

**IN THE MATTER OF AN APPEAL TO THE APPEAL COMMITTEE
OF THE CANADIAN INVESTOR PROTECTION FUND**

RE: [REDACTED]

Heard: July 21, 2015, by teleconference

PANEL:

PATRICK J. LESAGE) Appeal Committee Member

APPEARANCES:

[REDACTED]) Appellants on their own behalf and on behalf of
[REDACTED]

Nicholas Businger) Counsel for the Canadian Investor
Protection Fund Staff

DECISION AND REASONS

1. The Appellants were clients of First Leaside Securities Inc. (“FLSI”), an investment dealer through which over 1,200 customers made investments in various affiliated companies, trusts and limited partnerships (collectively the “First Leaside Group”). FLSI was registered with the Ontario Securities Commission (“OSC”) and was a member of the Investment Industry Regulatory Organization of Canada (“IIROC”). It was also a member of the Canadian Investor Protection Fund (“CIPF” or the “Fund”) until its suspension by IIROC on February 24, 2012, being the same date that FLSI was declared to be insolvent and the day after FLSI sought protection under the *Companies’ Creditors Arrangement Act*. The relevant history leading up to these events and the

role of CIPF with respect to claims to the Fund are set out in detail in the Appeal Committee's decision in relation to an appeal heard on October 27, 2014.¹

2. The Appellants, through their investment dealer John Wilson at FLSI, invested \$51,602.00 in First Leaside Group entities. John Wilson was also closely connected to the FL group entities in which the [REDACTED] family invested. [REDACTED] said John Wilson touted the fact that the First Leaside Group investments 'had the seal of approval of CIPF'. The Appellants gave John Wilson considerable leeway in determining where, within the First Leaside Group, their money would be invested. The Appellants, like so many other investors of First Leaside products were not aware that during part of the period that they were investing, First Leaside was under investigation by the OSC and that the Grant Thornton report was being prepared.

3. As [REDACTED] put it, "we trusted John Wilson to invest it wisely". [REDACTED] submitted that CIPF "should not be seen as endorsing a product if it has not exercised due diligence". He also suggested that if CIPF provides only the minimal coverage that Staff suggests then CIPF should (a) make that clearly and unequivocally known to investors; or (b) it should change its name to something less misleading. He said, "if it doesn't 'protect', then that word should not be used". He also said, "in the end, CIPF does not cover much of anything."

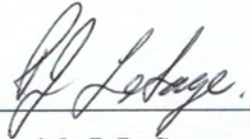
4. Mr. Businger, counsel for Staff, in his submissions referred to the nature of the coverage and that the loss in the Appellants investments arose not from the insolvency of FLSI but from the declining value of those investments.

5. CIPF coverage is limited to custodial coverage. As was indicated in the October 27, 2014 decision, the CIPF brochure outlines this limitation on coverage. Any misrepresentations of the coverage that may have been made were not made by CIPF but by FLSI and/or the promoters of the First Leaside Group who were selling the product. Oversight of investment dealers is primarily the jurisdiction of IIROC with additional oversight by the OSC. CIPF has no regulatory or supervisory oversight over investment dealers.

¹ This decision is available on the CIPF website and will be referenced throughout as the "October 27, 2014 decision".

6. The Appellants have suffered a loss. I sympathize with their plight and have heard their perspective; however, their loss is not covered by the CIPF coverage policy. The appeals must therefore be dismissed. The decisions of the CIPF Staff are upheld.

Dated at Toronto, this 19th day of October, 2015

A handwritten signature in black ink, appearing to read "P. J. LeSage", written over a horizontal line.

Patrick J. LeSage