

New
Nouveau  Brunswick

-CONFIDENTIAL-

April 20, 1995

Mutual Investco Inc.
227 King Street
Waterloo, Ontario
N2J 4C5

**Att: Heather L. Ross,
Registration/Compliance Officer**

**RE: Application for Registration -
Michael Howard Smith**

Dear Sirs:

As you aware this Office has been reviewing the above-noted application for some time. The Deputy Administrator, Compliance and Enforcement, had originally expressed concern to you with regard to criminal convictions which brought into question the applicant's suitability for registration under the New Brunswick Securities Act. Your last correspondence with Mr. LeBlanc on February 28, 1994 indicated that, after again reviewing the circumstances, Mutual Investco Inc. still wished to pursue the application. Mr. LeBlanc met with Mr. Smith on April 11 to further discuss the application.

The Deputy Administrator, having completed his review, recommends to me that Mr. Smith's application for registration not be accepted. He argues that Mr. Smith's convictions on five indictable counts of fraud render the applicant, at least currently, unsuitable for registration. Because of the high standards we require of applicants and registrants, it is argued that registration of Mr. Smith would not be in the public interest.

Having reviewed the application, correspondence and the Deputy Administrator's report, I am inclined to accept his recommendation that Mr. Smith is not currently a suitable candidate for registration. Perhaps, once a pardon has been granted to him, he has gained greater experience as a life insurance underwriter and his activities have been supervised over a longer period of time, his application for registration under the Securities Act might be viewed in a different perspective.

Before finally deciding the matter, however, I wish to offer Mutual Investco Inc. and Mr. Smith the opportunity to make representations to me either in writing or in person. I ask that you advise Mr. LeBlanc by May 5, 1995 whether any representations will be forthcoming. Should a meeting be requested it would be mid-May at the earliest before it can be arranged. Again please discuss an appropriate time and date with Mr. LeBlanc.

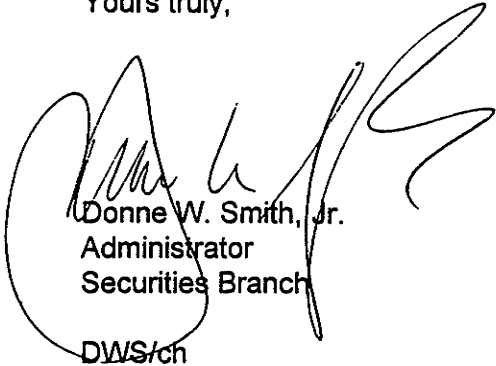
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As I will be out of the Office between April 24 and May 8, I will not be available to discuss this letter. However, I invite you to do so upon my return.


Yours truly,



Donne W. Smith, Jr.
Administrator
Securities Branch

DWS/ch

cc: Edouard LeBlanc,
Deputy Administrator

Date:	April 14, 1995	New Nouveau  Brunswick		Inter - Office memo Note Interservices	
	Name and Title Nom et titre	Department and Branch Ministère et direction	Telephone Téléphone	Reference Référence	
To: À	Donne Smith				
From: De	Ed LeBLanc				
Copies to: Copies à					
Subject: Objet:	Michael Howard Smith - Application for registration, criminal record				

BACKGROUND

Strata Distribution Services submitted an application for Michael Smith ("SMITH") in September 1994. The application disclosed a criminal record. More info was requested and it provided to us on November 4, 1994.

SMITH had been charged for five separate counts of cheque fraud between August 12 and 16, 1988. He appeared and plead guilty in a St. Stephen courtroom on October 17, 1988. He had been picked up in Fredericton on a warrant of arrest and spent the weekend in jail.

The charges were laid as "indictable offenses" and he was sentenced to a \$50.00 fine or in default 3 days consecutive on each count. He was also ordered to pay \$169.00 restitution placed on one year probation.

There were delays in processing SMITH's application. We were first requested to wait for October 31st and the new registration year. Then a further delay occurred when Mutual Invesco took over Strata and his proof of course completion was misplaced. SMITH's proof of successful course completion of the IFIC was finally received on March 15, 1995.

Mutual Invesco which now seeks to register him have no difficulty with SMITH's criminal record. Mutual staff highly praise SMITH and are eager to have SMITH sell mutual funds.

On April 11, 1995 I interviewed SMITH. He contends he was young and naive in 1988. He explains that he inadvertently wrote cheques for which he did not have enough money in the account. He states it was an oversight and no one tried to contact him at home regarding the bad cheques.

SMITH also states that he had made arrangements to repay the owner of the convenience store for the bad cheques before he was picked up. Earlier he had stated that he could have been reached at home at any time regarding the cheques but no one tried. He states first knew there was a problem when he was arrested.

How could he have made arrangements to repay if he did not know there was a problem? If he accidentally wrote a few too many cheques why were they still outstanding two months after he made arrangements to repay them? If he could be so easily reached at home on Deer Island, why was it necessary for the police to arrest him in Fredericton?

SMITH states he has been eligible to apply for a pardon since October 1994. However he has not yet filled out an pardon application which obtained at that time. Parole Services advise that they require 12 to 18 months to process such an application.

RECOMMENDATIONS

Where the charges against SMITH consisted of **five indictable counts of fraud** I submit that it would be contrary to the public interest to grant registration to SMITH. In the past we have suspended the registration of salesperson for lesser offences. The industry image should rightfully be one honesty and integrity. I submit that registering SMITH under the present circumstances would set a dangerous precedent which would lower our current standards and jeopardize the industry's overall image.

Edouard LeBlanc