

OPINION

Promoter claims \$450,162 in illicit trades were 'unintentional'

DAVID BAINES
VANCOUVER SUN

The former president of TSX Venture Exchange-listed New Can-Tech Ventures Inc. has been banned from the B.C. securities market for five years for illegal insider trading.

According to a settlement agreement with the B.C. Securities Commission, staff told Dalton Dupasquier in a March 13, 2007, letter to retract and restate previously announced mineral estimates on the company's molybdenum property in northwestern B.C.

After receiving the letter, but before retracting the previous disclosure, Dupasquier sold 397,500 shares from his personal holdings at prices ranging from \$1.01 to \$1.21, for total proceeds of \$450,162.

By May 1, 2007, the stock had slumped to 93 cents. Then Dupasquier issued a clarifying release and the stock

slumped to 63 cents.

Dalton admitted that, by selling when he did, he avoided a loss of \$179,862. In addition to his stock market suspension, he agreed to pay a penalty equal to this amount.

Curiously, given the obvious nature of his breach, the settlement agreement states that Dupasquier's conduct was "unintentional and not dishonest."

It asserts that his sales were part of an on-going selling program set up by his broker; that his lawyer didn't tell him he couldn't sell shares after receiving the commission's letter; and that he continued to report his trades on insider trading reports.

These are very weak rationalizations. Dupasquier is 67 years old and a veteran Howe Street promoter. He doesn't need his lawyer or his broker to tell him to stop selling in circumstances like this. As for reporting his illicit trades, that's a tactic that promoters often use to mitigate consequences in the event they are caught.

I would like to think that commission staff permitted Dupasquier to insert these gratuitous remarks to facilitate a

settlement that, given his age, amounts to a lifetime ban.

The Investment Industry Regulatory Organization of Canada has fined former Global Securities stockbroker Scott Lower \$50,000 and permanently banned him from the brokerage industry for failing to cooperate with enforcement staff.

Last October, Lower and two Vancouver promoters, Arif Jamani and Bob Vukovich, were named as suspects in an alleged stock bribery scheme.

According to search warrant information sworn by Vancouver police, the three men allegedly paid secret commissions on three separate occasions to an undercover FBI agent in New York.

The undercover agent was posing as a broker who could muster wealthy clients to buy shares in Novori Inc., a Surrey-based company that trades on the OTC Bulletin Board in the United States.

The warrant was used to obtain trading records at Global Securities, where Lower worked. The investigation is still in progress. No charges have been laid.

Lower's career as a broker was neither long nor illustrious. It started in November 2001 when he joined Thomson Kernaghan & Co., a nasty little Toronto-based firm that collapsed in scandal in June 2002.

He then worked at a series of heavily disciplined Vancouver brokerage firms, including Wolverton Securities, Union Securities and finally Global Securities, which terminated his registration last October, shortly after the bribery allegations were publicized.

Bock Alert: Jill MacGregor Bock is at

it again. Despite recommending investments that have lost millions of dollars for her clients, and despite being found by the B.C. Securities Commission to have committed multiple securities violations, and despite having been put on a short leash by the Insurance Council of B.C., she is still portraying herself as a financial expert.

Next Tuesday, she is reprising her well-worn sales presentation — "Six mistakes retirees make with their finances" — at the University Golf Club.

"For 23 years, Jill has been teaching investors age 55-plus how to preserve their assets & leave a legacy, increase their income as much as 30 per cent and reduce income taxes," her flyer reads.

Don't believe it. Her clients have lost millions at her hands. Worse, a securities commission panel declared in June 2007 that she has "shown no real understanding of what she has done and no remorse."

My best advice is to stay away from the University Golf Club on Tuesday, unless you are golfing.

The OTC Bulletin Board is for sale.

The bulletin board is a computerized quotation system where U.S. broker-dealers can post quotations in unlisted securities. About 3,300 securities currently trade there.

It was originally owned and operated by the National Association of Securities Dealers, which was the regulatory body for the brokerage industry in the United States.

In 2007, NASD joined with the New York Stock Exchange to form the Financial Industry Regulatory Authority, which became the new regulatory

body for the brokerage industry. As a result, the bulletin board came under the ownership and supervision of FINRA.

FINRA has regulatory power over brokers only. It has no regulatory power over issuing companies. This is why the bulletin board has become such a magnet for fraudulent penny stocks, a large number originating from Vancouver.

In any event, FINRA has now decided to divest itself of the bulletin board, although it will maintain regulatory responsibility for the trading which occurs on it.

It has invited bids from prospective purchasers. One interested party is believed to be Pink OTC Markets Inc., the New York company that owns and operates the Pink Sheets.

Pink Sheets is another trading forum for unlisted securities.

Unlike the bulletin board, it does not require issuers to report their financial condition to the U.S. Securities and Exchange Commission. As a result, it has attracted many issuers that are even flakier than their OTCBB counterparts.

On the other hand, Pink Sheets, under chairman and major shareholder Cromwell Coulson, has been trying to protect consumers by putting warning labels on stocks, so that investors can distinguish between decent and dodgy issues. A "skull and crossbones" icon, for example, means danger.

Overall, though, both these market forums suffer from regulatory neglect. Combining them will not solve that problem.

