnini had knowledgeof undisclosed information in relation to the price and size ofthe proposed KCA second warrant financing, and in circumstanceswhere Donnini should not have traded KCA common shares on February29 and March 1, 2000;

(b)Paterson provided to Donnini undisclosed information in relationto the price and size of the proposed KCA second financing, andfailed to direct or instruct Donnini to cease trading in KCA commonshares commencing on February 29, 2000. Paterson further failedto notify Yorkton's compliance department that KCA be placed onthe grey list on February 29, 2000, having regard to the statusof the negotiations between Yorkton and KCA in relation to theproposed KCA second financing; and

(c)Yorkton failed to place KCA on Yorkton's grey list on February29, 2000.

105.Yorkton permitted a culture of non-compliance and acted in conflictwith an issuer client by selling short common shares of KCA whileYorkton was negotiating the second KCA financing, failing to discloseto KCA that Yorkton was trading in KCA common shares on February29, 2000 when KCA inquired about trading in its securities, andconcealing Yorkton's trading in KCA common shares from KCA andthe market by jitneying the short sales with another dealer, beginningon February 29, 2000 and continuing on March 1, 2000.

106.Yorkton permitted a culture of non-compliance and acted in conflictof interest with its retail and institutional clients in connectionwith:

(a)the purchase of special warrants from the Yorkton Retail Clienton February 28, 2000 in circumstances where Yorkton did not disclosethat it was purchasing as principal and, in connection with thosetrades for its own account, charged a commission to its client;and

(b)the allocation to its principal account of a larger portion ofthe second financing, resulting in certain of its sophisticatedretail clients not receiving requested allocation.

107.Yorkton failed to maintain appropriate books and records by:

(a)failing to contemporaneously record and ticket the purchases fromtwo Yorkton clients; and

(b)failing to file with the TSE a questionnaire and undertaking inthe prescribed form in connection with the purchases by Yorktonof special warrants from the two Yorkton clients.

Book4golf

108.Yorkton failed to properly supervise its research function toensure that for so long as Dent was a director of Book4golf, Dentshould not have supervised or reviewed the Research Analyst'sResearch Reports in relation to Book4golf. Further, Yorkton failedto disclose in the Research Reports the existence of a conflictof interest arising from the research coverage provided by Yorktonin the Research Reports contemporaneous with an officer and employeeof Yorkton (in this case, Dent) serving as a director of Book4golf.

109.Yorkton permitted a culture of non-compliance in relation to thepurchase of 100,000 Book4golf shares by Paterson and Donnini onJanuary 24, 2000, in respect of the following:

(i)Having regard to Paterson's multiple roles with Yorkton and Book4golf,and in relation to the purchase by Paterson of 75,000 shares ofBook4golf on January 24, 2000, Paterson failed to employ prudentbusiness practices in respect of real or potential conflicts ofinterest regarding his personal trading, by reason of the following:

(a)as Donnini's supervisor, Paterson failed to ensure Donnini properlyreported a transaction from which Paterson personally profited;

(b)Paterson knew or ought to have known that the Book4golf transactionhad not been reported to the CDNX in light of other trades inBook4golf that Paterson made on January 24, 2000; and
(c) as the then CEOof Yorkton, Paterson failed to ensure the appearance of fairand equitable trading, having regard to the involvement of Patersonand Yorkton in heavily promoting Book4golf and having regardto the profit made by Paterson from this transaction.

110.Yorkton failed to maintain appropriate books and records, andin particular, trade tickets for Book4golf, and to provide suchrecords to Staff, as required under Ontario securities law.

StorageOne

111.Yorkton failed to properly supervise Paterson, and failed to dosufficient prospectus due diligence to ensure that Paterson'sknowledge, information and belief relating to the quality andability of management of Storage One, was disclosed to the prospectusdue diligence team.

112.Yorkton permitted a culture of non-compliance in relation to thesale of Storage One shares by Dent to a close relative, and theloan of funds to the close relative to purchase the shares, inconflict with the interests of Yorkton's clients.

COOPERATIONOF YORKTON

113.Yorkton and its advisors have cooperated significantly since February,2001 with Staff in its investigation.

