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Notice of Hearing

Michael Lee Mitton

Section 161 of the *Securities Act*, RSBC 1996, c. 418

[para 1]

A hearing will be held (the Hearing) to give Michael Lee Mitton (Mitton) an opportunity to be heard before the British Columbia Securities Commission (the Commission) considers whether it is in the public interest to make the following orders:

1. pursuant to section 161(1)(c) of the *Securities Act*, RSBC 1996, c. 418 (the Act) that any or all of the exemptions described in sections 44 to 47, 74, 75, 98 or 99 of the Act do not apply to Mitton;
2. pursuant to section 161(1)(b) of the Act that Mitton cease trading in or be prohibited from purchasing any securities;
3. pursuant to section 161(1)(d) of the Act that Mitton resign any position that he holds as a director or officer of any issuer and be prohibited from becoming or acting as directors or officers of any issuer;
4. pursuant to section 161(1)(d) of the Act that Mitton be prohibited from engaging in investor relations activities;
5. pursuant to section 162 of the Act that Mitton pay an administrative penalty;
6. pursuant to section 174 of the Act that Mitton pay the prescribed fees or charges for the costs of or related to the Hearing; and
7. to make any other orders the Commission may deem appropriate in the circumstances.

[para 2]

The Commission will be asked to consider the following facts and allegations in making its determinations:

The Respondent

1. Mitton has never been registered under the Act in any capacity.

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2. On November 14, 1988, Mitton entered into an Agreement and Undertaking (the Agreement) with the Superintendent of Brokers. In the Agreement, Mitton admitted to several breaches of the *Securities Act*, SBC 1985, c. 83 (the Former Act), including: insider trading; market manipulation; and failure to meet continuous disclosure filing requirements.
3. On December 19, 1988, the Superintendent of Brokers issued an Order under sections 145 and 145.1 of the Former Act (the Order), which among other things, removed Mitton's exemptions under the Former Act and prohibited him from serving as an officer or director of any issuer from November 1, 1988 to October 31, 2008.
4. Mitton has been convicted by Canadian courts of numerous counts of fraud. Mitton's most recent known convictions for fraud occurred in British Columbia on or about December 27, 2000, when he pled guilty to six counts of fraud in relation to frauds he perpetrated on brokerage firms and a charity.

Bond Trading Scheme

5. In February 1996 (the Relevant Period), Mitton carried out a bond trading scheme (the Bond Trading Scheme) involving the purchase of Government of Canada bonds, without the ability or the intention to pay for the bonds.
6. The Bond Trading Scheme was conducted through three trading accounts at two brokerage firms. The accounts were set up by a group of nominees (the Nominee Group). Mitton attempted to hide his involvement in the Bond Trading Scheme from the brokers, by among other things, using the accounts opened by members of the Nominee Group in order to conduct the Bond Trading Scheme and by employing one or more aliases.
7. Mitton informed some or all of the members of the Nominee Group that:
 - (a) the Bond Trading Scheme would enable them to trade bonds without cost to them by trading on a brokerage firm's capital;
 - (b) if at the time of the settlement of the trades, the prices of the bonds were not beneficial to them, then the brokerage firms would bear the loss; and

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- (c) if one of the brokers began to press for payment of the bond purchases, that broker should be informed that their funds and/or securities were offshore and would take a period of time to deliver the securities in order to settle the account.
- 8. Mitton either directly or through members of the Nominee Group placed seven buy orders for Government of Canada bonds worth approximately \$48.5 million.
- 9. When the brokers asked Mitton and members of the Nominee Group to settle the trades, they gave assurances to the brokers that funds and/or securities would be delivered to cover the cost of the purchase of the bonds.
- 10. The settlement funds were never delivered and as a result, the brokerage firms sold the bonds. The first bond purchase was sold at a profit, but the six others were sold at a substantial loss to the two brokerage firms.

Alleged Violation of the Former Act

- 11. During the Relevant Period, Mitton participated in a scheme that he knew or ought reasonably to have known perpetrated a fraud on persons in British Columbia, contrary to section 41.1 of the Former Act.

Public Interest

- 12. It would be in the public interest, as set out in section 144 of the Former Act, to prohibit Mitton from operating in the capital markets of British Columbia because of, among other things, the following:
 - (a) his activities related to his December 27, 2000 criminal conviction;
 - (b) his involvement in the Bond Trading Scheme; and
 - (c) his breach of the Order.

[para 3]

Mitton may be represented by counsel at the Hearing and may make representations and lead evidence. Mitton is requested to advise the Commission of his intention to attend the Hearing by contacting the Secretary of the Commission at P.O. Box 10142, Pacific Centre, 5th Floor, 701 West Georgia Street, Vancouver, British Columbia, V7Y 1L2 or by email at: commsec@bcsc.bc.ca.

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[para 4]

Mitton is required to attend at the 12th Floor, 701 West Georgia Street, Vancouver, British Columbia, on Tuesday, February 26, 2002, at 10:00 a.m., if he wishes to be heard before the Commission fixes a date for the Hearing.

[para 5]

The Commission may make determinations in this matter if Mitton or his counsel do not appear at the Hearing.

[para 6]

January 31, 2002.

Steve Wilson
Executive Director