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IVANHOE

New mining technology uncovers gold in Mongolia

BY STEVE JAMES

DENVER — Mine engineers using technology that can identify ore bodies more than 3,000 metres underground have discovered new gold and copper deposits below Mongolia's Gobi desert, Ivanhoe Mines chairman Robert Friedland said Tuesday.

Ivanhoe is using the proprietary "Zeus" technology — which measures electrical conductivity to locate mineral deposits — along a 20-kilometre stretch near Ivanhoe's Oyu Tolgoi copper-gold project, he said.

Meanwhile, Ivanhoe is awaiting final approval by the Mongolian government, of Oyu Tolgoi, after the country's parliament recently approved mining law changes that removed most remaining hurdles for its start-up operations.

Friedland said he was not involved in

negotiations going on with the government and could not speak further about the project containing at least 46 million ounces.

But the Ivanhoe chief did speak about new discoveries in the area some 80 km from the border with China.

"Recently we found a new deposit, called Heruga, which is a 13-million-ounce gold deposit in its own right, with about 16 billion pounds of copper equivalent," Friedland said.

He said another as yet unnamed deposit had been located in the area using Zeus, which was developed by a company called Goviex and is licensed to Vancouver-based Ivanhoe.

"What we're doing is stretching enormous copper wires across the Gobi ... and through those wires we put an enormous electrical current," said Friedland.

Reuters

OPINION

Increasingly young and underemployed first nations face challenges for a greater role in B.C. economy

DAN PERRIN



If first nations are to take their rightful place in British Columbia by becoming a bigger force in the economy and a significant contributor to provincial prosperity, federal and provincial governments need to remove barriers to first nations economic activity, and more needs to be done to ensure aboriginal youth complete skills training, K-12 schooling and post-secondary education.

Traditionally, first nations have been viewed as a damper on economic activity, as uncertainty related to unresolved aboriginal claims has often slowed development. Efforts to solve the issue through treaties have yet to generate wide-ranging positive results. Nevertheless, the overall perception of first nations and their role in the economy is changing.

Two things are happening: The aboriginal population is demographically young, underemployed and growing rapidly at a time when the rest of the population is aging and growing slowly. This dynamic points to a greater role for aboriginal people in the labour force of tomorrow.

At the same time, some first nations are becoming more economically engaged, pursuing economic activity as a path to self-determination and self-sufficiency.

An increasing number of bands have built capacity and enthusiasm for participating actively in the economy. While still in the minority, those leading the way are charting a course that others are likely to follow.

Demographics and education

B.C.'s aboriginal population is young and growing, but it is underemployed mainly because of a lack of formal educational qualifications. Yet aboriginal people with post-secondary credentials do as well as or better than the general

population in terms of income and employment. The real issue is that a much higher proportion of the aboriginal population are without a high school diploma than the general population, and the proportion having completed post-secondary education is much lower still.

In large part this can be traced to the lower quality of K-12 education offered to many aboriginal children. Accessibility and the relevance of post-secondary education and other skills training are also factors contributing to relatively low levels of educational attainment among aboriginal people.

Education is an important issue for all types of aboriginal communities — urban and rural, and on and off reserve. The province and other public agencies have done much to try to improve access to K-12 and post-secondary education and skills training for aboriginal people, and there are certainly some signs of progress. However, more needs to be done on the educational and skills front to facilitate greater aboriginal participation in economic development. Looking ahead, federal, provincial and first nations governments need to redouble their efforts in the following policy areas:

- Improve K-12 aboriginal education quality in urban and rural settings.
- Find better ways to get more on-reserve children through the K-12 system.
- Enhance aboriginal access to trades and skills training.
- Put more emphasis on academic college and university attainment by First Nations students.

First nations economic activity

In many ways, the experience of B.C. first nations is similar to that of first nations throughout North America. In the United States, the Harvard project has been exploring the principles and conditions that help first nations achieve economic success. The main conclusions are:

- Sovereignty matters. When native nations make their own decisions about how they should approach devel-

opment of their economies, they consistently out-perform external decision-makers.

• Institutions matter. Sovereignty must be backed by capable institutions of governance.

• Culture matters. Successful economies stand on the shoulders of legitimate, culturally grounded institutions of self-government.

• Leadership matters. Nation-building requires leaders who introduce new knowledge and experiences, challenge assumptions and propose constructive change.

The message is that to develop a successful first nations economy, "investors" must be willing to invest, whether it is people coming to work as employees or businesses entering partnerships and contributing capital. The good news is that a growing number of B.C. first nations have been able to attract investment and have made progress in developing their economies.

The next step depends on aboriginal leaders leveraging the lessons learned by those first nations that are leading the way. Success also hinges on leadership at the band level, and on the ability of local leaders to embrace the principles of nation-building and good governance in pursuit of self-determination and self-sufficiency.

For the federal and provincial governments, the priority must be to practice flexibility and to remove as many barriers as possible to first nations economic activity, while being neutral regarding the approaches or models to be used — whether it is band-owned businesses, partnerships with the private sector or aboriginal entrepreneurs.

Special to The Sun

Dan Perrin is a principal in Perrin, Thorau and Associates Ltd., a consultancy based in Victoria that provides advice to public- and private-sector clients and first nations on public policy issues. This article is a summary of his paper to be presented at the second of four economic summits hosted by the Business Council of B.C. in Vancouver on Sept. 22. The full version of his paper can be found at www.vancouver.sun.com/business

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