

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

B E T W E E N:

ONTARIO SECURITIES COMMISSION

Plaintiffs

- and -

BUCKINGHAM SECURITIES CORPORATION

Defendants

**NINTH REPORT OF
BDO DUNWOODY LIMITED, IN ITS
CAPACITY AS RECEIVER AND 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 to advise the Court of the Receiver's analysis of segregation reports dated July 6, 2001, the date on which the freeze order was issued by the Ontario Securities Commission (the "freeze date") produced by Buckingham's system provider, ISM. This report is therefore, an update to the seventh and eighth reports of the Receiver.

B. BUCKINGHAM'S OBLIGATION TO SEGREGATE

2. As stated in the Receiver's seventh report, Buckingham was obliged by the Regulations under the *Securities Act* (Ontario) to segregate those securities held on behalf of its clients that are unencumbered and that are either fully paid for or are excess margin securities. As reported, the company used the ISM system to keep track of the securities held in clients' accounts. As an industry accepted system, the ISM system maintained an ongoing analysis of those securities which should be segregated and by exception, those securities which should be desegregated.

3. Because Buckingham did not retain them, the Receiver requested the segregation reports from ISM as at the freeze date on July 6, 2001. ISM reported to the Receiver that it does not maintain historic values on client positions on a daily basis, but only at month-ends. Accordingly, in order to obtain the requested reports, the Receiver was required to provide ISM with the following information as at July 6, 2001:

- The market value of the individual securities in Buckingham's portfolio which values were obtained by the Receiver from HSBC Securities Inc..
- The conversion rate of \$US into \$CDN at July 6, 2001 which was obtained at the rate of 1.5397.
- The identification of "option eligible" securities at July 6, 2001 which, at that time, permitted a higher margin percentage to be used in the identification of "excess margin" securities. This information was obtained by the Receiver from the Independent Dealers Association ("IDA") web page supplemented where necessary from the Options Clearing Corporation ("OCC") web page, although the latter information was only available at a current date.

4. The reports obtained from the ISM system, which were available to Buckingham on a daily basis, include:

- The Segregation Allocation Report, which, for each security held by Buckingham, calculates the quantities of securities which should be segregated or partially segregated and lists the holdings of each client of Buckingham which requires segregation.
- The Segregation Control Report, which shows for each security the total number of securities which should be segregated, the number of securities actually segregated and the resulting over or under segregated position.
- The Class Detail Report which shows for each individual account of a Buckingham client, the amount owing by the client to Buckingham, if any, the loan value in total of those marginable securities held by the client, in accordance with margin rate rules; the total required to margin position being the total amount owed by the client less the loan value of the marginable securities and any excess margin position of the client's account.

5. As stated above, the class detail report presents, among other things, the balances owing by clients of Buckingham. It should be pointed out that the amounts shown on the class detail report attached reflects interest charges which have accumulated since July 6, 2001 through to February 28, 2002. It was not possible to have these amounts revert to the balances of July 6, 2001.

6. The Receiver's analysis of the above reports indicates the following:

- In accounts with a debit balance ("Debit Accounts"), "excess margin" securities were selected by first identifying sufficient marginable securities, based on their loan values, to secure the debit balance owing by the customer to Buckingham. The balance of the securities in the Debit Account are "excess margin" and therefore to be segregated and held in trust for the client.
- Where the total loan value of the marginable securities is inadequate to secure the debit balance in any Debit Account, the system identifies non-marginable securities with a market value sufficient to secure the remaining debit balance using the most recently acquired securities first. The system then treats the balance of the non-marginable securities in the Debit Account as "excess margin" to be held in trust for the client.

7. Debit Account 00-0014E (the "Bianchi Account") demonstrates the above principles. The Bianchi Account contains six holdings which are highlighted on the attached, client statement, exhibit "A". The attached class detail report, page 23, exhibit "B" at July 6, 2001 indicates a debit balance on the Bianchi Account of \$2,282.61. The loan value of the marginable securities (shares of Certicom Corporation) in the Bianchi Account totals \$1,403 with the result that there is a margin shortfall of \$880 (\$2,283 - \$1403).

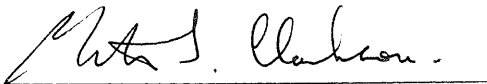
In addition to marginable securities, the Bianchi Account contains 4500 shares of Patent Enforcement and Royalty Ltd. ("Patent Enforcement"), with a market value as of July 6th of 59¢ per share. The Patent Enforcement shares are the most recently acquired non-marginable securities held in the Bianchi Account. As there is a margin shortfall in the account of \$880.11, the ISM system identifies 1,492 Patent Enforcement shares at the market value of 59¢ per share to secure the shortfall of \$880.11. This is reflected in the segregation allocation report, pages 85 and 86, which are attached as exhibit "C", where

the ISM system reports that 3,008 shares of Patent Enforcement should be segregated with regard to the Bianchi Account. Therefore, of Mr. Bianchi's 4500 Patent Enforcement shares, 3,008 shares are treated as "excess margin" and the balance of 1,492 shares were available to secure the amount owing to Buckingham in the Debit Account.

8. The above analysis of the ISM report supports the assumptions used by the Receiver in the calculations contained in its Seventh Report to the Court with one single exception. As referenced above, the ISM System treats non-marginable securities as securing the margin shortfall in a Debit Account to the extent of the market value of such non-marginable securities. The Seventh Report was prepared on the basis that, since non-marginable securities have no loan value, none of the non-marginable securities were "excess margin".

ALL OF WHICH is respectfully submitted this 3rd day of April, 2002.

BDO DUNWOODY LIMITED
in its capacity as Receiver and Manager of
the assets, property and undertaking of
Buckingham Securities Corporation



Per: Martin Clarkson

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