IV.POSITION OF YORKTON

114.OSC Staff, together with staff of the CDNX and the TSE, have conductedlengthy and intensive investigations of Yorkton and individualregistrants employed by Yorkton in respect of supervision andcompliance, trading, personal investment and conflict of interestissues arising from Yorkton's business activities involving issuers,and institutional and retail investors. These investigations resultedin the regulatory

settlements between Yorkton and the CDNX andTSE that were approved by each of the CDNX and TSE on June 4,2001. These investigations also gave rise to this settlement agreement.

115.Since February, 2001, Yorkton has adopted an action plan to ensurethat Yorkton and its individual registrants meet industry standardsand act in the public interest in their ongoing business activities.Since February, 2001, Yorkton has taken a number of material stepsto adopt best practices in the area of regulatory compliance andto act in the public interest in its ongoing business activitiesincluding the following:

(a)in February, 2001, Yorkton Financial designated Alan Schwartz,Q.C. to monitor the regulatory, compliance and legal functionsof Yorkton and to coordinate Yorkton's response to the ongoingregulatory investigations;

(b)Yorkton retained the Regulatory Compliance group of PricewaterhouseCoopersLLP ("PwC");

(c)PwC reviewed and reported on Yorkton's compliance policies andprocedures regarding trading, personal investment and conflictsof interest;

(d)certain reports prepared for Yorkton by PwC were provided by Yorktonto the Commission and to the TSE;

(e)Yorkton has added eight compliance officers, two responsible formonitoring activities within institutional departments, plus sixresponsible for monitoring retail aspects of Yorkton's business;

(f)Yorkton is continuing to enhance its governance and compliancefunctions to ensure it implements, maintains and monitors bestpractices, policies and procedures regarding trading, personalinvestment and conflicts of interest;

(g)Yorkton is continuing to implement the structural, policy andprocedural changes necessary to support the execution of bestpractices compliance over trading, personal investment and conflictsof interest;

(h)procedures have been implemented for the monitoring of institutionaltrading activities, including the development of proprietary computerprograms to supervise trading activities on a timely basis andto assist supervisors;

(i)trading blocks and other enhancements have been programmed intothe Belzberg and OMS trading platforms to prohibit trades forsecurities on the restricted list;

(j)Yorkton has implemented policies, procedures and practices toexceed the supervisory processes required to

comply with TSE Policy2-401;

(k)Yorkton has developed new institutional trade desk and CDNX corporatefinance manuals which have been provided to the relevant exchanges;

(l)procedures for monitoring and regulating the dissemination ofresearch within Yorkton have been implemented;

(m)Yorkton is upgrading its policies and procedures and in particularhas agreed to incorporate and implement policies addressing:

(i)handling of confidential information;
(ii) outside directorships and outside business activities;

(iii) ethical walls, watch and restricted lists;

(iv) personal investing; and

(v) institutional trade desk;

(n)procedures, practices and policies have been implemented to monitoremployee trading; and

(o)a formal continuing education program for registrants has beendeveloped with the establishment of a training department anda training coordinator position has been created to monitor andoversee this program.

116.Since February, 2001, Yorkton has taken and agrees to continueto take material steps to adopt best practices in the area ofregulatory compliance and to act in the public interest in itsongoing business activities. Most importantly, Yorkton has a seriousand ongoing compliance commitment and attitude.

V.TERMS OF SETTLEMENT

118.Yorkton agrees to the following terms of settlement:

(a)at the time of approval of this settlement agreement, Yorktonwill make a voluntary payment to the Commission in the amountof $1,250,000, such payment to be allocated to such third partiesas the Commission may determine for purposes that will benefitOntario investors;

(b)that the Commission make an Order under subsection 127(1)(6) ofthe Act that Yorkton be reprimanded;

(c)that the Commission make an order under subsection 127(1)(4) ofthe Act, effective the date of the Order of the Commission approvingthis Settlement Agreement, that Yorkton shall implement the proposedamendments to IDA Regulation 1300 in the form attached as Schedule"1" to this Settlement Agreement, and any amendments to IDA Regulation1300 as ultimately approved by the Board of Directors of the IDA;

(d)that the Commission make an Order pursuant to subsection 127(1)of the Act, effective the date of the Order of the Commissionapproving this Settlement Agreement, imposing the following termsand conditions on the registration of Yorkton:

(i)Yorkton will require each officer and employee of the firm toexecute the undertaking attached in the form as Schedule "2" hereto,as a condition to continued employment with Yorkton;

(ii)Yorkton will report forthwith to Staff of the Commission in theevent that Yorkton receives information that any officer or employeeof Yorkton has breached or is in breach of the undertaking attachedin the form as Schedule "2".

