

Case Name:
Edwards Securities Inc. (Re)

**IN THE MATTER OF the Securities Act, R.S.O. 1990,
c. S.5, as amended
AND IN THE MATTER OF Edwards Securities Inc., David
Gerald Edwards, David Frederick Johnson, Clansman 98
Investments Inc. and Douglas G. Murdock
Order
(Section 127 and 127.1)**

2002 LNONOSC 17

Also reported at: (2002), 25 OSCB 8444

Ontario Securities Commission

R. Davis, H. Hands

Decision: December 11, 2002.

ORDER:-- WHEREAS on August 9, 2002 the Ontario Securities Commission (the "Commission") issued a Notice of Hearing pursuant to sections 127 and 127.1 of the Securities Act, R.S.O. 1990 c.S.5, as amended (the "Act") in respect of Edwards Securities Inc., David Gerald Edwards, David Frederick Johnson, Clansman 98 Investments Inc. ("Clansman") and Douglas G. Murdock ("Murdock");

AND WHEREAS Murdock and Clansman entered into a settlement agreement with Staff of the Commission dated November 22, 2002 (the "Settlement Agreement") in which they agreed to a proposed settlement of the proceeding, subject to the approval of the Commission;

AND UPON reviewing the Settlement Agreement and the Statement of Allegations of Staff of the Commission, and upon hearing submissions from Murdock and from counsel for Staff of the Commission;

AND WHEREAS the Commission is of the opinion that it is in the public interest to make this Order;

IT IS ORDERED THAT:

- (1) the Settlement Agreement dated November 22, 2002 attached to this Order is hereby approved;
- (2) pursuant to clause 2 of subsection 127(1) of the Act, Murdock is hereby permanently prohibited from trading in securities, with the exception that he is permitted to sell any security that he owns on the date of this Order;
- (3) pursuant to clause 6 of subsection 127(1) of the Act, Murdock is hereby reprimanded by the Commission;
- (4) pursuant to clause 7 of subsection 127(1) of the Act, Murdock is hereby required to resign all positions that he currently holds as officer or director of any issuer;
- (5) pursuant to clause 8 of subsection 127(1) of the Act, Murdock is hereby permanently prohibited from becoming or acting as an officer or director of any issuer;
- (6) pursuant to subsection 127.1(1)(b) of the Act, Murdock will make a payment to the Commission in the amount of \$5,000.00 in respect of a portion of the costs of Staff's investigation of this matter;
- (7) pursuant to clause 2 of subsection 127(1) of the Act, Clansman is hereby permanently prohibited from trading in securities; and
- (8) pursuant to clause 6 of subsection 127(1) of the Act, Clansman is hereby reprimanded by the Commission.

R. DAVIS
H. HANDS

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IN THE MATTER OF
THE SECURITIES ACT
R.S.O. 1990, c. S.5, AS AMENDED

AND

IN THE MATTER OF
EDWARDS SECURITIES INC.,
DAVID GERALD EDWARDS,
DAVID FREDERICK JOHNSON,
CLANSMAN 98 INVESTMENTS INC.
and DOUGLAS G. MURDOCK

SETTLEMENT AGREEMENT
BETWEEN STAFF, CLANSMAN 98 INVESTMENTS INC.
and DOUGLAS G. MURDOCK

I INTRODUCTION

1. By Notice of Hearing dated August 9, 2002, the Ontario Securities Commission announced that it proposed to hold a hearing to consider whether, pursuant to sections 127 and 127.1 of the Ontario Securities Act, it is in the public interest for the Commission:
 - (a) to make an order that trading in securities by the respondents, or any of them, cease permanently or for such other period as specified by the Commission;
 - (b) to make an order that David Gerald Edwards and David Frederick Johnson, or either of them, resign their positions as officers and/or directors of the respondent Edwards Securities Inc. and resign their positions as an officer and/or director of any other issuer;
 - (c) to make an order that Douglas G. Murdock resign his position as an officer and/or director of the respondent Clansman 98 Investments Inc. and resign his positions as an officer and/or director of any other issuer;
 - (d) to make an order that Edwards, Johnson and Murdock, or any of them, are prohibited from becoming or acting as a director or officer of any issuer;
 - (e) to make an order that the respondents or any of them be reprimanded;
 - (f) to make an order that the respondents, or any of them, pay the costs of Staff's investigation in relation to this proceeding;
 - (g) to make an order that the respondents, or any of them, pay the costs of the proceeding incurred by or on behalf of the Commission; and
 - (h) to make such other order as the Commission considers appropriate.

