

**SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

B E T W E E N:

ONTARIO SECURITIES COMMISSION

Plaintiffs

- and -

BUCKINGHAM SECURITIES CORPORATION

Defendants

**FOURTEENTH REPORT OF
BDO DUNWOODY LIMITED, IN ITS
CAPACITY AS RECEIVER AND MANAGER OF
BUCKINGHAM SECURITIES CORPORATION**

TO THE SUPERIOR COURT OF JUSTICE

A. PURPOSE OF THE REPORT

1. This report of BDO Dunwoody Limited in its capacity as Court-Appointed Receiver and Manager (the “Receiver”) of the estate of Buckingham Securities Corporation (“Buckingham”) is filed in support of a motion by the Receiver for an Order:
 - (a) authorizing and directing the Receiver to enter into a proposed agreement with W.D. Latimer Co. Ltd. (“Latimer”) for the purpose of liquidating the majority of securities held by Buckingham and maximizing realizations thereon for the benefit of all of the stakeholders.

B. BACKGROUND

2. Buckingham was a securities dealer and provided investment services to its clients, which numbered approximately 1,000 on an active basis.
3. The Receiver was appointed Receiver and Manager of the assets and undertaking of Buckingham, including assets held in the name of Buckingham, as principal or agent, beneficially or otherwise (the "Property") by Order of the Honourable Madame Justice Swinton dated July 26, 2001 (the "Appointment Order"). Paragraph 5 of the Appointment Order expressly empowers the Receiver to negotiate and do all things necessary and desirable to complete a sale of any and all securities comprising the Property and pay all debts and commissions necessary for the sale of such Property.
4. Prior to the appointment of the Receiver, the activities of Buckingham had been frozen pursuant to an Order of the Ontario Securities Commission dated July 6, 2001 (the "Cease Trade Order"). As a result, Buckingham has not traded any securities since that date.

C. SECURITIES PORTFOLIO

5. As previously reported in the Receiver's Thirteenth Report to the Court, the statements obtained by the Receiver indicate that as at December 31, 2003, the investments held by the Receiver on behalf of Buckingham and its clients were as follows:

Broker	Valuation Date	Balance Owing	Cash & Securities	Net Equity
*2 Bear Stearns in CDN\$	December 31 2003	(334,486)	\$ 796,140	\$ 461,655
*2 RBC - USD Gen	December 31 2003		6,083	6,083
RBC - CDN Gen	December 31 2003		761,170	761,170
*1 RBC - W.D. Latimer	December 31 2003	(2,000,000)	4,954,433	2,954,433
HSBC - CDN Cash	December 31 2003		12,592	12,592
*2 Canaccord Capital in US\$	December 31 2003		50,505	50,505
Totals		(2,334,486)	\$ 6,580,922	\$ 4,246,437

*1 The Balance Owing is estimated

*2 Exchange Rate of \$US/\$CDN = \$1.295 used in conversion

[1] Based on an analysis completed by HSBC Securities the Receiver is advised that approximately 75% of the portfolio of the securities is illiquid securities ("penny stocks") and may take between 11 to over 180 days to realize on.

[2] It should be noted that quoted values for "penny stocks" may greatly exceed liquidation values, especially where large blocks of shares are held. Accordingly, the estimated net equity of \$4,246,437 may be greatly overstated to the point where realizable liquidation values could well be insufficient to discharge the costs of the receivership.

[3] The Court's decision re entitlement to securities held by W.D. Latimer to cover its indebtedness of approximately \$2,000,000 is being appealed by the Receiver. The Receiver estimates the claim of W.D. Latimer to be between \$700,000 and \$2,000,000, excluding interest charges.

[4] All securities held by HSBC Securities were transferred over to RBC Global Services when the former shut down its institutional sales department in Canada. Mutual funds are still held at HSBC Securities.

6. As noted above, the Receiver has been advised that a large portion of the Securities held by Buckingham on behalf of its clients are of an illiquid nature. Many securities are "penny stocks", and as large quantities of those penny stocks are held, the quoted values may not be obtained unless the securities are sold gradually, in small lots, over a lengthy period of time.