(e)that the Commission make an Order under subsection 127(1)(4) ofthe Act that, within six months of the date of the Order, Yorktonwill have retained, at its sole expense, PwC to conduct a independentreview of the plan adopted by Yorkton, as described in Part IV,and Schedule "1", to ensure satisfactory implementation of theplan, and to provide a report to Yorkton and Staff as to the resultsof the review and in particular, a report as to whether Yorktonhas complied with the steps referred to in Part IV and Schedule"1". The PwC report will be completed within a reasonable timeframe to be set out by PwC, in consultation with Yorkton and Staff;

(f)that the Commission make an Order under subsection 127.1(1)(b)of the Act that Yorkton make payment to the Commission in theamount of $200,000 in respect of the costs of the Commission'sinvestigation in relation to Yorkton, such payment to be madeat the time of approval of this settlement; and

(g)Yorkton undertakes to cooperate with the Commission and its Staffwith any additional investigation conducted by Staff in relationto matters concerning other persons and companies, including formerand current employees of Yorkton.

VI.CONSENT

119.Yorkton hereby consents to an Order of the Commission incorporatingthe provisions of Part V above in the form of an order attachedas Schedule "A" .

VII.STAFF COMMITMENT

120.If this settlement is approved by the Commission, Staff will notinitiate any other proceeding under the Securities Act, R.S.O.1990, c. S.5 against Yorkton respecting the facts set out in PartIII of this Settlement Agreement.

VIII.APPROVAL OF SETTLEMENT

121.Approval of the settlement set out in this Settlement Agreementshall be sought at the public hearing of the Commission scheduledfor December 19, 2001, or such other date as may be agreed toby Staff and Yorkton (the "Settlement Hearing").

122.Counsel for Staff or for Yorkton may refer to any part, or all,of this Settlement Agreement at the Settlement Hearing. Staffand Yorkton agree that this Settlement Agreement will constitutethe entirety of the evidence to be submitted at the SettlementHearing.

123.If this settlement is approved by the Commission, Yorkton agreesto waive its rights to a full hearing, judicial review or appealof the matter under the Act.

124.Staff and Yorkton agree that if this settlement is approved bythe Commission, they will not make any public statement inconsistentwith this Settlement Agreement.

125.If, for any reason whatsoever, this settlement is not approvedby the Commission, or an order in the form attached as Schedule"A" is not made by the Commission:

(a)this Settlement Agreement and its terms, including all discussionsand negotiations between Staff and Yorkton leading up to its presentationat the Settlement Hearing, shall be without prejudice to Staffand Yorkton;

(b)Staff and Yorkton shall be entitled to all available proceedings,remedies and challenges, including proceeding to a hearing ofthe allegations in the Notice of Hearing and Statement of Allegationsof Staff, unaffected by this Settlement Agreement or the settlementdiscussions/negotiations;

(c)the terms of this Settlement Agreement will not be referred toin any subsequent proceeding, or disclosed to any person exceptwith the written consent of Staff and Yorkton , or as may be requiredby law; and

(d)Yorkton agrees that it will not, in any proceeding, refer to orrely upon this Settlement Agreement, the settlement discussions/negotiationsor the process of approval of this Settlement Agreement as thebasis of any attack on the Commission's jurisdiction, allegedbias or appearance of bias, alleged unfairness or any other remediesor challenges that may otherwise be available.

IX.DISCLOSURE OF AGREEMENT

126.Except as permitted under paragraph 125 above, this SettlementAgreement and its terms will be treated as confidential by Staffand Yorkton until approved by the Commission, and forever if,for any reason whatsoever, this settlement is not approved bythe Commission, except with the written consent of Staff and Yorkton,or as may be required by law.

127.Any obligations of confidentiality attaching to this SettlementAgreement shall terminate upon approval of this settlement bythe Commission.

XI.EXECUTION OF SETTLEMENT AGREEMENT

128.This Settlement Agreement may be signed in one or more counterpartswhich together shall constitute a binding agreement.