II JOINT SETTLEMENT RECOMMENDATION

2. Staff of the Commission agree to recommend settlement of the proceedings initiated in respect of the respondents by the Notice of Hearing in accordance with the terms and conditions set out below. Murdock and Clansman agree to the settlement on the basis of the facts agreed to as provided in Part III and consent to the making of an Order in the form attached as Schedule "A" on the basis of the facts set out in Part III.
3. This settlement agreement, including the attached Schedule "A" (collectively, the "Settlement Agreement"), will be released to the public only if and when the settlement is approved by the Commission.

III FACTS

4. Edwards Securities Inc. ("ESI") is a corporation incorporated under the laws of Ontario with a registered office at 240 Argyle Avenue in Ottawa.

ESI was registered with the Commission as a Dealer in the category of Securities Dealer from September 15, 1988 to March 6, 2000.

5. Johnson is an individual residing in Ontario, and was at all material times the President and sole Director of ESI. Johnson was registered with the Commission as ESI's designated Trading Officer from September 15, 1988 to March 6, 2000.
6. Edwards was at all material times an officer and the owner of the majority of the shares of ESI. Edwards was registered with the Commission as a Salesperson of ESI from September 22, 1988 to March 6, 2000.

Mercrest Development Inc.

7. Mercrest Development Inc. is a corporation incorporated pursuant to the laws of Delaware, which traded on the OTC Bulletin Board under the symbol "MDEX". At all material times, Edwards was the President, Chief Executive Officer, Chief Financial Officer, Director and the owner of the majority of the shares of Mercrest. In 1998, Mercrest changed its name to Addison Industries Inc., which trades under the symbol "ADIS".

Clansman 98 Investments Inc. and Douglas Murdock

8. Clansman 98 Investments Inc. is a corporation incorporated under the laws of Ontario with a registered office at 3660 Hurontario Street in Mississauga. Clansman has never been registered in any capacity under the Act, and is not a reporting issuer in Ontario.
9. Douglas G. Murdock was at all material times the President, Secretary, Treasurer and sole Director of Clansman. He has never been registered in any capacity under the Act.

Trading Without a Prospectus

10. During the period between February and April, 1998 ESI, Clansman, Edwards and Murdock traded in securities, namely shares of Clansman, where such trading constituted a distribution of securities, without a receipted prospectus.
11. Clients of ESI were contacted by Edwards and offered an opportunity to invest in shares of Clansman. Clients who expressed interest in this opportunity were shown a package of documents relating to Clansman's proposed acquisition of Harding Carpet Canada Ltd., a company located in Brantford, Ontario which was then in receivership.
12. Clients wishing to invest in Clansman were informed that its shares could only be purchased in "units" of at least \$12,500. Those who chose to invest were asked to execute a document titled "Expression of Interest". This document stated that ESI was acting as agent for Clansman, and that the investor would be purchasing "Class C Common Shares" of Clansman. This executed document was to be returned to ESI accompanied by a cheque representing payment in full for the requested shares.

13. As a result of these promotional activities, at least \$1,412,750 was raised from at least 89 individual investors. The majority of these individual investors were clients of ESI.

Failure to Disclose Commission

14. ESI, Clansman, Edwards and Murdock failed to disclose to investors that ESI received a commission of 20% on the sale of all Clansman shares.

Failure to Disclose Interest

15. Clansman and Murdock did not employ investors' funds to acquire the business of Harding Carpets, as they originally represented. Instead, the majority of the funds raised were used to purchase shares of Mercristo, a company owned and directed by Edwards. Investors were never informed, prior to their investment in Clansman, that their funds would be employed in this way.

