

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

B E T W E E N:

ONTARIO SECURITIES COMMISSION

Plaintiffs

- and -

BUCKINGHAM SECURITIES CORPORATION

Defendants

**SIXTH 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 responses received from clients of Buckingham to the questionnaire distributed by the Receiver concerning the claim by W.D. Latimer Co. Limited (“Latimer”) for a declaration that Latimer has a valid security interest in all securities held in Buckingham’s account at Latimer.

2. As previously reported in the Receiver's Fifth Report, by letter dated November 29, 2001 sent to each of Buckingham's clients with active accounts, the Receiver informed Buckingham's clients of Latimer's claim and requested that any client who intended to appear and participate in the court proceedings relating to the determination of Latimer's claim inform the Receiver.

3. On January 10, 2002, the Honourable Mr. Justice Campbell directed the Receiver to send a further letter and questionnaire to those clients who had responded to the Receiver's letter of November 29, 2001, in order to obtain additional information relating to the issues raised by Latimer's claim.

4. In accordance with the directions of Justice Campbell, on January 15, 2002, the Receiver sent to each of the Buckingham clients who had responded to the Receiver's letter of November 29, 2001, the letter and questionnaire in the form approved by this court. Copies of the Receiver's letter dated January 15, 2002 and the questionnaire enclosed therewith, are attached as Appendix "A".

5. At the time of completion of this Report, the Receiver had received written responses to the questionnaire from 85 of Buckingham's clients. A spreadsheet summarizing the responses to the questionnaire received by the Receiver, together with copies of each of the completed questionnaires and related correspondence received from Buckingham's clients, are attached as Appendix "B".

Summary of Responses

Question 1 – Client Account Agreements

6. 67 clients indicated they had signed a Client Account Agreement with Buckingham, and 18 clients indicated they had not signed a Client Account Agreement.

Question 2 – Margin Account Agreements

7. 25 Buckingham clients indicated they had signed a Margin Account Agreement with Buckingham, and 60 clients indicated they had not signed a Margin account Agreement with Buckingham.

Question 3 – Autohrization to Pledge Client Securities

8. All of Buckingham's clients who responded to the questionnaire indicated that they did not at any time authorize Buckingham to pledge or grant a security interest in their securities to any third party.

Question 4 – Knowledge that Client Securities Pledged by Buckingham

9. All of Buckingham's clients who responded to the questionnaire indicated that they were not informed at any time that their securities were being offered by Buckingham as security for its indebtedness to any third party, or were subject to a lien for any indebtedness that Buckingham might have to any third party.

Question 5 – Indebtedness to Buckingham

10. Only eight clients indicated that they were indebted to Buckingham at any time between July 1, 2000 and July 31, 2001. Of those eight clients, all but one indicated that their indebtedness had been repaid.

Question 6 – Attendance at Trial

11. 67 clients indicated their intention to attend at the court hearing to be held to determine Latimer's claim.

Question 7 – Additional Information

12. 45 clients who responded to the questionnaire indicated they wished to provide further comments or additional information to the court in respect of the security interest claimed by Latimer. Among those 47 clients, many raised similar issues, expressed common concerns and shared common views. Overall, the clients of Buckingham are vigorously opposed to

Latimer's claim to a security interest in property owned by the client. The common issues raised and concerns expressed in the client responses include the following:

A. Buckingham had no Right to Pledge its Clients Fully Paid and Excess Margin Securities

13. In simple terms, many clients expressed the view that the claim by Latimer was nothing short of theft.

14. Many clients state that Latimer knew or ought to have known that the securities in Buckingham's account included securities which Buckingham had no right to pledge.

15. Many clients stated that, whether or not they had signed a Client Account Agreement or Margin Agreement, Buckingham had no right to pledge the free credit balances, fully-paid-for securities, or excess margin securities held in their account, in support of Buckingham's indebtedness to third parties.

16. Rather, many of Buckingham's clients expected and understood that Buckingham was required to hold such assets in trust for its clients, had no beneficial interest in those assets, and could not pledge those assets as security in support of loans extended to Buckingham.

17. Several clients stated that if they had been made aware that their fully paid for or excess margin securities were being pledged by Buckingham as security for Buckingham's indebtedness, they would not have entrusted their securities to Buckingham and would have immediately transferred all assets out of their account with Buckingham to an account at another brokerage firm.

B. Latimer Failed to Satisfy its Duty to Investigate Whose Assets were Being used as Collateral by Buckingham and is Guilty of Willful Blindness

18. Many clients expressed the view that Latimer failed to satisfy its responsibility and obligation, as a member of the Investment Dealers Association, to know its client. Specifically, several clients are of the view that Latimer's failure to obtain current financial information pertaining to Buckingham's assets and liabilities, the apparent lack of internal

controls at Latimer, and Latimer's mismanagement of its business relationship with Buckingham, contributed to the problem now facing the clients of Buckingham. Further, there is a common view among the clients that if Latimer had made proper inquiries, the problems arising from Buckingham's failure to segregate client securities would have been apparent and the losses facing innocent clients could have been prevented.

19. Many clients expressed the view that Latimer's failure to perform reasonable due diligence, resulted from Latimer's personal interest in profiting from the high interest rates it was collecting on the margin facility extended to Buckingham.

C. Fairness

20. Many clients expressed the view that given Latimer's failure to make reasonable inquiries, the court should not permit Latimer to benefit, to the detriment of Buckingham's clients, who are innocent victims facing significant losses. Simply stated, the clients are of the view that they have done nothing wrong. It would be unfair to impose upon them, as innocent victims, the burden of the loss caused by Buckingham's failure to comply with the rules and regulations in place to protect the investing public because Latimer could have discovered Buckingham's breaches of duty by reasonable inquiries.

21. A number of clients state that they and their families have already suffered severe psychological and financial hardship as a result of their inability to access and obtain the return of their property. One client states that his promise to his son of a University education is being denied because he has been stripped of his life savings. This individual states that he has reached such despair that he is suicidal.

22. A number of clients state that their lives and the lives of their families have been deeply affected as a result of their inability to access the assets in their accounts. For these individuals, these assets represent their "life savings" which they have worked extremely hard to accumulate and upon which they depend for their support and the support of their families.

Several clients comment upon the tremendous anxiety they feel as a result of the financial hardship they will experience if they are unable to obtain the return of what they consider to be rightfully theirs.

ALL OF WHICH is respectfully submitted this 8th day of March, 2002.

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

Per: U. Manski