

# 2006 BCSECCOM 404

## Settlement Agreement

### Sagit Investment Management Ltd. and Raoul Noel Tsakok

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

- ¶ 1 Sagit Investment Management Ltd. (SIM) and Raoul Noel Tsakok (Tsakok) have settled the following issues with the Executive Director.

#### **Agreed Statement of Facts**

- ¶ 2 As the basis for the undertakings and orders referred to in this Settlement Agreement, SIM and Tsakok acknowledge the following facts as correct:
1. From 1986 until 2003, SIM was registered under the *Securities Act*, RSBC 1996, c. 418 as an Investment Counsel and Portfolio Manager. SIM was located and carried on a mutual fund management business in Vancouver, British Columbia. It managed 16 mutual funds known as The Cambridge Funds and the Trans-Canada Funds (the SIM Funds).
  2. From 1986 to 2003, Tsakok was registered under the Act as a Director (Advising) and Officer (Trading) for SIM.
  3. Tsakok was principally responsible for the management of SIM and all of the investment decisions made on behalf of the SIM Funds.
  4. In 2003, the SIM Funds were merged with funds managed by a different mutual fund manager and SIM ceased to carry on a mutual fund management business.

#### ***Acting as a Director of a reporting issuer***

5. Between 1994 and 2003 Tsakok was an officer, director and principal shareholder of Richco Investors Inc. (Richco), a reporting issuer whose shares trade on the TSX Venture Exchange.
6. Tsakok acted as an officer and director of a reporting issuer while registered as an Advising Director of SIM, contrary to section 61(2) of the *Securities Rules*, BC Reg. 194/97.

#### ***Management of mutual funds***

7. Since late 1999, the SIM Funds had been experiencing significant redemptions.

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8. Between 2000 and 2003, the SIM Funds, at Tsakok's direction, invested in securities of three reporting issuers, which were or became illiquid investments within the meaning of National Instrument 81-102. These investments exposed the SIM Funds to unnecessary risk and adversely affected the ability of the SIM Funds to meet redemptions.
9. In particular, between 2001 and 2002, two of the SIM Funds, at Tsakok's direction, accumulated approximately 173,700 shares of a reporting issuer. As the net asset value of the SIM Funds declined, they remained invested in this issuer. The investment represented over 20% of the net asset value of the Cambridge Balanced Fund and over 20% of the net asset value of the Cambridge Growth Fund. This resulted in significant concentrations of securities that exposed those Funds to unnecessary risk.
10. Between 1998 and 2002, the SIM Funds acquired, at Tsakok's direction, shares of another reporting issuer. Eventually, the Funds accumulated approximately 6.7 million shares. As the net asset value of the SIM Funds declined, they remained invested in the issuer. This resulted in significant concentrations of securities that exposed those Funds to unnecessary risk.
11. The investment objective of the Trans Canada Dividend Fund, as disclosed in the SIM Funds prospectus of August 2001, was to aim to provide a steady flow of income consistent with reasonable safety of capital. A significant portion of its investment portfolio was invested in high yielding securities. In December 2001, Tsakok directed the Fund to purchase 35,000 shares of a company that had previously announced a planned liquidation and the payment of a special liquidation dividend. This dividend was a one-time return of capital. Since the company did not otherwise pay dividends, the Trans Canada Dividend Fund's investment in the company could not be reasonably expected to produce a flow of income consistent with the investment objective of the Fund. The Fund did otherwise provide a steady flow of income.
12. As a result of the above practices, Tsakok and SIM failed to manage the SIM Funds with the degree of care, diligence and skill that a reasonable person would exercise in the circumstances, contrary to section 125(b) of the Act.

### ***Compliance Deficiencies***

13. In a compliance review carried out by the Capital Markets Regulation Division of the Commission in 2002, SIM's policies and procedures were found to be incomplete, out of date and otherwise inadequate in respect of the business of mutual fund management.

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### **Mitigating Factors**

- ¶ 3 The following facts mitigate the sanctions which would otherwise have applied in the public interest:
1. Tsakok and SIM co-operated fully with the staff of the Capital Markets Regulation Division of the Commission in its compliance review of the above matters; and
  2. Tsakok and SIM voluntarily surrendered their registrations upon the completion of the merger of the SIM Funds with funds managed by a different mutual fund manager.

### **Public Interest**

- ¶ 4 Tsakok acted contrary to the public interest by engaging in the conduct set out above.

### **Undertakings**

- ¶ 5 Tsakok undertakes to:
1. pay to the British Columbia Securities Commission \$45,000 of which \$5,000 represents the cost of the investigation; and
  2. not apply for registration under the Act as an advising or trading officer of a registrant.

### **Order**

- ¶ 6 Tsakok and SIM each consent to an order by the Executive Director under section 161(1)(a) of the Act that they comply fully with the Act, the Securities Rules, and any applicable regulations.

### **Consent to Reciprocal Orders**

- ¶ 7 Tsakok and SIM each consents to any securities regulator in Canada relying on the facts admitted in this settlement to make reciprocal orders against them where permitted under the laws of such other jurisdictions.

### **Waiver**

- ¶ 8 Tsakok waives any right he may have, under the Act or otherwise, to a hearing, hearing and review, judicial review or appeal related to, in connection with, or incidental to this settlement.

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¶ 9 June 27, 2006

¶ 10 Sagit Investment Management Ltd.

“Raoul Tsakok”

Authorized Signatory

“Tim McCafferty” )

Witness Signature )

Tim McCafferty )

Witness Name (please print) )

Suite 1300-777 Dunsmuir Street )

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Address )

Barrister & Solicitor )

Occupation

¶ 11 June 27, 2006

“Raoul Tsakok”

¶ 12 Raoul Noel Tsakok

“Tim McCafferty” )

Witness Signature )

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Occupation

¶ 13 June 30, 2006

¶ 14 Brenda M. Leung  
Executive Director