

**ONTARIO SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)**

**B E T W E E N:**

**ONTARIO SECURITIES COMMISSION**

Plaintiffs

- and -

**BUCKINGHAM SECURITIES CORPORATION**

Defendants

**FOURTH REPORT  
OF BDO DUNWOODY LIMITED IN ITS  
CAPACITY AS RECEIVER & MANAGER OF  
BUCKINGHAM SECURITIES CORPORATION  
TO THE SUPERIOR COURT OF JUSTICE**

**A. PURPOSE OF THE REPORT**

1. This report of BDO Dunwoody Limited in its capacity as Court-Appointed Receiver and Manager (the “Receiver”) of the estate of Buckingham Securities Corporation (“Buckingham”) is filed in response to the request of the Court for additional information concerning the securities held by W.D. Latimer Co. Limited (“Latimer”) in the account of Buckingham. In particular, the Receiver has been asked to report to the court with respect to the extent to which the securities held in the account of Buckingham at Latimer are comprised of securities held by Buckingham on behalf of Margin Account Clients and Non-Margin Account Clients (as such terms are defined in paragraph 2 below).

2. The Receiver has reviewed the books and records of Buckingham in order to identify those clients who signed Client Account or Margin Account Agreements. In so doing, the Receiver has assumed the genuineness of all signatures, and that the persons executing the Agreements on behalf of the clients were duly authorized to do so. Based upon the foregoing review, the Receiver has identified:

- (i) those clients of Buckingham who are indebted to Buckingham and who signed written Margin Account Agreements authorizing Buckingham to pledge securities held in such clients' account as security for Buckingham's own indebtedness (the "Margin Clients with Agreements"); and
- (ii) those clients of Buckingham who are indebted to Buckingham in respect of which no written agreement is contained among Buckingham's records authorizing Buckingham to pledge securities in the clients' account to secure Buckingham's indebtedness (the "Margin Clients without Agreements");
- (iii) those clients of Buckingham who executed written Margin Account Agreements and who are not indebted to Buckingham (the "Non-Margin Position Clients"); and
- (iv) those clients of Buckingham who are not indebted to Buckingham and who may or may not have executed Client Account Agreement authorizing Buckingham to pledge securities in the clients' account whenever the client is indebted to Buckingham (the "Custodial Account Clients").

3. Buckingham maintained accounts in its own name at various brokerage firms, including Latimer, and used these accounts to execute trades in securities on behalf of its clients.

Further, Buckingham's client and accounting records do not specifically identify whether securities held by Buckingham on behalf of its clients are held by any particular broker holding accounts in Buckingham's name.

4. Therefore, the Receiver has compared the securities listed on the statements of investments held by Buckingham for its clients with the securities listed on the statements of investments held in the name of Buckingham by various brokerage houses, including Latimer, in an effort to identify those securities held by Latimer for the account of Buckingham which consist of securities held by Buckingham on behalf of Margin Clients, Non-Margin Position Clients and Custodial Account Clients.

Category A: Specific Holdings

5. We have assumed that Latimer is holding a specific security for a Buckingham client if:

- (a) Latimer is the only broker holding securities of that kind for Buckingham, and the number of securities of that kind held by Latimer for the account of Buckingham equals the number of securities of that kind owing by Buckingham to its clients;  
or
- (b) securities of a specific kind are held by only a single client of Buckingham.

6. On this basis, the Receiver has concluded that approximately 85% (by dollar value) of the securities held by Latimer can be specifically allocated. The breakdown among Margin Clients, Non-Margin Position Clients and Custodial Account Clients is as follows:

Clients Indebted to Buckingham

- (a) the securities held at Latimer which may be specifically allocated to Margin Clients with Agreements, had a value of \$543,148 as at July 31, 2001, and \$453,764 as at September 30, 2001;
- (b) the securities held by Latimer which may be specifically allocated to Margin Clients without Agreements was \$297,053 as at July 31, 2000, and \$232,064 as at September 30, 2001;

Clients Not Indebted to Buckingham

- (c) the securities held by Latimer which may be specifically allocated to Non-Margin Position Clients was \$1,359,652 as at July 31, 2001, and \$1,056,208 as at September 30, 2001; and
- (d) the securities held at Latimer which may be specifically allocated to Custodial Account Clients was \$1,633,609 at July 31, 2001 and \$1,426,340, as at September 30, 2001.

Category B: Shared Holdings

7. In addition to the specifically allocated securities, there are shared holdings, i.e., securities of a particular kind held in the name of Buckingham in accounts at Latimer and one or more other brokers. Where these holdings are attributable to a single Buckingham client, they have been classified as a specific holding and included in Category A above.

8. The Receiver has allocated the shared holdings using the following assumptions:

- (a) to the extent that Buckingham purported to pledge securities in its account at Latimer, the Receiver has assumed, to the extent possible, that Buckingham was authorized to do so by allocating those securities firstly to the Margin Clients; and

- (b) similarly, the Receiver has assumed that the securities held by Buckingham for Non-Margin Position or Custodial Account Clients are held in accounts maintained at other brokers, in favour of whom no pledge or security interest therein has been claimed.

9. Accordingly, the Receiver has allocated securities in the shared holdings category at Latimer firstly to Margin Clients with Agreements, secondly to Margin Clients Without Agreements, thirdly, to Non-Margin Position Clients, and lastly, to Custodial Account Clients.

10. These assumptions are consistent with equitable tracing rules applicable in trust cases where there has been an unauthorized co-mingling of assets held in trust with other assets. In those cases, to the extent that the amount of the co-mingled fund is insufficient to repay trust and non-trust claims, non-trust assets are presumed to have been dissipated first, so that the remaining funds are allocated firstly to trust assets.

11. On the basis of the foregoing assumptions, the Receiver has allocated the shared holdings in the account in name of Buckingham maintained at Latimer as follows:

Clients Indebted to Buckingham

- (a) securities held for Margin Clients with Agreements, had a total value of \$60,000, as at July 31, 2001, and \$44,914 as at September 30, 2001;
- (b) securities held for Margin Clients without Agreements had a total value of \$58,092 at July 31, 2001 and \$45,387 at September 30, 2001;

Clients Not Indebted to Buckingham

- (c) securities held for Non-Margin Position Clients, had a total value of \$406,738 at July 31, 2001, and \$301,312 at September 30, 2001; and
- (d) securities held for Custodial Account Clients had a total value of \$231,457 at July 31, 2001, and \$164,350 at September 30, 2001.

12. The Receiver has identified several securities held at Latimer and other brokers where the total number of each security held is less than the total number of each security due to Buckingham clients. As there appears to be no way of relating the shortfall in security holdings to any specific brokers or clients, these securities have been excluded from all calculations described above, and are shown separately on the summary of the Receiver's analysis of the securities held in the name of Buckingham at Latimer, which is attached hereto and marked as Appendix 1.

ALL OF WHICH is respectfully submitted this 25th day of October, 2001.

**BDO DUNWOODY LIMITED**

In its capacity as Receiver and Manager of  
all of the assets, property and Undertaking  
of Buckingham Securities Corporation

**Per:** \_\_\_\_\_