

## ONTARIO EXECUTIVES FINED \$4.5 MILLION

The former chief executive of Montreal-based Norshield Asset Management, John Xanthoudakis, and his associate Dale Smith have each been assessed penalties of more than \$2 million by the **Ontario Securities Commission** for multiple breaches of Ontario securities law.

The sanctions follow hearings in 2008 and 2009 probing the loss of about \$159 million placed with Norshield by 1,900 retail investors prior to its collapse in 2005.

**Commissioners David Knight and Margot Howard** concluded Xanthoudakis and Smith "engaged in a course of conduct that was abusive to and compromised the integrity of Ontario's capital markets" and "knowingly made statements and provided evidence and information to staff that (were) materially misleading and failed to state facts that were required to be stated in an effort to hide violations of Ontario securities laws."

Investors in Norshield (now in receivership) and affiliated company Olympus United Group were "misled into believing that their funds were invested in a structure that had value and liquidity, of which it had neither," the commissioners said, adding that some investors "suffered financial losses that will impact their lifestyles."

Xanthoudakis and Smith "participated in transactions that artificially inflated" the asset values reported to investors, the commissioners ruled. Lack of evidence that the two benefited financially from their improper conduct "does not mitigate the seriousness of the breaches, nor the consequences to investors of their conduct," the OSC wrote. Xanthoudakis and Smith each received a \$1-million penalty for failing to deal "fairly, honestly and in good faith" with investors. They were also fined \$1 million each for failing to keep complete books and records, and \$125,000 apiece for misleading OSC staff. They were assessed \$295,000 in hearing costs.

Smith and Xanthoudakis have been barred permanently from trading securities (except in their RRSPs or those of their spouses). They are barred from becoming or acting as a director or officer of any publicly traded company.

"These sanctions are appropriate and proportionate to the misconduct and entirely consistent with the commission's duty to impose sanctions that provide general and specific deterrence to market participants," the 22-page ruling said.

(Source: *The Montreal Gazette*: 10 August 2010)