129.A facsimile copy of any signature shall be as effective as anoriginal signature.

December14, 2001.

YORKTONSECURITIES INC.

(Per)_____

Authorized Signing Officer

December17, 2001.

STAFF OF THE ONTARIO SECURITIES COMMISSION

(Per)_____

Michael Watson

Director, Enforcement Branch

Schedule"A"

INTHE MATTER OF THE SECURITIES ACT

R.S.O.1990, c. S.5, as amended

AND

INTHE MATTER OF YORKTON SECURITIES INC.

ORDER

WHEREASon December 17, 2001, the Ontario Securities Commission (the"Commission") issued a Notice of Hearing pursuant to sections127(1) and 127.1 of the Securities Act, R.S.O. 1990 c. S.5,as amended (the "Act") in respect of Yorkton Securities Inc.("Yorkton");

ANDWHEREAS Yorkton entered into a settlement agreementdated December 14, 2001 (the "Settlement Agreement") in whichit agreed to a proposed settlement of the proceeding, subjectto the approval of the Commission;

ANDUPON reviewing the Settlement Agreement and the Statementof Allegations of Staff of the Commission ("Staff"), and uponhearing submissions from counsel for Yorkton and from Staff;

ANDWHEREAS the Commission is of the opinion that it isin the public interest to make this Order;

ITIS HEREBY ORDERED THAT:

1.the Settlement Agreement dated December 14, 2001, attached tothis Order, is hereby approved;

2.pursuant to subsection 127(1)(6) of the Act, Yorkton is herebyreprimanded;

3.pursuant to subsection 127(1)(4) of the Act, effective the dateof this Order, Yorkton shall implement the proposed amendmentsto IDA Regulation 1300 in the form attached as Schedule "1"to this Settlement Agreement, and any amendments to IDA Regulation1300 as ultimately approved by the Board of Directors of theIDA;

4.pursuant to 127(1)(4) of the Act, that within six months ofthe date of the Order Yorkton will have retained, at its soleexpense, PwC to conduct a independent review of the plan adoptedby Yorkton, as described in Part IV, and Schedule "1", to ensuresatisfactory implementation of the plan, and to provide a reportto Yorkton and Staff as to the results of the review and, inparticular, a report as to whether Yorkton has complied withthe steps referred to in Part IV and Schedule "1". The PwC reportwill be completed within a reasonable time frame to be set outby PwC, in consultation with Yorkton and Staff

5.pursuant to clause 1 of subsection 127(1) of the Act, effectivethe date of this Order, the following terms and conditions areimposed on the registration of Yorkton:

i.Yorkton will require each officer and employee of the firm toexecute forthwith the undertaking attached in the form as Schedule"2" hereto, as a condition to continued employment with Yorkton;and

iiYorkton will report forthwith to Staff of the Commission inthe event that Yorkton receives information that any officeror employee of Yorkton has breached or is in breach of the undertakingattached in the form of Schedule "2".

6.Pursuant to subsection 127.1(2)(b) of the Act, at the time ofapproval of this settlement, Yorkton is ordered to pay $200,000to the Commission in respect of a portion of the Commission'scosts with respect to this matter.

December19, 2001.

SCHEDULE1

INVESTMENTDEALERS ASSOCIATION OF CANADA

REGULATION1300

SUPERVISIONOF ACCOUNTS

THEBOARD OF DIRECTORS of the Investment Dealers Association ofCanada hereby makes the following amendments to the By-laws,Regulations, Forms and Policies of the Association:

Regulation1300 is amended as follows:

1.By adding the following paragraphs after Regulation 1300.1(a):

"(b)When an account is being opened for a private corporation or similarentity, the Member shall attempt to ascertain the identity ofany beneficial owner of more than 20% of the corporation or similarentity, including the name, address, citizenship, occupation andemployer of each such beneficial owner, and whether any such beneficialowner is an insider or controlling shareholder of a publicly tradedcorporation or similar entity.

(c)If a Member, on inquiry, is unable to determine the beneficialowner or owners of an account as required in subsection (b), theMember shall not open the account without the approval of theUltimate Designated Person under By-law 38 or an Alternate DesignatedPerson specifically designated by the Ultimate Designated Personto approve the opening of such accounts.