IV TERMS OF SETTLEMENT

16. Murdock and Clansman agree to the following terms of settlement:
 - (a) pursuant to clause 2 of subsection 127(1) of the Act, Murdock will be permanently prohibited from trading in securities, with the exception that he is permitted to sell the securities that he holds on the date of Order of the Commission approving this proposed settlement agreement at any time;
 - (b) pursuant to clause 6 of subsection 127(1) of the Act, Murdock will be reprimanded by the Commission;
 - (c) pursuant to clause 7 of subsection 127(1) of the Act, Murdock will be required to resign all positions that he currently holds as officer or director of an issuer, effective the date of the Order of the Commission approving this proposed settlement agreement;
 - (d) pursuant to clause 8 of subsection 127(1) of the Act, Murdock will be permanently prohibited from becoming or acting as an officer or director of any issuer, effective the date of the Order of the Commission approving this proposed settlement agreement;
 - (e) pursuant to subsection 1 of section 127.1 of the Act, Murdock will make a payment of \$5000.00 towards the costs of Commission Staff's investigation of this matter.
 - (f) pursuant to clause 2 of subsection 127(1) of the Act, Clansman will be permanently prohibited from trading in securities, effective the date of the Order of the Commission approving this proposed settlement agreement; and

- (g) pursuant to clause 6 of subsection 127(1) of the Act, Clansman will be reprimanded by the Commission.

V STAFF COMMITMENT

- 17. If this Settlement Agreement is approved by the Commission, Staff will not initiate any complaint to the Commission or request the Commission to hold a hearing or issue any order in respect of any conduct or alleged conduct of the respondents in relation to the facts set out in Part III of this Settlement Agreement.

VI PROCEDURE FOR APPROVAL OF SETTLEMENT

- 18. The approval of the settlement as set out in the Settlement Agreement shall be sought at a public hearing before the Commission scheduled for such date as is agreed to by Staff and Murdock and Clansman in accordance with the procedures described herein and such further procedures as may be agreed upon between Staff and Murdock and Clansman.
- 19. If this Settlement Agreement is approved by the Commission, it will constitute the entirety of the evidence to be submitted respecting Murdock and Clansman in this matter and Murdock and Clansman agree to waive any right to a full hearing and appeal of this matter under the Act.
- 20. If this Settlement Agreement is approved by the Commission, the parties to this Settlement Agreement will not make any statement that is inconsistent with this Settlement Agreement.
- 21. If, for any reason whatsoever, this settlement is not approved by the Commission, or the Order set forth in Schedule "A" is not made by the Commission:
 - (a) each of Staff and Murdock and Clansman will be entitled to proceed to a hearing of the allegations in the Notice of Hearing and related Statement of Allegations unaffected by the Settlement Agreement or the settlement;
 - (b) the terms of the Settlement Agreement will not be raised in any other proceeding or disclosed to any person except with the written consent of Staff and Murdock and Clansman or as may be otherwise required by law; and
 - (c) Murdock and Clansman further agree that they will not raise in any proceeding the Settlement Agreement or the negotiation or process of approval thereof as a basis for any attack on the Commission's

jurisdiction, alleged bias, appearance of bias, alleged unfairness or any other challenge that may otherwise be available.

22. If, prior to the approval of this Settlement Agreement by the Commission, there are new facts or issues of substantial concern, in the view of Staff, regarding the facts set out in Part III of this Settlement Agreement, Staff will be at liberty to withdraw from this Settlement Agreement. Notice of such intention will be provided to Murdock and/or Clansman in writing. In the event of such notice being given, the provisions of paragraph 21 in this part will apply as if this Settlement Agreement had not been approved.

VII DISCLOSURE OF AGREEMENT

23. Staff or Murdock or Clansman may refer to any part or all of this Settlement Agreement in the course of the hearing convened to consider this agreement. Otherwise, this Settlement Agreement and its terms will be treated as confidential by all parties to the Settlement Agreement until approved by the Commission, and forever if, for any reason whatsoever, this settlement is not approved by the Commission.
24. Any obligation as to confidentiality shall terminate upon the approval of this Settlement Agreement by the Commission.

VIII EXECUTION OF SETTLEMENT AGREEMENT

25. This Settlement Agreement may be signed in one or more counterparts which together shall constitute a binding agreement and a facsimile copy of any signature shall be as effective as an original signature.

November 22, 2002.

"Douglas G. Murdock"
Douglas G. Murdock

November 22, 2002.

"Douglas G. Murdock"
Clansman 98 Investments Inc.
Per: Douglas G. Murdock

November 22, 2002.

"Michael Watson"
Staff of the Ontario Securities Commission
Per: Michael Watson

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