



Mutual Fund Dealers Association of Canada
Association canadienne des courtiers de fonds mutuels

NEWS RELEASE

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MFDA Hearing Panel Approves Settlement Agreement with Berkshire Investment Group Inc. in relation to Ian Gregory Thow

December 13, 2007 (Vancouver, British Columbia) – A Settlement Hearing in the matter of Berkshire Investment Group Inc. was held today before a Hearing Panel of the Pacific Regional Council of the Mutual Fund Dealers Association of Canada (“MFDA”).

The Hearing Panel approved a Settlement Agreement entered into between the MFDA and Berkshire. Under the terms of the settlement, the Hearing Panel imposed a fine in the amount of \$500,000 on Berkshire and required Berkshire to pay \$50,000 in respect of the MFDA’s costs of its investigation and the hearing.

The Settlement Agreement concerned Berkshire’s failure to conduct reasonable supervisory investigations between September 16, 2004 and June 1, 2005 in response to reports it received from two individuals concerning the activities of one of its mutual fund salespersons, Ian Gregory Thow. Thow was a Senior Vice-President of Berkshire located in Victoria, B.C. Over a period of several years, Thow persuaded numerous individuals, including clients of Berkshire, to provide him with money that he promised to invest on their behalf but instead used for his personal benefit.

The British Columbia Securities Commission conducted enforcement proceedings against Thow, and recently found that he had failed to deal fairly, honestly and in good faith with clients, made misrepresentations and perpetrated a fraud. The Commission described Thow’s activities as “one of the most callous and audacious frauds this province has seen”. The Commission’s decision is available on its website, www.bsc.bc.ca.

Thow is also the subject of a criminal investigation by the Vancouver Integrated Market Enforcement Team of the Royal Canadian Mounted Police.

Although Berkshire was not aware of Thow’s fraudulent activities, Berkshire acknowledged in the Settlement Agreement that it did not take reasonable supervisory and disciplinary measures after it received the reports from the two individuals. Berkshire further acknowledged that, had it taken those measures, it is more likely that Thow’s activities would have been discovered and

brought to an end. Instead, Thow was able to continue to persuade individuals to provide him with an additional \$6.3 million, almost \$4.5 million of which was received from clients of Berkshire.

The Hearing Panel accepted that Berkshire's failure to conduct reasonable supervisory investigations in response to the two reports was not the result of a systemic failure on its part or intentional misconduct. Berkshire has paid substantial amounts to compensate some of the individuals who provided money to Thow.

At a previous settlement hearing held on October 22, 2007, the Hearing Panel declined to approve an earlier settlement agreement entered into between staff of the MFDA and Berkshire concerning the same subject matter.

MFDA disciplinary panels have the power to terminate or suspend membership, levy fines and impose terms and conditions on membership. MFDA disciplinary panels, like many securities regulatory organizations, do not have the power to award compensation. Clients who are not satisfied with Berkshire's response to their complaint have two options. They can:

- Bring their complaint to the Ombudsman for Banking Services and Investments for review. OBSI is a free, independent service for resolving investment disputes. OBSI can recommend compensation of up to \$350,000.
- Commence a civil action before the courts to pursue financial recovery in any amount.

A copy of the Settlement Agreement is available on the MFDA's website, www.mfda.ca. The Hearing Panel will issue the Order approving the settlement and its Decision and Reasons in due course.

The Mutual Fund Dealers Association of Canada is the self-regulatory organization for Canadian mutual fund dealers. The MFDA regulates the operations, standards of practice and business conduct of its 159 Members and their approximately 75,000 Approved Persons with a mandate to protect investors and the public interest.