(d)Subsection (b) does not apply to a private corporation or similarentity that a Member has ascertained, after reasonable enquiries,to be a bank, trust or loan company, credit union, caisse populaire,insurance company, mutual fund management company, pension fund,investment manager or similar financial institution establishedand regulated under the laws of its home jurisdiction.

(e)On receipt of notice from any department or agency of the Governmentof Canada or the government of any

province of Canada, or an internationalorganization of which the Government of Canada is a Member, thatthe regulatory arrangements of any jurisdiction have been foundto be materially deficient in comparison with internationallyaccepted standards, the Association may direct Members that theexemption in subsection (d) does not apply to some or all typesof financial institutions located in that jurisdiction."

2.By renumbering existing Regulations 1300.1(b) through 1300.1(f)to new Regulations 1300.1(f) through 1300.1(j) respectively.

3.By adding the title "Account Opening Supervision." to Regulation1300.2.

4.By making the following wording changes to Regulation 1300.2.(a):

(a)Deleting the words "Each such designated person shall be approvedby the applicable District Council and,"

(b)Capitalizing the word "Where" immediately following the deletedwords referred to in (a); and

(c)Replacing the first word in the sixth line, specifically the word"may", with the word "shall".

5.By correcting the cross-reference that appears in Regulation 1300.2(b)from Regulation 1300.1(e) and 1300.1 (j).

6.By adding new Regulation 1300.2(c) as follows:

"(c)Where a Member opens an account for a private corporation or similarentity without having ascertained the identities of the beneficialowners as provided for in Regulation 1300.1(b) and (c), the Membershall impose heightened supervision of the activity of such accounts.Such supervision shall include, as a minimum:
(i) specific identificationof the account as requiring heightened supervision, throughbeing placed in a separate account range or use of a similarmethod of automatic identification;

(ii)daily and monthly review of account activity to detect unusualactivity. Such reviews shall consider, at a minimum, the typesof securities traded, size of transactions, frequency of tradingand monetary and securities movements in the account;

(iii)reporting of any unusual activity to the Ultimate Designated Personor the Alternate Designated Person responsible for the openingof such accounts under Regulation 1300.1(c) who shall, on thebasis of such a report, determine what action is to be taken includingwhether the account should remain open."

PASSEDAND ENACTED BY THE Board of Directors this 17th day of October2001, to be effective on a date to be determined by AssociationStaff.

SCHEDULE2

UNDERTAKINGAND REPRESENTATION

Accountsto be Carried at Yorkton

I, theundersigned employee of Yorkton Securities Inc. ("Yorkton"), undertaketo carry at Yorkon any and all brokerage accounts in which I havea direct or indirect beneficial interest, as well as any brokerageaccounts over which I may exercise control or direction. Compliancewith this undertaking includes, but is not limited to, compliancewith Yorkton's policy regarding employee accounts.

Anyexception by Yorkton and its employees to the foregoing shallbe at the sole and unilateral discretion of Yorkton's UDP onlyin respect of accounts maintained at other brokerages in Canada,which discretion shall only be granted in writing on written applicationby the employee based on unique and exceptional circumstances.

OffshoreInterests

I certifyand represent that as of the date of this document, I do not havea direct or indirect beneficial interest in, or control or directionover, any offshore entity.

Wherein the past, during my time of employment at Yorkton, I may havehad a direct or indirect beneficial interest in, or control ordirection over, any offshore entity, I have indicated and certifyto be true on the attached "Schedule of Offshore Interests", thename, identification number and location of every such offshoreentity.

Forpurposes of this certification and representation, I understandand acknowledge that "offshore entity" means any type of account,corporation, trust, partnership, investment club, nominee arrangement,or any other type of entity, structure, arrangement or organizationwhich is incorporated, located, domiciled, registered or residentoutside of Canada.

DATEDthis _____ day of _____, 20___.

_____

(signname)

_____

(printname)

SCHEDULE

OF

OFFSHOREINTERESTS

FOR

_____

(printname)

Account/EntityName Identification Number Location (Country)

1. A short sale is the saleof a securitiy which the seller does not own. This is a speculativepractice done in the belief that the price of a stock is goingto fall and the seller will then be able to cover the sale bybuying it back at a lower price, thereby profiting on the transactions.(Source: Canadian Securities Coursre Textbook Volume 3, September1998, prepared and published by the Canadian Securities Institute.)