7. In addition, a realization of the securities portfolio is frustrated at this time by the alleged security interest claimed by Latimer. Latimer has asserted a security interest over all of the securities held in Buckingham's account at Latimer, to secure Buckingham's indebtedness to Latimer. The Receiver has disputed Latimer's security interest in "fully paid" and "excess margin" securities held by Buckingham on behalf of its clients, on the

basis that such securities were required to be segregated and held in trust by Buckingham for its clients under Ontario securities law, and that Latimer ought to have known of Buckingham's failure to segregate. The Receiver moved for a trial of the issues relating to the validity of Latimer's security interest in fully paid and excess margin securities.

8. In preparation for that trial, the Receiver obtained reports using an accounting system provided by ISM, which identify the "fully paid" and "excess margin" securities which ought to have been segregated by Buckingham as at the date of the Cease Trade Order, July 6, 2001 (the "Disputed Portfolio"). Apart from the Disputed Portfolio, the Receiver does not dispute the validity of Latimer's security interest in the balance of the securities held in Buckingham's account at Latimer (the "Non-Disputed Portfolio").
9. Following the trial of the issues, the Honourable Mr. Justice Ground held that the security interest of Latimer in fully paid and excess margin securities held by Buckingham for its clients is valid and enforceable and ranks in priority to the claims of clients of Buckingham.
10. The Receiver has appealed from that Judgment, and the Appeal is scheduled to be heard by the Court of Appeal on May 20, 2004.
11. In light of the overall improvement in the securities markets, the Receiver has recently renewed its discussions with Latimer in an effort to resolve the dispute and pursue a realization strategy with a view to liquidating the securities portfolio under its administration. The Receiver is of the view that Latimer, because of its experience and expertise as a security broker dealing in illiquid securities, is in the best position to maximize realizations upon the illiquid securities in the portfolio held by Buckingham. The Receiver also believes that the liquidation of the securities portfolio into cash will facilitate the Receiver's efforts to resolve the outstanding dispute with Latimer concerning the validity of Latimer's security interest currently pending before the Court of Appeal. Accordingly, subject to the approval of this Honourable Court, the Receiver

proposes to enter into an agreement with Latimer with respect to the liquidation of the securities held by the Receiver, other than the securities located at Bear Stearns & Co. in the United States, on the following terms and conditions:

- (a) Latimer will receive a commission of 1% of the sale proceeds realized on the liquid securities (i.e. securities having a market value of over \$1.50) in the Disputed Portfolio and the securities held in any other accounts of Buckingham other than at Bear Stearns (the “Free Portfolio”);
 - (b) Latimer will be paid (in lieu of a commission) and apply towards the indebtedness owing to it by Buckingham, 50% of the first \$500,000 of the proceeds realized on the sale of the illiquid securities (i.e. securities having a market price of under \$1.50) in the Disputed Portfolio and the Free Portfolio;
 - (c) Latimer will be paid (in lieu of a commission) and apply towards the indebtedness owing to it by Buckingham, 75% of the proceeds realized above \$500,000 from the sale of illiquid securities in the Disputed Portfolio and Free Portfolio;
 - (d) no commission will be paid to Latimer on any of the liquid or illiquid securities in the Non-Disputed Portfolio and Latimer will be entitled to realize upon that collateral and apply the proceeds towards the indebtedness owing to it by Buckingham.
12. The Receiver is of the view that the proposed agreement with Latimer outlined above, is in the best interest of the estate as it will allow the portfolio to be liquidated at this time, when market values have increased, and reduce ongoing costs of the receivership by eliminating safekeeping fees of approximately \$1,400 per month for maintaining the portfolio of securities. In addition, the Receiver believes that Latimer is the securities broker in the best position to maximize realizations on the illiquid securities in this particular portfolio and that the proposed incentive and commission arrangement is

reasonable for all parties. The Receiver therefore seeks approval of this Honourable Court to proceed with the realization of the securities on the terms outlined above.

ALL OF WHICH is respectfully submitted this 23rd day of February, 2004.

BDO DUNWOODY LIMITED
in its capacity as Receiver and Manager of
the assets, property and undertaking of
Buckingham Securities Corporation
Per:

Uwe Manski, FCA, FCIRP