



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

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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 TRAPEZE ASSET MANAGEMENT INC.,
RANDALL ABRAMSON AND HERBERT ABRAMSON**

**STATEMENT OF ALLEGATIONS
OF STAFF OF THE ONTARIO SECURITIES COMMISSION**

**STAFF OF THE ONTARIO SECURITIES COMMISSION MAKE THE FOLLOWING
ALLEGATIONS:**

1. Between September 30, 2006 and August 31, 2010 (the “Relevant Time”), Trapeze Asset Management Inc. (“Trapeze”) was registered under Ontario securities law as an adviser in the category of portfolio manager (previously investment counsel and portfolio manager), and as a dealer in the category of exempt market dealer (previously limited market dealer).
2. During the Relevant Time, Randall Abramson was the President and Chief Executive Officer, a director and an indirect majority shareholder of Trapeze, registered under Ontario securities law as a dealing representative and advising representative (formerly trading and advising officer), the Ultimate Designated Person (formerly Ultimate Responsible Person) and Chief Compliance Officer of Trapeze. Randall Abramson resigned as Chief Compliance Officer of Trapeze on September 7, 2011.
3. During the Relevant Time, Herbert Abramson was the Chairman and a director of Trapeze and was registered under Ontario securities law as a dealing representative and advising representative of Trapeze (formerly trading and advising officer).

4. During the Relevant Time, Trapeze, Randall Abramson and Herbert Abramson (together, the “Respondents”):
 - a. inaccurately assessed the risk associated with many of the investments purchased on behalf of clients in managed accounts;
 - b. did not give sufficient weight to sector and individual security concentration risk, price volatility risk and liquidity risk (the “Risks”), resulting in purchased securities being assessed as medium risk, with the exception of authorized short-selling which was considered high risk. Adequate consideration of the Risks would have resulted in higher than medium risk ratings being assigned to securities and client portfolios during the Relevant Time;
 - c. managed accounts on a discretionary basis and invested the assets predominantly in securities of the same issuers in varying proportions depending on the investment mandate selected by clients;
 - d. as a result of the Respondents’ misclassifications of risk of securities and their investments on behalf of virtually all clients in securities of the same issuers, the Respondents failed to ensure that investments made during the Relevant Time were suitable for all of their clients, the vast majority of whom had a medium risk tolerance;
 - e. in some cases the Respondents did not adequately ascertain clients’ investment needs, investment objectives and risk tolerance prior to investing their assets;
 - f. at certain points in time during the Relevant Time, many clients experienced substantial declines in the market value for their accounts at Trapeze;
 - g. as a consequence of the Respondents’ risk misclassification, statements made in marketing materials distributed to clients did not adequately present the risks of investing with the Respondents; and
 - h. thereby engaged in conduct contrary to section 1.5 of OSC Rule 31-505, sections 13.2 and 13.3 of NI 31-103, section 129.2 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended, and conduct contrary to the public interest.

DATED at Toronto this 20th day of April, 2012