

2004 BCSECCOM 294

Notice of Hearing

LOM (Holdings) Limited, LOM Securities (Bahamas) Limited, LOM Securities (Bermuda) Limited, LOM Securities (Cayman) Limited, Lines Overseas Management Limited, Donald P. Lines, Brian N. Lines, Scott G. S. Lines, Malcolm Moseley, David McNay, and J. Scott Hill

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

- ¶ 1 A hearing will be held (the Hearing) to give LOM (Holdings) Limited, LOM Securities (Bahamas) Limited, LOM Securities (Bermuda) Limited, LOM Securities (Cayman) Limited, and Lines Overseas Management Limited, Donald P. Lines, Brian N. Lines, Scott G. S. Lines, Malcolm Moseley (Moseley), David McNay (McNay), and J. Scott Hill (Hill) (collectively, the Respondents) an opportunity to be heard before the British Columbia Securities Commission considers whether it is in the public interest to make the following orders:
1. under section 161(1)(a) of the *Securities Act*, RSBC 1996, c. 418, that the Respondents comply with or cease contravening the Act;
 2. under section 161(1)(b) of the Act, that the Respondents cease trading in, and be prohibited from purchasing any securities or exchange contracts;
 3. under section 161(1)(c) of the Act, that all of the exemptions described in sections 44 to 47, 74, 75, 98 and 99 of the Act do not apply to the Respondents;
 4. under section 161(1)(d) of the Act, that Donald P. Lines, Brian N. Lines, Scott G. S. Lines, Moseley, McNay, and Hill resign any position they may each hold, and be prohibited from becoming or acting, as a director or officer of an issuer and be prohibited from engaging in investor relations activities;
 5. under section 162 of the Act, that the Respondents each pay an administrative penalty;
 6. under section 174 of the Act, that the Respondents each pay prescribed fees or charges for the costs of, or related to, the Hearing; and
 7. to make any other orders that are appropriate in the circumstances.
- ¶ 2 The Commission will be asked to consider the following facts and allegations in making its determination:

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Respondents

1. LOM (Holdings) Limited is company that was incorporated under the laws of Bermuda.
2. LOM Securities (Bahamas) Limited, LOM Securities (Bermuda) Limited, LOM Securities (Cayman) Limited, and Lines Overseas Management Limited are subsidiaries of LOM (Holdings) Limited.
3. LOM Securities (Bahamas) Limited provides investment and financial advice, brokerage services and discretionary investment services from the Commonwealth of The Bahamas.
4. LOM Securities (Bermuda) Limited provides investment and financial advice, brokerage services and discretionary investment services from Bermuda.
5. LOM Securities (Cayman) Limited provides investment and financial advice, brokerage services and discretionary investment services from the Cayman Islands.
6. Lines Overseas Management Limited provides custody, clearing, trading, and administrative services to LOM Securities (Bahamas) Limited, LOM Securities (Bermuda) Limited, and LOM Securities (Cayman) Limited.
7. Donald P. Lines is chairman and a director of Lines Overseas Management Limited and is a resident of Bermuda.
8. Brian N. Lines is president and a director of Lines Overseas Management Limited and is a resident of Bermuda.
9. Scott G. S. Lines is managing director of Lines Overseas Management Limited and is a resident of Bermuda.
10. Moseley is chief financial officer, executive vice president and a director of Lines Overseas Management Limited and is a resident of Bermuda.
11. McNay is the vice president, investment operations of Lines Overseas Management Limited and is a resident of Bermuda.
12. Hill is the compliance manager of Lines Overseas Management Limited and is a resident of Bermuda.

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Purchase and Sale of Shares

13. Lines Overseas Management Limited has accounts at brokerage firms in Canada (the LOM Accounts) which it uses to conduct trades on behalf of its clients.
14. From September 1, 2002 to March 28, 2003 (the Relevant Period) some of the LOM Accounts bought and sold, among other things, the shares of a British Columbia reporting issuer (the Company).
15. During the Relevant Period the LOM Accounts:
 - (a) accounted for approximately 15.5% of the purchases and 35% of the sales of the shares of the Company on the TSX Venture Exchange;
 - (b) engaged in 11 trades in which one of the LOM Accounts was the buyer and another one the seller; and
 - (c) were responsible for 20% of all of the upticks (purchases that take place at a higher price than the last purchase) in the price of the shares of the Company.
16. On November 6, 2003, Commission staff sent a request to the Bermuda Monetary Authority (the BMA) requesting its assistance in obtaining information from Lines Overseas Management Limited relating to the identity of the person(s) trading in the shares of the Company through the LOM Accounts (the Requested Information).
17. The BMA asked Lines Overseas Management Limited to provide it with the Requested Information.
18. Lines Overseas Management Limited declined to provide the BMA with the Requested Information. Instead Lines Overseas Management Limited provided the BMA with a list of all of the transactions that it had conducted in the shares of the Company, from August 19, 2002 to July 29, 2003 (the Transaction Report).
19. The Transaction Report revealed that LOM Securities (Bahamas) Limited, LOM Securities (Bermuda) Limited, and LOM Securities (Cayman) Limited bought a total of 1.65 million shares of the Company and sold a total of 5.6 million shares of the Company on the TSX Venture Exchange and two other stock exchanges. The Transaction Report does not contain any information that would allow Commission staff to determine the identity of the actual person(s) who conducted the purchase and sales of the shares of the Company.

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20. Lines Overseas Management Ltd. and LOM Securities (Bermuda) Ltd. have commenced a court action against the BMA in Bermuda to resist providing the Requested Information.
21. On March 4, 2004 Commission staff wrote to Lines Overseas Management Limited directly requesting that it provide the BMA with the Requested Information. Lines Overseas Management Limited has failed to comply with the request.
22. On April 30, 2004 Commission staff served Lines Overseas Management Ltd., LOM Securities (Bahamas) Limited, LOM Securities (Bermuda), and LOM Securities (Cayman) Limited with a Demand for Production under section 144 of the Act (the Demand). The Demand required these entities to, among other things, provide Commission staff with the Requested Information. Lines Overseas Management Ltd., LOM Securities (Bahamas) Limited, LOM Securities (Bermuda), and LOM Securities (Cayman) Limited have each failed to comply with Demand.

Breach of the Act

23. The Respondents failed to comply with the Demand, contrary to section 144(1) of the Act.

Acts Contrary to the Public Interest

24. The conduct of the Respondents as set out in this Notice of Hearing was contrary to the public interest.

- ¶ 3 The Respondents may be represented by counsel at the Hearing, and make representations and lead evidence. The Respondents are requested to advise the Commission of their intention to attend the Hearing by informing the Commission Secretary at PO Box 10142, Pacific Centre, 701 West Georgia Street, Vancouver, BC V7Y 1L2 phone: (604) 899-6500; email: commsec@bcsc.bc.ca.
- ¶ 4 The Respondents or their counsel are required to attend at the 12th Floor Hearing Room, 701 West Georgia Street, Vancouver, British Columbia, on Wednesday, June 2, 2004, at 9:00 am if they wish to be heard before the Commission sets a date for the Hearing.

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¶ 5 Determinations may be made in this matter if the Respondents or their counsel, do not appear at the Hearing.

¶ 6 May 20, 2004

¶ 7 Stephen J. Wilson
Executive Director